

Republic of Namibia

Funding Strategy 2016 - 2019

Outline

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BACKGROUND

Background

- **The 2016 Budget Statement details several fiscal policy adjustments**
 - ✓ to arrest the pace of debt growth
 - ✓ stabilise the increase in debt and debt-servicing costs

- **The Funding Strategy to meet Government financing requirement**
 - ✓ determined based on cost and risk considerations
 - ✓ considered the prevalence of market demand
 - ✓ aims to maintain a sustainable debt portfolio
 - ✓ committed to develop the domestic market
 - ✓ seek to promote efficient and well-functioning markets in the country





HIGHLIGHTS OF 2015/16

Highlights of 2015/16

Domestic

- Demand for domestic government securities wavered substantially
- Government bond yields increased in line with benchmarks
- Recorded a borrowing shortfall of N\$3.2 billion, covered with a private placement
- Total funding raised in the domestic market was N\$9.2 billion

Regional

- Volatility took its toll on the South African financial markets in 2015
- Introduced a 5-year NAM02 on the JSE
- Government raised ZAR1.5 billion on the JSE bond
- Yields on the NAM01 and NAM02 increased



Highlights of 2015/16

Namibia returned to the international markets

- Issued a US\$750 million Eurobond in October 2015
- 10-year bond with a coupon rate of 5.25 percent
- Objective was to raise funding for development budget financing and supporting the country's foreign reserve position
- Significantly increased Government foreign debt
- Established a yield curve in the international capital markets





BORROWING REQUIREMENTS OVER THE MTEF

Summary of Funding Requirements

MTEF 2016-2019	FY2016/17	FY2017/18	FY2018/19	Total
Total Revenue	57,845	63,915	69,816	191,576
Total Expenditure (incl. statutory payments)	-65,996	-69,858	-74,418	-210,272
Budget deficit	-8,151	-5,943	-4,602	-18,696
<i>As % of GDP</i>	<i>-4.3%</i>	<i>-2.7%</i>	<i>-1.8%</i>	<i>-2.9%</i>
Foreign debt repayments	-312	-320	-350	-982
Other adjustments	-224	-1,000	-1,000	-2,224
Net borrowing requirement	-8,688	-7,263	-5,952	-21,902
Foreign Bond issuance (JSE)	1,600	1,500	1,000	4,100
Net Domestic Borrowing	-7,088	-5,763	-4,952	-17,802





BORROWING STRATEGY 2016/17

Borrowing Strategy

- The borrowing requirements over the MTEF add up to N\$23.6 billion
- The borrowing requirement for FY2016/17 is estimated at N\$8.7 billion
 - ✓ N\$1.6 billion will be raised from the South African Markets
 - ✓ The remaining N\$7.1 billion will be funded from the domestic market
- **Treasury Bills**
 - ✓ About 20 percent of the funding will be raised in Treasury bills
 - ✓ N\$1.6 billion will be issued in Treasury bills
- **Bonds**
 - ✓ A total of N\$5.5 billion will be issued in government bonds during FY2016/17
 - ✓ N\$4.0 billion will be in fixed-rate bonds
 - ✓ N\$1.4 billion will be issued in inflation-linked bonds
 - ✓ No new bonds will be introduced during FY2016/17
 - ✓ The GC17, GC18, GC21 and GC24 will not be offered at primary auctions



Borrowing Strategy

- Will commence with Switch auctions for the GC17
 - ✓ First auction in June 2016
 - ✓ As tradition, Treasury will also consider roll-over at maturity
- **Private placements**
 - ✓ Treasury will consider private placements to cover under-subscriptions
 - ✓ Consideration will be done at the mid-term review and at year-end
 - ✓ Subject to the size, special competitive auctions will be considered



Borrowing Strategy 2016/17

Debt Securities	FY2016/17
Borrowing Requirement	8 688
Borrowing Plan	
Treasury Bills	1 628
Fixed-rate Bonds	4 020
Inflation-linked Bonds	1 440
Foreign Bond issuance (JSE)	1 600
Total	8 688



