

Johannes !Gawaxab: Launch of the N\$100 banknote

Remarks by Mr Johannes !Gawaxab, Governor of the Bank of Namibia, at the Launch of the N\$100 banknote, Lüderitz, 4 March 2024.

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Councillor Brigitte Fredericks, Deputy Mayor of Lüderitz Town,

Honourable local and regional councillors,

Police Regional Commander, Commissioner Marius Katamila,

Captains of the Industry,

Distinguished invited guests,

Staff of the Bank of Namibia present,

Members of the media,

Master of Ceremonies,

Ladies and Gentlemen,

Good morning,

Today, amidst the captivating landscapes of the great //Karas region, I stand before you, profoundly honoured. I extend my sincere gratitude to each one of you for gracing this momentous occasion with your presence.

We gather today in Lüderitz – a metropolis that has played centre stage in our history and our prosperity and now is poised to play a leading role in our transformation. As a trading post in the early 19th century, it laid the cornerstone of Namibia's economic foundation, a vital oasis amidst the vast unknown. Here, amidst its humble streets, the seeds of freedom of speech and the freedom of the press were tenderly sown with the birth of the first print media in 1855. On this sacred ground, the first glimmer of Namibia's wealth emerged, as Zacharia Lewala unearthed the first diamond in 1908, igniting a rush that would forever shape our nation's destiny, propelling us towards greatness. And it is in the echoes of Lüderitz's history, we find the roots of our financial infrastructure, with the establishment of Namibia's inaugural stock exchange and the subsequent opening of Standard Bank Namibia's inaugural branch in 1915.

But its dark history, too, is not forgotten. The conquest and impact of colonialism is something Lüderitz has had to come to terms with. The policies of exploitation and dispossession are a legacy that we need to contend with. The disparities in wealth, in particular, are a vivid reminder that ours is a work in progress.

Another enduring legacy of Lüderitz – that we are recalling today is the introduction of the use of cash – that is physical banknotes and coins. With its bustling colonial

economy, transactions then were conducted through bartering, where goods and services were exchanged directly without a standardised currency. But as the settlement grew the necessity for a more convenient and universally accepted form of payment became evident. This led to the introduction of physical banknotes and coins and the issuance of local banknotes, which later fostered economic growth and modernized the financial system at the time.

Ladies and gentlemen,

From those heady days, money is still an integral part of our lives. Indeed, "Money makes the world go around," Liza Minnelli famously sang in the movie Cabaret. Money is central to human relationships symbolising trust, sovereignty, and value exchange. For centuries, the world over, history has taught us that the loss of faith in the value of currency can lead to economic and political instability and even conflict. Money, therefore, has epitomized sovereignty, embodying the authority and stability of nations.

Ladies and gentlemen,

The Bank of Namibia shoulders the responsibility of issuing money with the primary objective of maintaining price stability. Over the past 34 years, we have diligently discharged this mandate. Yet, the global banking arena is currently experiencing rapid and significant shifts driven by digital technology. This evolution reshapes how money is managed, with digital alternatives emerging to challenge traditional banking practices.

The concept and relevance of money, as we have known it for centuries, finds itself at an interesting inflection point. In the past few years, financial technology-fintech for short-has caught the world's imagination by offering innovative alternatives to traditional means of payment. In the midst of this transformation, digital currencies and the rise of 'Big Tech' encompassing blockchain, Artificial Intelligence and the Internet of Things stand as prominent examples of a fundamental shift in the financial landscape.

The "money flower," as described by the Bank for International Settlements in their Quarterly Review from September 2017, serves as a conceptual framework illustrating the various dimensions or functions of money in an economy. Like a flower with different petals, money serves different purposes or roles. At the heart of the flower lies Central Bank Money, issued, and controlled by a country's central bank like the Bank of Namibia, encompassing both physical cash and digital money used for significant transactions between banks and governments. Moving outward, we encounter other forms of money. Mobile Money enables us to manage and transfer funds via mobile phones through services like E-wallets and PayPal. Further out, we find Commercial Bank Money, created by commercial banks through loans and deposits, enabling us to do our everyday transactions through swiping for instance.

Then, there are Virtual Currencies, operating independently of central authority, facilitated by advanced computer technology and direct user-to-user exchanges, detached from physical counterparts, and managed by virtual communities. Their decentralised nature raises regulatory uncertainty, makes them susceptible to volatility and security risks, and facilitates illicit activities. Navigating these challenges requires developing appropriate regulatory frameworks to harness the potential benefits while mitigating associated risks and safeguarding financial stability.

