Credit Delivery Systems for Small Enterprises in Namibia

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ABBREVIATIONS

AMCOM	Amalgamated Commercial Holdings
Canamco	Canada-Namibia Co-operation
CCN	Council of Churches in Namibia
CD	Co-operation for Development International
CISP	International Committee for People's Development
COSEDA	Co-operative Support and Enterprise Development Agency
CRIAA	Centre for Information and Action for Development in Africa
CSIB	City Savings and Investment Bank
DWA	Department of Women's Affairs
ELCIN	Evangelical-Lutheran Church in Namibia
EU	European Union
FES	Friedrich Ebert Stiftung
FNB	First National Bank
FNDC	First National Development Corporation
GTZ	Gesellschaft fuer Technische Zusammenarbeit
GRN	Government of the Republic of Namibia
HIVOS	Humanist Institute for Co-operation with Developing Countries
IMLT	Institute of Management, Leadership and Training
IGP	Income Generating Project
JCC	Joint Consultative Committee
KAYEC	Katutura Youth Enterprise Centre
Mfg.	Manufacturing
MoL	Ministry of Labour
MTI	Ministry of Trade and Industry
MYC	Ministry of Youth and Sport
NACCUL	Namibia Co-operative Credit Union League
NAWA	Namibia Women's Association
NCA	Northern Communal Areas
NDC	Namibia Development Corporation
NGO	Non-governmental Organisation
NORAD	Norwegian Agency for Development Co-operation
NNAWB	Namibia National Association of Women in Business
NNCCI	Namibia National Chamber of Commerce and Industry
NNRCCI	Northern Namibian Regional Chamber of Commerce and Industry
NRDP	Namibia Rural Development Project
NYC	National Youth Council
OHA	Okutumbatumba Hawkers' Association
Prime	Prime Lending Rate (19% - October 1995)
PSF	Private Sector Foundation
SSE	Small Scale Enterprise(s)
SIDA	Swedish International Development Agency
SWOT	Strengths, Weaknesses, Opportunities &Threats (analysis)
UNDP	United Nations Development Programme
UNICEF	United Nations International Children Emergency Fund

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1. Introduction: Concepts used and methodology

This study was undertaken by the Namibian Economic Policy Research Unit (NEPRU) in Namibia. The Joint Consultative Committee of SSE promoting institutions (JCC) known, and on the basis of this contracted NEPRU for this study. The main aim of analysis are the availability of credit, and access to it. The study provides data on different types of credit offered, making a clear distinction between 'subsidised' and 'cost related' finance. The study is restricted to three areas of Namibia: Oshana, Kavango and Windhoek. The coverage was restricted to these areas owing to budgetary constraints. The three areas mentioned above were selected on account of knowledge of relevant projects there. Although the study is not geographically exhaustive, it does cover the areas with a high percentage of Namibia's population. However, it should be clearly understood that applying lessons learnt from these areas to other unsampled areas could be problematic. Further studies would be required in order to ascertain particular local needs and constraints.

It is important to define terms which are often misleading before embarking on an analysis of credit providers in these areas. The study looks at productive credit, as opposed to consumer credit. Productive activities can be divided into agricultural, industrial and service activities. However, agricultural credit is of a different nature to credit for industrial or service purposes, and has been excluded from this study. On the other hand, 'agro-industries' (e.g. millet processing, implement manufacture, and oil extraction) are included.

Within this study the key subject is that of 'credit'. Credit is the provision of capital by a lender to a borrower, with a legal agreement for the repayment of a specific amount over a given term. This is very distinct from a 'grant'. A grant is understood to be the provision of finance or assets where the ownership changes legally, with no expectations of repayment or return. Although a grant may entail stipulations stating certain conditions, it lacks the expectation of repayment and a charge levied to cover the risk and costs of providing capital and associated services. This key distinction excludes bodies which give 'grants' without expectations of repayment.

The importance of trying to define the demand for credit in terms of size, use, required structure and backup is critical in the determination of how 'available' credit is. This is a complex area which involves an attempt to define the different groups requiring finance. SSE can generally be broken down into several categories:

1. business start-ups, often started by those with little or no entrepreneurial experience;
2. business expansions, on the part of micro-enterprises which have a track record spanning a period of years;
3. formal small-scale enterprises, which have operated in a given market for a period of time;
4. income generating groups, usually loosely organised community groups, for whom the primary motive is not always profit.

Generally the needs of these groups differ in the way the finance should be structured and monitored. In terms of assessing how 'available' credit is to these groups, the target group for each provider should be identified, and subsequently assessed. Different types of activities for which capital is utilised can also dictate the

The sample of credit providers covers a very broad range of institutions in terms of aims, target group, internal structure and size. The collected material therefore represents a wide spectrum of clients, levels of experience, and expertise in credit provision. There were difficulties in analysing the resultant information owing mainly to the wide range of unstandardised ratios (e.g. for default rates) used by individual institutions and the varying levels of understanding by staff and managers at different institutions. Within the study, figures for banks and semi-formal credit providers are often shown separately owing to the difficulty in relating commercial banking data to semi-formal credit providers.

For this study to be useful for credit providers it was felt that performance ratios for all participants should be accessible. This practical need has necessitated the use of clear and simple calculations in the place of more complex ratios utilised by international bodies. Whilst these calculations are simplified, it is the belief of the research team that the survey will provide baseline information to allow open discussion in Namibia, based on comparable data. All financial statistics used are defined in the study, and in the case of tables the method of calculation is explained in notes. These are dealt with in detail in section 4. Readers are referred to the appendices for base line information on the individual institutions, on which the calculations are based. Due to the limitations of space these could not be included in all the tables presented in the main text.

It should be noted by users of this report that levels of disclosure by some institutions was low. There is no prescribed format of reporting and a minority of institutions found it difficult to separate costs associated with training and credit provision. In cases where in house training is intrinsically linked to credit provision as a mandatory *component* of the credit process, these costs have been included (e.g. Canamco, CISP and CD).,In the case of organisations where training is the main focal activity and credit given as an *additional* service to selected clients, the costs have been presented separately (e.g. PSF and IMLT). In all cases the basis of figures incorporated into this study are stated in order to remove any possible confusion of terms.

The accuracy of data presented is dependant on the goodwill and co-operation of the institutions surveyed. The research team was unable to analyse the basis of disclosures through accounts and procedural scrutiny - it has been necessary to assume these are correct. All data was checked by the surveyed institutions and updated as necessary by the researchers. As the field of credit provision and associated donor funding is a rapidly changing one, a proportion of the financial statistics will have changed by the time this report has been finalised. It should therefore be understood that the figures represented here are a "snap-shot" at the time of survey (October 1995). Any possible changes after this date could not be considered.

Similarly, as Namibia is by international standards a young country, many of the institutions providing credit are also young. The ratios included in this analysis in many cases do not reflect long periods of operations. This should be borne on mind when evaluating the results of this report. The conclusions and recommendations are based directly on the recorded data presented, which is analysed in the final section using a model developed by Otero and Rhyne (1994), and a SWOT analysis is used to highlight specific trends within each sample group. The model highlights the issue of financial development and sustainability for credit providers and sheds light on the development of the small enterprise Credit Delivery System as an organic whole.

The second section of the report summarises recent theoretical discussions on small enterprise finance and the success of credit programmes in other countries. Principles of successful programmes are used as a background to evaluate the existing programmes in Namibia. Sections three and four, presenting and analysing the data, constitute the main part of the study. Section five draws conclusions and suggests proposals to improve the access of SSE to credit. Profiles of existing credit facilities are developed according to criteria developed in Section 3 and presented in the Appendices, as is the questionnaire which forms the basis of this report.

2. The international perspective: lessons from credit programmes in other countries

The second section of the report summarises recent theoretical discussions on small enterprise finance and the success of credit programmes in other countries. Principles of successful programmes are used as a background to evaluate the existing programmes in Namibia. Sections three and four, presenting and analysing the data, constitute the main part of the study. Section five draws conclusions and suggests proposals to improve the access of SSE to credit. Profiles of existing credit institutions developed according to criteria developed in Section 3 and presented in the Appendices are the information base for this report.

developing countries. There are common strands in this thinking and major lessons have been learned. These lessons provide the background for our evaluation of the credit system in Namibia. We can evaluate the current system of credit provision to small enterprises in Namibia in comparison with the 'best practice' in other countries.

This short section summarises this theoretical background. The first sub-section summarises developments in the approaches to finance in development in general, which has implications for the thinking about financing small enterprises. It follow a discussion of principles and institutions of successful small enterprise finance, and a sub-section on criteria for the evaluation of small enterprise finance programmes for small enterprises.

2.1 Changing Paradigms of Development Finance

The dominant thinking about the importance and role of finance in development has changed significantly over the last 40 years (Krahnen / Schmidt 1994). Broadly speaking, we can distinguish 4 phases in the mainstream thinking.

At the birth-time of development economics in the 1950s, development was equated with growth, which was largely regarded as a process of capital accumulation. Growth of capital is seen as the result of saving, i.e. of foregone consumption out of current income. Poverty perpetuates itself because incomes are too low to save, which is necessary to invest and increase income. Development comes in to close the savings gap. Although there is obviously some truth in this view, it is certainly much too narrow and simplified : there are a number of other factors determining the success of development - it is not a simple function of the amount of savings. Furthermore, this view only considers finance in the sense of capital, ignoring the aspect of the financial system. It simply assumes that proper mechanisms transforming savings into investment are in existence - an improper assumption, when in fact there is an 'institution gap'.

This mechanistic view was questioned in the 1970s. It was realised that the infusion of foreign capital into large development projects had seldom resulted in a significant growth and 'trickle down' of positive effects into the traditional economy. Instead, dualism, poverty, unemployment and rural-urban migration were reinforced. As a result, economists shifted their attention from the entire economy to target groups, and aimed at poverty alleviation, employment creation and income generation, instead of growth. However, the basic perception of 'finance' remained the same: the provision of capital to those who would be able to use it optimally. Credit was perceived as the critical bottleneck to the development of small-scale farmers and small business. As existing banks were found to be unwilling and unsuitable as institutions channelling credit to disadvantaged groups, specialised development banks were set up. These provided generally subsidised credit and did not operate on a commercial basis. Efficiency and effectiveness were not high on

their agenda, based on the conviction that the target groups were too poor and too risky for such a procedure.

The failure of subsidised target-group credit provision led to a new rethinking on finance. The third view strongly attacks the financial repression on which both preceding views were based. The strategy of liberalising and strengthening the financial system was instead emphasised, based on the view that a functioning financial system, not constrained by unnecessary regulation would be able to mobilise large volumes of savings, transform them into investible funds and allocate these to socially valuable projects, emphasising the importance of the quantity and quality of financial intermediation for development and its determination by economic policy, a policy of drastic deregulation was recommended. It was convincingly demonstrated that on the one hand low interest rates made people save less. This led to less, rather than more investment, as hoped for. On the other hand, the subsidisation of capital also made borrowing attractive to projects which had not been profitable at market-rate interest rates. Credits had to be rationed and were often allocated according to non-economic criteria, leading to lower than average productivity. Largely, those who had the best political connections benefited, not those with most need. This, the quality of investment was also negatively affected, and not only savings, investment, growth and distribution, but also the financial institutions were negatively effected.

The micro-economic implications of this view are:

- there is a demand as well as a need for financial services among the poor;
- people do not need subsidised credit, but rather access to easily priced credit. In other words, their problem is access to, rather than the price of credit;
- the demand for deposit facilities will flow transaction costs are even higher than that for credit; for that reason, an appropriate savings mobilisation system can mobilise sufficient savings for the local investment needs;
- banks which have to mobilise their own savings will do their best to ensure proper lending practices;
- if a favourable legal and economic environment exists, a proper financial intermediary targeted at the majority of the populations is feasible.

This view can be regarded as basically correct. However, the empirical evidence supporting this radical view on liberalisation is as yet limited. Furthermore there is not enough theoretical underpinning for this view. The implicit model on which the view of radical liberalisation is based looks at financial institutions as monolithic, profit-maximising firms. Financial markets are regarded as functioning in the same way as any other markets. These assumptions are, however, too crude.

The fourth view on the role of finance in development is based on recent insights into the theory of organisations, finance and markets ("new theoretical institutionalism"). This view stresses that economic development is more dependent on 'good institutions' than on anything else. It rejects the claim of the third view that a financial system which has not repressed functions by itself optimally. Rather, the issue is how institutions function, based on the information they have and the incentives to which its agents are subject. Information is not available at no cost and is not evenly distributed, as implicitly assumed by the third view. Thus, an intervention should aim at improving the way institutions function, and at improving the incentive system. Basis for that should be the analysis of the current functioning of the market and the institutions.

At the second level, programmes raise funds by borrowing on terms close to, but still below, the market rate. Interest income covers the cost of funds and part of the operating cost, but grants are still needed.

At level three most subsidy is eliminated, but a persistent dependence on some subsidy remains. The programmes which operate at this level are generally not required to move further, as donors are satisfied with such a degree of performance. The Grameen Bank is perhaps the most prominent example of this category.

At the fourth and final level, programmes are self-sufficient, i.e. fully financed from the savings of their clients and from funds raised at commercial rates from formal financial institutions. Fees and interest cover the real cost of funds, including loan loss reserves (for many programmes, losses are below 3% of principal).

While the fourth level is of course the most desirable one, programmes should be judged less by their current level of operation than by the progress they are making towards achieving a higher level of performance.

The way to provide increases in finance to small and micro enterprises can vary with different institutional structures. Three promising avenues have been identified (Rhyne/Otero 1994):

- linking non-governmental programmes to sources of finance (especially relevant when there are obstacles to finance through deposits);
- transforming programmes into specialised financial institutions;
- specialised operations within financial institutions.

The following box provides information on elements of successful institutions of small enterprise finance.

BOX 1
ELEMENTS OF INSTITUTIONAL COMPETENCE IN MICRO-ENTERPRISE FINANCE ORGANISATIONS

I. Scale

- The leading micro-enterprise finance institutions have achieved active portfolios from several million dollars to hundreds of millions, and serve more than 10,000 clients (up to one million); such levels of outreach constitute a potential vision for other aspiring organisations.
- Delinquency is held well below 8 percent and long-run loss rations are less than 4 percent, often far less.

II. Financial Structure and Institutional Type

- Micro-enterprise finance institutions can have many different origins and institutional types, underpinning surprisingly similar operations.
- Mature organisations gain access to funding from the local financial system and from their own clients. They must develop strong financial management in order to achieve such access.
- The development of formal financial institutions is emerging as a trend, and it is often necessary to move from depending on international donors to depending on the local financial system.

III. Operational Structure and Productivity

- Retail units are designed to fit closely with methodology and usually comprise standardised staff functions and routines.
- The superstructure functions both as a service provider and a control mechanism, and achieves a careful balance between each.
- Retail units must focus on achieving high productivity. Because salaries are such a high percentage of total costs, profitability depends more on high staff productivity than on cost controls. Currently, unit staffs can handle between 115 to 280 credit clients per unit staff, and many more savings clients if voluntary savings are offered.
- Costs as a percentage of average portfolio range from 12 to 25 percent, with the higher percentages occurring in organisations facing high salary structures. Organisations face pressure to increase loan sizes in order to lower that figure, but must consider whether such a change fits the organisation's mission.

BOX 1
ELEMENTS OF INSTITUTIONAL COMPETENCE IN MICRO-ENTERPRISE FINANCE ORGANISATIONS

IV. Managing Information

- Successful institutions are driven to focus at all levels on a few key indicators of performance. For some, especially growing NGOs, these key indicators are numbers of loans or portfolio quality.
- Evolution to a focus on profits internalises concern with cost control and provides incentives for high productivity directly within retail units. The profit centre focus is supplemented by monitoring of portfolio quality and loan size.
- High quality information systems are timely, relevant, and accurate, and serve all levels of an institution, including clients, field workers, supervisors, and policy makers. Information systems must guard against overwhelming users with too much data.
- Computers are not synonymous with information systems. Good information systems are possible without computers at the retail level. Computers should be viewed only as a productivity enhancing tool.

V. Human Resources

- Successful organisations recruit young people with little prior to job experience, who demonstrate the ability to work in the informal sector and to absorb the corporate culture.
- In-house training is a process of passing highly job-specific information from existing staff to new recruits. It relied on oral tradition and learning-by-doing, supplemented by classroom reinforcement that emphasises corporate culture.
- Successful organisations employ a wide range of staff motivators, including commitment to organisational mission, good prospects for career advancement, organisation of units as teams, attractive salaries and benefits, and specific incentive programs.

VI. The Living Organisation

- Strong leadership is not a matter of "charisma", but does require extended commitment to provide continuity to the institutions, as well as a combination to provide continuity to the institution, as well as a combination of talents such as operational knowledge external relations, and the ability to motivate people.

BOX 1
ELEMENTS OF INSTITUTIONAL COMPETENCE IN MICRO-ENTERPRISE FINANCE ORGANISATIONS

- Active boards of directors and competent senior staff are essential, particularly as the role of the executive evolves, and leadership succession is faced.
- Organisations have achieved high growth based on "horizontal" expansion into new geographic areas, often consistently above 20 percent. "Vertical" growth within existing areas is more difficult as it challenges their successful retail unit formula.
- Innovation requires systematic attention to three stages: product and market identification; delivery system design; and organisation-wide implementation. In considering new services, the limits in capacity of existing retail units must be respected.
- Leading organisations have shown resilience in coping with inevitable crises that any micro-enterprise finance organisations may one day face. Swift and sure policy-level action is crucial in helping organisations adjust to major shocks.

source: Rhyne (1994: 108-110)

3. Description of institutions sampled

3.1. Introduction

This section outlines the institutions surveyed and their characteristics. There is a wide diversity amongst the credit providers sampled, covering semi-formal credit providers (such as NGOs, government schemes and parastatals) and commercial banks. The recorded sample is broken down into sample groups to facilitate comparative analysis. These sample groups are formulated on the basis of similar target beneficiaries, sizes of loans, interest charges, costs and organisational structures. The majority of credit providers conform to the "group" criteria used to sort the data, but in some instances there are divergences. Overall, similarities between the majority of institutions outweigh the differences in terms of the wide set of criteria utilised. In the case of the commercial banks the national figures (Group E) are separated from their surveyed regional operations (Group D). All sample group constituents are defined in Table 2.

Table 2 Sample Group Constituents

Semi-Formal Credit Providers			Formal Credit Providers	
Group A	*Group B*	*Group C*	*Group D*	*Group E*
PSF	NRDP	NDC	FNB, Rundu	FNB Group, Windhoek
CISP	IMLT	Lisikamena	Standard Bank, Oshakati	Standard Bank, Windhoek
NAWA	ELCIN/FNB/ NNRCCI		Commercial Bank, Oshakati	Commercial Bank, Windhoek
CD			Bank Windhoek, Oshakati	Bank Windhoek, Windhoek
COSEDA				CSIB, Windhoek.
Canamco				

In the following sections the sample groups are analysed, first in relation to capital organisation and interest charges, and subsequently according to service provision, target beneficiaries and loan sizes. Additional information exists in the appendix section of the report on each institution incorporated into the analysis.

3.2 Capital organisation and interest charges

3.2.1. Group A

The majority of the schemes in Group A are revolving funds. Canamco operates a loan scheme with the donated capital forming part of a fund for a future Namibian NGO through loan repayments. COSEDA also operates a savings facility which generates deposits in addition to the revolving fund. All funds for the schemes in this grouping are sourced from NGOs, GRN, and donor agencies (Table 3). In the case of PSF a level of financial support also comes from the local business community. The duration of funding in Group A is typically short term (up to four years), which was perceived by credit providers as a hindrance to the long term structural development of funds.

Institutions were asked to outline their policy of provisioning for default or inflation. Only one credit provider (COSEDA) within Group A was shown to make provisions. Similarly the danger of capital erosion was not stressed by credit providers.

The majority of credit providers in Group A disburse loans after initial staff appraisal and a mandatory final decision by a loan committee or board. These committees and boards are very often made up of donor and bank representatives, prominent business people, church leaders, or appointed advisers. Some NGOs expressed frustration at the availability of these decision makers for regular meetings. For example CD encountered logistical problems in calling together its far flung committee members from Caprivi, Windhoek and Oshakati.

Table 3 Capital Organisation - Sample Group A

Institution	Source of Funds	Start Date	Duration of Funding	Provisions	Loan Approval Body
PSF	Government, Donors and local businesses	Sept. 1993 - previous schemes 1984	1996 (Review)	None	Loan Board
CISP	Italian Government	January 1994	1996 (Review)	None	CISP & CCN Development Board
NAWA	UNDP	1990	1994 (Closed)	None	Managers
CD	EU	October 1990 - October 1991	1996 (to be closed)	None	Loan Committee
COSEDA	Donors: Catholic Relief Services; HIVOS, Oxfam Canada	January 1995	1998 (Review)	Up to 20% default provision	Project Officer & Group
Canamco	Oxfam Canada	1991	1997 (Review)	None	Project Committee

Some credit providers in this grouping have also had problems fully disbursing the total capital available, owing to short time frames, delays or lack of staff knowledge (Table 4). In the case of COSEDA this is primarily owing to the recent start of the scheme. The range of capital available for loans ranges widely within Group A, with NAWA having had access to only N$5,000 (the scheme terminated in 1994) and PSF with N$500,000 available from donors. Disbursement rates are often limited by staffing levels and expertise. This comes in addition to the available size of capital as a restriction on many credit providers in Group A in the longer term.

Table 4 Capital Size and Interest Charges - Group A

Institution & Sample Group	Total Available Capital (N$)	Capital Disbursed (N$)	Interest Charge
PSF	500,000	230,000	Year 1: 17% (Prime -2%) Year 2: 18% (Prime -1%) Year 3 : 19% (Prime)
CISP	90,000	90,000	0%
NAWA	5,000	2,000	10% (Prime -9%)
CD	148,700	148,700[1]	18.5% (Prime -0.5%)
COSEDA	400,000	160,000	18% (Prime -1%)
Canamco	260,000	260,000	5% (Prime -14%)
Total	1,403,700	890,700	

A strong common factor amongst all credit providers in Group A is subsidised credit provision (Table 4). The range of subsidisation ranges from free capital (CISP) to one percentage point below prime rate (CD, PSF average). Overall there is homogeneity in terms of capital organisation, interest charges and structure within Group A. The total available capital for Group A at the time of survey was N$ 1,403, 700 of which N$ 890, 700 (63%) was disbursed as loans.

