Bank of Namibia

Annual Report

2003

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Bank of Namibia Corporate Charter

MISSION

The mission of the Bank of Namibia is to promote monetary and financial stability in the interest of the Nation's sustainable economic growth and development.

VISION

Our vision is to be a centre of excellence - a professional and credible institution, a leader in the areas of economics, banking and finance, driven by competent and dedicated staff.

VALUES

We are committed to service excellence.

We uphold integrity, impartiality, open communication and transparency.

We care for each other, our well-being and our contribution to the organisation.

We value teamwork.

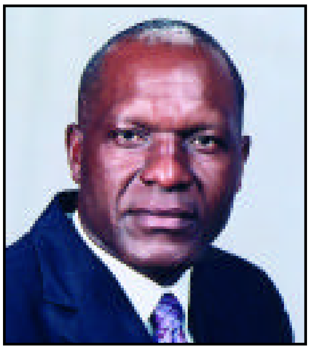
In accordance with Section 52(1) of the Bank of Namibia Act No. 15 of 1997, the Bank has submitted to the Minister of Finance this Annual Report, which includes:

(i) a copy of its annual accounts certified by the auditors;
(ii) a report of its operations and affairs; and
(iii) a report on the state of the economy.

TOM K ALWEENDO
GOVERNOR

March 2004

BANK OF NAMIBIA BOARD OF DIRECTORS



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(Governor)

Mr P Hartmann
(Deputy Governor)

Mr F Kisting

Dr. O Herrigel

Ms L Shapwa

Mr R Ritter

Mr C Schlettwein

Ms T Itenge-Emvula

BANK OF NAMIBIA MANAGEMENT AS AT 31 DECEMBER 2003

Governor	**Mr. Tom K. Alweendo**
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Senior Manager – Financial Markets	Mr. P. Shiimi

ABBREVIATIONS

ACP	African, Caribbean and Pacific (countries)
AGOA	Africa Growth and Opportunity Act
AGRIBANK	Agricultural Bank of Namibia
AIDS	Acquired Immune Deficiency Syndrome
ASYCUDA	Automated System for Customs Data
AU	African Union
BoN	Bank of Namibia
BTT	Board on Tariffs and Trade
BCM	Business Continuity Management
BES	Book Entry System
BLNS	Botswana, Lesotho, Namibia, Swaziland
BANK	Bank of Namibia
CAP	Common Agricultural Policy
CBI	Cross Border Initiative
CCBG	Committee of Central Bank Governors in SADC
CD	Cooperation for Development
CLC	Code Line Clearing
CMA	Common Monetary Area
CNM	Common Negotiating Mechanism
COMESA	Common Market for Eastern and Southern Africa
CRP	Common Revenue Pool
CSIB	City Savings and Investment Bank
DCS	Depository Corporations Survey
DFN	Development Fund of Namibia
DIS	Deposit Insurance Scheme
DMB	Deposit Money Bank
DMC	Deposit Money Corporation
DRC	Democratic Republic of the Congo
ECOWAS	Economic Community for West Africa
EFT	Electronic Funds Transfer
EPAs	Economic and Partnership Agreements
EPZ	Export Processing Zone
EER	Effective Exchange Rate
EU	European Union
FCS	Financial Corporations Survey
FDI	Foreign Direct Investment
FNB	First National Bank
FTA	Free Trade Area
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GNDI	Gross National Disposable Income
GNI	Gross National Income
GSP	Generalised Systems of Preference

ABBREVIATIONS (Continued)

HIPCs	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
IFS	International Financial Statistics
IIP	International Investment Position
IMF	International Monetary Fund
IPAs	Investment Promotion Agencies
IRS	Internal Registered Stock
LOLR	Lender-of-Last Resort
JSE	Johannesburg Securities Exchange
M1	Narrow Money Supply
M2	Broad Money Supply
MFSM	Monetary and Financial Statistics Manual
MPC	Monetary Policy Committee
MoF	Ministry of Finance
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NAMFISA	Namibia Financial Institutions Supervisory Authority
NAFTA	North America Free Trade Agreement
NBFI	Non-Bank Financial Institutions
NCDs	Negotiable Certificate of Deposits
NDC	Namibia Development Corporation
NEER	Nominal Effective Exchange Rate
NEPAD	New Partnership for African Development
NGOs	Non Governmental Organisations
NFA	Net Foreign Assets
NII	Net Interest Income
NISS	Namibia Interbank Settlement System
NOFP	Net Open Forward Position
NPL	Non Performing Loan
NSX	Namibian Stock Exchange
OBI	Other Banking Institution
ODA	Official Development Assistance
ODC	Other Depository Corporation
OFC	Other Financial Corporation
QM	Quasi Monetary Liabilities
REER	Real Effective Exchange Rate
REPO	Repurchase Agreement
RISDP	Regional Indicative Strategic Development Plan (SADC)
ROA	Return on Assets
ROE	Return on Equity
RSA	Republic of South Africa
RSF	Revenue Sharing Formula
RWCR	Risk Weighted Capital Ratio

ABBREVIATIONS (Continued)

SACU	Southern African Customs Union
SADC	Southern African Development Community
SADCC	Southern African Development Consultative Conference
SARS	Severe Acute Respiratory Syndrome
SME's	Small and Medium Enterprises
SWABOU	South West Africa Building Society
TAC	Total Allowable Catch
T-bills	Treasury Bills
TCL	Tsumeb Corporation Limited
TNCs	Transnational Corporations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
US	United States
US Dollar	United States Dollar
USA	United States of America
VAT	Value Added Tax
VC	Venture Capital
WTO	World Trade Organisation

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PART A

STATE OF THE ECONOMY

Report in terms of section 52 (1)(c) of the Bank of Namibia Act No.15 of 1997

ECONOMIC OVERVIEW

GLOBAL ECONOMY

After a disappointing first half of 2003, the global economy was expected to recover during the second half of 2003. The projections for the growth of the global economy, however, remained unchanged from the growth rate which had been forecast in April 2003 at 3.2 percent for 2003 (Table 1.1)[1]. If the monetary policy in industrial countries were to remain accommodating and fiscal policies are focused on medium-term consolidation, a global growth rate of 4.1 percent could be achieved in 2004. Further, necessary structural reforms and a reduction in geopolitical uncertainties would support this optimistic outlook..

There is, however, still a significant risk for the recovery of the global economy. Public debt levels, in particular, have remained high in many parts of the world. The unusual financing conditions which emerging market economies are currently enjoying, are likely to be tightened as the world economy gathered pace and demographic shifts, especially with an ageing population in the advanced economies are beginning to define new fiscal challenges.

After a prolonged slowdown of GDP growth, the end of major hostilities in Iraq heralded the starting point of the recovery of the US economy. Growth was projected to equal 2.6 percent in 2003 and 3.9 percent in 2004. In the third quarter of 2003, real GDP even grew by 8.2 percent, thus exceeding expectations by far[2]. The job market was also reported to show a modest growth[3]. A more stimulative fiscal policy, eased monetary conditions, the depreciation of the US Dollar, and a declining inflation contributed to the upswing. This recovery was nevertheless, exposed to several risks. Primarily, the widening current account deficit and the equally large government deficit are matters of concern. The government deficit was projected to be 6.0 percent of GDP for 2003 (in contrast to a surplus of 1.0 percent in 2000). Although this was a considerable short-term support for the economy, it could cause severe problems for the long-term performance.

After a stagnant first half of 2003 in the Euro Area, where a quarterly growth rate of -0.1 percent was reported[4], a moderate recovery in economic activity was projected by the most recent data for the remainder of 2003. A rather weak upswing was reflected in the projection of only 0.5 percent for 2003. The outlook for 2004 (1.9 percent) was however, more optimistic. The improved global economic conditions as well as the low level of interest rates were factors that pointed to a gradual upswing. These could however, be offset by major challenges, such as the high level of unemployment, low investment spending and a high fiscal deficit, especially in Germany and France.

The growth rates of the Japanese economy for the second quarter of 2003 had exceeded expectations and the outlook for 2003 and 2004 had also been revised upwards. For 2003, real GDP was expected to grow by 2.0 percent, but could slow down to 1.4 percent in 2004. Despite this positive outlook, deflation had continued to be a persistent problem, notwithstanding a policy of the Bank of Japan, which had kept short-term interest rates at zero to stabilise the financial system. Further risks, which had to be tackled in order to provide a sustainable growth, were the unresolved weaknesses in the corporate, financial and public sectors.

1 The growth figures published by the World Economic Outlook of the IMF in September 2003 are the same as those published in April 2003.
2 Bureau of Economic Analysis: http://www.bea.doc.gov/bea/newsrel/gdpnewsrelease.htm.
3 JPMorgan, "Global Data Watch", October 3rd, 2003.
4 European Central Bank, "Monthly Bulletin", October 2003.

Growth in Emerging Asia[5] is expected to be 5.9 percent for 2003 and is projected to grow strongly by 6.2 percent during 2004. The outlook for the real GDP growth in China remains very high with 7.5 percent for 2003 as well as for the following year. Although the Asian-Pacific countries remained the fastest growing region in the world in 2003, the recent weakness in domestic demand was a concern. Reasons for the decline in domestic demand were amongst other aspects, war-related uncertainties, surging oil prices and to some extent the consequences of the SARS. Structural reforms had to be accelerated and a stronger exchange rate flexibility was needed. In most parts of the region, the reactions to the recent weaknesses in growth were appropriate.

Table 1 World GDP growth

	2001	2002	2003	2004
World	2.4	3.0	3.2	4.1
United States	0.3	2.4	2.6	3.9
Euro area	1.5	0.9	0.5	1.9
Japan	0.4	0.2	2.0	1.4
Emerging Asia	5.1	6.2	5.9	6.2
China	7.5	8.0	7.5	7.5
Developing countries	4.1	4.6	5.0	5.6
Africa	3.7	3.1	3.7	4.8
Sub-Saharan	3.5	3.0	3.1	5.0
SADC	2.9	2.7	3.0	6.8
Angola	3.2	15.3	4.4	11.4
Botswana	4.9	2.6	3.7	3.6
Mozambique	13.0	8.3	7.0	8.0
Namibia	2.4	3.3	3.1	3.8
South Africa	2.8	3.0	2.2	3.0

Sources: IMF, "World Economic Outlook", September 2003 and April 2003; JPMorgan, "Global Data Watch", September 2003; Bank of Namibia

It was therefore, clear that the world economy was expected to recover in 2004 and that the balance of up- and downside risks had improved significantly. Developments, which might be able to influence the direction of growth positively, were the official end of the war in Iraq and a possible easing of geopolitical tensions. The economies of the USA and Japan in particular, and some emerging countries, notably in Asia, experienced a renewed recovery and low inflationary pressures. Eased monetary policy in many industrial countries also contributed to a more positive outlook. An increase in spending on inventories and reduced interest rates in Europe, the US and other countries (e.g. South Africa) were factors that could stimulate the recovery of the global economy.

There were nevertheless, downside risks, which had to be considered seriously. Despite the pacification of the geopolitical situation, related risks had not been completely eliminated. This had been demonstrated by tragic events such as the ongoing hostilities in Iraq and continued terrorist threats. In addition, oil prices will rise and are projected to increase further during 2004. The global imbalances in the current accounts, which were paired with an ongoing dependence on developments in the United States also posed a major problem. The overall increased spending on inventories could furthermore turn out to be unenduring. Improved financing conditions in emerging markets could be influenced by temporary factors, which implied that they could be reversed, if interest rates in industrial countries rose rapidly.

SADC[6]

Real economic growth in the SADC countries is projected at 3.0 percent in 2003 and was expected to rise to 6.8 percent during 2004. Growth is positively affected by on-going, improved macroeconomic policies, rising commodity prices and debt relief in line with the initiative of the heavily indebted poor countries (HIPCs) for some SADC economies. The average growth rate of 2.9 percent for the SADC countries from 2001 to 2003 had however, been below that of the sub-Saharan average of 3.2 percent. The overall growth in sub-Saharan Africa remained far too low to meet the

5 Emerging Asia includes developing Asia, newly industrialized Asia and Mongolia.
6 The discussion on SADC includes South Africa as well.

UN Millennium Development Goals. To cut poverty by 50.0 percent by 2015, a growth rate of 7.0 percent per year would be needed, which is unlikely at present.

Adverse weather conditions, the HIV/AIDS pandemic and tropical diseases constituted a serious threat to the growth prospects of the region.

Progress towards macroeconomic stability could already be reported in many countries, where the inflation rate was relatively low and the budget deficit was under control. Exceptions were Angola and Zimbabwe. The Angolan performance was, however, expected to improve with a growth rate of 11.4 percent during 2004. For Botswana, where the mining output is expected to rise, the real GDP growth is projected at 3.6 percent.

The regional food production had been better than during the previous year, fewer imports were needed to replenish national food security stocks[7] and a normal rainfall season was expected[8]. Emergency food aid was however, required for a number of countries in southern Africa, including Zimbabwe, Angola, Mozambique[9] and Namibia[10].

SOUTH AFRICA

The slowdown of the South African economy, which had been experienced since the end of 2002, was expected to be of a temporary nature only, and the growth rate of the GDP would recover from 1.9 percent in 2003 to 3.0 percent in 2004 (compared to 3.6 percent in 2002).

The CPIX[11] declined from 10.6 percent during September 2002 to 5.4 percent during September 2003 and was projected to stay within the target range of 3.0 to 6.0 percent during 2004[12]. This development had given scope to the South African Reserve Bank to lower the repo-rate by more than 500 basis points, from 13.5 percent at the end 2002 to 8.0 percent in December 2003. The reduced interest rates had contributed to an increased consumer demand and gross fixed capital formation.

The Rand had continued to strengthen throughout the year and had been ranked the best performing currency in the world for the greater part of 2003. The nominal exchange rate for the US Dollar had appreciated from 10.5 Rand in October 2002 to below 6.5 Rand in December 2003. Given the improved international outlook, the mild, expansionary fiscal policy and the eased monetary policy stance, the prospects for 2004 had improved significantly.

DOMESTIC ECONOMY

The Namibian economy appeared to have withstood the adverse global conditions relatively well during 2003. After the real GDP contracted in the first quarter of the year, the economy had rebounded during the second half of the year. Overall, the real GDP was estimated to have slowed only slightly during 2003, compared to the rate registered in 2002. The growth during 2003 had been determined largely by a rebound in the primary sector, particularly the fishing sector. Both the secondary and tertiary sectors also performed positively, albeit at a slower pace than in 2002.

The year 2003 had witnessed a general slowdown in the rate of inflation compared to the preceding year. From a double-digit figure of 12.8 percent during January, the annual rate of inflation had moved to a single digit figure of 9.8 percent during March, 8.5 percent during June and 2.1 percent during December 2003. The slowdown had been reflected in both the domestic and imported inflation rates. The decline was attributable to a significant decrease in food inflation, complemented by a contraction in the non-food inflation. Food prices continued to decline from a high of 14.6 percent during March to -1.4 percent during

7 Famine Early Warning Systems Network, “Southern Monthly Report”, September 22nd, 2003.

8 SADC, “ SADC Today”, Vol. 6, No. 4, October 2003.

9 In southern Africa, food aid is needed for up 5.5 million people in Zimbabwe, 1.4 million in Angola, almost 1 million in Mozambique, 1.9 million in Tanzania and as well for some parts of the population in Lesotho and Swaziland. (FAO, “Food outlook preview”, No.5, November 2003)

10 According to the government, about 640 000 people are in need of food aid, which would require an amount of N$127.5 million for a drought aid scheme.

11 The CPIX is the overall consumer price index for metropolitan and other urban areas, excluding the interest cost of mortgage bonds.

12 South African Reserve Bank, “Monetary Policy Review”, November 2003.

December 2003, mainly as a result of the stronger exchange rate, as well as the general improvement in food conditions in the SADC region. Non-food inflation had also declined from 7.6 percent during March to 1.1 percent during December.

In response to a declining inflationary pressure and in line with developments in South Africa, the monetary scene in Namibia during 2003 was characterised by an easing in monetary policy. This was reflected in the fall of 500 basis points in the Bank Rate from 12.75 percent at the beginning of the year to 7.75 percent in December. In line with the above developments, most money market rates in Namibia recorded downward movements during the year under review. The annual growth of private sector credit had increased by 18.1 percent in 2003 from 14.8 percent in the previous year. The increase in private sector credit was reflected in both its components namely, individuals and businesses.

On the fiscal front, the revised fiscal position was estimated to have weakened with the tabling of the supplementary budget. As a result, the budget deficit had increased to N$1.4 billion or 4.0 percent of the GDP during 2003/04, from N$1.1 billion or 3.0 percent envisaged in the main budget. This was in line with the fiscal development of Namibia's main trading partners and most of the advanced economies in the world, including the USAand most EU member states. Unlike the case of the advanced economies where the accommodating fiscal policy position was intentional, the worsened fiscal position in the case of Namibia, had developed from external shocks. These were the decline in revenue from diamond and other mining company taxes, as a result of the strengthening of the Namibia Dollar against the major currencies. The generally unchanged level of Government expenditure, combined with declining revenue had caused the deficit to the GDP ratio to rise. The total Central Government debt had increased from the level in the preceding year by 24.0 percent to N$9.9 billion or 28.0 percent of the GDP by the end of December 2003, from the level in the preceding year. This was 3.2 percentage points higher than the ratio of 24.8 percent recorded for the previous fiscal year. The domestic debt was chiefly responsible for the increase in total debt, while foreign debt rose moderately.

The surplus on the current account of Namibia's balance of payments in relation to the GDP was estimated to have increased to 7.9 percent from 4.7 percent during the preceding year. An increase in the inflow into the investment income account, which was supported by a substantial increase in current transfers and the services account, was responsible for the increase in the surplus on the current account. On the other hand, the deficit of the capital and financial account was estimated to have increased during 2003, compared to the previous year. Significant net outflows in other long-term investments were responsible for the increased deficit during the year under review. These were strong enough to offset the inflows recorded in the other sub-accounts, namely the capital transfers and direct investment into Namibia.

It is clear that the performance of the Namibian economy appeared to have weathered the adverse global economic conditions relatively well during 2003. After the real GDP growth had contracted slightly during the first quarter, economic activities rebounded during the second half of the year, resulting in a slight slowdown in GDP compared to the rate registered in 2002. This compared favourably with Namibia's main trading partners' performance where growth was estimated at below three percent, notably the EU and the USA. Inflationary pressures were further reduced during 2003 and the current account of the balance of payments had remained robust.

1. THE REAL ECONOMY

Notwithstanding the adverse global economic conditions, the Namibian economy has performed relatively well during 2003. After experiencing a contraction in real GDP during the first quarter of the year, economic activities recovered during the second half of the year. This resulted in a slightly lower estimated growth compared to the rate registered in 2002. The growth in 2003 was driven largely by a rebound in the primary sector, particularly in the fishing sector. On the other hand, the mining sector performed below expectation as a result of exogenous factors. Both the secondary and tertiary sectors also performed positively, though at a slower pace than during 2002.

1.1 GROSS NATIONAL INCOME AND GROSS NATIONAL DISPOSABLE INCOME[13]

While the Gross Domestic Product (GDP) measures production in an economy, the Gross National Income (GNI) and the Gross National Disposable Income (GNDI) measures the national income generated by the national factors of production, both internally and externally. In other words, the two concepts measure various aspects of the total income receivable by Namibian residents. The GNI is the total income received by residents of Namibia, while the GNDI measures the disposable income after transfers and taxes have been accounted for.

Preliminary national accounts data estimated that the GNI had increased to N$30.7 billion in 2002 from N$27.3 billion in 2001 while the GNDI had risen to N$33.6 billion in 2002 compared to N$30.3 billion in 2001 at current market prices. The GDP amounted to N$30.1 billion in 2002 compared to N$27.3 billion in the preceding year. It is clear that both the GNI and the GNDI were greater than the GDP in 2002, a trend that had been experienced since the 1990s. The GNI exceeded the GDP, mainly because of a high foreign investment income accruing to Namibia. The GNDI, in turn, was higher than the GNI because of large transfer receipts from outside Namibia, including the grant component of the SACU compensation. Real GNI recorded a growth rate of 6.3 percent in 2002, 0.7 percentage points higher than the 5.6 percent recorded in the preceding year.

Real GDP per capita, which measures the standard of living of the population, increased slightly to N$8 351 in 2002 from N$8 292 in the previous year. This indicated that the average standard of living of Namibians had improved slightly in 2002. Similarly, real GNI per capita had risen by 3.7 percent, to stand at N$9 760 in 2002 from N$9 409 in 2001. The level of the per capita income in Namibia is still one of the highest in Sub-Saharan Africa. The income distribution is however, very skewed, posting a Gini coefficient of 0.7[14], which is one of the highest in the world. The per capita income might therefore not be a good measure of the general wealth and development in Namibia.

1.2 SECTORAL REVIEW[15]

1.2.1 Primary Sector

The performance of the **agricultural** sector seems to have deteriorated during the year. Real value added for the sector was estimated to have decreased by 4.8 percent during 2003. This compared poorly to an increase of 0.7 percent registered during the preceding year. The decline was reflected mainly in the livestock industry which is the mainstay of the sector.

Output of the livestock sub-sector during 2003 was estimated to have fallen by 8.7 percent compared with the preceding year. The negative performance was reflected in the decline in the number of cattle marketed, of about 11.9 percent. Small stock marketed, had also declined by 2.6 percent. The growth rates for the

13 The analysis of this section is based on 2002 data because the data for 2003 is not yet available. The figures used in this section are from the latest national accounts of 2002. Since revisions were made to figures in previous years, 2001 figures may not necessarily correspond with what was quoted in the Bank of Namibia Annual Report 2002.

14 The Gini coefficient is a widely accepted measure of income distribution It can fluctuate between 0-1, with 0 representing a completely equal distribution of income and 1 a totally unequal distribution. An income distribution with a Gini coefficient above 0.55 is regarded as very unequal.

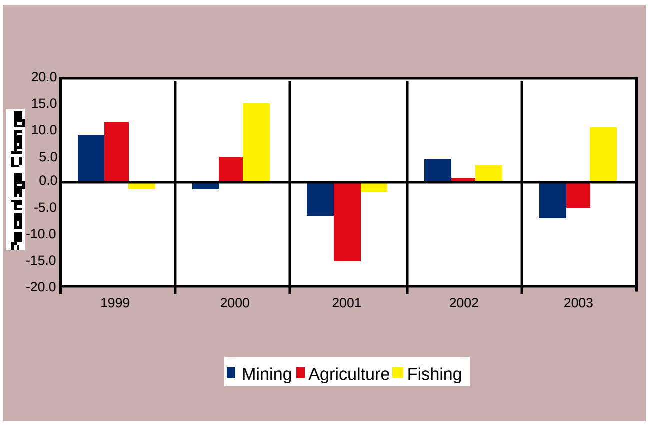
15 Figures in this section are BoN estimates and are subject to change when those of the CBS becomes available.

previous year had been 15.1 percent for cattle and 25.5 percent for small stock. The general decrease in the number of livestock marketed during the year was due to the fact that farmers had had to postpone selling some of their livestock for the purpose of restocking, after the severe drought in 2002 had forced them to sell most of their livestock. The low prices that had prevailed during the year, especially during the second half of the year, had also induced farmers to hold back the sale of their livestock. The Government had however, introduced a drought scheme which compensated farmers for both cattle and small stock marketed. This had encouraged farmers to sell some animals. Cereal production had also performed weakly during the year, compared to 2002.

Since the beginning of the year, activities in the **mining** sector have been poor compared to those in 2002. The strong external value of the local currency as well as low prices for some minerals were mainly responsible for the situation. Preliminary figures show that value added of the mining sector had contracted by 7.1 percent compared with the positive growth of 3.8 percent recorded in 2002. The poor performance resulted from an unsatisfactory output in the diamond industry, complemented by a fall registered in the gold production. The output of the diamond industry is estimated to have declined by 10.9 percent compared with an increase of 4.4 percent in 2002. The closure of a diamond mining company during the year was mainly responsible for the decline in the output of the diamond industry. This development occurred despite a recovery in the price of diamonds which was offset by the appreciation of the currency. The gold output also showed a fall of 14.3 percent. The output of other minerals such as copper and zinc showed an expansion, but this was not sufficient to offset the poor performance of the abovementioned minerals. There was therefore, a decline in the overall real value added of the sector.

During the year under review, the **fishing** sector seems to have recovered from its doldrums of 2002. Preliminary data indicated an expansion of 10.3 percent in the real value added of this sector. This is a significant increase when compared to a growth of 3.2 percent recorded in 2002. Favourable climatic environmental conditions at sea, complemented by an allocation of a total allowable catch (TAC) for the pilchard industry during the year, relative to a zero quota for the same industry during 2002 was one of the reasons for the recovery of the sector. The recovery was also reflected in the increase in catches of species such as hake, orange roughy and several other species. On the other hand, catches for species such as rock lobster declined, but could not offset the increase in the other species and therefore demonstrated an overall, positive growth in this sector.

Chart 1.1 Real Growth in the Primary Sector

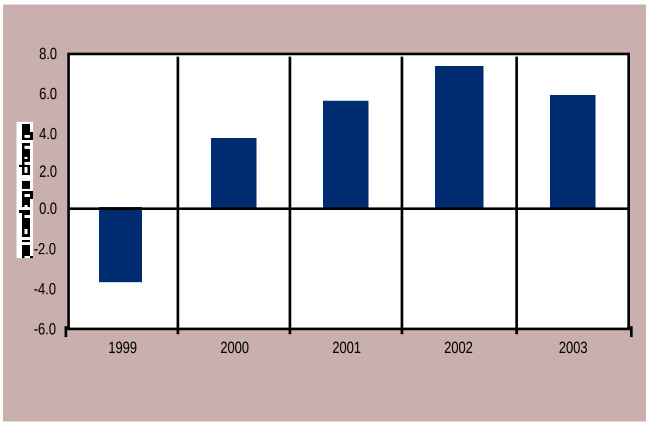


Source: CBS and BoN for 2003

1.2.2 Secondary Sector

Throughout the year 2003, the performance of the **manufacturing** sector has been satisfactory, maintaining the positive performance observed during the preceding year. Preliminary estimates indicate an increase in the real value added of the sector of 5.8 percent, which was slightly lower than the 7.4 percent recorded in 2002 (Chart 1.2). The slower growth in this sector, relative to 2002, was reflected in a decline in the growth of the meat processing and beverages industries. The decline in the meat processing industry had resulted from the decline in the number of livestock marketed while the decline in the beverages industry, confirmed reports of a strong decrease in the volume of exports to the Angolan market during 2003. This was the result of the newly implemented Angolan customs measures. Other sub-sectors such as the manufacturing of other food and the fish processing industry, as well as other manufacturing industries, performed positively.

Chart 1.2 Real Growth in the Manufacturing Sector



Source: CBS and BoN for 2003

In contrast to the very poor performance of the **construction** sector in 2002, the sector's activities showed an improvement in 2003. Value added of this sector is estimated to have risen by 4.5 percent in 2003 compared to a significant decrease of 24.5 percent during the preceding year. Low interest rates, as well as the construction of large-scale capital projects such as the Northern Railway Project, and other civil construction activities (roads), contributed to the upturn in the activities of the construction sector during 2003. Other indicators in this sector such as the number of building plans passed and buildings approved during the year, also confirmed the good performance of this sector.

1.2.3 Tertiary Sector

The performance of the **hotels and restaurant** sector, which is a proxy for the tourism sector, deteriorated during 2003, compared with the previous year. The real value added of this sector, is estimated to have fallen by 5.1 percent. This compares with an expansion of 6.2 percent registered in the previous year. The estimated fall in income during 2003 was further confirmed by the preliminary information of other indicators such as foreign arrivals in the country, as well as the occupancy rate of hotels and restaurants which was compiled by the Hospitality Association of Namibia (HAN). These developments are also in line with the announcement by the global airlines body, IATA, that indicated a drop in international air passenger traffic, which was partly due to the SARS outbreak.

Preliminary estimates indicate an increase of 5.7 percent in the real value added of the **retail** sector during 2003. This is slightly higher than the 4.6 percent recorded for the preceding year. This positive performance was reflected by the results of the clothing, vehicle retailing and supermarket sub-sectors. The good performance by this sector, confirms some of the reports by the industry during the year, especially the vehicles sub-sector which indicated an improved performance and growing buying trend by the consumer public. On the other hand, the furniture sub-sector performed poorly. An environment of the low interest rates experienced, especially during the second half of the year, could be the reason for the good performance of the retailing sector, as the reduction in interest rates, may have left consumers with relatively high income to spend. This development is further evidenced by the increased credit extension to individuals by commercial banks, as reported under Section 3 of this report.

Available data indicates that the value added of the **transport and communications** sector, rose by 10.8 percent during 2003, compared with the increase of 14.1 percent recorded during the previous year. The positive but slower performance of this sector during 2003 resulted from the good performance of the communications sub-sector, especially in the mobile telecommunications category. The mobile telecommunications reported a sharp increase during 2003, which had resulted from new connections. On the other hand, the transport sub-sector performed poorly during the year 2003.

1.3 DOMESTIC DEMAND[16]

The real gross domestic expenditure indicated a decline of 1.6 percent during 2002, compared with an increase of 8.4 percent in 2001. The decline in real domestic expenditure in 2002, was mainly reflected in investment expenditure, which is made up of gross fixed capital formation (GFCF) and inventories. Both categories showed downward movements during 2002, by comparison with their performance in 2001. Consumption expenditure, on the other hand, expanded during the same year relative to 2001.

The real GFCF contracted by 0.1 percent during 2002, compared to a significant rise of 26.0 percent during 2001. As a ratio to the GDP, the nominal GFCF also declined to 20.1 percent during the same year, from the 22.0 percent registered for the previous year. The contraction in real GFCF was reflected mainly by the public investment category, which fell significantly by 36.3 percent, compared with an increase of 53.5 percent recorded for 2001. On the other hand, the private investment category increased by 22.5 percent during the same year, higher than the 13.2 percent registered for 2001. In nominal terms, public investment stood at N$1.6 billion in 2002, while private investment stood at N$4.5 billion.

Real consumption expenditure registered an increase of 2.8 percent during 2002, compared with 2.6 percent recorded in the previous year. The increase was observed in both sub-categories of the consumption expenditure, namely, private and public consumption expenditure. Real private consumption increased by 3.9 percent during 2002, 0.6 percentage points higher than the growth of 3.3 percent during 2001. Similarly, public consumption expanded by 0.4 percent during the same year, though lower than a growth of 0.9 percent recorded in 2001. The share of private consumption to the GDP increased slightly to 58.9 percent in 2002 from 58.8 percent during 2001, while that of public consumption fell to 25.4 percent in 2002 from 27.1 percent in 2001.

As recorded in previous reports, household consumption in Namibia is mainly focused on food, beverages and tobacco and other goods, while clothing and footwear continue to comprise the smallest share of total spending. Table 1.1 indicates that the share of expenditure on food, beverages and tobacco increased to 37.6 percent during 2002 from 35.9 percent in 2001. The share of other goods however, decreased to 29.9 percent during 2002 from 31.4 percent during 2001. The portion allocated to clothing and footwear remained constant at 4.3 percent during 2002. It is therefore clear that Namibians spend a great deal of their income on basic necessities, such as food. This is typical for most developing countries.

Table 1.1 Household Consumption by Purpose, Percentage shares

Consumption Purpose	1998	1999	2000	2001	2000
Food, beverages and tobacco	38.8	41.1	36.8	35.9	37.6
Clothing and footwear	5.0	4.7	4.2	13.8	4.3
Housing, water, electricity and fuel	14.1	14.3	14.2	31.4	31.1
Other goods[17]	26.4	25.5	30.4	31.4	29.9
Other services[18]	15.7	14.3	14.3	14.6	15.0
Household consumption on the domestic market	100	100	100	100	100

Source: CBS

16 The analysis of the section is also based on the 2002 data because the 2003 data is not yet available. Figures used in this section are from the latest national accounts of 2002, and since revisions were made to previous years, 2001 figures may not necessarily correspond with what was quoted in the Bank of Namibia Annual Report 2002.

17 Leather products, wood products, radios, televisions, watches, clocks, furniture, paper products, chemicals, rubber, plastic products, glass, glass products, fabricated metal products, household appliances and equipment, electrical apparatus and equipment and other unspecified goods and equipment.

18 Repair, lodging, food, beverages, sanitation, transport, postal, telecommunications, financial, Government, social, personal and domestic services.

1.4 SAVINGS AND INVESTMENT BALANCE[19]

The balance between domestic saving and investment, reflects the foreign saving position of the country. Excess saving would lead to lending to other countries, reflected by an outflow of capital, while a deficiency in national saving would lead to an import of capital through foreign borrowing. Namibia has always experienced a position of excess saving over investment, which has been reflected by consistent surpluses on the current account of the country's balance of payment. The same situation was observed during 2002.

Namibia's gross national savings increased by 21.1 percent to N$8.2 billion during 2002, from the level recorded during the previous year. This is a significant growth when compared to 15.3 percent registered for 2001, relative to 2000. The level of saving during 2002 represents a ratio of 27.4 percent of the GDP compared to 24.9 percent for 2001. The growth in savings for the year 2002 was reflected in both the private- and public savings categories. The gross private sector savings expanded to N$8.2 billion from N$6.6 billion in 2001. Similarly, gross public sector savings expanded to N$1.9 billion in 2002 from N$1.7 billion recorded for the preceding year. While the gross national disposable income (GNDI) increased by about 11.0 percent in nominal terms during 2002, the final consumption expenditure had only risen by about 8.0 percent during the same period. Consequently, the ratio of the latter to the GNDI fell to about 43.8 percent uring 2002 from 47.2 percent during 2001. The slower growth in the consumption expenditure relative to the GNDI might be explained by the high interest rates environment that prevailed during the same year.

Gross investment had increased slightly during 2002, amounting to N$6.1 billion, from a position of N$6.0 billion in 2001.The result has been a gap of N$2.1 billion in excess savings compared to N$0.6 million during the previous year. The gap had therefore widened during 2002, confirming the excess savings level in the country. This means that Namibia continues to be a net exporter of capital, which is not desirable for a developing country.

1.5 EMPLOYMENT

The population census results of 2001, show that the Namibian labour force accounts for 54.0 percent of the total population. This is 4 percentage points lower than 58.0 percent for 1991. When compared with the results of the Labour Force Survey of 2000 which was produced by the Ministry of Labour, the ratio of the labour force to the total population has remained constant at 54.0 percent. This is however, a significant reduction when compared to a proportion of 66.0 percent which was reported by the same ministry in the Labour Force Survey of 1997. The reduction in labour force might have been a result of, amongst other reasons, AIDS-related diseases and deaths. It is also important to note that the labour force participation rate, reflects the structure of age in the population. This is because the inclination to search for work tends to diminish with age. This is clearly demonstrated by the increase in labour force participation when students leave school and actively seek jobs in the labour market, and decreases as the older workers gradually leave the labour force and actively stop looking for work for reasons such as an advanced age, disability or retirement.

The results of 2001 population census indicate that employment as a part of the labour force in Namibia, was 69.0 percent compared with 81.0 percent for 1991. In the labour force survey of 2000 for Namibia, employment as a part of the labour force was estimated at 66.0 percent, while in the 1997 labour force survey, the employment rate as a part of the labour force was estimated at 65.0 percent. This shows that the employment rate as a part of the labour force, had generally declined from 81.0 percent in 1991 and has since then stabilised between 65.0 percent and 69.0 percent until 2001.

19 The analysis of this section will also focus on the developments in 2002, for the same reasons mentioned in the preceding section.

The 2001 population census report states that unemployment as a part of the labour force increased from 19.0 percent in 1991 to 31.0 percent in 2001[20]. In the labour force survey of 2000 for Namibia, the unemployment rate, broadly defined as a part of the labour force, stood at 34.0 percent. Unemployment however strictly defined, as a part of the labour force, the rate was 20.0 percent. In the 1997 labour force survey, the unemployment rate was broadly defined as a part of the labour force and stood at 35.0 percent, but was rated at 20.0 percent when it was strictly defined. This indicates that the unemployment rate fell slightly between 1997 and 2000, when broadly defined, while it had remained more or less stable when the strict definition was applied. The results in the 2001 population and housing census should however be treated with caution, as enumerators did not always probe the situational carefully, to filter out persons who did not look for work. These could imply that those who were without a job and but did not look for work, have been included in the strict definition of unemployment.

The 2001 population census report also indicated that female unemployment as a part of the labour force, stood at 36 percent. Again, this result should be treated cautiously as reported earlier. In the same report, male unemployment as a part of the labour force, stood at 27.0 percent. In the 2000 labour force survey, the strictly defined female unemployment as a part of the labour force was at 21.5 percent, while male unemployment was at 19.0 percent. In the 1997 labour force survey report, strictly defined female unemployment rate as a part of the labour force, stood at 21.0 percent compared with 18.2 percent for the male unemployment rate. This shows that since 1997, the proportion of strictly defined unemployed females was higher than that of their male counterparts, while the rate of unemployment for both groups had risen over this period.

Analysing employment on an industrial basis reveals that 57.1 percent of all employed persons, according to the results in 2001 population and census report,[21] belonged to the services industry[22]. The agricultural, hunting, forestry and fishing industry was the second largest category, employing 25.0 percent of the labour force, followed by manufacturing[23] sector with 12.3 percent of the labour force. The wholesale and retail trade industry only employed 4.3 percent. In the 2000[24] labour force survey, it was reported that the services industry accounted for a proportion of 47.0 percent of the total employment, followed by the agricultural, hunting, forestry and fishing industry at 31.1 percent, the manufacturing industry at 12.2 percent while the wholesale and retail industry employed 9.0 percent. In the 1997[25] labour force survey, it was reported that the services industry accounted for 38.5 percent of the total employment, followed by the agricultural, hunting, forestry and fishing industry at 38.2 percent, the manufacturing industry at 14.1 percent while the wholesale and retail industry employed 8.4 percent. This indicates that the largest employer has been the services industry, followed by the agricultural, hunting, forestry and fishing industry while the manufacturing industry was in third place. The reports further indicate that the share of both the manufacturing and agriculture industries has declined slightly since 1997, while the share of the services industry, has increased.

1.6 INFLATION

The year 2003 witnessed a slowdown in the rate of inflation, compared with the preceding year. From a double digit figure of 12.8 percent in January, the annual rate of inflation had moved to a single digit figure of 8.5 percent in June and 2.1 percent in December 2003. The slowdown has been reflected in both the domestic and imported inflation rates. The decline is attributable to a significant decrease in food

20 This report uses strict definition. According to international statistical standards, the unemployed should in principle satisfy the three criteria of (i) being without work, (ii) being available for work and (iii) seeking work. The broad definition covers all three (ie, i-iii) and includes the unemployed and available for work but are not actively seeking work, while the strict or narrow definition also covers i to iii but excludes the unemployed and available for work but are not actively seeking work.

21 1.2 percent was not stated for in the survey results.

22 Refers to both the public and private services and includes hotels and restaurants, transport, storage and communications, financial intermediation, real estate, renting and business activities, public administration and defence, education, health and social work, other community, social and personal services, private household and extra-territorial organizations and bodies.

23 Manufacturing including mining and quarrying, electricity, gas, water supply and construction.

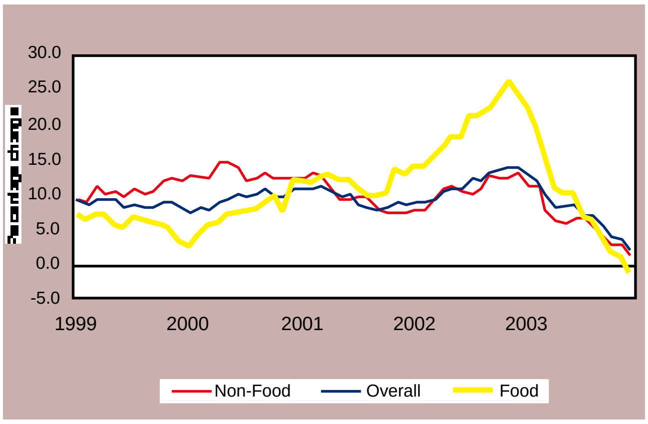
24 0.6 percent was a proportion not reported for in the survey.

25 0.4 percent was a proportion not reported for in the survey while 0.1 percent accounted for some discrepancy.

inflation, complemented by a contraction in the non-food inflation, thereby indicating a general slowdown in inflationary pressure.

On reaching a level of 14.6 percent in March 2003, food inflation decreased to 9.9 percent in June and -1.4 percent in December 2003 (Chart 1.3). The outcome was an average rate of 8.6 percent for the year, lower than the 19.4 percent recorded in 2002. The sharp decline in food prices is attributed to the stronger exchange rate that made imported goods cheaper, as well as the general improvement in food conditions in the SADC region[26]. Non-food inflation also declined to 6.1 percent in June, from 7.6 percent in March, and 1.1 percent in December. This resulted in an average rate of 5.9 percent for the year, which is below the corresponding rate of 10.6 percent registered in 2002.

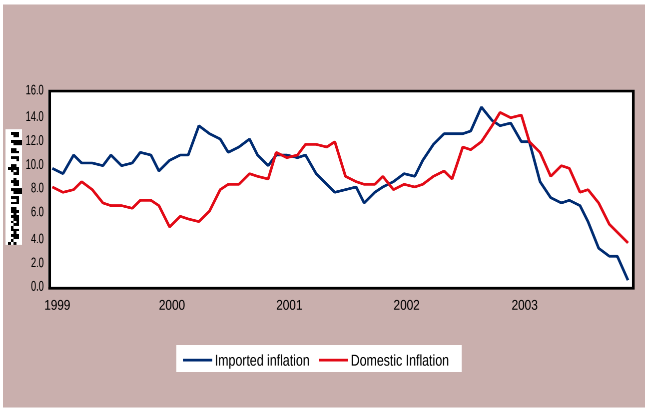
Chart 1.3 Inflation (Annual Changes)



Source: CBS

The continued declining trend in the annual inflation rate during 2003, is attributed to the tight monetary stance that prevailed during the first half of the year. Also supporting the slowdown in inflationary pressures, was a stronger exchange rate as well as global deflationary pressures. It is worth mentioning that during the first half of the year, the major world economies, namely the US, the Euro zone and Japan, experienced some of the lowest inflation rates in modern economic history. In addition, the effect of the strong exchange rate during the year, led to a situation where the domestic inflation was higher than the imported inflation. This was a reversal in the trend experienced in 2002 where the imported inflation was generally higher than the domestic inflation (Chart 1.4).

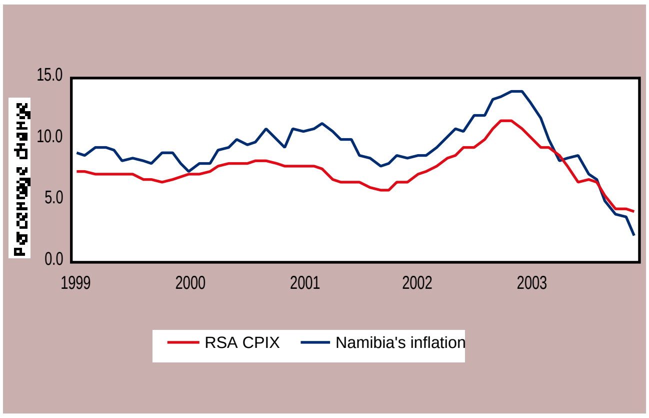
Chart 1.4 Namibia Domestic vs Imported Inflation



Source: CBS

Similarly, inflation slowed in South Africa (chart 1.5). The South African CPIX however, remained lower than the Namibian inflation, for the greater part of the year. South Africa's CPIX rose from 7.1 percent in January to 9.9 percent in July and 4.0 percent in December. The result of these developments was, an average inflation rate of 6.8 percent for the CPIX during 2003 compared with an average rate of 9.8 percent during the same period of 2002.

Chart 1.5 Namibia's Inflation vs RSA's CPIX



Source: CBS and SARB

26 The largest contributing factor to the falling food inflation is the fact that maize producer prices are benchmarked against US$-based commodity prices.

2. FOREIGN TRADE AND PAYMENTS

The overall balance of the Namibian balance of payments is estimated to have recorded a deficit of N$776.0 million in 2003, following a surplus of N$190.4 million in 2002. This was a result of a higher deficit in the financial and capital account, despite an increase in the current account surplus (Chart 2.1). The continuing surplus in the current account has become a structural feature of the Namibian economy and reflects excess savings over investment in the economy.

Chart 2.1 Balance of Payments Major Accounts (N$ Million)

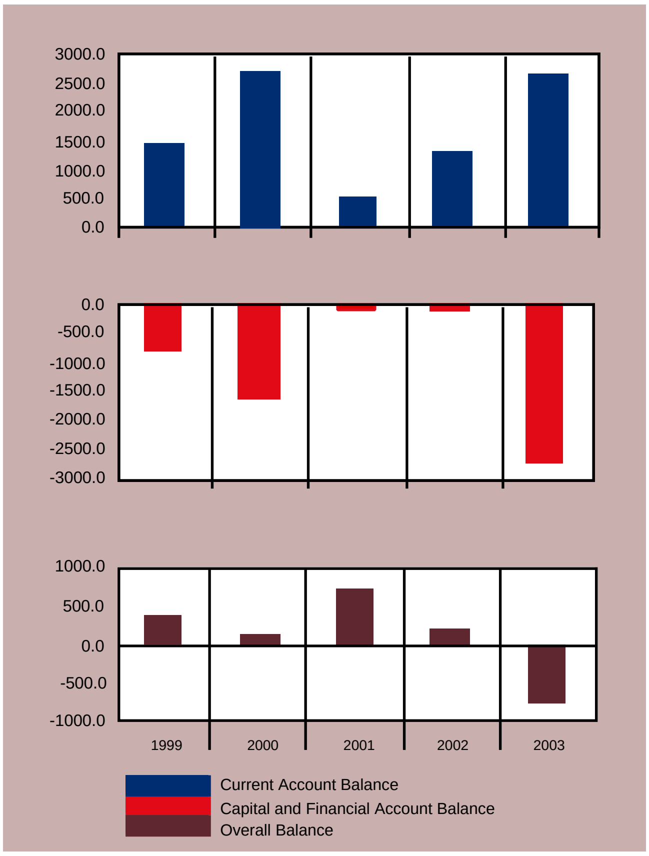
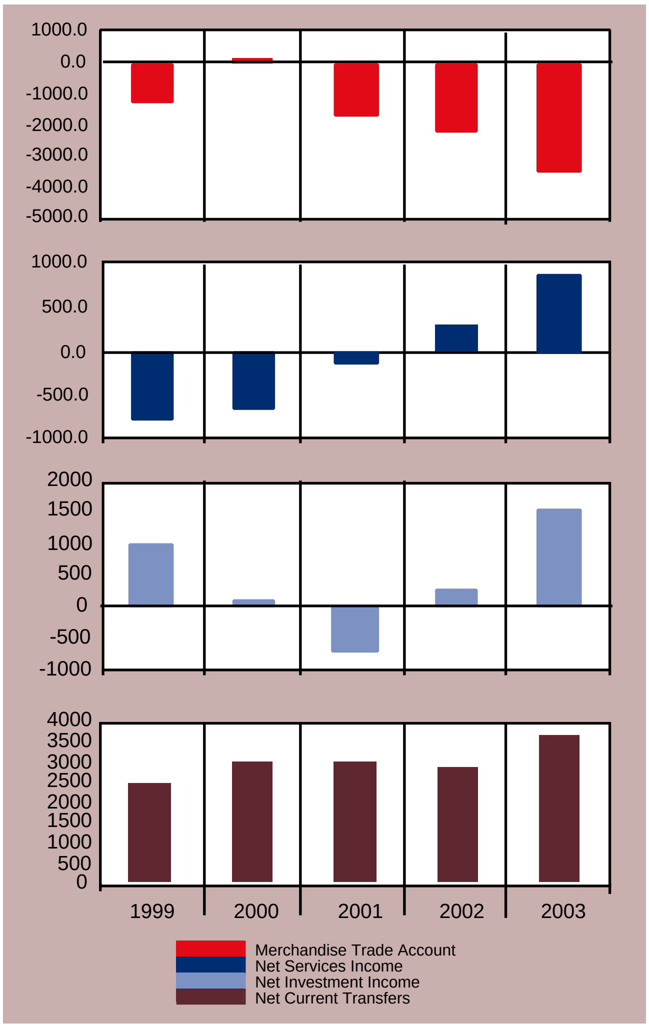


Chart 2.2 Current Account Components (N$ Million)



2.1 CURRENT ACCOUNT

The surplus on the current account of Namibia is estimated to have increased from N$1.4 billion in 2002 to N$2.6 billion in 2003. This represents an increase of 3.2 percent in 2002 to 7.9 percent in relation to the GDP, in 2003. A substantial increase in the inflow on the investment income account, supported by an increase in net inflows in current transfers and services accounts, were responsible for the increase in the surplus on the current account (Chart 2.2).

The **merchandise trade deficit** of Namibia, is estimated to have widened significantly during 2003, as compared with the previous year. The slowdown in the growth of the value of merchandise goods exported, contributed primarily to the increase in the trade deficit, while the value of imports decreased at a lower rate than that of exports. The value of the total exports, is estimated to have decreased sharply by 16.2 percent to N$9.5 billion in 2003 from N$11.3 billion during the previous year. In the same year, the total value of imports is also estimated to have fallen, although by a considerably lower margin of 3.8 percent from N$13.5 billion in 2002 to N$12.9 billion. As a result, the merchandise trade deficit widened to N$ 3.5 billion from N$2.2 billion for the previous year.

The year 2003 witnessed a sharp contraction in the value of minerals exported. The value of diamond exports fell from N$5.6 billion in 2002 to N$3.9 billion in 2003, while that of other mineral products fell to N$1.4 billion from N$2.1 billion during the previous year. The decrease in the export of minerals is attributed to a recovery in the external value of the Namibia dollar against the US Dollar and Pound Sterling, in which most transactions in mineral exports are quoted. The fact that one of the offshore diamond mining companies was liquidated during 2002, also contributed to the decrease in the diamonds exported during the year under review. Consequently, the contribution of diamond exports to the total sum of exports fell from 49.7 percent in 2002 to 40.9 percent in 2003.

The value of food and live animals exported is estimated to have decreased by N$199.2 million in 2003 to N$1.4 billion from the figure recorded in 2002. The decrease in export earnings from food and live animals was mainly attributable to the appreciation of the Namibia dollar against the major currencies, especially the Euro, as most of the processed fish is exported to Spain. Despite the improvement in the volume of grapes exported during the fourth quarter of the year, the effect of the appreciation of the currency on other exports offset the contribution of grape exports.

Manufactured products, mainly fish, beer, soft drinks, ostrich leather, zinc and oil, however, performed better during 2003 when compared with the previous year. This was the result of the export earnings from refined zinc which was exported for the first time in 2003. The export value of these products is estimated to have increased to N$2.7 billion in 2003 from N$1.7 billion recorded in the previous year.

The **services account** experienced an increase in net intflow from N$396.5 million recorded in 2002 to N$938.7 million in 2003. The improvement in the services account was mainly reflected in the travel sub-component, which is estimated to have increased to N$2.0 billion in 2003 from N$1.7 billion in 2002. This may be attributed to the confidence restored for travelling in some regions, especially the Okavango and Caprivi regions, for both business and holiday purposes. The improvement in the services account was further supported by a reduction in the net outflows of other private services (such as administration and business services) from N$668.9 million in 2002 to N$571.9 million in 2003.

Net inflow on the **investment income account** is estimated at N$1.6 billion during 2003 as opposed to a smaller net inflow of N$323.5 million for the previous year. The inflow recorded during the year under review, is attributable to the high income received from the category: Other Investment[27] as compared to that of the previous year.

Net **current transfers** receivable, rose by N$725.6 million or 25.1 percent from those recorded in 2002 to N$3.6 billion in 2003. The increase was mainly due to a surge in SACU receipts by N$318.0 million to N$2.9 billion from the receipts recorded during the previous year. Private current transfers (grants and other transfers to NGOs) receivable also increased by N$44.0 million from the level of N$115.9 million in 2002 to N$159.9 million in 2003.

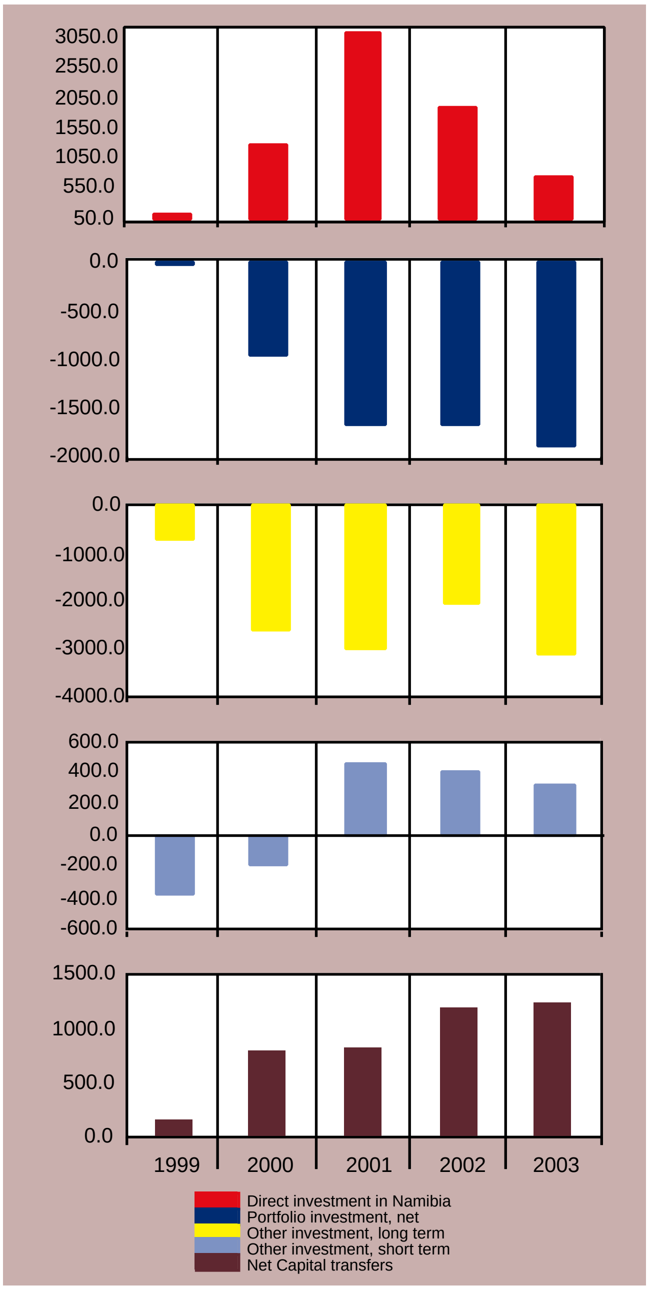
2.2 CAPITAL AND FINANCIAL ACCOUNT

The capital and financial account is estimated to have recorded a deficit of N$2.7 billion during 2003 compared to a small deficit of N$147.2 million during the previous year. Responsible for the widening deficit on this account were huge net outflows in the category ‘other long-term investment’, during the year under review. The outflows were strong enough to offset the

27 This represents income received from other sectors, i.e. pension funds and life insurance.

inflows recorded in the other sub-accounts namely, capital transfers and direct investments into Namibia. Developments in the sub-components are displayed in Chart 2.3 below and are discussed in more detail in paragraphs which follow.