Borrowing Instruments 2016/17

Treasury Bills

TREASURY BILLS	FY2016/17
GT-91	135
GT-182	419
GT-273	738
GT-365	336
Total	1,628

International Bonds

	FY2016/17
JSE Bond	1,600
Eurobond	0
Total	1,600

Government Bonds

BONDS	FY2016/17
GC20	600
GC22	600
GC25	240
GC27	180
GC30	180
GC32	300
GC35	360
GC37	360
GC40	600
GC45	600
ILBs	
GI22	720
GI25	720
Total	5,460



Borrowing Instruments 2016/17

BONDS (N\$ mill)	Annual allocation	Monthly issue
GC20	600	50
GC22	600	50
GC25	240	20
GC27	180	15
GC30	180	15
GC32	300	25
GC35	360	30
GC37	360	30
GC40	600	50
GC45	600	50
GI22	720	60
GI25	720	60





GOVERNMENT DEBT OBLIGATIONS

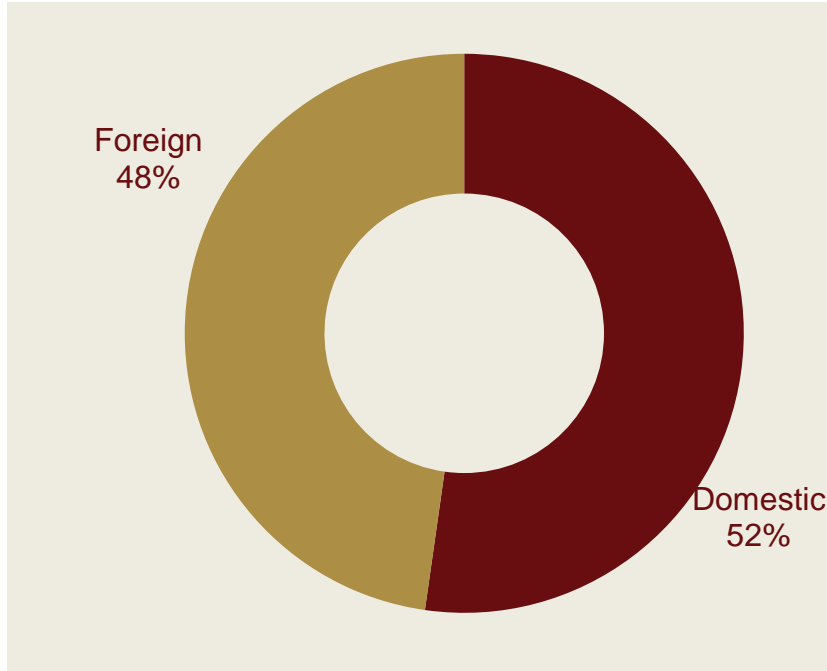
Government Debt Obligations

- The cost of debt servicing will increase significantly in FY2016/17
 - ✓ sizable debt issuance in FY2015/16
 - ✓ currency depreciation
 - ✓ rising interest rates
- Total interest payments for the fiscal year 2016/17 is N\$4.9 billion
 - ✓ N\$2.83 billion of domestic interest payments
 - ✓ N\$2.04 billion for foreign interest payments.
- The cost of refinancing Government debt will increase over the MTEF
 - ✓ N\$19.6 billion (Treasury bills plus the GC17 and GC18) of the local debt stock to be either rolled over or during the MTEF period