3.2.2. Group B

The sources of capital are all donor agencies and GRN for Group B, and are mainly organised as revolving funds (Table 5). The ELCIN/FNB/NNRCCI Credit Guarantee Fund in Oshakati operates as a guarantee fund with the donated capital offsetting the risk of lending on the part of the lending bank (FNB in Oshakati) which administers the loans. The loans are further collateralised with compulsory deposits, leaving any risk entirely with the donors. The IMLT programme was recently established in 1994, and the ELCIN/FNB/NNRCCI Credit Guarantee Fund in 1993. Two of the three schemes

[1] A total of N$ 277,751 was disbursed by CD. Data was only available for two offices: Rundu (N$ 50,000) and Ondangwa (N$ 98,700). The Windhoek scheme for which all details were not disclosed is N$ 128,871.

have short term review dates, whilst the NRDP is open ended. The NRDP credit scheme is not a dedicated credit fund as such, rather a credit provider to its existing projects in rural areas.

All credit providers disburse loans through loan committee bodies. In the case of the NRDP a board of advisers also has contributed to the loan decision making process. Credit providers in Group B have suffered long delays for loan approval, especially the ELCIN/FNB/NNRCCI Credit Guarantee Fund whose loan committee meets only half annually at the time of survey, due to difficulties co-ordinating the scheme participants and low loan volumes.

Table 5 Capital Organisation - Group B

Institution	Source of Funds	Start Date	Duration of Funding	Provi-sions	Loan Approval Body
NRDP	Donors: FES; NORAD, NACADEC	1991	No limit	Default Provision 5%	NRDP Secretariat & Board of Advisers
IMLT	Government and GTZ	June 1994	1996 (Review)	None	Internal and External Loan Committee
ELCIN/FNB/ NNRCCI	SIDA, Finchurch Aid, ELCIN	June 1993	1996 (Review)	None	Loan Committee

Group B credit providers generally operate a subsidised credit policy, with the exception of the ELCIN/FNB/NNRCCI scheme in Oshakati (Table 5). The size of available capital varies, but apart from NRDP (where only 30% of capital is allocated as loans), average fund size is larger than in Group A. This helps schemes cut down overhead costs per value of loan disbursed, which explains their better cost ratio performance. The level of capital disbursement is generally also higher than in Group A at 77% of N$ 1,836,000 in available capital.

Table 6 Capital Size and Interest Charges - Group B

Institution & Sample Group	Total Available Capital (N$)	Capital Disbursed (N$)	Interest Charge
NRDP	120,000	120,000	9% (Prime -10%)
IMLT	1,101,000	800,000	Year 1: 17% (Prime -2%) Year 2: 18% (Prime -1%) Year 3 : 19% (Prime)
ELCIN/FNB/NNRCCI	615,000	495,000	23% (Prime +4%)
Total	1,836,000	1,415,000	

3.2.3. Group C

The only institutions in Group C are NDC, which derives its capital from GRN, AMCOM and the former FNDC's reserves, and Lisikamena from Care Austria (Table 6). Both operations are very different in scale, with NDC being the largest semi-formal provider of capital in Namibia, and Lisikamena the second largest, but by a wide margin. NDC is a parastatal organisation with a very wide range of activities including SSE credit provision. In contrast Lisikamena is a revolving credit fund with a saving and loans micro-credit facility. Both schemes aim at a wide target group but are quite different in scale and personnel.

Both schemes started in 1994, and Lisikamena will face review in 1996, whilst the future of NDC is not subject to review. Each operates loan committee bodies, and in NDC's case, two are utilised. In the latter case this can lead to a degree of delay in loan processing.

Table 7 Capital Organisation - Group C

Institution	Source of Funds	Start Date	Duration of Funding	Provi-sions	Loan Approval Body
NDC	Government and reserves of FNDC	1994	No Limit	Bad Debt[2]	Pre-assessment Committee & Project Management Committee
Lisikamena	Care Austria	May 1994	1996 (Review)[3]	10% Inflation	Loan Committee

The NDC's capital defined for the purposes of this study is restricted to its SSE funds only (as disclosed at the time of interview - Table 8). The size of capital relative to other schemes is high whilst the disbursement rate is relatively low (60%). The average interest rate charged on its portfolio is subsidised at 17.3% (Prime -1.7%) with particular industries subject to higher charges dependent on NDC development policy. In contrast Lisikamena charges market related interest rates. As the size of capital is smaller than at NDC the focus on market related charges is more important. The level of disbursement at Lisikamena is relatively low (59%), owing in part to the establishment of a new fund within the last few months. Without this fund disbursement is higher at 79%.

[2] The financial statements for NDC report N$ 15, 101,000 in bad / doubtful debt provisions for 1994 (38% of loans) . As the SSE funds run by NDC form only part of a wider whole it is uncertain if the rate pertaining to the SSE funds is higher or lower.

[3] The fund is split between the SSE Fund and a newly created Micro-credit and Savings Scheme operational from October 1995. The value of the SSE Fund (as of October 1995) was N$ 951,000 and the Micro-credit Fund N$ 250,000. The remaining N$ 400,000 remains with the donor agency.

Table 8 Capital Size and Interest Charges - Group C

Institution	Total Available Capital (N$)	Capital Disbursed (N$)	Interest Charge
NDC	5,000,000	3,000,000	Varies by industry: Manufacturing Prime - 4% to Service: Prime +3%
Lisikamena	1,600,000	951,000	SSE :24% (Prime +5%) Micro: 28% (Prime +9%)
Totals	6,600,000	3,951,000	

3.2.4. Groups D & E

Formal credit providers generally do not have as specialised a target group as is the case with semi-formal credit providers, and SSE lending does not make up a large proportion of overall lending (Table 10 - Group E).This is because commercial banks meet a wide variety of financial needs such as personal loans, house purchases, corporate financing and investment services. It is also because many SSEs cannot fulfil all criteria set for lending by the commercial banks.

The sample is split between those banks interviewed on a regional level (Group D) and (often the same) institutions surveyed on a national basis (Group E). All banks' funds are linked to the size of shareholders' funds and risk adjusted money market funding. In the case of the City Savings and Investment Bank (CSIB) a substantial portion of capital is derived from a Malaysian bank's investment. The figures used to compile total available capital for Group E (Table10) are taken from financial statements for 1994 and include non-SSE lending. These figures are used in the absence of specifically disclosed SSE loans.

Table 9 Capital Organisation - Group D

Name of Institution	SSE Loan Portfolios (N$)	Interest Charge
FNB, Rundu	5,000,000	Up to Prime +8% dependent on risk
Standard Bank, Oshakati	11,500,000	Up to Prime + 9% dependent on risk
Commercial Bank, Oshakati	1,200,000[4]	Up to Prime +4% on portfolio, but higher dependent on risk
Bank Windhoek, Oshakati	5,000,000	Up to Prime + 7% dependent on risk
Total	22,700,000	

[4] Commercial Bank in Oshakati only opened its branch in July 1995, hence the value of the loan portfolio is likely to rise incrementally in the future.

Regional banks were interviewed specifically about SSE credit (Table 9) - mainly in the form of overdrafts or loans - as opposed to consumer and larger business credit. However owing to limited exposure to SSE lending on the whole, definitions of small businesses varied considerably from bank to bank, which is significant in itself. Data from Group D interviews suggests local competition amongst banks has resulted in a general increase in SSE coverage by the commercial banks in Oshakati. The value of regional loan portfolios was given as a broad indication of SSE lending by banks at the time of interview due to disclosure restrictions. Therefore figures on market sizes should be taken with caution.

Table 10 Capital Size and Interest Charge

Name of Institution	Size of Assets (N$)	Interest Charge
FNB Group, Windhoek	1,631,729,000	Up to Prime +5% for 50% collateralised lending, but higher dependent on risk
Standard Bank, Windhoek	1,436,774,000	Up to Prime + 7% dependent on risk
Commercial Bank, Windhoek	927,623,000	Up to Prime + 5% depending on the level of collateral coverage
Bank Windhoek, Windhoek	879,811,000	Up to Prime +5% for partially collateralised loans, but higher dependent on risk
CSIB, Windhoek	23,700,000	Up to Prime + 9% dependent on risk.
Total	4,899, 637,000	

The estimated loan value is N$ 22,700,000 for Group E (regional basis). The total value of the commercial banks' assets in Namibia (Group E) is N$ 4,899,637,000 on the basis of the last accounts for 1994 (Table 10). Figures for Group E include all types of lending as the banks do not disaggregate data by enterprise size.

3.3. Service Provision and Target Beneficiaries

This section outlines the different services provided by each institution and target beneficiaries within the sample groups outlined. A comparative analysis is outlined for each sample group at the end of the section.

3.3.1. Group A

Respondents were asked to outline the services provided by their organisations. As is evident from Table 11, many of the institutions in Group A offer training and group lending in addition to loans and monitoring and evaluation services. PSF is the only institution for which training is as, if not more, important than credit provision. Respondents also argued that the level of training input is generally higher when lending to IGP's, as the level of business experience is much lower and IGP's are often new business start-ups. It is clear that the provision of training is by most of the institutions in Group A, which constitutes duplication in many cases. Target

beneficiaries for Group A are often IGP's or very small (micro) enterprises employing up to 3 people. COSEDA is the only organisation operating a savings and loan scheme in Group A which could help the organisation in offsetting loan risk and providing savings facilities for those unable to open a bank account.

Table 11 Service Provision and Target Beneficiaries - Group A

Name of Institution	Areas of Operations	Service Provision	Target Group (size in brackets)	Capital Available (N$)
PSF	Windhoek, Ongwediva, Mariental, Keetmanshoop	Training, Loans, Monitoring & Evaluation	Hawkers, SSE (up to 3)	500,000
CISP	Rundu, Oshikago, Onipa, Kalkrand, Gibeon, Keetmanshoop	Training, Group Loans, Monitoring & Evaluation	CCN IGP' s	90,000
NAWA	Windhoek, Rehoboth , Keetmanshoop	Loans	Hawkers	5,000
CD	Windhoek, Ondangwa & Rundu	Training, Loans, Monitoring & Evaluation	SSE (up to 3)	148,700[5]
COSEDA	Windhoek (50 km radius)	Training, Loans, Group Loans, Savings, Promotion	Hawkers & groups (up to 6)	400,000
Canamco	Kavango Region & Windhoek	Training, Group Loans, Monitoring & Evaluation Sales of inputs	IGPs and Co-operatives	260,000
Total				1,403,700

3.3.2. Group B

Both IMLT and the ELCIN/FNB/NNRCCI credit guarantee scheme offer training services, in contrast to the NRDP which relies on external volunteers for training (Table 11). The IMLT concentrates on training as its core activity, with credit provision as a complementary service. In the future IMLT plans to run the new Job Creation Fund for the government impact on the scale of its training activities. In the same way only 30% of the overall NRDP budget is allocated to credit provision and its main activity is agricultural development. Both IMLT and the ELCIN/FNB/NNRCCI target larger SSEs than Group A credit providers, whilst NRDP concentrates on rurally based IGPs.

[5] A total of N$ 277,751 was disbursed by CD. However data were only available for two offices: Rundu (N$ 50,000) and Ondangwa (N$ 98,700). The Windhoek scheme for which all details were not disclosed is N$ 128,871.

Table 12 Service Provision and Target Beneficiaries - Group B

Name of Institution	Areas of Operations	Service Provision	Target Group (size in brackets)	Capital Available (N$)
NRDP	Okakarara, Epukiro, Otjinene, Witvlie	Loans, Group Loans, Grants, Monitoring & Evaluation, Agriculture	Rural IGP's	120,000
IMLT	Windhoek, Oshakato, Rundu	Training, Loans, Group Loans, Monitoring & Evaluation	Wide Range	1.101,000
ELCIN/FNB/ NNRCCI	200 km radius of Oshakati	Training, Loans, Monitoring & Evaluation	SSE (10)	615,000
Total				1,836,000

3.3.3. Group C

Both Lisikamena and NDC offer a wide range of services, but it is important to stress that neither provides training services internally (Table 13). This enables these institutions to draw on the experience of specialist trainers such as IMLT whilst not having to provide permanent staff to service training needs. This has an important positive impact on the cost structures of these two organisations and efficiency in terms of loan volumes. Both organisations refer clients or applicants to other organisations on an 'as needed' basis, or give focused training as part of the monitoring and evaluation process.

Table 13 Service Provision and Target Beneficiaries - Group C

Name of Institution	Areas of Operations	Service Provision	Target Group (size in brackets)	Capital Available (N$)
NDC	Oshakati, Windhoek, Otjiwarongo, Rundu, Katima, Walvis Bay, Keetmanshoop	Loans, Group Loans, Monitoring & Evaluation, Venture capital	Wide range	5,000,000
Lisikamena	Okavango Region	Loans, Group Loans, Savings, Monitoring & Evaluation	SSE (up to 6)	1,600,000
Total				6,600,000

Lisikamena offers a savings and loan scheme (like COSEDA) for micro entrepreneurs (mainly female hawkers) in Kavango and the NDC offers a similar smaller credit facility. Both institutions also offer credit to larger SSEs which gives both organisations a wide degree of freedom in terms of loan size which can help to offset risk within a loan portfolio. It also allows these credit providers the ability to refinance SSEs as they grow larger.

3.3.4. Groups D & E

The commercial banks offer a wide range of products to their customers, but mainly overdrafts and loans to SSE's. When the central branches of the commercial banks (Group E) were contacted in Windhoek, all respondents except for CSIB argued that their target group was undefined in terms of size, but defined rather in terms of risk and return. CSIB argued that its main focus for lending are small to medium scale enterprises in Windhoek (as no other branches existed at the time of survey).

Table 14 Service Provision and Target Beneficiaries - Group D

Name of Institution	SSE Loan Portfolios (N$)	Areas of Operations	Target Group (size in brackets)
FNB, Rundu	5,000,000	Okavango Region	No target - largest up to 20
Standard Bank, Oshakati	11,500,000	Oshakati districts	Sole proprietors employing up to 10.
Commercial Bank, Oshakati	1,200,000[6]	Oshakati districts	Larger companies employing up to 35
Bank Windhoek, Oshakati	5,000,000	Oshakati districts	Mainly sole proprietors employing up to 5
total	22,700,000		

However, on the level of regional banks (Group D) some commercial banks are seen to target SSEs which are also targeted by semi-formal credit providers. Table 14 clearly shows that both Standard Bank and Bank Windhoek in Oshakati target enterprises of up to 10 and 5 employees respectively. Such data suggest that in regional areas banks are willing to take on a greater level of risk for either a potentially higher return or market share in deposits. On a policy level this is an important factor suggesting that given a lower risk profile provided through a co-ordinated government policy framework, commercial banks could increase their level of lending into the SSE market. The experience built up by banks in the regions would strengthen the effectiveness of such a policy.

[6] Commercial Bank in Oshakati only opened its branch in July 1995, hence the value of the loan portfolio is likely to rise incrementally in the future.

3.3.5. Service Provision Comparisons

The level of services offered are shown in Table 15. As has already been seen in the sections above, the level of training services is concentrated in Groups A and B. Although the IMLT and PSF specifically concentrate on training provision, many other credit providers also provide training services which are included in the cost structure of credit facilities. Although a level of training is in many respects crucial to low risk loan provision there is much duplication amongst credit providers in these groups which can place financial and personnel strains on these institutions. Such a situation is especially acute considering the limited sizes of available capital to these organisations and the short term nature and volatility of donor funding.

The use of group lending techniques is a widespread phenomenon amongst all credit providers except banks (Group D). Only Standard Bank in Oshakati (50% by value of Group D) uses group lending techniques, although it is likely that the figure is higher due to lending to partnerships. The common use of group lending is a cost effective method of credit provision in smaller unit sizes, and the principle method of lending to IGPs. The latter factor accounts for the high use of the mode of financing.

Table 15 Service Provision by Sample Groups

Services	Group A	Group B	Group C	Group D
Training	99%	94%		
Loans	100%	100%	100%	100%
Group Loans	53%	67%	100%	50%
Grants	19%	7%		
Savings	28%		24%	100%
Monitoring & Evaluation	99%	100%	100%	100%
Other	47%	67%	100%	100%

Note: Respondents could give more than one answer - weighted as a percentage of total available loan capital for each sample group.

Groups C and D are shown to concentrate on loan provision itself without training provision. Similarly those institutions in Group C show a greater commitment to a wider range of products, such as savings and group loans, which are useful methods of providing forms of collateral. The extension of deposit capacity amongst other groups could be positive in terms of securing stable forms of capital, as is the case with banks. This commitment to a wider range of services helps to reduce loan risk and is paralleled by reaching out to a wider target group (Table 16).

Table 16 clearly shows that Group A targets the smallest enterprises (up to 3 workers) and mainly concentrates on hawkers. This is partly due to the high value weighting of PSF in that sample. However group lending is also clearly targeted, but Group A lacks the flexibility in target beneficiaries that other sample groups have. This is perhaps owing to the purely developmental aims of a portion of the credit providers in Group A.

Table 16 Target Beneficiary by Sample Groups

SSE Size	Group A	Group B	Group C	Group D
Hawkers	65%			
Groups	53%	4%	20%	
Up to 2 workers				
Up to 3 workers	55%	20%		
Up to 6 workers		20%	20%	
Up to 10 workers		20%		
All sizes		36%	60%	100%

Note: Respondents could give more than one answer - weighted as a percentage of total available capital within each sample group.

Group B generally focuses on larger enterprises than Group A, but the figures are slightly skewed by the relatively large size of IMLT's available capital. The trend towards a wider target group is emphasised in Group C and Group D. This factor is especially marked in Group D, the regional banks. A wider target group is also an effective mechanism for reducing risk. The trend towards a wider customer base is also reflected in the differences in loan sizes for the sample groups (see Table 17).

3.4 Loan Sizes and Aims of Credit Provisions

There is a positive correlation with the size of enterprise targeted (Table 16) and average size of loan (Table 17). These tables clearly show that the more commercial an operation, the larger and wider the enterprises targeted, and the larger the loan size. This is in effect a method of reducing risk, and exploiting a wider range of opportunities. If one takes the providers in Group A, it is very clear that their target group is also the riskiest (non-collateralised and often unwaged) and the most costly to service, as the net loan size for these providers is very small. However, in the case of Group D (regional banks) the relationship proves that smaller loans can be disbursed at a low level of risk successfully by commercial banks. The low loan size is probably compensated for by an increase in the interest margin.

Table 17 Average Loan Sizes by Sample Groups

Sample Group	Size of Funds (N$)	Weight (%)	Average Loan Size (N$)
Group A	1,403,700	4.31%	2,482
Group B	1,836,000	5.64%	26,931
Group C	6,600,000	20.28%	34,697
Group D	22,700,000	69.76%	26,432
Total	32,539,700	100.00%	
Weighted Mean			27,103
Weighted Mean Ex. Group D			28,652

Note: Average Loan Size is weighted within each sample group by total capital available. For Group A the weighted mean excluding PSF is N$ 3,578.

If one develops the above analysis by looking at the main aims for judging institutional productivity (Table 18) it is important to stress the overriding developmental aims of Groups A and B, with low concern for repayment as a priority. As can be clearly seen the stress on repayment in a commercial sense is a main priority for institutions in Group C, whilst still retaining developmental objectives. It is interesting that outreach is an important aim for those institutions in Stages A and C. In the case of Group A this could reflect a need to keep the volumes of loans at an optimum level owing to smaller loan sizes, or developmental objectives. In Group C it could stem from a need to keep costs under control by ensuring risk averse loan throughput. This is especially the case with Lisikamena, and the opposite is the primary problem with the ELCIN/FNB/NNRCCI scheme in Oshakati.

Table 18 Aims of Credit Provision by Sample Groups

Sample Group	Employment Creation	Outreach	Repayment Rates
Group A	89%	53%	36%
Group B	67%	0%	34%
Group C	76%	100%	100%
Group D			100%

Note: Respondents could give more than one answer - weighted as a percentage of total available loan capital within each sample group.

The analysis of target factors confirms that the division of the sample into sample groups is a valid exercise, and one which is backed up by other sources of data. The analysis serves to stress the similarities, not immediately obvious, in terms of target group, loan size, and aims of credit provision within the defined sample groups.

3.5. Human Resources

In the course of the survey, qualitative information was gathered in relation to personnel characteristics at different semi-formal credit providers. Most schemes suffered from a shortage of experienced and qualified staff, especially in Groups A and B. Often staff were unmotivated and lacking incentives, and not encouraged to view schemes as businesses which should break even. The image of working in semi-formal credit was also seen as difficult, unpopular locally and badly paid. In addition donor training for credit personnel was seen as sporadic and without long term commitment. These are hardly motivating factors for retaining skilled staff.

Another feature of credit personnel in semi-formal institutions was high dependency on a small core of qualified staff, who are often expatriates. Due in part to these reasons, and poor comparative pay levels, credit operations at Co-operation for Development ceased in January 1996, and could threaten Lisikamena in Rundu. With institutions which give training as well as credit (mainly groups A and B) it was sometimes felt that training provision with staff shortages was often too ambitious to ensure trainer and training quality. Similarly it was felt that fund regulations and aims are often ambiguous, and staff responsibilities not clearly defined. Many credit staff also felt that semi-formal credit providers lacked real power in dealing with defaulters, because of poor internal procedures and lack of access to legal advice.

It also became apparent that the majority of schemes have duplicated and bureaucratic committee structures which impede larger volumes of loans being disbursed, and are slow on account of the high numbers of individuals involved. Similarly, domination of loan approval bodies by self interested and nepotistic groups of individuals was cited as a major reason for poor default performance in certain sample groups. Lastly, the majority of schemes are subject to short time-frames, which was felt by staff to obstruct staff development and experience. These worries were tied in with concerns regarding future employment and lack of communication and transparency with donors. In contrast, very few such concerns were expressed by bank staff.