Chart 2.3 Capital and Financial Account Components (N$ Million)



During 2003, **foreign direct investment** into Namibia was estimated to have fallen to N$631.8 million compared to an inflow of N$1.9 billion in 2002. The decline was mainly due to decreased equity capital and retained earnings that offset the increase in other capital. Equity capital fell from N$1.4 billion in 2002 to N$241.5 million in 2003, while the retained earnings declined substantially from an inflow of N$151.3 million to an outflow of N$382.4 million during the same period. Other capital increased to N$772.8 million from N$335.4 million in the previous year. The continuous inflow of direct investment in Namibia, shows the confidence of foreign direct investors in the Namibian economy.

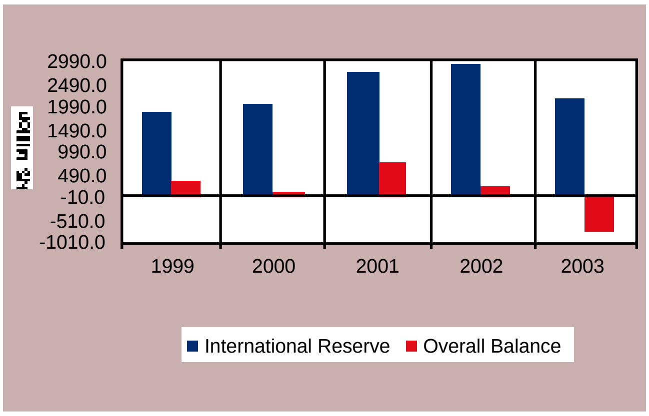
Net outflows in **portfolio investment** are estimated to have contracted by N$236.8 million in 2003 from N$1.6 billion recorded in 2002. As in the past, portfolio investment in Namibia was dominated by investments in South African unit trusts by Namibian residents. This situation needs to be improved to slow down outflows and to retain more of the country's savings for the development of the domestic economy.

Other investment long-term maintained its usual outflow, with transactions related to pension funds and life assurance assets continuing to dominate this category. Further, government foreign liabilities in this category declined in 2003, and as a result contributed to the net outflow. The net outflow in other long-term investments was estimated to have risen by 51.1 percent to N$3.1 billion in 2003 from the amount recorded in 2002.

Other investment short-term witnessed a reduction in the net inflow from N$409.9 million in 2002 to N$323.2 million in 2003. This item mainly reflects transactions between domestic resident banks in Namibia and their non-resident parent companies in South Africa. Movements in this account are largely determined by the prevailing credit conditions in Namibia.

Taking into account all the above transactions of the balance of payments in 2003, both on the current and the capital and financial accounts, the total stock of international reserves in Namibia Dollar terms decreased to N$2.1 billion by the end of 2003 from N$2.9 billion at the end of the previous year (Chart 2.4). This level of reserves represents 1.7[28] months of import cover, much lower than the 2.5 months for 2002. This level of import cover is 1.3 months short of the accepted international standard of the IMF of 3.0 months of import cover. This overall decline was mainly due to the appreciation of the exchange rate of the Namibia Dollar against the major currencies.

Chart 2.4 Stock of International Reserves and Overall Balance



2.3 TOTAL FOREIGN DEBT OF NAMIBIA

The total outstanding foreign debt for Namibia increased by 26.5 percent to N$6.8 billion by the end of 2003 from the level recorded at the end of 2002. The increase in outstanding foreign debt was mainly driven by private sector debt, which increased from N$1.2 billion in 2002 to N$3.0 billion at the end of 2003. This increase (N$1.8 billion) in the private sector outstanding debt, is due to an improved data coverage in 2003. Similarly, the total foreign debt of the Central Government increased by 8.3 percent due to newly contracted loans. On the other hand, the total foreign debt of parastatals decreased by 16.9 percent, during the same period. This was due to the repayments of some of the outstanding foreign debts, and has been further supported by the appreciation of the Namibian dollar against those currencies in which loans were contracted. The above developments represent an increase in the ratio of total external debt to GDP from 17.9 percent at the end of 2002 to 20.6 percent.

Table 2.3 Total Foreign debt of Namibia (N$ Million)

	2001	% of total	% change	2002 (p)	% of total	% change	2003 (p)	% of total	% change
External Debt outstanding									
Central Government	1 612.0	32.2	77.3	1 478.9	27.5	-8.3	1 601.4	23.5	8.3
Parastatals	2 318.0	46.3	40	2 664.1	49.5	14.9	2 213.1	32.5	-16.9
Private Sector	1 079.9	21.6	41.9	1 241.9	23.1	15.0	2 997.5	44.0	141.4
Total	**5 010.9**	**100.0**	**50.7**	**5 384.9**	**100.0**	**7.5**	**6 812.0**	**100.0**	**26.5**
External Debt service									
Central Government	87.3	23.9	-44.9	64.5	15.3	-26.1	88.3	14.4	36.9
Parastatals	230.7	63.0	24.5	266.6	63.4	15.5	399.8	65.2	50.0
Private Sector	47.9	13.1	8.1	89.6	21.3	87.1	125.4	20.4	40.0
Total	**365.9**	**100.0**	**5.7**	**420.6**	**100.0**	**15.0**	**613.5**	**100.0**	**45.9**
				(in percent)					
Debt outstanding to GDP		18.3			17.9			20.6	
Debt service to GDP		1.3			1.4			1.9	
Debt service to Export		3.7			3.7			6.6	
Debt service to external debt		7.3			7.8			9.0	

[28] The 1.7 months of import cover is based on official international reserves held by the Bank of Namibia, and excludes the unofficial part held by commercial banks.

Namibia's external debt service also increased by 45.9 percent to N$613.5 million at the end of 2003 from the recorded level at the end of 2002. The debt service (repayment of principal and interest payment) to the GDP ratio which measures the ability to service debt obligations, increased from 1.4 percent at the end of 2002 to 1.9 percent at the end of 2003. Similarly, the ratio of the total foreign debt service to the total export earnings, increased from 3.7 percent at the end of 2002 to 6.6 percent by the end of 2003 as a result of a slow down on the export of goods and services during the period reviewed. The increase in debt servicing was ascribed to larger payments by the parastatals on foreign debt, due to the expiry of the grace period of some of the loans.

2.4 INTERNATIONAL INVESTMENT POSITION[29]

Namibia's international investment position has deteriorated considerably from a net liability position of N$3.8 billion in 2001 to N$9.8 billion in 2002 (Table 2.4). The deterioration is a result of a relatively huge increase in foreign liabilities compared to a small increase in foreign assets. Namibia's foreign liabilities increased significantly by 39.0 percent to N$22.1 billion at the end of 2002 from N$15.9 billion recorded during the previous year. On the other hand, foreign assets improved slightly by 2.0 percent from the level recorded in 2001 to N$12.3 billion by the end of 2002.

The rise in the country's foreign liabilities during 2002 was mainly due to the huge increase in direct investment in Namibia, especially the investment in equity and other capital. It is worth mentioning that these increases were mostly due to valuation changes in the assets of foreign banks and private enterprises which were invested in Namibia. The increase in direct investment in Namibia was mainly driven by the equity capital, which increased significantly by 56.0 percent from the level recorded in 2001, to N$12.1 billion in 2002. Other capital investment also increased sharply by N$2.7 billion to N$3.7 billion in 2002. As a result, direct investment in Namibia, recorded a significant increase of 81.6 percent to N$15.8 billion at the end of 2002 from the level recorded in the previous year. Portfolio investment in Namibia also increased by 9.3 percent during the period under review. Conversely, other investment in Namibia decreased by 13.2 percent to N$6.0 billion from the level recorded during 2001.

The increase in the foreign assets of Namibia in 2002, was mainly reflected in a moderate increase in the value of other investment assets during the period under review. During 2002, other investment assets increased (by N$1.8 billion) from N$1.7 billion in 2001

Table 2.4 Namibia's International Investment Position

Type of International Investment (N$ Million)	1999	2000	2001	2002
Foreign Assets at end of year	7 677.6	9 671.1	12 088.7	12 331.5
Direct investment abroad	258.2	340.2	122.8	169.6
Portfolio investment	4 024.7	5 108.0	7 573.6	5 834.8
Other assets	1 535.6	2 233.7	1 689.8	3 527.2
Reserve assets	1 859.1	1 989.2	2 702.5	2 800.0
Foreign Liabilities at the end of the year	12 068.0	14 416.0	15 895.3	22 088.6
Direct investment in Namibia	9 309.1	9 659.9	8 670.6	15 746.1
Portfolio investment	511.6	219.5	329.8	360.6
Other liabilities	2 247.3	4 536.6	6 894.9	5 982.0
Net Foreign Assets/Liabilities at the end of the year	***-4 390.4***	***-4 744.9***	***-3 806.6***	***-9 757.1***

29 The analysis of this section focuses on 2002's data, since those for 2003 are not yet available.

30 The Namibia Dollar is pegged to the South African Rand on a one-to-one basis and is therefore used interchangeably in Namibia, but not in South Africa. Developments in the South African Rand are therefore fully reflected in the movements of the Namibian Dollar. The remainder of this section will only refer to the Namibia Dollar.

31 The movement in the N$ is based on period averages.

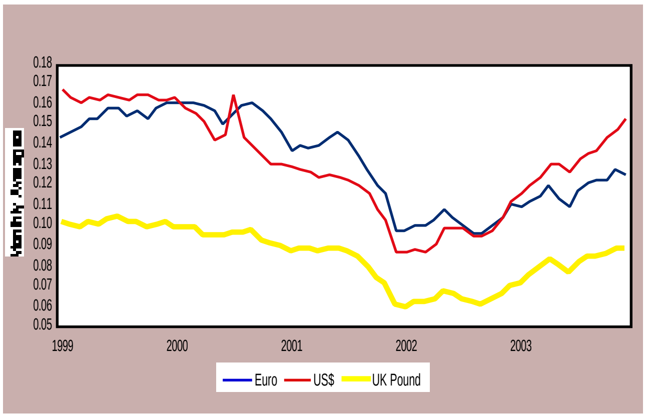
to N$3.5 billion in 2002 and offset the decrease of about N$1.7 billion in portfolio investment. Direct investment, abroad and reserve assets, which increased by 38.1 percent and 3.6 percent respectively, also contributed to the increase in the foreign assets of Namibia during the period under review.

2.5 EXCHANGE RATE DEVELOPMENTS[30]

Responding sharply to the developments on the global front, the Namibia Dollar experienced a marked appreciation against the world's major currencies in 2003. Most notable was the appreciation of the Namibia Dollar against the United States Dollar, reflecting the economic difficulties faced by the world's largest economy. On the other hand, the appreciation against the Euro and Pound Sterling was less significant.

After appreciating by about 22.8[31] percent against the United States Dollar from January to December in 2002, the Namibia Dollar continued to appreciate against the major currencies, especially against the US Dollar, Pound Sterling and Euro during 2003. From January to December 2003, the Namibia Dollar appreciated by 19.8 percent, 16.8 percent and 11.5 percent against the US Dollar, Pound Sterling and Euro, respectively.

Chart 2.5 Foreign Currency per Namibia Dollar

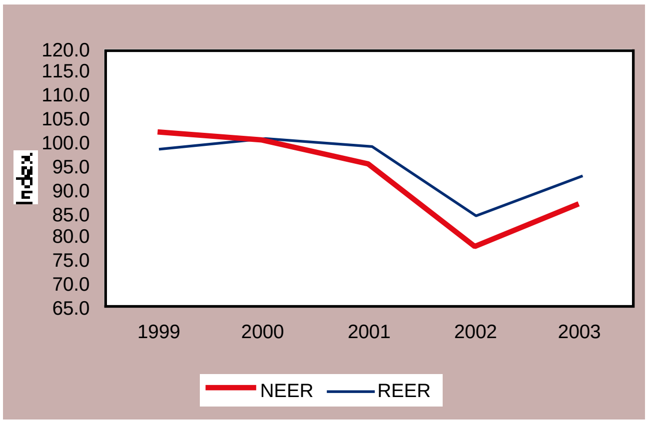


The appreciation of the Namibia Dollar during the year under review, can be explained by a number of factors. These factors include the strong commodity prices, especially precious metal prices such as gold and platinum and the continuing high real interest rate differentials between South Africa and her major trading partners.

The nominal effective exchange rate (NEER) index for Namibia increased to an average of 83.9 points in 2003 from 77.7 points in 2002 (Chart 2.5) This indicated a trade-weighted appreciation of the Namibia Dollar by 8.0 percent during the period under review.

Similarly, the real effective exchange rate index, the (REER) index, increased from 84.7 points in 2002 to 90.8 points in 2003, representing a rise of 7.2 percent over the given period. The rise in the REER shows the magnitude by which Namibia exports lost competitiveness in international markets.

Chart 2.6 Trade Weighted Effective Exchange Rates Indices



BANK OF NAMIBIA
RESEARCH DEPARTMENT
REVISIONS POLICY: BALANCE OF PAYMENTS

i. Each year, with the publication of the latest year's statistics, the previous year will be revised to account, if any, for improvement in the data.

ii. Revisions to the year preceding the latest year, along with any revisions due to changes in the methodology (data source, estimation techniques) will be published in the annual report.

iii. The revisions will be clearly identified, and information will be available on the reasons for the revisions (please see write up on revisions).

iv. This policy will be published in each annual report so that all users will be aware of the policy, and in addition will be able to easily identify these revisions.

v. For each year preceding the latest year, a record of the previously published provisional figures, alongside the revised figures of the same period will be published. This will provide information on the reliability of the provisional estimates when these are compared with the revised figures.

REVISIONS ON ANNUAL BALANCE OF PAYMENTS DATA FOR 2002

There have been some revisions on the balance of payments data for 2002 which was published in the March 2002 Annual Report relative to the data for the same year under the March 2003 Annual Report. Apart from the revisions brought about by the availability of information that was not available at the time the March 2002 Annual Report was compiled, some revisions were also brought about by either additional data that became available or the availability of a better source. The non-availability of some of the data when the March 2002 Annual Report was compiled led to the estimations made on certain balance of payments items. Moreover, some revisions were due to the re-classification of certain sectors as per the Fifth Edition of the International Monetary Fund's Balance of Payments Manual.

It is against this background that the revisions were done on the two main accounts of the balance of payments viz, the current account and capital and financial account. On the current account, revisions were effected on exports, imports, services, investment income and current transfers to Namibia, while on the capital and financial account, revisions were done on capital transfers, portfolio investment, direct investment in Namibia and on both the other long and short-term investment. Such revisions caused the discrepancies between the figures published in the March 2002 Annual Report and those indicated in the March 2003 Annual Report as reflected on a net basis in table 3.1 below.

Table 2.1 Balance of Payments Revisions (N$ Million)

	March 2002 Annual Report	March 2003 Annual Report
Current Account		
Exports FoB	11 195.7	11 277.8
Imports FoB	-13 097.0	-13 460.8
Services, net	49.6	396.5
Investment income, net	608.8	323.5
Current transfers, net	2 891.9	2 892.7
Capital and Financial Account		
Net Capital Transfers	1 124.4	1 165.7
Direct Investment in Namibia	1 908.3	1 911.7
Portfolio Investment, net	-1 672.6	-1 641.2
Other long term investment, net	-3 174.5	-2 047.3
Other short term investment, net	437.1	409.9

3. MONETARY AND FINANCIAL DEVELOPMENTS

The monetary scene in 2003 was characterised by an easing in the monetary policy in both South Africa and Namibia. This was reflected by the 500 basis point reduction in the Bank Rate during the course of the year. During 2003, the Bank Rate declined three times from a high of 12.75 percent at the beginning of the year to 7.75 percent in December. The decision to reduce the Bank rate was largely based on the need to keep domestic interest rates in line with those prevailing in South Africa, given the present exchange rate regime. The easing of monetary policy by the Bank of Namibia was expected to boost business confidence and support growth prospects for the economy by exerting a positive influence on the cost of funds. In line with the above developments, most money market rates in Namibia recorded downward movements during the year under review.

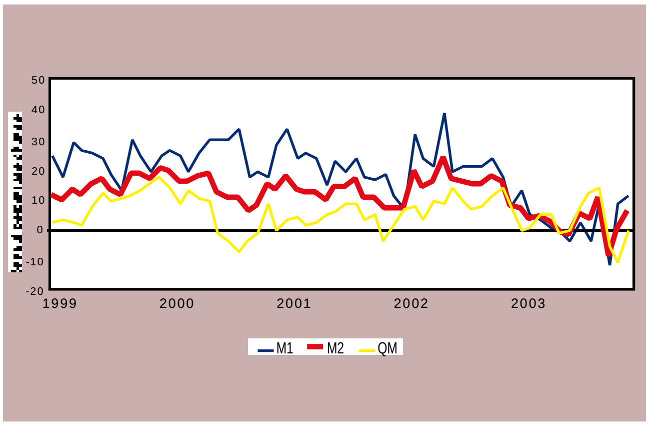
3.1 MONEY SUPPLY

The growth in monetary aggregates decelerated sharply during the first half of 2003. The year-on-year growth of broad money supply (M2) rose by an average of 2.1 percent over the first six months of 2003, compared with an average of 15.9 percent during the corresponding period in 2002. The slowdown in the growth rates of monetary aggregates continued during the second half of the year, which recorded an increase of 2.6 percent, 11.6 percentage points lower than the average annual growth rate of 14.2 percent witnessed during the corresponding period of 2002. As a result, the average annual broad money supply growth rate registered an increase of 2.3 percent in 2003, compared with the 14.9 percent increase during the previous year.

The slow growth in money supply during the first half of 2003 was mainly brought about by a sharp decline of N$1.7 billion or 52.2 percent in the net foreign assets of the banking system. This was, similarly, a huge decline, when compared with an increase of N$238.7 million recorded during the first half of the previous year. The contractionary force on money supply during the first half of the year, was offset by an increase in the banking system's claims on the Central Government and on the private sector. During the second half of the year, the slow growth was primarily the result of a huge decline in the growth of claims on the Central Government, supported by a decline in the net foreign assets of the banking system. These declines were partly offset by an increase in the claims on the private sector (Table 3.1).

In terms of composition, during the year under review, the share of quasi-monetary liabilities (i.e. time and savings deposits), declined marginally moving from 45.2 percent in 2002 to 42.5 percent in 2003. The share of monetary liabilities (M1) increased slightly from 56.2 percent in 2002 to 57.5 percent in 2003. This reflected that the preference for liquidity on the part of the public remained largely unchanged during the year (Chart 3.1).

Chart 3.1 Twelve-Month Growth Rates in Monetary Aggregates



M1 = Narrow Money
M2 = Broad Money Supply
QM = Quasi-Monetary Liabilities

Table 3.1 Average Annual Percentage Changes in the Determinants of Broad Money Supply

	2001	2002	2003
Total Domestic Credit	16.7	13.4	19.7
Claims on the Private Sector	17.4	14.8	18.1
Net Claims on the Central Government	8.6	-23.1	18.0
Net Foreign Assets of the Banking System	3.2	35.8	-62.0
Other Items Net	21.5	22.6	10.3
Broad Money Supply	12.0	14.9	2.3

3.1.1 Net Foreign Assets

The net foreign assets of the banking system, declined by an annual average growth rate of 52.2 percent during the first half of 2003 compared with an average increase of 38.5 percent during the same period of the previous year. The net foreign assets further declined by an average of 71.8 percent during the second half of the year, which is a complete turnaround when compared to an average growth of 33.1 percent recorded during the corresponding period of 2002. Consequently the average annual growth rate of the net foreign assets for the year 2003 declined significantly by 62.0 percent compared to an increase of 35.8 percent in 2002. This exerted a contractionary effect on the supply of money during the period. The above development could be explained by the short-term capital outflows as reflected in the Balance of Payments section.

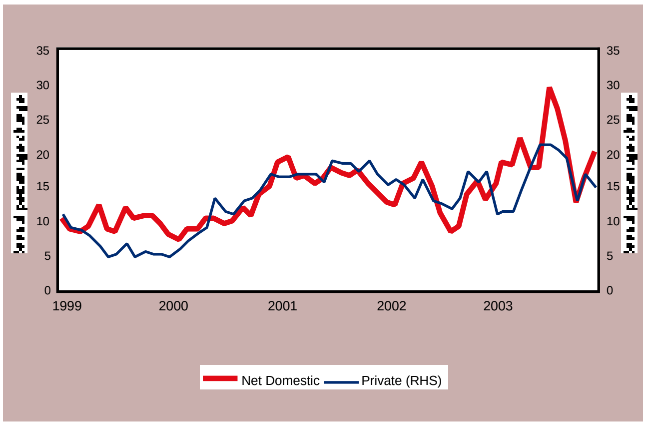
3.1.2 Domestic Credit

The average annual growth rate of domestic credit, comprising private sector credit and credit to the Government sector increased to 18.3 percent during the first half of 2003, compared with the average annual growth rate of 14.9 percent registered during the corresponding half of the preceding year (Chart 3.2). It further rose to 21.1 percent during the second half of the year, 9.2 percentage points above the 11.9 percent recorded during the corresponding half of the previous year. As a result, the average growth rate of domestic credit for the year ending 2003, accelerated to 19.7 percent from 13.4 percent recorded in 2002.

Net claims on the Central Government increased during the first half of 2003 by an average of 58.2 percent before recording an average decline of 22.1 percent during the second half. The comparative figures for 2002 were 21.7 percent and negative 68.0 percent, respectively.

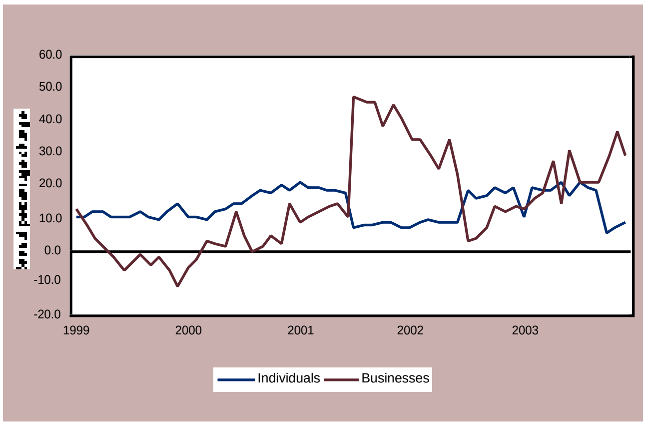
From a low of 11.0 percent in January 2003, the growth rate of claims on the private sector rose to a high of 21.8 percent during June 2003, before slowing again to 15.2 percent during December 2003. This resulted in the average annual growth rate for the year to increase to 18.1 percent in 2003 from 14.8 percent in the previous year. The increase in the growth of private sector credit might be attributed to the decline in interest rates during 2003. During 2003 the Bank Rate was decreased from 12.75 percent in January to 7.75 percent in December. In response, the average lending rate of the commercial banks declined from 15.63 percent at the beginning of the year to 12.91 percent at the end of the year.

Chart 3.2 Domestic Credit



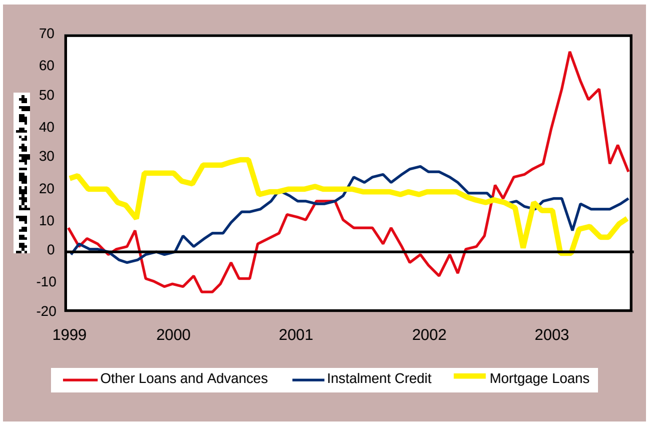
The increase in private sector credit was reflected in both its components namely, individuals or households and the business sector (Chart 3.3). The annual growth rate of credit to individuals or households rose by an average of 17.3 percent during the first half of 2003, compared with an average of 8.5 percent registered during the corresponding period of the preceding year. During the second half of 2003, the pace of credit growth to individuals rose to 13.3 percent, compared with an average of 17.9 percent during the corresponding half of 2002. Consequently, the average annual growth of credit extended to individuals rose to 15.3 percent from 13.2 percent during the previous year. Similarly, the average annual growth rate of credit to the business sector rose to 26.6 percent during the second half from 20.3 percent in the first half of 2003. The comparative growth rates for the corresponding periods of the preceding year were 8.9 percent during the second half and 30.2 percent during the first half, respectively. The sharp decrease in the growth rate of credit to the business sector, especially during the second half of 2002, reflects the tight monetary stance that existed during that year.

Chart 3.3 Private Sector Credit



during 2003 from an increase of 3.4 percent during the previous year. The growth rate for this component moved from 39.1 percent during the first half to 40.4 percent during the second half of the year. Composition wise, “Mortgage Loans” accounted for 43.9 percent of the private sector credit, followed by the categories “Other Loans and Advances” and “Instalment Credit” with 35.2 percent and 15.5 percent, respectively. The shares for the categories “Mortgage Loans” and Other Loans and Advances” are however lower than the comparative shares of 45.9 percent and 32.3 percent, respectively for the previous year while instalment credit remained the same. The remaining portion of private sector credit, approximately 5.4 percent, went to the category “Leasing” and “Bills”, which is also lower then the 6.6 percent recorded in the same period of the previous year.

Chart 3.4 Private Sector Credit by Type



An analysis of private sector credit by type shows that the average annual growth rate of instalment credit remained more or less constant in 2003, moving from 14.3 percent during the first half to 14.9 percent during the second half. On the other hand, the average annual growth rate of the category “Mortgage Loans” declined significantly from 17.0 percent in the previous year to 6.6 percent in 2003. The average annual rate of increase for this component of private sector credit stood at 6.5 percent during the first half, but it rose to 6.8 percent during the latter half of 2003. The average annual growth rate of the category “Other Loans and Advances” (mainly overdrafts and structured finance deals), recorded a robust growth rate of 39.8 percent

In terms of sectoral distribution, “Individuals and Others” continued to take the largest share of the total credit extended by the banking sector, followed by “Commercial and Services” (Chart 3.5). These two sectors accounted for 57.5 percent and 25.1 percent, respectively, of the total outstanding credit at the end of December 2003. When compared with the previous year, the share of outstanding credit in the category “Individuals and Others” decreased moderately by 4.7 percentage points, while that of “Commercial and Services” declined by 2.6 percentage points. The combined credit extended to the building and construction sector, fishing and agriculture and manufacturing, constituted 17.4 percent of total commercial bank credit. This was 1.8 percentage points lower than the 19.2 percent recorded during the previous year.

Growth in credit to the building and construction sector increased from 35.4 percent in 2002 to 41.5 percent in 2003. The development in the above sector augurs well with the recovery of this sector as reported under the real sector section. The increase in the growth of credit was attributable to the fall in interest rates during 2003. Similarly, growth in credit to the mining and quarrying and commercial and services sectors rose during the year under review. Growth in the credit granted to the fishing sector, on the other hand, slowed down from 20.0 percent in 2002 to 18.0 percent during the year under review. Similarly, growth in credit to the manufacturing and agriculture sectors declined during the year under review.

Chart 3.5(a) Direction of Commercial Bank Credit, 2003

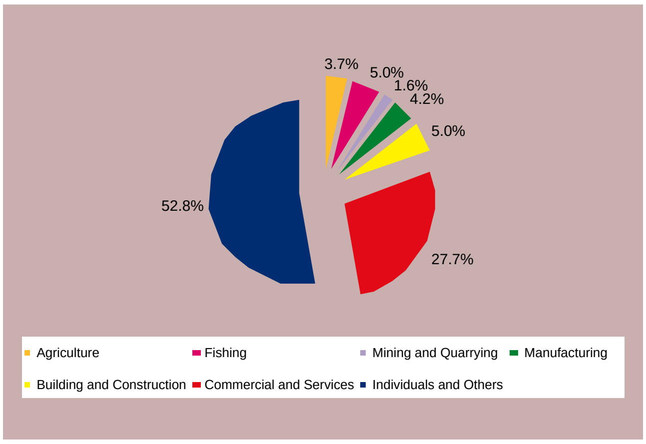
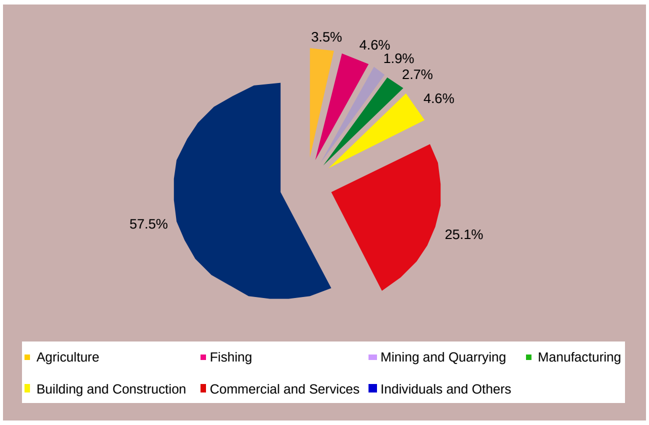


Chart 3.5(b) Direction of Commercial Bank Credit, 2002



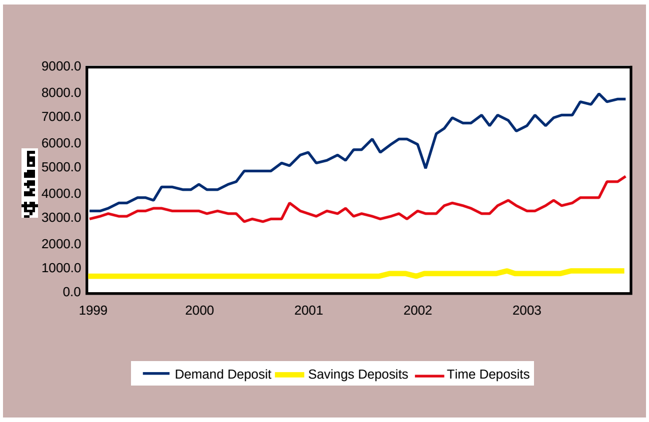
3.2 COMMERCIAL BANKS: SOURCES OF FUNDS

The total deposits held by commercial banks had increased to N$13.3 billion by the end of 2003, compared to N$10.7 billion deposits mobilised at the end of the preceding year. The share of private sector deposits in total commercial bank deposits decreased moderately by 2.3 percentage points from 82.1 percent at the end of December 2002 to 79.8 percent by the end of December 2003. Deposits from the business sector continued to be the biggest component of total commercial bank deposits held by the private sector. The share of the business sector deposits increased moderately by 0.7 percentage points from 44.6 percent during the previous year to 43.9 percent during the period under review. Likewise, the share of the individuals increased by 4.9 percentage points from 35.8 percent in the preceding year to 40.7 percent during the year under review. Year-on-year Government deposits increased sharply by N$363.5 million during December 2003 to N$680.6 million, compared with an increase of N$115.2 million registered during 2002. Resources mobilised from the financial sector rose by N$389.7 million during 2003, as opposed to an increase of N$70.3 million registered during 2002.

The increase in commercial bank deposits over the year was mainly accounted for by demand deposits, which recorded an increase of N$1.2 billion, compared to an increase of N$1.0 billion during the previous year. Time deposits grew by N$1.2 billion over the year, compared with an increase of N$222.0 million during the previous year. Similarly, the savings deposits grew by N$120.1 million or 15.2 percent, compared with an increase of 5.0 percent during the previous year. Demand deposits grew at a much faster rate than the time and savings deposits (Chart 3.6), an issue which has been observed since 1999 and is being investigated further. The slow growth in both the time and savings deposits could be a consequence of competing instruments (i.e. unit trusts, government bonds, T-bills, etc.) which were available on the market, coupled with other competing saving avenues. The share of savings deposits declined moderately to 6.8 percent from 7.3 percent at the end of the previous year, while that of demand deposits increased slightly from 61.9 percent during the previous year to 57.8

percent by the end of December 2003. The share of time deposits had decreased to 35.1 percent from 32.4 percent during the preceding year.

Chart 3.6 Commercial Bank's Deposits by Type

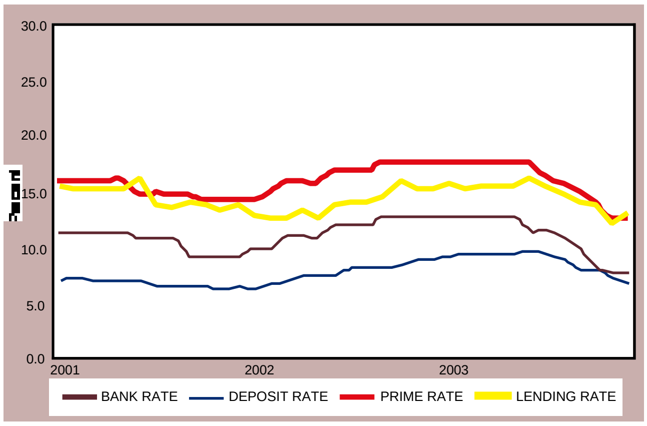


3.3 MONEY MARKET DEVELOPMENTS

Following the decline in the Bank Rate, most commercial banks adjusted their lending rates downwards. The nominal average prime-lending rate of commercial banks decreased from 17.50 percent in January to 16.25 percent in July before declining further to 12.50 percent in December. The nominal average mortgage rates of the commercial banks, declined from 17.06 percent in January to 15.69 percent in July before reaching a low of 12.63 percent at the end of December.

As a result of these developments, most money market rates in Namibia recorded downward movements during the second half of the year. At the beginning of the year, the average lending rate of commercial bank's stood at 15.63 percent. It then declined to 15.45 percent by July and 12.91 percent in December 2003. The nominal average deposit rate, which stood at 9.26 percent at the beginning of 2003, rose to 9.50 percent in July before declining to 6.88 percent at the end of December 2003. In line with these developments, the nominal spread between lending and deposit rates widened from 5.95 percentage points during the first half of 2003 to 6.03 percentage points during the second half of 2003 (Chart 3.7).

Chart 3.7 Selected Interest Rates (Namibia)

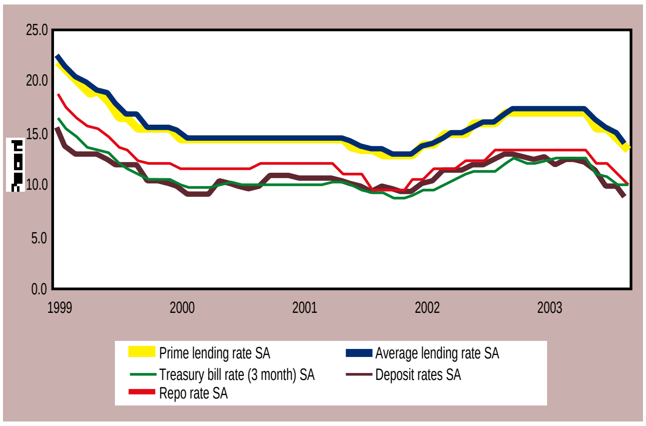


The low interest rates in the money market were also reflected in the cost of Government borrowing in Namibia. The average effective yield for 91-day treasury bills (T-bills) declined from 12.66 percent at the beginning of the year to 11.87 percent in July and further to 7.70 percent by the end of December 2003. Similarly, the average effective yield of the 182-day T-bills decreased from 12.99 percent during January to 11.41 percent during July and declined further to 7.88 percent during December 2003.

The CMAarrangement renders a comparison between the interest rates of Namibia and South Africa necessary. The Repo rate in South Africa, which is equivalent to Namibia's Bank Rate, also depicted a declining trend during the year 2003. The Repo rate fell to 8.00 percent during December from 12.00 during July and 13.50 during January 2003. Likewise, the average prime lending rate declined from 17.00 percent during January to 15.50 percent during July, before falling to 11.50 percent at the end of the fourth quarter of 2003. In line with these declining trends, South Africa's average deposit and average lending rates decreased from 12.63 percent and 17.00 percent during January to 6.10 percent and 11.75 percent, respectively at the end of December 2003. As a result, the nominal spread between average lending and deposit rates narrowed slightly to 1.9 percent. It should be pointed out that while the average lending and average prime lending rates of commercial banks in

South Africa are lower than those of their counterparts in Namibia, the average deposit rates are much higher in South Africa than those in Namibia.

Chart 3.8 Selected Interest Rates (RSA)



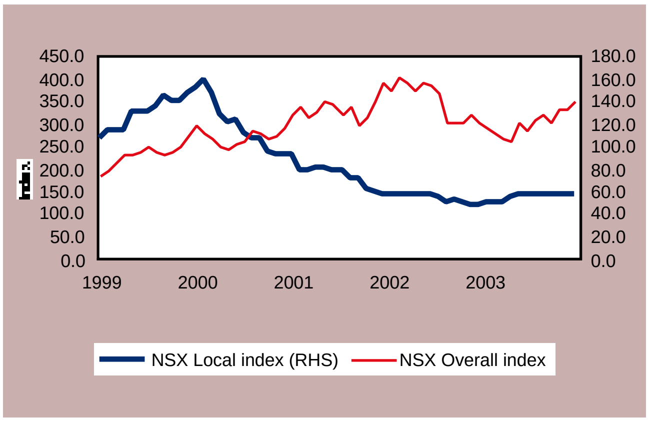
Similarly, South Africa's average effective yield for 91-day treasury bills (T-bills) had declined from 13.41 percent at the beginning of the year to 11.57 percent during July and further to 7.31 percent by the end of December 2003. The average effective yield of the 182-day T-bills in South Africa decreased from 13.10 percent during January to 10.64 percent during July and declined further to 6.75 percent during December 2003. This indicates that like in Namibia, the low interest rate environment had impacted favourably on the cost of Government borrowing in South Africa. It was however, noted that while the yield for the 91-day T-bills had been higher in South Africa, on average, than in Namibia, the opposite had been observed for the 182-day period.

3.4 CAPITAL MARKET DEVELOPMENTS

The overall price index of the Namibia Stock Exchange (NSX) declined slightly from 288 points at the beginning of the year to 287 points during June before increasing to reach 347.3 points by the end of the year (Chart 3.9). As a result, the overall market capitalisation had increased from N$286.0 billion during January to N$460.0 billion during December. This increase in the overall market capitalisation was also attributable to new listings on the NSX. However, the overall turnover moved from N$168.0 million at the beginning of the year to N$142.2 million at the end of the year, thereby reflecting sluggish activity on the NSX.

The local price index increased from a low of 50 points during January 2003 to reach 57.9 points during June, before reaching 58 points during December 2003. As a result, the local market capitalisation increased from N$753 million at the beginning of the year to N$1.7 billion at the end of June before increasing further to N$2.0 billion at the end of December 2003. As in the overall market capitalisation, new listings also contributed to an increase in the local market capitalisation. The local turnover, however, declined from N$3.1 million at the beginning of the year to N$339 thousand during June and further to N$130 thousand during December 2003. The reduction during the year was caused by a decline in the volumes traded, which in turn were triggered by a lack of demand for locally listed shares.

Chart 3.9 NSX Price Indices



The mining sector (N$214.5 billion) continued to dominate the overall market capitalisation during 2003. The industrial, retail sectors and financial sector accounted for N$208.9 billion and N$209.2 billion, N$193.4 billion of overall market capitalisation, respectively. The contribution by the fishing sector was, however, negligible, at only N$1.9 billion. On the other hand, the industrial sector (N$454.0 million) and the financial sector (N$1.4 billion) dominated the value of the local market capitalisation, followed by the fishing sector (N$57.0 million) and the retail sector (N$43.0 million).

4. PUBLIC FINANCE

The strengthening of the Namibia Dollar against major currencies, which led to a reduction in the estimates of company taxes from diamond mining companies and other mining companies, has resulted in lower than expected total revenue of the Central Government in the revised budget. At the same time, the level of Government expenditure remained largely the same. The unchanged level of government expenditure combined with declining revenue resulted in a projected deficit for 2003/04 to be higher than the initial amount announced in the main budget. The budget deficit also exceeded the target as set in the NDP2 and MTEF. Given the highlighted fiscal developments above, total Government debt is expected to be high during 2003/04 fiscal year as was already witnessed at the end of December 2003.

4.1 REVENUE

The revised Government revenue and grants for 2003/04 have been estimated at N$10.8 billion, which represents a decline of 2.9 percent compared to the original estimate in the main budget, but is 2.6 percent higher than the actual expenditure for the previous fiscal year (Chart 4.1). It is worth mentioning that for the first time since 1992/93 fiscal year the total revenue was revised downwards in the additional budget. As a ratio of the GDP, the revised revenue increased slightly from 30.4 percent in the main budget estimate to 30.9 percent in the revised budget. The ratio is however, lower when compared to 33.6 percent for the actual recorded revenue for 2002/03. The downward revision in revenue was mainly caused by the strengthening of the Namibia Dollar against the major currencies, particularly the US Dollar. This led to a reduction in the estimates of company taxes from diamond mining companies, other mining companies and the non-resident shareholders tax by N$940.0 million, N$130.0 million and N$95.0 million, respectively.

Dividends from diamond mining companies and diamond royalties however, remained constant at N$25.0 million and N$450.0 million respectively, as they are in the main budget. In spite of these significant downward revisions, the net reduction in total revenue was offset to some extent by increases in other revenue items of N$860.0 million.

The largest contribution to the total revenue is from taxes on income and profits revised at N$3.8 billion and accounted for 34.7 percent of the total revenue, which is lower than the 42.1 percent in the previous fiscal year. The taxes on international trade and transactions, mainly SACU receipts, have remained the second most important source of revenue for the Government. SACU receipts have grown by 16.9 percent to N$3.0 billion in 2003/04. As a share of the total revenue, the SACU revenue increased from 25.6 percent in the preceding fiscal year to 28.0 percent. The third largest source of revenue are the domestic taxes on goods and services, which increased by 1.3 percent to N$2.8 billion, representing 26.0 percent of total revenue. The value added tax (VAT) falls under this category and constitutes 90.4 percent of the total

Table 4.1 Revenue Components (N$ Million)

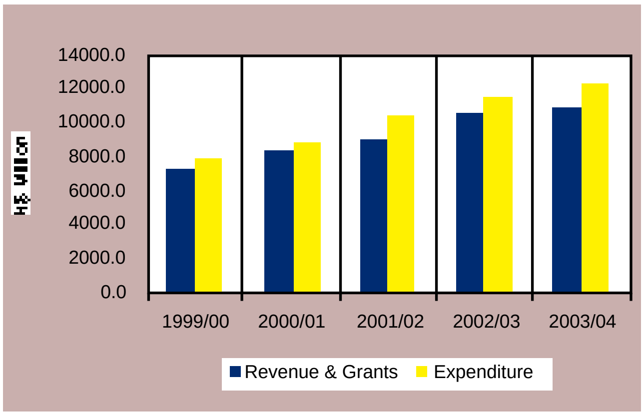
	Actual 1999/00	Actual 2000/01	Actual 2001/02	Actual 2002/03	Revised 2003/04	% Change 2003/04
Taxes on Income and Profits	2315.3	2610.0	3143.0	4442.3	3758.0	-15.4
Taxes on Property	46.7	63.0	60.0	79.3	90.0	13.6
Domestic Taxes on Goods and Serv.	1943.5	1945.0	2039.0	2135.7	2821.0	32.1
Taxes on International Trade	2240.7	2877.3	2641.0	2596.9	3035.7	16.9
Non-Tax Revenue	605.0	736.0	870.0	1121.1	994.9	-11.3

Source: BoN and MoF

domestic taxes on goods and services. VAT has continued to be one of the main sources of Government revenue, contributing 23.5 percent to the total revenue.

Non-tax revenue rose by 4.4 percent when compared to the main budget estimate, but it fell by 11.3 percent when compared with 2002/03. A total of N$55.9 million in foreign grants will be received during the 2003/04 fiscal year. Although this represents a mere 0.5 percent of total revenue and grants, it is an improvement of 62.5 percent on the previous fiscal year's receipts. Taking all these developments into account, the net reduction for the total revenue and grants in the revised budget for 2003/04 fiscal year have amounted to N$328.0 million.

Chart 4.1 Total Revenue and Grants, and Expenditure



Source: MoF

4.2 EXPENDITURE

Chart 4.1 shows that the revised total Government expenditure is estimated at N$12.2 billion, 0.1 percent lower than the original estimate, but 7.4 percent above the actual expenditure for the previous fiscal year. As a percentage of the projected GDP, total expenditure decreased from 36.2 percent to 34.9 percent in the revised budget. The net cancellation of N$514.3 million was realised in the revised budget of which N$110.3 million was from statutory expenditure cancellation. This resulted from the lower interest rate, and a downward revision in guarantees payable. Consequently, a total amount of N$432.5 million for additional funds was requested.

Table 4.2 Government Expenditure (N$ Million)

Items	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004	% Change
Current Exp.	6 884.0	7 625.0	8 698.0	9 503.0	10367.2	9.1
% of GDP	32.3	31.6	31.5	30.2	29.5	
Capital Exp.	1069.0	1084.0	1786.0	1895.7	1876.8	-1.0
% of GDP	5.0	4.5	6.5	6.3	5.3	
Total Exp.	7953.0	8709.0	10484.0	11398.7	12244.0	7.4
% of GDP	37.3	36.1	38	36.2	34.9	

Source: BoN and MoF

Current expenditure expanded slightly by 0.3 percent over the original estimate and significantly by 9.1 percent above the actual expenditure for 2002/03. The year-on-year expansion was largely due to subsidies and transfers given to State Owned Enterprises as well as personnel expenditure due to salary increases, which increased by 19.5 percent and 10.5 percent, respectively (Table 4.3). Statutory expenditure on the other hand decreased by 3.3 percent as a result of the lower interest rates and the appreciation of the Namibia Dollar against the US Dollar.

As illustrated in Table 4.2 capital expenditure drifted downwards for both the revised estimates of 2003/04 and actual expenditure for 2002/03 by 1.0 percent and 2.2 percent, respectively, implying that capital expenditure could have been crowded out by the current expenditure.

Table 4.3 Current Expenditure Items (N$ Million)

Current Expenditure	1999/00	2000/01	2001/02	2002/03	2003/04	% Change
Personnel	3619.0	3965.0	4535.0	4708.9	5201.2	10.5
Goods and Services	1583.0	1637.0	1817.0	1993.6	2027.3	1.7
Statutory Payments	513.0	512.0	678.0	907.6	877.4	-3.3
Subsidies and other current transfers	1169.0	1511.0	1667.0	1892.8	2261.3	19.5

Source: MoF

Table 4.4 Summary of expenditure by economic classification (percent)

Current Expenditure	1999/00	2000/01	2001/02	2002/03	2003/04
General Govt. Services	29.8	32.3	33.3	36.4	34.9
Gen. Public Service	13.8	15.7	17.6	18.8	17.8
Defence	7.2	7.3	7.3	8.3	7.6
Pub. Order and Safety	8.8	9.3	8.4	9.2	9.5
Comm. and Social Services	48.6	49.7	49.5	48.1	47.3
Education	24.0	23.3	21.3	21.0	20.3
Health	10.8	11.0	10.0	9.7	9.2
All Other	13.8	15.4	18.2	17.4	17.8
Economic Services	15.2	11.7	10.6	7.0	10.2
Expenditure not classified	6.4	6.3	6.6	8.5	7.6
Total Expenditure	100.0	100.0	100.0	100.0	100.0

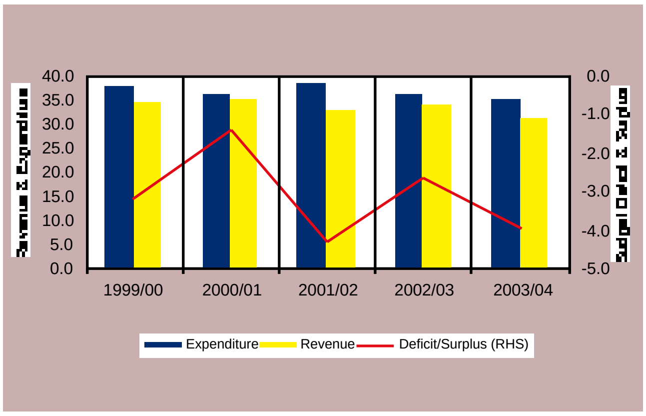
Source: BoN and MoF

As illustrated in Table 4.4, the largest portion of the total expenditure, amounting to 47.3 percent, was allocated to the community and social services sectors, although this was down from 48.1 percent during 2002/03. The sub-sector of education received 20.3 percent of the community and social services sector budget, while other social services received 17.8 percent and health, 9.2 percent. The share of the education sector was a little high when compared to the allocation in the previous budget This sector still receives the largest allocation however, demonstrating that even 13 years after Independence this sector still enjoys the highest priority of Government. The share of health has marginally decreased from 9.7 percent in the previous year to 9.2 percent in the current fiscal year. Provisions to General Government services were reduced from 36.4 percent to 34.9 percent during the same period, while that allocation to economic services increased from 7.0 percent to 10.2 percent. The increase in the allocation to economic services sector augurs well for the Government's intention of investing funds in sectors which stimulate economic growth.

4.3 BUDGET DEFICIT AND FINANCING

The estimated budget deficit for 2003/04 stands at N$1.4 billion or 4.0 percent of the GDP, an upward revision from N$1.1 billion or 3.0 percent in the main budget (Chart 4.2). This is a weakened fiscal stance of the central Government when compared with the preliminary actual deficit of 2.7 percent in the previous fiscal year. This weakened fiscal stance emanated from the decline in revenue of diamond and other mining company taxes, as a result of the strengthening of the Namibia Dollar against major currencies, in particular the US Dollar. This caused a reduction in the estimates of the diamond mining company taxes and those of other mining companies. The generally unchanged level of Government expenditure, combined with a declining revenue exacerbated the deficit-to-GDP ratio, surpassing the pronounced target of 3.0 percent. Dependence on diamond revenue is problematic for the country since it is subject to exogenous shocks. It is therefore crucial to be cautious about this during budget formulation and planning, to ensure that appropriate measures are put in place to ease any unfavourable effects. The deficit is mainly financed by the net issue of treasury bills and bonds and partly by drawing down cash balances from the State Account at the Bank of Namibia.

Chart 4. 2 Budget Deficit, Expenditure and Revenue as percentage of GDP

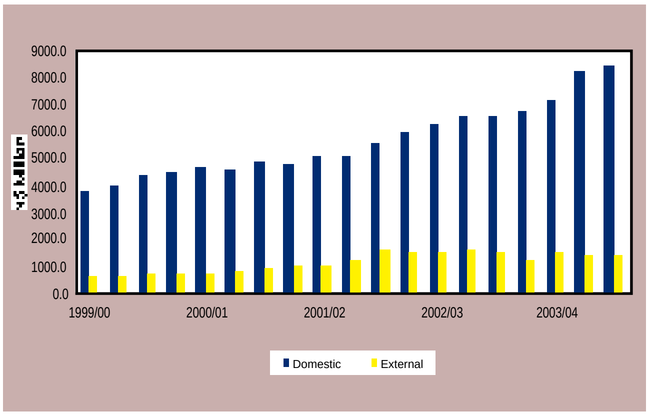


Source: BoN and MoF

4.4 CENTRAL GOVERNMENT DEBT

The total central Government debt continued to rise during 2003. Total debt amounted to N$9.9 billion at the end of December 2003 (Table 4.5), representing an annual increase of 25.2 percent against a rise of 12.0 percent in the preceding year. As a ratio of GDP, the total debt was at 28.4 percent, from 25.4 percent recorded during the previous fiscal year. Domestic debt was chiefly responsible for the increase in total debt, and was complemented by the moderate increase in foreign debt.

Chart 4. 3 Central Government Debt



4.4.1 Domestic Debt

The domestic debt expanded significantly during the year under review mainly, due to the higher budget deficit. It expanded by 28.1 percent to N$8.4 billion from N$6.5 billion in the previous year (Chart 4.3). As a percentage of the GDP, the domestic debt rose from 20.8 percent to 23.9 percent, exceeding the international threshold of 20.0 percent by far. In terms of share to total, the domestic debt accounted for 83.9 percent of the total Central Government debt, which was up from the 81.4 percent recorded during the previous year. The Government domestic indebtedness was only in the form of treasury bills and in internal registered stocks. In terms of composition, treasury bills accounted for most of the domestic debt, contributing 57.9 percent. The remainder was accounted for by internal registered stocks.

