



FREQUENTLY ASKED QUESTIONS ABOUT APPLYING FOR DEVELOPMENT BANK OF NAMIBIA FINANCE

The Development Bank of Namibia regularly responds to frequently asked questions (FAQs) about applications for finance. Empower yourself with knowledge by using this guide to answer your initial questions, and please contact the Bank if you need more clarification.

This document will assist you with the following questions:

1. How long will my application take?
2. What is the lowest amount I can borrow?
3. How much should I borrow?
4. For what reasons might my application be declined?
5. Who can help me with my application?
6. Can a consultant help me with my application?
7. Will my application be confidential?
8. What must be in my business plan?
9. What must be in my cash flow projection?
10. What collateral can I offer?
11. What if I don't have enough collateral?
12. What is owner's contribution?
13. Why must I give CVs and an organogram?
14. Why must I have insurance?
15. Are there extra fees or costs?
16. How will my loan amounts be paid?
17. Can I use my loan for personal expenses?
18. What will the Bank not finance?
19. Why does DBN not finance informal enterprise?
20. What are KYC requirements?
21. How should I report unethical behaviour?
22. Contact details

1. How long will my application take?

The time to process the application depends on providing complete documentation. If some documents are missing, the application cannot be processed until the missing items are provided. In the case of an application for SME finance, the time to process an application will be approximately four weeks.

- Download the application checklist and KYC requirements at <https://www.dbn.com.na/applications>

Consult a Business Analyst to make sure that you know what documents are needed.

2. What is the lowest amount I can borrow?

The minimum loan amount is N\$150,000, with the exception of minimum loan amounts of N\$50,000 for young artisans and young professionals.

3. How much should I borrow?

The rule of thumb is to borrow as little as possible. The more you borrow, the higher the repayment of capital and interest. If you borrow too much, you may spend a significant portion of your earnings on repayment at the expense of operating capital, earnings and business savings. You will also have to pay a larger owner's contribution if you borrow more.

The Bank is an ethical lender and recommends economical borrowing. There are several methods to economise. Firstly, economise on new assets. If a new asset is needed, seek the best



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Expect more.

quote or an alternative asset that costs less. Secondly, reduce all unnecessary spending in your cash flow projection. Thirdly, request a range of quotations from various suppliers to ensure that you have the best possible costing.

Based on its extensive experience, the Bank may flag excessive borrowing and ask for a reduction in the amount requested. If the requested amount is too low, the Bank may ask for an increase in borrowing to cover the shortfall.

4. For what reasons might my application be declined?

At its own discretion the Bank declines applications that may put the financial wellbeing of borrowers at risk. Reasons may include unsustainable business plans and unreasonable cash flow projections, as well as insufficient skills to run the business. Other reasons include lack of key documents.

The Bank is an ethical lender. If a business fails the Bank has to take possession of collateral and this creates financial difficulties for the borrower, the borrower's family and employees.

Your application might also be declined if it is for an industry or activity which is excluded by the Bank (see point 18 below).

If your loan application is declined, please ask your Analyst for an explanation.

5. Who can help me with my application?

A DBN SME/Investment Analyst or SME/Investment Analyst will explain the documentation requirements for the application, but cannot assist with the content of the application.

6. Can a consultant help me with my application?

The Development Bank cautions potential applicants on use of 'instant business plans' promoted by external consultants for SMEs and skills-based youth finance.

Potential applicants should develop their own plans and cash flow projections as these will be realistic for the potential applicant. Business plans and cash flow projections developed by external consultants may not present a realistic business case and cash flow projections.

Each application is considered on individual merit, and mass produced business plans may not give an adequate portrayal of the case for each enterprise, and may lead to rejection of the application.

7. Will my application be confidential?

The Development Bank of Namibia protects the confidentiality of applications and business plans in its policies and practices.

The Bank also keeps confidential all aspects of intellectual property (IP) presented to it, including:

- Industrial designs
- Copyright
- Traditional knowledge and cultural expressions
- Geographical indications
- Trademarks
- Patents

The Bank urges registration of IP rights with BIPA.

In the event of breaches of application confidentiality or misappropriation of IP rights attributable to the Bank, please report the matter anonymously for investigation.