4. Appraisal of Credit Provision

4.1. Credit Accessibility

This section deals with access to credit by small entrepreneurs. The survey was designed to target only the supply side of credit provision. Further studies would be necessary to illuminate the view of the demand side, i.e. the views of entrepreneurs themselves. The main method of assessing accessibility (and availability) is by scrutinising the screening requirements of various credit providers. These criteria were ascertained by asking respondents which requirements they used.

4.1.1. Accessibility by Financial Requirements

All credit schemes demand some form of financial criteria to be fulfilled in order to gain access to a loan. The varying degrees of stringency restrict the access to credit. These restrictions are also applied to reduce risk for the lender, which in the long term increases the possibility of sustainable operations. A conflict arises when the target group does not have access to any of the various requirements stipulated.

The recorded sample of this study reflects these factors. Table 19 clearly shows how various risk-reduction exercises increase with the development of financial self reliance with Group C being the most stringent. This is especially true of the use of collateral, own capital contribution and surety of some form of income. Requirements for collateral are however more flexible for Groups B and C, including vehicles and livestock not accepted by the banking community.

Table 19 Financial Loan Requirements by Sample Group

Sample Group	Collateral	Income	Capital Contribution	Credit Database Check	Bank Account	Financial Guarantor	Sample Group Value (N$)	No.
Group A	29%	0%	46%	4%	7%	29%	1,403,700	7
Group B	0%	34%	94%	60%	0%	33%	1,836,000	3
Group C	100%	0%	100%	76%	0%	100%	6,600,000	2
Group D	100%	100%	100%	100%	100%	100%	22,700,000	4

Note: Percentages are weighted by total capital available by Sample Group. Figures for Group D are based on regional bank results, owing to disclosure restrictions and weighted accordingly, although in total 10 banks were contacted with a combined capital value of N$ 4,899,637,000 (based on latest financial reports).

Groups A and B include the only institutions which extend for the following lenders:

- uncollateralised, or those without formal collateral;
- unemployed, or those without a stable form of income;
- those without bank accounts;
- those without a guarantor (who will underwrite the value of the loan).

By value of available capital 33% of "semi-formal" credit provision (Groups A, B, C) in the surveyed areas provided for the above groups, implying that they are excluded from 67% of the potential "semi-formal" capital available.

4.1.2. Accessibility by General Requirements

Apart from financial restrictions, there are other screening criteria which are non-financial (Table 20). For women, who find access to credit more difficult, 35% of funds target them specifically. The semi-formal credit providers target women successfully on the whole, whist the formal sector (Group D- regional banks) clearly does not. The current changes being enacted through the Married Persons Equality Bill should help to change the situation positively. The wide use of group guarantee techniques amongst lenders up to Group C is significant, due in part to the IGP targeted. Group lending is a means of creating social collateral amongst borrowers in the absence of formal asset-based security. The technique is not used for all types of lending within each stage, but is applied often in certain circumstances (for example at Lisikamena for the micro-credit scheme).

Table 20 General Loan Requirements by Sample Group

Sample Group	Gender	Age	Permanent Address	References	Group Guarantee	Sample Group Value (N$)	No.
Group A	54%	61%	96%	39%	53%	1,403,700	7
Group B	7%	0%	100%	60%	7%	1,836,000	3
Groups C	24%	100%	100%	100%	24%	6,600,000	2
Group D	0%	100%	100%	100%	0%	22,700,000	4

Note: Percentages are weighted by total capital available by Sample Group. Figures for Group D are based on regional bank results owing to disclosure restrictions and weighted accordingly, although in total 10 banks were contacted with a combined capital value of N$ 4,899,637,000 (based on latest financial reports).

In general those excluded from the more generalised loan requirements are:

- Young school leavers and the aged
- Women (from bank credit)
- Those without a permanent postal address
- Those without references.

4.1.3. Requirements by Education and Training

Training is a stipulation for many credit providers up to Group C, which is in contrast to the commercial sector (Table 20). This factor is very common amongst those providers in Groups A and B, partly as many provide the training themselves. It could be the case that in order to qualify for donor capital for a credit scheme, some form of training provision must be made. The only criteria upon which all credit providers agree is the need for a business plan. In the case of Groups A and B, training is provided in the drafting of a business plan, as the majority of their clients have no prior experience in this. For illiterates, credit is only available from some institutions up to Group C, and not from formal banking institutions.

Table 21 Educational and Training Loan Requirements by Sample Group

Sample Group	Training Obligation	Business Plan	Literacy	Sample Group Value (N$)	No.
Group A	96%	100%	53%	1,403,700	7
Group B	94%	100%	94%	1,836,000	3
Groups C	0%	100%	100%	6,600,000	2
Group D	0%	100%	100%	22,700,000	4

Note: Percentages are weighted by total capital available by Sample Group. Figures for Group D are based on regional bank results, owing to disclosure restrictions and weighted accordingly, although in total 10 banks were contacted with a combined capital value of N$ 4,899,637,000 (based on latest financial reports).

4.1.4 Accessibility by Locality

It is often stated that people in rural areas find access to credit (and savings) more difficult than those in urban areas. Respondents were asked to give the urban versus rural split of their portfolios, the results of which are shown below (Table 22). For Namibia in particular this can be an obstacle, because of the large distances involved and the scarcity of banks in certain regions (e.g. Okavango and Caprivi). However it is clear that rural lending is on a par with that of urban lending for the "semi-formal" credit sample. Within Group C there is a lower level of rural lending in Okavango by Lisikamena. However, it is clear that rural lending actually *increases* as a percentage of lending by sample group. There could be several reasons for such a trend - the first being that most smaller loans (therefore Groups A and B) are targeted at urban areas - or secondly, that there are good market niches and therefore fewer risky lending opportunities in rural areas.

Table 22 Geographical Analysis by Sample Group

Grouping	Urban Lending as % of Total Value	Total Loan Capital Value (N$)
Group A	63%	903,700*
Group B	58%	1,836,000
Group C	35%	6,600,000
Total "Semi-formal" SSE Credit	42%	9,339,700
Group D	78%	22,700,000
Group E	Not Disclosed	4,899,637,000

Note: Percentages are weighted by Loan Capital Values by Sample Group. The "* " denotes that Private Sector Foundation is excluded from the analysis as the figures were not disclosed. It is likely that the majority of lending for PSF is based in urban areas.

In contrast, Group D (regional banks), for which the rural versus urban lending breakdown was disclosed, shows a tendency towards urban based lending. On the whole the banks seem to be missing reasonable lending opportunities within the regional rural areas which are being exploited by Groups A, B and C. It is appropriate to conclude that rural enterprises are also generally missing out on formal bank loans! The main reasons for an absence of rural lending by banks is often the scarcity of collateral in the NCA, and the distances involved, according to statements of the banks.

4.1.5. Accessibility by Industry and Capital Use

Accessibility should also be measured on an industry basis, as certain industries are perceived as being riskier than others, and subsequently given a low credit priority. The use to which borrowed capital is put also restricts borrowing capabilities, and can often mean a higher interest charge. The emphasis each lending institution places on these areas will affect the overall portfolio risk. For example a fund with a very high level of start up loans could be riskier than a portfolio lending exclusively to established enterprises. This is because entrepreneurs who start up a new business are lacking in experience. The failure rate could be higher, and exposure to such an area a higher risk. The precarious balance between lending to budding entrepreneurs from a developmental perspective, and the associated risk of doing so, is an issue which can be juggled within a portfolio.

4.1.5.1. Group A

Group A is characterised by a high exposure to start up operations - with an average of around 52% (apart from CISP - Table 23). Intrinsically this should be so, as this group of lenders focuses on training activities which are broadly aimed at those without previous skills. The risk of such lending is higher, which is reflected in the higher default rates. In addition the group aims to target manufacturing as the top priority. This is reflected to an extent in the industry exposures. Therefore in terms of access, all institutions (apart from CISP) offer capital for start up operations but are more stringent in assessing service and trade sector enterprises.

Table 23 Industry Exposure and Capital Use by Institution (Sample Group A)

Institution	Manufacturing	Trade	Service / Other	Breakdown by Capital Use
PSF	33%	33%	33%	Mainly start up
CISP	44%	56%	Combined with Trade	100% expansion No start up policy
NAWA	0%	90%	10%	Mainly start up
CD, Ondangwa	10%	75%	25% (Agro-industry)	90% Start-up 10% Expansion
CD, Rundu[7]	36%	64%	Combined with Trade	40% Start-up 60% Expansion
COSEDA	40%	30%	30%	Not Disclosed
Canamco	35% Agriculture		19% (Tourism) 23% Agro-Industry 23% Co-operatives	80% Start-up 15% Emergency 5% Expansion

4.1.5.2. Group B

Weightings in different industries in Group B are more mixed, reflecting the particular lending stance of NRDP, which concentrates on the agricultural sector (Table 24). Both the IMLT and the ELCIN/FNB/NNRCCI target manufacturing as their top priority. However, the other two schemes show marked differences in industry exposure, with IMLT concentrating on manufacturing and the Guarantee Scheme more exposed to service and trade sectors. This may be owing to geographical exposure, as IMLT is a more national scheme, hence its targeting of manufacturing has a greater chance of implementation. The most important point of contrast of Group B to Group A is the much smaller exposure to start up operations, which suggests a more risk-averse strategy. This in effect also implies that access for this group of entrepreneurs is considerably more restricted.

Table 24 Industry Exposure and Capital Use by Institution (Sample Group B)

Institution	Mfg	Trade	Service / Other	Breakdown by Use
NRDP			99% Agriculture, 1 other	6% Start up 94% Expansion
IMLT	60%	30%	10%	Mainly expansion
ELCIN / FNB, Oshakati	11%	42%	5% Agro-Industry	17% Start-up 83% Expansion

[7] Figures for the Windhoek based CD programme were not available.

4.1.5.3. Group C

Group C is represented by the NDC and Lisikamena (Table 25). The NDC targets manufacturing as part of its development policy by offering lower interest charges. The corporation's exposure to start up operations is very high, reflecting the organisation's developmental aims. Indeed the NDC has plans to set up a specially dedicated start-up fund in 1996, using its experience in this area of financing. In contrast, the level of application success is low, at only 10%. The fund administrator argues that the conditions for credit are too strict, resulting in a reduction in accessibility.

Table 25 Industry Exposure and Capital Use by Sample Group C

Institution	Mfg	Trade	Service / Other	Breakdown by Use
NDC	65%	35%	Combined with Trade	70% Start-up 30% Expansion
Lisikamena	60%	30%	10%	15% Start-up 85% Expansion

As with the NDC, Lisikamena targets the manufacturing sector. It does so from a developmental stance, and its strategy is appropriate as the local bank has very little exposure to the sector, creating a much needed lending niche locally. In terms of exposure to start ups, Lisikamena has very little. This reflects the risk-balancing strategy undertaken by the scheme's management which reduces credit accessibility.

4.1.5.4. Groups D & E

In comparison, lending by banks is very much concentrated on the service and trade sectors, with a high exposure to individual loans for consumption uses. The contrast between Group D (the regional banks) and Group E (the national parent banks) is explained by the fact that the level of individual loans was not disclosed. There is however variation in lending strategy amongst the banks, notably with FNB's high exposure to the mining sector. All banks are in general not exposed to start up risk, apart from Bank Windhoek in Oshakati.

This is very interesting, as the bank's local strategy is to target the smaller high risk portion of the market, which obviously carries with it higher margins. When interviewed the local manager claimed to be very satisfied with the success of the policy, and not surprisingly with other banks' reluctance to service that sector of the market! This is an important indication of how banks could increase their accessibility into areas traditionally thought of as the domain of NGO's and semi-formal credit schemes. In this case Bank Windhoek judged the competitive operating environment, and concluded that lending to the small enterprise sector is both profitable and manageable. The bank achieves this by fully collateralising loans and charging a high interest margin. As a result it has earned a high level of deposits from this section of the community. If laws concerning property ownership were amended and a positive policy environment created for commercial SSE lending, such a feature of the credit delivery system would become significantly more common.

Table 26 Industry Exposure and Capital Use by Sample Groups D & E

Institution	Manufac-turing	Trade	Service / Other	Breakdown by Use
GROUP D				
FNB, Rundu	10%	90%	Combined with Trade	10% Start-up 90% Expansion
Standard Bank, Oshakati	10%	90%	Combined with Trade	5% Start-up 95% Expansion
Commercial Bank, Oshakati		90%	10%	7% Start-up 25% Expansion 68% Restructuring
Bank Windhoek, Oshakati	11%	80%	9%	20% Start-up 50% Emergency 20% Expansion
GROUP E				
FNB[8]	38%	Combined with Mfg	38% 52% Individual	Mainly expansion
Standard Bank	6%	6%	28% 17% Agriculture 43% Individual	Mainly expansion
CSIB	40%	60%	Combined with Trade	Not Disclosed

Note: Not all Group E disclosed the above details and therefore could not be included above. Those banks which did disclose the information are presented above.

4.1.6 Respondent Views on Accessibility

Interviewees were asked to identify those who felt they were excluded from access to credit. Respondents were asked to identify excluded groups by geographical area, customer type, enterprise size and industry. Further questions were also asked on industries that were excluded from access to credit by the providers themselves.

4.1.6.1. Exclusion by Industry

Respondents overwhelmingly agreed that shabeens or alcohol outlets were excluded from credit. The reason for such a reluctance is accredited to factors such as the high level of competition, unreliability of operators, and moral stance taken by credit providers. The same applies to taxi operators, which came a close second. The major reason for avoidance was cited as the high risk of vehicle damage and lack of insurance options. Agriculture was cited as an industry which needed credit but is by its nature

[8] Industry exposure figures included here are for the banks nationally, and taken from the latest financial statements. Bank Windhoek and Commercial Bank do not disclose this information.

very risky. The majority of banks argue that construction should rather be excluded, due to the risks of cost overrun and demands on working capital. On a local basis, providers in Rundu argued that informal producers of bricks and fencing find it difficult to get credit, as do small car repair operations.

4.1.6.2. Exclusion by Other Factors

The group providers felt that most lacking access to credit were those in rural areas (see Table 27). Reasons cited were poor knowledge of credit, large distances to travel and scant financial resources. Such a point of view also reflects the limited distances that schemes can physically travel to meet such demand. Other excluded groups cited were those without collateral, education and employment. Women were felt to have particular problems, as were illiterates (under "uneducated"). Geographically, the only areas of Namibia which were felt to be excluded from SSE credit provision were the southern regions.

Table 27 Excluded Groups

Excluded Group	Rank
Remote / rural areas	1
Uncollateralised	2
Uneducated	3
Women	4=
Unemployed	4=
South of Namibia	5

Note: Ranking based on the number of respondents only.

4.1.6.3. Exclusion by SSE Size

The majority of respondents argued that hawkers were excluded from credit provision owing to the extremely small size of loans, and the volatility in business income (see Table 28). However, it is apparent that there are those who give credit to this group (PSF, NAWA, KAYEC and CRIAA), but that the impact on total demand is judged as small. Far behind, other groups cited were enterprises needing capital for sums of between N$ 500 and N$ 5000, and enterprises with fewer than four workers.

Table 28 Excluded Enterprises

Excluded Group	Rank
Hawkers	1
Loans for N$ 500 to N$ 5000	2
Loans for N$ 500 to N$ 1200	2
Loans for those up to 4 workers	3

Note: Ranking based on the number of respondents only.

4.2. OUTREACH

This section of the report looks at the outreach of the major groupings within the recorded sample and the internal processing efficiency of credit providers in disbursing loans.

Outreach is broadly defined as the level of loans disbursed relative to the level of demand by borrowers. For outreach to be comprehensive, further work is required in order to determine the potential level of demand from borrowers, which was beyond the terms of reference for this study. For the purposes of this study, outreach is defined as the scale of loans disbursed by credit providers compared to the overall institutional capacity. This ratio (*capacity utilisation*) is simply the total number of loans as a percentage of total potential annual capacity. The ratio therefore could overestimate the capacity in place, but has to be used as most credit providers could not provide annual figures. The reader should view these figures as a baseline indication only, as the loan capacity can change with changes in policy and personnel. Again these figures reflect the situation at the time of survey, as stated above.

In addition, various other relevant statistics have been included, such as the numbers of personnel involved in the loan process and the disbursement period. For the purposes of the study we aimed to break the loan process down into broad stages - loan application; loan assessment and approval; and finally loan disbursement - and several after-care stages. The information presented is based on interviewees' responses to these questions.

One other measure of outreach was undertaken by asking credit providers what percentage of total demand their loan capital satisfied, and how much the total semi-formal sector met. The answers were very divergent and are worth relating on a regional level. Windhoek-based organisations, working on a national level, had very little idea. The institutions which gave an answer were NDC (10% through own capital, and 20% through total SSE loan capital); CISP (2% and 50% respectively) and COSEDA (1% through own capital). Rundu-based credit providers were similar: Canamco (20% and 40% respectively); CD (20% and 50% respectively) and Lisikamena (5% and 50% respectively). In Oshakati only one credit provider gave an answer, the ELCIN/FNB/NNCCI Credit Guarantee Fund, which argued for 10% and 20% respectively. According to these answers, the size of the semi-formal credit providers would have to at least double before demand was satisfied, not taking into account growth rates.

4.2.1. Group A

Total numbers of loans disbursed in Group A were limited to 616 in total (Table 29). The figure is highly influenced by PSF with its high disbursement rate (but low value) and weighting within the sample group. Therefore, weighted means are stated with and without PSF. Excluding PSF, the total falls to 136 or 34 on the basis of a weighted average. The low level of loans at COSEDA is mainly due to its recent start in 1995. The disbursement period for some institutions is long (CD, and CISP). Loan sizes vary, with CISP disbursing the largest loans of N$ 10,000 and PSF the smallest at N$ 490. All loan sizes are smaller than those of Group B.

Table 29 Outreach Indicators (Group A)

Institution	No. of Loans	Loan Capacity (per month)	Disbursement Period (Weeks)	Personnel Required in Loan Process	Loan Capital Available (N$)	Weight (%)	Average Loan Size (N$)
PSF	480	34.5[9]	4	9	500,000	35.62	490
CISP	9	3	10	3	90,000	6.41	10,000
NAWA	20	Not Dis-closed	Not Disclosed	2	5,000	0.36	Not Dis-closed
CD, Ondangwa	19	12	22	8	98,700	7.03	5,000
CD, Rundu	13	7	13	5	50,000	3.56	4,400
COSEDA	57	25	7	3	400,000	28.50	800
Canamco	18	5	8	12	260,000	18.52	5,000
Total	616	86.5	64	42	1,403,700	100.00	25,200
Weighted Mean ex. PSF	34	15	10 weeks	6	274,390		3,584
Weighted Mean incl. PSF	193	21.7	8 weeks	7	354,453		2,482

The majority of Group A institutions generally have a low capacity utilisation of around 24% (Table 29 - excluding PSF). This suggests that credit providers are not disbursing enough loans to receive sufficient interest income, which could be owing in part to restricted access to further credit. In the case of many of these providers, this has ironically resulted in a pick up in interest income. The exception to the rule is PSF which manages to utilise 86% (see Table 30) of its overall capacity combined with a high number of loans disbursed. This nevertheless translates in a low value figure as the average loan size is N$ 490. The mean level of 46% of annual capacity is the sample overall, and is lifted by the high capacity use at PSF, but is restricted because of its

[9] PSF originally stated the loan capacity per month at 70. This was changed to 34.5 (414 during 1995) owing to extreme variation in the level of staffing. This change has had a significant effect on the capacity utilisation ratio.

value. In the case of COSEDA there is distortion as the fund is very new, and its capacity has not yet been in use for a full year, making evaluation difficult.

Table 30 Capacity Utilisation - Sample Group A

Institution	Capacity Utilisation (%)	Available Capital (N$)	Sample Weighting (%)
PSF	86[10]	500,000	35.75
CISP	25	90,000	6.43
NAWA	Not Disclosed	0*	0.00%
CD, Ondangwa	13	98,700	7.06
CD, Rundu	15	50,000	3.57
COSEDA	38	400,000	28.60
Canamco	8	260,000	18.59
Total		1,398,700	100.00
Weighted Mean Excl. PSF	23.99	275,889	
Weighted Mean Incl. PSF	46	354,453	

Note: Mean is weighted by total available capital excluding NAWA as there was no information disclosed for this table (denoted by "*"). Weighted averages are also stated excluding PSF.

Overall it is plain to see that capacity remains under-utilised in the case of institutions in Group A, with long disbursement periods (on average 8 weeks), and generally high numbers of personnel involved. Often the number of people involved in the loan process is too large in relation to the size of loan capital and the volume of loans given. Credit providers in Group A also suffer from restrictions on available capital, reducing loan volumes and making cost coverage difficult.

4.2.2. Group B

Group B is characterised by many of the same problems as the preceding group. Only 60 loans were disbursed to date, with a mean of 30 per institution (Table 31). The figures for the NRDP drags down these numbers as so few loans have been disbursed. Without the NRDP this figure rises to around 32, higher than the preceding group.

[10] The capacity utilisation ratio has changed from 57%, as a result of further disclosure outlined above.

Table 31 Outreach Indicators (Group B)

Institution	No. of Loans	Loan Capacity (per month)	Disbursement Period (Weeks)	Personnel Required in Loan Process	Loan Capital Available (N$)	Weight (%)	Average Loan Size (N$)
NRDP	3	1	36	2	120,000	6.54	40,000
IMLT	42	12	5	6	1,101,000	59.97	21,000
ELCIN/ FNB/ NNRCCI	15	12	18	10	615,000	33.50	35,000
Totals	60	25	59	18	1,836,000	100.00	96,000
Weighted Mean	30	11	11.5 weeks	7	612,000		26,931

Note: All means are weighted by total available capital within the sample group.

In terms of capacity utilisation the figures for Group B are low (22%), and the disbursement period long (at around 12 weeks). The numbers involved in loan disbursement are reasonably high, except for the NRDP (Table 31) . In the case of the Credit Guarantee Fund such a figure is particularly high, owing perhaps to the large number of stakeholders involved in the loan process.

