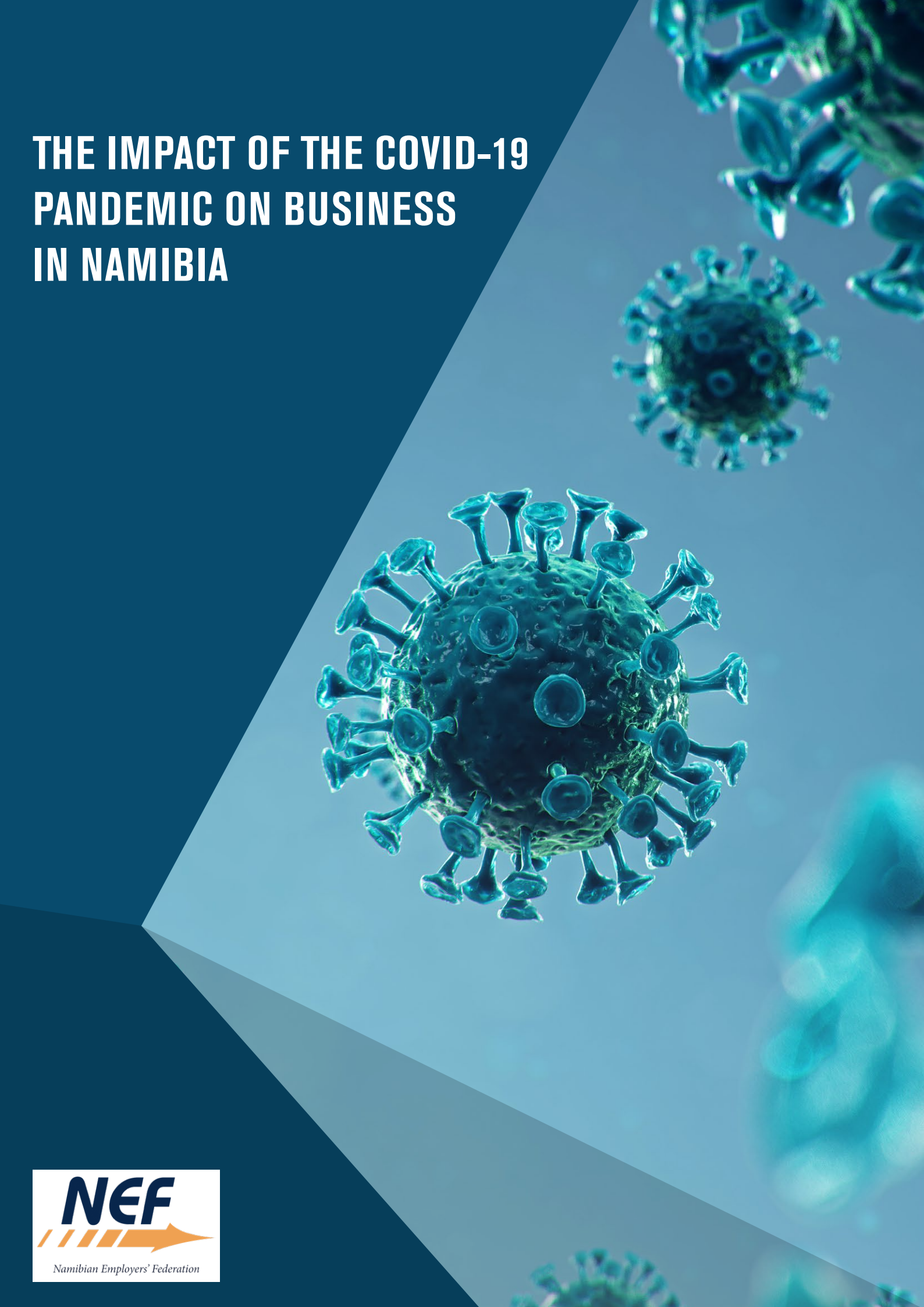
THE IMPACT OF THE COVID-19 PANDEMIC ON BUSINESS IN NAMIBIA



NEF

Namibian Employers' Federation

THE IMPACT OF THE COVID-19 PANDEMIC ON BUSINESS IN NAMIBIA

A RESEARCH REPORT BY
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The conclusions drawn from this report and all possible mistakes therein remain our own exclusively and should in no way be ascribed to the individuals or organisations mentioned above.

TABLE OF CONTENTS

Summary 6
1 Introduction 8
2 The economic effects of the Covid-19 Pandemic 10
3 Covid-19 in Namibia 11
4 Research objectives 14
5 Methodology 15
6 The sample 16
7 Survey results 17
7.1 Background 17
7.1.1 Business size 17
7.1.2 Registration 18
7.1.3 Age of business 18
7.2 Impact of Covid-19 18
7.2.1 Business interruption 19
7.2.2 Immediate responses 19
7.2.3 Retrenchments 20
7.2.4 Wage reductions 22
7.2.5 Assistance received 24
7.2.6 Biggest challenges 25
7.2.7 Insurance 26
7.2.8 Prospects for surviving Covid-19 Pandemic 27
7.2.9 Future concerns 30
8 Conclusions 31
9 Bibliography 32

ANNEXURE 1: SAMPLE BY ECONOMIC DIVISION 33

TABLE OF FIGURES

Figure 1: Sample Breakdown by Region 16
Figure 2: Business Sample by Number of Staff 17
Figure 3: Business Registration by Agency 17
Figure 4: Age of Business 18
Figure 5: Perceptions of COVID-19 by Time 18
Figure 6: Operational Status 19
Figure 7: Actions taken in Response to COVID-19 19
Figure 8: Actual and Planned Retrenchments 20
Figure 9: Proportion of Staff Retrenched 20
Figure 10: Planned retrenchments 20
Figure 11: Retrenchments by Operational Status 21
Figure 12: Retrenchments by Time Since Lockdown 21
Figure 13: Wage Reductions 22
Figure 14: Proportion of Staff Affected by Wage Reductions 23
Figure 15: Average Size of Wage Cuts 23
Figure 16: Wage Reductions by Operational Status 23
Figure 17: Assistance Received 24
Figure 18: Sources of Assistance 24
Figure 19: Biggest Challenges 25
Figure 20: Two Biggest Challenges by Time Since Lockdown 25
Figure 21: Business Insurance Prior to COVID-19 26
Figure 22: Type of Insurance 26
Figure 23: Financial impact of COVID-19 27
Figure 24: Sufficient Funding to Stay Operational 27
Figure 25: Access to Funding by Operational Status 28
Figure 26: Access to Funding by Days Since Lockdown 28
Figure 27: Business Survival under Current Conditions 29
Figure 28: Time Expected to Restore to Full Operations 30
Figure 29: Concerns for the Future 30

SUMMARY

THE COVID-19 PANDEMIC AND ITS IMPACT ON NAMBIAN BUSINESSES

The COVID-19 crisis has significantly affected enterprises in Namibia. Considering the important role that businesses play in creating jobs, economic growth, development and prosperity, Survey Warehouse conducted a needs assessment survey to identify key challenges faced by businesses resulting from COVID-19.

This survey was conducted with 517 enterprises in 13 regions. Surveyed enterprises belonged to a range of sectors, including Agriculture, Mining, Construction, Restaurants, Retail and Hotels and Tourism and employed between less than 10 and more than 250 workers.

Regarding the current state of enterprises, our needs assessment survey identified the following:

1. ***Nineteen per cent (19%) of surveyed enterprises have stopped operating due to COVID-19. The worst-affected enterprises were primarily small businesses, with between 1 and 10 employees and businesses from from the hotel and tourism, food and beverages, construction and restaurant sectors.***
2. ***About twenty-six per cent (26%) of enterprises have had to lay off staff and a further eight per cent (8%) plan to do retrenchments within the next thirty (30) to sixty (60) days.***
3. ***Some thirty-nine per cent (39%) of businesses have implemented wage cuts, and a further 8% plan to do so in the near future.***
4. ***About eighty per cent (80%) of businesses describes the level of financial impact on their business as "high".***

Key issues that enterprises are currently facing include: inadequate cashflow to maintain staff and business operations, suppliers not be able to provide inputs, business partners being badly affected and reduced demand as clients have been negatively affected by the COVID-19 pandemic.

1. *The majority of enterprises, seventy five per cent (75%), stated that limited cash flow stopped them from fully restoring operations. Additionally, fifty seven per cent (57%) of enterprises said that they did not have their own funding or access to alternative sources of funding to maintain operations and staffing levels. More than half (53%) has enough reserves to survive for three (3) months or less.*
2. *Of total enterprises, seventy-one per cent (71%) reported that their clients and customers have been negatively affected and demand is lower than normal.*
3. *The disruption of supply chains is another key issue impacting businesses. Eighteen per cent (18%) of enterprises reported that suppliers were unable to fulfill orders; and thirty-four per cent (34%) said that their business partners had been significantly impacted by COVID-19.*
4. *We asked our enterprises whether they were partially or fully insured before the COVID-19 crisis. Only sixty-four per cent (64%) of surveyed enterprises had an insurance policy.*
5. *We also asked our enterprises whether they had a business continuity plan (BCP) before the COVID-19 crisis. Only thirty-four per cent (34%) of surveyed enterprises had a BCP in place. This is worrisome and could significantly delay the recovery process for many enterprises.*
6. *Our survey revealed that, on average, most business owners (40%) expected the crisis to last at least three months or more and that it was unlikely they would be able to fully restore operations/sales to pre-crisis levels, with fourteen per cent (14%) of enterprises considering closing either temporarily or permanently. The impact on the overall economy could be significant if timely measures for business continuity are not taken.*
7. *Lastly, some forty-nine per cent (49%) of business have received some form of help during the crisis. These include help from landlords (17%), commercial banks (15%), suppliers (10%) and Government (3%).*

Most Namibian companies are concerned about the country's future after the pandemic. More than half (54%) are concerned about the financial impact, including the impact on liquidity and capital resources. Fifty-three per cent (53%) are concerned about obtaining funding and forty per cent (40%) is concerned with a decrease in consumer confidence resulting in reduced consumption.

The survey shows that Namibian business has been hard hit by the COVID-19 pandemic and many are in need for help. Some have retrenched staff and some others have reduced wages in order to save the business. With time, these numbers will no doubt increase which will put even more financial strain on Namibia's already struggling households.

1 INTRODUCTION

On 31 December 2019, the Wuhan Municipal Health Commission, reported a cluster of cases of pneumonia in Wuhan, Hubei Province, China. It was caused by a novel coronavirus. Nearly 70 days later, on the 11th of March 2020, the World Health Organization (WHO) declared COVID-19 a pandemic.

COVID-19 is a zoonotic virus that adapts to find and infect new hosts through genetic recombination and variation, adapt to find and infect new hosts. Bats are thought to be a natural reservoir for SARS-CoV-2, but it has been suggested that humans became infected with SARS-CoV-2 via an intermediate host, such as the pangolin (WHO 2020).

