



BANK OF NAMIBIA



2002

ANNUAL REPORT



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2002

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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 2003

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(Governor)



Mr P Hartmann
(Deputy Governor)



Mr F Kisting



Dr O Herrigel



Ms L Shapwa



Mr U Maamberua



Ms T Itenge-Emvula



Mr RL Ritter



Ms S Tjijorokisa
(Board Secretary)

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Deputy Governor	Mr. P. Hartmann
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Senior Manager – Corporate Services	Mr. F. S. Hamunyela
Senior Manager – Financial Markets	Mr. F. F. Hangula

ABBREVIATIONS

ACP	African, Caribbean and Pacific (countries)
AGOA	Africa Growth and Opportunity Act
AGRIBANK	Agricultural Bank of Namibia
AIDS	Acquired Immune Deficiency Syndrome
AU	African Union
BES	Book Entry System
BLNS	Botswana, Lesotho, Namibia, Swaziland
THE BANK	Bank of Namibia
CAP	Common Agricultural Policy
CCBG	Committee of Central Bank Governors in SADC
CD	Cooperation for Development
CMA	Common Monetary Area
COMESA	Common Market for Eastern and Southern Africa
CSIB	City Savings and Investment Bank
DCS	Depository Corporations Survey
DFN	Development Fund of Namibia
DMB	Deposit Money Bank
DMC	Deposit Money Corporation
EPZ	Export Processing Zone
FCS	Financial Corporations Survey
FTA	Free Trade Area
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GNDI	Gross National Disposable Income
GNI	Gross National Income
HIV	Human Immunodeficiency Virus
IFS	International Financial Statistics
IIP	International Investment Position
IMF	International Monetary Fund
IRS	Internal Registered Stock
JSE	Johannesburg Securities Exchange
M1	Narrow Money Supply
M2	Broad Money Supply
MFSM	Monetary and Financial Statistics Manual
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NBFI	Non-Bank Financial Institutions

ABBREVIATIONS (CONTINUED)

NDC	Namibia Development Corporation
NEER	Nominal Effective Exchange Rate
NEPAD	New Partnership for African Development
NFA	Net Foreign Assets
NII	Net Interest Income
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
RISDP	Regional Indicative Strategic Development Plan (SADC)
ROA	Return on Assets
ROE	Return on Equity
RSA	Republic of South Africa
SACU	Southern African Customs Union
SADC	Southern African Development Community
SME's	Small and Medium Enterprises
TAC	Total Allowable Catch
TCL	Tsumeb Corporation Limited
UNDP	United Nations Development Programme
US	United States
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 experiencing a significant slowdown in 2001, there is a worldwide consensus of a global economic recovery in 2002, which is expected to continue in 2003. The global economic recovery is however dismally lower than expected earlier, with global forecasts now set at 2.8 percent in 2002 and 3.7 percent¹ in 2003 (Table 1). These forecasts nevertheless show an improvement from the growth rate of 2.2 percent recorded in 2001².

The slow economic recovery is attributed mainly to the sluggish growth in the US and European economy, compounded further by the low growth in Japan. After registering a high economic growth of 5.0 percent during the first quarter of 2002, which could be attributed to increased military spending in Afghanistan, the US economy has been weaker than expected with a growth of 1.1 percent and 3.1 percent during the second and third quarters respectively. The accounting scams that toppled the US energy giant, Enron, and WorldCom had seriously rattled US investor and business confidence, thus contributing partly to the delay in the United States' economic recovery this year. The US economy is forecast to grow by 2.2 percent in 2002 and improve marginally to 2.6 percent in 2003.

Weak domestic demand in Germany, France and Italy during 2002 dampened the Euro area's recovery. Germany and France, the major economies of the Euro Area, are faced with rising unemployment and budgetary problems. This has led to a slow growth during the second half of 2002, thus weakening consumer and business confidence considerably. Net exports, which have been the main source of the Euro Zone modest growth during the first half of 2002, are now being hampered by a weak global economy and a strong Euro. The lack of fiscal and monetary stimulus in the Euro Zone, also leaves growth to be substantially below its potential. With increased domestic demand and a serious undertaking of labour and welfare reforms, the Euro-Zone is expected to grow by 2.3 percent in 2003.

Japan appears to be emerging from its third recession in a decade, growing by 0.7 percent during the third quarter of 2002, after experiencing negative quarterly growth rates from 2001. Economic activity appears to be bottoming out with increased private consumer spending and a recovery in business investment during the second half of 2002. The net exports are expected to weaken further as rising domestic demand boosts imports and the appreciation of the yen erodes competitiveness. The Japanese economic growth is however forecast to increase from a negative 0.5 percent in 2002 to 1.1 percent in 2003, provided that a determined effort to address the nation's core

Table 1 **World GDP growth**

	2001	2002	2003(p)
World	2.5	2.8	3.7
United States	1.2	2.2	2.6
Euro zone	1.5	0.9	2.3
Japan	-0.4	-0.5	1.1
Developing countries	4.0	4.2	5.2
Africa	3.5	3.1	4.2
North Africa	3.1	2.7	3.3
SADC	2.5	3.5	3.6

Source: International Monetary Fund, September 2002
p = Projection

¹ Organization for Economic Co-operation and Development (OECD) released its forecasts in late November 2002, citing similar views on the global economic trends. OECD, which represents 30 countries and accounts for most of the world's wealth, predicts OECD growth at 1.5 percent in 2003. These forecasts are comparable with IMF advanced economies growth (excluding developing, transition and newly industrialized economies) of 1.7 percent in 2002 and 2.5 percent in 2003. Although the latest IMF forecasts were not available by the time this report was printed, recent indications are that the IMF projections to be released in April 2003 will be revised downward.

² International Monetary Fund, "World Economic Outlook", September 2002.

economic problems, such as the need for profound bank and corporate restructuring, and an aggressive monetary action is undertaken to deal with the problem of deflation is undertaken.

Other reasons for the low global economic growth in 2002 were the declining stock market prices and the financial turbulence in Latin America. Stock market prices plunged to lows unseen since the mid-1990's in the US, Europe and Japan (Table 2). Brazil and Argentina had serious currency and financial crises in 2002 which led to macro-economic instability and declining foreign direct investment.

**Table 2 Changes in Equity Prices
(Percentage Change)**

	United States	Euro Zone	Japan
March - September 2002			
Total	-21	-27	-16
Technology	-34	-40	-25
Non-technology	-17	-24	-13

Source: Datastream & Reproduced in the International Monetary Fund, *World Economic Outlook*, September 2002

South Africa

South African real economic output expanded at a 3.0 percent annual rate during the third quarter of 2002, compared with 3.0 percent (revised up from 2.2 percent) during the first quarter and 3.8 percent (up from 3.1 percent) in the second quarter. Even though real output growth slowed somewhat from the previous quarter, the South African economy continued to steam ahead in the face of domestic, regional, and international uncertainties. Indeed, the biggest contributors to the third-quarter growth were the manufacturing (0.8 percentage point), financial (0.5 percentage point), and transport sectors (0.4 percentage point).

The expected higher GDP growth seems to be consistent with Standard & Poor's (S&P) upgrade of the country's economic outlook. South Africa's long-term foreign currency debt rating and long-term local currency debt ratings were also reaffirmed, at BBB- and A-, respectively, based on the country's

consistently sound macroeconomic policies and the declining debt burden. S&P also expects that a continuation of sound fiscal and monetary policies, together with growth-enhancing fiscal reforms, will lead to further rating improvements in coming years.

Even before the improvement in the rating, the South African currency had made a relatively strong comeback on international markets, from its peak of 13.85/US Dollar in December 2002 to below 9.00/US Dollar since November 2002. The strengthening of the Rand was largely a result of South African exporters repatriating export earnings in accordance with government foreign exchange regulations, the weak performance of the US dollar, as well as a more positive sentiment towards the South African bonds market.

There are indications that the South African GDP growth for 2002 will average about 3.0 percent, up from the previous estimate of 2.5 percent. This is projected to improve to 3.3 percent during 2003. On the other hand, inflation (CPIX) is expected to decline from an expected double-digit figure of around 11 percent in 2002 to an average 7.5 percent during 2003.

Other SADC economies

In the face of a slow global economic recovery, GDP growth in SADC has held up surprisingly well with forecasts of above 3 percent in 2002 and 2003 from 2.5 percent in 2001. The positive growth in SADC is supported by improved macro-economic policies, fewer military conflicts and debt relief under the Heavily Indebted Poor Countries (HIPC) initiative for some SADC economies such as Zambia. The prices of certain international commodities (especially coffee, cotton, and metals such as gold) have also recovered and are expected to continue doing so in 2003. There are SADC economies such as Mozambique and Angola, that are estimated to have high growth rates of around 8 percent in 2002 and are poised to maintain a higher economic growth in the near future.

There are still serious problems however such as the spreading impact of the drought and the resulting sharp decline in agricultural output of a number of the SADC

economies, the HIV/Aids pandemic which affects the level of productivity and the presence of political instability in some SADC countries. Other SADC economies such as Namibia and Mauritius were afflicted by oceanic and cyclone conditions in 2002.

Despite the gains made in establishing macro-economic stability in the SADC economies, there is still a need to address the above problems and improve on the overall environment for investment and growth. As put forward in the New Partnership for Africa's Development (NEPAD), it is crucial for African economies to record positive and sustainable real growth of around 7 percent to support and facilitate political and economic transformation. The region will also have to make itself more competitive by bringing down inflation, improve its external balance, reduce external debt and, improve savings and investment ratios as well as fiscal discipline.

Notwithstanding the better economic growth prospects for 2003, there are downward risks, which may compromise the expected recovery. These risks include the persistence of subdued and volatile stock market prices in the US and Europe; the continued sluggish economic growth of US and Europe; the oil price increases³ due to the imminent War in Iraq and its concomitant effect on inflation, as well as the increased risk in emerging markets, particularly Argentina and Turkey.

DOMESTIC ECONOMY

Despite the slow recovery of the world economy in 2002, the performance of the Namibian economy during 2002 appears satisfactory. Real GDP is estimated not to be significantly different from that recorded in the previous year. Available data show that growth in 2002 was driven largely by a rebound in primary sector activities, viz., agriculture and mining. Value added in the agricultural sector was mainly influenced by a substantial increase in the number of livestock marketed, as a result of adverse grazing conditions and firmer meat prices. The increased

value added of the mining sector was largely reflected in the improved performance of the diamond industry. This came about because one of the offshore diamond mining companies reached its full production potential. The value added of the fishing sector, on the other hand, continued to contract during 2002 as a result of adverse oceanic conditions.

Inflation started off with relatively low at 8.9 percent during 2002. The combined effect of domestic and imported inflationary pressure, resulted in the acceleration of the inflation rate to a double digit figure of 10.3 percent during April. This trend has been maintained since then, reaching 13.7 percent during November, the highest figure recorded since 1998. This led to an average rate of 11.3 percent for 2002, outstripping the average annual inflation rate of 9.3 percent for Namibia in 2001.

Food prices have played a predominant role in determining the overall inflation during the year. This component of the consumer price index has risen sharply since the fourth quarter of 2001. The food basket in particular has been influenced by the price of maize and grain products. Contributing to the rise in prices of these products was the sharp depreciation of the Namibia dollar during the fourth quarter of 2001 as well as the drought conditions, which prevailed throughout the region. Another contributing factor to the rising inflationary pressure was the higher international oil prices.

In response to the inflationary pressures witnessed during the year, the Bank of Namibia has decided to tighten its monetary policy stance. As a result, the Bank Rate was increased by 350 basis points from the beginning of the year to reach 12.75 percent in December. In line with the above developments the average prime-lending rate of commercial banks rose from 14.00 percent to 17.50 percent. These levels of interest rates were the highest since 1999. The result was a sharp slowdown in the growth rate of private sector credit. The average annual growth rate of credit to the private sector slowed to 14.9 percent for the year

³ Oil prices spiked to more than US\$40 a barrel when Iraq invaded Kuwait in 1990, fell to US\$30 before Desert Storm began its military attack and down to US\$20 after the US-led war against Iraq ended. The increase in the oil price is predicted to be more severe since the world economy is in a recovery phase rather than a normal economic cycle during that period.

2002 as compared to 17.4 percent during the previous year. The slow down in private sector credit was more noticeable in the category of business credit, which is particularly sensitive to interest rate changes.

On the fiscal front, the revised budget projected a comparatively better budget deficit of the Central Government operations during the current fiscal year. The budget deficit was revised to 3.8 percent of GDP compared to 4.3 percent in the previous fiscal year. The reduction in the deficit is attributed mainly to a higher than expected revenue in 2002/03. However, the 3.8 percent budget deficit to GDP ratio still exceeds the pronounced benchmark of 3.2 percent as determined in the current MTEF. Total central government debt is estimated to have increased by about 13.0 percent in 2002 as against an increase of 24.3 percent in the preceding year. As a ratio of GDP, the total debt is estimated to increase to 28.0 percent from the 25.8 percent recorded in the previous year. It should be noted that there was a marginal decline in the foreign debt of the Central Government of about 2.5 percent as opposed to the sharp increase of 77.2 percent during the previous year. The decline in foreign debt stock resulted mainly from the appreciation of the Namibian dollar versus other currencies.

The surplus on the current account of the balance of payments is estimated to have improved during 2002. This is mainly due to the better export performance of primary sector commodities, especially diamonds, other minerals and food and live animals, which were supported by a higher investment income. On the other hand, the deficit on the capital and financial account is estimated to have increased further during 2002 as a result of an increased net outflows of portfolio and other long-term investments, while foreign direct investment in Namibia decreased substantially during 2002. The sharp decrease of foreign direct investment in Namibia was mainly due to decreased equity capital and retained earnings.

Summary: it should be noted that the economic fundamentals of Namibia remained sound in 2002. Inflation may have peaked during the fourth quarter of 2002 but is expected to decline during 2003. Furthermore, growth prospects for 2003 look positive as a result of an increased recovery of the primary sector, especially in mining, as a new zinc mine will become fully operational during the year.

1. CHALLENGES OF ECONOMIC DIVERSIFICATION

At independence in 1990, the new Government inherited an economy characterised by a narrow industrial base and heavy dependence on the production and export of primary commodities (minerals, fish, and beef). It has been argued that this structural characteristic of the economy is not conducive to growth and poverty reduction, which among other needs, are twin priorities of the Government. In particular, continued dependence on the production and export of primary commodities, which are subject to price fluctuations in world markets, would not place the country on the sustainable path of development in terms of increased income, employment and growth.

To overcome this structural weakness of the economy, the Government has committed itself to pursue a strategy and programme of economic diversification aimed at focusing policy attention on the creation of more dynamic and vibrant industrial and service sectors. This strategy calls for increased manufacturing activities and value addition to locally produced raw materials. These objectives are outlined in both the first and second National Development Plans (NDP1 &2), which are designed to guide the country's development strategy. There is no doubt that diversified industrial and processed goods offer the greatest potential for employment creation, improvement in the country's terms of trade, and growth of the economy.

This topic was, therefore, chosen due to the importance and priority attached to economic diversification as a strategy for economic growth, development and poverty reduction. The primary objective is to review and assess the extent to which the country has been able to diversify its economy over the past 12 years after independence in 1990.

This chapter is organized as follows. Section one outlines the importance of economic diversification, while section two discusses and analyses the key challenges of economic diversification. This is followed by section three, which highlights some of the Government's support programmes for diversification. Section four reviews and assesses the diversification efforts since Independence in 1990 by critically analysing the economic structure. Section five examines diversification in the financial sector, while section six evaluates the most ideal and viable path for development i.e. manufacturing vs services. Finally, Section 7 summarises the conclusions made.

1.1 WHY IS DIVERSIFICATION IMPORTANT

One of the key determinants of a sustainable economy is the diversification of its industries. A more balanced economy prevents dependence on any particular sector or number of sectors of the economy and stabilizes economic fluctuations. Diversified industries bring new money into an economy, expand the tax base and provide increased support for development projects such as roads, schools, community services and locally dependent small businesses. It is also believed that a diversified economy is likely to have greater domestic industrial linkages across the sectors of the economy. This type of economy is expected to generate more employment and self-sustaining growth. Therefore, diversification is regarded as a prerequisite for continued growth in real incomes and employment, which would provide a basis for poverty reduction.

Countries that have specialised in a narrow range of primary commodities suffered most from declining export earnings, volatile commodity prices and a loss in their share of international export markets. On the other hand, countries that have spread the risk of fluctuating international prices by having a diversified economy and sources of foreign exchange earnings, are relatively less affected by erratic swings in the international prices of primary commodities.

In the newly industrialised countries (NICs) the post-colonial governments have deemed diversification necessary to reduce their dependence upon and vulnerability to external markets for their generally limited range of primary commodity exports. Diversification has involved either greater domestic or external, /foreign orientation. This has led to new

production, especially for export, which has been encouraged by new discoveries, market conditions, technologies and lower transport costs.

However, while diversification may well have been facilitated by such new circumstances, most diversifications would not have taken place without government initiatives and encouragement. Thus, government-sponsored research and extension, has usually been crucial for crop diversification, while government geological or mineral surveys and exploration have often led to new mining activities. Similarly, government subsidies, protection, incentives and other support measures have encouraged agricultural diversification, as well as both import-substituting and export-oriented industrialisation in NICs.

From the above discussion, it is clear that a more diversified economy would be better off than an economy, which was largely dependent on a few sectors. In view of this fact, efforts that are currently being undertaken to diversify the Namibian economy should be continued and strengthened further. The need to diversify the Namibian economy is underscored by the present structure of the country's economy, which relies, to a significant extent, on primary industries in terms of production and export. For the period under review the primary sector has accounted for about 21 percent of GDP and mineral exports accounted for 55 percent of the total exports.

1.2 KEY CHALLENGES FOR DIVERSIFICATION

Having outlined the importance of economic diversification, this section outlines the key challenges that the government and other stakeholders need to tackle in order to realize the objectives of diversification. These challenges include access to trade finance, skilled labour, trade barriers in foreign markets and the transfer of technology.

Trade Finance

Lack of access to trade finance is one of the primary constraints inhibiting the development of new industries in Namibia. Many firms especially the emerging ones have limited access to finance due

mainly to the fact that they do not have the necessary collateral or track credit records. The end result is that these firms find it very difficult to market successfully and sell their products on foreign markets.

Although trade finance is a matter that needs to be left to the private sector, the Government has a major role to play in promoting access to trade finance, especially for smaller firms. In particular, there is a need to establish a scheme, which is specifically meant to cater for the special needs of exporters – the export credit guarantee scheme. There is evidence that such schemes have successfully facilitated and encouraged exports, especially non-traditional ones in many developing countries such as Malaysia and South Korea. In this regard, it is strongly recommended that Namibia should seriously consider establishing a similar scheme.

Market Intelligence

Another factor constraining the development of existing and new industries is the inadequacy of market information, especially for small and medium enterprises. This includes businesses not having enough information on the potential markets for their products, not knowing where to source inputs and not knowing who their competitors are or/would be. To overcome this problem, many governments, including that of Namibia, use their diplomatic missions to gather and supply market intelligence information to existing and prospective businesses in their home countries. Some others have established marketing boards or special agencies, with offices in countries of prime interests, to supply market intelligence information. With market information available, existing and potential businesses could flourish and consequently diversification would take place.

Skilled Labour – Which skills for the future?

The globalisation of economic activities and rapid advances in information technology are making important changes in the structure of industry, the way work is organised and the knowledge and skills required by workforce. Evidence has shown that the workers' level of skills and training are the key factors influencing productivity and growth. The implication is

that the success of any economy, including that of Namibia greatly, depends, on the quality and skills of its labour force. Skills development leads to lower costs, higher product reliability, more innovation, and more efficient product design cycles. In other words, any economic success increasingly depends on the quality of its human resources in terms of what people know and can do, their creativity, their ability to adjust to change and to innovation. Furthermore, skills development and training not only make it easier for workers to move into a new industry, but most importantly it enhances the country's international competitiveness.

At present, a significant number of Namibians do not have academic qualifications beyond primary school⁴. Therefore, Namibia needs to undertake a concerted effort to develop a well balanced, skilled, and knowledgeable labour force. The key objective would be to develop both sound vocationally specific skills and broadly based generic skills. In the modern economy, employers are increasingly looking for a broader range of skills, both technical and generic, and people will need to be able to work in an increasingly volatile labour market. Skills development priorities should support the economic and social objectives identified by the Government.

In addition, scientific and technological developments are increasingly recognised as the most important defining factors for economic growth and poverty reduction. It is therefore imperative that strategic and deliberate investments in science and technology should be made. Namibia should rely less on its natural resources and more on knowledge, entrepreneurship and innovation in order to be competitive and prosper in an increasingly globalised economy.

Limited Domestic Market Size

One of the main challenges for economic diversification facing Namibia is its market size. Given the limited domestic market, it is very difficult for producers to diversify their production and also to

realise sizeable economies. Furthermore, the smallness of the economy can be a constraining factor for the attraction of foreign direct investment. In this regard, regionally integrated markets are crucial for Namibia and other small economies. This is because regionally integrated markets offer viable options in terms of increased intra-regional trade and the creation of wider economic spaces where local and foreign investors can produce for both regional and international markets.

Moves towards greater regional integration that involves more than one country will, thus improve Namibia's market access. In this regard, Namibia's membership of SACU, SADC and the COMESA represents a strategic response to the increased demand for market enlargement for its exports. Namibia could therefore benefit from the acceleration process of tariff reductions and removal of non-tariff barriers especially in SADC.

Technology Transfer

Access to technology and information is another challenge, which needs to be addressed for industrialisation and diversification to take place. At present in some sectors, such as subsistence agriculture knowledge and access to available technology is low, despite the availability of low cost, low cost, less-sophisticated technology and know how are available on the international markets.

It has to be noted that the Government has already addressed these issues through its strategy on SME's development. In this regard, a structured process of technology transfer with the following features has been proposed. The first part involves the identification of different types of appropriate technology required of suppliers as well as the absorption and replication potential of such technologies. The second part of this strategy is the establishment of Appropriate Technology Demonstration Centres (ATDC) and vendor development programmes⁵. An associated initiative is the strategy of setting joint ventures (partnerships) between foreign and Namibian firms in

⁴ According to NDP2, more than 60 percent of the employed labour force has only a primary school background or no school at all, while only 6 percent is equipped with tertiary education.

⁵ So far, only the Ondangwa ATDC is operational.

the expectation that this will lead to technology transfers. It is hoped that such initiatives will go a long way in addressing the problem of access to technology.

Market Access / Trade Barriers

Namibian export products enjoy preferential access to a number of markets regionally and internationally. On the regional front, through SACU, Namibian exports enjoy duty free access to the larger South African market as well as to other SACU partners, namely Botswana, Lesotho and Swaziland. Namibia is also a member of SADC. SADC has a large market of more than 190 million people and a GDP of about USD 176 billion. This implies about USD\$900 GDP per capita. Although this figure is relatively low by international standards, it still represents a healthy purchasing power in terms of Sub-Saharan Africa.

On the international level, Namibian exports enjoy preferential market access to the EU through the Cotonou Agreement, the successor agreement to the Lomé Convention. It is important to point out that some of Namibian exports are subject to import quotas and other trade distorting measures such as domestic support (subsidies), which are provided to domestic producers on export markets. Such protectionist measures severely affect the volume of products that can be exported. For example, under the Lomé Convention, the 900 tons of grapes that are allowed duty-free entry into the European Union from all ACP countries are all taken up by Namibia. Another scheme under which Namibian export products enjoy duty free market access, is the Generalised System of Preferences (GSP) maintained by individual OECD countries as well as the newly established African Growth and Opportunity Act (AGOA) by the USA.

Despite these market access arrangements and a significant reduction in tariffs within the framework of the Uruguay Round and consequently the WTO liberalisation programme, exporters are still faced with massive non-trade barriers especially in the agricultural sector. Export subsidies and domestic support provided to farmers in developed countries

remain some of the biggest constraints in the diversification of agricultural production and trade in developing countries including Namibia. Such subsidies especially those provided within the context of the Common Agricultural Policy (CAP) not only distort markets but most importantly, they disadvantage non-domestic producers including those of Namibia. Furthermore, the imposition of quotas and tariff escalations on export markets do not augur well for Namibia's exports. They are essentially designed to keep out products of exports interest from developing countries including those from Namibia.

An associated concern includes the sanitary, phyto-sanitary and environmental labelling requirements to which developed countries are increasingly resorting to, as protectionist measures. This situation is unlikely to change much in the foreseeable future. There is therefore a need for Namibia and other developing countries to increase their efforts to address these issues on multilateral forums especially the WTO and the Cotonou negotiations.

1.3 GOVERNMENT SUPPORT PROGRAMMES FOR DIVERSIFICATION

Recognising the importance of economic development and diversification, the Namibian Government has put in place a number of initiatives to promote diversification and industrialisation. These initiatives and programmes are briefly outlined below.

Skills Development and Capacity Building

As indicated earlier the development of human resources is critical to the development and economic diversification of the country. It is against this background that the Namibian government regards human resources development as a national priority as reflected in the high budgetary allocation to this sector since independence⁶.

Under the NDP1 and 2 Government has committed itself to implement specific programmes aimed at addressing the human resources deficits in different areas including science, medicine and engineering.

⁶ Government has allocated an average of 23-25 percent of the total budget to the education sector since 1990.

Some of the specific programmes embarked upon are the finalization and implementation of the human resources development plan as well as the implementation of the "National Policy on Science and Technology", which was approved by Cabinet in October 1999. These policies aim at improving the education and training by linking education, training, science and technology to the overall development of the country. The idea is to ensure the adequate supply of human resources by integrating human resources development into the national planning system. In addition significant progress has been made to enhancing and improving access to both lower and higher education. For example, enrolment for the Junior Secondary Certificate increased from about 4,800 in 1996 to more than 10,000 in 1999, while enrolments for grade 12 increased from 1,200 to more than 10,000 during the same period. Enrolment at a tertiary level has also witnessed large increases during the period under review. A student Financial Assistance Scheme has also been established to provide loans and grants for students wishing to enroll for a first qualification at tertiary level. Despite these developments however, there is still a need both for the Government and the private sector to increase efforts of improving and enhancing the skills development initiative through the provision of bursaries, grants and other programmes. It is only through skilled labour that the country will be able to increase its external compositeness, productivity, and growth.

SME Policy and Industrial Strategy

In recognition of the critical role SMEs can play in the socio-economic development of the country and economic diversification, the Government has put in place policies and programmes for the development of SMEs. The main thrust of the SMEs policy is threefold: The first thrust is to increase the rate of growth of existing businesses to ensure the employment of more people. The second thrust is the reduction of business failures while increasing the development of new business formations. The third thrust is the diversification of the activities of the sector.

In this regard, the policy framework to guide Government support in the development of this sector

includes continuing efforts to improve and empowering environment, including pro-active programme and institutional support. More specifically, the assistance programmes for SMEs target the critical areas of access to finance, skills development, marketing, technology transfer, management and institutional support.

Such a comprehensive policy framework is expected to enhance the economic role of SMEs not only in terms of their contribution to employment and poverty reduction, but also in terms of contribution to economic diversification. The development and promotion of the SME sector is an integral part of the Special Industrialisation Programme (SIP), which is designed to render practical support to viable business ideas and plans. The long-term objective of this programme is to promote export-oriented production and where appropriate import substitution.

In addition, the Government is currently drafting a comprehensive industrial development policy to guide and facilitate the process of industrialisation, development and diversification. Various industrial parks as well as incubator centres have been established throughout the country for use by the SMEs. Other support programmes for SMEs include the establishment of a group purchase schemes, the objective which, is to bring together small businesses and enable them to purchase in bulk as well to share expenses such as transport cost. These programmes are expected to lead to the development of the SMEs and informal enterprises and regarded as channels to job creation and the economic empowerment of formerly disadvantaged Namibians.

Financing Programmes for SMEs

The assistance programme also addresses the access to finance for SMEs. Namibia has a relatively well-developed and sophisticated financial system that caters mainly for the formal business sector, while a significant number of SMEs only have a limited access to financial services. The end result is that emerging firms and SMEs find themselves in a situation where they are unable to finance their operations adequately or further expand their businesses. This situation has

led to minimal employment creation and a less diversified economy.

In addressing this situation, the Government is taking concerted action aimed at enhancing the private sector, especially the SME sector, to provide access to finance. One of these actions is the streamlining and consolidation of state owned development-financing institutions, namely the NDC and the DFN into a Development Bank. If professionally managed, the Development Bank will play an important role in development lending to the private sector (including lending to the SME sector).

The Government has also put in place a credit guarantee scheme, which provides a government guarantee for SME loans. Several million dollars have already been spent on this initiative. Other financing facilities available to the private sector include the Private Sector Global Loan facility of the EIB and the Indian Export and Import Bank Equipment Fund as well as a similar fund made available by the Spanish Government. In addition to these programmes, it is recommended that the Government should consider establishing a venture capital fund as well as a seed capital fund to supplement the above programmes and enable SMEs access to both loans and equity.

Box A FINANCE FOR SMALL AND MICRO ENTERPRISES IN NAMIBIA

It is well recorded in literature that rural and poor people lack access to financial services. There are a number of reasons why poor people remain outside the formal financial sector. Banks do not consider poor people to be creditworthy since they often have no possessions, which can serve as security for loans. Another reason is the cost of administering many small amounts, which is considered to be uneconomical by banks. In addition, bank offices are usually found in large towns while poor people, particularly women who, live in rural areas. This situation is more severe in countries like Namibia where more than 70 percent of the population live in rural areas, while banks are mostly concentrated in urban areas. Poor people like any other people have financial needs to develop their small businesses, pay for the school fees of their children and pay for incidences such as deaths, weddings and fines.

It was through the realisation of these financial shortcomings for the rural poor that the concept of micro-financing was coined around the globe, to cater for this perceived market failure. In addition, experience throughout the world shows that poor people with little education are reliable borrowers who can invest wisely and are willing to save if given an opportunity. It is against this background that this article attempts to explore the operations of Micro- Finance Institutions, to establish how well they are able to address the financing gaps in the Namibian economy. Micro-finance is the term used to refer to different methods for giving poor people access to financial services without collateral.