Table 4.5 Central Government Debt (N$ Million)

Category of Central Government Debt	2001	2002	2003	% Change
A. 1. External Debt	**1 612.0**	**1 478.9**	**1 601.4**	**8.3**
2. Bilateral Loans	946.7	848.5	899.0	6.0
3. Multilateral Loans	665.3	630.1	702.4	11.5
4. Financial Inst.	0.0	0.0	0.0	0.0
5. Other	0.0	0.0	0.0	0.0
B. 1. Domestic Debt	**5 494.8**	**6 533.7**	**8 368.5**	**28.1**
2. T-Bills	2 799.7	3 516.2	4 841.2	37.7
3. I.R.S.	2 695.1	3 017.5	3 527.3	16.9
4. BON	0.0	0.0	0.0	0.0
5. Other	0.0	0.0	0.0	0.0
C. Total Debt (A+B)	**7 106.8**	**8 012.6**	**9 969.8**	**12.7**
D. Total debt as % of GDP	**0.3**	**25.4**	**28.4**	

Source: MoF and BoN

4.4.2 External Debt[32]

The total external debt improved during the year 2003. It expanded by 8.3 percent to N$1.6 billion when compared with the debt stock at the end of the previous year. The expansion was primarily confined to the disbursement by some creditors, notably the African Development Bank (ADB) for the Northern Railway Extension, European Investment Bank (EIB) for the Private Sector Global Loan II and the Development Bank of Southern Africa (DBSA) for the Windhoek Urban Infrastructure Project. As a ratio of the GDP, external debt was down slightly from 4.7 percent to 4.6 percent. As a result, the external debt's contribution to the total debt stocks, fell from 18.6 percent to a current level of 16.1 percent of the total debt. Loans from bilateral creditors, such as KFW, continued to dominate the composition of external debt, accounting for 56.1 percent of the portfolio. This was slightly lower than the 57.4 percent recorded for the previous year. The remaining 43.9 percent was taken up by multilateral creditors, such as ADB (Table 4.5).

Table 4.6 shows that the currency composition had remained largely unchanged from the preceding year.

32 Includes loans earmarked for on-lending to third parties.

The Euro maintained its position as the dominant currency in the external debt portfolio, constituting 60.1 percent of the total. The Rand held the second spot as the second largest, contributing 14.4 percent. The share for the US Dollar was 6.3 percent, while the Chinese Yuan was 9.2 percent. The upward movement for the Rand is a welcome development and will enable the Government to mitigate the exchange rate risk.

Table 4.6 Currency Composition for External Debt end of December 2003)

Currency	% Share
ADB Units Account	5.7
Swiss Francs	1.1
Yuan Renmibis (China)	9.2
Euro	60.1
Pound Sterling	1.4
Yen	0.3
Kuwaiti Dinar	0.1
USD	6.3
Special Drawing Rights	1.4
Rand	14.4

Source: BoN and MoF

4.5 CENTRAL GOVERNMENT GUARANTEES

Total loan guarantees issued by the Government continued with the downward trend witnessed from the beginning of the fiscal year 2003/04. Guarantees decreased slightly by 0.7 percent to N$3.2 billion from the stock recorded during the preceding year (Table 4.7). As a ratio of GDP it dropped from 10.0 percent to 9.1 percent.

The contraction in total guarantees was caused primarily by the foreign guarantees that dropped by 6.8 percent to N$2.1 billion. The principal repayments on existing stock of guarantees, increased debt servicing by creditors and the strong Namibia Dollar were responsible for the fall. As a percentage of the total, foreign guarantees constituted 64.6 percent whilst in relation to GDP it fell to 5.9 percent from 6.9 percent during the previous year. The stock of loan guarantees issued by domestic creditors on the other hand, increased by 13.0 percent during the period under review. The growth resulted mainly from the new issues of domestic guarantees. As a percentage of the total, domestic guarantees took up 35.4 percent, while as a ratio of GDP it increased marginally from 3.1 percent to 3.2 percent.

Chart 4.4 Central Government Loan Guarantees

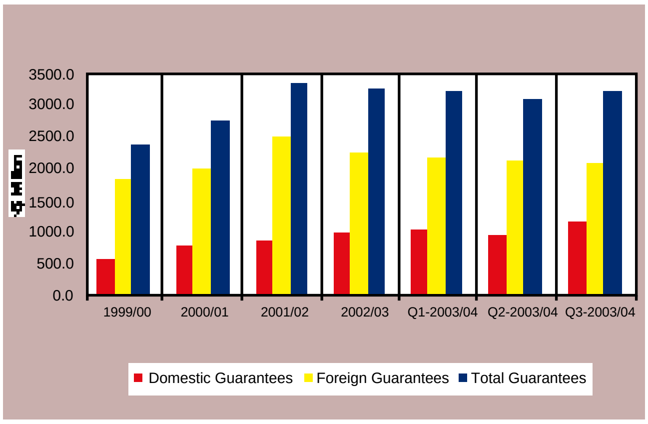


Table 4.7 Central Government Guarantees (N$ Million)

	1999/00	2000/01	2001/02	2002/03	Q2-2003/04	Q3-2003/04
Domestic Guarantees	548.0	778.2	828.9	1004.8	934.3	1135.4
As % of GDP	2.6	3.2	2.9	3.1	2.7	3.2
Foreign Guarantees	1811.7	1974.2	2481.0	2221.6	2128.4	2069.7
As % of GDP	8.5	8.2	8.8	6.9	6.1	5.9
Total Guarantees	2359.8	2752.3	3309.9	3226.4	3062.7	3205.1
As % of GDP	11.1	11.4	11.8	10.0	8.7	9.1

Source: MoFand BoN

5. OUTLOOK FOR 2004

The Namibian economy is expected to strengthen during 2004, driven largely by the good performance of the mining sector, mainly as the result of an increase in diamond and zinc production. Other sectors such as fishing and services (tourism, retail, transport and telecommunication) are also expected to grow moderately. The real GDP is therefore expected to grow by 3.8 percent in 2004, from an estimated 3.1 percent in 2003.

BOX A OUTLOOK ASSUMPTIONS

The following assumptions and information were used to forecast key sectoral growth rates for the Namibian economy.

- Actual diamond output production figures were obtained from the Ministry of Mines and Energy and forecasts were obtained from the individual diamond mining companies, which indicated 1.449 million Carats of diamond production in 2004.

- Zinc output is assumed to be produced at 75 000 tons in 2004 (compared to an estimated 56 686 tons in 2003). The new Zinc mine is only expected to reach full capacity at 150 000 tons per year in 2006.

- The London Metal Exchange forecasts a price recovery for all base metals for 2004, which was used as price indicators for the leading Namibian base metals (Silver, Copper, Uranium, Zinc).

- Agricultural growth for 2004 rest upon the assumption that livestock marketed may decrease slightly, as farmers would commence restocking and there is increased capacity for pasturing. This slight decrease may however be offset due to worldwide recovery in the price of meat during the first half of 2004. Cereal and crop production (especially maize) are also expected to improve moderately.

- Available data shows that fishing sector's output increased during 2003. The assumption is that the fishing sector recovery would continue in 2004 in part due to favourable oceanic conditions and improvement in fishing resource. But such a stable recovery could to be affected by an assumed relatively weakening but still strong Namibia Dollar.

- Growth in Manufacturing is mainly projected to be led by fish processing output growth and processed copper and zinc which have made other manufacturing output to grow at close to 20.0 percent on average for the past three years. We expect such significant increases to be applicable for 2003 and 2004 with a conservative growth of around 10 percent. Meat processing is also to grow in line with Livestock Marketed, especially during the first part of 2004.

- Construction growth is assumed to depend on government projects.

- Our view on tourism is consistent with forecast from the World Tourism Organisation (WTO) that better tourism prospects await the Southern African region, provided that the Namibia Dollar does not appreciate any further but losing some ground against the greenback.

- In terms of Transport and Communication, available data on volumes of output for cell phone and Internet Sector was obtained from MTC and I-net. Data shows phenomenal increases for 2003 and such positive increases were assumed for 2004.

5.1 REAL SECTOR

The **mining** sector is estimated to grow by 4.4 percent during 2004 (Table 5.1) after showing a poor performance in 2003. The expected improvement is due to the increased diamond production which is projected to grow by 4.7 percent during 2004 as a result of the revival of one of the offshore mines which was to begin operations in January 2004. Other base metals such as zinc, gold and copper are expected to perform positively as a result of an expected recovery in the global economy and firmer commodity prices.

The output in the **agricultural** sector is projected to decline by 1.0 percent in 2004, as a result of the re-stocking of livestock, in preference to the marketing of livestock by agricultural producers . While the current drought is expected to subside gradually, the agriculture sector will have a slow recovery for the ensuing years ahead.

Growth in the output of the **fishing** sector is projected at 3.4 percent in 2004, which is an on-going positive reflection of the recovery of the fishing sector during 2003. This positive growth is due to the favourable marine conditions. These factors are likely to lead to an increase in the real value added of the fishing sector, but may be offset by the continued appreciation of the Namibia Dollar[32].

The good performance of the **manufacturing** sector witnessed during the past three years of an average 5.5 percent, is expected to be sustained over the next two years. Value added in the manufacturing sector is expected to grow at 5.7 percent in 2004. This sustained growth would mainly be realised from a recovery in fish processing and other manufacturing, as a result of processed copper and zinc. Meat processing is forecast to show a mild growth in 2004, as a result of reduced beef prices during 2003/04 caused by an oversupply of meat on the European and South African markets by South American and Australian producers.

Other sub-sectors such as food and beverages are also expected to show a steady growth in 2004. The improved access to the Angolan market which was supposed to hold good prospects for an increase in the export of beer and soft drinks, did not materialise after new customs measures were introduced by the Angolan authorities, as these are said to hamper exports from Namibia. However, there are currently bilateral talks between Namibia and Angola to improve the situation.

Table 5.1 Selected Sectorial Growth patterns (percentages)

	2002 Actual	2003 Estimate	2004 Forecast
Agriculture	0.7	-4.8	-1.0
Fishing	3.1	10.3	3.4
Mining	3.9	-7.1	4.4
Manufacturing	7.4	5.8	5.7
Construction	-22.5	4.5	4.0
Tourism	6.2	-5.1	4.5
Real Estate & Business Services	-1.7	2.4	2.4
Government Services	3.2	2.9	2.4
Real GDP	**3.3**	**3.1**	**3.8**

Source: CBS (Actual 2002), and Bank of Namibia (2003 Estimates and 2004 Forecast)

Growth in the **construction** sector is projected to increase by 4.0 percent in 2004, as a result of an on-going Government spending on infrastructure (e.g. construction of roads, Northern Railway Extension etc). The easing of interest rates may also aid in sustaining positive growth for the construction sector, resulting from private residential and commercial buildings.

The **tourism** sector represented by hotels and restaurants is expected to grow by some 4.5 percent in 2004, but that growth rate could be lower if the Namibia Dollar continues to be firm against the Euro

32 The Total Allowable Catch (TAC) for hake has been set to 180000mt for the 2003/2004 fishing season, which is a reduction of 15000mt compared to the last season as there had been concerns about the hake stock. The monk quota has been increased by 500mt to 12500mt and the TAC for orange roughy has been set to 2650mt, which is 250mt higher than last season. The fishing season for those three species is 1/5/2003-30/4/2004. The horse mackerel quota stayed at 350000mt for the year 2004, while the TAC for crab and rock lobster is 2200mt (2000 in 2003) and 420mt (400 in 2003), respectively. The TAC for pilchard for 2003 was 20000mt and has not been announced for 2004 yet.

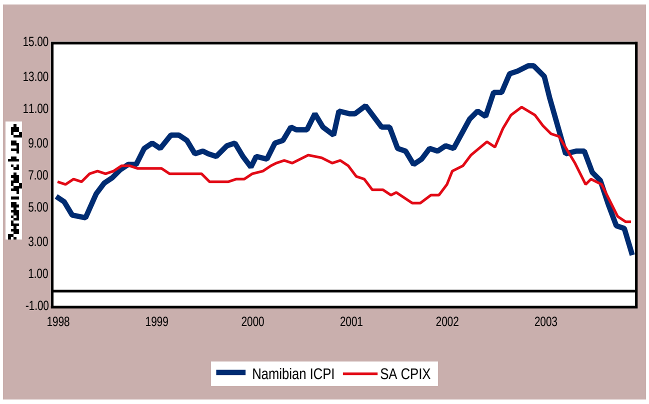
and the US Dollar. It will however still represent a significant growth, when compared with the negative growth recorded in 2003.

Growth in the **real estate and business services** sector is projected to grow by 2.4 percent in 2004. This growth could mainly occur as a result of an increase in the output of the real estate and retail sectors, as well as the sectors of transportation and communications and financial services. This would be facilitated by the easing of interest rates and inflation during 2003/04. The **government** sector is also expected to grow moderately in 2004.

5.2 PRICE DEVELOPMENTS

The average annual inflation rate for 2004 is projected at 6.5 percent. The expected decline can be attributed to a significant fall in food prices, stronger exchange rates and a continuing global deflationary pressure. Risks for that development could be a rise in food prices due to adverse weather conditions in the region, especially in South Africa, and an increase in oil and global commodity prices. Domestic wage increases and a rise in administered prices could also contribute to a higher inflation rate than projected.

Chart 5.1 Inflation



Source: CBS and SARB, respectively

5.3 INVESTMENT AND CONSUMPTION

In real terms, consumption is expected to improve to 4.0 percent in 2004, compared to an estimated 3.5 percent in 2003 (Table 5.2). The expected improvement is due to an increased consumer confidence that is in tandem with lower interest and inflation rates. In addition, the civil service salary adjustments would continue to have a multiplying effect from the government employees' disposable incomes and hence assisting in stimulating the consumption expenditure.

The real growth rate of investment is projected to be 4.5 percent in 2004 from 5.0 percent in 2003. The overall growth in real investment is due to a continued investment in infrastructure and government projects (roads, railway construction etc).

Table 5.2 Key Macro-economic Indicators (Percentage)

Macro-economic Indicators	2002 Actual	2003 Estimate	2004 Forecast
Nominal GDP (N$ million)	30 100	33 074	36 541
Total Real Consumption (% Change)	2.8	3.5	4.0
Total Real Investment (% Change)	-0.1	5.0	4.5
Exports of goods and services (N$ million)	13 658	13 485	15 052
Nominal Growth (%)	9.7	-1.3	11.6
As % GDP	45.4	40.8	41.2
Imports of goods and services (N$ million)	14 085	14 751	15 625
Nominal Growth (%)	-1.0	4.7	5.9
As % GDP	46.8	44.6	42.8
Trade Balance	-427	-1 266	-573
As % GDP	-1.4	-3.8	-1.6
Current Account Balance	924	2 263	2 252
As % GDP	3.1	6.8	6.2
CPI (%)	11.3	7.5	6.5

Source: CBS (actual 2002) and Bank of Namibia (2003 Estimates, 2004 forecast)

5.4 EXTERNAL SECTOR

Exports are projected to recover in 2004 to a growth rate of 4.2 percent on the back of favourable international prices for zinc and copper and an increasing demand for fish products. As a percentage of the GDP, this is projected at 41.2 percent in 2004.

In real terms, imports are projected to increase moderately by 2.3 percent in 2004, largely due to a firmer domestic demand. As a percentage of GDP, this is projected at 42.4 percent in 2004.

As a result of these developments, the Namibian trade deficit is projected to narrow in 2004, while the current account surplus as a percentage of GDP is projected at 6.2 percent in 2004. This is mainly due to the increase in SACU revenue[34].

5.5 FISCAL SECTOR

5.5.1 Revenue

In nominal terms, the total revenue is projected to increase by 2.6 percent in 2003/04 compared to an estimated 6.9 percent of the MTEF. The total revenue is projected to grow by 18.7 percent in 2004/05. The low growth rate in 2003/04 is mainly as the result of a fall in revenue of more than 50 percent from the diamond companies. The increase in the total revenue of about 18.7 percent in 2004/05 is as a result of an increase in SACU revenue due to relatively strong import growth between 2001/02 and 2002/03 coupled with some adjustments because of the lagged effect of the 1969 formula. As a share of GDP, revenue is therefore projected to decrease from 34.2 percent in 2002/03 to around 31.9 percent in 2003/04 before increasing to the previous level of around 34.3 percent in 2004/05 as the result of the above mentioned developments (Table 5.3).

5.54.2 Expenditure

The total government expenditure is projected to grow by 9.9 percent in 2004/05 compared with the 9.5 percent increase in 2003/04. As a percentage of GDP however, the total government expenditure is projected to decrease slightly from 36.1 percent in 2003/04 to approximately 35.9 percent in 2004/05, which is well above the recommended 30.0 percent of the Medium Term Expenditure Framework 2002/03 – 2004/05. There may therefore, still be a need to engage in further expenditure restraint and measures to keep the total expenditure within manageable limits. These measures could involve a wage restraint through moderation in the hiring of new employees and the restructuring of State Owned Enterprises (SOE's).

5.4.3 Deficit

Namibia's budget deficit is projected to be approximately 1.6 percent of the GDP in 2004/05, a decrease from 4.1 percent of the GDP in 2003/04. Namibia's debt as a percentage of GDP is projected to decrease slightly from 30.8 percent in 2003/04 to 30.5 percent in 2004/05.

Table 5.3 Financial Operations of Central Government (N$ Million)

	2003/04 Revised	2004/05 Estimate
Total Revenue	10 835.6	12 865.6
SACU Receipts	3 025.6	4 206.8
Total Expenditure	12 243.9	13 461.8
Personnel	5 136.4	5 781.8
As Percentage of GDP		
Total Revenue	31.9	34.3
SACU Receipts	8.9	10.7
Total Expenditure	36.1	35.9
Personnel	15.1	15.4
Budget Deficit	-4.1	-1.6
Debt	30.8	30.5
Nominal GDP	33 940.9	37 514.2

Source: MoF & BoN

5.5 CONCLUSION

The economy is projected to recover at an average growth rate of 3.6 percent between 2003 and 2004. This recovery is mainly attributed to an increased growth rate of the fishing and tourism sectors and a mild recovery of the mining sector, due to the

34 The New SACU agreement has not as yet been ratified by Parliament in South Africa. Hence, its actual implementation is delayed. As a result, SACU revenue share for Namibia still based on the old 1969 Agreement which may entail increases in SACU revenue for 2004.

reactivation of an offshore diamond mining venture, as well as an increase of the extraction of other mining products. The actual growth rates may even exceed the projections if the inflation rate and interest rates continue to remain at a low level; if commodity prices improve and climatic conditions are favourable.

There are, however, downside risks to the above forecast growth, which include the following:

- The world economic recovery is still proceeding at a lower pace although there are positive signs of a definite recovery. If the world economy were not to recover as expected, it would have negative implications for the export of commodities such as the mineral products. This might not bode well for the realisation of a real GDP growth rate of 3.8 percent in 2004.

- The possibility of a prolonged drought in the SADC region, which could have severe consequences for the agricultural sector, food imports and inflation.

Economic integration can take many forms. The following table shows four common forms of integration and their key features.

THEME CHAPTER

6. REVIEW OF NAMIBIA'S PARTICIPATION IN REGIONAL INTERGRATION ARRANGEMENTS: ISSUES AND IMPLICATIONS

6.1 INTRODUCTION AND BACKGROUND

The last four decades have seen a proliferation of regional economic integration arrangements all over the world. Nearly every country has been a party to one or more regional integration schemes. Most pronounced are the European Union (EU), North America Free Trade Agreement (NAFTA), the Economic Community for West African States (ECOWAS), the Southern African Customs Union (SACU), Southern African Development Community (SADC), and Common Market for Eastern and Southern Africa (COMESA) amongst others. In Africa, attempts at regional integration can be traced back to the early 1960s, when the newly independent countries tried to overcome the artificial separation of the African people by the determination of colonial borders. Although the earlier efforts at regional integration were less successful, as evidenced by the collapse of schemes such as the East African Economic Community, a renewed interest in regional integration is now taking place. Currently, there are talks of moving to a stronger, regional integration including common markets and monetary unions.

Table 6.1 Types of Economic Integration[35]

Key features	Free Trade Area	Customs Union	Common Market	Economic Union
Free trade among members	✔	✔	✔	✔
Free trade with non-members	✕	✕	✔	✔
Free factor mobility	✕	✕	✔	✔
Unification and co-ordination of economic policies	✕	✕	✕	✔
Common external tariffs	✕	✔	✔	✔

Namibia is a member of three regional economic groupings, namely: SACU, SADC and CMA. The country has recently tendered its withdrawal from COMESA, to be effective from 2004. In addition, Namibia also entertains preferential trade relations with Zambia and Zimbabwe. Further, Namibia supports the initiatives of the New Partnership for African Development (NEPAD). Although NEPAD's objectives are broader than just economic integration, one of the centre stones of this program remains economic cooperation. On the international front, Namibia works with the European Union through the Cotonou framework. Namibia is also a member of the World Trade Organisation (WTO). It participates in and benefits from various preferential trade schemes, the most important of which are the Generalised Systems of Preferences (GSP), offered by various industrialised economies and the recent African Growth and Opportunity Act (AGOA), made available by the US.

This chapter reviews Namibia's participation and looks at ways of enhancing the country's participation in these groupings. This area is in line with the Bank's strategic objective of engaging its key stakeholders, to inspire policy action.

The remainder of the chapter is organised as follows: Section 2 outlines the rationale for regional economic arrangements. Section 3 provides an overview of various regional integration schemes in which Namibia is participating. This is followed by a review of trade and investment trends and related issues in Section 4. Section 5 examines the key challenges facing Namibia's participation in regional integration arrangements and suggests ways of enhancing participation, while Section 6 concludes the Chapter.

35 Reading table 1: as an example, in a customs union, there is free trade among members. Members also apply common external tariff against the rest of the world. However, there is no free common policies,

6.2 WHY REGIONAL ECONOMIC INTEGRATION? - THE THEORETICAL JUSTIFICATION FOR REGIONAL INTEGRATION

6.2.1 Trade Flows

Trade theory points out that economic integration arrangements will enhance investment, intra- regional trade and growth. This result is mainly obtained by the removal of tariffs and other barriers to trade, thereby leading to increased intra-regional trade and investment among participating members. An analysis of the effects of the overall gains which result from regional integration arrangements, including free trade areas and custom unions, focuses on the trade creation and trade diversion effects. Trade creation occurs when higher-cost local production is replaced by cheaper imports from the lower cost production of an integrating partner(s). This has positive welfare effects namely, that production and resources are channelled to sectors in which a particular country may have a comparative advantage, thus allowing it to produce goods at a relatively lower price. The effects of trade creation are likely to be felt when countries which establish a free trade area/ customs union have previously had a high level of mutual tariffs. Further effects are felt when these integrating countries have complementary economic structures which generate different products, to allow for the exchange of goods and services.

Regional integration may however also lead to a diversion of trade where the effect would be a slowdown in growth and economic performance. This would mainly be the case where a trade diversion would result in lower efficiency as a result of replacing cheaper imports from a country outside the integration arrangement with expensive imports from an integrating partner. If trade creation outweighs trade diversion, this will result in welfare enhancing effects. The welfare creation effect results from the net position of changing production and consumption patterns of a country. It would be a challenging question to answer, whether or not, Namibia has enhanced its welfare within SACU and SADC. At a glance, there seems to be a limited complementary economic structure within SACU and SADC member states. Most of the economies rely heavily on the export of raw materials and the import of consumable goods, thus allowing little room for the exchange of goods and services. In such a structure therefore, the gain from a customs union could be minimal. In this regard, Namibia should strive to produce more products that are needed by her SACU and SADC counterparts.

6.2.2 Investment flows

The establishment of a large market for goods and services would naturally serve to attract both domestic and foreign investment in member countries. The size of the market is especially important for many African countries whose small and fragmented domestic markets are in many ways, major structural stumbling blocks in the path towards growth and development. Small markets such as Namibia with 1.8 million inhabitants and a limited purchasing power, cannot sustain economy of scale with many production lines. An efficient allocation of resources is more likely to occur in a large market where there is more competition than in small markets, where there are likely to be few players. A combination of these factors, therefore, makes regional integration arrangements a high priority on the agenda of policymakers.

In the case of Namibia, a number of factors strengthen its continued participation in regional economic arrangements. Firstly, the country has opted for a liberal trade regime by acceding to multilateral and bilateral trade agreements in order to re-orient the economy towards an export-trade. This is because of the small size of the Namibian market and its reliance on primary commodities. Hence, any sustained economic growth could only be achieved if the economy could produce and export value-added products. In this regard, integration provides an opportunity for the country to diversify its exports toward the central and eastern African markets through better market access. Namibia has traditionally traded with its SACU partners, more particularly with South Africa.

Secondly, membership in regional integration arrangements provides for a wider variety of opportunities in terms of the attraction of foreign direct investment, community building, and an opportunity to benefit from regional projects. Due to the small size of its market, any viable Namibian investment promotion should be based on its membership of SACU and SADC. In this way, an export led growth could be achieved.

In general, the new approach is, that the critical demand-side constraint faced by small countries as a result of their small domestic economies, can be overcome in the context of a larger regional market.

6.2.3 Political economy considerations

Community building and political considerations play an important role in regional integration arrangements, especially in the context of the African continent. It should be noted that almost all African countries have committed themselves to a pan-African agenda which addresses itself to broader geo- political and economic issues. The key element in this agenda, is the fulfilment of the aspirations of the Abuja Treaty of 1991, which established the African Economic Community through the creation of various regional African economic groupings. The expectation is, that the establishment of various regional integration schemes will in future, form the building blocks for the formation of a single African economic market, coupled with a single currency.

In addition, policymakers in Africa clearly recognise the limitations set by the relatively poor growth performance of most African countries, coupled with poverty and poor standards of living. Regional integration is therefore, seen as part of the solution process.

Another reason cited for participation in regional integration schemes, is that member countries may, within a regional arrangement, gain a policy acceptance more readily at home when it is part of a group of countries. Said differently, economic policies that are closely co-ordinated and harmonised with neighbouring countries may obtain local support easily, as opposed to those that are country specific. Countries within regional groupings should furthermore, be able to share their expertise, thereby preventing unnecessary expenditure. This could be in the form of joint projects in the areas of education, road-building and maintenance, rail network establishment, disease control and so forth. Namibia has already benefited immensely from joint regional projects such as the Automated System for Customs Data (ASYCUDA), a software programme which allows participating countries to collect their revenue immediately at a point of entry. Under this programme Namibia has strengthened its revenue collection capacity. Other projects include infrastructural projects in the areas of telecommunications, transport and in many other sectors. Regional integration can also assist with an increase of regional dialogue and discussion, which in turn can help to diffuse and lessen regional tension. Such co-operation can also be extended to security and defence issues[36].

Finally, regional integration can enhance the collective bargaining power of member countries and third parties. Acting collectively, member states may be able to demand better market access conditions and increase their influence on decisions taken at international forums such as the WTO, IMF as well as deliberations with advanced nations or regions.

6. 3 OVERVIEW OF NAMIBIA'S PARTICIPATION IN VARIOUS REGIONAL INTEGRATION SCHEMES

6.3.1 Southern African Customs Union (SACU)

6.3.1.1 Historical Background

Namibia is a member of the Southern African Customs Union (SACU), which came into existence through a multilateral customs union agreement between South Africa and Botswana, Lesotho and Swaziland (BLS) as early as in 1910. Following the independence of the BLS countries in the sixties, a new agreement was entered into, between the four contracting parties in 1969, which, amongst others, reformed the revenue sharing arrangement. Before independence, Namibia was regarded as a de facto member of SACU and was obliged under South African legislation, to apply

36 See, for example, the SADC protocol on Politics, Security and Defense.

identical customs and excise rules and procedures. Namibia joined SACU formally, shortly after Independence in 1990.

SACU's fundamental premise under the 1969 agreement, was to establish free trade in goods among the members of the union and to impose a common external tariff on imports from non-member countries. SACU is therefore intended to provide a wider and unhindered market access to member countries, which is an advantage for BLNS. Given the dominance of South Africa in terms of size and economic and industrial development relative to the BLNS, it assumed the role of sole determinant of trade, customs and excise policy within the Union. In considering its advantage in terms of policy determination and because of its economic supremacy within the region, South Africa agreed to enhance the revenue shares of the BLNS, from the Common Revenue Pool. It is unique to SACU that not only external tariffs, but also domestic excise duties, are harmonised across the member states. Moreover, member countries have agreed to pool excise duty collections and customs duties, for distribution to all member states.

This agreement has however had severe limitations and weaknesses. An instance was the concentration of all discretionary powers with South Africa. Under the 1969 SACU agreement, no formal structures were established except for the SACU Commission, which included at most, the Permanent Secretaries of Finance and/or Trade and Industry. The Commission was not properly structured, since the chairmanship and secretariat rotated informally, amongst member countries on a quarterly basis. Membership in the Commission was not formalised and officials were randomly assigned to attend meetings.

The South African Department of Trade and Industry mapped the overall direction of the trade policy of the Region, while the South African Board on Tariffs and Trade (BTT) assumed responsibility for determining tariff levels and the granting of duty rebates etc. The South African Government, on the other hand, determines the excise duty rate without consultation with BLNS states.

6.3.1.2 The New SACU Dispensation

These weaknesses and the undemocratic nature of the 1969 SACU Agreement led members to re-negotiate the agreement and democratise it. Key issues that were re-negotiated, included the industrial and agricultural policy, relations with third parties, institutional arrangements, and the revenue sharing formula. The BLNS countries had not had the power to determine policies, duties and rebates used for the promotion of agricultural and industrial development. The agreement had limited requirements for periodic consultations between member states, and this had enabled South Africa to adjust its tariff and excise duties unilaterally to suit its own industrial development strategy. In addition, there had also been no formal organisational structures in place, except the SACU Commission itself. After a protracted negotiation process, a new agreement was concluded in 2002.

The 2002 agreement is modern and flexible and sets the broad framework for the enhancement of economic integration between member states. The new approach renders SACU as an almost supra-national organisation, which is mandated to determine policies and take decisions on behalf of all member states. The 2002 agreement also recognises the difficulties, resulting from the fact that SACU members are at the divergent levels of economic development and addresses these problems through financial transfers from richer to poorer nations. This was built into the Revenue Sharing Formula (RSF). The new institutional structures which are provided for under the 2002 agreement, make it impossible for any member state to apply unilateral policies which deviate from SACU policies, standards and norms. For example, Article 31 provides for all SACU member states to negotiate as a single entity with a third party.

The 2002 agreement was a radical departure from the inequitable old dispensation. It now gives BLNS states equal powers with SA to formulate trade and related policies and determine tariffs, duties and rebates. Such decisions and policy formulation are now made within specified institutional structures. The 2002 agreement provides for the following institutional structures namely, A Council of Ministers, a Customs Union Commission, a SACU Secretariat, a SACU Tariff Board, Technical Liaison Committees and an ad hoc Tribunal. The Council of Ministers is responsible for the overall policy direction and functioning of the SACU institutions, while the Commission is mainly responsible for the implementation of Council decisions and supervises the work of the Secretariat.

The Secretariat complements the two organs with the day-to-day administration of SACU. It co-ordinates and monitors the implementation of all decisions and keeps a record of all transactions of the Common Revenue Pool (CRP). The Tariff board is an independent body of experts; which makes recommendations to the Council on issues such as anti-dumping, customs etc. The Technical Liaison Committees and the Tribunal are responsible for rendering advice to the Commission on sectorially specific issues and settling disputes arising from the application of the agreement.

BOX B ON-GOING SACU TRADE NEGOTIATIONS AND CHALLENGES

INTRODUCTION

SACU is currently engaged in trade negotiations with a number of trading partners around the world. The most significant trade negotiations, are the following, the SACU-US FTA, the MERCOSUR, the European Free Trade Association (EFTA) and exploratory talks with individual countries such as China, Nigeria and Kenya.

The SACU-US: The first formal negotiation of the SACU-US FTA was launched in June 2003. The proposed free trade agreement was to build on the already existing African Growth and Opportunity Act (AGOA), thus transforming the prevailing relations between the US and SACU from aid dependency to one based on mutual trade. The free trade agreement is, however, more favourable when compared with the AGOA. Full reciprocal duties apply, as opposed to unilateral trade concessions without reciprocity from the SACU countries under the AGOA. These privileges could be withdrawn under certain circumstances, such as the violation of human rights or child labour. The SACU-US trade negotiations cover trade in agricultural products, trade in non-agricultural (industrial) products, trade in services, and other trade related matters including investments, trade remedies and safeguard measures, as well as dispute settlements. The negotiations are expected to be concluded by the end of 2004.

The SACU-MERCOSUR FTA: Free trade talks between SACU and Mercosur, which consists of Brazil, Argentina, Paraguay and Uruguay, are on track. The Mercosur FTA, was an initiative of South Africa. The BLNS countries were however, incorporated in the negotiation process, in accordance with the Article 31 in the new SACU agreement, which states that all SACU countries shall negotiate any FTA as a single entity. Lists of products for which both parties seek improved access have been compiled. These products consist mainly of health and agricultural related products.

The SACU- Mercosur FTA took on a new dimension recently with the possibility of a three-way agreement which included India. A free-trade agreement between the three trade blocks would represent a big step forward in the South-South trade. The South-South trade has long been promoted as a means of reducing the dependence of developing countries on the markets of developed countries. It would also enhance diversification of developing countries’ exports beyond primary commodities.

The SACU-European free trade association (EFTA) FTA: The first negotiations took place in May 2003. EFTA included countries such as Switzerland, Norway, Iceland and Liechtenstein. It is expected that these negotiations will be concluded before the end of 2004. The envisaged agreement would include areas such as trade, industry, agriculture, investment, and intellectual property. The EFTA countries are not members of the European Union (EU), which commenced on a free trade agreement with South Africa in 2000. A free trade pact with EFTA would therefore close the circle of South Africa’s economic links with Western Europe. Another important development in terms of the SACU-EFTA FTA, is that the pressing issue of agricultural subsidies is being addressed as well as the need for SACU to seek greater access for its products to EFTA economies. This could assist in levelling the playing field with regard to global agricultural trade, as farmers in developing states argue they cannot compete in world markets because of the extent of the subsidies which their counterparts in developed countries receive.

BOX B ON-GOING SACU TRADE NEGOTIATIONS AND CHALLENGES (CONTINUED)

SACU-China, Nigeria, Kenya: Similarly, SACU is also at the exploratory stage regarding free trade agreements with China, Kenya and Nigeria, respectively. Efforts are already underway with these countries, to establish a broad framework and set out the work programme for future negotiations.

Challenges and benefits

Upon the finalisation of the trade negotiations, it is expected that SACU will be able to extend its own markets and have an improved and free access to the World's largest markets, such as the US, China and South American states. This will further lead to an increase in trade and stimulate investment between SACU and all the other third parties involved. Despite these benefits that SACU countries are likely to gain from the free trade agreements however, the challenge that will be facing SACU at present, is the capacity of being able to negotiate with the other parties, for an agreement that would be able to accommodate the wider interests of all the SACU member countries. Another challenge which SACU may face when the FTAs come into effect, is the anticipated fall in the revenue accrued to SACU countries as a result of trade liberalisation. This should raise a concern for SACU countries, as SACU receipts largely contribute to the fiscal revenue of these countries. Another challenge for SACU is the expected increase in competition from products produced in those countries currently involved in trade negotiations. This will require SACU countries to develop their local industries, in order to be able function at the same playing level with the other parties involved. This process of developing the local industries might however, become very challenging as SACU trades with relatively more developed countries, which have well-developed industries.

It is hoped that these free trade agreements are going to enhance trade promotion which should result in an increased standard of living, economic growth and poverty alleviation for the SACU member countries.

Despite this enormous challenge, it is of critical importance for developing countries, particularly SACU countries to become more competitive if they have to participate meaningfully in global trade. In this regard, Namibia should develop clear strategies that will foster a competitive environment for its industries.

6.3.2 SADC

6.3.2.1 Historical Background

In addition to SACU, Namibia is also a member of the Southern African Development Community (SADC), the successor of the Southern African Development Co-ordination Conference (SADCC). SADCC started as an initiative of the Frontline States directed initially towards the political liberation of the Region and the reduction of their economic dependence on apartheid South Africa.

Namibia joined "SADCC" formally after Independence in 1990. The Windhoek Treaty of August 1992 transformed "SADCC" from a co-ordination conference into a development community, SADC, and redefined the basis of co-operation among member states from a loose association into a legally binding arrangement. The purpose for transformation was to promote a deeper economic co-operation and integration. SADC opted for a development - integration approach, which recognises the political and economic diversities of its members, including their diverse production structures, trade patterns, resource endowment, development priorities and resource allocation mechanisms[37].

During its tenure as chair of SADC, Namibia successfully supervised the restructuring of SADC institutions. During the restructuring process, four key Directorates (clusters) were established at the SADC Secretariat, namely:

- Food, Agriculture and Natural Resources
- Trade, Industry, Finance, and Investment
- Infrastructure and Services
- Social and Human Development and Social Programmes

The objective of the restructuring action, was to increase the efficiency and effectiveness of SADC policies and programmes. It is therefore in the interest of SADC member states, including Namibia that restructured institutions should succeed under the SADC Common Agenda, to harmonise policies and transform the region to bring about development. Overall, the country participates fully in SADC activities.

6.3.2.2 SADC's Regional Indicative Strategic Development Plan (RISDP)

Recently, SADC adopted a Regional Indicative Strategic Development Plan (RISDP), which sets targets for the attainment of agreed goals in SADC. RISDP is underpinned by the SADC vision and mission, which charts the direction for the development of the Region. It sets out the strategic priorities of SADC and its common Agenda provides strategic direction to SADC programmes, projects and activities. In this connection, the RISDP outlines a logical and coherent implementation programme of the main activities necessary for the achievement of the broader goals of the Region, with a reasonable, feasible and agreeable time frame that takes resource constraints into account.

As a result of the weak sectoral linkages which previously characterised SADC sectoral policies and strategies, RISDP serves to identify and strengthen the linkages, programmes and the policies of the various sectors to improve the efficiency and delivery of the SADC programme of action. RISDP therefore, provides SADC member states with a coherent and comprehensive development agenda on social and economic policies over the ten to fifteen years ahead

All member states of SADC have to ensure that the SADC National Committees play their role in the implementation of RISDP at a national level. The committees should co-ordinate and monitor SADC programmes at a national level and ensure broad and inclusive consultation with stakeholders. There are however challenges facing the implementation of RISDP, both at national and regional levels. These challenges include, availability of resources at the SADC Secretariat, institutional co-ordination,

[37] SADC policies and strategies for the promotion of deeper cooperation are outlined in the Common Agenda of the Windhoek Declaration of 1992.

alignment of other initiatives and activities at national and sub-regional levels with RISDP, enhanced involvement of member states, the role of SADC national committees, dynamism of the RISDP, paradigm change towards a programme approach and requirements of co-operating partners. It is imperative for national strategies to be aligned with those on the regional agenda and to obtain the commitment of all member states in its implementation.

6.3.2.3 Implementation of the SADC Trade Protocol

In order to promote regional integration through the establishment of a free trade area by 2008, a trade protocol was adopted in 1996 and its implementation was launched on 1 September 2000, after a ratification by two thirds of the member states. The objectives of the protocol are, to further liberalise intra-regional trade in goods and services, ensure efficient production within SADC, and to improve the climate for domestic cross border and foreign investment. The protocol intends to achieve these strategies through the gradual elimination of tariffs, the adoption of common rules of origin and the liberalisation of trade in services among other items.

The trade protocol is important for Namibia for a number of reasons. Firstly, Namibia seeks to increase its intra-SADC trade through the trade protocol. Secondly, because of Namibia's small market size of 1.8 million people, the protocol enables the country access to the large SADC market. Namibia can therefore, promote itself as an investment destination through the SADC market, thereby alleviating the problems usually associated with smaller markets. Thirdly, the protocol accelerates the pace for the integration of the Namibian economy into the World economy.

At present, SADC is in the early stages of implementing the trade protocol and many countries still have to finalise their tariff reduction schedules. In defining the tariff reduction, SADC countries have incorporated the principle of variable geometry. SACU will phase down tariffs by 2008 (8 years), while non- SACU/ SADC will do so by 2012 (12 years). Implementation of the SADC trade protocol has a direct bearing on the proposed Economic and Partnership Agreements (EPAs) in the context of the ACP-EU negotiations, particularly in terms of the parallel implementation of tariff reduction and to ensure that EPAs do not undermine regional integration.

There are still large differential tariffs among SADC countries. Import protection rates vary greatly by sector and source of imports. Intra-SADC tariff rates are high and uneven across countries in the Region. Statistics show that differential tariffs will still exist in eight years of the implementation of the SADC protocol. This is due to the arrangement of variable geometry, which implies that not all member states would be able to reduce the tariff at the same rate. Some members, particularly SACU members, will accelerate the process faster than others. These disparities in tariff reductions within eight years, show that countries in the Region are unlikely to achieve tariff convergence in the near future. This might pose a serious threat to the successful implementation of the trade protocol. Over the implementation period, average tariff rates for all countries, other than SACU will decline rather slowly between 2000 and 2004 and only start to fall significantly from 2005 and 2006, implying that no significant effect of the protocol will be felt until then.

6.3.3 Regional Monetary Cooperation

6.3.3.1 The Common Monetary Area (CMA)

(a) Background

Prior to independence, Namibia, as a South African colony, was a de facto member of the CMA. At independence in 1990, Namibia faced a decision whether to remain a member of CMA, to leave the CMA and have an independent monetary system or to go for another option. In the quest of ensuring stability and confidence in the country's economic and financial system, the independent Namibia decided in favour of officially joining the CMA.

(b) CMA key features

Namibia's membership of the CMA was formalised by the accession to both the Multilateral Agreement between Namibia, Lesotho, Swaziland and South Africa in 1990, and a separate Bilateral Monetary Agreement with South Africa in 1993.

The following are the dominant features of this arrangement:

A commitment by the Bank of Namibia to exchange the domestic currency for a specified amount of the reserve currency, the Rand, "without restriction subject to a normal handling charge" at a fixed exchange rate and;

An explicit requirement that the currency issued by Bank of Namibia should be backed by 100 percent by the reserve currency (the Rand)or other foreign assets;

Contracting parties have the right to issue their own currency;

It allows for a free flow of capital among member countries.

From these features of the agreement, it becomes obvious that Namibia does not have the freedom to change the exchange rate at will and that the values of its currency in circulation should always be backed by foreign assets of the same value. These two features confer a certain degree of credibility that is not often found in a conventional pegged exchange rate arrangement. It also comes at a cost however, as will be discussed in the comments which follow:

(c) Gains from participating in CMA

The monetary policy in the context of the CMA arrangement has worked well for Namibia, as reflected in the relatively low inflation rate and business confidence. It has furthermore, assisted Namibia in avoiding exchange rate fluctuations between Namibia and its main trading partner (SA) and has reduced the unfavourable effects of exchange rate volatility on trade and investment. As South Africa is Namibia's main trading partner, a major benefit of CMA membership for Namibians, is the elimination of an uncertainty associated with exchange rate variability against the Rand. Since Namibia is a net importer of goods and services from South Africa, the benefits derived from the CMA membership, might in this respect be considerable. The elimination of both the exchange rate risk and conversion costs in particular, facilitates intra-CMA trade. The current economic environment with an improving and more stable inflation and exchange rate trends, furthermore, gives an assurance and a greater degree of predictability to foreign investors.

(d) Limitations of participating in CMA

A few challenges however, still remain. The most obvious one is the loss of autonomy of monetary, exchange rate and exchange control policies. By adopting a pegged exchange rate arrangement, the LNS countries have ceded their discretionary monetary and exchange rate power- making to South Africa. The latter is not obliged to consult the LNS or take into account their domestic realities when taking monetary policy decisions, notwithstanding the fact that countries within CMA are subjected to asymmetric macroeconomic shocks. This has prompted LNS as sovereign states, to show a desire to participate in the co-ordination and decision making process of monetary policy within CMA. This desire has culminated in the recent creation of a Governors Forum where the CMA central banks meet regularly before the meeting of South Africa's Monetary Policy Committee (MPC). On these occasions, Governors of the respective central banks hold consultations on the quarterly economic developments of their respective constituent economies. This was a positive and necessary step towards a deeper monetary integration. More work still needs to be done however, before the monetary policy of the CMA is fully integrated. Such actions could pave the way for a fully-fledged monetary union of CMA countries and serve as a model for closer economic integration in SADC and eventually in the African Union. Benefits of these developments would mainly stem from the closer co-ordination and harmonisation of monetary and economic policies within CMA countries which is currently lacking.

Before CMA countries can forge any kind of sustainable monetary co-operation, it is important that there is sufficient evidence of macroeconomic convergence and political will amongst member states. These are addressed later in this chapter.

6.3.3.2 Monetary Cooperation at the SADC Level

(a) Background

Besides the CMA, there are other initiatives aimed at extending monetary co-operation at both the SADC level as well as at the African continental level in which Namibia is actively involved. At the SADC level, monetary co-operation is spearheaded by the Committee of Central Bank Governors. This committee was established specifically to facilitate regional co-operation in the area of central banking and related issues. The Committee has already undertaken and will continue to undertake initiatives aimed at enhancing monetary co-operation in the Region, especially in the area of macroeconomic convergence, exchange controls, information technology, bank supervision, anti-money laundering and so forth. With respect to macroeconomic convergence, the Committee has signed a Memorandum of Understanding (MoU), which outlines certain macroeconomic convergence criteria that have to be met by individual SADC countries by 2008.

Another initiative was the adoption of another MoU on the Harmonisation of the Legal and Operation Frameworks of the SADC Central Banks. A model Central Bank Act has also been approved for implementation from 2003. All these initiatives are in support of the SADC objective of regional economic integration and represent intermediate steps towards the final goal of monetary co-operation and eventually, a monetary union. Now that SADC has explicitly stated its intention to move towards a monetary union as outlined in the Regional Indicative Strategic Development Plan (RISDP), it is clear that the various initiatives of the Committee of Governors will support and facilitate that process.

(b) Macroeconomic Convergence

For a meaningful monetary integration process to take place, it is obviously necessary that there should be sufficient macroeconomic convergence in the Region. Macroeconomic convergence refers to the converging of the macroeconomic performances of member states, in terms of the rate of inflation, budget deficit, and public debt amongst other aspects. If these indicators are moving in the same direction in the countries concerned, it means that these countries are converging, and as such are better candidates for monetary integration. When countries in a monetary union adopt macroeconomic convergence as a criterion, it implies that their economies will strive towards a similar level of macroeconomic stability indicators. The conventional macroeconomic stability indicators used, are income, inflation, the budget deficit, trade patterns and exchange rates. It is argued that a high degree of macroeconomic convergence is necessary for an effective monetary policy co-ordination and regional integration.

There are diverse views on whether countries should be required to meet macroeconomic convergence criteria before joining a union or should be allowed to join even if they do not qualify. Some researchers have argued that before countries or regions pursue regional co-operation, they should first converge with respect to macroeconomic indicators. Frankel and Rose (1996) however, contended that countries are likely to meet the macroeconomic convergence criteria in future, even if it failed now. This implies that some of these criteria such as income- and trade links are endogenous and hence merely outcomes that would change in future. If, for example, Zambia intended to join CMA but did not qualify in terms of macroeconomic convergence then, but joined anyway, it is likely to qualify in future because its trade linkages and hence income correlation with CMA are likely to rise as a result of joining CMA. Generally, one could argue that a monetary union was likely to be less painful if the Region was converging prior to a monetary union and vice versa. This argument could be substantiated by the fact that if there was convergence in key macroeconomic indicators, it would make the process of monetary policy harmonisation much easier and less painful.

The final part of this section looks at macroeconomic convergence at a SADC level. It starts with the premise that countries within CMA already meet the macroeconomic convergence criteria. It will therefore look at the macroeconomic convergence status of non-CMASADC countries and identify which countries in that group are more aligned to countries within the

CMA, in terms of macroeconomic stability indicators.

Information in Table 6.2 below, leaves no doubt that non-CMA SADC economies are divergent rather than convergent, in terms of the four indicators.

countries might not benefit much from a common currency because their intra- SADC trade was limited (about 9 percent). In this regard, it should be argued that trade flows would be likely to change drastically within the SADC region, once initiatives aimed at regional integration had taken full effect.

Table 6.2 Selected macroeconomic convergence indicators in non-CMA SADC

	GDP Annual % Growth 1990-2000	Budget deficit as % of GDP (1990-2000)	Terms of Trade (1999)	Inflation (1990-2000)
Angola	1.3	-22.9	99.9	544.3
Botswana	4.7	9.5	134.5	8.0
DRC	-5.1	-	98.7	-
Malawi	3.8	-12.1	62.3	29.9
Mauritius	5.3	-4.2	120.2	6.8
Mozambique	6.4	-14.1	98.7	32.2
Seychelles	4.0[38]	-9	100.6	1.4
Tanzania	2.9	-2.5	91.0	22.7
Zambia	0.5	-11	78.5	63.8
Zimbabwe	2.5	-9.6	102.6	26.8

Source: African Development Indicators 2002

SADC member countries have agreed broadly on the following four criteria of convergence by 2008; (1) to have single digit CPI inflation rates; (2) ensure that the nominal value of the public and publicly guaranteed debt as a ratio of GDP does not exceed 60 percent; (3) ensure that the public budget deficit as a ratio of GDP does not exceed 5.0 percent; and (4) have sustainable current account deficits – meaning 3.0 percent of GDP or less.

Table 6.2 above shows that it is very unlikely for Angola, Zimbabwe, Zambia, DRC, Mozambique and Malawi to meet the requirements by 2008, as set out in the Memorandum signed by all SADC countries. Besides these limitations however, countries such as Zimbabwe, Zambia and Malawi are already strongly integrated in the SADC region and would benefit greatly from monetary union arrangements. This would reduce transaction costs and exchange rate volatility, and could in turn, bring about substantial gains for these countries, given the extent of trade of these countries with SADC. On the other hand, although Tanzania, Mauritius and Seychelles would qualify in terms of macroeconomic convergence, these

In regard to the inflation aspect, Mauritius, Seychelles and Botswana have done extremely well and are already closely aligned with CMA countries. On the fiscal front, Botswana and Tanzania have performed well. In terms of economic growth performance however, the majority of the SADC countries have recorded positive and moderately high economic growth rates with the exception of the DRC. The emerging favourable political development within the DRC is expected to improve the situation in the country and the Region as whole.

In the final analysis, only Angola and the DRC would have difficulty in qualifying at present, based on the macroeconomic convergence criteria for the extended CMA but could eventually qualify in the future. The reason for an ex post instead of an ex ante qualification is the expectation that trade flows amongst SADC countries will eventually intensify, taking the recent initiatives into account, which have aimed at a deeper economic and monetary integration within the SADC.

38 This is an average for the period 1990-1999 since the figure for 2000 is not available

On the other hand, it is evident that the CMA countries are already meeting the macroeconomic convergence criteria as set out in the SADC MoU. This is clearly evidenced by the macroeconomic indicators presented in Table 6.3 below. On the inflation front, CMA countries have for example, succeeded in bringing down the inflation from the high levels in the 1990's to single digit levels in 2003. There is also high degree of trade among CMA countries, especially between individual countries (LNS) and South Africa because of their simultaneous participation in SACU.

co-operation to take place in the CMAand for the CMA to serve as a premise for the monetary integration process in the region, appropriate structures and institutions would need to be put in place and perhaps modelled along the new SACU dispensation.

Table 6.3 Selected macroeconomic convergence indicators in the CMA

Country	Budget deficit / Surplus as % GDP (1990-2000)	Inflation (1990-2000)	Terms of Trade (1998, index 1995 = 100)	Annual GDP Growth (1990-2000)
Lesotho	-3.2	10.6	100.8	4.2
Namibia	-3.7	9.8	106.5	4.2
South Africa	-5.4	9.7	100.2	1.7
Swaziland	-1.6	9.6	82.2	3.4

Source: African Development Indicators 2002

Given the high degree of convergence in the CMA and the fact that the CMA is at a more advanced level of monetary integration than the non-CMA SADC countries, it might be concluded that the CMA could serve as a springboard for extended monetary and economic co-operation at a SADC level. This is mainly because member countries are already meeting the macroeconomic convergence criteria. This process could start by co-opting countries within SADC that are meeting the stated macroeconomic convergence criteria as set out in the MoU. It was pointed out that Botswana, Mauritius, Tanzania and Seychelles would be able to meet those criteria. In addition, based on trade patterns, Zimbabwe, Zambia, Malawi and Mozambique would stand to gain greatly, from joining a currency union, even though they were not meeting the macroeconomic convergence criteria. At this stage Angola and DRC would be left as the only candidates which were unlikely to qualify both on the basis of the convergence criteria and trade patterns.

It should be pointed out that for a meaningful monetary

6.3.3.3 Monetary Cooperation / Integration at the African Level

(a) Background

On a continental level, monetary co-operation in Africa is being spearheaded by the Association of the African Central Banks (AACB). This association was established with the purpose of enhancing monetary policy co-ordination at the continental level. In addition, it was intended to contribute towards the realisation of African Union goals, particularly economic integration within the African continent. The Assembly of Governors adopted the programme for monetary co-operation which identified the successive stages for the establishment of a single monetary zone and a single currency for the continent by the year 2021.

(b) Macroeconomic convergence

Given the importance of the macroeconomic convergence, the measures to achieve the objective of the Africa Monetary Co-operation Programme would include an adjustment of the exchange rate of member countries at their equilibrium levels, the eventual liberalisation of current and capital account transactions and the adoption of a harmonised exchange rate system. Other measures considered for the same purpose would be the harmonisation of ceilings for the Central Bank credit to the Government to ensure a fiscal policy harmonisation and the adoption of a market oriented approach to the conduct of a monetary policy. With these kinds of measures in place, the creation of Africa Monetary Union would to a certain extent, be facilitated. The following macroeconomic convergence has been agreed upon by the African countries under the Africa Monetary Co-operation Programme by year 2008:

· A budget deficit/GDP ratio not exceeding 5.0 percent;

· A Central Bank credit to the Government not exceeding 10.0 percent of the tax revenue of the previous year.

· A single digit inflation;

· External reserves and an import cover of at least 3 months.

These macroeconomic indicators would be adjusted downward gradually, over a period of time. In its programme, the African Union determined that the budget deficit as a ratio of the GDP should exceed no more than 3.0 percent and that the credit of the Central Bank to the Government had to be completely eliminated by the year 2012. It further stated that an inflation rate of 5.0 percent or less had to be achieved, while the import cover of external reserves had to be equal or greater than 6 months. The aim was to reduce the inflation rate eventually, to less than 3 percent, while the rest of the indicators had to be strictly observed.