Although countries have pursued localised strategies to fight COVID-19, a number of broad strategies have emerged in the fight to contain the COVID-19 pandemic globally.

The *first* revolves around the use of extraordinary measures such as prolonged periods of lockdown, harsh restrictions on travel, closing down borders to prevent incoming infections, suspending economic activity and redirecting resources to build new emergency infrastructure to deal with the increased pressures on the public health system. Such measures have been deemed successful as measures to *flatten the curve*. This was the strategy followed by China and copied by many more countries further down the line.

The *second* strategy involved gaining gradual control through the effective use of public health best practices. This strategy revolved around rapid and widespread testing (often by deploying drive-thru testing facilities, rigorous contact-tracing and using technology to track and analyse) and included a strong focus on healthcare provider safety. South Korea led with this strategy and was followed by Singapore and Taiwan. This strategy has also been deemed successful.

The *third* approach saw countries being unsuccessful in their initial attempts to establish control over the spread of the pandemic as they pursued *herd immunity*. This changed once infections increased sharply. This led to the public health system being overwhelmed and healthcare workers being under severe pressure and risk. Overall, this makes it harder to bring the pandemic under control.

Sweden has been the exception to the rule as it made the decision not to impose hard lockdown and shut down its economy. There were no mandatory quarantines and all businesses remained open for business. Gatherings larger than 50 were banned and the Government asked citizens to maintain social distancing protocols as best they can. The verdict of whether or not the Swedish strategy was successful or not is still pending. It has suffered more infections and deaths than similar-sized Portugal that imposed a hard lockdown. Furthermore, the Swedish COVID-19 mortality rate is considerably higher than its Scandinavian neighbours. The true impact of the Swedish model compared to others will become clearer as the pandemic moves into its latter stages and runs its full course.

The WHO Regional Office for Africa (2020) identified three scenarios for dealing with the ongoing pandemic on the continent. The *containment*

> *Although countries have pursued localised strategies to fight COVID-19, a number of broad strategies have emerged in the fight to contain the COVID-19 pandemic globally.*

scenario applies to countries with limited cases (or suspected cases), or have a few imported cases, or both with sporadic localised transmission. The *mixed containment/ mitigation scenario* applies to countries where containment is possible in some parts but not all. The latter parts have sustained transmission and pose challenges to implementing control measures. The *mitigation scenario* applies to countries with widespread and intense community transmission across most if not all of the country. Containment measures have failed, and appropriate intervention measures are required to slow the spread among all communities.

As of July 2020, Namibia moved from the *containment scenario* to the *mixed containment/ mitigation scenario* with the town Walvis Bay experiencing a rapid increase in new infections. Since August the pandemic spread to several other parts of the country with new infections peaking in at least three other regions including the Khomas region where the capital city of Windhoek is located. By September 3, Namibia had 8,082 cumulative cases.

2 THE ECONOMIC EFFECTS OF THE COVID-19 PANDEMIC

Noy et.al. (2020) argue that the economic risk of COVID-19 is distinct from its health risk and it may be that there is no correlation between the two. As such they argue "[S]ome countries and regions that do not experience much morbidity and mortality may suffer very adverse economic consequences, while the opposite is also possible. As such, it is crucial not to focus only on 'confirmed' cases, 'possible' cases, and direct mortality when evaluating an epidemic's economic impact." Therefore, economic risk is not only determined by the hazard (the virus) but also by exposure to the virus, vulnerability to it, and the resilience of the economy that experiences it.

Across the globe governments are using fiscal spending and lending programmes to prepare their economies for recovery during the final stages of the pandemic when new cases are declining, and activity can resume. Any economy's resilience is dependent on the state's financial and institutional ability to implement such programmes. Countries and regions with low income and limited healthcare quality have high economic risk during pandemics. It is thus not surprising that African countries (including Namibia) are considered at high economic risk from the COVID-19 pandemic (Noy et.al. 2020).

According to the World Bank, the COVID-19 outbreak has triggered the first recession in Sub-Saharan Africa in 25 years. Growth forecasts for 2020 range between -2.1% and -5.1% and the Bank estimates that the pandemic could cost the region between $37 billion and $79 billion in terms of output losses for 2020. The impact on household welfare will be equally dramatic with estimated welfare losses of 7% or perhaps even more for the same period (Zeufack, A.G. et.al. 2020).

Combined with the region's deteriorating fiscal positions and increased public debt, African governments have almost no room to deploy fiscal policy to address the impact of the pandemic, continue to service public debt and maintain macro-economic stability. The region is therefore unlikely to be able to cope on its own. According to World Bank estimates the region would need an emergency economic stimulus of $100 billion which includes $44 billion waiver for interest payments in 2020.

The region also faces a potential food security crisis as agricultural production could contract by between 2.6% and 7% if coupled with trade restrictions. Food imports could decline up to 25% due to higher transaction costs and reduced domestic demand. Furthermore, high levels of unemployment, loss of income, and rising food costs are bound to have a negative impact on food security. Prices of basic foods have begun to rise at a time when many people have less money in their pockets (UN 2020).

Worldwide drastic measures to combat the COVID-19 pandemic had and continues to have a very significant impact on the livelihood of businesses and households. The economic impact of the pandemic is made worse by an unstable global economy that was estimated to contract by 2.8% in 2020 (Zufack, et.al. 2020).

According to the International Labour Organization (ILO) (2020), by mid-May 2020, some 94% of the world's workers were affected by some type of workplace closure measures. Losses in working hours were estimated to be equivalent to 305 million full-time jobs (by the 2nd quarter of 2020) and 38% of the global workforce are employed in high risk sectors. World unemployment could reach 10% at the end of 2020 as governments struggle to balance the demands of health safety and livelihoods of their people.

3

COVID-19 IN NAMIBIA

The COVID-19 pandemic hit Namibia at a bad time. The economy had entered a recession phase due to poor performances in agriculture, mining and construction as the prices of raw materials dropped, and the agriculture sector was hit by a prolonged severe drought. Namibia's economy has experienced four of its worst years since Independence culminating in the President declaring a state of emergency in 2019. Overall, Namibia's GDP contracted by -1.4% during 2019. International Monetary Fund (IMF) forecasts during April 2020 estimate a further decline of -2.5% in GDP for 2020 as the economic effects of the COVID-19 pandemic kicks in. Estimates by the Namibian Treasury are even worse, with the Minister of Finance announcing an expected decline of 6.6% in 2020 (Shiimi, 2020).

COVID-19 arrived in Africa during the final week of February when the first two cases were reported in Egypt and Algeria. This occurred less than a month after the WHO Regional Director for Africa sent out guidelines to all countries in the Region emphasising the importance of readiness and early detection of cases.

Following the recording of its first two COVID-19 cases on the 14th of March 2020, the Government of Namibia declared a state of emergency on March 17 and ten days later, on March 27, the Khomas and Erongo regions were placed under lockdown for a period of 14 days. The Government adopted a hard lockdown which included a number of drastic measures aimed at promoting social distancing in an attempt to slow down the spread of the virus. These included the closure of schools, restrictions on internal and international travel, use of hand sanitiser, improved handwashing stations, social distancing, and even lockdown, among others. More importantly it also included the closure of most businesses deemed *non-essential* services.

After four extremely difficult years for the Namibian economy, most businesses in Namibia were in a fragile state and many did not have the reserves and resources to survive extended or frequent lockdowns. Moreover, continued distress to business will result in either layoffs or business closure (which also results in layoffs). Unemployment is already high, while the quality of employment has deteriorated over recent years (there are more informal than formal workers) and household indebtedness is extremely high. Any impact on incomes or jobs (whether formal or informal) would place additional burdens on households, many of which have already been struggling for several years prior to the arrival of the COVID-19 pandemic.

To avoid a total employment collapse and alleviate the plight of businesses and households, the Namibian government introduced financial relief measures in line with trends globally. The Minister of Finance, Iipumbu Shiimi, issued the first phase of the Government's economic stimulus and relief package on 1 April 2020.

In total, the package amounted to N$8.1 billion, of which N$5.9 billion is in direct support to businesses, households and cashflows acceleration payments for services rendered to government, and N$2.3 billion relating to off-balance sheet government liabilities. The package consisted of the following components:

- Government will speed up payments in respect of goods and services provided to it, to enhance the cashflow of the businesses that provided such goods and services. The amount expected to be so settled is N$800 million.

- A N$500 million loan scheme facilitated and guaranteed by the government for non-agricultural small businesses that have experienced significant losses of revenue. These loans will be provided by the Development Bank of Namibia (DBN).

- A N$200 million loan scheme facilitated and guaranteed by the government for farmers experiencing cashflow constraints and small to medium agricultural businesses that experienced significant losses in revenue. These loans will be provided by the Agricultural Bank of Namibia (AgriBank).

- DBN and AgriBank will provide a repayment moratorium on the principal amounts of borrowers for a period ranging between six months but not exceeding 24 months, based on assessment, recapitalisation on interest, lengthening of the repayment periods and waiving of penalty provisions.

- Taxpayers in the non-mining sector can borrow up to 1/12th of their tax payments in the previous tax year at an interest rate of prime less 1%. Such loans will be guaranteed by government but need to be repaid within one year. These loans should be applied for from the commercial banks and will be capped at N$470 million.

- Employers, including government and business owners, will be allowed to negotiate a temporary 20% decrease of salaries and wages during the crisis period and a 40% reduction for the worst-hit sectors. This is done to avoid major retrenchments and the closure of businesses. The negotiations will be through a consultative process between employees and labour unions.

- The Ministry of Finance (MOF) announced the National Employment and Salary Scheme for COVID-19, in an effort to save jobs and reduce potential impact on employment due to the pandemic. This sees the MOF and the Social Security Commission (SSC) joining forces to mitigate the impact of COVID-19 on various sectors of the economy. MOF will avail N$400 million, while the SSC is making a cash contribution of N$253 million. In addition, SSC is granting a contribution holiday of three months to the selected affected industries. Under this scheme the Employer Wage Subsidy Programme targets the three hardest hit sectors: aviation; tourism and construction. In order to save jobs employers will receive a subsidy based on their total wage bill in the form of an SSC contribution waiver and a cash injection from the state. The cash subsidy amounts to 17% of their total wage bill. Benefits will run for three months. Prospective beneficiary employers should agree not retrench staff for the three months and should not be allowed to reduce staff salaries by more than 50%. It is estimated that this programme will potentially assist 7,900 employers employing 65,420 employees. The programme is budgeted to receive N$150 million which when combined with the waiver, should equate to ~25% of the total wage bill.

The Employer Wage Subsidy programme closed on 31 July 2020 and according to the SSC 3,644 employers and 41,092 employees applied. Just over 44% (18,115) employees failed in their application because they did not satisfy the criteria for eligibility. According to Ndjavera (2020) "[T]o benefit from this programme, applicants should be earning less than N$50 000 per annum; they should have been registered with the SSC for less than six months, and they should be able to prove loss of income related to Covid-19."