Table 32 Capacity Utilisation - Sample Group B

Institution	Capacity Utilisation (%)	Available Capital (N$)	Sample Weighting (%)
NRDP	25.00%	120,000	6.5%
IMLT	29.00%	1,101,000	60.0%
ELCIN/FNB/ NNRCCI	10.00%	615,000	33.5%
Totals		1,836,000	100%
Weighted Mean	22.4%	612,000	

Note: All means are weighted by total available capital within the sample group.

4.2.3. Group C

Group C is characterised by a higher number of loans disbursed in relation to Groups A and B, on average 69 (Table 33). Loan disbursement periods are still drawn out, at around 7 weeks for both the NDC and Lisikamena. For NDC the number of personnel is high in relation to the capacity per month. For NDC to double the volume of loan approvals per month requires three times the level of staff as at Lisikamena. Lisikamena is shown to work efficiently, with a relatively high capacity utilisation (Table 33), and a relatively low number of staff directly involved in loan assessment. It is easy to see that leaner structures, in which the number of personnel involved in the loan process is lower, results in a more efficient volume or throughput of loans for the credit providers

Table 33 Outreach Indicators (Group C)

Institution	No. of Loans	Loan Capacity (per month)	Disbursement Period (Weeks)	Personnel Required in Loan Process	Loan Capital Available (N$)	Weight (%)	Average Loan Size (N$)
NDC	73	12	7	14	5,000,000	75.76	41,000
Lisikamena	58	6	7	5	1,600,000	24.24	15,000
Total	131	18	14 weeks	19	6,600,000	100.00	56,000
Weighted Average	69	10.6	7 weeks	12	4,175,840		34,697

Note: All means are weighted by total available capital within the sample group.

The overall capacity utilisation is 49% for NDC and 81% for Lisikamena. These very divergent figures reflect the different structures of the two organisations. The micro-credit scheme at NDC is not included in the capacity utilisation figures. The size of available capital at NDC helps to reduce the cost structure, but the volume of loans disbursed is low.

Table 34 Capacity Utilisation - Sample Group B

Institution	Capacity Utilisation (%)	Available Capital (N$)	Sample Weighting (%)
NDC	49.00%	5,000,000	75.76%
Lisikamena	81.00%	1,600,000	24.24%
Totals		6,600,000	100.00%
Weighted Mean	56.76%		

Note: All means are weighted by total available capital within the sample group.

4.2.4 Groups D & E

Data in terms of capacity utilisation, personnel and number of loans were not disclosed for Group E (the commercial banks on a national basis), so Group D (regional grouping) is analysed as a proxy. These figures are restricted to two regions, so the conclusions should be taken as a broad regional representation only. Figures for CSIB in Windhoek, which were disclosed, indicate high loan capacity of 132 loans per month and taking only 1 day to process. The average loan size for CSIB was N$ 41,000. The high level of loan capacity use (132%) may be skewed on account of the recent commencement of operations.

However, several interesting factors emerge from the Group D data. The volume of loans disbursed is much higher (mean of 725), with an almost fully utilised capacity utilisation (95.5% - Table 36) combined with a very short disbursement period (Table 35).

Table 35 Outreach Indicators (Group D)

Institution	No. of Loans	Loan Capacity (per month)	Disbursement Period (Weeks)	Personnel Required in Loan Process	Loan Capital Available (N$)	Weight (%)	Average Loan Size (N$)
FNB, Rundu	500	42	1 day	1	5,000,000	22.03%	40,000
Standard Bank, Oshakati	800	ND	1 day	2	11,500,000	50.66%	20,000
Commercial Bank, Oshakati	15	ND	1 day	1	1,200,000	5.29%	100,000
Bank Windhoek, Oshakati	1000	75	1 day	2	5,000,000	22.03%	10,000
Totals	2315	117	0	6	22,700,000	100.00%	
W/Mean	725	59	1 day	1.7	4,800,000		26,432

Note: All means are weighted by loan portfolio values within the sample group. Figures were not disclosed by Standard and Commercial Banks in Oshakati.

The disbursement periods are given with the assumption that all documentation is available for processing. In striking contrast to the semi-formal sample groups is the low number of personnel required to service large amounts of capital. The lean structures are obviously dependent on highly trained staff.

Table 36 Capacity Utilisation - Group D Sample Group

Institution	Capacity Utilisation (%)	Available Capital (N$)	Sample Weighting (%)
FNB, Rundu	100.00%	5,000,000	50.00%
Bank Windhoek, Oshakati	90.00%	5,000,000	50.00%
Total		10,000,000	100%
Weighted Average	95.50%		

Note: All means are weighted by loan portfolio values within the sample group.

4.2.5. Overall Sample - Outreach comparisons

The analysis presented by sample grouping shows that with the exception of PSF, absolute numbers of loans disbursed are lower for semi-formal providers in Groups A and B, and capacity utilisation is constrained in both of these sample groups. Furthermore, disbursement periods are generally long for all semi-formal credit providers (10 weeks -excluding PSF- for Group A, 11.5 weeks for Group B and 7 weeks for Group C) compared to Group D which is almost instant. This may be attributed in

part to bureaucratic institutional structures and personnel requirements for loan approval.

Furthermore, many semi-formal credit providers lack access to further capital which could stimulate loan volumes and capacity utilisation (such as CD and NRDP). Table 36 sets out these comparisons below.

Table 37 Outreach Indicators by Sample Group Weighted Means

Institution	Mean No. of Loans	Loan Capacity per month	Disburse-ment Period (days)	Person-nel Required	Average Size Loan (N$)	Available Capital (N$)	Weight (%)
Group A	193	34	56	7	2,482	1,403,700	4.3
Group B	30	11	81	7	26,931	1,836,000	5.6
Group C	69	10.6	49	12	34,697	6,600,000	20.28
Group D	725	59	1	2	26,432	22,700,000	69.8
Total	1017	122	236	35	111,841	32,539,700	100.0
Weighted Mean - Excl. Banks	80	14	56	10	28,652		
Weighted Mean - Incl. Banks	271	45	18	4	27,103		

Note: Figures weighted by Total Available Capital.

4.3. Financial Statistics and Viability

This section of the report looks at the financial aspects of credit provision. It deals with overall costs associated with credit provision (and training only if it is an integral part of the loan process), default rates and comparative banking sector statistics. These ratios will give a reasonable view of financial sustainability and a clear picture of internal efficiency.

4.3.1. Financial Definitions

All financial data utilised in this survey were disclosed by those institutions surveyed. The research team intentionally kept the figures utilised in the survey as simple as possible, bearing in mind the dissemination of the information and experiences recorded, which might not be as readily accessible with more complex calculations. In addition, non-standardised financial ratios within the survey sample caused further problems for the researchers and underlined the need for relatively simple calculations. All figures derive from the time of the survey (October 1995) - changes since that time could not be taken into account. We thank those who gave us useful critical comments with respect to the ratios below.

- *Costs per month*: simply the average total costs incurred per month. These include labour, transport, overheads and other costs (such as training) as disclosed by respondents.

- *Costs as an annual Percentage of Total Available Capital*: the total costs incurred on an annual basis (simple month base) expressed as a percentage of total capital available (or fund) for lending. This includes capital unallocated as loans.

  This ratio indicates how costs relate to the amount which could potentially be lent. Taking such costs on an annual basis is helpful in determining whether an annual subsidy is required to keep a scheme operational. Figures of more than 100% suggest costs are higher than the total capital available. This ratio would tend to understate costs, as the full life of the scheme is not factored in on a historical basis. This ratio also suggests what level of cost efficiency (if costs were constant) could be achieved through full capital allocation.

- *Costs as a Percentage of Loans Disbursed*:
  Total costs incurred on an annual basis (simple month base) as a percentage of disbursed funds (loans)

  The most important distinction between this ratio and the one above is that it takes into account what proportion of the capital has actually been disbursed. It is important to state costs against the actual level of loans disbursed to render a picture of the financial position of a credit provider at the time of interview.

- *Costs Covered through Annual Interest Income*: simply the annual interest income from disbursed loans (on a simple aggregate basis) as a percentage of total annual costs. Interest on unallocated capital could not be included as the information was not available[11].

This ratio expresses the percentage of costs covered by income from lending. In many respects the figure indicates how close the scheme is to profitability. As a simple measure, if this figure is below 100% the scheme is loss making. Unfortunately other forms of income such as deposit and fee income were not disclosed, and are therefore not included.

4.3.2. Cost Structure - Group A

Institutions in Group A as a whole perform poorly on a financial efficiency basis (Table 38). Most credit providers have high annual cost structures in comparison to available capital - meaning that in the course of a year an average of around 97% of available capital is eroded through costs. These ratios are taken before levels of provisioning for bad debt and inflation. The only exception is PSF, which separates its expenses on training and credit producing a more healthy ratio of 50% annually, which is still high in terms of capital erosion. CISP rates highest, with a level of costs 2.67 times loan

[11] Nor could an assumption of return on these deposits be made, as much unallocated capital is retained by donors, and it is not certain if this capital is used for other purposes or is on deposit. It is also not known what the interest rate would be if it were on deposit

capital every year. The high figure of 255% for COSEDA is due in part to the recent start of the scheme.

The basis of some of these figures a reflection of the demand placed on all of these institutions' capital (in terms of cost) by training programmes. When combined with bureaucratic methods of disbursement, impeding loan volumes necessary to improve cost coverage, it becomes apparent that none of these funds would survive without donor support.

Table 38 Comparative Cost Structures for Sample Group A

Name of Institution	Capital Disbursed (N$)	Total Available Capital (N$)	Costs per annum (N$)	Costs per month (N$)	Annual Costs / Capital Disbursed (%)	Annual Costs / Capital Available (%)
PSF	230,000	500,000	250,000	20,833	108.70	50.00[12]
CISP	90,000	90,000	240,000	20,000	266.70	266.70
NAWA	2,000	5,000	Not Disclosed	Not Disclosed	Not Disclosed	Not Disclosed
CD, Ondangwa	98,700	98,700	114,000	9,500	115.50	115.50
CD, Rundu	50,000	50,000	96,000	8,000	192.00	192.00
COSEDA	160,000	400,000	408,000	34,000	255.00	102.00
Canamco	260,000	260,000	250,800	20,900	96.50	96.50
Totals	893,700	1,403,700	1,358,800	113,233	NA	NA
Weighted Mean	186,267	298,721	252,480	21,040	124.70	96.80

Note: Weighted averages are weighted by total capital disbursed and total capital available as appropriate. In the case of costs per annum / month, the mean is weighted by the capital disbursed (if weighted by total available capital the figure is N$ 23,216 per month or N$ 278,592 per annum).

Table 39 is an indicator of cost coverage through interest income relative to costs, which is low for Group A at around 9% and could be improved by increasing the interest charges. This is especially the case with CISP and Canamco. In the case of COSEDA the recent start of the scheme accounts for the inflated costs. The only funds close to the average loan by cost provision size are CD's in Ondangwa , and this is on account of staff losses.

[12] PSF disclosed the figures incorporated into this final report subsequent to the draft copy. Costs were originally disclosed as N$ 1,500,000 per annum.

Table 39 Unit Data for Sample Group A

Name of Institution	No. Loans	Loan Range (N$)	Average Size of loans (N$)	Loans per employee	Costs covered through Interest Income
PSF	480	Min.- 50 Max.- 500 1st loan; 1500 2nd loan	490	34	16%
CISP	9	Min. - 7,500 Max. - 15,000	10,000	0.9	0%
NAWA	20	Min. - 30; Max. - 100	Not Disclosed	4.75	18%
CD, Ondangwa	19	Min. - 1,000 Max. - 5,000 2nd Loan: 10,000	5,000	4	11%
CD, Rundu	13	As with CD, Ondangwa.	4,500	19	7%
COSEDA	57	Min. -200 Max. -2500 (working capital) Max. - 4500 (investment capital)	800	3.6	5%
Canamco	18	Min: 1,000 Max: 25,000 Co-op. loans larger	5,000	11	7%
Totals	616		25,790	77.3	
Weighted Mean	193		2482	16.2	9.50%

Note: Weighted averages are given by total available capital.

By referring to other ratios, particularly capacity utilisation, many of the reasons for these problems can be found. Poor capacity utilisation is a primary reason for these schemes' low cost coverage. The issue of fund specialisation in certain loan ranges clearly arises as an issue, because of the lack of flexibility in average loan size permissible in Group A. Another central reason is that of training costs accrued by non-specialist training providers. The data relating to costs clearly indicate operational similarities in Group A, especially in relating costs over disbursed funds.

4.3.3. Cost Structure -Group B

Group B is also characterised by high cost structures, with roughly half the value of total capital eroded in the course of a year (Table 40). These funds are generally larger than in Group A, and hence some economies of scale are present. Cost coverage (Table 41) is clearly better than in Group A, with 33% of costs covered (of the total). IMLT performs better in terms of costs relative to total available capital, but *not* relative to actual funds disbursed.

Table 40 Comparative Cost Structures for Sample Group B

Name of Institution	Capital Disbursed (N$)	Total Available Capital (N$)	Costs per annum (N$)	Costs per month (N$)	Annual Costs / Capital Disbursed (%)	Annual Costs / Capital Available (%)
NRDP	120,000	120,000	66,000	5,500	55.0%	55.0%
IMLT	800,000	1,101,000	429,960	35,830	53.7%	39.1%
ELCIN/FNB/NNRCCI	495,000	615,000	300,000	25,000	60.6%	48.8%
Total	1,415,000	1,836,000	795,960	66,330		
Weighted Mean	653,391	847,792	362,640	30,220	56.1%	43.8%

Note: Weighted averages are weighted by total capital disbursed and total capital available as appropriate. In the case of costs per annum / month, the mean is weighted by the capital disbursed (if weighted by total available capital the figure is N$ 29,469.30 per month or N$ 362,632 per annum).

Institutions in Group B suffer from a very low capacity utilisation which is reflected in the low number of loans per employee (Table 41). The improved, but insufficient interest income generated is also owing to subsidised interest charges (apart from the ELCIN/FNB/NNRCCI). The absolute numbers of loans disbursed are low at around 30, again indicating under-use of personnel. Most loans tend towards a mid value suggesting some flexibility in loan size. The grouping has the obvious potential to increase productivity and throughput, which would put them on a much surer financial footing.

Table 41 Unit Data for Sample Group B

Name of Institution	No. Loans	Loan Range (N$)	Average Size of loans (N$)	Loans per employee	Costs covered through Interest Income
NRDP	3	Min.- 5,000Max. - 100,000	40,000	1.5	17%
IMLT	42	Min.- 5,000Max.- 50,000	21,000	4.2	33%
ELCIN/FNB /NNRCCI	15	Min. -10,000Max. - 50,000 (for manager)	35,000	5	36%
Total	60	Min: 5,000Max: 100,000	32,000	3.6	29%
Weighted Mean	29		26,931	4.25	32.7%

Note: Weighted averages are given by total available capital.

4.3.4. Cost Structure - Group C

NDC and Lisikamena in Group C exhibit a marked improvement in financial performance compared to other semi-formal credit providers. A major contributing factor for the NDC is the large size of potential capital, roughly three times the size of the next largest semi-formal lender (Lisikamena). NDC's costs are high in absolute terms, but because of the large portfolio, only stand at 21% of available capital (Table 41). Costs are still high, but much improved on other semi-formal credit institutions. Interest income covers 50% of costs which is too low for operation without subsidisation.

Table 42 Comparative Cost Structures for Sample Group C

Name of Institution	Capital Dis-bursed (N$)	Total Available Capital (N$)	Costs per annum (N$)	Costs per month (N$)	Annual Costs / Capital Disbursed (%)	Annual Costs / Capital Available (%)
NDC	3,000,000	5,000,000	1,045,440	87,120	34.8%	20.9%
Lisikamena	951000	1,600,000	144,000	12,000	15.1%	9.0%
Totals	3,951,000	6,600,000	1,189,440	99,120		
Weighted Mean	2,506,809	4,175,758	828465	69039	30.1%	18%

Note: Weighted averages are weighted by total capital disbursed and total capital available as appropriate. In the case of costs per annum / month, the mean is weighted by the capital disbursed (if weighted by total available capital the figure is N$ 68, 909 per month or N$ 826,909 per annum).

In contrast, Lisikamena has managed to keep its cost structure in line with its fund size at around 15% of disbursed capital, and stands out with its realistic outlook in matching low personnel numbers with effective loan disbursement. Interest income covered around 60% of costs at the time of interview. The fund had recently lost its key manager at the time of interview which subsequently caused operational problems. Also, the scheme is still young and could encounter problems with a higher level of maturity. Lisikamena can also be seen to operate very differently to other schemes in terms of capacity utilisation. Whilst not approaching 100%, it is sufficiently high to give the opportunity of realising positive real returns. The fund could clearly benefit from using its loan size flexibility (which is very wide) to its fullest advantage whilst increasing loan volumes in order to be self reliant. At issue is also the level of donor involvement, which is high in terms of expertise and administrative supervision. The fund is due for a review in 1996, after which future donor plans will be clarified.

NDC's lending policy is clearly still unprofitable and subsidised, because interest charges are too low and capacity heavily under-utilised (49%). For NDC the main task ahead could be one of reducing costs and increasing loan volume. If this were achieved the scheme would be closer to Group D. It must not be forgotten the NDC's SSE schemes are part of a wider organisation, for which no analysis could be undertaken.

Table 43 Unit Data for Sample Group C

Name of Institution	No. of loans	Loan Range (N$)	Average Size of loans (N$)	Loans per employee	Costs covered through Income
NDC	73	*Mini Loans*: Min. - 1,000 Max. - 10,000 *SSE Loans* :Min. - 10,001 Max. - 200,000	41,000	5.2	50%
Lisikamena	58	Min. -1,000 - 80,000	15,000	29	60%
Totals	131		56,000	34.2	
Weighted Mean	69		34,697	10.97	52.4%

Note: Weighted averages are given by total available capital.

4.4. Default Rates

This section briefly outlines the default rate of surveyed credit funds in order to compliment financial ratios already presented.

4.4.1. Default Rate - Group A

The level of default is shown in Table 44. The weighted mean for Group A is around 29% with high variation. At the top end of the spectrum are NAWA and Canamco (with 75% & 80% default respectively) closely followed by CD's schemes. The two schemes stabilising the overall default in Group A rate are CISP and COSEDA, both set up in the last year, and without much of a track record in terms of repayment.

Table 44 Historical Default Rate for Sample Group A

Institution	Historical Default (%)	Available Capital (N$)	Weighting
PSF	30%	500,000	35.62%
CISP	1%	90,000	6.41%
NAWA	80%	5000	0.36%
CDI, Ondangwa	65%	98,700	7.03%
CDI, Rundu	48%	50,000	3.56%
COSEDA	0%	400,000	28.50%
Canamco	75%	260,000	18.52%
Total		1,403,700	100.00%
Weighted Mean	31.211		

Note: Mean is weighted by total available capital within each sample group.

4.4.2. Default Rate - Group B

The default rate for Group B is on a weighted mean basis 12.3% (Table 44). The highest level of default exists in a commercial bank-administered fund, the Credit Guarantee Fund in Oshakati, of 27%. The IMLT's fund is a relatively recent creation and has a low default. The most impressive result is the NRDP, which has been running the fund for almost 5 years - but disbursed only 3 loans. These results suggest a very different pattern to that of Group A.

Table 45 Historical Default Rate for Sample Group B

Institution	Historical Default (%)	Available Capital (N$)	Weighting
NRDP	4%	120,000	6.5%
IMLT	5%	1,101,000	60.0%
ELCIN/FNB/ NNRCCI	27%	615,000	33.5%
Total		1,836,000	100.0%
Weighted Mean	12.30%		

Note: Mean is weighted by total available capital within each sample group

4.4.3. Default Rate - Group C

The default rate for Group C is higher than for Group B, mainly because of NDC's prominent weighting in the sample and its relatively high default. It is uncertain what portion of the SSE loans relate to the N$ 15,101,000 provision for bad and doubtful debts (1994 financial statements). Lisikamena's default rate is moderate in comparison, as at the time of survey.

Table 46 Historical Default Rate for Sample Group C

Institution	Historical Default (%)	Available Capital (N$)	Weighting
NDC	27%	5,000,000	75.76%
Lisikamena	10%	1,600,000	24.24%
Total		6,600,000	100.00%
Weighted Mean	22.9%		

Note: Mean is weighted by total available capital within each sample group

4.4.4. Default Rate - Group D

Table 46 shows the minimal level of default, at a maximum of 1%, which the regional banks in group D work with. The difference is very large, and reflects a much more risk- averse policy. It is interesting that FNB in Rundu has the highest level of default, closely followed by two banks which have increased their loan risk by lending to SSE, Bank WIndhoek and Standard Bank in Oshakati. These levels of default indicate a successful loan policy compared to the semi-formal credit sector where commercial

considerations are not as important. In this respect the latter sector could learn much from the experience of banks in managing repayment rates effectively.

Table 47 Historical Default Rate for Sample Group D

Institution	Historical Default (%)	Available Capital (N$)	Weighting
First National Bank	1%	5,000,000	22.03%
Standard Bank	0.30%	11,500,000	50.67%
Commercial Bank	0.60%	1,200,000	5.29%
Bank Windhoek	0.70%	5,000,000	22.03%
Total		22,700,000	100.00%
Weighted Mean	0.56%		

Note: Mean is weighted by total available capital within each sample group

4.5. Financial Overview of Semi-Formal Credit Providers

As a conclusion to the financial analysis by sample group, outlined above, Table 48 gives a comparative overview of the financial ratios used to determine financial efficiency. The points below emerged very strongly from the sample group data.

- Costs are very high in comparison to total loan capital up to Group C. The level of costs are particularly acute in Group A and B.
- Total available capital is generally almost entirely eroded on an annual basis in Group A, and disbursed capital is entirely eroded by all credit providers;
- Costs are not generally related to loan disbursement volumes, and personnel numbers are not designed to deal with under-utilisation of capacity;
- Interest income is insufficient to cover around 50% of costs, until Group C. This implies interest charges are too low and capital sizes too small;
- Without donor support the majority of credit providers in Groups A and B would cease operations.

