



Poverty Reduction Efforts in Namibia

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Are they Effective?

“The Role of SMEs in Poverty Alleviation”

By

Tuwilika Hamwele –

JCC National Coordinator

NES Breakfast meeting, 26.10.2005

“Business owners in many countries face conditions that make simply surviving a miracle. The major challenge is to turn the miracle of survival into the miracle of growth.” W.F. Steel, Changing the institutional and policy environment for small enterprise development in Africa



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Introduction to the topic



- ✦ SMEs are considered the backbone of any economy.
- ✦ This is where the mass of the populace is.
- ✦ The JCC promotes the targeting of SMEs in developmental efforts as a prime way to achieving impact on poverty reduction.
- ✦ JCC is constantly advocating and lobbying for greater consideration of the SME sector as a key role player in the development of our economy.

Introduction ctd.



- ✦ JCC & Partners understand without information including research development cannot be attained - information is power and empowering
- ✦ To give a perspective on the contribution of SMEs towards Poverty Alleviation in Namibia, extracts from the soon to be published SME Impact Assessment Study of 2004 – 2005 will be shared. As controversial as data can be, it certainly substantiates the importance of the local small businesses sector.

SME Impact on the economy



- ✦ Estimations suggest that Namibian SMEs contributed about 12% to GDP
- ✦ Over the past 3 years this has been measured and it can be observed that the SME contribution to GDP has risen sharply (from 8% - 12 %)
- ✦ Whilst business owners appear to be well educated, running the own business appears often to be the solution for alternatives, hence a true answer to economic challenges

SMEs Impact on the economy ctd.



- ✦ The SME sector employs fulltime approx. 20% of the Namibian labour force – in 2002 the estimation reflects a 15% contribution (a huge increase within 2 years of not less than 25%) – a strong indicator for the SME sector to be a major tool for creating socio-economic stability
- ✦ The net fixed capital formation – the indicator to reflect on internal investment into the economy – clearly indicates that the SME sector is most important when analysing whether a specific economic activity contributes to cash strapping (exporting capital) or local empowerment and closing the gap between rich and poor

Key Challenges



- ✦ The SME sector is not just one area of economic activity (e.g. mining, construction, tourism, fishing, agro-processing, manufacturing, retail, etc.) – and to devise support mechanisms as well as policy directions requires careful consultative processes
- ✦ Both private sector and public sector is urgently called on to support local SMEs as partners in the economy not with Samaritan hand outs but true economic relations
- ✦ Poverty alleviation starts with micro-enterprises, in Namibia (unlike other African countries) we regard the micro-enterprise sector very lowly

Key Challenges ctd.



- ✦ Greatest poverty is experienced and observed in rural areas where support interventions are very expensive
- ✦ In the overhaul of our educational system more consideration should be awarded to the need of teaching the young principles of entrepreneurship in a practical manner – the challenge of providing most valuable training remains one huge obstacle in the growth of the SME sector
- ✦ Whilst research shows that SMEs are a viable tool for the youth to enter the economic mainstream, it remains the most pressing challenge to find answers to the needs of the youth before they drift into poverty in their thousands

Key challenges ctd



- ◆ SMEs are particularly hard hit by HIV and Aids as recent investigations reveal; since SME owners are usually also HR Managers, Marketing Managers, Production managers, Finance Managers etc. the sudden absence of this one person often equates closure
- ◆ Women constitute a very prominent factor in the SME sector, which ought to be valued greatly, and it is to be investigated how to maintain this status quo

Conclusion



- ◆ Example in the community
- ◆ Role played by women and men working around the clock.
- ◆ SMEs are living examples of survival and strides towards economic emancipation
- ◆ Are we doing enough to create such environment? Speaking on behalf of SMEs, the zeal and entrepreneurial spirit is there

