



PUBLIC LECTURE: *Unlocking Opportunities for Rural & Informal Sector Development through Financial Inclusion*

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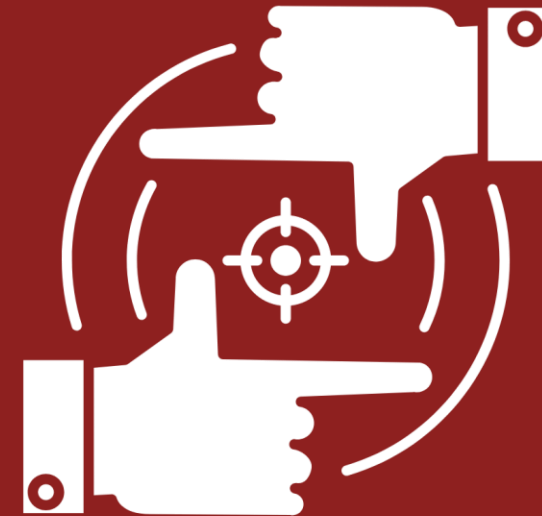
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MANDATE OF THE BANK



BON ESTABLISHED BY ARTICLE 128 OF THE CONSTITUTION



COMPLIMENTED BY BANK OF NAMIBIA ACT NO. 1 OF, 2020



WHOLLY OWNED BY THE GOVERNMENT OF THE REPUBLIC OF NAMIBIA

ROLE OF THE BANK



**PROMOTE PRICE
STABILITY**



**FISCAL ADVISOR
AND BANKER TO
GOVERNMENT**

**MANAGE FOREIGN
RESERVES AND
CURRENCY**



**ENSURE SOUND
FINANCIAL SYSTEM**

**CONDUCT
ECONOMIC
RESEARCH**



**HOST NAMIBIA DEPOSIT
GUARANTEE AUTHORITY**



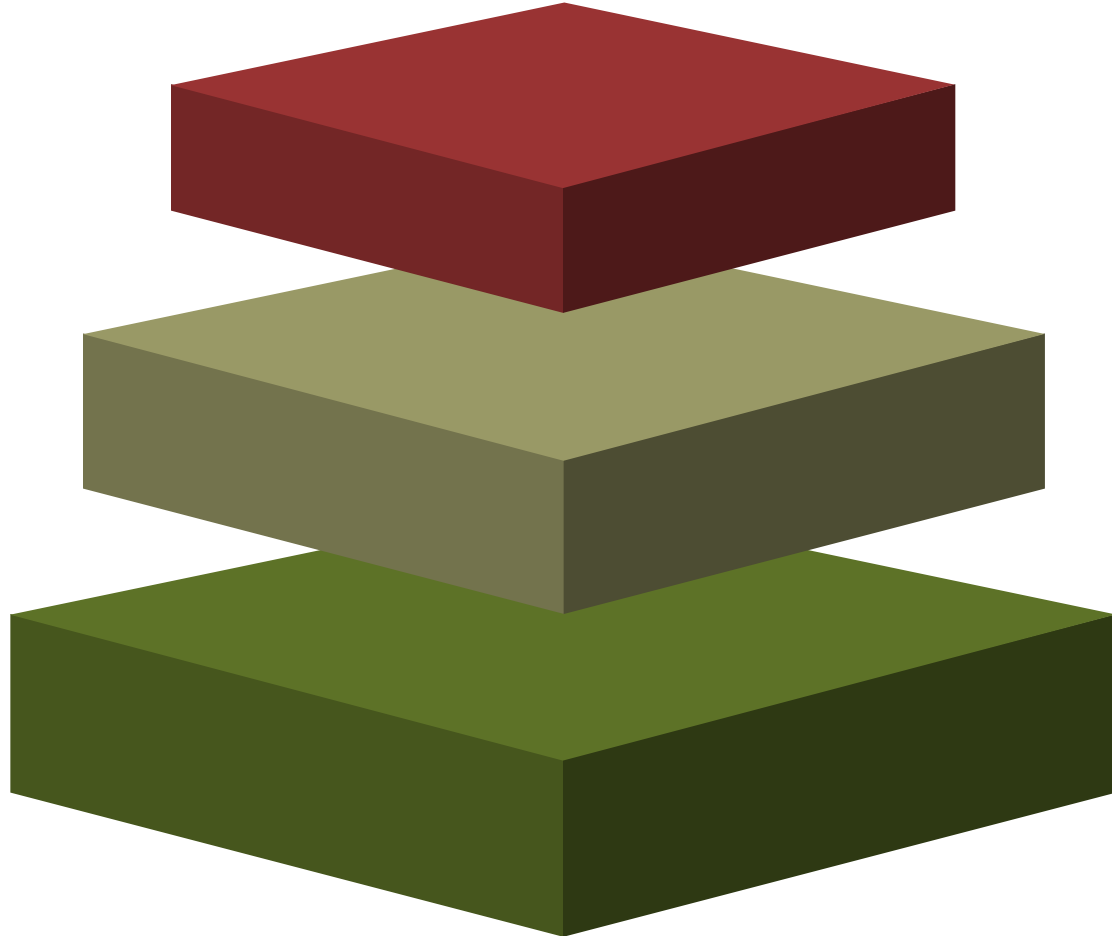
**MACROPRUDENTIAL OVERSIGHT (ECONOMIC & FINANCIAL MARKET DEVELOPMENT IN NAMIBIA);
BANK OF NAMIBIA ACT NO. 1 OF 2020, SECTION 73**

Transformation of the Rural Economy In Namibia



We are driven by the commitment to transform our rural economies, ensuring that every Namibian, regardless of their location, has access to opportunities that foster growth and resilience.