6.4 REVIEW OF TRADE AND INVESTMENT TRENDS AND RELATED ISSUES: ISSUES AND IMPLICATIONS FOR NAMIBIA

6.4.1 Intra-Regional Trade

The potential gains and losses which Namibia could encounter from the SADC FTA depended on the existing and anticipated trade patterns between Namibia and the other SADC members (intra-regional trade), as well as on the trade structure of the country. It is usually argued that countries with more diversified export bases are suitable candidates for a successful regional trade arrangement. The reason for this is that countries with more diversified exports are more likely to produce a range of products that can be traded with regional partners. If however, a limited number of such goods exists, members of the regional trade arrangement might have to rely heavily on third parties for a large share of their key imports (and as a destination for their major exports), This could in turn, reduce their commitment to the trade arrangement.

It appears that the benefits of the SADC countries generated from the trade protocol have been limited as a result of the nature of their exports which tended to be highly concentrated on a few products. It should however, be noted that the duration of the trade protocol was not sufficient to assess whether there had been an increase in trade activities among the SADC partners.

With specific reference to the Namibian trade with her SADC partners, some progress has been made. Table 6.4 below shows the direction of trade between Namibia and her SADC partners.

Table 6.4 Namibia trade integration with SADC in percent of total exports/imports

Countries	Exports		Imports	
	1999/ 2000	2001/ 2002	1999/ 2000	2001/ 2002
South Africa	27.0	25.0	84.0	82.0
Angola	5.3	10.2	0.3	0.3
Zimbabwe	0.4	0.3	0.4	0.4
DRC	n/a	0.3	n/a	n/a
Botswana	0.5	0.5	0.3	0.3
Mozambique	0.2	n/a	n/a	n/a
SADC	33.4	36.3	85.0	83.0
Rest of the world	66.6	63.7	15.0	17.0

Source: CBS

The analysis of the data shows that there is a high level of trade between Namibia and SACU countries, particularly with South Africa, which accounts for a greater share of intra- SADC trade with Namibia. In fact South Africa accounts for more than 80.0 percent of Namibia's total imports and more than 25.0 percent of its exports. The high intra-trade with South Africa should be explained by the historical links with South Africa and the membership of SACU and the CMA, as well as a number of other factors.

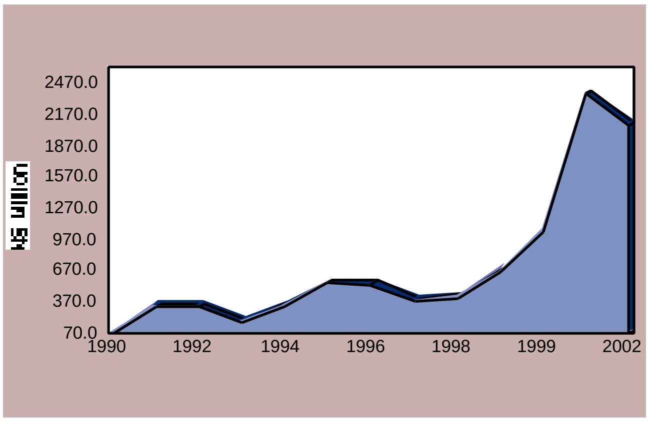
On the other hand, the volume of trade between Namibia and her other SADC partners is small. The country's total exports and imports to SADC, excluding South Africa, amount to some 11.0 percent and 1.0 percent during the 2001/02 period, respectively. Angola accounts for the largest share (95.0 percent), of Namibia's total exports to SADC) followed by Zimbabwe, which has signed a preferential trade agreement with Namibia. Trade flows with other SADC countries accounted for a tiny portion of the total trade between Namibia and SADC. It is interesting to note that Namibia's exports to SADC (excluding SA) have doubled between 1999/00 and 2001/02, mainly because of the increased trade with Angola. Given the importance of Angola for the Namibian export market, it becomes imperative that the current customs problems experienced between the two countries are addressed as a matter of urgency.

A number of factors could explain the limited trade between Namibia and her non-SACU SADC partners despite the existence of the preferential market access. The first is that Namibian companies have not diversified their export markets in terms of establishing their presence in the SADC countries to exploit the opportunities created by the preferential market access. The second relates to the fact that most SADC countries produce goods of a similar nature to those introduced by Namibia, implying that there are fewer trading opportunities among the member countries. Thirdly, there seems to be a tendency of Namibian firms to prefer exporting to South Africa not only as a result of the SACU arrangement but also because of the historic economic ties with South Africa and existing arrangements for the financing of the trade. Fourthly, the political instability observed in some SADC states might have hampered trade. Finally, the tariff in the SADC countries still remains high. Namibia should continue to examine these issues critically, and devise ways and means to rectify this situation if the country is to benefit from the integration process.

6.4.2 Investment Flows and Growth

The regional economic integration between economies is often based on the assumption that it will promote investment, which in turn will enhance industrial and economic development, thus creating employment and welfare among the greater proportion of the population than would be the case without integration. It is believed that a higher degree of integration between the regional countries (SADC), and a reduction of regional trade barriers, will lead to an increase in investment in the region.

Chart 6.1 Foreign Direct Investment (FDI) in Namibia, 1990 - 2002

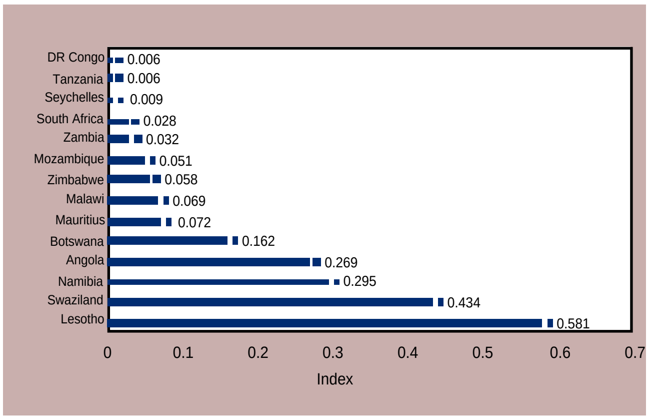


Source: BoN, (2002 are provisional).

Available data indicates that Namibia has been able to attract substantial FDI flows from slightly less than N$100 million at Independence in 1990 to over N$2 billion by 2002. The limited trade between Namibia and her non-SACU-SADC counterparts, indicate that the bulk of FDI which the country has attracted, is not a direct result of the advantage taken by investors of the large market provided by the regional integration arrangements through SACU and SADC. It is argued that other factors, such as the EPZ regime and the natural endowment of resources might have attracted these investments, especially in the area of fisheries and mining.

The SADC protocol on trade as well as the protocol on finance and investment, which is being developed with the aim of streamlining investment regulations within the Region, will ultimately encourage the achievement of economic growth and development. This can be done through Investment Promotion Agencies (IPA), which are tasked to attract more FDI in order to take advantage of the regional integration scheme. The IPA is also responsible for ensuring an equitable development in the Region as well as co-ordinating regulations and incentives. Although there are signs that regulations on an individual basis are gradually converging, the investment protocol would without doubt be the most important element for regional regulation and co-ordination of the FDI in the SADC region. It is however too early to evaluate the impact of the SADC Free Trade Agreement (FTA) on intra-SADC investment, or even on other FDI's entering the community, since the FTA of SADC is only in its initial phase of implementation.

Chart 6.2 Intra- SADC Investment index[39], 1998



Source: SARIPS/SAPES, SADC Human Development Report, 2000

The index shown in Chart 6.2 represents the proportion of the FDI which comes from SADC. The higher the index, the greater is the proportion of the FDI which comes from SADC. According to the data in Chart 6.2, Lesotho is the most integrated country in respect of intra-SADC investments, followed by Swaziland and Namibia. It is quite likely that the integration that has taken place within the CMA and SACU might have contributed greatly to the intra-SADC investment. The relatively large investment flows between the SACU countries and South Africa have been accounted for by their significant trade relations. Within the CMA there is a free flow of capital between member countries. The domestic financial market is heavily integrated with the South African market and therefore benefits greatly, in terms of liquidity and access to the various financial instruments. Because of this integration within the framework of CMA and SACU, and the historical connection to South Africa, Namibia attracts a significant amount of direct investment from South Africa. This is evidenced by the large number of South African retailers who operate within the Namibian economy.

[39] The index ranges from 0 to 1, where theoretically 0 is no integration and 1 is a sign of full integration. Data used to calculate the investment integration index is the foreign liabilities (FL) of a country to other SADC countries plus foreign assets (FA) of a country in other SADC countries as a % of GDP. These figures are, however, only available for South Africa (SA). Therefore, for all other SADC countries, SA's assets in these countries are assumed to be minimum liabilities in other SADC countries. SA's liabilities in other SADC countries are assumed to be minimum FA of the SADC member states in the region (SADC, 2000).

6.4.3 Constraints on Investment

(a) Competitiveness

Macroeconomic policies play a major part in the investment policy and in determining general investment trends. They also have important implications for development strategies and therefore, for investment strategies in general. A good competitiveness rating is widely believed to be important in attracting FDI. In the ranking of competitiveness, among 23 African countries, Namibia was in fourth position, while Botswana and Mauritius were ranked second and third, respectively. Within the same ranking, excluding the non-SADC countries, Namibia was ranked third, while Botswana and Mauritius were placed first and second respectively. It is however interesting to note that a good ranking does not necessarily attract FDI. A general trend during the 1990s shows that countries other than the most competitive ones, had received relatively high increases in FDI. Although the bulk of FDI in the less competitive SADC countries has been in primary production, it indicates that sound economic performance is far from being the only reason for increased FDI inflows.

(b) Skills and Productivity

ALack of skilled, educated and experienced manpower appears to be one of the major constraints which hinder investment in Namibia. With Independence, Namibia inherited an educational system which was characterised by major disparities in terms of the distribution of educational opportunities and facilities for different groups of the Namibian society. This situation was further compounded by the provision of an education and training which was badly skewed and benefited only a few. Such inequalities resulted in a lack of skills for the majority of the Namibian people and resulted in a low productivity. One of the main incentives for investors is the availability of skilled and productive manpower in the economy.

Recognising the importance of human capital for investment, the Namibian Government has committed a substantial amount of resources to the educational services. As a share of the GDP, the allocation of the budget to education , accounted for about 7.9 percent in 1990/91, and continued to increase to 9.9 percent in 2001/02. It is worth noting however, that the current investment in this sector would not be able to solve the problem overnight, as an investment of this nature is characterised by long-term returns. Human capital investment in health and education, including institutional and in-house training, as well as adult literacy programmes, could help to overcome obstacles to productivity and and assist in attracting more FDI.

(c) Market size

Generally, the small size of an economy is a disincentive to investors. Namibia has a relatively small and open economy with only 1.8 million people and a GDP of about US$3.0 billion, compared to South Africa with a GDP of US$130 billion. The World Investment Report noted that investors in Africa identified the size of the domestic market as an important factor for investment, and not only the export market (UNCTAD, 2000). Given the smallness of the domestic market, Namibia must increasingly be geared towards marketing itself as as a regional distribution centre. The regional approach is an important factor, to draw the attention of investors to opportunities not only within but also across nations. Such a strategy would help to address the problem of the small market size and create favourable incentives for small countries to host transnational corporations (TNCs). The current efforts of developing regional integration could increase the market size for a small economy such as Namibia, and be favourable to investors. Thus, regional integration should be accorded all the enthusiasm that it deserves.

6.5 CHALLENGES AND FUTURE PROSPECTS

6.5.1 Capacity Building

Regional integration implicitly requires countries to develop their capacity, to minimise losses from this process. A major constraint that faces small countries such as Namibia, lies in its capacity limitations in critical areas such as trade policy formulation, administrative, institutional structures (in both the public and private sectors) and in negotiating power and leverage of third countries, organisations and private entities.

The need to create a critical mass in the area of trade policy, should be one of the underlying strategies of both the public and private sectors in Namibia. This should consolidate policy influences in the area of the regional integration arrangement. Three key areas where capacity building is needed, are considered namely, (a) trade policy and (b) institutional capacity building and (c) statistics and data. These three areas are discussed briefly as follows:

(a) Trade policy and institutional capacity

In terms of trade policy, there are many challenges that develop from Namibia's membership of various regional organisations such as SACU and SADC. The 2002 SACU agreement, and Article 31 in particular, make provision for SACU member states to embark upon the joint task of negotiating free trade agreements with the third parties. This is not only a new undertaking, but also poses a major challenge for member countries in terms of trade negotiating capacity and the ability to reconcile divergent interests. The capacity for policy- making and the different approaches adopted for this purpose, will need to be able to cope with the demand for the acceleration of the globalisation and regional integration processes The guiding principle for Namibia and other small states should be that the more the country invests in technical expertise in the area of trade policy formulation, the more it will be able to influence trade negotiations for its own benefit. Key challenges in this respect are the importancy of having skilled and qualified negotiators, setting up the necessary institutions and empowering them with the appropriate equipment and staff. The ability to assess the impact of the different trade policy options on industrial and macroeconomic development, and be able to make informed decisions, is critical. The critical mass becomes even more important where private sector entities of SACU and SADC countries must be supported, in order to interact with international partners and to be able to take advantage of creative trade opportunities.

There is now a widespread recognition that active involvement of civil society at various levels, is an essential part of good governance. The role played by the private sector and civil society in the regional integration process and its ability to impact on policy design and outcomes, has however, not always been recognised and utilised. These institutions are often left out in the design process of a trade policy.

Namibia should therefore play a pro-active role to ensure that the private sector and civil society become an integral part of policy design and the implementation process. The authority must strive towards strengthening the administration and reducing costs by seeking joint or shared operation activities in areas such as foreign representation, not only with the other states, but also with the private sector and civil society stakeholders.

With specific reference to institutional capacity building, every effort must be made to consolidate the structure and capacity of various institutions which play a role in trade policies and the environment of statistical issues. The Directorate of International Trade in the Ministry of Trade and Industry is responsible for researching, initiating and co-ordinating trade policy formulation in Namibia. Other key stakeholders are the executive and legislation structures of the State, which approve and ratify the law respectively. These institutions should therefore, be accorded the attention they deserve through a process of information sharing and coaching.

It is of significant importance that the staff members of these institutions are trained in the relevant critical areas of expertise. One way in which these institutions may be strengthened, is by recruiting competent staff. This can be realised through a competitive remuneration system. Such training will ensure that the decisions taken, are credible and timely.

In summarising, it is important to stress that a sustainable capacity building programme for a country, will be difficult to achieve unless the private sector and civil society are taken on board and become involved in addressing policy and human and institutional capacity building issues. The country must propel itself to the centre of the capacity building. In other words, it should not be at the receiving end of obsolescent information which is likely to keep the country perpetually at the lower rung of the development ladder. A conducive environment must be ensured for all stakeholders to be able to contribute to the key challenges of globalisation and capacity building.

(b) Statistical and Data capacity

The economic integration which is expected to take place at various levels both in SACU and SADC, requires comprehensive and co-ordinated statistics on various economic and social variables. It is of great importance that countries must work towards the upgrading of their capacities through data collection, processing and dissemination. Namibia should therefore, strengthen its institutional capacity in statistical data management. Statistical data such as the GDP, intra-imports and population figures which are required for the calculation of the revenue- sharing formula (RSF) in SACU, must be accurately measured and compiled. The underestimation of aggregate variables, even by a small margin, could have a direct bearing on the revenue receipts of Namibia thereby denying the country its rightful share of the common revenue pool (CRP). The surveys conducted in the economy to capture these data, should be consolidated, to ensure that all the necessary information and data have been comprehensively covered and reflect accuracy and reliability. Microeconomic, social and sectoral data, are also required to determine tariffs and their impact on tax collectors, industrial development and macroeconomic variables in the interest of Namibia. Equally, research capacity is also in need of support, as the statistical data must be disseminated and analysed to assess the economic and social impact of various reforms expected in the regional integration process.

6.5.2 Towards increasing intra trade and investments flows

Namibia has one of the most conducive environments for trade and investment. The country has a world class infrastructure – road networks, telecommunications and reliable port facilities. Unfortunately, these alone, cannot be translated into increased intra -regional trade or growing domestic and foreign investments. It is in this context that this section attempts to suggest ways for the country to improve its gains in terms of an increase in trade and investment and in participating more meaningfully in regional integration efforts. It would be a failure not to acknowledge that trade and investment are areas which enjoyed the special attention of the Government at present. A review of the Namibian trade and investment strategy, clearly indicates that it is focused and is pointing in the right direction. There are, however, areas that need further attention, for the country to be able to reap maximum benefits from different regional integration arrangements.

6.5.2.1 Economic Diversification

Whether or not Namibia will gain from its continued participation in regional integration schemes, depends on the existing foreign trade as well as its economic structure. Theory and evidence clearly show that for a country to participate successfully in integration arrangements, it should have a more diversified export base. The reason for this is that a country that produces a diversified range of products, is more likely to benefit from intra- regional trade with regional partners than countries which only produce narrow product lines. At present, Namibian products, with few exceptions, are more or less similar to those produced by regional partners, leaving less room for trading. The end result is that regional economies are competing with one another, rather than complementing each other. This points to the need to diversify product lines, in order to benefit from regional integration efforts. Economic diversification is also important in its own right and serves other purposes. The narrow industrial base and a strong dependence on primary products, mostly minerals, are not conducive for long-term growth and poverty reduction, which are priority objectives of Government.

In recognition of this situation, the Government is committed to pursue a strategy of economic diversification, aimed at the creation of a more dynamic and vibrant industrial and service sectors. Generally, this strategy entails increased manufacturing and value additions and it is too soon to make an assessment of the effectiveness of this strategy. What is important however, is that Namibia should continue to pursue and make concerted efforts aimed at diversifying and re-orientating the present economy towards an export driven economy. Undoubtedly, it is only through a strategy of this kind, that the country will be able to carve a market niche for itself and will be able to participate in the integration process in a beneficial way. A successful diversification strategy based on export rather than on serving a small domestic market, would certainly help to establish Namibia as an ideal investment destination.

6.5.2.2 Removing non tariff barrier

While tariffs are non- existent in intra-SACU trade and are being removed in SADC in the context of the SADC protocol on Trade, non- tariff barriers remain one of the stumbling blocks for trade expansion. Too often, traders are faced with administrative barriers which prevent trading. These barriers, such as customs clearance delays, could affect imported perishable goods. It is not uncommon to experience delays of up to ten hours at border customs controls. Inadequate export-credit schemes, especially in the trade with non-traditional export destinations, hamper the expansion of Namibia's foreign trade. These inadequacies affect cross-border investment and trade negatively.

Bottlenecks related to poor transport networks including poor roads and rail networks also hamper intra- regional trade. Conflicts and instability in one or more member countries which have a negative impact on the economic activities and may spill over into other member countries, can become a significant impediment to the regional trade. These issues should therefore be placed on a priority list of policymakers who are responsible for regional integration efforts.

6.5.2.3 Addressing Supply Side Constraints

A country can only take the advantages and reap the benefits of the regional integration process if it is able to produce competitively and bring products to the market at a reasonable cost. Unfortunately, the experience of Namibia in both the context of regional integration and wider trade preferential arrangements has clearly demonstrated that the country faces major problems in producing and supplying goods to potential markets. While the country has been enjoying a preferential market access in the EU market, for example, it has not been able to increase its market share and in most instances, it has been unable to meet its allocated quotas. In fact, the country is only able to produce a few goods competitively, such as beer, processed foods , beef, and grapes. This is the position, despite the fact that the country has a good stock of physical infrastructures, industrial know-how and capital unlike other developing countries.

It is widely recognised that the addressing of supply side constraints on production, is one of the keys to economic development and, for a meaningful participation, not only in regional integration schemes but also in the world economy. In the case of Namibia, the main focus should clearly be to address three main issues namely, an access to finance, especially for small and medium enterprises, the quality of human capital, and the restricted pool of entrepreneurial skills, all of which limit the scope for expansion and innovation in the private sector. The establishment of co-ordinated and integrated country specific programmes to address these issues, should be developed and implemented as a matter of urgency.

A related issue that needs special attention, is the support measure in the area of export marketing, as well as in research and product development. Policy attention is furthermore, required, to address the issue of business linkage within the economy. All these efforts are absolutely essential if the potential benefits of regional economic integration are to be realised.

6.5.3 Rationalising Memberships in the Regional Integration Arrangements

Trade relations in Southern Africa are characterised by a number of multiple and bilateral treaties as reflected in table 6.5 below.

Table 6.5 Membership of Regional integration Arrangements in Eastern and Southern Africa[41]

COUNTRY	COMESA[a]	EAC[b]	IGAD[c]	IOC[d]	SACU[e]	SADC[f]	CMA[g]
Angola	X					X	
Botswana					X	X	
Burundi	X						
Comoros	X			X			
Congo DRC	X					X	
Djibouti	X		X				
Egypt	X						
Eritrea	X		X				
Ethiopia	X		X				
Kenya	X	X	X				
Lesotho					X	X	X
Madagascar	X			X			
Malawi	X					X	
Mauritius	X			X		X	
Mozambique						X	
Namibia	X*				X	X	X
Rwanda	X						
Seychelles	X			X		X	
South Africa					X	X	X
Sudan	X		X				
Swaziland	X				X	X	X
Tanzania		X				X	
Uganda	X	X	X				
Zambia	X					X	
Zimbabwe	X					X	

It should be noted that Namibia has given notice of its intention to withdraw its membership in COMESA as from 2004.

Membership of several regional arrangements with the accompanying superfluity of rules, restrictions and special requirements, complicates the policy making process and policy co-ordination. Similarly, multiple regional memberships may hamper effective participation in the regional integration arrangements. This is due to a divided loyalty and lack of political commitment as well as cost implications in terms of membership fees. Moreover, some initiatives may be duplicated, while others may have incompatible or even conflicting goals.

The demands placed on individual countries by the large number of concurrent agreements and ongoing negotiations will furthermore, exceed their capacity by a significant margin. In the case of SADC and COMESA, member countries have set themselves a timetable for commitments, implementation and negotiation of various trade arrangements. The major dates and commitments of the timetable, include: the implementation of the SADC free trade area by 2008 i.e. freeing 85.0 percent of the trade, consolidation of COMESA FTA and preparation of the COMESA customs union in 2004, the implementation of the SA-EU TDCA and free trade agreement by 2012, and negotiation and implementation of the ACP-EU EPAs.

41 a Common Market for Eastern and Southern Africa; b East African Community; c Inter – Governmental Authority and Development ; d Indian Ocean Commission; e Southern Africa Customs union; f Southern African Development Community; g Common Monetary Area.

The SADC countries are also involved in the ongoing WTO negotiations. Clearly, all these parallel negotiations place a heavy burden on individual countries, given their limited resources.

Being a member to too many arrangements also complicates their relations with third parties. For example, under the ACP-EU negotiations, ACP countries have options to negotiate as individuals or as a group. The question is under which grouping a country would want to negotiate, possibly leading to conflicting national and regional interests.

It is in recognition of these complications that Namibia has tendered its withdrawal from COMESA, in order to focus its attention more productively on SACU and SADC issues. This decision is to be commended. The decision was also influenced by the fact that the benefits of the country, in terms of trade gains from COMESAmembership have been minimal. In addition, SACU membership severely restricts the country's participation in the COMESA FTA in respect of reciprocal tariff concession.

6.6 CONCLUSION

This chapter reviews the regional integration arrangements in which Namibia is participating and looks at ways of enhancing its participation in terms of increased trade and investments. It appears that Namibia has been participating enthusiastically in all activities related to regional integration. These include a participation in the SACU re-negotiations as well as the restructuring of SADC and the implementation of the SADC Trade Protocol.

On the monetary front, there seems to be a renewed interest and momentum for closer and stronger monetary co-operation, aimed at a future monetary union within the CMA and SADC regions. A number of initiatives are being undertaken towards the realisation of a stronger monetary co-operation. These initiatives include the development of a number of MOUs regarding the harmonisation of the legal and operational frameworks of SADC central banks, as well on Macroeconomic Convergence. The establishment of the CMA governors' forum is a step in the right direction which would facilitate and forge ahead with a stronger monetary integration within the region.

With respect to the intra- regional trade and investment, available data appears to suggest that a notable expansion of trade between Namibia and her regional partners is yet to be observed. It is however, interesting to note that the country trade with Angola has improved dramatically. SACU and more particularly South Africa still account for the largest share of Namibia's net foreign trade. The rest of the SADC region accounts for a tiny portion of trade with Namibia. A number of factors have been identified to account for the limited trade between Namibia and her SADC partners, ranging from supply constraints to a lack of information on market opportunities in SADC countries. Similarly, it is doubtful whether the country has been able to attract more investments as a result of its participation in the regional integration process.

In view of the above, the review has identified a number of areas that require special attention to allow the country to enhance its participation in the integration process. These include the elimination of non-tariff barriers, an increased institutional and research capacity, an economic diversification and measures towards an export-oriented economy.

PART B

BANKING SUPERVISION

7. REPORT ON BANKING SUPERVISION

During the year under review, the Bank of Namibia (the Bank), through its Banking Supervision Department, has undertaken a number of regulatory and supervisory activities, which were aimed at strengthening the stability and soundness of the banking industry. This effort was made to ensure that these activities complied with the best international banking standards, in particular with the 25 core principles for effective banking supervision, and were in accordance with the provisions of the Banking Institutions Act of 1998, and the Bank of Namibia Act of 1997.

The Bank has successfully finalized the amendments to the determinations, which will become effective from 1 January 2004. As a result of the amendments to the determinations and in order to provide clear and indisputable guidelines, the Bank has revised the statutory returns and has drafted directives for the completion of the returns. A policy on the regulatory response for weak banks and a procedure manual for supervisory actions were also among the regulatory activities completed during the year under review. While certain amendments to the Banking Institutions Act 1998 were discussed with the industry and have since been approved by the Board of the Bank of Namibia, there are a number of areas within the Act which still call for further amendments, in order to provide for a refined control of the banking supervisory process.

The supervisory activities carried out during the year, were in the form of the normal on-site examinations and off-site surveillance of banking institutions. Through the examinations, the Bank was able to establish that, the banking institutions which had been examined, maintained adequate internal control systems, complied with prudential standards and adhered to internal policies and procedures. On the other hand, the Bank has made an on-going analysis of the statutory returns, monitoring the financial soundness of individual banking institutions and therefore the stability of the industry as whole. The analysis performed on the financial data for the period ended 31 December 2003 revealed a healthy and sound banking sector. The sector recorded a growth rate of 11.6 percent in total assets to stand at N$20.0 billion; strong capital positions with risk-weighted capital adequacy ratios (RWCR) of 14.8 percent; good profitability as reflected in the return on assets (ROA) and the return on equity (ROE) of 2.7 percent and 25.2 percent respectively; improved asset quality with non-performing loans (NPL) ratio of 3.9 percent.

Two commercial banks, First National Bank of Namibia Limited and Swabou Bank Limited, merged during the period under review. The merged entity is known as First National Bank of Namibia Ltd (FNB).

7.1 INDUSTRY AND REGULATORY DEVELOPMENTS

7.1.1 Industry Developments

The number of authorised banking institutions in Namibia was reduced to four during the year under review, after the merger between First National Bank of Namibia and Swabou Bank Limited. The year 2003 also witnessed a decrease in the number of branches (including agencies) in the banking sector to 136 compared to 137 during the previous year.

7.1.2 Legal and Regulatory Developments

During the year, under review, a number of Determinations were finalised and gazetted after extensive deliberations were held with representatives of the banking industry. These determinations are to become effective from 1 January 2004.

Although the amendments to the Banking Institutions Act, 1998 (Act No. 2 of 1998), were not finalised during the year under review as anticipated, considerable progress was made towards their finalisation. These proposed amendments were discussed with the banking industry and presented for approval to the Board of Directors of the Bank. In addition to the approved amendments, a further full assessment and review of the banking legislation will be made, in order to establish any legislative gaps that might impede the supervisory oversight necessary, to implement the Basle Core Principles for Effective Supervision. Any gaps identified which require changes to the existing Act, will be incorporated into the approved proposed amendments. As is a normal practice, the industry will be fully engaged in the deliberations regarding the new amendments in order to factor in the requirements of the local banking industry. It is expected to finalise this amendment process and to table a draft amendment bill in Parliament during 2004.

7.1.3 Policy Developments

Since a bank failure could happen in any banking system and the implications of a failed banking institution would reflect on the stability of the banking sector, the Bank has developed a policy framework with the attendant supporting procedures to deal with problems in banking institutions. Both documents will be used in accordance with and to complement the provisions of the Banking Institutions Act, 1998 and the Bank of Namibia Act, 1997. Most of the salient possible issues are covered by the policy and its procedures:

7.1.3.1 Policy on Regulatory Response to Weak Banks

This policy sets out the broad framework for effective and timely regulatory responses to address unsafe and unsound practices, conditions, or violations of law and regulations and to resolve cases of insolvent banks.

The Bank's policy on regulatory response is aimed at safeguarding the safety and stability of the banking system, but is not aimed at zero bank failure. Insolvent banks may be allowed to fail and will be closed and liquidated as and when necessary. This shall be done in an orderly manner to ensure that banking institution exiting the system does so with minimal disruption to the system.

When taking regulatory action, the Bank shall ensure that the chosen supervisory enforcement actions are fair, specific, supported, cost efficient, focused on condition and cause and progressive, and are addressed to the proper person. The Bank shall also ensure that its regulatory actions are transparent, uniform, simple, and defendable. This should reduce the cost of resolving problems and ultimately strengthen the safety and soundness of the banking system. The policy document also sets out the following issues:

- The responsibilities for carrying out certain actions in terms of this policy, such as informal actions, which may be taken by Senior Manager Bank Supervision Department, whereas formal actions will only be sanctioned by the Governor's Office.

- The types of regulatory responses (actions), namely the informal actions, formal actions, monetary penalties and resolution strategies which have to be dealt with.

- The requirement for the Bank to have system for early identification and criteria for the determination of appropriate strategy or action.

7.1.3.2 Procedures Manual on Regulatory Responses (actions)

The procedures are formulated in accordance with the Bank's Policy on Regulatory Response on Weak Banks. The procedures provide a range of supervisory actions by the Bank in regard to the banking institutions to be examined, as well as the shareholders and individuals associated with such institutions. Generally, these actions will be taken as soon as the Bank becomes aware of a problem at a banking institution that warrants immediate attention and correction.

The procedure manual includes indicators for weak banks and the particular regulatory response(s) applicable. The responses are progressive in line with the severity of the weakness observed.

When the Bank determines that the problems of a banking institution are more serious than expected and that corrective action may not be effective or appropriate, it may undertake one or more of the following resolution strategies:

· Encourage or facilitate a private sector solution;

· Institute public sector solutions;

· Employ any other strategies which the Bank may consider to be appropriate, including a combination of private and public sector solutions; or

· Ultimately cancel authorisation to conduct banking business (close down a bank) if and when the above actions have failed or are unjustified.

7.1.3.3 Revised Returns and Directives

In line with amendments to determinations and the need for clearer directives for the completion of the returns, the Bank has embarked upon a process of revising the statutory returns and the directives relating to the completion of the returns. Satisfactory progress was made in this regard and banks are expected to start submitting the revised returns during the first quarter of 2004.

7.2 On-Site Examination Activities

During the year under review, a number of examinations were conducted to determine the financial condition of individual banking institutions and to establish compliance with the Banking Institutions Act, 1998 (Act No.2 of 1998) and any other legal requirements.

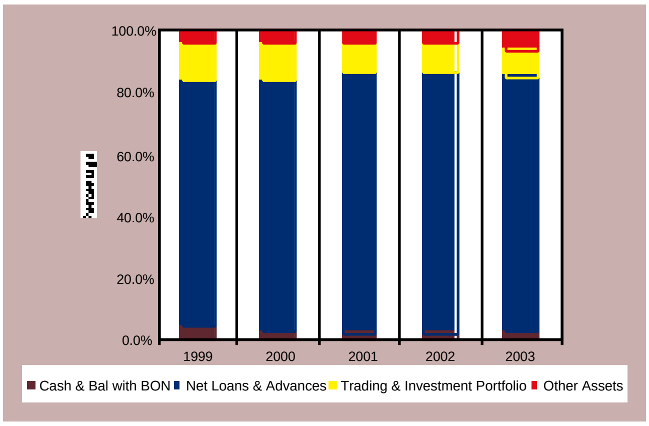
Besides following a transaction testing approach, a strong emphasis was placed on assessing the adequacy of risk management systems of the banking institutions. In accordance with the stipulations of the Banking Institutions Act, 1998 (Act No. 2 of 1998), the findings, which emanated from an examination, were submitted to the particular bank management concerned, to facilitate prompt corrective action.

7.3 Performance of Banking Sector

7.3.1 Asset Growth

The banking sector recorded a growth rate of 12.7 percent in terms of total assets, which increased from N$17.8 billion to N$20.0 billion, compared to a growth rate of 28.6 percent in the preceding year. After surging upwards by over 20.0 percent during the previous year, as a result of the merger between the former City Savings and Investment Bank (CSIB) and SWA Building Society, the growth rate for the banking sector has stabilised to its normal level below 20.0 percent. The growth of 9.0 percent in net loans and advances (to N$16.4 billion), 4.7 percent in trading and investment securities (to N$1.7 billion) contributed significantly to the growth in total assets of the banking sector.

Chart 7.1 Composition of commercial banks' assets



The year-on-year comparison of the composition of the total assets, as reflected in Chart 7.1 above, revealed a slight shift in the composition of total assets. Net loans and advances as percentages of total assets, decreased from 84.4 percent to 81.7 percent whereas trading and investment decreased from 9.4 percent to 8.7 percent during the period under review. Cash and balances with the Bank of Namibia and other assets accounted for 9.6 percent, representing an increase of 3.5 percentage points since the previous year.

7.3.2 Funding Structure

During the period under review, total funding (comprising non-bank deposits, inter-bank deposits, borrowings, and capital and reserves) of the industry rose by 19.8 percent to N$19.3 billion compared to an increase of 30.2 percent during the previous year.

Non-bank deposits increased by 12.6 percent to N$14.3 billion, mainly as a result of the increases in the following categories: 11.1 percent in demand deposits, 150.8 percent in negotiable certificate of deposits (NCDs); and 16.6 percent in savings deposits. The increase under negotiable certificates of deposits, indicates that the banks relied on the issuance of NCDs (borrowings) to meet their funding requirements. Inter-bank deposits increased by 19.7 percent to N$1.7 billion, while borrowing (mainly foreign funding and debt instruments issued) decreased by 9.8 percent to N$1.0 billion. Capital and reserves stood at N$2.3 billion compared to N$1.7 billion[42] during the previous year

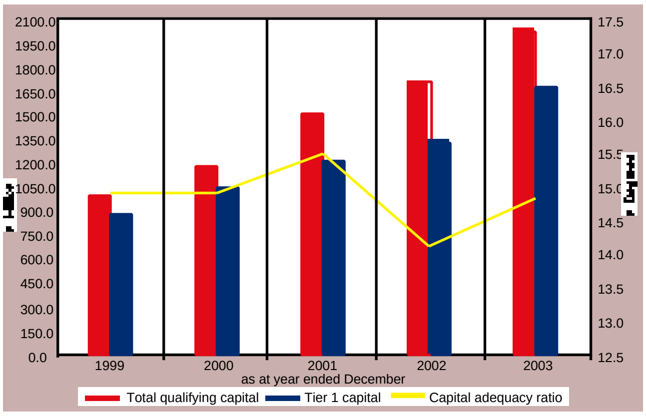
Non-bank deposits at 71.2 percent remained the major component of total funding followed by the inter-bank funding at 8.7 percent. Capital and reserves and foreign funding accounted for 11.5 percent and 4.0 percent respectively, of the total funding. The remaining portion of 4.6 percent was shared out to other funding (namely other liabilities, other borrowings and debt instruments issued).

7.3.3 Capital Adequacy

The banking industry was adequately capitalised. The capital funds of the commercial banks (after adjusting for regulatory deductions) stood at N$2.0 billion compared to N$1.7 billion recorded during the previous year, representing an increase of 19.0 percent. Tier 1 capital represented a significant portion (82.1 percent) of the total capital funds (total qualifying capital) indicating a good quality of capital for the industry. It is also worth noting that the growth in capital funds of the banking sector kept pace with the growth in its total assets. This is indicative of the ability of the sector to ensure adequate cushioning against the risks associated with the growth of their assets.

During the year under review, the minimum risk-based capital ratio of 8.0 percent was complied with by all commercial banks. The average risk-based capital ratio increased by 0.7 percentage points to 14.8 percent (Chart 7.2). The leverage ratio improved to 11.3 percent from 8.2 percent during the previous year.

Chart 7.2 Capital Adequacy



7.3.4 Credit Risk

7.3.4.1 Gross loans and advances

The growth of 9.0 percent in gross loans and advances, during the current year, was fuelled by an increase in mortgage loans (13.3 percent), in installment loans (14.7 percent), and in fixed term loans (8.8 percent).

Mortgages at 39.0 percent constituted the major portion of the loans and advances, followed by overdrafts, instalment debtors loans and other fixed loans at 18.5 percent, 16.8 percent and 11.8 percent respectively. The remaining 14.0 percent were distributed to interbank, foreign, preference shares, discounts and other loans. Insignificant shifts were noted in the following categories from 2002 onwards: installment credit increased by 1.0 percentage points, foreign loans decreased by 2.0 percentage points,

42 An amount of N$1.9 billion reported for capital and reserve in the 2003 Annual Report was adjusted downward due to dividend of over N$200.0 million paid from distributable reserves by one of the banks.

mortgages increased by 2.0 percentage points and preference shares decreased by 1.0 percentage points. The composition of gross loans and advances for 2002 and 2003 are reflected in Charts 7.3 (a) and (b) which follows:

Chart 7.3(a) Composition of loans and advances as at 31 Dec 2003

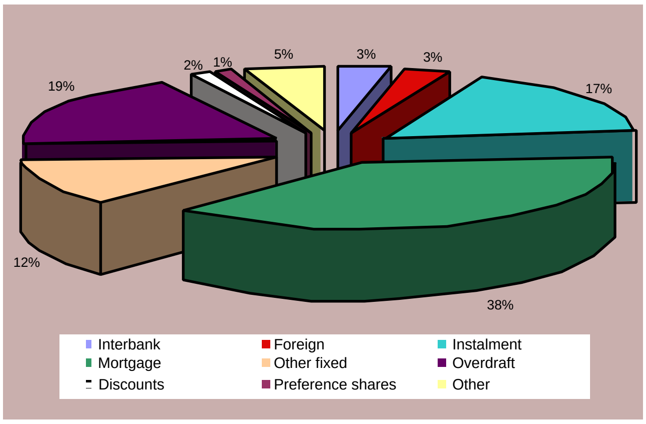
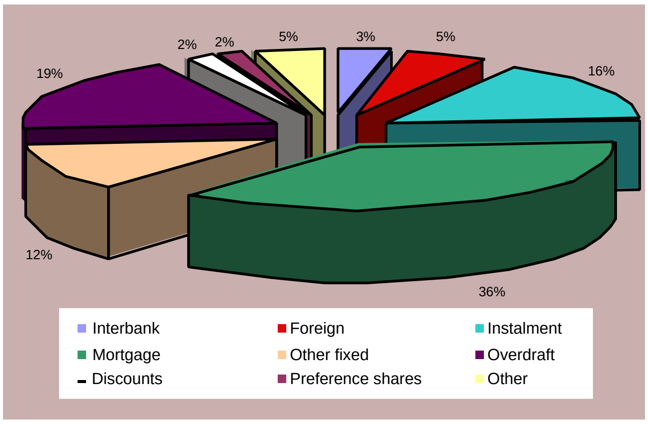


Chart 7.3(b) Composition of loans and advances as at 31 Dec 2002



7.3.4.2 Non-performing loans (NPLs)[43]

Total non-performing loans of the commercial banks increased significantly by 22.5 percent to N$662.6 million. Compared with the increase of 15.8 percent during the previous year, this represents a further deterioration in the quality of the loan. As a percentage of total loans and advances, non-performing loans stood at 3.9 percent, compared with 3.5 percent recorded during the previous year. However, a NPL ratio of 3.9 percent, though trending upwards, can be considered acceptable.

The prevailing low interest rates, the finalisation of the merger between Swabou Bank and First National Bank and implementation of the amendments to the Determination on Loan Classification and Provisioning (BID-2), among other factors are expected to reverse this increasing trends in NPLs.

With instalment sales showing a significant improvement, overdraft and mortgage loans were the only loan categories that were most adversely classified, making up about 48.7 percent and 23.0 percent respectively of the total adversely classified loans.

7.3.4.3 Specific provisions

Total provisions (including both specific and general provisions) increased by 9.9 percent to stand at N$424.8 million. As a percentage of NPLs, total provisions amounted to 64.1 percent which compared unfavourably to 71.5 percent during the previous year.

7.3.4.4 Large Exposures

The total amount of large exposures, meaning loans to a single borrower or group of related borrowers that equal to or greater than 10.0 percent of the capital funds of the banking institutions, stood at N$2.9 billion compared with N$2.7 billion during the previous year, and represented an increase of 7.4 percent. As a percentage of total loans, large exposures amounted to 17.7 percent compared to 17.2 during the previous year.

7.3.5 Liquidity

The total liquid assets held, amounted to N$2.2 billion compared to the total amount of liquid assets required namely, N$1.7 billion. The margin above the required amount indicates the lack of incentives to invest in liquid assets since they yield a lower income to the banks. In other words, banks hold these assets mainly to meet the (statutory) liquidity requirement.

As a result, most of the funds raised are directed to

43 Non-performing loans or classified loans refer to loans that have been overdue for 6 months or more.

loans and advances, which earn more than all the other assets, to the extent that they have constituted the biggest portion of the total assets. This trend is evidenced by the ratio of loans to total assets, which has been high at over 80.0. Since loans may not be liquidated or converted into cash within a short period of time, banks are exposed to potential liquidity risk.

The other liquidity factor considered, is the ratio of loans to deposits, which indicates the extent to which loans are funded by deposits. A ratio in excess of a 100 percent benchmark means that borrowed funds were used to finance lending activities (it signifies some liquidity stress in the industry). These funds are normally more expensive and volatile, and may therefore affect the liquidity position of banks in the long run. At 31 December 2003, this ratio improved marginally to stand at 121.4 percent, compared with 117.3 percent during the same period a year ago.

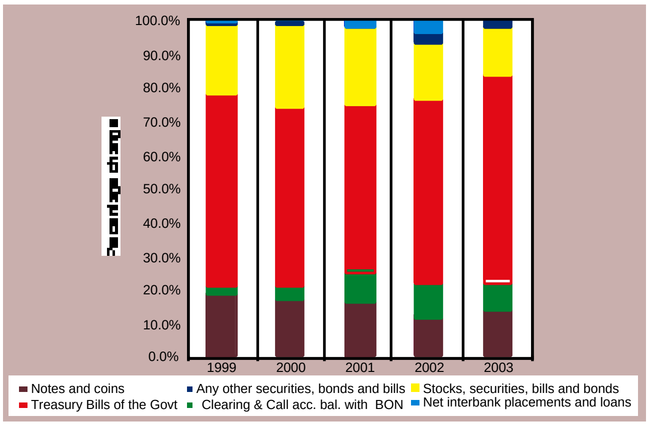
Table 7.1 Liquidity ratios[44]

	1999	2000	2001	2002	2003
Liquid assets ratio (%)	12.7	9.7	9.6	9.4	11
Loans: deposit ratio (%)	97.1	101.4	118.1	121.4	117.3

Significant shifts have been noted in the composition of the liquid asset holdings. Treasury bills as a percentage of the total holdings increased by 9.3 percentage points to 61.5 percent and remained the biggest share of the total liquid assets held. Stocks, securities, bonds and bills decreased by 1.5 percentage points to 14.1 percent, notes and coins increased by 3.6 percentage points to 13.6 percent, clearing and call account balances with the Bank of Namibia decreased by 2.2 percentage points to 8.5 percent. Net inter-bank placements and loans decreased by 50.6 percentage points to 2.1 percent, while other securities, bonds and bills decreased significantly to a low of 0.2 percent.

44 Liquid assets ratio in this report refers to liquid assets to total assets.

Chart 7.4 Composition of liquid assets



7.4.5 Profitability and Earnings

Despite the decrease in the interest rate charges experienced during the year under review, the banking industry recorded good earning results. The net interest income went up by 10.2 percent (23.9 percent during the preceding year) to N$939.5 million. The increase in net interest income was mainly attributable to the increase in the volume of interest earning assets (mainly loans) and the improvement in the quality of these assets just referred to. Other operating income, comprising fee and commission income, rose by 7.8 percent to N$822.1 million and also contributed to the improved profitability position of the commercial banks.

Operating expenses surged by 20.4 percent to stand at N$954.7 million. Salaries and benefits at 46.0 percent constituted the biggest component of total operating expenses. The provision charges increased by 11.4 percent compared to an increase of 38.4 percent and a decrease of 45.9 percent recorded in 2002 and 2001, respectively.

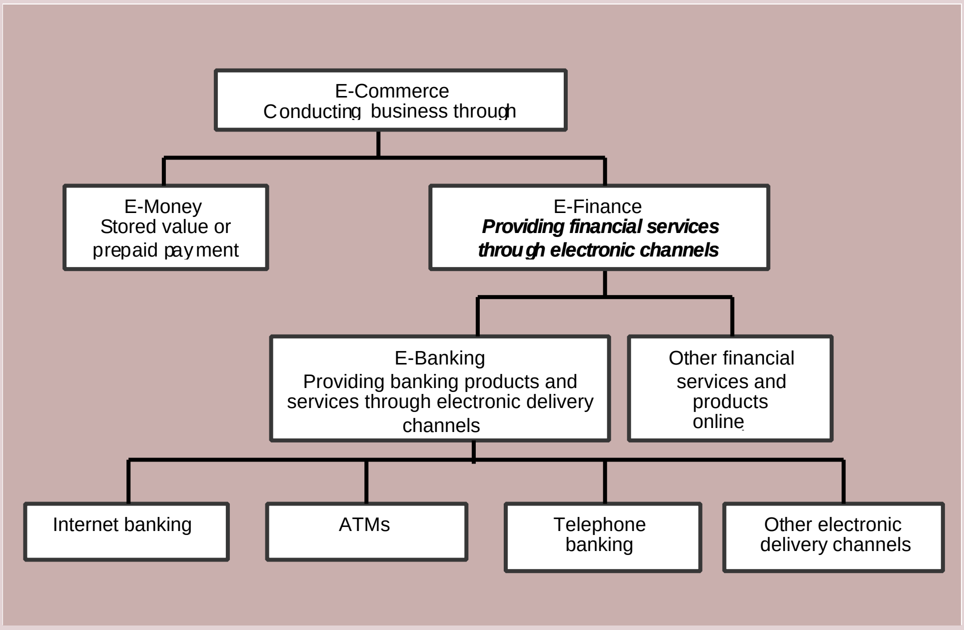
Net income after tax decreased marginally by 3.5 percent to stand at N$494.9 million. As a result of the decrease in the net income after tax, both ROA and ROE dropped from 3.2 percent and 34.6 percent to 2.7 percent and 25.2 percent respectively. The net interest margin also contracted from 6.7 percent to 5.5 percent whereas the cost-to-income ratio surged by 5.1 percentage points to 54.2 percent during the period under review.

BOX C ELECTRONIC BANKING

Recent years have seen the development of new financial/banking instruments and techniques, one of which is electronic banking (e-banking). E Banking has provided a host of new opportunities and tools to do business with and to meet the needs of end users of financial services. At the same time, however, e- banking has also been accompanied by risks. In this connection, the Bank Supervision Department studied the impact of such risks on the banking sector during the third quarter of 2003.

Electronic banking refers to the use of computers and electronic technology as a substitute for cheques and other paper-based transactions. E-banking is also known as Electronic Fund Transfer (EFT) and is activated by means of cards and/or codes that allow access to an account (Federal Trade Commission, 2003). As shown in Figure 1 electronic banking is just one of the types of e-commerce.

Figure 1 Overview of Electronic Commerce



During the third quarter of 2003, the Bank Supervision studied the extent of e-banking in Namibia and its attendant risks. The survey of Namibia's four commercial banks was conducted during August 2003. Banks basically offer two different online banking services; one for individual clients that is usually HTMLbased, and one for business clients, which sometimes requires the installation of special software. In general online banking allows clients, to view statements and transfer funds between bank accounts.

The survey results, which followed a similar survey conducted by the Research Department during October 2002, concluded that all commercial banks were involved in internet banking. Both the number of transactions and the number of clients had increased between these two surveys. Between October 2002 and August 2003, the number of Internet banking clients increased by approximately 32 percent from 6412 to 8694 clients (Table 1). This number however, only represented 2.0 percent of the total number of clients of Namibian banks in August 2003.

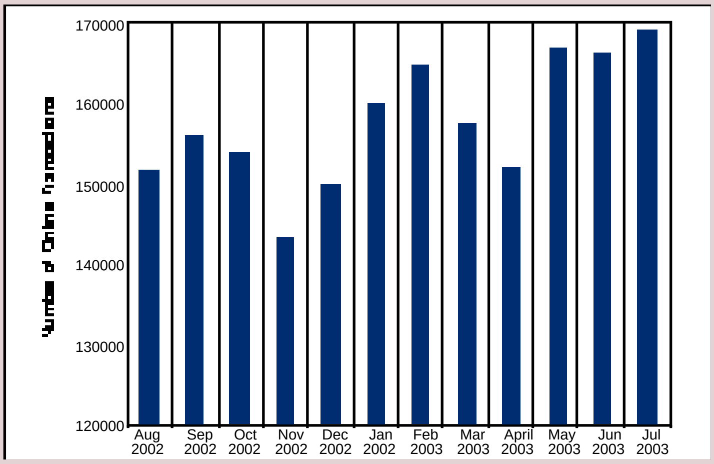
BOX C ELECTRONIC BANKING (CONTINUED)

Table 1 Number of Online Banking Clients in Namibia

	October 2002 survey[45]	August 2003 survey		
	Total	Business clients	Individual clients	Total
Number of Clients	6412	5639	3055	8694

The number of Internet banking transactions increased by 12 percent between October 2002 and August 2003, as depicted in Chart 1.

Chart 1 Number of Online Transactions



Risks Related to Internet Banking

While Internet banking has greatly enhanced the accessibility of banking facilities, this form of banking not only carries traditional banking risks, but also inter-net related risks. The August 2003 survey also focused on evaluating Internet banking related risks facing the banking institutions and the mitigation of these risks. The risks which Internet banking introduces to banking, include electronic fraud, cyber crime (such as money laundering), disconnection of service (preventing that transactions are completed in the time desired) and computer viruses.

Electronic fraud is one of the most important Internet banking risks. This kind of risk occurs when unauthorised person hacks into the computer system, gaining unauthorised access to confidential data and bank accounts. These security breaches could occur at the level of the consumer, the bank or the service provider.

45 The October 2002 survey was by the Research Department in conjunction with NEPRU

BOX C ELECTRONIC BANKING (CONTINUED)

The banks are aware of the risks involved in Internet banking and have installed numerous security measures to minimise these risks. The banks are, however, convinced that the greatest Internet banking risk is that hackers gain access via the clients' personal computers and defraud them of money in their bank accounts. It is, therefore, important that customers are educated on safe Internet banking practices.

Bank Supervision concluded that customer education and increased monitoring of Internet banking risks, would ensure that these risks are minimised. For this purpose, the Basel Committee released Risk Management Principles for Electronic Banking (Bank for International Settlements, 2003).

The Research Department (2003: 23) stresses that the current regulatory and legal regimes cannot regulate e-commerce activities (including e-banking) adequately, because these systems are based on paper-based commercial transactions. Since the absence of a legal framework dealing specifically with electronic transactions exposes companies involved in e-commerce to many risks, alternative measures to monitor these risks among banks need to be considered.

To ensure that banks meet a minimum standard of Internet banking risk management, in the absence of specific legislation, the Bank of Namibia has issued Circular BIA 1/03 requiring Namibian banks to comply with the Basel Principles by January 2004. The banks already meet the majority of the principles and have action plans to ensure compliance by the beginning of 2004.

The Risk Management Principles are grouped into three categories, namely:

- Board and Management: Effective management control should encompass the review and approval of key aspects of the bank's security control process, such as the development and maintenance of a security control infrastructure safeguards e-banking systems properly, and data from both internal and external threats.

- Security Controls: Appropriate authorisation privileges and measures, logical and physical access controls, an adequate security infrastructure to maintain appropriate boundaries and restrictions on both internal and external user activities and data integrity of transaction, records and information. Clear audit trails should exist to ensure customer protection and privacy.

- Legal and Reputation Risk Management: E-banking services must be delivered on a consistent and timely basis to protect banks against business, legal and reputation risk. Operational, legal and reputation risks arising form unexpected events can be minimised by having effective incident response mechanisms in place.

- While both the Bank of Namibia and the banking institutions ensure that the risks related to Internet banking are minimised, customers also need to take the necessary precautions to prevent security breaches at user level.

PART C

OPERATIONS AND AFFAIRS OF THE BANK

Report submitted in terms of section 52(1)(b) of the Bank of Namibia Act No. 15 of 1997

8. OPERATIONS AND AFFAIRS OF THE BANK

8.1 KEY DEVELOPMENTS DURING THE YEAR

8.1.1 Impact of global, regional and domestic developments

During the year under review, the policy focus of the Bank and its operations were noticeably influenced by the external economic environment. The monetary policy stance, as reported in chapter 4 of this report, continued to be strongly directed towards achieving domestic price stability and sustaining the parity between the Namibia Dollar and the South African Rand. Through persistent policy efforts, under the auspices of the Common Monetary Area, it was possible to make considerable progress in decelerating the rate of inflation. In fact, the large strides made in sharply reducing the rate of inflation, warranted a more accommodating monetary policy stance through gradual but steady interest rate reductions throughout the latter half of the year. The year under review also saw an unprecedented strengthening of the external value of the Namibia Dollar, which was caused by the weakness of the US Dollar and the increased attractiveness of South Africa as an investment destination.

