



BANK OF NAMIBIA

Celebrating
20
Years
in
Central Banking





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FOREWORD

When Namibia gained independence on 21 March 1990, the first democratically elected Government faced a daunting task of building institutions that were essential for effective governance. Many of the key institutions were not yet established to cater for the needs of a sovereign state. The establishment of a central bank was given a high priority since the country needed such an institution to assist in shaping the economic development programmes as provided for in Article 128 of the Namibian Constitution. The Bank of Namibia was created when the first Bank of Namibia Act was passed in 1990. The Bank, in accordance with the Namibian Constitution, is the State's principal instrument to control money supply, the currency and the institutions of finance.



The Bank of Namibia Act of 1990 further elaborated on the responsibilities of the Bank, which included, among others, controlling inflation through its monetary policy. The Bank of Namibia has also been given the task of regulating and being a banker to commercial banks in Namibia. Commercial banks are important institutions in any economy since they are responsible for the safekeeping of the nation's wealth and for providing the economy with the capital to finance investments, which are necessary for economic growth and development.

The regulatory role of the central bank, including supervising the banking institutions with a view to ensuring that they remain financially sound, is crucial. This will ensure that, in the event of a failure, such a failure will not cripple the entire financial system and the economy at large. Linked to banking supervision, the Bank of Namibia was also given the responsibility to oversee the national payment system.

Other functions of the Bank include the power to issue and manage the country's national currency, to serve as a banker and economic advisor to the Government of the Republic of Namibia and to manage the country's foreign exchange reserves. In terms of the anti-money laundering legislation, the Bank is given additional responsibilities to act as a national centre for the collection, analysis and dissemination of money laundering information to law enforcement agencies.

In performing its duties, it is vital that the Bank interacts and cooperates with relevant regional and international organisations, including other central banks in the region and the continent at large. The Bank also works closely with international institutions, such as the World Bank and the International Monetary Fund, with a view to contributing to shaping the economic and financial affairs of the world.

From very humble beginnings with just one department 20 years ago, the Bank of Namibia has overcome many obstacles and has grown into a formidable institution. Our government is indeed very proud of the achievements that have been made at the Bank and the execution of its legal mandate. In celebrating its success and its history, the Bank has compiled this book with a view to capturing the milestones achieved by the Bank over the past two decades. This book will help those with an interest in central banking to understand the role of the Bank of Namibia in the economy as well as to highlight the transformation process that it has undertaken over the

past 20 years. I have been personally involved in the growth of the Bank as part of Cabinet and now as Head of State and Government. It has been an enriching experience to see the history of our central bank unfold before us. This is indeed a history that is inextricably linked to the history of post-independent Namibia.

The scope of the Bank's responsibility and future challenges is unlimited especially in the context of globalisation and the development of our economy. The Bank should, therefore, continue to hone its skills in the area of central banking with a view to establishing itself as a regional centre of expertise in disciplines such as banking supervision and economic research. This will become more urgent as the integration process in the Southern African Development Community region intensifies. The Bank is further encouraged to proceed with its current localisation drive of the banking industry in Namibia in order to lessen the dependence of the industry on foreign countries in terms of infrastructure and skills. The enhancement of local participation in the ownership and management of the banking industry should also be fostered as it will support efforts to improve access to finance in Namibia.

This book is not the first educative material that the Bank has published but it supplements all the reports that the Bank has been issuing on the state of our nation's finances, foreign trade and market trends.

I take this opportunity to congratulate the leadership and entire staff of the Bank of Namibia for their contributions and commitment to make the Bank a 'Centre of Excellence'. I also wish to commend everyone who was involved in publishing this book. I trust that the reading public will find the book enriching and informative.



Hifikepunye Pohamba
President of the Republic of Namibia

July 2010

AUTHOR'S NOTE AND ACKNOWLEDGEMENTS

Writing any book is a challenge, even more so when it is in a historical context. Once the theme has been established every single character and word must be weighed and evaluated to keep a reader interested. When a person from outside is commissioned to compile a book about, in this case the Bank, one gets to know the inner workings of the institution and one gets so involved with all the intricacies that it eventually feels that part of one's being is inextricably linked to that of the specific institution and the script comes alive through you as the author. The fact that a certain terminology is used in a certain environment makes it easy for a person in that specific field to read the book like a novel, but it must also be understood by an outsider. Marrying these two extremes is not always a simple matter. For me as the author, my work becomes a living document and my editor is at my side from the minute my fingers touch the keyboard for the very first time. However, not until the content has been signed off by the Editorial Committee can the editor finally weave the magic word wand to make it perfect.

I would like to take this opportunity to firstly say *Deo Gratia*.

Then I wish to thank the Founding President of Namibia, Dr Sam Nujoma; the former Governor, Tom K Alweendo; Deputy Governor Paul Hartmann; Dr Otto Herrigel, Namibia's first Minister of Finance; Godfrey Gaoseb, the first Permanent Secretary of the same ministry - one and all for finding time in their busy schedules to be interviewed.

Next - Corporate Communications of the Bank of Namibia - in particular Helene Meintjies, Sandra Garises and Mauriza Fredericks. Then also Charles Mlambo of the Information Centre, in his quest to find specific photographs, identify dates, places and faces (new and old) and his willingness to learn more about writing captions as well as the importance of dating photographs. (Quite a number of photographs in this publication could not be dated.)

I will not forget Ingrid Mgohagulema and Golda Badmos for always having a moment for me and arranging meetings and calls, so that I could speak to the right person, at the right time.

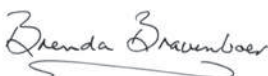
Also *merci* to B Nangombe, Director: Speech Writing, Research and Public Liaison in the Office of the President for his input.

Then too, to Erica Fourie-Burger for being a reliable assistant; and always ready to help at the drop of a hat.

Above all, to my closest friend, confidante and personal editor Cathrine Hoff (who also edited this publication) for being my eyes and always ensuring that we are on the same page.

Finally, my most sincere appreciation to Ipumbu Shiimi - now Governor – but Assistant Governor at the time of writing, for sharing his knowledge of the inner workings (in all spheres) of Namibia's central bank with me. Ipumbu - I could not have done this without you. Congratulations and best wishes for your future as Governor of the Bank of Namibia.

Not only will this publication be disseminated among members of the Namibian business sector but it will also be distributed among other local and international institutions. Furthermore, it will be used to serve as an educational aid with a view to informing the Bank's stakeholders about its role in the Namibian economy.



Brenda Bravenboer

7 April 2010

Bank of Namibia



Vision

Our vision is to be a centre of excellence - a professional and credible institution - working in the public interest, and supporting the achievement of national economic development goals.

Mission

In support of economic growth and development our mandate is to promote price stability, an efficient payment system, effective banking supervision, reserves management and economic research in order to proactively offer relevant financial and fiscal advice to all our stakeholders.

Values

We value high performance impact in the context of teamwork.

We uphold open communication, diversity and integrity.

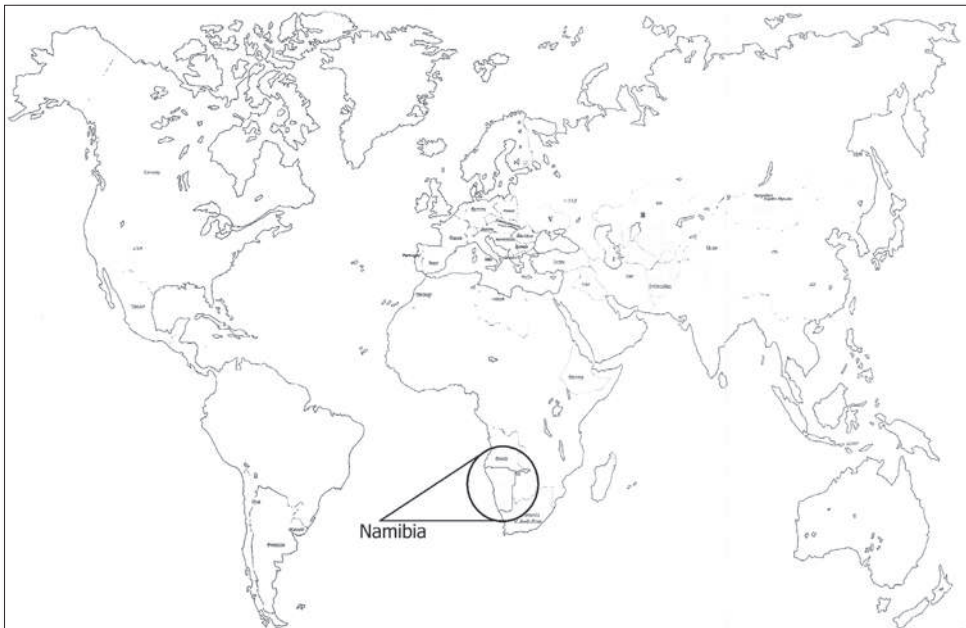
We care for each other's well-being, and we value excellence.

CHAPTER 1

This chapter provides a historical perspective of banking during the period before independence, including monetary units used. An overview of central bank operations and functions exercised and the limited monetary and financial discretion allowed at the time is reflected.

Precursor to the Bank of Namibia

As the saying goes, money is what makes the world go round, but money was not always around. Looking back, history reveals that bartering was widely used for trading. This was no less true in the former South West Africa (SWA) - today Namibia. Most indigenous people in all parts of the country traded livestock, especially cattle, for other items they required. The population groups in the water-rich northern part of the country dabbled in agriculture and caught fish in the Okavango, Zambezi and Kunene rivers.



The people also traded amongst each other with barter items such as mahangu (millet), salt, onyoka (shell necklaces), omba (a shell from east Africa), brass or copper bracelets and iron implements. The people of the south, including the San and Nama, bartered ostrich eggshell beads and feathers, pottery and hides.

Navigators initially ignored the south-west African coast because it looked so inhospitable. Gradually ports of call were established at Angra Pequena (today Lüderitz), Walvis Bay and Sandwich Harbour, where trade developed with the local nomadic groups.

When white hunters, adventurers, explorers and later the missionaries first entered the country, barter trade developed between them and the locals and they traded beads and ivory for cattle and hides. The locals then also traded their goods for other items such as soap, weapons (knives and guns) and cloth.



Trading post at Walvis Bay 1880s – Namibia National Archives (NNA)

Subsequent to the arrival of the Europeans and the realisation that there were valuable minerals available, they started negotiating with various headmen to obtain land and mining rights.

With more human traffic along the coast, inland trade increased. The Europeans brought bartering commodities such as weapons, ammunition and brandy in exchange for food and these items became more sought-after by the indigenous population.



Early map of south-western Africa - circa 1900 – NNA



Trading in the northern part of the country during the 1920s – SWA Annual

Currency

Imperialism and colonialism brought about a general change in the monetary approach in this country, when silver and gold coins began to be used as a method of payment. The British Pound Sterling was the first currency to be introduced.

As far as can be ascertained, British Pound Sterling was in circulation in the early 1800s when the Cape Colony was occupied by England and by 1825 it was recognised as legal tender there. By 1841, Sterling was the only legal tender in the Cape. When British traders opened a trading depot at Walvis Bay in the 1850s, Sterling was automatically circulated in SWA.

Due to mining operations in the then Transvaal, workers were recruited from the Caprivi as well as neighbouring countries, which were also British colonies, namely British Bechuanaland (Botswana), Northern Rhodesia (Zambia), Southern Rhodesia (Zimbabwe) and other parts of South Africa (SA). These mineworkers received their wages in Pound Sterling and brought this currency home with them and so Sterling was gradually circulated country-wide.

By the time Germany proclaimed SWA as its Protectorate in 1884, British Pound Sterling was already a legal tender in the country. All banks at that time issued their own notes, until 1891, when the Cape Bank Act started regulating the issuance of banknotes in the Cape Colony.

German Mark

The German Mark was introduced by proclamation in SWA in 1893. Advised by Berlin, Governor Theodor Leutwein decreed that after 2 July 1901, apart from the Mark, no other currency would be legal tender within German South West Africa. Despite this, throughout German occupation, Sterling continued to be used in cross-border trade.



A 100 Mark note and various coins – Bank of Namibia (BoN)



Generally, coins were used locally but during 1904 to 1906, paper money became popular and its preference increased dramatically. The cheque system was introduced and became an acceptable form of payment as well. The fact that banks were limited to only a few towns gave postal authorities, with their 104 post offices in the country, the opportunity to also cash in and postal money transfers became an important part of their business.

Further, in order to sustain sound business in the Protectorate, hotels and general dealers issued private emergency money by way of tokens/promissory notes, thus in-house 'money'. These tokens had no intrinsic or monetary value, but they were convenient for facilitating trading deals and could be exchanged for specific goods.



20 Mark Reich's banknote - BoN

Seitz Notes

From the time that the First World War broke out in August 1914, until South African occupation in 1915, virtually no goods were imported. Provisions were depleted and paying cash for what was available was almost impossible. This resulted in huge credit balances with the German banks. For the financing of military activities, the German authority commandeered goods to the approximate value of £1 million and loaned £300 000 from the banks. To counter this, various types of promissory notes were issued by the government.

These notes were named after the Governor of South West Africa at that time - Dr Theodor Seitz. The German government apparently guaranteed the repayment of the Seitz notes which were in circulation amongst the Germans and were accepted by the German banks, but not by the Union Administration or the British banks.

The Germans regarded the Seitz notes as a weaker currency than the German Mark banknotes. People were anxious and started hoarding 5, 10 and 20 German Mark gold coins and for transactions mainly Seitz notes were used. This created a shortage of German Mark gold coins in circulation.



Money vouchers, Treasury notes and emergency currency or Seitz notes – BoN

1914 - 1921

During the occupation, the Union of South Africa Administration estimated the German currency (notes and coins) in circulation in SWA (reflected below in Sterling) to be as follows:

German Mark and cash vouchers:	£200 000/250 000;
Silver	£30 000/50 000;
Gold	£20 000/25 000;
Seitz notes	£150 000.

Concurrently, the British banks kept their accounts in Sterling, but accepted German silver coins at the rate of one shilling for one Mark. They brought their own notes and British gold coins into circulation. In September 1915 Standard Bank and the National Bank already agreed to lend money to reliable and credit-worthy clients against German Mark banknotes with a 40% margin. These notes were sent to New York for realisation.

During the war years, food and other supplies were imported from SA and SWA found it difficult to pay for these goods in Sterling. The British banks - to a large extent - helped by advancing loans in Sterling, but it was just a vicious circle: supplies that were imported against Sterling, were sold for Mark, so banks had to advance more Sterling for new imports.

The community's funds were thus almost all deposited in the German banks which did not really want to get rid of their Mark notes and cash voucher notes seeing that they could be exchanged below par for Sterling. The banks only wanted to pay out in Seitz notes.

When the 'war' was over in SWA with the signing of the Peace Treaty of Khorab on 9 July 1915, people streamed to the three main centres - Windhoek, Swakopmund and Lüderitz - and merchants flourished. In the space of two years retailers and shopkeepers became wholesalers. Most of the German citizens were convinced that the war would be over within six months and so they kept spending money accordingly. Hotels, liquor stores and breweries especially, experienced a wave of prosperity in their liquor trade. The amount spent by consumers at these establishments during this period exceeded £1.5 million. This was, in fact, the total amount the people owed to the Standard Bank, the National Bank and the Land (Agricultural) Bank in the Territory collectively. People were not keen to pay off their debts but rather spent their money on purchasing motor vehicles, seemingly compensating themselves for the privation they suffered during the 'war'.

Civil courts closed after war broke out as during that time no property could be bought or sold. It meant that no debts could be recovered by means of judgment orders. The Deeds Register could not be accessed for the registration of conveyances, properties or mortgages.

South West Africa C Mandate

At the end of the First World War in 1919, Germany lost all its territories and South West Africa was awarded to the Union of South Africa as a C Mandate by the League of Nations. In effect this meant that the Union of South Africa took over the country's administration. At the same time almost half the German population (officials and certain residents) were repatriated to Germany by the Union and all Seitz notes were withdrawn.

When the First World War ended in Europe in 1919, creditors in SWA demanded the reopening of the courts, but the government delayed this 'matter of debt' action pending a decision regarding the foreign exchange issue. The banks especially faced major problems in recovering debts. There were many varying legal opinions regarding the question of which monetary unit should be used for the repayment of debt. One group opined that all the debts - in Mark - which were incurred during the war and period of occupation, could only be repaid in the legal tender of the German Reich, namely German Mark banknotes. Others were of the opinion that the pre-war debts should be repaid in gold. Eventually - at the end of 1920 - a Council of Debt Settlement was instituted and it commenced with its activities in 1921. This council decided that pre-war debts should be repaid in gold and that other disputes with regard to money matters should be considered according to the merits of each case.

The banks had to be very cautious in the acceptance of securities and awarding advances and had to obtain the best possible legal counsel in this regard.

South African Reserve Bank 1920

The South African Reserve Bank (SARB) was established in August 1920 by the Currency and Banking Act in the form of a public company. To this day the equity capital of the SARB is held by private individuals and entities, and the government holds no shares.

As SWA was viewed by SA as an integral part of that country, the South African monetary system was incorporated to finance commerce and trade. In 1923 the SA Pound Sterling was introduced in the Union and both British and SA Pound Sterling were used concurrently.

Pound Sterling

By virtue of the fact that British Pound Sterling was legal tender in SA even before the formation of the Union of South Africa in 1910, the banks in SWA also dealt in Pound Sterling. Subsequently that currency was made legal tender locally once again.

Salisbury Banknotes

Prior to 1931 both Standard and Barclays banks, on occasion when the need arose or when there was a shortage of Pound Sterling, circulated Rhodesia's Salisbury banknotes in SWA. However, history again played its part when in the late 1920s the economy was hit by the depression and the New York Stock Exchange crashed in 1929. When it was rumoured that Britain and Rhodesia were planning to abandon the gold standard, the South African government published the SWA Banks Proclamation in 1930, authorising registered banks to issue local banknotes. The banks took the necessary steps. The Salisbury notes had to be withdrawn because their value would have dropped by 25% as they were no longer gilt-edged. Britain and Rhodesia abandoned the gold standard on 21 September 1931 but SA did not.

Windhoek Banknotes

The banknotes referred to as Windhoek notes - on par with the SA Pound Sterling - were to be ready for circulation in October 1931. It can thus be presumed that the notes were available in Windhoek before that date. For some or other reason neither of the banks could decide on a suitable date for the launch in October. Barclays note issues were dated 1 October and those of the Standard were dated 31 October 1931.

As an emergency measure the Administration authorised that both issues could be released on 31 October 1931. Standard Bank's issues were allowed to circulate as legal tender even though its notes would only be payable to bearer on the 31st of that month. This was quite possibly a unique but ironic situation in the history of banking - in that a financially sound institution had to be legally empowered to start circulating post-dated paper money for its requisitory (demand) obligations.

In SWA the last of the local Windhoek banknotes were issued in 1959 and also replaced with ZAR when that currency came into circulation.

Arrival of Windhoek Banknotes

September 1931

Since there was no capacity to print money in SWA it had to be done in Cape Town. Once printed the banknotes had to be collected by bank officials and brought to Windhoek. This trip was not without its excitement. One thing after another went wrong - first no aircraft could be found, then one was found but it had to turn back because of a storm, but eventually they could depart with their precious cargo.

Needless to say, they 'survived' all this and the notes arrived in Windhoek on time. The return trip was not without incident either, as they had to execute an emergency landing - which resulted in a police patrol on camels arriving at the scene. The police of course wanted to know why they had landed in the prohibited area of Alexander Bay and also insisted on (body) searching both the pilot and his passenger.

Encore - September 1939

German subjects in SWA started withdrawing funds amid rumours of a war in Europe and this led to a shortage of notes. As was the case eight years previously, money had to be printed in SA. Once again officials struggled to find an airplane, but eventually managed to hire a small twin-engine aircraft from a private company. On 3 September 1939 two bank officials flew to SWA with a large consignment of notes.

At 13:30 that afternoon, some 40km from the Karas Mountains in the south of the country, the pilot had to make an emergency landing. During the landing the aircraft was wrecked. Fortunately no-one was injured and as luck would have it, a farmer in the area saw the plane losing altitude and sped to the scene. He offered the bank officials and their valuable cargo his assistance and drove them to Karasburg where the notes were placed in the local bank's safe.

While they were waiting for telephonic instructions from Cape Town, the passenger train which only ran to Windhoek twice a week, steamed into the station. Hurriedly, the notes were packed into the local manager's vehicle, but the train had already left the station by the time they got there. Not fazed by this at all, the manager simply followed the train to the next stop where the two gentlemen and their 'baggage' boarded. In Keetmanshoop, they were provided with a police escort and the two bankers and the notes arrived safely in Windhoek at midday the next afternoon.



Barclays Bank DCO - 1949 Windhoek banknote.
Note that the currency denomination is in three languages – BoN



Volkskas Limited was established in 1948 and also issued Windhoek trilingual banknotes - 1958 Windhoek banknote – BoN

South African Rand (ZAR)

British and SA Pound Sterling continued to be used in SA and here in SWA until SA withdrew from the Commonwealth and became a Republic on 31 May 1961.

The RSA introduced its own currency - the Rand - (named after the gold fields of the Witwatersrand) and the British Pound was eventually withdrawn from circulation.

Banks before Independence

German Banks

Early in the 1900s, banking in SWA naturally developed according to the German banking system because it was a German Protectorate. Smaller businessmen made use of a savings or cooperative bank and did not have commercial bank accounts. As in Germany, bank matters in SWA were limited to the accounts of a few traders in the larger centres. In the rest of the country the main trader or dealer in the district was also the farmer's and the retailer's banker.

The Nord Deutsche Bank, (Hamburg), together with the Deutsche-Afrika Bank (Berlin) opened a branch of the Deutsche-Afrika Bank in Lüderitz in 1907. The building that housed the bank was completed in that same year. The capital was provided by the Nord Deutsche Bank and Diskonto-Gesellschaft. This bank did not advance cash or grant mortgages to the community, but strictly did business with companies. By 1913 there were also branches in Windhoek and Swakopmund. (After the First World War the history of the Deutsche-Afrika Bank is linked to that of First National Bank - see page 13)



Deutsche-Afrika Bank on the far left, the Swakopmunder Buchhandlung (centre) and the Confections & Massgeschäft (Erhardt's dressmaking and tailoring business) - pre 1915 – NNA



Deutsche Kolonial-Gesellschaft office in Windhoek - circa 1914 – NNA

Some other banks were:

- Deutsche Südwestafrika Genossenschaftsbank (1908) (building society where money for mortgages was made available);
- Südwestafrikanische Bodenkreditgesellschaft (1912) with branches in Windhoek, Swakopmund and Lüderitzbucht;
- Banking division of the Deutsche Kolonial-Gesellschaft in Swakopmund and in Windhoek;
- Spar und Darlehnskasse at Gibeon; and the
- Landwirtschaftsbank (agricultural bank) established in 1913.

This latter bank was founded by a German Imperial Ordinance dated 9 June 1913. An extraordinary characteristic of this bank was that it could collect debts due to the government, accept and administer money deposited by State departments and keep the cash accounts of civil and military authorities. It was a predecessor of what is today known as the Agricultural Bank of Namibia.

In 1914 the First World War broke out and the face of banking was set to change.

The only German bank that remained functional after the First World War was a small local - ostensibly - mortgage bank in Swakopmund namely the Swakopmunder Bankverein. This bank was liquidated in 1931.

British Banks

Two British banks based in SA, namely Standard Bank and the African Banking Corporation entered the economic arena in SWA after the Union of South Africa occupied the German Protectorate in 1915. The British banks issued their own banknotes as well as British gold coins.

Standard Bank

The Standard Bank of British South Africa was established in SA in 1862, with the 'British' being dropped from the name in 1883. Locally Standard Bank opened its first branch in Lüderitz on 19 August; in Windhoek on 20 August and in Swakopmund on 23 August 1915.

In 1918 the first truly British bank namely the Standard Chartered Bank opened a branch in Lüderitz but conducted banking business as part of Standard Bank South Africa Limited until 1961.

The African Banking Corporation opened in Lüderitz but soon realised that it was not profitable and withdrew, only to reopen in Windhoek on 19 April 1920. It was taken over by Standard Bank in November that same year and the two branches merged on 31 December 1920.

Standard Bank South Africa became a subsidiary of Standard Bank Limited in 1962 and did business in both SA and SWA. The name Standard Bank Limited was adopted for the holding company in England subsequently to become Standard Chartered Bank PLC. A holding company in SA was established in 1969 as Standard Bank Investment Corporation (STANBIC) - now Standard Bank Group Limited - and listed on the JSE in 1970.

In 1973, following the merger of Standard Bank and Standard Chartered Bank to form Standard Chartered, the Standard Bank of South West Africa Limited (STANSWA) was established and continued to do business in SWA. The South African holding company indicated that the decision to incorporate STANSWA as a separate subsidiary of Standard Bank South Africa was in order to prepare for the country's independence. Due to international pressure (economic and trade sanctions) being applied against the RSA as a result of the apartheid policy, Standard Chartered withdrew. Standard Chartered sold its 39% stake in Standard Bank Group in 1987, transferring complete ownership of the holding company to South Africa. As a result, the name of the local subsidiary STANSWA changed to Standard Bank Namibia.



Standard Bank Windhoek circa 1920s – SWA Annual



Standard Bank Windhoek - 2002 – Bause/Bravenboer (BB)

South African Banks

National Bank / Barclays DCO / First National Bank

The Nationale Bank der Zuid-Afrikaansche Republiek Beperk (National Bank of the old South African (Boer) Republic Limited) was registered in Pretoria and opened on 5 April 1891. After the conclusion of the second Anglo-Boer War in 1902, the name of this bank was changed to the National Bank of South Africa Limited. This Bank opened in Windhoek within a month of German surrender in 1915. In 1920, the National Bank of South Africa (NBSA) obtained a majority shareholding of 75% in the struggling Deutsche-Afrika Bank for £70,000. The bank was in distress caused by post-war actions taken against German companies and the dramatic devaluation of the Reichsmark. Later that year, the shareholders in Hamburg put Deutsche-Afrika Bank into voluntary liquidation. This sale included Deutsche-Afrika Bank shares of 2 million Mark and dividends of 867,000 Mark. The deal included all assets but excluded any liabilities. After stripping the Deutsche-Afrika Bank of its assets, the NBSA sold this shell company to the Commercial Bank of South Africa for £1,275 in 1923. In the same year, Deutsche-Afrika Bank, having been officially put into liquidation by the Master of the High Court sold its buildings, including furniture and fittings, in Windhoek, Swakopmund and Lüderitz for an amount of £20,000.

In January/February 1925, the Master of the High Court accepted the final accounts in the liquidation of Deutsche-Afrika Bank and ruled that all books and accounts of the Deutsche-Afrika Bank should become the property of the NBSA. This ruling indicated that the NBSA was officially seen as the successor of the now dissolved Deutsche-Afrika Bank.

Later that year the National Bank of South Africa Ltd merged with the Anglo-Egyptian Bank and the Colonial Bank to form Barclays Bank [Dominion, Colonial and Overseas (DCO)]. In that same year the National Bank in SWA was integrated with Barclays Bank DCO.

It continued to do business until 1971, when Barclays Bank International took over the business of the DCO in SA and SWA. The banks in these two countries became part of the newly-established Barclays Bank Incorporated in the RSA.

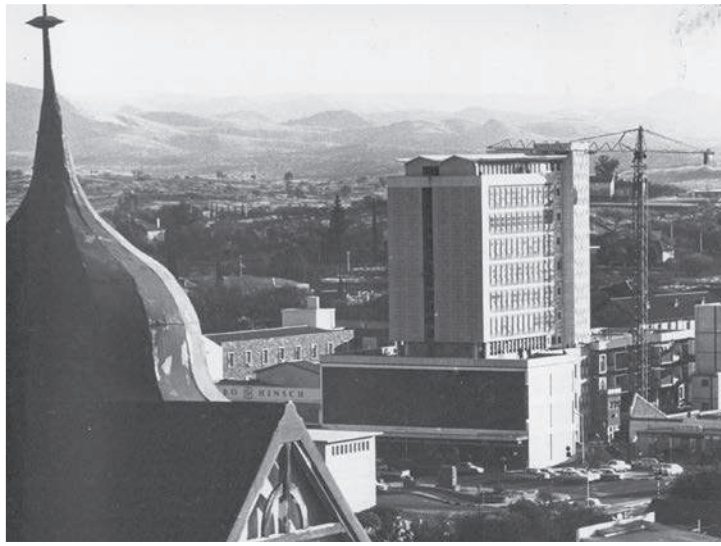


National Bank of South Africa Limited. This building previously housed the Deutsche-Afrika Bank (Windhoek) circa 1920s – NNA

In 1987, due to international sanctions, Barclays sold its share in Barclays Bank to the Anglo American Corporation and the bank's name was changed to First National Bank Ltd. The bank in SWA was converted into a wholly-owned subsidiary company named First National Bank of Namibia Ltd in 1988.



*Barclays Bank [Dominion, Colonial and Overseas (DCO)] - Windhoek - circa 1970s
– SWA Annual*



The building formerly housing Trust Bank is now occupied by the Kudu branch of Bank Windhoek – SWA Annual

Bank Windhoek

Bank Windhoek's roots can be traced back to 1948 when Volkskas Bank opened its first branch in the then SWA. In 1982 when a group of local entrepreneurs decided to establish a local Namibian-owned bank, they took over eight local branches of Volkskas Bank and established Bank Windhoek on 1 April of that year.

In 1990 Bank Windhoek amalgamated with Trust Bank (SWA) Ltd (established in 1969) and Boland Bank Ltd both of which had local branches. Boland Bank had been established as a regional general bank in 1900 and was listed on the Johannesburg Stock Exchange (JSE) in 1969. (See Chapter 3 Banking Supervision - Banks - Post Independence)



Bank Windhoek's main branch in Independence Avenue - Windhoek 2002 – BB



The Commercial Bank of Namibia - extreme right - 2002 – BB

Commercial Bank of Namibia

The first branch of the Nederlandsche Bank en Credietvereniging (Netherlands Bank and Credit Society) in SWA was opened in 1955. It changed its name to Nedbank in 1971. However, in SWA the name of the local branch of this bank was changed to the Bank of South West Africa or Swabank on 12 April 1973. Business under that name commenced in Windhoek and Johannesburg on 1 July 1973. Three months later, branches opened in Keetmanshoop and Otjiwarongo. In the latter half of the 1970s branches were also opened in Swakopmund and Cape Town. The year 1973 also saw the formation of the Nedbank Group.

During 1976 this group purchased a building in the centre of Windhoek in Bülow Street (now Dr Frans Indongo Street) on auction and since then this site has remained its head office.

During 1979 the name of the bank changed to the Bank of South West Africa/Namibia.

In 1980 Dresdner Bank AG acquired a majority share in Swabank and a new board of directors was appointed. Dresdner Bank AG of West Germany held the majority share while 49% of the shares were held by local investors. Commercial banking facilities were introduced and a new branch was opened in Johannesburg. In 1988, Swabank was converted from a Namibian savings bank into a fully-fledged financial institution. In 1989 Swabank, (part of the Nedcor group) obtained the shares of the Dresdner Bank AG and changed the name of the bank to Bank of Namibia. The bank was then requested by the incoming government of Namibia to change the name of the financial institution to the Commercial Bank of Namibia, which it did.