Micro-financing involves offering three main services, the mobilisation of savings/accepting deposits, the advancement of credit and micro-finance insurance. Micro-finance is a world-wide movement and today there are many successful micro-banks. One of the most successful is Grameen Bank or the "village bank" (Grameen means village), in Bangladesh, which today has over 2 million customers, mostly women. The concept of micro-financing is barely distinct from micro-lending in operational terms, in that micro-lending (in most cases), refers to the provision of consumption finance, does not involve the mobilisation of savings, does not offer insurance services and requires a collateral in the form of withholding a client's ATM card.

The risk involved in lending money without collateral is overcome by giving customers good incentives to repay their loans. Repayments are usually made in small instalments. Since the micro-banks are located in the same places as their customers, administrative costs can be reduced. Where micro-finance is concerned, market interest rates are charged on loans, since the possibility of borrowing money for their micro-companies means more to them than the cost of the loan.

In Namibia several micro- finance projects have been launched to reach those who were considered as being too risky to be serviced by the formal credit system. These include the Co-operation for Development (CD) in Oshakati, the Community Small Enterprise and the Development Agency (COSEDA) in Windhoek, the Lisikamena in Rundu, the Namibia Housing Action Group (NHAG) – the Shack Dwellers Federation of Namibia (SDFN), (Windhoek) the Namibia National Association of Women in Business (NNAWIB) in Windhoek, Rundu and Oshakati, the Okutumbatumba Hawkers Association in Windhoek, the Adult Skills Development for self-employment in Windhoek, the Morukutu Cooperative Union (MCU) in Okakarara, and the Savings and Credit Associations founded by Rural People Institute for Social Empowerment (RISE) in Oshikoto, Ohangwena, Omusati, Oshana, Hardap and Karas.

These MFI's provide a minimum of N\$500.00 and a maximum of N\$20 000.00 as individual and business loans, which are repayable within 12 to a maximum of 24 months. Housing loans are not included in this time

frame in the regulations of the SDFN, and are payable over 11 years. Women form the majority of the MFI clientele. In terms of funding sources, MFI's in Namibia rely on NGO's, donor countries and multilateral Institutions such as the African Development Foundation, Oxfam (USA), Care Austria, the governments of Namibia, Norway, German and the European Union. The average interest rates charged by these MFI's vary between 23 to 30 percent per annum. The performance of these MFI's is of great concern in Namibia. Another concern with MFI's in Namibia is the very high default rate of clients. (Note the figures for the end of December 2001 in the table which follows). Yet another concern is that MFI's in Namibia only provide credit to clients, do not offer insurance services, and are not allowed by law to mobilise savings. The only exceptions are those which are registered as Savings and Credit Unions are therefore allowed to mobilise group savings. It is interesting to note however, that having recognised the importance of Micro-Finance in Namibia, the Ministries of Finance, Trade and Industry, Agriculture and Rural Development, the National Planning Commission and the Bank of Namibia signed a Charter of Good Practice in Micro-Finance in Namibia in the year 2001. The charter lays down broad guiding principles and commitment to the development of Micro Finance in Namibia.

Table 1 Default Rates of Micro Institutions in Namibia

Institution	Default rate
CD	50%
COSEDA	100%
LISIKAMENA	100%
SDFN/NHAG	0% on housing 30% for small business loans
NNAWIB	77%
MCU	57%
SCA funded by RiSE	70 % in the North 56 % in the South
Adult Skills Development for Self-employment	56%

Source: Gtz: *Micro-Finance in Default-Lessons from Namibia, 2002*

In conclusion, while the number of micro-finance enterprises has mushroomed in Namibia over the past few years, the viability of these enterprises remains a problem. It is therefore important that measures aimed at strengthening this sector are put in place if micro-finance firms are to contribute to the improvement of access to finance for small enterprises.

Box B EQUITY FINANCE FOR MEDIUM-SCALE ENTERPRISES⁷

Entrepreneurial skills and accessibility to appropriate finance have been identified as the major factors in the promotion of economic growth and development. In the case of Namibia however, these factors are very scarce especially in the case of long term finance to medium- sized enterprises. Available evidence suggests that the nature of financial institutions available in Namibia may not adequately address the long-term financial requirements of the economy. Commercial banks that are important sources of credit required for the expansion of productive activities, are channeling a large part of the credit to consumption rather than to long term productive activities. This is the case because of the risk, which commercial banks associate to medium enterprises.

In an effort to address this market failure, the Government has established a number of financial development institutions such as the Development Fund of Namibia, the Agribank and the Namibia Development Corporation. Despite all these efforts, evidence still points to the fact that entrepreneurial skills and financial gaps continue to exist in the economy. It is important to note that for any productive investment to be successful there is a need for the following two factors to be present i.e. finance and entrepreneurial skills. It is against this background that this article is seeking to explore and suggest supplementary financial institutions that would be able to address these gaps. The Venture Capital system (VCs) is suggested as an alternative source of equity- based finance for medium-size enterprises. Venture capitalists have proven to be a reliable source of finance in many countries.

A Venture Capitalist (VC) is a specialized, professional investor, who provides funding and, in return, takes up equity in an enterprise, participates actively in the management of the enterprise and later sells his stake after the start-up phase. The Venture Capitalist provides a start-up capital to the entrepreneur in form of a loan or equity capital, and in return shares in the ownership of the enterprise. In cases where the VC provides loan capital, interest will however, be charged. If the loan can be converted to equity at a future date, then the interest charged on the loan will be lower. In most cases, Venture Capitalists provide equity-based capital as opposed to loan capital, as most investee companies do not have cash to fund the interest payments on the loan.

Venture capitalists invest for long term gains rather than for current returns. VCs are relatively patient; their profitability depends on realizing long-term capital gains from the sale of equity securities from three to seven years. After providing start up capital, a Venture Capitalist provide non financial assistance to the enterprise, in the form of financial planning, marketing, sales and purchasing, cost accounting and pricing, and human resources management. The Venture Capitalist further requires a seat on the board of the company to provide input and to control the development of the companies.

In 2001 the Ministry of Trade and Industry commissioned a study to assess the feasibility of the Venture Capital Scheme in Namibia. Following the recommendations of this study a committee comprising the Bank of Namibia and the private sector was formed to consider the operational issues of the scheme. The committee has completed its work and awaits the approval of the relevant authorities. In addition, Irwin, Jacobs, Greene (IJG) established a venture capital fund in November 2002. The IJG provides equity based financing to medium enterprises, as well as management support to the concerned company. Presently this is the only venture capital fund operational in Namibia.

Summary: The establishment of venture capital funds could contribute to an improved access to finance by medium size enterprises. In this regard, the Namibian authorities are encouraged to accelerate the process of setting up the proposed venture capital scheme. The private sector should be the main player in this process and its active participation should therefore be sought.

⁷ By conventional definitions used both in developing countries and by international development institutions, medium enterprises are those within the limit of N\$1 million and N\$10 million.

Export Processing Zone (EPZ) and Special Incentives for Manufacturing and Exporters

The EPZ regime, which was established in 1996, has been the main incentives scheme aimed at encouraging foreign direct investments in Namibia. The main goal of the EPZ regime is the promotion of investment and employment in an export-oriented manufacturing industry. An added goal is the transfer of technology and know-how to the remainder of the economy. The Namibian Government has stated that EPZ's are not fenced in industrial estates, but are part of an integrated national industrial development strategy. This strategy primarily seeks to attract foreign investors to Namibia with a view to developing export-oriented industries.

EPZ companies are exempted from duties on input, provided that all their produce is exported to markets outside the SACU. Other incentives include rebates for training and marketing on foreign markets, and exemptions from corporate income tax. Furthermore, a number of EPZ industrial parks have been constructed at Oshikango and Walvisbay to attract and encourage companies to operate and export from these zones.

By the end of 2002, some 20 companies were fully operational in the EPZ regime. These companies invested N\$3.6 billion by the end of 2002. Furthermore, EPZ companies have created 9543 direct job opportunities.

In addition to the EPZ regime, the Government has also formulated special incentives for manufacturers and exporters. These incentives include 50 percent abatement on taxable income derived from manufacturing for five years, tax packages for companies wishing to relocate to Namibia, export promotion allowance as well as a special building allowance for manufacturing purposes.

Trade Policy Strategy

Trade policy plays a critical role in the diversification of the country's economy. In Namibia, the trade strategy revolves around the promotion of investment and trade; export growth and promotion of regional integration arrangements as well as further trade

liberalisation. Regional integration schemes underpin the country's trade policy. As indicated earlier, Namibia is a member to SACU, SADC, and COMESA. Namibia's trade policy is essentially shaped by the country's membership of SACU. The trade policy within SACU has evolved from being protectionist to a more open regime today.

These regional trade arrangements are crucial for small economies like Namibia. This is because regionally integrated economies provide enlarged markets for domestic products, resulting in the realisation of the economies of scale and attraction to local and foreign investors. Membership in regional trade organisations provides an opportunity to Namibia to diversify its exports toward central and eastern African markets through better market access. Namibia traditionally has traded with its SACU partners, with a trade imbalance heavily favouring South Africa. Therefore, the membership of SADC and COMESA is an attempt to diversify import and export markets. This strategy also makes Namibia's investment promotion strategies such as Export Processing Zones (EPZ) regime viable. Due to the small size of its market, any viable investment promotion should be based on its membership of SACU, SADC and COMESA as these three regional integration groups provide a combined market of about 350 million people. In this way an export-led growth could be achieved.

As indicated earlier, Namibia along with its SACU Partners has committed itself to trade liberalisation. The commitment to the WTO liberalisation programme in particular and the implementation of the Trade, Development and Co-operation Agreement between South Africa and the European Union, will further lead to an increased liberal trade. Such a trade liberalisation strategy is regarded as a growth-enhancing factor for a country or region. There is empirical evidence that show that liberalised economies tend to attract more investments compared to closed economies.

With regard to the role of the SACU Common External Tariff as an instrument of industrial policy in Namibia, it is interesting to note that this instrument was used

successfully by South Africa to build its own industrial base behind high tariff walls during the 60's and 80's. The BLNS countries did not have the capacity and size to compete with South Africa to attract industries and foreign direct investment and as a result, regional polarisation developed. Under the new SACU arrangement, it is hoped that member countries will institute policies to counter this polarisation.

1.4 REVIEW OF NAMIBIA'S DIVERSIFICATION EFFORTS SINCE INDEPENDENCE

The previous section highlighted some of the policies and initiatives, which the Government has put in place since Independence in order to broaden the manufacturing base of the country and to promote export diversification. The aim of this section is to assess whether these efforts to promote diversification have borne the desired results. In other words, has there been a structural shift in the country's production structure during the period under consideration?

The Structure of the Namibian Economy (1990 to 2001)

The Namibian economy is characterised by a production structure that ranges from traditional subsistence agriculture to a technologically advanced modern sector, especially in the financial and telecommunication sectors. The economy is very open, heavily dependent on primary commodities, with a small manufacturing base. Before Independence the emphasis had been on primary production for export, while the bulk of processed goods required for the domestic market were imported from South Africa. Since Independence, the Namibian Government has taken initiatives towards consolidating and reviving the sectors of the economy that performed poorly during the pre-independence era. The Government strategy in this regard was directed towards the diversification of the economy, with particular emphasis on the manufacturing and the agricultural sectors.

The primary sector's contribution to GDP, viz., agriculture, fishing and mining and quarrying as may be seen in Table 1 below, stood at 22.9 percent during the period (1990 to 1995). It then declined slightly to

20.2 percent between 1996 and 2001. The decline in the primary sector was attributed to the sharp fall in mining output from 14.4 percent (1990 to 1995) to 10.8 percent during the second half of post independence period (1996 to 2001). A decline in the contribution of the agricultural sector also contributed to the decline in the position of the primary sector in regard to GDP, while the contribution of the fishing sector to GDP increased during the periods under consideration.

The agricultural sector dominated the economic scene prior to Independence, being one of the major contributors to GDP and the largest employer in the economy. This situation has changed however, and the sector has gradually become less significant, as the services and fishing sectors assumed dominant roles in the economy. Between 1990 and 1995, the agricultural output as a ratio of GDP stood at 5.8 percent compared with the 5.3 percent recorded from 1996 to 2001. This was primarily due to a decline in livestock marketed as farmers were rebuilding their herds after the serious droughts of 1994/95 and 1995/96. Also contributing to the poor performance in agricultural output was the steady decline in the production of karakul pelts, mainly due to protests in Europe against the wearing of animal products. As a result, the overall output of the agricultural sector declined during this period. Despite the decline of the agricultural sector, notable diversification has taken place in this agricultural sector with regard to the emergence of new agricultural products for exports. These new products include, table grapes, cotton and dates, although their contributions have not yet reached their full potential.

The poor results of the mining output was attributed to the poor performance of diamonds and other mineral products due to depressed global demand, which caused prices to fall sharply, especially those of diamonds and uranium. The decline was exacerbated by domestic factors, such as the closure of Tsumeb Corporation Limited (TCL), which led to a virtual halt in the production of blister copper and other by-products such as lead.

Table 1.1 Sectoral Percentage Contribution to GDP at Current Prices

Sector	1990-1995	1996-2001
Primary Industries	22.9	20.6
Agriculture and forestry	5.8	5.3
Fishing	2.7	4.5
Mining and quarrying	14.4	10.8
Secondary Industries	17.8	14.9
Manufacturing	13.2	9.9
Electricity and water	1.8	2.4
Construction	2.8	2.6
Tertiary Industries	51.7	55.5
Wholesale and retail trade, repairs	7.0	9.9
Hotels and restaurants	1.6	1.8
Transport and communication	4.4	5.9
Financial intermediation	3.4	3.6
Real estate and business services	8.1	9.7
Community, social and personal service activities	1.1	0.9
Producers of government services	23.7	21.8
Other Producers	2.4	1.9

Source: CBS, 2001

The increase in the importance of the fishing sector has been due to investments in fishing companies since Independence. Also contributing to the improvement in the fishing output as a ratio GDP in the post independence period were improved policies and guidelines and a restructuring of the sector. The high contribution recorded in the second half of the nineties (1996 – 2001), was mainly due to improved oceanic conditions and better management of resources, which enabled the Government to raise the total allowable catches (TACs) for pilchard and hake for 1998. The increase in the contribution of fishing was, however, insufficient to offset the decline registered in the other two sectors.

The secondary sector's share of the total GDP declined from 17.8 percent during the period 1990 to 1995 to 14.9 percent between 1996 and 2001. Over the period from 1996 to 2001, the manufacturing output as a percentage of GDP stood at 9.9 percent, compared with 13.2 percent between the periods 1990 to 1995. This decline in the sector's contribution

resulted mainly from the poor performance of the agricultural sector, as the output of this sector and that of fishing, continue to dominate the manufacturing activities. Although the fishing output increased during both the first and second halves of the post-independence period, the increase was not significant enough to offset the decline in the agricultural output.

The tertiary sector's share of the GDP on the other hand, increased to 55.3 percent during the period from 1996 to 2001 as compared to 51.7 percent during the period between 1990 and 1995. During the first half of the period following Independence, from 1990 to 1995, the services sector, excluding government services, stood at 28.0 percent, compared with 23.7 percent for the government service for the same period. The contribution of the services sector, excluding government services, improved significantly to 33.7 percent during the second half of the Independence period, (1996 to 2001) compared with the decline in government services to 21.8 percent of GDP. The good performance of the services sector was attributed to an increase in the wholesale, retail trade, real estate and business services. The share of this sub-group expanded as the result of the policy change by the Government, requiring the local incorporation of trade and service outlets in Namibia and a steadily increasing purchasing power by a wider section of the Namibian society.

Review of Export Diversification

Namibia encourages export led growth through value addition. Exports however remain dominated by the marketing of primary commodities particularly mineral products. (Table 1.2). The share of mineral exports averaged around 46.0 percent during the first half of the post- independence period (1990 – 1995). This increased to an average of 49.6 percent during the second half of post- independence period (1996 – 2001). The increase in the share of mineral exports during the second half of the post- independence period was primarily due to an improved demand for primary commodities during the period under review.

Table 1.2 Sectoral contribution to Total Exports

Sector	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Mining	53.0	54.4	49.9	44.8	38.0	38.2	42.1	43.0	36.3	42.1	48.1	46.2
Agriculture	7.7	6.7	6.3	5.0	7.8	7.2	7.4	3.9	4.5	4.0	2.9	3.3
Fishing												
(unprocessed)	0.1	0.1	0.4	0.3	0.1	0.3	0.3	0.2	0.3	0.3	0.3	0.7
Manufacturing ⁸	28.3	27.8	32.2	34.2	37.2	35.8	30.8	30.6	37.5	32.4	34.9	34.1
Other	11.0	11.1	11.6	16.0	17.0	18.8	19.7	22.5	21.7	21.5	14.1	16.4

Source: CBS, 2001

The share of agricultural products in total exports during 1996-2001 declined to 4.5 from the 6.8 percent recorded for the period 1990-1995. Exports of manufactured products, mainly fish and beer, increased from 32.3 percent per year during the period from 1990 to 1995 to an average of 33 percent from 1996 to 2001 indicating an increased value added income on these products.

From the above discussions it is clear that Namibia's export income is generated by the sale of primary commodities. After Independence the Government decided to embark upon an export diversification programme, to encourage exporters to move away from the traditional practice of exporting raw materials to value addition through incentives for manufacturing and the export of manufactured goods and the creation of EPZ regime incentives. Despite these government efforts, it seems as if a structural shift has not yet taken place in the economy since Independence. The manufacturing sector of the country is still dominated by fish and meat processing activities, which started during the pre-independence era. Manufacturing activities have not been diversified to sectors other than those, which have already been mentioned. Then too, the contribution of manufacturing to GDP declined to 9.9 percent during the second half of the post-independence period 1996 to 2001 as compared to 13.2 percent of the first half of the post independence period 1990 to 1995.

1.5 DIVERSIFICATION IN THE FINANCIAL SECTOR

The aim of this section is to assess the diversification within the financial sector of Namibia since Independence. This section further examines the pattern in the direction of credit extended to economic sectors by the banking system since Independence and assesses whether any diversification has taken place in this regard.

Review of Namibia's Financial Structure

The structure of Namibia's financial system has changed considerably since Independence, both in terms of depth and width. At Independence in 1990, Namibia's financial structure, in terms of the total size of the financial system, was dominated by a strong banking sector. Twelve years later, a situation has emerged whereby non-bank financial intermediaries, notably insurance corporations and pension funds, have increased in importance as compared with commercial banks, using total assets as a yardstick. Table 1.3 shows that the share of the banking system in regard to the total assets of the financial system, (excluding the stock exchange) gradually declined from 72.7 percent in 1991 to 67.5 percent in 1995 and further to 51.4 percent in 2001. On the other hand, the share of the non-banking financial institutions (combined assets of the pension funds, insurance corporations and unit trusts) gradually increased from 23.3 percent in 1991 to 32.5 percent in 1995 and further to 48.6 percent in 2001.

⁸ Fish processing accounts for the bulk of manufactured exports. During the period 1990 to 2001 it accounted on average for 54.8 percent of all manufactured exports.

The assets of the non-bank financial institutions are dominated by pension funds, which account for about 70 percent of the total assets of non-bank financial institutions. The assets of pension funds accounted on an average for about 31.9 percent of the total assets of the Namibian financial system during the period 1991 to 2001. The second biggest category of non-banking financial institutions is the insurance companies (short-term and long-term), which accounted for about 10 percent of the total assets of the Namibian financial system in 2001. It is important to note that the share of unit trusts in total financial assets increased rapidly from less than 1 percent since the establishment of the first unit trusts in 1994 to about 5.5 percent in 2001.

Similar to the non-bank financial institutions, the numbers of financial auxiliaries, such as assets management companies and stockbrokers have also been on the increase since the mid-1990's. For example, the number of assets management companies increased to about 18 in 2001 from zero at Independence, while the number of stock broking firms increased to 7 during the same period. The establishment of the Namibian stock exchange in 1992, the introduction of regulations which require institutional investors to invest at least 35 percent of their assets domestically, as well as the placement of the development capital portfolio of the GIPF with assets management companies in 1994-95, are cited as some of the reasons for the rapid development of these institutions after Independence.

Table 1.3 Assets of the Namibian Financial System

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total Financial Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Banking System	72.7	68.8	67.3	67.5	67.5	62.6	55.2	52.7	54.0	52.2	51.4
Commercial Banks	49.8	46.8	44.0	39.7	42.0	45.7	40.5	37.9	38.3	38.1	36.0
Central Banks	3.3	2.4	6.0	13.3	12.3	6.1	6.0	6.6	7.2	6.3	7.5
Other Banking Institutions	19.6	19.5	17.4	14.4	13.2	10.8	8.7	8.3	8.5	7.8	7.9
Non-Bank Financial Institutions	27.3	31.2	32.7	32.5	32.5	37.4	44.8	47.3	46.0	47.8	48.6
Pension Funds	27.3	31.2	31.4	30.9	30.7	35.5	31.6	34.3	31.7	33.1	33.2
Unit Trust	0.0	0.0	0.0	0.2	0.4	0.6	1.1	1.4	3.0	4.4	5.5
Insurance Companies	0.0	0.0	1.3	1.4	1.3	1.3	12.1 ⁹	11.6	11.4	10.3	9.9

It should also be mentioned that these financial institutions not only increased in terms of asset size but also in terms of numbers of institutions. For example, the number of pension fund institutions increased from less than 200 at Independence to about 500 in 2001. Similarly, the number of unit trust management companies as well as funds administered by these companies, increased significantly during the same period. By 2001 there were 7 registered unit trust management companies, managing about 23 different types of funds. On the other hand, the number of commercial banks remained at a constant five during the period under review.

While the number of stock-broking companies and assets management companies has increased rapidly since Independence, the services they offer to institutional investors are often limited. To a great extent these institutions often depend substantially on the advice of parent companies outside the Namibian economic territory. Also, the number of financial instruments, such as derivatives and structured finance offered by local assets managers and stock-broking firms are limited compared to the South African market. This is partly to be blamed on the small domestic market and lack of capacity by local assets managers and stockbrokers. Nevertheless, the mere presence of these institutions has greatly

⁹ The significant increase in the share of the insurance sector is a result of South African insurance companies converting their subsidiaries into fully-fledged Namibian subsidiaries.

enriched the Namibian financial system.

Another way of measuring the growth of the financial sector is a consideration of the level of M2 in relation to GDP. The broadly defined money supply (M2) as a ratio to GDP increased from below 30 percent in 1991, to 44.3 percent in 2001. This ratio gives a rough indication of financial deepening and the size of the banking industry in relation to the economy. The increase in this ratio means that the banking sector has been progressively more able to raise capital for growth and the diversification of risk in the economy.

Credit Developments

This section focuses on the credit extension of the banking system, i.e. the combined credit extension of commercial banks and other banking institutions. Cognisance is taken of the fact that credit is also extended by other financial intermediaries. Due to data constraints however, this could not be considered. Furthermore, it could safely be assumed that the banking sector accounts for the bulk of credit extension in Namibia.

Table 1.4 Credit by Type (percentage shares)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Average
Loans and advances	78.6	71.9	81.0	80.5	79.7	82.0	82.8	83.0	82.4	78.1	0.80
Mortgage loans	39.4	35.3	37.9	36.8	36.4	35.4	38.7	45.8	46.8	47.3	0.40
Other loans & advances	39.2	36.6	43.0	43.7	43.2	46.6	44.0	37.2	35.6	30.7	0.40
Instalment credit	13.0	20.6	16.1	16.6	17.5	16.2	15.1	14.3	14.4	15.4	0.16
Other Banking											
Leasing transaction	2.4	1.8	1.1	0.8	1.1	1.0	1.0	0.9	0.8	0.8	0.01
Bills discounted or purchased	3.3	2.4	0.7	1.4	0.2	0.2	0.7	0.3	0.0	0.0	0.01
Other claims	4.4	1.5	1.1	0.8	0.5	0.5	0.5	1.5	2.4	5.7	0.02

The growth rate of domestic credit, comprising private sector credit and net claims on the central government, was very robust during the first half of the 1990's. After growing at an average of about 25.9 percent during the period 1991-1996, private sector credit slowed down to a rate of about 11.6 percent during the period 1997-2001. Despite this relatively healthy performance in domestic credit extension, a closer analysis reveals a strong bias of commercial bank credit towards consumption purposes. Credit to

individuals consistently dominated the total private sector credit. In 1995 total borrowing by individuals was close to N\$4.2 billion and it has almost doubled to reach N\$8.2 billion by the year 2001. Credit extended to the business sector increased from N\$2.0 billion to N\$4.5 billion during the same period. While the share to total private sector credit to individuals accounted for about 65 percent, the business sector accounted for the remaining 35 percent.

An analysis of credit by type, shows that the biggest portion of private sector credit goes for consumption purposes. During the period 1992 to 2001 the credit types, "other loans and advances" and instalment credit accounted on average for 60.0 percent of the total private sector credit. The share of mortgage loans in total private sector credit averaged about 40.0 percent for the same period. The combined shares of the credit types, leasing, bills discounted and other claims have been negligible. Table 1.4. Shows that there was a significant shift in terms of composition of private sector credit by type. Mortgage loans dominated the category of loans and advances, overtaking other loans and advances and increasing

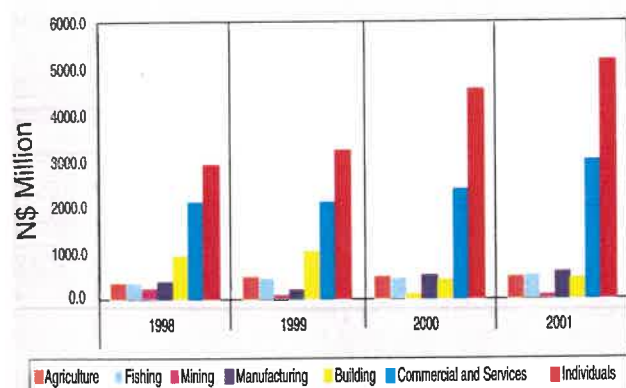
from 39.4 percent in 1992 to 47.3 percent in 2001. On the other hand, other loans and advances decreased from 39.2 percent in 1992 to 30.7 percent in 2001. This implies that funds were increasingly used to finance mortgage loans instead of funding the working capital of businesses, which are represented by the category of other loans and advances.

The direction of private sector credit confirms the bias of credit extension towards consumption purposes

(chart 1.1). The sectoral analysis of commercial bank credit shows that the combined allocation of commercial bank credit to the sectors, agriculture, fishing, mining, manufacturing and building and construction, was only N\$1.7 billion or 29.4 percent in 1995. This share had declined further to 21.3 percent by the end of 2001. These are regarded as the more productive sectors of the economy and it is assumed that if more credit were channelled to these sectors, the economy might grow at a faster pace. Borrowing under the category "Commercial Services" has taken an average share of 27.6 percent annually for the period 1995 to 2001, and accounted for the second largest category.

percent during the period 1996-2000. The contribution of manufacturing, on the other hand, has been minimal. Simultaneously, efforts to promote diversification, through manufacturing, appear not to have borne the desired fruits. The contribution of this sector to GDP decreased from 13.2 percent during the period 1990-95 to only 9.9 percent during the period 1996-2000. Given, the prominence of the services sector in the Namibian economy, the question that arises is why the country does not pay more attention to the services sector in its quest for diversification? The aim of this section is, therefore, to assess whether the services sector in Namibia in deed has the potential to lead the countries diversification efforts of the country.

Chart 1.1 Direction of Credit in Namibia



The low level of commercial bank credit extension to the mining, fishing, manufacturing and agricultural sectors is somewhat disappointing as they rank amongst the major productive sectors of the economy. In terms of size they accounted for a sizeable 30.3 percent of GDP, with primary industries (agriculture, fishing and mining) at 20.1 percent.

1.6 WHICH PATH TO DIVERSIFICATION?¹⁰

The previous section has shown that the structure of the Namibian economy has hardly changed since Independence. It has further shown that the services sector has started to assume a prominent role in the economic structure since the latter half of the 1990's. Its contribution to GDP increased moderately from 28.0 percent during the period 1990-1995 to 33.7

The Services Sector in Namibia

In the absence of a conceptual agreement on the precise definition of "services" as distinct from "goods", it is common among researchers and policy makers all over the world, to look at services, and hence the services sector, in terms of groups of economic activities that are generally intangible, invisible and non-storable. In the case of Namibia three distinct groups gain prominence, viz., (1) tourism and travel; (2) telecommunications, and information; and (3) financial services, including insurance. Together, these three sub-sectors account for one third of the non-governmental services' GDP. Each of these three sub-sectors is considered in more detail below. It may also be mentioned that another key reason for focusing on these three sub-sectors is the fact that they are dynamic in terms of growth and linkages with other sectors of the economy. Usually they have the highest income-elasticity of demand in any market economy.

Tourism

The tourism sector is the third largest foreign exchange earner, after mining and fisheries, and is quite a significant provider of employment in the economy. A study done on South Africa indicates that about eight tourists could create one permanent job, implying the higher labour intensity of the tourism sector relative to other sectors such as mining. In

¹⁰ The write up of this chapter is largely based on work done by Patrick Asea of the United Nations Economic Commission for Africa (UNECA). The findings of his paper were presented at the fourth annual symposium of the Bank of Namibia in 2002.

terms of tourist accommodation, Namibia has about 5000 guestrooms, which translates into 12,000 beds, with an occupancy rate of 40 percent. Hence, this capacity is greatly under-utilised. According to the UNDP Human Development Report of 1996, Namibia's tourism sector has a great deal of untapped potential. This is the result of a combination of a low population, combined with spectacular landscapes, a peaceful social climate and a relatively developed infrastructure, which offers attractions for up-market, high-value and low volume niches¹¹. The realisation of these potentials in the short to medium term will however, depend on how well Namibia can introduce innovations in the packaging and showcasing of her competitive tourist market.

The draft Namibia Tourism Policy lays out a marketing strategy that stresses that tourism development in Namibia will not be based on mass tourism. Instead the policy advises finding and exploiting specialist niche markets. International promotion of tourism will be aimed at low volume, high yield customers who will provide Namibia with much needed foreign exchange. According to the Ministry of Environment and Tourism, about 80.0 percent of Namibia's tourists originate from the SADC region. South Africa is Namibia's biggest tourism market. In view of the importance of this market, the Ministry has established promotional offices for tourism in Johannesburg and Cape Town.

