



# GOVERNMENT GAZETTE

## OF THE

# REPUBLIC OF NAMIBIA

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## General Notice

### BANK OF NAMIBIA

No. 661

2024

DETERMINATION UNDER THE BANKING INSTITUTIONS ACT, 2023:  
DETERMINATION ON POLICY CHANGES IN RESPONSE TO ECONOMIC  
AND FINANCIAL STABILITY CHALLENGES AS A RESULT OF THE STATE OF  
EMERGENCY OVER THE PERSISTENT DROUGHT IN NAMIBIA (BID-39)

In my capacity as Governor of the Bank of Namibia, and under the powers vested in the Bank in terms of section 108(3)(b) of the Banking Institutions Act, 2023 (Act No. 13 of 2023), I hereby issue the *Determination on Policy Changes in Response to Economic and Financial Stability Challenges as a Result of the State of Emergency over the Persistent Drought in Namibia (BID-39)*.

**J. !GAWAXAB**  
**GOVERNOR**  
**BANK OF NAMIBIA**

Windhoek, 26 September 2024

**BANK OF NAMIBIA****Determination No. BID-39****DETERMINATION ON POLICY CHANGES IN RESPONSE TO ECONOMIC AND FINANCIAL  
STABILITY CHALLENGES AS A RESULT OF THE STATE OF EMERGENCY OVER THE  
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**PART I  
PRELIMINARY MATTERS**

1. **Short Title** – The Determination on Drought Relief Measures.
2. **Authorisation** – Authority for the Bank to issue this Determination is provided in terms of section 108(3)(b) of the Banking Institutions Act, 2023 (Act No. 13 of 2023).
3. **Application** – This Determination applies to all banking institutions authorised by the Bank to conduct banking business in Namibia.
4. **Definitions** – Terms used in this Determination are as defined in the Act, as defined below, or as reasonably implied by the contextual usage:
  - 4.1 **“Act”** means the Banking Institutions Act, 2023 (Act No. 13 of 2023).

- 4.2 **“Bank”** means the Bank of Namibia.
- 4.3 **“Client”** means any individual, legal entity, or group of related individuals or legal entities operating in the agriculture sector who has a credit facility with a banking institution.
- 4.4 **“President”** means the President of the Republic of Namibia.
- 4.5 **“Agriculture sector”** means livestock farming, game farming, crop farming such as horticulture and agronomic products, fishing and animal husbandry.
- 4.6 **“Burden-sharing”** means the cost of extending a moratorium is shared between the banking institution and the client, including but not limited to reduced interest rates, and foregoing charging administrative fees in respect of credit assessments conducted.
- 4.7 **“Drought Relief”** means financial assistance provided to clients to alleviate the adverse effects of drought as provided for in this Determination.
- 4.8 **“Distressed Loan Restructuring”** means the process of modifying the terms of a loan agreement for a client who is struggling to meet the original payment terms in respect of a loan classified as non-performing, in order to avoid default, foreclosure, or bankruptcy.
- 4.9 **“Distressed Loan”** means a loan that is at significant risk of default or has already defaulted due to the borrower’s financial difficulties as a result of running a commercial farm or agricultural operations that have been negatively impacted by the persistent drought conditions.
- 4.10 **“Moratorium”** means the general legal authorisation granted for delay in the payment on either principal amount or interest or both in respect of loans classified as performing.

## PART II STATEMENT OF POLICY

### 5. Purpose

- 5.1 This Determination is issued to provide policy and regulatory measures for clients of banking institutions following the declaration of a state of emergency by the President with effect from 22 May 2024 on account of the persistent national disaster related to drought affecting Namibia.
- 5.2 This Determination is aimed at providing relief to clients engaged in the agriculture sector who are experiencing financial hardship due to the persistent drought conditions.
- 5.3 Clients already classified as loss in terms of BID-2 at the effective date of this Determination do not qualify for relief.

### 6. Scope

This Determination applies to all banking institutions authorised to conduct banking business in Namibia.

## **7. Responsibilities**

Banking institutions must have in place a board-approved credit policy which incorporates the principles contained in this Determination.