8. What must be in my business plan?

All borrowers have confidence in their enterprise vision, but a business plan shows how the vision will be brought to life. The business plan must show the following at least:

- What products or services will be offered
- Who will buy products or services from the business
- Where the products or services will be sold
- Who the competitors are
- If the product or service is new in the footprint
- What the business strategy is
- What regulations apply to the business
- The necessary registrations
 - VAT
 - Company tax
 - Social security
 - Local authority / municipal registrations
 - A bank account
- Other lenders to the business and amounts borrowed
- Know-your-customer (KYC) documentation

Download a complete business plan guide at <https://www.dbn.com.na/applications>

9. What must be in my cash flow projection?

The cash flow projection must show that the enterprise will be able to sustain itself financially. To do this, the potential borrower must show:

- Estimated revenue or sales
- Costs (fixed and variable costs)
 - Operating costs
 - Salaries (including PAYE and salaries for owners)
 - Input costs (from suppliers)
 - Insurance
- Profit
- Expected taxation
- Loan repayment

The cash flow projection must be for at least 36 months.

The Bank will also need:

- Financial statements of an existing business,
- The balance sheet of the owner(s) and / or the business, and
- The names of other sources of finance and amounts.

Find the full scope of financial information in the DBN Business Plan Guide at <https://www.dbn.com.na/applications>

10. What collateral can I offer?

The Bank requires collateral to secure its loans, although it may accept lower levels of collateral on a case-by-case basis.

Collateral can consist of:

- Liquid investments (cash investments)
- Fixed property
- Movable assets
- Equipment
- Third-party guarantees

In some instances, assets financed by the Bank can be used as collateral.

In the case of contract-based finance, income from the contract can be ceded to the Bank, and assets financed for servicing the contract can be used as collateral.

Young artisans and professionals can apply without collateral, but assets financed must be provided as collateral once financed.

11. What if I don't have enough collateral?

At its own discretion, the Bank may accept lower levels of collateral on a case-by-case basis.

It may accept third-party guarantees.

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In the case of contract-based finance, income from the contract can be ceded to the Bank, and assets financed for servicing the contract can be used as collateral.

12. What is owner's contribution?

Owner's contribution is value that the owner puts into the business before borrowing. A contribution by the owner shows that the owner is backing the business, is sharing the risk in starting the business and is confident that the business will succeed.

Owner's contribution for existing businesses is determined by the value of the business. For a new business the owner contributes own funds towards starting the business, but this may also include the value of work done towards starting the business.

Owner's contribution is considered on a case-by-case basis.

13. Why must I give CVs and an organogram?

The Bank requires CVs to show that the people involved in the day-to-day running of the business have the necessary experience and skills to run the business. In addition, the Bank needs an organogram that will show how the different functions will relate to one another, and how they will contribute to the business.

14. Why must I have insurance?

If the borrower is incapacitated or dies, or if an asset is damaged in a way that stops the business from operating, the debt will remain. This affects the borrower, next-of-kin and persons providing third party guarantees. For this reason, insurance that is ceded to the Bank for the duration of the loan is mandatory, and may include:

- Life insurance
- Asset insurance (including the building)
- Liability cover
- Professional liability (where applicable)

15. Are there extra fees or costs?

Development Bank of Namibia charges certain fees on approval and may charge additional fees under certain circumstances.

These fees are added to the capital amount and do not have to be paid as a lump sum.

- On initial approval, front-end fees are payable, ranging from 0.5% to 2% of the loan amount.
- For any variation that you may request, a variation fee, ranging from 0.5% to 2% of the loan amount may be charged.
- For any rescheduling (i.e. extension of a loan tenure) of the loan account, a fee ranging from 0.5% to 2% of the loan amount may be charged.
- For any restructuring of the loan account, a fee ranging from 0.5% to 2% of the loan amount may be charged.
- Guarantee fees are charged at 1.5% of the guarantee amount per quarter. This is applicable to clients who obtain performance guarantees from the Bank.
- In certain instances, where property is offered as collateral, valuation fees will also be charged based on the type and location of a property.

Check with your Analyst on the applicable fees.

