

## **Johannes !Gawaxab: Launch event of the instant payment project**

Welcoming remarks by Mr Johannes !Gawaxab, Governor of the Bank of Namibia, at the launch event of the Instant Payment Project, Windhoek, 26 April 2024.

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Hon. Maureen Hinda-Mbuende, Deputy Minister of Finance and Public Enterprises  
His Excellency Mandarapu Subbarayudu, Indian High Commissioner to Namibia  
Mr Gunveer Singh, Chief General Manager of the Department of Payments and Settlements of the Reserve Bank of India  
Mr. Ritesh Shukla, Chief Executive Officer of the National Payment Corporation of India (NPCI)  
Advocate Adolf Denk, Chairperson of Namclear  
Board Members of the Bank of Namibia present  
Mr. Marsorry Ickua, Officer in Charge, Bank of Namibia  
Mr Brian Katjaerua, CEO of the Bankers' Association of Namibia  
Ms Annette Rathenam, CEO of the Payment Association of Namibia  
Management and staff of the Bank of Namibia  
Payments Industry Captains,  
Viewers joining us from the online platforms,  
Members of the Media  
Ladies and gentlemen

Good morning,

I am delighted and privileged to witness the birth of Namibia's Instant Payments Project, a collaborative venture with its roots firmly grounded in our resolve to provide solutions to the most intractable challenges facing our nation. This initiative stands as a significant milestone in the rolling out of our ambitious Strategic Plan (2022 to 2024), in which we set the lofty goals of further modernising Namibia's financial sector. Today, we are here to signal the unlocking of immense opportunities and the commencement of the process to co-create an interoperable and innovative financial technology platform for Namibia. This Platform will drive instant payments and financial inclusion and reaffirms our dedication to an inclusive and modern financial system.

Ladies and gentlemen,

As the statutorily mandated custodian of monetary policy and financial stability, the Bank of Namibia shoulders the responsibility of nurturing a robust, resilient, and stable financial landscape, conducive to sustainable economic growth and development for Namibia. Price and financial stability have undoubtedly been the bedrock of our economic progress since independence. However, as we strive for inclusive development, we must acknowledge that these conditions alone are not sufficient, although necessary. We cannot overlook the plight of Namibians excluded from the financial system. Our developmental imperative is to address the market failures perpetuating this exclusion and ensure that 'no one feels left out' in the words of our departed President Dr. Hage. G. Geingob.

Renowned economist Joseph Stiglitz once highlighted the challenge of market failure and the role of government intervention in such situations. He emphasised that when market failures occur, it is essential for the government to step in and take corrective measures. Stiglitz argued that relying solely on the invisible hand of the market may not be sufficient to address the systemic barriers and inequalities that arise. In the context of financial exclusion, market failures can arise from various factors such as information asymmetry, high transaction costs, and limited access to financial services for marginalised communities. These failures hinder the participation of individuals and businesses in the formal financial system, impeding their ability to save, invest, and access credit. To address these market failures, we must recognise the importance of regulatory intervention. This can involve implementing policies and regulations that promote financial inclusion, providing support and incentives for financial institutions to reach underserved areas, and investing in financial education programmes to enhance the financial literacy of individuals. For this reason, the government and stakeholders developed and executed the Namibia Financial Sector Strategy (2012-2022).

By stepping in to address the challenges, regulators, and the financial sector have worked hard to create an enabling environment where all Namibians have equal opportunities to participate in the financial system and benefit from economic progress. Despite the remarkable achievements recorded to date in the execution of the Financial Sector Strategy, as evidenced by high levels of broad financial inclusion estimated at around 78.1% of the population, segments of our population remain underserved and unserved. Access to essential financial services still needs to be improved in our economy's rural and informal sectors. These areas predominantly rely on cash transactions due to inadequate or non-existent financial infrastructure, logistical challenges, and high transaction fees and charges.

Recognising the importance of enhanced efficiencies, improved access, supporting economic growth, and fostering innovation, this groundbreaking initiative is being launched today to further modernise the national payment system. Through the Instant Payment Project, we recognise the profound impact of technology in bridging the divide between those who have and those who do not, ensuring that everyone, regardless of their economic status, can access the necessary financial tools and services to prosper.

This initiative aims to establish efficient, accessible, and affordable public payment infrastructure that has the potential to reach every corner of our nation. The focus is on all but specifically on unserved and underserved rural communities as well as the informal economy, regardless of whether such communities and the informal sector have internet and mobile phone coverage and regardless of whether they use smartphones or USSD (Tamagotchi phones). Imagine a farmer or a pensioner in a remote village selling her produce and receiving payment instantly without the constraints of traditional banking operating hours. Picture a young entrepreneur in a township launching his business online and seamlessly receiving payments from customers across the country. This is the promise of payment instrument interoperability and instant payments, a transformative payment tool that breaks down barriers and empowering individuals previously excluded from our financial ecosystem.

The Instant Payment Project aims to achieve four key policy objectives. They are, enhancing accessibility and affordability for underserved populations, achieving full

payment interoperability by 2025, modernising the financial sector, and ensuring a secure and efficient National Payment System, in alignment with the Bank's Strategic Plan and NPS Vision and Strategy 2025. This is not just about making payments faster; it is about creating a more equitable and accessible financial landscape for all.

