

TALKING POINTS BY THE GOVERNOR OF THE BANK OF NAMIBIA MR. JOHANNES !GAWAXAB, AT THE INNOVATION INVESTMENT READINESS (IIR) WEEK ON FRIDAY, 15 JULY 2022, WINDHOEK.

Ms Nangula Uaandja, CEO and staff of the NIPDB

Dr Eroid Naomab, Vice-Chancellor, NUST

Dr Licky Erastus, Managing Director, MTC

Hon. Lawrence Alufea Sampofu, Governor of the Zambezi region, and any other political leaders present

Members of the media,

Distinguished invited guests,

Ladies and gentlemen,

Greetings to you all,

1. **I would like to thank the organisers for the invitation to address you and engage with you on this critical innovation and investment readiness topic.** It is an honour to be here to discuss an issue so crucial to the Bank of Namibia and indeed for all of us concerned with innovation and inclusive economic growth and social development through investment.
2. **Seeing all of you here today gives me an immense sense of hope.** This gathering demonstrates our collective intent to ready Namibia for further investments, support the economic recovery, and find solutions to bottlenecks, shortcomings, and challenges facing our economy. Indeed, we must wrestle with these challenges and find lasting and sustainable solutions, ensuring our economy's and nation's competitiveness and durability as we navigate the continuously dynamic landscape.
3. **A recent report by the World Bank titled “*Creating Resilient and Inclusive Markets in Namibia*” made very fundamental findings, most of which we have already been aware of and have been grappling with.** Among the findings and highlights from this report is that despite a mature telecom market, Namibia's adoption of digital technologies is found wanting, and it lags its middle-income comparator countries. Fixed broadband has been rolled out slowly, with just 2.5 subscriptions per 100 people. Consequently, digital adoption rates are much lower than in peer countries. One study ranks Namibia 224th out of 230 countries on the cost of data; 1 gigabyte of data in Namibia costs an average of US\$22.37, more than 5.5 times the following highest SACU country. Mobile broadband adoption still lags at 30 percent, despite a smartphone equipment access rate estimated at 66 percent.
4. **I am convinced that promoting digital transformation will require a multi-tiered approach.** This can be achieved by reducing market concentration while facilitating the entry of new operators into IT infrastructure and connectivity areas. This will enhance investments and technology to improve service quality, access, and affordability. It will also increase market contestability, especially at the last-mile and wholesale levels, accelerate international connectivity and ensure national open-

access fibre infrastructure through private participation. Reducing market concentration in internet provision and connectivity will increase access to affordable and reliable bandwidth and adopting new internet service provider (ISP) licenses and infrastructure-sharing arrangements will accelerate the deployment of high-speed broadband services.

5. **Ladies and gentlemen, while digital transformation is and remains our preoccupation, our other challenges include high unemployment, particularly among the youth.** Low investment and falling gross capital formation from just about N\$ 6 billion at independence, peaking at N\$47 billion in 2014, and has since been declining and standing at N\$ 21 billion in 2020, low private sector participation, widening income inequality and increasing poverty incidences are also other issues we are grappling with. At the same time, the country continues to observe a decrease in manufactured goods as a share of our export and a constrained fiscal space. Furthermore, access to finance, land, and electricity are some of the key challenges firms face.

6. **It goes without saying that the COVID-19 pandemic has worsened our challenges, and most recently by the developments in the global economy, including the war in Ukraine, which has subsequently heightened inflation globally and domestically.** However, slow progress and traction on our development initiatives make us susceptible to shocks, reversing the gains we have made. This is a call to action and an imperative to scale up our efforts and build resilience. Our solutions lie collectively within us as Namibians, in our minds and hands. We need a paradigm shift and shift in terms of our approach to implementation and following through.