Namibian Banking Corporation Limited

In the meantime, the Permanent Building Society which had been firmly established in South West Africa since after the Second World War in circa 1945, merged with the Nedbank group in 1988. This merger resulted in the formation of the NedPerm Bank with its head office in the RSA. A branch was opened in Windhoek in the same year.

On 1 October 1990 (after independence) the Nedcor group transferred the assets and liabilities of the Windhoek branch of NedPerm Bank Limited to the Namibian Banking Corporation Limited which had been registered in Namibia as a Namibian banking institution.

(See Chapter 3 Banking Supervision - Banks - Post Independence)

Building Societies

Traditionally, building societies were financial institutions that accepted deposits which yielded interest and made loans available for the purchase of homes or home improvements secured by mortgages. They developed from the Friendly Society movement in England in the late 17th century to assist their members to buy or build a house. These were financial institutions which were owned by their members. The members in the cooperative savings groups or mutual societies pooled their money and when the last member had a house, the society dissolved. Building societies were therefore non-profit societies. They offered financial services and actively competed with banks for most personal banking services such as savings deposit accounts, but were particularly involved in mortgage lending.

Building societies evolved by taking on new members as earlier purchases were completed and thus continued on a rolling basis. These institutions were later established in the UK, Ireland, Australia, New Zealand, and also South Africa where they were firmly established by the late 1800s. After the Second World War in 1945 this concept was imported to SWA but only as branches of South African parent companies.

Building societies maintained that, as mutual societies, they only had to make a profit to cover their operational costs, and had no need to generate an additional profit to return to shareholders. They could supply better and cheaper home loans than the banks and demutualised societies. The building societies' approach to lending was that prospective home owners were required to put down deposits of 25% of the purchase price. Funds were drawn by means of a chain of branches and agencies with fixed interest rates. At that time, commercial banks were not in the long-term loan market.

Before the Second World War, the building societies had been increasing their assets at a faster rate than the commercial banks. In the post-war growth years of 1945 to 1960, their assets grew at about the same rate as those of commercial banks. The functions of the building societies had thus been perfected in a non-inflationary environment.

In the early 1960s, the South African government placed restrictions on the interest rates that societies could pay on their deposits or by capping their lending capacity. This meant that the flow of mortgage funds to building societies, made by the institutions and the people it was supposed to help, was restricted.

During the stock exchange boom of 1969 more and more money was being put into stocks and less into fixed deposits at building societies and their supply of new funds dwindled. In the period 1961-1970 the assets of the commercial banks which were not involved in long-term loans, grew by 14.6% per annum compared with building societies' assets which increased at a rate of 9.7% annually. Although personal savings continued, in real terms, building societies were in trouble.

In addition, building societies had a network of branches all over and their function was to take in deposits on which interest had to be paid, while the income-generating part of their business was confined to centralised home loan departments. For example in 1985, one of the building societies had 70 branches and over 300 agencies in the RSA. Not only was the up-keep of these branches expensive but they also did not earn money. To make the branches profitable the building societies needed to increase their range of functions and to convert them into income-generating units. Furthermore, associated with the rising costs of an extensive branch network, was the rising cost of modern technology.

Thus, several factors created a difficult environment for the building societies to thrive. These included the heavy intervention of and regulation by the government, the cost of maintaining a network of non-profitable branches and strong competition from commercial banks, which became actively involved in the mortgage market.



SA Permanent Building Society - circa 1960s – SWA Annual



The South West Africa Building Society (Swabou) - 2002 – BB

From 1945 until 1990, the following building societies opened and closed in Namibia:

- Allied Building Society
- Johannesburg Building Society
- Natal Building Society
- Permanent Building Society
- Provincial Building Society
- Saambou Building Society
- South African Permanent Building Society
- South African Permanent Mutual Building Society
- Southern Trident Building Society
- SWA Building Society (Swabou)
- Trust Building Society
- United Building Society

Initially the legal framework, in this country, by which building societies operated was contained in the South African Building Societies Act, 1934 (Act No. 62 of 1934) which was repealed by the Building Societies Act, 1965 (Act No. 22 of 1965). In 1986 that Act was replaced by the Building Societies Act, 1986 (Act No. 2 of 1986), which permitted building societies to be converted into equity-based joint stock institutions and compete with the banks on equal terms.

To make building societies more competitive, income earned from investments in building societies eg subscription shares, were declared tax-free.

With independence in 1990, there was only one building society in operation in Namibia namely Swabou. When the SA building societies namely United, Perm, Allied, Natal, Provincial, Southern

Trident and Trust amalgamated, their assets in SWA were transferred to the SWA Building Society (Swabou) which was established in April 1979.

In 1981 Saambou Building Society transferred its South West African assets to Swabou.

Swabou's main purpose was to provide profitable and convenient avenues for savings and investments and to provide mortgage finance of property. Through its wholly-owned subsidiary companies, Swabou Insurance and Swabou Life it also provided short-term and life assurance cover. (See Chapter 3 Banking Supervision - Banks - Post Independence)



Agricultural Bank - circa 1960s – SWA Annual

The Banking Sector at Independence

With independence the Namibian banking sector consisted of five commercial banks, namely:

- Standard Bank Namibia Ltd;
- First National Bank of Namibia Ltd;
- Bank Windhoek Ltd;
- Commercial Bank of Namibia Ltd; and the
- Namibian Banking Corporation (see pg 122).

There was one building society namely the South West Africa Building Society.
(See Chapter 3 Banking Supervision - Banks - Post Independence)

South African Reserve Bank - Windhoek Branch

The SARB opened a branch in Windhoek in 1961 to perform the duties of the SARB in SWA. The branch was only responsible for distributing currency, providing clearing facilities to commercial banks and serving as banker to commercial banks and the South West African Administration (SWAA). It did not have the authority to formulate monetary policy for the Territory, as South Africa's policies were automatically applicable in SWA.



The South African Reserve Bank branch in Windhoek - circa 1965 – SWA Annual

Bank Supervision

Initially supervision of all commercial banks in SA and SWA was undertaken by the Registrar of Financial Institutions in the South African Department of Finance. The SARB Bank Supervision Department was created and began its work on 1 October 1986. The responsibility for the supervision of banks and building societies was officially transferred from the Department of Finance to the South African Reserve Bank on 24 April 1987. This included the supervision of all commercial banks in SWA/Namibia.

Banking and other Financial Services

SWA fell within the Rand Monetary Area and did not have a central bank or monetary policy of its own, save the branch of the SARB which opened in Windhoek in 1961. There was an unrestricted flow of funds between the Territory and the RSA. Interest rates and reserve requirements reflected the South African monetary policy applied by the SARB. In 1988 the banking sector in SWA/Namibia employed 1,732 people.

Funds for private sector development were available from the Development Fund of SWA, the First National Development Corporation (FNDC), the National Building and Investment Corporation (NBIC) and the Land and Agricultural Bank.

Even before independence, the banking and financial services sector was described as being well-developed, but the local money market was underdeveloped. This was regarded as a short-coming and received attention from the authorities in 1989. The local Building Society Act was already in force and the Namibian Bank Act was being prepared in 1989.

Total assets and liabilities of the commercial banking system amounted to R1 457,5 million at the end of 1988 - reflecting an expansionary phase of the economy. Total advances for the same period were R960,6 million, or R372,7 million more than a year before.

Public Finance during the South African Era 1915 - 1990

At this point it is necessary to briefly outline how public finance was managed during the South African era. The most important features were designed to regulate inter-governmental relationships between SA and SWA in general and financial relations in particular. The changes in these public finance arrangements were brought about by the need to accommodate the changing circumstances in SWA, and changes in South African policies.

Before 1969

Prior to 1969, with the exception of a number of public departments, the SWAA had been in charge of most public services. With the exclusion of the collection of customs and excise duties of which a transfer payment was received from SA, the SWAA developed and managed its own tax system and tax laws. It also administered the Territorial Revenue Fund and Reserve Fund and local authorities in the white areas. Funds for services in the so-called 'native areas' were directly appropriated by the South African government.

Surpluses created a false understanding of economic self-determination and this resulted in the provision of public services of a very high standard. However, the majority of the population did not share in these benefits.

In urban areas there was steady progress in expanding the infrastructure which did not happen in the rural areas. This dual system was the main reason for the change in the basis of public finance organisation in SWA in 1969. International pressure on the RSA over its continued presence in the Territory intensified considerably during this time.

1969 - 1980

During this period the recommendations of the Commission of Enquiry into South West Africa Affairs (Odendaal Report) were implemented. This led to the government of the RSA assuming control of important administrative, fiscal and constitutional matters in terms of the implementation of the South West Africa Affairs Act, 1969 (Act No. 25 of 1969). The Act basically signified the political and economic integration of SWA with the RSA.

This curtailed the jurisdiction and responsibilities of the (White) Legislative Assembly and the Executive Committee of the SWAA, thus surrendering certain functions to the South African government. The authority of local government bodies was diminished, becoming largely similar or equivalent to that of a South African provincial administration.

Furthermore, the SWA/Namibia Account was administered as part of South Africa's State Revenue Fund. All tax proceeds originating in SWA/Namibia were accounted for separately. Subsequently, the following instruments of government and financial institutions operated during this period:

- the Territorial Revenue Fund and the Territorial Development and Reserve Fund, administered by the SWAA;
- the South African Bantu Trust, for the development of those homelands which had not yet received self-governing status;
- the Revenue Funds of the self-governing territories (Owambo, Kavango, Caprivi, Damaraland, Namaland and the Rehoboth Gebiet);
- South Africa's State Revenue Fund which also appropriated funds directly to SWA/Namibia for functions such as defence, police and foreign affairs.

This system was adjusted to the local situation but based on the public finance model used in the South African public service. As a consequence of these adjustments and the running of a dual system, public finance became complicated, awkward and uneconomical.

During the 1970s, massive capital expenditure programmes such as road and dam building projects were embarked upon, predominantly in areas which had previously received negligible public services. Government activities quickly began to expand and departments such as public works, water affairs and roads in particular made heavy demands on the national budget. For reasons of low profitability or heavy capital requirements, private initiative was lacking and public corporations such as the FNDC were established for certain sectors. The budget deficits that arose from this high level of government expenditure were charged to the SWA/Namibia Account. As expected, this growth in the government sector raised the standard of living for some sections of the population.

After 1980

By the late 1970s political developments in both SWA and RSA as well as in the international arena indicated that the Territory was moving towards independence. Subsequently, it was decided once more to adjust the dispensation of SWA/Namibia's public finance.

A Central Revenue Fund was created as well as the process of the consolidation of the 28 departments of the SWA/Namibia Account, the activities of the South African Development Trust (SADT) and the Post Office Fund into 11 departments initially. The various functions which had previously been controlled from Pretoria were transferred to Windhoek. These included the public service commission, public finance, police and defence. The number of government departments increased to 16.

A further modification concerned relations between the territorial authorities, the SWAA and the SADT. The Proclamation of Representative Authorities (AG 8 of 1980) was promulgated. Apart from serving as an interim constitution it allowed each of the eleven population groups to establish their own representative authority and fiscal arrangements were aligned with it. Regional revenues, such as personal income tax, were supplemented by contributions from central government.

Even though the RSA in the 75 years of its governance of SWA/Namibia derived revenue from fisheries, mining and agriculture, most if it was used for infrastructural development.

Customs and excise were paid by the South African government in acknowledgement of SWA/Namibia's participation in the Southern African Customs Union (SACU). Prior to 1981/82, in terms of the South West African Affairs Act, SWA/Namibia received a fixed 2.55% of the net receipts of the customs and excise pool after appropriation to other member states of SACU, namely Botswana, Lesotho and Swaziland.

Oldest Customs Union

SACU was originally established in 1889 when the British Colony of the Cape of Good Hope and the Orange Free State Boer Republic formed the Customs Union Convention. It is the oldest custom union in the world. On 29 June 1910, a new agreement was signed and extended to the Union of South Africa, Basutholand (Lesotho), Bechuanaland (Botswana), and Swaziland. Since SWA began to be administered as part of SA, it was a *de facto* member. After Namibia gained its independence in 1990 it became a *de jure* member of SACU.



Trade statistics could not be provided in the absence of border control between SWA/Namibia and the RSA, which prevented SWA/Namibia to share more in the customs pool. The former's contribution was arbitrarily determined, depending primarily on South Africa's ability to pay and on representations made by SWA/Namibia from time to time. Its share in the net customs and excise pool was estimated to be between 13% (1985/86) and 6% (1988/89) of total customs and excise collections in the Common Customs Area.

General sales tax, which was introduced at a rate of 4% in 1978/79, gradually rose to 9% in 1989 and to 15% (with effect from 1 December 2000), became the single most important source of tax

and revenue for the central government. However, this 'own' revenue was insufficient to cover total current capital expenditure together with transfers to the lower levels of government.

By the time AG 8 was implemented, the RSA realised that there was no hope of SWA ever becoming a fifth province of that country, so the government then started recording debts incurred by SWA.

(See Chapter 2 - Pre-Independence Debt)

The Road to Independence

The League of Nations, which had been established after the First World War became defunct. After the Second World War the United Nations (UN) was instituted in San Francisco on 24 October 1945, with its headquarters in New York.

During 1945 the Prime Minister of the Union of South Africa, General J C Smuts, filed for the formal annexation of SWA with the UN, but the request was denied.

The next year, the UN ruled that former League of Nations mandated territories, including South West Africa, were to become trust territories and were to be granted independence under an agreed timetable. The Union rejected this ruling.

At the same time the Pan-African movement began and many African countries were spurred on to claim independence from their colonial masters.

SA repeated its request for the formal annexation of SWA in New York on 4 November 1946. General Smuts claimed that he had the support of traditional leaders, but Chief Hosea Kutako, leader of the Chief's Council of the Herero in SWA, refuted this.

After the National Party came to power in May 1948, the Union of South Africa followed a policy to progressively strengthen economic and political ties between the Union and SWA, to the extent that it would eventually be impossible not to consider SWA as part of the Union.

Locally, the Chief's Council increasingly made contact with other traditional leaders to further their cause with regard to independence. This stance gave rise to a 40-year long drawn-out dispute with SA. Chief Kutako appointed the Reverend Michael Scott to give oral evidence to the United Nations Fourth Committee on South Africa's administration of SWA. At his request Scott became a permanent representative for the SWA liberation movements at the UN in 1950.



NNA

The apartheid policy implemented in SA was equally applied in SWA and caused even more strife. The forced removal of blacks from the Old Location in Windhoek to Katutura and the shooting of protesters on 10 December 1959 was the catalyst for the radicalisation of the oppressed people and intensified resistance against apartheid. Petitions to the UN were followed by the formation of the Owamboland People's Organisation - the forerunner of the South West African People's Organisation (SWAPO) which fought to free the country from South African rule.

Republic of South Africa 1961

Due to political differences between SA and its colonial master Great Britain, SA broke its ties with the Commonwealth and left that organisation to become the Republic of South Africa on 31 May 1961.

When the South African government introduced and enforced more segregation policies in the early 1960s, the UN General Assembly decided to revoke South Africa's mandate over SWA.

The South African government however, rejected this resolution and SWAPO launched an armed struggle on 26 August 1966.

In October 1966, the UN General Assembly ended South Africa's mandate for the administration of SWA and assumed direct responsibility for the Territory until its independence.

In 1968 the United Nations Security Council passed a motion to change the name of the Territory to Namibia, but this was not recognised by the RSA.



Turnhalle - 2002 – BB

The Turnhalle Conference

In November 1974 the South West African Legislative Assembly arranged a multi-ethnic meeting which became known as the Turnhalle Conference. It was attended by 134 delegates from the eleven ethnic groups in the country.



The delegates attending the Turnhalle Conference - Windhoek 1976 – SWA Annual

On 1 September 1975 the delegates met again and within 12 days a declaration of intent to establish an interim government in 1976 was issued. By 18 March 1977 a draft constitution was drawn up and the Turnhalle Conference was dissolved on 7 November 1977. The proposed date for SWA/Namibian independence was 31 December 1978.

Proclamation AG 8

On 21 May 1979, the Constituent Assembly was transformed into a National Assembly and a Minister's Council which, by Proclamation AG 8, provided for the establishment of second-tier authorities on 17 April 1980. (The Constituent Assembly and Minister's Council were both dissolved in 1983.)

This was followed by the Transitional Government of National Unity on 17 June 1985 with a Constitutional Council. After a draft constitution was approved by the Constitutional Council, the Council was dismissed in July 1987.

Council for Namibia

The UN established a Council for Namibia and entrusted it with the task of securing independence for Namibia. In 1976 the UN's Council for Namibia established the United Nations Institute for Namibia as a training and applied research institute. The Institute aimed at making available the necessary documentation required when the country became independent. A new government would face enormous challenges in correcting the imbalances of the past during the illegal occupation of the country by SA. The white-controlled economy and the socio-economic structure and institutions had reduced the black people in the Territory to mere vassals. These structures and institutions needed to be identified and dismantled and in this context ten sectoral studies were undertaken and completed by the Institute. Furthermore, the Institute pointed out that there was a need to prepare a study on national development strategies for a post-independent Namibia.

After many years of international pressure on the RSA, including trade and financial sanctions, an Administrator-General was appointed on 1 September 1977, to prepare the country for independence. In July of the next year the UN Security Council appointed Martti Ahtisaari as UN Special Representative for Namibia. The election that was held in the country in December 1978 was won by the Democratic Turnhalle Alliance, after which a Constituent Assembly was formed. This was not recognised by SWAPO, which did not participate, nor by the UN.

In April 1978 the RSA accepted an independence plan proposed by the five Western Powers, as did the SWAPO party. The Security Council of the UN adopted Resolution 435 on 29 September 1978. The Administrator-General proceeded with his task and promulgated the Abolishment of Racial Discrimination - Urban Residential Areas and Public Amenities Act, 1979 (Act No. 3 of 1979).

On 20 December 1982, the UN General Assembly asked the Institute to prepare a comprehensive document on all aspects of socio-economic reconstruction and development planning. In cooperation with SWAPO, the Office of the United Nations Commissioner for Namibia and the United Nations Development Programme, the Institute produced the publication 'Namibia: Perspectives for National Reconstruction and Development' first published in 1986. This study was divided into 27 chapters which collectively provided a comprehensive view of the socio-economic conditions in the Territory at the time. It further identified the restrictions imposed by South African occupation and elaborated on the various options which could be applied to overcome those constraints to establishing a just society.

Chapter 19 of the said publication deals with the country's monetary system, financial institutions and public finance.



Martti Ahtisaari - UN Special Representative for Namibia – NNA.



The Heart of Windhoek - 2002 – BB

Following a protracted armed liberation struggle and numerous negotiations and meetings, all parties concerned finally came to an agreement on the independence of Namibia in 1988. The signing of the trilateral agreement between South Africa, Angola and Cuba and a bilateral agreement between Angola and Cuba on 22 December 1988 in New York set the wheels of transformation in motion. On 1 March 1989 the Transitional Government of National Unity was dissolved. On 1 April 1989 Resolution 435 was implemented and the stage was set for Namibia to become an independent state.

An election for the Constituent Assembly took place on 8 and 9 November 1989. Over 97% of registered voters went to the polls. Martti Ahtisaari certified that this election was 'free and fair'.

The election results were as follows:

SWAPO 57,3%
DTA 28,6%
UDF 5,6%
ACN 3,5%
NPF 1,6%

FCN 1,6%
NNF 0,8%
SWAPO-D 0,5%
CDA 0,4%
NNDP 0,1%.

CHAPTER 2

This chapter provides an account of the events leading to the establishment of the Bank of Namibia, immediately before and after independence. Furthermore, the legal framework within which the Bank operates is dealt with. It touches on areas such as the Constitution, Bank of Namibia Act and other relevant legislation being administered by the Bank. The developments that led to the introduction of the national currency in Namibia and how it changed the operations of the Bank are also covered. It explains and describes the functions of the Bank and its financial relationship with customers and stakeholders too.

Establishment of the Bank of Namibia

During the 1960s, 1970s and 1980s the development of South West Africa was overshadowed by politics. The rest of the world was hesitant to invest in a country whose future was uncertain. Historically too, when African countries gained their independence, often civil war and unrest followed and the economies of those countries collapsed.

On the one hand, the South African government in the 1960s was pumping money into SWA, wanting the world to believe that the country would not be able to support itself. On the other hand, SWAPO had gradually become 'a government in waiting'. SWAPO's mission was to liberate SWA from apartheid South Africa's illegal occupation. As a liberation movement, SWAPO had adopted a strategy to educate and train the cadres who would eventually occupy important management and administrative positions after Namibia became independent. Thousands of young Namibians in exile were therefore trained in friendly countries to become doctors, nurses, economists, administrators and in other professions. The United Nations Institute for Namibia also played a significant role in preparing Namibia for independence.

Furthermore, SWAPO approached the UNO (today the UN) and other sympathetic organisations outside the country for assistance. They obliged and in cooperation assisted SWAPO in drawing up possible strategies in all aspects of government for when the country became independent.

Even before independence, the need for a central bank was identified as one of the priorities by SWAPO. A strategic decision was taken that there would not be any economic disruption after independence was attained. SWAPO also realised early enough that there could and would be no economic development if peace and stability were not maintained in the country.

As an organisation SWAPO knew the country's natural resources, its fish stocks and its agricultural potential. SWAPO was also aware of the fact that the country would need its own currency, backed by sound economic management practices. Furthermore, no country could develop economically without a central bank to regulate the currency and administer monetary policy. SWAPO also knew that it was important to consult other countries within the southern African region. Namibia had to plan its own economic destiny.

In 1988 SWAPO approached Olof Palme of Sweden about the possibility of assistance specifically with the establishment of a central bank after independence. He offered the organisation the services of a specialist banker, Erik Lennart Karlsson, who had assisted many other African countries in the banking business. On a top secret mission the then President of SWAPO, Dr Sam Nujoma and SWAPO Secretary of Finance, Hifikepunye Pohamba, went to Rome, Italy and met with Karlsson. At this meeting, banking and economics for an independent Namibia were discussed and SWAPO referred to the publication of the Institute for Namibia namely 'Namibia: Perspective

A photograph of the Founding President Dr Sam Nujoma with the current President H.E. Hifikepunye Pohamba, taken in 2009 – Office of the President



for National Reconstruction and Development' in which the various options for the currency system and central banking had been investigated.

Namibia's *de facto* membership of the Rand Monetary Area (RMA) meant that it did not have an independent monetary policy and only had limited control and management of its national wealth. It was essential for the government of an independent Namibia to establish its own monetary system and governing authority as soon as the necessary arrangements could be made. Four varying basic currency system options were offered for consideration and were:

- the fully autonomous currency board system or enclave without a central bank or a currency board system;
- a currency board or enclave with a limited discretionary monetary authority or central bank;
- a common currency union with a supra-national central bank; or
- an independent currency monetary system with a fully-fledged central bank.

These options are discussed briefly for the sake of clarity:

Currency board or enclave without a central bank or a currency board system

Namibia would be expected to continue using the ZAR as the sole currency and be guided by the RMA. There would thus be no central banking institution and functions which would otherwise be performed by a central bank, would be performed by the Minister of Finance in consultation with the SARB. The SARB would, in other words, be the principal authority on overall monetary and financial matters and be the custodian for the management of foreign exchange reserves. As before, there would be free movement of capital within the RMA although this flow would favour SA which had a much more developed capital and money market.

A currency enclave or board with limited discretionary monetary authority or central bank

This option was slightly more sophisticated and would have some influence over the domestic economy. Despite some control, this system had the same main disadvantages and others as the first option, for instance:

- every additional unit of its currency in circulation must be acquired for value;
- exchange rate policy is that of the dominant partner;

- interest rates must materially move in line with those of the dominant partner; and
- the country must suffer the cost of imported inflation without any effective monetary tool to counter it.

A common currency union with a supra-national central bank

Under this option, a joint central bank and a common currency is shared by a group of countries. An example of this system is the West African Monetary Union. To prevent any individual country from influencing monetary and financial policy for its sole interest, the responsibilities of the central bank are jointly managed within a framework of joint decision-making.

An independent monetary or currency system with a fully-fledged central bank

This last option was consistent with the policy objectives and fundamental aims of the new government, as an independent monetary system with a fully-fledged central bank would consolidate genuine independence and development.

It would further allow the country to issue its own independent currency backed by its own reserves. This system is found in most developed and developing countries. The central bank would, in respect of monetary and financial policy matters, have a wide range of discretionary powers. It would be able to initiate an expansion or contraction of its economic assets and liabilities and could exercise considerable influence over monetary and financial conditions in the country, over the various banks and the financial sector in general.

Given the country's limited experience in monetary policy management, the second option was considered the most favourable. This option would enable the new Namibian government to benefit from South Africa's experience while at the same time providing the country some scope for an independent monetary policy.

Namibian Constitution

The Constituent Assembly Proclamation was published on 6 November 1989 and dealt with preliminary issues such as the adoption of certain rules and regulations concerning their meetings. It also stipulated that the Constituent Assembly was to draw up the Namibian Constitution, which had to be adopted by a two-thirds majority of the said Assembly as well as the date on which the constitution would come into force. Furthermore and most importantly, the Constituent Assembly had to determine the date for the independence of Namibia. The UNTAG peacekeeping mission arrived and the first democratic UN supervised election was held in the country on 8 and 9 November 1989.

As if to affirm that the world was changing, the Berlin Wall came crashing down during this election. This event heralded the end of the cold war and the beginning of a new world order.

Over and above the many other important issues for which provision had to be made in the constitution, the establishment of a central bank in Namibia also had a place. The Bank of Namibia's legal foundation is enshrined in Article 128 (1) of the Republic of Namibia's Constitution which reads: 'There shall be established by Act of Parliament a Central Bank of the Republic of Namibia which shall serve as the State's principal instrument to control the money supply, the currency and the institutions of finance and to perform all other functions ordinarily performed by a central bank.'

The Namibian Constitution was accepted and approved by all parties on 9 February 1990.

After more than a century of colonial rule the country finally became an independent sovereign State - the Republic of Namibia - on 21 March 1990. His Excellency, President Dr Sam Nujoma, was sworn in as Namibia's first President on the same day.

The fight for self-determination had been won, but the battle for economic independence had just begun. Everything was lined up for the process of creating a central bank for Namibia and the introduction of Namibia's own currency.

International Support

After SWAPO had met with Karlsson in 1988, he called upon the Swedish government to assist with the establishment of a central bank for independent Namibia. Sweden, through the Swedish International Development Agency (SIDA) started preparing for the setting up of a central bank once the country became independent. Before SIDA provided the necessary support, two fundamental questions were addressed namely:

- whether Namibia would need its own currency; and
- whether Namibia would be able to introduce such a currency instead of continuing to use the ZAR.

SIDA then embarked on an investigation into the modes for the establishment of a central bank, by, *inter alia*:

- undertaking study visits to other central banks in the region; and
- by holding a seminar with other central banks in the southern African region on their experiences of developing central bank activities in the shadow of the RSA.

SIDA's final report, setting out the arguments for having a central bank and detailing the steps to be taken to establish such a bank was completed in March 1989. It was found that Namibia could indeed establish its own central bank and introduce its own currency, but that the country at that time lacked the human resources and economic expertise to take on this enormous task. SIDA saw this as an opportunity to further assist an independent Namibia by proposing and offering a SIDA assistance package for the creation of a central bank to the government in Namibia.

Based on the recommendations in SIDA's final report, the new Namibian government entered into an agreement with SIDA in which the latter undertook to:

- provide Namibia with a fully-fledged, Namibian-staffed, self-sufficient and well-functioning central bank, with a proper race and gender balance;
- contribute to financing the introduction of the country's own currency. The intention was to strengthen the monetary independence of Namibia as well as to ensure an efficient and effective management of the country's financial resources. One key issue at stake was the strengthening of Namibia's autonomy in relation to the RSA, which had hegemonic control over Namibia's economy;

- assist the Bank of Namibia with training of staff in managerial and other positions and to improve their skills. The services of knowledgeable consultants were procured with the aim of establishing a uniquely Namibian institution that would be on par with central banks worldwide; and
- assist with the computerisation of the Bank of Namibia.

The services of the Swedish advisor Erik Karlsson were secured and he was commissioned to assist with the creation of the central bank.

From the outset in July 1990, in cooperation with the International Monetary Fund (IMF)/United Nations Development Programme (UNDP) and SIDA, the Bank of Namibia worked toward becoming a fully-fledged institution. In this context, SIDA provided the Bank of Namibia with the services not only of the Deputy Governor (Karlsson - who later became Governor), but also of a training manager.

SIDA focussed on:

- a recruitment strategy for the Bank and an ambitious staff training programme, funded by SIDA to the amount of Swedish Krone (SEK) 4.04 million;
- a computerisation strategy developed by short-term consultants after which it was implemented and again funded by SIDA to the amount of SEK 19.1 million; and
- a new national currency.

Furthermore, on an ongoing basis, personnel would be trained to keep up with developments in the banking sector.

Banking Statutes

With independence and in terms of the Namibian Constitution, all existing legislation governing the country as well as the banking industry was inherited by the new Namibian government. Relevant to the banking industry were: the Currency and Exchanges Act, 1933 (Act No. 9 of 1933); the Prevention of Counterfeiting of Currency Act 1965, (Act No. 16 of 1965); the Banks Act, 1965 (Act No. 23 of 1965); and the Building Societies Act, 1986 (Act No. 2 of 1986).

To change the *status quo* and establish its own central bank, the new government had to either draft new legislation or amend existing legislation. Subsequently, to fulfil its obligations, a new legislation for the establishment of a central bank for Namibia was drafted and passed by Parliament in 1990.

The Bank of Namibia Act, 1990 (Act No. 8 of 1990)

The Bank of Namibia Act, 1990 (Act No. 8 of 1990) provided a legal framework within which the establishment of a central bank could be carried out. With technical assistance from the IMF, UNDP and SIDA, the Bank of Namibia was founded on 16 July 1990.

Provision was made for the appointment of a Governor and the Board of the Bank with six members to serve on it. The Governor was designated as the Chairperson of the Board and also Chief Executive Officer.

Name of the Bank

In 1989 Swabank registered and changed its name to Bank of Namibia, but as the country was preparing to become an independent state the Minister of Finance-in-waiting, Dr Otto Herrigel, requested that the name be ceded to the new central bank of Namibia which was to be established a few months later. Dr Herrigel further suggested that Swabank rather use the name Commercial Bank of Namibia. The Namibian Banking Corporation was then established by the parent company Nedbank, after which the Commercial Bank of Namibia was registered in 1990. The central bank thus became the Bank of Namibia.

Staff and Offices

All SARB staff at the Windhoek branch had three options:

- to be transferred back to the RSA;
- to join the Bank of Namibia; or
- to resign/retire.

The majority chose to join the Bank of Namibia. A few, including the branch manager, returned to the RSA.

