

TALKING POINTS BY MR. JOHANNES !GAWAXAB, GOVERNOR OF THE BANK OF NAMIBIA, AT THE ANNUAL REPORT 2021 AND CORPORATE IDENTITY LAUNCH ON THURSDAY, 31 MARCH 2022, WINDHOEK, NAMIBIA

Hon. Maureen Hinda-Mbuende, Deputy Minister of Finance
Deputy Governors of the Bank,
Management & Staff of the Bank of Namibia,
Distinguished guests,
Members of the media,
Viewers on our online platforms,
Ladies and Gentlemen,

Good morning,

1. **It is a distinct pleasure for me to welcome you all this morning.** The fact that we are able to meet in person is indeed a welcome and hopefully positive sign for things to come this year as we exit a tumultuous period. The annual report we are launching today is our hallmark publication, which provides an assessment of the country's economic conditions, highlights topical policy issues and accounts for the Bank's operations in the prior year, and reflects on our journey, as per the statutory requirement. Beyond that, this event provides a moment to reflect on our collective march as a nation and recast the narrative of the promise of tomorrow. I will therefore share a few ideas that home in on why Namibia is the next frontier on the African continent and stacks up well despite the challenges we have experienced to date.

Ladies and gentlemen,

2. **The past three years have been a rude awakening for all of us; the COVID-19 pandemic has brought about the loss of more than 4,000 lives and imposed a terrible economic and social cost.** These factors contributed to Namibia's growth remaining sluggish despite a rebound in 2021. As we reflect on the year that was, I would like to give a high-level overview of the economic performance during this period.
- The Namibian economy is estimated to have expanded by about 2.4 percent in 2021, following a record contraction of 7.9 percent in 2020. This recovery was aided by supportive macroeconomic policies and driven by the mining sector, coupled with positive

real value addition in the wholesale and retail trade, hotels and restaurants, and the information and communication sectors.

- Namibia's headline inflation rose from 2.2 percent in 2020 to an average of 3.6 percent during 2021 due to rising international oil prices and global supply disruptions. Nevertheless, inflation was well contained during this period, though it increased towards the year-end.
- During this period, the Bank of Namibia demonstrated its resilience and continued to deliver on its mandate and instituted various relief measures to cushion households and businesses from the worst effects of the pandemic. Among these relief measures was the accommodative monetary policy stance with a record low repo rate of 3.75 percent during 2021 to support the struggling economy whilst safeguarding the exchange rate peg arrangement. If we did not intervene with those relief measures; we would have risked tightening financial conditions significantly and made the impact of the pandemic much worse. I am also glad to share with you that these relief measures provided to the banks have been extended until 2023 to keep supporting the economy.
- These measures were intended, among other things, to ensure financial and monetary stability. Alan Greenspan, Former Chairperson of the US Federal Reserve defines monetary stability as follows: *"Monetary stability is when people's decisions on spending and investment are not influenced by their concerns and expectations about the value of the money they have accumulated. When they are not concerned about the safety and soundness of individual banks, we have financial stability."*

Ladies and gentlemen,

- Monetary authorities globally aspire to this, and the Bank of Namibia is no exception. To this end, we are pleased to report that Namibia's banking sector remained profitable, liquid, and resilient, despite the strained economic environment. In fulfilling its oversight mandate of ensuring that the financial system remains sound and stable, the Bank also assessed the non-bank financial institutions sector to be still sound. The Bank of Namibia, sister regulators, and financial institutions have all played their part to ensure financial system's resilience, stability, and soundness despite a once-in-a-lifetime catastrophic event.
- It must be noted that the Bank of Namibia cannot fight the pandemic itself; it can, however, help to provide stability in the financial system. Personally, I am very grateful for how the

Bank responded in line with the execution of its mandate and the tools at its disposal during this time. I am also grateful for how the staff contributed and how we cooperated with Government and the private sector to help support the restoration of our economy.