Director of proceedings, ladies and gentlemen,

7. **We cannot grow the economy sustainably without a strong macroeconomic foundation.** Safeguarding macroeconomic stability is therefore critical and of paramount importance to ensure that these efforts are enduring, sustainable and impactful. Restoring macroeconomic stability entails making tough choices as we tread the thin balance between short- and long-term macroeconomic stability. Therefore, we must identify opportunities that offer both short- and long-term gains as we restructure the economy. In a minute, I will share my views on some of the opportunities we can leverage for short- and long-term gains, particularly opportunities for the youth and support for the most vulnerable members of our society.

8. **At the Bank, we are committed to building a prosperous Namibia by safeguarding monetary and financial stability.** The proliferation of financial technology innovations has a profound bearing on the Bank's mandate and its role as a regulator in the financial system. In this regard, and in demonstrating our agility, we have crafted a Fintech Regulatory framework focused on innovation through which enterprises and individuals with innovative business concepts can present their ideas

to the Bank for consideration against the relevant frameworks of the Bank and incubation. The Bank will subject such business concepts to the relevant regulatory framework to ensure that such concept is within the ambit of the law. For this purpose, the Fintech Regulatory Framework aims to identify whether an innovation qualifies as a FinTech innovation followed by a phased-approach Regulatory Programme (i.e., Test and Learn; Sandbox, etc.) to understand and evaluate and test the innovation before the regulatory outcome on the innovation can be determined.

9. **Related to this, the Bank has also established an Innovation Hub to contribute to the digital transformation journey.** It is meant to leverage appropriate technologies to modernise the financial system and drive financial inclusion and economic development in Namibia. The Innovation Hub will also promote and stimulate innovation in the financial industry through enabling and forward-looking regulatory and supervisory frameworks. Such an arrangement will pave the way for the Bank to be a future-fit and technologically advanced central bank responsive to an ever-changing operating and stakeholder need-centric environment. In the Bank, we have embraced the 4th Industrial Revolution fully. In the past year, we have redesigned processes within the Bank deemed to be tedious, mundane, and repetitive and have undertaken an automation drive to enhance operational efficiency. As a start, we have deployed virtual bots in our financial intelligence environment. This has enabled us to free our analysts from cumbersome and manual work which took days to complete. These days they can focus on value-adding trend analysis. And that's not all, we are also making use of chatbots and other tools to improve the stakeholder experience for our regulated entities. These are just some of the many initiatives that the Bank is implementing. We remain open and flexible to input and suggestions to improve and enhance the effectiveness of these new initiatives because we believe this is good stewardship.

10. **In the same breath, we would like to encourage and appeal to other regulators and stakeholders in other sectors, to embark on similar initiatives, such as digital business hubs and digital sandboxes (even outside the finance sector).** I urge you to remain agile to swiftly undertake reforms in the regulatory space to ensure that we do not stifle the emergence and development of start-ups that could create jobs, growth, and export earnings in these new engines of growth. In addition, a regional and global approach must be encouraged. This means that we need to encourage and support business ideas that could provide solutions for the domestic market, to the region, the continent, and even the world. This could be in the area of payments systems such as payment of remittances across neighbouring countries, customs and other tax payments, and many more. We are prepared to share our work and lessons from our domain area and even partner with some of the stakeholders to make that happen.

11. **Ladies and gentlemen, at a general level, let me now share some of my views on what we as a country can do as part of a new architecture to address our structural economic challenges and post-pandemic recovery response.** As part of the paradigm shift, the private sector must be the core and engine for our growth.

Hence, the need to facilitate and ensure an enabling environment for the private sector, through appropriate policy and regulatory reforms, particularly on investment and finance. Among the key things that we need to do, is to pick up the pace of reforms, as circumstances and the environment are changing fast and there is a need to facilitate an environment that offers new investment and financial mechanisms.