### **PART III IMPLEMENTATION AND SPECIFIC REQUIREMENTS**

## **8. Policy and Regulatory Measures**

### **8.1 Credit Policy Drought Relief Measures**

#### **8.1.1 Loan Repayment Moratorium**

Given the impact of the persistent drought on clients which affects their ability to repay existing loans, the Bank hereby grants banking institutions authorisation to extend moratorium on loan repayments to clients operating within the agriculture sector in accordance with the principles contained in the Determination on Asset Classification, the Suspension of Interest and Provisioning (BID-2), subject to the following requirements:

- (a) The moratorium applies to all types of agricultural loans that are performing, up to those classified as default. This includes but not limited to working capital loans, term loans, and equipment financing.
- (b) The moratorium period may be granted on the principal amount for a minimum of 1 month to a period not exceeding 12 months, subject to periodic review based on the progression of the drought situation.
- (c) The original loan term must be extended by the duration of the moratorium period.
- (d) Loan moratorium will be viewed cumulatively from the date of initial extension.
- (e) No penalties, additional interest including repurchase rate adjustments, or fees shall be charged to the agricultural clients during the moratorium period.
- (f) Notwithstanding paragraph (e), a banking institution may charge a once off loan moratorium administration fee and must not charge subsequent assessment or administrative fees applicable to any rollover of the same loan.
- (g) Any loan or portfolio of loans which has been granted an initial loan moratorium must be regularly assessed throughout the duration of the moratorium in accordance with the banking institution's credit risk monitoring practices and at a minimum, quarterly for a moratorium of twelve (12) months or less.
- (h) Any secondary and subsequent extension or rollover of the initial moratorium must be subjected to a comprehensive assessment. The assessment of the extension or rollover must consider the increase in credit risk which warrants an adverse shift in both regulatory and accounting classification once the loan moratorium amounts to twelve (12) months cumulatively.

- (i) In granting moratorium, banking institutions must consider burden sharing which must maintain a no-borrower-worse-off principle in terms of which no borrower is placed in a worse-off position at the end of the moratorium period.
- (j) Banking institutions must ensure that the elected manner of burden sharing is captured within their credit administration policies and must be reviewed by the Internal Audit function during the audit review cycle.
- (k) Any loan or portfolio of loans which was classified as non-performing in terms of BID-2 prior to 1 January 2022 is not eligible for a loan moratorium as the inability to service the loan in accordance with the contractual obligations predates the advent of the persistent drought.

#### 8.1.2 Distressed Loan Restructuring

Banking institutions may offer restructuring options for non-performing loans that have not been further classified as loss. The objective is to make the debt more manageable for the client while maximising the likelihood of repayment. A banking institution may consider distressed loan restructuring subject to the following requirements:

- (a) A distressed loan must be a result of the persistent drought condition. non-performing loan which is due to other factors, including poor debt management by the client, does not qualify for restructuring.
- (b) restructuring options may include but are not limited to:
  - (i) Extension of loan tenures;
  - (ii) Reduction of interest rates;
  - (iii) Consolidation of debt; or
  - (iv) Conversion of short-term loans into long-term loans.
- (c) Distressed restructuring must not be used to postpone the recognition of inevitable losses in terms of credit risk exposure under regulatory and accounting reporting standards.
- (d) Distressed restructuring should only be considered for clients who are cooperative and who, despite their current financial distress, demonstrate future viability and performance in accordance with the revised payment schedule. Restructuring must be evidenced by a comprehensive and documented assessment.

#### 8.1.3 Emergency Funding

8.1.3.1 Banking institutions may extend emergency credit facilities to clients in the agricultural sector under preferential terms to aid the drought recovery efforts. Preferential terms include:

- (a) An emergency loan may be extended to any client that is not in arrears for a period greater than 90 days, but subject to a proper due diligence being performed to determine whether the client will be in a position to service the total loan portfolio post the drought conditions.
- (b) A moratorium can be extended to a new loan for a maximum period of six (6) months and on the principal amount only.

- (c) An emergency loan may be granted subject to reduced and favourable interest rates.

8.1.3.2 Emergency funding must not be used to postpone the recognition of inevitable losses in terms of credit risk exposure under regulatory and accounting reporting standards.

