



**PARLIAMENTARY OFFICE
OF THE
HONOURABLE PATIENCE MASUA, MP**

Parliamentary Contribution

on

**SME FINANCING IN NAMIBIA, IN EFFORTS TO
UNLEASH ACCESS AND THE ECONOMIC
POTENTIAL OF THIS SECTOR.**

in the

National Assembly

05 March 2024

Mr Speaker,

My address will focus on three areas:

1. The importance of SME's in economic development
2. Substantive initiatives that our government, through the Development Bank of Namibia, has undertaken to support and bolster the SME sector in our nation.
3. Challenges and key priorities going forward

SMEs are important for the growth and diversification of the economy. They create job opportunities, stimulate innovation, and contribute to the overall economic growth of our country. The government's allocation of funds through the recent budget statement by the finance minister towards the youth loan scheme is a step in the right direction to empower young entrepreneurs and promote youth-owned businesses in Namibia. As we move forward, it is crucial to address the challenges faced by SMEs.

What are they?

1. Access to finance
2. Market access
3. Skills development to ensure the continued success and sustainability of SMEs in our country
4. Excessive Regulations
5. A small domestic market that limits growth potential.

Over the past few years, our government has implemented a series of targeted measures aimed at addressing a number of challenges faced by SMEs. These measures have included providing easier access to financing, streamlining regulatory processes, and offering tailored support programmes for SMEs. The DBN has provided crucial financial support to young entrepreneurs looking to start their own businesses. Additionally, the government has also introduced various training programmes and mentorship initiatives to help SMEs grow and succeed in a competitive market. Moving forward, it is imperative that we continue to prioritise the development of SMEs, as they play a vital role in driving economic growth and creating employment opportunities for our citizens.

In Namibia, having a barrier-free SME ecosystem is critical to our economic development.

This aligns closely with Namibia's HPP2, which envisages the revival of the entrepreneurial spirit of our people. This revival will allow the private sector to play a leading role in our economy, creating ample jobs for our nationals, with GRN playing a supporting role in this endeavour. Through HPP 2, Namibia is expected to have a business climate that encourages local investment, competition, diversification, and growth. We must build a business climate that encourages local investment, competition, diversification, and growth - ultimately leading to an increase in economic opportunities and overall prosperity for the country.

Now, let's look at facts and figures at the DBN:

Over the last five years (April 2018 to March 2023), DBN has approved 808 loans to SMEs worth N\$824.5 million. At the same time, the total number of loans approved was 1035, for a value of N\$5.3 billion. DBN classifies businesses with an annual turnover of less than N\$10 million as SMEs. In addition to offering loans to SMEs through its SME Financing Department, DBN has also established the national Mentoring and Coaching Programme to address SME skills gaps and the Credit Guarantee Scheme, which is now under Nasria's management, to address the lack of collateral. Of the 43 SME's that have benefited from the CGS, 280 jobs have been created. DBN is busy establishing the Venture Capital Fund (VCF) for high growth SMEs that addresses the lack of their own contribution, which prevents SMEs and start-ups from accessing bank funding. An announcement on the board of trustees for the VCF will be made in the next couple of weeks.

The DBN also has a product tailor made for young professionals, which is the skills-based lending facility, which provides loans for young people with professional skills, such as pharmacists, lawyers, etc., where their skill is their collateral. This initiative aims to support young professionals who may not have traditional collateral but possess valuable skills. By offering loans based on their expertise, DBN is helping to bridge the gap in access to funding for this demographic. While the skills-based lending facility may help young

professionals without traditional collateral, it excludes those who do not have valuable skills to offer as collateral.

Young people are not homogenous. Their circumstances and aspirations vary widely. Unfortunately, not all young people have degrees, so the metric is flawed.

Many young people have an appetite for business. They have the talent, skills, ideas, and brilliance—all the ingredients to build a successful business. They simply do not have the funding or the degree. In light of this diversity, we are actively looking into comprehensive strategies to ensure inclusivity and support for all young entrepreneurs, in addition to the skills-based lending facility that the Development Bank of Namibia (DBN) offers.

To complement the skills-based lending facility and, in addition to the recent announcement by the Prime Minister of a microfinancing fund to close the finance gap, the DBN must work towards the development of programmes that cater to a broader spectrum of young individuals, including those who may not possess academic skills. Our goal is to create inclusive financial solutions that consider various talents, aspirations, and business ideas across the youth demographic. By doing so, we aim to eliminate potential barriers, provide equal opportunities for all young Namibians to access funding, and kick-start their entrepreneurial journeys.

