

An aerial photograph of a complex highway interchange with multiple lanes and overpasses. The image is overlaid with two financial charts: an orange line graph on the left and a blue candlestick chart on the right. The NaSIA logo is positioned in the upper left corner.

NaSIA

Namibia Savings & Investment Association

Newsletter

Issue 36, April 2024

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Editorial from the Secretariat

Written by: **Godfrey Haixuna**



Positioning Infrastructure as a Long-Term Investment Catalyst for Namibia

Dear members,

We are delighted to present our April 2024 newsletter.

Namibia has historically faced significant infrastructure investment challenges, owing to years of underinvestment, aging infrastructure, and expanding population. Over the past three decades, the average investment in infrastructure, measured as a percentage of GDP has been minimal (i.e. consistently hovered around 5 percent). This underscored the pressing need for continued investment in infrastructure within the country. Back in 2014, the Bank of Namibia reported that Namibia had infrastructure funding needs of about N\$223 billion (at the time, almost double the country's GDP), spanning across sectors from transport to water, energy and housing.

Government is mostly to thank for funding the wide range of infrastructure Namibia currently boasts. The fourth pillar of the “Namibian Government’s Action Plan towards prosperity for all” – the Harambee Prosperity Plan II (HPPII) glances, at the future role of Government’s aptitude to promote infrastructure development. HPPII particularly envisioned the creation of a N\$400m project preparation fund, aimed at de-risking infrastructure projects and acting as a catalyst for crowding funding from a wide range of investors. The implementation and operationalization of this fund is crucial to addressing Namibia’s infrastructure gaps. Of late, and in his budget speech of 28 February 2024, the Minister of Finance Hon. Ipumbu Shiimi, reiterated Government’s commitment to promoting infrastructure development and closing infrastructure gaps, wherein he stated: “A key priority over the MTEF is to make the necessary provisions to accelerate infrastructure development and unlock lasting social and economic value for the country”.

One of the most informative measures to appreciate the extent of infrastructure spending in an economy is by measuring the level of Gross Fixed Capital Formation (GFCF) as a percentage of Gross Domestic Product (GDP). The Annual National Accounts report released by the Namibia Statistics Agency in December 2022 sets the country’s 2022 GDP at approximately N\$206,2 billion (at market prices). If one were to juxtapose that figure against the GFCF value of N\$29 billion for the same period, it would translate to 14% of GDP. This is, however, considered too

low for a developing economy, where the norm should be approximately 20% to 30% of GDP, according to several studies.

Given Government's existing financial limitations and conflicting objectives, alternative approaches to Government financing of key infrastructure developments such as privatisation, transfer of institutional assets toward infrastructure, and the listing of additional infrastructure funds on the stock exchange are vital. Public Private Partnership "PPP" is also just one of many ways that the public and private sector can work together to fund and contractually manage infrastructure gaps, and to ensure that public projects are implemented efficiently.

However, not all infrastructure projects are inherently bankable, because their returns may not always justify the capital investment required. When a project carries substantial social value and is deemed economically viable, a degree of subsidy or concession is required to make it bankable. In the past, one could easily differentiate between credit investors driven by social impact, such as Development Finance Institutions (DFIs), and those motivated by favorable returns, such as Banks or Asset Managers. This has become less apparent in recent times. Moreover, sustainability and Environmental, Social, and Governance (ESG) considerations have gained increasing importance among Asset Owners, Banks, and Asset Managers. To therefore attract both local and international investors to engage in Namibia's diverse range of infrastructure assets, such assets must be structured to be attractive. This may include designing revenue streams and risk-return profiles that align with the country's developmental ambitions, as well as investors' expectations and risk tolerance, while also accommodating their liability structures and ESG considerations.

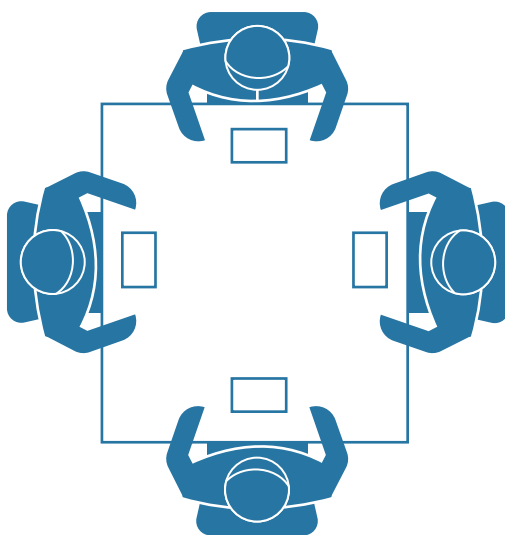
Infrastructure investments mostly rely on project financing and are highly leveraged. Therefore, the importance of having a supportive legislative environment can never be underestimated. The State Finance Act "SFA" of 1991 and the Sovereign Debt Management Strategy (SDMS) have a bearing on infrastructure funding by the Government. For example, Minister of Finance is empowered by the SFA to undertake borrowing for the Government. However, such financing is limited since the SDMS stipulates that Government guarantees may not exceed 10 percent of GDP.

