

TALKING POINTS BY THE GOVERNOR OF THE BANK OF NAMIBIA MR. JOHANNES IGAWAXAB, AT THE LAUNCH OF N\$ 10 MODIFIED NOTE ON FRIDAY, 04 FEBRUARY 2022, WINDHOEK.

Director of Ceremonies,

Deputy Governors, Management of the Bank,

CEOs of commercial banks,

My dear wife, daughter and family,

Staff of the Bank present,

The members of the media,

Ladies and Gentlemen,

Good morning,

1. **I am honoured to be here this morning to celebrate the official launch of the modified N\$ 10 banknote and its official release into circulation.** I am delighted to see dear colleagues from the regulated entities who are essential in ensuring all Namibians have access to banknotes and coins when they need them. On a personal note, I am honoured to have my dear wife present - a wonderful and dependable companion for over 40 years. I also recognise the entire team at the Bank – who have welcomed me into the Eagle family and made my stay here a fulfilling one.

Ladies and gentlemen,

2. **The Bank of Namibia Act 1 of 2020, Section 38 provides the Bank with the sole mandate to issue, manufacture and determine the characteristics of notes and coins in Namibia.** Historically, this is one of the core functions of the Bank, like that of most central banks. Essentially, this function entails control over the currency while maintaining the monetary unit's purchasing power.
3. **Money forms the basis of small transactions in our day-to-day lives.** To some extent, money is what the economy of the country is all about. It shapes our lives and is an important national symbol and source of pride. Money is the lubricant that enables a society to organise itself to achieve economic progress. Evidence suggests that merchants and consumers, particularly those with low income, would be significantly worse off without cash. This may also be the case for other segments of the population,

such as older people or those with a low appetite for financial intricacies, who prefer cash over other means of payments.

4. **It goes without saying that the value of paper money depends on trust.** Trust that it will hold its value. Trust that others will accept it as a means of payment, 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. That motivates the Bank's core objective of price stability so that people can be confident of the value of their money over time and financial stability to be able to access and use it when and where they want to.

5. **The general public continues to identify the Bank of Namibia closely with the currency issuance and management function.** Indeed, since its first issuance on 14 September 1993, the Namibia Dollar has become an important symbol of nationhood and value. The Namibia dollar stands out as a tangible symbol – just like our national flag, coat of arms, and other symbols of nationhood. We hold it in our hands. We use it on a daily basis. In fact, for the visitors coming for the first time in the country, one of their first points of contact is cash (the local currency), which a person needs to acquire to pay for goods and services. It remains our cherished responsibility to ensure that the Namibia dollar is never in short supply – a constitutional responsibility we perform with pride.

Ladies and Gentlemen,

6. **We are proud of the fact that the Namibia dollar is the lifeblood of our economy.** Although Namibians increasingly transact electronically through digital payment channels, the adage that 'Cash is KING' is still valid for Namibia. For instance, in 2020, an increase of 4.3% was recorded in the amount of currency in circulation, while 2021 recorded a slight reduction of 1.7%. One possible explanation for this apparent paradox is the increasing demand for banknotes in times of upheaval and uncertainty. When Covid-19 hit, people turned to cash as a tool to manage uncertainty and be able to conduct transactions despite (for many) having moved to remote areas where swiping cards is not always possible. In 2021, the slight reduction is partially attributed to a degree of normalisation following less severe restrictions and progress with adjustment to the pandemic.

- 7. The Namibian economy is one that is highly cash dominated as is evidenced by the over 50 million ATM withdrawals totalling N\$36.9 billion conducted in 2021.** Furthermore, during the same period, e-money cash redemption amounted to 6% of the total currency in circulation. Worth noting is that as at 31 Dec 2021, the total Currency in Circulation stood at N\$4.63 billion. These figures illustrate my point that Namibians remain heavily cash reliant despite the advancements in digital payments. It is also indicative of the symbiotic relationship between cash and cashless transactions, meaning the two have become intertwined and thus cash will not be displaced in the near future.
- 8. But that doesn't mean that our financial system and other agents should be discouraged from transforming and innovating our payment landscape.** In fact, we welcome innovations on this front as they can ensure meaningful participation of our people, especially those in the informal economy, SMEs, and rural Namibia. Like most central banks, the Bank of Namibia is researching Central Bank Digital Currencies (CBDCs). Money is undergoing one of the biggest changes since the Chinese introduced paper currency over 1000 years ago. The number and value of cryptocurrencies have surged raising the possibility of a financial world operating outside the control of governments and central banks. There is thus a need for central banks to have a clear digital currency agenda to reinforce Central Bank authority over money and maintain control over the payment system.
- 9. The proposed digital agenda should be crafted through consultation with governments, commercial banks, and the public.** The potential objectives advanced by these stakeholders will be many and varied but not necessarily compatible and the design of a digital currency will have to involve trade-offs notably between privacy and identity-based services and between centralised versus distributed control. CBDCs do have financial stability implications through disintermediation of commercial banks and potentially is a threat to monetary sovereignty. As policymakers we need to ensure these concerns are addressed but that we have a financial system that is stable and sound, which fosters innovation, and promote competition and trust.

