



REPUBLIC OF NAMIBIA
Ministry of Finance

LAUNCH STATEMENT

**ON THE OCCASION OF THE COMMENCEMENT OF THE COVID-19
SME LOAN SCHEME**

BY

Ipumbu Shiimi, MP
Minister of Finance

19 November 2020

Director of Ceremonies,

Honourable Lucia Ipumbu, Minister of Industrialization and Trade

Honourable Peya Mushelenga, Minister of Information and Communication Technology,

Honourable Agnes Tjongarero, Minister of Sport, Youth and National Service,

Mr Johannes !Gawaxab, Governor of the Bank of Namibia,

Mr Brian Katjaerua, Deputy President of Bankers Association of Namibia,

Ms Daisry Matthias, Presidential Advisor on Youth Matters & enterprise Development

Mr Martin Inkumbi, CEO of DBN

Ms Charity Mwiya, CEO of NCCI,

Government officials,

Representatives of the private sector,

Members of the Media,

Ladies and gentlemen,

1. It gives me a great pleasure to welcome you at this distinct occasion, marking the launch of the COVID-19 SME Loan Scheme.
2. The prevailing COVID-19 pandemic has not only exposed the vulnerability of small businesses and start-ups to external shocks, but it also reminds us of the importance of this sector in the economy and its role in supporting the livelihood of a large number of our people.
3. Notably, the necessary lockdown and social distancing measures, which have helped our country to save lives and to avert the worst case scenario for the spread of the pandemic, have had unintended

consequences on businesses, more especially for SMEs whose balance sheets are not as deep and wide enough to absorb large shocks over a prolonged period.

4. With interruptions in the regular flow of customers, small businesses are unable to receive the cash flow that is required to meet their contractual obligations. As such:-
 - *incomes have sharply contracted,*
 - *jobs have been lost,*
 - *some businesses have closed, and*
 - *large scale defaults on rental and salary payments have been witnessed, threatening to irreparably weaken the pace and quality of economic recovery.*
5. This situation is not only concerning, but requires targeted responsiveness.
6. As such; the Government, in partnership with the participating commercial banking institutions and with the financial support of the Bank of Namibia, is pleased to announce the commencement of the Covid-19 SME loan scheme, to the tune of N\$500 million.
7. We are therefore making good on one of the promises we made in October this year, when I tabled the Mid-Year Budget Review.
8. The Scheme is designed to assist SMEs that are hard-hit as a result of the economic and social impact of the COVID-19 pandemic.

9. The Scheme complements the SME and entrepreneurship facilities which are already operational. These are, for instance, the skills-based lending facility for youth entrepreneurs; the funding facility for the 121 constituency-based youth enterprises launched last year in collaboration with the Ministry of Sport, Youth and National Service as well as the Credit Guarantee Scheme which was rolled out in August this year under the SME Financing Strategy. These products are administered by the Development Bank of Namibia on behalf of the Government.

10. The Covid-19 Loan Scheme will be provided through the four commercials with a specific emphasis on affordability of the loans provided.

11. The Bank of Namibia will play a crucial role in the roll out of the Covid-19 Loan Scheme by availing funding to participating commercial banks at the prevailing repo rate. Through this Scheme, participating commercial banks will thus be able to extend loans to qualifying SMEs at the prime lending rate, which now stands at 7.50 percent. The obligation to pay interest and capital on these loans will be deferred for six months from date of the first drawdown. The loans are repayable over a period of 5 years. The purpose of the loan is to enable qualifying SMEs to cover certain fixed costs and working capital during this challenging time.

12. Participating Commercial Banks will earn zero economic profit as all profits will be deposited in a ring-fenced portfolio. As and when losses are recognised in the portfolio, the first loss will be absorbed by the ring-fenced profit account, while the second loss will be funded by the participating commercial banks up to a participation rate of 5 percent. The third loss will be covered by the government guarantee which will be settled on a portfolio basis at quarterly intervals. This demonstration of a true spirit of partnership during this time of national need for which I commend the participating commercial banks.

13. This SME loan Scheme is affordable, thanks to the Bank of Namibia's loan. The cost of borrowing which is to be not more than the prime lending rate overcomes the cost barrier as a binding constraint on access to finance for qualifying SMEs.

14. To qualify for the Covid-19 Loan Scheme, an SME must:-

- *be adversely impacted by the lockdown and it will be required to demonstrate financial distress as part of the application process,*
- *demonstrate that it has insufficient normal borrowing capacity to fully fund its monthly operating expenses*
- *be a registered business entity, including sole proprietorships*
- *have an annual turnover not exceeding N\$10 mil per annum*
- *be in good standing with their bank, prior to the onset of the Covid-19 pandemic in Namibia i.e. prior to 1 March 2020*
- *be registered with the Receiver of Revenue. A certificate of good standing with the Receiver of Revenue will not be a mandatory*

requirement. However, the business is expected to comply with the tax obligations once its cash flow improves during the loan repayment period.

15. The Government is well aware of the potential of the SME sector and remains committed to supporting this important sector of our economy. We remain convinced that this important sector has the potential to contribute toward employment creation and poverty reduction. Namibia's post-covid-19 recovery will in part depend on a thriving SME sector.
16. Let me take this opportunity to thank the participating commercial banks for partnership and availing their distribution infrastructure across the country during this time of national need.
17. I thank the Governor of the Bank of Namibia and his team for support on this special and targeted intervention. Let me also use this opportunity to thank the inter-institutional team which worked around the clock to finalize the design and implementation modalities of this targeted product.
18. As we launch this product, I would like to invite all qualifying SMEs to approach their respective commercial banks in order to be assisted through the Scheme. In conclusion, let me once again remind you of the theme of our Budget Statement: *"Together defeating COVID-19, Together thriving again"*.

Thank you for your attention