Namibia's Monetary Policy Framework

Bank of Namibia

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CONTENTS

FOREWORD 2

I. THE MONETARY POLICY FRAMEWORK OF NAMIBIA 3

II. LEGAL AND INSTITUTIONAL FRAMEWORK 5

Institutional framework 5

Major mandates in relation to monetary policy 5

Monetary policy target 6

Frequency of meetings 6

Process of decision-making and voting rights 6

Monitoring economic and financial trends 6

III. POLICY IMPLEMENTATION 6

Ultimate objective and intermediate target 6

Operational target 7

Key policy rate 7

IV. MARKET OPERATIONS 7

Settlement account 7

Repurchase transactions 7

Bank of Namibia bills 8

Other operational tools 8

V. MONETARY POLICY COMMUNICATION 8

Principles of monetary policy communication 8

Announcement of policy decisions 8

Inflation and economic forecasts 9

VI. REFERENCES 10

ANNEX 1: TERMS OF REFERENCE OF THE BANK OF NAMIBIA MONETARY POLICY COMMITTEE 11

ANNEX 2: MONETARY POLICY COMMITTEE CODE OF GOOD CONDUCT 13

FOREWORD

This document describes Namibia's current monetary policy and exchange rate framework. Much of what is contained in the document has been described in other Bank of Namibia policy papers. However, it was necessary to bring all aspects of the Bank's monetary and exchange rate management[1] practices together in a single referencing document, in line with international best practices.

Monetary policy in Namibia aims to ensure price stability in the interest of sustainable economic growth. Namibia's monetary policy framework is underpinned by the exchange rate system linked to the South African Rand at a ratio of one-to-one. This link, which requires that Namibia's currency in circulation is 100 percent backed by international reserves, ensures that Namibia imports price stability from the anchor country. Under a fixed exchange rate regime, monetary policy remains submissive to the fixed peg arrangement. Maintenance of the fixed peg, which is the intermediate target, ensures that the goal of price stability is achieved by importing stable inflation from the anchor country. As a member of the Common Monetary Area, Namibia has ceded its right to have an independent monetary policy. Nevertheless, the country has some monetary policy discretion because of stickiness in capital movements, capital controls and other prudential requirements. These discretionary powers confer liberty upon the Bank of Namibia to maintain its Repo rate at a somewhat different level from the Repo rate of the South African Reserve Bank, when required.

An important aspect of a monetary policy framework is the legal and institutional framework for policy formulation. In Namibia, the composition of the Monetary Policy Committee is prescribed by the Bank of Namibia Act 2020 (Act No.1 of 2020), and it consists of the Governor and Deputy Governors who are *ex officio* members, and a minimum of three and maximum of six members appointed by the Governor with the approval of the Board of the Bank. The composition may be a mix of bank staff members and other persons[2]. The MPC members are appointed for three years and are eligible for re-appointment.

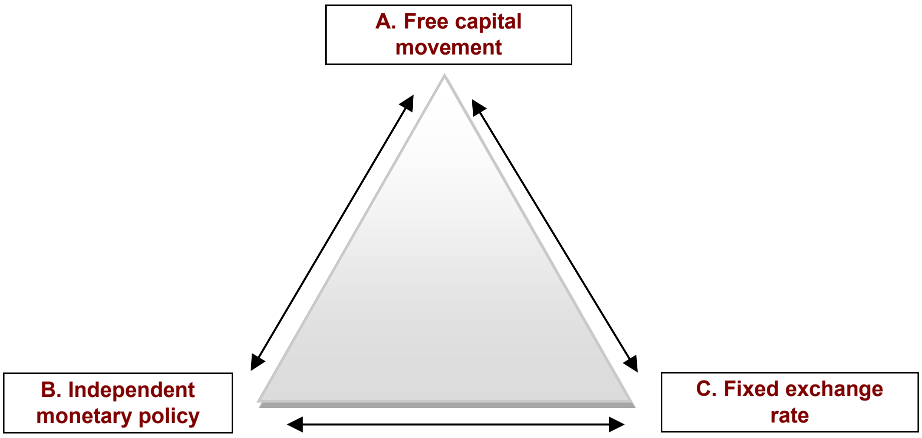
An increasingly important topic in monetary frameworks is communication, as it plays an important role in managing market expectations such that the market is not caught off-guard with respect to key decisions. In this regard, the Bank of Namibia uses an array of channels to communicate monetary policy decisions, of which this document is one example. Others include a press statement after each Monetary Policy Committee meeting, the publication of the monetary policy statement and the minutes of the committee meetings on the Bank's website, and the publication of a monetary policy review two times a year in the June and December Quarterly Bulletins and the Annual Report of the Bank.

