



REPUBLIC OF NAMIBIA

Ministry of Finance

Tabling Statement

BANK OF NAMIBIA BILL, 2019

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MINISTER OF FINANCE**

7 MARCH 2019

Honourable Speaker,
Honourable Members,

1. I have the honour to table the Bank of Namibia Bill, 2019.
2. The existing Bank of Namibia Act, 1997 (“1997 Act” or “the Act”) was reviewed in its entirety with the view of adapting it to the SADC Model Central Bank Law (“Model Act”), modernise it in line with some of the best international practices aligning it with the Constitutional Amendment Act 8 of 2014 and strengthening financial stability supervisory provisions.
3. In spite of amendments made on the Bank of Namibia Act in 2004, international, regional and domestic developments in the Central Banking landscape necessitated the Bank to perform an extensive review of the Bank of Namibia Act, 1997 (Act No.15 of 1997), as amended.
4. The Bank of Namibia Bill was drafted to be in line with the Southern African Development Community (SADC) Model Central Bank Law, which embodies and promotes key principles, which will ensure the operational independence of the Bank with the financial policy determination vested in the Minister of Finance, create clear standards of accountability and transparency and harmonisation of the legal and operational frameworks of the Central Bank. These key principles are also essential for the achievement of harmonised legislation within the SADC region. The SADC Model Central Bank Law, however, was modified wherever necessary to meet the specific needs of Namibia.

5. *Honourable Speaker*, the Model Act was the basis of the Bill and most of the provisions included therein as far as this was constitutionally and legally possible and in as far as the new provisions are relevant to the Namibian Central Banking law, were adopted. In addition, new developments took place after the Model Law was drafted that also had to be considered, including issues pertaining to financial stability.

6. *Honourable Speaker*, let me know highlights the main provisions of the Bill.

MAIN PROVISIONS IN THE BILL

7. Chapter 1 deals with key principles in the development of the central bank legislation. These principles include operational independence, transparency and accountability provisions aimed at improving efficiency. The chapter also outlines the basic tenets of good corporate governance in a modern central bank and international best practice.

Independence of Central Bank

8. A new section that strengthens the independence of the Central Bank was introduced in line with the SADC Model law which states that the Bank, its Board Members and staff shall execute their functions without with independence from any person, authority or institution.

Capital and ownership of the Bank

9. The Bill also makes a provision for the increase in authorised share capital of the Bank from N\$100 million to N\$500 million. This increase is in line with time value of money as well as with the growth and responsibilities(?) of the Bank, as the existing share capital of the Bank was too low.

Monetary Policy Committee

10. Unlike the existing Act, this Bill provides a clear legal framework for the Monetary Policy Committee, its composition, publication of its decisions and minutes as well as clear mandate to formulate its own rules and procedures to be followed at its meetings.

Institutional Arrangements

11. With regards to the institutional arrangements of the Central Bank, the Bill makes provision for the Bank's Board and the Board's functions and powers; the appointments of the Bank's Governor and Deputy Governors; the appointment, qualification, disqualification and terms of the Board, including the Governor and Deputy Governors; and the establishment and operations of Board committees. The provision in this chapter seeks to ensure the clarity of roles and responsibilities of the various key central bank players.
12. Also, in terms of the Board composition, unlike the current Act, the Bill introduces flexibility and is less prescriptive on additional Board members besides the Governors, Deputy Governors and the PS: Ministry of Finance, and is stated in section 10(4) which states "not less than five and not more than six non-executive Board members".

Financial Stability

13. This part on financial stability empowers the Bank to deal effectively with risks and vulnerabilities which in the opinion of the Bank are likely to disrupt the financial intermediation process, including the orderly functioning of the money market and foreign exchange market or affects or likely to affect, public confidence in the financial system. Moreover, it also facilitates exchange of information on financial institutions, their holding companies and subsidiaries between the Bank of Namibia and other financial institutions supervisory authorities within Namibia and beyond for the purposes of contributing to financial stability.

Central Bank lending to Government

14. *Honourable Speaker*, Honourable Members, excessive lending by Central Bank to Government is a discouraged practice. This was due to high and hyperinflation experienced in Latin America and Sub-Saharan Africa in the 70s and 80s because of this practice. Nowadays, a number of central banks don't lend to government, however, those that continue to lend the limits are severely capped. The current Act of the Bank of Namibia, however, makes a provision for unnecessarily higher lending limits, which have not been utilized. These levels were for normal lending capped at not exceeding 25 percent of the Government's average annual ordinary revenue for the three financial years immediately preceding, while in exceptional circumstances it was not exceeding 35 percent. It is therefore against this background that this Bill is proposing a reduction in government lending to bring it in line with best practices as well as with more or less the current utilisation of the overdraft facility by Government from time to time. The Bill

proposes reducing lending to Government not to exceeding **five** percent of the Government's average annual ordinary revenue for the three financial years immediately preceding. While in exceptional circumstances, the Bank can be allowed to lend up to an amount not exceeding **ten** percent of the average annual ordinary revenue for short periods. The provision in the Bill is well in line with best international standards and good practices.

Adequacy of International Reserves

15. The Bank need to maintain and hold sufficient level of reserves. It is important to note that international reserves serve as cushion for the national economy against external shocks such as a sudden rise in import prices (such as oil). Given the importance of foreign reserves for the country, this new Bill, unlike the existing Act makes provisions for the Bank and the Minister of Finance to agree on measures to grow and build reserves to an adequate level. The costs of growing reserves following measures agreed to by the Bank and the Minister of Finance would be covered by the Government.

Payment, Clearing and Settlement System

16. A chapter on payment, clearing and settlement system is introduced with the provisions that explicitly empower the Bank to oversee, regulate, operate and supervise payment, clearing and settlement systems that are comprehensive, efficient, modern, sound and safe in Namibia.

Agent for the Administration of exchange control

17. Unlike in the current Act, the Bill makes a provision that the Bank with the approval of the Minister, may delegate or assign any of its powers and functions under the Regulations mentioned under the subsection in the Bill, to an authorised dealer in foreign exchange appointed for the purpose of the Regulations. This change will facilitate and bring about efficiency and effectiveness on the implementation of exchange control.

General Provisions and Existence

18. In this part, amongst others, the Bill broadens the counterfeiting of currency to effectively deal with offences relating to counterfeiting of foreign currencies produced or found in Namibia, which is not the case in the current Act.

Conclusion

19. In conclusion, *Honourable Speaker, Honourable Members*, when passed, the Bank of Namibia Bill will strengthen the Bank in its mandate to promote sound financial system in Namibia.
20. The relevant key stakeholders, including the International Monetary Fund have been severally consulted during the formulation process of the Bill and all their inputs have been considered in this final Bill.

21. With these remarks, and to realize the expressed policy intentions underpinning this legislation, I table the Bank of Namibia Bill to the House for your favorable consideration and approval.

I thank you.