IMPORTANCE OF FINANCIAL INCLUSION



ACCESS TO FINANCIAL SERVICES



MICROECONOMIC BENEFITS OF FINANCIAL INCLUSION



MACROECONOMIC RELEVANCE OF FINANCIAL INCLUSION



OPPORTUNITIES OF TECHNOLOGY

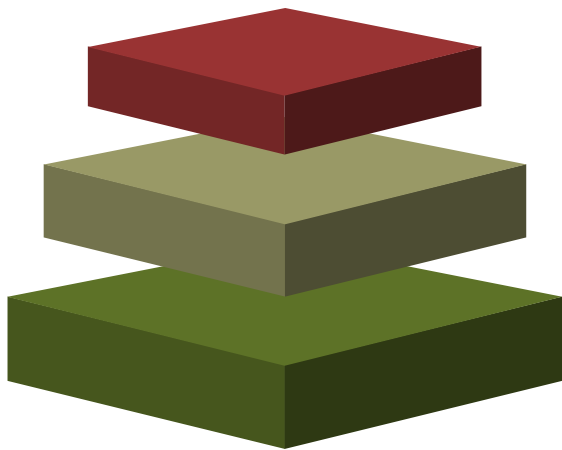


FINANCIAL INCLUSION AS AN INTEGRAL PART OF INCLUSIVE GROWTH STRATEGIES



ACCESS TO FINANCIAL SERVICES

- ❖ Access to financial services **facilitates investment in small and medium-sized enterprises**, which are critical for economic growth and job creation in Namibia.
- ❖ Financial inclusion helps households manage risks and smooth consumption, **leading to improved food security**, especially in rural areas where agriculture is predominant.
- ❖ With better access to financial services, individuals can **save for healthcare expenses, ensuring better health outcomes** and reducing vulnerability to health shocks.



MICROECONOMIC BENEFITS OF FINANCIAL INCLUSION

- ❖ Financial inclusion contributes to **economic growth** by enabling more people to participate in the economy, leading to increased productivity and higher GDP.
- ❖ Access to financial services helps **reduce income inequality** by providing low-income individuals and businesses with the means to save, invest, and grow and therefore promoting a more equitable distribution of economic opportunities.
- ❖ Financial inclusion encourages **investments in infrastructure**, such as digital payment systems and mobile banking, which are essential for sustainable economic growth.
- ❖ Financial inclusion ensures that the benefits of economic growth are widely shared, **making growth more inclusive and equitable**.



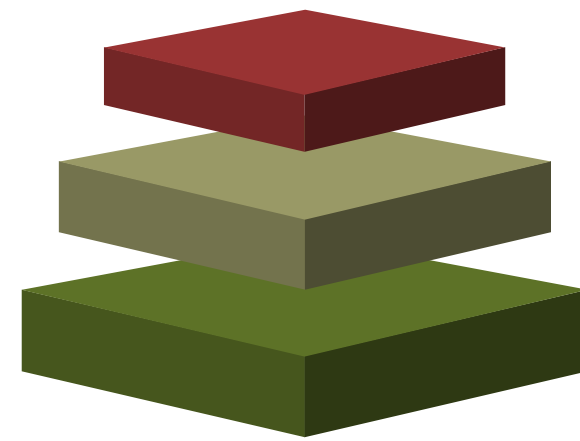
MACROECONOMIC RELEVANCE OF FINANCIAL INCLUSION

- **Mobile accounts (3.9 million)** exceed traditional depositor accounts, indicating a shift towards digital financial services. A more inclusive financial system can help mitigate the risks associated with **informal financial services, such as illegal financial schemes**



OPPORTUNITIES OF TECHNOLOGY

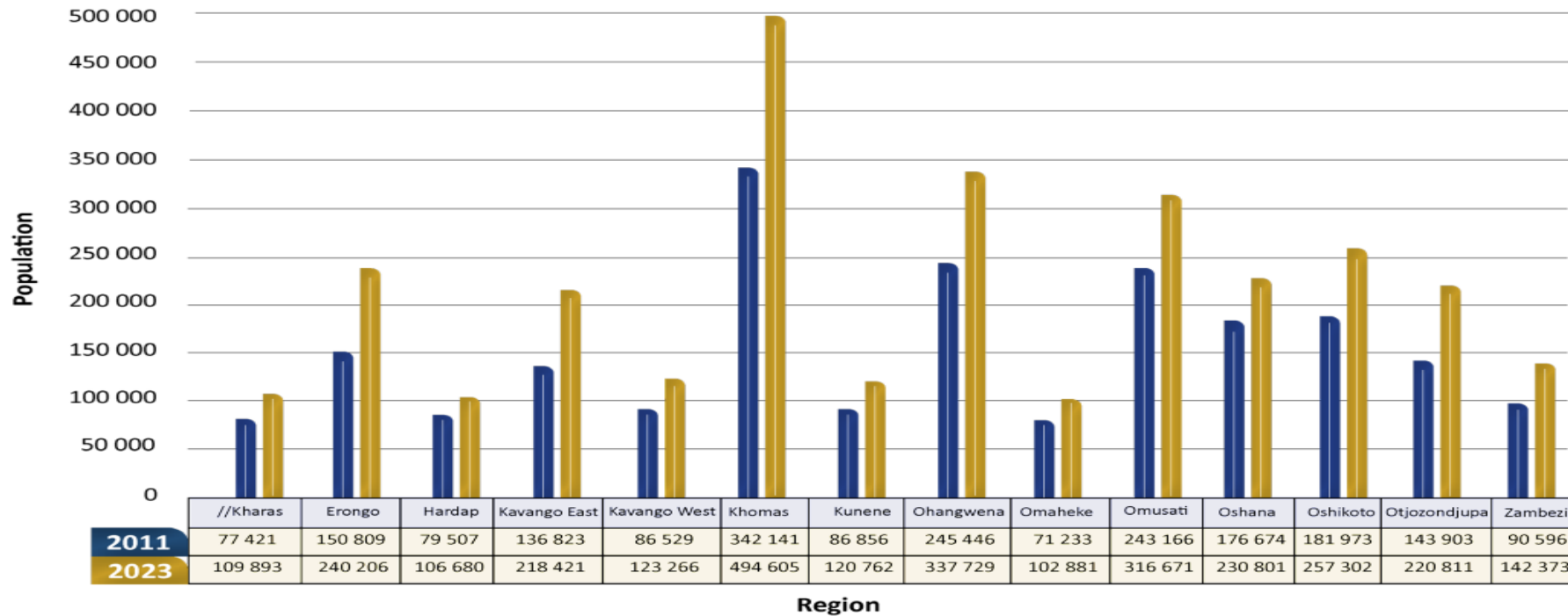
- ❖ Digital financial services can overcome the **barriers of physical distance and limited infrastructure**, making it easier and more affordable for people in rural areas to access formal financial services.
- ❖ Digital financial services **reduce transaction costs, making it more affordable for low-income individuals** to access banking services.
- ❖ Innovative technologies, such as biometric authentication and data analytics, can help financial institutions **better assess creditworthiness and tailor products to the needs of rural customers.**