[1] See the BoN Working Paper on "Monetary Policy Transmission Mechanism in Namibia"
[2] Section 28(2) of the Bank of Namibia, 2020. (Act No. 1 of 2020).

I. THE MONETARY POLICY FRAMEWORK OF NAMIBIA

The goal of monetary policy in Namibia is to ensure price stability in the interest of sustainable economic development of the country. Namibia's monetary policy framework is underpinned by the fixed currency peg of the Namibia Dollar to the South African Rand. Under a fixed exchange rate regime, monetary policy is submissive to the fixed peg. Maintenance of the fixed peg, which is the intermediate target, ensures that the goal of price stability is achieved by importing stable inflation from the anchor country (Figure 2). The relationship between monetary policy and the exchange rate policy in an open economy operating under a fixed exchange rate regime is underpinned by the "trilemma" or "impossible trinity" concept (Al-Raisi *et al*. 2007:2), depicted in Figure 1.

Figure 1: The Impossible Trinity of Capital, Monetary Policy and Exchange Rate.



The impossible trinity postulates that a country cannot simultaneously enjoy three policy positions: a fixed exchange rate, monetary policy independence, and an open capital account. Consequently, under a fixed exchange rate arrangement, a country cannot operate monetary policy independently from the anchor country, as this will eventually disturb the fixed peg through the workings of the capital account. For instance, if interest rates in the country fall below those in the anchor country, funds will move immediately and on a massive scale to the anchor country, forcing interest rates to be raised again to where they match those in the anchor country. The impossible trinity implies that Namibia has limited monetary policy independence due to the fixed exchange rate arrangement.

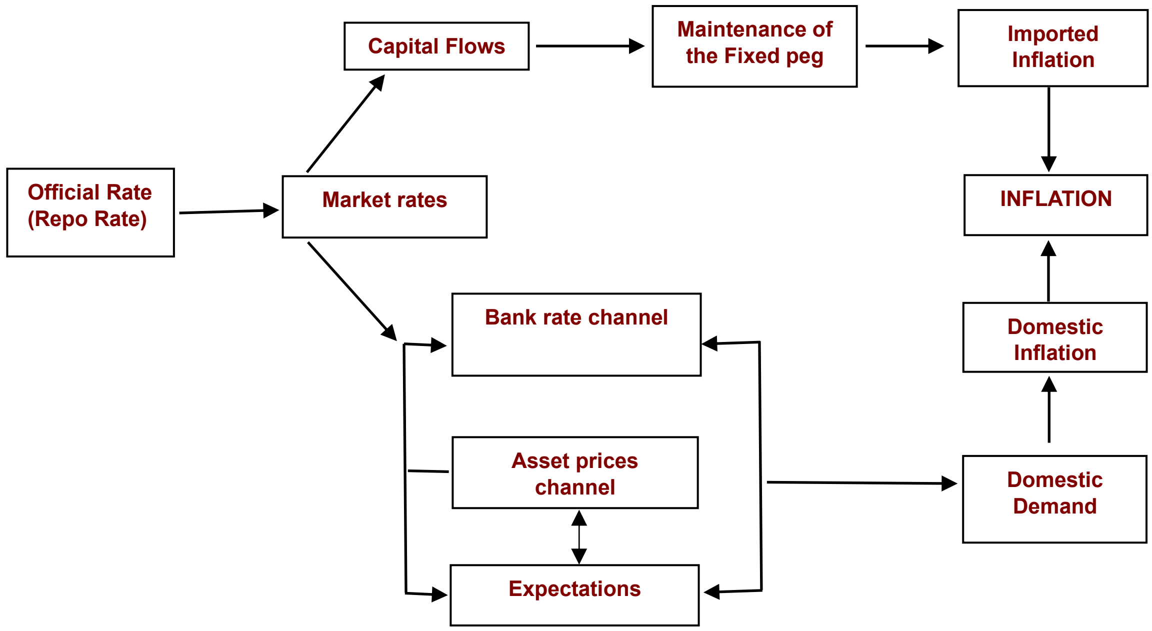
However, the impossible trinity concept assumes perfectly functioning financial markets, where even the slightest interest rate differential between countries causes immediate, massive arbitrage as long as the differential holds. In real life, capital movements are not instantaneous, costless or frictionless. There are transaction costs, convenience considerations and inertia in moving funds from one country to another. There are also lags; for instance, money deposited in fixed deposit accounts cannot be moved before the deposit reaches its maturity date.