More than 9,000 individuals and businesses in the five worse hit sectors of the Namibian economy received debt relief from local commercial banks by the end of the second quarter. These sectors include households, real estate and business services, trade, tourism and hospitality ventures, transport and construction (Duddy 2020). Overall, commercial banks granted debt holidays worth N$9.2 billion to sectors affected by the pandemic. Households and individuals received debt holidays to the value of N$ 3.9 billion making them the largest recipient. A total of 6 500 individuals were granted debt holidays.

Businesses in the hard-hit trade, tourism and hospitality sector received N$2.2 billion and real estate and business services companies received N$1.6 billion in debt relief from commercial banks. Construction and transport companies received debt holidays of N$332 million and N$222 respectively.

A total of 839 trade, tourism and hospitality businesses received debt relief totalling N$2.2 billion from banks. Community conservancies received over N$6 million from the Conservation Relief, Recovery and Resilience Facility (CRRF) during the first quarter. The CRRF was established by the Environmental Investment Fund (EIF) to provide financial relief to community-based natural resource management (CBNRM) institutions.

The 1 263 real estate and business services companies who successfully applied, were assisted with N$1.6 billion in total. The remaining N$946 million in debt relief granted went to sectors such as agriculture, electricity, gas and water and the financial and insurance sectors (Duddy 2020).

> *"Unemployment is already high, while the quality of employment has deteriorated over recent years (there are more informal than formal workers) and household indebtedness is extremely high. Any impact on incomes or jobs (whether formal or informal) would place additional burdens on households, many of which have already been struggling."*

Overall, 57% of all those who applied for debt relief were successful. According to the Governor of the Bank of Namibia, those whose applications failed either because they could not prove that they were affected adversely by the pandemic or because they weren't in good standing at banks (Duddy 2020).

In an effort to stimulate the economy, the BoN has lowered the repo rate from 6.5% at the beginning of 2020 prior to the pandemic to 3.75% in late August. This represents an overall reduction of 275 basis points. Prime lending rates have been lowered from 10.25% to 7.5% over the same period.

4 RESEARCH OBJECTIVES

This study looks at the economic impact of the COVID-19 pandemic by investigating its impact on privately owned, formally registered businesses in Namibia. The analysis is based on a number of questions that are treated as research themes. These are:

- *Which types of enterprises are being most impacted by COVID-19?*
- *Which sectors are being most impacted by COVID-19?*
- *What is the current state of business operations in the country?*
- *Are enterprises experiencing large drop in demand for key products/services?*
- *What are the most pressing challenges faced by enterprises?*
- *Do these challenges create impediments to doing business over the short- and/or long-term?*
- *What is the financial impact on enterprises?*
- *Can enterprises access loans and/or grants to support business recovery?*
- *Are business owners considering permanently closing their business?*
- *What proactive measures have been taken by businesses to support continuity of daily operations while protecting workers?*

METHODOLOGY

5

This study employed the ILO-ACTEMP survey tool[1]. Data collection was carried out between 5 May and 23 July 2020 using Computer Assisted Telephone Interviews (CATI). The questionnaire was scripted in Survey Monkey, using questionnaire logic to ensure data quality. CATI facilitates real time capturing of responses as the telephonic interviews are conducted. This shortens the data processing period and implies that no paper-based questionnaires are completed.

Telephone interviews were conducted by Survey Warehouse call centre operators who were trained on the specific project's background, aims and objectives, and the survey instrument. They were also trained on protocols to be followed for telephone interviewing.

Adhering to COVID-19 Health and Safety Guidelines, Survey Warehouse conducted face-to-face training with call centre operators for the specific study and issued each call centre operator with a printed questionnaire, a tablet, and a mobile phone. Call centre operators were scheduled individually to conduct interviews from the office while being observed by the call centre supervisor over the course of one day per operator. The call centre supervisor evaluated each operator individually and cleared them for operating remotely. Airtime and data bundles were replenished on a weekly basis. Interviews were conducted in English, Afrikaans, Oshiwambo, and Otjiherero.

Call centre operators were supervised by a call centre supervisor who monitored the responses to completed surveys throughout the period of data collection. Operators reported to the supervisor at the start and end of each day. At the close of each day's work each operator submitted total number of contact numbers dialled and the outcomes for each of those contact numbers dialled. Furthermore, call centre operators submitted their total hours worked for the day. The call centre supervisor tracked these hours, the number of calls made, and submissions per operator per day to ensure efficient data collection.

When contacting enterprises, call centre operators asked to speak to the owner or manager, or a person who would be able to answer questions about the enterprise. Eligible respondents were then asked whether they were interested to participate in the survey on behalf of the enterprise. Call centre operators scheduled appointments for interviews with those who agreed to participate. The following is a breakdown of the calls made and outcomes achieved.

1 This survey tool has been developed by the ILO Bureau for Employers' Activities (ILO-ACT/EMP) to help employers and business membership organisations (EBMOs) evaluate the needs of enterprises as a result of the ongoing COVID- 19 crisis. This survey used the original version of the tool.

Table 1: ***Contact Sheets Breakdown***

Numbers contacted	2,259
Interviews completed telephonically	425
Interviews, self-completed via email	75
Refusals	146
Unable to establish contact	1,382
E-mail links requested	314
Language barrier	14
Business closed due to COVID-19	39

6 THE SAMPLE

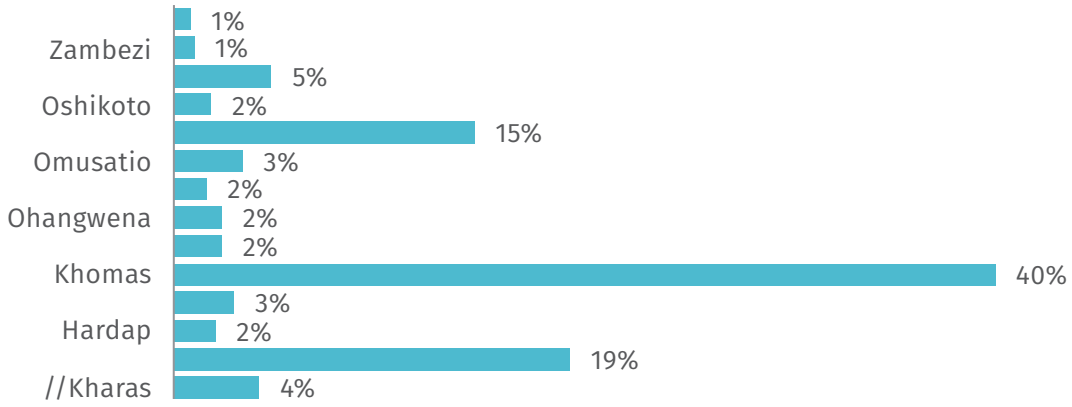
This study employed a convenience sample of 517 businesses located in thirteen regions and 522[2] economic divisions, using the International Standard Industrial Classification of all Economic Activities (ISIC), Rev.4 of the United Nations.

In the absence of a Statistical Business Register (SBR) a sample was drawn from various lists that compile business contact details and that were either made available for the purposes of this study by membership organisations or business associations. A business/enterprise contact list was initially obtained from the Namibia Employers Federation (NEF), listing their members. Survey Warehouse also obtained industry lists from industry and business association websites. These included the Namibia Chamber of Commerce and Industry (NCCI), Namibia Manufacturing Association (NMA) as well as the Namibia Tourism Board (NTB). Additionally, using snowball sampling, participating enterprises were asked to suggest up to two similar enterprises that could be contacted.

Breakdown of the sample by region is provided below in Figure 1.

2 For a complete breakdown of the sample by economic division, see Appendix 1.

Figure 1: ***Sample Breakdown by Region***



Surveys of this nature are complicated to interpret due to some sampling limitations. The most serious obstacle to drawing 517 formal businesses is that there is no official SBR from which to select a sample. As a result, the sample must be considered a *convenience* sample. Hence, caution is to be used when interpreting the findings. As it is impossible to relate this sample to that of a national business sample population, we will refer to our respondents as *businesses in the sample* rather than *Namibian businesses*.

SURVEY RESULTS

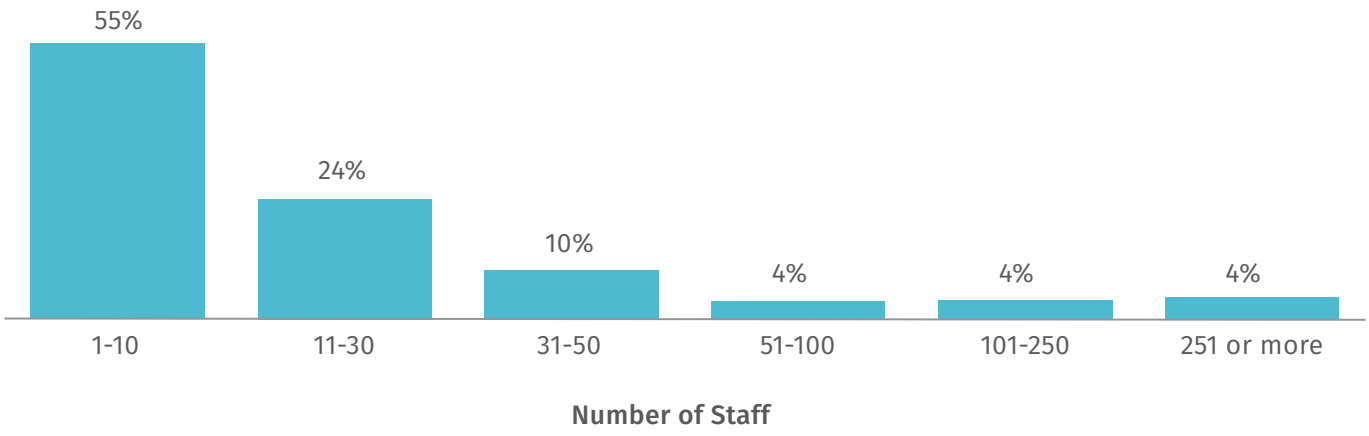
7

7.1 BACKGROUND

7.1.1 BUSINESS SIZE

Most of the businesses in the sample are small. Figure 2 shows that 55% employed up to 10 staff members prior to the pandemic, whilst another 24% employed between 11 and 30 staff. Some 10% employed between 31 and 50 staff and only 12% employed more than 51 staff members.