In the regional context, the Regional Tourism Organisation of Southern Africa (RETOSA) is the body that markets and promotes SADC countries at regional and international levels. At country level however, the newly established Namibia Tourism Board (NTB) will have the responsibility of promoting and marketing Namibia as a tourist destination.

Financial Services

The strong post-independence growth in the financial service sector was driven by the Government's policy to ensure a proper Namibianisation of the industry, especially in regard to insurance companies and specialised institutions such as unit trusts, stockbrokers and asset managers. These services

were largely provided directly from South Africa before Independence. The financial system in Namibia is relatively advanced by developing country standards, with a bank density of 20,000 people per bank. This is the second lowest in the SADC community after South Africa. The fact that the geographical distribution of banking services is highly skewed in favour of the urban centres in the central and southern parts of the country is however, a matter of great concern. As a result, the majority of all Namibians do not have easy access to financial services. A study conducted by the Finmark Trust, estimated that in 2002 more than half of the Namibian population did not have an easy access to basic financial services.

It has been observed that recent measures in Namibia to widen the scope of financial services provided by financial institutions, such as the requirement that a minimum of 35 percent of the assets of insurance corporations and pension funds must be locally generated, have facilitated the emergence of new stock-broking firms and assets management companies.

Information, Telecommunications and Transport

Information, telecommunication and transport systems are critical for growth and development. They constitute the backbone of technological and financial sector advancement. Efficient information, communication and transportation systems do not only lead to higher growth, but also to a more equitable distribution of the benefits of growth.

Namibia's transportation infrastructure provides easy access to all parts of the country: 4,300 km of first class roads, 34,000 km of unpaved roads, 2,400 km of railway lines, newly improved airports and the Trans Caprivi and Trans Kalahari highways. These provide enormous opportunities for the development of other services and sectors.

The country has direct telecommunication links with major financial centres in the world, which is good for external trade and finance. A telephone density of 6.4 per 100 people is relatively high. Telecom Namibia has

¹¹ This is so, because Namibia does not attract a big number of tourists, but the type of tourists that visits Namibia tend to spend more on average than the regular tourist.

a customer base of about 117,398 while Mobile Telecommunications Limited (MTC) has 150,000. It has however, been difficult to achieve a higher subscriber rate, especially in the rural areas, due to capital constraints faced by the providers.

The potential for the handling of freight services exists at the Walvis Bay and Lüderitz harbours, which have the shortest turn-around time for the handling of cargo in Africa. This potential is however, linked to the development of infra-structures such as the Trans Caprivi and Trans Kalahari highways and, in particular, the removal of customs processing bottlenecks on the highways and ports.

Competitive conditions in Namibia compare favourably with neighbouring countries, as shown in Table 1.5. In particular, the indicators of service sector dynamism show Namibia to be ahead of her neighbours (excluding South Africa), in many respects. Apart from the fact that the non-government service sector is larger in Namibia, this sector also makes the largest percentage contribution to GDP growth. Macroeconomic indicators show how successful a country is in managing its own resources for better internal pricing, production and consumption as well as undertaking beneficial external trade. Human capital indicators provide a way of evaluating the strength of

Table 1.5 Selected Indicators of Sub-Regional Competitive Environment

	Namibia	Angola	Botswana	Zambia
Macro-Economy				
Inflation (%)	9.3	38.0	8.5	21.3
Debt service/GDP (%)	1.3	13.4	1.4	13.9
M2/GDP (%)	45	na	20	na
Human Capital				
Physician/100.000	30	8	24	7
Tertiary students in science (% of enrolment)	4	na	27	na
Social Indicators				
Per capita GDP (1999 PPP\$)	5468	3179	6872	756
Gini index	0.7	na	na	0.52
HIV/AIDS (% adult)	19	3	36	20
Costs to Consumer				
3-minute local call (PPP US cents)	16	20	na	11
Infrastructure				
Telephone Density/1000	64	8	75	9
Internet hosts/1000	3.7	0.1	2.7	0.2

Figures relate to 2000, except otherwise stated.

Source: Asea 2002

Regional Competitiveness Profile

How competitive and dynamic is Namibia's service sector, in comparison with her neighbours? Namibia shares borders with Angola, Botswana, South Africa, Zambia and Zimbabwe. As South Africa remains the giant of the region, one could consider Angola, Botswana, Zambia; Zimbabwe and Mozambique as the main sub-regional competitors with Namibia, Botswana being the principal competitor.

the knowledge base- and hence productivity levels that exists, whilst the social indicators reflect the social environment in which production takes place. Infrastructure and utility costs are important components of the cost of doing business and, in particular, they reflect the extent to which the economy is internally integrated. In most of these respects, notably, macro-stability, health provision, and telephone density, Namibia appears to have a comparative advantage.

Prerequisites for Services Sector Development

For the services sector to develop and reach its full potential, certain conditions need to be met. These include among others, a system for creating quality factors of production, a competitive domestic market as well as effective and efficient information channels.

Infrastructure and Human Capital

Services provision tends to require relatively less natural capital and more human capital than producing agricultural and industrial goods. That is, progress in service provision usually leads to the substitution of capital by skilled manpower, whilst in goods production there usually is a substitution of labour by capital. Thus, service provision tends to be skills intensive, and its progress depends on the availability of human capital.

Service provision, such as in tourism and business finance, is also more dependent on the level of sophistication of infrastructure, like transport and telecommunication. Thus, there tends to be interdependence between the sub-sectors in the service sector. Air and road transportation is vital for the expansion of tourism services, as well as for financial services. Particularly important for tourists is the turn-around time, which is dependent on the frequency of regular passenger flights to and from the country's airports. This means that any effort to secure growth in one sub-sector must have a complementary support from developments in other sub-sectors.

Macro-economic Policy Framework

Inflation rate, current account balance and the fiscal balance are major macroeconomic indicators of critical importance to the growth and stability of the service sector, in particular financial services and tourism. Unfavourable macro shocks normally lead to the curtailment of private expenditure on services, given that the income-elasticity of demands for services are generally higher than those for goods. Hence, maintaining macro-stability is a key condition for the growth of the service sector of any economy. This precondition is supported by Namibia's membership of the Common Monetary Area (CMA), which has resulted in lower and stable prices since Independence when compared to pre independence period.

Current Policy Reform and Other Initiatives

In respect of providing a favourable environment for innovation-driven growth, there has been little government action in Namibia. In tourism, for example, the main policy concerns have been the dangers posed to the environment, lack of service orientation of existing state agencies responsible for the sector. The Namibia Wildlife Resorts Company was incorporated in 1998 to take over and operate government-owned resorts in Namibia, and to improve the tourism products.

In financial services a number of measures have been taken in line with developments in other parts of the world. A major initiative towards enhancing the contribution of the financial sector to the growth of the economy is the implementation of the national payment system reform project, which is a part of the collaboration of the Bank of Namibia with the Bankers Association of Namibia. The project seeks to enable the Namibian banks to exchange payments electronically, in real-time, amongst one another and between themselves and the Bank of Namibia. In this project, all commercial banks are connected to the Central Real-time Inter-bank Settlement Processor System (CRISP). Many advantages can be foreseen, notably an improved management of risks and exposures, optimal use of available liquidity, which should improve efficiency in the utilisation of financial resources and hence economic growth. The clearing project, involving the development of local ATM's, electronic cheque processing and an electronic fund transfer infrastructure (EFT), would certainly ensure the further diversification of financial service delivery and speed up the payment cycle.

In telecommunications, several communities have been reached with services in the past six years. The analogue backup routes on service in the telecommunication sector have been partly replaced by a digital network. A lack of financial resources has however, left many parts of this vast country unconnected. The Central Government is the sole owner and operator of telecommunication services in the country, although the telecommunications company operates as a commercial entity independent from government.

1.7 CONCLUSIONS

This chapter has attempted to review the progress made to diversify the Namibian economy since Independence. It has found that despite a number of initiatives and policy measures put in place by the Government of Namibia to diversify the economy, this has not yet shown the desired sectoral shift. Since Independence, there has not been a substantial shift in the production structure of the Namibian economy. The structure of the economy is still dominated by primary sector commodities such as agriculture, mining and fishing. Similarly, secondary sector commodities such as fish and meat processing are heavily linked to the primary sector. It should be noted that the share of manufactured products to the total GDP has shown a marginal decline since Independence. This suggests that measures put in place to promote this sector have not achieved the desired results. Nonetheless, some interesting developments in terms of diversification have been observed in the agricultural sector. These include the development and export of a number of horticultural products, such as table grapes, dates and cotton. Recent investments in the textile sector might lead to an expansion of the manufacturing sector in years to come. There is nevertheless, a need to intensify efforts to promote diversification.

Some interesting developments were observed in the financial sector. This sector has undergone a significant structural change during the 1990's both in terms of financial deepening and financial widening. Whereas the Namibian financial system was dominated by a strong banking sector in the early 90's, a situation has emerged where non-banking financial institutions, notably pension funds, insurance corporations and unit trusts have gained in prominence during the later half of the 90's. There has however, been no significant change in the composition of the assets of commercial banks. Lending to individuals has dominated credit facilities exclusively during the period under review, in contrast to the experience of some dynamic developing countries, such as Mauritius and Singapore.

The chapter has also examined the potential of the services sector as an alternative route to diversify the Namibian economy. It was found that efforts to promote the service sector into a leading position would generate greater results if they were driven by the philosophy of innovation: innovation in production processes and technology, innovation in marketing and packaging, innovation in policy design, and innovation in infrastructure development and provision. An innovation-driven strategy be the key to the achievement of higher levels of economic growth in Namibia. Innovation is a function of strength in the service sector, in particular the ability of the financial sector to design and implement savings and payments systems that would facilitate the exploitation of higher opportunities generated through efficient information, communication and transportation networks.

Finally, though the service sector appears to have the greatest potential for moving the Namibian economy forward, the agricultural sector should not be ignored in any development effort. Since about 70 percent of the population derive their livelihood from the agricultural sector, development in the long run, will also depend on improvement in the agricultural sector. Fortunately, the agricultural and service sectors could be linked through 1) financial services designed to take care of smallhold farmers, 2) extension of telecom services to rural areas, which would link urban markets to rural markets, and 3) tourism services which could be developed around rural non-agricultural activity such as carving, and eco-tourism¹².

¹² The write up of this chapter is largely based on work done by Patrick Asea of the United Nations Economic Commission for Africa (UNECA). The findings of this paper were presented at the fourth annual symposium of the Bank of Namibia in 2002.

2. THE REAL ECONOMY

Despite the slow recovery of the world economy in 2002, the performance of the Namibian economy has been satisfactory. Real GDP is estimated not to be significantly different from the rate recorded in 2001. Available data shows that growth in 2002 was driven largely by a rebound in the primary sector, evidenced by the good performance of two sub-sectors, viz., agriculture and mining. Both the secondary and tertiary sectors also performed positively, though at a slower pace, than during 2001.

2.1 GROSS NATIONAL INCOME AND GROSS NATIONAL DISPOSABLE INCOME

The analysis of this section is based on 2001 data because the data for 2002 is not yet available¹³.

Unlike the Gross Domestic Product (GDP), which is a production concept, the Gross National Income (GNI) and the Gross National Disposable Income (GNDI) are income concepts, which measure various aspects of the total income receivable by Namibian residents. GNI is the total income received by residents of Namibia irrespective of the location of the activity from which the income is derived, while GNDI measures the disposable income after transfers and taxes have been accounted for.

In 2001, GNI stood at N\$27.5 billion compared to N\$24.2 billion in 2000 while GNDI stood at N\$30.5 billion in 2001 compared to N\$27.2 billion in 2000 at current market prices. GDP amounted to N\$27.2 billion in 2001 compared to N\$23.9 billion in the preceding year. The above figures show that both GNI and GNDI were greater than GDP in 2001 and this has been the trend since the 1990s as a result of large transfers from the SACU pool. SACU transfers stood at N\$2.7 billion in 2001. Real GNI recorded a growth rate of 5.7 percent in 2001, 2 percentage points higher than the 3.6 percent recorded in the preceding year. Real GNDI also increased, though more slowly, by only 12.0 percent in the same year compared to 18.0 percent in 2000.

Real GDP per capita, a measure used to indicate the standard of living for the population, declined slightly to

N\$8,000 in 2001 from N\$8,100 recorded during the previous year. On the other hand, real GNI per capita increased, though only slightly, by 2.4 percent to N\$8,832 in 2001 from N\$8,622 in 2000. This level of per capita income ranks among the highest in Sub-Saharan Africa and hence Namibia is classified as one of the middle-income countries. Namibia's income distribution is however, very skewed, reflected in a Gini coefficient for an income of 0.7¹⁴, which is one of the highest in the world. This shows that the richest 10 percent of the population receive 65 percent of the total income while 90 percent of the population share the remaining 35 percent of the total income. This indicates that the inequality in the distribution of income in Namibia is widely spread. As a result, the per capita income measure might not be a good measure of the standard of living of the majority of Namibians. The challenge for policy in Namibia is therefore to develop vigorous measures aimed at reducing this high level of inequality. These measures will include enhancing access to natural resources, such as land, consolidating the gains made in improving access to and the quality of the education, health and housing services as well as creating employment opportunities for the majority of Namibians.

2.2 SECTORAL REVIEWS¹⁵

As was indicated above, the performance of the Namibian economy in 2002 has been satisfactory, despite the global economic slowdown. The performance of the various sectors is outlined here below.

¹³The figures used in this section are from the latest national accounts of 2001. Since revisions were made to figures for the previous years, 2000 figures may not necessarily correspond with what was quoted in the Bank of Namibia Annual Report 2001.

¹⁴The 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.

¹⁵The figures under this section are Bank of Namibia's estimates and are subject to change.

2.2.1 Primary Sector

Despite the drought experienced in 2002, the performance of the agricultural sector seems to be pointing towards a positive year. Value added for the sector is estimated to have increased, posing a growth rate of 2.6 percent during the year. This compares well to the decline of 15.2 percent registered in 2001.

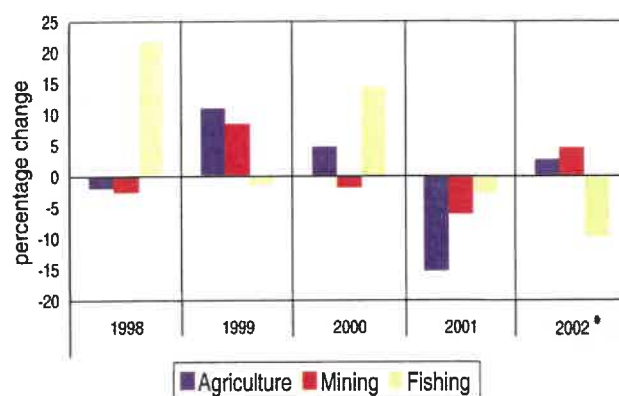
The performance of the sector, although pointing to a positive scenario, remains largely narrow-based, with the livestock sub-sector continuing to be mainly responsible for the positive performance of the sector. The crop and cereal sub-sector has been negatively affected by the drought conditions. Output for the livestock sub-sector during 2002 demonstrated a positive performance compared to the same period during the previous year. The positive performance was reflected in the increase in both the number of cattle marketed (15.1 percent) and of small stock marketed (25.5 percent). The growth rates for the previous year were 12.3 percent for cattle and 24.4 percent for small stock. The deteriorating grazing situations due to the poor rainfall during the year as well as better prices on the South African market were largely responsible for the upsurge in the number of livestock marketed. Better prices in the South African market resulted in the increase of the number of livestock marketed on-hoof to South Africa, surpassing the number marketed during 2001 by 34.2 percent. This resulted in a decline in the output of hides and skins by 5.3 percent and 38.8 percent, respectively.

Since the beginning of the year 2002, activities in the mining sector have pointed towards an improved performance, compared to the poor performance during 2001, when a depressed commodity demand was experienced. Preliminary data show that value added of the mining sector, increased by 4.4 percent, compared to a decline of 6.0 percent recorded in 2001. This improvement was the result of a better performance by almost all minerals, particular that of the diamond industry, which bottomed out of its poor performance of 2001. The value added of the diamond industry is estimated to have registered a growth rate of 2.1 percent compared to a decline of 5.1 percent in 2001. The positive performance by the diamond

industry was a result of the operation at full capacity by one of the marine diamond companies following an accident in 2001. The gold value added has also shown an increase of 2.2 percent as a result of the favourable international market prices, while the output of other minerals also demonstrated an expansion.

The fishing sector continued with its poor performance during the year under review. Preliminary data indicated a contraction of 9.9 percent in the value added of the sector. This compared with a decline of 2.6 percent during the previous year. Poor environmental conditions at sea, complemented by the zero total allowable catch for the pilchard industry as the result of a low biomass of this species, affected the performance of the whole sector. Furthermore, although the total biomass of the hake stock had increased since 2001, the fishable biomass had decreased, resulting in a large number of juvenile hake being caught. This led to the poor performance of the fishing sector.

Chart 2.1 Real Growth in the Primary Sector



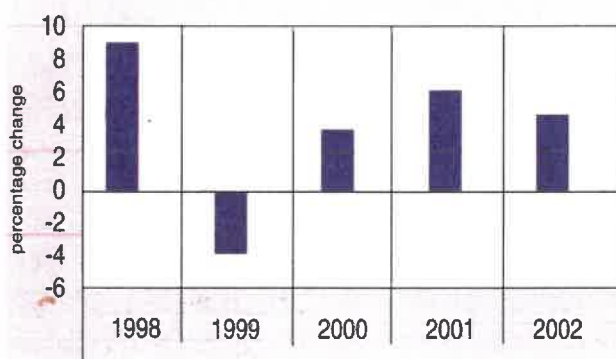
* = estimates

2.2.2 Secondary Industry

Preliminary estimates indicated a growth in the value added of the manufacturing sector (chart 2.2). Growth in the value added of this sector is estimated to have increased to 4.5 percent from 6.0 percent in the preceding year. The positive performance was made possible by the meat-processing sub-sector, which responded to the expansion in the number of cattle marketed during the year. Other sub-sectors such as the alcohol and non-alcoholic beverages as well as

leather also supported the positive performance of the sector. On the other hand, the fish- processing sub-sector recorded poor growth resulting from the zero quota for the pilchard industry for the year. In addition, the construction supporting industry (e.g. paints manufacturing) also performed poorly.

Chart 2.2 Real Growth in the Manufacturing Sector



The construction sector went through a difficult time during 2002 when compared to the good performance during 2001. The value added of the sector is estimated to have risen by only 2.0 percent in 2002 compared to a significant increase of 51.3 percent recorded in the preceding year. The positive performance of the construction sector was also reflected in the number of building plans passed and approved and the increase in the private sector credit. It could also be due to the recent amendments to the Value Added Tax, which allowed developers an input tax deduction.

2.2.3 Tertiary Sector

The performance of the hotels and restaurants sector, a proxy for the tourism sector, improved during 2002, compared to the previous year. The value added of this sector is estimated to have risen by 7.8 percent compared to a growth of 8.4 percent registered in 2001. The estimated increase in 2002 has been further confirmed by preliminary information of other barometers such as the tourist arrivals to the country as well as the occupancy rate of hotels and restaurants compiled by the Hospitality Association of Namibia (HAN). The increase in the national

occupancy rate was mainly due to an increase in domestic, German, South African and other SADC countries' tourists.

Preliminary estimates indicate a growth of 2.7 percent in the value added of the retail sector during 2002. This compares to an expansion of 2.8 percent recorded in the preceding year. The clothing and supermarkets sub-sectors performed positively while furniture and vehicles sub-sectors performed poorly.

Overall, the value added of the transport and communications sector is estimated to have increased by 4.5 percent during 2002 compared to a growth of 6.2 percent recorded during 2001. The positive performance was observed in the aviation, mobile and fixed telecommunications, and postal services. However, the value added of the road transportation sub-sector was poor.

Summary: The growth of the Namibian economy for 2002 appears marginally better than the rate registered for the previous year. This level of growth however, remains too low to make a dent on the high level of unemployment in the country and consequently would not address the prevailing income inequality highlighted above. In this regard, efforts that are geared towards raising the rate of economic growth to a level of 5 percent and above per year, for a sustained period, should continue and should be strengthened wherever possible.

2.3 DOMESTIC DEMAND

The analysis of the section is also based on the 2001 data because the 2002 data has not yet been made available¹⁵.

Real gross domestic expenditure increased significantly to 9.3 percent in 2001 compared to only 2.1 percent in 2000. The expansion during 2001 was reflected in investment expenditure, which is made up of gross fixed capital formation (GFCF) and inventories. Both categories showed an upward trend in 2001.

Real GFCF increased significantly by 26.3 percent in 2001, compared to a decline of 9.0 percent in 2000. As a ratio to GDP, the nominal GFCF increased to 22.2 percent in the same year from 18.6 percent registered

in the previous year. Real private investment rose by 8.1 percent, after having expanded by 17.1 percent in 2000. In nominal terms, public investment stood at N\$2.5 billion in 2001, while private investment stood at N\$3.5 billion.

Growth in consumption expenditure, on the other hand, slowed to 3.6 percent in 2001 from 4.3 percent recorded in the previous year. In real terms, a decline was observed in both sub-categories of consumption expenditure viz private and public consumption expenditure. Growth in real private consumption slowed to 4.8 percent in 2001, from a rate of 5.8 percent recorded in the preceding year, while growth in real public consumption slowed to 1.1 percent during the same year from a rate of 1.3 percent recorded in 2000. The share of private consumption to GDP increased slightly to 60.6 percent in 2001 from 59.9 percent during 2000 while that of public consumption decreased to 27.8 percent in 2001 from 28.4 percent in 2000.

Table 2.1 Household Consumption by Purpose, Percentage shares

Consumption Purpose	1997	1998	1999	2000	2001
Food, beverages and tobacco	38.6	38.8	41.1	36.8	37.2
Clothing and footwear	4.9	5.0	4.7	4.2	3.9
Housing, water, electricity and fuel	13.8	14.1	14.3	30.4	31.4
Other goods ¹⁷	26.4	26.4	25.5	30.4	31.4
Other services ¹⁸	16.2	15.7	14.3	14.3	14.2
Household consumption on the domestic market	100	100	100	100	100

Source: CBS

It was noted that the household consumption has been mainly focused on goods such as food, beverages and tobacco, while clothing and footwear continued to use a small share of the income. Table 2.1 indicates that the share of income on food, beverages and tobacco

rose to 37.2 percent in 2001 from 36.8 percent in 2000 and that on other goods rose to 31.2 percent in 2001 from 30.4 percent in 2000. On the other hand, the portion that was allocated to clothing and footwear slowed to 3.9 percent in 2001, compared to 4.2 percent in 2000. It is therefore clear that Namibians spend much of their income on basic necessities, such as food. This situation is typical in most developing countries.

2.4 SAVINGS AND INVESTMENT BALANCE

The analysis of this section will also focus on developments in 2001, for the same reasons mentioned in the preceding section¹⁶.

The balance between domestic saving and investment reflects the foreign saving position of the country. Thus excess saving would lead to lending to other countries reflected in the outflow of capital while the deficiency in national saving would lead to an import of capital through foreign borrowing. As was published in previous reports, Namibia has generally experienced a position of excess saving over investment, which has been reflected by consistent surpluses in the current account of the country's balance of payments. The same situation is observed to have prevailed during 2001.

The savings to GDP ratios declined from 25.9 percent in 2000 to 23.6 percent in 2001, evidently reflecting the slower increase in GNDI relative to consumption. The gross national disposable income (GNDI) increased by approximately 12 percent in during 2001, while the final consumption expenditure rose by approximately 15 percent during the same period. As a result, the ratio of the latter to GNDI increased to approximately 79 percent in 2001 from 77 percent in 2000. This might explain the decline in the savings ratio.

Gross investment also expanded in 2001, amounting to N\$6.0 billion, from a position of only N\$4.5 billion in 2000. This was a reflection of the major investments

¹⁶ The figures used in this section are from the latest national accounts of 2001. Since revisions were made to figures in previous years, 2000 figures may not necessarily correspond with what was quoted in the Bank of Namibia Annual Report 2001.

¹⁷ Leather products, wood products, radio, televisions, watches, clocks, furnitures, paper products, chemical, rubber, plastic products, glass, glass products, fabricated metal products, household appliances and equipments, 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.

in the country during that year mainly by the new Zinc Mine and the new Textile Factory. The result was a gap of a N\$390 million excess saving compared to N\$1.8 billion in the previous year. As was indicated in previous reports, the gap reflects the outflow of savings. This means Namibia continues to be a net exporter of capital, which is atypical for a developing country. Namibia, can unfortunately not afford this situation to continue, as the country desperately needs investments to enhance economic growth to higher and sustainable levels. There is therefore a need to establish effective measures to encourage the investment of these savings within the country. This includes, among other items, assessing the effectiveness of the regulation 28, which is aimed at limiting the proportion of the assets of pension funds and life insurance that can be invested outside the country, as well as creating different saving vehicles, which are more suitable for financing Greenfield investment.

2.5 EMPLOYMENT

The employment and unemployment picture in the country remains unclear due to the non-availability of data. The most recent data available on the state of employment in the country is the 1997 Namibia Labour Force Survey, complimented by the 2000 Labour Force Survey estimates. According to the Labour Force Survey, the size of the Namibian labour force is estimated at some 700 000 persons. The rate of unemployment is estimated to be 33.8 percent if defined broadly¹⁹, and is slightly lower than the rate of 34.5 percent recorded in 1997. If unemployment is however defined by strict criteria²⁰, the rate would have gone up slightly by 0.8 percentage points from 19.4 percent in 1997 to 20.2 percent in 2000. The unemployment in the country is characterized by variations between urban and rural environment, with a clear bias based on gender, and educational levels.

According to the estimates of the 2000 Labour Force Survey, the agricultural sector remains the largest employer in the country, offering 29.3 percent of total

employment opportunities. The total employment numbers in this sector have decreased when compared to 1997, when the total number of persons employed in the sector stood at 36.6 percent of the total labour force. Almost all of these jobs are in the rural areas, providing for 39.2 percent of rural employment. The other sectors of the economy provide significantly fewer jobs. Relatively important are the community, social and personal services sector, which accounted for 10 percent of the total labour force in 2000, an improvement from 6.1 percent in 1997. The wholesale and retail trade sector, which includes the maintenance of motor vehicles, accounted for 9.0 percent in 2000, a slight improvement from 8.4 percent in 1997. Other key productive sectors such as construction and fishing also increased their share of employment from 4.9 percent to 5.0 percent in 2000, and from 1.6 percent to 1.8 percent in 1997, respectively. On the other hand, the share of employment in the manufacturing sector declined in 2000, accounting for only 5.3 percent compared to 6.5 percent in 1997. Employment in the mining and financial sectors also declined from 1.7 percent to 0.9 percent and from 1.9 percent to 1.1 percent, respectively.

Unpaid subsistence and self-employment accounts form the biggest share of employment in rural areas, absorbing about 28.6 percent and 11.6 percent in 2000, respectively. The Government accounts for 14.5 percent of rural employment with the financial intermediation sector being the lowest, accounting for only 0.1 percent of employment in the rural areas.

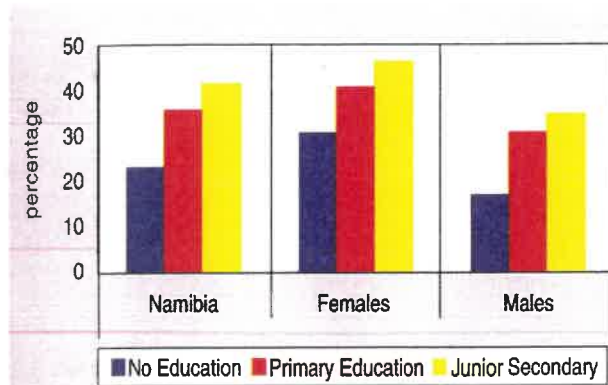
A broad overview of unemployment indicates that women account for a larger number of unemployed persons than men (chart 2.3). The unemployment rate among women with no education is estimated at 30.7 percent, while unemployment among women with primary and junior secondary education is estimated at 40.9 percent in 2000 and 46.7 percent in 1997, respectively. This is a high rate when compared with the national average estimates in the same categories where unemployment rate stood at 23.1 percent, 35.8

¹⁹ The broad definition of unemployment refers to those economically active Namibians who are without work and available for work.

²⁰ The strict or narrow definition of unemployment excludes from the ranks of the unemployed and a fortiori, the labour force, those individuals above certain age (normally 15 years) who are without a job and available for work, but who are not actively seeking work.

percent and 41.8 percent respectively. These figures are also above the national unemployment rate of 33.8 percent indicating a high incidence of unemployment among women (chart 2.3 below).

Chart 2.3 Unemployment by Gender and Education



Source: National Labour Survey Estimates: 2000

Overall, the total number of people employed in all sectors of the economy increased by 7.6 percent between 1997 and 2000. As a result the unemployment rate declined by 0.7 percent. As has already been mentioned, the increase in employment was reflected in the community, social and personal services sector (3.9 percent), the wholesale and retail trade sector (0.6 percent), construction (3.3 percent) and fishing (3.2 percent). On the other hand, the manufacturing and mining sectors, lost employment by 1.2 percent and 0.8 percent, respectively over the same period, while employment in the Agricultural sector also fell by 7.3 percent. The fall in agricultural employment could be attributed to the high rate of migration from rural to urban areas, leaving fewer people employed in the sector.

It is notable that the capacity of the economy to generate and retain jobs has improved. This is based on the momentum that the Export Processing Zone has gained after the opening of the zinc mine and textile factory recently. The two ventures are expected to generate new jobs and consequently expand the overall employment shares of the mining and manufacturing sector.

