

**Welcoming Remarks by Mr. Johannes !Gawaxab, Governor of the Bank of Namibia,
at the Bank of Namibia's 22nd Annual Symposium, 4 November 2021, Safari Hotel,
Windhoek, Namibia**

***“Namibia Beyond COVID-19: Digital Transformation for Sustainable Economic
Development”***

Director of Ceremonies

Honourable Netumbo-Nandi Ndaitwah, Deputy Prime Minister and Minister of
International Relations and Cooperation,

Honourable Ministers and Deputy Ministers Present,

Members of Parliament,

Honourable Regional Governors and Councilors,

Members of the Diplomatic Corps,

Executive Directors of Government Offices/Ministries and Agencies,

Deputy Governor and Board Members of the Bank of Namibia,

Distinguished Speakers,

Distinguished Panelists,

Captains of Industry,

Members of the Media,

All invited guests,

Ladies and Gentlemen,

Good morning!

**1. It is my profound honour to welcome you to the Bank of Namibia's 22nd Annual
Symposium. I wish to express my gratitude and appreciation to our invited guests
and discussants for availing time to be with us on this occasion and share their views
and knowledge on this important topic.**

2. The Annual Symposium of the Bank of Namibia aims to contribute to the development and economic policy discourse in Namibia. Annually, the Bank identifies an important development and economic issue facing Namibia, to which the Bank can contribute. The Annual Symposium is therefore a forum designed to bring together policy experts, academics and economic development stakeholders to discuss the economic and policy issues on the identified topic. The Annual Symposium of the Bank is thus a national platform where we engage as Namibians, supported by our international friends. It is very critical, at the onset, to emphasize that the Bank's annual symposium is not meant to be a mere talk show, but rather a forum aimed at harnessing the ideas, and package them into actionable strategies and recommendations for implementation. Therefore, the engagements with the relevant stakeholders for the implementation of these policy recommendations will continue beyond the symposium.

3. One such engagement is the recently held stakeholder engagement on the 2nd of November 2021 with various captains of industry to discuss strategic ways of digitalizing the country. We had high-level representation from the various commercial banks, telecommunications industry, relevant ministries, as well as representatives from the regulatory space. We had fruitful discussions where various challenges were highlighted and we, as the Bank, have actively started the process of investigating ways of mitigating these challenges.

4. This year's symposium theme is focusing on *Digital Transformation*, and how we as a country can leverage it to achieve economic development. There are many ways one might define a digital economy. Some would define it as a mindset focused on the customer and enabled by technology. Today, I'd like to offer the following definition and understanding by Professor Brian Armstrong of Wits Business School: A digital economy (he states), can be defined as an economy that drives the general production and consumption of goods and services through digital platforms. Such an economy is formed by facilitating online connections between people, processes, data, services, businesses, and the Government.

5. **Director of Ceremonies, ladies and gentlemen, many of you already know that this new digital economy is not a distant aspiration.** It is happening already, right now and right here at home. I am certain you would agree with me that no sector is spared in this regard, from Government to all industries of our economy. New business models are created every day, advances in technology continue to change our landscape, and new operating models establish themselves in almost every sector. This has disrupted old ways to a certain extent and those unwilling to embrace this reality will be the laggards of today and tomorrow.

6. **These advancements must be leveraged to make things more convenient in an environment that is fast, efficient, and, most importantly, safe for everyone concerned.** If we are not to lose out on the opportunities in the digital economy, we must make tough decisions to re-organise ourselves for speed and agility, and also to update our mental models. This applies to the government, our businesses, and our people. The faster we adapt, the faster we can recover. There is no place for treading water and waiting for normalcy to return. The proverbial bus would have left us behind.

7. **Digital technology can drive innovation, economic growth and job creation in many key sectors of the economy, and allows for greater interconnection of African markets with one another and with the rest of the world.** It can enhance both market and financial access and inclusion, particularly in marginalized areas neglected by the traditional financial system. Promoting digitalization in Africa, and particularly in Namibia, will maximize our impact in sectors such as health, energy, transport, agriculture, education and facilitate access to basic social services, consistent with our broader good governance and development policies and programmes.

8. **Digital applications are already driving socio-economic transformation, increasing efficient production and distribution of goods and services, opening-up new opportunities for income generation for thousands of poor people, enhancing**

connectivity between people, societies, government and organizations. In the financial sector, we are already seeing the benefit of accelerated digitization and technology. Through the e-wallets, blue wallets, and easy wallets, it is now more convenient and cheaper to transmit money to rural and remote residents. We must leverage these gains and facilitate financial inclusion and banking of the unbanked.