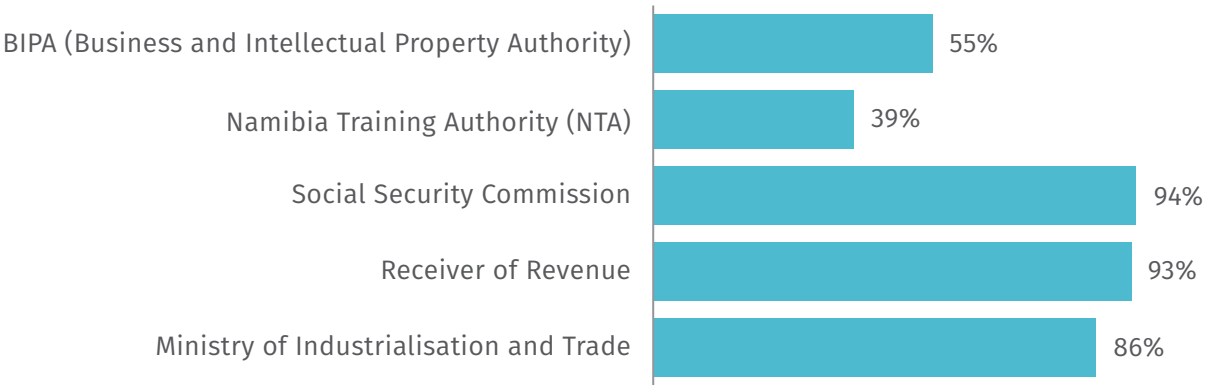
Figure 2: ***Business Sample by Number of Staff***



7.1.2 REGISTRATION

Almost all the businesses (99%) in the sample are registered with at least one government agency. Most are registered with multiple agencies including the Receiver of Revenue and the Social Security Commission (SSC). Figure 3 hereafter shows a breakdown of registration by agency. As expected, those who are registered, are registered with those agencies that are compulsory: The Receiver of Revenue and the Social Security Commission. This means that most businesses are in a position to access government support programmes should they qualify for and be offered through these agencies.

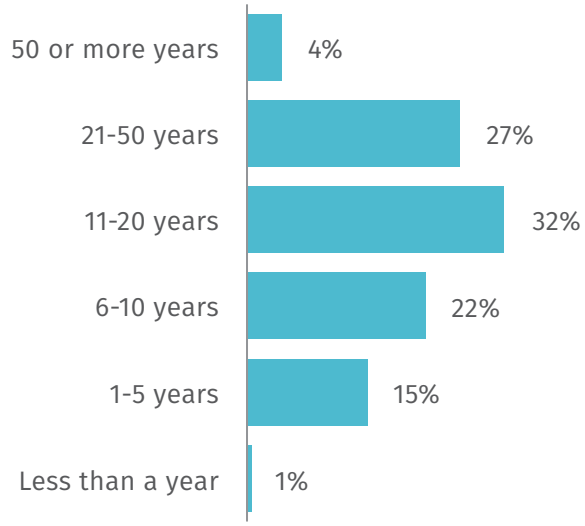
Figure 3: ***Business Registration by Agency***



7.1.3 AGE OF BUSINESS

Figure 4 below shows that the sample include both new and established businesses. Some 4% have been in existence for more than 50 years whilst less than 1% were less than one year old. The bulk of the businesses are well established and between six and 50 years old.

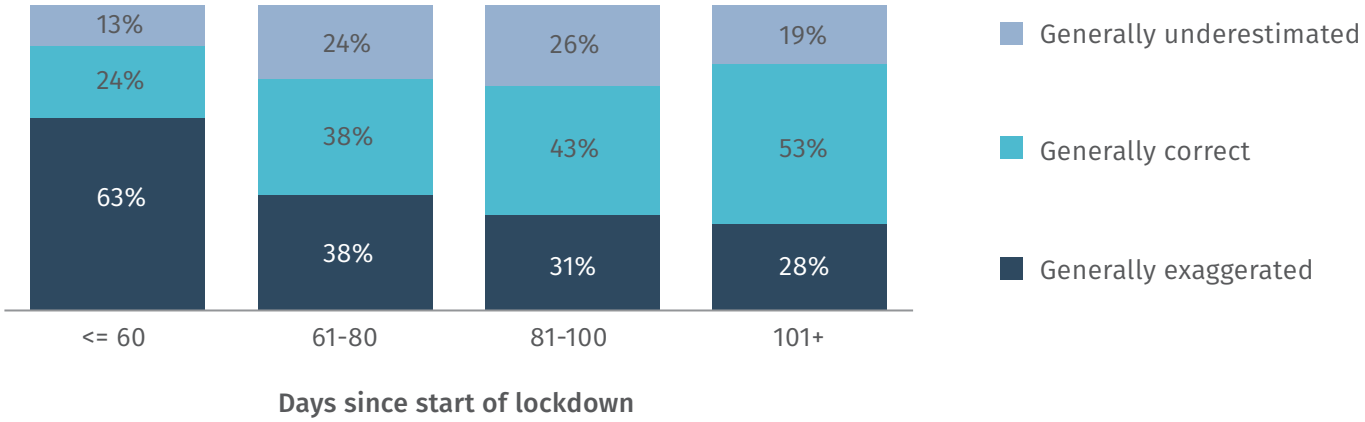
Figure 4: ***Age of Business***



7.2 IMPACT OF COVID-19

Few business owners could have predicted the impact of the COVID-19 pandemic on their businesses. Most, if not all, were therefore not prepared for the disruptive effects of the measures introduced to curb the pandemic. This is evident from the data contained in Figure 5 hereafter. Within 60 days of the first days of the lockdown, 63% of businesses in the sample felt that the seriousness of the COVID-19 pandemic was greatly exaggerated. About one-in-four (24%) felt that it was generally underestimated. A little more than a month later, those who felt that it was exaggerated declined to just 28%, whilst those who felt it was underestimated almost doubled to 53%.

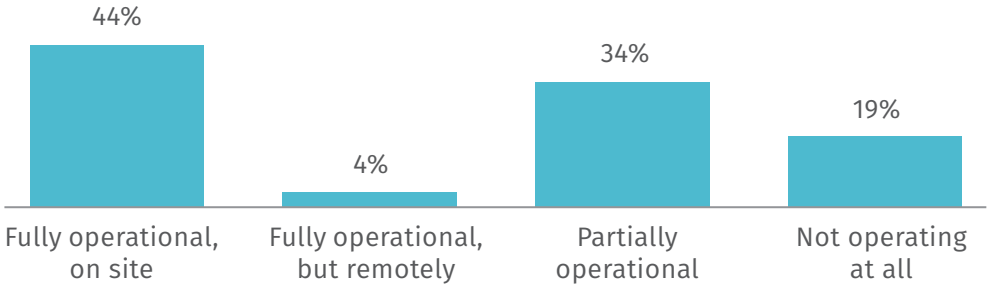
Figure 5: ***Perceptions of COVID-19 by Time***



7.2.1 BUSINESS INTERRUPTION

According to Figure 6 only 44% of businesses in the sample were fully operational working on site at the time of the interview, whilst another 4% were fully operational but working remotely. Some 34% were partially operational whilst 19% were not operating at all.

Figure 6: ***Operational Status***



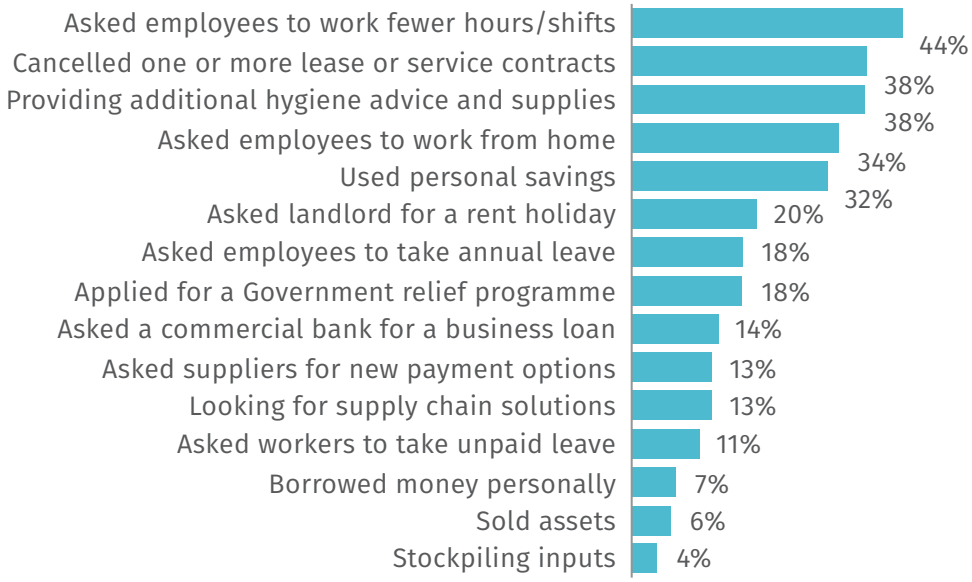
Businesses in the hotel and tourism industry were greatly affected with 47% of businesses partially operating and 31% not operating at all. Restaurants were in a similar position with 37% closed and 42% operating only partially; and food and beverage companies reported 17% closures and 23% operating with partial capacity. Most of these businesses were deemed non-essential services and were forced to close their doors by strict social distancing regulations during the first stage of lockdown. They were allowed to reopen but with severe restrictions during stages 2 and 3 of the state of emergency.

7.2.2 IMMEDIATE RESPONSES

Figure 7 below shows that the most common response to protect businesses from the impact of the COVID-19 pandemic was to reduce working hours or shifts (44%). It also shows a number of measures that had further direct impacts on staff: 34% asked employees to work from home; 18% asked employees to take annual leave; and 11% asked staff to take unpaid leave. Nearly two-in-five (38%) provided additional hygienic advice and supplies.

Further measures aimed at protecting companies' cash flow include cancelling lease and service contracts (38%), asking landlords for rent holidays, applying for a commercial bank loan (13%), looking for supply chain alternatives (13%). Close to one-in-three business owners (32%) used personal savings to bail out the business and a further 7% used a personal loan. Only 4% stockpiled raw materials and inputs.

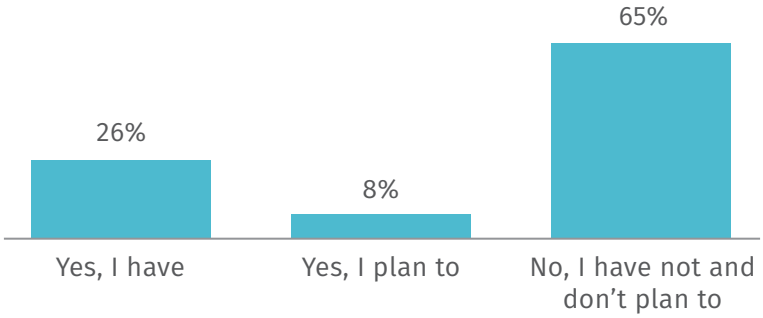
Figure 7: ***Actions taken in Response to COVID-19***



7.2.3 RETRENCHMENTS

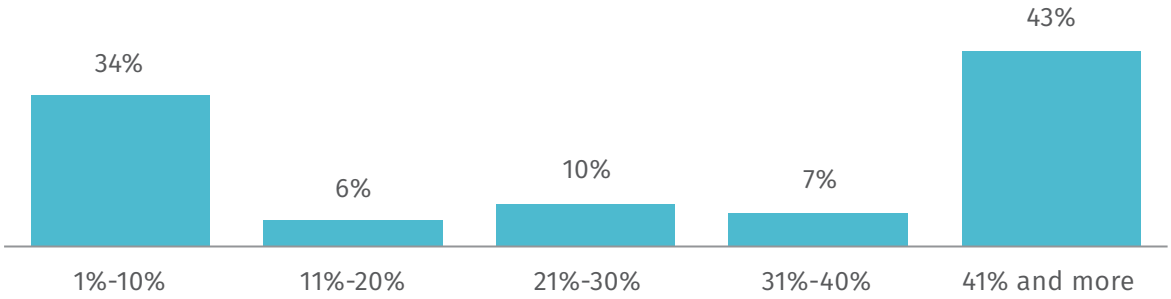
Figure 8 shows that more than one-in-four businesses in the sample retrenched staff, and a further 8% planned to do so. Nearly two-in-three (65%) had not done any retrenchments and had no plans to do so.