2.6 INFLATION²¹

The annual inflation rate started off the year with 8.9 percent in January 2002, but the combined effect of domestic and imported inflationary pressure resulted in the acceleration of the inflation rate to a double-digit figure of 10.3 percent in April 2000. The up-trend has been maintained since then, reaching 10.5 percent in June. This, however, still resulted in an average growth rate of 9.7 percent for the first half of 2002, 0.7 percentage point lower than the average rate registered during the same period of 2001. The same trend continued at the beginning of the second half of the year, with the inflation rate reaching 11.9 percent in July, and then rising to a record 13.7 percent in November (the highest figure recorded since 1998) and declined slightly to 13.6 percent in December. The result was an average inflation rate of 12.9 percent for the second half of 2002 compared to 8.2 percent recorded during the second half of the previous year. As a result, the average annual rate of inflation for 2002 reached a double-digit figure of 11.3 percent compared to a single digit figure of 9.3 percent in 2001.

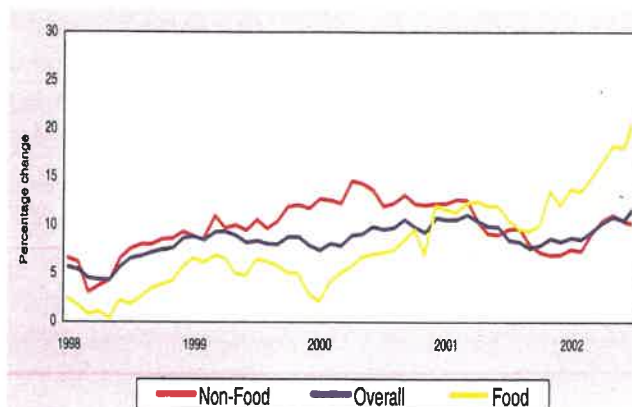
Food prices played a prominent role in determining the overall inflation this year (see chart 2.4). The average inflation rate for food rose to 19.4 percent during 2002 from 11.5 percent recorded in the corresponding period of 2001. The worsening food shortage in Southern Africa due to drought conditions and the low international inventories of maize were responsible for the rise in food prices. The price of white and yellow maize more than doubled between June 2001 and January 2002, and later increased by another 20.0 percent during the last half of 2002. This coupled with the introduction of the fruit and vegetable import levy of 1.2 percent, put more pressure on food inflation.

Increases in the price indices of other categories such as household goods (7.6 percent) and recreation (7.6 percent) during the same period, also contributed to the inflationary pressure. The corresponding rates during 2001 were 4.2 percent and 3.3 percent respectively. On the other hand, other categories such as transport and communication, beverage and

²¹ The inflation coverage is only for Windhoek, the Capital City.

tobacco, housing, fuel and power, clothing and footwear, medical health care showed decreases in their price indices.

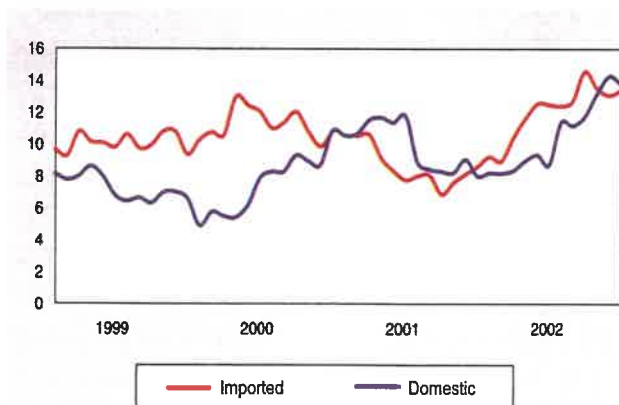
Chart 2.4 Overall, Food and Non-food



Source: CBS

Close observation reveals that imported inflation has largely been higher than domestic inflation during 2002, recording an average rate of 12.1 percent, 1.5 percentage points higher than the average domestic inflation of 10.6 percent (chart 2.5). This could be attributed to the weak external value of the Namibian dollar coupled with the rising prices of crude oil.

Chart 2.5 Namibia Domestic vs Imported Inflation

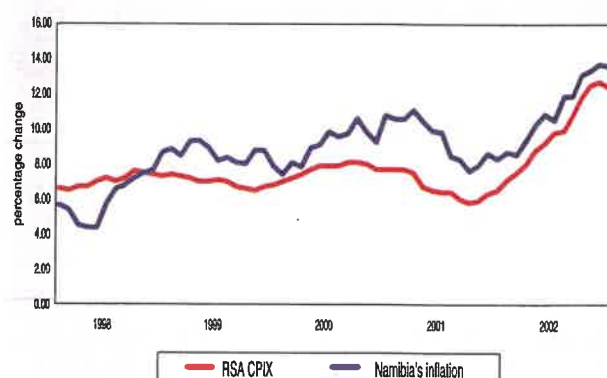


Source: CBS

Similarly, inflation has been on the rise in South Africa. The upward trend of the South African CPIX, witnessed since the beginning of the year, also extended into the remaining part of the year (chart 2.6). The increase in the South African CPIX has however, remained lower than that of the Namibian inflation. South Africa's CPIX

rose from 7.1 percent in January to 9.9 percent in July and to 12.7 percent in November and declined slightly to 12.4 percent in December, indicating the same trend as experienced in Namibia. The result of these developments was an average inflation rate of 10.0 percent for the CPIX during the first eleven months of the year compared to an average rate of 6.6 percent during the same period in 2001. The above developments indicate an increasing inflationary pressure in both countries during the year under review. However, the inflationary pressure have started to ease in the last month of 2002.

Chart 2.6 Namibia's Inflation vs RSA's CPIX



Source: CBS and SARB

3. FOREIGN TRADE AND PAYMENTS

The overall balance of Namibia's balance of payments is estimated to have recorded a surplus of N\$781.2 million in 2002 following that of N\$356.9 million in 2001. This was the result of an increase in the current account surplus, while the capital and financial account continued to record a deficit (chart 3.1). This situation is a structural feature of the Namibian economy and reflects excess savings over investment in the economy. There is a need for this situation to be rectified through the identification of more investment opportunities, which will also support the growth and development process.

Chart 3.1 Balance of Payments Major Accounts
(N\$ Billion)

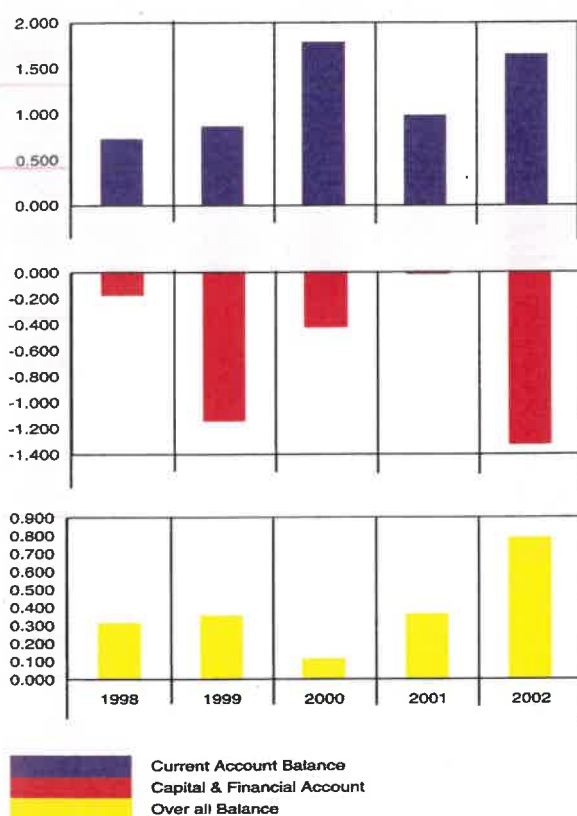
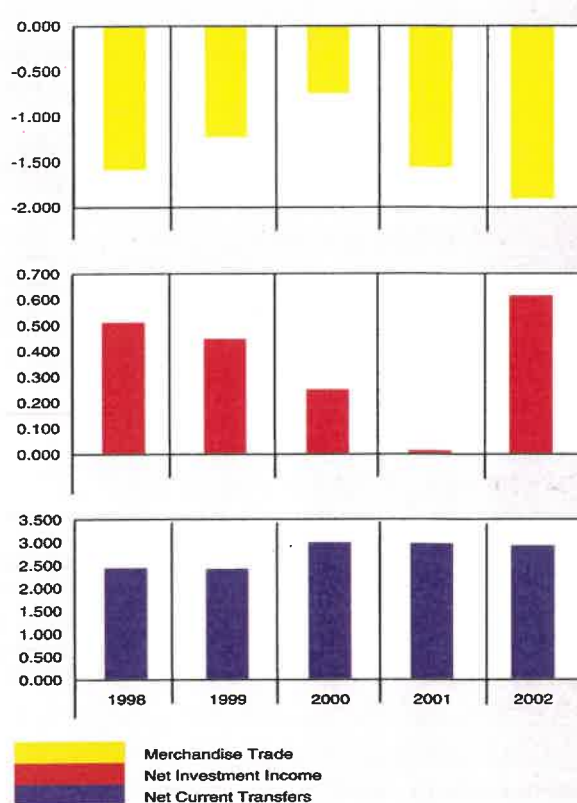


Chart 3.2 Current Account - Sub Accounts
(N\$ Billion)



3.1 CURRENT ACCOUNT

The surplus on Namibia's current account is estimated to have increased from N\$975.8 million in 2001 to N\$1.6 billion in 2002. This represents an increase from 3.6 percent in 2001 to 5.3 percent in relation to GDP, in 2002. An increase in the inflow on the investment income account and a turnaround from a deficit into a surplus on the services account were responsible for the increase in the surplus on the current account (chart 3.2).

Namibia's merchandise trade deficit is estimated to have increased significantly during 2002 as compared with the previous year. The growth in the value of merchandise goods imported contributed primarily to the increase in the trade deficit, while the value of exports increased at a lower rate than that of imports. The value of total exports is estimated to have increased by 13.8 percent to N\$11.2 billion in 2002 from N\$9.8 billion in the previous year. The total value of imports, on the other hand increased by 14.9 percent from N\$11.4 billion in 2001 to N\$13.1 billion in

2002. As a result, the trade deficit increased to N\$1.9 billion from N\$1.6 billion in the previous year.

The year 2002 witnessed a sharp increase in the value of minerals exported. The value of diamond exports rose from N\$4.5 billion in 2001 to N\$5.6 billion in 2002, while the value of other mineral products increased to N\$2.1 billion from N\$1.7 billion in the previous year. The rise in export of minerals was attributed to a recovery in the price of some base metals, especially gold, silver and zinc. The fact that one of the offshore diamond mining companies reached its full production during 2002, also contributed to the rise in diamonds exported during the year under review. Consequently, the contribution of mineral exports to the total exports increased from 62.8 percent in 2001 to 68.9 percent in 2002.

The value of food and live animals exported increased by N\$0.2 billion in 2002 from N\$1.4 billion in 2001 to N\$1.6 billion in 2002. The increase in export earnings from food and live animals was mainly attributable to the improved marketing of livestock in different markets abroad. The improved export prices for livestock as well as the increase in the volume of grapes exported, especially during the fourth quarter of the year also contributed to the surge in the value of food and live animals exported.

Manufactured products, mainly fish, beer, soft drinks, ostrich leather and oil also performed better during 2002 when compared to the previous year. The value of these products exported is estimated to have increased to N\$1 630.1 million in 2002 from N\$1 612.3 million recorded in the previous year. The increase in export earnings of manufactured products is mainly attributed to the return of stability in neighbouring Angola, which led to a surge in the volumes of beer, soft drinks and other commodities exported to that country.

The services account experienced a reversal from a net outflow of N\$407.1 million recorded in 2001 to a net inflow of N\$49.6 million in 2002. The improvement in the services account was mainly reflected in the travel sub component, which is estimated to have increased to N\$1.7 billion in 2002 from N\$1.1 billion in

2001. This may be attributed to the return of confidence in travelling to the Okavango and Caprivi regions in Namibia for both business and holidays. Other contributing factor were the mining activities in the Southern part of the country, which led to a greater spending on accommodation and other amenities by foreign experts. The improvement in the services account was further supported by a reduction in a net outflows in other private services from N\$738.2 million in 2001 to N\$668.9 million in 2002.

Net inflow on the investment income account stood at N\$608.8 million during 2002 as opposed to a small net inflow of N\$8.1 million in the previous year. The inflow recorded during the year under review is attributable to the high income received on portfolio and other investments as compared to the previous year.

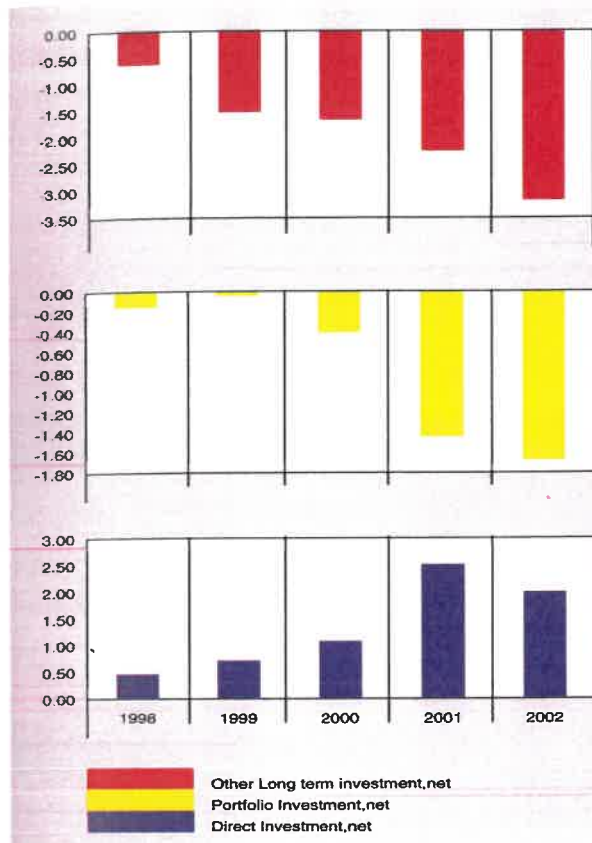
Net current transfers receivable declined by N\$0.1 billion or 3.4 percent from N\$2.9 billion in 2001 to N\$2.8 billion in 2002. The decline was mainly due to a reduction in SACU receipts of the same magnitude to N\$2.6 billion from N\$2.7 billion in the previous year. Private current transfers (grants and other transfers to NGOs) receivable also increased by N\$2.3 million from N\$64.6 million in 2001 to N\$66.7 million in 2002.

Summary: The net effect of all transactions (goods, services, income and current transfers) resulted in a current account surplus increasing significantly from N\$975.8 million or 3.6 percent of GDP in 2001 to N\$1.6 billion or 5.3 percent as a ratio to GDP in 2002.

3.2 CAPITAL AND FINANCIAL ACCOUNT

The deficit in the capital and financial account is estimated to have increased in 2002 as compared with the previous year. Responsible for the increase in the deficit on this account was huge net outflow in portfolio and other long-term investments during the year under review. The outflows were strong enough to offset the inflows recorded in the other sub accounts. Developments in the subcomponents are displayed in chart 3.3 below and are discussed in more detail in subsequent paragraphs.

Chart 3.3 Capital and Financial Account Sub-Accounts (N\$ Billion)



During 2002, foreign direct investment into Namibia is estimated to have decreased substantially to N\$1.9 billion compared to an inflow of N\$2.4 billion in 2001. The sharp decline in direct investment into Namibia was mainly due to decreased equity capital and retained earnings. Equity capital decreased from N\$3.0 billion in 2001 to N\$1.9 billion in 2002 while the retained earnings declined from an inflow of N\$134.7 million to an outflow of N\$345.3 million during the same period. This continuous inflow in direct investment in Namibia shows the commitment of foreign direct investors in the Namibian economy.

Net outflows in portfolio investment are estimated to have increased by N\$231.1 million in 2002 from N\$1.4 billion recorded in 2001 to N\$1.7 billion in 2002. As in the past, portfolio investment in Namibia is dominated by the investment by Namibian residents in South African unit trusts.

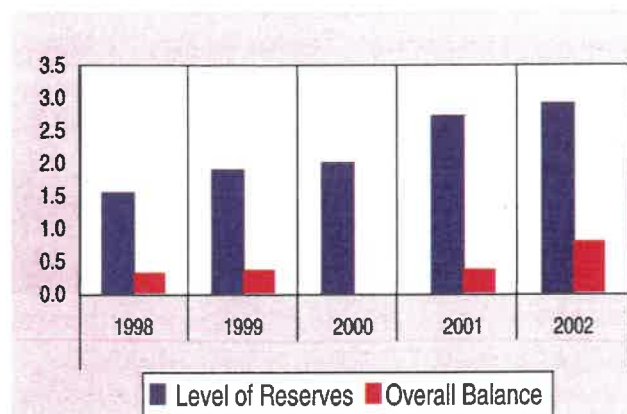
Other investment long-term maintained its usual outflow with transactions related to pension fund and

life assurance assets continuing to dominate this category. The net outflow in long-term investments is estimated to have increased by 41.1 percent to N\$3.2 billion in 2002 from N\$2.2 billion recorded in 2001. This trend is however expected to slow down in future with the establishment of the Namibia Re-insurance Company (NAM-Re) that requires these institutions to reinsure their risk locally, instead of with foreign entities.

Other investment short-term witnessed an increased net inflow to N\$437.1 million in 2002 from N\$386.2 million in 2001. This item mainly reflects transactions between domestic banks and their parent companies in South Africa. Movements in this account are largely determined by the prevailing climate of credit in Namibia. An increase in the demand for credit is generally mirrored by an inflow of money into this account, while depressed demand for credit leads to an outflow. However, though the year 2002 was characterised by a tight monetary policy, the demand for private sector credit was not depressed. As a result, commercial banks decreased their foreign assets while at the same time increased their foreign liabilities during 2002 to meet the increased demand.

Taking into account all the transactions of the balance of payments, both on the current and the capital and financial account, the overall balance of the balance of payments after the adjustment for valuation changes due to changes in the exchange rates fluctuations was N\$781.2 million in 2002. The stock of international reserves in Namibia increased from N\$ 2.7 billion as at the end of 2001 to N\$2.9 billion at the end of 2002. This level of reserves represents 2.2 months of imports cover, slightly lower than the 2.4 in 2001. This situation needs improvement however, as this level is lower than that of the internationally accepted level of three months.

Chart 3.4 Stock of International Reserves and Overall Balance (N\$ Billion)



3.3 EXTERNAL DEBT

Namibia has managed to keep its external debt at a sustainable ratio to GDP of about 17.8 percent during 2002 while it averaged at 16.7 percent from 2000 to 2002. This is low compared to other developing countries. According to the IMF rule of thumb, Namibia is classified as a less-indebted country since the ratio of external debt stock to GDP and the ratio of the external debt service to exports of goods and services are well below the 40.0 percent and 25.0 percent criteria, respectively.

The total outstanding foreign debt for Namibia is estimated to have increased from N\$5.0 billion at the end of 2001 by 7.5 percent to N\$5.4 billion by the end of 2002. This small growth on total debt during 2002 has been caused by a modest increase in foreign debt stock, which was supported by the appreciation of the Namibian dollar against the US dollar, Euro and the British Pound in which loans were contracted. This resulted in a total external debt to the nominal GDP declining from 18.4 percent at the end of 2001 to 17.8 percent at the end of 2002. In terms of composition, parastatals took up major share of external debt, accounting for 49.5 percent. This was followed by the Central Government (27.5 percent) and the private sector (23.1 percent).

Namibia's external debt service also increased by 6.1 percent to N\$388.4 million at the end of 2002 from N\$365.9 million at the end of 2001. The debt service ratio to GDP, which measures the ability to service debt obligations (repayments of principal and interest payments), declined marginally from 1.4 percent at the end of 2001 to 1.3 percent at the end of 2002, because the nominal GDP was greater than the increase in the total foreign debt service. Similarly, the ratio of total foreign debt service to the total export earnings fell from 3.7 percent at the end of 2001 to 3.2 percent at

Table 3.1 Foreign debt of Namibia (N\$ Million)

	2001	% of total	% change	2002	% of total	% Change
External Debt Outstanding						
Central Government	1,613.0	32.2	77.5	1,478.6	27.5	-8.3
Parastatals	2,318.0	46.3	40.0	2,664.1	49.5	14.9
Private Sector	1,079.9	21.6	41.9	1,241.9	23.1	15.0
Total	5,010.9	100.0	50.7	5,384.6	100.0	7.5
External Debt Service						
Central Government	87.3	23.9	-44.9	36.9	9.5	-57.8
Parastatals	230.7	63.1	24.5	266.6	68.6	15.5
Private Sector ²²	47.9	13.1	8.1	84.9	21.9	77.4
Total	365.9	100.0	-5.7	388.4	100.0	6.1
(In percent)						
Debt outstanding to GDP	18.4			17.8		
Debt service to GDP	1.4			1.3		
Debt service to Export	3.7			3.2		

²² Private debt service within the CMA countries is excluded.

the end of 2002 as the total export earnings grew faster than the total foreign debt service.

3.4 INTERNATIONAL INVESTMENT POSITION

The analysis of this section focuses on 2001's data, since those for 2002 are not yet available.

Namibia's international investment position improved moderately from a net liability position of N\$4.7 billion in 2000, to N\$3.8 billion in 2001 as foreign assets increased more than the foreign liabilities. Namibia's foreign assets increased substantially by 25.0 percent to N\$12.1 billion by the end of 2001, from the level of N\$9.7 billion recorded in 2000. Foreign liabilities, on the other hand, increased only moderately by 10.3 percent to N\$15.9 billion at the end of 2001 from N\$14.4 billion recorded in the previous year.

The increase in Namibia's foreign assets in 2001 was mainly reflected in a substantial increase in the value of portfolio investment during the period under review. During 2001, portfolio investments increased substantially by 48.3 percent (or N\$2.5 billion) to N\$7.6 billion from the N\$5.1 billion recorded in 2000. Reserve assets, which increased by 35.9 percent from N\$2.0 billion recorded in 2000 to N\$2.7 billion in 2001 also contributed to the increase in Namibia's foreign assets during the year under review.

The rise in the country's foreign liabilities during 2001 was mainly due to commercial banks, which increased their foreign liabilities by 81.1 percent to N\$961.7 million, from the level of N\$530.9 at the end of 2000. Also contributing to the rise in foreign liabilities of the country was the increased participation of non-residents in the Namibian Bond market. This led to portfolio investment in Namibia by non-residents to increase from N\$219.5 million in 2000 to N\$329.8 million recorded in 2001 an increase of 50.3 percent.

Table 3.2 Namibia's International Investment Position

Type of International Investment (N\$ Million)	1999	2000	2001
Foreign Assets at the end of the year	7 677.6	9 671.1	12 088.7
Direct investment abroad	258.2	340.2	122.8
Portfolio investment	4 024.7	5 108.0	7 573.6
Other assets	1 535.6	2 233.7	1 689.8
Reserve assets	1 859.1	1 989.2	2 702.5
Foreign Liabilities at the end of the year	12 068.0	14 416.0	15 895.3
Direct investment in Namibia	8 670.6	9 309.1	9 659.9
Portfolio investment	511.6	219.5	329.5
Other liabilities	2 247.3	4 536.6	6 894.9
Net Foreign Assets/Liabilities at the end of the year	-4 390.4	-4 744.9	-3 800.0

3.5 EXCHANGE RATE DEVELOPMENT

The Namibian 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.

Responding sharply to developments on the global front, the Namibia Dollar experienced a marked appreciation against the world's major currencies in 2002. 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 was less significant. There seems to have been a complete reversal in the exchange rate developments in 2002 when compared to the previous year. Whereas the Namibia Dollar was branded as the worst performing currency after the Turkish Lira in 2001, it became the world best performing currency in 2002.

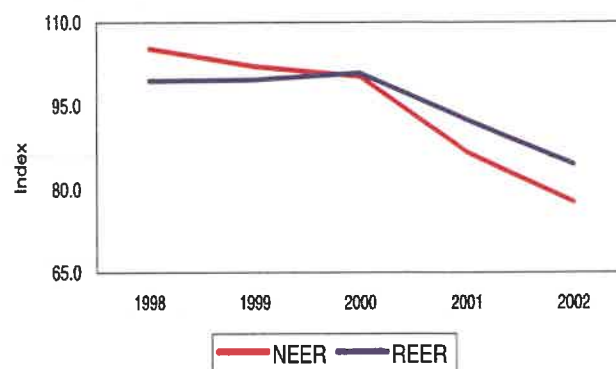
After depreciating by about 40 percent as against the US Dollar and by 35 percent against a basket of

currencies in 2001, the Rand/Dollar bounced back and appreciated by about 20 percent as against a basket of currencies and by 11.0 percent against the United States dollar from January to December in 2002. The pattern of appreciation was more or less the same as against other currencies such as the British Pound and the Euro, though in different magnitudes. Against the British Pound, the Namibia Dollar appreciated by 3.3 percent over 2002, while the appreciation against the Euro was 1.2 percent. Like with the British Pound, the Namibia Dollar fluctuated against the Euro over the course of the year with the highest appreciation of 5.5 percent occurring during the month of May while the highest depreciation of 3.9 percent occurred during the month of June.

The appreciation of the Namibia Dollar during the year under review can be explained by a number of factors. These factors include better perceptions about emerging markets and the general weakness of the US Dollar. Also contributing to the strengthening of the Rand and hence the Namibia Dollar during 2002 was a better export performance, which led to increased inflows of foreign exchange earnings into the South African economy.

The nominal effective exchange rate (Neer) index for Namibia declined to 77.7 points in 2002 from 86.6 points in 2001 (see chart 3.5). This indicates a trade weighted depreciation of the Namibia Dollar by 10.3 percent, during the period under review. Similarly, the real effective exchange rate (Reer) index, declined from 92.4 points in 2001 to 84.4 points in 2002, representing a drop of 8.7 percent over the given period. The decline in the Reer means that the consumer price index in Namibia did not move any much faster than those of major trading partners. This shows an improvement in the competitiveness of Namibian export products of the same magnitude on international markets.

Chart 3.5 Effective Exchange Rate Indices



Box C NOMINAL AND REAL EFFECTIVE EXCHANGE RATE INDEX FOR NAMIBIA

The aim of this article is to explain the methodology used by the Bank of Namibia to calculate Namibia's nominal and real effective exchange rate indices as well as to highlight trends in these indices since 1990.

Nominal and real effective exchange rate indices may be calculated by using three statistical methodologies viz., the arithmetic average, the geometric average and the harmonic average. The arithmetic average is based on a weighted summation of exchange rates of respective currencies; the geometric average is derived from a weighted product of respective exchange rates while the harmonic average is derived from a weighted quotient of respective exchange rates.

The Bank of Namibia carefully considered all three methodologies for the calculation of its indices and the following observations were made:

The geometric average results fell between results from the arithmetic and harmonic average formulae. It is therefore, a more stable methodology and reflects a central tendency compared with the other two formulae. This means that currencies with large changes in their external values do not impact on the index more than those with small changes, and vice versa.

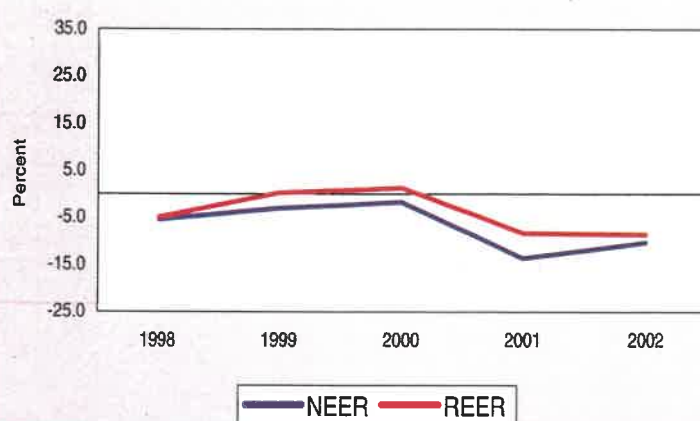
When re-basing the indices, it was found that the geometric average formula passed the Fischer time reversal test. This formula keeps the ratio and the comparison of percentage changes between two points constant

The geometric average formula is independent of whether the exchange rate is defined indirectly (US\$/N\$) or directly (N\$/US\$).

The above distinguishing features embedded in the geometric formula make it a superior formula when calculating the effective exchange rate indices. To calculate the real effective exchange rate index, the nominal effective exchange rate index is multiplied by the ratio of the consumer price index. In this article, the ratio of the consumer price index is defined as Namibia's consumer price index over the trade-weighted foreign consumer price index. An increase in this index therefore, reflects an appreciation and consequently a loss in competitiveness and vice versa.

An analysis of the indices shows that since 1990 the nominal effective exchange rate index for Namibia has been depreciating against major trading partners (Chart 3.5). The NEER depreciated from a level of about 105.2 in 1998 to 77.7 during 2002, indicating the depreciation of the Namibia dollar against a trade-weighted basket of currencies of the country's major trading partners. In percentage terms, the depreciation of the NEER was moderate, averaging only 4 per cent per year and lower than the country's average annual inflation rate. The consequence was a small appreciation of the country real exchange rate (REER), averaging about 1 percent a year, over the same period. This rate of appreciation in the real exchange rate index is marginal to cause a significant erosion of Namibia's export competitiveness and should therefore, not be a source of concern. Looking at Chart 1, the real rate increased strongly in 1997, but this sharp appreciation seems to be attributed to the change of the base period for the CPI of one of Namibia's major trading partners and as such does not imply a loss of competitiveness for Namibia's exports.

Chart 1 NEER and REER Percentage changes



While in theory the depreciation and appreciation of the real exchange rate reflect the degree of marginal gain or loss of competitiveness, it is necessary to exercise caution in Namibia when interpreting such changes. This is because exports from Namibia are sold on both regulated and liberalized international product markets. The regulated markets are mainly for mineral products, especially diamonds as well as beef and the liberalized markets are mainly for fish, grapes as well as non-factor services such as tourism. Regulated markets may therefore not respond in volume terms to either the depreciation or appreciation of the real effective exchange rate index of the Namibia dollar. For example, in 1998 the volume of diamonds exported, decreased by 20.4 percent despite a real depreciation of the Namibia dollar by 5.0 percent. While in 1999 the volume increased by 34.3 percent despite a real appreciation of 0.2 percent. On the other hand, liberalized markets especially those for non-factor services like tourism as well as external debt service obligations are likely to respond in volume terms to either depreciation and appreciation of the real effective exchange rate.

