

REPUBLIC OF NAMIBIA



STATEMENT BY HIS EXCELLENCY DR HAGE G. GEINGOB,
PRESIDENT OF THE REPUBLIC OF NAMIBIA,
ON THE OCCASION OF THE LAUNCH OF THE SOVEREIGN WEALTH FUND

WINDHOEK

12 MAY 2022

Check against delivery

Your Excellency Nangolo Mbumba, Vice President,
Right Honourable Saara Kuungongelwa Amadhila, Prime Minister,
Prof Peter Katjavivi, Speaker of the National Assembly,
Madame Monica Geingos, the First Lady,
Your Lordship Petrus Damaseb, Deputy Chief Justice,
Hon. Cabinet Ministers,
Hon. Sinimbo Lukas Muha, Chairperson of the National Council,
Hon. Laura McLeod-Katjirua, Governor of the Khomas region,
Mr. Johannes !Gawaxab, Governor of the Bank of Namibia,
Mr. Ebson Uanguta and Ms. Leonie Dunn, Deputy Governors of the Bank of
Namibia,
Executive Directors of Ministries,
Representatives of churches, youth formations and civil society,
Captains of industry,
Invited guests,
Members of the media,
Ladies and gentlemen,

The Founding President of the Republic of Ghana, Osagyefo Dr Kwame Nkrumah, reminded us many years ago, that "Action without thought is empty, thought without action is blind." By emphasizing processes, systems and institutions in our Governance Architecture, we have on our part heeded Nkrumah's caution by planning each and every action we undertake as a Government. Therefore, we are systematically translating our thoughts and dreams into reality.

Today, I am incredibly honoured and proud to be a part of the completion of a project that is very close to my heart. It is no longer a dream. With the launch of the Welwitschia Sovereign Wealth Fund we are taking concrete actions to herald a new era for Namibia. I hope that today is a day that our children will remember with gratitude and national pride because we had taken concrete steps to provide a better future for them. It is a day when we, as a founding generation of our country, leave them a legacy that they will cherish for years to come. It is a day

that the Lord has made, and we will rejoice that a vision that was dreamed not long ago is becoming a reality in our lifetime.

As the Head of State of the Republic of Namibia, I am preoccupied with serving this beautiful nation, as there is simply no joy that can equal serving others. My dream has always been to serve Namibians and to find ways and means to build an inclusive Namibian house for all Namibians. This is what keeps me up at night.

The road that led to today was not an easy one. In fact, it took endless hours of research and the necessary groundwork as narrated by the Minister of Finance. The work started in earnest with the appointment in March 2019 of the High-Level Panel on the Namibian Economy and its impactful recommendations. Although, the commissions and panels I have appointed have faced a barrage of unnecessary criticism by some armchair critics, I am happy to note that most recommendations of the Panel have been accepted by government and are mainstreamed in Cabinet actions of which implementation is underway, including the recommendation on the Sovereign Wealth Fund.

Our Government has embraced a modern approach to public policy, by increasingly drawing on the talents of various experts to augment government capability in order to arrive at evidence-based policies that are smart, results-oriented, and are achievable. I believe this recipe is the success of a modern state.

Namibia is a country with a rich natural resource endowment, both minerals and other non-renewables, as well as a diverse wealth in the fauna and flora. These resources all contribute significantly to the development of the Namibian economy. Since independence, the successive administrations have used Namibia's non-renewable resources to the benefit of its people through the provision of essential services, and the dividend has been evident in the socio-economic outcomes, such as the reduction of poverty and inequality, provision of affordable housing, education and healthcare services, amongst others.

Therefore the launch of the Fund we are witnessing today is a testament to our commitment to uplifting the lives of Namibians and guaranteeing socio-economic progress.

It is worth emphasising that the ownership of the Fund is vested in the Government of the Republic of Namibia with the Minister of Finance acting as the trustee acting on behalf of all the citizens of the Republic of Namibia. The Bank of Namibia will be the Fund's primary custodian, responsible for its administrative function. This means that the Fund will have operational independence. The decision to have the Fund managed by the Bank of Namibia was informed by best practice and the need to keep its establishment costs as low as possible, in accordance with the government's fiscal consolidation drive.

With today's launch we are now progressing beyond maintaining only foreign exchange reserves for meeting our international payment obligations. With enough international liquidity in hand in our reserves, we can now expand Namibia's official asset holdings to investments that are less liquid but yielding higher returns over the long run. For starters, the Welwitschia Fund will commence with money estimated around 262 million Namibia Dollars. The funding sources for the sovereign wealth fund, which have been elaborated on by the speakers before me, is comprised of a combination of streams, including a portion of royalties collected from the sale of natural, renewable and non-renewable mineral resources, taxes, divestiture from public investment holdings, as well as contributions from identified State Owned Enterprises and other parties. Furthermore, we are looking forward to the prospects and opportunities that will emanate from the recent discoveries of oil and the green hydrogen energy, which have the potential to further boost the Fund's capital and ultimately contribute to the development of the Namibian economy.