FINANCIAL INCLUSION AS AN INTEGRAL PART OF INCLUSIVE GROWTH STRATEGIES

- ❖ By ensuring that all segments of society have access to formal financial services, Namibia can **unlock the full potential of its human capital and promote sustainable economic development.**
- ❖ Policymakers should **prioritize the development of an enabling regulatory environment** that encourages innovation and competition in the financial sector while protecting consumer rights.
- ❖ Collaboration between the government, financial institutions, and technology providers is essential **to create a more inclusive financial system** that serves the needs of all Namibians.

PROVISIONAL INSIGHTS FROM THE 2023 CENSUS

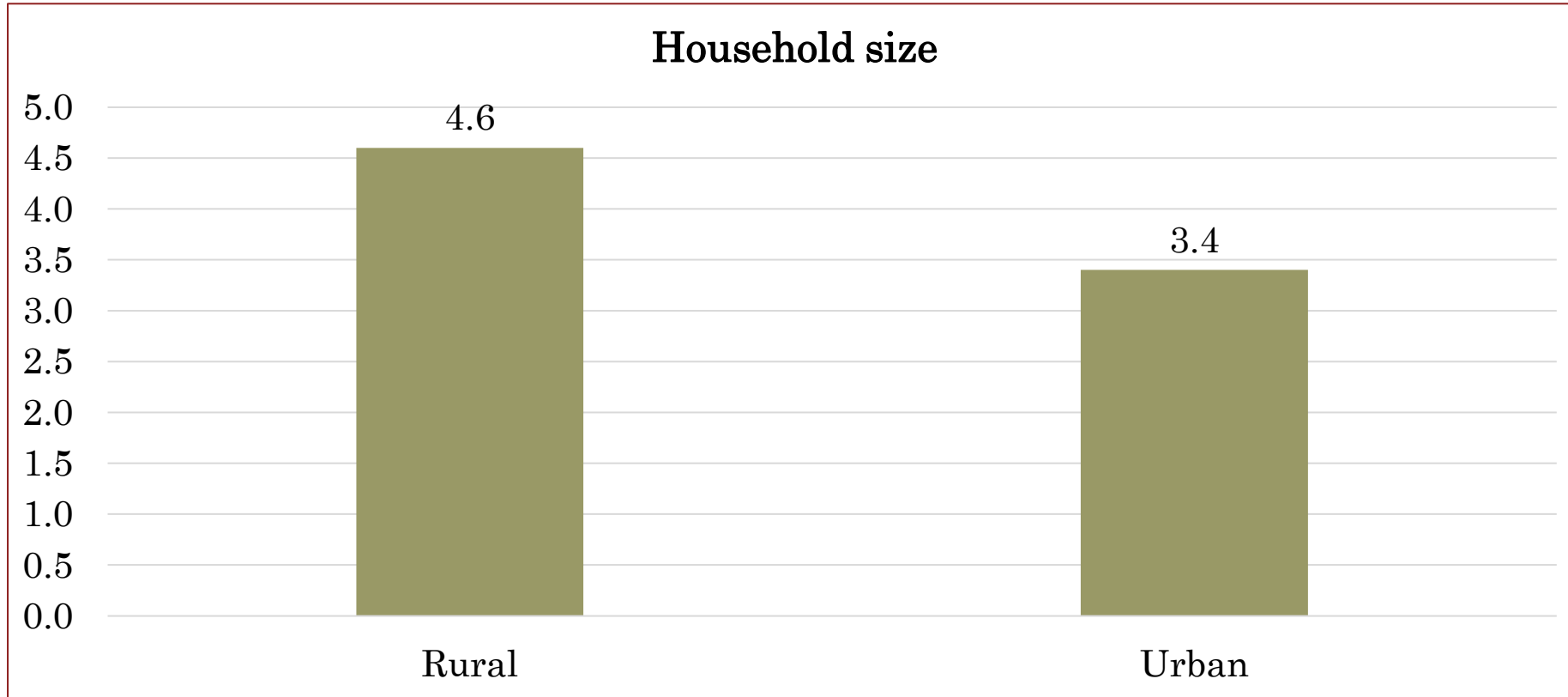


Source: Namibia Statistics Agency, 2023 Population and Housing Census Preliminary

These regions are predominantly rural, and the inhabitants rely heavily on traditional rural economies, particularly agriculture.