Ladies and gentlemen,

- 3. We are establishing an agile organisation that can successfully adjust to a changing operational environment.** As a result, the Bank of Namibia announced its new Strategic Plan a little over three months ago. Underpinning this three-year strategic plan, is our Digital Transformation agenda which is the key enabler for this plan. To this end, the Bank has shaped a new vision to be a leading central bank committed to a prosperous Namibia. Through effective monetary policy and an inclusive and stable financial system, our mission is to support sustainable economic development for the benefit of *all* Namibian people. This mission reflects our commitment to support socio-economic progress and sustainable economic development in Namibia. In alignment to this strategy, the Bank is on a path of renewal as we future-proof our organisation. With the new Corporate Identity, we are launching today, we reflect and reinforce this approach.
- 4. Through our strategy, the Bank will strive ceaselessly toward a more efficient, responsive, and modernised financial system that is accessible to all ordinary citizens while linked with regional and international financial institutions.** As a result of the rapid innovation in the FinTech industry, the Bank has recently released the FinTech Regulatory Framework. Furthermore, we are doing ground-breaking research on Central Bank Digital Currencies, and a consultation paper is nearing completion in order to elicit feedback from interested parties. The Bank has also seen the rise of cryptocurrency financing services. We must ensure that these platforms are reliable for lending, trading, and secure custody with consumer interests well protected. These innovations are bold, and there is considerable promise to reduce transaction costs, increase competition, and improve financial inclusion, but there are also potential risks to that. We are firm in giving the required direction to the industry, innovators, and interested parties as we dive into these uncharted frontiers and cooperate with stakeholders to advance our ambitions in the Fourth Industrial Revolution.

Ladies and gentlemen,

5. Let me return to the economy. Despite the headway that we have made in terms of buffering the Namibian economy, we are not out of the woods yet, and Namibia still faces a myriad of challenges.

- The COVID-19 pandemic continues to loom internationally, despite a welcome relaxation of restrictions and a drop in infections on a local level. This bodes well for the recovery of our tourism sector, which has been destroyed by Covid-19, in the next 12-18 months.
- Namibia emerged from a terrible drought that lasted many years. The consequences were disastrous, given that the agricultural industry supports about 70% of the country's population directly or indirectly. As a result of better rainfall, farmers can replenish and agricultural output can increase, allowing the industry to prosper once again.
- The most considerable risk to our economy's revival is a new conflict raging in Europe. I know that "peace is profitable, any war is costly and financial markets prefer stability and predictability for normal functioning." One can only hope for an amicable resolution as soon as possible so that we can focus on the unfinished business of restoring the output and jobs wiped out by the pandemic and growing the economy further.

Ladies and gentlemen,

6. The question that we should ask is whether our stars are aligning? Can we restore our place as one of Southern Africa's fastest-growing economies? Is Namibia still the world's jewel and the next frontier? I make the case that we need to reclaim lost ground and redefine ourselves. We must use every opportunity to speak for and advocate for our country's prospects and potential since, unknown to many; we are on the cusp of greatness.

7. Permit me to discuss some reasons for my renewed optimism and hope in Namibia. We are excited about the prospects of green hydrogen and its economic potential. The prospective investment of between US\$ 6-9 billion is absolutely astounding, with the ability to revolutionise the structure of our economy and spark downstream businesses. With its abundant, world-class renewable energy resources and increasing demand for green hydrogen worldwide, Namibia is quickly emerging as an early entrant in this new market. In this regard, Namibia's ambitions of becoming the leading exporter of Green Hydrogen on the African continent and to help the world achieve its quest for a net-zero or low carbon

emissions are within sight. It is innovative and deliberate actions such as these which will bring the much-needed reforms to recover, grow and transform our country.