Ladies and gentlemen,

Acknowledging the strategic foresight underpinning the establishment of the Instant Payment Project, is important. In an increasingly interconnected global economy, the ability to transact seamlessly and securely at both domestic and international fronts is not just a convenience but a strategic imperative. By embracing instant payment solutions, we position our nation as a leader in financial innovation, attracting investment, and enhancing our competitiveness on the world stage.

The approach to implementing this public infrastructure has been meticulously planned to ensure its success. Drawing on the experiences of other nations and independent research, we have customised our approach to fit Namibia's unique needs and circumstances. The deliberate choice of a central bank-led model aims to minimise infrastructure costs for financial institutions, ensuring the instant payment solution remains affordable for the end user. This system aims to connect individuals, businesses, and government entities across Namibia, including the payment of social grants, enabling more efficient economic interactions and supporting the growth of digital entrepreneurship.

In our journey through this digital era, while we eagerly embrace the opportunities it brings, we must also remain vigilant of our reality that may constrain digital progress. Technical complexities, infrastructure availability, and cultural shifts could undoubtedly present obstacles along the way. However, it is precisely in overcoming these challenges, that we will demonstrate the resilience and adaptability of our collective resolve. Like any major transformative intervention, we expect growing and implementation pains along the way. That is understandable, but we are committed to deal and manage those challenges.

As we embrace the Instant Payment solution, we must also invest in digital literacy. Consumer digital financial education will play a crucial role in empowering individuals with the knowledge to transact confidently on digital financial platforms. Another key aspect of consumer education is raising awareness about cybersecurity risks and the various cyber fraud schemes that exist. By understanding these risks, consumers are empowered to be more cautious and vigilant when sharing personal information or conducting financial transactions online. By promoting cyber hygiene practices, consumers can significantly reduce their vulnerability to online fraud and protect their financial assets.

Ladies and gentlemen,

The collaborative framework established for this project is noteworthy. To realise this vision, the Minister of Finance and Public Enterprises has approved the establishment of an independent Special Purpose Vehicle that will implement the Instant Payment Solution through the Instant Payment Project in partnership with NAMCLEAR. The decision to partner with Namclear is a strategic imperative. Being the only clearing

house, which is also designated as a systematically important financial market infrastructure, it is essential that we refrain from introducing fragmented clearing operations in the payment ecosystem. The Special Purpose Vehicle will, therefore, be in partnership with Namclear temporarily, until specific strategic objectives are achieved. Once achieved, all operations of the Instant Payment Solution will be handed over in full to Namclear. The Bank of Namibia greatly appreciates Namclear's willingness to partner with the established Special Purpose Vehicle.

At this juncture, let me introduce another critical partner to this evolution, the National Payments Corporation of India (NPCI), our technical partner for the Instant Payment Project. NPCI was selected following the Bank's public and open call for expressions of interest in supplying and implementing the Instant Payment Solution. As you will learn today and in the days to come, the NPCI has a superior, world-class product that has transformed payments globally and, most crucially, meets the needs of our market. In this regard, the Bank extend its appreciation to the Indian High Commission in Namibia, the Ministry of International Relations and Cooperation, and our counterpart, the Reserve Bank of India, for their invaluable assistance in facilitating our collaboration with NPCI thus far.

Ladies and gentlemen,

As we embark on this groundbreaking and innovative journey, let us rally together, united in our shared vision to bring this solution to life. Only those who risk going too far can possibly find out how far one can go. Let us dream to innovate, and to redefine the boundaries of what is possible in the world of digital and decentralised finance. Much success has been achieved thus far in receiving the necessary buy-in from key stakeholders. Feedback and engagement from our stakeholders will be instrumental in shaping the project's trajectory and ensuring it meets the needs of Namibians. In particular, industry leaders and all those who will engage with this system, especially our innovators and start-ups, should make the most of the opportunities it presents. Let us work together to ensure that this system becomes a model of financial innovation and inclusivity, one that not only meets our current needs but also anticipates and problem solve for future needs.

As I have emphasised, this platform is initiated as a public good. For that reason, the Bank will be soliciting input from the public on the name of the Instant Payment Solution products, to ensure that those who will be using the system play a part in its creation while owning it in the true sense of the word. Therefore, to ensure the name for the Instant Payment Product is appropriate and inclusive, the Bank of Namibia will crowdsource the name from the public, using methods that will be communicated in the coming days after the launch.

As we officially launch the Instant Payments Project, let us reflect on the significance of this moment. This is not merely a technological upgrade but a fundamental shift in how we perceive and manage our payment system. It is a move towards a more inclusive and interconnected Namibia, where every citizen has the opportunity to participate fully in the economic prosperity of the nation.

In embarking on this journey, we echo the sentiments of Mahatma Gandhi, who famously said, 'The future depends on what we do in the present.' Today, as we launch

the Instant Payments Project, we are laying the groundwork for a future where financial inclusivity enabled by digital payments is not a privilege but a fundamental right for all Namibians. Let us seize this opportunity to shape a brighter tomorrow, united in our commitment to progress and prosperity.

Thank you for your attention, collaboration, and dedication to transforming Namibia's financial landscape.

I thank you.