

TALKING POINTS BY JOHANNES !GAWAXAB, GOVERNOR OF THE BANK OF NAMIBIA, AT THE LAUNCH OF THE ANNUAL REPORT 2022 ON WEDNESDAY, 29 MARCH 2023, WINDHOEK, NAMIBIA

Hon. Maureen Hinda-Mbuende, Deputy Minister of Finance and Public Enterprises

Honourable Members of Parliament present,

Deputy Governors of the Bank of Namibia,

Captains of Industry and industry representatives,

Esteemed invited guests,

Management and Staff of the Bank of Namibia,

Viewers on our online platforms,

Members of the media,

Ladies and gentlemen,

Good morning,

“We don’t know how strong we are until we are forced to bring that hidden strength forward. In times of tragedy, of war, of necessity, people do amazing things. The human capacity for renewal is awesome” (Isabel Allende)

1. All of us, at some point in our lives, have experienced or are still experiencing adversity. Having lived through the Covid-19 pandemic and other global issues such as international conflicts, the escalating energy insecurity issue, and the current cost of living crisis - we have lived through one of the most turbulent times since the dawn of our country’s independence. Uncertainty about the future has always played a role in society. However, what is essential is that we bring our hidden strength forward when the unexpected happens and find innovative ways to overcome challenges and renew ourselves. In line with this spirit of renewal and revival, the 2022 Bank of Namibia Annual Report being launched today is themed *“Global Economic Shocks: Rewiring Namibia to Bolster Resilience.”*

- 2. As a small open resource-intensive economy, Namibia is highly exposed to global risks and shocks.** These shocks can take many forms, as we now witness with Silicon Valley Bank, Credit Suisse, and others, **which increased global financial stability risks and heightened uncertainty.** Indeed, financial shocks can reach Namibia through various channels due to the interconnectedness of the global financial system, as we observed during the 2008 Global Financial Crisis and the COVID-19 pandemic. These shocks are becoming larger and larger and becoming more and more frequent. Similarly, real economic shocks that affect productivity and foreign demand can also impact investment and output and through trade linkages filter into Namibia's real sector developments. A particular feature of our economy is its close monetary, financial, and real-sector links to South Africa, making it considerably sensitive to developments in our southern neighbour. It is, therefore, necessary for a small and open economy like Namibia to continue rewiring itself to bolster resilience.
- 3. How did we fare as a nation in the face of a slew of uncontrollable events during the past year? Did we crack under the strain of the situation?** Did we buckle under the weight of it all? I am here to state unambiguously that we did not succumb or falter. We instead carved and found a better path – a more sustainable path that will lead us to a better destination and long-cherished prosperity in the coming years.
- 4. To boost the nation's socio-economic resilience to external and domestic shocks, the Ministry of Finance and the Bank of Namibia established the country's sovereign wealth fund, the Welwitschia Fund, in the past year.** The Fund is intended to promote intergenerational prosperity for all Namibians through the distribution of wealth generated from the country's natural resources, as well as a stabilisation vehicle when faced by external shocks. The Welwitschia Fund was launched with an initial balance of around NAD270 million in May 2022. Since the fund is denominated in the US Dollar, it has profited from a stronger US Dollar since its inception, along with strong investment returns generated from the capital deployed. I am pleased to report that the government has committed to finalising the Sovereign Wealth Bill and present it to parliament when ready. It will set out the governance structures and funding rules enabling the Fund to grow sustainably, promote good governance, accounting, transparency, accountability, prudence and carry out its mandate effectively.
- 5. To continue assisting households and businesses affected by the Covid-19 pandemic and the resultant economic hardships, the Bank of Namibia retained the COVID-19 relief measures.** These policy measures included loan repayment moratoriums, liquidity relief measures, and the relaxation of the capital conservation buffer

and concentration risk/single borrower limit. This has allowed commercial banks to extend credit to economic sectors most affected by the pandemic and its aftermath. During 2022 the banking industry received a total of 122,819 applications for repayment holidays. The value of loan approvals indicated that individuals dominated the approvals with a total of N\$2.3 billion in 2022 compared to N\$4.9 billion in 2021. This was followed by the Real estate and Business Services sector with N\$1.2 billion, Trade and Accommodation with N\$731.1 million, and the Mining sector with N\$285.1 million.

- 6. Since SMEs are vital to any nation's economic advancement and employment creation, the Bank of Namibia and the Ministry of Finance and Public Enterprises relaunched the SME Economic Recovery Scheme.** The revised and eased qualifying criteria will enable more SMEs to access the N\$ 500 million guarantee facility. Through this scheme, we want to strengthen this sector to catalyze growth and enable SMEs to revive their operations and scale their businesses. In doing so, more SMEs will be able to stay afloat, jobs will be preserved, and economic activity will be stimulated. Interested registered SMEs can access this facility via participating commercial banks and the Development Bank of Namibia.

