



Alliance for Financial Inclusion Global Policy Forum (GPF)

Inclusive Green Finance Working Group (IGFWG) Meetings

Speaker:

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Bank of Namibia

Event:

Technical Session 1 - Inclusive Green Finance Journey in Namibia

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Spitzkoppe II

Swakopmund Hotel and Entertainment Centre

From Vulnerability to Resilience: Building Namibia's Future through Inclusive Green Finance

Ladies and gentlemen, distinguished colleagues, esteemed partners,

It is both a privilege and a responsibility to address you today on a subject that lies at the very heart of Namibia's future—our journey towards inclusive green finance. This is not a journey the Bank of Namibia has undertaken alone. It is one we share with our government, with our financial institutions, with the private sector, with our farmers, and with every citizen whose life is touched by the twin realities of climate change and economic transformation.

The story of inclusive green finance in Namibia is a story about resilience, about the courage to adapt, and about the foresight to align finance not only with economic objectives but also with environmental and social imperatives. It is a journey that recognises that finance is not merely about numbers, balance sheets, or interest rates. Finance, at its core, is about people - about livelihoods, about communities, and about building a future that is both prosperous and sustainable.

Today, I wish to share with you how Namibia, through the leadership of the Bank of Namibia and in collaboration with national stakeholders, is charting this path. We will reflect on the climate trends that demand urgent action, the financial vulnerabilities they create, the steps we have taken to provide relief and promote resilience, and the strategies we are putting in place to ensure that our financial system becomes not only more sustainable but also more inclusive.

The Climate Imperative

To understand why inclusive green finance has become central to Namibia's policy and regulatory agenda, we must begin with the undeniable reality of climate change. Over the past two decades, Namibia has experienced a clear and steady rise in average temperatures. Rainfall patterns, once familiar and relatively predictable, have become erratic and unreliable. This warming and shifting climate has given rise to severe weather events - droughts, floods, wildfires - that are no longer occasional anomalies but recurring features of our national life.

Over the past 70 years, Namibia has experienced considerable variability in annual precipitation, with fluctuations in both drought and flood frequencies. Drought years have been most pronounced in the 1950s and early 1960s, with a resurgence of severe droughts in the late 2000s. Extreme rainfall events, though less frequent than droughts, occurred sporadically with notable high-rainfall years in the early 1950s and 2000s. The trend

establishes that Namibia has become more vulnerable to catastrophic weather events such as droughts and floods.

The statistics tell a sobering story. In 2013, Namibia faced a drought so severe that it affected more than a third of our population - approximately 37 percent of our people. However, in 2024 the country endured a drought so extreme that the Ministry of Agriculture, Fisheries, Water, and Land Reform deemed it the worst in a century, leading to a national state of emergency. These droughts are not rare anomalies; they have become a recurring reality, costing the country an estimated USD 175 million annually and about 4.1 percent contraction of the country's GDP (World Bank: Country Climate Development Report, 2024).

The economic toll is immense: declining crop yields, reduced livestock production, shrinking household incomes, and soaring food prices that push inflation upward. In a nation where agriculture contributes around 7 percent to GDP (40% crop and 60% livestock), and more importantly, where over 70 percent of our population depends on agriculture for their livelihoods, these impacts can be catastrophic. The World Bank estimates that without effective adaptation measures, climate change could reduce Namibia's GDP by as much as 2.0 – 5.6 percent by 2050. That is not merely an economic statistic—it is a direct threat to national development, to social stability, and to financial security.

Climate Change and Financial Stability

For the Bank of Namibia, the climate change crisis is not only an environmental challenge; it is a financial stability challenge too. Climate change poses both physical and transition risks.

Let us consider the physical risks first. Agriculture may account for a modest share of total bank lending, just 5.6 percent in 2024, but its importance cannot be overstated. It is the backbone of rural incomes and a critical source of staple foods. It is also the largest employer in Namibia. When droughts wipe out harvests and kill livestock, farmers lose their ability to repay loans. Rural businesses falter as well as some urban centres that are surrounded by the farming communities and are depended on their incomes. Communities that were once self-sufficient face hardship. And the financial institutions that lent to them are left with rising non-performing loans or erosion of their balance sheets through write-offs.

The risks extend beyond agriculture. Fishing communities grapple with declining fish stocks. Mining and manufacturing operations face water scarcity. Real estate markets are destabilised by flooding. Between the end of 2018 and the third quarter of 2023, loans to climate-exposed sectors - agriculture, fishing, mining, and real estate - increased from USD 0.87 billion to USD 1.3 billion. That represents over 21 percent of all loans advanced by

Namibia's banks. One in every five dollars lent is tied to a sector directly exposed to climate change risks.

On the other side of the ledger are the transition risks. Financial institutions with exposure to carbon-intensive sectors such as power generation, mining, and heavy industry face the reality that global regulations, carbon taxes, and shifting investor preferences will alter the profitability of those sectors. Namibia's recent oil and gas discoveries bring with them the promise of new revenues and growth, but also the challenge of managing these opportunities in a way that does not lock us into a carbon-intensive future. The rise of our green hydrogen initiatives, by contrast, offers the chance to compensate and leapfrog into the energy markets of the future. The tension between these two realities - the short-term gains of fossil fuels and the long-term imperative of decarbonisation - defines the challenge for our financial system.