Figure 8: ***Actual and Planned Retrenchments***



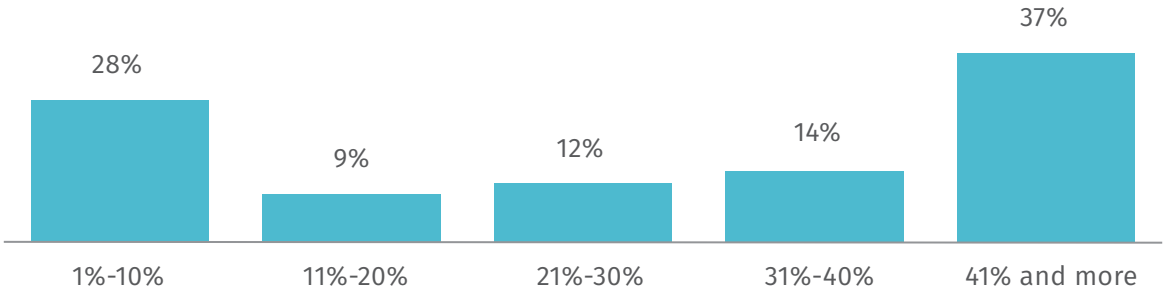
Those businesses who did retrench staff retrenched either more than 41% of their staff, or between one and 10 percent (see Figure 9 below).

Figure 9: ***Proportion of Staff Retrenched***



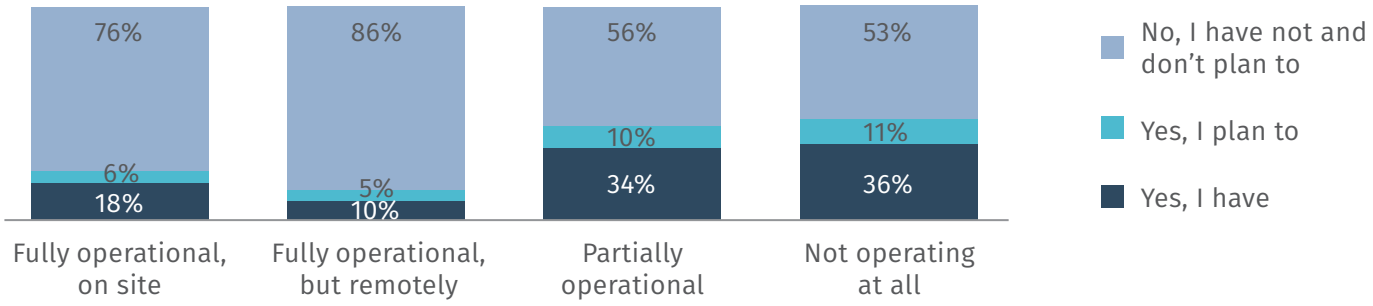
Those who are planning to do retrenchments in the near future follows a similar pattern: 28% indicated that they will retrench between one and 10 percent of staff whilst 37% indicated that they will terminate the employment of more than 41 percent of their staff (See Figure 10 below).

Figure 10: ***Planned retrenchments***



Whether or not a specific company decides to retrench staff is based on a variety of factors. Based on the information available, two factors seem to play a part. First, businesses that were fully operational are less likely to retrench (see Figure 11 below). Business that were either closed or partly operational are twice as likely to have retrenched staff than those who were fully operational either on-site or working remotely.

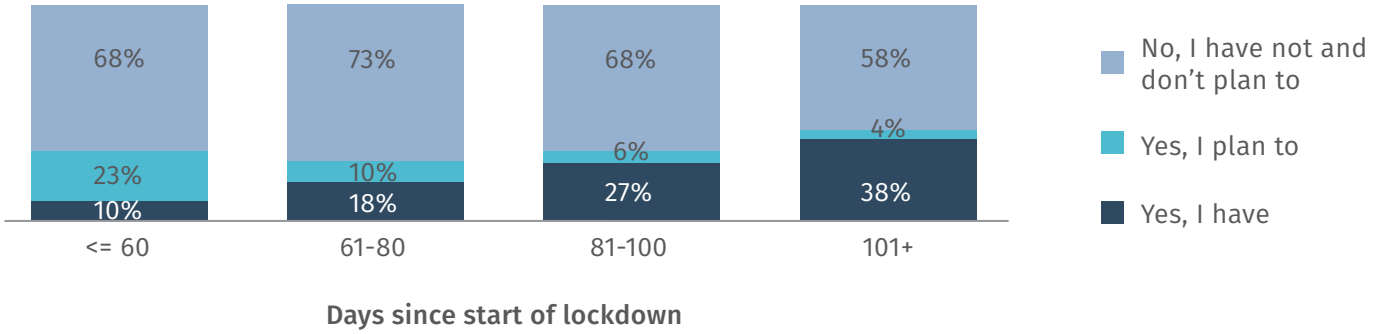
Figure 11: ***Retrenchments by Operational Status***



A company's operational status also plays a part in the number of staff retrenched. Companies that were closed or partially operating at the time of the interview are much more likely to retrench more staff that those fully operational. Almost 70% of companies that were closed at the time of interview have retrenched more than 41 percent of staff, and 44% of those that were operating with partial capacity have retrenched the same proportion. In contrast only 23% of fully operational companies who did retrenchments, retrenched 41 percent or more of their staff.

Secondly, time is an important variable. The longer the pandemic lasts, the more likely businesses are to retrench staff. Figure 12 hereafter shows that those companies interviewed later in the project, were far more likely to retrench more staff than those interviewed earlier. The number of companies that retrenched staff increased three-fold from 10% at less than 60 days to 38% at more than 101 days since the start of lockdown. Subsequently, the proportion of companies who intended retrenchments at less that 60 days (23%) contracted to just 4% at 101+ days, suggesting that these companies implemented their intended retrenchments between 61 and 100 days since the start of the lockdown.

Figure 12: ***Retrenchments by Time Since Lockdown***



The time variable did not have any significant effect on the number of staff retrenched.

Retrenchment numbers vary across sectors [3].The following sectors seems to drive the COVID-19 related retrenchments:

- **Restaurants – 74%**
- **Hotels and Tourism – 45%**
- **Food and Beverage – 43%**
- **Transportation – 41%**
- **Construction – 31%**

Of these, those businesses which deal with food, beverages and accommodation are mainly employing women [4].Thus, with the large numbers of retrenchments in these sectors, one can assume that many retrenchments will affect women directly. Furthermore, in some tourist establishments such as lodges and guest farms it is common practice to employ both the husband and wife in different parts of the operations. Retrenchments could therefore mean both wage earners are at risk of losing their jobs simultaneously, meaning the household will stop receiving any income from employment almost instantly.

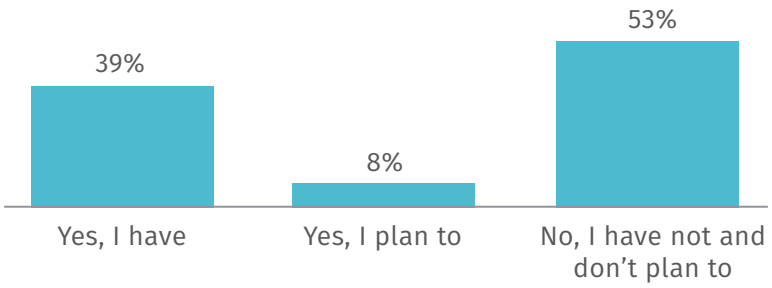
3 For reasons explained in Section 6 above, we cannot provide any analysis by sector. The following should thus be treated as qualitative rather than quantitative findings.

4 For a gender breakdown of the labour force by sector see NSA (2019:46).

7.2.4 WAGE REDUCTIONS

Figure 13 below that just under half the businesses (47%) in the sample have (39%) or plan to (8%) reduce their wage bill in response to the negative effects of the COVID-19 pandemic on normal operations.

Figure 13: ***Wage Reductions***



The wage reductions are broad-based, meaning that its impact is widespread across the entire company workforce; 75% of businesses in the sample that have implemented wage cuts, reported that it applied to more than 40% of their workforce.

Figure 14: ***Proportion of Staff Affected by Wage Reductions***

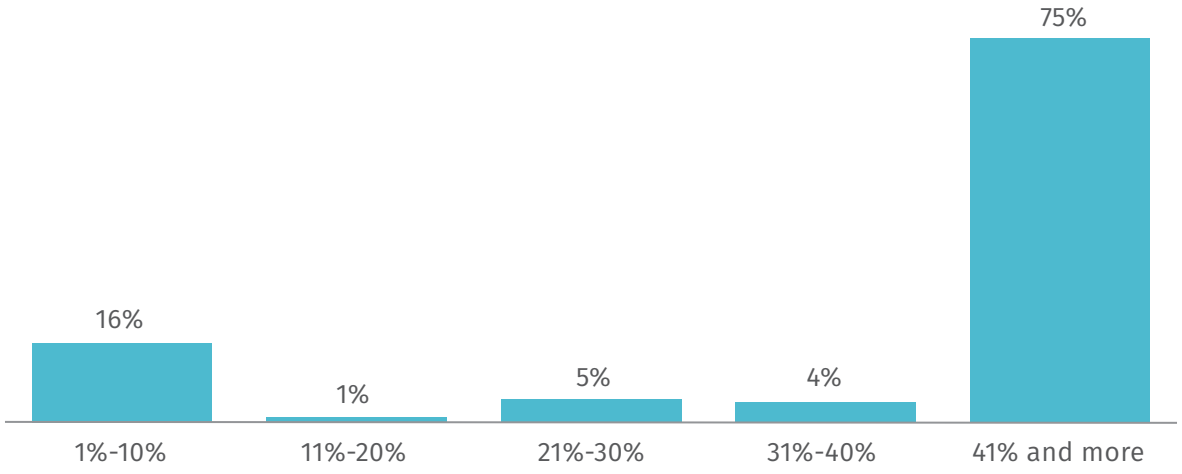


Figure 15 below shows that most businesses (77%) effected wage cuts of more than 40%. More than one-in-five (27%) cut wages with more than 50%.

