

**OPENING REMARKS BY MR. TOM K. ALWEENDO,
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ANNUAL SYMPOSIUM**

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Board Members of the Bank of Namibia, Distinguished Guests, Ladies and Gentlemen, it is with great pleasure that I welcome you all to the sixth in the series of Bank of Namibia Annual Symposia. First, allow me to extend my very warm greetings to all our guest speakers. We are very fortunate to have two practitioners in the field from the South African bond market, Mr. Tom Lawless and Mr. Mike Sandler and a well-known professor in this field from the University of Stellenbosch in South Africa, Professor Biekpe. To our discussants and invited guests, let me thank you for honouring our invitation. I also want to acknowledge the presence of our guests from South Africa who have shown a keen interest in this very important event.

The theme for this year's annual symposium is "The Challenges for the development of Namibian bond market: Lessons from other smaller economies". It is a challenging subject in an increasing globalising world, but certainly not new to the Bank, in its capacity as advisor to Government, and as issuer and manager of government debt instruments. The Bank has chosen this theme with a view of taking stock of the existing arrangements, instruments and markets and to pave the way forward to enhance the effectiveness and liquidity of the Namibian bond market.

The role and importance of the bond market in economic growth and development is well documented in the economic and financial literature. A

well-functioning and developed bond market stimulates economic activities through the provision of appropriate finance to various development projects that are crucial to economic growth. By providing an appropriate framework for the trading of long-term securities, it creates a favourable and pivotal platform for the development of a stable and efficient financial market. A sound bond market provides a stable and reliable source of finance for both government and non-government borrowers and a secure and flexible investment mechanism for investors.

Furthermore, the bond market provides a more transparent and in some ways more effective way of pricing and distributing risk. An effective bond market contributes towards financial system diversification, and reduces the concentration of risk in the banking system. Furthermore, it facilitates the repricing and reallocation of risk as economic and financial circumstances change. Therefore, in the Namibian context, there is no gainsaying that a well-developed bond market will help to retain substantial domestic savings currently invested abroad. In addition, it will also attract more foreign investors. Moreover, it will address the problem of over-reliance on short-term funds and bring a balance in the financial sector between banking system, i.e. the money market, and the capital market.

We must realise that the absence of a well-developed bond market of sufficient size could have adverse effects on the economy, especially in the event that the economy is confronted with a financial crisis. For instance, it has been argued that the absence of a well-developed and deep bond market was one of the main factors behind the extreme volatility that precipitated the Asian financial crisis. The aftermath of the crisis had spurred governments in the region (especially in Asia) to focus on bond market

developments. I believe all of us have that recollection of the adverse effect the crisis has had on our economy.

However, our focus today is not merely on the role of bond market in the process of economic development, but also on the challenges and policy environment for the development of the bond market. Among the challenges facing Namibia in developing her bond market is the small size of the domestic market, which limits the amount of funds that our government and local corporation would need. Other challenges include a need to have a true benchmark yield curve, a more liquid market, a widened issuer and investor base, and risk management instruments, which are critical to the success of the bond market.

Ladies and gentlemen in conclusion, it is my sincere belief that through our interaction today, very useful policy deductions will emerge that will assist in addressing the challenges facing Namibia in developing our bond market. Finally, let me also add that the development of bond market should be rather seen as a collective effort between the Bank of Namibia, Government and all market participants.

I wish you all very fruitful deliberations.

Thank you.