A country with a fixed exchange rate policy could also use capital controls and regulatory barriers to influence capital movements. Therefore, to a certain degree, domestic short-term interest rates can be adjusted away from but in reasonable proximity to interest rates in the anchor country, influencing money supply and credit extension to the private sector to control domestically induced inflation through expectations and aggregate demand.

Consequently, Namibia's monetary policy stance can deviate to some extent from that of South Africa, relying on the transaction costs, other frictions, capital controls and prudential requirements imposed on banking and other financial institutions to moderate capital movements in response to small differences in interest rates. These make it possible for the Bank of Namibia to maintain a Repo rate that is somewhat different from the

Repo rate of the South African Reserve Bank (SARB), when required, thus allowing some discretion to control the domestic credit extension and money supply. "Constrained discretion" is therefore a key characteristic of monetary policy formulation in Namibia This discretion enables the Bank of Namibia to control domestically induced inflation, which is estimated to contribute about 35 percent to the overall inflation in Namibia (Gaomab II 1998). The transmission mechanism of such monetary policy discretion is presented in Figure 2.

Figure 2: Schematic illustration of the Monetary Policy Transmission Mechanism for Namibia



The Bank rate channel (Figure 2) influences the pricing of retail financial products. In the case of Namibia, almost immediately after the official rate/ repo rate is changed, commercial banks accordingly adjust their lending rates. Theoretically, firms and individuals respond to the change in commercial bank lending rates by altering their spending and investment decisions. In Namibia's case, changes in the borrowing behaviour of individuals in response to interest rate changes are usually more pronounced than those of businesses. Thus, the credit/repo rate channel is important in Namibia in terms of influencing domestic inflation. The expectation of changes in the interest rate (repo rate) in Namibia also influences consumer behaviour, which will trickle down to domestic demand. Changes in household demand patterns eventually filter through to output and domestic inflation.

The asset price channel is also effective in Namibia primarily through physical assets, in particular, real estate. For example, if the central bank tightens monetary policy, it results in a rise in mortgage rates. Any rise in the mortgage rate reduces the disposable income after debt servicing of those affected, consequently reducing the flow of funds available for spending on goods and services in respect of any given income. The rise in interest rates also tends to reduce the value of assets, and lower wealth leads to lower spending. The resulting lower spending will ultimately filter through to domestic inflation developments.

Changes in interest rates should theoretically have an impact on equity and bond prices. Movements in interest rates therefore, among other factors, directly impact the profitability of companies and as a consequence, the share price valuations are also affected, whether it is through changes in the cost of debt or in the behaviour of customers. However, structural issues constrain the strength of this impact in Namibia. Given that investments in locally listed equity are dominated by institutional investors and some strategic investors, markets are quite illiquid as there is a relatively short supply of domestic assets for this investor segment. Consequentially, locally listed equity prices do not always respond to changes in interest rates as one would have expected. In the case of bonds, the changes in prices are, however, more prevalent, as they are not only affected by factors such as market sentiment, risk appetite, demand and supply, and market yields of comparable investment products but also inflation expectations. As central banks use interest rates as a tool to control inflation expectations, changes in the Repo rate, to control inflation or otherwise, will have some impact on bond prices. Any changes in the South African Repo rate will have an impact on South African bond prices. While Namibian bonds are benchmarked against South African bonds, the valuation of Namibian bonds will also change accordingly, even before there is any change in the Namibian Repo rate.

