



**REPUBLIC OF NAMIBIA**  
**Ministry of Finance**

**MEDIA STATEMENT**

***ON THE OCCASION***

***OF THE***

***OFFICIAL LAUNCH OF THE SME FINANCING  
STRATEGY, SKILLS-BASED LENDING FACILITY FOR  
THE YOUTH AND THE 121 YOUTH ENTERPRISES***

***Ministry of Finance***

***13h00***

**Hon. Calle Schlettwein, MP**

**Minister of Finance**

**06 November, 2019**

*Hon. Erastus Uutoni, Minister of Sport , Youth and National Service*

*Hon. Ida Kandjii-Murangi, Minister of Higher Education, Training and Innovation*

*Hon. Tjekero Tweya, Minister of Industrialization, Trade and SME Development*

*Mr lipumbu Shiimi, Governor of the Bank of Namibia*

*Executive Directors,*

*Acting Executive Chairperson of the National Youth Council*

*Ms. Daisry Mathias, Presidential Advisor: Youth Matters & Enterprise Development*

*Mr. Martin Inkumbi, CEO, Development Bank of Namibia*

*Mr. Ndjoura Tjzongoro, CEO, National Special Risks Insurance Association (NASRIA)*

*Distinguished Invited Guests,*

*Members of the Media*

*Ladies and Gentlemen,*

1. Thank you for joining us at this distinct and significant event. Today we launch the SME Financing Strategy, an offspring of the Namibia Financial Sector Strategy and a joint partnership framework between the public and the private sector financiers.
2. Alongside the specific suite of products and services of the SME Financing Strategy, and for greater scale and impact, we are also launching two other mutually-reinforcing and impactful products; namely; the Skills-based Lending Facility

for the Youth and the Funding Facility for the One Hundred and Twenty One (121) Constituency Youth Enterprises.

3. The facilities will be implemented in collaboration with the Development Bank of Namibia.
4. The bid for a designate SME Financing Strategy and the specific funding facilities for youth enterprises is to unlock the growth, job creation and self-employment potential of the SME sector. Further, the policy imperative is to achieve the twin objectives of enhancing access to affordable finance and fostering entrepreneurship and SME development across the broad range of economic sectors in all regions of the country.
5. In furtherance of these objectives, and to greatly diversify financing sources for entrepreneurs and MSMEs, an SME Financing Strategy was crafted with a suite of tailor-made products and services to better serve the needs in the Namibian SME ecosystem.
6. The **SME Financing Strategy** encompasses three mutually-reinforcing facilities, namely:-
  - the Credit Guarantee Scheme, to provide for collateral for Micro, Small and Medium-sized Enterprises without a collateral base,
  - the Venture Capital Fund, to provide for equity capital to high-growth SMEs whereby the Government assumes the first loss, and

- the Mentorship and Coaching Program to provide requisite capacity-building and mentorship for participating MSMEs.
7. The SME Financing Strategy is a smart partnership between and among the Government, the Development Bank of Namibia, commercial banks and other private sector financiers. The Bank of Namibia has played a key role in spearheading the formulation of the Strategy and also contributing to the pooling of resources to jump-start the Strategy. The products are co-financed through financial sector participation, thus enhancing scalability, governance and impact.

### **Specific SME and Entrepreneurship Products Launch**

*Ladies and gentlemen,*

8. Today marks the launch of the:-
- Skills-based Lending Facility for the Youth,
  - the Funding Facility for the One Hundred and Twenty One (121) Constituency Youth Enterprises,
  - the Credit Guarantee Scheme, and
  - the core elements of the Mentorship and Coaching Program of the SME Financing Strategy.
9. It is of essence to set out the main features, expected coverage and the commencing date for these facilities.

10. The *Skills-based Lending Facility for the Youth* will be hosted by the Ministry of Finance in collaboration with DBN.

