

# NAMIBIAN GOVERNMENT BONDS



## WHAT ARE GOVERNMENT SECURITIES?

- Government debt securities are essentially known as IOU (I Owe You) declarations (or debt instruments) issued by the Government in terms of the State Finance Act of 1991. Namibian Securities are issued in the form of **Treasury Bills** (TB'S) and **Internal Resisted Stock** (IRS).
- **IRS** are also commonly known as "**GOVERNMENT BONDS**" and are capital market instruments issued for longer maturities i.e., for a period exceeding 12 months and pay interest (coupon) half-yearly.
- Bonds are listed on the Namibian Stock Exchange (NSX) where secondary trading can take place.
- The **Bank of Namibia** acts as an agent for the Government for the issuance and redemption of IRS and maintains an electronic register that records details of each stockholder, and the amount of stock held by each holder.

## WHY DO GOVERNMENTS ISSUE SECURITIES?

- The Namibian Government, like any other government, finances its operations largely through taxation and levies.



- In cases where revenue received from taxation and levies is lower than the planned expenditure, the government finances the difference (that is, the deficit) mainly through borrowing by issuing government securities.
- Government securities are therefore a major means of financing Government deficits, primarily issued for financing part of government expenditure.

## BONDS ON OFFER

- Currently the Government of the Republic of Namibia has ten active fixed-rate bonds and three inflation-linked bonds, namely the GC23, GC27, GC30, GC32, GC35, GC37, GC40, GC43, GC45 and GC50 as well as the GI29, GI33 and GI36, maturing in 2023, 2027, 2030, 2032, 2035, 2037, 2040, 2043, 2045 and 2029, 2033 and 2036, respectively. The table below provides more details about these bonds.
- The Government may however issue new bonds from time to time depending on the magnitude of the funding requirements and in consultation with the market.

BOND	COUPON RATE	FIRST ISSUE DATE	COUPON DATES	BENCHMARK BOND	DUE DATE
GC23	8.85	21-Jun-18	15 April, 15 October	R2023	15-Oct-23
GC25	8.50	01-Aug-13	15 April, 15 October	R186	15-Apr-25
GC26	8.50	22-Jul-20	15 April, 15 October	R186	15-Apr-26
GC27	8.00	14-Jan-11	15 January, 15 July	R186	15-Jan-27
GI27	4.00	03-Jun-21	15 April, 15 October	I2025	15-Oct-27
GI29	4.50	01-Jun-17	15 January, 15 July	I2029	15-Jan-29
GC30	8.00	14-Jan-11	15 January, 15 July	R2030	15-Jan-30
GC32	9.00	01-Aug-13	15 April, 15 October	R213	15-Apr-32
GI33	4.50	28-Jun-18	15 April, 15 October	I2033	15-Apr-33
GC35	9.50	18-Jul-13	15 January, 15 July	R209	15-Jul-35
GI36	4.80	27-Jun-19	15 January, 15 July	I2038	15-Jul-36
GC37	9.50	15-Jul-14	15 January, 15 July	R2037	15-Jul-37
GC40	9.80	15-Jul-14	15 April, 15 October	R214	15-Oct-40
GC43	10.00	20-Jun-19	15 January, 15 July	R2044	15-Jul-43
GC45	9.85	29-Apr-15	15 January, 15 July	R2044	15-Jul-45
GC48	10.00	03-Jun-21	15 April, 15 October	R2047	15-Oct-48
GC50	10.25	06-Jun-19	15 January, 15 July	R2048	15-Jul-50

## BONDS TERMS AND CONDITIONS

- Each bond is offered once a month to the market. Bids for Bonds must be for a minimum of **N\$50,000** and should be tendered in multiples of **N\$10,000**.
- Allotments are made in the ascending order of yields with lowest yields receiving a priority.
- Bonds may trade at **Premium**, at a **Discount** or at **Par**, i.e. the purchase price of the Bond can either be above, below or equal to its nominal value, respectively. For example, a bond with a par value of N\$100,000 is trading at a premium when it can be bought for more than N\$100,000 and is trading at a discount when it can be bought for less than N\$100,000, whereas if it is trading at par, it would be bought for exactly N\$100,000.
- Changes in the price of the bonds occur due to movements in interest rates in the market. When interest rates go up, a bond's market price will fall and vice versa.
- Section (16) (1) (l) of the Namibian Income Tax Act no. 24 of 1981 exempts interest income, received by or accrued to any person (other than a company) or any external company not carrying on business in Namibia, from TBs and IRS issued by the Government or any representative authority or local authority in Namibia. Capital gains are usually not taxable.



## HOW DO I INVEST?

### STEP 1—PARTICIPATE IN THE AUCTION

- Bids for Bonds must be for a minimum of **N\$50 000** and bid amounts should be tendered for in multiples of **N\$10 000**.
- Bids are submitted via the Bloomberg System, via fax: **061 283 5214** or via e-mail: [liquidity@bon.com.na](mailto:liquidity@bon.com.na)
- Tender forms may be obtained from the Bank of Namibia at 71 Robert Mugabe Avenue in Windhoek on each business day, or may be requested via e-mail: [liquidity@bon.com.na](mailto:liquidity@bon.com.na)

### STEP 2—PAY

- Successful bidders are required to provide payment at the Bank of Namibia, not later than 10:00 a.m. on the next business day following the announcement of the allotment on the auction date.
- Payments are made through the client's local bank on their behalf. Bank of Namibia does not receive direct payments from individual clients.



## ADMINISTRATIVE PROCEDURES

- The Bank of Namibia sends out e-mails, places advertisements on the Bloomberg System and the Bank of Namibia website, to officially invite the public to participate in tenders for Government securities.
- Advertisements inviting tenders for government instruments are placed one week prior to the auction date.
- In the event of a default by a client, meaning that a successful bidder is unable to settle his/her amount; the client shall be blacklisted and barred in future participation for a period of six months.

### CONTACT DETAILS

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