

Date: 24 August 2020

Attention: News Editor

Ref: 8/1/2/2

FOR IMMEDIATE RELEASE

BANK OF NAMIBIA WELCOMES THE OPERATIONALISATION OF THE CREDIT GUARANTEE SCHEME

1. The Bank of Namibia welcomes the operationalisation of the Credit Guarantee Scheme launched by the Minister of Finance on the 18th of August 2020.
2. The Credit Guarantee Scheme is a result of a collective effort by stakeholders to ensure greater financial inclusion in Namibia. The Scheme is part of a package of three complimentary facilities forming the SME Financing Strategy, namely the Credit Guarantee Scheme, the Venture Capital Fund and the Mentoring and Coaching Programme. It is a smart partnership between the public and private sector geared towards enhancing access to finance for small and medium enterprises.
3. Over the past few years, the Bank of Namibia as Coordinator of the Namibia Financial Sector Strategy, joined by Development Bank of Namibia and the Ministry of Finance have undertaken extensive research that resulted in the development and operationalisation of the SME Financing Strategy. The Strategy was approved by Cabinet and delegated to the Development Bank of Namibia for implementation.
4. The journey towards the implementation of these facilities started in earnest with the launching of the Namibia Financial Sector Strategy in 2012, which identified five key strategic areas of reform, namely:
 - Deepening and developing our financial markets;
 - Provision of financial safety net;
 - Enhancement of financial inclusion;
 - Localisation of the Namibian financial sector; and
 - Development of critical skills needed in the financial sector.
5. It should be noted that access to finance is one of the key challenges facing many small and medium enterprises. The Credit Guarantee Scheme will therefore

ensure that SMEs with bankable business plans but lack collateral, are able to access funding from lending financial institutions. The Scheme will provide a collateral cover of up to 60% for bankable SMEs. The facility is designed in such a way that the risk is shared between the Scheme, participating financial institutions and the borrowers. This is deliberately done to ensure commitment from both parties involved and minimise issues of moral hazards.

6. The Bank of Namibia is well aware of the potential of the SME sector and has therefore made a financial contribution of N\$70 million toward the implementation of the SME Financing Strategy, of which N\$50 million will go directly toward the capitalisation of the Credit Grantee Scheme. The contribution highlights the Bank's commitment to the development and upliftment of the SME sector in the economy. The Bank is convinced that this important sector has the potential to contribute towards employment creation and poverty alleviation.
7. The Governor of the Bank of Namibia, Mr. Johannes !Gawaxab pledged the central bank's support to the sector by stating the following: "Going forward, as we face an uncertain and unpredictable future, we need to explore novel ideas with lessons learned from external catastrophes such as the COVID-19 pandemic. If there is anything, we have learned that our collective success will largely depend on the urgency with which we approach critical interventions such as SME development. As a central bank, with a mandate to impact economic development, we would like to assure all partner institutions, particularly the Development Bank of Namibia, NASRIA as well as the entire SME sector that the Bank will remain committed to this noble cause."

Issued by:

Kazembire I. Zemburuka
Deputy Director: Corporate Communications

Bank of Namibia, Tel: (061) 283 5114, Fax: (061) 283 5546 or email: info@bon.com.na