Ladies and gentlemen,

- 10. As established, our Namibia dollar is widely used in our economy, but more than that it serves other important purposes.** Our banknotes reflect our diversity as a people, our fauna and flora – our majestic animals and the beauty that Namibia offers. Our heroes are celebrated on our notes – preserving our country's rich history for

posterity. Tourists take our banknotes as souvenirs and our banknotes are highly sought after in the international collector's market.

11. Consequently, we have to maintain the quality of our banknotes with cutting-edge security features which render them easy to identify and make them difficult to counterfeit. The N\$ 10 banknote modification depicts a new, visible security feature. This entails the official signature of the Governor printed in raised ink on the front side of the banknote and the year of print (2021) on the backside of the note. It is important to emphasise that all other security features remain unchanged on both the obverse and reverse side of the banknote. As customary, the public remains advised to ***look, feel and tilt*** banknotes to verify the validity and visible security features.

12. However, the launch of the N\$ 10 modified banknote is not just a procedural task but one that holds a deeper meaning and significance. The amount of money in a nation's money supply is crucial to the health of its economy. If there is not enough currency in circulation, the economy cannot operate seamlessly. It is the same as making an engine run without oil or expecting brakes to work without brake fluid – this will be a disaster. The N\$ 10 banknote denomination is one of the banknotes with the highest circulation velocity. Circulation velocity (also known as the return frequency) is the number of times in a given period the average banknote will return from circulation to the central bank. In 2021, the N\$200 banknote was the most circulated with a volume of 14.3 million pieces, while the N\$10 banknote is the second mostly circulated note at a volume of 10.2 million pieces. The reasons for this are pretty basic. Every Namibian from all walks of life is able to possess a N\$10 banknote, and it is used daily in domestic transactions, hence it is classified as a transactional note. It is a note that serves both our formal and informal economies, and its importance cannot be overemphasised.

13. As said earlier, the Namibia dollar is the oil that fuels the Namibian economy, and it is an important symbol of our statehood, identity, and culture as a people. Our responsibility is to ensure that Namibians have total trust and confidence in the Namibia dollar. Therefore, we undertake to continue discharging this responsibility as a custodian of our currency, now and in the future. And that means exercising our monetary policy mandate properly so that our money's value is not lost and ensuring that the national payment system is resilient while fostering a world-class financial system. This is our preoccupation.

14. In conclusion, as you know, our banknotes and coins are a source of pride as they celebrate the lives of eminent Namibians. The face of the Founding Father, President Sam Nujoma decorates the face of the N\$10 note. He said when we attained our nationhood: "The destiny of this country is now fully in our hands. We should, therefore, look forward to the future with confidence and hope." We do not face the challenges Founding President Nujoma and his generation faced. We have our own set of challenges, but those words remain relevant today as they were when his generation fought for independence and freedom.

15. Our current Head of State, President Hage Geingob recently enjoined us to see beyond the current challenges we face by stating the following: "No matter what challenges we face, let us work together in the spirit of nationhood to overcome whatever is thrown our way. No matter how difficult the task, let us hold hands and develop solutions together in the spirit of unity. No matter how long it takes us to overcome our problems, let us ensure that we emerge victorious. With confidence in our future, with faith in our brave people, and with a profound love for our country."

16. With a profound sense of duty and purpose, let us re-affirm ourselves to the unfinished work of building a better, united, and prosperous Namibia – and to bequeathing a better country to succeeding generations.

Thank you so much for your attention.