

TALKING POINTS BY THE DEPUTY GOVERNOR OF THE BANK OF NAMIBIA MS LEONIE DUNN, AT THE BANK OF NAMIBIA TERTIARY INSTITUTIONS DEBATE CHALLENGE ON WEDNESDAY, 10 AUGUST 2022, WINDHOEK.

Director of Ceremonies,
University Staff and representatives from the respective Tertiary Institutions,
Economists & Industry Players,
Representatives of Commercial Banks,
Members of the debating teams participating today,
Management and staff of the Bank of Namibia,
Members of the Media,
Distinguished Invited guests,
Ladies & Gentlemen,

Good morning,

1. **It is a great pleasure to welcome you to the Bank of Namibia Tertiary Institutions' Debating Challenge.** I would like to especially welcome the brave teams who will be contending for the coveted title of the Bank of Namibia Tertiary Institutions Debating Challenge Champions.

"Don't raise your voice, improve your argument. You can sway a thousand men by appealing to their prejudices quicker than you can convince one man by logic. He who cannot put his thoughts either on ice nor in words, should not enter into the heat of dispute."

Desmund Tutu

2. **The Bank of Namibia Tertiary Institutions Debating challenge is one of the Bank's flagship public education initiatives aimed at educating students at tertiary level about economics and the role of the central bank within our economy.** The purpose of the Challenge is to provide students with the opportunity to engage relevant topical issues in central banking, and the macroeconomy, and further develop and sharpen their research, critical thinking, financial and economic literacy skills, as well as their ability to work as a team to present logical arguments, while also presenting alternative and innovative ideas to influence policy formulation.

Ladies and Gentlemen,

- 3. Globally, Central banks' advise and decisions play an integral part in the economy and financial system and directly as well as inevitably impact our daily lives.** Given the current turbulent economic climate causing havoc with commodity prices (**grains, gold, beef, oil, and natural gas**) which in turn lead to high fuel costs, rising inflation and food insecurity caused by external factors such as the COVID-19 pandemic and the spillover effects of the Russia – Ukraine conflict, now more than ever, Central Banks have become the focus of attention with great expectations to urgently deliver on innovative action to enable price stability.

The Bank of Namibia, working within its mandate and using the monetary policy and regulatory tools at its disposal, is committed to limiting the impact of these shocks on Namibia's economy. In order to contain the rising inflation, the Bank of Namibia this year alone has increased its repo rate consecutively by 25 basis points in both February and April 2022, and again by another 50 basis points in June. If rates are increased, it potentially can slow the economy by pushing up the borrowing rate. With borrowing becoming more costly, both businesses and consumers will cut back on spending. This will cause earnings to fall and stock prices to drop.

For the Bank, it is critical that we safeguard price stability at all costs, using the tools at our disposal as a member of the Common Monetary Area (CMA), by preventing a wage-price-setting spiral that could lead to inflation becoming entrenched, preventing capital outflows to South Africa as the peg-arrangement anchor country, and maintaining the one-to-one peg with the South African Rand.

Ladies and gentlemen,

- 4. The Tertiary Institutions debating challenge is based on a thoughtfully selected theme, taking into consideration the prevailing socio-economic conditions and topical issues of the time.** The topical theme selected for this year's competition is to assess whether the exchange rate peg arrangement between Namibia and South Africa is still beneficial to Namibia. What has been the evidence thus far? The selection of this theme was done in a deliberate effort to engage the youth in robust dialogue around the Arrangement with South Africa and to collectively interrogate this topic. A currency peg is a policy in which a national government or central bank sets a fixed exchange rate for its currency with a foreign currency or a basket of currencies and stabilizes the exchange rate between countries.

The debate will help us to hear from the young people on what they think and their assessment regarding the monetary and peg arrangement with South Africa, and whether they believe it still fosters an environment conducive to strong economic development.