In addition, changes in the official rate (Repo rate) affect market interest rates. This consequently affects the flow of capital between Namibia and the anchor country (South Africa). Lower interest rates in Namibia could precipitate capital outflows to South Africa, which could also put additional pressure on the level of international reserves and hence threaten the peg. This is due to the requirement of the Common Monetary Area (CMA) that each Namibia Dollar currency in circulation in Namibia should be backed by an equivalent amount of international reserves. To prevent the above scenario, the Bank of Namibia usually keeps its Repo rate in line with the South African Reserve Bank repo rate. Moreover, the Bank of Namibia at all times keeps equivalent or higher international reserves than currency in circulation to safeguard the current peg – in practice the reserves held are always a multiple of the currency in circulation.

Countries that adopt flexible or managed exchange rate systems can rely on other transmission channels, such as the exchange rate and credit and expectations channels to implement monetary policy. In contrast, due to its fixed exchange rate system and the characteristics of the Namibian securities market, Namibia mainly relies on the interest rate/repo rate channel and, to some extent, on the asset price channel to influence domestically induced inflation. Under a fixed exchange rate regime, monetary policy remains submissive to the fixed peg. The maintenance of the peg ensures that Namibia imports stable prices. However, due to transaction costs, frictions, capital controls and prudential measures that limit the outflow of capital as outlined above, Namibia can deviate, albeit to a limited extent, from the policies of the anchor country (i.e., South Africa) to affect domestically induced inflation. The decision of the central bank ultimately affects inflation through the repo rate/credit and asset price channels. A higher repo rate tends to slow credit extension, reduce asset prices, moderate domestic expenditure and rein in inflation. Conversely, a lower repo rate tends to boost credit extension, raise asset prices, increase domestic expenditure and accommodate higher inflation.

II. LEGAL AND INSTITUTIONAL FRAMEWORK

Board of Directors

The Bank of Namibia is governed by a Board of Directors, consisting of the Governor of the Bank, who is also the Chairperson of the Board. Other Board Members include the Deputy Governors, the Executive Director of the Ministry of Finance and Public Enterprises and six Non-Executive Directors[3]. In terms of its functions and powers, the Board is responsible for general policies, internal controls, risk management, the general administration of the Bank and any other functions as may be assigned to or conferred on the Board (section 10(1) of the Bank of Namibia Act, 2020). The Board plays no role in monetary policy formulation, although it is regularly informed about monetary developments and the reasons for the prevailing stance of monetary policy.

Monetary Policy Formulation

Institutional framework

The Bank of Namibia's Monetary Policy Committee (MPC) is responsible for the formulation of monetary policy, the policies for the conduct of monetary policy operation of Namibia, and the rules of procedure to be followed at its meetings. The MPC is a committee that consists of the Governor who serves as the MPC Chairperson, Deputy Governors who are *ex officio* members, and a minimum of three and maximum of six members appointed by the Governor with the approval of the Board. The composition may be a combination of Bank staff members and other persons[4]. The MPC members are appointed for three years and are eligible for re-appointment. The MPC's Terms of Reference and Code of Good Conduct are attached as Annexures 1 and 2, respectively.

Major mandates in relation to monetary policy

The MPC's key mandate in relation to monetary policy matters is derived from the Bank of Namibia Act, 2020 (Act No.1 of 2020). According to the Act, the main object of the Bank of Namibia is to promote monetary

[3] Section 9(1) of the Bank of Namibia, 2020 (Act No. 1 of 2020).
[4] Section 28(1) of the Bank of Namibia, 2020 (Act No. 1 of 2020).

stability and contribute towards financial stability conducive to the sustainable development of Namibia. Moreover, in terms of Article 4 of the Common Monetary Area (CMA) Bilateral Monetary Agreement between Namibia and South Africa, it is stipulated that "the Bank of Namibia shall maintain reserves equivalent thereto in the form of Rand assets and freely usable foreign currencies in such proportion as the Bank of Namibia considers appropriate".