A New Beginning

Marie Blignaut, currently employed in the Banking Services Department, was in the employ of the SARB in 1990. She relates that at the time of independence and the take-over by the Bank of Namibia, she had mixed emotions and was concerned about her future as it seemed rather uncertain.

After initially working for a building society, Marie had joined the SARB and banking was all she knew. When the branch manager at the time informed the staff that the SARB was to be withdrawn from Namibia and that they could choose either to stay with the new Bank of Namibia or be repatriated to South Africa, anxiety over the unknown kicked in. Marie chose to stay in Namibia and has never regretted her decision.

With the establishment of the Bank of Namibia in 1990 new technology and more modern methods were introduced and this made Marie excited about her job. As the role and responsibilities of the Bank grew, additional departments and divisions were created and with this came career opportunities as well as skills development. After 20 years, Marie can only say that it was the best career choice she ever made and that she is proud to be part of the centre of excellence.



The SARB branch office became the head office of the Bank of Namibia – BoN

The Bank of Namibia took up office in the building which previously housed the Windhoek branch of the SARB in Göring Street, (now Daniel Munamava Street) Windhoek. It primarily took over the functions already performed by the Windhoek branch of the SARB up until then. There was only one department (Operations) with a staff complement of approximately 63. This Operations Department had three divisions, namely:

- the Currency Division (issuance of coins and notes);
- the Banking Division (clearing and payment of cheques); and
- the Accounting Division.

The SARB maintained its branch in Windhoek until the Bank of Namibia commenced its operations on 1 August 1990. With its creation, new employment opportunities were created at the Bank. Positions were advertised and, where possible, appropriately qualified personnel were appointed.

Given the difficulty of recruiting nationals experienced in central banking, by 31 January 1991, the Bank of Namibia in the first year had appointed 42 nationals in positions which were previously occupied by staff recruited by the UNDP, IMF and SIDA. In the meantime the training of recruited staff in the various disciplines started in earnest.

The ZAR remained legal tender in Namibia and the Bank became the agent of the SARB for issuing and receiving South African currency. The Bank of Namibia continued to provide a clearing house facility for cheques and interbank clearance settlements.

Besides the Governor's and the General Manager's offices, the Bank had seven departments by 1991. Four of these departments were housed in the former SARB building and two in the Capital Centre in central Windhoek. Subsequently one of these, the Supervision Division, moved from there to the Sanlam Centre the following year. The Exchange Control Division was housed in the CDM building.

The accommodation of staff in four separate and distant buildings had a number of disadvantages, of which internal communication was the most predominant.



The SARB branch office post-1999, when the building was occupied by the Namibian Electoral Commission - 2002 – BB

The Inauguration of the Bank of Namibia 15 July 1990



EL Karlsson, Deputy Governor of the Bank of Namibia, addressing the guests at the official inauguration – Helga Trossbach (HT)



P Hartmann (left), in conversation with Dr and Ms Rush – HT



EL Karlsson top left, Dr Rush centre back, E Lule, General Manager of the Bank, second from the right in the background. Foreground: HG Stier second from the left and J Kirkpatrick right – HT



Fltr: the Hon. A Toivo ya Toivo, D Voigts, the Hon. N Angula and the Hon. Dr L Amathila with her back to the camera – HT



Dr WL Bernard (right) first Governor of the Bank of Namibia opposite EL Karlsson Deputy Governor of the Bank of Namibia (with his back to the camera) – HT



EL Karlsson (left) opposite Dr WL Bernard (right) – HT

Issuance of National Currency 1993

Preparations for the introduction of a national currency, named the Namibia Dollar, commenced soon after independence. The Technical Committee on the National Currency was formed in September 1990 and charged with performing this task. This committee consisted of representatives of the Ministry of Finance and the Bank of Namibia. Dr Johan Jones* (committee chairperson), Paul Hartmann (secretary) and Dr David Rush* were appointed from the Ministry of Finance. The other two members were Erik Karlsson* and Emanuel Lule* from the Bank of Namibia. (*now deceased).

According to the Bank of Namibia Act, the President had to decide on the monetary unit and its symbols on the one hand. On the other hand, approval of the Minister of Finance was required for the denominations, composition, form and design of the national currency.

The Technical Committee had to produce specifications and devise proposals for notes and coins and organise the tender process. When the tendering was concluded and the Cabinet had selected the winners of the designs and decided upon the printer and minter, the Committee had to follow up on the Cabinet's decision.

As described in the Bank of Namibia Act, the Bank issues the national currency and arranges for the printing of notes and the minting of coins.

Specifications and Tendering

On 7 October 1991, international tenders were called for the design and printing of currency notes, to reach the Bank of Namibia no later than 30 April 1992. Professional local artists checked and evaluated the received designs whereafter, in May 1992, all the designs were presented to the Cabinet. On the basis of quality, appearance and quoted price, the Cabinet decided to award the tender for the printing of the notes to AB Tumba Bruk, Sweden. In September 1992, the Bank of Namibia signed the contract with that company. According to the contract, one third of the currency notes were to be delivered to the Bank not later than August 1993; the residual amounts at a later stage, to be decided upon by the Bank.

All designs received for coins were rejected by the Cabinet, after which it was decided to announce a competition for coin designs in June 1992. The competition was launched in the same month with the closing date being 28 August 1992. More than 140 sets of designs were received. After scrutiny by professional artists and technical experts, the Cabinet decided to award the prize for the designs of the N\$1 and N\$5 to Bernard Sargent of the South African company Metal Image. The designs for 5c, 10c and 50c were awarded to the mint of Finland. Quotations for the minting of these coins had to be received by the Bank of Namibia by 9 October 1992.

Early in December 1992, the Cabinet awarded the tender contract for the minting of the entire series of the Namibian coinage to the mint of Finland. The contract between the Bank of Namibia and the mint of Finland was signed in January 1993.

The Swedish government agreed to provide the Bank of Namibia with part of the capital (SEK 20 million), needed to introduce a new national currency to be used to pay for the production costs of the banknotes.

Awareness Campaign

In order to inform and educate the Namibian people on the implications and practical details of the national currency, an awareness campaign was launched. A National Currency Committee was established with the Deputy Governor as Chairperson and the Public Relations Officer as Vice-Chairperson in order, amongst other things, to oversee the campaign. The Committee held its first meeting on 4 February 1993, after which meetings were held on a regular basis until the notes were issued.

To ensure that the entire population of Namibia would accept the new currency with pride, the Committee, with the assistance of a local advertising agency, formulated a mass communication strategy to launch the new currency.

Under the auspices of the training coordinator, staff training sessions were undertaken to inform and educate the staff about the requirements and implications for them and the Bank, on the introduction of the national currency.

At the ordinary meetings with the commercial banks, information was given about the introduction of the national currency. The banks were requested to present to the Bank all possible questions that could be raised in connection with the introduction of the currency. Cooperation between the top management of the Bank and the commercial banks via a technical committee was very fruitful, especially when it came to clarifying and making public the payment techniques to be used for money transactions between Namibia and the RSA.

Special meetings were also held with commercial banks to which representatives of the business community were invited. The campaign was stepped up with television and radio commercials. The theme was: 'There's a new sun rising over Namibia'. All commercial banks, building societies, municipalities, post offices and major retailers were supplied with stands, leaflets, and promotional badges which were displayed and distributed at point of sale stations. A documentary on the Bank of Namibia was produced and screened on local television.

A comprehensive rural road information programme was launched, where teams from the Bank of Namibia, in local languages, informed and educated the Namibians in those parts of the country.

On Monday 30 August 1993 the first consignment of Namibian banknotes arrived at the Windhoek International Airport. Under Police escort, the banknotes were transported to the Bank of Namibia where they were unloaded, unpacked and stored in the vaults. In subsequent weeks the Bank of Namibia delivered smaller consignments of banknotes to the commercial banks in Windhoek. From these banks, sufficient quantities of banknotes were distributed to the various commercial bank branches throughout the country, in anticipation of the official launch date.

Official Launch of the Namibia Dollar

The Namibia Dollar was officially launched by His Excellency the President, Dr Sam Nujoma on 14 September 1993. A ceremony was arranged by the Bank of Namibia and took place at the garden restaurant outside the Parliament building. The ceremony commenced with the signing of a new Bilateral Monetary Agreement (BMA) between Namibia and the RSA by the respective ministers of finance and as from 15 September 1993 the Namibia Dollar became legal tender in Namibia.

Namibia Dollar as Legal Tender

A proclamation on the determination of the monetary units and symbols of the currency of Namibia, as well as a general notice on the characteristics of notes and coins to be issued by the Bank, were gazetted. Specimen notes were sent to foreign central banks. All the arrangements with the IMF, necessary for a country introducing its own currency, were completed.

(IMF: refer to Chapter 5)

Before the Namibian coins could be fully utilised, coin-operated machines (parking meters, public telephones, etc), which only accepted South African coins, had to be converted and calibrated to accept Namibian coins.

The first consignment of Namibian coins arrived at Walvis Bay on 13 November 1993. From there they were transported by road under Police escort and delivered to the Bank's premises in Windhoek and from there to commercial banks. Issuing of the coins started on 8 December 1993.

Design and Symbolism of Namibia Dollar Banknotes

The primary function of banknotes is to serve as a safe, secure and generally accepted payment medium. However, banknotes also serve as a national symbol of any country - almost on par with the national flag and the coat of arms. In a way banknotes act as the 'business card' of the country, conveying a message to the holder.

The first design of the banknotes dates back to 1993, when N\$10, N\$50 and N\$100 banknotes were officially introduced. In 1996, the N\$20 and N\$200 notes were put into circulation. These latter two notes were redesigns of the original notes and contained a number of trademarked security features, including anti-copier and anti-scanner features. The original banknotes were subsequently upgraded to include the same security features as the N\$20 and N\$200.

Themes

Each banknote conveys a message about the country in which it is used. In Namibia's case the message contains four main themes:

The armed struggle for the achievement of independence is symbolised by Kaptein Hendrik Witbooi; the Sovereignty of the country is symbolised by the Namibian Parliament; while Nationalism is symbolised by the national flag and the coat of arms. The Natural Diversity of the land is symbolised by the Namibian antelopes.

Design features on the obverse side

The main motif of the note is the portrait of Kaptein Hendrik Witbooi, with other visible features on the obverse side being:

- the vignette of the Namibian Parliament building;
- guilloche borders - an ornamental border formed by two or more interlaced bands around a series of interlocking circles around parts of the note;
- the name, number and value of the denomination;
- the Governor's signature and the name 'Bank of Namibia';
- the Namibian coat of arms;

- Braille dots (each note has a different number of dots);
- a see-through (perfect) register (each note has a different pattern);
- the serial number of the note on the left and right hand side of the note;
- a silver windowed metallic thread; and
- a silver foil patch on the N\$100 and a gold foil patch on the N\$200 banknotes.



– BoN

Design features on the reverse side

The main motifs of each of the denominations of the banknotes are depictions of common Namibian antelopes: N\$10: Springbok; N\$20: Red Hartebeest; N\$50: Kudu; N\$100: Oryx; and N\$200: Roan Antelope. The other visible features on the reverse side of the note are:

- guilloche borders around parts of the note;
- the name and value of the denomination;
- the name 'Bank of Namibia' and the name of the antelope;
- an outline of the Namibian flag; and
- the reverse side of the see-through register.

Raw material specifications

In the design of the new banknotes, the Bank paid particular attention to the raw material specification, i.e. paper, ink, thread, watermark, foil and varnish.

Security features

Security features found on the different denominations of the banknotes are quite standard across the different denominations. The only major difference is that the N\$100 has a silver foil and the N\$200 banknote a gold foil, while the lower denominations have none.







Hendrik Witbooi

Nama leader Hendrik Witbooi was born in 1840 at Pella in Namaqualand, south of the Orange (Gariep) River in South Africa. He was a member of the Oorlams clan also known as the Witboois. In 1863 the clan moved northwards and eventually settled in what is today Gibeon in the Hardap Region of Namibia. He believed that he was destined to become saviour of the Nama and became the Witboois' revered leader. In the late 1880s he became captain of the clan. He waged an eight-year war against the Herero-speaking people. However, as the Germans settled in the Territory, he realised they were actually the enemy. He is known for his bravery and the guerrilla tactics he employed in fighting against the colonisers. He is revered as one of the heroes of anti-colonial resistance in Namibia today.



In 1894 Witbooi was forced to sign a peace agreement with the Germans. Ten years later he decided to declare war against all whites. Intermittent attacks continued and in October 1905 a battle raged again. Witbooi was shot and died. He was one of the country's most determined and spirited leaders. This continuous drive to rid the country of the European element eventually earned him the title of the country's first 'Freedom Fighter'. His image is imprinted on Namibian banknotes today - paying homage to his heroism and bravery.



Currency Questions

Ehren Merero, a former employee of the Bank of Namibia, was involved in the awareness campaign at that time. He recalls that many questions were raised by the public concerning the new currency. The most frequently asked were:

- the 'one-to-one pegging' - why was Namibia's currency pegged to the Rand while the people were oppressed by South Africa prior to independence;
- why it was decided to allow the Rand to be legal tender in Namibia while the Namibia Dollar is not legal tender in South Africa;
- why it was called the Namibia Dollar and not the Namibian Dollar;
- how the Central Bank makes money i.e. seigniorage; and
- why Hendrik Witbooi was chosen to appear on the banknotes and not Hosea Kutako.

IMF/UNDP

From the beginning, experts were required to come to Namibia to assist - initially in setting up the Bank to be able to carry out its functions - and also to train Namibian understudies.

While they were here, their remuneration was borne by the IMF/UNDP in conjunction with SIDA.

Given that the IMF/UNDP presence at the Bank of Namibia would only be available for a certain period, it was envisaged that the Bank would need to be staffed by Namibians at almost all levels by mid-1994. By then, with the exception of two portfolios, all staff and management positions in the Bank of Namibia had been filled by Namibian citizens.

SIDA Withdrawal

In addition to the support provided by SIDA, from the outset the main source of revenue was share capital from the Namibian government. Since the NAD was introduced in September 1993, the Bank of Namibia was in a better position to generate income through its issue of the national currency and with its foreign exchange reserves.

In this light, SIDA in 1994 decided that the time had come to cease financing the further development of the Bank of Namibia with grant aid. It judged that the Bank had grown sufficiently and was able to continue its own development using own financial means and managerial expertise. However, the services of the advisor on Capital Investment and the manager for Banking Supervision were retained for another year. SIDA then informed the Namibian government that its support would be phased out and cease on 30 June 1995.

From October 1990 to June 1995 the following amounts in SEK millions had been spent by Sweden to assist with the development of the Bank of Namibia:

Technical assistance	12.390
Computerisation	19.080
Training	4.040
Financing of the currency	20.000
TOTAL SEK	55.410 million

The contribution made by the IMF/UNDP and SIDA was invaluable and highly appreciated by both the fledgling Bank and the Government of the Republic of Namibia. This assistance enabled the Bank to grow from a young nestling into the soaring eagle it is today - a Centre of Excellence.



Bank of Namibia - 2010 – Brenda B



Parliament building - Tintenpalast - 2002 – BB

New Statutes

In the meantime, as the Bank continued to grow, new laws were enacted. These *inter alia* include:

- Bank of Namibia Act, 1997 (Act No. 15 of 1997)
- The Banking Institutions Act, 1998 (Act No. 2 of 1998)
- The Payment System Management Act, 2003 (Act No. 18 of 2003)
- Bank of Namibia Amendment Act, 2004 (Act No. 11 of 2004)
- Financial Intelligence Act, 2007 (Act No. 3 of 2007)

Bank of Namibia Act, 1997 (Act No. 15 of 1997)

Whilst the Bank of Namibia Act, 1990 (Act No. 8 of 1990) provided the legal framework which made it possible for the Bank to start its operations over the course of time, it was found that in order for the Bank to fulfil its duties, the Bank of Namibia Act, at the time, needed to be revised to extend the powers of the Bank. As a result, a new consolidated Act was promulgated.

The new Act, the Bank of Namibia Act, 1997 (Act No. 15 of 1997) was passed by Parliament and came into effect on 16 February 1998. The substitution of the old Act for the new one (Act No. 15 of 1997) in essence enhanced the Bank's effectiveness as an institution, and increased its autonomy allowing the Bank to discharge its monetary functions professionally and objectively.

The new Act consolidated certain provisions particularly to:

- modify the composition of, and arrangements for the Board;
- provide more flexibility for the purpose that the General Reserves may be used;
- provide for a reserve balance to be held with the Bank by commercial banking institutions;
- provide for more flexible lending conditions to the government;
- change the end of the financial year from 31 January to 31 December; and
- provide for a developmental role in the financial sector of the Bank.

The new Act provided a better legal framework for the Bank to render central banking services. In terms of both Acts, the functions of the Bank are to:

- promote and maintain a sound monetary, credit and financial system in Namibia and sustain the liquidity, solvency and functioning of that system;
- promote and maintain internal and external monetary stability and an efficient payment mechanism;
- foster monetary, credit and financial conditions conducive to the orderly, balanced and sustained economic development of Namibia;
- serve as the government's banker, financial advisor and fiscal agent; and
- assist in the attainment of national economic goals.

The Bank of Namibia Act, 1997 is the charter and constitution of the Central Bank of the Republic of Namibia. Under the Act, Namibia's parliament ceded the monetary authority to the Bank of Namibia.

Finally, the Bank of Namibia Amendment Act, 2004 (Act No. 11 of 2004) amended the Bank of Namibia Act, 1997, so as to enhance transparency, accountability and efficiency in the policies and operations of the Bank of Namibia. Further, it provides for the clarification of the financial relationship between the government and the Bank; and for incidental matters.



Windhoek CBD - 2002 – BB

Core Functions of the Bank of Namibia

The core functions of the Bank of Namibia are outlined in the Bank of Namibia Act. Apart from this Act several other laws have imposed duties and conferred powers to the Bank to carry out certain activities. The combination of these laws has given the Bank the following functions:

- ensuring low and stable inflation (price stability);
- banking supervision;
- payment system oversight;
- issuance of notes and coins;
- banker and economic advisor to government;
- banker to commercial banks;
- foreign reserves management;
- administration of exchange control on behalf of the Ministry of Finance; and
- assisting in the combating of money laundering activities.

Ensuring Low and Stable Inflation

Rising inflation is not conducive to economic growth and development. This is so because inflation erodes the purchasing power of consumers and the value of the nation's savings. The result is that more money is required to buy the same quantity of goods and services. This makes people poorer and economic growth and development is hampered. Given the negative effect of inflation on the economy, central banks all over the world, including the Bank of Namibia, are given responsibilities to manage inflation. The Bank, therefore, uses its monetary policy tools such as interest rates and minimum reserve requirements, etc. to ensure that Namibia's inflation does not hinder or curtail economic growth and development.

Banking Supervision

In the broader economic system, commercial banks are analogous to the circulatory system in the human body. The banks keep a large part of the nation's wealth in a form of savings and provide funds to finance investments necessary for economic growth and development. It is therefore important that the banking system remains sound and stable for the nation's savings to be protected and for the country to prosper. To achieve this objective, banks are regulated with a view to minimising disruptions to the economy. In Namibia, the duties to regulate commercial banks are entrusted to the Bank of Namibia by the Banking Institutions Act, 1998 (Act No. 2 of 1998).

Payment System Oversight

An efficient, cost-effective and stable payment system is vital for commercial activities to take place in any modern economy. This ensures that the sellers of goods and services receive their money from buyers in a fast and secure way. For example, if a debit card is used as a means of payment by the buyer, the system should ensure that the seller receives his/her money in the shortest possible time. In this regard, the Payment System Management Act, 2003 (Act No. 18 of 2003) has given powers to the Bank of Namibia to manage the country's payment system to make sure that commercial activities are conducted efficiently and in a safe environment.

Issuance of Notes and Coins

In terms of the Bank of Namibia Act, the Bank has the responsibility to issue and manage the country's money. The Bank therefore ensures that the country is supplied with quality notes and coins at all times.

Banker and Economic Advisor to Government

The Bank of Namibia

- is the administrator of the government's financial accounts;
- advises government on monetary and financial policies; and
- handles the periodic issue and redemption of Treasury Bills and government bonds.

Services Rendered by the Bank to the Government

As banker of the government, the Bank maintains the State Account. If there is a surplus at any given time, the majority of surplus funds of government is kept in the State Account and no charges are made for any services rendered in line with the Memorandum of Understanding (MoU) between the Ministry of Finance and the Bank of Namibia. There is an interest-free balance on the State Account, while interest is paid on balances above the interest-free balance.

Economic and Financial Advisor

As economic advisor, the Bank of Namibia advises government with a view to achieving high economic growth with low inflation. Issues such as monetary-fiscal alignment are regularly discussed by the Bank of Namibia and the Ministry of Finance.

Advice is given on any economic or financial matter which the Minister of Finance may refer to the Bank for investigation. This includes advice on any matter which the Bank believes may affect the achievement of the Bank's objectives or the performance of its functions under this Act.



The Fiscus building, home of the Ministry of Finance - 2002 – BB

Furthermore, the Bank may express an opinion on the preparation of the government's budget. The Bank serves as a depository and fiscal agent through which transactions may be conducted with any international financial organisation, such as the IMF, World Bank, foreign lenders or donor agencies.

Public Debt Management

The Bank is entrusted with the issue and management of government debt instruments which include marketing, registering bond holders, receipt of funds, paying interest and capital redemption.

Both the parties jointly agree on the annual borrowing requirement and the issue calendar, as well as the implementation of measures and strategies necessary to further develop the market for government debt instruments.

In May 1991, less than a year after the Bank of Namibia commenced operations, it started with the issuance of Treasury Bills, thus functioning as an agent for government. Initially, only small amounts of government securities were issued, but as the domestic money market developed, the volumes increased. In October 1992 a further step was taken when the issuing of government bonds was introduced. To start with they had a maturity of two years. In December 1992, three-year bonds were issued. Since then, many new government bonds, which are regularly sold at auctions, have been created to attract investors.

Lending to Government

The Bank is only allowed to lend (money) to the government under specific circumstances, such as that loans may not exceed 25% of government's average annual ordinary revenue for the last three financial years. In exceptional circumstances, this percentage may be increased to 35%. All loans must be repaid to the Bank of Namibia within six months and if percentages are exceeded, the Bank must recommend a remedy for the situation to the Minister.

Foreign Borrowing

Before entering into foreign loan agreements, the government and all State Owned Enterprises (SOEs) must consult the Bank regarding the timing, terms and conditions and financial expediency of such loans. If it so happens that the Bank is not in favour of a certain loan, it must report the matter to the Minister and make recommendations on how the situation can be remedied. In the same vein, if the Bank wants to enter into foreign loans the approval of the Minister must be obtained first.

Banker to Commercial Banks

Commercial banks keep accounts with the Bank of Namibia. These accounts are mainly used to buy coins and notes from the Bank and to facilitate payments between banks on behalf of their customers. Banks can also place their surplus funds in the call account offered by the Bank of Namibia.

Foreign Reserves Management

In managing foreign exchange reserves, the Bank of Namibia ensures that the country meets all its foreign liabilities. This includes the maintenance and supply of foreign currencies to pay for government and the private sector's imports and foreign services. Foreign exchange is also crucial to the Namibian economy in that it serves as a formal backing for the domestic currency to support the current monetary arrangement (the one-to-one pegging of the NAD to the ZAR).



Windhoek CBD - 2002 – BB

Administration of Exchange Control on behalf of the Ministry of Finance

Exchange control involves regulatory measures to directly control or influence the in- and out-flow of capital over the country's borders. Exchange control is used to regulate the local demand for foreign currency in order to protect the official foreign currency of the country and to apportion available foreign currency in the best interest of the country as a whole.

For the aim of regulating foreign exchange flows, the Minister of Finance delegated virtually all responsibilities assigned to and imposed on the Treasury, to the Bank of Namibia by way of the Currency and Exchange Act of 1933.

In turn, the Bank of Namibia has delegated several of the exchange control functions to authorised dealers such as commercial banks and bureaux de change.

Combating of Money Laundering Activities

With the passing of the Financial Intelligence Act in 2007, (Act No. 3 of 2007) the Bank was given power to serve as the national centre for the collection, analysis and dissemination of information on money laundering to law enforcement agencies. Typically, this is not a function of central banks. However, during the enactment of the law, it was considered appropriate to house this function within the Bank of Namibia. This model was seen as the most cost effective way, given that expertise in this highly specialised field is extremely limited in this country.

Pre-Independence Debt

At independence, on 21 March 1990, the new Namibian government inherited a large public debt from the previous South African administration. This debt, which had been incurred to finance the annual budgets of the former South African administrations in the then SWA, amounted at independence to R826,6 million, of which R697,0 million was guaranteed by the RSA. Of the latter amount R513,5 million was owed to creditors in the Common Monetary Area (CMA), mainly financial institutions such as banks and insurance companies, and R183,5 million to financial institutions in other foreign countries. However, the new Namibian government believed that they could not be held responsible for debt they did not incur and this message was conveyed to the RSA in May 1990.

The question as to which of the two governments should be held responsible to service and redeem this debt was taken up by the Namibian government with the RSA. This led to protracted negotiations.

It was always the view of the Namibian government that the RSA should accept full responsibility for these debts since they had been contracted by the RSA to finance an administration which was internationally regarded as illegal. The funds were furthermore used, at least partly if not totally, to finance the suppression of the legitimate aspirations of the Namibian people and were spent for purposes which a democratically elected government would undoubtedly not have approved.

South Africa's first reaction was, of course, to argue that the debt was not used for defence purposes, but this argument could not be substantiated. The RSA further argued that Namibia's decision to repudiate the colonial debt could have a destabilising impact on the South African financial system and on the credibility of the government. During the initial stages of addressing Namibia's decision to repudiate the colonial debt, the negotiation of the first CMA agreement was also ongoing. The RSA tried to provide a 'sweetener' to Namibia by putting the ZAR currency opening balance at independence at R400 million, in terms of which the RSA paid compensation to Namibia for the ZAR currency in circulation in Namibia. It eventually turned out that this figure was in fact an accurate reflection of ZAR currency in circulation in Namibia at independence and not a lucrative gesture.

Based on these arguments and after protracted negotiations lasting almost two years, the two governments finally entered into an agreement in terms of which the two parties assumed a shared responsibility for the pre-independence debt. The agreed arrangement basically involved the rescheduling of the debt over twenty years with a capital repayment grace period of three years. For this purpose, the SARB provided a loan facility to the Bank of Namibia from which the latter could draw such funds to enable the Bank to make periodic interest and capital redemption payments to creditors on behalf of the Republic of Namibia. This arrangement was followed through by the respective parties in line with the agreements between the two governments and the two central banks.

After the first democratic election in South Africa and the election of H.E. Nelson Mandela as President in 1994, the issue of liability for the pre-independence debt was once again brought to the negotiation table. On 6 December 1994, the Heads of State of South Africa and Namibia

met in Uptington. In their joint communiqué, President Mandela agreed that Namibia should not be made to pay the pre-independence debt. Soon thereafter, the ministers of finance met in Pretoria, at which occasion the RSA argued that it would not write off the loans but would assume responsibility for the debt service payments only.

Several rounds of further meetings took place to discuss suitable amendments to existing agreements so as to achieve the debt write-off. However, in the final negotiations, the RSA resumed the earlier argument that Namibia was deliberately overcompensated in terms of the compensation paid for ZAR currency in circulation in Namibia as *quid pro quo* for initially accepting co-responsibility for the payment of the pre-independence debt. This issue further protracted the final debt write-off and even went as far as involving the IMF to provide comments on the methodology to determine the ZAR currency in circulation in Namibia at independence.

Eventually, after some further bilateral technical meetings and exchange of letters, the South African government took a decision to write off the pre-independence debt and interest. However, this decision was subject to a renegotiation of payments made by the RSA to Namibia in terms of the CMA - still referring to the compensation for use of the ZAR as legal tender in Namibia. The Namibian government and the Bank of Namibia, having gained more experience and supporting statistics, were eventually able to prove that the opening balance of R400 million was indeed a realistic estimate for ZAR currency in circulation in Namibia at independence.

Pending the formal write-off by the RSA of the pre-independence debt, the repayment on the loan facility that was made available by the SARB to the Bank of Namibia became due in April 1996. However, the loan facility agreement was duly amended by the two central banks to postpone the first instalment.

To give legal effect to the RSA reassuming responsibility for the pre-independence debt, the RSA had to amend its Exchequer Act. When tabling the Exchequer Amendment Bill in the South African Parliament in February 1997, the then Minister of Finance, the Hon. Trevor Manuel, had the following to say on South Africa taking over the colonial debt: 'Today, the Government of Namibia is indebted to the Government of South Africa and is expected to repay these debts. I believe this situation is inequitable and unacceptable. Why should this be a case of Namibia repaying debts to the South African government? Is it not true that the debt facing Namibia today was incurred by the occupying South African government in pursuit of apartheid-style policies designed to subjugate and oppress the people of Namibia? Is it not true that this was done without the consent of the Namibian people, who played no part in budget expenditure priorities and decisions?'

Finally, an agreement was signed on Monday, 24 March 1997, in Cape Town by the respective ministers of finance, in terms of which the RSA finally took full and unconditional responsibility of Namibia's pre-independence debt.

At this occasion, a joint media statement was issued by the two ministers, which, amongst others, stated the following: 'The Ministers of Finance of Namibia and South Africa, Mr Nangolo Mbumba and Mr Trevor Manuel, met today in Cape Town and entered into a bilateral agreement that gives effect to the accord reached between Presidents Mandela and Nujoma in

December 1994, in which South Africa agreed that Namibia should not have to repay its colonial debt.' Both governments later ratified this bilateral agreement in their respective parliaments.

These historic events were not only important from the perspective that Namibia started with a debt-free balance sheet, but it was also important to get rid of the sensitive stigma that was attached to the pre-independence debt. This event also confirmed how the relationship between Namibia and the RSA had changed for the better since the consolidation of democracy in the RSA in 1994.



Nelson Mandela, the future President of the RSA, with His Excellency, Dr Sam Nujoma on the occasion of Namibia's independence on 21 March 1990 – NNA

Stakeholder and Client Relationship

The Bank of Namibia and its stakeholders meet on a regular basis with the purpose of developing a common understanding of one another's business, how it affects each of the organisations, and to share economic information.

Relationship between the Bank of Namibia and Ministry of Finance

The Bank of Namibia is wholly owned by the Government of the Republic of Namibia and was established with a share capital of NAD 40 million.

Part of the net profits of the Bank are put in reserves or distributed to government and the latter's share can range from a minimum of 25% to a maximum of 75%. The Bank now receives the full compensation for using ZAR as legal tender in Namibia. This previously accrued to the government. There are also procedures prescribed on how to deal with cases of inadequate capital or reserves.