A recent survey by the Bank for International Settlements revealed that 93% of central banks worldwide are exploring the potential of Central Bank Digital Currencies – which, unlike other virtual currencies, is issued by a trusted central authority. One compelling factor driving the surging interest in Central Bank Digital Currencies (CBDCs) is the aspiration to uphold the pivotal position of central bank-issued currency in the realm of digital transactions. Namibia, too, is assessing the feasibility and implications of introducing a Central Bank Digital Currency. As the Bank of Namibia, we will only introduce a digital currency once we are firmly convinced and comfortable that it is both necessary and proportionate to fulfil our tasks in ensuring the security and stability of our currency. When the time comes, we want to be ready – and we will be ready. Ultimately, our goal is to create an environment where consumers can benefit from new innovative financial technologies while also being protected from potential risks.

Ladies and gentlemen,

As the world is tending to be more digital and faster, it raises the question whether paper money will become an outdated payment method. The short answer is no. In our journey towards a more digital world, we must acknowledge the enduring importance of physical banknotes. They serve as a lifeline for millions who lack access to digital banking services, ensuring financial inclusion and accessibility for all.

Ladies and gentlemen,

Consider, for a moment, the weight of a banknote in your hand—the crispness of its edges, the texture of its paper. It embodies trust and signifies the exchange of value between individuals, offering reliability and security amidst a digital age dominated by algorithms and encryption keys. In times of crisis, be it natural disasters, economic downturns, or unforeseen emergencies, the usage of physical cash often experiences a notable increase. This is because individuals tend to revert to the tangible security of physical currency, thus reflecting a fundamental aspect of human behaviour in times of uncertainty. This same reality is evident when digital systems falter or access to electronic forms of payment becomes compromised, cash emerges as a reliable means of transaction, offering a sense of immediate reassurance and stability. This resilience was vividly demonstrated during the COVID-19 lockdown period, where Namibia experienced a surge in cash demand. In 2021, the total value of currency in circulation rose from N\$4.71 billion in 2020 to N\$4.76 billion, underscoring the enduring significance of physical currency in ensuring financial resilience during challenging times.

Two years later cash remains KING. In 2023, the value of currency in circulation increased from N\$4.9 billion in 2022 to N\$5.2 billion in 2023, equating to a 7.6% increase, being the highest ever recorded in the history of the Bank. The demand for cash in circulation was necessitated by increased economic activities during the last quarter of 2023. The factors that normally influence the cash in circulation amongst others entail interest rates, political stability, economic growth, and inflation. The regions with the highest cash volumes are Ohangwena, Omusati, Oshana, Oshikoto, Kavango East, Kavango West, Kunene, Zambezi, Otjozondjupa, Omaheke and Karas. Worth noting, is that Karas region accounts for around 10% of the total currency in circulation (N\$500 million), whereas the physical cash in the public domain within Luderitz town itself, is around N\$120 million.

Last year, the Bank carried out a Consumer Payments Choice and Behaviour Survey, which has validated this phenomenon. The study revealed that cash remains the most preferred payment method, with an average of 84% of respondents in all the towns using it. It is evident from this that many of our people continue to use cash (coins and banknotes) as the primary form of payment in settling their transactions, conducting their business activities, and meeting social obligations. The Bank's Cash Management Strategy therefore aims to ensure that cash remains widely available and accepted as both a means of payment and a store of value. Availability and acceptance of cash will remain critical for financial inclusion in vulnerable segments as a social imperative. Namibian banknotes and coins hold legal tender status, offering direct access to public money for all. So let us not dismiss the humble banknote as a relic of the past, but rather embrace it as a cornerstone of our present and future prosperity.

Ensuring that our banknotes and coins are relevant, remains the pre-occupation of the Bank of Namibia. The Bank need to ensure our currency is counterfeit resilient to maintain the public's trust and the integrity of our currency. As you might be aware, the first Namibian banknotes and coins series were issued in 1993, marking 30 years in circulation. In May 2012, the Bank issued the second family of banknotes with state-of-the-art security features, which notes are currently in circulation. However, the coins have not been upgraded since its initial issuance in 1993. Enhancing security features on banknotes and coins is an on-going process that is undertaken to maintain the highest level of quality and security. The international best practice dictates that central banks should review their currency at intervals of between six and eight years with the aim of ensuring that demand for banknotes are well aligned with economic activities, address weaknesses and challenges associated with the management of notes and coins in circulation.