Table 48 Comparative Cost Structures for Semi-Formal Sample Group

Sample Group	Capital Disbursed (N$)	Total Available Capital (N$)	Annual Costs / Capital Disbursed (%)	Annual Costs / Capital Available (%)
Group A	893,700	1,403,700	124.7%	96.8%
Group B	1,415,000	1,836,000	56.1%	43.8%
Group C	3,951,000	6,600,000	30.1%	18%

Note: Means are weighted by total capital disbursed and total capital available as appropriate and are derived from previous tables.

Table 49 gives a summary of loan statistics and interest income for all semi-formal credit providers:

- Number of loans per employee are relatively high in Group A, but the value is low resulting in an insufficient interest income. This again implies interest charges are too low.
- Capacity utilisation remains heavily under-utilised up to Group C, especially in Group B (NRDP and ELCIN/FNB/NNRCCI particularly) where only a third of costs are covered.
- Loan ranges are sometimes too narrow to allow flexibility by loan size even on a group basis. Such action would allow more size diversification, lower costs and lower risk, as is the case in Group C.

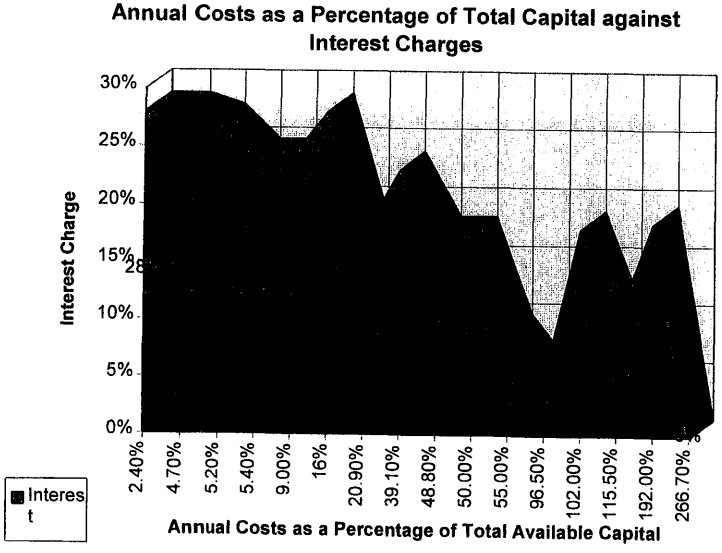
Table 49 Comparative Loan Statistics for Semi-Formal Sample Group

Sample Group	Mean No. of loans	Loan Range (N$)	Mean Size of loans disbursed (N$)	Mean Loans per employee	Mean Costs covered through interest Income
Group A	143	Minimum 30 - Maximum 25,000	3,535	14.2	8.8%
Group B	30	Minimum 5,000 - Maximum 100,000	26,931	4.3	33.0%
Group C	69	Minimum 1,000 - Maximum 200,000	34,697	11	52.4%

Note: Means are weighted by total capital disbursed and are derived from previous tables.

Figure 1 below indicates a direct relationship between high costs related to credit provision and insufficient interest charges. All credit providers in all groups have been included in the data, facilitating easy comparison. Those institutions in Groups A and B which have the highest annual cost base in relation to total available capital are also those which serve the smaller part of the SSE market. These institutions generally experience low capacity utilisation, long disbursement periods and limited capital bases. Costs for institutions in these groups are generally high in relation to the sizes of loans disbursed but with a greater realisation of cost structures, interest charges and internal efficiencies some of these institutions could make their operations more sustainable.

Figure 1 - Costs and Interest Charges for all Surveyed Credit Providers



4.6. Financial Overview of Formal Credit Providers

In contrast to the semi-formal credit providers, figures for Namibia's major banks are shown below (Table 50). These figures reflect high margins with interest income the main component and fee income being significant. Financial data is given for two years, from the latest financial statements. Several points are clear:

- Margins (net Interest margins) are high owing to the concentrated nature of Namibia's banking system and risk averse stance;
- Bank margins vary considerably, depending on the types of lending undertaken (e.g. Commercial Bank) ;
- Fee income is a substantial contributor (around 30%) of total operating profits;
- The exposure of the commercial banks is very low in the SSE sector but present on a regional level.

Table 50 Breakdown of Banking Sector Profitability

Bank	Net Interest Margin	Profit[13] Margin	Interest contribution of Profit (%)	Fee contribution of Profit (%)	Forex/other contribution of Profit (%)
Standard	*1994:* 5.4 *1993:* 5.5	94 2.6 *1993:* 2.2	*1994:* 68 *1993:* 69	*1994:* 27 *1993:* 27	*1994:* 5 *1993:* 4
First National	*1994:* 5.9 *1993:* 6.6	*1994:* 3.4 *1993:* 3.3	*1994:* 67 *1993:* 73	*1994:* 31 *1993:* 26	*1994:* 2 *1993:* 1
Commercial	*1994:* 4.1 *1993:* 4.6	*1994:* 1.7 *1993:* 1.2	*1994:* Not Disclosed *1993:* Not Disclosed	*1994:* Not Disclosed *1993:* Not Disclosed	*1994:* Not Disclosed *1993:* Not Disclosed
Bank Windhoek	*1994:* 5.1 *1993:* 5.5	*1994:* 2.2 *1993:* 2.4	*1994:* 67 *1993:* 66	*1994:* 32 *1993:* 33	*1994:* 1 *1993:* 1
CSIB	*1994:* 1.1	*1994:* (21.4)	*1994:* 72	*1994:* 28	*1994:* 0

Note: Data extracted from published company reports and accounts for the years stipulated. These were kindly made available by the banks concerned.

Table 51 Breakdown of Banking Sector Costs and Provisions

Bank	Costs as an annual % of Assets	Expenses as % Profit	Bad debt provision as a % of assets	Bad debt provision as a % of Profit
Standard Bank	*1994:* 5.2%	*1994:* 65 *1993:* 71	*1994:* 0.3% *1993:* 0.2%	*1994:* 3.4 *1993:* 2.6
First National Bank	*1994:* 4.7%	*1994:* 52 *1993:* 49	*1994:* 1 *1993:* 0.3	*1994:* 13.3 *1993:* 4.6
Commercial Bank	*1994:* 2.4 %	*1994:* 59 *1993:* 73	*1994:* 0.6 *1993:* 0.4	*1994:* Not Disclosed *1993:* Not Disclosed
Bank Windhoek	*1994:* 5.4%	*1994:* 62 *1993:* 67	*1994:* 0.7 *1993:* 0.4	*1994:* 9.5 *1993:* 4.7
CSIB	*1994:* 16%	*N.A.*	*1994:* 6%	*1994:* 3.9x

Note: Data extracted from published company reports and accounts for the years stipulated. These were kindly made available by the banks concerned.

It is very difficult to compare the financial characteristics of the banking sector with semi-informal credit providers, because of the very different nature and scale of operations, but one clear method is on a cost basis. Table 51 outlines cost breakdowns for Namibia's commercial banks, and several points follow based on data within the table.

[13] Operating Profit before tax.

- Costs are only around 5% of total assets for the commercial bank sample, reflecting large economies of scale and cheap cost of funds. These cost-effective resources could be utilised in a risk-averse manner for lending to the SSE sector;
- Costs are 16% of total assets for CSIB. Bad debt provisions are high owing in part to its recent set up in 1994. CSIB aims to target the SSE sector more aggressively than its peers;
- Bad debts (comparable to default rates) are at less than 1% of total assets, and 13% of annual profits, implying greater control over repayment than exists in the semi-formal sector;
- First National Bank and Bank Windhoek have higher levels of bad debt provisioning than their competitors implying a higher level of loan risk;
- Banks can afford to take on more risk than at present considering the wide margins made, low exposure to the SSE sector and low level of bad debts;
- Namibian commercial banks could provide advice and co-operation for credit schemes in the regional areas of Namibia to reduce the risk of lending for semi-formal lenders and the banks themselves.

5. CONCLUSIONS

This section of the report introduces a systems model to analyse the surveyed institutions in order to understand the Credit Delivery System as an organic whole. This analysis is complemented by applied SWOT analysis and finally by recommendations and proposals to improve the access to finance for small scale enterprises.

5.1. Stage Analysis

The analysis already presented has shown many different facets and needs within Namibia's Credit Delivery System. The analysis of SSE credit facilities in Namibia has been undertaken broadly following a model devised by Otero and Rhyne (1994). As indicated at the beginning of this report, this model aims to assess credit provision in terms of accessibility and financial self sustainability. Institutions are organised into groups which broadly equate a "stage" of development towards sustainability in this model (Box 2).

Owing to the small size of the Namibian Credit Delivery System, the number of semi-formal credit providers is not high. This sometimes results in small numbers of organisations being included in each stage of the analysis. There is also some divergence in terms of aims and details of credit provision which has already been shown to obscure rather than highlight similarities between credit providers on the basis of target group, service provision, loan sizes, capital organisation and cost structures. For example the NRDP operates essentially a rural credit scheme, as a small portion of an overall rural development programme, as does Canamco. This is in contrast to programmes such as the ELCIN/FNB/NNRCCI scheme in Oshakati which targets small to medium enterprises and is implemented in partnership with a commercial bank. Several schemes also offer training services, such as the PSF and IMLT, where the training element is as much, if not more of a priority as that of credit provision.

Despite these factors, the analysis offers a very clear message in terms of group similarities already outlined in sections 3 and 4. The advantage of the stage segregation is that it highlights evolutionary trends within the delivery system in terms of progress made towards financial self sustainability and specialist high quality services. The analysis also clearly indicates the weaknesses within each stage of development, and pinpoints the specific problems and threats each faces. Such information is central to critically appraising the costs, efficiency and the sustainability of credit provision at different levels of the SSE lending market, as well as the accessibility of credit to small entrepreneurs in order to develop and improve them.

Box 2 Credit Delivery System Model (based on Otero and Rhyne 1994)

Group A

- HIGHLY SUBSIDISED: annual costs range from around 100% of the total available loan capital
- GRANT DEPENDENT: external grants establish the loan fund, and are required to cover operating expenses annually.
- UNPROVISIONED: funds often suffer delinquency through inflation and default. The level of default is generally high.

Group B

- HIGHLY SUBSIDISED: annual costs range from around 50% of the total available loan capital.
- GRANT DEPENDENT: external grants establish the loan fund, and are required annually to cover operating expenses.
- LIMITED PROVISIONS: funds sometimes have a level of provisioning to cover inflation and default. Defaults are still at a high level.

Group C (NDC)

- SUBSIDISED: annual costs are smaller but still high at around 35% of total loan capital.
- GRANTS REQUIRED: Funds generate a level of interest income sufficient to cover the costs of capital, but soft loans, grants, and subsidiary profits are required to cover operational expenditure.
- PROVISIONS : Provisions are made for bad debts and inflation. Default rate remains high.

Group C (Lisikamena) and Group D (CSIB)

- PARTIAL COST COVERAGE: operations at a transitional stage to cost coverage, but a small level of subsidy and institutional support is required.
- NEAR PROFITABILITY: credit scheme is nearly at break-even, and utilises innovative cost conscious methods of disbursement.
- PROVISIONS: Provisions are made for both default and inflation annually. The rate of default is low.

Groups D & E

- RETURN ON ASSETS: Interest income and fees exceed costs of funds and provisions. Capital raised via the commercial market, and from clients' deposits.
- PROFITABLE: After bad debt and other provisioning and costs, the operations are profitable.
- PROVISIONS: Bad and doubtful debts are generally and specifically provisioned for and written off. the level of default is under 2%.

5.1.1. Group A

Data presented below show that this group of credit providers operates at a very high level of subsidisation, which is typically above 100% of the underlying value of the loan portfolio (Table 52). This effectively means the entire value of capital is eroded in a typical year, if the project is not given external support in the form of grants. In parallel the repayment rates are generally shown to be too low to sustain the value of the loan capital, and provisions for this are not made (apart from COSEDA) which in turn threatens erosion of the capital available. All credit providers in Stage 1 are dependent on external grants as interest income levels are low on account of the generally small size of loans (N$2, 482) which are primarily aimed at IGPs, groups, hawkers and SSEs (up to 3 employees). Many funds have very long disbursement periods with bureaucratic decision-making processes and suffer from small capital bases. A portion of credit providers in Stage 1A also suffer from low staffing levels and training levels (e.g. CD). All loans are at subsidised levels, with CISP charging no interest on its loans.

There are two exceptions to generally high default rates: CISP and COSEDA. These funds have been in existence for less than two years, and in the case of the former, have the benefit of highly trained staff provided by the donor. Such input will cease from 1996, and the evaluation of the programme should be closely scrutinised from that point onwards. The second exception is COSEDA's credit scheme which had only operated for 10 months at the time of interview. The low rate of default reflects the age profile of disbursed loans, as well as the low rate of total disbursement. No schemes provide for inflation and default. It should be noted that both CD schemes closed in May 1996 owing to the withdrawal of donor support, and NAWA closed its operations in 1994. PSF operates both a credit fund and training programme for which the costs have been separated (N$ 750,000 training costs, N$ 250,000 credit costs).

Table 52 Group A -Costs and Default Criteria

Name of Institution	Costs as an annual % of Available Capital	Costs as an annual % of Disbursed Capital	Historical Default
PSF	50%	109%	30%
CISP	267%	267%	1%
NAWA[14]	Not Disclosed	Not Disclosed	80%
CD, Ondangwa	116%	116%	65%
CD, Rundu	1925%	192%	48%
COSEDA	102%	255%	0%
Canamco	97%	97%	75%

Note: Figures taken from tables in Sections 3 and 4.

[14] The scheme run by NAWA was closed in 1994. The main reasons cited were lack of staff and training capacity.

5.1.2. Group B

Group B is characterised by high cost structures equalling around 50% of the loan capital on an annual basis. Whilst financial performance is better with roughly 33% of costs covered through interest income, all organisations are still dependent on external grants for operational expenses. Total capital is often larger than Stage 1, but is still a long term restriction. Limited loan provisions are made by NRDP. Loan capacity utilisation is especially low for Group B, and especially in the case of the Credit Guarantee Fund. This is mainly due to bureaucratic loan disbursement bodies which have resulted in low loan volumes and restricted outreach. There is generally a better level of staff expertise (especially in training at IMLT) but local staff often lack sufficient training. IMLT and the ELCIN/FNB/NNRCCI target a wide range of SSEs, whilst the NRDP concentrates on rurally based IGPs. The ELCIN/FNB/NNRCCI Credit Guarantee Scheme is the only one of its type in Namibia (at the time of the survey).

The level of defaults is generally lower than Group A. Both NRDP and IMLT have very much lower rates of default. The latter scheme is not mature, and the nature of figures disclosed on default suffer from a lack of historical track record. In a recent report (GTZ 1995) it was suggested the prospect of delinquency on recently disbursed loans could be quite high, resulting in a potentially higher default rate in the future. In the case of the NRDP a very limited number of loans have been disbursed (3), as the primary activity of this organisation is not credit provision.

Table 53 Group B - Costs and Default Criteria

Name of Institution	Costs as an annual % of Available Capital	Costs as an annual % of Disbursed Capital	Historical Default
NRDP	55%	55%	4%
IMLT	39%	53.7%	5%
ELCIN/FNB/NNRCCI	49%	61%	27%

Note: Figures taken from tables in Sections 3 and 4.

5.1.3. Group C - NDC

Group C is characterised by larger economies of scale with regard to costs. The costs are still around 35% of the total dedicated SSE loan capital, and the default rate is stubbornly high. This report focuses only on the portion of loan capital given to what the NDC defines as small scale enterprises. The latest financial reports would suggest the level of overall bad debt provisioning covers these funds, but it was impossible to determine the exact proportion assigned. The NDC derives its funds from GRN, and also funds are generated internally (by its subsidiary AMCOM). They are the largest amongst semi-formal credit providers. The level of professional structures is high relative to institutions in Stage 1, which includes audited accounts and regulation (including provisioning). The knowledge level of staff is also good, but the organisation suffers from complex loan approval structures and a low loan capacity rate. The NDC targets a very wide range of loans and activities which can sometimes hinder its focus.

Although NDC covers 50% of its costs through interest income it relies on soft loans and grants from GRN and profits from AMCOM to cover operating expenses. NDC is perhaps unique in securing longer term funds in this way. NDC charges subsidised rates of interest, but its SSE operations are partially funded from larger commercial lending.

Table 54 Group C - NDC - Costs and Default Criteria

Name of Institution	Costs as an annual % of Available Capital	Costs as an annual % of Disbursed Capital	Historical Default
NDC	20%	35%	27%

Note: Figures taken from tables in Sections 3 and 4.

5.1.4. Group C and D: Lisikamena and CSIB

This group can be regarded as the closest level towards commercialisation: costs are under control , provisions made for inflation and default, and defaults are kept low, resulting in nearly profitable operations. Lisikamena (in Okavango) has attained this stage of development by keeping costs within loan volume limits and by ensuring that loan volume is sustained. The fund is not a mature one, so problems could potentially develop in the future. Some level of subsidy is required, but it is at a low level compared to many other schemes. The organisation relies heavily on institutional and training support from the donor which is a potential threat if this were to be withdrawn. It is also uncertain how the recently launched Micro-credit and Savings scheme will affect costs and loan repayment performance. Given these constraints, it is the only semi-formal institution in Namibia which is close to self reliance. There is a high level of staff expertise and motivation, as well as an effective Loan Committee. 60% of costs are covered by interest income and costs are only 15% annually of available capital. The organisation was over-reliant on a key manager who left the fund in August 1995, and this caused its operations to suffer. The organisation has also forged strong network of links with other NGOs, banks and government offices in the region to support its operations.

The City Savings and Investment Bank (CSIB) is included at this stage although it is a commercial start up. This has been done because of its high cost structure, and the level of support it currently receives from the main Malaysian shareholder which is in effect subsidising the bank. Its position is slightly ambiguous in terms of commercially profitable operations, but its position in this grouping is justified on the basis of cost structure and default. A large proportion of its lending is to SSEs and medium sized enterprises.

Table 55 Lisikamena and CSIB- Costs and Default Criteria

Name of Institution	Costs as an annual % of Available Capital	Costs as an annual % of Disbursed Capital	Historical Default
CSIB	16%	Not Applicable	6%
Lisikamena	9%	15%	10%

Note: Figures taken from tables in Sections 3 and 4.

5.1.5.Groups D & E

These groups can be defined as full commercialisation with a positive real return on assets (and turnover) with regulation under key government legislation. Annual provision is made for bad debts, and the institutions, banks, offer a wide range of financial products and services. Costs are maintained at a low level of overall assets and default rates are under 1% per annum. There is also a wide discrepancy in the cost bases of the different banking groups, reflecting their client base, the size of their operations, and management priorities.

Banks have a very high level of expertise which is vital for the Credit Delivery System for SSE, even if it is at present indirect. Banks are required in various areas of financial intermediation, and there is much the semi-formal credit providers could learn from their experience. Given the high level of profitability and high levels of capital the Namibian commercial banks could probably do more to facilitate productive credit disbursement to SSE even in the form of bulk lending or lending at discount rates from the central bank.

Table 56 Groups D &E - Costs and Default Criteria

Name of Institution	Costs as an annual % of Total Assets[15]	Historical Default[16]
First National Bank	4.7%	1%
Standard Bank	5.2%	0.3%
Commercial Bank	2.4%	0.6%
Bank Windhoek	5.4%	0.7%

Note: Figures derived from 1994 financial statements.

[15] The equation is defined as total operational costs and bad debt provisions as a percentage of total assets on a consolidated basis. These figures are taken from the most recent financial statements available.

[16] The historical default is taken as bad and doubtful debt provisions as a percentage of total assets on a consolidated basis. These figures are taken from the most recent financial statements available.

5.2. Credit Delivery Analysis

The Credit Delivery System as revealed in the recorded sample is shown in Table 56, but it does not include insurance companies and semi-formal credit providers not surveyed. Semi-formal lending is 0.2% of the total, and if the regional bank portfolios are included the total is 0.7% (or N$ 32,539,700). As can be seen immediately, the provision of credit by semi-formal providers is dwarfed by the size of the banking sector. In terms of outreach the banks can clearly be seen to have the largest delivery system as such.

Table 57 Surveyed Credit Delivery System

Sample Groups	Total Asset Value (N$)
Group A	1,403,700
Group B	1,836,000
Group C - NDC	5,000,000
Group C -Lisikamena	1,600,000
Semi-Formal Credit	9,839,700
Group D	22,700,000
Group E	4,899,637,000
Total Value	4,909,476,700

Note: CSIB is included in the Central bank Total. Bank figures are sourced from 1994 financial statements.

The above analysis makes clear the need for semi-formal credit providers to work alongside and integrate with the formal lending market, and to consider disbursing credit on a larger scale by pooling resources in a more cost effective manner. At present the delivery system is dominated by fragmentation on the semi-formal level with little or no contact with the formal banking sector and with many small scale credit providers. There is a need for co-operation with existing structures, and vice versa, for the banking sector to share experiences with the younger semi-formal credit sector. In many areas of Namibia the limited market size, low population density and long distances involved make cooperation a necessity for semi-formal credit providers to attain sustainable operation. Banks should be encouraged to participate more fully in the SSE market, either through risking their own capital or through agreements for lending to semi-formal credit providers. The central Bank of Namibia could also stimulate the formal banking sector to consider funding the SSE sector through discounted lending, whereby only a portion of the risk would be assumed by the commercial banks themselves. Such a policy requires the pooling of resources and grading of semi-formal credit providers which has hitherto not taken place.

The majority of credit providers surveyed are in Stage 1 of development being heavily reliant on external grants and subsidies, achieving poor cost performance and having limited outreach. The interest charges are also too low to compensate for expensive and high risk small loans (Stage 1A) which would have to be sourced at much higher cost if the schemes were to cease to exist. This is a distinct possibility if donor funding were to stop or slow down (as in the case of CD), and would impact credit accessibility negatively. The current level of small and fragmented provision is not cost effective. The

development of specialist credit providers and specialist training providers would be an answer.

