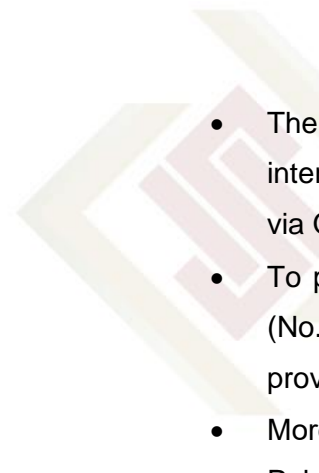


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FOR IMMEDIATE RELEASE

BANK OF NAMIBIA CHAMPIONS MODERNISATION FOR A PROSPEROUS FUTURE

1. The Governor of the Bank of Namibia, Mr. Johannes !Gawaxab today delivered a compelling public lecture at the University of Namibia (UNAM) titled: "Modernising Namibia's Financial Landscape for a Prosperous Future". The lecture provided a platform to outline the Bank's strategic transformations to foster a financial system that promotes inclusivity, resilience and sustained growth.
2. In his address, the Governor emphasised that the Bank of Namibia's modernisation and innovation journey is driven by a commitment to innovation across multiple areas: innovating the central bank's operations and banking sector, supporting innovation throughout the Namibian economy, and advancing the payment system, particularly in cross-border payments and capital outflows, which requires collaboration within the Common Monetary Area.
3. The Bank of Namibia has modernised the financial sector by establishing the following robust legislative framework, aimed at fostering financial stability, encouraging innovation:
 - On modernising the sector, financial institutions will soon be transitioning to cloud computing to enhance innovation, productivity, and cost-efficiency while effectively managing associated risks.
 - To address the increasing threat of cyberattacks, the Bank has established the Financial Sector Cyber Security Council, aimed at boosting resilience to cyber risks.
 - In support of the expanding digital economy, the Bank has revised regulations pertaining to the development of electronic wallet services (e-wallets), broadening its scope to include products like savings, credit, and insurance.

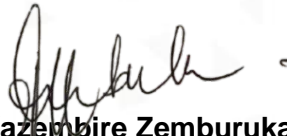
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- The Bank has issued guidelines to standardise QR codes for payments, ensuring interoperability and facilitating innovations such as e-money wallet transactions via QR codes.
 - To promote safe innovation, the Bank developed the Virtual Assets Act, 2023 (No.10 of 2023), which grants it regulatory authority over virtual asset service providers to safeguard the public against market abuse and scams.
 - Moreover, the recently launched Digital Identity Project, part of Namibia's Digital Public Infrastructure initiative, aims to establish a secure and verifiable e-ID system, streamlining government services and enhancing security in financial services through efficient KYC verification.
4. Other initiatives include, the introduction of Namibia's first Central Securities Depository (CSD), which will hold financial securities electronically, thereby improving transparency, efficiency, and security in trading Namibian securities and paving the way for a more robust and user-friendly financial market. Moreover, Mr. !Gawaxab highlighted the Bank's support for innovation through its FinTech regulatory framework, which includes a Regulatory Sandbox. This platform enables financial technology companies to test new products and services in a controlled environment, allowing innovation to progress responsibly without compromising financial stability.
 5. Governor highlighted that fast payments also known as instant payments, which enable real-time transfers of funds between bank accounts 24/7, will be introduced in Namibia with a planned Go-Live date in September 2025. The platform is expected to achieve full interoperability of payment instruments in alignment with the Bank's Strategic Plan and National Payment System (NPS) Vision and Strategy 2025. This system will allow recipients to receive funds almost immediately, enhancing financial efficiency, convenience and serve rural areas and the informal economy effectively. Clients of any bank or fintech will be able to send money instantly through wallet-to-wallet, wallet-to-bank, bank-to-wallet, or traditional bank account transfers. Additionally, cross-border payment frameworks for instant payments are in advanced stages, with some regions worldwide already fully implementing these systems.
 6. He also discussed the Bank's comprehensive digital transformation strategy, achieving key milestones in a short time in terms of the operations of the central bank, reiterating that the mandate of the bank will remain the same, but how the bank executes that mandate will undergo a sea change. In this regard, the Bank has re-engineered processes, established an Automation Centre of Excellence, and deployed virtual bots

to increase efficiency and reduce manual tasks. A standout achievement is the Government Payment Portal, which has reduced paperwork and cut payment processing times. Advanced data analytics and automation of mineral data collection have improved accuracy and decision-making, with further automation underway for economic data. The Bank has also implemented an AI-driven capability for predicting Non-Performing Loans (NPLs), allowing us to forecast up to four quarters in advance without human intervention.

7. The Governor remarked and quoted the report on AI preparedness index by the International Monetary Fund (IMF) and Namibia's readiness which is set to reshape the economy and financial sector given that AI is a high-priority area. Namibia ranks ninth among African countries in the AI Preparedness Index (AIPI) for 2024. Namibia's position reflects significant progress in these areas, demonstrating the country's commitment to digital transformation and innovation. This ranking highlights Namibia's potential to leverage AI for economic and societal development, placing it alongside other African nations and making strides in AI preparedness. Namibia has experienced good growth in the most recent years, but the contribution of Total Factor Productivity has been declining. To address this, innovation must be at the forefront of Namibia's economic strategy.
8. The Governor concluded with a reminder of the path ahead, stating, "Success will depend on our ability to stay ahead of the curve, be adaptable, and foster innovation without compromising stability." He reiterated that the Bank of Namibia is committed to leading the country into a new financial era that balances the opportunities provided by technological advancements with the need for stability and trust. He emphasised that modernisation must benefit all Namibians, from pensioners in remote areas to entrepreneurs in urban centres, ensuring that no one is left behind in this journey toward a prosperous future.
9. A key development to watch is the potential impact of widespread digital money adoption on commercial banks. As competition for deposits intensifies, banks may be forced to offer more attractive rates to attract customers, introducing new risks. Additionally, there may be a shift in credit intermediation from banks to non-deposit-taking institutions, particularly Big Tech, which is set to play a larger role in the distribution and management of digital money.

10. In summary, the lecture highlighted the Bank of Namibia's proactive approach to transforming the financial landscape by adopting modern technologies, enhancing regulation, and driving innovation while maintaining stability. As the financial system continues to evolve, Mr. !Gawaxab stressed that Namibia must be ready to seize opportunities, mitigate risks, and ensure that these efforts translate into meaningful and sustained improvements in the lives of all its citizens. The future, as envisioned by the Governor, is one where Namibia's financial system is not only robust and secure but also fully inclusive, providing the tools for prosperity to every individual, community, and business.

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