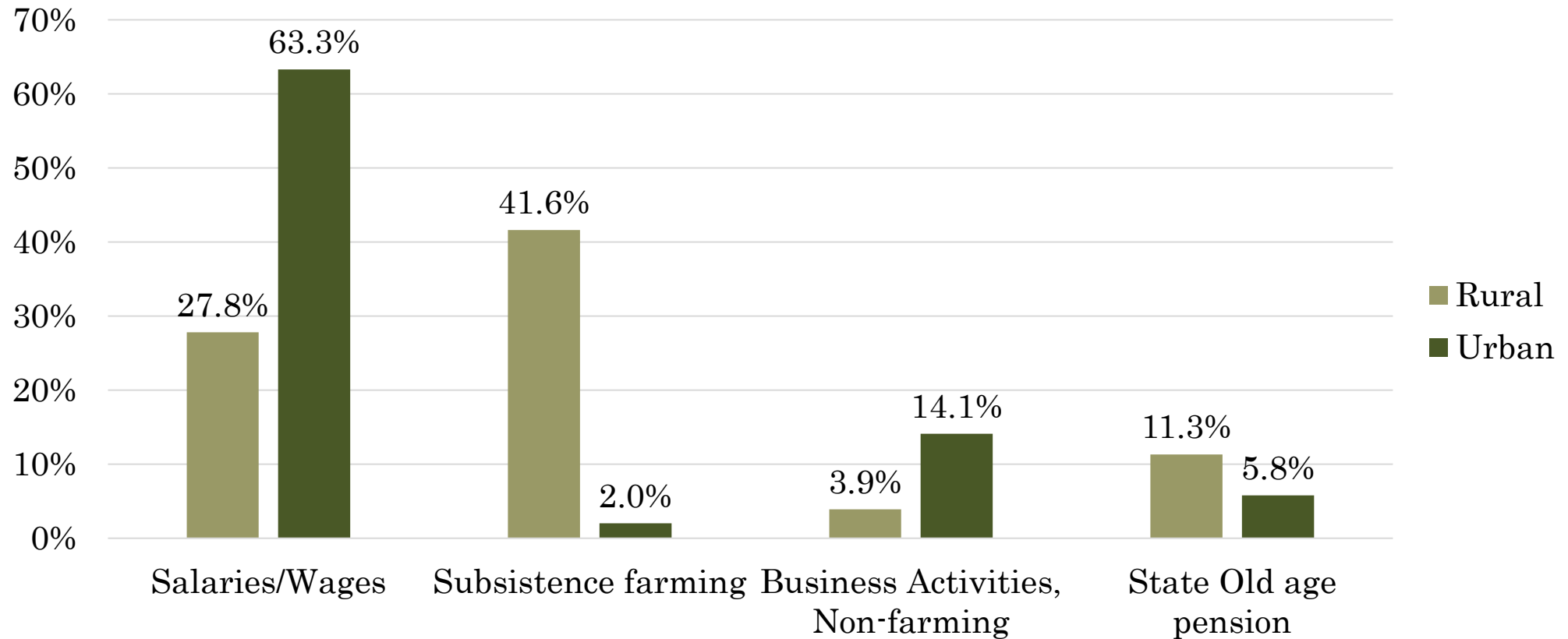
The 2023 Population and Housing Census, released by the Namibia Statistics Agency in March 2024, provides crucial insights into the dynamics of our population