Summary: The above discussions indicate the advantages of using the geometric average formula to calculate the effective exchange rate index. It is due to the strength of this formula when compared to harmonic and arithmetic formulae that the Bank decided to choose the geometric method for the computing exchange rate indices. While the real exchange rate has appreciated during the period under review, the rate of change was too small to be a cause of concern.

4. INTERNATIONAL ECONOMIC ISSUES

The rapid spread of regionalism is surely one of the most important recent developments in the global trading system. Nearly every country worldwide is in or is discussing, a regional integration arrangement. In Southern Africa, there are a number of regional integration arrangements, namely SADC, COMESA, SACU, and CMA to which Namibia belongs. Namibia's membership in these groupings underlines the great importance, which the country attaches to the objectives of regional integration. In particular, regional integration serves as a useful framework for political and economic cooperation and as a strategy for creating a wider economic space, which is necessary for increased investment and growth. An integrated region offers producers and manufacturers of exportable products an extended market for their goods as well as an opportunity enabling them to maximize economies of scale. Furthermore, regional integration enhances the efficient allocation of resources and fosters an overall economic efficiency by promoting competition.

This chapter reviews and highlights some of the major developments in SACU and SADC during the year under review. It also highlights developments at the African continental level including the launching of the African Union (AU), the New Partnership for African Development (NEPAD), the Association for African Central Banks (AACB), and the status of the negotiations between the European Union and the African, Caribbean and Pacific (ACP) States in the context of the Cotonou Agreement.

4.1 SOUTHERN AFRICAN CUSTOMS UNION (SACU)

4.1.1 SACU New Agreement

With specific reference to the Southern African Customs Union (SACU), the most enduring and deepest integration arrangement in Africa, a significant development has been the signing of the new SACU Agreement by the Heads of States and Governments of SACU Countries in October 2002. The signing was the end of the protracted re-negotiation process, which started in 1994 with the objective of not only democratizing the governance of SACU, especially in the role played by South Africa to set external tariffs, but also to put in place new institutional arrangements, a new revenue sharing formula, and industrial and competition policies amongst others.

The new agreement will only become operational once it has been ratified by the Governments of respective member countries. The new agreement provides for a transparent and an equitable revenue sharing arrangement; equitable participation of all Member States in tariff settings; and the facilitation of common industrial development policies and strategies which

do not unduly disadvantage any Member State.

In terms of the institutional arrangements, the 2002 SACU Agreement provides for the establishment of a Council of Ministers, the Customs Union Commission, Technical Liaison Committees, a Tribunal, and the Tariff Board. A SACU Secretariat has also been established to oversee the day-to-day SACU activities. The headquarters of the SACU will be located in Windhoek.

The Council of Ministers will serve as the supreme decision-making authority on SACU matters and will be responsible for the overall policy direction and functioning of SACU institutions.

The SACU Commission will be responsible for the implementation of the new Agreement, ensure the implementation of Council decisions and be responsible for the overseeing of the management of the Common Revenue Pool in accordance with the policy guidelines of the Council.

The Secretariat will be responsible for the day-to-day administration of SACU. It will co-ordinate and monitor the implementation of all decisions of the Council and the Commission.

The Tariff Board, made up of experts from Member States, will be responsible for making recommendations to the Council on the level and changes of customs, anti-dumping, countervailing and safe guarding duties on goods imported from outside the Common Customs Area, rebates, refunds and duty drawbacks based on the directives of Council.

The Technical Liaison Committees will be sector specific committees, namely, the Agricultural Liaison Committee, the Customs Technical Liaison Committee, the Trade and Industry Liaison Committee, and the Transport Liaison Committee. These committees will be responsible to advise the Commission on sector specific issues. The ad hoc Tribunal will be responsible for dispute settlement arising from the application of the Agreement.

These new structures differ completely from the old arrangement where SACU did not have institutions but was administered by South African government institutions.

In respect of the new revenue sharing formula, the shares accruing to each member, will be derived from three distinct components, namely: a share of the customs pool, a share of the excise pool and a share of a development component. Each country's share of the customs component will be derived from the proportion of the country's c.i.f. intra-SACU imports to the total intra-SACU imports of the Common Customs Area. The excise component for each member state will be calculated from the value of its GDP in a specific year as a percentage of the total SACU GDP in that year, while the development component is to be funded from 15 percent of the excise component. The details regarding the management of the Revenue Pool are currently being determined. In the meantime, South Africa will manage the Common Revenue Pool for a transitional period of two years from the entry into force of the Agreement.

4.1.2 SACU - USA Trade Relations

Another important development within the SACU during the year under review was the holding of exploratory talks between the Government of the United States and the SACU Countries aimed at

paving the way for a possible launch of negotiations regarding the creation of a joint, free-trade agreement. These discussions are still at an exploratory stage, where both sides are trying to gain a general sense about how the negotiation process should proceed. Unlike the Free Trade Agreement between South Africa and the EU, the negotiation for a possible free-trade Area will involve all of the members of the Customs Union. This is in line with the provision of the new agreement, which stipulates that all trade agreements with third parties should be negotiated at the common SACU level.

A free trade agreement would build on the Africa Growth and Opportunity Act (AGOA) designed to improve access to US markets by African exporters, and so transform existing relations from an aid dependency to a mutual trade partnership. AGOA provides sub-Saharan African countries with increased access to the US market for apparel and textile products as well as other goods. It also provides for the exploration of free trade agreements with eligible participating countries. The proposed free trade agreement with the US would give SACU producers free access to the world's largest market and vice versa.

An argument for these negotiations notes that under the AGOA, the US granted unilateral trade concessions without reciprocity from the beneficiaries. These could be withdrawn under certain circumstances such as a violation of human rights or child labour. On the other hand, a free trade agreement, involving full reciprocity, would place the trade relationship between the two sides on a more secure basis. The US trade rivalry with the EU is another reason for the US to begin negotiations with SACU. The reason concerns the free trade agreement between South Africa through which the EU could disadvantage US exporters and might also result in trade diversion between South Africa and the US.

One of the challenges of the negotiations would be the determination of a way to secure an agreement, which would accommodate the wide interests of each SACU country. Another challenge would be an agreement regarding the rules of origins, to ensure that products

from third countries would not enjoy the benefits of the free trade agreement. To this effect, a sound administrative system would need to be put in place to prevent illegal transshipment and the use of counterfeit documentation.

US exports to the customs union countries were about US\$3.1 billion in 2001 and the complete, two-way trade between the two participants was approximately US\$7.9 billion. The conclusion of a free trade area between the US and the Customs Union is expected to result in increased trade and investments between the two participants. In a related development, the negotiations for the proposed Free Trade Agreement between member countries of the Southern Common Market in Latin America (MERCOSUR) and SACU are continuing. This agreement was originally envisioned between MERCOSUR and South Africa. The negotiations and the consequent agreements have however been extended to all SACU member countries in accordance with the new SACU Agreement.

4.2 SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)

The process of regional economic integration in SADC involves the development and synchronization of a number of strategic programmes and projects aimed at a greater integration of the region. One of the highlights during the period under review is the development of the Regional Indicative Strategic Development Plan (RISDP). This initiative is intended to provide strategic direction to all activities and programmes of SADC for the next 10 years. The terms of references for the RISDP provide the formulation of a plan with the full involvement of all member states. In this regard, a National RISDP Committee as well as the SADC RISDP Advisory Committee has been established to provide an input into the RISDP. The Bank of Namibia is represented on these Committees.

As a first step in the formulation of RISDP, a background report, which will review current policies and strategic documents such as the SADC protocols

and various Memoranda of Understanding, is being prepared. A major objective of the study is to scrutinize SADC policies, strategies and programmes to align and reorient these towards SADC priorities and objectives. Upon completion, the background study will become the key reference point for the formulation of the RISDP and will thus provide the basis for making recommendations on the appropriate policies and strategies to be implemented, to accelerate the achievement of the SADC objectives. The background study should also facilitate the identification of divergences, synergies and linkages between national development plans and SADC policies.

4.2.1 Committee of Central Bank Governors (CCBG) in SADC

With regard to the regional cooperation on monetary matters, two meetings of the Committee of Central Bank Governors (CCBG) in SADC were held during the period under review. The key highlights of the CCBG activities include the development of a number of Memoranda of Understanding (MOUs) in the area of Payment and Clearing Systems, Exchange Controls, Legal and Operational Frameworks of central banks in SADC, Information Technology, and Macro-economic Convergence. In general, all the MOUs are aimed at facilitating and deepening regional cooperation and coordination of macro-economic policies. These MOUs would also inform and serve as contributions to the development of a Protocol on Finance and Investment, which is aimed at the harmonization and integration of regional economic policies and strategies. This protocol is also required to facilitate the process of regional integration with regard to finance and investment. The protocol will also encourage the movement towards regional macro-economic stability through the harmonization of macro-economic policies.

The development of a Model Central Bank Act for the SADC region would be another milestone. This draft Model Act is aimed at enabling SADC countries to move closer to convergence in the area of central banking.

4.2.2 TRADE PROTOCOL

The Protocol on Trade, the implementation of which commenced in 2000, forms a cornerstone of the SADC Treaty. The protocol is essentially a framework document, which lays down the foundations for closer regional economic integration through the elimination of tariff and non-tariff trade barriers in the region, over an eight-year period. At present, member states are implementing their tariff liberalisation schedules.

4.3 AFRICAN UNION (AU)

The African Union (AU) was launched in July 2002 in Durban, South Africa. The AU replaced the Organisation of African Unity, which had been in existence since 1963. The objectives of the African Union are more comprehensive and differ from those of the OAU. The objectives of the African Union, as contained in the Constitutive Act, are inter-alia to:

Achieve greater unity and solidarity between the African countries and the people of Africa;

Accelerate the political and socio-economic integration of the continent through the promotion of peace, security, and stability on the continent;

Promote democratic principles and institutions, popular participation and good governance;

Establish the necessary conditions, which enable the continent to play its rightful role in the global economy and in international negotiations;

Promote sustainable development at the economic, social and cultural levels as well as the integration of African economies;

Coordinate and harmonize the policies between the existing and future Regional Economic Communities for the gradual attainment of the objectives of the Union;

The launch of the AU signals, in particular, the recognition of the need for greater economic integration in order to avoid the further marginalisation of African countries in the new global economy. The

AU will provide a framework within which the necessary partnerships between governments, people, businesses and civil societies can be strengthened, to promote the economic and social development of the continent.

The AU makes provision for the establishment of key African Institutions. In the area of economics and finance, a number of institutions are proposed. These are the African Central Bank, the African Monetary Fund, and the African Investment Bank. Other institutions include the African Parliament and the Court of Justice. Several countries are bidding to host some of these institutions. The decision to establish some of these institutions is being reviewed as it is felt that certain functions of existing institutions should not be duplicated.

4.4 NEW PARTNERSHIP FOR AFRICAN DEVELOPMENT (NEPAD)

The recent adoption and launching of the New Partnership for African Development (NEPAD) is considered as one of the most important developments of recent times and will undoubtedly play a major role in helping to achieve the objectives of the AU. This initiative is essentially a development programme, which places Africa at the apex of the global agenda. It represents a vision that reflects the determination of African Leaders to jettison the baggage of past failures and put the continent on a path of growth and socio-economic development. The key objectives include the acceleration of the eradication of poverty and inequality in African societies; halting the marginalisation of Africa in the globalisation process; and accelerating the deepening of regional and continental economic integration. Other important objectives are the creation of a conducive environment and conditions that make African countries the preferred destination to both domestic and foreign investors as well as the development of a comprehensive integrated development programme for Africa.

As a strategy towards the achievement of these objectives, a number of key priority areas have been identified. These include political governance,

economic and corporate governance, infrastructural development, market access, human development, including health, education and poverty eradication, and capital flows, including domestic resources, private flows, ODA and debt reduction.

At the core of the NEPAD process, is its African ownership, which must be retained and strongly promoted, to meet the legitimate aspirations of the African peoples. While the principle of partnership with the rest of the world is equally vital to this process, such partnerships should be based on mutual respect, dignity, shared responsibility and mutual accountability.

NEPAD is structured in three components: The first component provides the pre-conditions for sustainable development, which are Peace, Security, Democracy and Political Governance Initiatives; the Economic and Corporate Governance Initiative; and the sub-regional and regional approaches to development. The second component provides for sectoral priorities, which include the bridging of the infrastructural gap; the Human Resource Development Initiative; the Agricultural Initiative; the Environmental Initiative; the Cultural Initiative and the Science and Technology Platforms. The third component concerns the mobilization of resources, referring to the Capital Flows Initiative and the Market Access Initiative.

It is also important to underscore the fact that NEPAD should not be constructed and come into existence in a vacuum. It is therefore important that it is linked to existing initiatives and programmes. For example, in the case of SADC, the proposed development of the Regional Indicative Strategic Development Plan (RISDP) should take NEPAD into account, and where appropriate, SADC and NEPAD programmes should be harmonized. SADC should also take NEPAD into account in the ongoing review of its programmes. In this way, all activities focused on Africa can be pursued in an integrated and coordinated way within the framework of priorities and needs which have been identified.

It is estimated that an annual amount of US\$64 billion will be needed for NEPAD to fulfill its economic vision.

Wealthy Nations are expected to contribute a significant percentage of this amount. It remains to be seen whether this will materialize, as wealthy nations are insisting on good governance and sound economic principles in all member states of the AU as a pre-condition for their contribution. The NEPAD Implementation Committee has confirmed that political as well as economic and corporate governance would be included in NEPAD's peer review process, to address this concern.

4.5 COMMON MONETARY AREA (CMA)

It is pleasing to note that the consultation process within the common monetary area, on monetary and related policy issues, is improving. In this regard, CMA central bank governors meet on a quarterly basis to exchange views about recent economic developments in their respective countries. These meetings take place shortly before the meeting of the South African Reserve Bank's quarterly Monetary Policy Committee (MPC), and are aimed at assisting with the formulation of monetary policy in the four CMA countries. With this new spirit of consultation, the CMA could evolve into a more unified monetary region and could serve as a springboard to the further integration process of SADC.

4.6 ASSOCIATION OF AFRICAN CENTRAL BANKS (AACB)

The cooperation of the African Central Banks at a continental level is also gathering momentum. The AACB, which has been dormant for some time, has revived its activities with the purpose of enhancing monetary policy coordination among the African Central Banks. These programmes are intended to contribute towards the achievement of the goals of the AU, particularly in regard to the integration of the continent. During 2002 the Bank also participated in the meeting of the Assembly of Governors of the AACB, which was held in September 2002 in Algiers, Algeria. This meeting was preceded by a symposium on the appropriate macro-economic framework for sustainable development within the African integration process. During the meeting, the Assembly of Governors deliberated on a number of issues on which

decisions were taken. The Assembly of Governors adopted the programme of monetary cooperation in Africa. This programme defines the successive stages for the establishment of a single monetary zone and a single currency for the continent by the year 2021. The programme has several macro-economic convergence indicators, which should be met before a single currency is adopted. These indicators include the overall budget deficit as a percentage of GDP and an inflation rate of less than 3 percent as well as minimal central bank financing of budget deficits. The AACB secretariat has been mandated to collect data on the convergence criteria and compile reports to be tabled annually at the Assembly.

4.7 EUROPEAN UNION AND AFRICAN, CARIBBEAN AND PACIFIC (EU-ACP)

The first joint ACP-EU meeting on the negotiations of the proposed Economic Partnership Agreements (EPAs) was held in Brussels in October 2002. The main issue on the agenda was the structure of procedures for negotiation. In this regard, a two-tier approach for the negotiation has been adopted, namely an All-ACP phase (phase 1) and a Regional/national phase (phase 2). During phase 1 of the negotiations, all ACP countries will take part and negotiations will include all issues of common interest, including market access etc. In phase 2, the negotiations will be based on identified regional blocks or individual countries.

The first phase of the negotiations is expected to be extended until September 2003, while the second should then follow. For Namibia, the crucial question concerns the trade block in which the country will negotiate during phase two – SACU (BLNS), SADC or COMESA? A study has been commissioned to look into this issue critically and recommend the most viable regional negotiation configuration for Namibia accordingly.

Summary: The Bank of Namibia continues to participate actively in the activities of the various bodies, which are promoting economic integration at regional and continental levels. Being a small and open country, Namibia can only achieve high levels of

economic growth if it has free access for its export products to the larger African market. This can only be realized once the all barriers to trade among African countries are completely removed. In this regard, the participation of the Bank in these activities has been aimed at contributing to the achievement of that objective. Of concern, however, is Namibia's membership in the various regional bodies whose activities and interest overlap. The programmes of SADC and COMESA are for instance, very similar and Namibia has membership in both groups. This duplication of activities could be costly and should be avoided. The challenge for Namibia will therefore be to decide on which regional initiatives the country should concentrate at present and the possible initiatives where its involvement might need to be temporarily suspended.

5. MONETARY AND FINANCIAL DEVELOPMENTS

The monetary scene in 2002 was characterised by a tightening of monetary policy as is reflected by the 350 basis points rise in the Bank Rate during the course of the year. During 2002 the Bank Rate rose four times from a low of 9.25 percent at the beginning of the year to a high of 12.75 percent at the end of the year. The decision to increase interest rates was based on the need to keep domestic interest rates in line with those prevailing on the South African markets, as dictated by the Common Monetary Area (CMA) arrangement. Another consideration was the mounting of inflationary pressures due to the sharp depreciation of the South African Rand during the fourth quarter of 2001. The Bank of Namibia has however decided to place its lead interest rate by 75 basis points behind the Repo rate. The rationale of this move was to mitigate the negative effects of high interest rates on the economy in view of the slowdown in credit extension in the private sector during the year under review.

In line with the above developments, most money market rates in Namibia recorded upward movements during the year under review. The average prime-lending rate at commercial banks, which rose from 14.00 percent in January 2002 to 17.50 percent by December was an example.

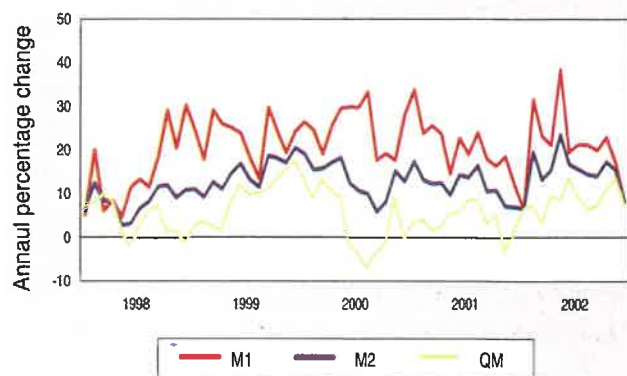
5.1 MONEY SUPPLY

The rate of growth in monetary aggregates increased moderately in 2002. The year-on-year growth rate of broad money supply (M2) rose by an average of 15.8 percent over the first six months of 2002, compared with an average of 13.1 percent over the corresponding period of the preceding year. The increase in the growth rate of M2 continued into the second half of 2002. During the second half of 2002 the average annual growth rate of M2 rose to 14.1 percent, 6.1 percentage points higher than the average year-on-year growth rate of 10.8 percent witnessed during the corresponding period of 2001. As a result, the average annual broad money supply growth rate registered an increase of 14.9 percent in 2002, compared with the 12.0 percent increase of the previous year (chart 5.1).

Monetary expansion during the first half of 2002 was brought about mainly by a sharp increase in net foreign assets of the banking system, supported by substantial increases in private sector credit and net claims on the government sector. This trend continued throughout the second half of 2002, with the annual growth rate of net foreign assets reaching 36.1 percent in December. This development was in line with a decrease in the demand for private sector credit witnessed during the same period. During the second half of 2002 the government sector became a net

creditor to the banking system as opposed to the corresponding period of the preceding year when the government sector was a net borrower of the banking system.

Chart 5.1 Twelve-Month Growth Rates in Monetary Aggregates



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

In terms of the composition of money supply, the public shifted its holding of money during 2002, from quasi-monetary liabilities to monetary liabilities, compared with the previous year (chart 5.1). During the year under review, the share of quasi-monetary liabilities remained more or less constant at 45.0 percent, moving from 45.3 percent in 2001 to 45.2 percent in 2002. This reflects the preference for liquidity on the

part of the public in the wake of inflationary pressures during the year under review.

In terms of the factors influencing the money supply for the year ended December 2002, as shown in Table 5.1 below, the increase in broad money supply was dominated by a significant increase of N\$2.2 billion in private sector credit. This is somewhat higher than the N\$1.7 billion recorded in the previous year. Net foreign assets and net claims to the government sector, on the other hand exerted a contractionary effect on the money supply to the tune of N\$830.0 and N\$486.3 million, respectively.

before declining to a level of a negative N\$1.1 billion at the end of the year (Chart 5.2). The sharp increase in the net foreign assets position during the first half of the year might be explained by the decline in the demand for credit. This in turn, is explained by the gradual tightening of monetary policy throughout the year. As it can be seen in chart 5.2, there seems to be an indirect relationship between private sector credit and the net foreign assets of commercial banks. This is explained by the fact that when the demand for credit in Namibia is low, commercial banks invest their excess funds in South Africa.

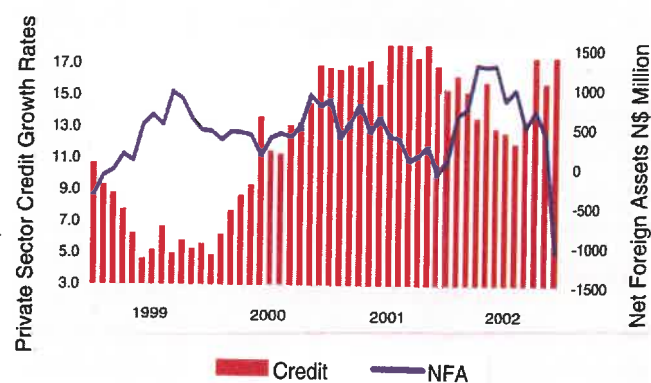
Table 5.1 Annual Changes in the Determinants of Broad Money Supply (N\$ Million)

	2000	2001	2002	% Change
Total Domestic Credit	1 530.0	1 650.0	1 151.8	10.02
<i>Claims on the Private Sector</i>	1 592.0	1 779.0	2 202.3	17.5
<i>Net Claims on the Central Government</i>	-62.0	-129.0	-486.3	-75.6
Net Foreign Assets of the Banking System	347.0	-222.0	-830.0	-34.8
Other Items Net	-657.0	689.0	7.0	0.02
Broad Money Supply	1 220.0	739.0	855.2	7.67

5.1.1 Net Foreign Assets

The net foreign assets of the banking system, which stood at N\$1.5 billion at the end of December 2002 compared with N\$2.3 billion at the end of the previous year, exerted a contractionary effect on the money supply during the year. The decrease in the net foreign assets over the year was reflected mainly in a deterioration in the net foreign asset position of commercial banks. The foreign assets of commercial banks increased sharply from N\$1.9 billion in January to N\$2.9 billion in May 2002. It then declined significantly, to reach a level of N\$1.1 billion by the end of December 2002. Conversely, the foreign liabilities of commercial banks decreased from a high of N\$1.8 billion in January to a low of N\$1.4 billion in May, before increasing to N\$2.2 billion at the end of December 2002. As a result of these developments, the net foreign assets position of the commercial banks increased significantly from N\$83.9 million at the beginning of the year to N\$1.3 billion in June,

Chart 5.2 Private Sector Credit and Net Foreign Assets



5.1.2 Domestic Credit

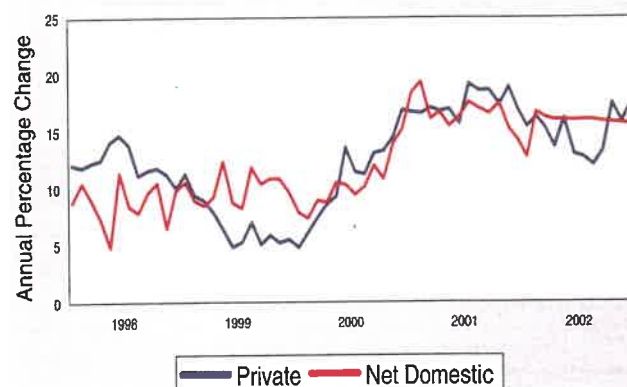
The average annual growth rate of domestic credit, comprising private sector credit and credit to the government sector, slowed moderately to 15.6 percent during the first half of 2002, compared with the

average annual growth rate of 17.0 percent registered for the corresponding half of the preceding year (chart 5.3). It then increased to 18.4 percent during the second half of 2002, 2.1 percentage points above the 16.3 percent recorded in the corresponding half of the previous year. Accordingly, the rate of domestic credit for the year ending in 2002, declined marginally to 15.7 percent, from 16.7 recorded in 2001. The quarter-on-quarter growth rate of domestic credit declined by 2.87 during the third quarter, compared to an increase of 5.80 percent and 5.36 percent registered during the second and first quarters, respectively.

Net claims on the central Government increased sharply during the first half of 2002. It increased from a low of N\$192.5 million at the beginning of the year to a high of N\$1.2 billion by the end of June. By July it had however, declined sharply to a negative N\$91.4 million before increasing to N\$157.2 million during December 2002. It should be noted that net claims on the government sector move closely in line with the quarterly SACU receipts. It is, therefore, possible that during times of SACU receipts, the Government Sector might become a net creditor to the banking system, as happened in July.

The average annual growth rate of claims on the private sector slowed considerably to 14.9 percent in 2002 from 17.4 percent in the previous year. It should be noted that the annual growth rate of private sector decreased from a high of 16.1 percent during January to a low of 12.9 percent in June 2002. The growth rate then improved again to register 17.5 percent in December 2002. The decline in the growth of private sector credit during the year under review might be attributed to the rise in interest rates during 2002. During 2002 the Bank Rate was increased on four occasions, from 9.25 percent in January to 12.75 in December. In response, the average prime-lending rate of the commercial banks rose from 14.45 percent at the beginning of the year to 17.50 percent at the end of the year. These interest rate levels were the highest since 1999.

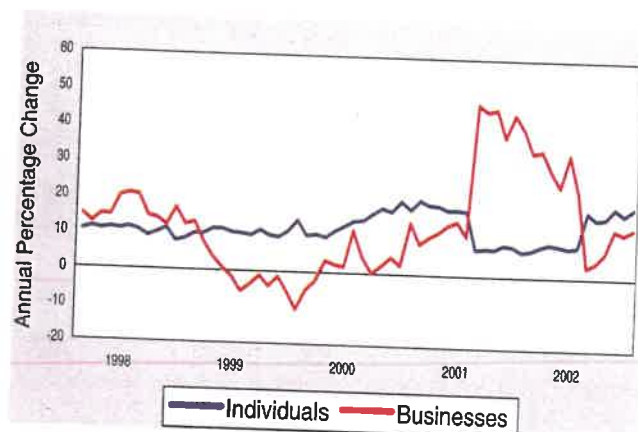
Chart 5.3 Net Domestic Credit and Private Sector Credit



The decline in private sector credit growth was reflected in both its components viz., Individuals or households and the business sector (chart 5.4). The annual growth rate of credit to individuals or households fell to an average of 8.5 percent during the first half of 2002, compared with an average of 18.9 percent registered during the corresponding period of the preceding year. During the second half of 2002, the annual growth rate of credit to individuals rose substantially by 18.0 percent, compared with an average of 7.0 percent during the corresponding half of 2001. Consequently, the average annual growth rate of credit extended to individuals remained constant at around 13.0 percent, moving from 13.3 percent in 2001 to 13.2 percent in 2002. Similarly, the average annual growth rate of credit to the business sector subsided substantially to 8.9 percent during the second half of 2002 from 30.2 percent during the first half of the year. The comparative growth rates for the corresponding periods of the preceding year were 40.7 percent in the second half and 10.7 percent in first half, respectively. The sharp decrease in the growth rate of credit to the business sector, especially during the second half of 2002, displays the sensitivity of the business sector to the rise in short term interest rates in 2002. It should also be noted that the high growth rates in credit to the business sector observed during the second half of 2001 and the first half of 2002 were also attributable to a misclassification by one of the big banks, which introduced a new classification system in June 2001. On the other hand, credit to individuals or households appeared to be less responsive to interest

rate changes. As a result of the decrease in business sector credit, there was a moderate shift from 35 to 34 percent in the composition of credit compared with the business sector credit.

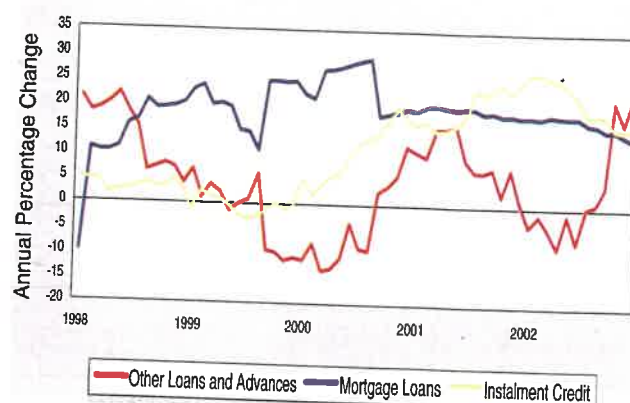
Chart 5.4 Private Sector Credit



An analysis of private sector credit by type shows that the average annual growth rate of installment credit increased moderately to 21.2 percent in 2002, compared with 20.0 percent for the previous year (chart 5.5). The average annual rate of increase for this component was 25.1 percent during the first six months of the year, after which it decelerated slightly to 17.1 percent registered for the final six months of the year. The average annual growth rate of the category "Mortgage Loans" decreased slightly to 17.0 percent in 2002 from 18.1 percent in the preceding year. The average annual rate of increase for this component of private sector credit stood at 18.5 percent during the first half of the year, but it declined to 15.7 percent in the second half of 2002. The average annual growth rate of the category "Other Loans and Advances", which mainly comprised overdraft facilities, declined by 3.4 percent during the year under review, from an increase of 9.1 percent during the previous year. The average annual growth rate for this category of private sector credit declined by 4.4 percent during the first half of the year, but then rose to 11.2 percent during the second half of 2002. The average annual growth rates of most of the components therefore slowed down considerably during the second half of 2002. This was due to interest rate hikes that were applied earlier in the year. Composition wise, "Mortgage loans" accounted for 45.9 percent of the private sector

credit, followed by the category "Other loans and Advances" and "Installment Credit" with 32.2 percent and 15.2 percent, respectively. The remaining private sector credit, approximately 6.6 percent, went to the categories "Leasing" and "Bills".

