



AN SME GUIDE TO APPLYING FOR FINANCE FROM DEVELOPMENT BANK OF NAMIBIA

Use the following guide to the types of finance and requirements for applications for finance from the Development Bank of Namibia.

About DBN

- Trusted provider of finance for enterprise and infrastructure
- Owned by government
- Trusted by financial industry
- Strong risk management
- Approx. N\$16 billion in loans and advances since 2004

DBN lending philosophy

- We lend responsibly in the best interests of borrowers
- We lend with a view to long-term growth, not short-term profits
- We support our borrowers
- Loans must be repaid with interest
- Successful lending supports Namibia's economic future

We want to finance you

- We enable your ambition, plans and future prosperity with finance.
- Your success contributes to development.
 - *Decide what you can do*
 - *Plan*
 - *Apply*

Types of finance

- Finance SMEs
- Finance for enterprises
- Finance for local authorities
- Finance for infrastructure

DBN differences

- We look for the business logic
- Grace periods
- Client support
- Debt rescheduling (in event of business difficulty)
- Lower collateral requirements
- Finance in unproclaimed areas

TYPES OF LOANS

Private sector loans

- Asset Backed Finance
- Bridging Finance
- Business Finance
- Business Acquisition Finance
- Franchise Finance
- Invoice Discounting

Contractor finance

- Contract (Tender) Based Finance
- Guarantees

Public infrastructure, local authorities and PPP loans

- Local Authority Finance
- PPP Finance
- Public Infrastructure Finance



**Development
Bank of Namibia**

Expect more.

LENDING REQUIREMENTS

7 basic requirements

1. Business plan
2. 3-year cash flow record / projection
3. Owner and manager CVs
4. Collateral
5. Owner's contribution
6. Supporting documents
7. Application form

BUSINESS PLAN AND CASH FLOW

About the business plan and cash flow projection

- Adherence to business plan and cash flow is basic prerequisites for enterprise success
- Indicators for successful finance
- Give early warning of potential problems
- Annual exercise

Company details

- DBN only lends to legal entities registered in Namibia
 - *Company registration*
 - *Tax certificate*
 - *VAT certificate*
 - *Social security*
 - *Licenses and permissions*
 - *Balance sheet*
 - *Income statement*

BUSINESS IDEA

What a business idea is

- A clear idea of how the enterprise will make money
- Incorporates basic marketing (4P)
 - *Product*
 - *Price*
 - *Place*
 - *Promotion*
- Gives indication of cash flow

Product / service

- What is the product?
- What is the service?
- Are there additional services that add to the product / service?
- Are there unique, valuable features that differentiate the product /or service?

Pricing

- What is the cost of providing the product / service?
- What is the cost of additional degrees of quality
- What is the break-even point (point where all costs are covered)
- Cross reference with cash flow projection

Market / location

- Who will pay for the product / service?
- Is it needed or a luxury (want)?
- Where are they located and what is the expense of getting the product / service to them?

Competitors, suppliers and inputs

- What comparable product / service is there?
- What is the competitor's price?
- Who are the competitor's suppliers?
- What is the competitor's estimated cost of sales?

Sales & communication

- Businesses require sales and communication
- How will you inform your market?
- What is the most affordable means of communication?
- Are face-to-face sales visits required
- What is the cost of sales activities and communication?

Focus

- What is the product / service that will sell best?
- What is the product / service that will sell less?
- What is the cost of a product / service that sells less?
- Focus on product / service that is most in demand / earns more

Research

- Ask questions
- Future customers
- Suppliers
- Ask about pre-conditions
- Ask about prices (ask how much they would pay rather than giving prices)
 - *Do not ask friends, family and / or coworkers as their answers may aim to please you*
- Get supplier quotations

3-YEAR CASH FLOW

Introduction

- Cash flow is the amount of money you expect to receive in future, not billing now
- If cash flow is below target, it indicates a problem
- If cash flow is above target, savings can be made
- Whether a new or existing business, cash flow should be projected for 3 years ahead

Projections & deductions

- The projection is the amount of revenue earned from sales LESS all expenses
- The projection must be done monthly for a period of 36 months (3 years) and should include expected inflation
- The minimum acceptable cash flow is break-even, where all sales equal all costs

Cash flow per unit pricing & monthly projection

- Calculate the price of a unit sold or a product or an hour of service
- Multiply the per unit price by the number of expected sales in a month
- Deduct the costs (below)
- If the monthly costs are higher than monthly sales, increase the per unit cost and / or reduce expenses

Discounting prices

- DO NOT discount without good reason, especially when starting
- An introductory offer fixes future price expectations
- If revenue is higher than costs, save profits

