



MINISTERIAL STATEMENT TO THE NATIONAL ASSEMBLY

*SME Economic Recovery Scheme at Bank of Namibia
and
Business Rescue Program at Development Bank of Namibia*

**IPUMBU SHIIMI, MP
MINISTER OF FINANCE AND PUBLIC ENTERPRISES**

27 APRIL 2023

Honourable Members,

Honourable Speaker,

I would like to make a statement on two ongoing programs at the Bank of Namibia and the Development Bank of Namibia to support the SME sector as the economy recovers in the wake of the COVID-19 pandemic. In February 2023, our Ministry together with the Bank of Namibia launched the modified SME Economic Recovery Scheme. We recognize the severe impact that the pandemic had on the operations of SMEs and are therefore cognizant of the need to support their operations to keep the economy functioning.

Honourable Speaker,

The initial SME Loan Scheme was launched in November 2020 to ensure SMEs sustenance during the lockdown periods and enable a faster recover post-pandemic. Nonetheless, out of the N\$500 million available, only N\$6.4 million was utilized by SMEs. We therefore went back to the drawing board to gauge the challenges facing SMEs with regards to qualifying for and accessing the scheme. The modified scheme relaunched in February has largely addressed the identified shortcomings with regard to the qualifying criteria, the lending rate and marketing. Since the relaunch the loans disbursed to date have increased to N\$31.5 million.

One of the criteria we reviewed was the good standing requirement. In the initial version of the scheme, SMEs with tax liabilities were limited from participating in the scheme without a Good Standing Certificate from the Namibia Revenue Agency (NamRA). The revised eligibility criteria read as follows: "an eligible client must be registered with the national tax authority (NamRA) and be tax compliant and submit a certificate to that effect issued by NamRA. The word "certificate" is used in the eligibility criteria, and this allows SMEs to submit either a "Good's standing certificate" or any "certificate or agreement" issued by NamRA in the event a client is in tax arrears and has entered into a payment arrangement under any of the NamRA Tax Relief Programmes. At the end of the day, we maintain that it is important for all taxpayers to honour their tax obligations, as such, we are willing to support SMEs with tax arrears provided they have a repayment arrangement in place with NamRA.

Honourable Speaker,

Honourable Members,

To further support business adversely affected by the depressed economic conditions and the COVI-19 pandemic, the Development Bank of Namibia (DBN) launched a voluntary Business Rescue Programme in November 2022 to prevent liquidation of enterprises. The programme is implemented through, as may be necessary depending on the enterprise in question: (a) employing independent business rescue advisors to assist with the business turnaround or (b) a conversion of a portion of debt into some form of patient capital instruments, such as equity, or preference share capital, or a combination of both. In the event of successful rescue of the enterprise, owners will be given the first option to repurchase preference shares or equity.

DBN has published the full eligibility criteria on their website, which include evidence of financial distress, that the business must be operational and willingness to convert the business into a Pty (Ltd) to enable the use of certain instruments such as share arrangements. This is in addition to the criteria for the recruitment of Independent Business Rescue Advisors as well as their key responsibilities. At this point, only existing DBN clients are eligible for participation in the DBN Business Rescue Programme. I therefore urge SMEs in financial difficulties to explore this avenue in order to rescue their enterprises and preserve employment.

Overall, *Honourable Speaker*, we recognize the adverse economic environment over the past several years and the subsequent negative impact on the balance sheet and operations of SMEs. Accordingly, the Government remain committed to supporting SMEs as underscored by the roll-out of the two schemes. I therefore urge all SMEs to utilize these windows of opportunity to safeguard and grow their respective business and ultimately the Namibian economy at large.

Thank you, *Honourable Speaker*.