Chart 5.5 Private Sector Credit by Type

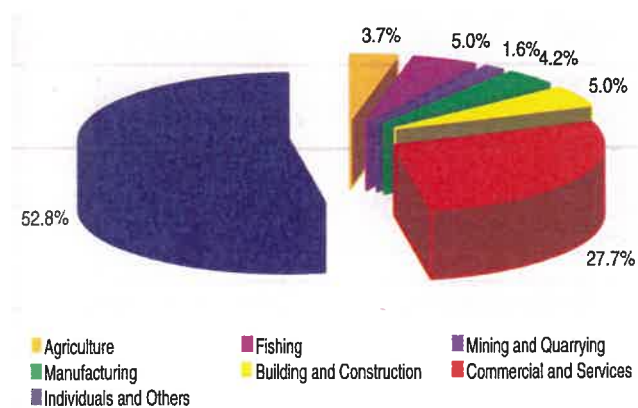


In terms of sectoral distribution, "Individuals and Others" continued to take the largest share of the total credit extended by the banking sector, followed by "Commercial and Services" (chart 5.6). These two sectors accounted for 52.8 percent and 27.7 percent respectively, of the total outstanding credit at the end of December 2002. When compared with the previous year, the share of outstanding credit in the category "Individuals and Others", increased moderately by 2.1 percentage points, while that of "Commercial and Services" declined slightly by 1.7 percentage points. The combined credit extended to the building and construction sector, fishing, agriculture and manufacturing, constituted 19.2 percent of total commercial bank credit. This was 0.7 percentage points lower than the 19.9 percent recorded during the previous year.

Year-on-Year growth in credit extended to the building and construction sector accelerated sharply from 9.7 percent in 2001 to 41.4 percent in the year under review. Growth in credit to the fishing sector also increased from 11.0 percent in 2001 to 18.0 percent in 2002. On the other hand, the expansion of credit to the "Commercial and Other Services" category slowed to 13.4 percent, in 2002, from 26.5 percent during the previous year. Growth in credit to the manufacturing, mining and quarrying, agricultural sectors, also

declined during the year under review. This was attributable to the rise in interest rates during 2002. It is important to note that growth in credit to the manufacturing sector declined by 17.4 percent during the year under review. This was in sharp contrast to the positive growth rate of 12.2 percent registered during the previous year. Growth in credit to the agricultural and mining sectors declined by 0.2 percent and 2.01 percent, respectively during 2002.

Chart 5.6 Direction of Commercial Bank Credit, 2002

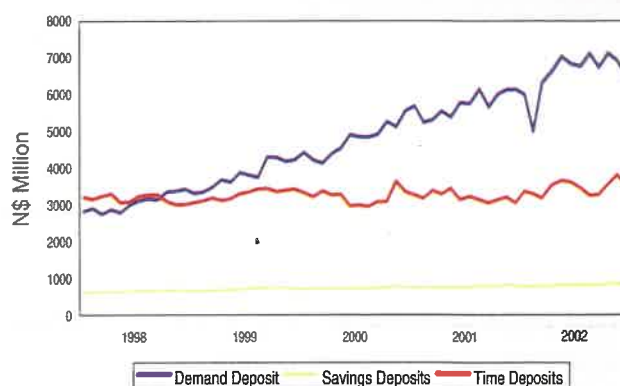


5.2 COMMERCIAL BANKS' SOURCES OF FUNDS

The total deposits held by commercial banks had increased to N\$10.6 billion by the end of 2002, as compared with N\$9.8 billion deposits mobilised at the end of preceding year. The share of private sector deposits in total commercial bank deposits decreased slightly by a 1.3 percentage point from 83.4 percent at the end of 2001 to 82.1 percent by the end of December 2002. 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 moved up sharply by 9.2 percent during the period under review. Year-on-year Government deposits increased sharply by N\$118.2 million in December 2002 to N\$370.1 million, compared with a marginal increase of N\$25.0 million registered for 2001. Resources mobilised from the financial sectors fell by N\$87.8 million in 2002, as opposed to a fall of N\$511.7 million registered in 2001.

The increase in commercial bank deposits over the year was mainly accounted for by demand deposits, which recorded an increase of N\$345.6 million or 5.7 percent, compared to an increase of 8.1 percent during the previous year. Time deposits grew by N\$478.6 million or 15.9 percent over the year compared with a decline of 6.6 percent during the previous year. The share of savings deposits remained almost unchanged at 7.3 percent by the end of December 2002 (Chart 5.7), while that of demand deposits declined slightly from 61.9 percent in 2001 to 60.1 percent by the end of 2002. Demand deposits are followed by time and savings deposits with 32.4 and 7.3 percent, respectively.

Chart 5.7 Commercial Bank's Deposits, by Types



5.3 MONEY MARKET DEVELOPMENTS

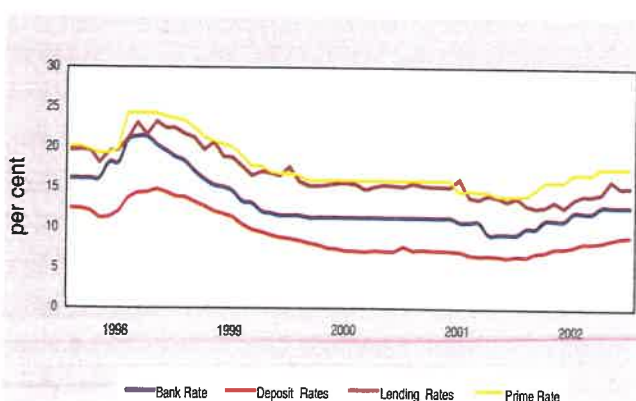
Due to the depreciation of the South African Rand and higher inflationary pressures in 2002, the monetary authorities in the Common Monetary Area (CMA) opted for a tight monetary policy to halt inflation in their respective countries. As a result, the Bank Rate rose from 9.25 percent in January 2002 to 12.00 percent in June, and again to 12.75 percent in December. Following the increase in the Bank Rate, most commercial banks adjusted their prime lending rates upwards. The nominal average prime-lending rate of the commercial banks increased from 14.45 percent in January 2002 to 16.75 percent in June and again to 17.50 percent in December. Similarly, the nominal average mortgage rates of the commercial banks, increased from 14.14 percent in January to 16.35

percent in June followed by 17.20 percent in December.

As a consequence of these developments, most money market rates in Namibia recorded an upward movement throughout the year under review. At the beginning of the year, the average lending rate of commercial bank's stood at 12.83 percent. It then moved up, in line with most money market rates, to reach 13.58 percent by June and 15.15 percent in December. The nominal average deposit rate, which stood at 6.36 percent at the beginning of 2002, rose to 7.67 percent in June and 8.96 percent by the end of the year (chart 5.8).

In line with above development, the nominal spread between lending and deposit rates decreased during the first half of 2002, from 6.47 percentage points to 5.91 percentage points during the second half of the year. The spread widened slightly by the end of the year, reaching 6.19 percentage points. This spread is still high compared with South Africa and the industrialized economies. The high spread could suggest some inefficiency in the banking sector, partly as a result of the high concentration of the industry. Efforts aimed at improving competition in the banking sector should therefore be stepped if the savings mobilisation process is to be enhanced. Among other concerns, the Bank of Namibia is considering the possibility of allowing foreign banks to establish branches in Namibia, as a way of increasing the number of operators in the industry. At present only subsidiaries of foreign banks may be established in Namibia.

Chart 5.8 Selected Interest Rates



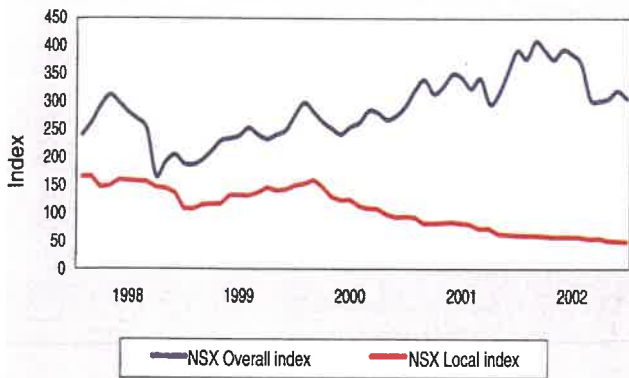
High interest rates in the money market were also reflected in the cost of government borrowing. The average effective yield for 91-day treasury bills (TB's) increased from 9.97 percent at the beginning of the year to 12.11 percent at the end of June and further to 12.88 percent at the end of December 2002. Similarly, the average effective yield of the 182-day TB increased from 10.23 percent in January to 12.29 percent in June and 13.15 percent in December 2002.

5.4 CAPITAL MARKET DEVELOPMENTS

The performance of the capital market was rather subdued throughout 2002 as reflected in the trends witnessed on the Namibia Stock Exchange (NSX). Dual listed companies in particular, suffered setbacks. The overall price index increased from 377 points at the beginning of the year to 385 points in June before declining to 305 points at the end of December (Chart 5.9). As a result, the overall market capitalisation declined from N\$492.2 billion in January to N\$304.5 billion by the end of December. On the other hand, the overall turnover increased from N\$67.0 million in January 2002 to N\$97.9 million by the end of December, reflecting greater activity at NSX due to the uncertainty of the market.

The local stock market also showed some sensitivity to changes on the global financial markets. The local price index declined from 58 points at the beginning of the year to 56 points at the end of June 2002 and to 47 points at the end of December (chart 5.9). As a result, the local market capitalization moved downward. The local market capitalization declined from N\$1.7 billion at the beginning of the year to N\$0.76 billion at the end of June. It then declined to N\$0.70 billion at the end of December. The decline in the local market capitalization is attributed to the loss of value in share prices of some companies as well as the de-listing of some companies, which took place during the period under review. The local turnover decreased from N\$2.8 million in January 2002 to N\$1.2 million in June, before it spiraled further down to N\$0.8 million in December.

Chart 5.9 NSX Price Indices



The mining sector (N\$1897.6 billion) and the financial sector (N\$167.0 billion) continued to dominate the overall market capitalization during 2002. The industrial and retail sector accounted for N\$18.2 billion and N\$8.1 billion of overall market capitalization, respectively. The contribution by the fishing sector was however, negligible, at only N\$1.7 billion. On the other hand, the industrial (N\$185.0 million) and financial (N\$391.0 million) sub-sectors dominated the value of local market capitalization, followed by the retail (N\$40.8 million) and the fishing (N\$61.5 million) sub-sectors.

Box D ADVANCE NOTICE: CHANGE IN METHODOLOGY OF MONETARY AND FINANCIAL STATISTICS

In 2003 the Bank of Namibia will implement the Monetary and Financial Statistics (MFSM) manual of the IMF for the compilation of monetary and financial statistics. The aim of this box article is to inform users about the change to the new framework for the compilation of monetary and financial statistics as well as to highlight the main differences between the new framework and the old framework.

The guidelines contained in the MFSM aim to provide a conceptual framework for the presentation of monetary and financial statistics, to assist in the formulation and monitoring of monetary policy and to harmonize the MFS system with other macro-economic statistical systems, especially the System of National Accounts (SNA) 1993. This is the very first volume of its kind in the field of monetary and financial statistics. The earlier document, the Guide to Money and Banking Statistics in International Financial Statistics (IMF, December 1984), was not meant to provide guidelines for the compilation and presentation of statistics. Its purpose was to explain the methodology to be applied in producing money and banking data to users of International Financial Statistics (IFS).

In the MFSM, monetary and financial statistics are defined to include comprehensive stock and flow data, non-financial and financial assets and liabilities of financial corporations as well as the financial assets and liabilities of the entire economy. The main difference between the old and the new framework in the case of Namibia is mainly the use of terminology. This means that when the Bank of Namibia changes to the new manual, only the analytical framework will change and there will be no change in the coverage of institutions and instruments for the immediate future. This manual replaces old money and banking statistics terminologies with the new ones shown in the table below.

Table 1 Terminology Old and New

Old Terminology	MFSM
Banking Survey	Depository Corporations Survey (DCS)
Financial Survey	Financial Corporations Survey (FCS)
Deposit Money Banks (DMB's)	Deposit Money Corporations (DMC's)
Other Banking Institutions (OBI's)	Other Depository Corporations that are not DMC's
Non-bank Financial Institutions (NBFIs)	Other Financial Corporations (OFC's)
DMB's + OBI's	Other Depository Corporations (ODC's)
Capital; net worth	Shares and other equity
Nonfinancial Public Enterprises, or State Enterprises	Public Nonfinancial Corporations

The new terminology is used throughout the MFSM as well as in the compilation and presentation framework.

The primary focus of the MFS System, based on the sectorisation according to the manual and the 1993SNA, covers only the "Financial Corporations Sector" since such a sector is directly responsible for the expansion of money and credit to the whole economy, according to the broad money liability concept.

The "Financial Corporations Sector", in turn may be divided into 3 sub-sectors as follows:

The Central Bank Sub-sector is the national financial institution, which mainly performs functions such as the issuing of currency, the conducting of monetary policy, management of international reserves, and the provision of credit to ODCs.

The other Depository Corporations Sub-sector (ODCs) consists of all resident financial corporations (except the Central Bank) and quasi-corporations which are mainly engaged in financial intermediation and for which liabilities consist of deposits or financial instruments that are close substitutes for deposits which are included in the national definition of broad money. The ODCs subsector comprises institutional units such as commercial banks, specialized financial institutions that issue financial instruments, which are included in the national definition of broad money. The MFSM makes no distinction between the commercial banks (DMB's) and the other banking Institutions (OBI's). Both belong to the 'Other Depository Corporations' sub-sector. This is unlike in the Guide where a distinction is being made between the two.

The Other Financial Corporations Sub-sector (OFCs) comprises financial corporations other than depository corporations. The OFCs subsector includes institutional units such as finance companies, insurance corporations, pension funds (pension funds administered by the Government are excluded), brokers, etc.

The framework for monetary statistics embodies two levels of data compilation and presentation. At the first level, stock and flow data reported by the individual institutional units are aggregated into sectoral balance sheets, which contain comprehensive data for the individual, financial corporations sub-sector. This is the Central Bank and the other depository corporations. On the second level, data in the sectoral balance sheets are consolidated into surveys.

The MFSM starts with the sectoral balance sheets to provide a framework for the collection and presentation of data in a format, which facilitates the compilation of surveys and the presentation of the flow of funds for the Financial Corporations sector. The Depository Corporations Survey (DCS) covers the accounts of depository corporations and is a consolidation of the Central Bank Survey and the Other Depository Corporations Survey. The framework of the DCS is designed to facilitate the analysis of broad money and its components, credit aggregates and their components, and depository corporations' foreign assets and liabilities as well as other assets and liabilities. The consolidation into the survey is done by way of netting out each unit's claims on and liabilities to other units within the sub-sector concerned, resulting in a survey that shows only the financial sub-sector's claims on, and liabilities to other sectors, including other financial sub-sectors, and non-residents. This is referred to as the Banking Survey, according to the 1984 Guide, which is no longer recommended by the 2000 manual.

Monetary statistics according to the new manual also include the Financial Corporations Survey (FCS), which extends the coverage beyond the depository corporations covered in the DCS. In the FCS, the stock and flow data from the DCS are consolidated with the data from the other financial corporations survey, which contains stock and flow data consolidated for insurance corporations and pension funds as well as other financial intermediaries, and financial auxiliaries. The FCS provides data for the analysis of claims on and liabilities to all other sectors of the economy and nonresidents at the level of the entire financial corporations sector. It also shows the comprehensive measure of credit extended by financial corporations. The Bank does not plan to compile an other financial corporation survey and a Financial Corporation Survey in the immediate future.

6. PUBLIC FINANCE

The major policy stance of the budget of the fiscal year 2002/03 was to stimulate and support economic development and employment creation. Among policies and programmes targeted are the establishment of new institutions, such as the Namibia Development Bank, development of a new infrastructure, such as the northern railway extension and the tarring of a number of new roads. Efforts are also geared to develop human resources through improved education and training programmes, notably the establishment of Science Education Centres and a Centre for Innovation in Entrepreneurship and Technology.

During the year under review, the Government also adopted a number of policy decisions as well as other initiatives to bring about improvements in the fiscal policy management of the country. These include, amongst others:

- Ministries are required to motivate their bids for funds during the budget hearings in terms of what the public expect them to achieve;
- The reformulation of the State Finance Act, which will strengthen the legal framework for expenditure management;
- A comprehensive tax review aimed at improving the administration of the tax laws and to counter possible tax evasion; and
- The decision by cabinet to put benchmarks on some important fiscal variables over time, e.g. total expenditure should be limited to 30 percent of GDP, budget deficit not to exceed 3.2 percent of GDP and central government debt to be limited to 25 percent of GDP.
- The two VAT rates of 15 percent and 30 percent were changed to a singular rate of 15 percent with effect from October 1, 2002.

6.1 REVENUE

The revised government revenue and grants for 2002/03 are estimated at N\$10.3 billion, which represents a nominal increase of 9.0 percent compared to the original estimate, and 13.8 percent higher than the revised estimate for the previous fiscal year (chart 6.1). As a ratio of GDP, the estimated revenue is 32.0 percent compared with 30.1 percent in the original budget and 32.7 percent in 2001/02. As in the past the largest contribution came from the taxes on Income and Profits (Table 6.1). Revenue from this group is estimated at N\$3.9 billion and accounted for 38.5 percent of the total revenue. This is slightly higher than the 34.9 percent recorded in the preceding fiscal year. In relation to GDP, income taxes are expected to rise from 11.2 percent in 2001/02 to 12.3 percent in 2002/3, implying a stronger income tax collection. The

revenue revisions during this fiscal year are the highest since 1990 and have been attributed to the strong performance in the diamond sector and a revision in SACU revenue. In the main budget, diamond revenues were forecast at N\$745.0 million and in the revised budget it has increased considerably by N\$265.0 million or 35.6 percent to exceed N\$ 1.0 billion for the first time. This was mainly due to the lower exchange rate of the Namibia dollar as against the US\$ dollar, which has boosted the value of diamonds exported in Namibia dollar terms and the increase in diamond output. Revenue from the non-diamond mining sector has also been higher than expected as well as personal income tax and VAT receipts.

The second most important source of revenue is taxes on International Trade and Transactions mainly SACU, estimated at N\$2.6 billion, an equivalent of 25.3

percent of the total revenue and grants. SACU revenue is expected to fall by N\$44.0 million when compared to 2001/02. The reduction is attributed chiefly to the lower import figures of two years ago since revenue is calculated with a two-year lag.

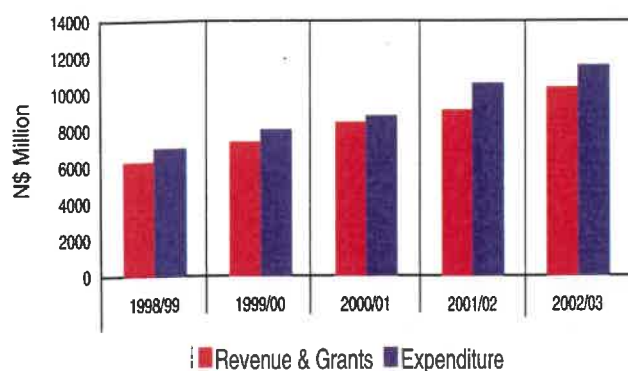
The third largest contributor to the total revenue is the Domestic taxes on Goods and Services, which comprises VAT, levies and licenses. This category contributed N\$2.4 billion, representing 23.6 percent of total revenue and grants. VAT alone contributed 21.0 percent to the total revenue and grants. Non-tax revenue, consisting of receipts from administrative fees and charges, entrepreneurial and property income is forecast at N\$994.5 million, about 9.7 percent of total revenue and grants.

Table 6.1 Revenue Components

Revenue Components (N\$ Million)	1999/00	2000/01	% Change	2001/02	2002/03	% Change
Taxes on Income and Profits	2 315.3	2 610.0	12.7	3 143.0	3 951.0	25.7
Taxes on Property	46.7	63.0	34.9	60.0	70.0	16.7
Domestic taxes on Goods and Services	1 943.5	1 945.0	0.1	2 039.0	2 422.9	18.8
Taxes on International Trade	2 240.7	2 877.3	28.4	2 641.0	2 597.1	-1.7
Non-tax Revenue	605.0	736.0	21.7	870.0	994.5	14.3

Source: MoF

Chart 6.1 Total Revenue and Expenditure



6.2 EXPENDITURE

The revised total government expenditure is estimated at N\$11.5 billion, 6.4 percent higher than the original estimate, and 9.5 percent above the revised estimate

for the previous fiscal year (Chart 6.1). As a ratio of the projected GDP, total expenditure decreased from 38.0 percent to 35.8 percent in the revised budget, reflecting a contractionary fiscal policy stance. The net additional expenditure in the revised budget is N\$691.2 million. The amount of N\$75 million was allocated for drought relief, of which N\$55 million went to the Emergency Management Unit and N\$20 million to the Ministry of Agriculture. The "Peace Project" for creating job opportunities for ex-combatants was allotted an additional amount of N\$48.1 million. Current expenditure is estimated at N\$9.5 billion for the fiscal year 2002/03, compared to N\$8.7 billion in the previous fiscal year. This represents a growth rate of 8.8 percent as compared to the previous fiscal year.

Table 6.2 Government Expenditure (N\$ million)

Government Expenditure	1999/2000	2000/2001	2001/2002	2002/2003	% Change
Current Expenditure	6 884.0	7 325.0	8 698.0	9 462.8	8.8
% of GDP	32.3	31.6	31.5	29.5	
Capital Expenditure	1 069.0	1 084.0	1 786.0	2 014.5	12.8
% of GDP	5.0	4.5	6.5	5.9	
Total Expenditure	7 953.0	8 709.0	10 484.0	11 477.3	9.5
% of GDP	37.3	36.1	38.0	35.8	

Source: MoF

Current expenditure (Table 6.2) rose significantly mainly due to statutory expenditure and subsidies and

transfers (Table 6.3). Statutory expenditure was almost doubled during the current fiscal year, growing by 40 percent due to high interest rates and payments for defaulted guarantees. Subsidies and transfers also grew significantly by 14.4 percent compared to the previous fiscal year chiefly on account of cash injections to certain State Owned Enterprises. A total of N\$192 million are to be spent on recapitalising and subsidising parastatals, namely Air Namibia, Trans Namib and Namibian Broadcasting Corporation. In addition, N\$100.1 million were allocated to pay for the defaulted Government guarantees. On the other hand, personnel expenditure posted a modest growth of 4.5 percent compared to a double-digit average growth rate of the previous three years as can be seen in chart 6.3.

Table 6.3 Current Expenditure Items (N\$ Million)

Current Expenditure	1999/2000	2000/2001	2001/2002	2002/2003	% Change
Personnel	3 619.0	3 965.0	4 535.0	4 738.3	4.5
Goods and Services	1 583.0	1 637.0	1 817.0	1 861.9	2.5
Statutory Payments	513.0	512.0	678.0	955.0	40.9
Subsidies and other current transfers	1 169.0	1 511.0	1 667.0	1 907.6	14.4

Source: The Bank and MoF

Capital expenditure (Table 6.2) increased by 12.8 percent, from N\$1.8 billion to N\$2.0 billion as compared with the preceding fiscal year. This accounts for 17.6 percent of total expenditure, higher than the 17.0 percent recorded in fiscal year 2001/02. As a percentage of GDP, the total capital expenditure decreased slightly from 6.5 percent in 2001/02 to 6.3 percent in 2002/03. It should however, be noted that the amount of capital expenditure in the budget is lower as not all funds spent on capital projects for the government appear in the budget. In other words, it seems that some capital expenditures financed with foreign loans are not reflected in the budget.

Table 6.4 Summary of budget expenditure by economic classification (percent)

	1999/2000	2000/2001	2001/2002	2002/2003
Gen. Govt Services	29.8	32.3	33.3	36.4
Gen. Public Services	13.8	15.7	17.6	18.8
Defence	7.2	7.3	7.3	8.3
Pub. order and safety	8.8	9.3	8.4	9.2
Comm. and Social Services	48.6	49.7	49.5	48.1
Education	24.0	23.3	21.3	21.0
Health	10.8	11.0	10.0	9.7
All Other	13.8	15.4	18.2	17.4
Economic Services	15.2	11.7	10.6	7.0
Exp. not classified	6.4	6.3	6.6	8.5
Total Expenditure	100.0	100.0	100.0	100.0

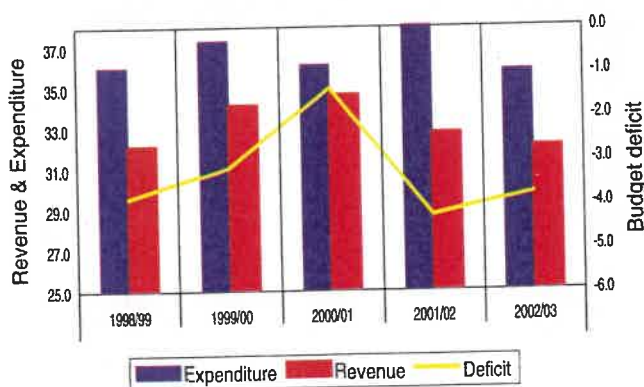
Table 6.4 shows that an average from 1999/00 to 2002/03 of about 49 percent of government funds were allocated to the community and social sector, which consists of education, health and other social services. Among these sub-sectors education took the largest share, followed by other social services and then health. However, as can be observed in Table 6.4, the share for community and social services especially that of education has been declining. This share has declined from 24.0 percent to a current share of 21.0 percent, which is a cause of concern given the problems in the educational sector. Moreover, the African Competitiveness Report of 2000 identified the lack of skilled human resources as one of the principal obstacles to the attraction of foreign direct investment into Namibia. Investment in human resources should therefore continue to occupy a central position in public spending. The declining trend does not seem to be addressing the problem and therefore the reverse, in the trend is necessary. On the other hand, the allocation to the health sector has been fairly stable fluctuating between a high of 11.0 percent and a low of 9.7 percent. The expenditure on economic services contracted substantially from 15.2 percent in 1999/00 to 7.0 percent in 2002/03. The contraction in this sector was expected mainly due to the outsourcing of some of the government departments' services and the completion of some major investment projects. Of concern is the allocation to general government services, which rose from 29.3 percent in 1999/00 to

36.4 percent in 2002/03. This trend does not augur well when considering the need to allocate more funds to the productive sectors with the purpose of stimulating a higher economic growth.

6.3 BUDGET DEFICIT AND FINANCING

The strong revenue collection has offset the additional expenditure requested in the revised budget of 2002/03. Consequently, the budget deficit was revised to N\$1.2 billion or 3.8 percent (Chart 6.2) of GDP from N\$1.4 billion or 4.4 percent of GDP. The preliminary outturn for 2001/02 also indicates a lower budget deficit of 4.3 percent of GDP than 5.3 percent estimated in the revised budget of the previous fiscal year. The lower deficit is attributed to improved revenue collection. The 3.8 percent budget deficit to GDP ratio in 2002/03 however, still exceeds the pronounced benchmark of 3.0 percent laid down in the current Medium Term Expenditure Framework (MTEF). The deficit is to be financed in the domestic market by drawing down cash balances from the State account and the issuing of treasury bills and the Bonds.

Chart 6.2 Budget Deficit, Expenditure and Revenue as Percent of GDP



6.4 CENTRAL GOVERNMENT DEBT

Total central government debt amounted to N\$7.9 billion (Table 6.5) at the end of December 2002, representing an increase of 12.0 percent against an increase of 24.3 percent in the preceding year. As a

ratio of GDP, total debt was down to 24.8 percent from 25.8 percent recorded in the previous fiscal year.

Domestic debt²³, which accounted for 80.5 percent of the total Central Government debt, continued to grow. It grew by 18.0 percent to N\$6.5 billion in 2002 compared with 14.3 percent in the previous year. Treasury bills continue to account for most of the domestic debt, contributing 54.8 percent to the total. It is however, slightly lower than the 55.0 percent recorded in the previous year. The government domestic indebtedness is in the form of treasury bills and internal registered stocks only.

The foreign public debt declined by 8.3 percent to N\$1.5 billion in 2002 compared with a sharp rise of 77.2 percent in 2001. The decline in the foreign debt stock in 2002 resulted mainly from the principal repayment of some of the loans and the appreciation of the Namibia Dollar versus other international currencies, especially the US\$ Dollar. The share of foreign debt in the total Central Government debt decreased from 21.7 percent in 2001 to 18.6 percent in 2002, and as a ratio of GDP, from 5.8 percent to 4.6 percent over the same period. Bilateral loans remained the largest share of external debt, accounting for 57.4 percent of the total and the remainder is from multilateral sources as can be observed in table 6.5.

6.5 CENTRAL GOVERNMENT GUARANTEES

Total loan guarantees issued by the central government is estimated at N\$3.8 billion for the fiscal year 2002/03 (Table 6.6), representing an annual increase of 15.7 percent from its position in the previous year. The stock of total guarantees stood at N\$265 million in 1996/97 but for the past six years has been growing very fast by an average of 73.7 percent per year to reach N\$3.8 billion during 2002/03. As a ratio to GDP, it increased from 0.9 percent in 1995/96 to 11.9 percent at the end of 2002/03 fiscal year. In terms of composition, guarantees issued to foreign entities constituted about 80.6 percent of the total; up from 52.6 percent in 1996/97.

²³ Domestic debt recorded in nominal terms

As a percentage of GDP, foreign guarantees developed from 0.9 percent in 1996/97 to a current ratio of 9.6 percent. It is interesting to note that about 18.4 percent of foreign guarantees are denominated in the local currency, while 3.6 percent are fully hedged through a foreign exchange swap into Namibia Dollars. State Owned Enterprises or parastatals are the only beneficiaries of the foreign guarantees.