8. The discovery of oil, if found to be commercially viable, could enable Namibia to become the third-largest oil producer in Sub-Saharan Africa (after Nigeria & Angola). Namibia is in a fortunate position as a latecomer to this game in that it does not need to reinvent the wheel when it comes to governance frameworks and beneficiation aspects. There are plenty of examples from which we may learn on how to harness this resource successfully and avoid falling into the same resource trap like some other nations.
9. Other pleasant news for the mining sector, in particular, is Debmarine Namibia's procurement of the world's largest diamond mining vessel and the greenest mining recovery vessel ever built in the world. This vessel will greatly enhance diamond production and continue to contribute to our economy. Equally, the decision by Namdeb Holdings to extend the current life of mine by another 20 years by investing in onshore mining activities is noteworthy. We also understand that the Kudu Gas Fields remains on our radar and has the potential to be reorganised to deliver much-needed energy to Namibia and neighboring countries in years to come.
10. I purposefully highlighted these nascent megaprojects to demonstrate that our future is indeed bright. What is required is a paradigm shift to recognise these possibilities and reposition ourselves accordingly. By maximizing the opportunities above, we will ultimately **GROW** the economy and create wealth for the majority of our people. We will **GROW** the cake and ensure equitable access and opportunity. **GROW** is the acronym we must recall as we embrace these new game-changers in our economy and maximize their value while harnessing the endowment for future generations.

Green hydrogen

Resources

Oil

Wealth creation.

I ask you to join Namibia on this transformative journey, grab the possibilities that **GROW** will provide, and optimally contribute to the growth of a prosperous Namibia. As for the Bank, we remain totally committed and will continue in our quest to support the economy particularly these new industries with the necessary policy research that will help maximise the benefits of these resources to the majority of our people. Furthermore, the Bank should explore establishing a presence in the country's south – closer to the action – in order to

acquire first-hand information and data on these key economic efforts, while also delivering superior macroeconomic and microeconomic analyses for all stakeholders.

Ladies and Gentlemen,

11. **"Innovation is the ability to see change as an opportunity and not as a threat" – as the late Steve Jobs reminds us.** I believe that we have a window of opportunity to seize these green shoots. To achieve this, we must continue to push the boundaries and be inventive, ambitious, and proactive. We are in a fortunate position as mother nature has abundantly endowed Namibia with all the natural resources that we need to be self-sufficient and prosperous. Within nature lies the cure for humanity. If you think about everything we hold of value on this planet, metal, minerals, energy, sun, and the wind - these things are in near-infinite quantities in Namibia. *"God sleeps in the minerals, awakens in plants, walks in animals and thinks in man" – Arthur Young.*

12. **Now is the time for our vibrant and talented Namibian youth to position themselves for this new future by proactively equipping themselves with the necessary skills.** There are several opportunities for further study in Green Hydrogen Technology, especially. As such it is up to young Namibians to take advantage of these opportunities. Our human development endeavor in both the public and private sectors should align with these burgeoning industries on the horizon, so we rely less on foreign skills.

Ladies and gentlemen,

13. **The Bank of Namibia continues to maintain its commitment to Namibia's people and support our nation's development.** As mentioned, the Bank diligently ensures that Government receives a substantial dividend amount from the Bank on an annual basis. In 2021, the Bank recorded a higher surplus due to capital gains realised from foreign reserve assets and cost containment measures implemented by the Bank. Consequently, the Bank declared a dividend of N\$413.7 million to Government compared to N\$278.2 million in 2020. Today, the Bank of Namibia will hand over a dividend payment of N\$413,7 million to the Ministry of Finance, one of our most valuable and critical stakeholders. A portion of this dividend will be allocated to the newly created Sovereign Wealth Fund, also known as the Welwitschia Fund, facilitating long-term, inclusive, and sustainable development in our country. In doing this, the Bank is contributing to the achievement of inclusive economic growth and to the reduction of poverty.

14. Before I close off, I would like to encourage you to go through our Annual Report at your own time and interrogate its content. As the Bank, we will gladly address any questions or comments that you may have thereafter. I would also like to take this opportunity to acknowledge all the parties that contributed to ensuring that the Annual Report came out in time as per our statutory obligation, and I would also like to thank the team that produced our new Corporate Identity. You have done a great job. Most importantly, thank you to each and every staff member within Bank of Namibia. Without your continued commitment and perseverance our collective achievement for 2021 would not have been possible. I appreciate all effort big and small in making 2021 a most remarkable year of achievement.

Once again, I sincerely thank you all for joining us this morning.