RURAL HOUSEHOLDS HAVE A HIGHER DEPENDENCY BURDEN



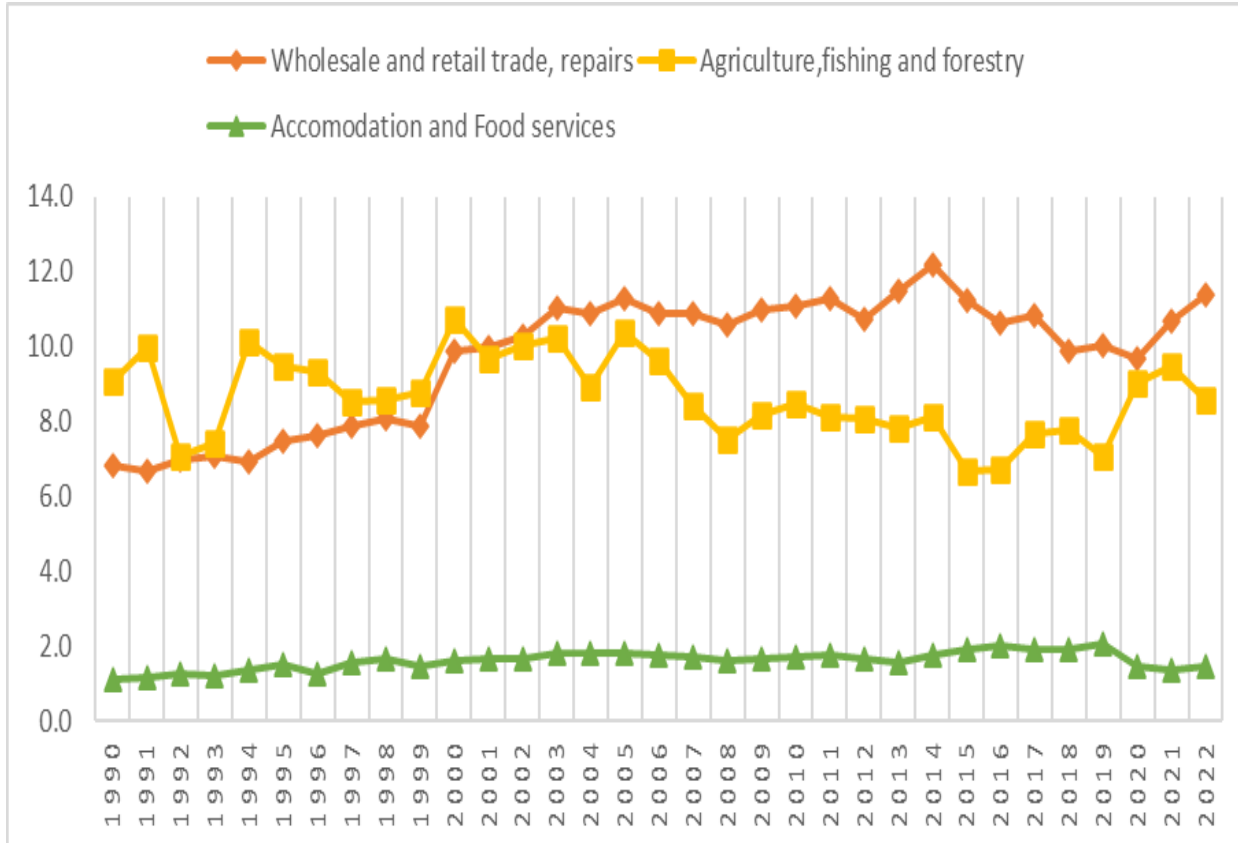
Source: Author with data from NSA.

RURAL HOUSEHOLDS HAVE LOWER DISPOSAL INCOME



Source: Author with data from NSA

ECONOMIC ACTIVITIES IN RURAL AREAS



- ❖ Three top economic activities undertaken in the rural areas: wholesale & retail trade, agriculture, fishing & forestry and accommodation & food services.
- ❖ Wholesale & retail trade, repairs seem to have been the main activity so far
- ❖ Agriculture, fishing & forestry sector has remained an important sector both in terms of GDP contribution & livelihood
- ❖ 90% of accommodation and food services is beverage serving activities (such as bars),
- ❖ 78% of all rural businesses remain unregistered due to cumbersome registration procedures.

CONTRIBUTION TO GDP



IMPORTANCE OF AGRICULTURAL PRODUCTIVITY

- ▶ **Around 70% of the country's population** depends directly or indirectly on agriculture for their income & livelihood, mostly in the subsistence sector.
- ▶ **Agriculture, fishing and forestry contributed on average 8.7% to GDP.**
- ▶ **A total of 167,242 jobs** was in agriculture during 2018, with a considerable number of those being in rural parts of Namibia. 87.6% of those jobs were informal.
- ▶ **Access to certain inputs like feed for livestock** & limited access to quality seed varieties – barrier to increasing agricultural productivity.



TOURISM

- ▶ **The tourism industry (accommodation and food service)** employed 83,056 people (2018 Labour Force Survey), making it the second largest contributor to employment.
- ▶ **Conservancies have become** central in the evolution of new institutional arrangements for community involvement in tourism.
- ▶ **A total of 86 communal conservancies and 42 communal forests registered by (MEFT).**
- ▶ **One of the main challenges in rural tourism** development is that very few regional councils in Namibia are involved in and/or understands tourism development.

CLIMATE CHANGE AS A THREAT

7% to 10%

AGRICULTURE SECTOR

❖ One of the significant challenges threatening rural and informal sector development in Namibia is climate change. The agricultural sector is critical to Namibia's economy, contributing approximately 7% to 10% of the country's GDP and impacting the livelihoods of 70% of the population.

❖ However, the sector is highly vulnerable to natural disasters such as droughts, floods, water scarcity, extreme heat, and wildfires. These disasters cause significant economic damage and affect the most vulnerable populations, particularly those in the northern and northeastern regions.



Climate Change and Its Impact on Northern Namibia

01

DROUGHT AND WATER SCARCITY

- ❖ As the impact of climate change continues to ravage through countries, Namibia is particularly becoming drier and there is an increase in drought incidents
- ❖ Droughts are a recurring challenge for Namibia, and the country has experienced several severe droughts in recent years, including in 2013, 2016, 2019 and 2022.

02

FLOODING

- ❖ In contrast to drought, the northern regions also face the challenge of periodic flooding. While droughts dominate, seasonal floods from heavy rains can cause significant damage to infrastructure, homes, and agricultural fields. Floods can destroy crops just before harvest, leading to food insecurity and economic hardship.
- ❖ Abnormal rainfall in 2008, led to severe flooding across much of northern Namibia - on a level unseen for four decades. Due to the 2008 flood disaster, there were 57 flood related deaths, 215 000 people were affected and more than 63 000 domestic livestock were lost.