Given the aforesaid, the Bank in 2022 undertook a comprehensive review of the current circulation currency, which study revealed the need for the Bank to undertake a minor upgrade on the current banknote series and a complete upgrade of the coin series.

This project will entail the revamp of both our banknotes and coins, to give them a vibrant, modern look and feel, whilst incorporating the latest security features to mitigate the advances in technology that may give rise to counterfeiting. The new series will, therefore, not only further strengthen the resilience, confidence and integrity in our currency but will improve the durability of our banknotes and coins, in so doing, allow the Bank to procure currency in the most cost-effective manner. We intend to launch the upgraded Namibian Currency series in 2025.

Ladies and gentlemen,

As a proud Namibian nation, we find ourselves on the brink of a transformative era where new doors of opportunity are swinging widely open before us. The discoveries in oil and gas, coupled with advancements in green hydrogen within the renewable energy sector, beckon us towards unprecedented avenues of economic growth and progress. And once more, it is Lüderitz, standing steadfast at the heart of these endeavours, holding within its embrace the very key to our nation's future economic prosperity and boundless opportunity.

Similarly, it is crucial that we maintain vigilance against the potential threat of the Dutch disease. The term "Dutch disease" originated in the 1970s in reference to the economic situation faced by oil producing countries highlighting the negative consequences of relying too heavily on a single natural resource and the challenges it poses for economic diversification and sustainable development. Yesterday, we held a public lecture, which focused on this phenomenon, and we discussed how Namibia needs to strategically position itself to evade the Dutch disease.

While these newfound resources offer unprecedented avenues for economic growth and progress, history has shown us the perilous pitfalls of over-reliance on singular industries. We must navigate this juncture with a discerning eye, ensuring that the windfall from oil and gas does not sow the seeds of economic imbalance and dependency. To safeguard against the Dutch disease phenomenon, we must adopt a holistic approach that prioritises diversification, innovation, and sustainable development. By investing in complementary sectors, such as renewable energy and infrastructure, and fostering a climate conducive to entrepreneurship and technological advancement, we can mitigate the risks posed by the concentration of wealth and resources in one sector. Let us seize this moment not just as an opportunity for prosperity, but as a catalyst for inclusive and resilient growth that benefits all Namibians, now and for generations to come.

As residents of this historical town, I call upon you to prepare yourselves for this forthcoming chapter. I urge you to equip yourselves with the requisite skills and embrace an entrepreneurial mindset to capitalise on the opportunities and heightened economic activity that these breakthroughs will bring to Lüderitz. In line with this vision, the Bank of Namibia is poised to establish a southern branch, serving as a financial cornerstone to support these economic initiatives, both in terms of facilitating transactions and offering invaluable research and national policy guidance.

Ladies and gentlemen,

Today, as I stand before you to officiate the launch of this modified N\$100 banknote, I do so with a profound sense of humility, responsibility, and privilege. It symbolises our commitment to safeguarding our shared values and fostering economic inclusivity. The issuance of this banknote marks a significant milestone in our journey towards a more inclusive and prosperous future. As the Bank of Namibia, we pledge to the Namibian people to ensure the security of our banknotes, the robustness of our payment systems, and the stability of the Namibia dollar.

Ladies and gentlemen, in line with international industry best practice, banknotes should bear the signature of the sitting Governor as a level one security feature and as a public recognition feature when they are replenished or when a new series is issued. As a statutory mandate, the Bank should ensure the sufficient and steady supply of currency to the market at any given time. To give effect to this, the Bank as informed by the demand from the market, replenishes currency occasionally.

As you may recall, we witnessed the issuance of the N\$20 and N\$200 banknote denominations in Opuwo and Outapi in February 2023. This year, we are witnessing the launch of the modified N\$100 banknote denomination, which reprint was informed by

the Bank's normal replenishment cycle. The reprinted N\$100 banknote denomination bears the signature of the incumbent Governor hence the need to inform the public given the change in one of the key level 1 security features. This change of the Governor's signature and the year of print are the only key changes effected on the modified N\$100 banknote denomination, all other security features remain the same. As with all awareness campaigns, the Bank encourages the public to use the "look, feel, tilt" principle to validate the authenticity of the Namibian banknotes.

With these words, esteemed guests, I invite the Deputy Mayor of Lüderitz town, to join me in officially unveiling the modified N\$100 banknote. Together, let us embark on this journey towards a more inclusive and prosperous future.

I thank you.