

WELCOMING REMARKS BY THE GOVERNOR OF THE BANK OF NAMIBIA: JOHANNES IGAWAXAB AT THE DIPLOMATIC STAKEHOLDER LUNCH EVENT ON TUESDAY, 4 JUNE 2024, WINDHOEK.

Deputy Governor of the Bank of Namibia, Ms. Leonnie Dunn,

Officer in Charge, Mr. Marsorry Ickua,

Your Excellencies & Development partners,

The staff of the Bank present,

Ladies and Gentlemen,

Distinguished Guests,

Ladies and Gentlemen,

Good morning and welcome,

- 1 It is an honour to engage with such esteemed representatives of the international diplomatic community.** Your presence here today underscores the critical importance of our shared vision, goals, and mutual cooperation, as we navigate the complexities of the global economic and financial landscape.
- 2 As John Donne famously wrote, "No man is an island, entire of itself; every man is a piece of the continent, a part of the main."** Today, this sentiment resonates more than ever. In our interconnected world, the challenges we face transcend borders and demand a united, strategic response. Without effective communication and collaboration, misunderstandings can escalate into conflicts, economic instability can deepen, and global crises can become insurmountable. This gathering is thus not just a meeting; it is a testament to our collective resolve to forge a resilient, inclusive, and sustainable future.
- 3 Our core mission revolves around upholding Namibia's monetary and financial stability, a commitment that the Bank of Namibia has diligently maintained for the past 34 years.** However, the mandate we oversee as far as the economy and financial stability are concerned, has undergone substantial changes over this period. While cash continues to play a significant role, technological advancements have reshaped the

environment, prompting a re-evaluation of our regulatory and supervisory approaches over the last three years during my tenure as Governor. I have, therefore, challenged my team to 'run the same race faster,' which means refining our models to fulfil our mandate of safeguarding price and financial stability more effectively. Moreover, I have challenged them to pursue a 'different race' by driving a radical transformation in our financial system and ensuring its modernisation, fit-for-future survival. This new direction involves embracing innovations such as Central Bank Digital Currencies (CBDCs), creating an enabling fintech regulatory framework, and advancing digital identification in support of digital public and digital financial infrastructures, which hold the potential to revolutionise our financial landscape and bring about significant benefits. Today, my talk will delve into our institutional journey of taking 'giant leaps' toward a radical and innovative future.

4 The Bank of Namibia has been on a transformative journey to future-proof the organisation and the financial sector we regulate through the implementation of its three-year Strategic Plan (2022-2024), which we are in the process of winding down.

Underpinning this three-year strategic plan is our Digital Transformation agenda which is the key enabler for this plan. Several significant new initiatives that will be game changers in the Namibian financial landscape were birthed out of this strategy:

- We have established an Innovation Hub which aims to digitally transform the Bank and the financial services industry by leveraging technologies that drive financial services modernisation, financial inclusion, and economic development in Namibia. The Innovation Hub plays a crucial role in inspiring transformative innovations within the Bank and the broader financial sector. It facilitates dialogue between FinTechs and regulators, addressing regulatory challenges and ensuring innovations that avail inclusive consumer-centric financial services and products to Namibia and her people, at low cost without undue delays. The Hub fosters collaboration between public and private sectors, conducts experiments with fintech services, and develops new, inclusive customer-centric innovation-responsive regulations. This initiative has attracted numerous fintech applications, enhancing financial services in Namibia and aligning them with global standards.
- The Bank's business redesign and automation initiatives are transforming its operational landscape, significantly enhancing efficiency and accuracy in both internal and external operational and service delivery processes. Notably, the Bank:

a) fully automated processing of both local and foreign payments across Government, to create greater efficiencies in our role as a banker to the government;

b) developed a prototype to enhance e-KYC between private sector and Ministry of Home Affairs databases, which will ensure instant identification verification (to be fully implemented upon promulgation of the Civil Registration and Identification Bill currently in Parliament);

c) actively participates in Government's core digital identification working group, to ensure a digital identification that will support both digital public infrastructure and modernised financial service provision to the people of Namibia;

d) digital workers (robots) conducting previous manual/mandate/repetitive labour intense human tasks; and

e) enabling our staff to conduct higher cognitive work through its digital skills curriculum which aids staff in unlearning, re-learning, reskilling, and being redeployed in fit-for-future Central Bank capabilities. These technologies not only reduce the potential for human error but also expedite workflows, enabling faster and more reliable service delivery. This commitment to automation underscores the Bank's dedication to innovation and excellence in service provision.