Acting with Determination: Drought Relief

Recognising the immediate hardship facing farmers and agribusinesses, the Bank of Namibia has acted decisively. On the 23rd of October 2024, The Bank introduced **BID-39**, a new policy framework designed specifically to provide credit relief to those hit hardest by the drought. This framework compels banks to offer loan restructuring, moratoriums, and emergency funding on preferential terms. It ensures that struggling farmers are not forced into bankruptcy because of circumstances beyond their control. These measures will remain in place until at least 2026, with regular reviews to ensure their continued relevance.

BID-39 is more than a technical regulatory adjustment—it is a statement of principle: that the financial system must stand with the people it serves in both good times and times of crisis. It reflects our conviction that economic resilience and financial stability are inseparable from human resilience and social stability. Alongside these inclusion efforts, we are also transforming the foundations of financial policy. In 2025, the Banking Supervision Department issued pioneering guidelines on climate-related risks and disclosures, requiring banks to demonstrate how they identify, manage, and mitigate such risks. Effective from July 2025, these measures place transparency and accountability at the core of our system, laying the groundwork for regulation that integrates sustainability into institutional strategies and strengthens the resilience of our entire financial sector.

Building a Sustainable Framework

But our response cannot stop at relief. Relief addresses today's crisis: sustainability builds resilience for tomorrow. In this regard, in 2024 the Bank of Namibia unveiled its **Sustainability Framework**—a strategic document designed to embed sustainability into every aspect of our operations and into the financial system as a whole.

This framework rests on seven guiding principles. It calls for sustainability to be integrated into monetary policy and financial stability assessments. It commits us to an investment framework that factors in environmental, social, and governance considerations in our reserves management. It requires financial regulation that compels institutions to consider climate risks in their business models. It promotes financial inclusion, ensuring that green finance solutions reach vulnerable communities. It prioritises capacity building and collaboration, recognising that knowledge-sharing and partnerships are essential to progress. It demands that we manage our own environmental footprint responsibly. And it extends to the currency supply chain itself, ensuring that the very notes and coins in circulation reflect sustainable practices.

This framework is more than a vision. It is a roadmap. And one of the most important next steps is the establishment of a **national industry body for sustainability**, bringing together the Bank, regulators, industry leaders, and government agencies to coordinate action, share best practices, and accelerate change.

Momentum in the Financial Sector

Encouragingly, Namibia's financial institutions have already begun to embrace this agenda. In 2021, Bank Windhoek issued the country's first sustainability bond, raising N\$227 million for renewable energy, agriculture, healthcare, and education, followed by Standard Bank Namibia's N\$400 million Green Bond in 2022. Since then, Nedbank Namibia and RMB/FNB have issued bonds for renewable energy and green buildings, Letshego Bank Namibia raised N\$322 million through a social bond in 2024 to support affordable housing, healthcare, and education, and NASRIA launched a Weather Index-Based Livestock Insurance scheme to protect farmers against drought and flood losses.

These initiatives demonstrate that the appetite for sustainable finance exists. Our role as the central bank is to nurture it, regulate it, and ensure that it scales in a way that is resilient, inclusive, and aligned with national priorities.

Looking Forward

So where do we go from here? The path ahead is clear. We must institutionalise our framework through the establishment of an industry-wide sustainability body. We must strengthen public-private partnerships to scale green finance solutions. We must position Namibia as a regional hub for green FinTech, using technology to democratise access to sustainable financial products.

But we must also confront the greatest challenge: the climate finance gap. Africa, home to nine of the ten most climate-vulnerable countries in the world, receives only USD 30 billion

annually for climate adaptation, while it needs USD 277 billion. Namibia alone requires USD 15.1 billion to meet its climate targets, of which USD 13.6 billion must come from international partners. The scale of this gap underscores the importance of global cooperation. Climate finance is not charity; it is justice.

Green Hydrogen and the Energy Transition

In the midst of these challenges lies an extraordinary opportunity. Namibia is poised to become a leader in green hydrogen, one of the most promising energy sources of the 21st century. Our flagship project, Hyphen Hydrogen Energy, is already underway, with the government holding a 24 percent equity stake. The launch of the SDG Namibia One infrastructure fund, targeting €1 billion in capital, reflects our commitment to mobilising blended finance for sustainable projects. Seeded with €40 million from the Dutch government, this fund will ensure that our green hydrogen ambitions translate into tangible projects.

Green hydrogen is not just an energy source; it is a pathway to industrialisation, to job creation, to economic diversification. It positions Namibia not as a victim of climate change, but as a pioneer of the solutions the world so urgently needs.

Conclusion

Ladies and gentlemen, Namibia's inclusive green finance journey is a journey of necessity, but also of hope. It is driven by the harsh realities of climate change, but inspired by the conviction that finance can be a force for good. It is anchored in resilience, propelled by innovation, and sustained by partnerships.

The Bank of Namibia is committed to this journey - not only for the sake of our financial system, but for the sake of every farmer whose crops depend on the rain, every household that feels the weight of rising food prices, every entrepreneur seeking to build in a low-carbon economy, and every child who deserves to inherit a planet where prosperity and sustainability go hand in hand.

Together - with courage, with foresight, and with solidarity - we can build the future we envision.

I thank you.