KEYNOTE ADDRESS BY MR. JOHANNES !GAWAXAB, GOVERNOR OF THE BANK OF NAMIBIA, AT THE 46TH COMMITTEE OF INSURANCE, SECURITIES, AND NON-BANKING FINANCIAL AUTHORITIES (CISNA) MEETING, TUESDAY, 3 OCTOBER 2023, SWAKOPMUND, NAMIBIA.

Director of Ceremonies

Honourable Andre Neville, the Governor of the Erongo Region,

Mr. Sadwick Mtonakutha, SADC Representative,

Mr. Kenneth S. Matomola, the Chairperson of CISNA,

Ms. Sonia Lukama, the Vice-Chairperson of CISNA,

Ms. Brinda Harjan, the Secretary General of CISNA,

Members of CISNA,

CEOs and Commissioners of various Non-bank Financial Institutions,

General Council members,

Members of the Media,

All invited guests,

Ladies and gentlemen,

Good Morning

1. **I would like to begin by extending my heartfelt gratitude to Mr. Kenneth Matomola, the Chairperson of CISNA,** and his dedicated team for extending me with this prestigious invitation to address this esteemed assembly on the occasion of the 46th meeting of the Committee of Insurance, Securities, and Non-banking Financial Authorities (CISNA).

2. **Our gathering today is emblematic of the harmonisation of regulatory and supervisory frameworks for NBFIs within the SADC region.** This event serves as a platform for us to exchange insights, learn from one another, and enhance our mutual understanding. Above all, it underscores our collective responsibility to safeguard the financial stability of our respective countries.

3. **Over the past five years, the global financial sector has navigated through uncharted waters.** The post-COVID-19 period has been marked by a significant upswing in inflation, a phenomenon unseen in decades. Since 2021, central banks worldwide have grappled with the most severe surge in inflation since the 1970s. This surge can primarily be attributed to soaring energy and food prices, which have risen sharply due to supply shortages, geopolitical tensions, drought, and the ongoing Russia-Ukraine conflict.

4. **In terms of the global economy, global GDP growth is projected to decelerate from 3.5 percent in 2022 to 3.0 percent in 2023**, **primarily due to high inflation and the high-interest rate environment, which have dampened consumer spending.** Global growth is, however, forecast to rebound slightly to 3.1 percent in 2024 as the monetary policy tightening cycle begins to level off. These projections reflect the still tight monetary policies necessitated to combat inflation, the persisting conflict in Ukraine, and growing geoeconomic fragmentation.

5. **The Sub-Saharan Africa (SSA) region is also expected to witness economic deceleration in 2023, largely attributed to weak export markets, high inflation, and tighter monetary policies.** Economic growth in SSA is projected to dip from 3.9 percent in 2022 to 3.5 percent in 2023 before a gradual recovery to 4.1 percent in 2024. The decline in growth forecasts for 2023 is primarily due to persistent inflation eroding household purchasing power, coupled with high public debt in certain key economies.

6. **Whilst the decisive action taken by central banks has most recently resulted in the moderation of headline inflation, core inflation remains sticky.** We expect global interest rates to remain elevated for some time as central banks continue to anchor inflation expectations. More recently, we have witnessed rising oil prices threatening to worsen current inflationary pressures, with the price for Brent crude oil having breached US$90 per barrel in September 2023, marking its first climb to this level since October last year. While the consensus suggests that we may not see oil prices surpass the dreaded US$100 mark, the prospective risks remain, and it becomes evident that the cost of living may rise. That said, as monetary authorities, we are alive to the fact that the current monetary policy stance has resulted in complaints of high borrowing costs, which have placed downward pressure on economic activity and employment across the region. The message remains the same even for our region: we are not out of the woods yet.

7. **The challenges posed by the current operating environment underscore the heightened need for international and regional cooperation.** An American author named Virgina Burden once said, *"Cooperation is the thorough conviction that nobody can*

get there unless everybody gets there". Our own African proverb says, "*If you want to go fast, go alone. If you want to go far, go together*". Thus, regional bodies such as CISNA play an indispensable role in dissecting key lessons from crises, anticipating threats before they occur, and reinforcing our regulatory frameworks to enhance preparedness. Previous events have underscored the urgency of comprehensive regulatory and supervisory frameworks that not only avert crises but also facilitate sustainable and inclusive economic growth for all.

8. **As many of us know, domestic savings form the bedrock of economic growth, providing the resources needed for investment.** Within the financial landscape, the NBFI sector holds considerable importance, accounting for a substantial portion of assets within the financial sector. Notably, in Namibia, the NBFI sector's total assets stood at approximately N$ 366.2 billion[1] as of December 2022, constituting about 68.8 percent of the financial sector's total assets. The sector provides a base to offer diversified funding sources to address critical gaps, and CISNA has a key role to play in stimulating intra-regional investment and mobilising resources for our economies.

9. **In our journey towards development, we must ensure that the NBFI sector remains responsive to the needs of our economies while upholding financial stability**. The sector must actively facilitate economic growth. One of the most pressing challenges the region faces lies in the continent's vast infrastructure deficit. According to the African Development Bank, Sub-Saharan Africa requires up to US$170 billion annually by 2025 to revamp its infrastructure, with two-thirds of that needed for entirely new infrastructure and the remaining one-third for maintenance[2]. Addressing this will be challenging; however, by actively contributing to the financing of long-term infrastructure projects, the NBFI sector could play a significant role in bridging the continent's infrastructure gap.

