

Governor Ipumbu Shiimi
Hosted by Prudential Portfolio Managers (Namibia)
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Topic: Current Developments in Namibia's Financial Markets

1. Good evening ladies and gentlemen. It is an honour to be invited here to the launch of the Prudential Namibia Enhanced Income Fund. I want to thank Prudential Portfolio Managers (Namibia) for this opportunity.
2. I am pleased and encouraged by Prudential Portfolio Managers (Namibia)'s commitment towards the Namibian market through the launch of the Enhanced Income Fund in Namibia. With the introduction of the multi-asset Enhanced Income Fund, the Namibian investors have an additional investment vehicle that targets to deliver a return above short term bonds while limiting drawdowns and volatility. I am of the opinion that this fund is suitable for the Namibian market where investors, on average, have a low risk tolerance.
3. According to the IMF's Financial Sector Assessment Program Namibia, the country has one of the most sophisticated and highly developed financial systems in Africa. When the country became independent in 1990, the money and capital markets barely existed. After independence, following introduction of various measures and policies as well as the establishment of various financial institutions, a robust financial system emerged. As a result, Namibia generates huge amounts of savings.
4. However, there are structural weaknesses in the current system which also contributes to savings of Namibia flowing out of the country. To address the

weaknesses, a ten-year Financial Sector Strategy covering the period 2011-2021 has been developed. This strategy will enable the country's financial sector to transform and contribute more meaningfully to the socio-economic objectives of, amongst others, poverty reduction and wealth creation as contained in the various development plans.

5. One of the objectives of the Financial Sector Strategy is the establishment of an active secondary market characterised by high turnover, liquidity and immediacy. In order to achieve this, there is a target to increase the market capitalisation of the Namibian Stock Exchange (NSX) to 75 percent of GDP by 2021. At present, the market capitalization of local stocks on the NSX is estimated at approximately 15 percent of GDP.
6. There are several initiatives being proactively pursued by Namfisa, Bank of Namibia and Government to ensure that this goal is achieved. The first one is the amendments to regulations 15, 28 and 29, which stipulate domestic asset requirements for long term insurance companies and pension funds. Pension funds must invest no less than 35 percent domestically, reduce their exposure in dual listed companies to 10 percent by 2018 and invest no more than 1.75 percent in unlisted investments. Such regulatory reform will ensure local savings are available for the development of the Namibian economy.
7. The second initiative is the drive to increase the number of securities listed on the NSX. In order to reduce dependency of bank financing and the burden associated with Government guarantees, Government encourages SOEs with good balance sheets to raise funds through bond listings. Private companies, including those with foreign ownership, will also be encouraged to list on the NSX once they attain certain valuation thresholds (to be determined).
8. Government's debt issuance program also continues to prioritize the development of domestic market by continuously raising about 80 percent of the funding needs from the domestic markets. In addition, Government will further extend the yield curve during the current fiscal year by introducing the GC37 and GC40, which mature in 2037 and 2040, respectively.

9. There is also drive to increase asset types by introducing instruments such as exchange traded funds, derivatives and asset backed securities. Government is considering the introduction of inflation-linked and retail bonds on the Namibian market. The diversity of asset classes will help the country attract and accommodate Namibian savings invested in South Africa and offshore.
10. There is also a drive for Namibia to utilize and benefit from public private partnerships (PPPs). In this regard, the Bank of Namibia is working closely with the Ministry of Finance and the National Planning Commission (NPC) on the establishment of an Infrastructure Fund that could be listed on the NSX. The basic idea of the Infrastructure Fund is to facilitate the participation of the private sector in the funding of national infrastructure projects identified in the NPD4 through issuance of both debt and equity.
11. Finally, there are other initiatives being pursued including the establishment of central securities depository (CDS), amendment to Insolvency Act, which will enable the establishment of primary dealership and the operationalization of the secondary market for Repos.

Concluding Remarks

1. In conclusion, I would like to thank Prudential for introducing this innovative financial product in our market. I trust that this Fund will relentlessly source assets locally and that this initiative will be a source of encouragement to other players in the financial markets to follow suit. I have no doubt that some of our savings outside or those planning to leave may actually remain.
2. These remain few dollars remaining home means employment for someone, who will be able to feed his family, and send his or her children to school. This means so much for a country like Namibia where we are confronted with a lot social challenges. Therefore, these are noble efforts and must be appreciated and supported greatly.

3. Finally, I would like to reiterate our relentless pursuit to have a developed financial system in our country. It is a commitment from our side as regulators and Government that we will not rest until the financial markets in Namibia are able to contribute meaningfully to Namibia's national development agenda. Believe me there is a huge potential for this sector to do just that.

I THANK YOU