

REMARKS BY THE GOVERNOR OF THE BANK OF NAMIBIA: MR. JOHANNES !GAWAXAB AT THE LAUNCH OF THE MODIFIED 200 NAMIBIA DOLLAR BANKNOTE ON TUESDAY, 21 FEBRUARY 2023, OUTAPI.

Honourable Governor of the Omusati Region, Hon Erginis Endjala

Captains of the Banking industry in the region,

Police Regional Commander, Commissioner Ismael Basson,

Incoming Oshakati Branch Manager, Ms Moudi Hangula,

Staff of the Bank present,

Distinguished guests,

The members of the media,

Ladies and Gentlemen,

Good morning,

1. First, on behalf of the Bank of Namibia, I would like to express our heartfelt appreciation for the opportunity to officiate this significant milestone in the history of the Bank of Namibia with the community of the mighty Omusati region. As you are aware, the Bank of Namibia established a Branch in 2002 in Oshakati. The reason for doing so was due to the high volume of cash circulating in the northern region of Namibia. Today we have chosen the capital of Omusati Region, Outapi, to launch and officially put into circulation the modified N\$200 banknote denomination. The modified banknote bears the incumbent Governor's signature as a level one security feature in line with international best practice, and it has been reprinted as per the Bank's Currency Replenishment Policy.

Ladies and gentlemen,

2. If presented with a hypothetical situation, what would you do if you were walking in the streets of Outapi and came across a N\$200 banknote lying on the ground? Will you pick it up and look for its owner, or will you keep it? Or will you leave it lying on the ground because it is a piece of paper? The majority of us have an immediate instinct to pick it up. It is not rocket science to understand why we behave in this manner. It is because N\$200 lying on the ground represents something of value – something we trust.

3. Think of a world without money when considering the critical role money plays in our everyday lives. In such a world, a livestock farmer who wants to obtain maize meal to feed his family would have to exchange his goat for maize from a crop farmer. This is called bartering. That is, the goat is exchanged for maize without the use of money. Although it is

possible and has been done since the beginning of time, this method is inconvenient. The challenge for the bartering system is that the crop farmer may not be interested in doing this exchange, which causes problems for the livestock farmer. To solve this problem, we have invented money. As a result, money is used as a medium of exchange and a store of value.

4. **It goes without saying that the value of paper money depends on trust.** Trust that it will hold its value during the transaction between the two farmers. Trust that others will accept it as a means of payment and as a store of value. Ensuring public trust and confidence in our money is at the heart of what central banks do. Money can only play its fundamental role if that trust and confidence is maintained. The Bank of Namibia's core mandate is to promote price and financial stability so that people can be confident of the value of their money over time, enabling them to access and use it when and where they want to.
5. **As part of that mandate, the Bank of Namibia needs to ensure that money, which is the nerve centre of any economic system, is supplied adequately to always meet the market demand.** The amount of currency in circulation is critical to the health of any nation's economy; without sufficient currency in circulation, the economy cannot operate seamlessly. Physical currency plays an important role in the economy as it provides a means of payment for transactions and serves as a store of value for individuals and businesses. If there is insufficient supply of banknotes in circulation, it can lead to economic disruptions such as delays in transactions, reduced economic activity and even inflation. It is thus the responsibility of the Bank of Namibia to ensure that we have enough banknotes and coins in circulation.
6. **Namibia remains predominantly a cash-based economy, particularly in semi-urban and rural areas.** In 2022, the Bank injected a total of **N\$2.3 billion** new banknotes into circulation, whilst the total currency in circulation recorded as at end of December 2022 stood at **N\$4.8 billion**. The regions with the highest cash volumes are Ohangwena, **Omusati (where we are today)**, Oshana, Oshikoto, Kavango East, Kavango West, Kunene, Zambezi, Otjozondjupa, and lastly Omaheke. It is evident from this that many of our people continue to use cash (coins and banknotes) as the primary form of payment in settling their transactions, conducting their business activities, and meeting social obligations. And it is equally the Bank of Namibia's priority to ensure that banknotes and coins are accessible, durable, recognisable, and easily authenticated.
7. **Launching this banknote today signals our commitment to promoting the inclusion of all Namibians in our economy by increasing their participation and expanding opportunities.** In line with our mandate, financial inclusion is high among the Bank's shared roles and priorities in advancing the responsiveness of the financial sector and contributing

to the inclusive growth of the economy. Financial inclusion simply means the provision of financial services to the “unbanked” (individuals or businesses) in an affordable, sustainable, and ethical way. Banking the unbanked is essential for the economy. The access to and usage of quality financial services enable families and small business owners to generate income, manage their cash flow, invest in opportunities, and work their way out of poverty. Financial inclusion is, therefore, an enabler and accelerator of broad-based economic growth and resilience, improved financial health, job creation and development.

- 8. For our people to benefit and participate productively in the economy, we need to find ways of bridging the digital divide, as the cost of financial exclusion is far too great and one that we can ill afford.** Financial exclusion is closely associated with poverty and social exclusion and imposes significant costs on individuals. It often means paying more for basic financial transactions, resorting to expensive sources of credit and illegal loan sharks, and preventing people from building up assets. These people are also more vulnerable to risks such as theft, unexpected costs, and redundancy.
- 9. Improving financial inclusion necessitates a multifaceted strategy involving numerous public and private stakeholders.** In this regard, the Bank will continue its efforts to drive financial inclusion through various regulatory strategies, digital innovation, and enabling technology to drive deep penetration of financial services in underserved communities. In this regard, we are investigating some solutions that, if fully implemented, could be game-changers. This will undoubtedly spur innovation by making payment systems and products interoperable and thus lowering transaction costs. Access will also be expanded, particularly in rural areas and the informal economy.

Ladies and gentlemen,

- 10. One key sector that has yet to be fully included financially in terms of access to quality and diversified financial services and products is the SME sector.** As part of the Bank’s role to assist in attaining national economic goals and support economic recovery, we are advocating for SME sector revival and growth. Small and Medium Enterprises play a significant role in contributing to economic growth and development. We need to find cost-effective, efficient ways for them to access quality and affordable financial products to foster the entrepreneurial spirit.
- 11. As we are all aware, the SMEs sector was crippled by the Covid-19 pandemic resulting in huge financial losses, businesses barely keeping afloat, job losses and some businesses left with no option but to close their doors.** The Bank of Namibia and government could not sit idle and ignore the legitimate cries of our businessmen and women.

To assist these SMEs and revive economic activity, the Bank of Namibia, in conjunction with the Ministry of Finance and Public Enterprises, has recently availed a N\$500 million guarantee towards lending to help businesses recover. The SME Economic Recovery Scheme will provide funds, through participating commercial banks, to eligible businesses to assist them in covering their operating expenses such as salaries, rent and lease agreements, amongst others. I would like to take this opportunity to urge SMEs to contact their nearest commercial banks for more information about this scheme and qualifying criteria.

Ladies and gentlemen,

12. In closing, on behalf of the Board of Directors, Management and Staff of the Bank of Namibia, I would like to thank all those who have helped us to make this project successful. With these few words, Distinguished Guests, Ladies and Gentlemen, I now have the honour and privilege to call upon the regional Governor of the Outapi region to join me in officially launching the modified N\$200 banknote and thereafter put into circulation.

With these few remarks, thank you very much for gracing us with your presence this morning.