The Namibian Non – Banking Sector regulatory framework has undergone various amendments over the past three decades. Of late, NAMFISA has proposed some additional draft amendments to the Long-term Insurance, Short-Term Insurance as well as the Pension Fund regulations. The proposed increment in the limit for unlisted investments from 3.5 percent to 5 percent, under regulation 13(5) of the Pension Fund Act of 1956, is a welcomed move by the regulator, as it presents a significant opportunity for the Namibian institutional market to invest more in the domestic market, so as to ensure that Namibian savings are utilized to stimulate development at home.

Finally, the NaSIA Economic and Research Savings Policy committee is currently seized with a research paper aimed at exploring the optimal strategies for structuring infrastructure projects in Namibia to attract private sector investment. This includes, exploring global best practices and identifying gaps in the current framework, so as to propose a tailored approach suitable for the Namibian context.

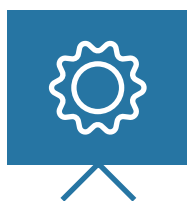
Happy reading!

1. Upcoming Committee Meetings



Please take note of the following committee meeting dates (second round):

Month	Meeting Subject
16 April 2024	Transformation, Skills Development and Education Committee
18 April 2024	Research and Economic Savings Policy Development Committee
23 April 2024	Market Conduct Committee
25 April 2024	Investments Committee
30 April 2024	Insurance Committee
2 May 2024	Legal and Technical Committee



Upcoming Courses

1.1 RFIN Trustee Training

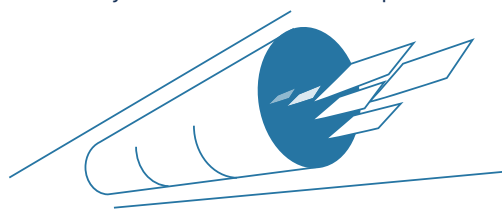
Topics	Date	Time	Venue	Course Fees
Risk Management Trainer: Fair Tree Investments and Asset Management	18 March 2024	1 8:30 -13:00	NUST Hostel School	N\$1,950 members N\$2,620 non-members
Dealing with Section 37 C Death Benefits Distributions & Practical implications of Section 37 D Deductions Triner: RFIN	19 March 2024	8:30 -16:00	NUST Hostel School	N\$2,790 members N\$4,210 non-members
Structuring Investment Portfolios for Funds Trainer: TBA	20 March 2024	1 8:30 -13:00	NUST Hostel School	N\$1,950 members N\$2,620 non-members



2. Submissions done:

Stakeholder	Dates of Submission	Matter	Committee
Financial Intelligence Centre "FIC" and NAMFISA	18 March 2024	Concerns Regarding the Financial Intelligence Amendments Act of 2023	Legal and Technical Committee
NAMFISA	28 March 2024	Joint Industry Submission of Comments on the Proposed Amendments to the Pension Fund Regulations.	NaSIA and RFIN
NAMFISA	28 March 2024	Submission of Comments on the Proposed Amendments to the Long-Term Insurance Regulations.	NaSIA Industry

3. In The Pipeline



a) NaSIA Networking Series - NaSIA plans to host industry networking platforms, featuring a blend of both formal talks and informal networking. These events span, amongst others, knowledge exchange, professional networking between young professionals and established industry gurus, and fortification of NaSIA as a formidable industry body that is at the forefront of proactively discussing issues affecting the industry. The proposed initiative was approved by the NaSIA Board of Directors at a meeting held on the 30th of November 2023, and the first event is envisaged to take place in June/July 2024.

b) Research on Infrastructure Investment in Namibia – This study explores optimal strategies for structuring infrastructure projects in Namibia to attract private sector investment. Drawing on global best practices and identifying gaps in the current framework, it aims to propose a tailored approach suitable for the Namibian context.

