

**Bank of Namibia**



**SPEECH DELIVERED AT THE LETSHEGO BANK LAUNCH GALA EVENT**

**Mr. Ipumbu Shiimi**

**Governor**

**25 July 2017**

The Chairperson of Letshego Bank Namibia, Mr Shepherd, and fellow Directors,

The Chief Executive Officer, Madam Ester Kali,

Management, Staff and Stakeholders of Letshego Bank Namibia,

Captains of Industry,

Invited guests,

Ladies and gentlemen,

1. I am delighted and deeply honoured to join you at the Letshego Banking Launch Gala under the theme “**Letshego: Celebrating growth, diversification and improving life**”.
2. This celebration comes at a time when, as a country, despite the challenges we face, Namibia continues to benefit from a stable, resilient and inclusive financial system as reported in the latest Financial Stability Report issued in April 2017.
3. On 28 October 2010, during the Governor’s Annual Address, I talked about the four-point agenda which became a rallying point for enhancing Financial Inclusion. The four-point agenda I talked about then was not merely a list of things that the Bank of Namibia would do to enhance Financial Inclusion, but a blueprint which we, together, as Regulators and Financial Institutions should implement to broaden the financial

system. These four agenda points served as corner stone of the Financial Sector Strategy launched by the Minister of Finance on 2012, which has an expiry date of 2021.

4. At the time we pledged **reform** in the following 4 areas; Regulatory Framework and Consumer Protection, Consumer Literacy, Access to Financial Services and Local Ownership of Commercial Banks. Since it is almost 5 years since the launch of the Financial Sector Strategy and nearly 7 years since the day of my speech, it is befitting that we pause and take stock of the progress made in realizing this pledge.

#### **First, Regulatory Framework and Consumer Protection**

5. The cornerstone of our Regulatory Framework has always been centered on smart regulations that allows the financial sector to innovate and flourish, while ensuring consumer protection and ultimately the stability of our financial system. We have always advocated for **fairness**, in favour of both the financial service providers and consumers of such services. In order to ensure fair treatment of consumers by banking institutions, in 2013, the Guidelines for Lodging Complaints and a Code of Good Banking Practices, which guide consumers on how to lodge complaints against commercial banks and commercial banks on how to deal with such complaints, respectively, have been developed jointly by the Bank of Namibia and the Banker's Association of Namibia. In 2014, the Credit Bureau Regulations were

issued to regulate the operations of credit bureaus in Namibia. Prior to 2014, there was no regulatory framework to regulate and protect consumers against unfair treatment by credit bureaus. The Regulations provide for a dispute resolution mechanism in the event of disputes arising between consumers, credit bureaus and credit providers.

6. More importantly, the Financial Services Adjudicator Bill which will handle complaints against financial institutions has been developed and tabled in the National Assembly. The Adjudicator will cater for consumer concerns related to both banks and non-bank financial institutions under one roof.
  
7. Bank of Namibia and NAMIFISA are also currently working on the Consumer Credit Bill which will regulate all consumer credit related issues and consolidate outdated laws regulating credit such as the Credit Agreements Act of 1980 and the Usury Act of 1968.

**The second issue is Financial Literacy and Capability.**

8. The importance of Financial Literacy cannot be overemphasized. There is a saying that knowledge is power. It is thus important that we empower our consumers of financial services with the knowledge in order for them to make informed financial decisions. The financial literacy of the average Namibian above the age of 16 was

calculated as 42.75% in 2013. Indicating that we have some kilometers to travel to make the majority of Namibian more financially literate.

9. On this front, the collective efforts of the partners of the Financial Literacy Initiative under the Ministry of Finance have done a lot of work to educate consumers and this work should be intensified to close the gap. The FLI is currently planning a follow-up survey this year which will show us how much progress we have made since the last survey in 2013.

### **Access to Financial Services and Products**

10. Access to quality financial services and products has been identified as a catalyst for economic growth and poverty alleviation, both in developing and advanced countries. The potential of the financial sector to contribute meaningfully to economic growth and social progression of any economy depends on the full participation of individuals and firms in that sector. It is for this reason that a number of initiatives have been introduced in our financial sector to ensure access to financial services and products.

11. The ultimate aim of such interventions are to enhance access to banking and financial services for the previously excluded members of our society. High fees and charges contributes to the exclusion of the majority of the society from participating

in the formal financial system. For this reason, two targeted interventions were introduced to deal with the issue of high fees and charges in order to allow access for more individuals and business:

- The Introduction of the Basic Bank Account (BBA) with minimal charges aimed to benefit low income earners of the society was one pragmatic intervention. All commercial banks have introduced this type of an account, meeting the set standards. The number of active basic bank accounts has increased from 59 022 in 2012 to 385 224 by December 2016.
- The other intervention was the Standards on Cash Deposit Fees which removed all cash deposit fees charged by banking institutions to all accounts of individuals and accounts belonging to businesses with a turnover of N\$1 million or less which become effective from 31 March 2015.

12. Coupled with the above interventions, the Bank of Namibia has joined hands with other institutions such as the Development Bank of Namibia to work on the SME Financing Strategy for Namibia. The Strategy comprises of three complimentary facilities namely: Credit Guarantee Scheme, Venture Capital Fund, and Coaching and Mentoring Programme. This Strategy is at an advanced stage and once implemented it is expected to significantly improve access to finance for Small and Medium Enterprises in Namibia.

## **Local Ownership of Commercial Banks**

13. Lastly, in line with the aspirations of the Namibia Financial Sector Strategy and the Financial Sector Charter which advocates for some degree of localization of the financial sector, the Bank has proposed changes to the ownership structure of new banking institutions in the draft amendment Banking Institutions Bill which is under the consideration of the Minister of Finance. The amendments will mean that new entrants will be subjected to minimum participation of local ownership.

14. Existing banking institutions have also agreed to increase local shareholding. Other encouraging avenues of fostering local ownership include the listing on the local stock market and selling of existing shares to employees. Our expectations are that within the next two years the remaining banks should follow-suit to by either listing on the Namibia Stock Exchange or through private placements.

Ladies and gentlemen,

15. I am delighted to note that Letshego Namibia has shown a strong commitment to become a strong player in the financial sector in Namibia. Equally, it is pleasing to learn that Letshego Namibia is considering to list of the NSX, a move which will open doors for the ownership of the group to many Namibians and at the same time improving the Namibian capital markets. This is indeed a commendable step. Going forward, I want to strongly urge Letshego Namibia to continue to ensure fairness to

its customers as this too will contribute to further development of Namibia. Furthermore, I'm encouraged by Letshego's decision to transition from consumption credit to a more productive credit as the later will help contribute to the production capacity of our economy and contribute to the stability of your bank and ultimately sustainable economic development in Namibia.

16. Ladies and Gentleman

17. On 28 October 2010, I ended my speech with the Chinese adage "A Journey of thousand miles begins with the first step" I believe we have taken the first step toward financial inclusion. We have travelled about 500 miles of that journey, we still have some more miles to get there, but getting there we shall. Getting there, however, requires that all of us should continue to work hard as a team to create a sustainable and an inclusive financial sector for our children and their children's future. I believe, Letshego is one of the trailblazers on this journey, we look forward to continue travelling with you.

I thank you for your kind attention

lipumbu Shiimi.