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Press Statement

The Republic of Namibia established ZAR 3 billion medium Term Note programme on the JSE

In a landmark transaction for the Common Monetary Area, the Republic of Namibia issued its inaugural ZAR 850 million, 10-year bond, under its ZAR 3 billion MTN programme, taking advantage of the strong market sentiment. This is the first ever ZAR bond transaction by a sovereign (other than the South African National Treasury), and listed on the JSE. Namibia's ZAR bonds priced at 8.26 percent in line with the NAD government bonds' spread above the South African Government benchmark bonds. The issue was 2x oversubscribed, representing strong support and understanding of Namibia's credit story from the South African institutional investor base.

Significance of the issuance

The South African capital markets have held a long standing appeal for issuers outside of South Africa due to the favourable liquidity conditions and well developed capital markets. Access to the South African capital and money markets for the CMA member countries is already provided for in the CMA Multilateral Agreement. The CMA governments and private entities are treated as local issuers in the South African market and the issued instruments are classified as domestic in the South African market. As a domestic issuer, the Republic of Namibia is therefore subject to the same relevant financial laws and policies applicable to the National Treasury when issued its inaugural R850 million in the South African market on the 14 November 2012. The South African investors are allowed to freely invest into the instrument and without restrictions.

Namibia's debut bond set a ZAR benchmark for future issuers from the country looking at approaching the South African capital markets. The Government of the Republic of Namibia also seeks to diversify its funding sources and attract the South African investors previously not taking part in the Namibian domestic debt markets. Having alternative funding sources becomes even more critical given the limited access to concessional funding following Namibia's classification as an upper middle income country.

The South African and the Namibia governments strongly believe that this initiative will have far positive reaching effect to support regional economic development and promote more regional integration in the CMA.

South Africa is Namibia's biggest trade and FDI partner and this transaction is a natural step in deepening economic and trade ties between the two major economies of the CMA. As President Zuma stated recently during a visit by the Namibian Head of State, President Pohamba, beginning November 2012, about 80 percent of Namibia exports go through South Africa, with almost 30 percent destined for the South African market. At the same time Namibia imports more than 60 percent of its consumables from South Africa. South African investments in Namibia are significant, covering industries such as mining, retail, banking, and insurance, among others. Similarly, Namibia institutional investors have invested about 30 percent of their assets in the South African markets, making it the country with the highest Namibian expsoure. President Zuma reiterated that this is the testimony of the strong relation between the two countries.

With a view of cementing these strong relationship and collaboration, institutions selected to arrange the inaugural Republic of Namibia ZAR bond, were taken both from Namibia and South Africa. This consortium consists of Absa Capital, Namibia Equity Brokers, Rand Merchant Bank, RMB Namibia are all co-lead arrangers for the transaction.

The bond in South Africa follows closely in the footsteps of Namibia's award winning international USD sovereign bond issue in 2011 in which Namibia raised US$ 500-million in 10 year bonds marking the country's first approach in the international capital markets. It was therefore a natural extension by the Namibia Government to access the South African market with ample liquidity and pose no foreign exchange risk for its exposure.

SAARA KUUGONGELWA-AMADHILA

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