The combined effect of declining interest rates and the strength of the external value of the currency had adversely affected the financial position of the Bank of Namibia during the course of 2003. This is clearly discernible from the financial statement of the Bank, as reflected in Part D of this report. Low returns on foreign investments, coupled with a considerable number of realised foreign exchange losses, have significantly reduced the operational income of the Bank in 2003, compared with the financial position of 2002.

Expressed in local currency, the foreign reserves managed by the Bank, were lower at the end of 2003 compared with the final balance at the end of 2002. This was due to the considerably strengthened exchange rate, increased servicing of the Government's foreign debt and the significant increase in demand for Rands by commercial banks. The total reserves of the Bank declined by about 26.5 percent (or N$ 752 million) in Namibia Dollar terms, from N$2 84 billion on 31 December 2002 to N$2 09 billion on 31 December 2003. In USD terms, reserves declined by about 5.7 percent (or USD19 million) from US$331 million to US$312 million during the same period.

The immediate response of the Bank to the weakened financial position was to scale down its normal operations by cutting planned expenditure, such as travel and training, by freezing the filling of vacancies and by postponing certain capital expenditure, especially in the area of information technology. At the same time, every effort is made to improve the revenue base of the Bank.

8.1.2 Staffing position of the Bank

The staffing situation of the Bank started to stabilise during the year, mainly as a result of the falling operational income of the Bank and the completion of setting up the Oshakati Branch. Table 8.1 details the staff position of the Bank over the past three years.

Table 8.1 Staff numbers at year-end

Staff category	2001	2002	2003
General Staff	198	235	240
Managerial	32	26	27
Executive	3	3	3
Total	**233**	**267**	**274**

Staff turnover decreased marginally to 7.43 percent in 2003, compared to 9.20 percent in 2002. Of concern to the Bank, is the relatively high loss of senior management staff mainly to commercial banks. While this loss is regretted, it is indicative of the staff quality the Bank of Namibia develops, which unfortunately increases the marketability of its staff.

8.1.3 Currency and banking activities

The **Clearing House** operated by the Bank of Namibia processed a total of 794 682 cheques valued at N$12.4 billion during the period 2003. As mentioned elsewhere in this Report, cheque clearing is due to be changed next year from a manual to an electronic process involving code-line clearing, signature verification and imaging. With the implementation of the new clearing system, the Bank's old clearing house operations will cease during 2004.

The year 2003 marked considerable developments in relation to currency movements. In beginning of the year the growth in the issue of notes and coins slowed down compared with growth rates recorded in the same period a year ago, but towards the latter half of 2003 the growth in currency issued accelerated strongly again.

Table 8.2 indicates the composition of national currency in circulation during the past two years. The total value of the currency in circulation rose by 12.2 percent in 2003 compared with a growth rate of 4.1 percent in 2002. Although the growth in month-to-month currency in circulation slowed down during the greater part of 2003, compared with 2002, the growth again accelerated towards the end of 2003.

Table 8.2 Composition of currency in circulation

Denomi-nation	2002 Value (N$'m)	2002 Volume (million)	2003 Value (N$'m)	2003 Volume (million)	% Change
5 cent coin	2.25	45.10	2.56	51.13	13.4
10 cent-coin	5.03	50.29	5.45	54.54	8.4
50 cent-coin	4.83	9.66	5.27	10.55	9.2
N$1-coin	25.16	25.16	27.81	27.81	10.5
N$5-coin	16.16	3.23	18.24	3.65	12.9
N$10-note	44.59	4.46	46.86	4.69	5.1
N$20-note	72.59	3.63	79.86	3.99	10.0
N$50-note	145.59	2.91	148.30	2.97	1.9
N$100-note	391.79	3.92	465.96	4.66	18.9
N$200-note	111.00	0.56	118.38	0.59	6.6
TOTAL	818.99	148.91	918.69	164.57	12.2

Active cross-border trade with Angola and South Africa, mainly in the sector of tourism and merchandise, has resulted in an increased circulation of the South African Rand currency in Namibia. In fact, since 2000 the repatriation of Rand currency stood at levels far exceeding the increase of the Namibia Dollar put into circulation. Table 8.3 reflects this movement. This situation has substantially reduced the Bank's ability to raise seigniorage through the issue of the national currency. This has prompted the Bank to negotiate with the Government to receive all or part of the seigniorage paid by South Africa to the Namibian Government as compensation for allowing the Rand as legal tender in Namibia.

Table 8.3 Rand repatriation and N$ in circulation

Calendar year	Value of Rand repatriated R'm	Increase in N$ in circulation N$'m
1993	-	194.5
1994	87.5	138.2
1995	35.4	47.7
1996	59.1	71.9
1997	101.3	76.9
1998	59.2	-6.7
1999	41.3	173.5
2000	220.1	35.7
2001	259.9	126.8
2002	220.0	32.0
2003	338.1	99.7

During the review period, it was found that the N$20-banknote issued in February 2002 was defective in that the metallic thread was becoming detached from the note. The South African Banknote Company agreed to replace all 20 million pieces of that note at its own cost. During the end of 2003, five million notes had already been delivered, while the rest was delivered early in 2004.

Although the incidence of the counterfeiting of the Namibia Dollar banknotes was quite isolated in the past, at least 9 cases of forged banknotes were reported to the Namibian Police during the past year. Nonetheless, the Bank launched a programme to re-familiarise the public with the major security features of the banknotes. Of concern to the Bank is the high incidence of forged South African banknotes.

8.1.4 Changes in the legal framework

During the period under review, some changes where made to the legal framework under which the Bank is operating. Three Acts of Parliament were drafted and processed during the latter half of the year.

The **Bank of Namibia Amendment Act** was tabled before National Assembly. The amendments to the Bank of Namibia Act, 1997, were necessitated by the following important considerations and events:

· Following the Asian crisis, there have been global efforts for greater transparency in monetary and financial policies.

· With the maturing of the Bank, there is an increasing need to enhance its operational efficiency.

· A recent initiative among SADC member states approved by all Ministers of Finance, which aims at harmonising the legal and operational frameworks governing central banks.

Two Acts related to the national payment system were passed, i.e. the **Payment System Management Act** and the **Bills of Exchange Act**. The former Act provides for the management, administration, operation, regulation and supervision of payment, clearing and settlement systems in Namibia. The Act was largely structured on the National Payment System Act, 1998, of South Africa, but there are some vital differences, which reflect the lower level of sophistication of the Namibian financial system, compared with that of South Africa. The Act contains inter alia the following provisions:

· It assigns powers and duties to the Bank of Namibia to manage and oversee the national payment system, including the authorisation of institutions and practices to clear and settle payments.

· It provides for the creation and operation of a payment system management body, which is an inter-banking association which lays down technical standards for the functioning of the payment system.

· The Act lays down specific directives on how payment, clearing and settlement processes are required to take place in Namibia.

· The Act limits institutions from engaging in processing payments in Namibia and lays down criteria for authorised operators.

· In modern payment systems netting out of payment obligations are allowed and the Act sets out the rules relating to the netting of payments.

· The Act also allows the Bank, as the settlement provider in the system, to ensure that settlement between participants is prompt and irrevocable. The Bank, apart from its regulatory role, can also provide short-term credit to participants to ensure same-day settlement of payment obligations between banks.

Although the South African Bills of Exchange Act of 1964 was made applicable in Namibia through by the Bills of Exchange Ordinance, 1965 (No. 8 of 1965), it was necessary to make further amendments which had not been enacted after the independence of Namibia. Instead of introducing wide-ranging amendments to the South African Act, it was decided to formulate new Namibian legislation covering bills of exchange and also to update it to contemporary standards and practices.

The Act is a comprehensive piece of legislation that governs bills of exchange, cheques and promissory notes. New provisions have been necessitated by significant developments over the past 20 years, especially in the way modern trade and investment is conducted. In addition, technology has improved, branch networks of banks have been extended, and new payment mechanisms, such as electronic transfers, credit cards, debit cards and smart cards, have been developed. The consequence of these developments is that cheques have a more limited role in payments and that the cheque law can be simplified in the interest of consumers. A further result of improved technology is, unfortunately, that cheques have become more susceptible to forgery and fraud.

Against this background, the new Bills of Exchange Act is aimed at:

· Laying down a national law instead of continuing to rely on South African legislation;

· Making improvements in the language used and clarifying key concepts and payment practices in a user friendly way. It has further been made gender neutral;

· Paying particular attention to promoting and protecting the interest of the consumers with regard to cheque payments;

· Accommodating technological advancements in the field of cheque payment and clearing; and

· Providing for requirements with regard to the use of cheques in order to reduce the incidence of cheque fraud.

All three Acts will come into effect early in 2004.

8.2 STRATEGIC FOCUS OF THE BANK

The Bank maintains a strong strategic focus regarding the management of its business and conducting monetary policy. This focus originates from a thorough strategic review of the performance of the Bank, the external environment and the challenges that lie ahead which are determined annually before the start of each financial year. The next few sections describe some of the activities and projects carried out during the year in line with the agreed and approved strategy.

8.2.1 Meeting the challenges of globalisation and regionalisation

The Bank regards the deliberations under the auspices of the **Common Monetary Area (CMA)** as the most significant to address regional policy issues related to monetary and payment system developments. During the year under review, quarterly meetings of central bank governors took place in advance of the meetings of South Africa's Monetary Policy Committee. While this forum proves to be quite useful in exchanging information about the economic and monetary developments in CMA member countries, it does not yet provide scope for influencing monetary policy variables for the region.

The CMA central banks also critically reviewed the current consultative framework of the monetary arrangement of the CMA, with a view of improving the policy formulation process and achieving an even closer integration of member countries. The possibility of a regional central bank and a common currency has been some of the challenges which were addressed. It has been acknowledged by member countries that the CMA can form a practical building block to achieve closer monetary integration within the wider SADC region and eventually on continental level.

The CMA Payment System Oversight Committee met regularly during the year to address cross-border **payment issues**. In particular, the committee is tasked to put in place institutional and systemic arrangements to reduce the payment systems risk between member countries resulting from cross-border payments, clearing and settlement.

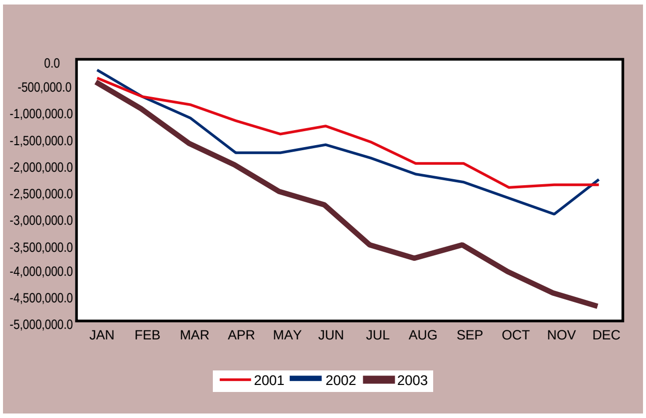
South Africa has introduced an amnesty law to exonerate her residents who have transferred capital out of the country in violation of exchange control regulations. In addition, the exchange control requirements for foreign investments by institutional investors were replaced by prudential requirements for such investments. The Bank, in consultation with the Ministry of Finance, is currently considering the desirability of introducing similar changes to its exchange control legislation.

Given the increasing impact of foreign public debt servicing on the position of Namibia's **official reserves**, the Bank investigated the adequacy of the country's reserves. The conclusion reached was that, at current levels, the reserves were inadequate to meet the medium to long-term demand for foreign exchange and that it was necessary to institute measures to enhance the level and growth of foreign reserves. The Bank also recommended the creation of a separate stabilisation fund in which certain government receipts were to be deposited to boost the accumulation of reserves and offer a buffer against growing public debt servicing.

In a continuing quest to maintain the prudent **investment of reserves**, the Bank acquired the services of new external managers, to achieve improved performance results. An external investment advisor operating within a multi-management framework was appointed to assist the Bank in designing a portfolio generating superior risk adjusted return. Under the multi-management framework, investments are made in different types of mutual funds, each with its own investment strategies. This approach is expected to assist the Bank in diversifying its external investments in order to improve returns and reduce the volatility of returns and thereby insure a stable income for the Bank.

The year 2003 saw a record high of commercial bank net outflows, putting pressure of the Bank's holding of Rand reserves. Cumulative net outflows amounted to N$4.7 billion in 2003 compared with N$2.2 billion in 2002 (Chart 8.1).

Chart 8.1 Commercial banks' net foreign outflows (cumulative)



Given the significant dependence by the Government (and in a way also by the Bank of Namibia) on receipts from the SACU revenue pool as a source of public revenue (and reserves for the Bank), the Bank found it necessary to investigate the consequences of the new **SACU agreement** entered into in 2002 more closely. This assessment concluded that the revenue impact on the Government during the medium-term was quite serious. On the other hand, the more democratic dispensation within the new trade arrangement would give Namibia powers to co-determine trade policies that would support its own industrial and trade development efforts. It was further concluded that early efforts should be made to find suitable revenue sources to neutralise future revenue losses, and to ensure continued financial stability.

The global emphasis on combating **money laundering** and the financing of terrorism, has prompted the Bank to renew its efforts to enact a suitable legislation empowering the authorities to deal with the growing phenomena. The Bank has drafted an Anti-Money Laundering Bill, in which the authority to prevent and bring legal action against acts of money laundering would vest in the Bank of Namibia. The Government and other relevant stakeholders are currently scrutinising this bill and other related legislation. The prevention of funding of terrorism is still being dealt with under the Bank's powers given under the Currencies and Exchanges Act, 1933, but here too it would be necessary to create a specialised piece of legislation.

8.2.2 Enhancing the development of financial systems

Quite a number of projects were undertaken during the year in an effort to further strengthen and broaden the Namibian financial system. These projects ranged from studies to gain a better understanding of the financial systems and their functioning, to practical reforms and reform proposals in certain areas of the financial system. One such study focused on the savings behaviour of Namibians, with specific recommendations on how to increase personal savings and on reforms in the financial sector to channel such savings into real and financial investments. Another related study looked at the regional distribution of banking facilities in Namibia and identified certain locations in the rural areas with potential to host viable commercial bank branches. The study has also recommended that the Banking Institutions Act, 1998, be amended with the view to facilitate the spreading of commercial bank branches to the rural areas.

The Bank has made considerable progress in **monitoring the liquidity in the domestic banking system**. Weekly analyses are made to determine either a shortage or an excess in the liquidity of the banking system. Moreover, a framework has been developed to forecast the liquidity situation. These efforts form a valuable basis to determine possible future central bank intervention that may improve the liquidity position in the banking system. The Bank is currently only using the **Bank rate** and the rate on the call account facility of the Bank to manage the liquidity. During the year, the Bank also participated in a primary

Treasury Bill auction, to mop up excess liquidity in the system. With the liquidity-forecasting framework in place, it would be possible to determine, with accuracy, the timing and mode of central bank intervention in the money market. With technical assistance offered by the International Monetary Fund, the Bank will further investigate the instruments available for open-market operations during 2004.

The Bank has embarked on a project aimed at **converting the compilation and dissemination of balance of payments statistics and monetary and financial statistics** with codes and standards laid down by the International Monetary Fund. This project is aimed at making Namibian macro-economic data compatible with the data of the rest of the world.

One of the primary roles of the Bank of Namibia is to ensure **stability in the Namibian financial system**, within the legal framework under which the Bank is operating. The Banking Institutions Act, 1998, and the Determinations issued under this umbrella has given the Bank regulatory powers to oversee the operations of banking institutions and to deal with **cases of bank distress**. During the year, the Bank has developed a set of comprehensive procedures enabling the Bank's Supervision Department to carry out the regulatory responses in respect of non-compliance with prudential requirements and identified weaknesses in banks. This involves identifying all regulatory compliance requirements and developing mechanisms for the monitoring of each compliance requirement. It also requires a decision on the kind of regulatory response for each case of non-compliance. This approach ensures early detection of and response to weaknesses in individual banks before such weaknesses can cause systemic risks.

Another activity, in line with the Bank's financial stability objective, is to obtain principal approval from the Government to deal with bank distress through the Bank's **lender-of-last-resort facility (LOLR)**. This facility is primarily meant to provide liquidity to banks in distress, beyond the normal intra-day and over-night liquidity provision. It is, however, not used to save banks from imminent insolvency. It falls beyond the Bank's legal mandate to deal with cases of bank insolvency, hence the involvement of the Government to consider circumstances and methods of possible intervention in cases of insolvency. The Government is still to express itself in regard to a policy on public intervention in such circumstances.

Considerable progress was made during the year, to establish the desirability and feasibility of establishing a **deposit insurance scheme (DIS)** in Namibia. The DIS forms part of the social safety net to safeguard stability in the banking system. The Bank has made a situational analysis to determine the economic, legal and institutional requirements for the establishment of such a scheme and has concluded that there was a definite need for a scheme of this nature, subject to the financial viability and its acceptability to the industry and the banking public. The DIS, in its present conceptual format would provide protection to small and middle income depositors in case of a bank failure. The scheme would be administered and managed by the Bank of Namibia under an appropriate empowering legislation. The concept and framework for a DIS in Namibia still requires intensive discussion with the banking industry and customers and will eventually be endorsed by the Government once the conceptual and financial framework has been completed.

Further progress was made with the **national payment system** project, which the Bank initiated a few years ago. With the launch of the Namibia Inter-bank Settlement System (NISS) in June 2002, some vital modifications have been made to the payment system to reduce the payment system and liquidity risk. In September 2003, all settlement transitions were brought on a **same-day settlement** basis. Previously, NISS participants had until 09h00 the next morning to obtain sufficient liquidity to settle obligations accrued during the previous fund settlement value date. This modification has obliged participants to retain sufficient liquidity on their settlement accounts to meet their daily settlement obligations.

During October 2003, the Bank entered into **repurchase (repo) agreements** with each participant. This agreement provides for the purchase by the Bank of liquid instruments from participants on an intra-day and overnight basis to provide short-term liquidity to participants to meet their daily settlement obligations. This form of central bank credit provision is granted, on condition that participants repurchase such instruments from the Bank at the end of the day or at the latest the following morning. The repo arrangement has enabled the Bank to improve the management of its credit exposure to system participants, by avoiding legal complications in the event of default. Under the repo arrangement, the Bank becomes a legitimate owner of repoed securities, once it parts with the funds advanced to a defaulting system participant.

The Bank agreed to a principle decision earlier this year, to entrust the development of automated **payment mechanisms and clearing systems** in Namibia to commercial banks with the Bank fulfilling its role as a payment system overseer rather than that of a developer. Commercial banks, in close collaboration with the Central Bank, have made considerable progress by entering into service contracts with suitable vendors for the supply of computer equipment and services during July 2003. The project is therefore on course for the implementation of Electronic Funds Transfer (EFT) systems during the first quarter of 2004 followed by systems for Code Line Clearing (CLC) of cheques during the second quarter and finally ATM and Point of Sale Card clearing and switching systems during the last quarter.

A part of the financial sector reforms is the Bank's continued efforts to improve the **management of public debt** and, in particular, the market for government securities.

One of the main activities in public debt management during 2003 was the preparation for the **redemption of five-year Government bonds** – GC05 – which mature on 15 April 2005. This activity involves switching GC05 into other three bonds, i.e. GC07, GC10 and/or GC15. Switch auctions are aimed at reducing the amount of debt outstanding in GC05, minimising the cash repayment upon redemption and preventing an adverse cash flow impact on the State Account. These auctions also reduce the risk for current holders being left without the appropriate holding of securities upon the redemption of GC05. The process started in June 2003 and of the total outstanding debt of N$1 139.0 million, only N$64.5 million could so far be switched into GC10 and GC15. The process is moving slower than anticipated, because investors have tendered for unacceptably high yields. In some switch auctions the Bank did not recommend for any switches, which has slowed down the process even further. Efforts are being made to improve the process so that at least 50 percent of the total outstanding debt will be switched by July 2004.

As an agent for the issuing of Government debt securities, the Bank, in conjunction with the Ministry of Finance, has drawn up an Operational Plan for the issuing of domestic debt securities during the 2003/2004 fiscal years. The Plan focuses on budget deficit funding by issueing appropriate domestic debt securities during fiscal year 2003/04 with the objective of redeeming maturing bonds and rebalancing domestic debt composition. This plan lays down specific short-term debt management parameters for consideration by the Ministry's Debt Management Unit, while the Cash Flow Committee would evaluate debt issuing and management activities. Although the plan is not a firm policy document, it serves as a pilot project to strengthen the ability of the Bank and the Ministry of Finance to formulate suitable debt management strategies.

The Bank and Ministry of Finance have changed the method of bidding for the Government Bonds, because of difficulties encountered by a significant number of market participants in handling complex bond formulas to calculate prices from yield-to-maturity.

8.2.3 Building capacity, organisational culture and shared vision

The Bank introduced a computer-based **performance management system** in 2001. The effectiveness of the system was further enhanced by measuring staff performance against agreed performance goals which directly relate to the achievement of the Bank's strategic priorities and corporate charter. In addition, the performance competencies, against which staff members' performance is also measured, have been standardised across the various occupation groups and positions in the Bank.

The **Employee Wellbeing Programme** that was introduced during 2001 is aimed at developing a positive emotional health within the Bank. The programme works in two ways: firstly, it measures the emotional health of each department in terms of motivation and morale and introduces measures to improve the environment in cases of low emotional health. Secondly, it provides for counselling and support to individuals where support is needed to cope with work-related and personal problems. Only sub-clinical cases are treated, and, where more professional assistance is required, staff members may be referred to specialists. The programme has helped both individuals and groups to deal better with problems affecting the emotional health of the Bank.

Vision building is an ongoing initiative at all levels of the Bank. The purpose is to encourage all staff to share a common vision of where the Bank should be going and how that vision may be achieved. It is also aimed at achieving open communication among staff and transparency and understanding of decisions taken by the Bank. Various events were hosted during the year to try to achieve such visions through social events and more academic debate.

The Bank recognises that **HIV/AIDS** has the potential to affect the staff complement adversely, in the absence of regular education and awareness programmes. Against this background, the Bank has continued its efforts to minimise discrimination and victimisation of employees and families of employees living with AIDS and to give counselling and support to prevent the spread of the disease among employees and their families. During the year five peer educators have been trained to provide the required support.

The Bank remains sensitive and conscious about applying acceptable **affirmative action** principles in its employment and staff development programmes. While good progress has been made to achieve a more than adequate balance between formerly disadvantaged and formerly advantaged groups within the Bank, the Bank has recognised that it has not progressed satisfactorily in bringing about equity across the gender lines. This realisation has prompted the Bank to become more conscientious about the gender imbalance when considering employment, training, scholarships and bursaries. This course of action has been actively promoted by the deliberations of the Bank's Affirmative Action Committee during the year.

8.2.4 Strengthening stakeholder relationships

The Bank acknowledges that it is essential as a central bank to foster good relationships with relevant stakeholders, not only to nurture a better understanding of its functions, but also to advise stakeholders on issues relevant to the economic and financial systems as required under the Bank of Namibia Act.

During the year under review, the Bank provided support and made contributions towards formulating a **public debt management strategy** to be pursued by Government. Throughout the year, consultations have taken place with the key stakeholders, such as the Ministry of Finance, the Namibia Financial Institutions Supervisory Authority (Namfisa) and the Bankers Association of Namibia, with the purpose of developing a common understanding of one another's business and how it affects each of the organisations.

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 strategic 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.

Despite limited financial resources, the Bank continued its programmes to uphold its **social responsibility**. During the year the Bank has sponsored education related activities, covered short courses in economic reporting for local journalists and presented awards to the best commerce students at the University of Namibia and the Polytechnic of Namibia.

The Governor's annual address is aimed at developing a better understanding among the Bank's external stakeholders about the Bank's activities and policies and about contemporary economic themes. During the period under review, the Governor has addressed leaders and opinion makers from both the public and private sectors on topical issues relevant to the Bank's activities and policies.

The theme of the 2003 Annual Symposium was "Poverty, income inequality and economic development" and focused on, as the theme indicates, issues of how economic development is held back due to the wide incidence of poverty and unequal distribution of income among Namibians. The Symposium also came up with proposals on reforms in the areas of fiscal policy, access to land and financial market development as a means of redressing poverty and income inequality in Namibia. All statements and contributions emanating from the symposium were combined into book form and launched during the year. The Bank believes that the sharing of its research findings would stimulate public debate on critical and potential policy issues.

8.2.5 Institutionalising good corporate governance principles

The Bank has accepted the challenge of managing the organisation according to good and contemporary corporate governance principles. The Bank of Namibia Act was recently amended to include an obligation to declare the vision and mission of the Bank. This signifies that the Bank's activities and operations need not only be focused on achieving its statutory objectives under the Act, but also aligned towards accomplishing the corporate charter. Moreover, the amendment to the Act has added an additional duty to the Board's responsibilities, namely to institute adequate control measures to ensure the proper functioning of the Bank.

During the year under review, further progress was made to achieve greater transparency and accountability in the operations of the Bank. In particular, a comprehensive risk management policy framework was adopted. Particulars on this initiative are contained in the adjoining risk management statement.

BOX D BANK OF NAMIBIA – RISK MANAGEMENT STATEMENT

The Bank has formalised and institutionalised a comprehensive risk management policy and procedural framework to effectively manage and control all risks at operational and policy levels of the Bank. The risk management process involves the evaluation, measuring and reporting of risks associated with all business activities in which the Bank operates in order to eliminate, minimise or contain risks. Controls are also put in place to ensure compliance with overall risk management policy and strategy. Bank staff is encouraged to become conscious of risks and potential risks in their respective operations and activities and to design and implement means to eliminate those risks. Indeed, risk management is seen as part of the Bank's overall corporate governance agenda.

To achieve this, the Audit Committee of the Board, approved the appointment of a Risk Management Committee (RMC) and mandated it with, amongst others, the following responsibilities:

- Create risk awareness throughout the Bank and take a global approach on risk;
- Oversee the management of risk by all departments;
- Co-ordinate the monitoring of risk exposure throughout the Bank;
- Provide technical support in risk analysis and risk related matters;
- Provide decision support and risk advisory to management;
- Provide assurance to management that all risks in the Bank are appropriately managed; and
- Report regularly to the Audit Committee on the status of risk management, implementation of and compliance with approved policies.

The RMC reports on a quarterly basis to the Audit Committee highlighting its activities and ways in which the Bank is managing and controlling its risk exposure.

The following risk categories have been identified as the most critical risks on a Bank-wide level and are rigorously controlled and managed:

a) Reputation risk

Reputation risk is a derivative of other risks such as non-compliance with statutes, regulations and legal provisions and with good business practices or corporate governance principles and weaknesses in internal control systems. Such risks could result in damaging or negative public opinion. Various internal control and checking mechanisms, policies, procedures and best practicing standards have been implemented by the Bank at all levels of operation to prevent this risk from occurring.

b) Fraud risk

This is the risk of losing assets – physical or financial – arising from theft or fraud. Internal controls are continually being reviewed and strengthened to ensure accountability for all currency movements at and between head office and the branch. End-of-day balancing takes place to ensure accuracy and

BOX D BANK OF NAMIBIA – RISK MANAGEMENT STATEMENT (CONTINUED)

accountability. Security control points ensure the control of movement of assets in and out of the building. Fixed assets register is kept to ensure asset verification at any point in time. Vault counts are carried out on a regular or surprise basis and vault custodians carry out spot checks to ensure the accuracy of notes counted in note sorting section.

c) Information technology risk

In the wake of the fast emergence of security violations of corporate computer systems, the Bank has reviewed the adequacy of its systems and operations with a view of strengthening its information security. The outcome of this project was to upgrade its network environment to eliminate any uncontrolled access to the Bank's operating and information systems. It included the installation of a new firewall, internet security server and upgrading of routers on the network. At the same time, all information technology security policies and procedures have been reinforced.

d) Liquidity risk

This risk refers to the possibility that a financial instrument cannot be obtained, closed out, or sold at (or very close to) its economic value. Liquidity risk for the Bank arises mainly because the amount of outlays is not always known and secondly the timing of the outlays is also not always known.

The Bank has introduced a number of control measures to mitigate both the probability of a liquidity crunch arising and the magnitude of the crunch. Firstly, international reserves have been tranched into working capital tranche (transaction tranche), the liquidity buffer tranche and the investment tranche. Deliberate measures are taken to ensure that the transaction tranche is well funded at all times. Secondly, credit lines with correspondent banks have been arranged to cater for unforeseen circumstances. Thirdly, the transaction tranche is funded with call balances only. This ensures that assets can be liquidated efficiently without undue costs.

Liquidity risk under the payment system is the risk of a commercial bank not having sufficient cash or eligible security to meet its obligations within the Namibia Inter-bank Settlement System (NISS) system. This risk is addressed by providing central bank credit to participants through a collateralised credit facility or repurchase agreement. The NISS system allows all participating banks to manage their liquidity positions on a real time basis. To further contain the risk of settlement failure due to liquidity shortages, the Bank of Namibia compelled all participants to settle on a same-day basis. This has obliged all participants to hold sufficient liquid funds to settle their obligations at the end of the day.

e) Currency risk

Currency risk is the probability of a loss resulting from a movement in relative values between two currencies. Currency risk on reserve assets is managed passively at a policy level. Hence, the Investment Policy of the Bank establishes a currency benchmark, listing the currencies in which the reserves are to be held and the percentage holding allowed for each currency in the mix. The currency composition is determined at a policy level, dictated among other things, by Namibia's trade and debt profile.

BOX D BANK OF NAMIBIA – RISK MANAGEMENT STATEMENT (CONTINUED)

f) Price risk

Price risk is the possibility that a financial instrument's price fluctuation will unfavourably affect income, capital or risk reduction strategies. Price risk is usually influenced by other risks. For example, a bond's price risk could be a function of rising interest rates, while the price risk of an instrument denominated in foreign currency could be a function of depreciation (devaluation) of that currency. In the case of the Bank, exchange rate risk may also arise if the currency composition of international reserves is sub-optimal, i.e. not properly aligned to the country’s foreign exchange earnings.

A number of measures have been instituted to mitigate exposure to exchange rate fluctuations. The currency composition is deliberately aligned to the country’s foreign trade and debt transactions in order to preserve the purchasing power of those reserves. Further, a limit is set on exposures in currencies other than those defined in the currency mix. Compliance with the currency mix and currency risk limit is monitored independently from the front office that takes the positions and this is reported monthly to the International Reserves Management Committee (IRMC) which is composed of members from the Bank’s senior management. This practice ensures that the Bank’s senior management has oversight over these risks.

g) Interest rate risk

This risk is the possibility that an instrument's value will fluctuate in response to current or expected market interest rate changes. A limit on interest rate sensitivity in the form of maximum modified duration is set, while compliance is monitored by a senior management committee on a regular basis. In addition to modified duration limit, investment guidelines set maximum maturity limits for instruments. Limiting maturity of instruments mitigates interest rate risk by truncating duration, as long maturity instruments are more sensitivity to interest rates than short maturity instruments, other things being equal.

h) Credit risk

This risk is the possibility of loss due to a counterparty's or issuer's default, or inability to meet contractual payment terms. With regard to the management of foreign currency reserves, a minimum credit rating limit for instruments is instituted to ensure that the Bank maintains an investment portfolio with appropriate credit risk profile. These ratings are monitored independently by a senior management committee on a monthly basis. With regard to credit risk arising through the operations of the Inter-Bank Settlement System (NISS), the risk is addressed by collateralisation of credit facilities or the use of repurchase agreements.

i) Concentration Risk

This is the risk of loss as a result of too much concentration of funds in a specific sector of the maturity spectrum, institution or instrument. Investment guidelines set limits to counterparties, on currencies and issues. A senior management committee monitors these limits regularly.

BOX D BANK OF NAMIBIA – RISK MANAGEMENT STATEMENT (CONTINUED)

j) Settlement Risk

Settlement risk is the possibility of loss from a counterparty that does not perform after the Bank has delivered funds or assets (before receiving the contractual proceeds). Settlement limits are in place. With regard to Treasury Securities managed by the Bank on behalf of the Government, settlement is confined within two full business days after the trade date. Transactions involving Treasury-Bill obligations are typically in book-entry form, rather than in physical certificate form. Book-entry is an electronic registration, transfer, and settlement system that enables the rapid and accurate registration and transfer of securities with concurrent cash settlement. Book-entry reduces handling costs and quickens transaction completion thus reducing the settlement risk.

Settlement risk in the payment system is the possibility of loss resulting from default by a NISS participant to meet its settlement obligations towards one or more participant. To prevent settlement failure by one or more participant, the Bank extends short-term credit to system participants. The credit is extended under a repurchase agreement, whereby participants are obligated to buy back securities sold to the Bank during the day before close of the funds settlement value date. Intraday credit under the repurchase agreement does not attract any interest, but if the participant rolls over the repurchase agreement overnight, the credit extended will attract interest at the Bank rate. Rollover beyond two funds settlement value dates is not allowed. Settlement risk may be manifested if a participant cannot sell the required securities to the Bank either because of fear of non-compliance with the prudential requirement to hold sufficient liquid assets or because of a lack of eligible securities. Should this be the case, the banking institution is suspended from participating in NISS and would cause the Bank to intervene from a supervisory perspective.

The ability to settle payment obligations within the RTGS system may also be at risk because of system or network failure. To contain such risk, the Bank has established a fully operable disaster recovery site away from its premises to continue operating the settlement system in case of disaster striking at head-office. As the settlement system is regarded as the most crucial in transacting on a real-time basis with all commercial banks, it was the first system to be duplicated at the site. A comprehensive policy and plan has been laid down for the operation of the settlement system from the disaster recovery site.

k) Supervisory and regulatory risk

In order to mitigate the risk against the possibility of the Bank being sued for certain actions or inactions related to the supervision of banks, the department has drafted a policy document on regulatory responses together with the attendant procedures for regulatory responses. In addition, as a way of minimising the legal risk, the banking supervision department requires all correspondence related to regulatory issues to be cleared with the legal office in the Bank prior to dispatch.

l) Human resources risk

Human resources risks may arise from the failure to recruit, develop or retain employees or from improper labour relations. It could also arise from loss of staff in key positions, which might disrupt business continuity. The Bank's human resources department continues to provide training and coaching sessions to staff in order

BOX D BANK OF NAMIBIA – RISK MANAGEMENT STATEMENT (CONTINUED)

to build capacity and improve staff morale. In order to mitigate rising staff turnover, the Bank adopted a staff retention policy which is aimed at creating a favourable working environment through the culture change programme and offering market-related reward system.

A business continuity programme is in place to ensure that services rendered by the Oshakati Branch are not disrupted because of lack of skilled staff. In the event of a crisis, support from head-office is available.

m) Access Risk

Strict measures such as password control with automatic expiry time and safekeeping of files have been implemented to prevent unauthorised disclosure of confidential information. In order to minimise the risk posed by operations in an open-plan environment, unauthorised entrance to the salary office is prohibited. The automatic shut down facility for the computers at workstations reduced this risk dramatically.

The network system infrastructure is based on the Windows 2000 directory structure and has been upgraded to the latest service level patches to minimise vulnerabilities in the operating system environment. Three domain controller servers have been configured to reduce the risk of internal and external users accessing the network.

Physical security control on a twenty-four hour basis with the help of CCTV cameras covering virtually all areas of the Bank's premises provides adequate access security. This is further enhanced through issuing access control cards only to authorised personnel and visitors.

Computer access control through passwords has been installed on all computers and there is an automatic expiry time for all passwords. Access to the computer room is restricted to authorised personnel only through the card access control system. All movement on Bank premises are recorded on the security system through card identification showing time of movement and period of stay.

n) Security Risk

Armed protection officers operate all security points at all times and security patrols have been increased in and around the Bank premises. CCTV cameras in the note sorting have been adjusted to give clearer coverage and recording of movements and events. Access to high security areas is effectively controlled. The Bank is in the process of upgrading the current analogue CCTV and recording system to a digital one.

PART D

ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

Report in terms of section 52(1)(a) of the Bank of Namibia Act No.15 of 1997

ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBER OF THE BANK OF NAMIBIA

Introduction

We have audited the annual financial statements of the Bank of Namibia set out on pages 89 to 100 for the year ended 31 December 2003. These financial statements are the responsibility of the Board of Directors of the Bank. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of Namibian Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Bank of Namibia at 31 December 2003 and the results of its operations for the financial year then ended in accordance with Namibian Statements of Generally Accepted Accounting Practice and in the manner required by the Bank of Namibia Act, No 15 of 1997.

Deloitte & Touche
Chartered Accountants (Namibia)
WINDHOEK
26 February 2004

BOARD MEMBERS' STATEMENT

The main statutory provisions relating to the role and duties of members of the Board are covered under Section 8(1) of the Bank of Namibia Act, No 15 of 1997, we confirm that:

1. The Board and members of Management are responsible for the preparation of the annual financial statements and for the judgements used therein;

2. The Board has overall responsibility for the system of internal financial control in the Bank, which is designed to safeguard the assets of the Bank, prevent and detect fraud and other irregularities. To discharge this responsibility an appropriate organisational structure has been established. In this regard, the Audit Committee of the Board meets periodically with Internal and External Auditors and members of Management of the Bank to discuss control issues, financial reporting and related matters. The Internal and External Auditors have full access to the Audit Committee. Further, the Bank has a comprehensive Risk Management Strategy in place.

3. The Board is satisfied that Namibian Generally Accepted Accounting Practice and Standards, in line with the nature of central banking activity have been consistently applied and are supported by reasonable and prudent judgements and estimates.

4. The Board members confirm that they are satisfied that the Bank has adequate resources to continue in business for the foreseeable future. For this they continue to adopt the "going concern" basis for preparing the financial statements.

The annual financial statements on pages 89 to 100 were approved by the Members of the Board and are signed on its behalf by:

CHAIRMAN
26 February 2004

BOARD MEMBER
26 February 2004

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2003

	Notes	2003 N$' 000	2002 N$' 000
Net interest received		97 756	88 930
Interest received		137 844	135 976
Interest paid		(40 088)	(47 046)
Net realised (losses)/gain on portfolio investments		(4 069)	7 498
Other income		5 569	2 589
Total income		99 256	99 017
Operating expenses		(95 722)	(80 769)
Administration expenses		64 053	56 828
Currency expenses		7 718	4 812
Depreciation		11 410	8 560
Other operating costs		12 541	10 569
Net profit for the year before transfers to reserves	2	3 534	18 248
Transfers to reserves		(2 474)	(12 774)
General reserve		2 474	7 465
Development fund reserve	10	-	5 309
Distribution to State Revenue Fund		1 060	5 474

BALANCE SHEET
AS AT 31 DECEMBER 2003

	Notes	2003 N$' 000	2002 N$' 000
ASSETS			
Non-Current Assets		**212 438**	**212 122**
Property, plant and equipment	3	159 261	166 339
Currency inventory		10 425	15 837
Loans and advances	4	42 752	29 946
Current Assets		**2 156 047**	**2 970 417**
Investments	5	2 090 925	2 842 966
Bankers current		0	61 689
Loans and advances		42 259	18 972
Rand cash		13 210	38 504
Other assets	6	9 653	8 286
Total Assets		**2 368 485**	**3 182 539**
EQUITY AND LIABILITIES			
Capital and Reserves		**727 220**	**1 084 767**
Share capital	7	40 000	40 000
General reserve	8	239 756	237 282
Revaluation reserve	9	432 464	792 485
Development fund reserve	10	15 000	15 000
Current Liabilities		**1 641 265**	**2 097 772**
Notes and coins in circulation	11	918 686	818 980
Deposits	12	665 819	1 270 535
Other liabilities	13	56 760	8 257
Total Equity and Liabilities		**2 368 485**	**3 182 539**

TOM K. ALWEENDO
GOVERNOR

26 February 2004

UBAIDULLAH DAVIDS
CHIEF FINANCIAL OFFICER

26 February 2004

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2003

	Share Capital N$ '000	General Reserve N$ '000	Revaluation Reserve N$ '000	Building Reserve N$ '000	Development Fund Reserve N$ '000	Total N$ '000
Balance at 1 January 2002	40 000	203 739	1 324 347	30 000	9 691	1 607 777
Net foreign exchange losses	-	-	(531 862)	-	-	(531 862)
Appropriation of net profit for the period	-	7 465	-	-	5 309	12 774
Transfers to / (from) reserves	-	30 000	-	(30 000)	-	-
Balance at 31 December 2002 as previously stated	**40 000**	**241 204**	**792 485**	**-**	**15 000**	**1 088 689**
Impairment adjustment for off-market loans (Note1.1)	-	(3 922)	-	-	-	(3 922)
Balance at 31 December 2002 as re-stated	**40 000**	**237 282**	**792 485**	**-**	**15 000**	**1 084 767**
Net foreign exchange losses	-	-	(360 021)	-	-	(360 021)
Appropriation of net profit for the period	-	2 474	-	-	-	2 474
Balance at 31 December 2003	**40 000**	**239 756**	**432 464**	**-**	**15 000**	**727 220**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2003

1. ACCOUNTING POLICIES

The Bank's annual financial statements are prepared on the historical cost basis, except for financial assets and liabilities where the fair value and amortised cost basis of accounting is adopted. The annual financial statements have also been prepared to comply with the requirements of the Bank of Namibia Act, 1997. The principal accounting policies, which have been consistently applied in all material respects aside from the Namibian Accounting Standard AC 133 which has been adopted in the current financial year, are set out below. The accounting policies comply in all material respects with Namibian Statements of Generally Accepted Accounting Practice.

1.1 Change in Accounting Policy

The Bank has adopted accounting standard AC 133 – "Financial Instruments: Recognition and Measurement" with effect from 1 January 2003. The statement requires that organisations identify financial assets and liabilities that should be measured at fair value and accordingly re-measure to fair value as appropriate. As regards to the Bank, loans to employees at subsidised interest rates would be considered as financial assets, which are subjected to an annual fair value review.

In terms of AC 133 transitional arrangements, prior year retained earnings should be accordingly adjusted to reflect all changes prior to 31 December 2002, with movements for the current year being charged through the income statement. This Standard must be applied retrospectively.

Adjustments which have been effected through the financial statements of the Bank to comply with the requirements of the standard are detailed below:

	General Reserve N$'000
Balance at 31 December 2002 as previously stated	241 204
Transitional adjustment	(3 922)
Restated opening balance	237 282

	Income Current Year N$'000
Unwinding of opening balance present value adjustments	1 186
Fair value adjustments of new loans	(384)
Release to income current year	802

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2003

1. ACCOUNTING POLICIES (continued)

1.2 Financial Instruments

Financial instruments are initially measured at cost which includes transaction costs. Subsequent to initial recognition, all instruments are measured at fair value which is determined by instrument type based on accepted valuation concepts. Gains and losses arising from changes in fair value of the concerned instruments are included in the income statement for the year.

1.3 General reserve

The general reserve is established in terms of Section 16 of the Bank of Namibia Act, 1997 and may only be used for the purpose specified therein.

1.4 Foreign currency activities and Revaluation reserve

Assets and liabilities in foreign currencies are translated to Namibia Dollars at year-end exchange rates. In terms of section 31 of the Bank of Namibia Act, 1997, exchange gains and losses of the Bank are for the account of the Government and are transferred to the Revaluation Reserve Account, until realised.

1.5 Property, plant and equipment

Property, plant and equipment are stated at cost and are depreciated on the straight-line method over their estimated useful lives at the following rates:

Freehold buildings	2.0 %
Computer hardware	50.0 %
Computer software	33.3 %
Motor vehicles	25.0 %
Furniture, fittings and equipment	20.0 %

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2003

1. ACCOUNTING POLICIES (continued)

1.6 Investments

Investments in marketable securities are stated at market value and include realised and unrealised capital appreciation, or depreciation, which is taken into account to reflect changes in market value. Realised capital appreciation and depreciation as well as unrealised capital appreciation and depreciation are recognised in the income statement.

Investments are adjusted to take account of discounts earned or premiums paid, over their remaining life, so that book value at maturity equals the redemption value.

Other investments are initially stated at cost and subsequently measured at fair value where applicable.

Any exchange rate movements are accounted for through the Revaluation Reserve Account.

Interest from investments is accounted for on the accruals basis.

1.7 Currency inventory

The costs of new Namibia bank notes and coins are capitalised and amortised on the earlier of issue of the currency or over five years.

1.8 Pension fund

It is the policy of the bank to provide retirement benefits for employees. Contributions to the pension fund are charged against income in the year in which they become payable.

1.9 Impairment of assets

The carrying amount of the assets of the Bank is reviewed at each balance sheet date to determine whether there is any indication of impairment, in which case their recoverable amounts are estimated.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. A previously expensed impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2003

2. NET PROFIT FOR THE YEAR

The net profit for the year is arrived at after taking the following items into account:

		2003 N$' 000	2002 N$' 000
Realised (losses)/gains on portfolio investments		(4 069)	7 498
Salaries and related personnel costs		57 862	51 611
Staff training and development		1 084	1 450
Social responsibility		530	509
Board members' fees		187	144
Auditor's remuneration	- Audit fees	209	131
	- Other services	108	-
Membership fees		17	16
Building and other maintenance costs		3 983	2 615
Loss on disposal of fixed property		-	17
Profit on disposal of property, plant and equipment		3	56
Unwinding of present value adjustments		(1 186)	-
Fair value adjustment of new loans		384	-
Number of employees		274	267

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2003

3. PROPERTY, PLANT AND EQUIPMENT

	Freehold buildings N$' 000	Computer software & hardware N$' 000	Furniture fittings & equipment N$' 000	Motor vehicles N$' 000	Total N$' 000
Cost					
At 1 January 2003	157 333	22 691	19 616	870	200 510
Additions	961	2 128	3 764	339	7 192
Disposals / write-offs	(2 830)	(1 420)	(402)	-	(4 652)
At 31 December 2003	155 464	23 399	22 978	1 209	203 050
Depreciation					
At 1 January 2003	8 198	12 112	13 226	635	34 171
Current year charge	3 025	4 980	3 202	202	11 409
Disposals / write-offs	-	(1 420)	(371)	-	(1 791)
At 31 December 2003	11 223	15 672	16 057	837	43 789
Book value					
At 1 January 2003	149 135	10 579	6 390	235	166 339
At 31 December 2003	144 241	7 727	6 921	372	159 261

A register containing details of land and buildings is available for inspection at the registered office of the Bank.

4. LOANS AND ADVANCES

	2003 N$' 000	2002 N$' 000
Staff Loans	19 032	16 509
Less: Present value adjustment for off-market staff loans	(3 120)	(3 922)
	15 912	12 587
Other Loans	26 840	17 359
Closing balance	42 752	29 946

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2003

		2003	2002
		N$' 000	N$' 000
5.	**INVESTMENTS**		
	Rand currency	729 754	1 135 768
	Other currencies	1 361 171	1 707 198
		2 090 925	2 842 966
6.	**OTHER ASSETS**		
	Stock inventory	266	180
	Accounts receivable	9 218	7 907
	IMF - special drawing rights	169	199
		9 653	8 286
7.	**SHARE CAPITAL**		
	Authorised share capital		
	100 000 000 Ordinary shares of N$1 each	100 000	100 000
	Issued share capital		
	40 000 000 Ordinary shares of N$1 each	40 000	40 000
8.	**GENERAL RESERVE**		
	Opening balance	237 282	203 739
	Transfer from - Net profit	2 474	7 465
	- Building reserve	-	30 000
	Prior year adjustment (Note 1.1)	-	(3 922)
	Closing balance	239 756	237 282
9.	**REVALUATION RESERVE**		
	Opening balance	792 485	1 324 347
	Net foreign exchange losses	(360 021)	(531 862)
	Closing balance	432 464	792 485
10.	**DEVELOPMENT FUND RESERVE**		
	Opening balance	15 000	9 691
	Transfer from net profit	-	5 309
	Closing balance	15 000	15 000

This reserve has been created to provide a grant to the Development Bank of Namibia on its formation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2003

		2003	2002
		N$' 000	N$' 000
11.	**NOTES AND COINS IN CIRCULATION**		
	Notes	859 349	765 545
	Coins	59 337	53 435
		918 686	818 980
12.	**DEPOSITS**		
	Government of the Republic of Namibia	252 802	1 050 030
	Domestic banker's reserve account	168 261	153 995
	Domestic banker's call account	85 759	7 633
	Other	158 997	58 877
		665 819	1 270 535

The Government of the Republic of Namibia has access to an overdraft facility of N$250 million, which is to reduce to N$100 million after 31 March 2004 (2002: N$100 million) with the Bank of Namibia, of which interest is payable at the ruling Treasury Bill rate plus 2% at the time the facility is made available.

Interest is payable to the Government of Namibia on deposits in excess of N$250 million at the 91 day Treasury Bill rate less a discount of 4.5%.

		2003	2002
13.	**OTHER LIABILITIES**		
	Treasury Bills	43 560	-
	Sundry Creditors	13 200	8 257
		56 760	8 257

Government Treasury Bills were taken by the Bank as a monetary policy tool. These 365 days Treasury Bills mature on 16 April 2004 and have an effective yield of 13.636%.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2003

14. GUARANTEES

The Bank guarantees a percentage of housing loans granted to employees by certain financial institutions. Half of the guarantee is given by way of collateral security in the form of deposits at the respective financial institutions and the balance by way of written obligation from the Bank.

15. CONTINGENT LIABILITY

There is a claim of US$2 917 015 against the Bank which relates to a guarantee issued by the Bank in 1993. The total possible loss, including costs may amount to not less than N$20 million. The Bank views the case as having no substance and is addressing it in conjunction with its legal advisors.

16. RETIREMENT FUND

Retirement benefits are provided for employees by a separate Provident Fund, known as the Bank of Namibia Provident Fund, to which the Bank contributes. The Provident Fund is administered under the Namibian Pension Fund Act, No. 24 of 1956. An actuarial valuation was last performed (with no adjustments recommended) on 1 March 2000. The Fund was converted from a Defined Benefit Pension Fund to a Defined Contribution Provident Fund as at 1 March 2000. All employees contribute to the Fund. Total Bank contributions for the year amounted to N$5 612 074 (31 December 2002: N$4 801 306).

17. TAXATION

No provision for taxation has been made in the annual financial statements as the Bank is exempted from taxation in terms of section 57 of the Bank of Namibia Act, No. 15 of 1997.

18. CASH FLOW STATEMENT

A cash flow statement has not been prepared because it is considered inappropriate in view of the Bank's role, as the central bank, in the issuing and withdrawal of money.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The risk management policies of the Bank regarding financial instruments are dealt with in regular reviews of the Bank's reserve management policies. The main risk areas are market, currency, credit and interest rates. The Bank invests in investment grade currencies in accordance with the country's known or potential trade flows, especially the import component. Interest rate risk is managed by using modified duration, while credit risk is controlled by dealing with high quality institutions or counterparties, as determined by international rating agencies.

PART E

STATISTICAL APPENDIX

9. STATISTICAL APPENDIX

9.1 Methods and Concepts

Accrual accounting basis

This applies where an international transaction is recorded at the time when ownership changes hands, and not necessarily at the time when payment is made. This principle governs the time of recording for transactions; transactions are recorded when economic value is created, transformed, exchanged, transferred or extinguished.

Balance of Payments

The Balance of Payments (BOP) is a statistical statement that systematically summarizes, for a specific time period, the economic transactions of an economy with the rest of the world. Transactions, for the most part between residents and nonresidents, consist of those involving goods, services, and income; those involving financial claims and liabilities to the rest of the world; and those (such as gifts) classified as transfers. It has two main accounts viz, the current account, capital and financial account. Each transaction in the balance of payments is entered either as a credit/asset or a debit/liability. A credit/asset transaction is one that leads to the receipts of payment from non-residents. Conversely, the debit/liability leads to a payment to non-residents.

3-Month BA rate

The interest rate on a time draft (bill of exchange) drawn on and accepted by DMC's on which it was drawn; the bank accepting the draft assumes the obligation of making payment at maturity on behalf of its client.

Bank rate

The rate charged by the Bank of Namibia on advances on specific collateral to DMC's.

Banking Survey

The Banking Survey is a consolidation of the Monetary Survey and the accounts of Other Banking Institutions.

Bond

A security that gives the holder the unconditional right to a fixed money income or an income linked to some index, and except for perpetual bonds, an unconditional right to a stated fixed sum or a sum linked to some index on a specified date or dates.

Broad Money Supply (M2)

Broad Money Supply (M2) is defined to include M1 plus time and savings deposits of the non-bank private sector.

Budget proposal or estimates

A request presented by the executive to the legislature or legislating executive council for spending authority, accompanied by an estimate for expected revenue whose collection must also be authorised in some countries. The request may be subject to revision by the legislature, which can be unlimited or limited by such constitutional provisions as the requirement that revenue be increased to match any increase in the expenditure.

Budget year

The period of time for which a budget makes appropriations. Actual allocations, commitments, deliveries, and payments for particular budget's expenditure programs may extend well past the year in which they were originally appropriated. In some budgetary systems, assignments of such transactions to the budget of original appropriation may continue for years. In others, such assignment back to the original budget year may not exist or may be limited to a complementary period of relatively short duration. For purposes of this definition, government receipts and payments should be included in the time period in which they actually take place rather than being assigned to the budget year in which they were authorised.

Capital expenditure

Expenditure for acquisition of land, intangible assets, government stocks, and non-military, no financial assets, of more than a minimum value and to be used for more than one year in the process of production; also for capital grants. Capital expenditure is frequently separated (in some cases along with certain revenue) into a separate section or capital account of the budget or into an entirely separate budget for capital expenditure that is the capital budget. This separation may sometimes follow different criteria, however.

Capital grants

No repayable, unrequited transfers received by government from governments or international organisations for the purpose of financing the acquisition of no financial capital assets by the recipients, compensating the recipients for damage or destruction of capital assets, or increasing the financial capital of the recipients. The term grant is used to refer only to transfers between governments or international organisations.

Capital revenue

Proceeds from the sale of non-financial assets, including land intangible assets, stocks, and fixed capital assets of buildings, construction and equipment of more than a minimum value and usable for more than one year in the process of production, and receipts and unrequited transfers for capital purposes from non-governmental sources.