4. Financial Literacy Campaign 2024 TribeFire Studios

We are pleased to provide an update on the ongoing progress of Phase II of our Financial Literacy Campaign. Since its commencement in February 2024, the Financial Literacy Campaign has successfully featured insightful discussions led by industry experts such as Ndapwa Kwedhi from NamAsset who shared valuable knowledge on savings and Investments, and Ralf Duvel from Ashburton who gave a comprehensive insight on CIS/Unit Trusts. These interview recordings are available on both NaSIA and 99FM's social media platforms. Continuing the series of enlightening conversations, we look forward to the upcoming interview with Etienne le Roux from Allan Gray, who will explore the topic of Investment Goals. Stay connected/watch this space for more informative sessions as we strive to enhance financial literacy within our community.

Name of expert:	Date/Timeline:	Topic	Status
Ndapwa Kwedhi	6 Feb 2024 at 18h15	Savings and Investments	Completed
Ralf Duvel	12 Mar 2024 at 18h15	CIS/ Unit Trusts	Completed
Etienne le Roux	16 Apr 2024 at 18h15	Investment goals: e.g. how to save for retirement, education and emergency funds	Pending
Mathys Du Preez	21 May 2024 at 18h15	The value of financial advice + Investor protection: FIMA	Pending
Almarie Bartsch	11 Jun 2024 at 18h15	Estate Planning	Pending
Vacant	9 Jul 2024 at 18h15	July	Pending

The Secretariat will be receiving regular reports from TribeFire Studios highlighting the reach, audience engagement and further questions the public may have. The engagement and questions arising from the scheduled interviews will be used to determine future topics to be discussed.

5. Stakeholder Engagements

Stakeholder	Date of Engagement	Key Outcomes
NAMFISA	11 March 2024	<p>Capital Markets Annual Industry Meeting</p> <p>The NAMFISA Capital Markets Annual Industry Meeting brings together industry players to deliberate on topical issues facing the industry. This year, it was held under the theme: “Navigating Tomorrow’s Financial Landscape”. The following updates were provided during the industry meeting to allow for comments/additions by the industry players:</p> <p>1. LEGISLATIVE UPDATE:</p> <p>FIMA subordinate legislation</p> <ul style="list-style-type: none">• Of the FIMA Critical Standards published by NAMFISA, the General Chapter makes up 12%, Retirement Funds 36%, Capital Markets 23%, and Insurance 29%.• NAMFISA has issued 144 Critical Standards & Regulations related to the Capital Markets Industry. <p>2. REGULATORY DEVELOPMENTS</p> <p>NAMFISA Regulatory Sandbox</p> <ul style="list-style-type: none">• Innovators from the Micro-lending industry were invited to showcase their innovative skills at the inaugural session.• NAMFISA will extend invitations to the capital Markets industry for this year’s session. <p>3. NAMFISA GENERAL INSPECTION FINDINGS</p> <ul style="list-style-type: none">• Operational risk: Most regulated entities lack strategy or policy for retaining critical skills and often fail to implement risk management frameworks and policies.• Legal and Regulatory Risks: Most regulated entities do not have compliance Officers, their policies are often not in alignment with Namibian legislations, and the coverage of the compliance universe is mostly incomplete.• Non-compliance: Most regulated entities delay or fail to submit Levy Returns, Quarterly Returns, and Audited Financial Statements.

Stakeholder	Date of Engagement	Key Outcomes
NAMFISA	11 March 2024	<p>4. ANTI MONEY LUANDERING (AML)</p> <ul style="list-style-type: none"> Namibia was grey listed by the Financial Action Task Force (FATF) on 23 February 2024. The country had 72 Mutual Evaluation recommended actions to execute. Out of the 13 (thirteen) outstanding action items, only 2 (two) are relevant to NAMFISA and should be executed before May 2025 and January 2026, respectively. These are: <ul style="list-style-type: none"> NAMFISA must impose proportionate and dissuasive administrative sanctions, not later than January 2026; and NAMFISA, through inspections and awareness, must enforce compliance with obligations related to: NAMFISA intends to incorporate the two action items in its AML/CFT/CPF Annual Supervisory Plans for the financial years 2024/2025 and 2025/2026 for effective execution.
NAMFISA	18 March 2024	<p>NAMFISA CEO Stakeholder Engagement Breakfast:</p> <p>The NAMFISA CEO invited industry CEOs to a breakfast session on 18 March 2024, as part of NAMFISA's stakeholder engagement strategy. The CEO provided an update on the following:</p> <ul style="list-style-type: none"> Risk Based Supervision (RBS) framework- Industry still has time to comment on the RBS framework; FINTECH Square/Sandbox- now extended to capital markets; Head office building- work set to commence on the construction of their head office; Non-Banking Sector assets grew to N\$366.2bn as at 31 December 2023; IFRS 17 transition period; FIMA implementation- awaiting the finalisation of consultations on the preservation standard. The CEO also added that all critical standards needed for the implementation of FIMA have been drafted and consulted on, therefore no new critical standards are expected; NAMFISA is busy reviewing the input on the Levy Gazette and consultations likely to happen between April and June 2024; and The CEO concluded that NAMFISA is also working hard to accelerate investigations in reported cases of broker fraud.

