

## ECB E-RED & CENORED FUNDING POLICY

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**Preambles:** In line with government policies, the Namibian Electricity Industry is currently undergoing fundamental changes especially on the electricity distribution sector. In May 2004, the Ministry of Mines and Energy -MME officially outsourced the process of electricity distribution reforms to the Electricity Control Board - ECB with the view to speed up the creation of various RED Companies.

### Responsibility


The creation of E-RED & CENORED companies has reached an advanced stage whereby adequate capitalisation of these REDs needs serious intervention. ECB identified lack of financial capacity and inadequate business financing expertise in especially the smaller local authorities to fully finance their RED equity shareholding. Therefore, this policy has been compiled to procedurally guide and support the RED equity funding application process to ensure that July 2005 operationalisation deadlines are realised.

All Local Authority and Regional Councils RED shareholders have been grouped into the following Categories as per ECB definition:

- **Category 1 Municipalities;** which includes City of Windhoek, Walvisbay and Swakopmund.
- **Category 2 Municipalities;** which includes Tsumeb, Grootfontein, Otjiwarongo, Henties Bay
- **Smaller shareholders and Regional Councils;** Outjo, Otavi, Khorixas, Uis, Arandis, Usakos, Karibib, Omaruru, Kamanjab and Okakarara

General Manager:  
Economic Regulations/  
Financial Analyst

### Funding Parameters as Categorized by ECB

 **PUPOSE OF FUNDING:** Financial assistance (not a loan) for equity shareholding in RED Companies.

Categories Of Qualifying Red Shareholders	Approved Funding Parameters (% of required funding)
Category 1 Municipalities (LA's)	0%
Category 2 Municipalities (LA's)	40 – 60%
Category 3 (Smaller Shareholders) and Regional councils	60 – 100%

Financial Analyst

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### I. SMALLER SHARE HOLDERS CURRENT FUNDING NEED

General Manager:  
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CENORED Smaller s/holders	
Shareholder	Outstanding amount
Otjozondjupa R/C	265,795
Khorixas T/C	115,178
Okakarara T/C	70,689
Otavi V/C	36,411
Kamanjab V/C	29,535
Kunene R/C	19,345
<b>Total</b>	<b>N\$ 536,953</b>

E-RED Smaller shareholders	
Shareholder	Outstanding amount
Mun of Omaruru	250,000
Mun of Arandis	262,499
Mun of Karibib	262,499
Mun of Usakos	217,499
Uis VC	120,000
Erongo RC	-
<b>Total</b>	<b>N\$ 1,112,496</b>

**TOTAL FUNDING NEEDED: N\$ 1,649,449**

### II. FUNDING APPLICATION PROCEDURES FOR APPLICANTS (RED SHAREHOLDERS)

- The following procedures must be followed by all applicants for funding consideration:
  - An application in writing must be submitted to the ECB through the CEO
  - Purpose and amount needed must be clearly stated
  - Indicate if the requested amount was included in 2005/6 Budget

Financial Analyst

### III. FUNDING REQUIREMENTS:

- Applicant must be a shareholder in upcoming RED companies, preferably through statutory right;
- Applicant must be an active participant of both shareholders and technical committee meetings,
- Applicant must be confirmed as a regular contributor of the required c/kwh as agreed on technical level, as the initial RED contribution process.

General Manager:  
Economic Regulations/  
Financial Analyst

### IV. APPROVAL OF FUNDING

- The CEO will be responsible to recommend any funding as per funding parameters to the board for approval. The Board decision is final and no negotiations would be entertained.

CEO  
Board of Directors

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### V. FUNDING AGREEMENTS

Legal Advisor/ Executive  
Secretary to the Board

- The legal advisor will inform all applicants of the outcome of the Board, and will ensure that approved funds are transferred to respective REDs.