The Hon. Minister of Finance Ms S Kuugongelwa-Amadhila – BoN



Meeting with stakeholders - standing fltr: Dr O Herrigel, R Ritter, F Kisting and P Hartmann, Deputy Governor of the Bank of Namibia. Seated: the Hon. M Amweelo (former Minister of Works, Transport and Communication), Ms T Emvula (former Board Member), the Hon. Reverend H Witbooi, former Deputy Prime Minister of the Republic of Namibia (now deceased - he was the great grandson of Hendrik Witbooi who is featured on the Namibian banknotes), Tom K Alweendo, Governor of the Bank of Namibia and the Right Hon. Prime Minister N Angula – BoN

In the Bank of Namibia Act, 1997, provision is made for consultations between the Governor of the Bank and the Minister of Finance. In terms of Section 3B of the Act, the Bank performs its functions independently.

This implies that in performing its duties, the Bank is required to act independently without fear or favour. However, the Bank is also expected to act with due regard to the overall policy framework set by government from time to time.

The financial relationship between the government and the Bank is defined in the Act and is formalised in an MoU. Consultations on economic, financial and operational issues are held every second month between the Minister of Finance and the Governor and monthly consultations on technical and operational issues are held on the Permanent Secretary and Deputy Governor level.



Meeting with stakeholders - standing fltr: U Maamberua (former Permanent Secretary of the Ministry of Finance), P Hartmann, Deputy Governor of the Bank of Namibia, F Kisting and R Ritter. Seated: Dr O Herrigel, the Hon. Dr L Amathila, Tom K Alweendo, Governor of the Bank of Namibia, the Hon. TB Gurirab, Ms T Emvula (former Board Member) and the Hon. H Angula, former Director General of the National Planning Commission – BoN

In terms of Section 49, Cabinet may issue a directive if the policies of the Bank are not adequate for, or conducive to, the achievement of the objectives of the Bank. The Board may object to a directive of Cabinet after which the Minister must table the Board's objections and the reasons therefor, together with his recommendations, in the National Assembly. The Bank of Namibia enjoys operational independence and has well-coordinated policies with a well-defined and

managed operational and financial relationship, which includes efficient checks and balances. This is achieved because consultations with relevant stakeholders take place continuously on all pertinent matters.

Given the close relationship between the Bank of Namibia and the Ministry of Finance, studies are often conducted jointly and the results of these projects, where appropriate, are shared with the relevant stakeholders.

Special Events

The Bank's success largely depends on individuals and groups whose behaviour impacts on its performance. Equally, the Bank also realises that its own actions or decisions have an effect on such individuals and groups. Therefore, it is of utmost importance that the Bank nurtures, builds, strengthens and maintains these relationships.

As part of stakeholder engagements, the Bank hosts two major events which are held annually, namely, the Annual Address of the Governor and the Annual Symposium.



P Hango, CEO of the GIPF and Governor Tom K Alweendo at an annual address – BoN



Delegates attending the 11th Annual Symposium – BoN

The Governor's annual address has become a very important event on the calendar of the Bank of Namibia. He uses this platform to address key players in the economic and financial sector as part of building relationships with stakeholders and to enhance their knowledge of the Bank's operations and policy matters.

It also aims at developing a better understanding among the Bank's external stakeholders about the Bank's activities and policies and contemporary economic themes. The Governor regularly addresses national leaders and opinion-makers from both the public and private sectors on topical issues.

The first annual symposium hosted in 1999 was born out of the need to engage stakeholders and to share views on contemporary issues and research work in the area of economics, banking and finance. This is where major players in the economy meet to deliberate on economic and banking-related issues which may have national policy implications.



The 11th Annual Symposium was held on 17 September 2009 at the Nampower Convention Centre, Windhoek. The theme that year was 'Privatisation: From public ownership to private ownership'. Standing fltr: Dr Omu Kakujaha-Matundu, Senior Lecturer in Economics, UNAM and Board Member; Ipumbu Shiimi, Assistant Governor, Bank of Namibia; Sven Thieme, Group Executive Chairman, Ohlthaver & List Namibia; Dr John Steytler, Director of Research, Bank of Namibia; Robin Sherbourne, Group Economist, Old Mutual Group, Namibia. Seated fltr: Tom K Alweendo, Governor, Bank of Namibia; Dr Hage Geingob, Minister of Trade and Industry; Prof. Jin Park of the Korean Development Institute; Dr Keith Jefferies, Managing Director, E-Consult, Botswana – BoN

Publications

In terms of the Bank of Namibia Act, the Bank is required to submit a copy of its Annual Report to the Minister of Finance within three months after the closing of each financial year. The Minister, in turn, is obliged to table it to the National Assembly within 30 days after receipt. According to the Act, the Report is obliged to contain the Bank's annual accounts as certified by external auditors, information about the Bank's operations and affairs, and information about the state of the economy.

In order to cater for its dialogue with stakeholders, the Bank informs the public about policy decisions, economic developments and other relevant events. It produces a wide range of publications and by sharing information and research findings, the debate on critical policy issues is stimulated. The Bank publishes a quarterly bulletin, an annual report and other research papers for public consumption.



Launch of the Bank of Namibia's 10th Anniversary publication 'The Financial System in Namibia' in 2000. Fltr: Tom K Alweendo, Governor of the Bank of Namibia with editors, Ms S Fitchat and Dr S Ikhide – BoN

The Quarterly Bulletin contains a full set of data covering the real sector, monetary and financial developments, public finance and the balance of payments.

The Bank published its monetary policy framework in 2008. This publication reflects all aspects of the country's monetary and exchange rate management practices in a single reference document. Issuing the framework was particularly necessary because the targets, process, transmission and the instruments of monetary policy formulation and implementation in Namibia have often been misconstrued. In addition, it now serves as an internal reference for this purpose.

Currently, the Bank conveys its monetary policy stance through media conferences and special interviews. Because the Bank felt that this communication approach was inadequate, it decided that, as from 2009, a more extensive analysis of the monetary policy formulation and implementation was to be published by way of the Monetary Policy Review. This publication conveys a brief account of the state of the economy, the inflation outlook, and an explanation of the Bank's

monetary policy decisions. In addition, the Bank introduced monetary policy forums beyond Windhoek, i.e. in other centres in the country in 2009, in order to publicise and explain the motivations behind monetary policy decisions as well as its macroeconomic forecasts.

Apart from the Annual Financial Statements, the Bank's monthly Balance Sheet must be submitted to the Minister, and published in the Government Gazette every month.

Media Relations

As part of an ongoing process to maintain sound media relations, the Bank interacts with the media on a regular basis. This interaction takes place at different staff levels of the Bank and it includes the regular meetings between the media and the Head of Corporate Communications. The Governor also meets with the media on an informal basis once a year when he hosts a dinner for media practitioners.

Public Education

The Bank has launched awareness campaigns among the wider Namibian public to develop a better understanding of the Bank's functions, policies and operations. This strategic priority has involved country-wide tours to educational institutions to raise awareness of the Bank and its functions, participating in radio and television talk-shows, exhibiting material and disseminating information at career and industrial fairs, and distributing information brochures and leaflets.

The Governor hosts events for government officials and other political office bearers with whom information needs to be shared about the operations of the Bank of Namibia. The initiative was further extended to other captains of industry across the country. Outreach visits to major economic activities or specially targeted companies in the country are also carried out.

In 2007, as part of its public education programme, the Bank started to host the annual Bank of Namibia National High School Competition, which is endorsed by the Ministry of Education. This competition has strengthened the level of understanding of high school learners about the role of the central bank and of the economy. It is a key initiative of the Bank's public education strategy.

Internal Stakeholders

Cognisant of the need to bolster positive relations with the Bank's staff members, a number of interventions were put in place. Internal communication guidelines were introduced to ensure effective communication. Other measures include regular general staff meetings where the Governor addresses the staff on issues of concern. Intranet facilities were introduced and subsequently revamped in 2009 to ensure effective internal interaction among staff members to discuss policy and operational issues.

Surveys

The Bank continuously strives to improve the level of efficiency of its service delivery to its customers. In order to gauge the degree of customer satisfaction with the Bank's quality of service, External Customer Satisfaction Surveys are carried out annually.

The responses received from the 2009 survey reflect that per stakeholder group, the Bank received an average positive response rating of 90%. This means that 90% of the stakeholders who responded are of the opinion that the Bank is committed to its vision and that it effectively carries

out its mission. The Media and Banking Institutions stakeholder groups show a slightly higher negative response rating than the rest of the stakeholder groups.

Meetings with Commercial Banks

On a quarterly basis, the Governor, together with some members of the Bank of Namibia's Management Committee, meet with CEOs of commercial banks under the banner of the Banker's Association of Namibia. The purpose of these meetings is to discuss and exchange information on matters pertaining to banking and issues relating to Regulatory; Legal; Payment; and Supervisory matters.



The Windhoek CBD - 2002 – BB

CHAPTER 3

During the past two decades of its existence the Bank of Namibia has faced numerous challenges. This chapter outlines the development of the Bank's organisational structure since inception, as one of the means to deal with those challenges.

Structure of the Bank

In July 1990, the Bank of Namibia with a staff component of approximately 45 employees, took over the functions already performed by the Operations Department of the Windhoek branch of the SARB. The Operations Department was the only one, but it was divided into three divisions consisting of the Currency Division (issuance of coins and notes), the Banking Division (clearing and payment of cheques) and the Accounting Division. By the end of 1991, the department had evolved to seven, six of which reported directly to the Deputy Governor. These were:

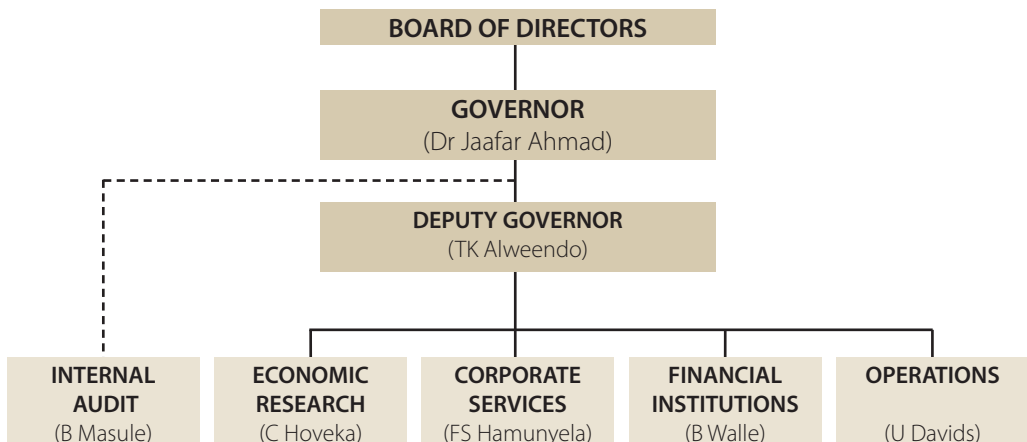
- Operations Department
- Exchange Control Department
- Supervision Department
- Research Department
- Administration Department
- Information Systems Department

The Internal Audit Department reported directly to the Governor.

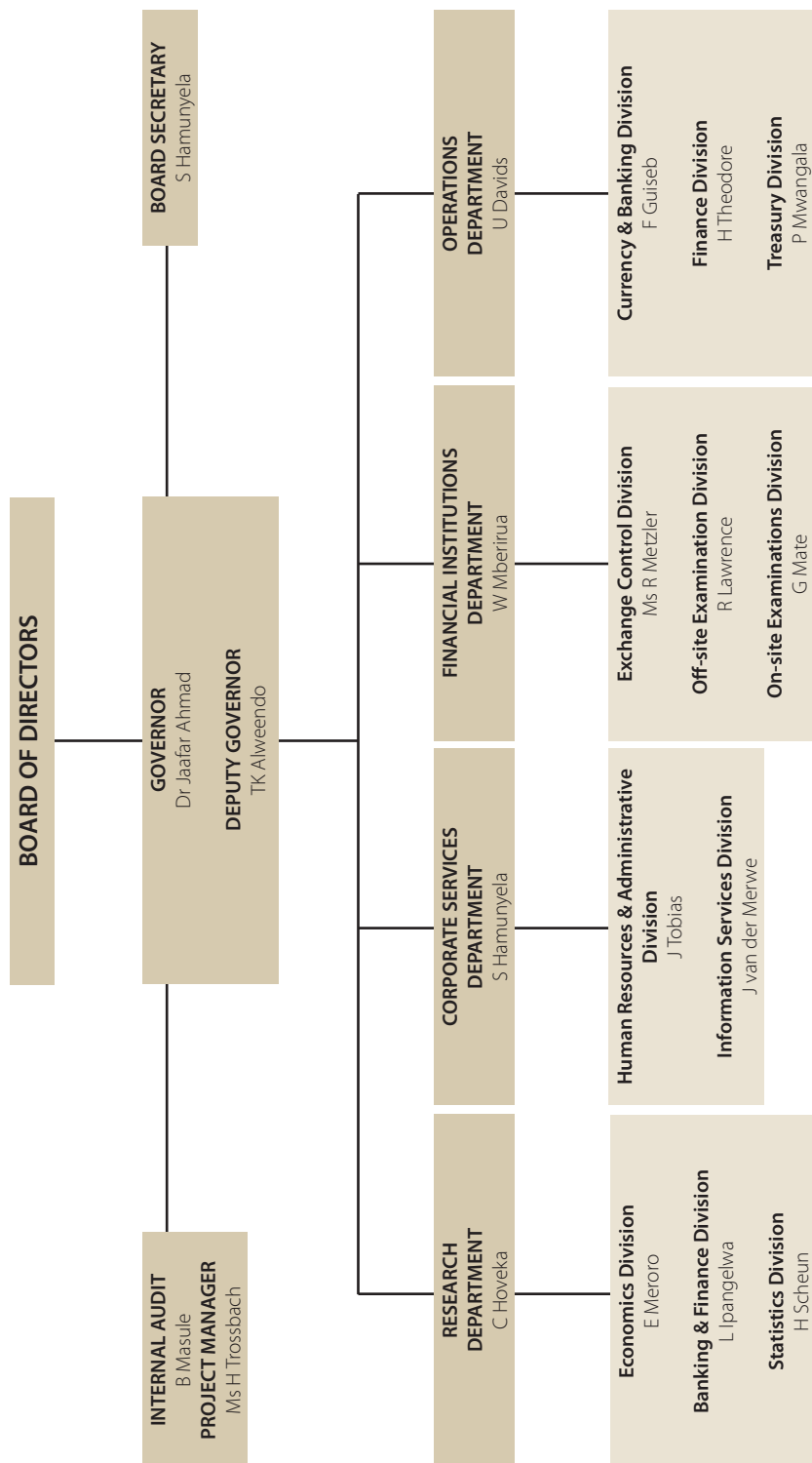
Over the past twenty years, the Bank of Namibia has grown into a well-functioning institution. The Bank's various departments have always been dynamic. From time to time they were augmented, restructured or recreated to keep up with developments in the ever-changing arena of central banking.

The following pages reflect some of the organisational changes in the Bank since its inception.

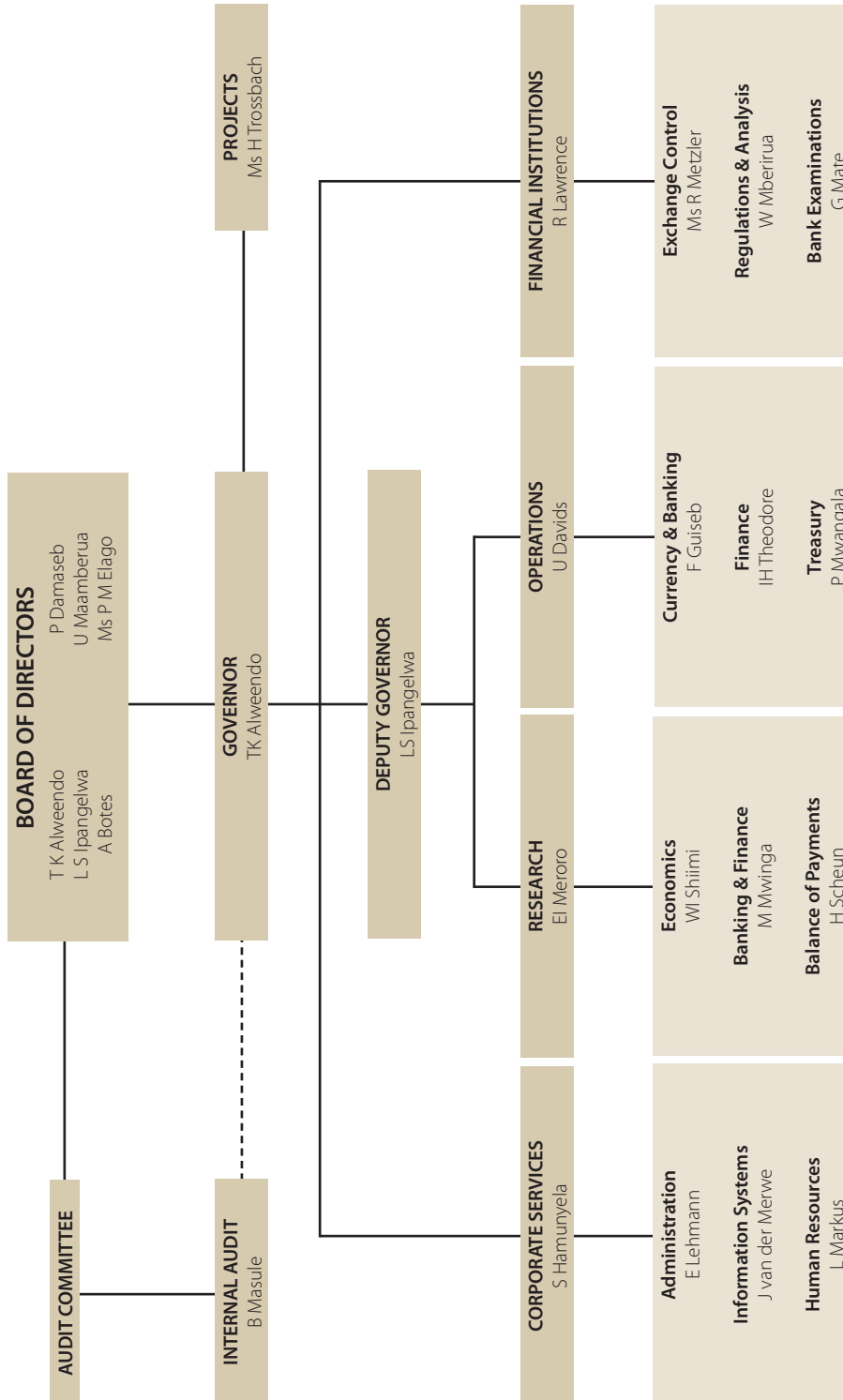
Organisational Structure 1994



Organisational Structure 1996



Organisational Structure 1997



With the implementation of the Bank of Namibia Act, 1997 (Act No. 8 of 1997) which gave the Bank more responsibilities, the management (structure) and internal organisation was restructured to enable the Bank to carry out its functions more effectively. As can be seen in the 1997 organogram, the structure of the Bank had been consolidated into four departments. The Research and Operations departments reported directly to the Deputy Governor. The Corporate Services and Financial Institutions departments, together with Internal Audit and Projects, reported directly to the Governor.

As the Banking Institutions Act, 1998 (Act No. 2 of 1998) (BIA) and the Payment System Management Act, 2003 (Act No. 18 of 2003) were passed, the structure of the Bank was further reviewed and extended. In anticipation of the enactment of the Financial Intelligence Act, 2007 (Act No. 3 of 2007) the mandate of the Bank would be amended and expanded with added responsibilities and a new senior position in the Bank was created. With the Namibian constitution only making provision for a single Deputy Governor, the position of Assistant Governor was created to assist and share the responsibility and workload. This allowed the Governor to give more attention to other responsibilities as well as international obligations, with the knowledge that if he was away Namibia's central banking business would continue without interruption.

In order for the Bank to execute its mandate, departments were created to carry out certain functions. Following hereon is an exposition of the departments - going back to 1990 - and their current functions (2010). Several of the departments did not exist initially but grew as the demand for their services arose.

In this chapter Corporate Communications provided all the group photographs of the staff members currently (2010) employed in each department.

Stop Press

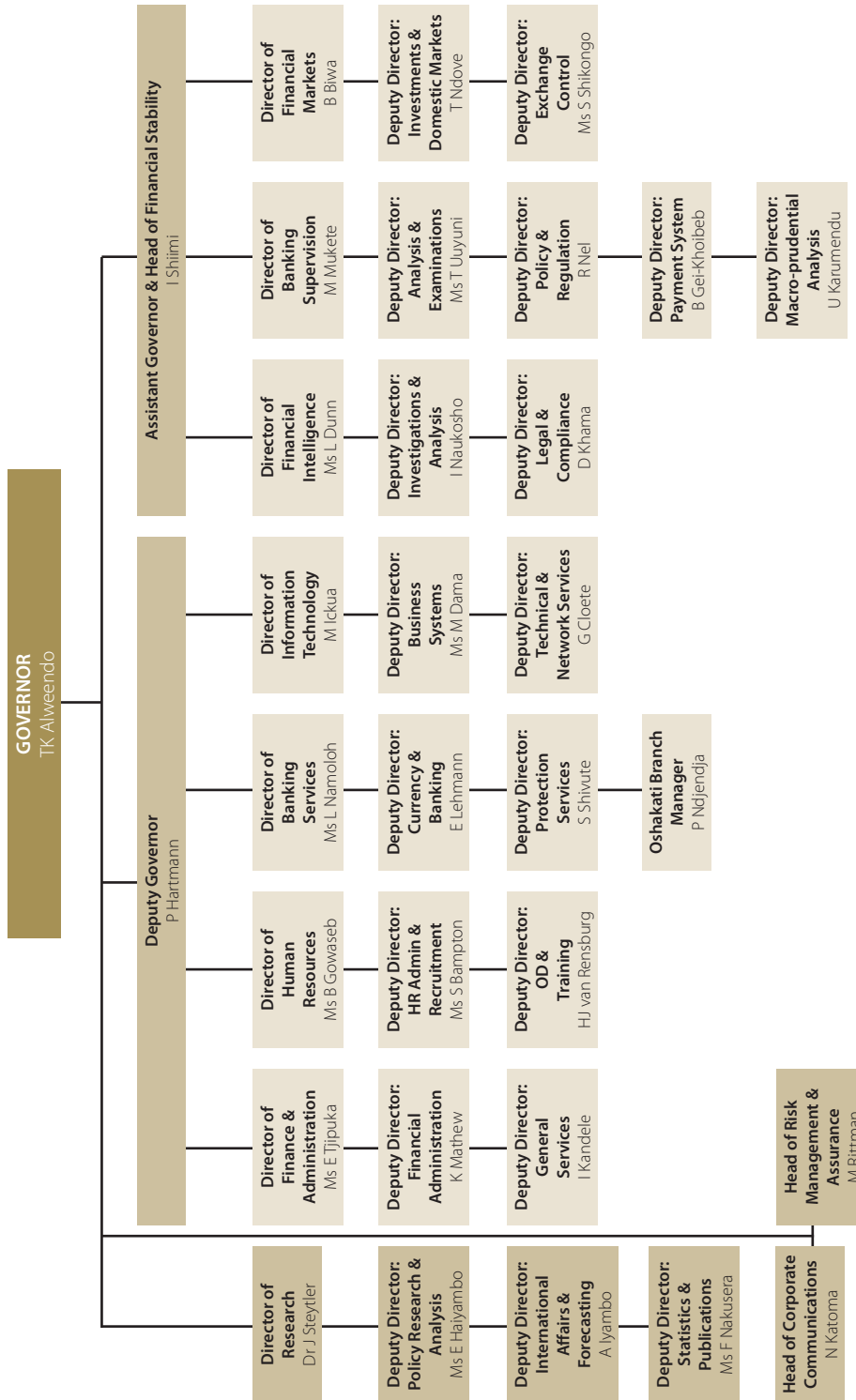
Virtually days before going to print (end March 2010)

- Governor Tom K Alweendo was appointed Director General of the National Planning Commission on 25 March 2010, and
- the Assistant Governor, Ipumbu W Shiimi was appointed Governor of the Bank of Namibia on the same day

thus only leaving enough time to make a few minor amendments and to add this paragraph.

It stands to reason that a new incumbent will be appointed as Assistant Governor. Suffice it to say that the organogram released at the beginning of March 2010 for inclusion in this publication is the structure on which Chapter 3 is based. Even though incumbents may be or have already been replaced - the structure is correct as published.

Organisational Structure 2010



Governor's Office



Back fltr: A Katjirua; Ms M Fredericks; E Tjikuzu.

Middle: Ms L Kangete; Ms A Naruseb; M Rittmann; Ms S Garises; Ms G Badmos.

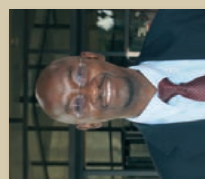
Front: Ms L Mhambi; Ms A Rathenam; Ms E Nailenge; I Shiimi, Assistant Governor; Tom K Alweendo, Governor; P Hartmann, Deputy Governor; W Shikoto; Ms I Kazimbu Mgothagulema; Ms S //Hoebes – BoN



C Simasiku



C Mlambo



N Katoma

According to the present organisational structure of the Bank, there are eight Directors assisted by nineteen Deputy Directors who are specialists in their various fields of expertise.

The Governor's Office 2010

Besides the position of Deputy Governor, a post for an Assistant Governor was created in 2006. The incumbent, as well as the Head of Corporate Communications, the Head of Risk Assessment and Assurance (previously the Chief Internal Auditor) and the Director of Research report directly to the Governor.

Corporate Communications

The Public Relations Office grew out of the Corporate Services Department and was separated from it during 1998 and from then on had to report directly to the Governor. This enabled the Governor to have more direct control over the smooth and timely dissemination of information internally and externally, both reactively and pro-actively. It further helped to create a greater

Corporate Communications



N Katoma
Head of Corporate
Communications



C Mlambo

Back fltr: Ms M Fredericks; W Shikoto; Ms A Naruseb.

Front: Ms L Kangete; Ms S //Hoebes; Ms S Garises – BoN

Risk Management and Assurance



C Simasiku



Ms L Mhambi; M Rittmann, Head of Risk Management and Assurance; Ms A Rathenam – BoN

awareness of the Bank and its monetary and economic responsibilities.

Public Relations promotes external communications between the Bank of Namibia and its stakeholders and internally between management and the Bank's staff members, while also maintaining a good rapport and relationship with the media.

Bank of Namibia Information Centre

To ensure efficiency of operation and the provision of information services that meet the needs of both internal and external stakeholders, the Bank of Namibia established the Information Centre in 1996.

In line with the Bank's strategy to develop, maintain and disseminate information and improve communication, it became necessary to replace the library's manually operated system with the In-Magic electronic system in 2005. The installation of this system enhanced the management and dissemination of the diverse information resources. It enabled the Information Centre's staff to capture, store and disseminate a variety of resources such as newspaper articles, photos, electronic and printed materials.

Risk Management and Assurance

The Internal Audit Division consists of the Internal Audit and Risk Management sections. The division's primary objective is to assist management and the Board in the effective discharge of their responsibilities with regard to the effectiveness of the Bank's risk management, control, and governance processes. It contributes significantly and fulfils its role as an independent assurance and consulting activity by providing analyses, recommendations, counsel and other information concerning the Bank's activities. The Bank has a strong control environment and top class governance processes. The risk management processes were recently revised and enforced as the Bank is striving towards having one of the finest risk management practices in the country.

Research Department



P Mushendami



Ms H Phillipus



E Uangueta



Back fltr: U Ngaujake; C Phillipus; T Tjipe; G Kadhikwa; V Ndalikokule; Ms L Hamauka; R Shilimela; M Likukela.
Middle: H Namakalu; Dr J Steytler, Director; Ms A Nainda; Ms S Haihambo; A Iyambo, Deputy Director;
 Ms E Kamundu; Ms S Haufiku; Ms F Nakusera, Deputy Director; Ms L Nghixulifwa.
Front: Ms K Samahiya; P Egeler; Ms D Mbazima; Ms A Ogidan; Ms E Haiyamba, Deputy Director;
 Ms M Iyambo; A Andreas; Ms A Landsberg; Ms J Mosiane; Ms J Kandjavera – BoN



Ms B Zaaruka



F Fleermuys



Ms F Shangula

Research Department

The mission of the Research Department is to conduct economic research and provide policy advice on relevant economic issues. The department regularly collects, compiles, analyses and forecasts various macroeconomic data. These include monetary and financial statistics, real sector data, balance of payments and fiscal data.

The objective is to constantly keep the Bank of Namibia and its stakeholders informed of all economic developments at local and international levels through research, data-gathering and information dissemination.

In 1994 the name of the department changed to that of Economic Research. In concert with the rest of the Bank of Namibia's restructuring of 1997, the department underwent another change in its organisation. The restructured Research Department then consisted of the Economics; Banking and Finance; and Balance of Payments divisions. The new structure made it possible for the department to execute its duties efficiently and the head of the department reported directly to the Deputy Governor.

The Economics and Banking and Finance divisions undertook analytical research with the intent of formulating policy in such areas as:

- money and banking;
- monetary policy;
- public finance;
- the production sector; and
- the external sector.

Currently the department consists of three divisions, namely Policy Research and Analysis; International Affairs and Forecasting; and Statistics and Publications. It is headed by a Director who reports directly to the Governor.

Policy Research and Analysis Division

This division conducts research on any related issue that may be referred to it by management and the Board. Such research is done with the aim of making appropriate recommendations that will help the Bank in formulating policy and to make decisions in respect of the economy.

The information gathered through research enables the Bank to discharge its duties in its role as advisor to government on fiscal issues, including the Medium-Term Expenditure Framework and various other internal and public documents. Other key functions of the division include the provision of policy advice on issues such as the National Development Plans, the Millennium Development Goals and Vision 2030.

Economic research is carried out in a number of spheres including fiscal and monetary policies, exchange rate, real sector and trade-related issues. It is mainly geared towards influencing policy, especially those affecting economic growth. In this regard, research papers have been shared with relevant stakeholders including the Ministry of Finance; National Planning Commission; Ministry of Agriculture, Water and Forestry; Ministry of Regional and Local Government and Housing and Rural Development; Ministry of Trade and Industry and the financial sector.



Governor Tom K Alweendo with D Anjaneyulu, former Chief Economist and head of the Research Department – BoN

In addition to research papers, the division coordinates annual symposia where participants exchange ideas on relevant economic issues. These publications are available at the Bank of Namibia's website – www.bon.com.na.