Figure 15: ***Average Size of Wage Cuts***

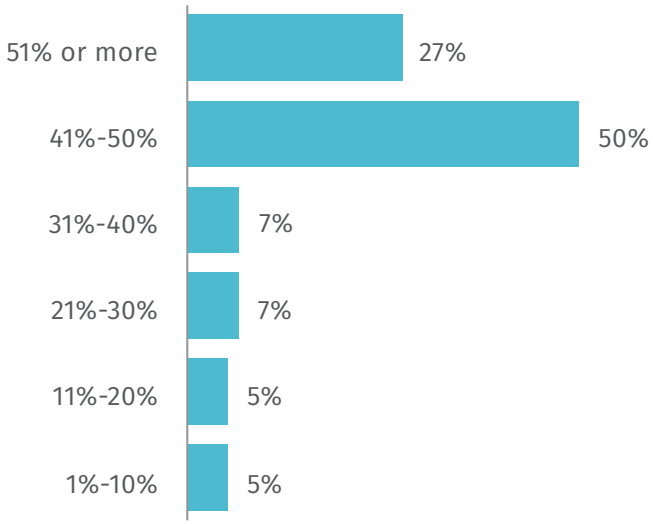
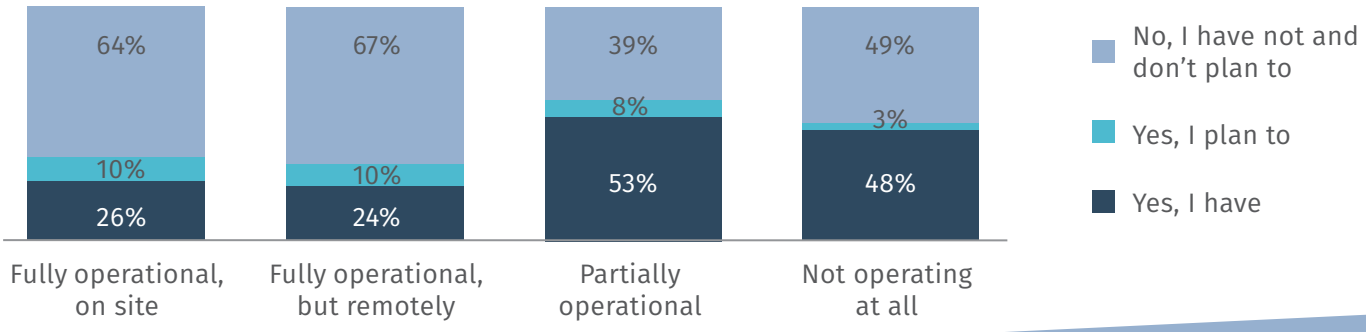


Figure 16 shows that operational status has a significant effect on whether or not companies in the sample implemented wage reductions to deal with the adverse effects of COVID-19 on their businesses. Businesses that were not fully operational (either partially operating or not operating at all) are at least twice as likely to implement wage cuts as their fully operational counterparts. Time since the lockdown did not have a significant effect on the implementation of wage cuts.

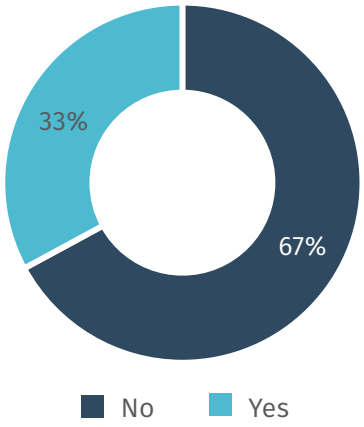
Figure 16: ***Wage Reductions by Operational Status***



7.2.5 ASSISTANCE RECEIVED

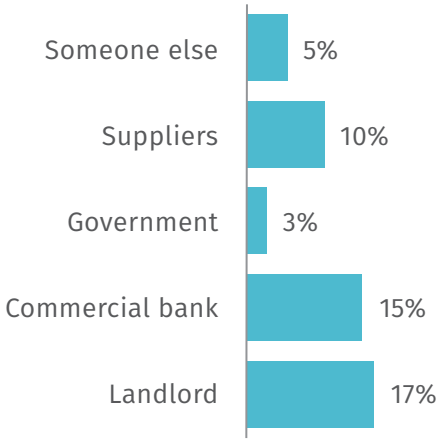
At the time of the study, more than 100 days since the first day of the lockdown, only one-in-three (33%) businesses in the sample received assistance of some sort (Figure 17). This means that most businesses have not received any assistance in dealing with the economic impact of the COVID-19 pandemic for more than 100 days since the first day of the first lockdown back in March.

Figure 17: ***Assistance Received***



Those businesses in the sample who have received financial assistance thus far, received support from private sector agencies: mainly landlords (17%); commercial banks (15%) and suppliers (10%) (Figure 18).

Figure 18: ***Sources of Assistance***

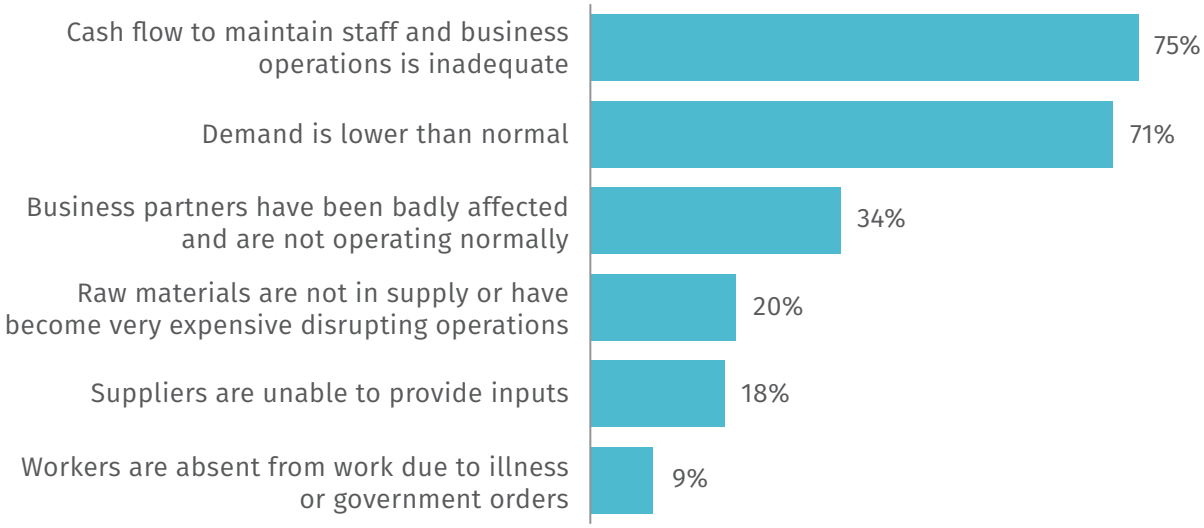


The data in Figure 18 confirms that the bulk of financial assistance to private businesses have been in the form of debt relief by commercial banks (for more details see Section 3 above).

7.2.6 BIGGEST CHALLENGES

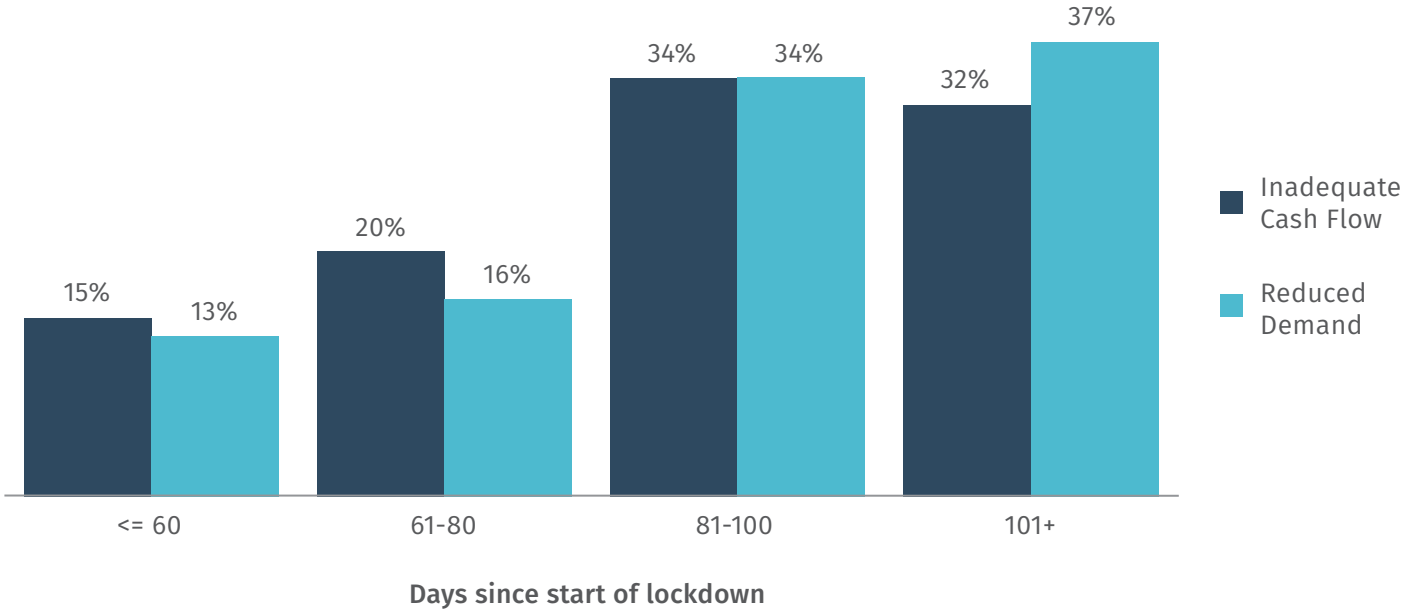
Figure 19 shows that most businesses face two challenges: cash flow (75%) and demand lower than normal (71%). Others have mainly been affected by disruptions in their supply chain. At the time of the survey, Namibia's infection rate was very low, hence Coronavirus illness was not a major challenge.

Figure 19: ***Biggest Challenges***



From Figure 20 below it is clear that the two most common challenges are both influenced by time. Those businesses interviewed later in the survey are almost twice as likely to cite cash flow problems and reduced demand as their main challenges.

