

Welcoming Remarks by Johannes !Gawaxab, Governor of the Bank of Namibia, at the Relaunch of the SME Economic Recovery Scheme, on Thursday, 2 February 2023, WINDHOEK.

Honourable lipumbu Shiimi, Minister of Finance,
Deputy Governors of the Bank of Namibia, Mr. Ebson Uanguta & Ms. Leonie Dunn,
Chief Executive Officers and representatives of commercial banks,
Chief Executive Officer of the Development Bank of Namibia (DBN)
Captains of Industry, Representatives of various SME Associations,
Management and Staff of the Bank of Namibia,
Members of the media,
All invited guests,
Ladies and gentlemen,

1. I would like to welcome you all to the relaunch of the Covid-19 SME Loan scheme, now renamed the SME Economic Recovery Scheme.
2. As we navigate our way back to economic recovery and sustainable economic development post-Covid-19, the relaunch of the SME Economic Recovery Scheme in its modified form is both timely and appropriate. While we are dealing with the aftermath of the pandemic, we all agree that it upended our way of life, reversed socioeconomic gains, and the devastation was visible to all in the human toll, the unemployment, and the economic suffering. The shocks we have been hit with generated significant uncertainty.
3. At the central bank, we are not oblivious to the fact that in some economic sectors, it will take longer for specific economic activities to return to normalcy. For our businessmen and women in the room, Covid-19 has indeed challenged operating models in more ways than one and resulted in business closures, depressed profits and financial losses preceded by economic contractions since 2016. The heartbreak was palpable as the entrepreneurial effort was shattered in a matter of months. For some business owners, it meant saying goodbye to loyal and hardworking employees; for others, it meant selling priceless possessions and withdrawing hard-earned savings to pay for leases, loans, and salaries.

4. **As we exited the deepest contraction ever witnessed by Namibia, with our economic recovery picking up steam, another exogenous development hit our shores.** The conflict in Europe shook the oil market, exacerbated supply chain disruptions caused by the pandemic, and drove inflation to record highs. And once again, our business community has been hit by high fuel and transportation costs, impacting their bottom line, and making their survival even more precarious. To improve the state of the nation and improve the fortunes of our businesses, a recovery/reset initiative is required.
5. **(Quote Removed) Instead of folding our hands and watching our people suffer from one adversity after another, we have demonstrated in the last three years that both the public and private sectors and our business community can achieve great things when we work together.** We should keep going and persevere by believing in the promise of tomorrow. Hope is the ability to see that there is light despite all the darkness of today. Not only will we persevere from one seismic event to the next, but as a nation, we shall triumph.
6. **In heeding this call, we have committed to reviving our economy, putting Namibians back to work, assisting with alleviating poverty, and sustaining the recovery.** Placing Namibia on a sustained path of revival – required collective and extraordinary efforts, including a rejuvenated Small and Medium Enterprises (SME) Sector that is crucial to our collective success. SMEs play a vital role in any nation's economic advancement and employment creation, as they are the economy and job creation's lifeblood. According to data from the World Bank, SMEs represent around 90 percent of businesses and more than 50 percent of employment worldwide, with these figures being even more pronounced for developing economies like ours. A 2017 International Finance Corporation study on micro, small, and medium enterprises (MSMEs) estimated that there are approximately 71,000 MSMEs in Namibia. MSMEs provide employment and income to around 160,000 Namibians, accounting for approximately one-third of the country's workforce and contributing to 12 percent of GDP. The support and development of the SME sector require a steady and continuous commitment from all stakeholders and consistent, appropriate cooperation between the Government and the private sector.
7. **For the SME sector to thrive and optimise its contribution to economic growth and development and job creation, access to financial services and adequate financing is, without a doubt, very crucial.** In fact, limited access to financial products and services is highlighted as a critical constraint faced by around 40 percent of companies operating in this sector, according to a study conducted by the International Finance Corporation

(IFC) in 2017. Namibian policymakers are aware of this constraint. Therefore, against that backdrop, the SME sector has been identified as one of the priority areas to be addressed in Vision 2030, the Namibia Financial Sector Strategy (2011 – 2021), and the Harambee Prosperity Plan.