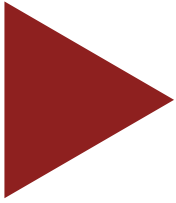


INFRASTRUCTURE AND ACCESSIBILITY TO ECONOMIC ENABLERS

Region	Broadband population coverage 3G + 4G	People not covered		
		3G	4G	Broadband
!Karas	84%	14,476	17,194	14,230
Erongo	96%	9,924	12,630	9,581
Hardap	82%	17,628	22,157	17,371
Kavango East	95%	9,841	28,330	7,780
Kavango West	72%	28,992	38,005	25,282
Khomas	98%	9,924	12,346	9,547
Kunene	52%	53,461	64,320	51,929
Ohangwena	95%	25,015	20,378	14,358
Omaheke	66%	29,811	34,020	27,286
Omusati	97%	12,414	12,964	7,269
Oshana	99%	2,494	3,468	1,402
Oshikoto	86%	43,599	42,687	29,945
Otjozondjupa	83%	28,914	41,515	27,795
Zambezi	93%	8,240	23,508	7,606
Namibia total	90%	294,733	373,524	251,383

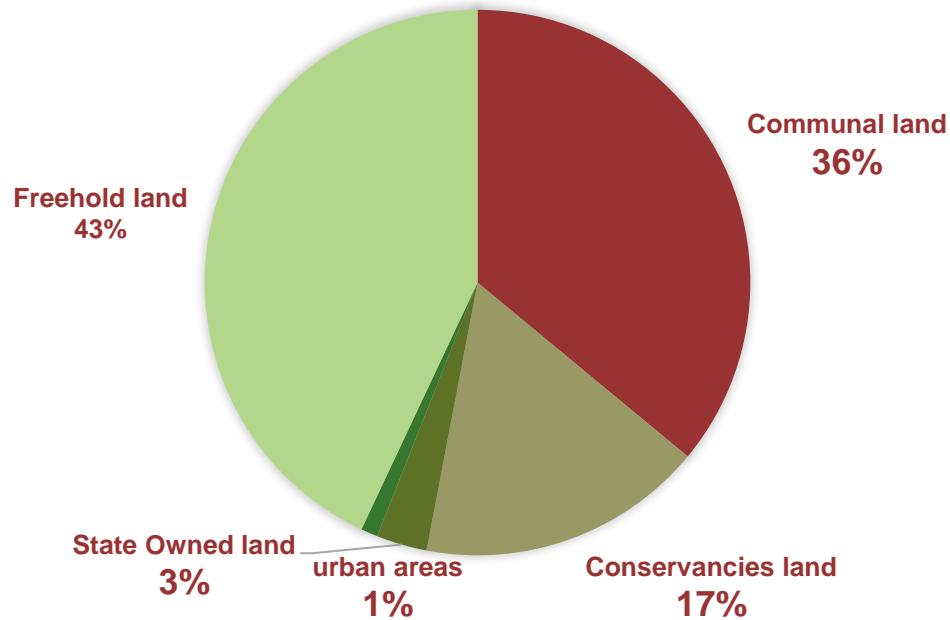
TELECOMMUNICATION AND INTERNET SERVICES

- ❖ Generally high coverage rate – but
- ❖ Kunene region exhibited the lowest coverage of both the 3G and 4G coverage at 52%, followed by the Omaheke region at 66% & the Kavango West region at 72%, indicating that these areas remain the least covered in terms of broadband services.
- ❖ Despite impressive coverage, cost of data remains high – can inhibit access.



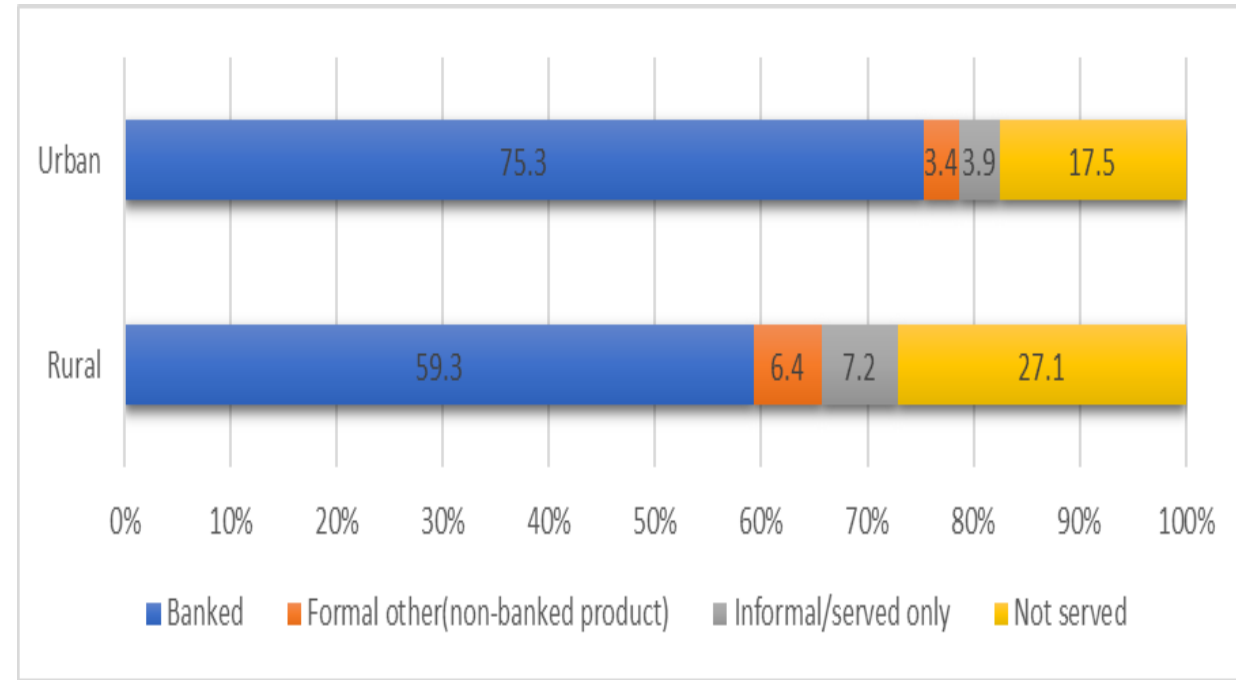
INFRASTRUCTURE AND ACCESSIBILITY TO ECONOMIC ENABLERS

LAND TENURE



LAND TENURE

- ❖ Namibia has two main land tenure systems: freehold in declared urban areas and so-called commercial farms, and customary tenure on communal land, all of which is rural.
- ❖ Land tenure system is a developmental challenge for rural development – land rights does not allow for use as collateral.