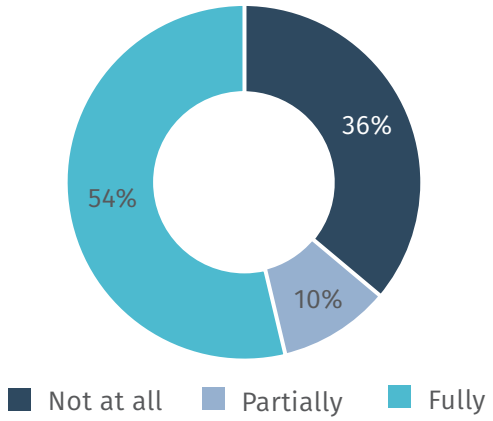
Figure 20: ***Two Biggest Challenges by Time Since Lockdown***



7.2.7 INSURANCE

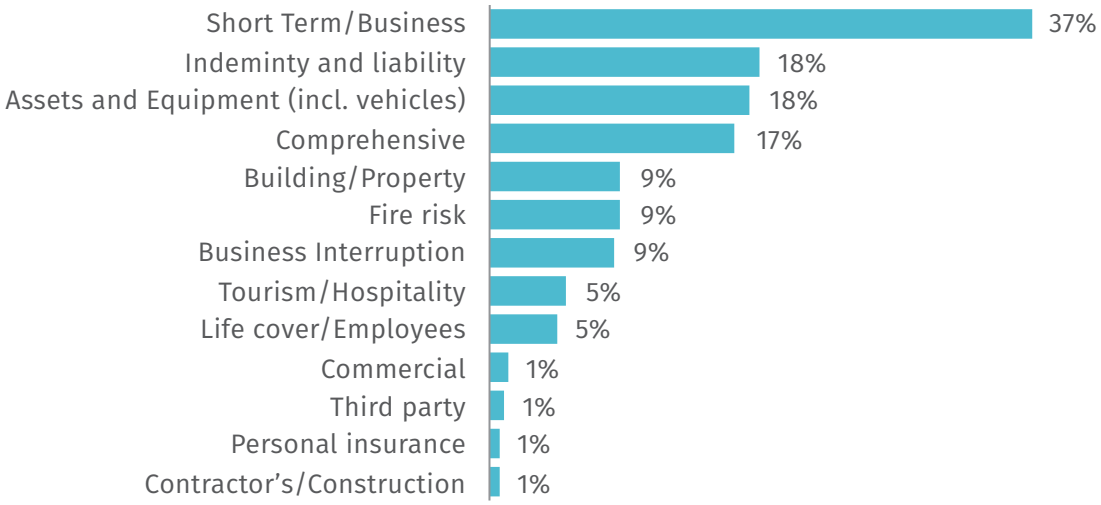
Most businesses were either partially (10%) or fully insured (54%) before the advent of the pandemic. However, more than one third of businesses in the sample (36%) had no insurance at all which may affect their chances for survival and recovery (see Figure 21 below).

Figure 21: ***Business Insurance Prior to COVID-19***



Not all types of insurance listed in Figure 22 below will protect business against the economic effects of the pandemic. Most likely not all of those with insurance will have the right type of insurance and this would make matters worse.

Figure 22: ***Type of Insurance***

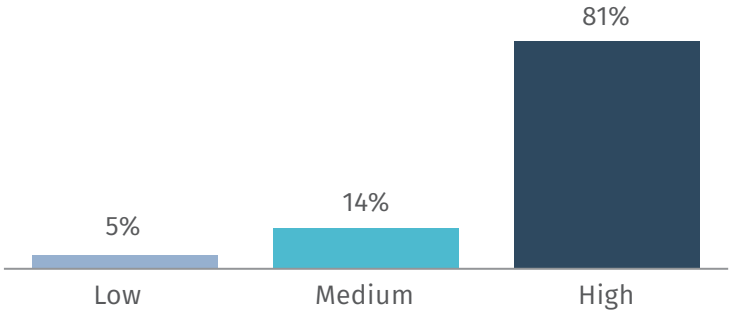


7.2.8 PROSPECTS FOR SURVIVING THE COVID-19 PANDEMIC

It is clear that many Namibian businesses will either not survive the current pandemic or will survive it with great difficulty. Prospects for survival depends on increased demand and improved cash flow positions. It diminishes with time and is thus dependent on the businesses' current operational status.

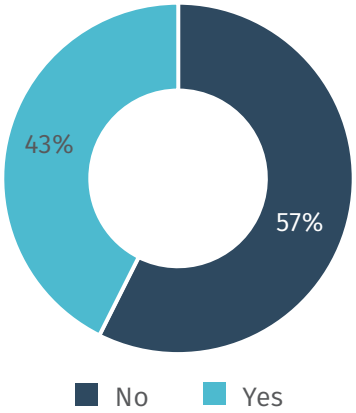
Most businesses describe the financial impact of the pandemic on their businesses as high (81%). This is the state of business across most sectors and across most regions of the country (see Figure 23 below).

Figure 23: ***Financial impact of COVID-19***



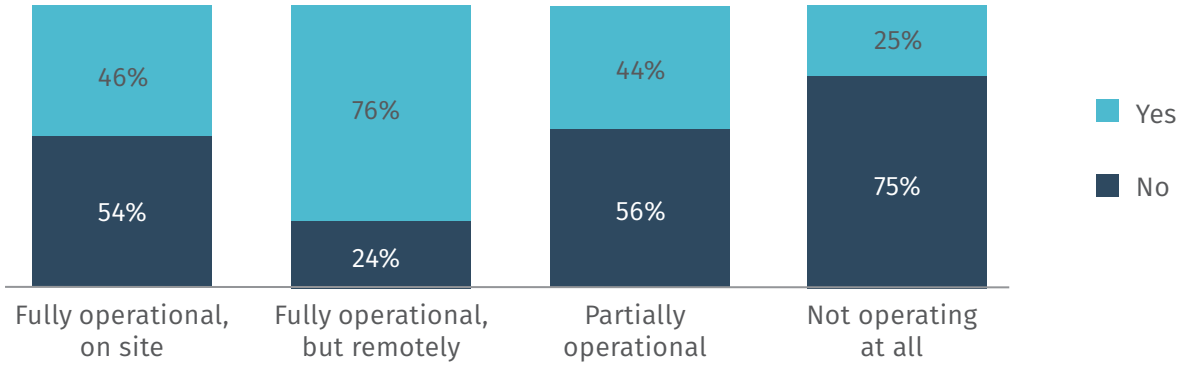
Only 43% of businesses in the sample indicated that they have access to sufficient funding to stay operational (See Figure 24 below). This means that 57% of businesses are either in danger of having to close down, or very likely to experience difficulty raising sufficient funds to keep their businesses operational. The problem is made worse by the fact that Government's support to businesses in three of the hardest hit sectors is firstly, limited and secondly, held up by inefficiencies.

Figure 24: ***Sufficient Funding to Stay Operational***



Access to funding is a problem for most companies whether they were fully operational or not. However, for those closed down at the time of the interview, the problem is much worse. Figure 25 below shows that 75% of businesses who were shut down, have insufficient access to funding.

Figure 25: ***Access to Funding by Operational Status***



Access to funding is also time sensitive. Those businesses interviewed later in the study are almost twice as likely to report access to funding problems than those interviewed first (Figure 26). It is possible that their existing funding ran out after 100 days and that after that time, chances for accessing funding are diminishing.

Figure 26: ***Access to Funding by Days Since Lockdown***

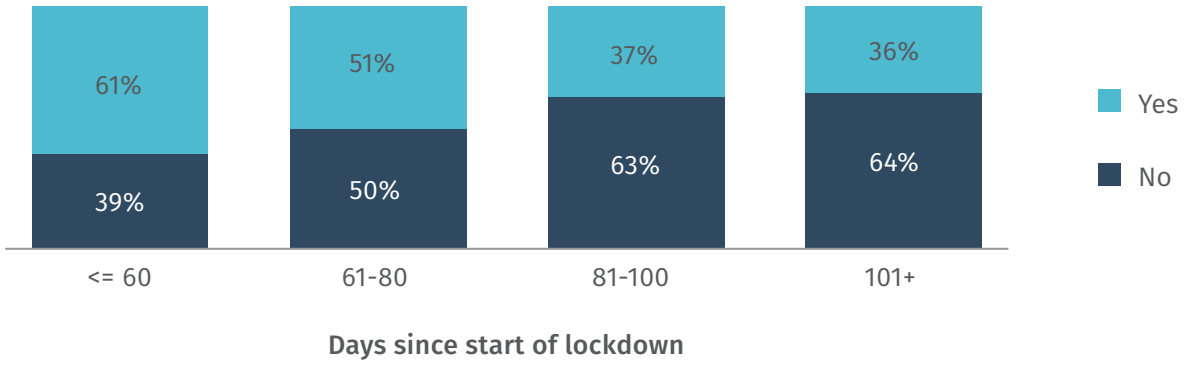


Figure 27 shows that only about three-in-ten (32%) businesses in the sample feels their businesses would survive more than four months under current conditions. One-in-ten (10%) feel their businesses would not survive another month and 43% estimated between one and three months. This means that business closures are likely to be spread out over time, and businesses will continue to struggle and remain vulnerable for the next few months leading to the end of the year. This means that, most likely, more wages will be cut, and more staff will be retrenched over the same period as businesses continue to find ways to ensure survival.