International Affairs and Forecasting Division

Broadly defined, the functions of this division are to develop, promote and coordinate the Bank's interactions with other central banks as well as regional, international and multilateral financial institutions and organisations. These include SADC, CMA, IMF, and the World Bank, amongst others. The partnership the Bank has with different regional and international institutions is central to the Bank's functions, taking into account the ever-intensifying wave of globalisation and regionalisation in which Namibia is inextricably drawn and which require stronger regional and international cooperation. (See Chapter 5 for details on the interaction of the Bank with international stakeholders)

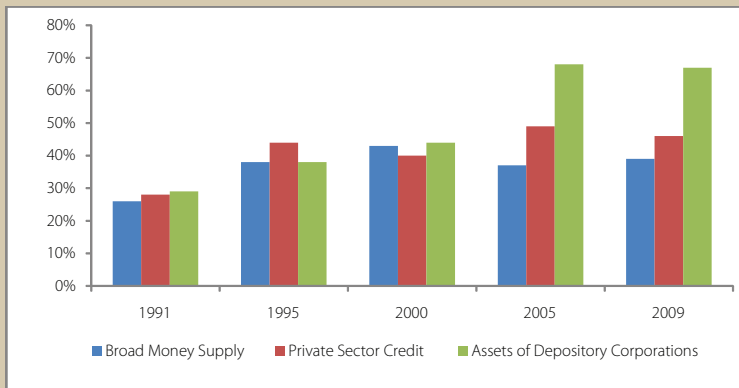
This division also does the economic modelling and forecasting for the Bank of Namibia. In this regard, two economic outlook papers are prepared twice a year with a view to project the economy over the medium-term. Short- and medium-term inflation forecasts are also produced.

Statistics and Publications Division

This division is specifically responsible for compiling, assembling and maintaining economic and financial statistics and has attained impressive achievements on the statistical front. In this regard, the Bank compiles and disseminates statistics and economic information on a regular basis through its annual reports and quarterly bulletins. Additionally the division plays a key role to

Indicators of Financial Deepening

The chart below presents the performance of the broad money supply, private sector credit and assets of depository corporations in relation to GDP, to demonstrate financial deepening in Namibia since independence. Broad money supply as a ratio of GDP increased from 26% in 1991 to record its highest level of 43% in 2000 before slowing to 39% in 2009. Private sector credit, similarly, increased to reach the high level of 49% of GDP before moderating to 46% of GDP in 2009. Assets of depository corporations as a percentage of GDP increased dramatically between 2000 and 2005 but slowed to 67% in 2009. These indicators demonstrate that there has been a remarkable deepening of the financial sector over the past 20 years.



Broad money supply, private sector credit and assets of depository corporations as a ratio of GDP

keep the Executive Committee (EC) informed about economic developments both globally and domestically. These statistics cover monetary forecasts, and financial, fiscal as well as real sector statistics on the balance of payments. Both the external and monetary and financial sector data meet international standards in terms of the classifications and dissemination practices.

Executive Management

The positions of Governor and Deputy Governor are provided for in the Constitution. The Bank's senior management team is currently made up of the Governor, the Deputy Governor, the Assistant Governor, and the Directors of the Bank's various departments.

Three other committees, namely the Executive Committee (EC), the Risk Management Committee (RMC) and the Management Committee (MC) assist the Governor in the execution of his duties to ensure that the Bank fulfils its mandate.

Executive Committee

The Bank's EC meetings are chaired by the Governor. Other members of this committee are the Deputy Governor, the Assistant Governor, and the Directors of Research, Banking Supervision and Financial Markets. The EC meets every month to consider and debate issues that have economic

policy implications and monetary policy which is made public through a media statement and conference.

Every second month, the EC deliberates on the appropriate monetary policy stance to be pursued by the Bank and these policy decisions are taken by consensus. The EC also reviews the level and adequacy of Namibia's foreign exchange reserves and their management.

Management Committee

To meet organisational, strategic and operational challenges, the Bank's MC focuses on key priorities and continuously identifies the resources necessary for achieving its objectives. The MC, therefore, plays an important role in policy formulation and implementation. It also ensures that the operations of the Bank are focused on the execution of its constitutional and legal mandates, as well as the achievement of its strategic objectives. The MC, presided over by the Governor, meets biweekly and its membership includes the Deputy Governor, Assistant Governor, all Directors, the Head of Risk Assessment and Assurance and the Head of Corporate Communications.

Risk Management Committee

As part of the Bank's code of best practice on corporate governance, the RMC implemented an effective risk management policy throughout the Bank, which enables management and staff to identify, control and monitor all forms of risk. The RMC is chaired by the Deputy Governor and considers quarterly departmental submissions to ensure that risk management and internal control efforts are adequate. A risk management report is presented to the Audit Committee on a quarterly basis and any concern regarding undue risk exposure is brought to its attention. The Audit Committee may, in turn, bring any undue risk exposure to the Board's attention and demand remedial actions to be taken to eliminate or contain that risk.

The Board of the Bank

The Bank of Namibia Act, 1990 (Act No. 8 of 1990) states that '...there shall be a Board of the Bank, in which the powers, duties and functions of the Bank shall be vested and which shall, subject to the provisions of this Act, be responsible for the policy and general administration of the Bank'.

The Bank of Namibia Act, 1997 (Act No. 15 of 1997) provides for eight members (previously six) to serve on such Board, constituted as follows: '...the Governor, who is the Chairperson of the Board (and also Chief Executive Officer of the Bank), the Deputy Governor, the Permanent Secretary of the Ministry of Finance (as an *ex officio* member), one member from the Public Service, who shall be appointed on the recommendation of the Minister of Finance and four other persons who shall be appointed by the President after consultation with the Minister. The Board Members are appointed for a five-year term, after which they may be re-appointed'.

The Board meets at least four times a year with the main purpose of overseeing and monitoring the finances, operations and policies of the Bank. Board Members have the duties that most board directors normally fulfil, but are also charged with many high-level responsibilities directly related to the policies and operations of the Bank of Namibia.



*Board Members standing fltr: P Hartmann, representative of the Ministry of Finance (until 1997), S Hamunyela (Board Secretary), Ms B Gawanas, and P Damaseb.
Seated fltr: Tom K Alweendo, Deputy Governor, Dr Jaafar Ahmad, 3rd Governor and A Botes (deceased) – BoN*



Board Members standing fltr: M Gaomab II (Board Secretary), Dr O Herrigel, R Ritter. Seated middle: P Damaseb, Ms P Elago, F Kisting. Front: L Ipangelwa (deceased), Tom K Alweendo Governor – BoN



Board Members standing fltr: Dr O Herrigel, M Gaomab II (Board Secretary), P Damaseb, U Maamberua, F Kisting. Seated: Ms P Elago, Tom K Alweendo, Governor and L Ipangelwa – BoN

The Board created two committees, namely the Audit Committee and the Remuneration Committee, both of which promote effective communication between the Board and management and report directly to the Board.

Audit Committee

The Audit Committee is responsible for evaluating the adequacy and efficiency of the Bank's corporate governance practices, including internal control systems, risk control measures, accounting standards, information systems, and auditing processes. Three non-executive Board Members currently serve as members of this committee, whose meetings are also attended by the Bank's Head of Risk Assessment and Assurance, the external auditor and relevant staff members.

Remuneration Committee

The Remuneration Committee is responsible for overseeing and coordinating the Bank's remuneration function and for ensuring that it is fair and equitable, in order to attract and retain quality staff and Board Members. This Committee has three non-executive Board Members.

First Board of Directors *(Photographs provided by BoN)*

Dr Wouter Bernard was recruited by the IMF from the Bank of the Netherlands and assisted the Bank of Namibia under the UNDP/IMF Technical Assistance Programme. He was appointed the first Governor on 16 July 1990 and served for thirteen months until 31 August 1991. The Deputy Governor was Erik Karlsson. The other Board Members were Paul Hartmann; Petrus Damaseb; John Kirkpatrick (deceased) and Ms Bience Gawanas. Emanuel Lule was Board Secretary, also with effect from that date.

*Dr WL Bernard**EL Karlsson**P W Hartmann**P Damaseb**J Kirkpatrick**Ms B Gawanas**E Lule*

Assistant Governor

Ipumbu Wendelinus Shiimi was appointed in this post when it was created in November 2006.

Board Members 1990 - 2010

P Damaseb - 1990
 Ms B Gawanas - 1990
 PW Hartmann - 1990
 JS Kirkpatrick - 1990
 AJ Botes - 1992
 Ms PM Elago - 1996
 U Maamberua - 1996
 R Ritter - 1997
 F Kisting - 1998

Dr O Herrigel - 1998
 Ms L Shapwa - 2002
 Ms T Itenge-Emvula - 2002
 C Schlettwein - 2003*
 Dr N Shivute - 2007
 Ms O Netta - 2007
 Dr O Kakujaha-Matundu - 2008
 V Malango - 2008

** Appointed Deputy Minister of Finance with effect from 19 March 2010.*

All Deputy Governors and Governors are Board Members during their period of tenure (see p 88)

The Board 2008



Standing fltr: I Shiimi, Assistant Governor and Head of Financial Stability (not a member of the Board), Dr N Shivute, Member: Audit Committee, Ms O Netta, Chairperson: Remuneration Committee, Dr O Herrigel, Board Member. Seated middle: F Kisting, Chairperson: Audit Committee, P Hartmann, Deputy Governor (MC and EC member). Front: Tom K Alweendo Governor (also MC and EC member) – BoN

The Board of the Bank of Namibia until 25 March 2010 *(Photographs provided by BoN)*



Tom K Alweendo
Governor
Appointed: 1 January 1997
Chairperson: Board



P Hartmann
Board Member since 1990
Appointed Deputy Governor
1 August 2002



Dr N Shivute
Appointed: 1 August 2007
Member: Audit Committee



F Kisting
Appointed: 14 July 1998
Chairperson: Audit Committee



Ms O Netta
Appointed: 1 February 2007
Chairperson: Remuneration
Committee



Dr Omu Kakujaha-Matundu
Appointed: 1 November 2008
Member: Remuneration Committee



C Schlettwein
Permanent Secretary: Ministry of
Finance
Appointed: 1 May 2003



V Malango
Appointed: 1 April 2008
Member: Remuneration Committee

Governors and Deputy Governors 1990 to date

Name	Nationality	Position Held	Beginning	End
Dr WL Bernard	Dutch	Governor	16/07/1990	31/08/1991
E Karlsson	Swedish	Deputy Governor	16/07/1990	31/08/1991
		Acting Governor	01/09/1991	30/04/1992
		Governor	25/11/1992	31/12/1993
Dr J Ahmad	Malaysian	Governor	01/01/1994	31/12/1996
TK Alweendo	Namibian	Deputy Governor	01/01/1993	31/12/1996
		Governor	01/01/1997	25/03/2010
IW Shiimi	Namibian	Governor	25/03/2010	To Date
LS Ipangelwa	Namibian	Deputy Governor	01/01/1997	30/07/2002
PW Hartmann	Namibian	Deputy Governor	01/08/2002	To Date



Windhoek CBD - 2002 – BB

The four departments following hereon report directly to the Deputy Governor.

Finance and Administration Department

The Administration Department which was part of the original structure of the Bank in 1990/91, fell away and was integrated into the Corporate Services Department in 1994. For the first five years Administration had been the facilitator primarily for the training and orientation programmes of personnel. It also managed the Bank's internal finances.

In 1996, Administration streamlined the Bank's asset management and procurement systems. In the same year, a number of policies were designed and complementing procedures, such as the acquisition and disposal of assets, were introduced. The organisational structure of the Administration Division was revised in 1997 to include the building management unit which was involved with the logistical planning for the building of the Bank's Head Office. Furthermore, an Information and Documentation Centre was created to meet increasing information and research needs in that year and also fell under the Corporate Services Department.



*PW Hartmann
Deputy Governor
Board; MC; and EC Member
– BoN*

A restructuring exercise was done in 1997 and the Corporate Services Department then comprised three divisions namely Administration, Human Resources and Information Services. (The latter will be dealt with when Information Technology is discussed.)

In 2000 the Corporate Services Department consisted of four divisions namely: Legal Services, Properties and General Services, Protection Services and Public Relations.

The Legal Services Division was concerned with providing sound legal advice and consultation. The Properties and General Services Division dealt with the procurement and management of the Bank of Namibia's assets as well as the provision of information through the library and documentation centre. The Protection Services Division provided for the Bank of Namibia's safety and physical security.

As in other organisations, the finance function of the Bank plays an important role in ensuring that the financial resources of the institution are efficiently utilised, safeguarded from misappropriation and managed effectively. The Finance Division as a support function of the Bank has grown over the years and still provides both financial and management accounting services for the Bank. The division was instrumental in the decision to acquire the Systems Applications and Products (SAP) accounting software that would computerise all the accounting records and thereby ensure the accuracy, completeness and safety of the Bank's financial information.

Financial Administration - which incorporated the Bank's internal finances - became a fully-fledged department in 2002.

New Premises

Within four years of the establishment of the Bank of Namibia the former SARB building could no longer adequately accommodate the staff of the central bank. It is against this background that in 1994 the Board decided to construct a new building.

The Board acquired land for the construction of new headquarters and created a building reserve account to provide funds.

After 39 months of construction the new building was completed in March 1999. It was then possible for the Bank's entire staff complement to be accommodated under the same roof. This led to enhanced coordination of various departments and an increased sense of coherence.



New Bank of Namibia building project in progress – HT



New Bank of Namibia building project in progress – HT



New Bank of Namibia building project in progress – HT



New Bank of Namibia building project in progress – HT



New Bank of Namibia building project in progress – HT



The Founding President of the Republic of Namibia, His Excellency, Dr Sam Nujoma officially inaugurated the new Bank of Namibia building on 23 June 1999. It has since become a landmark in the city and a national symbol that displays an image of confidence, stability and permanency – BoN



The Bank of Namibia (right) with the Supreme Court of Namibia in the foreground - 2002 – BB



Bank of Namibia - 2002 – BB



The former SARB building was transferred to the Namibian government in exchange for the old building (p 95) on the south side of the current Bank of Namibia premises. The government later donated the old SARB branch building to the Development Bank of Namibia - 2010 – BB



The old building on the southern side of the Bank of Namibia was originally built in 1905/06 to serve as a dwelling of the First Chief Justice and his clerk during the German era. Today it is the training centre of the Bank of Namibia - 2010 – Brenda Bravenboer



– BB

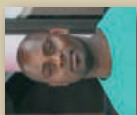
Finance and Administration Department



A Muzengwa



Ms D Mategu



D Rukero



M Khoeseb



Ms A Nashiku



M Lindombo



Back fltr: D Stephanus; I Kandele, Deputy Director; G Ishitile; Ms S Diergaardt; I Kaheuva; E Kwizi; V Buseko.

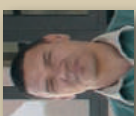
Third row: B Esau; K Mathew, Deputy Director; Ms J Lilato; Ms A Goagose; Ms A Pelema; C Lutahanezi;

Ms S Victor; D Kambinda.

Second row: Ms V Nampira; Ms A Wimmert; Ms M Sam; S Angolo; S Ndala; Ms P Herunga; V Paulus.

Front: P Joloni; P Haundjodjo; Ms T Nambinga; Ms M Fredericks; Ms R Mouton; Ms J Kaumbi;

Ms W Kaira; M Paulus; S Amadhila – BoN

Ms E Tjipuka
Director

W Hudson



P Hiskia



H Swartbooi



Ms B Gertze

After occupying its headquarters for close to nine years, a refurbishment project to renovate the interior of the Bank was embarked upon in 2008. This project was not only to further improve the Bank's security infrastructure, but also created better working conditions for the growing staff complement.

In 2010 Financial Administration became a division in the Department of Finance and Administration. The Department is currently headed by a Director and the two divisions are:

Financial Administration Division

This division deals with the Bank's internal finance and is responsible for the financial and management accounting functions of the Bank.

General Services Division

This division deals with procurement and manages the Bank of Namibia's assets, maintains the bank building and provides cleaning services.



Human Resources Department



Back ftr: E Shigweda; Ms F Nelenge; Ms S Delie; Ms S Bampton, Deputy Director;
H C Janse van Rensburg, Deputy Director.

Front: Ms J Hainghumbi; Ms L Elago; Ms T Amupolo; Ms T Moetie; Ms B Johr;
Ms B Gowaseb, Director; Ms A Akoko – BoN

Human Resources Department

With the inception of the Bank of Namibia, the Human Resource function was under the jurisdiction of the Administration Department. In 1994, it was integrated with the Corporate Services Department.

As part of the Bank's commitment to fair labour practices and the need to attract, retain and motivate quality employees, management conducted a comprehensive review of staff salary and benefit packages in 1996. The review was accompanied by the introduction of a new performance management system, aimed at ensuring high productivity and remuneration to staff, proportionate to work contribution. The Bank's total staff complement for 1996 was 160, comprising 73 females and 87 males. Throughout this period, the Human Resources function remained a part of the Corporate Services Department as a division responsible for administering staff salaries and staff loans. Amongst others, the HR division in its early days managed to become Affirmative Action compliant; strengthened the training function; and initiated career management activities as well as the bursaries scheme in 1998.

Having recognised the powerful impact of organisational culture on performance, the Bank decided to embark on an Organisational Culture Change Project in 1997. (This will be elaborated on in Chapter 4.)

Furthermore, in that year the division introduced changes to improve its staff relations and enhance transparency in its administrative procedures. The major focus was to align human resources with the strategic objectives of the Bank, actively integrating people with strategy to meet organisational needs. This was in recognition of the fact that the Bank could only achieve its goals successfully through investing in its human resources.

In 1999 the Human Resource function separated from the Corporate Services Department and embarked on the road to evolve into a fully-fledged department with its own strategic agenda. The main purpose of this department is to ensure maximum levels of productivity in the Bank of Namibia. To this end, it manages and develops human resources by ensuring that employees are equipped with the right knowledge, skills and attitudes to perform competently in their jobs. It also ensures that the employee-employer relationship is sound and healthy and that the Bank of Namibia has the right people in the right positions at the right time. In addition, human resources are developed and managed to ensure that the Bank of Namibia is able to attract, retain and motivate the best-qualified employees.

As a fully-fledged department, the Human Resources function achieved the following milestones:

- facilitated the culture change project of 1999/2000. (Nine years down the line, vision-building has become an institutionalised activity that focuses on the inculcation of the Bank's values);
- introduced the first electronic performance management system in 2001 when the policy was developed;
- received the award as the top performing department in the Bank in 2002;
- initiated the organisational development function into the department in 2002 to coordinate various organisational development initiatives such as climate surveys and upward appraisals. The upward appraisal has since evolved into a 360-degree assessment programme for management staff; established employee wellness activities successfully in 2003;
- initiated HIV/Aids awareness activities in 2004;

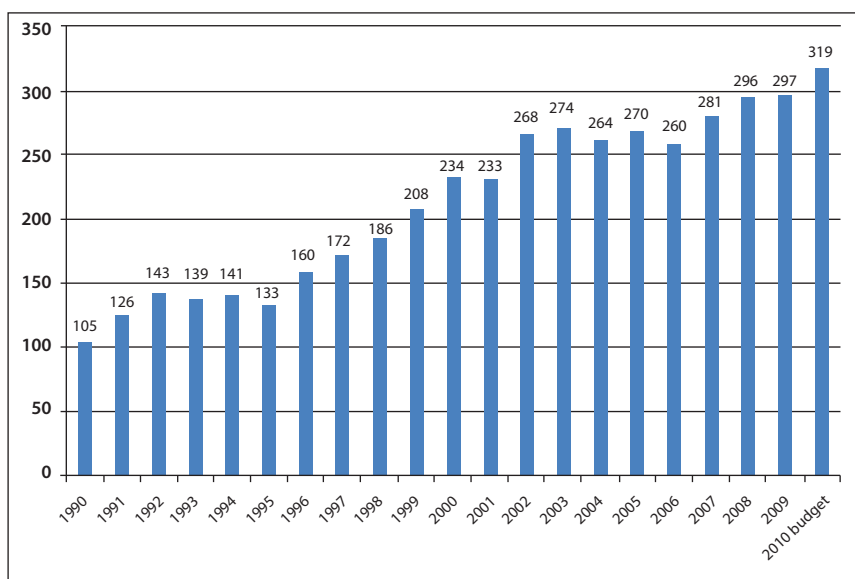
- introduced in-house training courses after the training function was expanded in 2005. Furthermore, leadership development activities were expanded to include leadership pipeline development in 2008;
- introduced the Bank of Namibia's Code of Ethics in 2005; devised various HR policies and developed them for improved regulation of HR activities;
- introduced the Bank of Namibia's PhD programme in 2008 and administers it; and
- awards bursaries annually.

Staffing at the Bank started to stabilise during 2002, mainly as the Bank was approaching organisational maturity. Of concern to the Bank at that time, was the relatively high loss of senior management staff - mainly to commercial banks. Although these losses were regrettable, it was indicative of the quality of the staff training by the Bank of Namibia.

It is so, and unfortunately so for the Bank of Namibia, that as the degree and standard of training increases, the marketability of the staff also increases. Despite this, the Bank continues to invest progressively in training and development. The Bank of Namibia remains committed to the building of the necessary capacity through continuous improvement in the areas of performance management, succession planning, training, employee wellness, and the development of a value-driven workforce and appropriate ethics.

The Department of Human Resources is headed by a Director. With effect from 1 March 2010 the department was divided into two divisions namely **Human Resources: Administration and Recruitment**; and **Organisational Development and Training**. The latter, under a Deputy Director is responsible for:

- Employment performance management
- Employee wellness
- Training
- Organisational development
- Climate surveys
- Leadership development and
- Bursary administration.



Staff complement over 20 Years



University of Namibia
Campus - 2002 – BB



Bursary recipients (2002)
with the Governor Tom K
Alweendo, various HR of-
ficials and Ms S//Hoebes
of Corporate Communi-
cations far right – BoN



P Hartmann, Deputy Governor;
Ms H Kavijene (HR) and
Ms JA Mize (HR) at the back, with
the 2003 bursary holders (who are
both now employed by the Bank of
Namibia) Ms T Ekandjo and
Ms H Fillipus in the front – BoN

Banking Services



Back fltr: Ms H Oliphant; Ms S Mannasseh; S Williams; O Unonga; J Hausiku; A Siukuta; E Muundjua; Ms L Namoloh, Director; A R Mberijandja; M Kazanga; Ms E Vaendwanawa; S Shivute, Deputy Director; B Malima; P Kanyangela; H Shaumbwako; H Holtzhausen; KL Sironko.

Middle: H S Tauno; Ms J Haundapiti; Ms I Hango; I Luanda; B U Mberirua; M Smith; M S Mbala; M lithindi; F Amakali; Ms W Musaso; Ms A S Borma; Ms E V Ngaujake; Ms M Bignaut; Ms A Ndahalele; Ms O Kazondanga; E Nembia; Ms N Katangolo; Ms M Joseph; Ms W Kazonga; Ms J Saul; Ms I Masule.

Front: Ms S Bock; C Sabuta; B Newman; A Hengari; W Nienaber; Ms P Pieters; Ms E Nailenge; Ms E Hamutenya; Ms S Shoombe; Ms N Hauliyondjaba; Ms S Newman, Ms M Mwahafa; Ms P Nikanor; N Ngadhue; Ms L Heita; Ms L Ipinge; J Kaapanda; Ms J Mwetii; Ms V T Mutumbulua; V Izaks – BoN



Ms P Kayoo



Ms EN lithere

Banking Services Department

This department provides an efficient and effective banking service to the Bank of Namibia's customers - commercial banks and the government. It has three divisions, namely Currency and Banking; Protection Services; and the Oshakati Branch. The department is headed by the Director: Banking Services.

One of the functions fulfilled by the original Operations Department (1990) was banking services of which the issuance of currency was a mandatory obligation. In 1993, Banking Services issued Namibia's national currency, the NAD, for the first time. It was at the forefront of ensuring a smooth transition from the ZAR to the NAD.

In 2003 the Bank expanded its services to the north of Namibia by constructing the state-of-the-art Oshakati branch. Through this expansion the Bank managed to effectively deliver currency management services at a reduced risk to its clients in the northern regions, while at the same time creating jobs and thus contributing to the economic development of the country.

Currency and Banking Division

This division is mainly responsible for the issuance and management of the national currency. Also, as the government's banker, it provides the necessary banking facilities for conducting government operations.

Another function of the division is the facilitation of the production of currency by printers and minters to ensure availability of good quality and sufficient currency for the market. To fulfil this function, the division introduced technical specifications for the production of banknotes and coins, modelled on those of the European Central Bank which has some of the most stringent requirements and conditions regarding the production of currency. The quality management requirements for the production of NAD banknotes prescribes to the printer the type of quality control to be applied, as well as the acceptance sampling tests and various inspections to be carried out by the supplier before, during and immediately after production.

Since the introduction of the NAD in 1993, the Bank has witnessed a steady increase in the demand and supply of currency. The number of NAD banknotes in circulation almost tripled from 9 million in 1994 to 26 million in 2008. The chart on the next page indicates the volumes over this period.

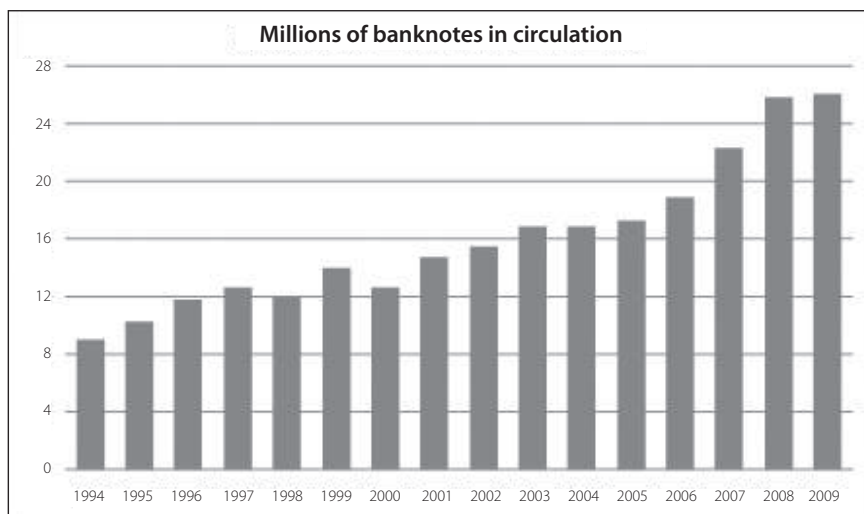
This represents an average annual growth in volume of 7.7% per annum. The growth of notes in circulation represents a major operational challenge to the Bank, as increasing volumes of notes need to be sorted according to fitness grades and reissued to commercial banks or destroyed as soon as possible.

To cope with the growing note-sorting pressure, the Bank acquired three high-speed sorting machines in the past six years. This investment resulted in a sharp decrease in unsorted banknotes held by the Bank. The machines are also able to detect counterfeits and destroy unfit banknotes on line. The output rate of these machines has enabled the Bank to process notes at a faster pace. The NAD banknotes have not been entirely immune from counterfeiting. Despite the security features embedded on the banknotes to protect them from counterfeiters, a few incidences of counterfeiting have been detected. Although this is not really a cause for concern, considering

that only 4.5 parts per million is counterfeited, the Bank has aggressively responded by the introduction of various precautionary measures.

In the first instance, the Bank entered into an MoU in 2007, with the Namibian Police regarding the handling and treatment of counterfeit currency. This understanding is guaranteed to foster cooperation and collaboration in sharing of information and combating of counterfeits. In 2008 the Bank adopted a 'Counterfeit Banknote and Coin Management Framework'. Its purpose is to provide an operational framework to regulate the receipt, detection, handling and management of NAD counterfeit banknotes and coins received by the Bank of Namibia. The framework also provides for the building of a database of counterfeit banknotes according to identified characteristics.

The framework has been extended to all commercial banks and each bank is expected to adhere to it. Finally, the Bank has embarked on the regular dissemination of information regarding counterfeits and general education on the features of the banknotes through posters, brochures and media articles. (See Chapter 2 Banking – Functions)



Protection Services Division

This division is responsible for the safety and security of the Bank's assets and personnel. For practical reasons, Protection Services was moved from the Corporate Services Department to the Banking Services Department in 2002 and continues to ensure the Bank of Namibia's safety and physical security.

The Bank regards security as a matter of high priority. To this end the Bank has invested in modern security systems, including access control and installation of Closed-Circuit Television (CCTV).

The transfer of Protection Services to the Department of Banking Services, brought about considerable development over the years. In the first instance, the functions of providing protection and security evolved from mere physical security and guarding the Bank's premises, to a more

sophisticated system where services are now centralised and managed professionally. Secondly, the surveillance is automated through state-of-the-art equipment and systems.

It has several functions namely internal investigations, vetting of prospective bank employees, conducting security awareness programmes and administration of the counterfeit management framework. To be able to execute these functions, the division has developed internal capacity through various professional security training programmes. The Bank's security systems are periodically reviewed and replaced as they become obsolete.

The division can now truly be regarded as professional and in line with the vision of the Bank of being a centre of excellence.



Oshakati Branch



J Tauya



K Golden



V Uupindi



I Nghinamupika



P Ndjendja
Branch manager



E Iita



D Nelumbu



Back fltr: D Hashipala; V Enjala; F Nekongo; H Nghifikua; A Shapumba; J Vatileni; R Kazombiaze; T Shatilwapo;
Ms L Ugwangwa; I Ashipala; A Matheus.

Middle: F Fotolela; J Imbili; R Davids; Ms F Awene; N Amadhila; H Johannes; E Bock; P Mukalele; Ms L Sinden;
Ms N Angula; L Kanana, M Ipangelwa; P Amunyele.

Front: Ms Ashikuni; Ms I Victor-Muriame; Ms M Nakangombe; P Dausab; Ms J Thomas; Ms B Jacobs; Ms A Pafewa;
Ms R Mundjanima; Ms L Elias, M Tuneeko; A Perez-Ricardo; Ms C Shikongo, F Shikalepo – BoN

Oshakati Branch 2000

To accommodate the growing economic activities in the northern part of Namibia both in terms of currency in circulation and in terms of the government's presence, the Bank, some years ago, decided to establish a fully-fledged branch in Oshakati. This was done in pursuit of creating an environment conducive to the efficient functioning of the financial system and also in support of the government's policy of decentralisation. The branch was officially inaugurated in August 2002 and the manager reports to the Director of Banking Services.

The activities of the branch mainly centre around the provision of currency and banking services for the north. Presently it handles currency operations for both NAD and ZAR that have resulted from strong economic developments in the region and vigorous trade with Angola.

To facilitate transactions it must also ensure that currency is available and adequately distributed in good time. By so doing, it promotes exchange and hence trade and development. The branch facilitates bulk deposits and withdrawals of banknotes and coins for the commercial bank branches located in the northern regions, and also recycles the currency circulating there.

In addition, notes fit for re-issue are sorted and made available to the banks on a continuous basis. Government cheques from that part of the country are processed at the branch, thus ensuring an efficient service.

In addition, the branch renders other services including the facilitation of government transactions such as the encashing of State Account cheques on which the crossing has been cancelled and handling cash withdrawals for monthly social pension payments. It also serves as a centre for the handling of ZAR due to the large volume of cross-border transactions.



Bank of Namibia Oshakati branch – BoN



On 15 July 2002 the Oshakati branch of the Bank of Namibia was officially opened by His Excellency, President Dr Sam Nujoma – BoN



Governor Tom KAlweendo's address at the official opening of the Oshakati branch – BoN

Information Technology



Back fltr: G Vink; G Cloete, Deputy Director; N Iyambo; E Hoveka; J van der Merwe.

Middle: R Gaeseb; A van Wyk; Ms E January; Ms R Lengua; Ms M Dama, Deputy Director;

Ms C Steenkamp-Bezuidenhout; J Kapitango.