12. **The COVID-19 pandemic and recently the war in Ukraine have reinforced the urgency and essentiality of building economic resilience to shocks, including in Namibia.** We need to scale up efforts to address high unemployment, particularly among our youth, tackle inequality, and secure our food and energy security. Similarly, we must build climate shock resilience. As part of building that resilience, we must double efforts geared towards realising opportunities in key sectors where we have a comparative advantage. A Harvard Growth Lab study on the economic complexity of Namibia identified five themes of industries that have diversification opportunities that include inter alia the food industry, chemicals, and basic materials. In addition to those industries identified as part of our focal industries for industrial development and investment promotion, there are other industries such as plastics and rubbers as well as textiles (in the form of uniforms for schools, police, and, defense etc.) that the country can tap into and reduce the high import bill.
13. **For me, a low-hanging fruit, is reducing reliance on imported products for specific industries where there is comparative advantage.** I will momentarily touch on a list of our import bill that shows 15 products¹ that are currently imported in significant quantities that can be substituted with domestically produced goods or scaled up as some are already produced locally as well. In total, the import bill of these 15 products translates to N\$5 035 984 937 in 2021. If we substitute these imports or a significant portion thereof by producing them cost-effectively here at home, it will have a massive impact with added multiplier benefits. In this regard, we must ensure opportunities for self-employment and SMEs and raise their returns through the prospects offered by import substitution.
14. **The area of food security, in particular, offers immense opportunities and is suitable to the unskilled profile of our unemployed population.** Equally, it offers an opportune and ideal structure to kickstart our rural and regional economies. The potential offered through our green schemes and irrigation schemes along our water bodies must be combined with innovation, technology, and making finance (microcredit) accessible and affordable to facilitate self-employment and rural economic development. This should be augmented by skills and business know-how development and designing productive inputs programmes such as equipment schemes that can raise productivity. Thus, investing in and producing products in these industries has the potential to increase Namibia's value addition, economic diversification, self-sustenance, higher employment growth, and translate into economic growth. They represent prospects in which the youth need to be encouraged and supported to create self-employment.

¹ Annexure 1

15. **Similarly, I believe, there are abundant opportunities in the service industries that we can also leverage.** For instance, we must use our UNAM School of Medicine and other education institutions as hubs for creating capacity in services in these sectors inclining on opportunities offered through innovation, technology, and high-tech. As Michael Milken stated: “the future of our country is not found in the boardrooms, but in our classrooms”. The healthcare industry worldwide is booming. As technology has improved and become more widely available, many companies are moving into healthcare services, driven by entrepreneurs who see the value of this emerging market.

16. **I recently attended the World Economic Forum where we were reminded of Professor Yuval Harari’s statement that health is an infinite market - you can never have enough of it, and it is one of the most important markets of all.** On an individual level, we all aspire to be the healthiest versions of ourselves to achieve our maximum potential and to live for as long as possible. But there are also very powerful, institutional forces driving the health sector and science in the same direction. With the recent COVID-19 pandemic, scientific innovation and the use of technology-enabled the development of ground-breaking vaccines in record times, thereby saving millions of lives. Most importantly, a key lesson from the pandemic is that we cannot continue depending on others for things that our lives depend on. Investing in health services is therefore paramount so we build our capabilities to deal with the next pandemic, build resilience, and collaborate with our partners and friends in the neighbourhood. These are important trends that we simply cannot afford to ignore. Our lives depend on it!

17. **And very importantly, we need to ensure that our education system is oriented toward equipping our youth with the relevant skill sets to thrive in the new world of work.** Since the pandemic hit, the world of work has changed dramatically and the future of work. The tech revolution has enabled work to be no longer office bound. The youth need to position themselves to be aligned to the demands of the new world of work by acquiring the appropriate skills for a digital future. This requires of us to discard old notions of training solely for the Namibian market. We must train for the global market as a sustainable solution to youth unemployment. The opportunities are opening up and jobs that are in high demand globally include those in commerce (chartered accountancy, finance), the tech space, consultancy, science, academic, and many more. Furthermore, Namibians, particularly the youth, should take advantage of the digital opportunities that allow people to work anywhere in the world from the comfort of their own homes here in Namibia. As Michael Brennan put it “working from home is not new. It’s actually very old. Go back 250 years and most people worked from home – whether in agriculture or as weavers, blacksmiths, or other skilled artisans. It was the rise of the factory system in the 19th century that brought people together in a central location”. Furthermore, we are observing a positive trend of young professionals taking up employment at multilateral organisations such as the UN, IMF-World Bank, the AU, and others. This mobility needs to be encouraged as it makes our young people competitive in the global market. The youth need to use the opportunities created by these innovative approaches and become digital nomads with an independent entrepreneurial spirit, able to work in this new immersive and shared virtual world of work.