The facility will:-

- target at the youth, with a high proportion being accorded to the youth aged 35 years of age and below as at the time of application, in line with the national definition of youth;
- target young artisans such as *plumbers, mechanics, technicians, fitters and turners, etc* graduating from Vocational Education Training as well as young professionals such as *pharmacists, medical doctors, lawyers, engineers etc* graduating from institutions of higher learning.
- accord a disproportionately high percentage of the facility, that is, about 60 percent to artisans, and 40 percent to professionals component, given the relatively easier access to traditional finance for the latter.
- have the initial starting size of \$30 million, to be scaled up over the short to the medium-term ,
- the Government will ensure that the products are:-
  - inclusive of women and youth with disability.
  - cover both start-ups and existing businesses, for as long as they are viable, and
  - relax lending terms, collateral and own equity requirements,

11. The *Funding Facility for the One Hundred and Twenty One (121) Constituency Youth Enterprises* is hosted by the Ministry of Sport, Youth and National Service in

collaboration with DBN. It aims to facilitate the establishment of 121 Youth Enterprises in all constituencies, in line with the aspirations of Youth Enterprise Development sub-pillar of the *Harambee Prosperity Plan*.

12. As such, the facility will foster the establishment of youth owned enterprises in both urban and rural constituencies of the country, thus contributing towards employment creation, entrepreneurship development and SME-driven economic growth on the back of the youthful demographic dividend.

13. The facility will, as a start:-

- provide funding for at least one project from each of the 121 Constituencies nationally, to be scaled up over time,
- commence at a total size of N\$8.5 million, to be scaled up over time once bankable projects are identified and assessed,
- such funding would also support the project preparation and assessment for bankability,
- project identification and initiation would start at the Constituency level, in collaboration with the Ministry of Sport, Youth and National Service as well as the National Youth Council,

14. The **Credit Guarantee Scheme** will be rolled-out in collaboration with the Namibia Special Risks Insurance Association (NASRIA). The Scheme is of particular

significance in addressing the binding constraint posed by the lack of collateral for qualifying SMEs. The facility will:-

- Provide collateral cover for qualifying SMEs,
- Commences at an initial size of N\$100 million, for which N\$2 million will be dedicated to the establishment of a database for SMEs. The facility size will be scaled up over the medium-term through greater public and private sector support,

15. I must emphasize the operational modalities of the Credit Guarantee Scheme. SMEs and entrepreneurs will still continue to apply for credit at commercial banks. It is the financial institutions which will apply for collateral coverage for the assessed bankable projects which have high growth potential, but lack collateral.

16. The **Mentorship and Coaching Program** will provide tailored training and capacity-building for beneficiaries of these facilities. Training and mentorship will be extended either directly by DBN or through specialized service providers in coordination with similar existing initiatives at the Ministry of Industrialization, Trade and SME Development as well as the EMPRETEC program.

### **Commencement Date**

*Ladies and gentlemen,*

17. These four facilities will become operational on 1 December 2019. Entrepreneurs and SMEs are invited start placing their applications from that date.

18. During the intervening period, DBN will put in place the necessary administrative arrangements and requisite product information for the public.
19. The Ministry, DBN and collaborating institutions will proceed to finalize the modalities for the Venture Capital Fund and make a public announcement at later stage.

### **Conclusion**

20. To conclude, let me take this opportunity to thank all the collaborating institutions for effectiveness in the process of conceptualizing these targeted financing facilities. I thank the Ministry of Sport, Youth and National Service, the Ministry of Higher Education, Training and Innovation, the Ministry of Industrialization, Trade and SME Development, the National Youth Council, the Bank of Namibia and the financial services industry for the collaboration and partnership. I also wish to thank our development partners, particularly GIZ for technical support on this initiative and similar initiatives to support SME development.
21. The products we are launching today will have lasting beneficial impacts for SMEs, entrepreneurs and the economy in general in the form wealth and job creation. I call for greater synergy, prudent financial management and monitoring and evaluation during the implementation process. Inasmuch as the quality of outcomes is needed from formal and vocational education to spur the long-term development potential and competitiveness of the national economy, we increasingly need greater alignment with the

market demand so as to facilitate effective labour market participation and employability.

22. Equally, entrepreneurs and MSMEs are invited to be more innovative, entrepreneurial and to hone their financial management skills as they take advantage of the financing opportunities presented by this package of tailor-made products.

*Thank you for your attention.*