Since 2016, Namibia has faced tough economic times with a decline in commodity prices, devastating droughts and recently the emergence of COVID-19 pandemic to mention a few. To be frank, we are not out of the woods yet.

Therefore, many may argue that there is very little to look forward to in these turbulent times; however, I am immensely optimistic about the future. The establishment of the Welwitschia Fund is done against the backdrop of the Government positioning itself to take advantage of anticipated economic tailwinds that could potentially propel us towards an era of renewed growth and opportunity.

When one looks at Namibia's current macroeconomic stance, some may question the wisdom of moving forward with the Sovereign Wealth Fund when the fiscal space is presently constrained and growth subdued, especially considering the Covid-19 pandemic shocks. However, the timing is perfect, in a sense, as Norway's experience shows. In 1969, Norway discovered oil in the North Sea. For 20 years, they spent oil revenues as they were received, and Norway's fiscal balance fluctuated wildly through the oil price shocks of the 1970s and 1980s. After oil prices collapsed in the late 80s, there was general regret that the windfall had been wasted and weariness at the fiscal instability. These feelings created broad support for a sovereign wealth fund when it was established in 1990.

Moreover, evidence has shown that, when well managed and guided by clear objectives, withdrawal rules and a prudent investment strategy, a sovereign wealth fund's assets and the returns it generates can have a significant beneficial effect on domestic public finances, monetary conditions, external accounts and balance sheet linkages with the rest of the world. This means that under the right circumstances, a sovereign wealth fund can be a potent tool in achieving economic growth. Similarly, it can also act as an important fall back and stabilizer during times of extreme shocks.

A sovereign wealth fund's mission and mandate must be clearly defined in legislation from the outset, with distinct lines of accountability and independent oversight to avoid deviation and misuse of resources at a later stage. This sets the parameters for the operation and risk appetite of the investment function, while aligning it with its policy objective. In turn, the investment function requires processes and systems that guarantee independence from direct and undue external influence.

The governing board needs to be composed of independent directors based on their experience and area-specific expertise. For this reason, the process of establishing the Fund was informed by vigorous research and consultation with domestic, regional and international stakeholders to ensure that we have a Fund that has clearly set objectives, supported by the necessary regulatory and institutional frameworks.

A sovereign wealth fund can contribute to better income risk sharing between generations. The commonly accepted rationale for establishing a sovereign wealth fund is to save some of the revenues generated from the sale of a country's non-renewable resources for future generations. Hence, if one generation is negatively affected by an income shock, fiscal policy can redistribute income between generations using resources from the sovereign wealth fund; thus, smoothing the cost among many generations.

Traditionally, sovereign wealth funds are known to invest or save resource revenues in major international markets for high returns for future generations. However, the persistent infrastructure financing gap in developing countries has motivated some governments to encourage their Sovereign Wealth Fund to invest part of the revenues domestically to accelerate the countries along their development path. The decision to invest domestically should be targeted towards projects with high social and financial returns and should be considered following a proper assessment of the domestic market's absorption capacity. Moreover, efforts should be made to ensure that the SWF's mandate does not duplicate that of other government institutions with investment mandates. It is against this backdrop that a non-obligatory provision has been made for 2.5 percent of the Namibian Welwitschia Fund's portfolio to be invested locally, subject to the recommendations of the Investment Committee.

The road that led towards the establishment of the Namibian Welwitschia Fund was birthed in the second Harambee Prosperity Plan and is accompanied by a rich history.

I am, therefore, pleased that, after years of deliberations and consultations at various platforms, we can finally see the fruits of these endeavours. As a country we need to rally behind these projects, create necessary capacity and legislative frameworks to fully actualise these opportunities. I would like to take this opportunity to thank the High-Level Panel on the Namibian Economy, the Minister of Finance and his team, the Investment Board and the Governor of the Bank of Namibia as well as his staff and everyone who has worked tirelessly to make the Welwitschia Fund a reality.

As we launch this Welwitschia Fund, we should be cognisant of that reality that this is only the beginning of the actual work. Namibians expect us to deliver on the core objectives of the Fund and we need to commit ourselves to doing exactly that!

Fellow Namibians, Kalu Ndukwe Kalu, says that *'the things we do for ourselves are gone when we are gone, the things we do for others remain forever as our legacy'*. Let shared prosperity through the successful management of the Welwitschia Fund be our collective legacy for our fellow citizens and our future generations.

I now have the pleasure to declare Namibia's first Sovereign Wealth Fund, The Welwitschia Fund, officially launched.

Long live the Welwitschia Fund and May God bless the Republic of Namibia.

I thank you.