18. **Ladies and gentlemen, I have highlighted a few of the challenges we face, and I have briefly touched on a few interventions that can be instituted, to steer our country towards economic recovery.** I do concede that we are facing headwinds and it is hard to see beyond the doom and gloom. I am however undoubtedly optimistic that together as a collective, we can reclaim lost ground and redefine ourselves as Namibians. We are part of history in the making - we are at the cusp of greatness and our country's potential, is limitless, at this point in history. To this end, I believe that, if each one of us decisively and committedly do what we need and supposed to do, and resolutely act on solutions we have collectively crafted and agreed on as a nation, we will transform our economy, improve our production capacity, create the much-needed jobs, especially for our youth, feed our people, enhance our competitiveness and prepare this country for a different dispensation and landscape characterised by higher productivity in a service-dominated economy.
19. **Charles Darwin famously said that “It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change”.** I believe that if we follow through with these inevitable reforms, we will unleash domestic investments, develop local and rural value chains, spur entrepreneurship and active private sector participation, create jobs, create meaningful and impactful opportunities for our youth and bring about inclusive growth.
20. In conclusion, this platform is timely and necessary in creating a platform where the private and public sectors can collectively find solutions to bottlenecks choking investments and private sector participation, and more of these initiatives should be encouraged and supported. I am highly optimistic about our ability to collectively reform and transform our economy, optimistic about our ability to leverage technology and innovate across many sectors to drive higher productivity across various spheres of our economy I am also optimistic that all these can be done faster, effectively, efficiently and at minimal cost to the environment.
21. Finally, an Australian author, Peter Drucker said “the best way to predict the future is to create it”. This whole week we have been here trying to create a future of prosperity for our people, and with almost certainty, we can already all see that future, because we are creating it. No one should doubt our resolve!

I thank you.

GOODS	2021 VALUE N\$
FOOD PRODUCTS IN THE FORM OF:	
1. MAIZE (INCL. SEEDS)	1,280,288,574

2. SUNFLOWER-SEED AND SAFFLOWER OIL	606,730,627
3. FRUITS	354,298,297
OF WHICH: APPLES	83,410,976
ORANGES	38,923,041
LEMONS (CITRUS FRUIT, FRESH OR DRIED)	18,120,275
PEARS	10,584,739
4. FROZEN CHICKEN	302,165,399
5. CHEESE AND CURD	215,424,236
6. MARGARINE	85,326,012
7. YOGURT AND BUTTERMILK	72,866,848
CHEMICAL PRODUCTS IN THE FORM OF:	
8. FERTILIZERS (INCL. AMMONIA NITRATE)	548,572,208
9. WASHING AND CLEANING PREPARATIONS	509,754,917
10. SOAP AND ORGANIC SURFACE-ACTIVE PRODUCTS	144,786,875
PLASTIC AND RUBBER PRODUCTS IN THE FORM OF:	
11. ARTICLES OF PLASTICS	452,393,138
12. SACKS AND BAGS	146,907,135
13. ACRYLIC POLYMERS AND POLYETHYLENE	128,249,142
OTHER GOODS IN THE FORM OF:	
14. TOILET PAPER	138,882,130
15. TEXTILES FABRICS (INCL. UNIFORMS)	49,339,399

