

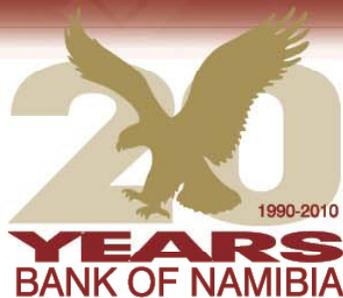


Republic of Namibia

MINISTRY OF FINANCE



Bank of Namibia



"Celebrating 20 years in Central Banking"

Namibian Financial Sector Strategy (Draft)

Outline



- Background
- Why the NFSS?
- The draft strategy: Reform Areas and suggested measures
- Conclusion

Background

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- The importance of the financial sector to the general economic growth of a country is well documented, especially through the intermediation channel.
- When financial services are supplied broadly and efficiently, they accelerate economic growth, increase the efficiency of resource allocation and improve the distribution of wealth.
- This, in essence, is what Namibia needs, taking the aspirations of the country's Vision 2030 into consideration.



Background

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- The draft strategy was drafted after the initial stakeholders consultation workshop held in 2009. That workshop identified weaknesses in the financial system that needed to be addressed.
- The draft was approved by MOF and authorised the team to consult with industry.
- Main objective of consultation process is to solicit industry's view on adequacy of identified reform areas.
- Also to solicit industry views on strategic actions needed to bring about desired outcomes.

Background

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- Achieving a more efficient, competitive and resilient financial system will be vital for securing the prospects for sustainable economic growth and development.

Why the NFSS?

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- The NFSS would serve as a guide for financial sector development, taking into consideration Vision 2030, NDPs and NFSC.
- The drafting of the NFSS was endorsed by the stakeholder consultative workshop held in 2009.
- The development of the Strategy has become more urgent in view of threats posed by advances in technology that enable financial institutions to develop products that are inherently more risky and can destabilise the financial system.
- As evidence, the recent global financial crisis was mainly attributed to these risky products.

What the NFSS proposes

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- The Strategy proposes a series of reform areas to address the identified weaknesses in the financial sector.
- There is also an Action Plan to monitor implementation of the set targets.

Key Weaknesses

- Shallow financial markets;
- Limited competition;
- Limited financial safety nets;
- Inadequate and ineffective regulation;
- Limited access to financial services;
- Consumer illiteracy and lack of consumer protection;
- Limited skills;
- Low participation by Namibians and thus dominance of foreign ownership.





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Key reform areas and suggested measures

Key reform areas

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- Financial system deepening and development
- Financial safety net
- Financial sector regulation
- Consumer financial literacy and protection
- Access to financial services and products
- Transformation of the Namibian financial sector

Financial system deepening and development

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- **Key challenge:** Lack of competition in the banking sector and under-developed capital markets.
- **Outcome:** Namibia to have an active capital market (securities market) characterised by higher turnover, liquidity and immediacy.
- **Required actions?**

Financial Safety Net

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- **Key challenge:** Absence of deposit insurance.
- **Outcome:** Namibia will have a deposit insurance scheme in place by 2020, if found to be feasible.
- **Required Actions?**

Financial Sector Regulation

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- **Key challenge:** Keeping local financial sector regulations current and up to date with global trends.
- **Outcome:** The Namibian financial sector regulatory regime shall be modern and aligned with international best practice.
- **Note:** The country should the investigate the possibility of introducing a single regulator.

Consumer financial literacy and protection

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- **Key challenge:** Lack of explicit consumer literacy and protection frameworks.
- **Outcome:** Namibia to have a comprehensive consumer protection legal framework, financial literacy policy in place and implemented programmes by 2020.
- **Required actions?**

Access to financial services and products



- **Key challenge:** Lack of access to financial services and products by the majority of Namibians.
- **Outcome:** Improved access to financial services and products by eligible Namibians by reducing lack of access to 26 percent from current baseline.
- **Required actions?**

Transformation of the Namibian financial sector

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- **Key challenge:** Ownership of financial service providers still in the hands of the few.
- **Outcome:** There shall be increased local ownership of financial institutions.
- **Outcome:** Board and management of locally operated financial institutions shall be made up of at least 80 percent Namibians within the next ten years.
- **Required actions?**

Consultation and Strategies

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- The outcomes proposed herein can be achieved if there are strategies in place towards the realisation of these outcomes.
- This consultation process is aimed at getting industry to suggest the strategies that will lead to the achievement of the identified outcomes.

Conclusion

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- The industry is invited to note the draft strategy; and agree on the suggested reform areas and expected outcomes as contained in the draft strategy as well as proposing strategies aimed at achieving the outcomes.
- Following the incorporation of the Industry's comments, the Strategy is expected to be launched soon after.



Thank you



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