9. Director of ceremonies, ladies and gentlemen, one might wonder how digital transformation is driving this socio-economic transformation and how it is important for economic development. We can summarize this in three ways:

- **First, improving the efficiency and transparency of government services can generate impressive savings.** Using digital technology, Rwanda was able to increase annual revenue by more than 6 percent. South Africa reduced the cost of tax collection by 22 percent. By shortening the time needed to open a business, using e-commerce platforms, countries such as Mauritania, Rwanda and Senegal have fostered growth in small and medium enterprises.
- **Second, technology can help low-income countries improve the environment for small and medium enterprises, including through better access to financing.** One such opportunity is in e-commerce, which is particularly suited to the micro, small, and medium enterprises. E-commerce platforms provide access to a broader range of buyers. Some platforms offer services—payment processing, customer service, shipping, return handling, and delivery — that significantly lower costs.
- **Third, the digital economy is opening up the service sector, a growing share of the economy of many low-income countries.** In the new digital environment, digital technologies (e.g., cloud computing, artificial intelligence, smartphones, mobile apps, etc.) are transforming the service sector, as in the emblematic case of fintech, as well as manufacturing. In fields from transportation, to delivery,

to medical diagnostics, to accounting, low-income countries can find areas of comparative advantage with the right policy environment.

10. However, in order for us as a country to fully realize the said benefits, we need to embrace digitalization fully as a country. And this leads to my next point, how the Bank of Namibia has embraced digitalization and what it is doing to assist the acceleration of digital transformation. Let me start off by addressing the role of the central bank in this rapidly changing landscape.

11. The role of the Bank is essential in the advancement of a digital economy. The Bank can help speed up an environment where modern advances are possible, particularly in the financial sector. Our policies need to ensure the safety, efficiency and stability of the financial system, and each stakeholder within the system.

12. There are several possible reasons why financial stability may be at risk. The emergence of new types of institutions providing financial services is akin to financial liberalization, as some of the activities of these institutions lie outside the perimeter of the regulatory system. Innovations brought by FinTech and BigTech include the introduction of products whose risk characteristics are not well known and which can have systemic stability consequences. For example, rapid growth of P2P lending by FinTech firms may in some jurisdictions lead to an increased incidence of nonperforming loans in the absence of a robust regulatory response.

13. Regulators must therefore be vigilant and ready to adapt to the new financial landscape. New entrants that are not yet included in the perimeter of the regulatory system must be monitored, and potential systemic consequences of new sources of risk to individual institutions must be continuously assessed. As some activities of unregulated institutions are indistinguishable from the same activities in regulated institutions, there is a risk of regulatory arbitrage taking place. It is therefore imperative that regulatory frameworks be adjusted to focus on activities rather than on institutions.

14. Payment systems have evolved and digitization has been an important contributor. Transfers are now more rapid as real-time gross settlement systems have been introduced in many jurisdictions for wholesale payments and fast payments for retail transactions are becoming more common. The decreased cost of cross-border transfers has been noted as one of the important potential benefits of using financial technology.

15. Financial technology applied to payments has also contributed significantly to financial inclusion, whereby formerly non-banked individuals and households have not only been able to carry out transactions via mobile phones, but also access basic financial services in the form of placing deposits and receiving loans.

16. Financial innovation and products resulting from financial technology also have a bearing on the monetary policy transmission mechanism, and on many other functions ordinarily performed by a central bank, such as credible currency issuance. We continue to increase our research capacity to study all these rapid developments so that we take informed supportive policy positions.

17. Within its mandate, the Bank of Namibia has done the following:

- In ensuring financial inclusion, the Bank is spearheading and advocating for SME development and financing. Government prioritized SME development over the last 2 decades, due to its potential to contribute to job creation and poverty alleviation. However, access to finance has been identified as a major challenge for SME development in Namibia. In this regard, the Namibia Financial Sector Strategy thus recommends consideration for the establishment of a National Risk Facility to bridge the financing gap that is experienced by SMEs in Namibia. This work culminated in what we now refer to as “the SME Financing Strategy” with three interlinked facilities aimed at addressing the multiple challenges facing SMEs. These facilities are the Credit Guarantee Scheme, the Venture Capital

Fund as well as the Mentoring and Coaching Programme. The Strategy is being implemented by the Development Bank of Namibia as per Cabinet direction.