Figure 27: ***Business Survival under Current Conditions***

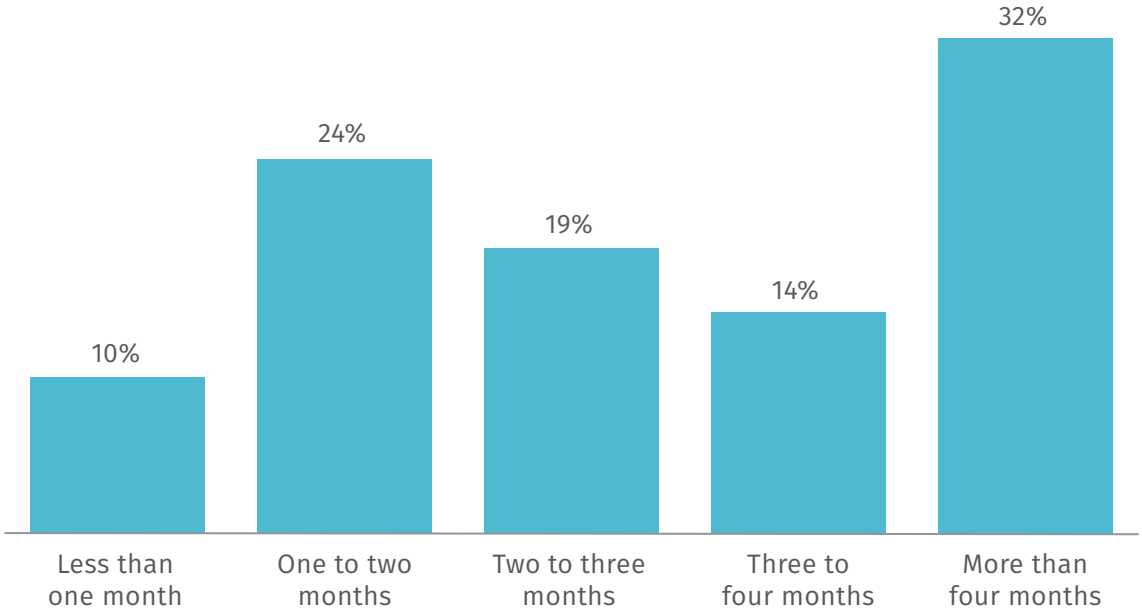


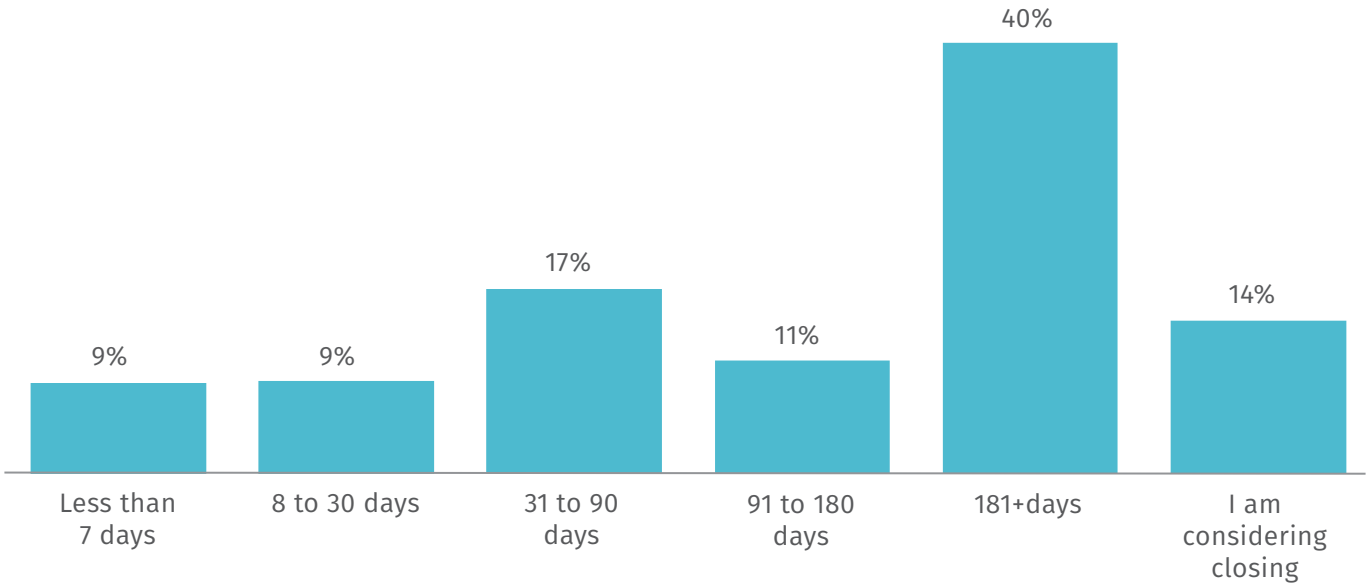
Figure 28 (overleaf) contains business perceptions on how long the current crises will last. Just over half (51%) of businesses in the sample reported that it would take more than three months for them to restore full operations. This implies that they foresee the current crisis lasting until at least the end of this year.

More than one-in-ten businesses in the sample are considering closing down possibly because they will not be able to return to full operations.

Previous sections draw attention to the powerful effect of time on businesses' prospects for survival. It is clear that many more businesses are likely to close down in the next three or more months that they anticipate it will take to recover. Most of those will run out of cash before the crisis is over, unless they manage to gain access to funding to help resolve their current cash flow problems.

In some sectors such as tourism this may be problematic given that demand is very low as international borders are still not fully open and a month-long experiment with bringing international tourists in has just begun. Most restaurants and some accommodation facilities will have similar challenges to survive.

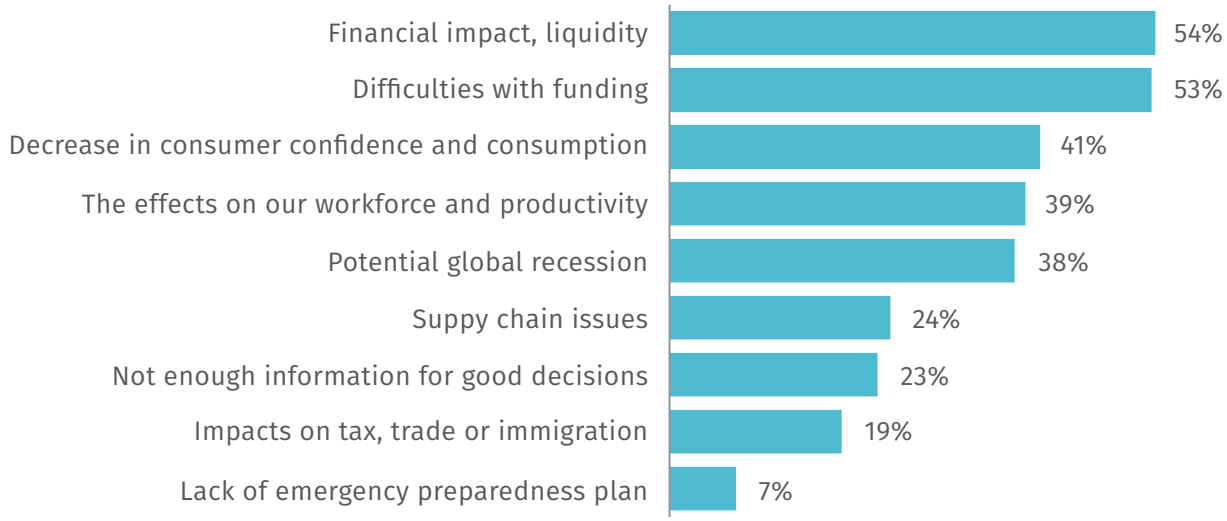
Figure 28: ***Time Expected to Restore to Full Operations***



7.2.9 FUTURE CONCERNS

Most businesses in the sample highlight the financial impact (54%) and difficulties with finding funding (53%) as the main problems of the future (see Figure 29 below). Other problems include reduced consumer demand (41%), impact on the labour force and productivity (39%) and a potential global recession (38%).

Figure 29: ***Concerns for the Future***



CONCLUSIONS

8

Countries and regions with low income and limited healthcare quality contain high economic risk during pandemics. Namibia has high economic risk during the current pandemic seeing that its economy was in a precarious position prior to the advent of the pandemic, and its public health system has insufficient capacity to cope with a pandemic of this magnitude.

The impact of the COVID-19 pandemic on Namibian businesses is severe. Some sectors are worse off than others and businesses whose activities include tourism, accommodation, travel, conservation, trophy hunting, restaurants, leisure, events, as well as aviation and construction are harder hit than others. Many businesses involved in the tourism value chain, for example, has had no meaningful income since the closure of Namibia's international borders back in March. This has had a detrimental effect on many local communities in the form of direct job losses, loss of income to conservancies, and less financial support for community conservation. It has also wiped out opportunities for most freelance work such as tour guiding and driving.

Across all sectors, businesses have had to employ drastic measures to ensure their survival. To this effect they implemented a multitude of measures ranging from reducing working hours and shifts to asking staff to take annual leave. Despite this, many started to close down temporarily, retrench large components of their workforce, or cut wages in an attempt to outlive the pandemic. These measures have had a significant knock-on effect on Namibian households.

Thus far, Namibian businesses have not received much assistance from Government to help off-set at least some of the impact of the pandemic. Despite a stimulus programme of just more than N$8 billion announced in April, relief efforts are limited by Government's financial and institutional ability to implement such programmes. The Employer Wage Subsidy Programme is a prime example: more than 100 days after its announcement, it is still not implemented.

This study showed that time is a very important variable in assessing the impact of the pandemic. Most formal Namibian companies are small companies that have insufficient access to capital or financing to see out the pandemic. Most business need cash to survive and to date, the only help they have received are from suppliers, landlord and less so from commercial banks. With the pandemic still in its early stages in most of the country, it is therefore likely that many more will close down before the end of the pandemic. As a result, unemployment is also expected to rise.

The next two to three months are going to be crucial for Namibian businesses, as many would require at least three months to recover to pre-pandemic levels. Recovery would not be possible without the pandemic being under control i.e. contained and new infections on the decline. This stage could still be months away seeing that community transmission has now started in several locations across the country, including the country's capital city and business hub, Windhoek. Under current conditions, the prospects for many businesses remain pretty bleak.

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ANNEXURE 1: SAMPLE BY ECONOMIC DIVISION

RESPONSES	N	%
Crop and animal production, hunting and related service activities	11	1.90%
Manufacture of food products	5	0.80%
Manufacture of beverages	3	0.50%
Manufacture of textiles	4	0.70%
Manufacture of wearing apparel	4	0.70%
Manufacture of leather and related products	2	0.30%
Manufacture of wood/products of wood and cork, except furniture; articles of straw/ plaiting materials	1	0.20%
Manufacture of textiles	4	0.70%
Manufacture of chemicals and chemical products	9	1.50%
Manufacture of pharmaceuticals, medicinal chemical and botanical products	2	0.30%
Manufacture of other non-metallic mineral products	1	0.20%
Manufacture of fabricated metal products, except machinery and equipment	1	0.20%
Manufacture of electrical equipment	1	0.20%
Manufacture of machinery and equipment n.e.c.	1	0.20%
Manufacture of furniture	2	0.30%
Other manufacturing	2	0.30%
Repair and installation of machinery and equipment	11	1.90%
Water collection, treatment and supply	1	0.20%
Construction of buildings	32	5.40%
Specialized construction activities	7	1.20%
Wholesale and retail trade and repair of motor vehicles and motorcycles	14	2.40%
Wholesale trade, except of motor vehicles and motorcycles	3	0.50%
Retail trade, except of motor vehicles and motorcycles	112	19.00%
Land transport and transport via pipelines	1	0.20%
Water transport	1	0.20%
Air transport	2	0.30%
Postal and courier activities	8	1.40%
Accommodation	172	29.20%
Food and beverage service activities	16	2.70%
Publishing activities	1	0.20%
Telecommunications	1	0.20%
Computer programming, consultancy and related activities	2	0.30%
Financial service activities, except insurance and pension funding	4	0.70%
Insurance, reinsurance and pension funding, except compulsory social security	2	0.30%
Real estate activities	6	1.00%
Legal and accounting activities	5	0.80%
Architectural and engineering activities; technical testing and analysis	9	1.50%
Advertising and market research	4	0.70%
Other professional, scientific and technical activities	7	1.20%
Rental and leasing activities	5	0.80%
Employment activities	3	0.50%
Travel agency, tour operator, reservation service and related activities	59	10.00%
Security and investigation activities	5	0.80%
Services to buildings and landscape activities	1	0.20%
Office administrative, office support and other business support activities	13	2.20%
Education	9	1.50%
Human health activities	2	0.30%
Residential care activities	1	0.20%
Sports activities and amusement and recreation activities	1	0.20%
Activities of membership organizations	4	0.70%
Repair of computers and personal and household goods	4	0.70%
Other personal service activities	8	1.40%
TOTAL	**589**	**100.00%**