5. **Allow me to take you back to the history of this Monetary/Peg arrangement to provide some context as to why Namibia felt it most appropriate to enter into this agreement at the time.** Before independence, the South African Rand was the only currency in circulation in Namibia. This status quo remained until 1993 when Namibia introduced the Namibia Dollar on a one-to-one basis with the rand in accordance with the Bilateral Monetary Agreement with the Republic of South Africa.

At the time it was felt, which analogy applies until today, that South Africa as the dominant country in the peg arrangement, with its more sophisticated and deeper developed financial sector and more robust monetary framework, will, through fixing the Namibia Dollar to the Rand, ensure Namibia has an overall lower than average inflation in sub-Saharan Africa, as well as continuously ensure Namibia imports low inflation from South Africa.

With regard to the framework within which the central banks operate, the Monetary Policy Framework of the Bank of Namibia explicitly outlines the sustention of the linked-currency arrangement as its intermediate target as this will ensure price stability through the anchor to the Rand. The bank acknowledges its loss of monetary policy discretion in this regard.

As for the South African Reserve Bank, the Bank operates within a monetary policy framework of a 3 – 6 percent inflation rate target. This policy is pursued with the goals of financial stability and economic growth in mind. Namibia benefits from the stability afforded by the inflation targeting regime of 3 - 6 percent of South Africa. This target helps to anchor interest rate and inflation rate expectations.

6. In recent years, there have been many calls from certain corners that there may be a need to revisit membership to this arrangement and perhaps it is time to consider delinking and exiting the South African Rand peg arrangement. We should ask ourselves, is Namibia ready to delink and is it in Namibia's best interest to do so? **In a society where different groups and ideas are becoming increasingly polarised, healthy debates allows for diversity of opinions and in this way we also learn from one another and grow as a democratic society. Hopefully, through debates of today, this critical question can be answered.** Overall, the recovery of the Namibian economy requires a collaborative policy approach and I trust that the debate that will take place today, will support that cause through robust dialogue and inputs that may assist towards building a stronger Namibian economy based on improved fundamentals.

Ladies & Gentlemen,

- 7. The Bank of Namibia understands the pivotal role that education plays in forming a well-balanced individual and achieving success.** Namibia requires an expanding pool of quality, educated, skilled young professionals who should ultimately contribute meaningfully to the socio-economic advancement of our society. Namibia is looking forward to promising prospects of becoming major global players in Green Hydrogen, oil exploration and a myriad of possibilities as a result of its abundant natural resources and untapped beauty. We want the youth to equip themselves with the relevant skills to maximise on and make full use of the opportunities that these prospects will bring about.
- 8. The Bank of Namibia recognises that capacity building and skills development are fundamental to realizing a knowledge-based economy as envisioned in our national development plans.** It is for this reason that the Bank continues to invest in a bursary scheme in highly sought areas, to support our young talented people to become knowledge workers upon graduation. These bursaries are awarded to deserving young students, who would not have otherwise been able to afford tertiary education in the areas of Economics, Finance, Accounting, Actuarial Science, Information Technology and Education specializing in Mathematics & Science. These fields are not only relevant to the functions and operations of the Bank but also to respond to the needs of the Namibian job market. Participating students today as well as those in the audience and those following us via or online platforms today: I would like to invite you to apply for the Bank of Namibia's bursary scheme. ***"The future depends on what we do in the present" – Mahatma Ghandi.***

Ladies and gentlemen,

- 9. I would fail in my duties if I did not take this opportunity to thank and acknowledge the accompanying lecturers and all stakeholders in the education fraternity for their tireless efforts in nurturing the full potential of all young individuals participating in this event today.** This year, three teams representing the University of Namibia, the Namibia University of Science and Technology, and the International University of Management have been honing their debating skills and will go head-to-head to contend for the first prize. We look forward to the robust debates that are about to take place. I congratulate all the debating teams today and wish you the best of luck during the competition.

I thank you.