Monetary policy target

In terms of section 5(1) of the Bank of Namibia Act, the Bank enjoys independence in the pursuit of its object and the performance of its powers. In other words, no individual, group or institution – government or otherwise – is permitted to interfere with the Bank on monetary policy matters. The immediate objective that the MPC focuses on is to maintain the parity of the Namibia Dollar to the South African Rand. However, since the ultimate objective of monetary policy is stable prices, the MPC keeps a close watch on the inflation rate, defined domestically as the rate of increase over twelve months in the Namibia Consumer Price Index (NCPI). The NCPI is produced and disseminated by the Namibia Statistics Agency (NSA) on a monthly basis.

Frequency of meetings

The MPC meets six times a year to deliberate on monetary policy matters. At each such meeting, the MPC decides on the appropriate stance of monetary policy for the next two months. The Governor may also call for extraordinary MPC meetings at his/her discretion.

Process of decision-making and voting rights

During an MPC meeting, members from relevant departments in the Bank are invited to make presentations to the MPC on recent global and domestic economic developments, and on the inflation outlook. In terms of domestic economic developments, performance indicators of the four macro-economic accounts - the real, monetary, external and fiscal sectors - are considered. From time to time, the MPC may also request additional presentations relating to monetary policy. At times, certain invited persons may sit in on MPC deliberations in order to provide clarification on issues raised in their reports. However, only the views of MPC members are taken into consideration when a decision on the stance of monetary policy is taken. All decisions relating to monetary policy matters are taken by consensus. In seeking consensus, each member expresses his or her view regarding the appropriate policy stance, with motivation. Where consensus does not emerge, the Chairperson may exercise his/her casting vote. The view of each member is recorded along with the reason(s) for such view.

Monitoring economic and financial trends

As a routine activity of the Bank, all major economic and financial indicators are monitored and presented to the MPC. The said indicators include the liquidity of the banking system, inflation and exchange rate trends, monetary, credit and financial market developments, the foreign exchange reserve position, real sector indicators, the balance of payments, and fiscal trends. In addition, the Bank makes use of monthly and quarterly internal inflation forecasts. The forecasts are based on econometric methods, which inter alia incorporate actual and projected price developments in selected commodities and exchange rates. The Bank captures the medium-term inflation forecasts in its monetary policy statements, with more detail provided in an inflation forecast document that is simultaneously released on the Bank's website.

III. POLICY IMPLEMENTATION

Ultimate objective and intermediate target

The ultimate objective of monetary policy in Namibia is to promote price stability. In achieving this objective, the Bank of Namibia has an intermediate target to promote an economic and financial environment that ensures that the parity between the Namibia Dollar and the South African Rand is not threatened in any way. The parity between the two currencies may be threatened when, amongst others, interest rates move away significantly from each other, which may lead to undue capital inflows or outflows, and/or divergent macro-economic developments between the two countries.

Operational target

The operational target is an economic variable that the central bank wants to influence, largely on a day-to-day basis, through its monetary policy instruments. Although there is no formal operational target in Namibia, the Bank of Namibia monitors the level of official reserves, as the fixed currency peg requires the country to fully back its currency in circulation with international reserves in order to import stable prices from South Africa.

The Bank endeavours to maintain the international reserves at a level which, in the view of the Board, is adequate to cover Namibia's external obligations and retain confidence among its investors and rating agencies (section 62(1)). In this regard, there is a minimum threshold below which foreign reserves are considered inadequate. The minimum threshold, currently set by the board, is defined as the currency in circulation plus a buffer of three times the monthly commercial bank net foreign transfers. If international reserves are initially at a level that the Board considers inadequate, it should determine measures to grow the international reserves. Should the initial measures require Government support, the Board must submit the measures to the Minister of Finance on the reserve position, together with recommendations that the Board considers necessary to contain or otherwise remedy the situation. Section 62(3) (4) (5) and (6).

