



NATIONAL ASSEMBLY

27 February 2024

**MOTION BY THE HONOURABLE TJEKUPE MAXIMALLIANT
KATJIMUNE FOR THE HOUSE TO INVESTIGATE THE
BOTTLENECKS AROUND SMALL AND MEDIUM ENTERPRISES
(SME'S) FINANCING IN NAMIBIA IN EFFORTS TO UNLEASH
GREATER ACCESS AND ECONOMIC POTENTIAL FOR THIS
CRUCIAL SECTOR OF OUR ECONOMY**

MOTIVATION

**Honourable Speaker
Honourable Members**

1. I rise to motivate this motion which calls on this August House to investigate the bottlenecks around Small and Medium Enterprise (SME's) financing in Namibia in efforts to unleash greater access and economic potential for this crucial sector of our economy.

Honourable Speaker

2. The SME sector plays a pivotal role in any nation's economy, and Namibia is no exception. According to the World Bank, SME's account for around 90 percent of enterprises worldwide, and employ 50 percent of the global

workforce, while contributing to around 40 percent of the GDP in emerging markets¹.

3. More than 70 000 Micro, Small and Medium Enterprises (MSME's) are currently registered in Namibia in various industries according to a report by the International Finance Corporation. The sector contributes around 12 percent to the GDP, and employs around 200 000 people according to the Namibia Statistics Agency (NSA). Therefore, it is undeniable that the SME sector plays a crucial role in our economy.
4. However, research informs us that more than 50 percent of SME's worldwide collapse during the first five years of commencing operation, and this has been worsened due to the adverse effects of the 2019 Novel Coronavirus and other geopolitical headwinds, such as the war between Russia and Ukraine which has led to an upsurge in global commodity prices, coupled with other economic and geopolitical factor. In Namibia, this number is much higher, with around 70 percent of SME's estimated to fail almost immediately upon commencement of operation. A worrying statistic that requires swift intervention.

Hon. Speaker

5. It is worth mentioning that the contradiction around our failing SME sector is further illustrated when one does a comparative analysis between the proposed solution to the youth unemployment crisis that young people must ~~be~~ become job creators and not job seekers through the creation of SME's, and the stark reality that around 70 percent of SME's in fact do not succeed in Namibia.
6. One then poses the question, what jobs will be created through SME's by young people if the glaring reality is that the significant majority of SME's in the country do in fact not succeed and fail to create sustainable jobs. This is hence the reason why a motion of this nature is fundamental. If we do not address the prudent dichotomy of SME funding and sustainability in Namibia,

¹ World Bank. 2019. *Small and Medium Enterprises (SMEs) Finance*. Retrieved from <https://www.worldbank.org/en/topic/smefinance>

then there is clearly no reason whatsoever why government should be encouraging young people in general and graduates in particular to set up businesses for the purposes of employment creation.

Honourable Speaker

Honourable Members

7. One of the greatest, if not the most fundamental impediment that the SME sector faces in Namibia is a lack of financing and access to capital, especially in light of the collapse of the SME Bank in 2017. In their paper titled ‘SME Financing in Namibia: An Introductory Discussion Paper’², the Institute for Public Policy Research correctly notes that while commercial banks, Development Bank of Namibia (DBN), the Ministry of Finance, the Bank of Namibia and other banking institutions have attempted to fill the gap left by the SME Bank, the capital interventions are still not enough to offer the cushion needed by SME’s to survive in tough economic headwinds.
8. The funding of SME’s in Namibia can be categorized into two broad categories, the capital offered by commercial banks and that which is provided by government. SME’s which record an annual revenue between N\$0 to N\$10 million qualify for capital funding from Bank Windhoek, Standard Bank and First National Bank Namibia (FNB), while those which generate between N\$0 to N\$5 million can also qualify for funding with Nedbank Namibia.
9. These banking institutions offer various financial products to SME’s such as the Business Recovery Credit Plan, the Business Current Account with Overdraft, Vehicle and Asset Finance, Contract and Tender Financing and expansion loans, just to mention a few. However, it is common cause that very few SME’s actually benefit from these funding schemes by banking institutions, with the high demand for collateral a stumbling block for many.
10. The second broad category for the funding of SME’s in Namibia is state financial institutions such as the Bank of Namibia, the Ministry of Finance and Public Enterprises, the Development Bank of Namibia and Agribank, just