Government Debt Composition

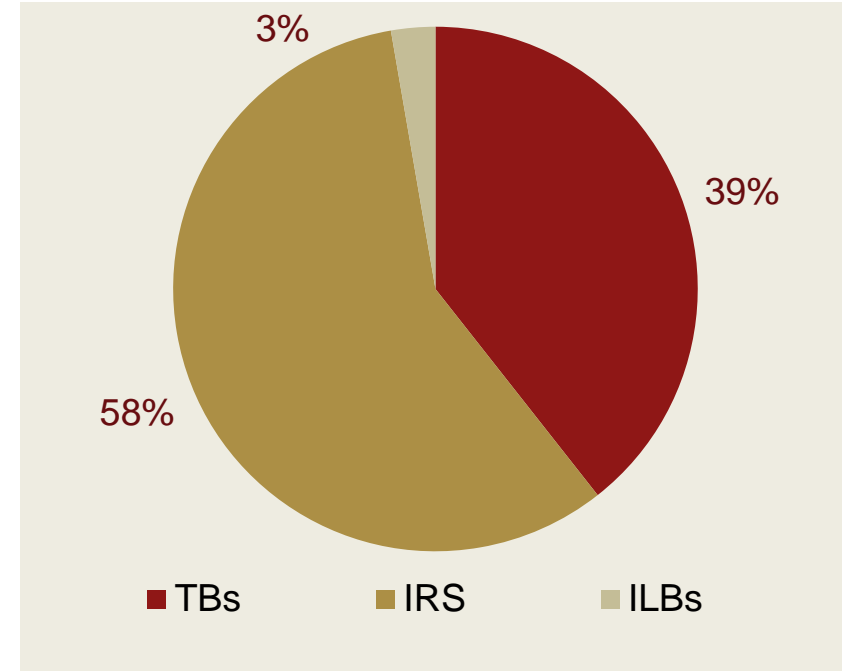
Government's Debt Composition (2015/16)



Composition of Foreign debt stock:

- JSE Listed bond (8%)
- Multilateral (18%)
- Bilateral (5%)
- Eurobond (69%)

