

## **Johannes !Gawaxab: Leveraging innovation for green finance**

Opening remarks by Mr Johannes !Gawaxab, Governor of the Bank of Namibia, at the Bank of Namibia Thought Leadership on "Leveraging Innovation for Green Finance", Windhoek, 17 October 2024.

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Hon. Heather Sibungu, Deputy Minister of Environment, Forestry and Tourism,  
Deputy Chief Executive Officer of the Namibia Financial Institutions Supervisory  
Authority, Ms.

Erna Motinga

Officer in Charge of the Bank of Namibia, Mr Marsorry Ickua

Director of Ceremonies,

Distinguished Speakers and Panellists,

Captains of Industry,

Esteemed guests,

Ladies and Gentlemen,

Good morning

Welcome to this historic Thought Leadership Event where we mark a significant milestone, the launch of the Bank of Namibia's Sustainability Framework - Namibia's first broad-based sustainability framework for the financial system. This framework goes beyond what individual companies have established, pushing us towards a more cohesive and transformative future.

Today, we stand at the crossroads of pressing sustainability challenges - climate change, rising debt, and deepening inequality. These challenges are forcing us to reflect on sustainability as a critical objective for long-term resilience and prosperity.

Climate change has far-reaching implications, not just for the environment, but also for economic stability. It is affecting the monetary policy decisions of central banks, influencing financial stability of the banking and non-banking financial sector, and threatening economic performance. In 2023 alone, global damages from natural catastrophes surged to a staggering US\$280 billion, a figure that has more than doubled over the past two decades.

As we face the dual pressures of environmental degradation and associated economic instability, it is imperative that we, as custodians of the financial system, integrate sustainability at every level. Today, we are not just discussing sustainability including green finance as a separate, isolated issue but as a core pillar of our national development and financial strategies. It is only through a concerted effort that we can mitigate the economic risks posed by climate change, while simultaneously seizing the opportunities for sustainable growth.

Ladies and gentlemen,

Allow me to reflect on the broader context in which this event is held. Around the world, central banks and supervisors are grappling with how best to address the complexities

introduced by climate change. From advanced countries to our counterparts in emerging markets and developing economies, the rising frequency of severe weather events has begun to influence monetary policy dimensions. For instance, in Namibia, we have seen droughts drive up food prices, exacerbating inflationary pressures, disappointingly affecting the poor and vulnerable members of society – after all, inflation is termed 'the cruellest tax of all'

Inflation, especially climate-induced inflation, requires a fine balancing act to manage, especially when coupled with high unemployment and weak economic conditions. The climate crisis further affects food security, agricultural productivity, and causes severe damage to homes and critical infrastructure. These disruptions are reminders that sustainability is no longer a choice but a necessity.

Additionally, global inequality remains challenging. According to a recent report by Oxfam, since 2020 the world's five richest men have more than doubled their wealth from US\$405 billion to US\$869 billion -at an astonishing rate of US\$14 million per hour. Meanwhile, the poorer half of the global population owns just 2% of the world's wealth. If these trends persist, the world will have its first trillionaire within a decade, but poverty won't be eradicated for another 229 years. This is clearly unsustainable. Although Namibia has made considerable progress, we still face deep inequalities as a nation.

To navigate these mega-trends, we cannot fold our hands and wait for external help. We need to take bold steps to reshape and reimagine the financial system, and indeed the broader economy, working to align it to our national goals of sustainability and build the necessary resilience in the face of such threats. Together, the Bank of Namibia, the Ministry Of Finance, the Namibia Financial Institutions Supervisory Authority (NAMFISA), and the entire financial sector have taken initial steps to establish a coordinated forum to speak with one voice on these issues, and advocate for sustainability within the financial sector and the economy. Set to be launched in the coming weeks, this platform will foster coordination and collaboration on sustainability matters, enabling financial institutions to both mitigate climate risks and seize opportunities presented by the green transition.

Furthermore, the Bank of Namibia, as both a monetary authority and a custodian of financial stability, we are launching today a Sustainability Framework. This framework will offer guidance on how to incorporate climate-related risks into our operational frameworks, policy decisions, and regulatory functions.

This framework, however, is only the beginning. As mentioned, it is part of a broader strategy to reshape the financial system in line with our national goals of fostering resilience and sustainability. When environmental degradation and extreme weather events disrupt the resilience and stability of banks, insurance companies, and other key players within the financial system, it triggers the need for regulatory and supervisory interventions. As a result, both the Bank of Namibia and NAMFISA are increasingly focused not only on the financial health of individual institutions but also on safeguarding the stability of the broader financial system, especially in the face of potential systemic shocks.

Ladies and gentlemen,

Our timing could not be more critical. On top of our regulatory mandates, we need to reflect what type of financial system we should evolve that can best deliver the aspiration of future-proofing the economy. According to the World Bank, climate finance accounts for less than 5% of the lending portfolios of nearly 60% of banks in emerging markets and developing economies (EMDEs). This is despite the fact that banks dominate the financial sector in these regions, controlling over 80% of financial assets.

The transition to a low-carbon economy will require substantial investment. The International Energy Agency (IEA) estimates that an additional US\$2.5 trillion per year in clean energy investments will be needed by 2030 to achieve global climate targets. In 2023, African countries faced external debt payments totalling \$85 billion, nearly three times the amount they received in climate finance. By 2024, debt servicing will account for at least 18.5% of budget revenues for these nations. Given the constraints on government budgets, much of the required financing must come from private capital. This calls for innovative approaches to unlock and mobilise funds. Blended finance will play a key role in addressing the climate finance gap, particularly in developing economies, like ours, who contribute a negligible percentage of global emissions and yet are disproportionately vulnerable to the effects of climate change.

Ladies and gentlemen,

Let us not underestimate the urgency of the situation. Climate change is already altering the structure of our economy, with both physical and transition risks threatening the value of financial assets. Namibia is facing rising temperatures, erratic rainfall patterns, and more frequent droughts—all of which are negatively impacting key sectors such as agriculture, mining, and manufacturing. The projected economic costs are significant, with the World Bank estimating that climate change could reduce Namibia's GDP by up to 6.5% annually if we fail to act.

What needs to be done? As I conclude, in my view, we need a comprehensive, inclusive strategy that integrates sustainability with economic growth. This must be a collaborative effort - one that is co-created by both the public and private sectors and shaped by strong partnerships. To accomplish this, we need a robust sustainability blueprint that will pave the way for long-term stability and prosperity.

The challenges posed by climate change are immense, but they also offer us a unique opportunity to reshape our economy for the better. As we convene this morning in furtherance of these overarching goals, I would like this thought leadership event to address the following:

- Firstly, to contribute to defining sustainable finance within the unique context of Namibia.
- Next, to provide an overview of the current sustainable finance landscape, showcasing insights and best practices from our financial institutions to advance the sustainable agenda.
- Thirdly, to examine how innovation can be leveraged to drive sustainability and promote inclusivity, ensuring that all Namibians benefit from these initiatives.

Ladies and gentlemen,

Let us seize this moment to collaborate, innovate and lead the way towards a sustainable financial future for all Namibians. I thank you all for your attention and I look forward to the insights and discussions that will emerge from today's event.

I thank you.