

FAQ

ANSWERING YOUR QUESTIONS ON THE SME ECONOMIC RECOVERY LOAN SCHEME



1. What is the SME Economic Recovery Loan Scheme?

The SME Economic Recovery Loan scheme is a loan facility established to assist distressed Small and Medium Enterprises (SMEs) faced with more challenging economic conditions in recent years, which made it difficult for the sector to revive adequately in the aftermath of the Covid-19 pandemic.

The scheme is an outcome of a ground-breaking partnership between the Government of Namibia, through the Ministry of Finance and Public Enterprises and the Bank of Namibia, which availed N\$500 million towards helping businesses recover from the Covid-19 pandemic, save jobs, and ultimately revive the economy.

The scheme will provide funds through participating commercial banks (substantially guaranteed by the Government and the Bank of Namibia) to eligible businesses to assist them in paying for operational expenses, such as salaries, rent and lease agreements, and contracts with suppliers.

2. Why is the SME Economic Recovery Loan Scheme introduced?

The scheme has been redesigned to meet the specific needs of SMEs in order to foster resilience in a sector that is still struggling to recover from the pandemic.

In this regard, the SME Economic Recovery Loan Scheme will now allow struggling SMEs to obtain funding from participating commercial banks at more attractive rates and reasonable repayment options than before.

This will enable struggling SMEs to stay afloat while pursuing new opportunities in an ever-changing business environment in order to turn their fortunes around.

By offering generous repayment terms and conditions, qualifying SMEs will continue to meet their monthly expenses (operational expenses) and run their businesses sustainably. This will boost economic activity and business confidence while reducing unemployment, poverty, and the informalization of the economy as a result of Covid-19 pandemic.

3. What has changed between the former Covid-19 SME Loan Scheme and the now renamed SME Economic Recovery Loan Scheme?

- The good standing certificate requirement for participation of the scheme has been relaxed. In the previous scheme design, businesses were required to provide a good standing certificate with NAMRA, however this has proven to be a challenge to some given their cashflow needs. Thus, the new scheme allows for SME's in arrears with NAMRA to still participate in the scheme, provided that they have entered into a payment arrangement with NamRA to defray such outstanding tax liability.
- The qualifying criteria has been broadened to allow commercial banks to extend credit to SME's that were already in financial distress prior to the COVID-19 pandemic.
- The lending rate for SME's participating in the scheme have been reduced to prime minus 50 basis points.
- The revised scheme has broadened distribution channels of lending which enables for the participation of the commercial banks.

4. What are the qualifying criteria for the SME Recovery Loan Scheme?

Enterprises that can be assisted through the SME Recovery Loan Scheme should they meet the following criteria:

- Be a registered business entity with BIPA or registered (including sole proprietorship) where it is regulatory requirement.
- Have an annual turnover not exceeding N\$60,000,000.00 (sixty million Namibia dollars) per annum;
- Be solvent / must demonstrate solvency (have the ability to continue operations in the foreseeable future).

- Be registered with the tax authority Namibia Revenue Agency (NamRa) and be tax compliant.
- Not have any other business Economic Recovery in place with any other financial institution.
- The client has exhausted the other means of credit.
- Able to sign personal surety, if so required.
- Participating Banks credit terms and conditions.

5. Given the financial challenges experienced by the SMEs, is the lending rate not high?

The re-designed scheme has taken note of this and is now offering an interest rate on the loans at the prevailing prime lending rate minus 50 basis points. The obligation to pay interest and capital on these loans will be deferred for six months from the date of the first drawdown (interest still accrues from day 1) in order to provide SMEs some breathing room to restore their businesses.

6. Which banks and development finance institutions are part of the SME Economic Recovery Loan Scheme?

The four participating banks are:

- First National Bank
- Bank Windhoek
- Standard Bank
- Nedbank

7. What is the maximum borrowing amount for the SME Economic Recovery Loan Scheme?

The qualifying amount is between N\$50,000.00 and N\$10,000,000.00 based on the SME's balance sheet and subject to the Banking Institutions Credit Assessment

8. What can be funded through the SME Economic Recovery Loan Scheme?

Funds should be used to cover fixed monthly costs such as salaries and wages, rent, other utility costs, and some basic working capital.

9. What cannot be funded using the SME Economic Recovery Loan Scheme?

- Payment of dividends
- Repayment of shareholder loans
- Repayment of intercompany loans

10. What if the SME is in breach of the conditions of the loan?

Breach of this restriction will result in the entire loan being called up i.e. falling immediately due and payable

11. How can I apply for the SME Economic Recovery Loan Scheme?

The SME Recovery Scheme will be provided through participating banks, with a specific emphasis on the affordability of the loans provided. As such, qualifying SMEs are encouraged to approach their participating commercial banks. The participating banks will receive the applications and do the credit assessment at their discretion.

12. My loan was declined, may I reapply under the amended scheme?

Where a loan was previously declined, the business may again apply for a new loan.

13. May a business with a current loan from the loan guarantee scheme apply for an amended or another loan under the scheme?

Businesses may contact their bank to apply for the revised deferral in terms of the amended loan guarantee scheme. Where a loan was previously declined, the business may again apply for such a loan.

14. What conditions do banks have to meet?

Banks are required to check the qualifying criteria of applicants. They will use their existing processes and infrastructure to process loan applications. Banks have discretion on whether they extend a loan to an applicant or not.

15. How is the SME Economic Recovery Loan Scheme different from the Credit Guarantee Scheme?

The SME Recovery Loan Scheme complements other SME and entrepreneurship facilities which are already operational such as the Credit Guarantee Scheme. It is a loan scheme that is available for small and medium enterprises, whose operations are affected by the pandemic as well as the prevailing economic conditions.

On the other hand, the Credit Guarantee Scheme was introduced to ensure that SMEs with bankable business plans that lack collateral can access funding from lending financial institutions. The Credit Guarantee Scheme provides 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.

16. Who can I contact for more information?

To access the SME Loan Scheme, contact your primary or main banker.

17. What if a business closes down while having a loan?

The bank from which the loan was sourced will take the necessary legal process to recover the debt, in accordance with the provision of the Credit Agreement Act No. 75 of 1980.

18. How long does the approval process take for a loan?

The approval process will depend on each credit assessment of the respective banks. The speed of the approval process is also dependent on each bank, and how quickly the client can submit the required documentations.

19. How long will the facility be available?

The facility is available for 12 months, thereafter the Minister of Finance and Public Enterprises will assess the need to renew and extend the facility.

20. What if I don't have a bank account with a participating bank? Can I still apply?

You need to be an existing customer and your company bank account needs to already be with the respective bank. In other words, the client is required to have a relationship, either through lending or transactional banking with a participating bank.

21. Do I need to furnish collateral?

The loans are uncollateralised, however the Bank is entitled, at its discretion, to request from the client suretyships, guarantees or other security be provided, to the extent available.

22. Will the participating banks have different terms of conditions?

There are set Terms and Conditions for the Participating Banks, however each participating Bank will have its own set of Terms and Conditions subject to their internal credit policies which are applied at their respective discretion.

23. Can I pay early or settle early without any penalties?

An eligible client may settle the outstanding balance on their loan, in part or in full, at any time prior to the maturity of the Loan term without incurring any penalties.

24. Will the banks be making an income from these loans?

The interest rate on the scheme is Prime less 0.5 per cent. This scheme is not aimed to generate profit for the participating banks, the primary objective is to make funding affordable and accessible to the SME's.



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