Whilst co-operation amongst semi-formal credit providers is low, so by the same token is the level of staff expertise and experience. Higher quality training needs to be provided to boost the motivation and productivity of staff - if appropriately skilled staff cannot be recruited. Such action also needs to be combined with less bureaucratic methods of institutional organisation to achieve low cost credit disbursement in a transparent and efficient way. Leaner organisations further need to incorporate low cost and innovative methods of credit delivery at cost related interest charges with subsidies fed into training rather than credit. Improving the performance and quality of semi-formal institutions would stimulate the growth of the sector and its long term survival as specialist credit providers.

5.3. Analysis by Strengths, Weaknesses, Opportunities and Threats

The aim of this section is to summarise and relate the analysis in Sections 4 and 5 to the theoretical context provided in Sections 2 and 6. The reader should refer to the various sections of the chapters to access data and evaluations. The other primary aim is to provide a practical form of analysis for institutions to use in developing their activities. SWOT analysis is beneficial, in that it seeks to set out an overall framework from different perspectives integrating positive and negative elements, all of which are related to data collected during the course of the field investigations. Each segment of the semi-formal credit delivery system is examined in terms of strengths, weaknesses, opportunities and threats.

5.3.1. Group A

Strengths

- The *level of competition* in the provision of some services is beneficial to the end customer, but the level of non co-operation makes the use of scarce resources less efficient.
- The use of *innovative techniques* to achieve reduced risk and lower costs are beneficial, such as group guarantee liability and savings mobilisation. The use of group lending techniques are widespread in their application for example.

Weaknesses

- Resources, especially *staff*, are not highly motivated and often lack sufficient experience to advise and evaluate enterprises.
- The *volumes of loans* disbursed are generally very small, with little understanding of maintaining loan volumes.
- The provision of credit and training within a single institution fosters *duplication*, and unsustainable cost structures. Most importantly, these are two very different

serv ices which should not be provided by the same persons (in contrast to training, credit should be provided on a clear business basis).

- The level of *cost management* and business planning is poor. Resources are under-utilised or stifled by lengthy disbursement procedures and long time delays.
- The *lack of co-operation* between institutions results in amplified financial stresses and a reduction in sustainability for credit providers in the grouping.
- The level of *interest charges* is inappropriate, considering the high costs of provision and the level of defaults.

Opportunities

- *Specialisation* in one particular field (e.g. training *or* credit disbursement), and subcontracting out of non-core services to specialist providers. This requires a greater level of co-operation than exists at present.
- *Improved training* of local staff and the reduction of highly unproductive personnel in line with the size of loan capital available.
- Higher *incentives* for staff members to view credit disbursement as a business
- Create *harmonisation* of standards and greater access to information sources for and of the institutions. Improve the visibility of the grouping by greater *disclosure* on a regular basis.
- Create specific *definitions* of aims for credit provision, and target groups with realistic financial planning.
- *Lower costs* and remove restrictions to faster and more efficient credit disbursement and evaluation. Greater use of innovative techniques for risk and cost control would provide greater sustainability and opportunities.

Threats

- *Financial collapse* through donor withdrawal of subsidisation.
- Greater *diversification* of already wide aims.
- The perpetuation of *Inefficient organisational structures.*
- *Short time funding* and targets by donors..
- The use of *inappropriate methods* of loan disbursement, and subsidised interest charges.
- Maintaining the current *low standards of personnel.*
- *Non-provisioning for bad debt and inflation* could accelerate erosion of loan capital.

5.3.2. Group B

Many of the above points also relate to Group B, as both groupings have similar problems. In the case of Group B institutions there is a better focus on costs but these are still unfortunately unsustainable. Specific points attributable to this grouping are:

Strengths

- Higher degree of *flexibility* in loan sizing and portfolio management.

- Improved but still low level of *institutional structures.*
- Greater *size* of loan capital available.
- Use of potentially *beneficial techniques* (e.g. credit guarantee linked with a commercial bank).

Weaknesses

- Long disbursement periods and low loan volumes resulting in *under-utilisation of potential capacity.*
- High *cost structures* with low staff motivation and little sense of business outlook.
- The *provision of credit and training* increases cost pressures and spreads experienced staff members too thinly.
- *Organisational structures* are inefficient and unable to deal with diverse activities.
- The *lack of co-operation* amongst institutions result in amplified financial stresses and a reduction in sustainability for credit providers in the grouping.
- The level of *interest charges* is inappropriate considering the high costs of provision and the level of defaults.

Opportunities

- *Specialisation* in one particular area of comparative advantage (such as training in the case of the IMLT).
- *All opportunities of Stage 1.*

Threats

- Increased *competition* with professional financial institutions.
- *All threats to Stage 1.*

5.3.3. Group C (NDC)

The corporation has better organisational structures and economies of scale but suffers from very similar problems as the preceding groupings.

Strengths

- Larger economies of *scale* due to larger loan capital.
- *Training* provision is usually subcontracted.
- *Flexibility* in loan sizing policy.
- Professional *auditing* and organisational structures.
- Higher levels of *staff expertise* (which is variable in a regional level).
- *Longer term* security of capital than is the case with donor funding.

Weaknesses

- *High level of costs* requiring subsidies for SSE lending.

- *Low level of SSE loans* and under utilisation of potential capacity.
- *Slow* methods of appraisal and disbursement with a lack of co-ordination between localities and head office.
- Poorly developed *monitoring systems* for loan risk and repayments.
- Inappropriate levels of *interest charges* in relation to costs and loan sizes.
- Commercial operations of subsidiary (AMCOM) compete with target enterprises in localities resulting in a *conflict of interest.*

Opportunities

- *Rationalisation* of high cost structures and improved training of personnel. Better incentives for personnel could be very beneficial.
- Alteration of current *organisational structure* to improve loan volumes and throughput.
- Clearer *design of credit provision* to specified target groups.
- *Bulk on lending* to other credit providers which will lower costs and improve returns.
- Greater role in *harmonisation* of standards and disclosure requirements with other institutions lending to the SSE sector.

Threats

- Continuation of *high cost structure* and low loan volumes combined with long disbursement periods.
- Erosion of loan funds through *high default rates* and reduced sources of capital.
- Increased *competition* from the banking sector in profitable parts of NDC's other loan portfolios.
- Prolonged *reliance* on low cost funds from Government and subsidiary profits.

5.3.4. Group C (Lisikamena)

Many of the problems encountered in previous stages are almost resolved, and the institution is at a transitional stage, working towards sustainable operation.

Strengths

- *Cost structure is low* and moderate in relation to loan capital, and interest charges realistic.
- *Staff* are generally well trained and motivated. All staff are Namibian.
- The volume of loans is not high in absolute terms, *but capacity utilisation* is high.
- Co-operation and *networking* with local organisations and banks is efficient.
- Loan monitoring and assessment *systems* are efficient.
- *No training* is provided directly by the scheme and referrals of clients are made to local training organisations.

- The *lending strategy* is focused on an area of the market not served by other credit providers.

Weaknesses

- *Outreach* is not absolutely high.
- *Size* of loan capital is small.
- There is *organisational reliance* on key staff members.
- Long *disbursement period* and approval of loans could hamper loan volumes required to maintain the fund at its current stage of development.
- *Reliance* on external inputs such as training and capital.
- Default *recovery system* is slow and costly.

Opportunities

- Development of *niche lending* advantages.
- Development of *client network*.
- Attraction of *further donor funds* and commercial capital increasing the economies of scale and prospects for self reliance.
- Further development of *personnel* resources.

Threats

- *Withdrawal of donor support* and expertise, and short term duration of support.
- Loss of highly trained staff *key staff*.
- Uncertainty of *diversification* into other activities (Micro-credit scheme)
- Increased *competition* from banks in the locality.

5.4. Proposals to Improve the Access to Finance for Small Scale Enterprises

The analysis shows a wide variety of institutions active in lending for SSE. Their efforts are commendable. However, the analysis also indicates a number of areas where improvements can be made, on the level of individual institutions, and also with respect to the sector as a whole, including relevant government policies.

On the basis of the preceding discussion we can identify the following main elements of a strategy to improve the access to finance for small scale enterprises:

Individual institutions:

- Orientation at market prices:
  The wide-spread opinion that subsidised credit is necessary in order to promote SSE needs to be challenged. Credit provision should be orientated strictly at market prices. Experiences of other countries, and also as shown by this study, imply that the statement "small enterprises cannot afford credit at market rates" is untrue. Their problem is access, rather than price.

- Subsidised credit funds have a number of disadvantages, from the point of view of the credit provider, but also of the national economy and even the beneficiary:

  - The loan capital is being depleted and can reach only a fraction of those who need credit:
  - Because of the above, the problem arises as to the selection of the beneficiaries: this opens the door to corruption; ignoring this, often it is not those who can make best use of the credit and are in the most need who receive credit, but rather those who are most visible (e.g. the urban). An optimal allocation of resources is not guaranteed.
  - These funds are separate from the finance sector and cannot draw resources from the commercial market.
  - Subsidised credit funds actually undermine the development of sustainable financial services, which cannot compete with subsidised programmes.
  - The advantage for the beneficiaries is often of a short duration, because sooner or later they have to operate on the market.

- Separate services:
  If institutions provide different services, such as credit and training, these should be clearly separated in order to avoid cross-subsidisation. This will cut costs. Most importantly, the role of the advisor is a different one to that of the credit provider, who should deal with his/her clients clearly on an 'economic' basis.

- Improved organisational structure:
  The organisational structure of the credit providing institutions should be streamlined. Procedures can be made less bureaucratic and more efficient. Cutting paperwork will reduce costs.

- Improved information, monitoring and control system:
  There is ample scope for SSE credit providers to improve their information on the clients and the success of their services. Systems of evaluation and monitoring should be strengthened.

- Improved targeting:
  The targeting of beneficiaries should be improved. Only entrepreneurs and projects with a sound basis and high probability of success should be promoted. Institutions need to be aware of risks and of the specific financial needs of beneficiaries. Interference of interest groups into selection of beneficiaries should be avoided.

- Better motivation of staff:
  There is wide room for improved efficiency through better motivated staff. The personnel of the credit providing institutions should be trained in the areas of finance and business management, and an incentive structure should be introduced. Payment should be higher and should be related to performance. A proper, transparent career structure will also help. Often a smaller, efficient and highly motivated work force is preferable and not necessarily more expensive than a larger one.

- Savings mobilisation:
  One main problem facing SSEs is their lack of access to financial services. The provision of credit is only one side of these services. The other side, not less important, is savings mobilisation. Experience from other countries shows that most of the poor, who are outside the formal financial system are not too poor to save, but do not have access to appropriate channels for their savings. There is also a direct link between savings and credit provision which can be made.

- Innovative mechanisms of credit delivery:
  The main problem for SSEs impeding their access to credit is their lack of collateral. Unorthodox means of overcoming this problem are available and have been tested successfully. These include group lending and bank guarantee funds.

Sector of credit providing institutions:

- Increased co-operation:
  Co-operation, especially exchange of information, should be increased between the different service providers. This is advisable both for providers of the same service, and for those providing different services, notably credit and training. The JCC could serve as a central organisation to co-ordinate such efforts.

- Smaller number of credit providers:
  The high number of credit institutions presently operating contributes to small fund sizes and resulting inefficiencies. Although it is not advisable to have one central institution (competition is good and necessary), the number of institutions should be reduced in order to improve scale economies and efficiency. Institutions serving similar clientele should come together and discuss ways of merging funds. The numerous government credit schemes should set a positive example in this regard.

- Central data base:
  The credit agencies should establish a central data base for borrowers. This would allow them to gain from each other's experience and undermine the present practice of some borrowers to turn to new lenders after having made bad debt. Of course, confidentiality about credit rating data must be ensured.

- Strengthen links to the banking sector:
  The links to banks should be strengthened. The involvement of the formal sector in the provision of credit to SSE should be increased, perhaps with discounts on lending sourced from the Bank of Namibia.

Government policy:

- Regulation of the sector:
  The sector should be regulated in order to increase accountability and efficiency. An appropriate institution could be the Bank of Namibia.

- Obligation to provide information:
  Institutions should be required to provide and publicise information about their annual accounts.

- Assessment of credit funds:
  On the basis of this information institutions providing credit to SSE should be assessed annually.

- Discounted central bank lending to credit providers:
  In order to give an incentive to banks to lend to small enterprises the central bank could establish a fund in order to reduce bank risks.

- Land reform:
  In the communal lands land reform is important in order to provide borrowers with collateral.

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Centre for Information and Action for Development in Africa (CRIAA) 78

Department of Women's Affairs (DWA), Office of the President 78

Kayec 78

Ministry of Labour (MoL) - Job Creation Fund 78

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Ministry of Trade and Industry (MTI) 78

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Namibia Rural Development Project (NRDP) - Windhoek 96

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PRIVATE SECTOR FOUNDATION (PSF) - WINDHOEK 99

Okutumbatumba Hawkers' Association (OHA)

OHA plans to set up a supplier's credit service for its predominantly female members in early 1996. The main purpose of the facility is to allow the bulk buying of goods through the association after various qualifying stages have been reached. The association will monitor the level of profitability of applicants before allowing them to qualify for credit of up to N$ 5000.

Surveyed Institutions

This section includes profiles of all institutions surveyed, apart from the commercial banks which are excluded owing to repetition of data.

Canada Namibia Co-operation (Canamco), Windhoek & Rundu

Canamco is an NGO focusing on the Kavango region of Namibia. The project is the result of co-operation between GRN and the Canadian Government, implemented by Oxfam Canada. Canamco carries out a wide range of developmental activities in the region aimed at the agricultural and agro-industry sector including training provision, marketing research, community mobilisation and credit provision. The latter activity is closely linked with Canamco's other services and the main aims of credit provision are developmental. The credit scheme should be seen as a part of the organisation's overall development strategy, and not as a credit fund alone. The capital for the credit scheme (N$ 260,000) comes entirely from Oxfam Canada as a grant. Repayments are subsequently made into an account (the Kavango Development Trust) which will be a source of capital for a Namibian NGO when Oxfam Canada completes its activities in April 1997. The credit fund is exposed to mainly rural areas (80%) and the industry breakdown is as follows:

Agriculture and Horticulture	35%	85%	Start up
Agro-industry	23%	10%	Emergency
Co-operatives	23%	5%	Expansion
Community Tourism	19%		

Canamco provides credit at heavily subsidised interest rates (5%) to a range of industries, most of which are related to agriculture and community development. All loans are to groups. The first type of group comprises those with a specialised function (e.g. sewing) and a regulatory constitution drawn up by Canamco. The other type of group is more macro in nature, that of the co-operative (Katemo and Mbangura Wood carvers Co-operative). Canamco requires a training programme to be completed prior to a group becoming eligible for a loan. Most groups have little commercial experience, resulting in a very high (85%) exposure to start up operations. Canamco's policy is to target the lowest income groups, and expectations of repayment are necessarily adjusted downwards. The scheme has a high 75% default rate (meaning only 25% of loans are repaid as agreed), but the actual level of capital loss is low. This is a direct consequence of the scheme disbursing loans not in cash but mainly in the form of assets, preventing large scale losses by transferring repossessed assets to another group or restructuring the original group composition and structure.

The number of loans (18 in total to date) is deceptively low as the average group size is 12, meaning the total number of individuals reached is around 216. Members of each group guarantee other group members ("joint liability groups"). Canamco feels that this mechanism of social collateral does not operate as successfully as was hoped, mainly because of group inexperience, low income and savings levels and a poor grasp of the concept of credit versus that of grants. The average group loan is N$ 5000 (per individual under N$ 500) with a maximum of N$ 25,000 over an average loan period of three years. Loans are generally small which helps to mitigate the high risk of the overall loan portfolio.

Canamco offers a great deal of input in terms of training, monitoring and evaluation. Locally based field officers report back on a regular basis to the central offices in Rundu. However, the knowledge level of such field staff is low, impeding the effectiveness of their co-operation on a local level and placing more emphasis on key experienced staff members. The structure involved is costly - 97% of the loan capital is taken up in costs on an annual basis despite cost cuts. In addition loan disbursement is slow, as so much input is required, resulting in a low capacity utilisation of 8%. Much time is also taken up with problematic loan and group restructuring. With the advent of the NACP, Canamco hopes to scale down its provision of agricultural loans and concentrate on SSE projects in the future.

The management of Canamco understands the problems of loan provision to the target group of new income generating projects, whose aim is not always that of profit. Similarly Canamco admits that there have been problems associated with feasibility studies carried out, considering the very low levels of group knowledge, and high input from the organisation itself. Canamco is realistic in appraising the constraints of its credit scheme, which is acknowledged to be high risk and mainly developmental in its aims. The prospect of a low repayment rate is expected, and should reduce the risk for its successor in the region.

SUMMARY OF KEY DATA FOR Canamco

Area of operation (split urban/rural)	Area: Kavango Urban/Rural: 20 % Urban 80 % Rural
Size of Fund (state if split) in N$	Total N$ 260,000 - Total potential budget not known.
% Fund allocated as loans	Allocated: N$ 260,000 (100%)
Average size of loan	N$ 5,000
Upper limit (size)	N$,25,000
Lower limit (size)	N$ 5,000
Average term	3 years
Upper limit (term)	3 years
Processing time for loan (from submission to disbursement)	8 weeks
Processing capacity (no. of loans):	5 per month
Target industries/activities Any industries/ activities excluded? Which if YES	Agriculture / Horticulture 35% Agro-industry 23% Co-operatives 23% Community Tourism 19% NO, but oriented towards agriculture.
Collateral requirements (state if hire purchase)	NO - Joint Liability Groups forming social collateral. Ownership of asset with lender until repayment (hire purchase).
Training requirements	YES: Main emphasis, provided by the Canamco.
Links for training	None, all carried out by Canamco.
Interest charged (state if tiered)	5%
Target default ratio	25%
Actual Default ratio (to date)	To date: 75%
Provisions	None
% loans restructured	25%
How are loans restructured	Longer loan period; recomposition of loan groups; or asset reallocation.

Credit database used	Consultation with local bank and Lisikamena.
Is there a target date to be self -financing?	Scheme ends in April 1997.
Cost base as a % of Fund	97% per annum
Capacity utilisation	8%
Interest rate required to cover cost base	Estimate of 50%
Plans to change interest charged?	Successor scheme could.
Origin of Fund: (e.g. Bank or donor- specify)	100% Oxfam Canada.
Duration of funding :	Until April 1997
Nature of control/ co-ordination with Donor	Audited accounts and reports. Annual meeting.
Monitoring of borrowers	Regular by field staff.

Co-operation for Development (CD) - Ondangwa, Rundu & Windhoek

CD set up three credit programmes in Namibia from 1991 onwards. Two of the three schemes were set up in the northern communal areas (Ondangwa and Rundu), and the other in Windhoek. The capital originated from the EU. CD aimed to disburse 300 loans in three years at the inception of the schemes. The total capital for the programme was originally high, but through cost erosion, default and inflation the total capital at the time of survey was N$ 277,571 (N$ 98,700 Ondangwa; N$ N$ 50,000 Rundu and N$ 128,871 Windhoek). The scheme targeted micro lending to small entrepreneurs. All schemes will be closed in 1996 with the possibility of the establishment of a planned credit guarantee scheme with a commercial bank in Oshakati.

The survey had some difficulties contacting senior members of CD, so much of the information was based on interviews with local credit officers in Rundu and Ondangwa. Information has been subsequently forwarded by UK staff of Co-operation for Development. Unfortunately detailed information was not available regarding the Windhoek based fund.

There is an interesting portfolio weighting contrast between the Ondangwa based fund and that in Rundu. The Ondangwa fund is much more exposed to rural areas (70%) than Rundu (33%), and to start ups (90% of loans) in contrast to Rundu (39%). The different risk parameters of the respective funds are reflected in the widely different default rates. In Ondangwa 5% of the fund was written off and 65% in "arrears" whilst in Rundu the figures were 10% of the fund written off and 48% of the fund "in arrears". The in "arrears" rate corresponds roughly with other institution's definition of "default", as the majority of the loans are non-perfoming.

The industrial exposure for the respective funds are as follows:

	Ondangwa	Rundu
Manufacturing	10%	36%
Trade & Service	65%	64%
Agro-Industry	25%	0%
Start-up Capital	90%	39%
Expansion Capital	10%	61%

(Note: These figures are based on the value of exposure)

The fund had operational problems such as loss of key qualified staff, infrequent loan committee meetings and shortages of operational capital. At the time of interview it was suggested one loan would take 7 months to be fully approved and processed. The credit officers pointed out mistakes they made and suggested their experiences would be positive for other schemes to learn from. These included lack of feasibility research and character references, the absence of collateral, inadequate training provision, cash disbursement and

overlong grace periods granted to businesses. The main observation made of the remaining staff were that they were poorly motivated.

The scheme charged interest rates of up to 24% at the start of the scheme in 1992. However the rates were reduced to 18.5% in 1993 and stayed the same up to the time of interview, which represents a discount to the current prime rate of 19%. The costs for the scheme have fluctuated due to staff layoffs in 1995. The recorded costs disclosed were: N$ 8,000 per month for the Rundu fund (192% of loans disbursed on an annual basis) and N$ 9,500 for the Ondangwa Fund (116% of loans disbursed on an annual basis). These figures represent the operational costs for most of the duration of the credit schemes and includes normal staffing levels of the past. These costs were indicated as preferable by Co-operation for Development as indicative of the scheme when fully operational.

The fund based in Windhoek would seem to have suffered the worst problems with 24% of loans written off and 51% in "arrears". The Windhoek fund disbursed the highest number of loans of 28 but suffered, according to staff in the NCA, from no permanent staff being based in Windhoek at the time of survey.