Stakeholder	Date of Engagement	Key Outcomes
NAMFISA	19 March 2024	<p>NAMFISA Insurance Industry Engagement:</p> <ul style="list-style-type: none"> The NAMFISA Insurance Industry Engagement was initially scheduled to take place last year, however it was postponed due to unforeseen circumstances. The following updates were provided during the industry meeting to allow for comments/additions by invited industry players: <p>1. INDUSTRY OVERVIEW: The total asset of the Long-Term Insurance industry grew from N\$68,8 billion in 2022 to N\$74,3 billion in 2023.</p> <p>2. LEGAL OVERVIEW: FIMA UPDATE ON CRITICAL STANDARDS</p> <ul style="list-style-type: none"> The FIMA implementation date will be communicated in due course by the Minister of Finance; NAMFISA seeks to immediately implement a total number of 147 critical regulations and standards once FIMA Act is in force; and All of the critical standards have now been Gazetted and feedback has been given to industry. <p>3. IFRS 17 – NAMFISA IMPLEMENTATION PLAN AND WAY (TWO YEAR TIMELINE)</p> <ul style="list-style-type: none"> NAMFISA has issued a directive to the Insurance and Medical Aid Funds industries stipulating annual and quarterly reporting requirements; NAMFISA seeks to complete the IFRS 17 aligned ERS returns design during September 2024; NAMFISA seeks to carry out first dry runs and testing on IFRS 17 aligned templates during September 2024; Subsequent testing will be carried out during June 2025, after several areas of concern emanating from first test have been addressed; and Under the new reporting requirements, quarterly return will be aligned with IFRS 17, minimal additional information will be required (outside IFRS 17) and annual returns will no longer be required.

Stakeholder	Date of Engagement	Key Outcomes
NAMFISA	19 March 2024	<p>NAMFISA Insurance Industry Engagement: continue...</p> <p>4. SUBMISSION DEADLINES AND EXTENSION REQUESTS BY INDUSTRY</p> <ul style="list-style-type: none"> NAMFISA is of the view that some entities habitually request for an extension for all their submissions; The NAMFISA (changed Authority to NAMFISA for consistency) is also of the view that the duration of extensions has increased to levels that is now impeding their operational efficiency and the reasons provided are always due to unforeseen circumstances, meaning obstacles could have been prevented; The NAMFISA maintains that grating extensions affects its reputation of having to constantly request for extension due to delays in acquiring data from the regulated entities. It also impedes their capacity for prudential supervision and compromise the effectiveness of its supervisory interventions; and Going forward, the regulator will tighten the evaluation of extension requests. <p>5. NAMFISA'S POSITION ON UNIT LINKED PRODUCTS</p> <ul style="list-style-type: none"> Under section 7(3)(e) of FIMA, issuing of market linked products will be treated as an ancillary business of a registered insurer or reinsurer. Industry is advised that “an Insurer will be able to conduct ancillary business or activity?, which may not constitute long term insurance business under FIMA”; An insurer will not be registered to solely conduct ancillary business. The industry is further advised that “the business must by its nature be ancillary to the long-term insurance business for which the insurer or reinsurer is initially registered to conduct”; and Under FIMA it will be possible for NAMFISA to allow insurers to solely conduct the business of issuing linked policies, which constitutes a market -linked product, as an ancillary business, in the absence of conducting long term insurance business.

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Namibia Savings and Investment Association (“NaSIA”) is incorporated as a not-for profit company and represents the interest of its members; financial institutions such as unit trusts companies, investment managers and long-term insurers. NaSIA’s strategic purpose and mandate is to continue to strengthen relationships with key stakeholders and to remain a trusted partner to these stakeholders in the financial services industry. NaSIA has been tasked with ensuring that as a collective the industry remains relevant and sustainable.

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