Domestic guarantees on the other hand, are projected to contribute about 19.4 percent to the total during 2002/03. Currently, it represents 2.3 percent of GDP from 0.9 percent in 1995/96. About 74 percent of the domestic guarantees are granted to institutions, while the remaining balance was given to individuals especially for the purchase of farms under the affirmative action loan scheme of the Agribank.

Whilst some of the guaranteed loans have high default risks, others were granted to financially sound companies. In the additional budget for 2002/03 an amount of N\$100.1 million was allotted to the Ministry of Finance to honour loan guarantees given by the Government. These contingent liabilities expose the Government to different financial risks, which result from potential defaults becoming real obligations of the Government. The Government should therefore, consider taking steps to review the current procedures and guidelines used to issue guarantees in order to avert a potential financial crisis. Honouring guarantees disrupt the budgetary allocation process because these funds are not budgeted for and as a result resources have to be diverted from very important development projects.

Table 6.5 Central Government Debt (N\$ Million)

Category of Central Government Debt	1999	2000	2001	2002	% Change
A. 1. External Debt	687.7	909.8	1 612.0	1 478.6	-8.3
2. Bilateral Loans	448.3	575.2	946.7	848.5	-10.4
3. Multilateral Loans	239.4	334.6	665.3	630.1	-5.3
4. Financial Institutions	0.0	0.0	0.0	0.0	0.0
5. Other	0.0	0.0	0.0	0.0	0.0
B.6. Domestic Debt	4 363.60	4 808.70	5 494.8	6 468.5	17.7
7. Treasury Bills	2 430.70	2 640.00	2 799.7	3 561.8	25.6
8. Internal Registered Stocks	1 932.90	2 168.70	2 695.1	3 017.5	12.0
9. The Bank	0.0	0.0	0.0	0.0	0.0
10. Olther	0.0	0.0	0.0	0.0	0.0
C.Total Debt (1+6)	5 051.30	5 718.40	7 106.8	7962.6	12.0
D.Total Debt as % of GDP	22.20%	22.80%	25.74%	24.8	

Source: MoF and The Bank

Table 6.6 Central Government Guarantees

	1995/ 1996	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003
Domestic guarantees	121.0	125.7	242.8	331.1	548.0	778.2	828.9	741.9
As % of GDP	0.9	0.8	1.4	1.7	2.5	3.2	3.0	2.3
Foreign guarantees	0.0	139.3	145.7	504.1	1 811.7	1 974.2	2 481.0	3 086.7
As % of GDP	0.0	0.9	0.8	2.6	8.5	8.2	8.9	9.6
Total guarantees	121.0	265.0	388.5	835.2	2 359.8	2 763.7	3 321.6	3 828.5
As % of GDP	0.9	1.7	2.2	4.3	11.1	11.4	11.8	11.9

Source: MoF and The Bank

7. OUTLOOK FOR 2003

The Namibian economy is expected to strengthen in 2003, driven largely by the good performance of the mining sector mainly as the result of an increase in zinc production. The service sectors (tourism, retail, transport and telecommunication) are also expected to grow moderately (Table 7.2). Real GDP is therefore expected to expand by 4.1 percent in 2003.

The current account balance is expected to recover significantly as a result of increased merchandise exports, SACU and travel receipts. Similarly, budgetary performances are expected to improve marginally. The budget deficit is expected to decline to 3.0 percent of GDP in 2003/04 from 3.8 percent in the preceding year. However, the average ratio for 2003/04 - 2005/06 period is still above the committed level of 3.0 percent in the MTEF, implying that restraint is still necessary in the foreseeable future to contain the budget deficit.

7.1 REAL SECTOR

The output in the agricultural sector is projected to decline by 5.7 percent in 2003 due to a possible recurrence of drought in Namibia. This would hold implications for a poor harvest in Namibia, especially for maize and cereal output production. The number of livestock marketed should continue to increase during the earlier months of 2003 but is expected to moderate during the latter part of 2003, as farmers will then commence with the re-stocking of livestock²⁴.

There are however, diversification efforts in the agricultural sector that could contribute positively to the output of this sector such as an increased production in ostrich birds, dates and grapes (Table 7.1). This would, however, not be sufficient to offset the decline in output of the other sub-sectors as stated earlier.

Value added in the mining sector is expected to grow to about 20 percent in 2003, largely due to the increased zinc output targeted at 150 000 tons per

year. The diamond output is however projected to contract slightly as one of the diamond mining companies has ceased operations. The company was expected to contribute approximately 6 percent to total diamond production. Other base metals such as gold and copper are expected to perform positively as a result of an expected recovery in the global economy, accompanied by increasing commodity prices. In fact, the leading copper mining company is currently negotiating to double its present production capacity of 27 000 tonnes during 2003.

Table 7.1 Selected Agricultural Produce

	2001 Actual	2002 Estimate	2003 Estimate
Ostrich Birds	10 000	38 000	45 000
Dates (tons)	24	40	50
Grapes (cartons)	40 000	200 000	310 000

Source: Namibia Development Corporation,
Hardap Co-operatives.

The severe contraction in the fishing sector output growth witnessed during the past two years as a result of prolonged adverse environmental conditions, is expected to recede in 2003. The sector is expected to recover mildly as a result of a slight increase in the landing of horse mackerel, anchovy, and pilchards²⁵.

Value added in the manufacturing sector is expected to grow at 4.9 percent in 2003. This growth would partly be realised from a moderate increase in meat processing due to an increase in the number of cattle

²⁴ Famine Early Warning Systems Network (FEWS NET) "Forecasts of 2002/03 Southern African Maize Growing Conditions..." December 2002 and SADC Drought Monitoring Committee "Southern African Rainfall Forecast Jan - March 2003. Also, refer to IMF "World Economic Outlook", September 2002. Assessment on re-stocking sourced from Meat Board of Namibia.

²⁵ Simonis Storm Securities, "Namibian Fisheries Weekly" 6 December 2002. See also Annual Address by Dr Abraham Iyambo, "Namibian Fisheries Sector", 3 February 2003. According to the Minister, the survey conducted last year indicated a substantial total biomass increase of Pilchards from 40,000 mt in March 2002 to 330,000 mt in October 2002. This would hold implications for an increase in TAC and the landing of Pilchards during the year.

marketed during the earlier part of 2003. The output of the meat processing sub-sector could however be faced with reduced beef and mutton prices during 2003 as a result of an oversupply of meat on the European and South African markets, in part compounded by large supplies from South American and Australian producers²⁶.

Despite such developments, the Meat Board of Namibia is engaged in talks with the European Union to export in-the bone mutton. Currently the export of meat on the bone is not allowed because of fears in the EU regarding the danger of the foot-and-mouth disease. In addition, these negotiations also include the possibility of increasing the mutton quota from the current 200 tonnes to 10,000 tonnes. This will encourage an increased capacity at local abattoirs to slaughter local stock for export.

Other sub-sectors such as food and beverages are also expected to show a steady growth in 2003. The improved access of the Angolan market holds good prospects for an increase in the export of beer and soft drinks. Other manufactured products which are also expected to show increase in production, are the textile industry, as well as the increased contribution of the copper smelter.

Table 7.2 Selected Sectoral Growth patterns (percentages)

	2003 Forecast
Agriculture	-5.7
Fishing	-2.0
Mining	21.7
Manufacturing	4.9
Construction	5.7
Tourism*	8.3
Services	3.7
Government	2.8
Real GDP	4.1

* Proxied by value added of Hotels and Restaurants

Growth in the construction sector is projected to increase by 5.7 percent in 2003, as a result of the on-going Government spending on infrastructure development (i.e. the construction of the new State House and the Northern Railway Extension). The envisaged decrease in interest rates and the recent amendments to the value added tax, which allows developers an input tax deduction, may also assist in sustaining a positive growth during 2003.

The tourism driven sector is expected to grow satisfactorily at 8.3 percent in 2003. The Hospitality Association of Namibia has reported a steady increase in the bed occupancy rate of hotels and other accommodation facilities in 2002 and indications predict that the positive growth will continue in 2003.

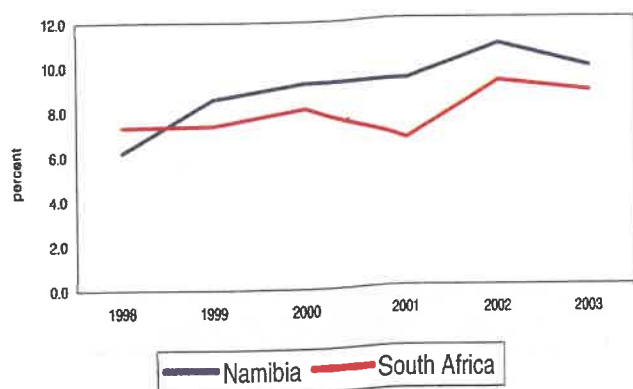
Growth in the services sector is expected to recover from 2002, growing above three percent in 2003, and reaching the actual growth levels realized in 2001. This growth would mainly be driven by an increase in the output of the real estate and retail sectors as well as those of the transportation and communications and financial services sectors. This is due to the envisaged reduction in interest rates and inflation in 2003. The government sector is also expected to expand moderately in 2003. The moderate increase is due to the envisaged additional employment of ex-combatants in the police force as well as in tourism related activities.

7.2 PRICE DEVELOPMENTS

Inflation is expected to ease in 2003 due to a continued restrictive monetary policy, lower increases in food prices and less volatile oil prices during this period. It is projected to decline to 10.2 percent in 2003 from a high level of 11.3 percent in 2002 (Chart 7.1), due to lower food price increases. This could however be compromised by the anticipated developments in the Middle East.

²⁶ Meat Board of Namibia, "Market Outlook", December 2002

Chart 7.1 Inflation



Source: CBS, forecast 2003 by The Bank and SARB, respectively

7.3 INVESTMENT AND CONSUMPTION

Growth in consumption expenditure is expected to improve slightly to 3.1 percent in 2003 from an estimated growth of 2.5 percent in 2002 (see Table 7.3). This expected improvement in consumption growth is mainly attributed to an improved inflationary outlook during 2003.

Table 7.3 Key Macro-economic Indicators (Percentage)

	2001 Actual	2002 Estimate	2003 Forecast
Nominal GDP (N\$ Million)	27 231.0	31 127.0	35 545.0
% Total Real Consumption	3.6	2.5	3.1
% Total Real Investment	26.3	11.2	10.8
Exports of goods and services	12 075.0	14 883.0	18 782.0
% Nominal Growth	11.7	23.1	26.2
% GDP	44.3	47.8	52.8
Import of goods and services	14 785.0	16 614.0	19 716.0
% Nominal Growth	22.0	12.3	18.7
% GDP	54.2	53.4	55.5
Trade balance	-2 710.0	-1 731.0	-934.0
% GDP	-9.9	-5.6	-2.6
Current account balance	1 001.0	970.0	1 657.0
% GDP	3.6	3.1	4.7
CPI (%)	9.3	11.3	10.2

Source: CBS

Gross Fixed Capital Formation is expected to grow satisfactorily by 11.2 percent in 2002. The satisfactory performance in real investment is due to continual increases in government projects as well as an increase in capital investment from EPZ, gas and oil exploration companies. The growth in real investment is projected to be sustained in 2003 at 10.8 percent, which reflects the commitment by foreign investors to expand their business activities in a country such as Namibia.

7.4 EXTERNAL SECTOR

Exports are expected to grow by 6.3 percent in 2003 in real terms from 4.6 percent in the preceding year. The increase in export will come from an increase in the export of metals (zinc, copper and gold), livestock (beef and mutton) and agricultural produce (dates, ostriches and grapes) (Table 7.3). As a percentage of GDP, exports are projected to increase from 47.8 in 2002 to 52.8 percent in 2003. In real terms, imports are projected to increase moderately from an estimated 5.9 percent in 2002 to 6.1 percent in 2003, largely due to an improvement in domestic demand. As a percentage of GDP, it is projected to increase from 53.4 in 2002 to 55.5 percent in 2003. As a result of these developments, the Namibian trade deficit is projected to narrow significantly in 2003 as compared with the previous two years. Consequently the current account surplus is set to recover to 4.7 percent, as a percentage of GDP in 2003 from 3.1 percent in 2002.

7.5 FISCAL SECTOR

7.5.1 Revenue

Total revenue and grants are expected to grow with nominal GDP on the back of improve tax collection (through VAT) by 8.9 percent in 2003/04 compared to around 13.8 percent in 2002/03. As a share of GDP, it is projected to decrease slightly from 31.9 percent in 2002/03 to around 30.4 percent in 2003/04. Revenues are also projected to decline further as percentage of GDP to 28.3 percent and 26.7 percent in 2004/05 and 2005/06, respectively, as SACU revenues gradually decline in relative terms due to the new revenue sharing formula. Table 7.4 shows that SACU revenue

as a percentage of GDP are projected to decline from 8.3 in 2003/04 to 7.4 in 2004/05 as the new formula is introduced. The situation of future revenue losses can especially be expected when there are no alternative revenue sources forthcoming to mitigate largely the decline in SACU revenue.

7.5.2 Expenditure

Total government expenditure is projected to grow by 6.8 percent in 2003/04 compared to 9.7 percent increase in 2002/03. This increase is mainly due to the envisaged salary increase, an additional employment of ex-combatants in the police force, and the tourism related activities. As a percentage of GDP, total government expenditure is projected to decrease from 35.8 percent in 2002/03 to around 33.4 percent in 2003/04

With high spending on personnel and future interest payments, it looks set that the expenditure may not be contained below 30 percent in the medium term, as recommended in the latest Medium Term Expenditure Framework 2002/03 – 2004/05. Expenditure growth is expected to hover around 6.6 percent on average for the 2002/03 – 2005/06 period whereas as a percentage of GDP, it is projected to remain on average at 31.6 percent. There may therefore still be a need to engage in further expenditure restraint and measures to keep total expenditure within the manageable limit.

These measures could involve wage restraint through moderation in new hiring and the restructuring of the State Owned Enterprises (SOE's). In this regard, the establishment of Central Governance Agency, which aims to ensure better management and operational efficiency in the SOE's is a step in the right direction.

Debt service payments as percentage of GDP increased from 2.1 percent in 2001/02 to 2.7 percent in 2002/03 due to repayments of medium term bonds (GC 02). However, debt service payments as percentage of GDP are projected to decline substantially in the short-term (2.2 percent in 2003/04) before increasing again to the same level in the medium term due to repayment of the bond (GC 05) and as repayment of principals on foreign loans is

Table 7.4 Financial Operation of Central Government (N\$ Million)

	2002/03 Revised	2003/04 Estimate	2004/05 Forecast
Total Revenue	10 256.3	11 163.6	11 789.8
SACU Receipts	2 597.1	3 035.7	3 096.4
Total Expenditure	11 477.3	12 256.7	13 183.4
Personnel	4 738.3	5 136.4	5 746.7
As percentage of GDP			
Total Revenue	31.9	30.4	28.3
SACU Receipts	8.1	8.3	7.4
Total Expenditure	35.8	33.4	31.6
Personnel	14.8	14.0	13.8
Budget Deficit	-3.8	-3.0	-3.4
Debt	26.4	26.7	27.1
Nominal GDP	32 116.0	36 688.0	41 702.0

Source: MoF

commencing. These increases are especially justified in the current environment of high interest rates and the volatile exchange rate.

7.5.3 Deficit

Namibia's budget deficit is projected to be around 3.0 percent of GDP in 2003/04, down from a revised 3.8 percent of GDP in 2002/03. The reduction in the fiscal deficit is mainly due to a faster decline in the total expenditure relative to the slowdown in revenue. The fiscal deficit is projected to be 3.4 percent of GDP in 2004/05.

7.5.4 Debt

Government debt is revised at 26.4 percent of GDP in 2002/03, and it is projected to increase to around 26.7 and 27.1 percent of GDP by 2003/04 and 2004/05 respectively. This increase is due to the projected average budget deficit of around 3.2 percent of GDP over the forecasts period. The debt to GDP ratio remains still above the recommended limit of 25 percent contained in the MTEF.

7.6 CONCLUSION

The economic growth is projected to recover significantly to slightly above 4 percent in 2003, which

is mainly attributed to the increased zinc output. The forecast growth may further be realised if there is a downward trend in inflation and interest rates as well as an improvement in commodity prices and favourable climatic conditions.

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

- The possibility that the world economic recovery could proceed at a pace which is currently slower than expected. As a result, the expected rise in commodity prices may not materialise fully.
- The possibility of a severe drought, which could have severe consequences for the agricultural sector, food imports and inflation.
- The expected volatility in the fuel price due to developments in the Middle East and a possible war against Iraq, could pose a further inflationary risk to the local economy.

PART B

BANKING SUPERVISION

8. REPORT ON BANKING SUPERVISION

In order to ensure and sustain the stability and soundness of the banking system, the Bank exercised its supervisory banking responsibility during 2002 in accordance with the Banking Institutions Act of 1998. To achieve this objective and responsibility, the Bank undertook the usual ongoing surveillance and examinations of banking institutions and by keeping track of developments in the banking sector. The Bank endeavors to discharge its functions and responsibilities in a manner that is both transparent and in line with best international banking supervisory standards and practices.

The Bank continued to strengthen and consolidate its supervisory functions by updating and reviewing the banking legislation and ensuring that the status of the legislation is such that it conforms to international banking and prudential standards. In general, there have been no major changes in the structure of the banking system except that the restructuring and merging of the operations of the City Savings and Investment Bank (CSIB) and SWA Building Society (Swabou) resulted in the consolidation of the operations of the two institutions into a new banking institution, Swabou Bank Ltd.

During the year, a number of on-site examinations were carried out to determine the financial conditions and performance of each banking institution and to determine the compliance of each banking institution with banking laws and laid down policies and procedures. On the basis of these examinations, it was established that the banks have generally conducted their banking business in a satisfactory manner and, that the incidents of non-compliance with the banking laws were not of material concern.

The performance of the banking industry during the year was satisfactory, with a total assets growth of 28.6 percent to N\$17.8 billion as at the year-end 2002. This asset growth and other trends should be viewed within the context of the merging of CSIB and Swabou operations that took place during the year under review. The profitability of the banking industry continued to show improvements during the year, with after tax earnings increasing by 45.7 percent to N\$512.7 million compared to an increase of 6.1 percent during the previous year. The capital ratio of the banking sector remained relatively adequate, with an average risk weighted capital adequacy ratio of 16.1 percent during the year under review.

8.1 INDUSTRY AND REGULATORY DEVELOPMENTS

The number of banking institutions remained unchanged with five banks. The identities of the players in the banking industry have however, changed slightly as a result of the restructuring and merging of CSIB operations with those of the Swabou Building Society. The effect of the merger was that the financial sector no longer had a building society. As a result of the merger and other developments within the industry, the number of branches and agencies in the banking industry increased to 137 compared to 122 during the previous year.

During the year under review, the Bank continued the process of amending several determinations that were issued in terms of the Banking Institutions Act of 1998. So far, four determinations were identified for amendment, namely: the Determinations on Capital Adequacy (BID-5), the Determinations on Large Exposures to a Single Person or Group of Related Persons (BID-4), the Determinations on Asset Classification, Suspension of Interest and Asset Provisioning (BID-2) and the Determinations on Minimum Liquid Assets (BID-6). As a result of the amendment process, the following three additional determinations were proposed: the determinations on limits on inter-bank placement, the determinations on foreign currency exposure limits and the determinations limits on loans to connected borrowers. Further amendments were also proposed to the Banking Institutions Act of 1998.

Amendment to the Determinations

The work on the determinations included; a new standard format for all determinations issued or to be

issued; definitions and clarifications; and amendments of a substantive nature. The proposed amendments to BID-4 will give rise to four different determinations, i.e. Determinations of Limits on Exposures to Single Borrowers (BID-4); Determinations on Limits on Inter-Bank Placements (BID-15); Determinations on Limits on Loans to Connected Borrowers (BID-16); and Determinations on Foreign Currency Exposure Limits (BID-17).

The issues addressed by these determinations were all previously incorporated in BID-4, until the need to enhance clarity and promote compliance became evident. Notably, all four determinations referred to above share a common purpose, that is, to minimize the potential risk of loss to a bank's capital funds.

Asset Classification, Suspension of Interest and Provisioning (BID-2)

In BID-2, some alterations are proposed to the existing requirements and new insertions are also being introduced. For instance, alterations are proposed to reduce the minimum period of classifying an asset as non-performing (i.e. changed from 180 days to 90 days). Two new asset classification categories, namely, Pass and Special Mention are proposed in addition to the existing Substandard, Doubtful and Loss.

Moreover, Specific Provisioning amounts were also affected by the changes, whereby; the provisioning requirement for a substandard category is now set at 10 percent as opposed to a 0 percent previously. In the case of General Provisioning, it is proposed that a general provision of 1 percent on Pass and 2 percent on Special Mention categories should be applied. All the proposed changes are in line with international best practices as formulated by the Basel Committee on Banking Supervision and adopted by most countries worldwide.

Limits on Exposures to Single Borrowers (BID-4)

The main changes incorporated in the draft proposal to amend BID-4 aim to: relieve the Bank from the responsibility of participating in lending decisions of the banks by granting approvals to exceed the single borrower limits. This determination also sets strict

conditions under which the Bank would give exceptional approval. The new BID-4 also sets criteria for classifying an exposure as non-conforming (i.e., non-compliance with lending limits).

Capital Adequacy (BID-5)

With regards to BID-5, some of the new insertions introduced in the amended version include the Capital Categories. It was proposed that banks would be grouped in 5 categories (i.e. well capitalized, adequately capitalised, undercapitalised, significantly undercapitalised, and critically undercapitalised) according to their capital adequacy levels. Increased minimum capital ratios are other changes to be observed within the proposed BID-5. Accordingly, three ratios would be used to measure capital adequacy and they are; Leverage capital, Tier 1 risk-based capital, and Total risk-based capital with the required minimums of 6 percent, 8 percent and 12 percent, respectively.

Limits on Inter-bank Placement (BID-15)

Currently, the issues pertaining to Inter-bank exposures are addressed in the existing BID-4. In order to expand the scope of contagion risk limit coverage however, it was resolved that a separate determination be issued to ensure that prudent limits would be specifically set for Inter-bank exposures. The purpose of this determination is to limit the potential for contagion risk posed when a bank fails or is otherwise unable to repay its obligations to other banks in a timely manner.

Limits on Loans to Connected Borrowers (BID-16)

This determination is being issued (for the first time) under Section 36 of the Banking Institutions Act. The purpose of the determination is to prevent persons who are in policy making positions in banks and their associates from borrowing, individually and in the aggregate, an excessive amount relative to the bank's capital funds, and also to ensure that all exposures of a bank to its connected borrowers are on substantially the same terms and conditions as exposures to non-connected borrowers.

Foreign Currency Exposure Limits (BID-17)

The proposed BID-17 is intended to ensure that the potential risk of loss to the capital funds of a bank, in respect of foreign exchange transactions, is within prudential limits, to promote maximum availability of foreign exchange at competitive rates, and to allow banks to conduct business in a profitable but prudent manner.

Amendment to the Banking Institutions Act, 1998

Further proposals were put forward to amend the Banking Institutions Act of 1998. These proposals were intended to provide greater operational effectiveness of the Bank regarding banking supervision; to empower the Bank to assess monetary penalties, to facilitate transactions such as bank mergers; to permit operations such as foreign bank branches; and to provide for incidental matters. Other amendments were introduced to provide clarity to certain expressions and provisions. As a standard procedure, the Bank drafts the amendments to the Act for submission to the parliament where they are tabled and approved for implementation.

The Bank is considering the merits of introducing a deposit insurance scheme in Namibia as a way of promoting the stability of the banking sector.

8.2 ON-SITE EXAMINATION ACTIVITIES

A number of on-site examinations were undertaken during the year under review. These examinations were conducted in terms of the policy document issued during 2001, and constituted full-scope examinations. The examinations were designed to provide supervisory assurance regarding the financial condition and soundness of the institutions, which were examined. The full scope examinations mainly focused on the assessment of prudent practices employed by the bank management in regard to capital, asset quality, management, earnings, liquidity and compliance with statutory requirements. The examinations undertaken during the year highlighted the importance of monitoring compliance to prudential requirements and risk management policies and procedures. Shortcomings identified during the

examinations, were reported to the particular bank management, to facilitate timely remedial action. Generally, the attitudes of the bank managements to review comments were positive and co-operative. As a result of the on-site examinations, it was confirmed that the performance of the examined institutions was generally satisfactory.

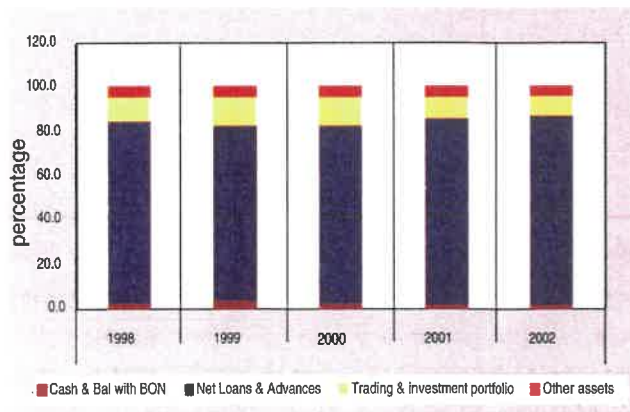
During the year under review, a number of investigations were conducted in respect of the operation of pyramid schemes, together with some micro-lenders who were advertising and soliciting for deposits from the public through newspaper advertisements.

8.3 PERFORMANCE OF BANKING SECTOR

8.3.1 Asset Growth

The total assets of the banking sector rose by 28.6 percent, to stand at N\$17.8 billion at the end of 2002. This growth, which mainly came as the result of the merger between the former City Savings and Investment Bank (CSIB) and SWA Building Society, was higher than the growth in 2001 and 2000 of 11.9 percent and 20.0 percent respectively. Significant growth was reflected in net loans and advances (24.9 percent to N\$14.3 billion) and in trading and investment securities (37.8 percent to N\$1.6 billion) during the period under review.

Chart 8.1 Composition of commercial bank's assets



According to the above chart, no significant shift has been recorded in the composition of total assets. Net loans and advances at 84.4 percent remained the major component of total assets followed by trading and investment at 9.4 percent. Cash, balances with the Bank of Namibia and other assets accounted for the remaining 6.2 percent of the total assets.

8.3.2 Funding Structure

Total funding (excluding capital funds) of the industry stood at N\$14.9 billion at the end of 2002 compared to N\$11.7 billion a year ago. This represents a growth of 27.3 percent. Total deposits from non-bank customers went up by 28.1 percent during the course of 2002 to stand at N\$12.6 billion. This increase resulted from a 61.8 percent rise in fixed and notice deposit balances, 12.3 percent in demand deposits and 147.3% in negotiable certificates of deposits. The increase in the general price level (inflation) led to a slow growth in personal savings. As a result, savings deposits increased by 3.8 percent compared to 5.9 percent increase in 2001. Inter-bank funding increased to N\$1.5 billion by 31 December 2002 from N\$929.1 million a year previously, representing a substantial increase of 56.8 percent.

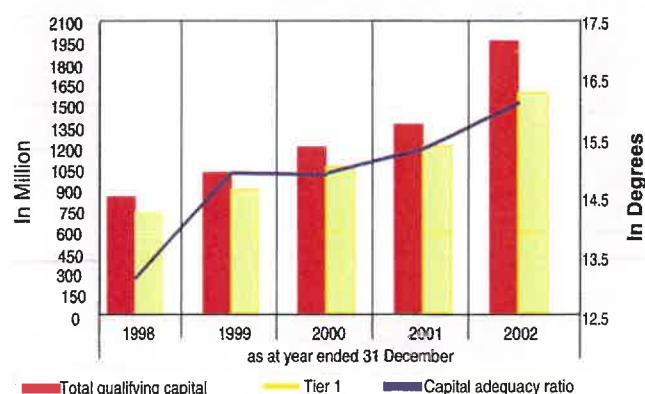
Non-bank deposits accounted for approximately 71.3 percent of the total funding followed by the owner's capital and reserves and interbank funding both at 8.2 percent and foreign funding at 4.8 percent. The remaining 7.5 percent was shared between borrowings and other liabilities. Compared to the percentage share of 71.6 percent for non-bank deposits for the preceding year, non-banking funding remained the main funding source during the period under review.

8.3.3 Capital Adequacy

The year 2002 brought a strengthening of the overall capital position of the banking industry. The capital base of the commercial banks (after adjusting for regulatory deductions) rose by N\$ 433.7 million (28.6 percent) to N\$1.9 billion. This increase was greater than the growths recorded during the two preceding years. It was chiefly made possible by the appropriation to capital of N\$225.4 million in net

earnings for 2002. Furthermore, qualifying capital increased on consolidation following the merger between CSIB and Swabou in April 2002. At the year-end, the capital funds employed at the commercial banks (unadjusted for regulatory deductions) in relation to total assets remained level at 10.9 percent as in the previous year. Nevertheless, the average risk-based capital ratio went up by 60 basis points, to stand at 16.1 percent due to lower growth in risk-weighted assets. All five commercial banks, reported ratios well above the statutory requirement of 8.0 percent (see chart 8.2).

Chart 8.2 Capital Adequacies



8.3.4 Credit Risk

8.3.4.1 Gross loans and advances

On aggregate, gross loans and advances grew by 31.3 percent to N\$15.5 billion during the current year. This growth was mainly driven by a 63.6 percent increase in mortgage loans to N\$5.8 billion, 17.9 percent in instalment loans to N\$2.5 billion, 8.0 percent in foreign loans to N\$768.3 million, and a 20.5 percent in fixed term loans to N\$1.8 billion.

The composition of the industry's loan portfolio remained fairly stable as during the preceding year, mortgages at 37 percent were still dominating followed by overdrafts and inter-bank loans at 19 percent and 16 percent respectively. The composition of gross loans and advances between the two previous years is reflected in the two pie charts below.