The three schemes outlined are due to be closed by Co-operation for Development in 1996 and a new micro-credit scheme set up possibly with the co-operation of commercial banks.
SUMMARY OF KEY DATA FOR Co-operation for Development (CD)

Area of operations (split urban/rural)	Area: Ondangwa, Rundu, Windhoek Urban/Rural: Ondangwa Rundu Urban: 30% 67% Rural : 70% 33%
Size of Fund (state if split) in N$	Total at present: N$ 277,571 (N$ 98,700 Ondangwa; N$ 50,000 Rundu and N$ 128,871 Windhoek)
% Fund allocated as loans	Allocated: N$ 306,000 (total budget not known).
Average size of loan	Ondangwa - N$ 5000 Rundu - N$ 4400
Upper limit (size)	N$ 5000 (First loan) N$ 10,000 (Second Loan)
Lower limit (size)	N$ 1000
Average term	Ondangwa: 1.5 years Rundu: 1 year
Upper limit (term)	Ondangwa: 2 years Rundu: 1.5 years
Processing time for loan (from submission to disbursement)	Ondangwa: 22 weeks Rundu: No loans disbursed now (13 weeks previously).
Processing capacity (no. of loans):	Ondangwa: 12 per month Rundu: 7 per month
Target industries/activities Any industries/ activities excluded? Which if YES	Ondangwa Rundu Manufacturing 10% 36% Trade & Retail 65% 64% Agro-industry & 25% 0% Horticulture YES: Shabeens and Taxis.
Collateral requirements (state if hire purchase)	NONE - modified in the last year of the Ondangwa scheme.
Training requirements	YES: Provided by the CD staff.
Links for training	IMLT and PSF.

Interest charged (state if tiered)	18 %
Target default ratio	Not disclosed.
Actual Default ratio (to date)	Ondangwa: 65% Rundu: 48% Windhoek: 75%
Provisions	None
% loans restructured	42%
How are loans restructured	Longer grace period or term of loan.
Credit database used	No, but consultation with other NGOs.
Is there a target date to be self -financing?	Schemes to end June 1996.
Cost base as a % of Total Available Capital	Ondangwa - 115% per annum Rundu - 192% per annum
Capacity utilisation	Ondangwa - 13% Rundu - 15%
Interest rate required to cover cost base	Not disclosed.
Plans to change interest charged?	Successor scheme could.
Origin of Fund: (e.g. Bank or donor- specify)	100% European Union (EU).
Duration of funding :	To be closed by January 1996.
Nature of control/ co-ordination with Donor	Audited accounts and reports. Annual meeting.
Monitoring of borrowers	Irregular by field staff.

Co-operative Support and Enterprise Development Agency (COSEDA) - Windhoek

COSEDA recently established a micro-credit and savings scheme organised through a revolving fund. The scheme aims to provide credit and deposit assistance to small entrepreneurs within a 50 km radius of Windhoek. The fund was set up with the co-operation of READ (Reaching Out with Education to Adults in Development), Catholic Relief Service, HIVOS and Oxfam Canada. Funding by these doriors is envisaged for three years (until 1998), and the total loan capital is N$ 400,000, of which N$160,000 had been disbursed at the time of writing.

The fund utilises innovative savings and credit mechanisms based on groups of individuals (minimum of 6) who form joint liability groups. The theory of such a structure is to create forms of group pressure or "social collateral", which reduces the risk of lending without formal asset backing. Members of each group are of similar age, profession or residence. The fund primarily operates on the level of the group, with electives and a constitution. Training is mandatory[1] and given to the approved groups on an ongoing basis involving areas such as business planning, leadership and communication skills. All training is carried out by COSEDA's loan officers. All groups must save a minimum of 15%[2] of the value of a potential loan prior to disbursement which is taken as collateral (held at a bank). The groups form a wider network of committees which approve loan applications to the executive director, with the help of the loan officers. The Fund charges 18% interest on loans (or Prime -1%). The interest rate has been increased to 19% in 1996. The level of interest gained on deposits was not disclosed.

As COSEDA mainly targets the smaller end of the SSE loan market, its exposure to non-manufacturing is around 60%, which comprises many hawkers. Owing to the short duration of the scheme this industry exposure will change with the maturity of the scheme. The Fund's exposure to different industries is as follows:

Manufacturing 40% Start - ups 16%

[1] Training is no longer mandatory according to COSEDA on 22 February 1996. Groups are however educated in the rules of the loan scheme and group dynamics, leadership and loan appraisal. COSEDA is investigating the possibility of referral of clients for training with other organisations.
[2] Minimum own contributions changed to 10% as of 22 February 1996 according to COSEDA.

Service 30% Expansion 84%
Retail and trade 30%

The Fund targets very small entrepreneurs, which is reflected in the average loan size of only N$ 800. Loans are available up to N$ 4500 for assets and N$ 2500 for working capital. These limits reflect the availability of credit on this scale from other larger credit providers. The scheme is a very recent one and performance calculations should be interpreted duly. However it is clear the fund has a high cost structure of 102% of total loan capital on an annual basis, which can be attributed to the costs of training on a regular basis. However it is encouraging that COSEDA uses the concept of joint liability groups, which effectively reduces the overall costs of such small loans, and allows some economies of scale. It will be very interesting to see the effect of the group structure on the default rate and overall capacity utilisation (only 38% at present due to the recent start of the scheme) in the future.

SUMMARY OF KEY DATA FOR COSEDA

Area of operation (split urban/rural)	Area: Windhoek and 50km radius Urban/Rural: 100% Urban
Size of Fund (state if split) in N$	Total: N$ 400,000
% Fund allocated as loans	Allocated: N$ 160,000 (40%)
Average size of loan	N$ 800
Upper limit (size)	N$ 2500, for Working Capital & N$4500 for Assets
Lower limit (size)	N$ 200 for both
Average term	6 months
Upper limit (term)	12 months
Lower limit (term)	6 months
processing time for loan (from submission to disbursement)	7 weeks
Processing capacity (no. of loans):	25 per month
Target districts:	Windhoek + 50 KM radius
Target industries/activities Any industries/ activities excluded? Which if YES	Manufacturing 40% Service 30% Retailing & 30% Trade Specify:Transport (taxis) & Shabeens
Collateral requirements (state if hire purchase)	YES; in the form of saving by each group member. Minimum 15% of the value of the loan. No other collateral taken. Group pressure provides social collateral.
Training requirements	YES: Full programme from leadership skills to business management prior to loan (4 weeks) carried out by COSEDA staff.
Links for training	NO: All training by COSEDA staff members
Interest charged (state if tiered)	18% per annum
Target default ratio	20 % for the period of three years.
Default ratio (to date & per annum)	To date: 0% (very new scheme)
Provisions	Type % Fund Default Up to 20% (not set as yet)
% loans restructured	None
How are loans restructured	Not applicable
Credit database used	Not disclosed
Is there a target date to be self -financing?	Not yet formulated
Cost base as a % of Fund	102% per annum
Capacity Utilisation	38%
Interest rate required to cover cost base	Not at present.
Plans to change interest charged?	YES: May 1996 (19 % per annum)

Origin of Fund: (e.g. Bank or donor- specify)	Donor agencies such as Catholic Relief Services, HIVOS and Oxfam Canada.
Duration of funding :	3 years (1998).
Nature of control/ co-ordination with Donor:	Group reports. Audited accounts and reports. Annual meeting.
Monitoring of borrowers	Every 4 weeks by Loan Officers.

ELCIN / NNRCCI / FNB - (Credit Guarantee Scheme, Oshakati)

The three institutions run the "Credit Guarantee Scheme" in the Ovambo district in northern Namibia. The scheme was introduced following a study by the NNCCI, and began operations in June 1993. The loan capital was supplied by Finchurchaid and Swedco (now SIDA) of N$250,000 each. The fund is now worth N$651,000 as a result of interest income gained by placing the capital with First National Bank in Oshakati. First national Bank is responsible for checking loan details, and the ITC for previous records of default. The bank also handles repayments. The donors stipulated full or partial repayment of the capital, and the scheme is due to be reviewed in 1996. The fund is audited annually, in accordance with a donor stipulation.

The Scheme is implemented at client level by business officers from the NNRCCI and ELCIN. The officers scrutinise business applications and analyse market potential, as well as risk. The applications are subsequently forwarded to a committee, which includes local business people and the partner, First National Bank in Oshakati. The meetings have recently become infrequent, and as up to 10 people are involved in the process, co-ordination can sometimes be difficult. The scheme charges market related rates of interest (Prime +4%).

The fund targets small enterprises of between 3 to 10 workers. Locally this equates to smaller medium sized enterprises. The main financial stipulation is an own contribution which is deposited at First National bank, and which acts as informal collateral. This is for 20% of the value of the loan. This restricts many entrepreneurs who cannot forward such a deposit, especially as it cannot be accessed until repayment of the loan. All applicants must be earning some form of regular income, which means in effect that the fund targets those with existing businesses (83% of lending). Loans are given for between N$10,000 and N$ 50,000. The fund aims to lend to manufacturing enterprises as its first priority. It is clear this has not been achieved, partially because of a trade and service concentration within the Oshakati area. The industry split is as follows:

11% Manufacturing
42% Trade
42% Service
5% Agro-industry

Start-ups: 17%
Expansions: 83%

The fund has experienced problems in terms of disbursing loans. Although 76% of the fund has been allocated, there have been problems involved in the weight of training needs and monitoring. The fund makes training and literacy a prerequisite for loan approval in order to complete the mandatory business plan. The fund experienced particular difficulties in screening applicants on the basis of their business proposals. The fund disbursed loans in cash initially. This led to a misappropriation of funds, and default in 2 loan cases. The policy has been amended, so that loans are mainly now disbursed in the form of vouchers or materials. It was also stated that the fund has faced problems in local people's perception of credit, viewing credit more as a grant than a loan. These factors have led to a default rate of around 27%.

Loan disbursement to date has mainly been to men (93%), for reasons not stated. The fund has disbursed a low number, but high value of loans, and underutilises its capacity., with only 10% being effectively used. Similarly in monitoring clients, the ELCIN representative felt that more co-ordination would ensure a more regular evaluation process than at present. With the current cost structures, which are very high, an estimate of 50% interest

would have to be initiated to cover costs, in the representative's view. This can be seen from the average loan size and period the fund has for loan terms which are very long, and loan sizes which are large compared to the overall capital base. For First National Bank as administrator of the fund, the costs are small and the risk minimal, owing to the guarantee capital deposited. In view of the operational and co-ordination problems encountered by the scheme, the review date in 1996 will be an important date for the development of the Fund.

SUMMARY OF KEY DATA FOR ELCIN / NNRCCI / FNB (Credit Guarantee Scheme)

Area of operation (split urban/rural)	Area: Ovambo and Kunene Urban/Rural: 74% Urban 26% Rural
Size of Fund (state if split) in N$	Total N$ 615,000
% Fund allocated as loans	Allocated: N$ 495,000 (76%)
Average size of loan	N$ 35,000
Upper limit (size)	N$, 50,000
Lower limit (size)	N$ 10,000
Average term	3 years
Upper limit (term)	3 years
Processing time for loan (from submission to disbursement)	18 weeks
Processing capacity (no. of loans):	12 per month
Target industries/activities Any industries/ activities excluded? Which if YES	Manufacturing 11% Service 42% Trade 42% Agro-industry 5% Specify: Shabeens
Collateral requirements (state if hire purchase)	YES; in the form of deposit (20% of loan) with FNB at the bank.
Training requirements	YES: Main emphasis, provided by the scheme (ELCIN and NNRCCI).
Links for training	NNRCCI and IMLT
Interest charged (state if tiered)	Prime + 4% per annum
Target default ratio	20%
Actual Default ratio (to date)	To date: 27%
Provisions	None
% loans restructured	None
How are loans restructured	Not applicable
Credit database used	Yes, by FNB (ITC)
Is there a target date to be self -financing?	No
Cost base as a % of Total Available Capital	49 % per annum
Capacity utilisation	10%
Interest rate required to cover cost base	Estimate of 50% by manager
Plans to change interest charged?	No
Origin of Fund: (e.g. Bank or donor- specify)	Donor agencies: Finchurchaid and Swedco (now SIDA). N$ 250,000 each. N$ 151,000 interest income since 1993.
Duration of funding :	Until 1996
Nature of control/ co-ordination with Donor	Audited accounts and reports. Annual meeting.
Monitoring of borrowers	Irregular.

SUMMARY OF CREDIT DELIVERY SYSTEMS

Area of operation (split urban/rural)	Area: National base Allocated: N$ 800,000 (73%)
Size of Fund (state if split) in N$	Total N$ 1,100,000 N$ 105,000 Namibian Government (1993), N$ 970,000 GTZ (Oct, 1994)
% Fund allocated as loans	
Average size of loan	N$ 21,000
Upper limit (size)	N$ 50,000
Lower limit (size)	N$ 5,000
Average term	Manufacturing 44% 3 years Service 56% 2 years
Upper limit (term)	5 years
Processing time for loan (from submission to disbursement)	Trade 0% 5 weeks
Processing capacity (no. of loans):	12 per month
Target industries/activities	National in local areas (e.g. Manufacturing 11% Service 23% Trade 66%
Target individuals/businesses	Any individual who has been operating a business for at least one year prior to application and screening is undertaken in consultation with local churches who are responsible for local recruitment. Target groups have to be 60% owned and managed by Namibians.
Which if any industries excluded?	Any industrial activities which are not labour intensive.
Collateral requirements (state if hire purchase)	Not applicable as loans are not disbursed. Otherwise the training obligation is seen as collateral. IMLT operate hire purchase agreements.
Training programme	Training is obligatory and payment is expected. So far the scheme has been successful in that defaults are minimal.
Links for training	Training is done by IMLT staff in all cases. Local churches are involved in the selection of participants and in the delivery of training.
Interest charged	12% per annum Prime rate from 3rd year onwards
Target default ratio	The scheme is also dogged by high costs which at present are subsidised in relation to the size of the scheme. Annual costs equal 30% of total loans disbursed.
Default rate (to date of evaluation)	9%
Provisions	Not disclosed
% loans restructured	10%
How are loans restructured?	Extending grace period and reducing the instalment.
Credit database used	Not disclosed.
Is there tangible security?	No collateral is required, but viability of business plans and training is assessed.
Capacity Utilisation	No. It is a pilot scheme.
Cost base as a % of total loans disbursed	28%
Interest rate required to cover cost base	Not disclosed.
Plans to change interest charged?	Under discussion with donors.
Origin of funds (e.g. Bank or donor - specify)	National Government and GTZ
Duration of scheme	Not specified.
Nature of ongoing support	Monitoring and support by IMLT staff.
Monitoring of clients	Monthly reports from IMLT staff.

Institute for Management, Leadership and Training (IMLT) - Windhoek

The capital for the IMLT scheme is organised as a revolving fund. The initial capital came from the Namibian Government (N$ 100,000) in 1993 with subsequent capital from GTZ (N$ 971,000) in October 1994. The scheme is to be piloted as a two year, pilot project, and is under review by GTZ at the time of writing. The scheme operates on a national basis, with headquarters based in Windhoek. Managers in the localities service regional clients, although loans are not extended in all areas of Namibia (e.g. Kavango). IMLT's major focus is that of training, for which the organisation carries out courses for other NGOs, parastatals, and Government ministries, and these activities are seen as the core revolving credit fund as mandatory.

The first step in securing credit is to undergo training. Application forms are assessed, and selected entrepreneurs are invited to attend the training programme. The first week of the training programme is a selection process and based on performance in business games and training exercises. Entrepreneurs who have business ideas in manufacturing and service enterprises, retailing and wholesaling concerns are selected as participants. The assessment has been made that competition the intended business will make. The training programme lasts for around 6 weeks and includes training in marketing, book keeping, costing and pricing; financial forecasting; legal aspects and business planning. The formal screening is done on receipt of a business plan, compiled by the entrepreneur, and an on-site viability study at the intended place of business. Subsequently a Central Management Committee approves or rejects the business plan. The Central Management Committee is composed of representatives from commercial banks, the MTI, IMLT, NDC, FSE, and NNCCI.

Those entrepreneurs to whom loans are disbursed are closely assisted by the IMLT in running of their business. Loans for particular assets are disbursed in the form of cheques to suppliers, with a hire purchase agreement with the IMLT. Other forms of collateral are taken where possible, but if collateral is not available, the IMLT takes the training course attendance as a proxy for collateral. An own contribution of up to 15% is taken upon discretion. The Fund provides subsidised credit to SSEs on a gradual scale from prime +2% in the first year of the loan to Prime rate in the third year. The average term for the fund is 3 years, meaning most loans are subsidised. The Fund aims to provide loans from N$ 5000 to N$ 50,000 providing capital for small to medium enterprises. The average size of loan is N$ 21,000, and mainly for expansion capital rather than start up operations (amounts not disclosed). The IMLT's exposure to industrial sectors is as follows:

Manufacturing	60%
Service	10%
Trade	30%

The IMLT operate in many areas of Namibia, and attempts to visit clients once per quarter. The costs of doing so are high, and the process time consuming. Where possible the IMLT visit the clients themselves, and where not possible, other regional managers visit clients. The advantage of reducing costs, but the disadvantage of having less contact with the client borrowers. The IMLT have a relatively low capacity utilisation (29%) which reflects lengthy training, approval and disbursement periods. These delays also were indicated by the director, in co-ordinating the activities of local managers with that of the headquarters, and decentralisation was suggested as a possible solution.

The Fund has not been operating for a long period of time at its current size, and the indicated default rate of 5% could rise in the future (it was suggested as being potentially higher by a recent GTZ study). The fund operates with the central specialisation of the IMLT - training - as its focus and main tool of selection which has implications for the high administrative costs of the scheme. The future of the Fund is uncertain (owing to the current review by GTZ and the Namibian Government) but the ongoing specialisation in training by the IMLT offers potentially lucrative training possibilities for other credit providers in the future.

Credit Union League of Namibia (CULN)

The Credit Union League of Namibia (CULN) is a co-operative organisation which has been operating since 1992. The CULN is a co-ordinating body for credit unions in Namibia, and has been established with the assistance of the Canadian Co-operative Association (CCA). The CULN has been established to provide training, supervision and support to credit unions in Namibia. The CULN has been established with the assistance of the Canadian Co-operative Association (CCA). The CULN has been established to provide training, supervision and support to credit unions in Namibia.

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is in the form of two CISP credit experts assigned to the project. Originally the project targeted particular enterprises for lending, but owing to their collapse, the capital is open to distribution in the form of loans to member church projects. The credit component of the project is assessed in this study, and as training is a crucial element of the project, figures calculated here include some of the costs of training. These factors should be taken into account in the presentation of material on CISP.

The scheme works very closely with a limited number of projects (9 in all), providing them with high quality training and evaluation assistance. All enterprises are income generating projects, employing from 3 to 17 individuals. The portfolio has the following industry exposure and financing exposure:

Manufacturing	44%	100% Existing businesses
Service	56%	0% Start up
Trade	0%	

The scheme is heavily subsidised as no interest is charged on disbursed loans. This approach is allied to the aims of the project, i.e. to also provide training, with a source of capital for loans. Only groups linked to local churches can gain access to credit, and such groups have to have been operating for at least one year prior to application. Disbursement and screening is undertaken in conjunction with local churches who are responsible for repayment collection. In effect the project is providing capital and training resources for local churches, who subsequently lend to particular groups. CISP does not expect repayment directly, as repaid capital is donated to the local churches for further future lending.

Although no interest is charged, loan repayment is expected. So far the scheme has given nine loans, two of which were in danger of default, and rescheduled. In one case the typical grace period of up to six months was extended to one year. Such data suggest that without the high level of input of monitoring and evaluation, the scheme would have serious operational problems. However, the training component will serve the scheme well. When the CISP personnel depart from the project in 1996, the future of the project must be called into question, considering the problems of credit experience on the local church level.

The scheme is also dogged by high costs, which at present are subsidised in relation to the size of the scheme. Annual costs equal 267% of total loan capital, which is clearly unsustainable. The scheme carries out its own training and subcontracts training services to the IMLT (in northern Namibia) and the NNCCI (in southern Namibia) owing to the shortage of available personnel. The provision of capital, advice and training are without charge to the client.

No collateral is required, but verification of business plans and training is required. The scheme stipulated some form of capital contribution, but has modified its policies as the majority of enterprises were unable to meet this requirement. The decision making process is relatively clear: local churches put forward projects to be funded, and the CISP screen the applications for those most suitable. Some 15 individuals are involved in the loan process on a national level. There are 3 key personnel involved in processing applications. The scheme has a low capacity usage of 25% but this is due to its primary focus on training of specific clients and the limited capital for the scheme. The length of time to process applications is high on account of the training given and the concentration on relatively few clients. It is not known how the system will operate after the departure of the CISP credit specialists in 1996, and such uncertainty could pose a further threat to the project.

The majority of loans have been disbursed in regions which are often considerable distances apart (e.g. Keetmanshoop and Rundu), making co-ordination difficult and costly to administer. Such problems put greater stress upon the project finances, which at present rely on a substantial level of donor support for survival. The effect of the withdrawal of foreign expertise will also affect the project and funded enterprises .

The duration of the project in phase 1 is 1.5 years, and possibly in the second phase the same period. CISP is also planning to start up another project with the Ministry of Basic Education with a three year time horizon (from 1996). The project will establish a fund which will offer credit at interest rates above prime rate. The details of the scheme are not yet finalised.

SUMMARY OF KEY DATA FOR CISP

Area of operation (split urban/rural)	Area: Selected projects nationally - Oniipa; Windhoek, Gibeon, Odibo, Keetmannshoop, Kalkrand, and Rundu. Urban/Rural: 57% Urban 43% Rural
Size of Fund (state if split) in N$	N$ 90,000 - Phase 1
% Fund allocated as loans	Allocated: N$ 90,000 (100% - Phase 1)
Average size of loan	N$ 10,000
Upper limit (size)	N$ 15,000
Lower limit (size)	N$ 7,500
Average term	1.5 years
Upper limit (term)	2 years
Processing time for loan (from submission to disbursement)	10 weeks
Processing capacity (no. of loans):	2-3 per month
Target industries/activities Any industries/ activities excluded? Which if YES	Manufacturing 44% Service & 56% Trade Specify: Start up operations Agriculture and Agro Industry
Collateral requirements (state if hire purchase)	None
Training requirements	Mandatory - provided by CISP, IMLT and NNCCI. On site by CISP staff on a regular basis.
Links for training	IMLT, NNCCI.
Interest charged (state if tiered)	0% - no interest charge.
Target default ratio	Sub 20%
Actual Default ratio (to date)	To date: 1%
Provisions	None
% loans restructured	15%
How are loans restructured	Extending grace period
Credit database used	No
Is there a target date to be self -financing?	No
Cost base as a % of Fund[3]	267%
Capacity Utilisation[4]	25%
Interest rate required to cover cost base	Not disclosed
Plans to change interest charged?	No
Origin of Fund: (e.g. Bank or donor- specify)	Donor agency: Italian Government (90,000 in 1995 and perhaps in 1996).
Duration of funding :	Phase 1 until 1996, Phase 2 perhaps

[3] The Project provides in depth training for its clients, and no split of costs were available at the time of writing. The high level of costs is mainly attributable to the training component of the scheme.
[4] The Project primarily focuses on training with a limited number of groups. The analysis of this ratio should therefore take this into consideration.