² Nangolo, M., Hamukoto, H. (2013). SME Financing in Namibia. Institute for Public Policy Research. Windhoek, Namibia: Hans Seidel Foundation.

to mention a few. The SME Economic Recovery Loan Scheme was launched by the Bank of Namibia in efforts to resuscitate the industry post the Covid-19 pandemic. Around 80 SME's have since benefitted from this initiative to the tune of N\$85,9 million, a drop in the ocean to the thousands of SME's that urgently need assistance.

Hon. Speaker

Hon. Members

11. The National Policy on Micro, Small and Medium Enterprises in Namibia compiled by the Ministry of Industrialisation, Trade and SME Development posits that traditional financial lenders find the funding of SME's unattractive of the high risk factor associated with the funding of SME's. This ultimately boils down to the question of adequate collateral that many SME's do not possess, effectively making the significant majority of SME's, around 97 percent, unbankable according to the National Policy on Micro, Small and Medium Enterprises in Namibia³.
12. Furthermore, the National Policy on Micro, Small and Medium Enterprises in Namibia highlights that most SME's in Namibia are characterised by limited expansion, minimal profits, stagnated growth and their inability to create sustainable jobs which inevitably feeds into the narrative held by financial institutions that the SME sector is not attractive to invest in.
13. It then follows that the significant majority of those who register SME's rely on their own forms of funding to sustain these already struggling business, with some having to solicit capital from family members and friends in order to sustain these SME's.

Hon. Speaker

Hon. Members

14. It hence falls upon us as lawmakers and policymakers to derive creative and sustainable methods of funding for the SME sector in Namibia. This motion

³ Ministry of Industrialisation, Trade and SME Development. (2016). National Policy on Micro, Small and Medium Enterprises. Retrieved from <https://mit.gov.na>

prays for the house to investigate the bottlenecks surrounding SME financing in Namibia. In order to address those funding bottlenecks, we would first need to address the factors that informs the failure of more than 70 percent of our start-up SME's in the first place.

15. The motion therefore recommends the following as a consideration for the House, and ultimately the relevant Parliamentary Standing Committee if the motion is adopted as a starting bloc in its investigations regarding the funding bottlenecks for SME's:
- i. We must deliver a modest company tax cut funded by savings for SME's in the national budget;
 - ii. Reduce the red tape that makes it hard to establish a business in Namibia with a specific focus on a streamlined small business regulatory system for registration as well labour registration;
 - iii. Reform the procurement policy to lower the cost of bidding and make the process more accessible;
 - iv. Divide tenders into smaller contracts to allow small companies to compete and allow greater participation and benefit in the tendering process of government;
 - v. Transform the Ramatex Industrial Complex into an SME Hub to serve as a low cost industrial area for SME's in efforts of reducing their overhead costs and boost business activity;
 - vi. Develop a comprehensive data and tracking system to evaluate the performance of SME's through a methodical approach.

Hon. Speaker

Hon. Members

16. The burden falls upon us to decisively intervene in efforts to rescue our SME sector. Without a sustainable and strong SME sector which can withstand economic and political headwinds, our economy will not be able to grow in an upward trajectory nor produce the requisite amount of job needed to defeat scourge of youth unemployment in particular and youth unemployment in general.

17. I therefore pray that the Members of this August House support this motion, and that it be referred to the relevant Parliamentary Standing Committee for further scrutiny and report back to this House.

I so move Honourable Speaker.