FINANCIAL SERVICES

- ❖ People living in rural areas need access to financial services for a range of productive (asset building, working capital) and protective (mitigating risk exposure, including health issues) purposes.

PREDOMINANTLY CASH SOCIETY



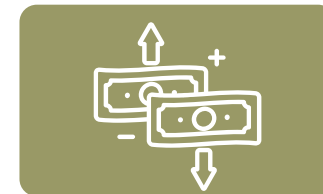
N\$13.1 million

CURRENCY IN CIRCULATION -
EENHANA



N\$4.8 billion

CURRENCY IN CIRCULATION -
NAMIBIA



0.27%

OF THE TOTAL CURRENCY IN
CIRCULATION



N\$ 200

HIGHEST CIRCULATING
DENOMINATION



STATUS OF FINANCIAL INCLUSION

Financial access

While Namibia has made significant strides in ensuring **financial inclusion estimated at 78%**, such efforts have mostly contributed to access in terms of formal account ownership, but not yielded broad-based results on usage especially in the rural areas.

Financial literacy

The 2017 Namibia Financial Capability Survey (NFCS) indicates that Namibians **financial literacy level stands at 52.94%**. The FLI have made strides in educating the public about the benefits of financial services, thereby enhancing financial inclusion

Consumer protection

The 2011-2021 Namibia Financial Sector Strategy (NFSS) advocated for Namibia to have in place mechanisms to protect consumers and implement an appropriate and effective consumer protection legal framework in the financial sector. **In support of this objective, the Bank of Namibia, and the Bankers Association of Namibia in 2013, jointly launched the Guidelines for Lodging Complaints**



FINANCIAL EXCLUSION CHALLENGES

Long Distance Traveling

For many in the informal sector, accessing financial services necessitates traveling long distances to the nearest financial institution. This travel can be time-consuming and costly, further discouraging the use of formal banking services. The lack of nearby financial infrastructure is particularly pronounced in rural areas, where distances to urban centers are significant.

Security Risks

Carrying large amounts of cash poses significant security risks, including the threat of theft or robbery. Without access to secure banking options, individuals and small businesses in the informal sector are more vulnerable to financial losses.

A close-up photograph of a hand holding a purple and yellow Namibian N\$20 banknote. The banknote features a portrait of a man in a white hat and a green logo. The text 'BANK OF NAMIBIA' and 'N\$20' are visible. In the background, a laptop keyboard and a red spray bottle are partially visible.

FINANCIAL EXCLUSION CHALLENGES

High Fees and Charges

High fees and charges in day-to-day interactions with the formal financial system may deter consumers from engaging with formal financial institutions, contributing to their exclusion and increased participation in the informal sector and underground economy.

Access to Credit and Insurance

Insurance products can help farmers manage risks associated with extreme weather events, providing financial support in the aftermath of disasters. **Currently, only 20% of farmers in northern Namibia have access to agricultural insurance, highlighting the need for broader coverage.**



FINANCIAL EXCLUSION CHALLENGES

Access to Financial Services

- ❖ A considerable portion **(59.3%)** of the rural areas remain **excluded**.
- ❖ A significant portion (62%) of Namibians, particularly those residing in rural areas, continue to **deal predominantly in cash** when receiving income and making payments.
- ❖ The Financial Inclusion Survey conducted in 2017 revealed that a significant portion of Namibians **(62%) receive their income in cash**, with only about **37% receiving income through bank accounts**.

CASE STUDY: KENYA'S M-PESA

- ❖ A prime example of leveraging innovation to transform the rural economy is the M-Pesa initiative in Kenya. Launched in 2007 by Safaricom, M-Pesa is a mobile money service designed to provide financial services to the unbanked rural population
- ❖ M-Pesa allows users to send and receive money, top up airtime, pay bills, and purchase goods and services through a simple mobile interface.
- ❖ By 2020, M-Pesa had over 30 million active users in Kenya, with 96% of households in rural areas using the service.



The Bank of Namibia's Vision for Financial Inclusion



Inspired by the success of digital innovations such as MPesa, PIX as facilitated by the Central Bank of Brazil, the digital innovations facilitated by the Central Bank of India, etc. the Bank of Namibia is committed to **driving greater digital and financial inclusion** in Namibia.

The new **Financial Sector Transformation Strategy** aims to digitally transform the financial sector as a priority. Some of the strategies include new pillars such as digital transformation, which will focus on digitizing the financial services.

Our **Strategic Plan** aims to act as a catalyst for a **cash-lite society** to extend the benefits of innovation to all corners of Namibia, including rural and informal sectors.

Our goal is to ensure that no one is left behind in the digital economy.

VIDEO





INSTANT PAYMENT SOLUTION

focusing specifically on enhancing financial inclusion with a particular focus on rural areas and the informal sector, thereby reducing cash dependency, and increasing transactional efficiency.