Front: Ms T Ekandjo; M Ickua, Director; Ms M Towee; Ms T Pilatus; C Vleermuis; Ms M Naris; C Hochobeb – BoN



Ms L January



C K Kleintjies

Information Technology Department

This department is responsible for the provision and maintenance of information services. When the Bank was established in 1990, SIDA undertook to assist with its computerisation. The funding amounted to SEK 19.1 million, which enabled the Bank to obtain state-of-the-art information technology and made it possible for the IT Department to terminate the data processing services provided by the SARB by June 1991.

From then on, over time, the need for computerised information systems for Supervision and Exchange Control and Foreign Exchange, Office Automation Banking, Treasury Stocks System in Operations; a Balance of Payments System in Research, as well as network systems in Exchange Control and Bank Supervision was systematically addressed.

As the Bank was initially housed in four different buildings, four network systems were operational. To provide departmental managers with quick access to important data for operational control and for decision-making - irrespective of the location where data was stored - the four network systems were integrated and a corporate network system was set up towards the end of 1993. It also provided for an efficient backup and disaster recovery system.

This was followed by the development of administrative and accounting systems to replace the existing manual systems, as well as Budgetary, Purchase Order Processing, Accounts Payable, Training Records and Computer Inventory Systems which vastly improved the efficiency of processing transactions.

By taking advantage of advances in information technology, key benefits were realised for the Bank. Although the technical and financial assistance from SIDA for implementing an information systems strategy in the Bank ended in June 1993, the infrastructure had been established sufficiently for the department to continue with the provision and maintenance of information technology services for the Bank's growing needs.

By 1997 the Bank experienced a significant increase in operational efficiency through its investment in information technology. In the course of that year, electronic mail for internal communication, as well as connection to the Internet for external messaging and information transfer, was successfully installed. The Internet was also officially adopted by the Southern African Development Community (SADC) central banks as a medium for information exchange.

The Bank highlighted the need to have an integrated, flexible and responsive information system and the first phase of a Master Systems Plan was developed. It also led to the establishment of the Information Technology Division with an Information Systems Subdivision.

A review of the functions of Information Technology within the bank was necessary once again in 1998. Following the global trend, the Bank of Namibia also gave considerable attention to minimising risks in and the improvement of the National Payment System.

In 2000, the Bank centralised and integrated several of its functions into an Enterprise Resource Planning System based on SAP. While using several scattered systems in the past, more recently this process was improved with the incorporation of Treasury and Human Resource modules. Much of the Bank's hardware was consolidated in 2007, putting it at the cutting edge of the

industry by implementing a virtualised server infrastructure based on VMWare technology. The Bank of Namibia was the second institution in the country to have done so at the time.

IT solutions have also been comprehensively modernised, allowing several external institutions and the public at large to interact with the Bank of Namibia via the Bank's self-developed and self-hosted website. Data providers submit surveys via the online Research System, accountable institutions reporting suspicious transactions via goAML (anti-money laundering) managed by the FIC; and the partial supervision of banks via the online Bank Supervision Application. Finally, the Bank's IT Department forms part of the SADC IT Forum - a regional initiative that operates under supervision and guidance of the Committee of Central Bank Governors (CCBG).

From the very beginning of the Bank of Namibia's functions, Information Technology played a vital role in its operations. Currently, the department is headed by a Director: Information Technology and comprises two divisions namely:

- ***Business Systems Division*** which primarily deals with business applications; and
- ***Technical and Network Services Division***, which mainly deals with computer infrastructure and operations.



Windhoek CBD - 2002 – BB



Boardroom – BoN

The following three departments report to the Assistant Governor, who is also Head of Financial Stability.

Financial Intelligence Centre

Namibia's anti-money laundering laws, namely the Prevention of Organised Crime Act, 2004 (Act No. 29 of 2004) as amended, and the Financial Intelligence Act, 2007 (Act No. 3 of 2007) (FIA), became operational on 5 May 2009. As the Bank of Namibia was tasked with the statutory responsibility of administering the FIA, its operations as Namibia's Financial Intelligence Unit also commenced on the same date. In order to give effect to its statutory obligations under the FIA, the Bank of Namibia established a new department called the Financial Intelligence Centre. The main function of this department is to collect and analyse information on money laundering for dissemination to the law enforcement authorities. The Financial Intelligence Centre consists of the following divisions: Legal and Compliance; and Financial Investigations and Analysis divisions.



*IW Shiimi
Assistant Governor and Head of
Financial Stability
Management Committee (MC)
and Executive Committee (EC)
Member – BoN*

Investigations and Analysis Division

This division is mandated with the responsibility of receiving suspicious transaction reports pertaining to money laundering and related financial crimes, from accountable institutions, supervisory bodies, other persons and entities. The division is further tasked with the responsibility of analysing reports so received and to disseminate the resulting intelligence to local law enforcement agencies, foreign law enforcement agencies and foreign financial intelligence units, in order to combat money laundering. The division is also responsible for the continuous engagement in consultative meetings with law enforcement agencies on matters that involve financial investigations and the use of financial intelligence disseminated by the Bank. The division must ensure that the necessary memorandums of understanding are concluded with identified stakeholders to ensure the rapid exchange of information for analysis. In addition, the division must also develop reports indicating money laundering trends and typologies to enhance law enforcement efforts to combat money laundering and related financial crimes.

Legal and Compliance Division

This division monitors compliance with the provisions of the FIA by accountable institutions and supervisory bodies, takes administrative actions to address issues pertaining to non-compliance and recommends gross non-compliance for investigation and prosecution. Other functions include the blocking of financial transactions that involve money laundering and other criminal activities. The division is further tasked with the responsibility of training staff of accountable institutions and supervisory bodies on their obligations under the FIA. The division also conducts research into Namibia's international obligations as derived under applicable UN conventions and international standards, in order to advise the Anti-Money Laundering Advisory Council on the shaping of Namibia's national anti-money laundering and the combating of the financing of terrorism policies. The division further plays a major role in raising public awareness on money laundering and related financial crimes countrywide.

Banking Supervision Department



Ms E Tjonzongoro



E Nuub



Back fltr: J Kuutondokwa; J Tawana; J Amakali; U Karumendu; Ms H Asheelo; J Doeseb; Ms I Katjavivi; E Galant; V Williams.

Middle: R Nel, Deputy Director; S de Sousa; M Mukete, Director; Ms A Shinkeva; Ms L Msomi; Ms A Plaatje; A Shatona; A Matongela; I Hawanga.

Front: B Gei-Khoibeb, Deputy Director; K Kandume; S Mwiiale; G Nangula; Ms M Heitha; Ms T Uuyuni, Deputy Director; R Blaauw; Ms J Chiza; Ms J Titus – BoN



Ms A Mavenjono



G Morkel

Banking Supervision Department

With the creation of the Bank of Namibia, the Supervision Department was headed by the Registrar of Banks and Building Societies, in terms of Section 47 of the Banks Act, 1965 (Act No. 23 of 1965) and Section 77 of the Building Societies Act, 1986 (Act No. 2 of 1986).

The Registrar was responsible for the supervision of the activities of banks, building societies and other credit institutions in Namibia. Furthermore, a statutory detailed report describing the activities performed by the department had to be produced by the Registrar of Banks and Building Societies annually.

The Office of the Registrar gave further attention to strengthening its regulatory and supervisory roles when the Building Societies Act was revised. The main purpose of the amendment was to facilitate the transformation of building societies into fully-fledged banking institutions.

Major efforts were directed at re-examining and re-evaluating the adequacy and the relevance of the existing legislative framework for bank surveillance and banking industry supervision in Namibia.

The major objectives were to consolidate and improve on the experiences, gains and progress made since 1990 and to prepare the banking institutions and industry in Namibia for orderly and equitable accelerated development, growth and progress. Strategies and measures were examined to further promote domestic competition in order to foster the pricing, allocative and operational efficiency within the financial sector. To complement these strategies and measures, the prudential regulation and bank supervision approaches and practices were modernised and brought in line with international standards. This office took further initiative by consulting and soliciting the views of various parties in the evolving economic, financial and the banking systems of the country.

In 1994 the Banking Supervision Department became part of the Financial Institutions Department. During 1997 developments in banking supervision and exchange control prompted an assessment of the effectiveness of the functions of the Financial Institutions Department. According to the findings, the increasing demands coupled with the mounting responsibilities placed on the Bank for it to carry out its role as an effective supervisory authority, made it necessary that the department be restructured again. Consequently, the bank supervision and exchange control functions, which previously made up part of the Financial Institutions Department, were separated.

It was now better equipped in terms of structure and staffing to focus on the challenges and issues accompanying the introduction of the Banking Institutions Act, 1998 (Act No.2 of 1998) (BIA). The organisation of the other divisions in that department namely Regulations and Analysis Division and Bank Examinations Division, were not affected by this restructuring. Later on these two divisions were renamed and now form part of the Banking Supervision Department.

Today (2010) the Payment System Division is part of the Banking Supervision Department while Exchange Control is under the jurisdiction of the Financial Markets Department.

One of the main objectives of the Bank is to promote and maintain financial stability as it contributes to a healthy economy and sustainable growth. The Bank discharges the responsibility for promoting a vigorous and efficient financial system by preserving the soundness of the banking sector and the robustness of the financial infrastructure to withstand adverse economic cycles and shocks. This prevents inordinate disruptions to the intermediation process and maintains confidence in the financial system. This is primarily achieved through the regulation and supervision of the licensed financial institutions, by ensuring the continued reliability of major payment and settlement systems, and actively contributing to the development of efficient financial markets.

The Bank made far-reaching efforts towards the adoption of international best practices in the regulatory landscape of banks, and reflected some boldness in the measures adopted over the years.

The promulgation of the BIA in 1998, paved the way for a more robust legal and regulatory framework for the banking sector. This legislative framework, supported by a set of resolute by-laws, allowed for strong prudential measures for banks in the local financial system. Amid the recent financial crises, where many countries were required to come up with extraordinary responses, the regulatory framework withstood the tidal waves of the calamity and consequently earned the country a good international ranking. According to the World Economic Forum, the Namibian banking sector is ranked 7th in the world in terms of enforcement of sound prudential standards. The prudential framework is regularly reviewed and updated to adapt to changing market realities and takes into account developments in international standards and guidance issued by the Basel Committee on Banking Supervision.

More recently, the Bank implemented the International Basel II Capital Adequacy Framework for Banks, aimed at strengthening the domestic regulatory practices and by-laws prescribed by the Basel Committee on Banking Supervision. This is definitely a major achievement and makes Namibia the third country in Africa to have implemented this internationally recognised regulatory framework.

As of 2010, the Banking Supervision Department comprises four divisions namely Analysis and Examinations; Policy and Regulations; Payment System; and Macro-Prudential Analysis.

Analysis and Examination Division

Commercial banks are institutions where individuals, private businesses and public institutions store their money (referred to as deposits). Not only do banks keep the public's money, they also provide money by giving loans. This suggests that commercial banks are important to the economy and therefore need to be supervised to ensure that they adhere to the rules and that they continue operating so that account holders are able to access their money.

Looking after banks is the role played by the Analysis and Examinations Division through the conducting of on-site examinations and continuous off-site monitoring. Banks, as a result, are required to submit specific information on a regular basis which the division analyses and interprets to see whether they are profitable; that loans are repaid as agreed; and whether they have sufficient cash to cover all possible withdrawals.

The division does not only focus on information submitted by banks, but the accuracy of such information also needs to be verified. This is why on-site examinations are conducted. A team of

examiners is sent to a bank to check information submitted; to assess whether or not the bank management is able to identify key risks that they are exposed to, and that they make use of systems to appropriately manage them. The team discusses with management any new initiatives or new risks that the bank is or may be exposed to. The division then compiles a list of weaknesses and makes recommendations for appropriate supervisory action to be taken to ensure that all such weaknesses are addressed within a reasonable time.

Policy and Regulations Division

Overall, this division is responsible for preparing and initiating new banking laws, and to provide guidance on the understanding of those specific rules and regulations prescribed by law.

On a daily basis, this division does research on matters that affect banks in the country and internationally. At the same time it carries out detailed analyses and inquiries on new license applicants wanting to open banks or building societies in Namibia. Moreover, the division attends to enquiries from the banking industry and the general public on issues ranging from pyramid schemes, to the interpretation of applicable rules and regulations.

Payment System Division

The division is responsible for promoting a safe and efficient payment system in Namibia, where payments are carried out quickly, securely and cost-effectively. Through its oversight function, the division ensures that payment systems used by banks to clear and settle the daily payments of consumers and businesses, such as transactions via Electronic Funds Transfer, ATMs or Point-of-Sale terminals, are safe. Malfunctioning payment systems or products may disrupt payments and undermine public confidence.

It is also the function of the division to facilitate payments between commercial banks in Namibia. Through the Namibian Interbank Settlement System (NISS), the Bank provides a secure, robust and efficient settlement mechanism to facilitate interbank funds transfers.

Macro-Prudential Analysis Division

A stable and reliable financial system is an important prerequisite for price stability and strong economic activity in general. Sound economic policies create overall social stability. Banking crises and other serious disruptions affecting the operation of the financial system lead to high costs across economic sectors. Of key concern is therefore to identify and minimise in advance any major risks that may endanger financial stability.

It is the function of this division to perform overall surveillance and analysis of the financial system (macro-prudential analysis). The aim is to analyse the effects that economic developments in general have on the financial sector. Particular emphasis is laid on examining the resilience of financial markets to various shocks. Links between financial market participants are of vital importance from the perspective of stability. Analyses are therefore undertaken to identify emerging threats to financial stability. Such analyses seek to combine quantitative and qualitative information. The overall financial stability assessment is presented to the public on a biannual basis in the Financial Stability Report.

National Payment System Reform

The National Payment System (NPS) reform project started in 2001. This included the Namibian Interbank Settlement System (NISS) which was implemented in 2002 to facilitate the settlement of Namibian interbank transactions. During the same year, the four commercial banks in conjunction with the Bank of Namibia, established the payment clearing house called Namclear.

The first initiative of Namclear was to implement the Electronic Funds Transfer (EFT) System in 2004 for the clearing of all domestic EFT transactions. The cheque processing system was then rolled out in 2005 for clearing of domestic cheque transactions. This was a year before the Payment Association of Namibia was established to govern and manage certain aspects of the NPS.

Also of significance is the reduction of the cheque clearing cycle. This cycle was reduced to five days, nationally, from 1 April 2008. This means that upon depositing a cheque, banking customers will have access to the funds in their bank accounts within five working days anywhere in Namibia. This is a major achievement because the clearing cycle used to vary from 7 to 21 days in the past.

To complete this part of the reform process, the last phase was to implement the local switch called NAMSWITCH, which enabled all Namibian Interbank Automated Teller Machine (ATM) and credit card transactions to be switched locally and settled in NISS from April 2008 too. The Point-of-Sale terminals card transactions switched locally and settled in NISS from November 2008.

The Bank issued a Banking Institution Determination, which required all banking institutions in Namibia to localise their core banking systems by the end of 2009. This initiative was necessary because three of the four banking institutions in Namibia are subsidiaries of South African parent companies, thus they share the same technical platforms which put higher dependence on that country's resilience to avoid technical and business disruptions. Therefore, localisation of the core banking system would not only facilitate access by the Bank to financial records, but would also contribute to the efficiency and safety of the NPS and support effective payment system oversight and robust banking supervision.

Banking Supervision

The Banking Supervision Department of the Bank of Namibia is responsible for the supervision of the commercial banks and building societies in Namibia.

Building Societies - Post Independence

Although there are no building societies in Namibia today, the South West African Building Society (Swabou) and Namib Building Society were both active for a few years after independence.

Swabou

When Swabou applied for a bank license under the Banks Act, 1965, the Office of the Registrar was obliged to create new legislation. The Building Societies Amendment Act, 1994 (Act No. 25 of 1994) was subsequently promulgated. The main purpose of the amendment was to facilitate the transformation of building societies into fully-fledged banking institutions. (See FNB p 122 for its further history)

Namib Building Society

The Namib Building Society (N.B.S.) Development Company (Pty) Ltd was established in Namibia on 21 November 1990 and in 1996 merged with Capricorn Investment Holdings (CIH). On 10 February 1997 it became known as Namib Bou (Pty) Ltd. From then on this building society in the true sense ceased to exist but Namib Bou became the facilitator between the local authorities and financial institutions (banks) to ensure that sufficient housing stock is created over the long-term, in order to address the housing backlog in Namibia.

Banks - Post Independence

Following hereon, the post independence development history (1990-2010) of the four commercial banks is individually described. They are:

- Bank Windhoek;
- First National Bank;
- Nedbank; and
- Standard Bank.

Bank Windhoek

In an effort to rationalise the banking services in Namibia, Bank Windhoek amalgamated with the local branches of Trust Bank (SWA) Limited and Boland Bank Limited in 1990.

In September 1996, Bank Windhoek established an investment holding company, namely Capricorn Investment Holdings Limited to fulfill that role for this diversified financial services group. ABSA, one of the largest financial services groups in South Africa, held a minority stake of 34.4% in CIH. The group's Namibian banking interest, Bank Windhoek, however, remains its flagship. In that same year (1996) the N.B.S. Development Company was merged with the CIH group.

Bank Windhoek's holding company, CIH, became one of the forerunners in Black Economic Empowerment (BEE) in 2003, when it concluded an empowerment transaction with Nam-mic Financial Services Holdings.

On 8 November 2006, Namibian shareholders acquired the ABSA stake in CIH. This resulted in CIH and Bank Windhoek becoming 100% owned by Namibian shareholders.

Bank Windhoek has 50 Branches and Agencies, an ATM network of 84 and 153 Cash Express machines (total 237) and employs 1 240 personnel across the country.



Bank Windhoek Ausspannplatz - 2010 – BB

First National Bank of Namibia

First National Bank (FNB) of Namibia, which was established in 1988, was the Namibian subsidiary of First National Bank of South Africa. In 1994, a licence under the Banks Act 1965 was granted to the City Savings and Investment Bank Ltd (CSIB) and the City Savings and Investment Bank Holdings Ltd as a bank and a bank holding company respectively. The registration of the new bank brought the number of banks operating in Namibia to five. This bank was taken over by Swabou in April 2002.

FNB Namibia was listed on the Stock Exchange in 1997. As a result of the merger between FNB Namibia Ltd and Swabou Holdings, FNB Namibia Holdings Ltd was established in June 2003.

During December 2004, a Black Economic Empowerment (BEE) transaction was concluded which resulted in Namibian investors owning almost 45% of FNB Namibia Holdings Ltd.

In light of the fact that FNB took over the Deutsche-Afrika Bank (established in 1907) FNB celebrated a century of banking in Namibia in June 2007.

FNB Namibia, a subsidiary of FNB Namibia Holdings Ltd, has its Head Office in Windhoek. The bank's network includes 32 full branches, 9 sub-branches, 8 agencies and 142 ATMs.



Nedbank

Out of the Netherlands Bank and Credit Society, this bank opened as the Bank of South West Africa (Swabank) in 1973 and has since had three major name changes: from Swabank to Bank of Namibia Limited (1989), and then to Commercial Bank of Namibia (1990).

With shareholdings in both the Namibian Banking Corporation and the Commercial Bank of Namibia, the Nedcor group in 1993 merged these two entities and Nedbank Namibia Ltd, become a shareholder. The new entity continued to trade as the Commercial Bank of Namibia.

Nedbank increased its interest in Nedbank Namibia Ltd from 47.3% to 93.26% in 2003 when it bought out the remaining European shareholders in a deal worth N\$229 million.

On 27 October 2004 the Commercial Bank of Namibia officially changed its name to Nedbank Namibia, reflecting the identity of the major shareholder, Nedbank Limited. The bank then went on to conclude a Black Economic Empowerment transaction in Namibia in 2006.



Nedbank Corporate Service Centre – Nedbank

In 2007 the Nedbank Group Limited became the sole shareholder of Nednamibia Holdings Limited and minority shareholders could exchange their Nednamibia Holdings shares for either Nedbank Group Limited shares or cash. It has over 500 staff members in 20 branches and a corporate service centre.

Standard Bank

Standard Bank opened its first branch in Lüderitz on 19 August 1915 and shortly after that in Swakopmund and Windhoek and has been in Namibia ever since. During 1990 Standard Bank South West Africa Limited became Standard Bank Namibia Limited and in 2005 Standard Bank celebrated 90 years of banking history in Namibia.

From humble beginnings with three branches, a fully fledged bank emerged. Today, Standard Bank has 22 branches, 17 service centres and 115 ATMs throughout the country.



Standard Bank Ausspannplatz branch - 2002 – BB

Financial Markets Department



Ms R Hansen



Ms M Taljaard



Ms S Kagogo



T Ndove
Deputy Director



Back fltr: V Louw; E Kahee; N Mupetami; M Ashikoto; B Biwa, Director.

Middle: Ms M Sankasi; T Karamata; Ms M Nepembe; Ms L//Hoeses; Ms N Hamunyela; I Tijhoreko.

Front: Ms C Isaacks; Ms S N Shikongo, Deputy Director; Ms O Bock; Ms Ngaujake; Ms H Simataa;

Ms S Mukumangeni- Kashaka, M Kandingua – BoN



M Husselmann



H Hamata



Ms E Kandetu

Financial Markets Department

The Financial Markets Department manages the Bank of Namibia's official international reserves, buys and sells foreign exchange for the Bank's account for and on behalf of the government, and carries out the Bank of Namibia's agency function as the issuer and manager of government securities. Besides these roles, the department assists in developing the local money and capital markets, develops a reliable pool of financial market skills for utilisation in the local market and facilitates the extension of credit to commercial banks. This department is also responsible for exchange control on behalf of the Ministry of Finance.

In 1994 one of its current functions, namely foreign reserve management (Treasury) was performed by the Operations Department, and another, the exchange control function, was handled by the Financial Institutions Department. By 2010 the Financial Markets Department had the following divisions: Treasury Operations; Investment and Domestic Markets; and Exchange Control.

Treasury Operations Division

In 1990 the Treasury Division was part of the Operations Department and was responsible for the management of the Treasury including Reserve Management, Foreign Exchange Dealings and Money Market Operations. Capacity building was the division's main focus and was considered a priority. To encourage development of a local money market, the issuance of Treasury Bills on a monthly basis was introduced in May 1991, after which the Bank also started issuing bonds.

The Operations Department retained its responsibilities for Currency and Banking, Treasury and Finance until January 1998, when the Treasury Division began operating as an independent unit. The Treasury Division was later incorporated into the Financial Markets Department.

The Treasury Division now carries out the following duties:

- Ensures that comprehensive risk identification, measurement, monitoring and reporting is in line with best international practices.
- Provides assurance to management that the legislation, policies and guidelines pertaining to foreign investments are adhered to.

Investments and Domestic Markets Division

This division is responsible for the following:

- Manages the investment of the official foreign reserves within the parameters set by the Bank of Namibia Act, the Investment Policy and the Front-office Guidelines.
- Deals in foreign exchange for the account of the Bank and for customer accounts.
- Deals in the international money and capital market to invest or realign foreign reserves and for investing funds for external clients, typically government.
- Provides advice on debt management/foreign loan acquisitions.
- Helps to develop the local money and capital markets and initiates market development ideas.
- Carries out the agency functions of the Bank as issuer and manager of domestic government securities.
- Carries out monetary policy-related directives.
- Formulates and reviews liquidity management policies and framework and implements these policies.
- Formulates policy for credit extensions to commercial banks.



The Windhoek CBD 2002 – BB

Exchange Control Division

In terms of the Bilateral Monetary Agreement (BMA), the Exchange Control Policy of Namibia had to be consistent with that of the Common Monetary Area (CMA). Thus, a BMA between the Namibian and South African governments - linked to the Multilateral Monetary Agreement (MMA) - was agreed upon, subsequently signed and came into effect.

The BMA would permit the Bank of Namibia to fulfil all the ordinary central bank functions. However, the ZAR would remain legal tender in Namibia and would limit the Bank's ability to perform these functions.

The main function of the Exchange Control Division is to regulate the use of foreign exchange by Namibian residents. As pointed out earlier, this function was delegated to the Bank of Namibia by the Ministry of Finance.

CHAPTER 4

The Bank of Namibia has a unique organisational culture and personality. This chapter portrays the culture of the Bank by addressing topics such as the corporate charter, culture change project and organisational practices. Some staff members employed by the Bank since independence were interviewed in order to get a better understanding of the various developments at the Bank.

Culture and Personality of the Bank of Namibia

The Bank of Namibia endeavours to build and develop a corporate culture and a brand identity of confidence and authenticity, enabling the Bank to carry out its central banking mandate. As regulator of commercial banks in Namibia, it also participates regionally and internationally in the economic discourse of modern financial and central banking. Through the years, the Bank has experienced many events that shaped and influenced its current organisational structure and corporate culture. This section outlines the cultural evolution and personality of the Bank over the years. These factors have contributed to strong public confidence in the Bank as it strives towards becoming a centre of excellence.

Different people ascribe different meanings to the words 'personality' and 'culture'. In the present context, the word 'personality' refers to the brand identity of the Bank of Namibia, and the word 'culture' refers to patterns of learned experiences that mark the collective thinking and organisation of the Bank. These have been acquired over time and have helped to solve the various challenges faced by the Bank through the practices of external adaptation and internal integration. Experience thus gained continues to influence the culture of the Bank. Amongst others, topics such as the corporate charter, culture change and organisation at the Bank, provide insight into its current culture and identity as a leading corporate institution in Namibia.

Evolution of a Culture Mosaic

The Bank of Namibia has come a long way in its identity formation and culture and has discovered both positive and negative elements *en route*. Initially the Bank merely took over the activities performed by the SARB branch in the then SWA. The organisational culture of the branch reflected the political realities of the day, namely apartheid and segregation. Not only was the organisation internally divided along ethnic and racial lines, but the culture also displayed a bureaucratic, paternalistic and ethnic philosophy.

A domineering attitude promoted the illusion that the more powerful always knew what was good for the less powerful, and freedom and responsibility had to be controlled by 'well-meaning' regulations and policies. The branch was subject to organisational rules and procedures and functioned in the socio-economic realities of a colonised Namibian society that was managed and governed by South African systems and directives.

However, in 1990 Namibia gained political independence from the colonial dispensation and a transformation of society as a whole was set in motion. First of all, there was a need for radical transformation and adaptation to the new socio-economic realities of an independent Namibia, and it was realised that the new entity had to develop into a fully functional central bank in order to carry out the complete range of central banking functions in the country with its own policies and regulations. Consequently, steps were taken to create a fully-fledged central bank in Namibia.

The first Governor of the Bank of Namibia was Dr WL Bernard from the Netherlands who occupied the position from 16 July 1990 to 31 August 1991 - just over a year. His orientation was to introduce a break with the apartheid past and to assist in setting up the newly founded central bank in the more congenial environment of a politically independent Namibia. As the first leader of the newly founded institution, his approach impacted and contributed to the cultural paradigm shift for years to come. During his tenure, the culture of the Bank developed a more positive outlook toward younger people and black Namibians, and it can be said that a generation of more uniform generalist-employees populated the ranks of the establishment.

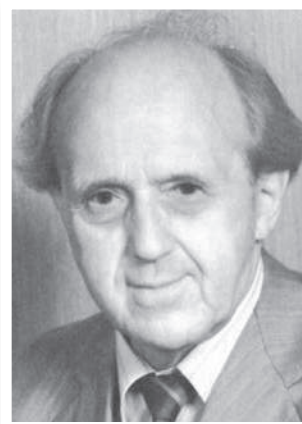
At the newly founded Bank, everybody's opinion counted and was respected. Yet, a philosophy of individualism continued to hold sway in the organisation where a premium was placed on the values of self-identity formation amidst a loosely knit organisational framework. The new Bank did not initially have a formalised corporate charter and corporate values. Employees executed their functions by a code of conduct and set of rules that required an individual ethic of compliance. The values system of the Bank then emphasised individual initiative. However, things changed fast and after thirteen months, a new Governor was appointed.

The second Governor who made an impact on the cultural paradigm of the Bank of Namibia was EL Karlsson from Sweden. He headed the institution from 1 September 1991 to 31 December 1993. During his tenure, the leadership orientation still was to focus outwardly and to enhance the external adaptation of the new central bank to the socio-economic realities of an independent Namibia and for the Bank to develop an international profile.

The western philosophy of individualism continued to prevail in the organisation and the emphasis on individual effort and decision-making continued to mar the trust and value system of the Bank. Strangely, the philosophy of individualism fostered a paradoxical interdependence among the various personalities in the Bank and this gave rise to a period of conflict and discontent among employees. Staff members tended to develop strong feelings about own worth on own turf, and paradoxically came to depend on conflict to resolve differences. During those early days, 'good friends' often clashed at meetings, where ironically politics of back-biting and altercations were sometimes predominant.



Dr WL Bernard – BoN



EL Karlsson – BoN

In time, the tightly-knit and closed organisational framework of 'fighting friends' gave rise to an organisational climate of uncertainty, and it was during this period that the Bank of Namibia Staff Association (BONSA) was formed. This was in response to the ongoing conflict, guarded and closed communication and diminishing cooperation among the various levels of workers. The objective was to promote solidarity among staff.

Although leadership of the Bank contributed to the external adaptation of the newly founded central bank, internal integration and alignment continued to be lacking.



Dr J Ahmad – BoN

Karlsson was succeeded by Dr J Ahmad as Governor of the Bank of Namibia from 1 January 1994 to 31 December 1996. Again, the culture of the Bank seemed to be externally focused and good external and international cooperation continued to be the claim to fame of the Bank.

However, the cultural paradigm that evolved during the tenure of Dr Ahmad was one of distance and shallow internal culture and alignment. This meant that the internal culture of the Bank stultified in a tight, slow-moving bureaucratic procedural style with emphasis on hierarchy, silos, status difference and a power struggle. An 'us-versus-them' mentality developed between subordinates and superiors, and employees complained about the absence of leadership. They referred to it as 'leadership from a distance'. Instead of forming a cooperating chain, these silos were competing with one another.

The organisational hierarchy favoured those in power to become more powerful and this was used as a tool to manage performance. Instead of effective performance management, employees were 'blamed-and-shamed' to improve their performance. Also, it was during this period that the Bank developed a strong grapevine culture, because management was considered absent, and the grapevine was viewed by employees as the most reliable way to obtain information.

However, this does not suggest that the first three Governors did little to shape activities of the Bank. To the contrary, they worked hard to ensure that a strong institution which would effectively play its role in the domestic and international arena was firmly established.

The Focus of the First Three Governors of the Bank of Namibia

Even before Namibia gained its independence, SWAPO used the guidelines offered by the UN Institute for Namibia in their publication 'Namibia: Perspective of National Reconciliation and Development' as a reference with regard to issues of national development and the establishment of institutions.

To get an idea of the financial cost and the personnel requirement for the running of a central bank as well as the tentative timeframe of how long it would take, the Institute used the experience gained from Botswana when it established its central bank.