Key policy rate

The main policy tool that the Bank of Namibia uses to influence monetary conditions in the country is the Repo rate, which is aligned with the South African Reserve Bank's repo rate. The Repo rate is the interest rate at which commercial banks borrow money from the Bank of Namibia, and this, in turn, affects other interest rates in the economy. Changes to the Repo rate usually consider the SARB's decision, prevailing domestic economic conditions, international economic conditions including foreign reserve adequacy, and future economic prospects.

IV. MARKET OPERATIONS

Monetary policy instruments are tools that central banks use to achieve their operational targets such as inflation, money supply and exchange rates. Central banks use various measures, broadly referred to as market operations tools, to meet such targets. In the case of the Bank of Namibia, the following key operational tools are employed to meet the Bank's monetary policy objectives.

Settlement account

Banking institutions place funds in the settlement account with the Bank of Namibia on a daily basis, at an interest rate determined by the Bank. As the interest rate on this account is changed at the discretion of the Bank, it may be used as a prime intervention instrument to control short-term capital outflows. Generally, adjustments in the settlement account rate are dictated mainly by the monetary policy stance, changes in liquidity conditions of the Namibian banking system as well as the general movement in money market rates.

Repurchase transactions

This instrument is key, providing the conduit through which the main policy tool – the Repo rate – works. The Bank has three systems of accommodation, namely the seven-day repo, the overnight repo, and the intraday repo. All three facilities are available to assist participants in the Namibia Interbank Settlement System (NISS) to meet their settlement obligations. As such, the facilities are not meant to aid in funding banking institutions' credit extension, but rather to assist them in meeting their short-term liquidity requirements.

The seven-day refinancing facility was introduced by the Bank of Namibia in 2008 as its main system of accommodating banking institutions. The Bank has the discretion to determine the size of the amount to be allotted at any seven-day repo auction, depending on the banking institutions' liquidity situation and needs. Lending on this facility is fully collateralised, which means funds are provided only when eligible collateral has been submitted and applicable haircuts are applied. The rate charged on the 7-day lending facility is the prevailing Repo rate which is set by the Bank's MPC. This facility is availed on demand and on a weekly basis subject to the liquidity conditions in the banking industry.

The intraday and overnight repos are used to square-off daily positions in the event that a certain bank does not have sufficient funds in the settlement account to meet its daily settlement obligations. Both intraday and overnight repos require the institution to have enough eligible securities pledged for collateral pre-lodged on the NISS system before utilising any of the facilities. The intraday repo facility is interest-free while a penalty over the Repo rate is charged on the overnight repos. This penalty is periodically reviewed by the Bank and the prevailing rate is announced in the Operational Notice on Money Market Operations. The Bank reserves the right to change the penalty if borrowing under the overnight facility becomes so large and persistent that it implies permanent lending to banking institutions.

Bank of Namibia bills

Bank of Namibia bills (BoN bills) were first introduced in 2007. Initially, BoN bills were used to assist banking institutions to meet their statutory liquidity requirements, due to a shortage of Government securities in the primary and secondary markets. Nonetheless, over time, the BoN bills were extended for general industry liquidity management. The purpose of this extension is to prevent short-term capital outflows which have adverse effects on the level of foreign exchange reserves. As such, the Bank issues BoN Bills of various maturities to mop up liquidity in the event of excess cash in the market. The rates offered on the BoN bills are determined based on the monetary policy stance and on the general trend in money market rates. Currently, the Bank of Namibia bills are only available to banking institutions and are offered when warranted by prevailing liquidity conditions in the banking industry. The Bank of Namibia bills are offered in maturities of 7-day, 14-day, 21-day, 28-day and 56-day. BoN bills are availed on demand on a weekly basis subject to the liquidity conditions in the banking industry. The maturities on offer may vary based on demand.

Other operational tools

The Bank of Namibia may utilise other tools to withdraw surplus liquidity from the market or inject liquidity into the market in the case of a shortage. These include engaging in open market operations by buying or selling debt securities in the market to influence the market liquidity levels.