- Bank of Namibia is taking a strategic approach to digital transformation and has put in place a Digital Transformation and Innovation Committee. The committee is designed to spearhead, and facilitate initiatives in the Bank, with a long-term view to facilitate the same ambitions in the Financial Sector at large. One of the first tasks for this Committee is to explore the establishment of a Central Bank Digital Currency (CDBC). While this may be a long-term initiative, no time can be spared to start early to gain a thorough understanding of the legal, technical, technological, and social impact it may have on the Namibian economy.
- The Bank is also forming a view on crypto assets while continuing to monitor the impact of this technology. We agree that blockchain technology, the underlying technology that enables crypto assets is an innovation that can be deployed. Additionally, advances in Fintech are also increasing in the country, and a strategy is necessary to accommodate these emerging players in the market. We can do so by creating an oversight platform, alongside other regulators, to test new products and services in a controlled environment. These controlled environments are referred to as Regulatory Sandboxes, where Fintech innovations can be tested in a controlled live environment with the Bank's approval and cooperation between regulator and innovator. This is likely to transform the domestic digital landscape.
- The Bank is also investigating instant payment models in countries such as Brazil and India for affordable payment infrastructure that can further advance and facilitate financial inclusion. We can learn from our sister Central Banks through close benchmarking initiatives. Cooperation within the SADC community on Regional Payment Systems Integration has grown substantially with the implementation of the SADC Real-Time Gross Settlement systems to facilitate trade within the SADC region.

- 18. Ladies and gentlemen, success in the digital age will not come without challenges and obstacles.** Although technological change is essential for economic growth and sustainable development, it can initially widen inequalities. From a user perspective, recent technological advances could bring significant benefits that touch on all of the Sustainable Development Goals. However, not everyone has immediate access to such progress, such as life-saving treatment, clean water, specific knowledge or a piece of technology. If the dissemination of new technologies is limited to already advantaged groups, this could reinforce a vicious cycle that widens existing inequalities. For example, those with higher incomes tend to be the first to adopt new technologies. Such differential access creates new opportunities in areas such as education, health and employment for those already possessing an advantage.
- 19.** Therefore, to harness rapid technological change for inclusive and sustainable development, the government and other stakeholders need to ensure that on the user side, the benefits of frontier technologies reach the greatest number of people and, in particular, the most vulnerable and those further behind. We also need to ensure that rapid technological change results in more and better jobs in the country, that those caught on the losing side during a transition have the support to find new livelihood paths with dignity, that innovation in frontier technologies is carried out alongside healthy competition to avoid excessive market concentration. This will require the government and other quasi-government institutions as well as the private sector to invest in infrastructure development to close the gap of potential inequality.
- 20.** A considerable number (about 50%) of our population lives in rural areas. While advances are likely to continue in urban areas, it is equally important not to lose sight of bringing all citizens on this journey, no matter where they live. Access and inclusion in the information and communication technologies require national infrastructure that spans across the whole country.

21. Another challenge we face in such a digitally advancing economy is people's privacy and safety in a world where cyber threats are on a rapid increase. While plans are underway to modernise, we must think of building our digital infrastructure with security in mind.

22. **Ladies and gentlemen, my remarks are not aimed at preempting the discussions and ideas that we will have during the course of this symposium.** They are not to create an impression that we know and have all the solutions with regard to digital transformation, and how Namibia can exploit the opportunities fully. However, I believe, as a Bank, central to the macroeconomic development of our country, we have a duty to spearhead these discussions and coordinate policy solutions. The symposium therefore offers us the opportunity to collectively reflect and deliberate on this important topic, particularly around the following questions, which I believe are crucial to transforming the Namibian economy, and converting challenges into opportunities:

- i. What can the country improve on to leverage on digital transformation?
- ii. Are there options for green ICT initiatives?
- iii. Can we promote infrastructure sharing and penetrate the rural regions fully?
- iv. How do we develop the necessary skills needed in the country?
- v. How do we, as regulators, create a conducive environment that fosters innovation in digitalization?

23. **In conclusion, I believe we have an opportunity to transform the Namibian economy through mutual opportunities.** The road ahead is long and exciting, yet filled with challenges, but equally so, the opportunities are plentiful. We need to come to terms with the fact that the digital world touches all the spheres of our lives and will certainly, for the next 15 years and beyond, shape the future. It then becomes important for our collective focus to be on execution and delivering on our respective mandates for Namibians with the digital future in mind. We must work together in all sectors and through all stakeholders to make the Namibian dream a

reality. Let us leverage technology to help us exit the COVID-19 pandemic, mitigate the negative consequences of disrupted and lost schooling and teaching, and raise productivity in our economy. As we emerge from this pandemic, we cannot return to the old ways of doing things, as the cliché goes, not business as usual. We must, therefore, use the current challenges to transform our economy and adapt to the inevitable changes in order to create shared prosperity for all our people.

24. **To this end, it is my belief that,** while the pandemic has undoubtedly accentuated imbalances that existed for decades, it also presents an opportunity particularly for developing economies, to ride the pandemic-induced digital wave as we chart new and creative paths that catapult faster and sustainable economic growth to improve the living standards of our people.
25. I look forward to fruitful discussions on possible solutions. I thank you for your kind attention and profoundly welcome you to this event!