PUBLIC GOOD



AFFORDABLE



**FEATURE
PHONES –
ONLINE /
OFFLINE**



**FINANCIAL
INCLUSION**



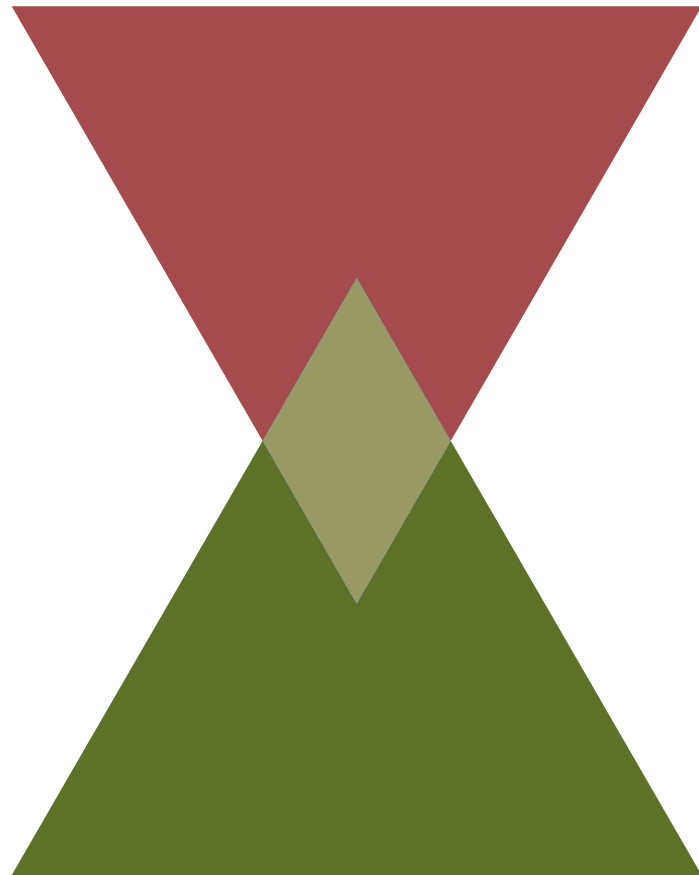
**INSTANTLY
ACCESSIBLE
(24/7/365)**



INTEROPERABILITY



ENABLERS: INSTANT PAYMENT SOLUTION



DIGITAL LITERACY



**INTERNET
CONNECTIVITY**



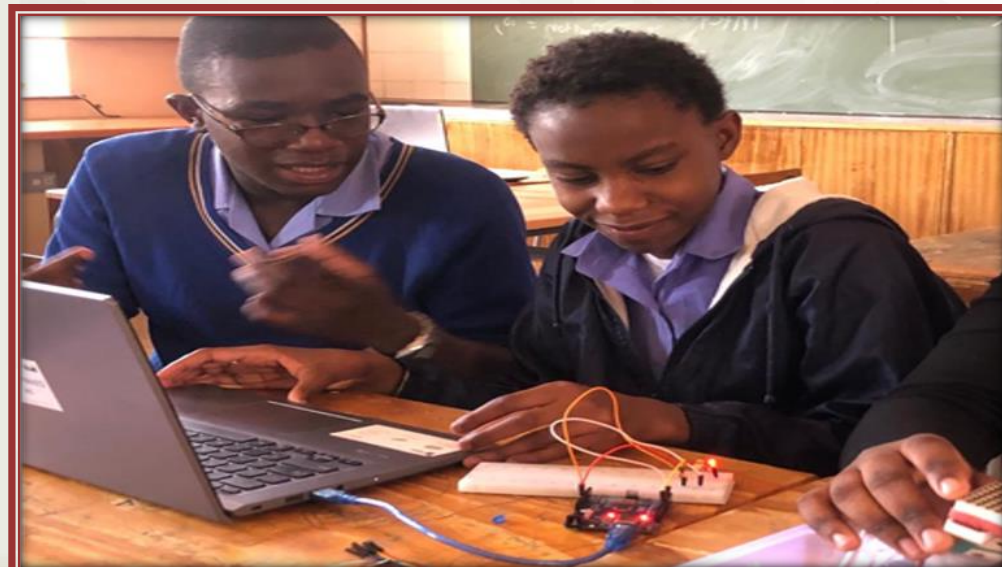
**FINTECHS AND AGENT
NETWORKS (INNOVATION)**



IMPLEMENTATION OF THE STEAM PROGRAM

In 2023, the Bank in collaboration with Mindsinaction implemented the Science, Technology, Engineering, Arts, and Mathematics (STEAM) program, exposing 240 learners to STEAM educational activities and capacitating them with skills in robotics, coding, and other applications.

Participating regions ranged from Omusati, Omaheke, !Karas and Oshikoto region.





TRANSFORMING RURAL AREAS: POLICY RECOMMENDATIONS

- ▶ **Namibia should invest in infrastructure** development like rural road upgrading, affordable rural electrification, and access to financial services.
- ▶ **The Namibian Government and internet providers** should promote the use of the internet to benefit entrepreneurship activities in rural areas, through skills development.
- ▶ **Namibian government will need to boost** conservancy-based tourism as a catalyst for rural economic growth, through the involvement of local government structures in partnership with community actors.
- ▶ **The Government needs to reform land** tenure in the country to enable rural communities to retain some control over land use for security purposes.
- ▶ **Increase agricultural productivity** by increasing access to feed for livestock.



CONCLUSION

By improving access to credit, insurance, savings, and digital financial services, we can empower rural communities to invest in climate-resilient practices, diversify their income sources, and build financial buffers against unexpected events.

QUESTIONS

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