V. MONETARY POLICY COMMUNICATION

Principles of monetary policy communication

The Bank's monetary policy communication strategy is aimed at communicating its monetary policy stance transparently. The commitment serves several pivotal purposes including the management of market expectations, rectification of public misconceptions, establishment and reinforcement of credibility, cultivation of trust and fundamentally, the enhancement of the overall effectiveness of monetary policy. Through clear and open communication, the Bank endeavours to ensure that stakeholders, including the general public, are well-informed, contributing to a more robust and trusted monetary policy framework.

Announcement of policy decisions

The MPC meetings are held every two months. After each meeting, MPC decisions are announced to external stakeholders by the Governor or a Deputy Governor to promote monetary policy aims and objectives in line with the Monetary Policy Framework of the Bank. On the day of the announcement, the monetary policy statement is extensively disseminated through various media platforms. The minutes of the preceding MPC meeting are made available on the Bank's website the following day.

Additionally, the MPC is obligated by the Bank of Namibia Act, 2020 (Act No.1 of 2020) to publish the Monetary Policy Review of Namibia two times a year in June and December- respectively. This forms part of the Quarterly Bulletin and the Annual Report features the summarised version of Monetary Policy developments of the year under review. This comprehensive approach ensures the transparent and timely sharing of monetary policy decisions and insights with stakeholders and the public.

To enhance understanding of the monetary policy framework and decision-making in Namibia, the Bank has launched a Monetary Policy Dialogue series. These meetings are held at least once a year to engage local economists, analysts, researchers, and industry players, serving as a platform that unpacks monetary policy decisions and promotes dialogue and transparency in the decision-making process. The Governor accompanied by all MPC members holds transparent discussions with stakeholders to announce and interrogate the Bank's interest rate decision and the broad direction of monetary policy.

To reach a broader audience, the Bank makes use of various multimedia tools as well as translation of the decision into local languages. This is augmented by educational videos and public lectures facilitated by the Governor to inform stakeholders in different regions regarding aspects of monetary policy.

Inflation and economic forecasts

Monetary policy decisions are based on data, professional forecasts, and expert judgement. Thus, six times a year, the MPC receives inflation and private sector credit forecasts to facilitate monetary policy decisions. The inflation forecast is published on the Bank of Namibia website after each monetary policy announcement. Furthermore, the Bank publishes economic outlook projections three times a year, usually in February, August and December.

VI. REFERENCES

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ANNEX 1: TERMS OF REFERENCE OF THE BANK OF NAMIBIA MONETARY POLICY COMMITTEE

Background

The Governor of the Bank of Namibia has the right to appoint committees to assist in the implementation of the Bank's policies. In this connection, the Act provides the Governor with the mandate to establish a Monetary Policy Committee, responsible for the formulation of monetary policy of Namibia. **This committee shall be formally known as the Monetary Policy Committee.**

The Monetary Policy Committee shall have the power and responsibility to formulate the monetary policy of Namibia. However, in terms of accountability, the Governor of the Bank of Namibia remains ultimately responsible for the soundness and effectiveness of monetary policy.

This document outlines the composition and terms of reference of the Monetary Policy Committee of the Bank of Namibia with respect to monetary policy matters.

Composition of the Monetary Policy Committee

The Monetary Policy Committee shall consist of:

(a) the Governor, who shall be the Chairperson;
(b) the Deputy Governors;
(c) a minimum of three and a maximum of six members appointed by the Governor with the approval of the Board based on their expertise.

Terms of office

The Committee members, with the exception of the Governor and Deputy Governors, shall hold office for three years and are eligible for reappointment as may be determined by the Governor of the Bank of Namibia with the approval of the Board. It is expected that in addition to the normal line responsibilities, the MPC members will devote a significant portion of their time to monetary policy matters.

Members of the Monetary Policy Committee shall at all times adhere to the Monetary Policy Committee Code of Good Conduct set out in Annex 2 of this document.

Members of the Monetary Policy Committee shall, before commencing to perform monetary policy functions, take an oath or affirmation.