16. How will my loan amounts be paid?

Amounts for assets, equipment and stock will be paid directly to the approved supplier. Amounts for working capital will be paid into the business account monthly, depending on cash flow projections, not as a lump sum. Loan amounts will not be paid into personal accounts.

17. Can I use my loan for personal expenses?

Development Bank of Namibia loans must not be used for personal expenses. In the Bank's experience, owners who use working capital for personal expenses (drawings) will not be able to cover budgeted business expenses and are likely to have failed enterprises.

Loans for working capital are paid into business accounts. An owner's salary must be budgeted in terms of the cash flow projection in the application for working capital. The salary must be paid from the business account into the owner's personal account.

18. What will the Bank not finance?

Due to potential negative environmental and social impacts, and in terms of Namibian legislation and regulations, the Development Bank of Namibia does not finance certain products, services and types of trading.

The Development Bank of Namibia generally does not finance:

- Refinancing or consolidation of existing debt
- Speculative activities with little or no value addition
- Specialised equipment not essential to the business
- Socially undesirable investments such as gambling
- Reimbursement for unrelated expenditure prior to loan approval

Download the exclusions list at <https://www.dbn.com.na/exclusions>

19. Why does DBN not finance informal enterprise?

Development Bank of Namibia has a duty to account for the impact of its lending which extends to adherence to legislative and regulatory requirements. This includes registration of enterprises, payment of company tax and VAT as well as contributions to the Social Security Commission

20. What are KYC requirements?

As part of the Government's efforts to combat and prevent illegal financial activities, the Financial Intelligence Act and Prevention of Organized Crime Act were enacted. These laws introduced measures to combat organized crime, prevent money laundering and to combat terrorist funding.

Money laundering is cleansing of dirty money from illegitimate activities with the intention of hiding its source and rendering it in legally usable form. Money laundering is an evil that cuts into the finances of the country / government, depletes revenues and / or paralyses infrastructure development. It damages availability of valuable resources needed for primary healthcare, education and installation of socio-economic safeguards.

The Prevention of Organised Crime Act 29 of 2004 imposes obligations on firms and individuals to report suspicions of money laundering or terrorist financing.

Laws require the Bank to identify borrowers, and ensure that finance it advances is used for legitimate purposes. This is known as Know-Your-Customer (KYC). KYC includes the duties to identify and verify customers, and keep records of the verified documents and other details.

If KYC requirements are not met applications for finance may be delayed until the requirements are met, or the application may be declined.

Download a guide to KYC requirements at
<https://www.dbn.com.na/applications>

21. How should I report unethical behaviour?

Development Bank of Namibia is committed to ethical behaviour and integrity in all its transactions and operations.

Demands for kickbacks, requests for 'loans', soliciting gifts, requests for discounts, irregular payments to third parties, demands for payment for rapid processing of applications and insistence on specific suppliers and contractors are all signs of possible corruption and / or unethical behaviour.

Report theft, fraud, bribery, misconduct, nepotism, abuse of confidentiality and theft of intellectual property rights anonymously.

Deloitte Tip-offs Anonymous provides an anonymous reporting channel for unethical behaviour in the workplace. It is a completely independent, confidential whistleblowing hotline service operating 24-hours a day, 7 days per week and 365 days a year.

- E-mail a tip off to dbn@tip-offs.com
- Call 0800 290 8000 (toll free - landlines and mobiles)
- Fax: 0800 007788
- Website: www.tip-offs.com

22. Contacts

- **Windhoek**
Tel. 061 290 8000
Fax 061 290 8049
12 Daniel Munamava Street
- **Postal address**
Development Bank of Namibia
PO Box 235
Windhoek
10000
Namibia
- **Windhoek SME Centre**
Tel. 061 290 8111
12 Daniel Munamava Street
- **Ongwediva**
Tel. 065 230 129 / 230 130
5626 Main Road
Trade Fair Grounds
- **Rundu**
Tel. 066 257 735
MVA Building
Eugene Kakukuru Street
- **Walvis Bay**
Tel. 064 220 924 / 221 857
C/o Theo Ben Gurirab & Gertrude Rikumba Kandanga
Hilukilwa Streets

Find a full list of frequently asked questions at <https://www.dbn.com.na/faq>