Composition of Domestic Debt

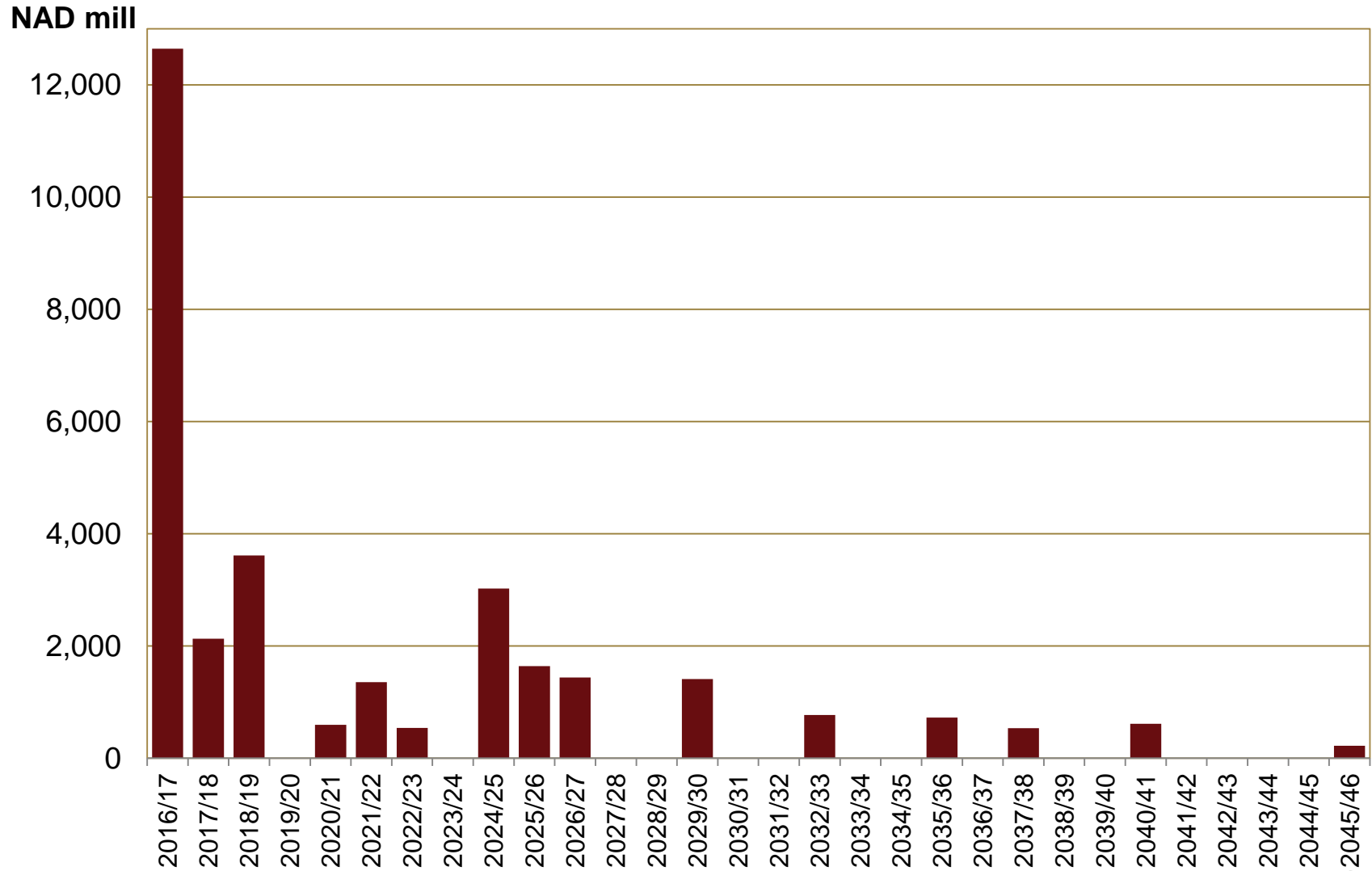


Composition of Domestic debt stock:

- Treasury Bills (39%)
- Fixed-rate Bonds (58%)
- Inflation-linked Bonds (3%)



Domestic Debt Maturity Profile



Debt Indicators vs. Benchmarks

	Benchmark (%)	2014/15	2015/16	2016/17	2017/18	2018/19
Total debt / GDP	35%	25%	36%	36%	34%	31%
Domestic debt / GDP	25%	16%	19%	21%	19%	18%
Foreign debt / GDP	10%	8%	17%	16%	15%	13%
Foreign debt (excl. Rand) / GDP	7%	7%	15%	13%	12%	10%
Total debt Service / Revenue	10%	5%	6%	8%	6%	8%
Total debt Service / GDP	3%	2%	2%	3%	2%	2%
Domestic debt / Total debt	80%	66%	54%	57%	57%	58%
External debt / Total debt	20%	33%	46%	43%	43%	42%
External debt (excl. Rand) / Total debt	20%	30%	42%	37%	35%	34%
Debt falling due within 12 months	30%	29%	22%	21%	21%	22%
TB as % of domestic debt	40%	43%	39%	36%	37%	36%
Bonds as % of domestic debt	60%	57%	61%	64%	63%	64%
Total Guarantees / GDP	10%	4%	4%	6%	5%	5%





DOMESTIC MARKETS DEVELOPMENT

Domestic Market Developments

- Insolvency Act
 - ▶ The Law Reform and Development Commission (LRDC) is drafting the bill
 - ▶ Implement Primary Dealership System (PDS) thereafter
 - ▶ Work on activating the Repo market
- Central Securities Depository (CSD)
 - ▶ Working with the NSX to develop a market-wide CSD covering both equities and fixed income instruments
- South Africa credit downgrade
 - ▶ consideration to independently price Namibian bonds
 - ▶ particularly in the event South Africa is downgraded to junk status



Domestic Market Developments

- Liquidity position
 - ▶ Request from BAN to not disseminate market liquidity position to non-contributors and BoN considered the request positively
 - ▶ Complains from the industry claiming adverse market practices
 - ▶ BoN to meet with BAN Treasurers and finalise a position
- E-Bond trading platform
 - ▶ Project has been put on hold
 - ▶ NSX objections as the platform equates to a stock exchange





THANK YOU