Capital and Financial Account

In the balance of payments, the capital account covers capital transfers and the acquisition or disposal of non-produced non-financial items such as patents. The financial account of the balance of payments consists of the transactions in foreign financial assets and liabilities of an economy. The foreign financial assets of an economy consist of holdings of monetary gold, IMF Special Drawing Rights and claims on non-residents. The foreign liabilities of an economy consist claims of non-residents on residents. The primary basis for classification of the financial account is functional: direct, portfolio, other investment, financial derivatives and reserve assets.

Capital Transfers

Capital transfers in kind consists of the transfers without a quid pro quo of the (1) ownership of a fixed asset or (2) the forgiveness, by mutual agreement between creditor and debtor, of the debtor's financial liability when no counterpart is received in return by the creditor. Capital transfer in cash, on the other hand, is linked to or conditional on, the acquisition or disposal of a fixed asset by one or both parties to the transaction (e.g., an investment grant).

Central government

All government elements that are agencies or instruments of the central authority of a country whether covered in or financed through ordinary or extraordinary budgets or extra-budgetary funds. This includes funds at the central government level, decentralised agencies, departmental enterprises, social security funds operating at national level and relevant nonprofit institutions attached to the central authority and geographical extensions of central government authority that may operate at regional or local levels without the attributes necessary for existence as a separate government.

Current Account Balance

The current account of the balance of payments covers all transactions (other than those in financial items) that involve economic values, (i.e; real transactions) and occur between residents and non-resident entities. Also covered are offsets to current economic values provided or acquired without a quid pro quo. Included are goods, services, income and current transfers. The balance on goods, services, income and current transfers is commonly referred to as the "current balance" or "current account balance".

Current expenditure

Expenditure other than for capital transfers or the acquisition of land, intangible assets, government stocks, or non-military durable goods of greater value than a minimum amount and to be used in the process of production for more than a period of one year. Current expenditure is frequently separated (in many cases along with current revenue) into a separate section or current account of the budget or into an entirely separate budget for current expenditure, that is, the current budget.

Current Transfers

Current transfers are all transfers of real resources or financial items without a quid pro quo and excludes transfers of funds directed for capital investments. Included are gifts of goods and money to or from non-residents viz, governments and private individuals. Current transfers directly affects the level of disposable income and should influence the consumption of goods and services.

Current revenue

All revenue from taxes and from no repayable or no repaying receipts other than grants, from the sale of land, intangible assets, government stocks, or fixed capital assets, or from capital transfers from non-governmental sources.

Debt

The outstanding stock of recognised, direct liabilities of the government to the rest of the economy and the world generated by government operations in the past and scheduled to be extinguished by government operations in the future or to continue as perpetual debt. This excludes intra-governmental or intergovernmental debt of the sub sector or sector of government being measured, currency issues and other monetary authorities debt, dormant or repudiated debt not being serviced, and any floating debt of unpaid obligations.

Deficit or surplus

The deficit or surplus is defined as revenue plus grants received less expenditure less lending minus repayments. The deficit or surplus is also equal, with an opposite sign, to the sum of net borrowing by the government, plus the net decrease in government cash, deposits, and securities held for liquidity purposes.

Demand Deposits

These are deposits that are exchangeable without penalty or restriction, on demand and is directly usable for making third party payments.

Deposit Money Banks (DMB's)

These are financial intermediaries, which incur as their primary activity liabilities in the form of deposits that are freely transferable on demand without penalty and freely usable as a means of payment. There are currently four financial intermediaries classified as financial intermediaries in Namibia, i.e. First National Bank of Namibia, Standard Bank of Namibia, Commercial Bank of Namibia and Bank Windhoek.

Deposit Rate

The deposit rate refers to the weighted average deposit rate of the DMB's i.e. the rate that DMB's declare on time deposits.

Direct Investment

Direct investment refers to a lasting interest of an entity resident in one economy (the director investor) in an entity resident in another economy (the direct investment enterprise), with an ownership of 10 percent or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise).

Double-entry accounting

The basic accounting conversion for a balance of payment statement is that every recorded transaction is represented by two entries with exactly equal values. Each transaction is reflected as a credit (+) and a debit (-) entry. In conformity with business and national accounting, in the balance of payment, the term: credit is used to denote a reduction in assets or an increase in liabilities, and debit a reduction in liabilities or an increase in assets.

Dual-listed Companies

Refer to those companies listed and trading on a foreign stock exchange, such as the Johannesburg Stock Exchange as well as on the NSX.

Expenditure

All no repayable and non-repaying payments by government, whether requited or unrequited and whether for current or capital purposes. Expenditure is shown net of recoveries on past expenditure and net of other adjustment transactions. It is otherwise shown gross with the exception of departmental enterprises' transactions, for which sales to the public are offset against corresponding operating expenditures.

Financing

The means by which a government provides financial resources to cover a budget deficit or allocates financial resources arising from a budget surplus. It includes all transactions involving government liabilities other than for currency issues or demand, time, or savings deposits with government or claims on others held by government for purposes of liquidity rather than public policy objectives, and changes in government holdings of cash and deposits.

Fiscal year

The regular annual budget and accounting period for which provision of revenue and expenditure is made, and for which accounts are presented, excluding any complementary period during which the books may be kept open after the beginning of the next fiscal period.

General government sector

The combination of all government units operating in a country, and hence constituting one of the five institutional sectors in a country's economy. The sub sectors that may comprise the general government sector are (1) central government; (2) state, provincial, or regional governments; (3) local governments including municipalities, school boards, etc.; and (4) any supranational authorities exercising tax and governmental expenditure functions within the national territory. Social security funds form a part of the level of government at which they operate. No financial public enterprises and public financial institutions do not from a part of general government.

Goods

These are real transactions with change in the ownership of physical products and include consumer and capital goods.

Government

A generic term applying to all instrumentalities of the republic authorities of any territorial area or its parts, established through political processes, exercising a monopoly of compulsory powers within the territorial area or its parts, motivated by considerations of public purposes in the economic, social, and political spheres, and engaged primarily in the provision of public services differing in character, cost elements, and source of finance from the activities of other sectors. For the purpose of this definition, government embraces (1) the primary non-commercial functions of its various parts, agencies, and instrumentalities; (2) social security arrangements for large sections of the community imposed, controlled or financed by the government; (3) pension funds of government employees whose reserves are invested entirely with the employing government; (4) a limited range of unincorporated industrial activities encompassing either ancillary functions, that is, meeting internal government needs, or selling of the public, but on a smaller scale; (5) a limited range of financial bodies comprising lending bodies deriving all their funds from government and savings bodies automatically channelling to government the proceeds of liabilities to the public in forms other than demand, time, or savings deposits; (6) other nonprofit institutions serving households or business enterprises which are wholly, or mainly, financed and controlled by the public authorities or which primarily serve government bodies; (7) the operations within the country of any supranational authorities empowered to levy taxes in the territory of more than one country.

Grants

Unrequited, no repayable, non-compulsory payments between governments or international institutions. The term is sometimes also used to refer to transfers of this nature made by government to all types of recipients. In determination of the deficit/surplus, by this definition, grants are grouped with revenue and expenditure rather than with financing.

Income

Income covers two types of transactions between residents and nonresidents: (i) those involving compensation of employees, which is paid to non-resident workers (eg., border, seasonal and other short-term workers), and (ii) those involving investment income receipts and payments on external financial assets and liabilities. Included in the latter are receipts and payments on direct investment, portfolio investment and other investment and receipts on reserve assets. Income derived from the use of tangible asset e.g., car rental by a non-resident is excluded from income and is classified under services such as travel.

Lending Rate

The lending rate refers to the weighted average lending rate, i.e. the rate charged by DMB's to borrowers.

Local Market

Only local (Namibian) companies listed on the NSX.

Market Capitalisation

The number of shares issued by a company times the latest share price.

Market Turnover

Volume of shares traded on the NSX times the latest share price.

Market Volume

The number of shares traded on the NSX.

Merchandise Trade Balance

This is net balance of the total export and import of goods excluding transactions in services between residents and non-residents. Trade balance is the net balance of the total export and import of goods including transactions in services between residents and non-residents.

Monetary Survey

The Monetary Survey consolidates the accounts of the Bank of Namibia and the Deposit Money Corporations.

Money Market Rate

The money market rate refers to the inter-bank rate; the rate at which DMB's extend credit to each other.

Mortgage Rate

The rate charged on a loan for the purpose of financing construction or purchasing of real estate.

Narrow Money Supply (M1)

Narrow Money Supply (M1) is defined to include currency in circulation and demand deposits held by the non-bank private sector.

Net Errors and Omissions

The balance of payment accounting framework requires a balancing item as the measure of the difference between recorded credits/debits and omissions. This is called 'net errors and omissions'. Theoretically, it measures quality though in practice a zero/lower net errors and omissions could imply not necessarily good quality data but that debits and credits just cancelled each other.

Other Banking Institutions (OBI's)

These are financial intermediaries with liabilities in the form of deposits that may not be readily transferable, but are close substitutes. Currently three such institutions are covered, i.e. Agribank of Namibia, National Housing Enterprise and the Namibia Post Office Savings Bank.

Other Investment

Other investment covers all financial instruments other than those classified as direct investment, portfolio investment, financial derivatives or reserve assets.

Overall Balance of Payments

A balance simply refers to the difference between the sum of credits and debit entries. The overall balance is a very simple concept but a powerful analytical tool often used by analysts. In the balance of payment overall balance refers to the balance between the sum of the current account balance, the capital and financial account balance and net errors and omissions.

Overall Market

Refers to all companies, local as well as foreign, listed on the NSX.

Portfolio Investment

Portfolio investment includes trading in equity and debt securities (other than those included in direct investment and reserve assets). These instruments are usually traded (or tradable) in organized and other financial markets, including over-the-counter (OTC) markets.

Prime rate

The rate of interest charged by Namibian Deposit Money Banks (DMC's) for loans made to its most credit-worthy business and industrial customers; it is a benchmark that banks establish from time to time in computing an appropriate rate of interest for a particular loan contract.

Real Interest Rate

The rate of interest adjusted to allow for inflation; the nominal interest rate less the expected rate of inflation for Namibia, is the real rate.

Reserve Assets

Reserve assets consist of those external assets that are readily available to and controlled by the monetary authority for the direct financing of payments imbalances, for indirectly regulating the magnitude of such balances through intervention in exchange markets to affect the currency exchange rate, and/or for other purposes.

Residency

In the balance of payments, the concept of residency is based on a sectoral transactor's center of economic interest. Country boundaries recognized for political purposes may not always be appropriate for economic interest purposes. Therefore, it is necessary to recognize the economic territory of a country as the relevant geographical area to which the concept of residence is applied. An institutional unit is a resident unit when it has a center of economic interest in the territory from which the unit engages in economic activities and transactions on a significant scale, for a year or more.

Revenue

All no repayable and non-repaying receipts, whether requited or unrequited, other than those non-compulsory, no repayable and no repaying, unrequited receipts which come from other governments, domestic or foreign and international institutions. Revenue is shown net of refunds and other adjustment transactions. Revenue is otherwise shown gross except for the proceeds of departmental enterprise sales to the public, which is netted against the corresponding operating expenditures.

9.2. STATISTICAL TABLES

I NATIONAL ACCOUNTS

II MONETARY AND FINANCIAL DEVELOPMENTS

III FINANCIAL MARKET INDICATORS

IV PUBLIC FINANCE

V BALANCE OF PAYMENTS

Table I.I AGGREGATE ECONOMIC INDICATORS

	1998	1999	2000	2001	2002
Current Prices					
GDP (N$ milllion)	18789	20684	23690	27333	30101
% Change	12.2	10.1	14.5	15.4	10.1
GNI (N$ million)	19273	20578	23920	27324	30693
% Change	13.0	6.8	16.2	14.2	12.3
GDP per capita (N$)	10736	11459	12723	14664	15751
% Change	8.7	6.7	11.0	15.3	7.4
GNI per capita (N$)	11013	11401	12846	14659	16061
% Change	9.5	3.5	12.7	14.1	9.6
Constant 1995 Prices					
GDP (N$ million)	14115	14591	15100	15457	15960
% Change	3.3	3.4	3.5	2.4	3.3
GNI (N$ million)	15475	15486	16606	17539	18652
% Change	5.8	0.1	7.2	5.6	6.3
GDP per capita (N$)	8066	8083	8110	8292	8351
% Change	0.1	0.2	0.3	2.2	0.7
GNI per capita (N$)	8843	8579	8918	9409	9760
% Change	2.5	-3.0	4.0	5.5	3.7

Source: Central Bureau of Statistics

Table I.2 GROSS DOMIESTIC PRODUCT AND GROSS NATIONAL INCOME

	1998	1999	2000	2001	2002
Current prices - N$ million					
Compensation of employees	7800	8307	9352	10320	10999
Consumption of fixed capital	2482	2851	3103	3558	3943
Net operating surplus	6325	6912	9174	11009	12464
Gross domestic product at factor cost	**16608**	**18069**	**21629**	**24887**	**27406**
Taxes on production and imports	2332	2771	2671	3109	3248
Subsidies	-151	-156	-610	-663	-552
Gross domestic product at market prices	**18789**	**20684**	**23690**	**27333**	**30102**
Primary incomes					
- receivable from the rest of the world	1014	1129	1721	1704	1865
- payable to rest of the world	-530	-1235	-1491	-1714	-1273
Gross national income at market prices	**19273**	**20578**	**23920**	**27323**	**30694**
Current transfers					
- receivable from the rest of the world	2492	2906	3272	3297	3255
- payable to rest of the world	-249	-363	-262	-312	-321
Gross national disposable income	**21515**	**23120**	**26930**	**30308**	**33628**
Current prices - N$ per capita					
Gross domestic product at market prices	10736	11459	12723	14664	15751
Gross national income at market prices	11013	11401	12846	14659	16061
Constant 1995 prices - N$ million					
Gross domestic product at market prices	**14115**	**14591**	**15100**	**15457**	**15960**
- Annual percentage change	3.3	3.4	3.5	2.4	2.3
Real gross national income	**15475**	**15486**	**16606**	**17539**	**18652**
- Annual percentage change	5.8	0.1	7.2	5.6	6.3
Constant 1995 prices - N$ per capita					
Gross domestic product at market prices	**8066**	**8083**	**8110**	**8292**	**8351**
- Annual percentage change	0.1	0.2	0.3	2.3	0.7
Real gross national income	**8843**	**8579**	**8918**	**9409**	**9760**
- Annual percentage change	2.5	-3.0	4.0	5.5	3.7

Source: Central Bureau of Statistics

Table I.3 NATIONAL DISPOSABLE INCOME AND SAVING

Current prices - N$ million	1998	1999	2000	2001	2002
Disposable income and saving					
Gross national disposable income	**21515**	**23120**	**26930**	**30308**	**33627**
Consumption of fixed capital	**2482**	**2851**	**3103**	**3558**	**3943**
Net national disposable income	**19033**	**20269**	**23827**	**26750**	**29684**
All other sectors	13556	14009	17426	20087	22966
General government	5477	6261	6401	6663	6718
Final consumption expenditure	**16740**	**18509**	**21026**	**23498**	**25371**
Private	11185	12240	14196	16082	17717
General government	5555	6268	6830	7416	7654
Saving, net	**2293**	**1760**	**2801**	**3252**	**4313**
All other sectors	2370	1768	3230	4005	5249
General government	**-78**	**-8**	**-430**	**-753**	**-936**
Financing of capital formation					
Saving, net	2293	1760	2801	3252	4313
Capital transfers receivable from abroad	254	137	93	45	46
Capital transfers payable to foreign countries	-2	-2	-2	-2	-3
Total	**2544**	**1895**	**2892**	**3295**	**4356**
Capital formation					
Gross fixed capital formation	4321	4760	4460	6016	6065
All other sectors	3482	3784	3465	4968	4946
General government	839	975	995	1048	1119
Consumption of fixed capital	-2482	-2851	-3103	-3558	-3943
All other sectors	-1771	-2083	-2284	-2649	-2933
General government	-711	-768	-819	-910	-1009
Changes in inventories	518	57	171	412	-283
Net lending (+) / Net borrowing(-)	187	-71	1364	425	2516
All other sectors	527	219	1924	1188	3377
General government	-340	-289	-560	-763	-861
Discrepancy on GDP [1])	528	416	659	812	626
Net lending/borrowing in external transactions	715	345	2023	1237	3142
Total	**2544**	**1895**	**2892**	**3295**	**4356**

Source: Central Bureau of Statistics
[1]This is the discrepancy in Table 1.6

Table I.4 GROSS DOMESTIC PRODUCT BY ACTIVITY
Current Prices - N$ Million

Industry	1998	1999	2000	2001	2002
Agriculture and forestry	905	1101	1299	1136	1507
Commercial	459	532	792	711	982
Subsistence	447	569	507	425	526
Fishing and Fish processing on board	933	971	1044	1445	1597
Mining and quarrying	1835	1949	2610	3663	3945
Diamond mining	1358	1697	1934	2854	2887
Other mining and quarrying	477	253	677	809	1058
Primary industries	**3674**	**4021**	**4953**	**6244**	**7050**
Manufacturing	2041	2074	2371	2604	2961
Meat processing	131	139	121	142	133
Fish processing on shore	543	451	548	494	697
Manufacture of other food products and beverages	912	1014	1090	1215	1310
Other manufacturing	455	470	612	753	820
Electricity and water	451	541	605	620	867
Construction	528	483	473	776	617
Secondary industries	**3020**	**3097**	**3448**	**4000**	**4444**
Wholesale and retail trade, repairs	1727	1857	2682	3004	3510
Hotels and restaurants	359	344	403	477	564
Transport, and communication	1111	1226	1383	1532	1885
Transport and storage	698	787	877	975	1133
Post and telecommunications	413	439	506	556	752
Financial intermediation	641	739	833	964	1048
Real estate and business services	1798	2023	2235	2497	2601
Owner-occupied dwellings	956	1070	1194	1317	1363
Other real estate and business services	841	953	1041	1180	1237
Community, social and personal services	155	171	201	216	242
Producers of government services	4128	4620	5071	5520	5736
Other producers	354	392	437	487	555
Tertiary industries	**10273**	**11371**	**13244**	**14697**	**16140**
Less: Financial services indirectly measured	216	259	273	330	349
All industries at basic prices	**16751**	**18231**	**21372**	**24611**	**27285**
Taxes less subsidies on products	2037	2453	2318	2722	2816
GDP at market prices	**18789**	**20684**	**23690**	**27333**	**30101**

Source: Central Bureau of Statistics

Table I.5 GROSS DOMESTIC PRODUCT BY ACTIVITY
Constant 1995 Prices - N$ Million

Industry	1998	1999	2000	2001	2002
Agriculture and forestry	909	1009	1056	899	905
Commercial	489	495	648	589	596
Subsistence	420	514	408	310	308
Fishing and Fish processing on board	567	559	641	629	648
Mining and quarrying	1117	1210	1190	1117	1160
Diamond mining	793	908	847	803	838
Other mining and quarrying	324	303	343	314	322
Primary industries	**2593**	**2779**	**2887**	**2645**	**2714**
Manufacturing	1574	1515	1570	1657	1779
Meat processing	99	111	101	107	110
Fish processing on shore	356	281	241	204	183
Manufacture of other food products and beverages	725	759	774	808	874
Other manufacturing	394	364	455	538	612
Electricity and water	223	268	299	228	250
Construction	423	364	344	519	392
Secondary industries	**2220**	**2148**	**2214**	**2404**	**2421**
Wholesale and retail trade, repairs	1336	1380	1455	1496	1565
Hotels and restaurants	285	251	269	292	310
Transport, and communication	862	968	1049	1195	1363
Transport and storage	533	631	671	725	789
Post and telecommunications	329	337	379	470	574
Financial intermediation	450	461	489	498	503
Real estate and business services	1272	1319	1338	1393	1369
Owner-occupied dwellings	660	677	694	711	696
Other real estate and business services	612	642	645	682	673
Community, social and personal services	122	122	133	133	137
Producers of government services	3060	3162	3236	3287	3391
Other producers	281	286	292	298	305
Tertiary industries	**7668**	**7950**	**8262**	**8591**	**8943**
Less: Financial secvices indirectly measured	144	152	151	158	155
All industries at basic prices	**12336**	**12724**	**13211**	**13483**	**13923**
Taxes less subsidies on products	1779	1866	1889	1974	2036
GDP at market prices	**14115**	**14591**	**15100**	**15457**	**15960**

Source: Central Bureau of Statistics

Table I.6 EXPENDITURE ON GROSS DOMESTIC PRODUCT
Current Prices - N$ Million

Expenditure category	1998	1999	2000	2001	2002
Final consumption expenditure	16740	18509	21022	23498	25371
Private	11185	12240	14196	16082	17717
General government	5555	6268	6830	7416	7654
Gross fixed capital formation	4321	4760	4460	6016	6065
Changes in inventories[1]	518	57	171	412	-283
Gross domestic expenditure	**21580**	**23326**	**25657**	**29926**	**31153**
Exports of goods and services	8637	9548	10811	12446	13658
Imports of goods and services	10900	11773	12119	14226	14085
Discrepancy	-528	-416	-659	-812	-626
Gross domestic product at market prices	**18789**	**20684**	**23690**	**27333**	**30101**

Source: Central Bureau of Statistics
[1]Change in inventories include only livestock, ores and minerals. Thus, the discrepancy includes an element of changes inventories.

Table I.7 EXPENDITURE ON GROSS DOMESTIC PRODUCT
Constant 1995 Prices - N$ Million

Expenditure category	1998	1999	2000	2001	2002
Final consumption expenditure	13088	13396	13973	14330	14727
Private	8864	8983	9505	9820	10200
General government	4224	4413	4469	4510	4527
Gross fixed capital formation	3564	3713	3379	4256	4249
Changes in inventories[1]	518	57	171	412	-283
Gross domestic expenditure	**17170**	**17166**	**17523**	**18997**	**18693**
Exports of goods and services	6243	6520	6465	6328	6775
Imports of goods and services	9113	9240	8759	9616	9392
Discrepancy	-185	144	-129	-249	-117
Gross domestic product at market prices	**14115**	**14591**	**15100**	**15457**	**15960**

Source: Central Bureau of Statistics
[1]Change in changes in inventories and discrepancy as a percentage of GDP of the previous year.

Table I.8 GROSS FIXED CAPITAL FORMATION BY ACTIVITY
Current prices - N$ Million

Industry	1998	1999	2000	2001	2002
Agriculture	228	252	268	298	321
Fishing	148	151	160	238	249
Mining and quarrying	500	662	828	958	1134
Manufacturing	435	307	387	464	650
Electricity and water	261	451	136	1217	761
Construction	232	163	156	176	205
Wholesale and retail trade; hotels, restaurants	196	153	224	307	320
Transport, and communication	949	1123	687	606	642
Finance, real estate, business services	519	539	644	728	810
Community, social and personal services	47	24	17	20	28
Producers of government services	808	935	952	1003	1071
Total	**4321**	**4760**	**4460**	**6016**	**6193**

Source: Central Bureau of Statistics

Table I.9 GROSS FIXED CAPITAL FORMATION BY ACTIVITY
Constant 1995 Prices - N$ Million

Industry	1998	1999	2000	2001	2002
Agriculture	192	200	209	219	230
Fishing	126	121	124	172	187
Mining and quarrying	429	536	656	697	820
Manufacturing	364	244	296	333	450
Electricity and water	209	339	99	848	516
Construction	194	131	124	132	149
Wholesale and retail trade; hotels, restaurants	163	121	171	218	220
Transport, and communication	762	865	506	420	437
Finance, real estate, business services	425	419	479	509	532
Community, social and personal services	41	19	13	15	21
Producers of government services	658	718	700	692	694
Total	**3564**	**3713**	**3379**	**4256**	**4249**

Source: Central Bureau of Statistics

Table I.10 GROSS FIXED CAPITAL FORMATION BY THE TYPE OF ASSET
Current Prices - N$ Million

Type of Asset	1998	1999	2000	2001	2002
Buildings	1172	1200	1392	1614	1817
Construction works	1153	965	882	1578	1177
Transport equipment	950	1439	702	901	968
Machinery and other equipment	922	980	1318	1676	1851
Mineral exploration	124	175	167	249	251
Total	**4321**	**4760**	**4460**	**6016**	**6065**

Source: Central Bureau of Statistics

Table I.11 GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET
Constant 1995 Prices - N$ Million

Type of Asset	1998	1999	2000	2001	2002
Buildings	958	931	1033	1125	1189
Construction works	909	710	618	1039	712
Transport equipment	775	1115	517	612	684
Machinery and other equipment	818	818	1087	1308	1417
Mineral exploration	104	139	124	171	167
Total	**3564**	**3713**	**3379**	**4256**	**4249**

Source: Central Bureau of Statistics

Table I.12 GROSS FIXED CAPITAL FORMATION BY OWNERSHIP
Current prices - N$ Million

Ownership	1998	1999	2000	2001	2002
Public	1446	2270	1451	2361	1582
Producers of government services	808	935	952	1003	1071
Public corporations and enterprises	639	1335	499	1358	511
Private	2875	2490	3008	3656	4483
Total	**4321**	**4760**	**4460**	**6016**	**6065**

Source: Central Bureau of Statistics

Table I.13 GROSS FIXED CAPITAL FORMATION BY THE OWNERSHIP
Constant 1995 Prices - N$ Million

Ownership	1998	1999	2000	2001	2002
Public	1171	1738	1067	1638	1044
Producers of government services	658	718	700	692	694
Public corporations and enterprises	513	1021	367	946	349
Private	2392	1975	2312	2617	3206
Total	**3564**	**3713**	**3379**	**4256**	**4249**

Source: Central Bureau of Statistics

Table I.14 FIXED CAPITAL STOCK BY ACTIVITY
Current Prices - N$ Million

Industry	1998	1999	2000	2001	2002
Agriculture	3893	4151	4322	4607	4784
Fishing	632	782	917	1163	1306
Mining and quarrying	4525	4960	5562	6399	6709
Manufacturing	2128	2344	2602	2981	3484
Electricity and water	3221	3756	3919	5167	6003
Construction	647	689	693	729	757
Wholesale and retail trade; hotels, restaurants	1840	1926	2045	2269	2467
Transport, and communication	4702	5712	6168	6677	7122
Finance, real estate, business services	7427	8115	8866	9866	10988
Community, social and personal services	349	375	384	403	424
Producers of government services	23789	25509	26881	28698	31101
Total	**53151**	**58317**	**62358**	**68959**	**75145**

Source: Central Bureau of Statistics

Table I.15 FIXED CAPITAL STOCK BY ACTIVITY
Constant 1995 Prices - N$ Million

Industry	1998	1999	2000	2001	2002
Agriculture	3096	3121	3143	3163	3182
Fishing	538	627	714	843	979
Mining and quarrying	3713	3863	4106	4361	4705
Manufacturing	1762	1840	1960	2108	2341
Electricity and water	2561	2789	2773	3465	3750
Construction	540	553	550	544	545
Wholesale and retail trade; hotels, restaurants	1510	1502	1530	1593	1642
Transport, and communication	3734	4275	4441	4500	4506
Finance, real estate, business services	6070	6300	6581	6883	7199
Community, social and personal services	291	293	289	286	287
Producers of government services	19020	19149	19246	19309	19345
Total	**42835**	**44310**	**45334**	**47055**	**48481**

Source: Central Bureau of Statistics

Table I.16(a) INTERIM CONSUMER PRICE INDEX (DECEMBER 1992 = 100)

	All Items	Food	Housing, Fuel & Power	T/port & Communication	Household Goods, etc	Clothing & Footwear	Beverage & Tobacco	Recreation etc.	Medical Health Care	Misc. Goods etc.	Inflation* (%)Annual
Weight	**100.00**	**28.36**	**19.94**	**20.67**	**10.22**	**4.33**	**4.10**	**4.14**	**1.35**	**6.88**	**100.00**
1999	**173.39**	**160.88**	**185.63**	**163.76**	**136.57**	**176.95**	**241.71**	**207.24**	**200.01**	**204.55**	**8.59**
2000	**189.46**	**172.01**	**202.07**	**191.79**	**145.59**	**183.90**	**267.03**	**226.98**	**221.55**	**211.43**	**9.25**
2001	**207.02**	**191.71**	**217.67**	**216.05**	**151.67**	**196.08**	**290.26**	**234.43**	**242.28**	**228.13**	**9.30**
2002											
Jan	216.98	208.39	221.33	226.32	156.03	203.32	303.49	246.59	248.05	235.42	8.68
Feb	218.01	210.43	221.33	227.38	156.04	206.58	302.50	247.04	248.91	236.78	8.54
Mar	222.29	215.92	223.24	235.68	157.48	206.58	308.65	247.25	249.95	239.82	9.35
Q1	**219.09**	**211.58**	**221.97**	**229.79**	**156.52**	**205.49**	**304.88**	**246.96**	**248.97**	**237.34**	**8.85**
Apr	225.13	220.27	223.24	238.89	160.14	206.92	317.86	248.55	249.96	243.02	10.25
May	226.73	223.63	224.19	238.94	161.26	207.68	319.38	249.17	252.02	245.69	10.85
Jun	228.85	225.10	228.11	239.35	164.77	207.68	319.45	253.26	254.00	249.82	10.50
Q2	**226.90**	**223.00**	**225.18**	**239.06**	**162.06**	**207.43**	**318.90**	**250.33**	**251.99**	**246.18**	**10.54**
Jul	232.50	230.29	236.78	240.13	166.41	207.75	320.94	254.45	255.01	249.65	11.87
Aug	233.09	230.47	236.78	242.20	166.60	209.12	323.07	254.53	255.10	248.91	11.90
Sep	237.40	236.43	239.06	250.40	167.35	208.48	327.71	255.60	255.37	251.53	13.09
Q3	**234.33**	**232.40**	**237.54**	**244.24**	**166.79**	**208.45**	**323.91**	**254.86**	**255.16**	**250.03**	**12.29**
Oct	239.48	244.03	239.06	252.99	166.94	212.96	305.70	256.36	263.30	251.48	13.34
Nov	241.55	251.42	239.04	252.99	167.02	213.03	305.60	256.36	263.60	250.97	13.71
Dec	243.99	253.67	239.83	257.82	168.23	215.50	313.43	257.24	263.90	251.76	13.59
Q4	**241.67**	**249.71**	**239.31**	**254.60**	**167.40**	**213.83**	**308.24**	**256.65**	**263.60**	**251.40**	**13.55**
Annual	**230.50**	**229.17**	**231.00**	**241.92**	**163.19**	**208.80**	**313.98**	**252.20**	**254.93**	**246.24**	**11.31**
2003											
Jan	244.83	254.50	239.87	256.01	168.49	215.05	314.24	276.87	269.86	252.37	12.83
Feb	243.62	249.35	239.79	256.35	169.04	215.16	314.11	277.06	269.03	254.47	11.75
Mar	244.02	247.40	245.42	254.57	168.72	199.86	326.93	276.96	269.78	259.64	9.78
Q1	**244.16**	**250.42**	**241.69**	**255.64**	**168.75**	**210.02**	**318.43**	**276.96**	**269.56**	**255.49**	**11.45**
Apr	243.41	243.34	245.43	252.06	170.69	204.40	338.65	278.10	270.74	261.48	8.12
May	245.76	245.69	245.42	252.08	171.43	201.75	342.04	279.59	270.69	283.48	8.39
Jun	248.21	247.38	245.96	257.17	172.49	204.31	350.23	279.04	269.97	287.77	8.46
Q2	**245.79**	**245.47**	**245.60**	**253.77**	**171.54**	**203.49**	**343.64**	**278.91**	**270.47**	**277.58**	**8.32**
Jul	248.98	245.28	252.11	255.16	172.58	205.05	355.18	279.69	270.33	291.72	7.09
Aug	248.71	244.52	252.11	255.15	172.49	204.48	352.24	280.51	274.47	291.94	6.70
Sep	249.31	245.05	251.40	257.06	171.55	202.52	355.44	280.59	275.18	295.27	5.02
Q3	**249.00**	**244.95**	**251.87**	**255.79**	**172.21**	**204.02**	**354.29**	**280.26**	**273.33**	**292.98**	**6.27**
Oct	248.69	247.95	251.31	251.00	171.85	200.43	355.35	278.31	276.00	294.93	3.85
Nov	250.23	253.58	251.40	251.00	171.97	199.74	354.68	278.53	276.00	294.32	3.59
Dec	248.99	250.03	251.36	250.93	170.52	199.36	355.19	278.33	276.38	293.40	2.05
Q4	**249.30**	**250.52**	**251.36**	**250.98**	**171.45**	**199.84**	**355.07**	**278.39**	**276.13**	**294.22**	**3.16**
Annual	**247.06**	**247.84**	**247.63**	**254.05**	**170.99**	**204.34**	**342.86**	**278.63**	**272.37**	**280.07**	**7.30**

*Calculated as a percentage change of the all items index for a given month in relation to that of the same month of the preceding year.
Source: Central Bureau of Statistics

Table I.16(b) INTERIM CONSUMER PRICE INDEX

This table classifies goods and services in the index by source: imported tradeables referes to imported goods, domestic tradeables refers to domestic goods.

	Monthly Index					Annual Inflation Rate (%)*				
	Domestic			Imported	All	Domestic			Imported	All
	Non-Tradeable	Tradeable	Total	Tradeables	Items	Non-Tradeable	Tradeable	Total	Tradeables	Items
Weight	**32.00**	**20.11**	**52.11**	**47.89**	**100.00**	**32.00**	**20.11**	**52.11**	**47.89**	**100.00**
1999	**185.54**	**162.05**	**176.47**	**170.04**	**173.39**	**9.06**	**4.22**	**7.28**	**10.10**	**8.58**
2000	**199.04**	**174.98**	**189.82**	**189.13**	**189.46**	**7.26**	**7.94**	**7.54**	**11.23**	**9.25**
2001	**213.40**	**200.38**	**208.35**	**205.68**	**207.02**	**7.27**	**14.54**	**9.84**	**8.77**	**9.30**
2002										
Jan	218.87	215.50	217.57	216.35	216.99	4.96	13.88	8.20	9.22	8.69
Feb	219.58	218.55	219.18	216.73	218.01	4.57	14.48	8.17	8.94	8.54
Mar	220.06	224.93	221.94	222.67	222.29	4.24	15.45	8.36	10.43	9.35
Q1	**219.50**	**219.66**	**219.56**	**218.58**	**219.10**	**4.59**	**14.60**	**8.24**	**9.53**	**8.86**
Apr	220.50	229.69	224.05	226.30	225.13	4.40	16.79	8.98	11.65	10.25
May	220.50	233.10	225.36	228.21	226.73	4.36	17.73	9.32	12.55	10.85
June	223.49	233.10	227.33	230.52	228.86	4.16	16.33	8.72	12.49	10.51
Q2	**221.50**	**231.96**	**225.58**	**228.34**	**226.91**	**4.31**	**16.95**	**9.01**	**12.23**	**10.54**
Jul	229.38	238.44	232.88	232.09	232.50	6.67	19.46	11.38	12.41	11.87
Aug	229.38	237.97	232.70	233.54	233.10	6.67	18.87	11.17	12.71	11.91
Sep	229.91	246.41	236.28	238.62	237.40	6.64	20.28	11.74	14.58	13.09
Q3	**229.56**	**240.94**	**233.95**	**234.75**	**234.33**	**6.66**	**19.54**	**11.43**	**13.23**	**12.29**
Oct	230.20	255.37	239.91	239.00	239.48	6.69	24.01	13.18	13.51	13.34
Nov	230.20	266.05	244.04	238.83	241.54	6.55	26.96	14.28	13.08	13.71
Dec	231.45	268.74	245.84	241.97	243.99	6.60	25.33	13.77	13.40	13.59
Q4	**230.62**	**263.39**	**243.26**	**239.93**	**241.67**	**6.61**	**25.43**	**13.74**	**13.33**	**13.55**
Annual	**225.29**	**238.99**	**230.59**	**230.40**	**230.50**	**5.54**	**19.13**	**10.61**	**12.08**	**11.31**
2003										
Jan	234.11	269.40	247.73	241.68	244.83	6.96	25.01	13.86	11.71	12.83
Feb	234.12	262.25	244.98	242.15	243.62	6.62	20.00	11.77	11.73	11.75
Mar	238.57	258.76	246.36	241.47	244.02	8.41	15.04	11.00	8.44	9.78
Q1	**235.60**	**263.47**	**246.36**	**241.77**	**244.16**	**7.33**	**20.02**	**12.21**	**10.63**	**11.45**
Apr	239.20	251.48	240.94	242.85	243.47	8.48	9.49	8.88	7.31	8.12
May	243.74	253.69	247.58	243.78	245.76	10.54	8.83	9.86	6.82	8.40
Jun	245.14	255.80	249.25	247.08	248.21	9.69	9.57	9.64	7.18	8.46
Q2	**242.69**	**253.66**	**245.92**	**244.57**	**245.81**	**9.57**	**9.30**	**9.46**	**7.10**	**8.33**
Jul	249.00	253.37	250.69	247.12	248.98	8.55	6.26	7.65	6.48	7.09
Aug	249.00	254.34	251.06	246.16	248.71	8.55	6.88	7.89	5.40	6.70
Sep	247.58	259.67	252.25	246.11	249.31	7.69	5.38	6.76	3.14	5.02
Q3	**248.53**	**255.79**	**251.33**	**246.46**	**249.00**	**8.26**	**6.17**	**7.43**	**5.01**	**6.27**
Oct	247.61	258.97	251.99	245.09	248.69	7.56	1.41	5.04	2.55	3.85
Nov	247.60	267.10	255.13	244.89	250.22	7.56	0.39	4.54	2.54	3.59
Dec	247.10	266.08	254.43	243.07	248.99	6.76	-0.99	3.49	0.45	2.05
Q4	**247.44**	**264.05**	**253.85**	**244.35**	**249.30**	**7.29**	**0.27**	**4.36**	**1.85**	**3.16**
Annual	**243.56**	**259.24**	**249.37**	**244.29**	**247.07**	**8.11**	**8.94**	**8.37**	**6.15**	**7.30**

*Calculated as a percentage change of the all items index for a given month in relation to that of the same month of the preceding year.
Source: Central Bureau of Statistics

Table II.1(a) BANK OF NAMIBIA: DETAILED ACCOUNT
(end of period in N$ Million)

ASSETS													
Period	Foreign Assets		Sub-Total	Claims on Domestic Sector									TOTAL ASSETS
				Claims on Central Government									
	Banks	Fund Accounts		Treasury Bills	Govt. Securities	Loans and Advances	Other	Sub-Total	DMB's	OBI's	Other	Sub-Total	
1999	**1875.9**	**1.2**	**1877.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.7**	**0.0**	**0.7**	**1877.8**
2000	**1984.4**	**1.2**	**1985.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.7**	**0.0**	**0.7**	**1986.3**
2001	**2702.6**	**1.4**	**2704.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.2**	**0.0**	**1.2**	**2705.2**
2002 Jan	3270.0	1.4	3271.4	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0	1.1	3272.5
Feb	3073.7	1.4	3075.1	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0	1.1	3076.2
Mar	2716.9	1.4	2718.3	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0	1.1	2719.4
Apr	2575.6	1.4	2577.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0	1.1	2578.1
May	2400.1	1.4	2401.4	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0	1.2	2402.6
Jun	2327.6	1.4	2329.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0	1.2	2330.2
Jul	3492.9	1.4	3494.3	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0	1.3	3495.5
Aug	3313.8	1.4	3315.2	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0	1.3	3316.6
Sep	2930.0	1.4	2931.4	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0	1.3	2932.7
Oct	2854.9	1.4	2856.2	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0	1.3	2857.6
Nov	2423.5	1.4	2424.9	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0	1.3	2426.2
Dec	2893.1	1.4	2894.4	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0	1.3	2895.7
2003 Jan	3113.1	1.4	3114.5	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0	1.3	3115.8
Feb	2608.2	1.3	2609.6	0.0	0.0	0.0	0.0	0.0	0.0	1.4	0.0	1.4	2610.9
Mar	2194.2	1.3	2195.6	0.0	0.0	0.0	0.0	0.0	0.0	1.4	0.0	1.4	2196.9
Apr	2294.5	1.3	2295.8	0.0	0.0	0.0	0.0	0.0	0.0	1.4	0.0	1.4	2297.2
May	2121.4	1.3	2122.8	0.0	0.0	0.0	0.0	0.0	0.0	1.4	0.0	1.4	2124.2
Jun	2183.7	1.3	2185.1	0.0	0.0	0.0	0.0	0.0	0.0	1.4	0.0	1.4	2186.5
Jul	2144.3	1.3	2145.7	0.0	0.0	0.0	0.0	0.0	0.0	1.4	0.0	1.4	2147.1
Aug	1909.3	1.3	1910.6	0.0	0.0	0.0	0.0	0.0	0.0	1.4	0.0	1.4	1912.0
Sep	2189.6	1.3	2191.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4	0.0	1.4	2192.4
Oct	2527.7	1.3	2529.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4	0.0	1.4	2530.4
Nov	2223.1	1.3	2224.4	0.0	0.0	0.0	0.0	0.0	0.0	1.4	0.0	1.4	2225.9
Dec	2117.1	1.3	2118.4	0.0	0.0	0.0	0.0	0.0	0.0	1.5	0.0	1.5	2119.9

Table II.1(b) BANK OF NAMIBIA: DETAILED ACCOUNT
(end of period in N$ Million)

LIABILITIES									
Period	Currency Outside DMB's (a)	Banker's Reserves (b)	**Reserve Money (a+b)**	Other Deposits	Central Govt. dep.	Foreign Liabilities	Capital Accounts	Other Items (net)	**TOTAL**
1999	**422.7**	**474.7**	**897.4**	**0.0**	**471.8**	**48.7**	**562.9**	**-103.0**	**1877.8**
2000	**481.2**	**321.4**	**802.6**	**0.0**	**446.3**	**65.5**	**783.9**	**-111.9**	**1986.3**
2001	**507.5**	**399.8**	**907.3**	**0.0**	**360.5**	**72.5**	**1587.9**	**-223.0**	**2705.2**
2002 Jan	488.6	418.7	907.3	0.0	1002.1	82.8	1451.5	-171.1	3272.5
Feb	500.7	338.8	839.4	0.0	879.1	75.1	1450.4	-167.9	3076.2
Mar	547.7	308.8	856.5	0.0	514.4	65.8	1453.5	-170.6	2719.4
Apr	515.4	425.5	940.9	0.0	439.5	66.4	1353.0	-221.7	2578.1
May	538.1	483.4	1021.5	0.0	308.3	66.5	1206.0	-199.7	2402.6
Jun	547.7	506.5	1054.2	0.0	34.5	69.5	1372.8	-200.8	2330.2
Jul	530.1	477.3	1007.4	0.0	1275.9	76.1	1335.7	-199.2	3495.9
Aug	579.0	522.9	1102.0	0.0	907.9	71.3	1434.2	-198.8	3316.6
Sep	554.9	383.2	938.1	0.0	685.8	84.9	1424.4	-200.5	2932.7
Oct	541.1	424.4	965.5	0.0	706.3	73.0	1313.0	-200.2	2857.6
Nov	577.1	394.9	972.0	0.0	448.4	78.7	1154.0	-227.0	2426.2
Dec	545.8	435.1	980.8	0.0	1044.6	58.9	1076.3	-264.8	2895.7
2003 Jan	531.8	396.4	928.2	0.0	1266.6	70.0	1046.0	-195.1	3115.8
Feb	549.1	496.3	1045.4	0.0	807.8	64.5	890.0	-196.8	2610.9
Mar	556.1	384.2	940.3	0.0	464.4	130.8	882.9	-221.5	2197.0
Apr	562.0	474.9	1036.9	0.0	536.9	138.2	718.6	-133.4	2297.2
May	568.5	418.5	987.0	0.0	201.4	142.2	920.0	-126.3	2124.2
Jun	557.1	369.6	926.7	0.0	429.2	149.6	807.5	-126.6	2186.5
Jul	501.5	536.8	1038.3	0.0	239.0	161.2	798.3	-89.7	2147.1
Aug	610.9	409.6	1020.6	0.0	148.5	157.5	766.1	-180.6	1912.0
Sep	571.7	468.1	1039.8	0.0	437.7	141.5	751.6	-178.3	2192.4
Oct	792.4	468.8	1261.2	0.0	727.1	145.5	725.9	-329.3	2530.4
Nov	617.6	569.2	1186.8	0.0	283.0	148.8	650.1	-42.9	2225.9
Dec	584.6	588.3	1172.9	0.0	251.7	159.0	725.8	-189.5	2119.9

Table II.2(a) DEPOSIT MONEY BANKS: DETAILED ACCOUNT
(end of period in N$ Million)

ASSETS																	
	Reserves				Foreign Assets			CLAIMS ON DOMESTIC SECTOR									
								Claims on Central Government									
Period	Namibian Currency	Rands	Dep. with BoN	**Sub-Total**	Banks	Non-Banks	**Sub-Total**	Treasury Bills	Government Securities	Loans and Advances	Other	**Sub-Total**	Regional Councils	Non-fin. Pub. Enterpr.	OBI's	Private Sector	**TOTAL**
1999	**273.4**	**9.4**	**227.8**	**510.5**	**872.0**	**5.8**	**877.8**	**730.1**	**265.5**	**9.3**	**15.1**	**1020.0**	**16.3**	**136.6**	**10.7**	**7434.2**	**10006.2**
2000	**179.3**	**47.0**	**142.2**	**368.5**	**1744.2**	**9.0**	**1753.3**	**619.7**	**308.9**	**0.0**	**20.5**	**949.1**	**12.4**	**234.0**	**45.9**	**8699.8**	**12063.0**
2001	**279.8**	**12.5**	**120.1**	**412.4**	**1224.2**	**247.9**	**1472.1**	**680.0**	**181.5**	**0.0**	**42.7**	**904.2**	**32.8**	**119.0**	**22.0**	**10115.5**	**13078.0**
2002 Jan	209.3	7.0	153.5	369.8	1601.9	248.3	1850.2	763.5	269.2	0.0	41.6	1074.4	5.6	121.3	107.5	10087.8	13616.5
Feb	191.2	8.5	213.2	412.9	2135.7	256.9	2392.6	788.2	300.2	0.0	18.3	1106.6	8.8	118.0	10.1	10187.0	14235.9
Mar	181.8	7.0	133.9	322.7	1942.2	258.1	2200.3	824.6	299.9	0.0	36.0	1160.5	17.3	124.4	1.4	10253.5	14080.1
Apr	221.8	7.9	203.4	433.1	2619.8	260.7	2880.5	804.3	260.7	0.0	16.7	1081.8	18.6	125.3	11.6	10184.8	14735.6
May	198.1	7.9	202.3	408.3	2418.6	261.4	2680.0	846.1	308.2	20.4	28.1	1202.8	6.0	130.2	39.5	10565.2	15032.0
Jun	154.7	8.9	304.2	467.7	2340.1	395.5	2735.6	860.4	265.1	23.3	33.7	1182.5	6.0	135.3	36.0	10445.7	15008.8
Jul	197.5	9.6	255.0	462.1	2084.3	263.8	2348.1	858.6	236.6	23.3	31.8	1150.4	4.7	124.1	37.4	10606.6	14733.3
Aug	160.0	7.7	347.2	514.9	1899.2	268.1	2167.3	789.8	214.5	20.4	21.3	1046.0	4.6	130.0	12.2	10649.5	14524.4
Sep	181.8	8.4	179.7	370.0	1720.1	373.8	2093.9	805.7	281.4	20.4	17.6	1125.2	5.2	128.3	11.2	10949.0	14682.8
Oct	198.9	6.7	202.5	408.1	2008.6	262.1	2270.6	737.4	299.5	0.0	13.3	1050.2	5.4	137.2	1.2	11572.5	15445.2
Nov	157.1	4.9	143.7	305.7	1928.4	260.7	2189.0	836.8	305.5	0.0	14.0	1156.3	7.2	155.8	0.5	11806.7	15621.3
Dec	273.4	10.9	141.4	425.8	1170.4	451.8	1622.3	756.7	336.1	0.0	90.2	1183.0	5.7	158.1	1.3	12161.2	15557.4
2003 Jan	195.0	8.2	180.7	384.0	1180.6	476.6	1657.2	773.6	294.8	0.0	73.1	1141.5	11.8	131.9	12.8	12111.6	15450.8
Feb	167.2	7.4	259.7	434.2	1347.0	470.2	1817.2	880.7	318.5	0.0	75.6	1274.8	5.7	123.1	1.4	12313.7	15970.2
Mar	214.0	9.8	144.7	368.5	1133.2	446.4	1579.7	901.7	344.5	0.0	73.6	1319.8	13.6	121.0	6.5	12460.3	15869.3
Apr	224.4	9.5	231.3	465.2	1023.1	433.0	1456.1	1033.1	340.7	0.0	58.7	1432.4	7.0	121.2	2.7	12801.0	16285.6
May	209.5	9.2	217.7	436.4	1199.3	436.8	1636.1	881.6	373.6	0.0	59.7	1314.8	13.7	121.1	2.7	12825.6	16350.4
Jun	198.9	13.0	155.4	367.2	1494.2	462.8	1956.9	996.7	314.1	0.0	60.8	1371.6	5.2	123.8	0.0	13059.1	16883.9
Jul	214.7	10.0	325.3	550.0	2032.0	398.4	2430.4	903.4	288.7	0.0	52.2	1244.3	4.5	124.1	0.0	12947.2	17300.4
Aug	194.1	11.4	218.1	423.7	1429.4	414.3	1843.6	1076.8	280.3	0.0	53.7	1410.8	4.2	128.0	5.4	12978.1	16793.9
Sep	220.1	14.5	251.0	485.6	1382.8	392.8	1775.6	1331.1	297.1	0.0	41.7	1669.9	4.7	134.0	0.0	13214.1	17283.9
Oct	203.4	12.6	265.8	481.7	1489.9	399.0	1888.9	1361.4	248.4	0.0	41.9	1651.7	4.1	134.5	0.0	14472.1	18633.2
Nov	206.4	11.5	363.8	581.7	1141.9	405.3	1547.1	1366.1	254.5	0.0	42.8	1663.4	7.6	131.6	0.0	15310.6	19242.1
Dec	334.3	14.6	254.7	603.6	764.0	335.3	1099.3	1352.8	299.0	0.0	45.1	1696.9	14.6	144.3	0.0	15405.8	18964.5

Table II.2 (b) DEPOSIT MONEY BANKS: DETAILED ACCOUNT
(end of period in N$ Million)

LIABILITIES																
Period		Demand Deposits	Time and Savings Deposits				Money Market Instrument	Bonds	Foreign Liabilities			Central Govt. Deposits	Credit from BON	Capital Accounts	Other Items (net)	TOTAL
			Foreign Currency	Time Dep.	Savings	**Sub-Total**			Banks	Non-Banks	**Sub-Total**					
1999		**4166.2**	**0.0**	**3369.4**	**667.3**	**4036.7**	**0.0**	**8.3**	**280.9**	**137.5**	**418.4**	**89.2**	**120.3**	**1080.7**	**86.4**	**10006.2**
2000		**5298.0**	**0.0**	**3152.9**	**705.8**	**3858.7**	**0.0**	**18.0**	**713.7**	**267.4**	**981.1**	**227.5**	**18.5**	**1291.0**	**370.4**	**12063.0**
2001		**5961.6**	**0.0**	**2942.3**	**748.7**	**3691.0**	**0.0**	**0.0**	**1381.1**	**184.3**	**1565.4**	**258.6**	**124.2**	**1537.1**	**-59.9**	**13078.0**
2002	Jan	5841.9	0.0	3227.6	735.6	3963.2	0.0	0.0	1572.4	194.0	1766.3	231.8	24.4	1587.6	201.3	13616.5
	Feb	6542.2	0.0	3177.9	750.6	3928.5	0.0	0.0	1476.2	255.1	1731.2	230.5	31.2	1622.0	150.2	14235.9
	Mar	6098.1	0.0	3065.8	744.0	3809.8	0.0	0.0	1255.7	201.3	1457.0	256.4	26.1	1659.2	773.4	14080.1
	Apr	6455.7	0.0	3285.3	758.8	4044.1	0.0	0.0	1308.1	268.3	1576.4	342.2	23.8	1659.3	634.1	14735.6
	May	6931.2	0.0	3418.4	769.2	4187.6	0.0	0.0	1103.5	293.8	1397.2	281.4	20.2	1701.0	513.4	15032.0
	Jun	6782.6	0.0	3376.8	777.8	4154.6	0.0	0.0	854.7	578.8	1433.5	354.8	20.4	1735.6	527.4	15008.8
	Jul	6658.1	0.0	3271.3	786.0	4057.3	0.0	0.0	1040.5	455.3	1495.8	330.2	20.4	1756.8	414.6	14733.3
	Aug	6909.3	0.0	3058.6	778.2	3836.8	0.0	0.0	924.8	570.6	1495.4	302.0	20.8	1720.1	240.0	14524.4
	Sep	6534.0	0.0	3050.1	784.3	3834.4	0.0	0.0	1106.8	651.2	1758.0	346.3	20.5	1763.7	425.9	14682.8
	Oct	6983.3	0.0	3389.8	796.9	4186.7	0.0	0.0	930.9	595.2	1526.1	352.6	20.1	1804.9	571.4	15445.2
	Nov	6715.7	0.0	3637.6	819.4	4457.1	0.0	0.0	1208.2	529.7	1737.9	314.4	30.2	1834.8	531.2	15621.3
	Dec	6357.0	0.0	3213.8	786.1	3999.9	0.0	0.0	1784.4	421.7	2206.1	380.6	19.5	1604.0	990.1	15557.4
2003	Jan	6497.6	0.0	3120.1	771.3	3891.4	0.0	0.0	1631.4	409.9	2041.3	322.8	18.9	1653.3	1025.5	15450.8
	Feb	6806.7	0.0	3095.4	784.5	3879.9	0.0	0.0	1404.1	450.1	1854.1	400.5	17.8	1674.8	1336.4	15970.2
	Mar	6268.6	0.0	3278.7	779.1	4057.8	0.0	0.0	1667.8	557.7	2225.5	374.3	36.6	1710.2	1196.3	15869.3
	Apr	6419.7	0.0	3474.5	793.0	4267.5	0.0	0.0	1641.0	534.3	2175.3	356.5	37.5	1748.6	1280.3	16285.6
	May	6740.5	0.0	3265.6	789.3	4054.9	0.0	0.0	1725.2	522.9	2248.1	427.1	16.5	1775.1	1088.2	16350.4
	Jun	6513.8	0.0	3278.8	811.0	4089.8	0.0	0.0	2333.9	634.3	2968.1	431.8	16.6	1781.2	1082.5	16883.9
	Jul	6854.4	0.0	3394.4	817.8	4212.2	0.0	0.0	2182.3	641.6	2823.9	435.5	80.4	1937.7	956.5	17300.4
	Aug	6653.9	0.0	3478.0	829.3	4307.3	0.0	0.0	2051.1	611.1	2662.3	599.4	15.5	1969.6	585.9	16793.9
	Sep	7207.1	0.0	3535.8	832.4	4368.2	0.0	0.0	2138.6	667.3	2805.9	678.8	15.5	2000.4	207.9	17283.9
	Oct	5920.8	0.0	4029.9	889.8	4919.6	0.0	0.0	2241.4	585.4	2826.8	673.1	15.2	2430.8	1846.8	18633.2
	Nov	7352.4	0.0	3945.8	918.9	4864.7	0.0	0.0	2315.5	507.5	2823.0	724.9	14.3	2455.6	1007.1	19242.1
	Dec	7121.1	0.0	4176.2	906.2	5082.4	0.0	0.0	1971.9	566.0	2537.9	671.2	14.4	2536.3	1001.2	18964.5