10. **Further to that, CISNA must prioritize the NBFIs sector's contribution to socio-economic progress in the realm of financial inclusion.** The 2023- 2028 SADC Strategy on Financial Inclusion and SME Access to Finance rightly identified lack of access to finance as a binding constraint to industrialisation and underscored the role of financial inclusion and the deployment of ICT and Fintechs in driving domestic resource mobilisation and fostering inclusive growth. As Raghuram Rajan, the former Governor of the Reserve Bank of India, once famously said, "*Financial inclusion is not just an end in itself but a means to an end. It is a means to development, to reducing poverty, to*

[1] (NAMFISA, 2023)
[2] (AFDB, 2018)

generating employment, and to empowering people to make choices." As such, it is incumbent upon us to ensure that the sector is not only inclusive but also caters to the majority of our population, including those involved in the informal economy.

11. **Various financial inclusion surveys in the region consistently reveal high levels of informality in the usage of financial services, exemplified by the prevalence of informal savings groups, money lenders, and informal remittance channels.** Hence, there is a need to harness the potential of the microfinance sector, which already has significant reach in the informal and rural economies. The introduction of micro-pension and micro-insurance products, in particular, could cater to a significant number of people engaged in the informal sector.

12. **The latest surveys indicate that the proportion of adults in the SADC region using non-bank financial services, either alone or in combination with bank products, has surged** from 33 million in 2011 to 88 million in 2022, underscoring the potential of the non-bank sector in the region[3]. However, data also suggests that further interventions and initiatives are needed to address deficiencies and challenges inhibiting more significant progress, particularly in adopting technology and digital platforms.

13. **In SADC, the adoption of digital financial services remains relatively low compared to other regions, with only an estimated 30% of adults utilising digital platforms to access financial services**. CISNA should identify opportunities and create an enabling environment that supports Fintechs in the financial sector. The burgeoning linkages between the financial sector and tech-startups present opportunities to improve service provision and involve young people through regulatory frameworks that facilitate their entry into the financial sector without undue barriers. This also opens avenues for growth for Fintech start-ups.

14. **Regulators are acutely aware of the tension that market participants face concerning costs and the speed of regulatory and supervisory procedures, alongside the benefits and risks introduced by financial innovation and technology**, including Artificial Intelligence, Large Language Models, and Machine Learning. It is imperative that regulatory and supervisory frameworks prioritise consumer protection and transparency in services to establish trust between service providers and consumers. Innovation can challenge established rules and necessitate adaptations. However, we cannot allow a scenario where innovation disregards the public interest. As policymakers,

[3] (SADC Support Consortium, 2023)

we must set the rules of engagement. Our approach should be aligned with the principle of "same risks, same rules."

15. **Further to this, in today's fast-moving financial landscape, the imperative of non-bank financial institutions comprehending and proactively addressing cyber risk exposure cannot be overstated.** As guardians of financial stability, our institutions must actively pursue higher levels of cyber maturity. These initiatives can be spearheaded by platforms such as the Financial Industry Cyber Security Councils in SADC countries for improved collaboration and coordination. Cyberattacks pose a grave threat to the integrity and security of our financial ecosystem, making it incumbent upon us to invest in robust cybersecurity measures and cross-border collaboration. In doing so, we not only protect our stakeholders but also reinforce the trust and resilience of our regional and global financial system.

Ladies and gentlemen,

16. **Climate change poses considerable risks to the overall financial sector and particularly to capital markets as well as portfolios of our regulated entities.** As climatic change and global warming are addressed by tougher regulation, new emerging technologies, and shifts in consumer behaviour, global investors are increasingly treating climate risks as an integral aspect when pricing financial assets and deciding the allocation of their investment portfolios. Because of their size and their role as conduit of savers' climate concerns to the capital markets, most non-bank financial institutions are ideally positioned to steer corporate capital allocation toward more sustainable uses. I know as regulators; risk pricing and assessment is inherent in our day-to-day assessments and regulation. However, there is vast room for enhancing our collective capacity in terms of modelling and crafting forward-looking and responsive frameworks to manage climate-related risks.

Ladies and gentlemen,

17. **I urge all regulators present here to transcend traditional financial regulation.** We must ensure that our regulatory measures act as enablers rather than barriers, supporting MSMEs, youth, and women for a more inclusive and prosperous financial sector. In conclusion, our financial systems transcend borders, and collaboration among SADC member countries is paramount. Harmonizing regulatory standards, establishing robust information-sharing mechanisms, and crafting effective crisis management protocols will fortify the stability of the global financial ecosystem.

18. **While the challenges before us are complex and the stakes are high,** I remain confident that, through collaboration, knowledge sharing, and thoughtful discourse, we can shape a financial regulatory environment that not only supports sustainable growth but also safeguards against crises and fosters prosperity for all.

19. **The path to effective and supportive financial regulatory reforms may be challenging**, **but the destination—a stable, resilient, and equitable financial system—is undoubtedly a journey worth embarking upon**. Let us seize this opportunity to lead with foresight, wisdom, and an unwavering commitment to the greater common good.

Thank you.