SUMMARY OF KEY DATA FOR LISIKAMENA (SSE FUND)

Area of operations (split urban / rural)	Area: Selected projects nationally Rundu: 42%
Nature of control / co-ordination with private sector	Lisikamena is a revolving fund set up with funds from Care Austria. The fund was set up with the co-operation of the NNCCI (and locally the KRCCI), and training links with the IMLT and Care Austria. The initial value of the fund was N$ 800, 000 in May 1994. The fund has subsequently been enlarged to N$ 1,600,000, but split into 2 sub-funds, the original SSE fund (now N$ 1,200,000), and a subsequent micro-credit and savings fund (N$ 400,000). Care Austria provide assistance in training and management, as well as having representation on the fund's board, which decides on policy, lend control and strategy.
Duration of funding:	
Origin of funds (state if split)	
Any industries/ activities excluded?	
Monitoring of borrowers	Every Month by Fund Manager
Size of Fund (state if split)	Total: N$1,600, 000 Split: SSE: N$ 1,200, 000 Micro credit: N$ 400,000 (initially)
% Fund allocated as loans	97% SSE Fund - N$ 951,000 Pending: New start up of micro credit sub-fund
Average size of loan	N$ 15,000
Upper limit (size)	N$ 20,000
Lower limit (size)	N$ 1,000
Average Term	2.5 years
Upper limit (term)	
Processing Time for loan (from submission to disbursement)	2 weeks
Target group	Trade and Industry. The emphasis is on small and medium size enterprises in terms of capital allocation.
Target clientele	Any industry, although preference is given to productive activities.
Which if YES?	Specify: Agriculture; Alcohol Shops restricted.
Other criteria	Strict references taken.
Is there a target date to be self financing?	Yes - 2.5 Years.Cost base analysis: 80% costs
Cost base as a % of Total Available Capital	
Capacity Utilisation	
Interest rate required to cover cost base	
Target defaults rate	
Actual Default ratio (to date)	
Provisions	
% loans restructured	
How are loans restructured	
Credit defaults used	
Cost base as a % of fund	
Capacity Utilisation[4]	
Interest rate required to cover cost base	
Plans to change interest charged	
Origin of funds (e.g. Bank or donor specify)	
Duration of funding	
Links for training	
Interest charged (state if tiered)	
Target default ratio	
Actual Default ratio (to date)	
Provisions	
% loans restructured	
How are loans restructured	
Credit defaults used	
Is there a target date to be self financing?

Training Requirements	Ability to draw up business plan and cash flow projection. If unable to do so, referred to KRCCI / IMLT & Care Austria for training. Training is separately undertaken from the fund.
Links for training?	KRCCI / IMLT (assistance from Care Austria)
Data system utilised (specify)	Cash flow analysis. Market competition data. Market analysis data.
Interest charged (state if tiered)	Prime rate + 4% (on both SSE loans and Micro credit Scheme)
Target default ratio	To date: 5%
Default ratio (to date)	To date: 10% overall[6]
Provisions	Type: % Fund: Inflation: 10% Default: 5% Other: None.
% loans restructured	12% of value of credit disbursed.
How are most restructured?	Increase term of loan, or reduce the amount.
Credit database used?	Yes - consultation with local banks and NGOs through the Loan Committee, as well as local police.
Is there a target date to be self financing?	Yes - 2.5 years.Cost base analysis: 50% costs covered to date.
Cost base as a % of Total Available Capital	9% annually
Capacity utilisation	81%
Interest rate required to cover cost base	Present level dependent on disbursement rate
Plans to change interest charged?	Upon completion of 2.5 year target.
Origin of Fund: (e.g. Bank or donor - specify)	Donor Care Austria. Partner NNCCI and KRCCI (locally).
Duration of funding:	Review in 1996
Nature of control / co-ordination with Donor	Care Austria to provide direct training, data systems and policy strategy to Fund. Separate training co-ordination from Care Austria.
Monitoring of borrowers	Every Month by Fund Manager

Namibia Development Corporation (NDC) - Windhoek

The NDC has several credit facilities available for a wide variety of entrepreneurs. The schemes particularly pertinent to this study are the Small Scale Enterprise Scheme (from N$ 10,001 to N$ 200,000) and the Mini Loan Scheme (from N$ 1,000 to N$ 10,000). The NDC is the successor to the previous First National development Corporation (FNDC) which ceased operations in 1993. The NDC is chiefly development-oriented in its objectives whilst its subsidiary AMCOM operates a wide variety of commercial concerns which had been directly managed by the former FNDC. The NDC also operates a series of joint ventures through its subsidiary Amcom. The main sources of capital for the NDC derive from the FNDC reserves as well as inputs from the Namibian Government through the Ministry of Trade and Industry. The Government also holds a majority equity stake in the NDC making it a parastatal. The total loan capital available for SSE loans is around N$ 5,000,000. Of this capital NDC has disbursed N$ 3,000,000 in loans in the above two schemes making it by far the largest semi-formal lender to the sector in Namibia. The NDC aims to target a very wide client group over very large distances. However its primary focus is on larger small to medium size enterprises in terms of capital allocation within these two schemes.

Most lending within the two schemes is collateralised, often with a "hire purchase" style clause, and requires an own contribution of around 20%. Training is referred to the IMLT

[6] The Default rate was given at the time of interview at 2% with amendment subsequently to 10%.

on an as needed basis. The SSE loan scheme requires the submission of a business plan whilst the Mini Loan scheme does not. The application process is lengthy, taking an average of 7 weeks which involves a Pre-assessment Committee and subsequently a Management Committee which approves or rejects applications. Furthermore, the schemes have a low capacity utilisation rate of 49% suggesting more efficient structures could be adopted. The policy of the NDC is to target the manufacturing sector and start up operations, which is reflected in the loan portfolio's industry exposure:

Manufacturing	65%	Start up capital:	70%
Service & Trade	35%	Expansion capital	30%

The schemes operate with a default rate of around 27%, which is higher for the Mini Loan Scheme. The SSE portfolios are exposed to high risk areas, especially start up capital, and the NDC uses stringent market appraisal techniques to screen applications. The NDC has a high absolute cost base which equals 21% of its total loan capital on an annual basis, of which around 50% is covered through interest income. NDC has the advantage of considerable economies of scale owing to the large size of its SSE portfolios. Interest charges vary between prime -4% for manufacturing concerns and prime +3% for service companies. This interest structure does not favour the SSE funds, owing to their high weightings in the manufacturing sector (see above). The subsidisation reflects current Government policy with regard to small enterprise credit and evens out with the larger company loans disbursed by the NDC.

The role of the NDC as a provider of credit to the SSE sector comprises a portion of its overall business. However its position is important in terms of co-ordinating the Joint Consultative Committee, the only form of co-operation amongst SSE credit organisations. Its SSE portfolios are to be developed to encompass a specialist SSE start up fund in 1996.

SUMMARY OF KEY DATA FOR NDC

Area of operations (split urban/rural)	Areas: Nation-wide but offices in : Windhoek, Oshakati, Katima, Rundu, Otjiwarongo, Walvis Bay, Keetmanshoop. Urban/Rural: Rural 60% Urban 40%.
Size of Fund (state if split) in N$	Total: N$ 5,000,000
% Fund allocated as loans	Allocated: N$ 3,000,000 (60%):
Average size of loan	N$ 41,000 (SSE loans); N$ 6,000 (Mini loans)
Upper limit (size).	N$ 200,000 (SSE loans) ; N$ 10,000 (Mini loans).
Lower limit (size)	N$ 10,001 (SSE loans); N$ 1,000 (Mini loans)
Average term	2 years (SSE loans); 1 year (Mini loans).
Upper limit (term)	3 years (SSE loans); 2 years (Mini loans).
Processing time for loan (from submission to disbursement)	7 weeks.
Processing capacity (no. of loans):	12 - 14 per month.
Target industries/activities Any industries/ activities excluded? Which if YES	Manufacturing 65% Service & 35% Trade Specify: Taxis and shabeens. Take over deals.
Collateral requirements (state if hire purchase)	Collateral is taken in most cases. Hire purchase arrangements used.
Training requirements	Only on an as needed basis (from IMLT).
Links for training	YES: Training often contracted to IMLT.
Interest charged (state if tiered)	Varies by industry: Manufacturing prime -4% to Service prime + 3%.
Target default ratio	25%
Default ratio (to date & per annum	27%

Provisions	Uncertain which portion of N$ 15,101,000 provision for 1994 is related to SSE schemes. Total provisioning = 38% of business loans.
% loans restructured	10%
How are loans restructured	Allow more time; check loan workings or advise.
Credit database used	YES: ITC and other NGOs.
Is there a target date to be self -financing?	No
Cost base as a % of Total Available Capital	21% per annum.
Capacity Utilisation	49%
Interest rate required to cover cost base	Not disclosed.
Plans to change interest charged?	YES: Normalise interest charges at prime rate for all industries except service.
Origin of Fund: (e.g. Bank or donor- specify)	Namibian Government; former FNDC reserves and subsidiary / affiliate profits.
Duration of funding :	No limit.
Nature of control/ co-ordination with Donor	Audited accounts and reports.
Monitoring of borrowers	Monthly if possible at offices or in field.

Namibia Rural Development Project (NRDP) - Windhoek

The NRDP focuses on the agricultural sector, and as one of its components it provides credit to a small number of projects. It should therefore be recognised that the main focus of the project is not credit. The capital for scheme is organised as a revolving fund which originally came from FEF, NORAD, MISERIOS and Canamco. The total budget for the NRDP is around N$ 400,000 of which 30% (N$ 120,000) is reserved for credit. In addition to credit the fund also gives grants. Most lending is to existing groups or projects all situated in rural areas (Okakarara, Epukiro, Otjinene and Witvlie), and all are related to agriculture or agro-industry. So far the scheme has disbursed 3 loans, with an average value of N$ 40,000. Most group members were previously unemployed and the scheme maintains an even gender balance. All groups have electives who are responsible for collecting repayments, and the minimum size is five.

The fund lends mainly in the form of assets and assigns volunteers to monitor, advise and evaluate projects. In this way the scheme has had a very low level of default (4%) since its inception in 1991. All applicants submit a business plan which is approved or rejected by the NRDP's Secretariat (consisting of 3 people) and the Board of Advisors. The fund is exposed to horticulture as well as rurally based bakeries, handicrafts and sewing. 99% of the fund can be termed as "agro-industry". Most groups loans have been in the form of expansion capital, and the level of start up operations is very low (6%). Loan sizes can vary between N$ 5000 to N$ 100,000 reflecting a wide target group ranging from individual small entrepreneurs to large integrated group projects. The NRDP heavily subsidises its interest charges (9% only) in addition to providing the ultimate subsidy in the form of grants. The NRDP targets the poorest rural people who are often below the food security line, helping particularly women and young people to develop some form of secure and expanding income. Other elements of the project provide training expertise on an ongoing basis.

The fund suffers from a high cost (55% of loan capital per annum) structure relative to the proportionately small loan capital available. The NRDP feels the fact that the institution does not have a specified long term donor limits its activities. This is reflected by the 100% allocation of available funds, and the low capacity utilisation figures (25%). The prospect of future allocations is probably dependent on total capital repayment, and speeding up the application process which can take up to 36 weeks. The fund is clearly too small to meet the demands of its intended target groups.

SUMMARY OF KEY DATA FOR NRDP

Area of operation (split urban/rural)	Areas: Okakarara, Epukiro, Otjnene and Witvlie Urban/Rural :100% Rural
Size of Fund (state if split) in N$	Total: N$ 120,000 (30% of total Project budget)
% Fund allocated as loans	N$ 120,000 (100%)
Average size of loan	N$ 40,000
Upper limit (size)	N$ 70,000
Lower limit (size)	N$ 5,000
Average term	1 year
Upper limit (term)	1 year
Processing time for loan (from submission to disbursement)	Up to 36 months
Processing capacity (no. of loans):	12 per year
Target industries/activities Any industries/ activities excluded? (SPECIFY)	Agricultural production and Agro-industry 99% (Includes handicrafts; bakery and sewing) Service 1% Specify: Only industries in rural areas.
Collateral requirements (state if hire purchase)	None. Group pressure provides "social collateral". Hire purchase agreements used.
Training requirements	None.
Links for training	Training provided by volunteers who are attached to respective projects.
Interest charged (state if tiered)	9%
Target default ratio	Under 10%
Default ratio (to date & per annum	4%
Provisions	None.
% loans restructured	None.
How are loans restructured	Not applicable.
Credit database used	Not disclosed.
Is there a target date to be self -financing?	No.
Capacity utilisation	25%
Cost base as a % of Total Available Capital	55% annually.
Interest rate required to cover cost base	Not disclosed.
Plans to change interest charged?	No.
Origin of Fund: (e.g. Bank or donor- specify)	FSF, NORAD, MISERIOS & Canamco.
Duration of funding :	No limit set.
Nature of control/ co-ordination with Donor	NRDP loans mainly in the form of assets. Regular reports and annual meetings.
Monitoring of borrowers	By Volunteers attached to projects on a regular basis.

Namibia Women's Association (Nawa) - Windhoek

NAWA is included in the profiles owing to its small size and important experiences in disbursing credit to female hawkers in Katutura, Keetmanshoop and the Rehoboth area. The capital (N$ 5000) was organised as a revolving fund, and was donated by the UNDP. The scheme operated for four years and was suspended in 1994 owing to a shortage of staff, poor repayment and problems with training.

The scheme gave loans to female members of NAWA who were mainly hawkers or part of a micro-enterprise group. The scheme lent very small amounts (up to N$ 100) for short periods of up to 6 months. All recipients were referred to PSF for mandatory training prior to approval or rejection by NAWA's chairperson on the basis of a submitted business plan. The scheme gave very loose repayment terms, most of which constrained the disbursement

of further loans due to non-payment. The scheme had a very high default rate (90%) which the chair person argued was due to a shortage of staff available to monitor loans, and the suspension of access to training services.

The scheme suffered from the low value of the loan capital, the loose structure of repayment terms and inadequate monitoring capacity. In terms of cost, the scheme benefited from voluntary services of its staff, but the accumulated administrative costs were very high in relation to potential loan capital which was heavily eroded by almost universal non-payment. The scheme was also bound by the heavy pressure on PSF staff for training within their own organisation, which prevented PSF offering training to further NAWA applicants.

SUMMARY OF KEY DATA FOR NAWA

Area of operation (split urban/rural)	Area: Katutura, Keetmanshoop and Schipp in Rehoboth Urban/Rural : 50% Rural 50% Urban
Size of Fund (state if split) in N$	Total: N$ 5000
% Fund allocated as loans	N$ 2000 (40%)
Average size of loan	N$ 100
Upper limit (size)	N$ 100
Lower limit (size)	N$ 30
Average term	Irregular - most did not repay.
Upper limit (term)	Not set.
Processing time for loan (from submission to disbursement)	Irregular, but up to 27 weeks.
Processing capacity (no. of loans):	Loans were given on an irregular basis. The size of the fund heavily constrained disbursement. 20 were given in all.
Target industries/activities Any industries/ activities excluded? Which if YES	Trade 90% Service 10% (most female hawkers) Specify: None.
Collateral requirements (state if hire purchase)	None
Training requirements	YES: training provided by PSF.
Links for training	YES: All training provided by PSF.
Interest charged (state if tiered)	10%
Target default ratio	Not disclosed.
Default ratio (to date & per annum	80% to closure.
Provisions	None
% loans restructured	Not disclosed
How are loans restructured	Not applicable.
Credit database used	No
Is there a target date to be self -financing?	UNICEF suspended the whole scheme in 1994.
Cost base as a % of Fund	100%
Capacity Utilisation	Not applicable as irregular loans.
Interest rate required to cover cost base	Not disclosed
Plans to change interest charged?	UNDP suspended the whole scheme in 1994.
Origin of Fund: (e.g. Bank or donor- specify)	UNDP
Duration of funding :	4 years (closed 1994).
Nature of control/ co-ordination with Donor	Reports and annual meetings.
Monitoring of borrowers	Irregular - contact by telephone and visits by the chairperson and the organiser.

Private Sector Foundation (PSF) - Windhoek

The PSF is one of the most well-established institutions offering credit to small entrepreneurs in Namibia. It ran several schemes prior to Independence which lent on a micro level to women (including the "Get Up!" scheme) and another which lent up to N$ 2500 to entrepreneurs. Both schemes unfortunately suffered poor repayment rates partially due to Independence, and were closed. The current scheme run by PSF is part of a tripartite revolving credit facility initiated by the Ministry of Trade and Industry and GTZ. PSF specialises in micro-credit as part of the scheme lending levels of up to N$ 500, and N$1500 during subsequent loans, whilst other member organisations (IMLT and previously the NNCCI) give larger loans. PSF also relies on other donor support such as from the ODA. PSF is unusual in that it also receives revenue locally in Namibia from its members which are composed of prominent businessmen and companies. The cornerstone of PSF's approach is an emphasis on training. PSF offers a wide range of courses in many facets of business for both the untrained and experienced entrepreneur. For potential borrowers training is mandatory to gain access to credit.

PSF targets very small enterprises from hawkers up to businesses employing two workers which is reflected in the average loan size of only N$ 490. Training is given to prospective clients (for which they are charged a nominal fee) who submit a business plan as part of the application for a loan. The ability of the entrepreneurs is assessed during training and for a period of 3 weeks after training and those of sufficient calibre are put forward to the Credit Committee. The committee is composed of other NGOs, the Ministry of Trade and Industry and a representative from the commercial banks. A maximum first loan of N$ 500 is given for a period of up to one year after which entrepreneurs can apply for up to N$ 1500 over a period of three years. The interest charged follows the same level as IMLT, with the loan subsidised at 2% below prime rate in the first year graduating to prime rate in the third year. Businesses are given a maximum period of 2 months as a grace period dependent on the needs of the business.

By the nature of the target group, often little collateral is available, and security is taken by the attendance of training programmes. Loans are disbursed in the form of cheques or letters of credit and repayments are made at the offices of the organisation. The fund does not target any particular industries or industrial sector as a percentage of lending, but exposure to start up operations is relatively high. Agriculture, taxis and shabeens are the industries which PSF does not lend to. The director indicated the broad industry exposure was as follows:

Manufacturing (33%) Service (33%) Trade (33%)

The PSF aims to cover as much of the country as possible. It has offices in Katutura (Windhoek) , Ongwendiva (serving the Oshikoto, Ohangwena, Oshana and Omusall regions), Mariental and Keetmanshoop. Other areas of the country are served on an *ad hoc* basis as the need arises. Relative to total loan capital costs associated with credit provision are 50% per annum[7], with those related to training provision separated. Capacity utilisation is high compared to other funds at 86% and the absolute numbers of loans are large at 480. The level of default for the fund is around 30%, which is good considering the absence of collateral backing. The scheme also lends to groups of entrepreneurs on a restricted basis, and uses its extensive contacts in the communities in which it operates to reduce the risk of lending to potential defaulters.

SUMMARY OF KEY DATA FOR PSF

Area of operations (split urban/rural)	Area: Katutura/ Ongwendiva / Omusati / Oshikoto / Oshikuku/ Coast and Mariental Urban/Rural: Not disclosed.

[7] Please note that costs associated with the provision of credit for FSF were restated at N$ 250,000 after the survey took place.

Size of Fund (state if split) in N$	Total: N$ 400,000
% Fund allocated as loans	Allocated: N$ 230,000 (58%):
Average size of loan	N$ 490
Upper limit (size)	N$ 500 1st loan; N$ 1500 limit.
Lower limit (size)	N$ 50
Average term	1.5 years
Upper limit (term)	1 year initially, up to three years by follow on loans.
Processing time for loan (from submission to disbursement)	4 weeks.
Processing capacity (no. of loans):	34.5[8] per month.
Target industries/activities Any industries/ activities excluded? Which if YES	Manufacturing 33% Service 33% Trade 33% Specify: Agriculture, taxis and shabeens
Collateral requirements (state if hire purchase)	None
Training requirements	Yes; small business training mandatory from ability to draw up elementary business plan, costs and pricing to cash flow projections. All given by PSF staff.
Links for training	NO: All training by PSF staff.
Interest charged (state if tiered)	Prime -2% 1st year Prime -1 % 2nd year Prime rate from 3rd year onwards
Target default ratio	Not disclosed.
Default ratio (to date & per annum	30% (or 70% repayment)
Provisions	None
% loans restructured	25%
How are loans restructured	Extension of time
Credit database used	Not disclosed.
Is there a target date to be self -financing?	YES: but aim to cover 50% of costs as soon as possible, aim 2 to 5 years.
Cost base as a % of Total Loan Fund	50% per annum.[9]
Capacity Utilisation	86%[10]
Interest rate required to cover cost base	Not disclosed.
Plans to change interest charged?	YES - would like to do so but restricted by Government policies.
Origin of Fund: (e.g. Bank or donor- specify)	Namibian government and other donors (GTZ but others not disclosed)
Duration of funding :	2 years
Nature of control/ co-ordination with Donor	Not disclosed.
Monitoring of borrowers	Once per month by PSF field officers / trainers.

[8] PSF originally stated the loan capacity per month at 70. This was changed to 34.5 (414 during 1995) due to extreme variation in the level of staffing. This change has had a significant effect on the capacity utilisation ratio.

[9] PSF disclosed the figures incorporated into this final report subsequent to the draft copy (N$ 250,000 per annum). Costs were originally disclosed as N$ 1,500,000 per annum at the time of interview.

[10] The capacity utilisation ratio has changed from 57% due to further disclosure outlined above.