Table II.3 MONETARY SURVEY
(N$ Million)

End of Period	Foreign Assets (Net) 1	Domestic Credit				TOTAL (1-5)							TOTAL
		Central Gov't (Net) 2	Financial Sector 3	Private Sector 4	Other 5		Currency in Circulation	Demand Deposits	Savings Deposits	Time Deposits	Other Items (Net)	Money Supply	
1999	**2287.8**	**459.0**	**11.4**	**7434.2**	**153.0**	**10345.3**	**422.7**	**4166.2**	**667.3**	**3369.4**	**1719.7**	**8625.6**	**10345.3**
2000	**2692.4**	**275.3**	**46.6**	**8699.8**	**246.4**	**11960.5**	**481.2**	**5298.0**	**705.8**	**3152.9**	**2322.7**	**9637.9**	**11960.5**
2001	**2538.3**	**285.1**	**23.1**	**10115.5**	**151.8**	**13113.8**	**507.5**	**5961.6**	**748.7**	**2942.3**	**2953.7**	**10160.1**	**13113.8**
2002 Jan	3272.4	-159.6	108.6	10087.8	126.9	13436.1	488.6	5841.9	735.6	3227.6	3142.5	10293.7	13436.1
Feb	3661.3	-3.0	11.2	10187.0	126.8	13983.3	500.7	6542.2	750.6	3177.9	3011.9	10971.4	13983.3
Mar	3395.8	389.7	2.6	10253.5	141.7	14183.3	547.7	6098.1	744.0	3065.8	3727.8	10455.5	14183.3
Apr	3814.6	300.2	12.8	10184.8	143.8	14456.1	515.4	6455.7	758.8	3285.3	3440.9	11015.2	14456.1
May	3617.7	613.1	40.7	10565.2	136.3	14972.9	538.1	6931.2	769.2	3418.4	3315.5	11656.9	14972.4
Jun	3561.5	793.2	37.2	10445.7	141.3	14979.0	547.7	6782.6	777.8	3376.8	3491.9	11484.9	14976.8
Jul	4270.4	-455.7	38.6	10606.6	128.7	14588.7	530.1	6658.1	786.0	3271.3	3341.4	11245.5	14587.0
Aug	3915.9	-163.9	13.5	10649.5	134.6	14549.6	579.0	6909.3	778.2	3058.6	3224.4	11325.2	14549.6
Sep	3182.4	93.1	12.5	10949.0	133.5	14370.5	554.9	6534.0	784.3	3050.1	3447.3	10923.2	14370.5
Oct	3527.7	-8.7	2.5	11572.5	142.6	15236.6	541.1	6983.3	796.9	3389.8	3525.4	11711.2	15236.6
Nov	2797.3	393.5	1.9	11806.7	163.0	15162.4	577.1	6715.7	819.4	3637.6	3412.5	11749.9	15162.4
Dec	2251.7	-242.1	2.6	12161.2	163.8	14337.2	545.8	6357.0	786.1	3213.8	3434.5	10902.7	14337.2
2003 Jan	2660.4	-447.9	14.1	12111.6	143.8	14481.9	531.8	6497.6	771.3	3120.1	3561.1	10920.8	14481.9
Feb	2508.1	66.6	2.7	12313.7	128.8	15019.9	549.1	6806.7	784.5	3095.4	3784.2	11235.7	15019.9
Mar	1418.9	481.1	7.8	12460.3	134.6	14502.7	556.1	6268.6	779.1	3278.7	3620.2	10882.5	14502.7
Apr	1438.3	539.0	4.1	12801.0	128.2	14910.6	562.0	6419.7	793.0	3474.5	3661.4	11249.2	14910.6
May	1368.6	686.4	4.1	12825.6	134.8	15019.4	568.5	6740.5	789.3	3265.6	3655.5	11364.0	15019.4
Jun	1024.2	510.6	1.4	13059.1	129.0	14724.3	557.1	6513.8	811.0	3278.8	3563.6	11160.7	14724.3
Jul	1591.0	569.9	1.4	12947.2	128.6	15238.1	501.5	6854.4	817.8	3394.4	3670.0	11568.1	15238.1
Aug	934.4	663.0	6.9	12978.1	132.2	14714.6	610.9	6653.9	829.3	3478.0	3142.4	11572.1	14714.6
Sep	1019.2	553.3	1.4	13214.1	138.7	14926.8	571.7	7207.1	832.4	3535.8	2779.7	12147.1	14926.8
Oct	1445.6	251.5	1.4	14472.1	138.7	16309.3	792.4	5920.8	889.8	4029.9	4676.5	11632.8	16309.3
Nov	799.7	655.4	1.4	15310.6	139.2	16906.4	617.6	7352.4	918.9	3945.8	4071.7	12834.7	16906.4
Dec	520.8	774.0	1.5	15405.8	158.9	16861.0	584.6	7121.1	906.2	4176.2	4072.9	12788.1	16861.0

Note: Financial Sector refers to:
- Other Banking Institutions
- Nonbank Financial Institutions

Other refers to:
- Non-financial Public Enterprise
- Local Authority and Regional Councils

Table II.4(a) OTHER BANKING INSTITUTIONS: DETAILED ACCOUNT
(end of period N$ Million)

ASSETS	2000	2001	2002												2003											
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1. RESERVES	**123.5**	**153.8**	**157.3**	**116.3**	**101.4**	**109.1**	**109.1**	**104.6**	**104.6**	**104.6**	**61.9**	**57.6**	**92.9**	**92.9**	**50.7**	**50.7**	**50.7**	**50.7**	**40.7**	**114.2**	**99.1**	**175.4**	**170.1**	**143.3**	**143.3**	**125.3**
2. FOREIGN ASSETS	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
a. Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b. Nonbanks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. CLAIM ON CENTRAL GOVERNMENT	**34.3**	**138.5**	**157.9**	**180.6**	**164.0**	**164.0**	**164.0**	**164.0**	**164.0**	**164.0**	**199.3**	**199.3**	**164.0**	**164.0**	**198.5**	**198.5**	**198.5**	**198.5**	**164.0**	**164.0**	**164.0**	**164.0**	**164.0**	**0.0**	**0.0**	**0.0**
a. Treasury bills	10.8	95.0	114.5	137.3	145.8	145.8	145.8	145.8	145.8	145.8	145.8	145.8	145.8	145.8	145.8	145.8	145.8	145.8	145.8	145.8	145.8	145.8	145.8	0.0	0.0	0.0
b. Government securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	34.5	34.5	34.5	34.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
c. Other	23.5	43.5	43.4	43.3	18.2	18.2	18.2	18.2	18.2	18.2	53.5	53.5	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	0.0	0.0	0.0
4. CLAIMS ON LOCAL AUTHORITIES AND REGIONAL COUNCILS	**4.9**	**4.6**	**4.7**	**4.6**	**4.7**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.7**	**4.7**	**4.7**	**4.7**	**4.7**	**4.7**	**4.7**
5. CLAIMS ON NON-FIN.PUB. ENTERP.	**211.6**	**63.4**	**62.6**	**62.8**	**66.9**	**66.9**	**66.9**	**66.9**	**66.9**	**66.9**	**66.9**	**66.9**	**66.9**	**66.9**	**877.1**	**47.3**	**47.3**	**47.3**	**47.3**	**47.3**	**47.3**	**47.3**	**47.3**	**0.0**	**0.0**	**0.0**
a. Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b. Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	829.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
c. Leasing transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
d. Other	211.6	63.4	62.6	62.8	66.9	66.9	66.9	66.9	66.9	66.9	66.9	66.9	66.9	66.9	47.3	47.3	47.3	47.3	47.3	47.3	47.3	47.3	47.3	0.0	0.0	0.0
6. CLAIMS ON NONBANK FIN. INST.	**12.9**	**12.9**	**12.9**	**12.7**	**12.7**	**12.7**	**12.7**	**12.7**	**12.7**	**12.7**	**12.7**	**12.7**	**12.7**	**12.7**	**12.7**	**12.7**	**12.7**	**12.7**	**12.7**	**51.1**	**46.7**	**45.4**	**28.8**	**16.1**	**16.1**	**16.2**
7. CLAIMS ON PRIVATE SECTOR	**2091.8**	**2498.7**	**2523.2**	**2539.7**	**2619.1**	**2622.8**	**2622.8**	**2629.6**	**2629.6**	**2629.6**	**2645.6**	**2656.5**	**2656.5**	**2656.5**	**1883.0**	**2770.0**	**2770.0**	**2770.0**	**2814.0**	**2833.8**	**3113.4**	**3028.1**	**3041.8**	**1612.2**	**1612.2**	**1659.6**
a. Individuals	2065.8	2472.1	2496.7	2513.0	2592.4	2596.0	2596.0	2602.8	2602.8	2602.8	2618.8	2629.6	2629.6	2629.6	1864.2	2751.2	2751.2	2751.2	2795.1	2815.0	3094.5	3009.3	3023.0	1612.2	1612.2	1659.6
b. Business	26.1	26.6	26.6	26.7	26.7	26.9	26.9	26.9	26.9	26.9	26.9	26.9	26.9	26.9	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	0.0	0.0	0.0
8. CLAIMS ON DMBs	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
9. TOTAL ASSETS	**2479.0**	**2871.9**	**2918.6**	**2916.8**	**2968.9**	**2980.2**	**2980.2**	**2982.5**	**2982.5**	**2982.5**	**2991.0**	**2997.7**	**2997.7**	**2997.7**	**3026.6**	**3083.8**	**3083.8**	**3083.8**	**3083.2**	**3215.1**	**3475.2**	**3464.9**	**3456.8**	**1776.3**	**1776.3**	**1805.8**

Table II.4(b) OTHER BANKING INSTITUTIONS: DETAILED ACCOUNT
(end of period N$ Million)

LIABILITIES	2000	2001	2002												2003											
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1. TIME, SAVINGS AND FOREIGN C. DEP.	**1284.2**	**1531.5**	**1573.7**	**1555.7**	**1593.9**	**1596.1**	**1602.1**	**1608.1**	**1608.1**	**1608.1**	**1604.1**	**1602.1**	**1609.1**	**1613.2**	**1610.3**	**1626.0**	**1626.0**	**1624.9**	**1635.7**	**1635.6**	**1895.1**	**1797.2**	**1838.4**	**532.5**	**533.6**	**524.5**
a. Time Deposits	301.3	309.0	294.2	268.4	274.3	274.5	274.5	274.5	274.5	274.5	274.5	274.5	274.5	274.5	260.8	290.3	290.3	290.3	296.1	287.4	530.5	429.5	463.5	199.4	199.4	199.4
b. Savings Deposits	983.0	1222.5	1279.5	1287.3	1319.6	1321.7	1327.7	1333.7	1333.7	1333.7	1329.7	1327.7	1334.7	1338.7	1349.5	1335.7	1335.7	1334.6	1339.6	1348.2	1364.6	1367.7	1374.9	333.1	334.2	325.1
c. Foreign Currency Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. MONEY MARKET INSTRUMENTS	**45.4**	**44.4**	**34.0**	**34.5**	**34.9**	**34.9**	**34.9**	**34.9**	**34.9**	**34.9**	**34.9**	**34.9**	**34.9**	**34.9**	**34.9**	**34.9**	**34.9**	**34.9**	**34.9**	**58.8**	**68.6**	**135.6**	**183.7**	**153.4**	**153.4**	**189.0**
3. BONDS	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
4. FOREIGN LIABILITIES	**83.6**	**151.2**	**150.6**	**152.1**	**193.9**	**201.0**	**201.0**	**201.0**	**201.0**	**201.0**	**201.2**	**201.0**	**201.0**	**201.0**	**78.4**	**148.9**	**148.9**	**148.9**	**151.7**	**151.7**	**139.6**	**143.3**	**143.3**	**143.3**	**143.3**	**143.3**
a. Banks	0.0	0.0	59.8	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.2	60.0	60.0	60.0	65.0	119.1	119.1	119.1	120.1	120.1	139.6	143.3	143.3	143.3	143.3	143.3
b. Nonbanks	83.6	151.2	90.8	92.1	133.9	141.0	141.0	141.0	141.0	141.0	141.0	141.0	141.0	141.0	13.5	29.8	29.8	29.8	31.6	31.6	0.0	0.0	0.0	0.0	0.0	0.0
5. CENTRAL GOVERNMENT DEPOSITS	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
6. CREDIT FROM CENTRAL BANK	**0.5**	**0.5**	**0.5**	**0.5**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.0**	**0.0**	**0.0**
7. CREDIT FROM DMBs	**74.4**	**82.4**	**78.2**	**71.2**	**72.8**	**72.8**	**72.8**	**72.8**	**72.8**	**72.8**	**72.8**	**72.8**	**72.8**	**72.8**	**73.0**	**73.0**	**73.0**	**73.0**	**72.8**	**163.2**	**114.3**	**163.2**	**153.6**	**75.7**	**75.7**	**60.2**
8. CAPITAL ACCOUNTS	**1237.3**	**1325.0**	**1335.8**	**1349.0**	**1354.4**	**1339.2**	**1339.2**	**1341.3**	**1341.3**	**1341.3**	**1347.2**	**1349.3**	**1349.3**	**1349.3**	**1412.0**	**1412.0**	**1412.0**	**1412.0**	**1404.5**	**1423.1**	**1453.9**	**1505.0**	**1473.5**	**1109.8**	**1109.8**	**1118.7**
9. OTHER ITEMS (NET)	**-246.3**	**-263.1**	**-254.1**	**-246.2**	**-281.6**	**-264.4**	**-270.4**	**-276.2**	**-276.2**	**-276.2**	**-269.8**	**-263.0**	**-270.0**	**-274.1**	**-182.6**	**-211.6**	**-211.6**	**-210.6**	**-216.8**	**-218.0**	**-196.9**	**-280.0**	**-336.2**	**-238.3**	**-239.4**	**-229.9**
a. Unclassified liabilities	268.0	303.2	319.0	319.7	292.0	292.2	292.2	291.5	291.5	291.5	297.6	293.9	293.9	293.9	330.6	301.6	301.6	301.6	293.2	327.6	365.4	284.6	234.7	201.2	201.2	201.2
b. Less: Unclassified assets	514.4	566.3	573.1	565.9	573.5	556.6	562.6	567.7	567.7	567.7	567.4	556.8	563.8	567.9	513.2	513.2	513.2	512.1	510.0	545.6	562.2	564.6	570.9	439.5	440.6	431.1
10. TOTAL LIABILITIES	**2479.0**	**2871.9**	**2918.6**	**2916.8**	**2968.9**	**2980.2**	**2980.2**	**2982.5**	**2982.5**	**2982.5**	**2991.0**	**2997.7**	**2997.7**	**2997.7**	**3026.6**	**3083.8**	**3083.8**	**3083.8**	**3083.2**	**3215.1**	**3475.2**	**3464.9**	**3456.8**	**1776.3**	**1776.3**	**1805.8**

Table II.5 BANKING SURVEY
(end of period N$ Million)

End of Period		Net Foreign Assets	Domestic Credit				Total	Money Supply			Other Items (Net)	TOTAL
			To Gov't (Net)	Financial Sector	Private Sector	Other		Monetary Liabilities	Quasi-Monetary Liabilities	Total		
1999		**2262.1**	**668.4**	**24.7**	**9233.7**	**166.5**	**12355.5**	**4419.3**	**5160.0**	**9579.4**	**2776.2**	**12355.5**
2000		**2608.8**	**309.6**	**58.4**	**10791.7**	**462.9**	**14231.4**	**5655.7**	**5142.9**	**10798.6**	**3432.9**	**14231.4**
2001		**2387.1**	**423.6**	**15.2**	**12614.2**	**219.9**	**15660.0**	**6315.3**	**5222.5**	**11537.8**	**4122.2**	**15660.0**
2002	Jan	3121.8	-1.7	28.7	12611.0	194.2	15954.1	6173.3	5536.9	11710.1	4244.0	15954.1
	Feb	3509.2	177.7	12.8	12726.6	194.2	16620.5	6926.5	5484.2	12410.7	4209.8	16620.5
	Mar	3202.0	553.7	14.1	12872.6	213.3	16855.7	6544.3	5403.7	11948.0	4907.7	16855.7
	Apr	3613.6	464.2	14.6	12807.6	215.3	17115.3	6862.0	5640.2	12502.2	4613.0	17115.3
	May	3416.7	777.1	17.9	13188.0	207.8	17607.5	7360.2	5789.7	13149.9	4457.0	17606.9
	Jun	3360.5	957.2	14.1	13075.3	212.9	17620.0	7225.7	5762.7	12988.4	4629.4	17617.8
	Jul	4069.4	-291.7	15.1	13236.2	200.3	17229.3	7083.6	5665.5	12749.1	4478.5	17227.6
	Aug	3714.9	0.1	15.0	13279.1	206.1	17215.3	7383.7	5444.9	12828.7	4386.6	17215.3
	Sep	2981.2	292.4	13.9	13594.7	205.0	17087.2	7027.0	5438.5	12465.5	4621.7	17087.2
	Oct	3326.7	190.6	13.9	14229.0	214.2	17974.3	7466.8	5788.8	13255.7	4718.6	17974.3
	Nov	2596.3	557.4	13.2	14463.2	234.6	17864.8	7199.9	6066.2	13266.1	4598.7	17864.8
	Dec	2050.7	-78.1	14.0	14817.7	235.3	17039.6	6809.9	5613.1	12423.0	4616.7	17039.6
2003	Jan	2581.9	-249.5	25.5	13994.6	1025.5	17378.0	6978.7	5501.7	12480.3	4897.7	17378.0
	Feb	2359.2	265.0	14.1	15083.8	180.7	17902.7	7305.1	5505.9	12811.0	5091.7	17902.7
	Mar	1269.9	679.5	19.2	15230.3	186.5	17385.5	6774.0	5683.8	12457.8	4927.7	17385.5
	Apr	1289.4	737.5	15.3	15571.1	180.1	17793.4	6931.0	5892.4	12823.5	4969.9	17793.4
	May	1216.9	850.4	15.3	15639.5	186.7	17908.9	7268.3	5690.6	12958.9	4950.0	17908.9
	Jun	872.5	674.6	51.1	15892.9	181.0	17672.1	6956.7	5725.4	12682.1	4990.0	17672.1
	Jul	1451.4	733.9	46.7	16060.5	180.7	18473.2	7256.7	6107.3	13364.1	5109.1	18473.2
	Aug	791.1	827.0	50.8	16006.2	184.3	17859.3	7089.4	6104.5	13193.9	4665.4	17859.3
	Sep	875.9	717.3	28.8	16256.0	190.7	18068.7	7608.7	6206.6	13815.3	4253.5	18068.7
	Oct	1302.3	251.5	16.1	16084.4	143.4	17797.6	6569.9	5452.2	12022.0	5775.6	17797.6
	Nov	656.4	655.4	16.1	16922.9	144.0	18394.8	7826.7	5398.3	13225.0	5169.7	18394.8
	Dec	377.5	774.0	16.2	17065.4	163.6	18396.7	7580.4	5607.0	13187.4	5209.3	18396.7

Note: Other refers to claims on:- Non-financial Public Enterprises
- Local Authority and Regional Councils by both DMB's and OBI's

Financial sector refers to:- Other Banking Institutions
- Nonbank Financial Institutions

Table II.6 TYPES OF DEPOSIT MONEY BANKS' DEPOSITS
(in N$ Million)

Period		Demand Deposits	Savings Deposits	Time Deposits				TOTAL
				Short Term	Medium Term	Long Term	Sub-Total	
1999		**4174.0**	**667.3**	**722.7**	**2207.1**	**444.4**	**3374.1**	**8215.5**
2000		**5507.6**	**705.8**	**854.3**	**2167.1**	**273.6**	**3295.0**	**9508.3**
2001		**6095.0**	**748.7**	**684.9**	**1965.1**	**343.9**	**2993.9**	**9837.6**
2002	Jan	5953.5	735.6	707.1	2322.5	277.8	3307.5	9996.6
	Feb	6580.1	750.6	761.1	2268.4	208.3	3237.8	10568.5
	Mar	6523.7	744.0	905.9	2036.4	183.8	3126.0	10393.7
	Apr	6585.3	758.8	1429.9	1893.0	156.8	3479.6	10823.8
	May	6991.7	769.2	1331.6	2041.3	230.6	3603.6	11364.5
	Jun	6789.7	777.8	1378.8	1958.1	227.4	3564.3	11131.8
	Jul	6723.0	786.0	1378.7	1702.4	329.0	3410.2	10919.2
	Aug	7069.3	778.2	1131.9	1729.6	333.3	3194.7	11042.2
	Sep	6688.4	784.3	928.7	1822.5	468.1	3219.3	10692.0
	Oct	7075.9	796.9	1148.1	1776.1	573.3	3497.5	11370.3
	Nov	6878.6	819.4	1200.4	2015.6	541.7	3757.7	11455.7
	Dec	6440.6	786.1	1071.6	1849.7	544.8	3466.1	10692.8
2003	Jan	6606.4	771.3	984.8	1892.2	441.8	3318.7	10696.4
	Feb	7080.5	784.5	1005.3	1833.2	444.4	3283.0	11147.9
	Mar	6716.6	779.1	979.8	2075.5	401.5	3456.8	10952.5
	Apr	7015.6	793.0	1196.8	2131.4	310.7	3639.0	11447.6
	May	7119.8	789.3	1178.2	1996.2	335.1	3509.5	11418.7
	Jun	7052.1	811.0	1517.2	1723.9	332.4	3573.6	11436.7
	Jul	7655.4	817.8	1482.9	1916.7	413.6	3813.2	12286.4
	Aug	7535.6	829.3	1351.4	2119.2	390.2	3860.7	12225.7
	Sep	7987.9	832.4	1566.6	1867.7	445.9	3880.2	12700.5
	Oct	7674.8	889.8	1363.8	2671.9	474.9	4510.5	13075.1
	Nov	7735.3	918.9	1020.2	2973.5	414.2	4407.9	13062.1
	Dec	7705.7	906.2	1267.4	3021.8	397.4	4686.6	13298.5

Table II.7 SOURCES OF DEPOSIT MONEY BANKS' DEPOSITS
(in N$ Million)

Period		DEMAND DEPOSITS						SAVINGS DEPOSITS						TIME DEPOSITS						TOTAL
		Private Sector		Financial	Central	Other	Total	Private sector		Financial	Central	Other	Total	Private Sector		Financial	Central	Other	Total	
		Busin.	Indiv.	Sector	Govt.			Busin.	Indiv.	Sector	Govt.			Busin.	Indiv.	Sector	Govt.			
1999		**1785.6**	**1236.1**	**733.5**	**86.7**	**332.1**	**4174.0**	**10.3**	**657.0**	**0.0**	**0.0**	**0.0**	**667.3**	**887.5**	**1199.7**	**333.7**	**2.8**	**950.4**	**3374.1**	**8215.5**
2000		**2271.2**	**1840.0**	**1006.5**	**138.9**	**251.1**	**5507.7**	**12.2**	**693.5**	**0.0**	**0.0**	**0.1**	**705.8**	**1263.2**	**1079.0**	**297.4**	**88.0**	**567.2**	**3294.8**	**9508.3**
2001		**3050.1**	**1783.9**	**733.1**	**201.4**	**326.5**	**6095.0**	**8.3**	**738.8**	**0.0**	**0.0**	**1.6**	**748.7**	**1376.3**	**1246.3**	**59.1**	**50.5**	**261.7**	**2993.9**	**9837.6**
2002	Jan	3119.3	1757.9	613.4	178.6	284.3	5953.5	8.4	725.5	0.0	0.0	1.7	735.6	1489.3	1374.3	86.7	49.9	307.2	3307.5	9996.6
	Feb	3428.1	1851.7	842.3	172.5	285.5	6580.1	9.0	739.9	0.0	0.0	1.7	750.6	1560.6	1275.4	37.4	59.0	305.0	3237.5	10568.2
	Mar	3260.7	2053.7	715.7	197.8	242.8	6470.6	11.3	731.0	0.0	0.0	1.7	744.0	1481.2	1231.9	42.2	59.0	311.6	3126.0	10340.7
	Apr	3451.8	1899.8	659.6	250.2	324.0	6585.3	12.3	745.0	0.0	0.0	1.5	758.8	1682.1	1246.6	155.3	85.5	310.1	3479.6	10823.8
	May	3582.4	1823.5	980.8	194.2	410.8	6991.7	11.7	755.8	0.0	0.0	1.7	769.2	1891.2	1226.9	130.9	83.7	270.9	3603.6	11364.5
	Jun	3635.2	1926.2	593.0	261.5	373.8	6789.7	13.1	763.2	0.0	0.0	1.4	777.8	1889.0	1229.9	122.9	81.2	241.3	3564.3	11131.8
	Jul	3469.2	2064.5	652.9	237.4	299.0	6723.0	12.6	772.0	0.0	0.0	1.4	786.0	1799.2	1237.7	65.6	84.9	222.8	3410.2	10919.2
	Aug	3611.1	2236.6	652.8	216.3	352.5	7069.3	12.9	763.8	0.0	0.0	1.5	778.2	1581.7	1257.4	65.6	82.2	207.9	3194.7	11042.2
	Sep	3410.7	2020.4	648.2	267.4	341.7	6688.4	11.9	771.0	0.0	0.0	1.4	784.3	1441.8	1234.4	135.3	72.4	335.4	3219.3	10692.0
	Oct	3621.1	2004.9	836.1	260.8	353.0	7075.9	16.3	779.0	0.0	0.0	1.6	796.9	1725.0	1232.1	66.2	80.5	393.7	3497.5	11370.3
	Nov	3651.3	2049.2	610.2	240.0	327.9	6878.6	14.1	803.9	0.0	0.0	1.5	819.5	1851.3	1295.5	142.5	71.8	396.6	3757.7	11455.7
	Dec	3253.1	1948.8	698.7	246.3	293.6	6440.5	13.1	771.7	0.0	0.0	1.4	786.2	1503.7	1297.3	153.4	123.8	387.9	3466.1	10692.8
2003	Jan	3446.4	1935.7	516.1	224.3	483.9	6606.4	11.4	758.7	0.0	0.0	1.1	771.3	1360.3	1355.7	129.9	92.7	380.2	3318.7	10696.4
	Feb	3673.9	2024.7	686.1	262.9	432.8	7080.4	12.8	770.6	0.0	0.0	1.1	784.5	1347.8	1266.3	120.0	134.5	414.4	3283.0	11147.9
	Mar	3374.0	1890.5	743.1	249.0	441.1	6697.7	12.8	764.8	0.0	0.0	1.6	779.1	1527.2	1287.4	95.6	124.9	421.7	3456.8	10933.6
	Apr	3485.6	1912.6	934.9	246.2	436.2	7015.6	13.3	778.3	0.0	0.0	1.4	793.0	1490.1	1430.8	176.5	108.5	433.0	3639.0	11447.6
	May	3556.7	2040.8	821.0	212.1	489.3	7119.8	12.7	775.2	0.0	0.0	1.4	789.3	1495.0	1302.5	75.5	212.4	424.1	3509.5	11418.7
	Jun	3442.4	2330.6	730.3	217.2	331.6	7052.1	13.3	796.3	0.0	0.0	1.3	811.0	1502.3	1284.2	167.2	214.1	405.9	3573.6	11436.7
	Jul	3743.9	2302.2	951.7	191.4	466.2	7655.4	13.0	803.1	0.4	0.0	1.4	817.8	1542.9	1299.4	284.9	247.2	438.8	3813.2	12286.4
	Aug	3687.8	2332.5	909.4	232.7	373.2	7535.6	13.5	814.5	0.1	0.0	1.3	829.3	1493.9	1426.3	153.0	371.1	416.5	3860.7	12225.7
	Sep	3830.5	2492.8	890.8	355.0	418.7	7987.9	14.3	816.6	0.0	0.0	1.5	832.4	1580.6	1348.4	175.6	332.6	442.9	3880.2	12700.5
	Oct	3822.6	2296.8	897.2	279.5	378.7	7674.8	18.7	869.6	0.0	0.1	1.4	889.8	1733.0	1691.3	185.7	453.9	446.5	4510.4	13075.1
	Nov	3812.2	2205.4	995.1	282.7	439.8	7735.3	18.1	899.5	0.0	0.1	1.3	918.9	1744.1	1573.9	177.8	436.4	475.7	4407.8	13062.1
	Dec	3910.6	2295.8	1004.7	222.5	272.2	7705.8	18.8	886.0	0.0	0.1	1.4	906.3	1917.0	1585.5	237.1	458.0	488.8	4686.4	13298.5

Note: Other refers to: Non-Financial Public Enterprises
Local Authority and Regional Councils

Table II.8 SECTORAL DISTRIBUTION OF DEPOSIT MONEY BANKS' DEPOSITS
(in N$ Million)

Period		Private Sector		Total	Financial Sector	Central Government	Other	TOTAL
		Businesses.	Individuals.					
1999		**2683.4**	**3092.8**	**5776.2**	**1067.2**	**89.5**	**1282.6**	**8215.5**
2000		**3546.6**	**3612.4**	**7159.1**	**1303.9**	**226.9**	**818.4**	**9508.3**
2001		**4434.7**	**3769.0**	**8203.7**	**792.2**	**251.9**	**589.8**	**9837.6**
2002	Jan	4617.1	3857.8	8474.9	700.1	228.5	593.1	9996.6
	Feb	4997.7	3867.0	8864.7	879.7	231.5	592.2	10568.2
	Mar	4753.3	4016.6	8769.9	757.9	256.8	556.1	10340.7
	Apr	5146.1	3891.5	9037.6	814.9	335.6	635.6	10823.8
	May	5485.3	3806.2	9291.5	1111.7	277.9	683.4	11364.5
	Jun	5537.3	3919.4	9456.7	715.9	342.7	616.5	11131.8
	Jul	5281.0	4074.2	9355.2	718.5	322.3	523.2	10919.2
	Aug	5205.7	4257.8	9463.5	718.4	298.4	561.9	11042.2
	Sep	4864.4	4025.8	8890.1	783.4	339.9	678.6	10692.0
	Oct	5362.4	4016.0	9378.5	902.3	341.3	748.3	11370.3
	Nov	5516.7	4148.5	9665.2	752.7	311.8	726.0	11455.7
	Dec	4769.9	4017.8	8787.7	852.1	370.1	682.9	10692.8
2003	Jan	4818.1	4050.1	8868.2	645.9	317.1	865.2	10696.4
	Feb	5034.5	4061.6	9096.1	806.1	397.4	848.3	11147.9
	Mar	4914.0	3942.6	8856.6	838.7	373.9	864.4	10933.6
	Apr	4989.0	4121.7	9110.7	1111.5	354.8	870.6	11447.6
	May	5064.4	4118.5	9182.9	896.5	424.5	914.8	11418.7
	Jun	4958.0	4411.0	9369.1	897.5	431.3	738.9	11436.7
	Jul	5299.8	4404.6	9704.4	1236.9	438.7	906.4	12286.4
	Aug	5195.2	4573.3	9768.5	1062.4	603.8	791.0	12225.7
	Sep	5425.4	4657.8	10083.2	1066.4	687.6	863.2	12700.5
	Oct	5574.3	4857.8	10432.1	1083.0	733.4	826.6	13075.1
	Nov	5574.4	4678.8	10253.2	1172.9	719.2	916.8	13062.1
	Dec	5846.4	4767.3	10613.7	1241.8	680.6	762.4	13298.5

Note: Other refers to: Non-Financial Public Enterprises
Local Authority and Regional Councils

Table II.9 SOURCES OF OTHER BANKING INSTITUTIONS' DEPOSITS
(in N$ Million)

Period		SAVINGS DEPOSITS						TIME DEPOSITS						TOTAL DEPOSITS
		Private Sector		Financial Sector	Central Govt.	Other	Total	Private Sector		Financial Sector	Central Govt.	Other	Total	
		Busin.	Indiv.					Busin.	Indiv.					
1999		**2.9**	**825.0**	**103.9**	**0.0**	**0.1**	**931.9**	**5.2**	**256.6**	**112.4**	**0.0**	**94.2**	**468.4**	**1400.3**
2000		**3.1**	**871.2**	**108.5**	**0.0**	**0.1**	**982.9**	**10.2**	**293.3**	**220.0**	**0.0**	**76.3**	**599.9**	**1582.8**
2001		**4.0**	**1076.3**	**142.0**	**0.0**	**0.2**	**1222.6**	**11.4**	**38.1**	**243.8**	**0.0**	**98.1**	**391.4**	**1613.9**
2002	Jan	4.3	1124.4	150.7	0.0	0.2	1279.5	10.8	36.1	231.2	0.0	94.3	372.4	1651.9
	Feb	4.3	1129.9	152.9	0.0	0.2	1287.3	9.8	32.9	210.5	0.0	86.4	339.5	1626.8
	Mar	4.4	1158.6	156.4	0.0	0.2	1319.6	10.0	33.7	215.3	0.0	88.1	347.2	1666.8
	Apr	4.4	1160.7	156.4	0.0	0.2	1321.7	10.0	33.7	215.3	0.0	88.3	347.3	1669.0
	May	4.4	1166.7	156.4	0.0	0.2	1327.7	10.0	33.7	215.3	0.0	88.3	347.3	1675.0
	Jun	4.4	1172.7	156.4	0.0	0.2	1333.7	10.0	33.7	215.3	0.0	88.3	347.3	1681.0
	Jul	4.4	1172.7	156.4	0.0	0.2	1333.7	10.0	33.7	215.3	0.0	88.3	347.3	1681.0
	Aug	4.4	1172.7	156.4	0.0	0.2	1333.7	10.0	33.7	215.3	0.0	88.3	347.3	1681.0
	Sep	4.4	1168.7	156.4	0.0	0.2	1329.7	10.0	33.7	215.3	0.0	88.3	347.3	1677.0
	Oct	4.4	1166.7	156.4	0.0	0.2	1327.7	10.0	33.7	215.3	0.0	88.3	347.3	1675.0
	Nov	4.4	1166.7	156.4	0.0	0.2	1327.7	10.0	33.7	215.3	0.0	88.3	347.3	1675.0
	Dec	4.4	1177.7	156.4	0.0	0.2	1338.7	10.0	33.7	215.3	0.0	88.3	347.3	1686.1
2003	Jan	4.4	1177.6	170.2	0.0	0.2	1352.5	10.0	33.6	215.3	23.3	74.6	356.8	1709.3
	Feb	4.4	1177.6	156.4	0.0	0.2	1338.7	10.0	33.6	244.8	0.0	74.6	363.1	1701.8
	Mar	4.4	1177.6	156.4	0.0	0.2	1338.7	10.0	33.6	244.8	0.0	74.6	363.1	1701.8
	Apr	4.4	1177.6	156.4	0.0	0.2	1338.7	10.0	33.6	244.8	0.0	74.6	363.1	1701.8
	May	4.4	1178.6	156.4	0.0	0.2	1339.6	10.0	33.6	215.3	0.0	74.6	333.6	1673.2
	Jun	4.4	1187.2	156.4	0.0	0.2	1348.2	10.0	33.6	215.3	0.0	74.6	333.6	1681.7
	Jul	4.4	1187.2	156.4	0.0	0.2	1348.2	10.0	33.6	464.8	0.0	74.6	583.1	1931.3
	Aug	4.4	1187.3	156.4	0.0	0.2	1348.3	30.1	33.8	406.6	0.0	74.6	545.1	1893.4
	Sep	4.4	1213.9	156.4	0.0	0.2	1374.9	28.9	34.4	403.5	0.0	74.6	541.4	1916.3
	Oct	0.0	333.1	0.0	0.0	0.0	333.1	17.5	0.8	181.1	0.0	0.0	199.4	532.5
	Nov	0.0	334.2	0.0	0.0	0.0	334.2	17.5	0.8	181.1	0.0	0.0	199.4	533.6
	Dec	0.0	325.1	0.0	0.0	0.0	325.1	17.5	0.8	181.1	0.0	0.0	199.4	524.5

Note: Other refers to: Non-Financial Public Enterprises
Local Authority and Regional Councils

Table II.10 SECTORAL DISTRIBUTION OF OBI DEPOSITS
(in N$ Million)

Period	PRIVATE SECTOR		Total	Financial Sector	Central Government	Other	TOTAL
	Businesses	Individuals					
1999	**8.2**	**1081.6**	**1089.7**	**216.2**	**0.0**	**94.4**	**1400.3**
2000	**13.3**	**1164.6**	**1177.9**	**328.5**	**0.0**	**76.4**	**1582.8**
2001	**15.4**	**1114.4**	**1129.8**	**385.8**	**0.0**	**98.3**	**1613.9**
2002 Jan	15.0	1160.5	1175.5	381.9	0.0	94.5	1651.9
Feb	14.1	1162.8	1176.9	363.4	0.0	86.6	1626.8
Mar	14.5	1192.4	1206.8	371.6	0.0	88.4	1666.8
Apr	14.5	1194.4	1208.9	371.6	0.0	88.5	1669.0
May	14.5	1200.4	1214.9	371.6	0.0	88.5	1675.0
Jun	14.5	1206.4	1220.9	371.6	0.0	88.5	1681.0
Jul	14.5	1206.4	1220.9	371.6	0.0	88.5	1681.0
Aug	14.5	1206.4	1220.9	371.6	0.0	88.5	1681.0
Sep	14.5	1202.4	1216.9	371.6	0.0	88.5	1677.0
Oct	14.5	1200.4	1214.9	371.6	0.0	88.5	1675.0
Nov	14.5	1200.4	1214.9	371.6	0.0	88.5	1675.0
Dec	14.5	1211.5	1225.9	371.6	0.0	88.5	1686.1
2003 Jan	14.5	1211.3	1225.7	385.5	0.0	74.8	1709.3
Feb	14.5	1211.3	1225.7	401.2	23.3	74.8	1701.8
Mar	14.5	1211.3	1225.7	401.2	0.0	74.8	1701.8
Apr	14.5	1211.3	1225.7	401.2	0.0	74.8	1701.8
May	14.5	1212.2	1226.7	371.6	0.0	74.8	1673.2
Jun	14.5	1220.8	1235.2	371.6	0.0	74.8	1681.7
Jul	14.5	1220.8	1235.2	621.2	0.0	74.8	1931.3
Aug	34.5	1221.0	1255.5	563.0	0.0	74.8	1893.4
Sep	33.3	1248.3	1281.6	559.9	0.0	74.8	1916.3
Oct	17.5	333.9	351.4	181.1	0.0	0.0	532.5
Nov	17.5	335.0	352.6	181.1	0.0	0.0	533.6
Dec	17.5	325.9	343.4	181.1	0.0	0.0	524.5

Note: Other refers to: Non-Financial Public Enterprises
Local Authority and Regional Councils

Table II.11 COMMERCIAL BANKS CLAIMS ON PRIVATE SECTOR
(end of period in N$ Million)

	2000	2001	2002												2003											
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1. Individuals	**5565.1**	**5691.5**	**5746.7**	**5881.7**	**5969.7**	**6035.7**	**6068.5**	**6233.8**	**6233.4**	**6302.5**	**6438.7**	**6883.8**	**6932.0**	**7126.5**	**7212.2**	**7300.1**	**7374.7**	**7483.2**	**7638.0**	**7503.0**	**7610.0**	**7673.2**	**7749.5**	**8399.2**	**8577.4**	**8878.7**
a) Loans and Advances	4071.5	4137.9	4178.2	4287.3	4379.5	4434.9	4456.5	4601.9	4539.5	4595.2	4679.8	5097.6	5133.8	5279.1	5367.8	5445.4	5482.4	5583.5	5634.9	5585.6	5649.2	5723.1	5749.4	6382.4	6532.7	6770.7
(i) Mortgage loans	2658.3	3005.4	3021.0	3106.5	3172.1	3232.0	3250.3	3365.4	3369.2	3405.9	3478.1	3548.6	3641.1	3726.9	3753.6	3808.8	3847.0	3901.5	3984.0	3885.0	3954.7	3994.2	4018.6	4653.5	4842.0	5049.7
(ii) Other loans & advances	1413.1	1132.5	1157.2	1180.8	1207.4	1202.9	1206.3	1236.4	1170.2	1189.2	1201.6	1549.0	1492.7	1552.2	1614.2	1636.5	1635.4	1681.9	1650.9	1700.6	1694.5	1728.9	1730.8	1728.9	1690.7	1721.0
b) Instalment credit	1418.2	1498.6	1517.0	1543.1	1539.1	1546.6	1555.4	1572.5	1632.8	1644.3	1672.8	1697.5	1705.4	1751.6	1750.2	1760.9	1796.3	1804.1	1909.1	1627.1	1871.5	1859.9	1912.1	1931.5	1959.2	2024.3
c) Leasing transaction	63.4	49.8	48.2	48.0	47.8	50.9	53.1	55.9	57.8	59.6	82.8	84.3	88.2	91.0	89.3	88.9	91.0	90.5	88.7	285.0	85.6	86.4	84.2	81.4	81.7	80.3
d) Bills discounted or purchased	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
e) Other claims	12.0	5.2	3.3	3.3	3.3	3.4	3.4	3.5	3.3	3.5	3.3	4.4	4.6	4.8	4.9	4.9	5.0	5.2	5.3	5.2	3.8	3.8	3.8	3.8	3.9	3.4
2. Business	**3134.8**	**4424.0**	**4341.1**	**4305.3**	**4283.8**	**4149.1**	**4496.7**	**4211.9**	**4373.2**	**4347.0**	**4510.4**	**4688.7**	**4874.7**	**5034.7**	**4899.4**	**5013.6**	**5085.6**	**5317.8**	**5187.6**	**5556.0**	**5337.1**	**5304.8**	**5464.6**	**6072.9**	**6733.2**	**6527.1**
a) Loans and Advances	2736.2	3220.1	3114.0	3083.5	3055.6	2930.2	3261.8	2986.0	3046.7	3097.5	3199.1	3377.9	3543.8	3656.2	3539.0	3616.6	3682.1	3898.4	3874.0	4109.9	3935.9	3883.8	4019.8	4632.4	5281.8	5067.0
(i) Mortgage loans	331.8	495.6	488.7	459.2	476.6	467.5	502.7	482.8	500.7	524.7	504.9	505.2	475.9	449.6	446.3	453.8	465.6	466.0	411.5	599.9	645.4	698.7	693.8	1352.1	1512.1	1468.8
(ii) Other loans & advances	2404.5	2724.6	2625.3	2624.3	2579.0	2462.7	2759.1	2503.2	2546.0	2572.8	2694.2	2872.7	3067.9	3206.6	3092.7	3162.8	3216.5	3432.4	3462.4	3510.0	3290.5	3185.1	3325.9	3280.3	3769.6	3598.2
b) Instalment credit	136.9	448.9	451.7	450.4	448.5	447.8	449.6	454.8	469.3	484.6	500.9	505.5	515.3	508.5	501.9	506.8	520.8	532.3	434.4	546.3	552.0	563.7	568.6	585.0	601.4	614.7
c) Leasing transaction	19.7	45.0	53.9	53.6	53.1	53.0	50.0	51.8	53.1	54.4	55.3	55.8	56.9	53.3	52.7	53.2	53.7	55.0	52.8	56.5	59.2	61.4	62.9	62.0	62.4	60.9
d) Bills discounted or purchased	0.0	3.5	18.9	18.1	17.7	18.1	23.1	19.5	45.5	45.6	45.3	43.1	43.1	15.1	13.1	20.6	20.6	20.6	20.6	23.1	20.8	21.0	21.3	21.6	21.8	22.1
e) Other claims	241.9	706.5	702.5	699.7	708.8	699.9	712.3	699.9	758.7	664.9	709.9	706.3	715.6	801.6	792.8	816.4	808.5	811.6	805.9	820.2	769.3	775.0	792.0	772.1	765.8	762.4
3. (1+2) TOTAL CLAIMS ON PRIVATE SECTOR																										
a) Loans and advances	6807.7	7358.0	7292.2	7370.9	7435.1	7365.1	7718.3	7587.8	7586.1	7692.7	7878.8	8475.4	8677.6	8935.3	8906.8	9062.0	9164.5	9481.9	9508.9	9695.5	9585.1	9606.9	9769.2	11014.8	11814.5	11837.7
(i) Mortgage loans	2990.1	3501.0	3509.6	3565.8	3648.7	3699.5	3753.0	3848.2	3869.9	3930.7	3983.1	4053.7	4117.0	4176.6	4199.9	4262.7	4312.6	4367.5	4395.5	4485.0	4600.1	4692.9	4712.4	6005.6	6354.2	6518.5
(ii) Other loans and advances	3817.6	3857.1	3782.6	3805.1	3786.4	3665.6	3965.4	3739.6	3716.2	3762.0	3895.8	4421.7	4560.7	4758.7	4706.9	4799.3	4851.9	5114.4	5113.4	5210.5	4985.0	4914.0	5056.8	5009.2	5460.4	5319.2
b) Instalment credit	1555.2	1947.5	1968.7	1993.5	1987.6	1994.4	2005.0	2027.3	2102.0	2128.9	2173.7	2203.0	2220.7	2260.2	2252.0	2267.7	2317.1	2336.4	2343.5	2173.5	2423.4	2423.6	2480.7	2516.5	2560.5	2639.0
c) Leasing transaction	83.1	94.8	102.1	101.6	101.0	103.8	103.1	107.7	110.9	114.0	138.1	140.2	145.1	144.2	142.0	142.1	144.6	145.5	141.5	341.5	144.9	147.7	147.2	143.4	144.1	141.2
d) Bills discounted or purchased	0.0	3.5	18.9	18.1	17.7	18.1	23.1	19.5	45.5	45.6	45.3	43.1	43.1	15.1	13.1	20.6	20.6	20.6	20.6	23.1	20.8	21.0	21.3	21.6	21.8	22.1
e) Other claims	253.9	711.7	705.8	703.0	712.1	703.3	715.7	703.4	762.0	668.3	713.1	710.7	720.2	806.4	797.7	821.4	813.5	816.7	811.1	825.4	773.0	778.8	795.8	775.9	769.7	765.8
TOTAL	**8699.8**	**10115.5**	**10087.8**	**10187.0**	**10253.5**	**10184.8**	**10565.2**	**10445.7**	**10606.6**	**10649.5**	**10949.0**	**11572.5**	**11806.7**	**12161.2**	**12111.6**	**12313.7**	**12460.3**	**12801.0**	**12825.6**	**13059.1**	**12947.2**	**12978.1**	**13214.1**	**14472.1**	**15310.6**	**15405.8**

Table II.12 OTHER BANKING INSTITUTION CLAIMS ON PRIVATE SECTOR
(end of period in N$ Million)

	2000	2001	2002												2003											
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1. Individuals	**2065.8**	**2472.1**	**2496.7**	**2513.0**	**2592.4**	**2596.0**	**2596.0**	**2602.8**	**2602.8**	**2602.8**	**2618.8**	**2629.6**	**2629.6**	**2629.6**	**1864.2**	**2751.2**	**2751.2**	**2751.2**	**2795.1**	**2815.0**	**3094.5**	**3009.3**	**3023.0**	**1612.2**	**1612.2**	**1659.6**
a) Loans and Advances	2064.6	2471.1	2495.6	2512.0	2591.3	2594.9	2594.9	2601.6	2601.6	2601.6	2617.7	2628.5	2628.5	2628.5	1862.8	2748.1	2748.1	2748.1	2787.8	2815.0	3094.5	3009.3	3023.0	1612.2	1612.2	1659.6
(i) Mortgage loans	2045.1	2450.8	2475.2	2491.5	2570.9	1802.4	2574.4	2581.2	2581.2	2581.2	2597.2	2608.1	2608.1	2608.1	1836.0	2721.3	2721.3	2721.3	1836.0	1842.9	2304.5	2313.6	2129.5	934.8	934.8	971.4
(ii) Other loans & advances	19.5	20.3	20.4	20.5	20.5	792.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	26.8	26.8	26.8	26.8	951.8	972.2	790.0	695.6	893.5	677.4	677.4	688.2
b) Instalment credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
c) Leasing transaction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
d) Bills discounted or purchased	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
e) Other claims	1.2	1.1	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.4	3.1	3.1	3.1	7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Business	**26.1**	**26.6**	**26.6**	**26.7**	**26.7**	**26.9**	**26.9**	**26.9**	**26.9**	**26.9**	**26.9**	**26.9**	**26.9**	**26.9**	**18.8**	**18.8**	**18.8**	**18.8**	**18.8**	**18.8**	**18.8**	**18.8**	**18.8**	**0.0**	**0.0**	**0.0**
a) Loans and Advances	19.5	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	0.0	0.0	0.0
(i) Mortgage loans	19.5	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	0.0	0.0	0.0
(ii) Other loans & advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Instalment credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
c) Leasing transaction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
d) Bills discounted or purchased	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
e) Other claims	6.6	7.2	7.2	7.3	7.3	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. (1+2) TOTAL CLAIMS ON PRIVATE SECTOR																										
a) Loans and advances	2084.1	2490.5	2515.0	2531.4	2610.7	2614.3	2614.3	2621.0	2621.0	2621.0	2637.1	2647.9	2647.9	2647.9	1881.6	2766.9	2766.9	2766.9	2806.6	2833.8	3113.4	3028.1	3041.8	1612.2	1612.2	1659.6
(i) Mortgage loans	2064.6	2470.2	2494.6	2510.9	2590.3	1821.8	2593.8	2600.6	2600.6	2600.6	2616.6	2627.5	2627.5	2627.5	1854.8	2740.1	2740.1	2740.1	1854.8	1861.7	2323.3	2332.5	2148.4	934.8	934.8	971.4
(ii) Other loans and advances	19.5	20.3	20.4	20.5	20.5	792.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	26.8	26.8	26.8	26.8	951.8	972.2	790.0	695.6	893.5	677.4	677.4	688.2
b) Instalment credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
c) Leasing transaction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
d) Bills discounted or purchased	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
e) Other claims	7.8	8.3	8.2	8.3	8.4	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	1.4	3.1	3.1	3.1	7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**2091.8**	**2498.7**	**2523.2**	**2539.7**	**2619.1**	**2622.8**	**2622.8**	**2629.6**	**2629.6**	**2629.6**	**2645.6**	**2656.5**	**2656.5**	**2656.5**	**1883.0**	**2770.0**	**2770.0**	**2770.0**	**2814.0**	**2833.8**	**3113.4**	**3028.1**	**3041.8**	**1612.2**	**1612.2**	**1659.6**

Table III.1 INTEREST RATES

Period		Prime Rate	Bank Rate	Treasury Bills	3 - Months BA Rate (1)	Government Bonds (2)	Money Market Rates (3)	Deposit Rates	Lending Rates
1999		**16.70**	**11.50**	**11.53**	**13.25**	**13.96**	**10.43**	**8.57**	**17.51**
2000		**15.90**	**11.25**	**9.62**	**11.85**	**12.84**	**9.24**	**7.63**	**15.11**
2001		**14.00**	**9.25**	**9.13**	**12.85**	**11.21**	**12.13**	**6.48**	**13.76**
2002	Jan	14.00	10.00	9.19	12.00	11.21	9.00	6.36	12.83
	Feb	14.75	10.00	9.19	12.00	11.97	10.04	6.85	12.50
	Mar	15.75	11.00	10.66	10.50	12.73	10.05	6.99	12.66
	Apr	15.75	11.00	10.34	10.50	12.73	10.17	7.43	13.28
	May	15.75	11.00	10.72	10.50	13.13	10.62	7.47	12.56
	Jun	16.75	12.00	11.27	11.00	13.13	10.73	7.67	13.58
	Jul	16.75	12.00	11.61	11.00	12.96	10.75	8.12	14.07
	Aug	16.75	12.00	11.35	11.00	12.96	10.41	8.12	14.05
	Sep	17.50	12.75	11.37	12.69	12.96	10.70	8.27	14.35
	Oct	17.50	12.75	12.13	12.88	12.96	11.01	8.59	15.95
	Nov	17.50	12.75	12.06	12.88	12.96	11.01	8.88	15.07
	Dec	17.50	12.75	11.93	13.06	12.96	11.01	8.96	15.15
2003	Jan	17.50	12.75	11.75	13.25	12.96	11.18	9.26	15.63
	Feb	17.50	12.75	11.51	13.34	12.96	10.95	9.34	15.04
	Mar	17.50	12.75	11.56	13.63	12.96	11.01	9.37	15.46
	Apr	17.50	12.75	11.68	13.63	12.96	11.49	9.35	15.41
	May	17.50	12.75	12.30	13.63	12.96	11.56	9.33	15.46
	Jun	17.50	11.50	11.95	11.36	12.96	10.82	9.66	16.16
	Jul	16.25	11.50	11.06	11.03	12.96	10.34	9.50	15.45
	Aug	15.50	10.75	10.28	10.74	12.96	10.14	8.93	14.74
	Sep	14.70	9.75	10.00	10.51	12.96	8.83	7.91	14.04
	Oct	13.90	8.25	9.01	8.28	12.96	8.25	8.04	13.72
	Nov	12.50	7.75	7.69	9.31	11.03	8.13	7.35	12.04
	Dec	12.50	7.75	7.35	9.26	n/a	7.50	6.88	12.91