- Discount to clear old product lines that will be replaced immediately
- A lower price attracts bargain seekers, not loyalty

Taxation

- All cash flow projections must include company tax and VAT

Cash flow production expenses

- Production expenses are costs of raw materials and inputs, the cost of processing (including electricity and water) and may include transport to on-sellers

Overhead costs

- Overheads are general expenses that include the rental cost of offices, storage and factory premises, running the business, and marketing, water and electricity not related to production
- Overheads also include salaries (below)

Salaries & owner salaries

- Salaries must be included
- Provision should be made for training
- Owners' salaries must be provided for
- Drawings must be avoided at all costs and any profit should be but into reserves / savings (below)

Loan repayment

- Loan repayments, including interest must be included as an expense

Inflation & cost escalation

- The cash flow projection should be increased annually by the amount of inflation
- Suppliers must be asked about annual cost increases and this must be factored into per unit pricing

Savings

- Savings from profits protect the risk of a downturn in cash flow, cost increases or emergencies
- If possible, savings should be budgeted for in per unit pricing
- The greater the amount of savings the greater the chance of survival in the event of difficulty
- In the event of selling the business, savings can add to the sales value

BORROWING

Borrow economically

- Reduce requirements for repayment of loan by borrowing as little as possible
- Lower repayments mean greater profitability
- Is an item a luxury or an absolute necessity?
 - *Can it be obtained at a lower cost elsewhere?*
 - *Can it be obtained second hand?*

BUSINESS DEVELOPMENT & SAVINGS

Saving for growth

- Growth requires additional resources which are expenses
- These expenses can place a strain on the effective running of the organisation
- If not financed by lenders, growth can be financed from savings

Saving for opportunities

- Businesses often get unexpected opportunities
- Subject to focus, these opportunities can be of benefit
- The opportunity will lead to expenses which can be financed from savings
- If the opportunity fails, use of savings has been justified, as the business has not incurred the expense of finance

Saving for staff growth

- Growth and opportunities require new staff
- There is a gap between recruiting staff and the new staff contributing to break-even and / or profitability
- This gap can be bridged with savings

CVs & MANAGEMENT

General

- DBN must convince itself that its borrowers have the necessary skills
- Without specific skills, businesses may not succeed, causing difficulties for the owner, business employees and the Bank
- CVs must demonstrate that owners and / managers have the core skills to operate the business

Business administration

- In addition to any technical skills, owners and managers must have business administration skills or business administration capacity in the form of staff with the necessary skills

COLLATERAL & OWNERS' CONTRIBUTION

General

- DBN is required to preserve its capital
- Collateral offered by owners indicates owners' commitment to the project
- In the event of default on a loan, the Bank recovers collateral
- DBN collateral requirement is lower than most commercial loans

Types of collateral

- Fixed property
- Life insurance
- Third party guarantees
- Assets financed with loan
- Cession of income streams (contract based finance)

Owners contribution

- Shared risk creates confidence
- Owners' contribution indicates owners' confidence in the project

SUPPORTING DOCUMENTS

General

- DBN and its borrowers are required to adhere to regulations
- Know-your customer (KYC)
- Environment and social
- Certified copies of documents enable DBN to prove that borrowers adhere to regulations and laws
- Without required supporting documents, DBN cannot provide a loan

Know-Your-Customer (KYC) documents

- KYC documents required for
 - *Anti money laundering*
 - *Anti terrorism*
 - *Prevention of organized crime*
 - *Identification of entities*
 - *Identification of individuals*

Environmental and social management (ESMS)

- *Legally required environmental assessments*
- *Labour Act compliance*
- *Local authority and other health regulations*
- *National and local regulations*

Certification

- Black and white copies
- Certification not older than three months
- DBN Commissioner of Oaths (if possible)

Assistance

- List of documents appended to application form
- Consult DBN on additional requirements
- Incomplete documentation delays processing of application

Application support

- Support on how to complete application only
 - *Ongwediva*
 - *Rundu*
 - *Walvis Bay*
 - *Windhoek Head Office*
 - *Windhoek SME Centre*
- Applicant to complete business plan, cash flow, etc.
- Call, email or visit (contact details below)

CUSTOMER SUPPORT

General

- Strengthen borrower enterprises
- At DBN discretion
- Borrower requests will be considered
- Services
 - *Mentoring and coaching*
 - *Capacity building*
 - *Transfer of technical knowledge*

CONTACTS

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- **Rundu**
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FRAUD REPORTING

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

- E-mail dbn@tip-offs.com
- Call 0800 290 800 (toll free - landlines and mobiles)
- Fax: 0800 007788
- Website: www.tip-offs.com

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