The Institute recommended that certain criteria be met in respect of the appointment of staff in key positions. While it was expected that persons with financial experience in government, parastatals or banking - preferably with both a technical and financial background - were to be appointed, it was considered necessary that at least one of the governors should have experience of central banking at a senior level. Furthermore, a board of directors, which comprised representatives of the government and other influential persons had to be appointed. It also went on to point out that initially, Namibia could consider approaching friendly countries and international organisations for assistance in the recruitment of technical staff for the central bank.

When independence became imminent, SWAPO approached SIDA who became involved and did the preliminary groundwork. With independence, the IMF and the UNDP also stepped into Namibia's banking arena. The new government took the Institute's advice and approached the IMF for assistance and appointed an expert banker in their employ, as the first Governor.

After independence, the Ministry of Finance and the Governor of the Bank of Namibia worked closely together on drafting relevant legislation for the creation of a central bank and the issue of currency. Once it was put in place, the newly established institution could commence performing the traditional central banking activities as well as its developmental functions. The Governors, because of their expertise, were appointed and responsible for:

- assisting the government, in pursuance of its own independent economic and financial policy, to have full monetary control over its economy;
- discussing and formulating the functions of the Bank and its various departments and once these were agreed upon, they were incorporated into the staff's job descriptions;
- appointing staff and dealing with other staff-related matters;
- promoting of credit and exchange conditions which were conducive to rapid economical growth;
- opening bank accounts with other central and commercial banks in major financial centres to enable Namibia to transact with foreign businesses and invest its foreign exchange reserves;
- creating key departments such as exchange control, currency, inspection operations, research, training and audit - and the departments expanded as the need arose.

Furthermore, the first three Governors worked hard for the Bank of Namibia to carve out a name for itself internationally. They fought not only outwardly to obtain good external and

international cooperation and the development of an international profile, but also locally for the enhancement of the external adaptation of the new central bank to the socio-economic realities of an independent Namibia.

Given the above, it can be seen that for the first six years the Governors were occupied with a multitude of tasks - all of which they had to complete within a limited time.

Therefore, the first three Governors may not have occupied themselves with the development of the internal culture of the Bank, but they indelibly left their mark in its shaping and collectively left a legacy for the Namibian nation.

Dealing with Challenges

Fortunately, the Bank did not stagnate and a need for culture change developed. The need specifically was to improve internal alignment and integration and to balance this with external adaptation with the view to create an organisational culture and brand identity of confidence and authenticity. There was a need to build a culture of professionalism and steer the organisation toward excellence. There was also a need to take stock of the lessons learned in the past and to embrace transformation, change and the practices of change management, alignment and integration.

In the mid-1990s, the entire central banking industry realised that it would have to change as the world started to embrace transparency and openness. As early as 1996, the Bank of Namibia reflected introspectively on its culture. Employees were encouraged to ask themselves how best they could achieve the mandate and strategic objectives of the Bank and how they could, with vigour, be the best at what they did. The Bank embarked on a process of self-examination, and the vision was conceived to embrace transformational change toward becoming a centre of excellence. To this end, an internal cultural and climate audit was initiated.



Culture change festival – BoN

Based on the results of the culture audit it was decided to implement a Culture Change Project. Issues such as improved internal integration and alignment were highlighted in the climate audit. Issues that required attention included the need for good performance management, relationship building, leadership development, internal structuring, openness, professionalism and facing the future.



Culture change festival – BoN

The corporate charter, mission, vision and desired values were crafted to facilitate transformation and to chart a balanced course of progress - balancing the need for external adaptation with the internal need for alignment and integration and security motivation (care) with achievement motivation (performance driven).

The reigns of the Bank were taken over by Tom K Alweendo in January 1997 when he became the fourth Governor of the Bank of Namibia. He not only supported the project of culture change, but as a long-standing employee of the Bank, he was well-positioned to affect the culture change project and to chart a balanced course for the organisation. He brought a good measure of stability and progress with his extended tenure as Governor of the Bank. Furthermore, as Namibians, the leadership cadre had a good understanding of local traditions, the history of the Bank and deep insight of the desired outcome of internal integration balanced with external adaptation to be achieved with the culture change project. The culture change project was called the 'Eagle 2000' project, because it was envisioned to achieve the challenge of transformational change by the year 2000, and to bring forward in the Bank, a collective consciousness of the mission, vision and values of the Bank. It is metaphorical, likening the Bank to an eagle who has an excellent vision and is well-adapted for survival.

For a period of eighteen months all levels of work were audited and staff went through a facilitation process to acquaint themselves with the newly articulated corporate charter and the vision of 'Eagle 2000'. The project was very successful because it diminished and impacted on the historical burden that the employees had carried with them, namely individualism, increased power distances, bureaucracy and an active grapevine. Also, the culture change project resulted in improved relationships with all stakeholders - internally and externally. It developed sound internal policies and procedures to facilitate, coordinate and motivate internal alignment and integration. Furthermore, it created a coherence of mind and purpose and promoted a collective consciousness of what had to be achieved.

After 2000 the project continued informally and became part of the ongoing organisational practices of the Bank, i.e. vision building and performance management. Whereas the 'Eagle 2000' project could be described as a once-off episodic change project to diminish the undesired practices of the past, the Bank renamed the 'Eagle 2000' project 'Oumwano uo nguvi' to ensure continuous integration, adaptation and alignment at the Bank in the face of new external challenges that may arise. 'Oumwano uo nguvi' is a Herero phrase which means 'Eagle Way'. Furthermore, the culture change project endeavoured to entrench a more balanced organisational culture. It encapsulated the values of 'ubuntu' philosophy which defies individualism and emphasises a collectivism, mutual dependence, compassion and humanity.



Culture change festival – BoN

The culture change project was initiated with a vision, mission and a set of transactional values that promoted a common focus and approach. Before the culture change project, the values of the Bank reflected Western ideation and tradition of individualism and paternalism. Subsequently, as part of the 'Eagle 2000' culture change project the Bank adopted a code of conduct and transactional values like transparency, impartiality, service excellence, teamwork, well-being and integrity.

Again, this was revised and later developed to form the Corporate Charter of the Bank of Namibia. The code of conduct was reviewed to form a code of ethics and transactional values were balanced with transformational-ends values with the view to build a balanced and progressive organisational culture at the Bank.



Culture change festival – BoN



Corporate Charter

In its Corporate Charter, the Bank of Namibia has managed to articulate an organisational culture where a fine balance is struck between a caring culture on the one hand, and a performance driven culture on the other; a balance between achievement motivation and security motivation for employees to experience both growth and security in their place of work; and a balance between the need for continuous external adaptation and the need for internal integration and alignment. The Corporate Charter of the Bank articulates transformation change and presents a vision, mission and values statement in becoming a centre of excellence.

Whereas the vision of the Bank portrays the desired or intended future state in terms of its fundamental objective and strategic direction, the mission defines the fundamental purpose of the Bank. It is the Bank's vision to become a centre of excellence, while it is its mandate to carry out central banking functions effectively and efficiently. Furthermore, the Bank has adopted a set of values that articulate the beliefs and ethical standards shared among its staff and by which it strives to build its brand identity of confidence.

Vision

In its vision to be a centre of excellence, the Bank aspires to position itself as a unique, professional and credible institution - working in the public interest and supporting the achievement of national economic development goals. This means that Bank employees strive to be the best and to provide high quality service, advice and support to the satisfaction of all its stakeholders. To this end, the Bank projects itself as a knowledge-working institution where confidence is fostered with its stakeholders through service delivery, proactive advice and hard work. Thus, not only does the Bank also contribute to a positive socio-economic climate for Namibia, but its services and advice are sought after by all its partners.

Mission

The mission of the Bank is derived from the objectives of the Bank as set out in Section 3 of the Bank of Namibia Act, 1997. In support of economic growth and development in Namibia, the mandate is to promote price stability, an efficient payment system, effective banking supervision, reserves management and economic research in order to proactively offer relevant, reliable and valid financial and fiscal advice to all stakeholders. To accomplish its mission, the Bank uses the latest technology and harnesses the skills of staff members to enhance the efficiency of its processes, and continually revises and refreshes strategies annually to ensure that it remains effective and relevant in a fast-changing world.

Values

The Bank has adopted key values by which it builds its brand identity of confidence amongst stakeholders and by which it aspires to excellence. Ethical behaviour is highly valued and at all times the highest ethical standards of conduct are upheld. Its code of ethics is an enforceable part of its terms and conditions of employment and tender award practices. In striking a balance between transactional values and transformational-ends values, the values following hereon constitute the intangible assets of the Bank by which it builds its desired culture of excellence.

Performance Impact

While adhering to high ethical standards, the Bank is committed to achieve high quality standards for all stakeholders and to deliver results on time, every time. In delivering its mandate, the Bank not only acts with motivated confidence, but it also articulates confidence in all stakeholders and partners to deliver quality results.

Open Communication

In aspiring to be a centre of excellence the Bank values open communication with all its stakeholders and performs its functions and pursues its policies in a transparent manner. Open communication is recognised as the willingness to share ideas and information freely. The Bank not only seeks feedback about its performance, strategies and policies in order to enhance its performance, but it also purposefully engages with its stakeholders.

Integrity

The Bank of Namibia puts a very high premium on integrity within and outside the organisation. Integrity has reference to trustworthiness and the fundamental qualities of uprightness, honesty and objectivity. To this end, the Bank consistently pursues conscientious performance free of any conflict of interest.

Diversity

The Bank acknowledges differences and uniqueness, and promotes an inclusive work and external socio-economic environment in which diverse views, skills, perspectives, personalities and backgrounds are accommodated and valued. In a spirit of fairness toward all, the Bank promotes uniqueness, gender- and racial equality, and cultural diversity.



Culture change festival – BoN

Care

In a context of mutual respect and dignity, the Bank aspires to a climate of trust and care conducive to development and growth. The Bank not only promotes and develops its processes and staff capabilities, but it also has various preventative practices in place to protect and enhance performance, throughput and output. More than being interested in the well-being of others, the Bank promotes a keen interest in what connects each person meaningfully and actively as productive persons in their own lives and at work.

Teamwork

At the Bank, capital is created through synergy and all stakeholders are engaged in participative problem-solving. It is through teamwork that the complex challenges of modern living are dealt with while the African philosophy of 'ubuntu' is practised in a unique way. This philosophy for teamwork is articulated at the Bank in both the view that 'my team depends on me', and 'I am, because of the team'.

Organisational Practices and Competencies

Organisational practices are deployed on an ongoing basis to deal with the challenges of continued external adaptation in a fast-changing world and to enhance internal alignment. The Bank promotes its brand identity of confidence and builds its organisational culture toward excellence through the following practices:

Selective Recruitment

The Bank uses rigorous recruitment processes and systems to ensure that not only the best possible candidates are employed, but the processes also ensure that the selected candidates will grow to make optimal and mature contributions to the culture of the Bank. The recruitment processes promote diversity, while at the same time protect the organisational culture of the Bank against possible undesirable external influences and negative characters, such as narcissists, sociopaths, machiavellists and others.

Furthermore, the recruitment processes are transparent and balanced. On the one hand there is a selection committee to evaluate candidates on various issues of work and performance, while on the other, there are processes and assessments that determine their potential for the job. Future contributions to creating an ideal organisation within the Bank are development and implementation skills; people skills; and problem-solving skills. Only when the results of the various processes balance (which also include a probation period of six months, psychometric testing and a vetting process), is the best candidate permanently employed, groomed, developed and promoted in the mandated and core competencies of the Bank.

Employment Security

The Bank provides secure employment. After completing the probation period and demonstrating willingness, competence and motivation to perform their best, employees are permanently affirmed in their positions. The Bank practices equal employment opportunities for people of all races, gender, creed, religion and physical capacities. The Bank's affirmative action track record is one of the best in Namibia and each staff member has an equal opportunity to proceed to the management cadre of the Bank.

Based on performance results, employees are rewarded and remunerated fairly, with market-related salaries and benefits. The Bank offers a total package of benefits and employees can structure their allocated packages as they deem fit. The Bank also has different reward schemes for excellence in performance and employees are given recognition for their contributions toward the strategic objectives of the Bank in the context of teamwork and collaboration.

The Bank practices talent management and uses talent networks and databases to make sure that skilled people are continuously available to fill critical positions in the Bank. Curricula Vitae and interview records are kept on file and candidates who fit a profile are contacted the moment key positions become available. Staff develop and acquire skills in the areas of central banking and many companies in Namibia know that the employees of the Bank are well-trained and skilled in the core competencies of central banking. The annual staff turnover at the Bank is below 10%, showing that employees prefer to stay at the Bank of Namibia despite strong poaching endeavours.

Employees are provided with meaningful work and career opportunities to succeed within and outside the Bank. Furthermore, the Bank provides employee wellness services, programmes and facilitation sessions where they are counselled and supported on both possible personal and/or work-related problems. The Bank supports programmes and initiatives geared towards the prevention of HIV/Aids for employees and their families. In essence, the aim is to enhance their quality of life and help them to be innovative and creative in their overall performance.

Capacity Building and Talent Systems

Employees are trained to obtain marketable skills and competencies and are encouraged to undertake training in various areas of banking and finance. For lower ranks, opportunities are open to develop themselves in any aspect of business or the economy. Although employees are responsible for their own career development, the Bank encourages and supports the aspirations of its staff and takes a keen interest in their progress.

On an annual basis, the Bank provides bursaries for school leavers to qualify in the areas of banking, finance, information technology, mathematics, science and economic development. School-leavers who performed well and demonstrated a flair for excellence are awarded bursaries to study anywhere in the SADC region. The Bank also provides further post-graduate study opportunities for its permanent staff anywhere in the world at credible and reputable universities as approved by the Bank. As per policy agreement, these employees are bonded to the Bank for a specified period until the bursary obligations have been fulfilled.

The Bank also provides training and development opportunities for its general staff to accomplish the mandate and strategic objectives of the Bank. The Bank not only sponsors such training, but also records its impact on the work performance of employees to make sure that value for money is obtained. Furthermore, necessary training interventions are provided to either enhance their impact on the various projects that they might be participating in, or to correct any performance deficiencies.

The training and development opportunities are aimed at building the technical know-how and know-why of employees, and building the required interpersonal relationship soft-skills capabilities. This means that employees can go for external training (technical training) and also in-house training for leadership and soft-skills training. In the first instance, employees are encouraged to undertake technical training and even attachments to other central banks and financial



Governor Tom K Alweendo opening the 2001 Inter-central Bank Games hosted by the Bank of Namibia – BoN

institutions. In the second instance, the Bank provides its own training interventions which are aimed at building leadership skills and other competencies.

The Bank occasionally uses selected and preferred consultants from outside the organisation to provide development interventions. This approach protects the uniqueness of its identity and promotes a culture of innovation. Although not ignorant of developments in the outside world, the Bank prefers to develop most of its processes and interventions internally as a way to maintain its uniqueness and build its brand identity of confidence. Employees can be assured that their skills and competencies will be developed in whatever sphere of central banking they aspire to. The Bank is committed to build and maintain its unique character.

Information Sharing

There is a definite culture of information sharing and openness at the Bank. Departments are required to hold monthly staff meetings while the Governor holds quarterly meetings with the staff. Employees are expected to be briefed before going on any training interventions and they are also expected to participate in debriefing sessions with other employees for skills transfer to take place and to ensure the implementation of new knowledge obtained. This ensures that the Bank remains a learning institution and promotes a learning culture.

At the work place, the physical internal design of the Bank reflects and contributes to its culture and climate of openness. Until now, the Bank has had an open-plan work space with islands of workstations where general staff are employed. Directors and deputy directors have closed offices. This configuration contributes to a sense of transparency and teamwork.

The Bank has developed a vibrant intranet where employees are encouraged to share information and their views on various issues. It promotes a culture of open communication where employees can fearlessly share their opinions with other staff members on all levels of work. The intranet varies in spectrum, providing information on issues ranging from the formal policies and economic decisions of the Bank, to opinions on decisions taken and issues that affect productivity, to most trivial issues such as advertising tasty local delicacies.

The Bank's glossy in-house magazine called 'The Eagle' is published on a quarterly basis. Again, various matters are covered, varying from keynote addresses given by the Governor, to coaching tips on how to be productive; how to apply make-up, to sports events and photos of employees in action.



Besides advocating healthy minds, the Bank also advocates healthy bodies. There is an in-house gym where employees can train after hours. Some take the opportunity to train during the lunch hour. Staff can participate in various sporting codes namely soccer, netball, volleyball, tennis, table tennis and darts. Some of these codes participate in the industrial league of Namibia and generally do quite well. Occasionally, the Bank enrolls its golf team in local corporate golf events, and also sends a team to participate in the inter-central bank games for the SADC region and staged on a biennial basis.

Leadership and Ethos Systems

The Bank continues to value professionalism and collaboration with its stakeholders. In all its work processes, activities and relationships, high premium is placed on ethics and excellence. The code of ethics of the Bank is reviewed from time to time to make sure that it is progressive and professional. Instead of being merely transactional - that is focussing on conduct - it also aspires to transformational change and progress, namely appealing to higher order ethical behaviour that respects human freedom. This ethos underscores dignity and respect for human freedom as balanced with sustainability, holism and consciousness for bio- and ecosystems. It is for this reason that the Bank continues to emphasise overall open communication and transparency. Instead of rigid laws, the Bank appeals to principled reasoning, rectitude and honesty from all.

The Bank has established various practices to cultivate leadership skills and to promote effective leadership, constructive change and development. The Bank uses a five-year strategic plan to craft goals for the medium-term. However, on an annual basis these plans are revised, refreshed and updated to reflect current realities in the socio-economic sphere. Also, the strengths, weaknesses, opportunities and threats (SWOT) are presented and measured. The strength of the strategic planning processes is that directors build consensus and agreement on the mandate of the Bank and the strategic objectives. Not only are these presented and articulated in measurable terms, but a high level of integration and alignment is achieved. Constraints are identified and realigned to optimise performance and service delivery to stakeholders.

Furthermore, the Bank builds the leadership capabilities of its employees and management cadre. On an annual basis, employees are enrolled with recognised learning institutions to develop leadership capabilities. The work activities and competencies are also structured, organised and pipelined to build leadership competencies on all levels.

Based on the overall strategic objectives, departmental areas of concentration are formulated for a given year. These concentration sheets are revised annually. On a quarterly basis, progress reporting is done where staff can sit in and be updated on the progress of the various departments and the Bank as a whole. This promotes transparency and improves alignment and integration. The throughput of various departments is presented and aligned with the view to improve strategy delivery and to promote quality and stakeholder satisfaction.

The Bank's stakeholders are expected to familiarise themselves with the Bank's code of ethics and to adhere to its standards. Any violation of this code and the values of the Bank is a dismissible offence. No misconduct of any nature at all is tolerated and a disciplinary policy is in place to curb this.

Directors also hold themselves and their peers accountable by means of performance evaluation practices and 360-degree peer reviews. These practices undermine the phenomenon of self-entitlement, because people are challenged to become aware of their own strengths and/or weaknesses.

Conscious and unconscious dynamics and patterns thus revealed help to build relationships, promote diversity and improve strategic achievement.

Transparency

Since the Bank of Namibia works with public money, it is required to give a thorough account of how taxpayer money is spent. For this reason there are extensive control measures built into its processes and procedures.

The Bank's tender process is highly formalised and transparent. Tenders are thoroughly scrutinised and by means of a documented process and organised Tender Committee, all tenders are weighted fairly and objectively.

Consequently, the Bank can be described as:

- 'highly formalised and procedural' (a high degree of written policies and procedures and interfaces that are written down and are required especially in the budgeting and funding process, and the regulation of staff behaviour);
- 'highly specialised' (work is divided into highly specialised and critical roles);

- 'highly normalised' (there are recognised standards, procedures and controls in place), and with
- 'moderate centralisation' (some decisions and practices are decentralised while others, as they pertain to budgets and money issues, are centralised with the Executive Committee and the Management Committee).

A further practice that the Bank uses to improve internal alignment and integration and to eradicate self-entitlement is that of regular vision-building. Not only are new employees initiated into the value system and ideal culture of the Bank, but the vision-building activities are also aimed at embedding the values of the Bank in the work-life of employees. This promotes a coherence of purpose and mind for excellence. The quarterly vision-building activities are varied in nature and afford the employees the opportunity to familiarise themselves with the Bank's vision to be a centre of excellence, to express themselves in terms of the values of the Bank, and allow the management cadre to make provision for future expectations and challenges.

Performance and Reward Systems

The Bank values stakeholder satisfaction and quality performance. To this end, the Bank has a very advanced performance management system by which supervisors and employees hold themselves accountable for optimal performance. On a half-yearly cycle, performance agreements, goals and quality standards are set, revised and upgraded to ensure continuous employee engagement, alignment and optimal performance. By means of objective appraisals, participative goal-setting, progressive performance agreements and regular performance feedback sessions (monthly, quarterly and annually), change, progress and quality throughput are managed to ensure stakeholder satisfaction.

The philosophy of performance management at the Bank of Namibia promotes proactive collaboration and teamwork - the values of the Bank on the one hand and quality deliverables on the other.

The performance management system also supports the practice of knowledge management, and knowledge working is recorded on the log-on facility of this system. Furthermore, employee development plans are generated on the system too, with the view to make sure that all training interventions are applied immediately in the context of work performance. The performance management policy in conjunction with the disciplinary policy and leadership pipeline practice of the Bank provide for the progressive development of work performance. A five-point scale indicating the level of competency is used to register performance results. For each of these levels, in-house norms are provided and explained to employees on a regular basis. When an employee does not comply with the performance requirements or achieves a negative result, he or she must undergo a performance improvement programme (and also be provided with coaching) to turn his or her performance around within a maximum period of six months.

Based on annual performance results, acceptable standards and the required competencies and values, staff can be rewarded by being promoted or given a development opportunity. The various values of the Bank are also measured consistently and regularly in performance reviews and organisational climate audits to make sure that communication, diversity, integrity and teamwork continue to be practiced. These levels also make for improved alignment and form the common denominator by which performance is conceptualised and organised.

With the 'Eagle 2000' culture change project, the Bank, in a drive to rebrand and build its corporate identity of excellence, inspired confidence. In 2009 work on the refurbishing and revamping of the interior of the Bank was started and the workspace reorganised. As a centre of excellence, the Bank pursues progress through facts and debate, doing the right things as mandated by law and seeking agreement and consensus on the way forward. As an institution which is accountable to the public, the Bank of Namibia aspires to create an organisational climate of innovation, knowledge and teamwork. The drivers of the brand identity of the Bank are a balanced culture of achievement and security with emphasis on ethical behaviour. Armed with its Mission, Vision and Values, the Bank of Namibia, as a centre of excellence, is ready to meet the challenges of the ever-changing financial world.



Culture change festival – BoN

CHAPTER 5

Considering that the success of the Bank of Namibia depends on the partnerships it has forged with different central banks and countries, this chapter explains the Bank's regional and international cooperation and agreements. It focuses on the partnerships among African central banks and the Common Monetary Area Agreement.

International Cooperation

The Bank of Namibia maintains external relations with regional and international financial institutions aimed at financial and monetary cooperation, thus enhancing cooperation and financial integration. Further, the ever-increasing interdependence between different economies and the complexities of the financial systems require greater interaction with different financial institutions so as to ensure that the Bank remains relevant and abreast of key development in the area of economics and finance.

At regional level the Bank cooperates with other central banks through the following institutions:

- the Common Monetary Area (CMA);
- the Committee of Central Bank Governors (CCGB) in the Southern African Development Community (SADC); and
- the Association of African Central Banks (AACB).

Broadly, these institutions have as their objective, cooperation among central banks within the context of deeper regional economic integration underpinned by membership of the Southern African Customs Union (SACU), SADC and the African Union (AU).

On global level, the Bank interacts with international financial institutions, the most notable being the IMF and the World Bank. Foreign central banks, amongst others, include the Bank of England; Bank of Malaysia; Sveriges Riksbank (Bank of Sweden); European Central Bank; Bundesbank and the Central Bank of India.

The Bank, through its FICs has applied for membership and filed its intention to be associated with the Egmont Group, which is a network of FIUs. These FIUs meet regularly to find ways to cooperate, especially in the areas of information exchange, training and the sharing of expertise. Details on the nature of interactions between the Bank and the above-mentioned institutions over the past 20 years are documented in the following sections.

Common Monetary Area

Namibia signed a Bilateral Monetary Agreement with the RSA in April 1990 and the CMA's Multilateral Monetary Agreement in April 1992. By doing so, Namibia became a member of the CMA, which allows for the free flow of capital among members which are Lesotho, Swaziland and the RSA.

As a member of the CMA, Namibia has to adhere to the exchange control rules of the CMA Agreement. With the abolition of the Financial Rand on 13 March 1995 and the subsequent relaxation of other restrictions, Namibia virtually abolished all controls on the current account and acceded to Article VIII of the IMF Articles of Agreements in 1996.

As opposed to the big-bang approach where all restrictions are lifted at once, CMA, in principle, took a decision to rather approach the liberalisation of the remaining exchange controls gradually. So far significant progress towards the abolition of exchange controls has been made within the confines of the legislative framework governing exchange controls in the CMA. In 1995 the controls on current account transactions were effectively abolished and in the same year, the control over the movements of capital owned by non-residents were repealed. The control on the capital account transactions of residents have been quantitatively maintained.

In line with this approach, the Bank developed a new reporting system to capture essential foreign transactions data from the commercial banks, in order to ensure greater accuracy of information on cross-border foreign exchange transactions reported to the Bank of Namibia. This system is based on the IMF Balance of Payments classification of foreign transactions and is known as the Cross Border Foreign Exchange Transactions Reporting System. It became operational on 3 March 2003.

Mainly because of its membership of the CMA Agreement, the scope for independent monetary policy in Namibia is limited. However, it does not mean that the monetary policy of the Bank of Namibia has to be the same as that of the RSA at all times. CMA membership was meant to ensure stability and confidence in the economic and financial system of independent Namibia.

The CMA has the following dominant features:

- The NAD (and the currencies of Lesotho and Swaziland) are fixed to the ZAR on a one-to-one basis.
- An explicit requirement that at least a proportion of its monetary liabilities be backed by the reserve currency or other foreign assets.
- Contracting parties have the right to issue own currency and may also introduce measures for domestic savings mobilisation in the interest of developing their respective countries.
- Free flow of capital in the CMA.
- Harmonised exchange control provisions.

Brief History of Namibia's Membership in the CMA

Namibia did not immediately become a member of the CMA at independence, mainly because the three member countries had not formally agreed to allow Namibia's membership.

As a result, South Africa and Namibia entered into an interim bilateral agreement on 4 April 1990, allowing Namibia to be treated as a *de facto* member of the CMA until Namibia became a member of the Trilateral Monetary Agreement.

Namibia formally became a member of the CMA only after the three existing members agreed to amend the Multilateral Monetary Agreement on 6 February 1992.

As a result of the formal CMA membership, Namibia and South Africa also entered into a new Bilateral Monetary Agreement on 1 April 1992.

To prepare for the introduction of the issue of Namibia's own banknotes on 15 September 1993, a new Bilateral Agreement was signed on 14 September 1993.



T Mboweni (centre - Governor designate of the SARB) paid a courtesy visit to the Bank of Namibia on 14 and 15 December 1998. With him fltr: S Rajalingham, M Gaomab II, J Rajakumar, L Ipangelwa, Tom K Alweendo, Dr M Tjirongo, E Merero, and R Lawrence – BoN

Notwithstanding the limited monetary policy scope imposed by the CMA Agreement, the arrangement has worked fairly well in ensuring stable and lower inflation rates in Namibia. Indeed, inflation in Namibia has been a single digit for most of the past five years.

For consultation purposes, the Governors of the CMA central banks meet regularly, usually before the meeting of the Monetary Policy Committee (MPC) of the SARB. At these occasions, Governors exchange information on the quarterly economic developments in their respective country's economies.

The CMA's Multilateral Monetary Agreement makes provision for the establishment of the CMA Commission. The Commission is tasked with facilitating and ensuring that CMA member states comply with the provisions of the Agreement. A key function of the Commission is to make sure that the formulation, modification and implementation of monetary and exchange rate policies are well coordinated within the CMA. Under normal circumstances, the CMA Commission should meet once a year. Furthermore, there are also quarterly CMA exchange control meetings.



Tito Mboweni and Tom K Alweendo – BoN

Southern African Customs Union

The Bank of Namibia has been providing advice to the Ministry of Finance on revenue-sharing within the framework of SACU of which the members are Botswana, Lesotho, Namibia, the RSA and Swaziland. In this regard, the Bank attends meetings of SACU's Finance Technical Liaison Committee (FTLC) which is tasked to deal with the trade data reconciliation among the SACU member states and eventual revenue calculation on an annual basis. The FTLC then makes recommendations for approval to the SACU Commission and Council of Ministers on the allocation of revenue shares to SACU member states each financial year.



Due to this role in providing the advice on issues of SACU revenue, officials from the Research Department of the Bank of Namibia, in most instances, attend meetings of the Commission and Council of Ministers during which various issues such as regional integration, revenue-sharing, trade and industrial policy in the context of SACU are discussed. Apart from providing advice to government on revenue, the Bank's participation in the SACU forum is important because of the implication of the revenue from the SACU pool on Namibia's international reserves.

Southern African Development Community

Besides membership of the CMA, the Bank is also a member of the CCBG in SADC. SADC is made up of fifteen countries and includes Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar (membership pending), Malawi, Mauritius, Mozambique, Namibia, Seychelles, the RSA, Swaziland, Tanzania, Zambia and Zimbabwe. This Committee was established in 1995 specifically to facilitate and enhance regional cooperation in the area of central banking and related issues. The Committee reports regularly to the SADC Committee of Ministers of Finance and works very closely with the Committee of Senior Treasury Officials in SADC.



Since its inception, the CCBG has made good progress in implementing some of its programmes for enhanced financial cooperation in the region. The CCBG meets twice annually and through a number of technical subcommittees of central bank officials, has undertaken several initiatives aimed at enhancing monetary cooperation. These are:

- the development of money and capital markets;
- the development of payment, clearing and settlement systems, exchange controls;
- information technology;
- bank supervision; and
- anti-money laundering.

Macroeconomic Convergence

One of the important initiatives of the CCBG was the drafting and signing of an MoU on Macroeconomic Convergence, which outlined certain macroeconomic convergence criteria that had to be met by individual SADC countries from 2008 onward. The MoU is aimed at ensuring that all SADC member states pursue economic policies that ensure macroeconomic stability.

For example, the MoU has been annexed to the SADC Finance and Investment Protocol and in 2008, SADC member countries were required to:

- have single digit inflation rates;
- ensure that nominal value of public and publicly guaranteed debt as a ratio of the Gross Domestic Product (GDP) does not exceed 60 %; and
- ensure that the public budget deficit as a ratio of the GDP does not exceed 5%.

A key achievement of the CCBG was the development of a comprehensive macroeconomic statistical data base for all the participating SADC countries.

This information is issued in book form. It is updated regularly and has recently been published on the internet with a view to enable policy makers, including central bank governors, to gain a better understanding of the regional economic environment.

Further, a databank with information on issues such as legislation, central banks' relationships with governments, policy objectives, procedures and instruments of monetary policy, and internal administrative structures for each central bank in SADC, has been compiled.

