MEDIA STATEMENT

Bank of Namibia

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FOR IMMEDIATE RELEASE

BON ISSUES NEW DETERMINATION TO PROVIDE RELIEF TO BORROWERS IN THE AGRICULTURAL SECTOR AS A RESULT OF FMD OUTBREAK AND EL NIÑO-INDUCED CLIMATIC CONDITIONS

1. In response to concerns raised during ongoing engagements between the agricultural and banking sectors, particularly regarding the challenges faced by financially distressed borrowers, and in line with its mandate to safeguard financial and banking sector stability, the Bank of Namibia has issued the **Determination on Policy Changes in Response to Economic and Financial Stability Challenges as a Result of the Foot-and-Mouth Disease Outbreak and El Niño-Induced Climatic Conditions Related Risks to the Agricultural Sector in Namibia (BID-42)**.

2. The determination is a targeted and proactive intervention aimed at providing regulatory flexibility to banking institutions, enabling them to offer appropriate relief measures to affected farmers and agribusinesses. Through this measure, the Bank seeks to support the continued viability of the agricultural sector, preserve livelihoods, and mitigate potential risks to the broader financial system arising from the combined impacts of the Foot-and-Mouth Disease outbreak and adverse climatic conditions.

3. By introducing BID-42, the Bank reaffirms its commitment to fostering a resilient financial sector that can effectively respond to emerging economic challenges while supporting productive sectors of the economy. The determination underscores the Bank's recognition of agriculture's critical contribution to employment, food security, and economic growth, and its resolve to facilitate sustainable recovery and resilience within the sector.

4. In terms of this law, banking institutions are required to implement relief measures as follows:

   - Loan moratorium: The law requires banking institutions to grant moratoriums for a period of one (1) to twenty-four (24) months on loan repayments to clients

in the agricultural sector, including the agricultural value chain, adversely affected by an outbreak of Foot-and-Mouth Disease (FMD) and/or El Niño-induced climatic conditions. This loan moratorium is subject to an assessment of the client's circumstances, financial position, and repayment capacity.

- Loan restructuring: Banking institutions may restructure loans for affected clients to make repayments more manageable and improve the chances of full repayment. Interest shall accrue on the loan at the contractual interest rate, unless otherwise agreed in writing between the banking institution and the Client.
- Support funding: Under this law, clients affected by the FMD outbreak and/or El Niño-induced climatic conditions may be granted credit facilities, subject to their ability to service the facility and taking into account their risk profile.
- Eligibility for relief measures: Farmers and other agricultural clients affected by an outbreak of FMD and/or El Niño-induced climatic conditions qualify for the relief measures provided that they demonstrate that their income has been adversely affected by the outbreak or adverse climatic conditions. Eligible clients include those operating directly or indirectly within the agricultural value chain, as well as businesses in other sectors whose income, operations, or cash flows are materially dependent on agricultural activity.
- Client Recourse: Where an application is declined, the banking institution must provide the client with written reasons for the decline. Where an application is declined, the banking institution must provide the client with written reasons for the decline. Clients who are dissatisfied with the handling of an application may lodge a complaint through the banking institution's complaints process or any other applicable dispute resolution mechanism.
- Credit Bureau Reporting: All clients who have been granted relief in terms of this Determination should be reported as performing and must not be reported as non-performing with credit bureaus for the duration of this Determination, unless otherwise required by BID-2 due to a material deterioration in credit quality.

5. This regulatory intervention reflects the Bank's commitment to supporting the agricultural sector during these challenging times, ensuring that local farmers and agricultural businesses have the financial flexibility to navigate the challenges posed by the outbreak of FMD and the adverse impact of the anticipated El Niño.

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