(1) Until December 2001,SAGovt bonds rate; from January 2002 Namibian Govt bonds rate

Table IV.1 ALLOTMENT OF GOVERNMENT OF NAMIBIA TREASURY BILLS
N$ Million

Date Issued		Date Due	Deposit Money Banks	Other Banking Institutions	Banking Sector	Non-banking Financial Instit.	Other Public Enterprises	Private Sector	TOTAL	Amount Outstanding
2003	Jan	.04/03	60.0	0.0	60.0	69.8	0.0	20.2	150.0	2996.2
	Jan	.04/03	111.5	0.0	111.5	86.0	0.0	2.3	199.8	3195.9
	Jan*	.07/03	196.9	0.0	196.9	1.7	0.0	1.4	200.0	3396.0
	Jan**	.01/04	83.3	0.0	83.3	16.7	0.0	0.0	100.0	3496.0
	Feb	.05/03	95.0	0.0	95.0	66.0	0.0	23.1	184.0	3030.0
	Feb	.05/03	125.2	0.0	125.2	68.0	0.0	26.8	220.0	3250.0
	Feb*	.08/03	186.6	0.0	186.6	13.4	0.0	0.0	200.0	3450.0
	Feb**	.02/04	93.6	0.0	93.6	6.4	0.0	0.0	100.0	3550.0
	Mar	.06/03	119.8	0.0	119.8	87.8	22.2	20.2	250.0	2183.9
	Mar*	.09/03	197.8	0.0	197.8	1.7	0.0	0.5	200.0	3418.4
	Mar**	.03/04	172.8	0.0	172.8	26.6	0.0	0.6	200.0	3618.4
	Apr	.07/03	38.0	0.0	38.0	45.4	0.0	15.0	98.4	2880.5
	Apr	.07/03	127.8	0.0	127.8	74.9	0.0	2.3	205.0	3085.5
	Apr*	.10/03	135.8	0.0	135.8	17.2	0.0	0.0	153.0	3238.5
	Apr*	.10/03	147.7	0.0	147.7	32.3	0.0	0.0	180.0	3418.5
	Apr**	.04/04	129.5	0.0	129.5	22.5	0.0	0.0	152.0	3570.5
	May	.08/03	23.0	0.0	23.0	111.3	0.0	4.7	139.0	3005.5
	May	.08/03	128.8	0.0	128.8	86.2	0.0	4.9	219.9	3225.5
	May*	.11/03	105.0	0.0	105.0	195.0	0.0	0.0	300.0	3525.5
	May**	.05/04	113.6	0.0	113.6	6.4	0.0	0.0	120.0	3645.4
	Jun	.09/03	156.1	0.0	156.1	78.7	0.0	20.2	255.0	3498.7
	Jun*	.12/03	91.0	0.0	91.0	9.0	0.0	0.0	100.0	3598.7
	Jun**	.06/04	127.0	0.0	127.0	23.1	0.0	0.0	150.0	3748.7
	Jun**	.06/04	236.5	0.0	236.5	13.4	0.0	0.1	250.0	3998.7
	Jul	.10/03	86.0	0.0	86.0	4.1	0.0	10.0	100.0	3595.3
	Jul*	.01/04	196.1	0.0	196.1	3.9	0.0	0.0	200.0	3795.3
	Jul*	.01/04	9.5	0.0	9.5	0.0	40.5	0.1	50.0	3845.3
	Jul**	.07/04	99.8	0.0	99.8	0.2	0.0	0.0	100.0	3945.3
	Aug	.11/03	291.2	0.0	291.2	54.4	0.0	4.4	350.0	3736.4
	Aug	.11/03	99.4	0.0	99.4	50.6	0.0	0.0	150.0	3886.3
	Aug*	.02/04	194.9	0.0	194.9	55.1	0.0	0.0	250.0	4136.3
	Sep	.12/03	147.2	0.0	147.2	97.6	35.0	20.2	300.0	3881.3
	Sep*	.03/04	391.4	0.0	391.4	8.1	0.0	0.5	400.0	4281.3
	Sep**	.09/04	281.9	0.0	281.9	68.2	0.0	0.0	350.0	4631.3
	Sep**	.09/04	224.7	6.0	230.7	19.3	0.0	0.0	250.0	4881.2
	Oct	.01/04	77.9	0.0	77.9	2.1	0.0	0.0	80.0	4478.3
	Oct*	.04/04	141.5	0.0	141.5	8.5	0.0	0.0	150.0	4628.3
	Oct*	.04/04	170.0	0.0	170.0	0.0	0.0	0.0	170.0	4798.3
	Oct**	.10/04	89.0	0.0	89.0	11.0	0.0	0.0	100.0	4898.3
	Nov	.02/04	244.0	0.0	244.0	4.0	0.0	2.0	250.0	4072.0
	Nov*	.05/04	104.1	0.0	104.1	45.9	0.0	0.0	150.0	4222.0
	Nov*	.05/04	253.7	0.0	253.7	44.3	0.0	2.0	300.0	4522.0
	Nov**	.11/04	306.9	0.0	306.9	24.2	0.0	0.0	331.1	4853.1
	Dec	.03/04	168.0	0.0	168.0	80.0	0.0	2.0	250.0	4453.1
	Dec*	.06/04	110.5	0.0	110.5	9.5	0.0	0.0	120.0	4573.1
	Dec**	.12/04	232.5	0.0	232.5	32.2	0.0	4.0	268.7	4841.2
2004	Jan	.04/04	50.0	0.0	50.0	0.0	0.0	0.0	50.0	4461.2
	Jan*	.07/04	207.5	0.0	207.5	12.5	0.0	0.0	220.0	4681.2
	Jan*	.07/04	98.4	0.0	98.4	1.6	0.0	0.0	100.0	4781.2
	Jan**	.01/05	80.0	0.0	80.0	0.0	0.0	0.0	80.0	4861.2

* means 182 day treasury bills
** means 365 day treasury bills

Table IV.2 HOLDINGS OF GOVERNMENT OF NAMIBIA INTERNAL REGISTERED STOCK
N$ Million

Date Issued	Date Due	Coupon Rate (%)	Deposit Money Banks	Other Banking Institutions	Banking Sector	Non-banking Financial Instit.	Other Public Enterprises	Private Sector	TOTAL	Amount Outstanding
2003										
Jan	04/15	13.00	18.0	0.0	18.0	0.0	0.0	0.0	18.0	3 035.5
Feb	07/07	12.50	29.0	0.0	29.0	0.0	0.0	0.0	29.0	3 064.5
Feb	04/15	13.00	9.0	0.0	9.0	0.0	0.0	0.0	9.0	3 073.5
Mar	07/07	12.50	5.0	0.0	5.0	0.2	15.0	0.0	20.2	3 093.7
Apr	0	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3 093.7
May	0	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3 093.7
Jun	07/07	12.50	33.0	0.0	33.0	0.7	0.0	0.1	33.8	3 127.5
Jun	01/10	12.00	5.7	0.0	5.7	0.0	0.0	0.0	5.7	3 133.2
Jun	04/15	13.00	30.0	0.0	30.0	0.0	0.0	0.0	30.0	3 163.2
Jun*	01/10	12.00	2.0	0.0	20.0	0.0	0.0	0.0	2.0	3 165.2
Jun*	04/05	12.00	-2.0	0.0	-2.0	0.0	0.0	0.0	-2.0	3 163.2
Jun*	04/15	13.00	12.1	0.0	12.1	0.0	0.0	0.0	12.1	3 175.3
Jun*	04/05	12.00	-13.0	0.0	-13.0	0.0	0.0	0.0	-13.0	3 162.3
Jul*	04/05	12.00	0.0	0.0	0.0	0.0	-5.0	0.0	-5.0	3 157.3
Jul*	04/15	13.00	0.0	0.0	0.0	0.0	4.7	0.0	0.5	3 162.0
Aug	07/07	12.50	5.0	0.0	5.0	5.3	10.0	0.0	20.3	3 182.3
Aug	01/10	12.00	10.0	0.0	10.0	0.0	0.0	0.2	10.2	3 192.5
Aug	04/15	13.00	63.3	0.0	63.3	0.0	10.0	1.7	75.0	3 267.5
Sep	.07/07	12.50	20.0	0.0	20.0	0.0	0.0	0.0	20.0	3 287.5
Sep	.01/10	12.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3 287.5
Sep	.04/15	13.00	22.0	0.0	22.0	0.0	18.0	0.0	40.0	3 327.5
Oct*	.04/05	12.00	-4.5	0.0	-4.5	0.0	0.0	0.0	-4.5	3 323.0
Oct*	.04/15	13.00	4.1	0.0	4.1	0.0	0.0	0.0	4.1	3 327.2
Nov*	.04/05	12.00	0.0	0.0	0.0	0.0	-14.4	0.0	-15.0	3 312.2
Nov*	.01/10	12.00	0.0	0.0	0.0	0.0	4.9	0.0	4.9	3 317.0
Nov*	.04/15	13.00	0.0	0.0	0.0	0.0	9.5	0.0	9.5	3 326.5
Dec	.07/07	12.50	99.6	0.0	99.6	0.0	0.0	0.4	100.0	3 426.5
Dec	.01/10	12.00	20.0	0.0	20.0	0.0	0.0	0.5	20.5	3 447.0
Dec	.04/15	13.00	81.0	0.0	81.0	0.0	0.0	0.3	81.3	3 528.3
Dec*	.04/05	12.00	-25.0	0.0	-25.0	0.0	0.0	0.0	-25.0	3 503.3
Dec*	.07/07	12.50	24.0	0.0	24.0	0.0	0.0	0.0	24.0	3 527.3
2004										
Jan	.01/10	12.00	0.0	0.0	0.0	0.0	7.0	0.1	7.1	3 534.4
Jan	.04/15	13.00	13.0	0.0	13.0	0.0	18.0	0.1	31.1	3 565.5

* Switch of GCO5 into GC07, GC10 & GC15

Table IV.3 GOVERNMENT REVENUE AND EXPENDITURE
N$ Million

	Actual 1999/00	Actual 2000/01	Actual 2001/02	Actual 2002/03	Revised 2003/04
REVENUE AND GRANTS					
Taxes on income and profits	2315.0	2610.0	3285.6	4442.3	3758.0
Taxes on property	47.0	63.0	64.1	79.3	90.0
Domestic taxes on goods and services	1944.0	1945.0	2107.4	2135.7	2821.0
Taxes on international trade	2241.0	2877.0	2641.2	2596.9	3035.7
Other taxes	51.0	55.0	67.6	75.6	80.0
Total Tax Revenue	**6598.0**	**7550.0**	**8166.0**	**9329.8**	**9784.7**
Entrepreneurial and property income	402.7	461.9	463.4	703.2	663.4
Fines and forfeitures	10.9	21.4	18.2	19.6	20.0
Administration fees and charges	171.6	231.8	254.0	382.3	275.7
Return on capital from lending and equity	20.1	20.9	21.4	15.9	35.8
Total Non-Tax Revenue	**605.3**	**736.0**	**757.1**	**1121.1**	**994.9**
Total revenue (own sources)	**7203.3**	**8286.0**	**8923.0**	**10450.9**	**10779.6**
Grants			58.1	34.4	55.9
Loans earmarked for on-lending	68.5	56.9	116.8	76.8	0.0
TOTAL REVENUE AND GRANTS	**7271.8**	**8342.9**	**9097.9**	**10562.1**	**10835.5**
EXPENDITURE					
Current Expenditure					
Personnel expenditure	3618.7	3964.9	4325.5	4708.9	5201.2
Expenditure on goods and other services	1583.3	1637.3	1977.3	1993.6	2027.3
Statutory	512.9	512.0	602.7	907.6	877.4
Subsidies and other current transfers	1168.8	1510.5	1769.2	1892.8	2261.3
Total Current Expenditure	**6883.7**	**7624.7**	**8674.7**	**9503.0**	**10367.2**
Capital Expenditure					
Capital expenditure	918.0	929.0	1267.0	1158.7	1364.1
Capital transfers	30.0	32.6	25.0	87.2	112.7
Total lending and equity participation	121.0	122.0	335.7	649.7	400.0
Total Capital Expenditure	**1069.0**	**1083.6**	**1627.7**	**1895.7**	**1876.8**
TOTAL EXPENDITURE	**7952.7**	**8708.3**	**10302.4**	**11398.7**	**12244.0**
OVERALL DEFICIT (-)/SURPLUS (+)	**-680.9**	**-365.4**	**-1204.5**	**-836.6**	**-1408.5**
TOTAL FINANCING					
Net borrowing	829.0	280.0	1206.5	699.3	0.0
Decrease (+)/increase (-) in cash balances	-148.0	85.0	-2.0	137.7	0.0
TOTAL FINANCING	**681.2**	**365.1**	**1204.5**	**836.6**	**1408.5**

Table V.1 CURRENT ACCOUNT (a)

N$ Million

	1999	2000	2001	2002(p)	2003(p)
1. Merchandise trade balance (2+3)	**-1248.3**	**48.0**	**-1710.8**	**-2183.1**	**-3493.9**
2. Exports fob	**7313.9**	**9184.2**	**9828.2**	**11277.8**	**9450.1**
Diamonds	3024.2	4247.8	4508.9	5608.3	3864.6
Other mineral products	1123.1	1287.9	1672.5	2106.4	1381.2
Food and live animals	1202.6	1372.8	1399.9	1632.8	1433.7
Manufactured products	1778.4	1549.5	1599.1	1707.8	2671.5
Other commodities	185.6	726.2	647.9	222.4	99.1
3. Imports fob - Excluding Duty (b)	**-8562.2**	**-9136.2**	**-11539.0**	**-13460.8**	**-12944.0**
4. Services (net)	**-747.0**	**-383.7**	**-103.9**	**396.5**	**938.7**
Transportation (net)	-706.8	-444.8	-347.5	-493.7	-456.3
Travel (net)	1208.7	964.9	1116.9	1702.1	2034.5
Insurance (net)	-156.2	-127.2	-120.4	-122.3	-131.0
Other private services* (net)	-1080.6	-764.8	-738.2	-668.9	-571.9
Other government services (net)	-12.0	-11.8	-14.8	-20.8	63.4
5. Compensation of employees (net)	**-8.3**	**-9.4**	**-7.5**	**-13.1**	**-27.3**
6. Investment income (net)	**1002.1**	**125.5**	**-651.4**	**323.5**	**1562.2**
Income received	1626.0	1694.2	1665.0	1760.0	2071.2
Direct investment	-1.0	4.2	18.3	15.6	26.7
Portfolio investment	22.0	62.9	52.1	117.8	66.1
other investment	1605.0	1627.1	1594.6	1626.6	1978.5
Income paid	-623.9	-1568.8	-2316.4	-1436.5	-509.1
Direct investment	-482.7	-1342.5	-2078.1	-1031.8	-132.3
Portfolio investment	-72.1	-117.2	-131.9	-267.9	-128.3
other investment	-69.1	-109.1	-106.4	-136.8	-248.5
7. Goods, services and income balance (2 to 6)	**-1001.4**	**-219.6**	**-2473.6**	**-1476.1**	**-1020.3**
8. Current transfers in cash and kind (net)	**2437.6**	**3014.1**	**2982.5**	**2892.7**	**3618.3**
Government	2308.8	2901.8	2871.0	2776.9	3458.4
- development assistance	401.0	281.2	263.5	281.7	414.5
- from SACU	2131.9	2718.2	2700.2	2607.9	2925.9
- witholding taxes	35.0	52.5	109.2	79.2	41.8
- other transfers received	68.7	76.4	73.2	84.3	219.4
- transfer debits (mainly SACU)	-327.7	-226.4	-275.1	-276.2	-143.1
Private	128.8	112.3	111.5	115.9	159.9
- grants received by NGO's	118.8	102.3	101.1	103.5	129.5
- other transfers (net)	10.0	10.0	10.4	12.4	30.4
9. Total current account balance (7+8)	**1436.2**	**2794.5**	**509.0**	**1416.7**	**2598.0**

(a) Debit (negative) entries are used to record imports of goods and services, investment income payable, the counterpart to transfers received from non-residents, and a deficit.
Credit (positive) entries record exports of goods and services, income receivable, the counterpart to transfers made to non-residents, and a surplus.

(b) Represents imports after adjustments made to place imports by SACU countries on a similar basis to imports by non-SACU countries.
*Business, administrative, financial and communications services.

(p) Provisional

Table V.2 CAPITAL AND FINANCIAL ACCOUNT (a)

N$ Million

	1999	2000	2001	2002(p)	2003(p)
1. Net capital transfers	**140.0**	**777.7**	**815.7**	**1165.7**	**1209.1**
2. Direct investment abroad	**4.5**	**-18.4**	**109.0**	**53.9**	**46.8**
Equity capital	12.9	-7.5	-1.6	6.4	3.6
Reinvested earnings	-2.0	3.0	17.1	11.4	11.3
Other capital	-6.4	-13.9	93.5	36.2	31.9
3. Direct investment in Namibia	**119.8**	**1293.6**	**3143.8**	**1911.7**	**631.8**
Equity capital	170.4	607.3	3021.0	1425.0	241.5
Reinvested earnings	62.7	745.1	909.7	151.3	-382.4
Other capital	-113.3	-58.8	-786.9	335.4	772.8
4. Portfolio investment	**-35.2**	**-965.3**	**-1659.2**	**-1641.2**	**-1877.9**
Equity	134.8	-488.9	-1233.3	-1123.8	-1346.5
Assets	-113.7	-729.0	-1480.2	-1441.6	-1552.1
Liabilities	248.5	240.1	247.0	317.8	205.6
Debt	-170.0	-476.4	-425.9	-517.4	-531.4
Assets	-50.0	-95.0	-60.5	-63.4	-63.2
Liabilities	-120.0	-381.4	-365.4	-454.0	-468.2
5. Other investment - long term	**-683.6**	**-2591.0**	**-2983.0**	**-2047.3**	**-3094.4**
General Government	92.6	61.0	118.0	872.0	283.0
Assets	-5.0	-23.5	-23.7	-24.4	-31.6
Drawings on loans received	100.0	100.0	158.2	920.5	366.6
Repayments on loans received	-2.4	-15.5	-16.5	-24.2	-51.9
Monetary authorities	0.0	0.0	0.0	0.0	0.0
Assets	0.0	0.0	0.0	0.0	0.0
Liabilities	0.0	0.0	0.0	0.0	0.0
Banks	0.0	0.0	0.0	0.0	-73.3
Assets	0.0	0.0	0.0	0.0	6.4
Liabilities	0.0	0.0	0.0	0.0	-79.7
Other sectors	-776.2	-2652.0	-3101.0	-2919.3	-3304.1
Assets	-1683.9	-2548.1	-3047.9	-2839.3	-3398.6
Liabilities	907.7	-103.9	-53.2	-80.0	94.5
6. Other investment - short term	**-378.4**	**-173.9**	**477.5**	**409.9**	**323.2**
General Government - Assets	0.0	0.0	0.0	0.0	0.0
Banks	-591.9	-312.8	865.5	639.4	382.6
Assets	-329.5	-875.5	281.2	346.7	50.8
Liabilities	-262.5	562.7	584.3	292.7	331.8
Other sectors	213.5	138.9	-388.0	-229.5	-59.4
Assets	158.0	-96.1	-464.3	-192.7	-70.4
Liabilities	55.5	235.0	76.3	-36.8	11.0
7. CAPITALAND FINANCIAL ACCOUNT BALANCE EXCLUDING RESERVES (b)	**-833.0**	**-1677.4**	**-96.1**	**-147.2**	**-2761.4**
8. Net errors and omissions (c)	**-253.3**	**-1009.8**	**305.5**	**-1079.1**	**-612.6**
9. OVERALL BALANCE (d)	**349.9**	**107.3**	**718.4**	**190.4**	**-776.0**
10. RESERVES	**-349.9**	**-107.3**	**-718.4**	**-190.4**	**776.0**

(a) Debit (negative) entries record an increase in foreign financial assets, a decrease in foreign financial liabilities, or a capital outflow (deficit). Credit (positive) entries record a reduction in foreign financial assets, an increase in foreign financial liabilities, or a capital inflow (surplus).
(b) Represents net identified capital transactions other than reserves.
(c) Represents net errors and omissions in the current and financial account.
(d) Overall balance is equal to the current account balance, plus all identified capital transactions, excluding changes in reserves, plus net errors and omissions.

Table V.3 Foreign Exchange Rates
Foreign currency per Namibia Dollar
Period Averages

Period		US Dollar USD	UK Pound GBP	Germany Mark DEM	Japan Yen JPY	Switzerland Franc CHF	Spain Peseta ESP	EU ECU XEU
1990		0.3866	0.2176	0.6242	55.9085	0.5367	39.3855	-
1991		0.3628	0.2052	0.6003	48.7735	0.5186	37.6005	-
1992		0.3510	0.1995	0.5478	44.4427	0.4932	35.8904	0.2713
1993		0.3065	0.2040	0.5064	34.0352	0.4529	38.8924	0.2618
1994		0.2818	0.1842	0.4577	28.4215	0.3857	37.7888	0.2383
1995		0.2757	0.1750	0.3953	25.9388	0.3262	34.3790	0.2134
1996		0.2343	0.1504	0.3520	25.4332	0.2889	29.6288	0.1871
1997		0.2173	0.1327	0.3765	26.2794	0.3153	31.7830	0.1922
1998		0.1823	0.1101	0.3214	23.7756	0.2646	27.2892	0.1629
1999		0.1636	0.1011	0.3001	18.6109	0.2456	25.4776	0.1535
2000		0.1465	0.0955	0.3062	15.5972	0.2441	26.6007	0.1564
2001	Jan	0.1287	0.0870	0.2678	15.0376	0.2094	22.7790	0.1369
	Feb	0.1280	0.0880	0.2775	14.8588	0.2131	23.0947	0.1388
	Mar	0.1269	0.0877	0.2572	15.3610	0.2141	23.2019	0.1375
	Apr	0.1237	0.0863	0.2712	15.3139	0.2120	23.0947	0.1387
	May	0.1255	0.0881	0.2808	15.2672	0.2202	23.8663	0.1436
	Jun	0.1241	0.0885	0.2620	15.1745	0.2214	24.2131	0.1454
	Jul	0.1220	0.0863	0.2775	15.1976	0.2148	23.5849	0.1419
	Aug	0.1204	0.0837	0.2613	14.6199	0.2024	22.2222	0.1336
	Sep	0.1159	0.0793	0.2491	13.7741	0.1903	21.1864	0.1273
	Oct	0.1079	0.0743	0.2351	13.0890	0.1762	19.8020	0.1191
	Nov	0.1028	0.0716	0.2259	12.5945	0.1697	19.2678	0.1158
	Dec	0.0866	0.0602	0.1897	11.0865	0.1431	16.1290	0.0970
2002	Jan	0.0861	0.0601	0.1906	17.3611	0.1437	16.2075	0.0975
	Feb	0.0871	0.0612	0.1958	11.6279	0.1479	16.6667	0.1000
	Mar	0.0870	0.0612	0.1939	11.4025	0.1459	19.7628	0.0994
	Apr	0.0903	0.0629	0.1019	11.8064	0.1514	0.1019	0.1019
	May	0.0985	0.0675	0.1074	12.4533	0.1565	0.1074	0.1074
	Jun	0.0986	0.0665	0.1032	12.1803	0.1538	0.1032	0.1032
	Jul	0.0989	0.0636	0.0996	11.6686	0.1457	0.0996	0.0996
	Aug	0.0944	0.0614	0.0966	11.2360	0.1413	0.0966	0.0966
	Sep	0.0943	0.0606	0.0961	11.3766	0.1409	0.0961	0.0961
	Oct	0.0968	0.0622	0.0987	11.9904	0.1446	0.0987	0.0987
	Nov	0.1036	0.0659	0.1035	12.5945	0.1519	0.1035	0.1035
	Dec	0.1116	0.0704	0.1096	13.6240	0.1609	0.1096	0.1096
2003	Jan	0.1152	0.0713	0.1085	13.6799	0.1586	0.1085	0.1085
	Feb	0.1204	0.0748	0.1118	14.3678	0.1665	0.1118	0.1118
	Mar	0.1243	0.0785	0.1149	14.7275	0.1687	0.1149	0.1149
	Apr	0.1298	0.0825	0.1196	15.5521	0.2000	0.1196	0.1196
	May	0.1305	0.0804	0.1128	15.2905	0.1770	0.1128	0.1128
	Jun	0.1265	0.0762	0.1085	15.1515	0.1671	0.1085	0.1085
	Jul	0.1326	0.0816	0.1165	15.7233	0.1802	0.1165	0.1165
	Aug	0.1353	0.0848	0.1213	16.0772	0.1869	0.1213	0.1213
	Sep	0.1365	0.0849	0.1218	15.7233	0.1884	0.1218	0.1218
	Oct	0.1436	0.0857	0.1227	15.7233	0.1899	0.1227	0.1227
	Nov	0.1486	0.0880	0.1269	16.2338	0.1980	0.1269	0.1269
	Dec	0.1532	0.0878	0.1252	16.5563	0.1946	0.1252	0.1252

Table V.4 EFFECTIVE EXCHANGE RATES INDICES

		Nominal Effective Exchange Rate Indices			Real Effective Exchange Rate Indices		
		Import Trade Weighted	Export Trade Weighted	Total Trade Weighted	Import Trade Weighted	Export Trade Weighted	Total Trade Weighted
1991		105.1	162.0	128.0	40.4	75.2	53.6
1992		104.7	157.8	126.2	41.9	80.2	56.3
1993		104.2	157.2	125.6	41.4	82.9	56.8
1994		103.5	147.4	121.6	41.9	82.3	57.0
1995		103.0	141.4	119.0	42.4	83.0	57.6
1996		102.2	129.6	113.8	42.5	78.8	56.3
1997		102.1	123.4	111.3	99.3	108.9	103.6
1998		101.1	110.5	105.2	97.9	99.9	98.8
1999		100.5	103.9	102.0	99.1	98.9	99.0
2000		100.1	100.5	100.2	100.5	101.0	100.7
2001	Jan	99.5	94.4	97.1	101.5	98.7	100.2
	Feb	99.5	95.1	97.5	101.9	99.7	100.9
	Mar	99.4	94.9	97.3	102.3	100.2	101.3
	Apr	99.4	94.3	97.1	102.3	99.5	101.0
	May	99.5	95.5	97.7	102.1	100.4	101.3
	Jun	99.4	95.6	97.6	102.9	101.5	102.2
	Jul	99.4	94.5	97.2	102.4	100.7	101.6
	Aug	99.2	92.4	96.0	102.4	98.4	100.6
	Sep	98.9	89.3	94.4	102.6	95.7	99.4
	Oct	98.6	85.7	92.5	102.5	92.4	97.8
	Nov	98.3	83.8	91.4	102.3	90.8	96.9
	Dec	97.4	75.2	86.6	101.8	82.1	92.3
2002	Jan	97.7	77.3	87.8	101.6	84.9	93.6
	Feb	97.5	76.3	87.2	101.3	84.1	93.0
	Mar	97.5	77.0	87.6	102.2	86.0	94.5
	Apr	96.4	53.7	73.8	101.3	60.3	80.0
	May	96.7	56.0	75.4	101.7	63.1	81.9
	Jun	96.6	55.3	75.0	101.7	62.7	81.6
	Jul	96.5	53.8	74.0	102.3	61.9	81.4
	Aug	96.3	52.7	73.2	101.7	60.5	80.2
	Sep	96.2	52.4	72.9	102.4	60.9	80.8
	Oct	96.4	53.3	73.6	102.6	62.2	81.7
	Nov	96.7	55.2	75.0	103.4	64.9	83.6
	Dec	97.1	57.6	76.5	104.7	68.1	86.1
2003	Jan	97.2	57.9	76.8	104.1	68.7	86.2
	Feb	97.2	59.5	77.8	103.7	70.2	86.9
	Mar	97.6	61.2	78.9	103.2	71.8	87.5
	Apr	97.9	63.1	80.1	102.9	73.7	88.4
	May	97.7	61.9	79.4	103.8	73.0	88.4
	Jun	97.5	60.1	78.2	104.9	71.6	88.2
	Jul	97.8	62.6	94.0	109.5	72.7	97.6
	Aug	98.0	64.2	95.0	109.5	74.3	98.3
	Sep	98.0	64.3	95.1	109.8	74.5	98.4
	Oct	98.1	64.5	95.2	109.7	74.5	98.4
	Nov	98.3	65.6	96.0	110.5	76.1	99.5
	Dec	98.3	65.6	96.1	109.5	75.7	99.1

TABLE V. A SUPPLEMENTARY TABLE: MAJOR BALANCE OF PAYMENTS ACCOUNT
N$ Million

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002(p)	2003(p)
Merchandise trade balance	**-367.1**	**-135.7**	**-221.9**	**-136.7**	**-304.8**	**-470.5**	**-390.1**	**-1285.2**	**-1579.7**	**-1248.3**	**48.0**	**-1710.8**	**-2183.1**	**-3493.9**
Exports fob	2815.9	3256.2	3739.8	4225.6	4688.6	5144.7	6245.5	6281.2	6655.8	7313.9	9184.2	9828.2	11277.8	9450.1
Imports fob	-3183.0	-3391.9	-3961.7	-4362.3	-4993.4	-5615.3	-6635.7	-7566.4	-8235.5	-8562.2	-9136.2	-11539.0	-13460.8	-12944.0
Services (net)	**-642.9**	**-937.0**	**-1027.4**	**-894.7**	**-793.7**	**-920.5**	**-1117.5**	**-783.3**	**-938.3**	**-747.0**	**-383.7**	**-103.9**	**396.5**	**938.7**
Credit	273.3	339.6	428.3	691.4	869.0	1091.4	1396.0	1690.1	1726.0	1976.6	1610.9	1849.2	2482.5	2811.9
Debit	-916.3	-1276.6	-1455.7	-1586.1	-1662.7	-2011.9	-2513.5	-2473.5	-2664.3	-2723.6	-1994.7	-1953.1	-2086.0	-1873.2
Compensation of employees (net)	**-34.1**	**-24.6**	**-9.7**	**-3.5**	**0.9**	**0.5**	**-3.8**	**-31.8**	**-13.0**	**-8.3**	**-9.4**	**-7.5**	**-13.1**	**-27.3**
Credit	12.8	16.0	19.6	21.2	22.5	24.0	25.5	27.5	28.0	29.5	32.5	40.0	46.0	56.0
Debit	-46.9	-40.6	-29.3	-24.6	-21.6	-23.5	-29.3	-59.3	-41.0	-37.8	-41.9	-47.5	-59.1	-83.3
Investment income (net)	**131.0**	**291.4**	**57.2**	**192.8**	**191.1**	**580.8**	**327.4**	**351.0**	**506.0**	**1002.1**	**125.5**	**-651.4**	**323.5**	**1562.2**
Credit	461.4	655.2	556.1	673.9	736.8	1540.3	1328.6	993.9	981.7	1626.0	1694.2	1665.0	1760.0	2071.2
Debit	-330.4	-363.8	-498.9	-481.1	-545.7	-959.6	-1001.2	-642.9	-475.6	-623.9	-1568.8	-2316.4	-1436.5	-509.1
Current transfers in														
cash and kind (net)	**914.7**	**1034.2**	**1286.3**	**1145.5**	**1160.8**	**1479.4**	**1846.0**	**2078.5**	**2407.0**	**2437.6**	**3014.1**	**2982.5**	**2892.7**	**3618.3**
Credit	968.3	1097.2	1357.3	1217.2	1239.4	1566.2	1936.4	2161.2	2488.5	2792.1	3267.2	3282.8	3205.2	3789.6
Debit	-53.6	-62.9	-70.9	-71.7	-78.7	-86.8	-90.4	-82.8	-81.5	-354.4	-253.1	-300.3	-312.4	-171.3
Current Account Balance	**1.5**	**228.3**	**84.6**	**303.4**	**254.2**	**669.7**	**661.9**	**329.1**	**382.1**	**1436.2**	**2794.2**	**509.0**	**1416.7**	**2598.0**
Net capital transfers	**109.3**	**79.8**	**91.5**	**88.3**	**153.6**	**145.5**	**180.8**	**154.2**	**251.7**	**140.0**	**777.7**	**815.7**	**1165.7**	**1209.1**
Credit	109.3	79.8	91.5	88.3	153.6	145.5	180.8	154.2	251.7	142.0	779.7	817.7	1168.0	1211.7
Debit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2.0	-2.0	-2.0	-2.3	-2.7
Direct investment	**73.0**	**322.3**	**337.7**	**176.2**	**363.7**	**557.6**	**562.1**	**383.3**	**426.3**	**124.3**	**1275.2**	**3252.8**	**1965.6**	**678.6**
Abroad	-3.5	-10.4	0.5	-4.5	15.8	2.7	8.8	-2.7	-1.0	4.5	-18.4	109.0	53.9	46.8
In Namibia	76.5	332.7	337.2	180.7	347.9	554.9	553.3	386.0	427.3	119.8	1293.6	3143.8	1911.7	631.8
Portfolio investment	**26.6**	**-72.9**	**43.3**	**246.1**	**166.6**	**278.7**	**133.0**	**84.6**	**-56.7**	**-35.2**	**-965.3**	**-1659.2**	**-1641.2**	**-1877.9**
Assets	-13.4	-31.6	0.3	50.0	-61.5	-19.6	-36.0	-45.3	-107.6	-163.7	-824.0	-1540.7	-1505.0	-1615.3
Liabilities	40.0	-41.3	42.9	196.1	228.1	298.2	169.0	130.0	50.9	128.5	-141.3	-118.4	-136.2	-262.6
Other investment - long term	**-758.5**	**-730.7**	**-1146.7**	**-1622.6**	**-1539.5**	**-991.6**	**-614.7**	**-627.0**	**-1737.3**	**-683.6**	**-2591.0**	**-2983.0**	**-2047.3**	**-3094.4**
Assets	-812.5	-725.0	-1060.6	-1638.3	-1747.3	-1103.2	-1289.1	-1654.1	-2114.5	-1688.9	-2571.6	-3071.6	-2863.6	-3423.8
Liabilities	54.0	-5.7	-86.1	15.7	207.8	111.6	674.4	1027.1	377.2	1005.3	-19.4	88.6	816.3	329.5
Other investment - short term	**106.1**	**230.0**	**348.1**	**73.5**	**-93.5**	**221.1**	**-189.8**	**-413.3**	**-172.9**	**-378.4**	**-173.9**	**477.5**	**409.9**	**323.2**
Assets	151.3	134.0	-8.4	65.4	-233.0	-203.3	-25.4	-206.3	-970.6	-171.5	-971.6	-183.1	154.0	-19.6
Liabilities	-45.1	96.1	356.5	8.2	139.5	424.4	-164.4	-207.0	797.7	-207.0	797.7	660.6	255.9	342.8
Capital and Financial Account														
excluding Reserves	**-443.5**	**-171.6**	**-326.2**	**-1038.5**	**-949.1**	**211.3**	**71.5**	**-418.1**	**-1288.9**	**-833.0**	**-1677.4**	**-96.1**	**-147.2**	**-2761.4**
Net errors and omissions	**440.8**	**72.1**	**14.4**	**-47.4**	**69.8**	**-79.8**	**52.1**	**67.4**	**37.8**	**-253.3**	**-1009.8**	**305.5**	**-1079.1**	**-612.6**
OVERALL BALANCE	**95.2**	**-34.4**	**-18.7**	**298.4**	**266.3**	**87.3**	**98.5**	**312.3**	**309.4**	**349.9**	**107.3**	**718.4**	**190.4**	**-776.0**

(p) Provisional

TABLE V. B SUPPLEMENTARY TABLE: BALANCE OF PAYMENTS-SERVICES
(N$ Million)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002(p)	2003(p)
Credit	**341.1**	**399.5**	**484.4**	**745.5**	**919.7**	**1143.4**	**1450.5**	**1751.6**	**1792.0**	**1976.6**	**1610.9**	**1849.2**	**2482.5**	**2811.9**
Transportation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	221.3	276.8	369.6	631.4	802.2	1008.0	1260.7	1535.8	1593.0	1752.1	1440.8	1674.1	2288.3	2602.2
Insurance	15.7	23.6	15.5	14.0	13.9	6.4	3.0	5.2	-1.3	-1.0	-12.3	-3.2	1.6	-0.1
Communication	13.9	14.3	21.7	26.9	30.5	32.6	34.0	35.0	33.0	35.0	38.4	40.9	41.6	64.1
Construction	4.2	1.0	3.1	3.0	4.0	1.4	0.6	11.2	8.0	9.0	9.4	9.3	15.5	0.0
Financial	0.3	0.5	0.7	0.7	1.2	9.8	36.2	12.4	38.5	40.0	17.7	9.6	14.2	0.0
Computer and Information	0.3	0.1	0.0	0.2	0.8	0.5	0.8	1.0	1.0	1.0	3.3	0.0	0.0	0.2
Royalties and License Fees	3.4	0.9	1.0	1.0	1.0	0.1	30.0	30.3	33.0	35.0	38.0	40.0	40.0	0.0
Administrative and Business	10.7	17.0	13.0	10.7	9.3	11.2	7.9	7.3	2.6	3.0	2.0	3.5	4.4	2.3
Professional and Technical	2.4	2.3	0.4	1.4	0.1	0.4	0.2	4.6	3.0	4.0	0.5	0.0	0.0	0.5
Others, not included elsewhere	1.0	3.1	3.3	2.1	6.0	21.1	22.5	47.3	15.3	20.0	1.2	0.0	0.0	23.4
Government	67.8	59.8	56.1	54.1	50.8	52.0	54.5	61.5	66.0	78.5	71.9	74.8	76.9	119.3
Debit	**-916.3**	**-1276.6**	**-1455.7**	**-1586.1**	**-1662.7**	**-2011.9**	**-2513.5**	**-2473.5**	**-2664.3**	**-2723.6**	**-1994.7**	**-1953.1**	**-2086.0**	**-1873.2**
Transportation	-414.4	-588.6	-613.3	-649.4	-684.7	-712.9	-860.7	-830.1	-778.7	-706.8	-444.8	-347.5	-493.7	-456.3
Travel	-157.8	-181.0	-203.7	-233.4	-273.7	-325.1	-382.7	-462.1	-498.7	-543.4	-475.9	-557.2	-586.2	-567.7
Insurance	-58.0	-70.9	-85.3	-89.7	-123.2	-191.0	-247.3	-335.7	-241.5	-155.2	-114.9	-117.2	-123.9	-130.8
Communication	-0.4	-0.5	-0.4	-0.5	-0.5	-0.8	-0.8	-0.8	-0.8	-1.7	-1.8	-1.8	-1.8	-1.8
Construction	-24.6	-28.4	-26.0	-22.5	-20.9	-33.2	-49.8	-67.5	-191.4	-160.0	-189.6	-193.2	-193.2	-18.5
Financial	-1.8	-3.6	-10.3	-14.5	-2.3	-5.6	-5.9	-8.3	-25.2	-26.0	-23.5	-17.6	-13.7	-40.6
Computer and Information	-16.9	-25.4	-27.2	-28.3	-41.9	-59.5	-58.3	-46.2	-60.6	-155.0	-99.3	-112.2	-91.2	-91.2
Royalties and License Fees	-6.5	-12.0	-9.9	-7.8	-16.8	-10.3	-13.2	-15.8	-17.3	-19.0	-54.9	0.0	-18.1	-26.7
Administrative and Business	-108.3	-165.3	-187.5	-224.3	-151.2	-262.5	-290.9	-233.8	-222.2	-227.9	-198.9	-199.1	-185.2	-257.0
Professional and Technical	-62.2	-102.9	-175.2	-167.2	-168.5	-224.6	-413.3	-250.0	-392.6	-418.3	-261.7	-292.2	-248.9	-152.0
Others, not included elsewhere	-32.4	-56.9	-69.7	-102.7	-133.1	-137.0	-137.2	-168.1	-185.3	-219.8	-45.7	-25.6	-32.4	-74.5
Government	-33.0	-41.1	-47.4	-45.7	-46.0	-49.5	-53.4	-55.2	-50.0	-90.5	-83.6	-89.6	-97.7	-56.0

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TABLE V. C SUPPLEMENTARY TABLE: BALANCE OF PAYMENTS - INVESTMENT INCOME
(N$ Million)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002(p)	2003(p)
Compensation of employees, net	**59.8**	**56.7**	**48.9**	**45.8**	**44.1**	**47.5**	**54.8**	**86.8**	**69.0**	**67.3**	**74.3**	**87.5**	**105.1**	**139.3**
Credit	12.8	16.0	19.6	21.2	22.5	24.0	25.5	27.5	28.0	29.5	32.5	40.0	46.0	56.0
Debit	46.9	40.6	29.3	24.6	21.6	23.5	29.3	59.3	41.0	37.8	41.9	47.5	59.1	83.3
Investment income, net	**131.0**	**291.4**	**57.2**	**192.8**	**191.1**	**580.8**	**327.4**	**351.0**	**506.0**	**1002.1**	**125.5**	**-651.4**	**323.5**	**1562.2**
Credits	461.4	655.2	556.1	673.9	736.8	1540.3	1328.6	993.9	981.7	1626.0	1694.2	1665.0	1760.0	2071.2
Direct Investment	9.0	22.1	26.1	3.5	-12.4	14.1	-5.5	3.3	-2.8	-1.0	4.2	18.3	15.6	26.7
Portfolio Investment	48.7	35.2	41.7	39.6	33.0	46.0	37.7	17.9	27.8	22.0	62.9	52.1	117.8	66.1
Other Investment	403.7	597.9	488.3	630.8	716.2	1480.2	1296.4	972.8	956.6	1605.0	1627.1	1594.6	1626.6	1978.5
Debit	-330.4	-363.8	-498.9	-481.1	-545.7	-959.6	-1001.2	-642.9	-475.6	-623.9	-1568.8	-2316.4	-1436.5	-509.1
Direct Investment	-172.5	-208.5	-390.4	-374.5	-404.2	-806.3	-828.0	-498.8	-323.2	-482.7	-1342.5	-2078.1	-1031.8	-132.3
Portfolio Investment	-61.1	-94.1	-61.2	-68.2	-91.4	-74.1	-98.8	-75.8	-72.6	-72.1	-117.2	-131.9	-267.9	-128.3
Other Investment	-96.8	-61.2	-47.3	-38.4	-50.1	-79.2	-74.5	-68.3	-79.8	-69.1	-109.1	-106.4	-136.8	-248.5

(p) Provisional

TABLE V.D SUPPLEMENTARY TABLE : BALANCE OF PAYMENTS - TRANSFERS
(N$ Million)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002(p)	2003(p)
Current transfers														
Current transfers, net	**914.7**	**1034.2**	**1286.3**	**1145.5**	**1160.8**	**1479.4**	**1846.0**	**2078.5**	**2407.0**	**2437.6**	**3014.1**	**2982.5**	**2892.7**	**3618.3**
Credits	968.3	1097.2	1357.3	1217.2	1239.4	1566.2	1936.4	2161.2	2488.5	2792.1	3267.2	3282.8	3205.2	3789.6
Government	873.0	996.1	1187.6	1110.8	1143.2	1436.7	1778.3	2019.2	2365.6	2634.3	3126.0	3140.1	3053.1	3598.5
Grants from foreign govts, etc	88.0	194.5	359.3	279.7	203.0	266.0	365.5	343.1	444.6	401.0	281.2	263.5	281.7	414.5
SACU receipts	605.2	716.0	747.5	762.3	868.2	1092.4	1300.5	1560.4	1805.2	2131.9	2718.2	2700.2	2607.9	2925.9
Witholding Taxes	40.4	16.5	22.1	20.5	27.9	31.1	57.9	59.9	48.8	35.0	52.5	109.2	79.2	41.8
Other transfers received	139.4	69.1	58.7	48.4	44.1	47.2	54.5	55.9	67.0	66.4	74.1	67.2	84.3	216.4
Private	95.3	101.0	169.6	106.4	96.3	129.5	158.1	142.0	122.9	157.8	141.3	142.7	152.1	191.1
Grants received by NGO's	79.1	80.9	144.5	78.9	64.0	95.0	123.3	106.0	86.9	118.8	102.3	101.1	103.5	129.5
Other transfers received	16.2	20.2	25.1	27.5	32.3	34.5	34.8	36.0	36.0	39.0	39.0	41.6	48.6	61.6
Debit	-53.6	-62.9	-70.9	-71.7	-78.7	-86.8	-90.4	-82.8	-81.5	-354.4	-253.1	-300.3	-312.4	-171.3
Government	-21.6	-33.9	-42.9	-44.7	-49.7	-58.8	-62.4	-54.8	-53.5	-325.4	-224.1	-269.1	-276.2	-140.1
Grants to foreign govts, etc	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SACU receipts	-18.1	-28.6	-34.0	-38.0	-43.6	-52.9	-55.5	-47.1	-45.0	-327.7	-226.4	-275.1	-276.2	-143.1
Witholding Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transfers	-3.5	-5.4	-9.0	-6.8	-6.1	-5.9	-6.9	-7.7	-8.5	-2.3	-2.3	-6.0	0.0	-3.0
Private	-32.0	-29.0	-28.0	-27.0	-29.0	-28.0	-28.0	-28.0	-28.0	-29.0	-29.0	-31.2	-36.2	-31.2
Grants received by NGO's	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transfers received	-32.0	-29.0	-28.0	-27.0	-29.0	-28.0	-28.0	-28.0	-28.0	-29.0	-29.0	-31.2	-36.2	-31.2
Capital Transfers														
Capital Transfers, net	**109.3**	**79.8**	**91.5**	**88.3**	**153.6**	**145.5**	**180.8**	**154.2**	**251.7**	**140.0**	**777.7**	**815.7**	**1165.7**	**1209.1**
Credit	109.3	79.8	91.5	88.3	153.6	145.5	180.8	154.2	251.7	142.0	779.7	817.7	1168.0	1211.7
Government	113.6	87.3	83.7	84.9	146.8	144.5	177.9	148.5	243.5	136.0	774.4	811.7	1160.8	1186.5
Private	-4.3	-7.5	7.7	3.4	6.7	1.0	3.0	5.8	8.2	6.1	5.3	6.0	7.2	25.3
Debit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2.0	-2.0	-2.0	-2.3	-2.7
Government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2.0	-2.0	-2.0	-2.3	-2.7

(p) Provisional

TABLE V.E SUPPLEMENTARY TABLE: BALANCE OF PAYMENTS-DIRECT INVESTMENT
N$ Million

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002(p)	2003(p)
Direct investment abroad	**-3.5**	**-10.4**	**0.5**	**-4.5**	**15.8**	**2.7**	**8.8**	**-2.7**	**-1.0**	**4.5**	**-18.4**	**109.0**	**53.9**	**46.8**
Equity capital	-0.3	-0.7	9.7	-3.8	2.5	1.0	0.0	0.0	0.0	12.9	-7.5	-1.6	6.4	3.6
Reinvested earnings	0.6	-5.9	-5.3	3.2	17.2	5.5	12.7	1.1	2.8	-2.0	3.0	17.1	11.4	11.3
Other capital	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8	-6.4	-13.9	93.5	36.2	31.9
Direct investment in Namibia	**76.5**	**332.7**	**337.2**	**180.7**	**347.9**	**554.9**	**553.3**	**386.0**	**427.3**	**119.8**	**1293.6**	**3143.8**	**1911.7**	**631.8**
Equity capital	93.9	78.5	34.8	58.1	96.2	112.9	317.6	357.7	402.0	170.4	607.3	3021.0	1425.0	241.5
Reinvested earnings	-112.6	62.8	190.7	82.1	181.6	358.6	340.4	63.0	-108.0	62.7	745.1	909.7	151.3	-382.4
Other capital	95.2	191.3	111.7	40.4	70.1	83.5	-104.7	-34.7	133.3	-113.3	-58.8	-786.9	335.4	772.8

(p) Provisional

TABLE V.F SUPPLEMENTARY TABLE: BALANCE OF PAYMENTS-PORTFOLIO INVESTMENT
N$ Million

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002(p)	2003(p)
Portfolio Investment, net	**26.6**	**-72.9**	**43.3**	**246.1**	**166.6**	**278.7**	**133.0**	**84.6**	**-56.7**	**-35.2**	**-965.3**	**-1659.2**	**-1641.2**	**-1877.9**
Equity	-24.8	-47.6	-4.8	-13.0	114.4	151.2	185.3	87.3	77.4	134.8	-488.9	-1233.3	-1123.8	-1346.5
Assets	-24.7	-36.2	-21.9	-16.5	-18.9	-14.7	-34.8	-45.4	-97.6	-113.7	-729.0	-1480.2	-1441.6	-1552.1
Liabilities	0.0	-11.3	17.1	3.5	133.3	165.9	220.1	132.8	175.0	248.5	240.1	247.0	317.8	205.6
Debt	51.4	-25.4	48.0	259.0	52.3	127.5	-52.2	-2.7	-134.1	-170.0	-476.4	-425.9	-517.4	-531.4
Assets	11.4	4.6	22.2	66.5	-42.6	-4.8	-1.2	0.1	-10.0	-50.0	-95.0	-60.5	-63.4	-63.2
Liabilities	40.0	-30.0	25.8	192.6	94.8	132.3	-51.0	-2.8	-124.1	-120.0	-381.4	-365.4	-454.0	-468.2

(p) Provisional

TABLE V.G SUPPLEMENTARY TABLE: BALANCE OF PAYMENTS-OTHER INVESTMENT
N$ Million

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002(p)	2003(p)
Long-term, net	**-758.5**	**-730.7**	**-1146.7**	**-1622.6**	**-1539.5**	**-991.6**	**-614.7**	**-627.0**	**-1737.3**	**-683.6**	**-2591.0**	**-2983.0**	**-2047.3**	**-3094.4**
General Government	4.9	56.3	12.4	74.0	114.3	75.0	88.5	133.8	189.9	92.6	61.0	118.0	872.0	283.0
Assets	-5.0	-4.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-23.5	-5.0	-23.5	-23.7	-24.4	-31.6
Liabilities	9.9	60.3	17.4	79.0	119.3	80.0	93.5	138.8	213.4	97.6	84.5	141.7	896.3	314.6
Of which: Drawings	18.4	66.8	23.9	85.5	125.8	86.5	100.0	141.2	221.3	100.0	100.0	158.2	920.5	366.6
Repayments	-8.5	-6.5	-6.5	-6.5	-6.5	-6.5	-6.5	-2.4	-7.9	-2.4	-15.5	-16.5	-24.2	-51.9
Monetary Authorities	80.4	101.0	101.6	63.7	73.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	80.4	101.0	101.6	63.7	73.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banks	-10.5	-9.2	-13.4	-28.6	-5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-73.3
Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.4
Liabilities	-10.5	-9.2	-13.4	-28.6	-5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-79.7
Other sectors	-833.2	-878.8	-1247.4	-1731.7	-1722.0	-1066.6	-703.2	-760.8	-1927.2	-776.2	-2652.0	-3101.0	-2919.3	-3304.1
Assets	-807.5	-721.0	-1055.6	-1633.3	-1742.3	-1098.2	-1284.1	-1649.1	-2091.0	-1683.9	-2548.1	-3047.9	-2839.3	-3398.6
Liabilities	-25.7	-157.8	-191.7	-98.4	20.3	31.6	580.9	888.3	163.8	907.7	-103.9	-53.2	-80.0	94.5
Short-term, net	**106.1**	**230.0**	**348.1**	**73.5**	**-93.5**	**221.1**	**-189.8**	**-413.3**	**-172.9**	**-378.4**	**-173.9**	**477.5**	**409.9**	**323.2**
General Government	-12.1	-26.8	38.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets	-12.1	-26.8	38.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banks	187.1	254.1	250.9	100.2	-414.6	349.4	-169.2	-592.0	-312.8	-591.9	-312.8	865.5	639.4	382.6
Assets	217.9	184.6	0.5	53.8	-209.0	-187.3	-11.4	-329.5	-875.5	-329.5	-875.5	281.2	346.7	50.8
Liabilities	-30.8	69.5	250.4	46.4	-205.6	536.7	-157.8	-262.5	562.7	-262.5	562.7	584.3	292.7	331.8
Other sectors	-68.9	2.7	58.3	-26.7	321.1	-128.3	-20.6	178.7	139.9	213.5	138.9	-388.0	-229.5	-59.4
Assets	-54.6	-23.9	-47.8	11.5	-24.0	-16.0	-14.0	123.2	-95.1	158.0	-96.1	-464.3	-192.7	-70.4
Liabilities	-14.3	26.6	106.1	-38.2	345.1	-112.3	-6.6	55.5	235.0	55.5	235.0	76.3	-36.8	11.0

(p) Provisional

10. BoN WEBSITES

To facilitate quicker access to the Bank of Namibia (BoN) documents available on the BON Website (www.bon.com.na), frequently accessed documents have been given a special URL. By keying in the URL, which can also be saved in 'Favourites', the visitor can directly reach the desired document on the BoN Website.

The documents available on special URL are:

The Quarterly Bulletin: http://www.bon.com.na/quarterly.htm

The Annual Report: http://www.bon.com.na/annual_report.htm

Occasional Research Papers: http://www.bon.com.na/research_papers.htm

Ofuto NPS Newsletter: http://www.bon.com.na/Newsletter/news_letter.htm

Governor's Speeches: http://www.bon.com.na/speeches.htm

Monthly Selected Statistics: http://www.bon.com.na/stat.asp

Exchange Control Information: http://www.bon.com.na/exchange.htm

Banking Regulation: http://www.bon.com.na/banking.htm

The National Payment System: http://www.bon.com.na/national%20payment%20sys.htm

Market Information: http://www.bon.com.na/Market.htm