Another notable initiative was the development and adoption of a model central bank law that aims at the standardisation and harmonisation of the legal and operational frameworks of SADC central banks. Essentially, the model law will serve as a guide for central banking legislation in the SADC region. The expectation is that all countries in SADC should align their central bank legislations with the model law as the region moves towards deeper financial and monetary integration.



SADC Central Bank Governors' Meeting in Windhoek on 5 April 2001 Standing fltr: S Swaray, Lesotho; Dr E Ngalande, former Governor, Reserve Bank of Malawi; Ms L K Mohohlo, Governor, Bank of Botswana; M Dhlamini, Governor, Swaziland; Dr A Maleiane, Mozambique and an unnamed official from the DRC. Seated: Dr D Ballali, former Governor, Bank of Tanzania; Dr L Tsumba, former Governor, Reserve Bank of Zimbabwe; T Mboweni, former Governor, South Africa Reserve Bank; Tom K Alweendo, Governor, Bank of Namibia; Dr J Mwanza, former Governor, Bank of Zambia; A Jaime, former Governor, Angola – BoN

Coordination of Exchange Control Policies

In the area of exchange controls, a Subcommittee on Exchange Control was established by the CCBG during March 1997 to facilitate the implementation of the SADC Regional Indicative Strategic Development Plan (RISDP). The RISDP is essentially a blueprint for deeper economic integration in SADC with specific targets and timelines.

At that stage, the SADC Exchange Control Committee did not exist. Therefore an MoU on Cooperation and Coordination of Exchange Control Policies in SADC was compiled by the subcommittee in 2004 and was signed by all 14 member states in 2006. The Bank of Namibia became a member as well as chair of the Subcommittee on Exchange Control in SADC in April 2005.

In the absence of the SADC Exchange Control Committee and pursuant to the implementation of Annexure 4 of the Finance and Investment Protocol (FIP), the Subcommittee on Exchange Control, under the chairmanship of Namibia finalised the draft policy framework for the liberalisation of exchange control in SADC during 2007.

It is worth noting that the CCBG Subcommittee on Exchange Control has been driving the liberalisation process from the CCBG point of view. From time to time, this subcommittee also takes on *ad hoc* projects as assigned by the CCBG with the view to ensuring that the work on the harmonisation of exchange control in the region in terms of the RISDP does not fall behind schedule.

SADC Exchange Control Committee

The SADC Exchange Control Committee was formed during April 2007. Member states are represented on this committee by two representatives, namely one from each ministry of finance and one from each respective central bank. After its formation this committee reviewed and adopted the policy framework prepared by the CCBG Subcommittee.

Anti-Money Laundering and Combating the Financing of Terrorism

Apart from the activities discussed, the Bank of Namibia also provided input on the SADC Memorandum of Understanding on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT). This MoU establishes a framework to facilitate sufficient convergence of the relevant policies, laws and regulatory practices to ensure that:

- state parties to the MoU act effectively and proportionately against money laundering and financing of terrorism; and
- the policies, laws and regulatory practices in the region meet and support the objectives of the SADC on the FIP.

Information Technology

The Bank of Namibia has been an active participant in the Information Technology Forum (ITF) of the CCBG which was established in 1997. The objectives of this forum are two-fold:

- to support the projects and initiatives of the CCBG with information systems solutions; and
- to improve the Information and Communications Technology (ICT) function in each SADC central bank.

The key activities that the ITF engages in to achieve its objectives are divided into three areas namely: Business Continuity Management (BCM), regional ICT licensing strategy and information technology governance. The main aim of BCM is to prevent the various threats that can result in the disruption of business operations in SADC central banks. On the other hand, the aim of the ICT licensing strategy is to establish a group licence for SADC central banks to leverage support of common applications and obtain group volume discounts. The purpose of the information technology governance project is to address the needs of the CCBG and its subcommittees by means of improving information-gathering and sharing facilities, improving the facilities for effective communication between central banks, and providing various on-line business applications for central bank activities.

Banking Association

During the process of capacity building in the SADC region, the need was identified for a representative body for the banking industry within the region, hence the establishment of the Southern African Development Community Banking Association (SADCBA) in 1998 as a platform where private sector banks can interact with one another and with their respective authorities. The Bankers' Association of Namibia belongs to the SADCBA which has a close and constructive relationship with the CCBG. The SADCBA is usually invited to the annual meeting of the CCBG, where it briefs the Governors on progress and solicits their views and support on relevant issues.

Committee of SADC Stock Exchanges

The Namibian Stock Exchange (NSX) is a member of the Committee of SADC Stock Exchanges (COSSE) which was established in 1997. The main purpose of the COSSE was to pave the way for cross-border listings and therefore trading and investments among the different member exchanges, in order to facilitate the process of financial integration within the SADC region. COSSE reports to and holds regular meetings and discussions with the CCBG.

All these initiatives are in support of SADC objectives of regional economic integration and represent intermediate steps towards the goal of monetary cooperation and eventually a monetary union. Given that SADC has now explicitly stated its intention to establish a monetary union, it is clear that the various initiatives of the CCBG will underpin and facilitate that process.

Association of African Central Banks

The Bank of Namibia is a member of the Association of African Central Banks (AACB). This Association was established in 1965 with the purpose of monetary cooperation at the continental level. In addition, it was also intended to contribute towards the realisation of the goals of economic integration within the African continent.

The Association has an Assembly of Governors, the governing body comprising all member African Central Banks' Governors (ACBG); a Bureau (composed of the Chairperson and the Vice-Chairperson of the Association and Chairpersons of Subregional Committees); Subregional Committees (composed of Governors of Central Banks of the five subregions as defined by the AU). In addition to these organs, Governors decided to set up a Secretariat which is hosted by the Banque Centrale des Etats de l'Afrique de l'Ouest in Dakar, Senegal.

The Bank of Namibia acceded to the Article of the Association after independence. Since then, the Bank has been an active participant in the activities of the Association including participation in its annual meetings and seminars. The Bank hosted the meeting of the Assembly of Governors in August 2006 in Windhoek. In 2006/2007, Tom K Alweendo, the Governor of the Bank of Namibia, served as the Chairman of the Association. As Chairman, he assisted in setting the agenda of the Association including deliberations on the most suitable route to establish a continental central bank.



The Right Hon. Prime Minister of the Republic of Namibia, Nahas Angula, addressing the Assembly of Governors in Windhoek in August 2006 – BoN

An important initiative and programme of the Assembly of Governors has been the adoption of the programme for monetary cooperation that identifies the successive stages for the establishment of a single monetary zone and a single currency for the continent. This programme envisages the harmonisation of the monetary cooperation programmes of the various subregional groupings as building blocks with the ultimate aim of evolving into a single monetary zone by the year 2021 with a common currency and a common central bank. In other words, it is a roadmap in which a step-by-step approach to the creation of monetary union was adopted. Generally activities planned during the first four stages spanning 2003 - 2016, include the establishment of sub-regional committees of the AACB, adoption by each subregion of a formal monetary integration programme, gradual interconnection of payments and clearing systems and observance of the macroeconomic indicators, amongst others. The final stage, 2016 - 2020, will see the finalisation of administrative and institutional arrangements required for the launching of the African Monetary Union, which will culminate in the launching of the common central bank and currency in 2021.

Although the five regions have reported good progress towards the achievement and establishment of the monetary union, a lot still has to be done. In addition, the AU has proposed a goal of achieving and establishing a monetary union earlier than the time proposed by the Governors. At the time of writing, this issue was still being debated.



Assembly of Governors in August 2006 in Windhoek – BoN

Obviously, for a meaningful monetary integration process to take place, it is necessary that there should be sufficient macroeconomic convergence in the regions. Macroeconomic convergence refers to the converging of macroeconomic indicators including the rate of inflation, budget deficit and public debt, amongst others. If these indicators are moving in the same direction in the concerned countries, it is said that these countries are converging and as such are best candidates for monetary integration. In so far as the African continent is concerned, there is a great degree of economic divergence; thus the realisation of a continental bank may not be achieved soon, based purely on these criteria.



Assembly of Governors in Windhoek in August 2006 – BoN

Microeconomic and Financial Management Institute

Cooperation between the Microeconomic and Financial Management Institute (MEFMI) and the Bank of Namibia largely revolves around capacity-building through training and technical assistance. In this regard, staff members of the Bank of Namibia participate in courses, workshops and the fellowship development programme offered by MEFMI. The training programmes entail key areas of intervention which are of relevance to the operations of the Bank of Namibia, namely macroeconomic management; financial sector management; debt management; and reserve management, amongst others. Apart from the provision of training to staff members, the Bank of Namibia also benefits from MEFMI in terms of technical assistance in some areas of its operations, such as inflation forecasting.

Eastern and South African Anti-Money Laundering Groups

The Bank also cooperates with Eastern and South African Anti-Money Laundering Groups (ESAAMLG) which is a financial action task force consisting of 14 member countries in eastern and southern Africa, committed to combat money laundering and the financing of terrorism within the ESAAMLG region.

International Financial Cooperation

Beyond the African continent, the Bank continues to interact with various international financial institutions, most notably the IMF, Bank for International Settlements (BIS) and the World Bank, amongst others.

International Monetary Fund

The IMF was conceived in 1944 with the primary objectives of promoting international financial cooperation including facilitation of growth in international trade, promotion of exchange rate stability and provision of funding for countries that experience temporary balance of payment difficulties. Further, the IMF monitors economic and financial developments and provides policy advice with the intention of preventing financial crises. It also provides countries with technical assistance and training in its areas of expertise. Currently the IMF has a global membership of 186 countries.



As the fiscal agent of the government, the Bank keeps records of the transactions between the IMF and the Government of Namibia. These transactions emanate from the country's shareholding at the Fund. In terms of the governance structure, the Namibian Minister of Finance is regarded by the IMF as the Governor with his alternate being the Governor of the Bank of Namibia. The Governor, in his capacity as alternative Governor attends the regular meetings of the IMF where policy issues are generally discussed.

Cooperation with the IMF has been largely limited to Article IV Consultations (Article IV Consultations are the medium through which the IMF consults annually with each member government and attempts to assess each country's economic health to forestall future financial problems) and technical assistance needs. The Bank has been a beneficiary of IMF technical assistance.

This assistance includes:

- the General Data Dissemination Standard Project which was created in 1997 to guide countries in the provision of comprehensive, timely, accessible and reliable economic, financial, and socio-demographic data; and
- more recently, the Financial System Assessment Programme - a joint initiative between the World Bank and the IMF.

The aims of this programme are to increase the effectiveness of efforts to promote the soundness of financial systems in member countries. Work under the programme seeks to:

- identify the strengths and vulnerabilities of a country's financial system;
- determine how key sources of risk are being managed;
- ascertain the financial sector's development and technical assistance needs; and
- help prioritise policy responses.

The programme also forms the basis of Financial System Stability Assessments in which IMF staff address issues of relevance to IMF surveillance, including risks to macroeconomic stability stemming from the financial sector and the capacity of the sector to absorb macroeconomic shocks. Other assistance received from the IMF relates to issues of risk-based supervision and the payment system.

World Bank

As with the IMF, the interaction between the Bank of Namibia and the World Bank has been generally limited to issues of technical co-operation and capacity building. In this regard, the Bank has been a beneficiary of technical assistance from the World Bank in the areas of macroeconomic modelling and forecasting, policy research, and the prevention, detection and deterrence of anti-money laundering activities, amongst others.



In the area of economic modelling and forecasting, the World Bank and the Bank of Namibia organised a course in macroeconomic modelling in 2009. The course was attended by officials from the Bank of Namibia, the Ministry of Finance, the National Planning Commission (NPC), University of Namibia (UNAM) and the Development Bank of Namibia (DBN). The key objective was to build capacity of the above-mentioned institutions in the area of economic modelling. The World Bank sponsored four resource persons who conducted the training. A further course focusing on the Computable General Equilibrium Model was conducted in the second half of 2009. This assistance was critical as it will lead to the eventual development and setting up of a Computable General Equilibrium Model for Namibia, which can be used for wide economy impact analysis.

World Bank and the Impact of HIV/AIDS

In general economic research, the World Bank funded the technical assistance for the study undertaken by the Bank of Namibia on the impact of HIV/AIDS on the financial sector. The technical assistance was to assist the Bank in measuring the impact of HIV and AIDS on the banking as well as non-banking financial sector of Namibia. The World Bank funded the cost of the consultants who worked with the Research Department in carrying out an actuarial assessment of HIV/AIDS and the modelling of the impact of HIV and AIDS on the banking and non-banking financial sector.

World Bank and the United Nations

Both the World Bank and the United Nations Office against Drugs and Crime assisted and mentored the Bank's officials with the development of Namibia's AMLCFT legislative framework as far as it relates to the Regulations under Namibia's Financial Intelligence Act, 2007. Further, the World Bank assisted the Bank of Namibia with the development of organisational activities of the FIC, including establishing operational procedures, developing financial analysis capability, advising on issues relating to operational independence of the FIC and its security aspects and related data. Further assistance on the operational aspects of the reporting and management of suspicious transactions from reporting institutions as well as support capacity building were also provided.



United Nations House, Windhoek - 2010 – Brenda Bravenboer

With the exception of cooperation in the areas of economic research and anti-money laundering, the Bank of Namibia also cooperates with the World Bank in terms of capacity building for reserve management. In this regard, the Financial Markets Department of the Bank of Namibia has been participating in the Reserves Advisory and Management Programme from the Treasury Department of the World Bank. This programme has enabled the Bank of Namibia to enhance its strategic assets allocation, capacity building and portfolio management processes.

Bank for International Settlements

The Bank of Namibia aligns its supervisory standards with the standards of the Basel Committee on Banking Supervision - an initiative spearheaded by the Bank for International Settlements. The Basel Committee on Banking Supervision provides a forum for regular cooperation on banking supervisory matters. Its objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide. It seeks to do so by exchanging information on national supervisory issues, approaches, and techniques, with a view to promoting common

understanding. The Committee uses this common understanding to develop guidelines and supervisory standards in areas where they are considered desirable. In this regard, the Committee is best known for its international standards on capital adequacy and the Core Principles for Effective Banking Supervision to which Namibia adheres.

Cooperation with other Institutions

The Bank of Namibia maintains cooperation arrangements with other international institutions such as the World Trade Organisation (WTO), the Macroeconomic and Financial Management Institute of Eastern and Southern Africa, the ESAAMLG and several central banks.

With regard to the WTO, the Bank of Namibia provides the relevant information within its mandate through the Trade Policy Review Mechanism (TPRM). The TPRM generally involves the surveillance of national trade policies and is a fundamentally important activity running throughout the work of the WTO. The objectives of the TPRM as expressed in Annexure 3 of the Marrakesh Agreement include facilitating the smooth functioning of the multilateral trading system by enhancing the transparency of members' trade policies.

The TPRM also contributes to improved adherence by all members to rules, disciplines and commitments made under the Multilateral Trade Agreements and, where applicable, the Plurilateral Trade Agreements, and hence to the smoother functioning of the multilateral trading system, by achieving greater transparency in and understanding of the trade policies and practices of members.

All WTO members are subject to review under the TPRM. In general, the four members with the largest shares of world trade (currently the EU, the United States, Japan and China) are reviewed every two years, the next 16 are reviewed every four years, and others are reviewed every six years. A longer period may be fixed for least-developed member countries.



Europe House, Windhoek - 2010 – Brenda Bravenboer



The Chinese delegation that visited the Bank of Namibia in 2006 – BoN



The review mechanism enables the regular collective appreciation and evaluation of the full range of trade policies and practices of individual members and their impact on the functioning of the multilateral trading system. It is not, however, intended to serve as a basis for the enforcement of specific obligations under the Agreements or for dispute settlement procedures, or to impose new policy commitments on members.

In the area of cooperation with other central banks, a delegation of seven senior officials from the People's Bank of China (i.e. China's Central Bank) led by their Deputy Governor Su Ning visited the Bank of Namibia during October 2006. This was a reciprocal visit because Governor Tom K Alweendo had earlier visited that Bank. The purpose of the visit was to further strengthen ties between the two central banks in the area of economic policy management and more specifically central banking matters. During the visit critical issues pertaining to the conduct of monetary policy in Namibia and China, payment systems reform and the country's economic performance were discussed.

The Bank of Namibia also hosted a seminar on inflation forecasting in collaboration with the Centre for Central Banking Studies of the Bank of England in September 2009. This workshop built and strengthened modelling and forecasting capacity, especially in the area of inflation forecasting.

At the operational level, the Bank maintains foreign exchange and money market accounts with a number of institutions abroad such as the Bank for International Settlements, Bank of England, the Federal Reserve Bank of New York, Bank of Tokyo Mitsubishi Ltd, Westpac Banking Corporation, Union Bank of Switzerland, Nordea Bank Sweden and the SARB. It also has correspondent status relationships with Dresdner Bank Frankfurt, Citi Bank New York and First National Bank of South Africa.

The Bank of Namibia has established and maintains strong relations with many regional and international organisations as detailed above. Besides the institutions mentioned, the Bank also interacts with individual central banks, especially in SADC. With the intensification of regional integration and globalisation processes, it is given that the Bank will continue to pursue cooperation with both regional and international institutions so as to influence the relevant agenda.



Governor's Epilogue



*Governor Tom K Alweendo
1 January 1997 - 24 March 2010*

Beyond 2010

This book concludes with a view on the future, highlighting strategies of the Bank, possible challenges and how to address them. It further outlines and demonstrates where the Bank is going beyond 2010.

Where to for the Bank?

The Bank of Namibia has come a long way since its inception in 1990 and has achieved many successes. In pursuit of the ultimate objective of monetary policy, the Bank managed to maintain stable and relatively low inflation throughout the years. Since 1994 to the end of 2006, Namibia's consumer inflation averaged at 7.9%. This is attributed in part to the successful maintenance of the currency pegging of the NAD to the ZAR. Accordingly, the Bank managed to grow and manage the country's reserves satisfactorily. For instance reserves increased from N\$2.5 billion to N\$15.8 billion between January 2004 and October 2009.

Adequate reserves are a *sine qua non* for the maintenance of the currency peg, in addition to the promotion of investor's confidence in the domestic economy.

Banking supervision, which is central to the enhancement of the soundness of the banking sector and financial stability, has been improved and meets international standards. In this light, the Bank has fully complied with Basel II since January 2010.

The bank consequentially contributed to the financial markets development and offered relevant policy advice to the Government of the Republic of Namibia over the years. Worth noting in the area of financial markets development, is the development of the government debt instruments market, the sovereign credit rating of Namibia and several other initiatives to enhance the domestic financial markets. Namibia has a long-term investment credit rating of BBB-.

For any organisation to be successful, it is imperative to have a skilled and a dedicated workforce. At independence, Namibia inherited an economy with a thinly-spread skilled workforce. The Bank therefore committed itself to training and skills development. Thus, the Bank has, to a greater extent, managed to assemble a skilled and competent workforce. However, as we celebrate the milestones which we have achieved thus far, the Bank cannot afford to rest on its laurels because the world is continuously changing and evolving. This places a responsibility upon the institution to position itself strategically and be ready to face the challenges ahead with determination.

In recent times, the global economic and financial markets witnessed redefining moments. In particular, the worst financial and economic crisis since the Great Depression (1929 -1933) has redefined and reinforced the importance of monetary policy, supervision and regulation of financial institutions. Moreover, the crisis and its spillovers has once again highlighted one of the effects of globalisation that any development in one country has the potential of spilling over to other countries. Therefore, there are two important factors that will have an impact on the Bank's future engagements. The first is related to the recent financial and economic crisis, namely the objective of monetary policy. The second, which is unrelated to the crisis, is regional economic integration.

Objective of Monetary Policy

Namibia is a member of the CMA, where the NAD is pegged to the ZAR on a 1:1 ratio. South Africa adopted the inflation targeting regime in 2002 and therefore Namibia could be regarded as a *de facto* inflation targeter on account of being a member of the CMA. The inflation targeting regime in SA proved successful in the greater part of the regime by keeping inflation within the target range of 3 - 6%. Namibia equally enjoyed a low and stable level of inflation, averaging at 7.2% since the introduction of inflation targeting regime in SA. However, as from 2007, inflation increased significantly to unprecedented levels, reaching double digits in both Namibia and the RSA and breaching South Africa's target range. This increase caused some economists to question the legitimacy of an inflation targeting regime.

The higher rates of inflation since 2007 in emerging markets and in Namibia in particular, resulted not from poorer macroeconomic management, but because of soaring increases in food and oil prices. The challenge in this lies in the fact that the recipe for inflation targeting in its simplest terms posits that if growth in prices exceeds a target level, interest rates should be raised, with the ultimate aim of curbing domestic demand and ultimately reduce the growth in prices. The irony in the recently observed increase in inflation is that the sources for this increase were exogenous and thus this 'imported inflation' could not be tackled by raising domestic interest rates. Therefore, if a central bank raises rates in such a case, the observed increase could simply harm domestic-led economic growth, without really having the desired impact on imported inflation. Rising interest rates can reduce aggregate demand, which can slow the economy and tame increases in prices of some goods and services, especially non-traded goods and services. But, unless taken to an intolerable level, these measures by themselves cannot bring inflation down to the targeted

levels. Therefore, the question that begs to be answered is whether or not going forward, inflation targeting is really the answer to monetary policy.

In addition to the concern that inflation which results from exogenous factors cannot be tackled by increasing interest rates, the latest global financial and economic crises gave rise to a similar debate on monetary policy. Specific to this debate is the question of whether or not price stability should be the single objective of monetary policy or central banks should expand their objectives to include other objectives such as financial stability, growth and employment. What is clear is that the current crisis has demonstrated that the narrow definition of the objective of monetary policy was not helpful in managing the crisis, suggesting that multiple objectives might be necessary. Therefore, going forward, the Bank might need to revisit its current objective of monetary policy and indeed establish whether or not this objective will allow Namibia to reach Vision 2030. Appropriate research should be commissioned in this regard.

If the model for multiple objectives is adopted however, there will be a need to guarantee central bank autonomy. This need is, amongst others, necessitated by the fact that the proponents for inflation targeting posit that the regime fosters independence and credibility as it reduces monetary policy uncertainty. The central bank's autonomy will minimise uncertainty with regard to policy, more especially in the wake of multiple objectives. Currently, the Bank has some degree of independence, subject to regular consultations with the Minister of Finance and Cabinet, when required. [Bank of Namibia Amendment Act, 2004 (Act No. 11 of 2004)]. This is encouraging. However, we could still strengthen further the degree of the existing independence. This will enhance the success of pursuing multiple objectives, which would cover financial stability, growth, unemployment and inflation.

Regional Integration

As indicated earlier, another imminent development expected to change the current operations of the Bank, is the envisaged regional financial and monetary integration. SADC currently operates on a clear roadmap stipulated in the Regional Indicative Strategic Development Plan launched in 2004. This plan provides for a fully operational free trade area by 2008, a customs union in 2010, a common market by 2015, monetary union by 2016 and the introduction of a single currency in 2018. The adoption of the ultimate objective of introducing a single currency consequent to the monetary union has implications for the Bank's operations. If SADC adopts a single currency, it means that there will also be a SADC central bank that will be responsible for monetary policy for the SADC monetary union as a whole.

Implicitly, the Bank will no longer have the partial autonomy on monetary policy to steer the local economy, but will have to rely on the SADC central bank for monetary policy operations. The latter might be regarded as the downside of monetary union from a perspective of national policy priorities. This is so because economic conditions might not always be the same in all member countries at all times, and at times the desired path for the local economy might not necessarily coincide with the desired path for the monetary union as whole. This is one of the benefits that the country has to forego in the quest for deeper and integrated monetary and financial markets. Research should be carried out to determine how best Namibia can benefit from regional integration without compromising on domestic objectives of economic growth and employment creation. Therefore, the Bank of Namibia needs to position itself to fully benefit from regional integration.

Skills Development and Public Education

Obviously, the regional central bank will have to rely on national central banks to carry out certain functions. For instance, responsibilities such as supervision of local banks, and economic research will still be expected to be carried out by the local bank. There is therefore a need to continuously build capacity to ensure that the Bank of Namibia becomes a centre of excellence in the area of banking supervision. In the area of research, there is a need for the Bank to position itself as a research centre of choice in the region. It is therefore important for the Bank to continue building skills and expertise if indeed the Bank is to differentiate itself in the area of research. As already indicated, the Bank has made considerable strides in the area of skills development. However, in the knowledge economy where change is ever present, skills development cannot be overemphasised and thus the Bank should continue to do more in this area.

Additionally, for monetary policy actions to be effective there is need for the populace to understand the role of the Bank and the workings of the economy in general. In this regard, the Bank should strengthen its involvement in educating the public on its role and responsibilities, and the general workings of the economy. The public understanding of the role of the central bank will make the Bank's objective of achieving its mandate relatively easier and more effective.

Finally, my wish is for the Bank of Namibia to be the best at what it does. Ultimately, the Bank of Namibia should be able to provide quality advice which is persistently sought and valued by its stakeholders, supporting the achievement of national economic development goals. The Bank's expertise in the areas of economics, banking and finance rivals some of the best central banks in the world. Work practices and processes at the Bank are being improved consistently. This is important in our quest to add value to the institutions we regulate. Empowered and with confidence the management and staff of the Bank of Namibia can further harness its institutionalised values and a high performance culture for a brighter future.



Tom K Alweendo
Governor: Bank of Namibia

Governor Tom K Alweendo was appointed Director General of the Namibian National Planning Commission on 25 March 2010.

New Governor IW Shiimi



Ipumbu Wendelinus Shiimi was appointed Governor of the Bank of Namibia on 25 March 2010.

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Godfrey Goaseb, Former Permanent Secretary, Ministry of Finance - 27 October 2009

Tom Kavaningilamo Alweendo, Governor of the Bank of Namibia - 28 October 2009

Paul Walter Hartmann, Deputy Governor of the Bank of Namibia - 27 October 2009

Ipumbu Wendelinus Shiimi, Assistant Governor of the Bank of Namibia - 27 October 2009

Acts

The Currency and Exchanges Act, 1933 (Act No. 9 of 1933)

The Prevention of Counterfeiting of Currency Act, 1965 (Act No. 16 of 1965)

The Banks Act, 1965 (Act No. 23 of 1965)

The Building Societies Act, 1986 (Act No. 2 of 1986)

Bank of Namibia Act, 1990 (Act No. 8 of 1990)

Bank of Namibia Act, 1997 (Act No. 15 of 1997)

The Banking Institutions Act, 1998 (Act No. 2 of 1998)

The Payment System Management Act, 2003 (Act No. 18 of 2003)

Bank of Namibia Amendment Act, 2004 (Act No. 11 of 2004)

Financial Intelligence Act, 2007 (Act No. 3 of 2007)

Abbreviations

AACB	– Association of African Central Banks
ACBG	– African Central Banks' Governors
ACN	– Action Christian National
ADB	– African Development Bank
AMLCFT	– Anti-Money Laundering and Combating the Financing of Terrorism
ATM	– Automatic Teller Machine
AU	– African Union
BAN	– Bankers' Association of Namibia
BCM	– Business Continuity Management
BIA	– Banking Institutions Act
BLS	– Botswana, Lesotho, Swaziland
BMA	– Bilateral Monetary Agreement
CCBG	– Committee of Central Bank Governors
CCTV	– Closed-circuit Television
CDA	– Christian Democratic Action for Social Justice
CDM	– Consolidated Diamond Mines
CMA	– Common Monetary Area
COSSE	– Committee of SADC Stock Exchanges
CSIB	– City Savings and Investment Bank
DTA	– Democratic Turnhalle Alliance
EC	– Executive Committee
EEC	– European Economic Community
ESAAMLG	– Eastern and South African Anti-Money Laundering Groups
EU	– European Union
FATF	– Financial Action Task Force
FIA	– Financial Intelligence Act
FIC	– Financial Intelligence Centre
FIP	– Finance and Investment Protocol
FIU	– Financial Intelligence Unit
FNDC	– First National Development Corporation
FSAP	– Financial System Assessment Program
FTLC	– Finance Technical Liaison Committee
GDP	– Gross Domestic Product
GIPF	– Government Institutions Pension Fund
HR	– Human Resources
ICT	– Information and Communications Technology
IFRS	– International Financial Reporting System
IMF	– International Monetary Fund
ITF	– Information Technology Forum
MC	– Management Committee
MEFMI	– Microeconomic and Financial Management Institute
MMA	– Multilateral Monetary Agreement
MoU	– Memorandum of Understanding
MPC	– Monetary Policy Committee
NAD	– Namibia Dollar
NBIC	– National Building & Investment Corporation

N.B.S.	– Namib Bulding Society
NISS	– Namibian Inter-bank Settlement System
NNDP	– Namibia National Democratic Party
NNF	– Namibia National Front
NPC	– National Planning Commission
NPF	– Namibia Patriotic Front
NPS	– National Payment System
PSMA	– Payment System Management Act
RISDP	– Regional Indicative Strategic Development Plan
RMC	– Risk Management Community
RSA	– Republic of South Africa
SA	– South Africa (including the Union of SA 1910 -1961)
SACU	– Southern African Customs Union
SADC	– South African Development Community
SADCBA	– South African Development Community Banking Association
SAP	– Systems Applications and Products
SARB	– South African Reserve Bank
SEK	– Swedish Krone
SIDA	– Swedish International Development Agency
STR	– Suspicious Transaction Report(s)
SWAA	– South West Africa Administration
SWAPO	– South West Africa People's Organisation
SWAPO-D	– South West African People's Organisation - Democrats
TPRM	– Trade Policy Review Mechanism
UDF	– United Democratic Front of Namibia
UN	– United Nations
UNAM	– University of Namibia
UNTAG	– United Nations Transition Assistance Group
WTO	– World Trade Organisation
ZAR	– South African Rand

The Bank of Namibia celebrates 20 years of central banking in 2010. This publication records the course of events that lead to the establishment of the Bank of Namibia and covers more than a century of currency and banking history in this country. The five chapters provide:

- a historical perspective of banking during the period before independence, including monetary units used, an overview of bank operations and functions and reflects the limited monetary and financial discretion applied;
- an account of events and developments that occurred immediately before and after independence and the establishment of the Bank of Namibia, the legal framework within which the Bank of Namibia operates as well as the introduction of the national currency and how it changed the operations of the Bank of Namibia. Furthermore, the core functions of the Bank of Namibia and its financial relationship with customers and stakeholders are explained;
- an outline of the Bank of Namibia's organisational structure since inception, portrays the culture of the Bank of Namibia and matters such as the corporate charter, the culture change project; and
- an account of the Bank of Namibia's regional and international standing, agreements entered into and partnerships forged with other central banks.
- The book concludes with an Epilogue by Governor Tom K Alweendo in which he outlines his view on the role of the Bank of Namibia beyond 2010. It further highlights the Bank of Namibia's strategies and how to address future challenges.

Not only will this publication be disseminated among members of the Namibian business sector but will also be distributed among other local and international institutions. Furthermore, it will be used to serve as an educational aid with the view to informing the Bank of Namibia's stakeholders about its role in the Namibian economy.



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