



REPUBLIC OF NAMIBIA

Statement made at a Media Briefing by

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Minister of Finance

On the

**Implementation of the Financial Sector Strategy- Progress
made to date**

27 August, 2014

Members of the Media;

Ladies and Gentlemen;

Good Morning,

1. I want to thank you for honouring my invitation to this media briefing. The purpose of this media briefing is to share with you the progress we are making with the implementation of the Namibia Financial Sector Strategy, particularly the financial inclusion agenda.
2. You may recall that following Cabinet approval, I launched the Strategy on 16 August 2012. This strategy highlights specific reform areas and outcomes required for us to achieve amongst others, an inclusive financial system for Namibia.
3. **Financial inclusion** as one of the reform areas rests on two pillars, namely **consumer financial literacy and protection** as well as **access to financial services and products**. This flows from the fact that financial inclusion means an inclusive financial system in which all Namibians or clients that can use financial services, have access to a range of quality financial services and products, provided at **affordable prices** and with dignity to them as clients,

particularly the excluded poor and marginalized population including women and young people in our country.

4. The NFSS envisages achieving this through making available financial products and services, providing financial education to consumers to enable them to make informed financial decisions and protecting them in the process of utilising the products and services.

Progress on Financial Inclusion

5. Our target, as set out in the Strategy, is by year 2021 to reduce the lack of access to financial services and products to 26 percent of the economic active Namibians from the initial baseline of 51.7% determined in 2007. The key question I want to answer, therefore, is what have we achieved so far in terms of financial inclusion? The good news is that, commendable progress has been made so far resulting from an improvement in financial inclusion reaching 69% of the population or reducing financial exclusion to 31% based on the 2011 FinScope survey results. But more fundamental reform initiatives remain vital.

- **Consumer financial literacy**

6. The provision of consumer financial education to the various segments of the population is one of the common threads

underpinning the Financial Sector Strategy and financial sector industry commitment. There are obviously manifold benefits of improved financial literacy on both the demand and supply sides.

- 7. In 2012, I launched the Financial Literacy Initiative as a platform for both Government and the Private Sector to provide consolidated financial education to the public.**

This Initiative has since been rolled out to virtually all regions of the country and several educational programmes are being advanced to the public. But what matters most is the effectiveness of such interventions and progress made over time.

- 8. To address the above, in June this year I launched the first of its kind Financial Literacy Baseline Survey in Namibia, which revealed that financial literacy in Namibia is estimated at 42.8%, based on a weighted methodology combining various aspects of financial knowledge and financial behaviour.**

- 9. This survey was not only important to establish a national financial literacy benchmark as a basis for assessing progress over time, but also to assess the adequacy and effectiveness of educational tools and channels of transmitting consumer financial education. This included**

appraising the impact of financial education activities undertaken to date across the target groups, and identify information needs and knowledge gaps to allow for the design of targeted interventions over time.

10. From this survey, we learnt that acquired financial knowledge does not commonly translate into habitual practise. This provided a wealth of information for policy formulation and design of targeted consumer education activities. Without doubt, the survey findings suggest that targeted interventions are needed not only to raise the level of financial knowledge, but also more importantly to bring about positive change in financial behaviour for individuals, SMEs and households.

- **Consumer protection**

11. **While provision of consumer financial education is key, so is the protection of consumers of financial services and products. In this regard, I am pleased to announce that the Credit Bureau Regulations have now been gazetted.** The coming into force of these Credit Bureau Regulations to regulate the credit information and registration of credit bureaus in Namibia means that:

- All existing credit bureaus in Namibia will now be registered and their consumer credit information collection and management activities will be regulated by the Bank of Namibia.
- **Legal obligations are now placed on credit bureaus by giving consumers the right to access their data through provision of a free copy of a natural person's credit report once every twelve months in a format to be agreed upon between the consumer and the credit bureau.**
- Legal obligation is also now placed on the credit bureaus to explicitly inform a consumer of his or her right to challenge the information maintained in the credit bureau database.
- **Credit Bureaus are required to protect the confidentiality of consumer information through restrictions on the use of credit performance information.**
- Legal obligation is also placed on every credit provider to submit both negative and positive credit performance information to all registered credit bureaus that meet the legal requirements.

Making financial services and products affordable

12. Introduction of the Basic Bank Account and removal of Cash deposit fees by March 2015.

13. This is to address the reality that one of the barriers that hinders people from accessing formal banking services in Namibia is excessive fees charged by banking institutions to consumers when depositing cash on their accounts.

- **Basic Bank Account**

14. You will recall that in June 2013, the Bank of Namibia issued standards for the introduction on the **Basic Bank Account (BBA)** for the lower income segment of our population and as part of the effort to promote the financial inclusion agenda. The BBA is intended for individuals earning N\$2 000 per month or less. No proof of income is required to open the BBA and no cash deposit fees and no monthly fees or management fees are to be charged on the account. All banking institutions have implemented the standards by introducing accounts in compliance with the set standards.

15. All what is required in order to open a basic bank account is that one must be a Namibian citizen or permanent resident,

with a relevant valid identity document or acceptable identification in the case of student who are minors. Of course, an individual is only entitled to one BBA per banking institution. At the end of 2013, the number of active basic bank accounts at banking institutions were about 96 072.

- **Removal of Cash Deposit Fees**

16. In the same vein, the Bank of Namibia, in addition to the BBA, issued standards on Cash Deposit Fees. In terms of these standards, all banking institutions were to provide free cash deposits for the first N\$2 000 deposited per month on all savings and investment accounts held by individuals at banking institutions, effective from 31 July 2013 onwards.

17. Similarly, all banking institutions were to provide all businesses with an annual turnover of N\$1 million or less with a zero-rated cash deposit fee for the first N\$10 000 deposited per month, as from 31 October 2013. These initiatives have all been implemented.

18. While the above are commendable achievements, it has always been our expectation that we ensure a total removal of cash deposit fees as a chargeable item by 2015. To that end and after considering all the inputs from the banking industry, **the Bank of Namibia has issued further**

standards on the complete removal of cash deposit fees by 31 March 2015.

19. The banking institutions are at liberty to remove these cash deposit fees in a phased approach, provided that this is completely achieved by 31 March 2015. Cash deposit fees can remain a chargeable item on big businesses and corporate accounts.

Other Policy Initiatives

20. It is a developmental fact that ensuring access to finance by removing the barriers that hinders people from engaging in meaningful economic development requires more than just removing excessive fees and charges charged by banking institutions to consumers, particularly for small and medium enterprises. Therefore, other on-going initiatives to enhance access to finance by SMEs include the **investigation study to explore the viability of setting up a risk facility fund for start-ups**. This is being undertaken under the leading role of the Development Bank of Namibia (DBN). Further, a **study to explore the viability of a Credit Guarantee scheme** is being undertaken by the Bank of Namibia.

21. In 2010, the Banking Institutions Act, 1998 (Act 2 of 1998) was amended to enable the Minister to make “*regulations relating to unfair terms in transactions or contracts between banking institutions and their customers or the general public*”. The Act was amended, because it is important that bank customers understand their rights and obligations under these contracts to avoid that they take wrong or unintended decisions that could adversely impact on their financial position. The draft Regulations are, therefore, aimed at protecting bank customers against the use of **unfair and unclear terms in bank contracts**. The draft Regulations are currently subject to consultations with the banking industry.

Conclusion

I wish to reiterate the Government’s commitment to promote the financial inclusion agenda and other reform areas necessary to implement our national financial sector strategy. We owe this to Namibia and we will not relent.

I thank you.