Frequency of meetings

The Monetary Policy Committee shall meet six times a year to deliberate on monetary policy matters and take a decision on an appropriate stance of monetary policy for the next two months.

The dates of the monetary policy meetings shall be communicated in advance to all MPC members and the public at large.

The Governor may call for extraordinary meetings of the Monetary Policy Committee related to monetary policy matters.

A minimum of five members present shall be required to constitute a quorum.

Manner of decision-making

All decisions related to monetary policy matters shall be taken by consensus. The Chairman shall have a casting vote in case consensus does not emerge. It is expected of each member to clearly state his/her view and reasons for taking such a view.

Publication of statement of decisions

After each monetary policy meeting, the Monetary Policy Committee shall publish a statement of its decision in a manner which the Bank deems fit.

In addition to the statement referred to in the prior sentence, the Monetary Policy Committee shall publish a Monetary Policy Review three times a year, conveying information about macro-economic, monetary, inflation and financial developments in Namibia and globally.

ANNEX 2: MONETARY POLICY COMMITTEE CODE OF GOOD CONDUCT

1. Fundamental principles and core values

Monetary Policy Committee (MPC) members shall act with loyalty to the Bank, be honest, objective, and impartial and subscribe to the highest standards of professional ethics, diligence, good faith and integrity. They shall avoid any action, or inaction, which could in any way impair the Bank's capacity to carry out its duties or compromise its standing in the community and its reputation for integrity, fairness, honesty and independence.

2. Conflict of interest

(1) In the performance of their duties, MPC members shall avoid any situation that may give rise to a conflict of interest. No discrepancies may exist between a member's official responsibilities and any kind of personal or external interests which could jeopardise his or her impartiality and integrity in performing his or her responsibilities. Acceptance of gifts and favours that have the appearance of influencing their performance should be avoided.

(2) MPC members may not undertake remunerated activities outside the Bank, without the consent of the Chairperson of the MPC and in accordance with the general rules and procedures of the Bank on extra-mural activities. Remunerated activities that have a bearing on monetary policy matters must be avoided at all times. More especially, an MPC member shall not become a shareholder, director, manager, or officer in any banking or other financial institution.

3. Declaration of interests

(1) To assist in the fulfilment of obligations in relation to conflicts of interests, MPC members shall upon appointment make a full written disclosure of the nature of their direct or indirect interests which may give rise to conflict of interest.

(2) The matters to be covered by the member's statement shall include but not be limited to the disclosure of:

- (a) any financial or business interest of the member and that of his or her immediate family members; and/or
- (b) investments in companies, partnerships or joint ventures.

(3) An update of such a statement on an annual basis shall be provided to the Chairperson of the MPC.

4. Immunity from personal liability

The MPC members shall not be personally liable for any civil or criminal proceedings, arrest, imprisonment or damages for anything done in the discharge of their duties unless it is established that it was done in bad faith.

5. Compliance

(1) Compliance with this Code of Conduct will be monitored by the Chairperson of the MPC. Any violation of the provisions of the Code must be dealt with in accordance with the disciplinary policy of the Bank. An external member of the MPC is by virtue of his/her MPC membership is subject to the Disciplinary Policy of the Bank.

(2) For the duration of any investigation into any allegation of a contravention of this Code, the Chairperson of the MPC reserves the right to suspend the member concerned from carrying out duties for the MPC and the Bank.

(3) Any investigation into a suspected or possible contravention of this Code shall be kept confidential.

6. Independence

(1) MPC members shall be independent from any political influence in the performance of their duties.

(2) The MPC members shall not act as delegates or representatives of any interest groups or industry in the discharge of their duties.

7. Confidentiality

Members of the MPC and invited guests, are required to maintain strict confidentiality of the information discussed at MPC meetings and not to divulge any confidential information obtained by members in the performance of their duties: provided that such confidentiality shall be lifted one year after they have ceased to be members of the MPC. Members shall also avoid any situation where they might be perceived as having acted with the benefit of knowledge not available to the general market, for their own interests.

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