Most importantly on the DBN, is the visibility and accessibility of the DBN to our rural and peri-urban youth. The current situation, of the

DBN not having visibility in all the regions of our country presents a significant challenge of inequity as the DBN's presence is not uniformly established across all regions of Namibia. Our young people from the regions are excluded. Young people from Omaheke (Epukiro, Vergenoeg, etc.), young people from Karas, Zambezi, and all other regions are excluded. This geographical discrepancy excludes a critical sector of our society, particularly the rural and peri-urban youth, from availing themselves of the financial support and developmental opportunities provided by the bank. The lack of accessibility deprives these young entrepreneurs in remote areas of the chance to participate fully in the economic growth of our nation. It is imperative that we address this discrepancy and work towards expanding the reach of the DBN to ensure that all Namibian youth, regardless of their geographic location, have equal access to the resources necessary for their entrepreneurial endeavours. We want the DBN to be accessible to all young people, especially those who need it most. By fostering inclusivity, we can truly empower our youth and harness their potential as active contributors to the economic prosperity of Namibia.

Furthermore, we are actively engaging with stakeholders and experts to identify and address any gaps in the current financial support mechanisms. Our commitment extends beyond just offering loans; we strive to create an ecosystem that nurtures innovation, creativity, and resilience among the youth. Under the Namibia Investment Promotion and Development Board, the MSME Innovation, Acceleration, and Development Division actively promotes the growth and sustainability

of micro, small, and medium enterprises (MSMEs) in Namibia through a diverse range of initiatives. Under the Market Access and Export Promotion Division (MAP), programmes like Know2Grow (K2G) aid export-ready businesses, contributing to a robust export-oriented MSME sector.

The Ecosystem Optimisation Division (EO) introduces platforms such as Chelete Cage and In4msme to facilitate fundraising and enhance information accessibility within the MSME ecosystem. The Business Advisory Services Division (BAS) offers financial symposiums, branding masterclasses, and digital bootcamps, fostering MSME development and competitiveness. Initiatives like She Rebuilds the World focus on female entrepreneurship, contributing to gender equality and economic empowerment. Be-A-Business Support Hubs provide personalised consultations, while the Start Up & Scale initiative ensures a collective voice and coordinated approach. Collectively, these initiatives accelerate the MSME ecosystem, fostering innovation, entrepreneurship, and overall economic growth in Namibia. Through mentorship programmes and initiatives by the Namibia Investment Promotion and Development Board, training initiatives, and networking opportunities, we are building a supportive environment that empowers young entrepreneurs to thrive, regardless of their background or skills.

Key priorities:

Our key priorities revolve around addressing critical issues faced by various sectors of our economy. Firstly, we recognize the urgent need for tax reforms specifically tailored for small businesses involved in importing clothing, commonly known as "order with me" enterprises. In the short term, we aim to streamline and optimize the taxation framework to alleviate financial burdens on these businesses. Simultaneously, our long-term vision should involve establishing production facilities for low-cost textiles, aligning with evolving import trends. This strategic move not only boosts local manufacturing but also nurtures a sustainable and competitive domestic textile industry.

Secondly, we emphasize the implementation of a System of Equivalents, drawing inspiration from successful models like South Africa's. This system aims to evaluate skills based on practical proficiency rather than solely relying on academic qualifications. By recognizing and valuing practical expertise, we strive to bridge the gap between academic knowledge and industry requirements, fostering a more inclusive and dynamic workforce.

Thirdly, we place significant importance on enhancing the visibility and accessibility of the Development Bank of Namibia (DBN) in all regions. The current geographic disparity in the availability of DBN services disproportionately affects the rural and peri-urban areas. Our priority must be to rectify this situation by expanding DBN's reach, ensuring that its financial and developmental resources are accessible to all Namibian youth, entrepreneurs, and businesses, regardless of their

location. This step is crucial in promoting economic inclusivity and allowing every region to actively participate in the nation's growth and development. Through these key priorities, we aim to foster a more resilient, equitable, and sustainable economic landscape for the benefit of all Namibians.

In conclusion, these efforts are crucial in creating a vibrant and sustainable economy in Namibia, where small businesses can flourish and contribute to the overall development of the country. By providing resources, support, and guidance to MSMEs, we are paving the way for a brighter future for the next generation of entrepreneurs in Namibia. Together, we can drive innovation, create jobs, and drive economic growth for years to come.