Ladies and gentlemen,

- 7. The launch of the Annual Report prepared in accordance with Section 67(1) of the Bank of Namibia Act (No. 1 of 2020) presents an opportunity to account for the state of the economy and the execution of the monetary and financial stability mandate as follows:**

Ladies and gentlemen,

- 8. Let me turn to the operations of the Bank. Since launching the Bank's three-year Strategic Plan (2022–2024), the Bank has been on a journey to digitally transform the institution and drive the full modernisation of our financial system.** This system will not only help restore economic growth and sustain economic development, but it will transform the lives of thousands of Namibians. During 2022, the Bank invested in systems and platforms to support digitisation for increased operational efficiency. Some business units have already started reaping the benefits of enhanced efficiency due to the digitalisation and automation of business processes.
- 9. Furthermore, the Bank started exploring the opportunities central bank digital currencies present in achieving financial inclusion objectives.** Consultations with

relevant stakeholders in this regard have begun and will gain further traction during this year. The Bank is doing ground-breaking work in advancing financial inclusion through an instant payment solution enabling efficient, cost-effective, and instant real-time payments, which, if implemented, will be a game-changer in the payment systems ecosystem.

Ladies and gentlemen,

10. The Bank of Namibia puts purpose above profits. The price and financial stability mandate of the Bank is paramount. We cannot keep interest rates low in the face of high inflation to preserve low funding for the public sector or increase rates to generate profits. Such actions would be inappropriate, violate the mandate of the bank and destabilise the economy. That said, I am glad to announce that the central bank will pay the Government a dividend of N\$413.7 million. Coupled with higher average interest rates during 2022, the Bank's operating profit increased by 11.5 percent from N\$584.2 million in 2021 to N\$651.2 million in 2022. Therefore, the reserves available for distribution increased year-on-year from N\$672.7 million in 2021 to N\$772.6 million in 2022. This makes it possible for the Bank to declare a dividend that will be put to good use in much-needed areas as we rewire the country and bolster resilience.

Ladies and gentlemen,

11. Looking to the future, Namibia must continue to safeguard its financial integrity that is hailed as one of the best on the African continent by safeguarding its institutions. For this reason, Namibia cannot afford to fail the test regarding the mutual evaluation exercise, which assesses the effectiveness of our Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation Framework (AML/CFT/CPF). As you recall, last year, the country underwent the second peer review and mutual evaluation exercise as part of the Financial Action Task Force (FATF) framework. Efforts are being made to meet deadlines to keep the country from being greylisted after the current 12-month monitoring period expires. And this is where our strong institutions must play a decisive role in delivering on their mandate to contribute to stability, mitigate, and avoid risk in order to preserve the integrity of the country's financial system.

12. Thus far, Namibia has shown significant political commitment to meeting the FATF requirements. The Cabinet of the Republic of Namibia has directed institutions and stakeholders to implement an Action Plan adopted in December 2022. Proposed legislative changes have been made, and public consultations on the gaps in relevant laws have been finalised. Law enforcement agencies are working nonstop to reduce the risks

of a targeted review. On all these fronts, we must demonstrate serious commitment and action before submitting the post-Evaluation Progress Review Report in the middle of the year. Indeed, with this national exercise, the strength of our institutions is being tested, and we all need to work together if we want to come out of these uncharted waters with the sound reputation of our financial system intact. *A boat cannot go forward if each rower rows in his or her own direction.*

Ladies and gentlemen,

- 13. At this juncture, I would like to wholeheartedly thank the Board, the staff, and our valued stakeholders for their role in the Bank’s ability to deliver on its mandate despite a challenging climate.** I would also like to acknowledge and single out the editorial committee who had sleepless nights ensuring this Annual Report is produced on time – a task that we have never failed to deliver on since the establishment of the central bank.
- 14.** I would like to leave you with wisdom from an African Proverb: *“The world is not ours; the earth is not ours; its treasures we hold in trust for future generations”* . While I hope that we will be worthy of that trust, at the same time, I ask my fellow countrymen to commit to making a positive contribution toward building this great nation. We have taken measured steps in 2022 to rewire and bolster Namibia’s resilience and will continue doing so with all our energy. *We have supported our enterprises to recover fully from the pandemic because they are the engines of our growth. We have helped households weather the storm by ensuring relief measures are extended. We have advanced the inter-generational agenda by bequeathing a better future with the Welwitschia Fund. We have reached the point that we can leverage our national endowments* to improve the quality of life of our people.
- 15.** The Bank stands ready and is committed to delivering monetary, price, and financial stability and is committed to providing practical advice on implementing structural reforms, improving fiscal sustainability, and accelerating Namibia’s recovery to sustainable growth in this year of revival.
- 16.** I am confident that collectively, we can make Namibia one of the greatest nations on the African continent and beyond. This is the legacy that we must leave for the future generations.

I thank you.