8.1.3.3 Emergency funding must not be used for debt consolidation.

#### 8.1.4 **Loan Classification in Respect of BID-2**

A loan or portfolio of loans under drought relief management may not be classified to the extent to which the borrower is worse off but subject to the following requirements, as may be applicable:

- (a) Any single loan or portfolio of loans which is duly assessed and granted a moratorium must not be reclassified to accrual status unless it meets the requirements of paragraph 9(d) of BID-2.
- (b) A positive change of the classification and provisioning status of any loan or portfolio of loans can only be made when new loan terms and the conditions of reclassification to accrual status are agreed upon and where both the conditions of the BID-2 on the expected full repayment of interest and a sustained record of performance for a period of at least twelve (12) months are satisfied.
- (c) A new loan extended to a client classified as non-performing or restructured existing loan classified as non-performing shall retain the same classification rating as prior. A positive change of the classification and provisioning status of any new or restructured existing loan or portfolio of loans classified as non-performing can only be considered when a sustained record of performance for a period of at least twelve (12) months on the expected full repayment of at least interest, is established.

#### 8.2 **Eligibility Criteria**

To qualify for drought relief measures, a client must:

- (a) Demonstrate that their agricultural activities have been significantly impacted by drought conditions.
- (b) Provide evidence of such impact, which may include but is not limited to, meteorological data from credible institutions, crop yield reports, and financial statements.
- (c) Submit a formal application to their banking institution detailing the extent of the impact and the relief sought.

### 9. **Other Regulatory Interventions**

9.1 In order to extend impactful relief to affected clients the following additional measures have been determined:

#### 9.1.1 **Single Borrower Limits**

- (a) Paragraph 8.1 of the Determination on Limits on Exposures to Single Borrowers, Large Exposures and Concentration Risk (BID-4) is hereby amended such that the limit relating to the total of all exposures outstanding at any time to a single person, or a group of related persons has been increased from 25 per cent to 30 percent of a banking institution's capital funds.
- (b) The 30 percent single borrower limit is applicable to clients operating within the agriculture sector only.

#### **9.1.2 Credit Bureau Reporting**

9.1.2.1 The following must be considered when reporting credit performance information to credit bureaus during the period of the state of emergency over the persistent drought:

- (a) All credit performance information reporting to credit bureaus should continue.
- (b) All clients who have been classified as non-performing and further as loss prior to the commencement of this Determination must be reported as such to the credit bureaus.
- (c) For non-performing accounts where distressed restructuring is extended, whether only on the existing loan facility or where an additional loan facility is extended, such accounts should be reported as non-performing and can only be reported as performing once a sustained record of performance for a period of at least six (6) months on the expected full repayment of at least interest, is established.

### **10. Disclosure Requirements**

- 10.1 As a minimum, banking institutions must publish the criteria and requirements that clients should meet for drought relief on their websites.
- 10.2 In addition, banking institutions may utilize other appropriate mediums to disclose the required information to the public.

### **11. Reporting and Monitoring**

- 11.1 Banking institutions must submit monthly reports to the Bank detailing:
  - (a) The number of clients granted moratoria.
  - (b) The number and values of distressed loans that have been restructured.
  - (c) The number of emergency loans extended under preferential terms.
- 11.2 The monthly report must be made on form BIR (039) as appended to this Determination by no later than the 26<sup>th</sup> day of the following month.

### **12. Duration and Review**

- 12.1 This Determination shall remain in effect for two years and may be extended or amended by the Bank as necessary.
- 12.2 The Bank shall review the effectiveness of this Determination periodically and make any necessary amendments to address emerging issues and ensure effective implementation of drought relief measures.

**PART III**  
**EFFECTIVE DATE**

**13. Effective Date**

- 13.1 This Determination comes into force on the date of publication in the *Gazette* and shall remain in force for a period of 2 years.



**ANNEXURE 1**

1. With respect to statutory reporting, banking institutions must account for additional provisions under the Statutory Returns BIR-101 Statement of Financial Position, BIR-201 Statement of Comprehensive Income, as well as BIR-401 Consolidated Return on Capital Adequacy Ratio as follows:
    - 1.1 Additional specific provisions, where regulatory provisions are higher than accounting provisions, should be added to the provisions in line item 81 Specific Provisions of BIR- 101.
    - 1.2 Additional general provisions, where regulatory provisions are higher than accounting provisions, should be reported under non-distributable reserves, line item 39 Non-Distributable Reserves of BIR-101.
    - 1.3 In BIR-401, the general risk reserve, with respect to additional general provisions raised, should be reported in line 36 (Certain Loan Loss Provisions), which is capped at 1.25 percent of credit risk-weighted assets.
    - 1.4 In BIR-401 the additional specific provisions raised are not reported separately but only reflected in a decrease in Retained Income.
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