Ladies and gentlemen,

8. **According to an African proverb, "when the roots of a tree begin to decay, death spreads to the branches."** Covid and now geopolitical tensions and conflicts in distant places – have decayed the roots of the backbone of our economy, namely the SME sector. As previously stated, it may take years to reverse the damage unless drastic action is taken.
9. **Under the auspices of the Ministry of Finance, the government launched the SME Financing Strategy in collaboration with the Bank of Namibia to water our tree's roots and prevent the branches' decay.** The Bank of Namibia has contributed N\$ 80 million to the scheme currently being operationalised by the Development Bank of Namibia, which includes a Credit Guarantee Facility. Furthermore, as the central bank, we have provided relief to commercial banks, which made it possible to provide loan repayment holidays and other business assistance, resulting in a coverage of more than N\$1 billion worth of loans.
10. **As is clear, these measures have not been sufficient to save all SMEs from the brink of closure, especially in the face of dynamic and externally driven factors beyond anyone's control.** As a result, we have repackaged the Covid-19 SME Loan Scheme to address the unique challenges SMEs face in the post-Covid 19 and ongoing geo-political tense environment. The crafters of the scheme are gathered in this room, namely the arm of Government directly involved with the scheme, the Ministry of Finance and Public Enterprises, Bank of Namibia, and various participating commercial banks, namely Bank Windhoek, First National Bank, Nedbank, and Standard Bank.
11. **I say "relaunch" as the original scheme was launched more than two years ago, in November 2020, to assist SMEs buckling under the weight and pressure exerted by the ripple effects of the Covid-19 pandemic.** The primary aim of the scheme then was to provide funding to qualifying SMEs to cover certain fixed costs and to provide working capital to preserve the sector and provide sustenance during the lockdown periods. Keeping the sector afloat was vital to staving off further unemployment and preserving

jobs while simultaneously stimulating the economy to enable a faster recovery post-Covid-19.

12. A total loan amount of N\$ 500 million was availed through the scheme, accessible to SMEs via participating banking institutions. However, since the scheme's inception, only a total of N\$ 6.4 million was utilized for this purpose, despite the pleas from SMEs to access financing. As an industry, we went back to the drawing board to listen and learn through rigorous consultations with various stakeholders, including - the participating banks, the Bankers Association of Namibia (BAN), the Business Rescue Task Force (BRTF), and SME representative associations – to gauge the challenges the SMEs were facing with regards to qualifying for and accessing the scheme. We appreciate that we will err and falter as we climb the unfamiliar slopes of steep mountains, to quote the great Dr. Martin Luther King Junior, but is worth our best effort.

13. The input received played a vital role in the structural redesign of the scheme to ensure that viable businesses are assisted. During these consultations, several areas for improvement were identified with the design and rollout of the scheme, which, in turn, affected the success and uptake of the original scheme. Some of these shortcomings included (but were not limited to) the following:

Shortcoming	Solution
Stringent Qualifying criteria	Criteria have been revised to be more inclusive and not limited to the aftermath of the Covid-19 pandemic.
High Lending Rate	Rate has been reduced to Prime Less 50 basis points
Good Standing Requirements	SMEs with tax liabilities can participate in the scheme on condition that they enter into a payment agreement with NamRA.
Poor visibility and reach of the scheme	Participating banks are going to involve regional branches in administering the scheme.

Ladies and gentlemen,

14. Given this background, today we are re-launching the revised scheme to increase awareness and to emphasize critical changes effected. The revamped scheme is designed to be more inclusive and accommodating and to provide general support to this vital sector that is not merely limited to addressing the aftermath of the Covid-19 pandemic. The partnership formed as we hold hands with participating banks is crucial for the revival of the SME sector by providing increased access to financing.

Ladies and gentlemen,

15. Access to financing is only one component of our business community's recovery.

For instance, our SMEs should prosper by actively participating in open, value-adding procurement processes in both the public and private sectors. SMEs should also reconsider and rethink the business models that worked for them in the past but will not work for them in the future. It makes sense to start planning how to take advantage of potential opportunities, particularly in developing sectors like green hydrogen, oil, and rare-earth metals, and not wait on government and foreign investors. Sectors with strategic importance, such as non-renewable and renewable energy, should give top priority to local suppliers and the growth of local competencies throughout the value chains. In terms of digital presence, SMEs should also prepare their companies to survive and sustain in a world that has been disrupted by the digital revolution – ignoring these trends will be at the detriment of future-proofing our entities.

16. SME development offers a critical pathway to Namibia and Africa's future prosperity.

Africa is home to the world's largest free trade area. SMEs can increase intra-regional trade, especially with the formation of the African Continental Free Trade Area, using e-commerce to its advantage. Namibia is set to become a prominent player in various industries. SME sector restructuring and development has a critical role to play in sustaining this positive momentum. SMEs are engines of opportunity, and they should be supported. A growing and connected small business can help deliver financial inclusion for an entire community. When an SME grows, everyone connected to it, grows as well.

Ladies and gentlemen,

17. In my parting remarks, I would like to emphasise the need for all key stakeholders to play their respective roles in developing SME support programmes aimed at optimising access to financing to support the continued recovery of the domestic economy.

SME assistance is pertinent to support accelerated economic diversification and the creation of new jobs, especially for our youth in both urban and rural areas. At the Bank of Namibia, we are committed to ensuring financial stability and stable inflation, facilitating sustainable growth and development to benefit all businesses, big and small. And to the businesswomen and men braving this entrepreneurial journey during the current economic climate, I implore you to keep fighting that good fight with triumphant

character, perseverance, and hope. I would like to remind you that challenges are an opportunity to test yourself and rise to the next level.

18. With this said I would like to declare the Scheme officially re-launched. All Eligible SMEs are urged to enquire with the participating Banks for more details and on how to participate in this scheme. Taking full advantage of this scheme can indeed be your opportunity not only to make a comeback but to rise to the next level and contribute to rebuilding our economy.

I thank you for your attention.