- Furthermore, the Bank is doing ground-breaking research on Central Bank Digital Currencies. This digital currency aims to bolster the efficiency of our payment systems, enabling a Central Bank digital representation of the Namibia dollar, significantly enhancing financial inclusion, and fortifying the security of our economy in the digital age. By positioning ourselves as a 'fast follower' rather than an early adopter, we can leverage the insights and experiences of pioneering countries that have already implemented CBDCs. This strategic approach allows us to avoid potential pitfalls and adopt best practices, ensuring a smoother and more effective integration of digital currency. Additionally, we are exploring how a CBDC could potentially modernise cross-border payments and streamline these transactions, enhance trade on the African continent and with other global trading partners, ensuring a more robust and interconnected global financial landscape, while maintaining the highest standards of security and efficiency.
- The Bank of Namibia will introduce an innovative retail bond on behalf of the Ministry of Finance and Public Enterprises, via a domestic co-designed user-friendly platform with one of our Telcos, to encourage public savings, minimise illicit financial schemes

and provide a secure investment option to the public. These bonds will offer Namibian citizens an accessible way to invest in government securities, promoting financial inclusion and an overall savings culture, while broadening the available investment instruments for the average Namibian. For government, these bonds will result in enhanced funding sources, through the inclusion of previously under-tapped avenues while setting precedence for private financial institutions to become more innovative in the retail offerings space.

- The Bank is supporting the introduction of the first Central Securities Depository (CSD) in the country. The Central Securities Depository is an important financial market infrastructure and will hold financial securities, such as stocks and bonds, in electronic form, facilitating the role of securities ownership depository and record. Once operational, the CSD is expected to enhance efficiency and transparency in the trading of Namibian securities, while simultaneously reducing associated risks and enhancing the user experience. This advancement will foster a new era of trading efficiency in Namibia, ensuring that our financial markets are more robust, diversified, secure, and user-friendly.
- Lastly, the Bank of Namibia has embarked on a transformative journey with the Instant Payment Project, in collaboration with our esteemed Indian partners, the Reserve Bank of India and the National Payments Corporation of India. This pioneering initiative aims to revolutionise our financial infrastructure, enabling real-time, secure, and cost-effective payments, with online and offline capabilities, regardless of the type of mobile phone (USSD or Smart) being used. By implementing instant payments, we are not only enhancing transaction efficiency and reducing processing times but also breaking down barriers to financial inclusion. We are empowering more individuals in our rural areas and small businesses in the informal economy to actively participate in the formal economy, thus mitigating the risks and profound consequences of being financially excluded.

5 The future of finance is not just about the speed and security of our transactions—it is about the very fabric of our society and the inclusivity of our economy. Financial exclusion can lead to a life on the margins, where individuals and small businesses struggle to thrive, while placing emphasis on digital and financial literacy. By focusing on these key areas, the Bank of Namibia aims to create a dynamic and inclusive financial ecosystem that can effectively navigate challenges and seize opportunities, ultimately contributing to the prosperity and well-being of the nation. These innovations embody the Bank of Namibia's unwavering commitment to building a resilient and inclusive financial ecosystem for all.

Ladies and gentlemen,

- 6 **As we gaze into the future, Namibia stands at the precipice of a transformative era, where myriad opportunities unfold before us.** Recent discoveries in oil and gas, alongside breakthroughs in green hydrogen within the renewable energy sector, herald unprecedented paths toward economic advancement and prosperity. Yet, history has cautioned us against the perils of over-dependence on singular industries. We must tread cautiously, ensuring that the potential boom from oil and gas does not ensnare us in economic imbalances and dependency. I recently delivered a public address on the need to ward off the spectre of the Dutch disease. My message is simple: we need to pay attention to diversification, innovation, and sustainable development by investing in complementary sectors like renewable energy and infrastructure and fostering an environment conducive to entrepreneurship and technological progress. Indeed, we can forge a future of inclusive and resilient growth for all Namibians.

- 7 **However, we cannot embark on this journey in isolation. We must glean insights from those who have traversed similar paths before us.** This is where you, esteemed diplomats, play a pivotal role. We call upon you to facilitate opportunities for us to learn from the experiences of your nations, to glean wisdom from their successes and failures alike, and to chart a course toward sustainable prosperity together.

- 8 **In closing, I would like to leave you with a simple yet profound reminder that in our pursuit of progress, let us never forget the power of unity, compassion, and collective action.** As we embark on the journey ahead, may we carry with us the spirit of inclusivity and cooperation, recognising that our strength lies in our diversity and our ability to come together as one global community. Thank you for your unwavering commitment and dedication to building a brighter future for all.

Thank you and look forward to robust interactions afterward.