

Questions from the Afreco Webinar: DBN Responses

※Questions with a single digit number are questions asked during the seminar, and questions with a double digit number are questions asked after the seminar.

(Questions during the seminar)

Question-01:

Recently, there are many cases in Africa where no government guarantee is given for projects. What kind of support or solution can provide from DBN?

Response:

Similar to other African countries, the Government of Namibia is becoming more reluctant to issue government guarantees for projects. However, where projects are in the national best interest and especially if these have been initiated by a state-owned enterprise and if other risk mitigation initiatives have been exhausted, Government still provides guarantees. For example, for recent loans Development Bank of Namibia (DBN) has entered into with international development banks, sovereign guarantees were issued on behalf of DBN.

Question-02:

Infrastructure projects are often based on local currency revenue. On the other hand, borrowings are mostly hard currency. We hope that DFI will consider a local currency loan to solve the exchange rate risks and local companies. For example, if a private bank can take the credit risk of the borrower, I think it is possible that the local currency may be financed (back-finance) from the DFI to the private bank. On the other hand, if the private bank is difficult to take the credit risk of the borrower, I think it is possible that the private bank may lend a hard currency to the DFI and the DFI may lend a local currency loan to the borrower (so-called two-step).

Response:

The DBN exclusively lends in local currency and the currency risk can be addressed in this way. Where the funding required is in excess of what the DBN can provide, we can partner with local commercial banks to syndicate the loan. Commercial banks in Namibia are adequately capitalised and, in many cases, would not require a loan from DBN. On-lending borrowed funds often results in expensive funding for the end borrowers. Commercial banks in Namibia also prefer to lend in local currency.

Question-03:

Could you make more detailed explanation about credit guarantee scheme?

Response:

The Credit Guarantee Scheme for SMEs will provide collateral cover of 60% for qualifying SMEs applying for finance from participating commercial finance institutions.

Commercial finance institutions require the collateral to ensure that their capital is preserved in the event of an SME being unable to repay their loans. By insuring credit granted to qualifying SMEs, the Scheme substantially reduces the collateral requirement for qualifying SMEs.

SMEs will have to apply for business loans at participating financial institutions. Upon being assessed as bankable and only lacking collateral, the SME can be considered for collateral cover of 60% of the principal loan amount.

The scheme will be available from First National Bank of Namibia (FNB). More financial institutions are expected to adopt the Credit Guarantee Scheme in the near future, once they have more fully considered their participation in the scheme.

The scheme is not offered through DBN, as the DBN already offers relaxed collateral requirements, and a wider spread of financial institutions offering the scheme will enable the smart partnership to reach more SMEs.

The Scheme will be underwritten by NASRIA Ltd. (a Government-owned special risk insurer), a key partner for the participating financial institutions while DBN provides expert support during the adjudication of claims.

Question-04:

Can I get NDP-5?

Response:

Namibia's fifth National Development Plan (NDP 5) can be downloaded at <https://www.gov.na/documents/10181/14226/NDP+5/>

Question-05:

Distributed power businesses in Africa are being promoted not only by European companies but also by Japanese companies. In general, the distributed power businesses have a small capital expenditure per project, while private banks prefer a somewhat large-scale loan origination. For example, I think the following solution can be considered that DFI will form debt fund to manage and finance multiple distributed power generation businesses and private bank perform back finance to the fund provided by the DFI.

Response:

Thank you for a good idea to crowd in private sector funding. In the Namibian context, we will need to balance the cost of funding (which would be expensive on account of typical interest rates commercial banks in Namibia charge) and the project size the banks are interested in. At the moment, the DBN has access to concessional climate finance that covers current funding needs. However, as these funds are depleted, alternative funding models, such as the proposed fund, need to be considered.

(Questions after the seminar)

Question-11:

How can Japanese private companies work together with DFI in terms of raising funds to implement projects/programs (in your country) that contribute to the achievement of the SDGs?

Response:

Any Japanese company that would like to commence doing business in Namibia and would like to consider accessing DBN funding, should contact Ms Hellen Amupolo at AmupoloH@dbn.com.na or visit our website www.dbn.com.na .

Our general application process is as follows:

1. Please complete the application form (available at <https://www.dbn.com.na/products-services/applications>) and submit all supporting documentation.
2. Upon acceptance of a complete application, an acknowledgment letter will be issued with a reference number.
3. Applicants may be requested to submit additional information during the submission or appraisal phase and a return period will be specified. If information is not provided in the return period the application will be closed.
4. Applicants may be asked to make a formal presentation as part of the appraisal.
5. DBN will review the application in accordance with stipulated criteria and will inform an applicant of one of the following outcomes:
 - Application approved.
 - Application referred for further development in collaboration with the applicant.
 - Application declined.
6. Please refer to the DBN Document Checklist for required documentation. A business plan guide is available on request.

Our full application guideline can be accessed at <https://www.dbn.com.na/phocadownload/DBN-Application-Guide-V2020.pdf>

Question-12: Can DFI introduce potential or future partner(s) for Japanese companies to work together with to implement projects and programs in your country?

Response:

We usually do not broker direct introductions between individual Namibian companies and foreign investors since this could be perceived as a conflict of interest. However, the Namibian Chamber of Commerce (<http://ncci.org.na>) or the Namibia Manufacturer's Association (<https://www.nmanamibia.com/nma-members/nma-directory/>) could be asked to share their member lists that could help as an introduction to suitable Namibian businesses. If there is an interest, we could try to arrange a follow-up webinar through AFRECO where we also invite the NCCI, the NMA and some of their members in businesses of interest to Japanese companies.