Chart 8.4(a) Composition of loans and advances as at 31 Dec 2002

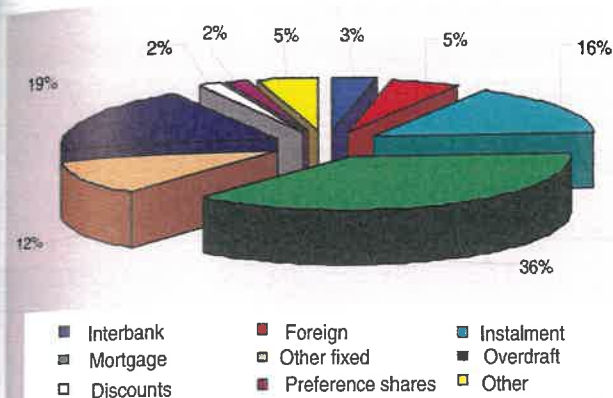
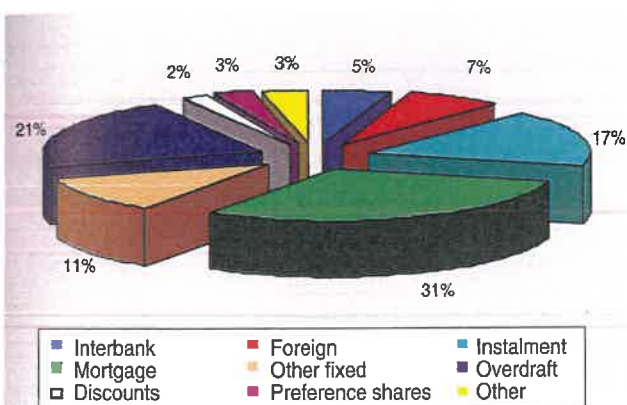


Chart 8.4(b) Composition of loans and advances as at 31 Dec 2001



loans declined by 17.4 percent, this does not represent an improvement in NPLs given the percentage increase of bad loans.

Categories of loans mostly classified as bad or doubtful were overdrafts and instalment sales loans. In the former category, classified loans constituted 6.2 percent of the total overdraft claims, while in the latter category the corresponding proportion was 3.9 percent of the total instalment sales loans. The increase in the lending rates experienced during the year negatively affected the asset quality.

8.3.4.3 Specific provisions

The 46.2 percent increase in loans which were classified as bad alluded to above, requires specific provisions equivalent to the entire outstanding balance not covered by eligible collateral. Specific provision for bad and doubtful debts surged by 6.5 percent to N\$158.3 million in response to the increase in total non-performing loans.

The credit risk exposure arising from the total non-performing loans of the banks was fully absorbed by the collateral taken (which on average covered half of all the classified loans and advances), and by the specific provisions made.

8.3.4.4 Large Exposures

Large exposures to a single borrower or group of related borrowers equal to or greater than 10 percent of the capital funds of every banking institution in the industry, increased from N\$2.6 billion in 2001 to N\$2.7 billion during the current year. Last year, large exposures decreased by 2.3 by percent.

Total large exposures accounted for 17.2 percent of gross loans and advances compared to 22.5 percent a year previously. This ratio was reduced significantly when compared to 24.7 percent in 2001, 33.4 per cent in 1999 and 39.5 percent in 1998.

8.3.4.2 Non-performing loans (NPLs)²⁷

Total non-performing loans of the commercial banks amounted to N\$470.6 million compared to N\$406.3 million reported during the previous year, representing an increase of 15.8 percent. This reversed the declining trend experienced during the past three consecutive years. NPLs as a percentage of total loans and advances declined by 41 basis points to 3.0 percent. The declination in this ratio is attributed to the fact that total loans and advances grew at a much faster rate of 31.3 percent than the NPLs.

Loans classified as bad or poor risk loans increased by 46.2 percent to N\$264.6 million, representing a deterioration in the loan quality. Although doubtful

²⁷ Non-performing loans or classified loans refer to loans that have been overdue for 6 months or more (revise).

8.3.5 Liquidity

Commercial banks continued maintaining relatively liquid balance sheets, with the total liquid assets held, amounting to N\$1.7 million (or 10.9 percent of the average total liabilities to the public). This represents an increase of 14.3 percent since the preceding year. All the banks complied with the minimum liquid assets requirement.

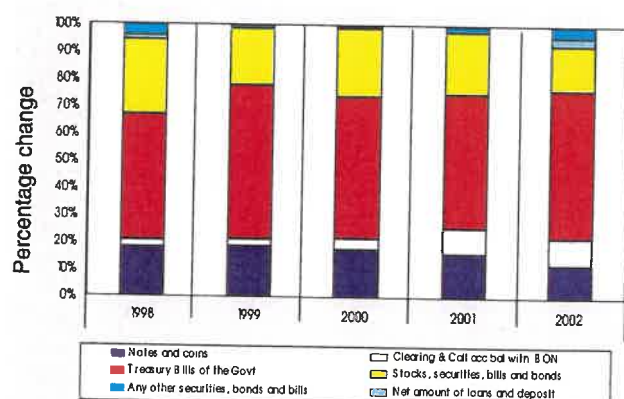
Loan volume still remains high relative to core non-banking deposits, presently at 122.4 percent (117.2 percent in 2001 and 101.4 percent in 2000).

Table 8.1 Liquidity ratios

	1999	2000	2001	2002
Liquid assets ratio (%)	14.5	912.0	11.8	10.9
Loans: deposit ratio (%)	97.1	101.4	117.2	122.4

Though somewhat decreasing, treasury bills constituted the biggest share of the total liquid assets held by banks at the end of the period under review. The component consisting of stocks, securities and bonds has been decreasing, while inter-bank placements and other securities have been increasing proportionally.

Chart 8.5 Composition of liquid assets



8.3.6 Profitability and Earnings

The profitability of the banking industry continued to show satisfactory improvements, with net interest income increasing substantially by 23.9 percent to

stand at N\$853.0 million. This improvement was brought about by the increase in the volume of interest earning assets (loans) and the increase in interest rate. Other operating income, mainly fee and commission income grew by 31.1 percent to N\$762.5 million also contributed to the improved profitability position of the commercial banks.

Operating expenses amounted to N\$792.9 million compared to N\$642.8 million during the previous year. This represented an increase of 23.3 percent compared to an increase of 25.3 percent in operating income. On a down side the year also saw an increase of 38.4 percent in provision charges to N\$78.9 million compared to a decrease of 45.9 percent in 2001.

After tax income increased by 45.7 percent to N\$512.7 million mainly due to the positive developments already alluded to (i.e. the increases in net interest income and non-interest income).

The high earnings growth reported by the commercial banks led to the improvement in all the average ratios of operating efficiency, with return on equity (ROE) up by 5 percentage points to 34.4 percent, and a return on assets (ROA) up by 50 basis point to 3.0 percent. The average efficiency (cost/income ratio) declined 1.5 percentage points to 49.1 percent. The efficiency ratio is internationally benchmarked at 60 percent, with ratios below those regarded as being efficient.

Box E MONEY LAUNDERING

Money Laundering is the process by which large amounts of illegally obtained money (from drug trafficking, terrorist activity or other serious crimes) is given the appearance of having originated from a legitimate source. It is usually done through the conversion or transfer of money derived from such serious crimes. Through this process, the illegal origin of criminal proceeds is disguised or concealed. As long as that is successfully done, the criminals continue their illegal activities and continue enjoying the profits from their criminal operations. It is due to this fact that any person who assists in this process is also usually guilty of the same offense.

The Bank suggests that banking institutions can do a great deal to help the Government in its anti-money laundering efforts. During the year 2002, the Bank issued Circular-BIA 2/02 on Money Laundering, which complements the Determinations on Money Laundering and "Know Your Customer Policy" (BID-3). In the circular, the boards of directors and management of banking institutions are reminded of their responsibility to establish appropriate policies and procedures and train staff to assure adequate identification of customers, and their source of funds. They are also required to ensure that a Suspicious Activities or Transactions Report (SATR) is submitted to the Bank, within five business days, if they become aware of any suspicious transaction involving N\$50 000 or more. Banking institutions need to comply with the above requirements to play their role in combating money laundering and related criminal activities.

Therefore, the Bank, wishes to emphasize that it remains wholly the responsibility of the each board and management to ensure that their banking institutions are not targeted for use by money launderers. Banking institutions are urged to remain cautious about whom they are dealing with. An introduction of "Know Your Customer Policy" and its implementation by banking institutions is surely the most effective weapon against being unwittingly used to launder money. Knowing their customers including depositors and other users of bank services; requiring appropriate identification during the opening of new accounts; and being alert to unusual or suspicious transactions, can help the banking institutions to deter and detect money-laundering schemes. Banking institutions are discouraged not to enter into business contracts with customers that they find not to be trustworthy or honest. There are, however, additional costs that banking institutions should be prepared to incur in the process, for example, costs relating to the introduction of new computer systems for record keeping and those relating to training of employees on how to detect possible money laundering. As a result, administration and personnel costs could mount.

The Bank takes note of the fact that there is no proper legislation on Money Laundering in Namibia. Alternatively, the Bank has made efforts in liaising with the Government to work out a temporary solution of dealing with money launderers, pending the legislation. A committee was recently established between the Bank and other stakeholders, namely, the Ministries of Finance, Trade and Industry, Home Affairs and the Ministry of Justice where upon all information would be submitted for the respective party to then deal with money launderers in accordance with its own legislation. Meanwhile, government bills on money laundering i.e. Financial Intelligence Centre Bill, Prevention of Crime Bill and Drugs Control Bill have been drafted and will hopefully soon be passed in parliament. This bill will serve as a mandate on which the regulatory authorities and other law enforcement agencies in Namibia will charge money launderers.

Finally, the Bank acknowledges all efforts made or that are still being made by some banking institutions to inform and educate their customers and potential customers about the impact of money laundering.

PART C

OPERATIONS AND AFFAIRS OF THE BANK

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

9. FINANCIAL MARKET DEVELOPMENTS

9.1 RESERVE MANAGEMENT

The prime focus of reserve management activity within the Bank of Namibia in 2002 was on the investigation and exploration of ways and means of maximizing returns while managing the risk optimally within the constraints of the current investment policy framework. For this reason, the year 2002 saw intensive research and consultations with experts in central bank reserve management culminating in a suggestion of a multidimensional approach to achieving our objectives; namely:

- Increasing the asset universe in which the official reserves are invested;
- Employing reserve tranching to maximize returns from excess liquidity;
- Improving debt management to reduce the adverse impact of debt management on reserves; and
- Exploring the multi-manager approach to reserve asset management outsourcing in addition to the traditional discretionary asset management approach.

Results of these consultations are envisaged to ensure an improved process of foreign exchange reserve management in the Bank from 2003.

In the period from December 2001 to December 2002, total foreign exchange reserves decreased from N\$2.7 billion to N\$2.3 billion representing a decline of 15 percent. The decline in reserves in Namibia Dollar terms can partly be attributed to substantial commercial bank outflows to South Africa and the Namibia Dollar appreciation versus currencies in the portfolio. For example, one US Dollar was worth 11.9610 Rand in December 2001 compared to 8.5702 in December 2002.

Within the same period, total reserves in US Dollar terms have increased by 14.30 percent to \$256 million. This increase is attributed to a number of factors

including the depreciation of the US Dollar relative to other major currencies in the Bank of Namibia's reserve portfolio, the inflows of the Euro, and the sale of excessive Rand for other currencies, interest income and capital gains.

9.2 MANAGEMENT OF PUBLIC DEBT

9.2.1 GC02²⁸ Switching and Redemption

One of the key activities in Government debt management during 2002 was the preparation for the redemption of GC02 on 15 April 2002. This activity consisted of three major components: namely, switching GC02 into GC05 and GC10; the conversion of GC02 upon its maturity into newly created GC07 and GC15 maturing in 2007 and 2015, respectively; and the cash repayment of the remaining GC02 on the 15 April 2002. The switching and conversion activities were instrumental in reducing the amount of debt outstanding in GC02, minimizing the cash repayment at redemption and preventing an adverse cash flow impact on the State Account. Moreover, this exercise reduced the rollover risk of GC02. As a result of this process, the number of IRS in issue increased from three to four stocks covering a wide range of maturity spectrum i.e., 2005, 2007, 2010 and 2015. In addition, the Government, the Bank of Namibia and market participants acquired new skills of handling switches or conversions, rollovers and redemptions.

9.2.2 Foreign Debt Hedging

As an adviser to the Government, the Bank of Namibia continued providing advice on various areas including foreign debt management. In the course of 2002, the Bank highlighted to Government risks of debt exposure to interest and foreign exchange rate fluctuations. It also recommended debt hedging to reduce the possible adverse impact of such risks. In response, the Government undertook to explore hedging debt that is exposed to the identified risks. In addition, a steering committee consisting of the Bank

²⁸ GC02 is a name for the Government Bond or Internal Registered Stock (IRS). This name consists of two parts. First, GC, which refers to Government of the Republic of Namibia's semi-annual coupon the Bond or IRS. Second, the last two numbers refer to the year of maturity i.e. 02 represents 2002. The same principal applies to GC05, GC07, etc

of Namibia and Ministry of Finance officials has been instituted to make the necessary arrangements and spearhead the process of debt hedging.

9.2.3 Book Entry System (BES)

The implementation of the first phase of the book entry system (BES) in 2001 entailed voluntary investment in script-less Treasury Bills. The year 2002 saw a sharp increase in participation in the BES with all major participants such as institutional investors, commercial banks, other banking institutions, stockbrokers, parastatals, etc, subscribing to the system. This resulted in a drastic reduction in physical Treasury Bills printed. Towards the end of 2002, there was hardly any physical bill printed. In the meantime, the Bank of Namibia accelerated measures to prepare the BES for the second phase, which entails the introduction of the script-less issue of the Government of the Republic of Namibia's Internal Registered Stock (IRS). A number of activities in this regard have been completed and the remainder is expected to be completed in 2003.

The State Finance Act of 1991, which governs the issue of Government debt securities, explicitly implies that IRS (the Bonds) shall be issued in registered paper certificates. For that reason, IRS will only be put on the book-entry system upon the amendment of the State Finance Act of 1991. A bulk of work has been done on amending the Act and the bill is expected to be enacted during 2003. This would make the script-less issue of Government debt securities (both IRS and Treasury bills) legal and mandatory.

9.2.4 The Bond Market Development: Price Indicative Web Page

While there is a number of secondary market trading in the market for Government of the Republic of Namibia's IRS, market information such as prevailing or indicative market yields or prices, volumes and values traded continued to be unavailable to the rest of the market. In a bid to address this shortcoming, the Bank of Namibia, in consultation with major market players, planned to introduce a Price Indicative Web Page in 2002. On this web page, market participants will be able to display and share trading or indicative market information with the rest of the market. The

introduction of this forum was delayed as the Bank has yet to bring the Bank of Namibia's Internet management in-house. It is, however, anticipated that the inter-active web page would be introduced to the market in 2003.

9.2.5 Improved Booklet on Investing in Government Securities

As part of an on-going public awareness and market education campaign, the Bank of Namibia continued its efforts of providing information to the general public and prospective investors. This took place through the publication of a new booklet, which is an expansion and improvement on the previously printed brochure on "Investing in Government Securities". The booklet contains improved examples, new information on conventions of Government debt securities market, and the introduction of the book entry system concept.

9.3 DEVELOPMENTS IN THE NAMIBIAN PAYMENT SYSTEM

The year 2002 saw the first results of the payment system reforms that are being undertaken by the Bank of Namibia and banking institutions. The launching of the Namibian Inter-bank Settlement System (NISS) on June 10 marked the real visible results of the reform efforts embarked upon three and half years ago. The NISS, a real time gross settlement system, is implemented with the intention of reducing the time taken to settle inter-bank funds transfers and bringing it in line with international practices. The NISS has achieved these objectives.

Configured in a way that enables banking institutions to select settlement sequences or windows, a banking institution may wish to have some settlement instructions settled early in a day. Having made this decision, they simply choose the appropriate settlement window for specific funds settlement instructions to be settled and depending on the availability of funds in the settlement account at the time, the instruction will be settled accordingly.

As it is the case with all real time gross settlement systems, settlement in the NISS is done on real time basis and this requires large volumes of liquidity in

order for settlements to take place uninterrupted throughout the day. In this respect, the Bank will make funds available to banking institutions in return for some assets being offered as collateral to the value of the required amount in order to cater for banking institutions' intra-day liquidity needs.

While having the NISS implemented is a great achievement in itself, the payment system reforms are far from being complete. As a next step in the reform process, the banking industry is presently engaged in

finding and implementing a suitable clearing system for the country and thereby enabling Namibia to achieve same day settlement.

10. GENERAL OPERATIONS AND AFFAIRS OF THE BANK

10.1 BOARD ACTIVITIES

The Board met four times during the year under review. The Board was briefed on economic and financial sector developments, the Bank of Namibia's internal financial performance, its foreign reserves, and supervisory issues relating to the banking sector and the building society²⁹. The Board gave special attention to internal matters including the budget presentation, and personnel matters.

The Board's Audit Committee³⁰ met four times during 2002. The purpose of these meetings was to discuss the external auditors' management report for the year ended December 2001, the Internal Audit Plan, reports submitted by some Departments. The Committee also discussed the Audit Planning Memorandum for the year ending 31 December 2002 and the Bank of Namibia's Budget for 2003.

The Board's Remuneration Committee³¹, which oversees and co-ordinates the remuneration of Bank of Namibia personnel, met twice. The Committee deliberated on the salary and benefits policy for 2003 to ensure that the Bank of Namibia remunerated its staff and management fairly and equitably.

10.2 REORGANISATION WITHIN THE BANK

The Bank subscribes to the notion of becoming the "Centre of Excellence" and therefore strives to improve its effectiveness and efficiency as an institution, among others through constant revision of its operational activities. Such revisions lead to the reorganisation and rationalisation of some functions within the bank during the course of the year 2002.

The areas mainly affected by the restructuring were the Corporate Services and Banking Services Departments, as well as the Governor's Office. The Protection Services Division was transferred from Corporate Services to the Banking Services

Department, while the Finance Division was moved to the Corporate Services Department. A new function of Corporate Communications was created in the Governor's Office.

The consolidation of the Protection Services and the Currency and Banking Services Divisions into one Department would enhance the protection of the currency. Similarly, the creation of the Communications Division will help sensitize the Namibian public about the Bank of Namibia as a national institution, whose contribution towards the national economic development should also positively affect the living standards of their communities

During 2002, the Bank also saw the appointment of Mr. P. Hartmann as a new Deputy Governor for the Bank of Namibia, having replaced Mr. L. Ipangelwa, who has been the Deputy Governor from 01 January 1997 to July 2002.

10.3 STAFF ISSUES

Unlike during the previous year when the number of staff at the Bank fell slightly, the year 2002 witnessed a moderate increase in the level of staff. As of December 2002 the number of staff members stood at 267 compared with 232 at the end of the preceding year. The increase has been necessitated by the need to create sufficient capacity to respond to change in the financial sector. The establishment of the Oshakati branch has particularly contributed to the rise in the staff level.

The Bank of Namibia made significant progress in capacity building during the course of 2002. Various activities were undertaken to build human capital and social capital Bank-wide for performance excellence.

The process of career management in the Bank has been completed, and currently the results are used as input in promotion and succession planning. The

²⁹ The Building Society ceased to exist when it merged with City Savings and Investment Bank in April 2002 to form the new SWABOU bank.

³⁰ Members of this Committee are Mr F.G. Kisting, Mr R Ritter and Ms L Shapwa.

³¹ Members of this Committee are Ms T Itenge-Emvula, Dr O Herrigel and Mr R Ritter.

process of career management is integrated in the overall business intelligence framework of the Bank with the view to measure and manage the gaps between job profiles and the personality profiles of employees. These profiles are used for assessing training needs and job placement.

Performance management is a key area to determine the Bank's success to carry out its mandate. The computerized performance management system introduced in 2000 is used to manage employee performance. During 2002, the Governor signed the Performance Management policy, and performance management procedures and competencies were standardized for the whole Bank. The standardization is in accord with national and international best practices. The standardization and expansion of the performance management system to cover Departments and the Bank as a whole will be implemented during 2003.

Both management development and leadership development feature prominently as strategic priorities for capacity building. Two members of the management cadre of the Bank were involved in capacity building as leaders. Their training program aimed at equipping them with the skills to cope with leadership challenges in their respective departments and the Bank as a whole.

Staff development received a high priority over the past year. A total of 66 courses registered a total of 217 attendances. Of the 66 courses, 65 percent were technical training, 32 percent were soft skills training and 3 percent were managerial skills training. These courses were attended locally and internationally with institutions such as IMF, the Macroeconomic and Financial Management Institute (MEFMI), the South African Reserve Bank and other regional and international bodies. As part of the staff development strategy, the Bank sponsored courses of several employees who enrolled for post-graduate and other professional training.

10.4 ORGANISATIONAL CULTURE AND SHARED VISION

In 1997 the Bank introduced the "Culture Change Project" aimed at improving organisational effectiveness. During 2002, quarterly "culture change" days as well as the annual culture festival were held with the view to build and reinforce a high context culture of openness, team-building and effective interpersonal communication. Vision building activities were initiated, and the "eagle way" ("omuanu uo nguvi") was launched during July 2002 with the view to mobilize Bank-staff to live and enact the values of the Corporate Charter of the Bank.

The process of vision building will extend into 2003, and high priority is given to mobilize the Bank-staff towards the values of the Corporate Charter, and the Bank's mission to be a centre of excellence. Supervisors, managers and senior managers will spearhead the vision building activities for their departments and divisions by means of:

- Building morale and trust among the employees;
- Building employee capacity through the activity of coaching;
- Unpacking and fulfilling their business plans.

On a quarterly basis, supervisors, managers and senior managers will promote the following values with their employees in a give-and-take interaction for performance excellence: openness, transparency, impartiality, caring, consistency, service excellence, teamwork and integrity. At the end of 2003, a climate audit will be done Bank-wide with the view to determine to success of vision building in the Bank.

10.5 AFFIRMATIVE ACTION

Towards the end of the year, the Bank submitted a further Affirmative Action report for the year 2002. Subsequently, a compliance certificate was issued by the Employment Equity Commission in recognition of the Bank's efforts to comply with the provisions of the Act.

The Bank also continued with its efforts to increase the number of women and people with disabilities within the Bank. These efforts started to bear fruits as the percentage of women in middle management stood at 24 percent at the end of 2002 compared to 12 percent during the previous year. The number of people with disabilities within the Bank also increased from 0.8 percent to 1.6 percent during the same period.

10.6 SOCIAL RESPONSIBILITY

The Bank is cognizant of the fact that besides carrying out its core functions, being a corporate citizen entails reaching out and shouldering extra responsibilities in the process of nation building. During 2002, the Bank was engaged in activities aimed at fulfilling some social responsibilities.

There is an ongoing bursary programme that makes provision for the sponsoring of students to further their studies mainly in the areas of commerce and information technology (IT). In 2002, some students again benefited from such a provision. Apart from the bursary programme, the Bank recognised the need to build capacity in human resources by awarding the best final year Commerce student at the tertiary institutions in Namibia. This was done to motivate and encourage economics students to value hard work and to develop a passion for study.

The history of disparity that existed in the Namibian education system before political independence condemned some schools to an extremely disadvantaged position as far as educational facilities were concerned. It is against this backdrop that the Bank found it befitting to donate computers for educational purposes to various schools throughout the country.

10.7 EVENTS HOSTED BY THE BANK

Bank of Namibia Annual Symposium

In line with its vision, the Bank once again hosted what has become a customary event and is known as the "Bank of Namibia Annual Symposium". This was borne out of the need to engage stakeholders and to share

contemporary issues and research work in the area of economics, banking and finance. The theme of the 2002 symposium was "Raising Investment and Growth in Namibia". National and international experts presented papers at the occasion. A number of issues transpired from the papers and elaborations, which will be used to inform the research agenda of the Research Department of the Bank in 2003. These include among others a better understanding of the micro-finance industry in Namibia and the savings structure of the Namibian economy. Gauging from the response received from the participants, the event was very successful.

Governor's annual address

The Governor's annual address has also become a very important event on the calendar of the Bank of Namibia. This year the governor addressed the public on the "Challenges Facing Namibia's Current Exchange Rate System". The Governor emphasized that while the current exchange rate arrangement posed a number of challenges for macroeconomic management, it remained the most suitable arrangement for Namibia.

Oshakati Branch official opening

His Excellency, President Sam Nujoma on 15 July 2002, formally declared the Oshakati branch of the Bank of Namibia open. Unlike commercial banks, the central bank is mainly a banker to the Government and commercial banks. As a result, it does not engage in large scale branching like commercial banks. The opening of this branch however in the northern part of Namibia was necessitated by a number of factors.

One of the cardinal functions of the bank is to issue bank notes and coins. The role of the bank is not only confined to the issue of the currency. It must also ensure that the currency is adequately and timely distributed to facilitate transactions. By so doing, it enhances exchange and hence trade and development. It is expected that the branch will facilitate bulk deposits and withdrawals of banknotes and coins for the commercial bank branches located in the northern regions. The main function of the branch will be to recycle the currency circulating in the

northern regions by receiving and issuing currency to the northern commercial bank branches. It is expected that this will serve several purposes:

Firstly, it will ameliorate the problems commercial bank branches in the north currently face in shipping currency to and from their head offices in Windhoek. A recent study by the bank revealed that currency in circulation in the North was currently put at about 40 percent of the national total. Large amounts of currency are shipped to and from the north by commercial banks on a monthly basis, posing a high security risk for commercial banks. In addition, the envisaged provision of note sorting facilities to separate ATM from non-ATM fit notes which is currently undertaken in Windhoek will also considerably reduce currency movement from Windhoek to the North.

Secondly, Commercial banks may choose to reduce their currency holdings to lower levels and hold currency deposits at the new branch instead. It is envisaged that the stock of currency in the North will be reduced by close to 25 percent in view of security considerations and closeness of the new branch. The ability of commercial banks to economize on currency holdings will have a number of positive spin-offs for the development of alternative form of payments in the North. Currency holding is idle cash and does not yield any rate of return outside of the convenience of undertaking transactions.

Thirdly, it is expected that commercial banks will take advantage of the new branch to extend their retail outlets in the north. Much has been said about the poor representation of commercial banks in the North. At the moment, only about 11 percent of total commercial bank branches are located in the North. Although this neglect could be traced to historical factors, one other reason often advanced for the slow pace of development of banking activities in these regions is the issue of security. Commercial banks are wary of having to transfer notes and coins over long distances between head office and retail outlets. The pace of development of economic activities in these regions in the past couple of years could benefit further with the location of the new branch in the North as

commercial banks take advantage of this by opening new branches. As new branches are opened, rural savings will be mobilized and rural credit extended to boost economic activities.

Finally, the branch will render other services including the facilitation of government transactions such as the encashing of State Account cheques on which crossing have been cancelled, handling cash withdrawals for monthly social pension payments to pensioners in the North. It will also serve as a centre for the handling of large amounts of circulating Rand notes in the North due to the large volume of cross-border transactions between South Africa, Angola and Namibia.

Launching of book on financial system

During the course of the year, the Bank launched a book titled the Financial System in Namibia, written in commemoration of the tenth anniversary of the Bank. The purpose of the book was to present the public with an introduction to the history of money in Namibia, the activities of the major financial institutions in the economy and more importantly, the role of the Bank of Namibia. The project was undertaken in fulfillment of one of the corporate objectives of the Bank, that is, informing her clients, which includes the private sector, the government and the general public about the activities of the financial system. The book is the first comprehensive and authoritative work on the financial system in Namibia. Dignitaries at the launching included the honorable Minister for Finance, members of the Press and key players in the financial sector of the economy.

10.8 SEATING ON EXTERNAL BOARDS

In compliance with the IMF "Code of Good Practices on Transparency in Monetary and Financial Policies" the Bank discloses the names of the organisations on which the Governor and the Deputy Governor serve. The Governor serves as a Trustee of Rossing Foundation, while the Deputy Governor serves on the board of Namibia Financial Institutions Supervisory Authority.

10.9 INTERNAL GOVERNANCE PROCEDURES

The Bank's Internal Control Systems consist of internal governance procedures, which control operations both quantitatively (e.g., financial limits) and qualitatively (e.g., separation of duties); adequate accounting and information systems for accurate and timely reporting; and an internal audit review, conducted by a separate and independent division, which includes financial and operational audits.

Essential controls consist of a board of directors setting formal expenditure approval levels; the scope of internal audit, which covers financial and operational auditing and coordinates the process of bank-wide risk management. Regular audit committee meetings are held as part of fulfilling supervisory responsibilities for internal/external audit activities, financial reporting, risk management and corporate governance. The investment committee is responsible for treasury and reserve management operations and a strict separation of duties exists between the dealing

room (front office), back office and the accounting function. A transparent tender policy for the procurement of goods and services is in place

Physical security measures are in place to protect financial, human and information assets of the Bank. Secure communication facilities and computer operations with control over access by internal and external parties are in force. Established plans and regular testing of back up facilities are in place to guarantee system operation and prompt business resumption in the event of a catastrophe or serious disruption. The accounting function is assigned with the responsibility of administering the Bank's accounting policies and ensuring a accurate and timely recording of all transactions. There is a strategic planning process, which is linked to the annual budget planning cycle to control expenditures. Budget variance analyses are performed on a monthly and quarterly basis and a full year annual review is undertaken.

PART D

ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

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 2002**

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

Introduction

We have audited the annual financial statements of the Bank of Namibia set out on pages 86 to 95 for the year ended 31 December 2002. 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 disclosures 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 2002 and the results of its operations for the financial year then ended in accordance with generally accepted accounting practice in Namibia and in the manner required by the Bank of Namibia Act, No. 15 of 1997.

Deloitte + Touche

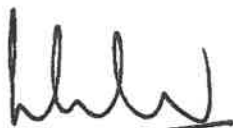
Deloitte & Touche
Chartered Accountants (Namibia)
WINDHOEK
26 February 2003

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. The system of internal control is designed to manage, rather than eliminate the risk of failure to achieve business objectives and can provide reasonable, not absolute, assurance against material misstatement or loss. 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.
3. The Board is satisfied that generally accepted accounting principles and standards, in line with the nature of central banking activity has 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 86 to 95 were approved by the Members of the Board of the Bank and are signed on its behalf by.



CHAIRMAN
26 February 2003




BOARD MEMBER
26 February 2003

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	<u>Notes</u>	<u>2002</u> N\$' 000	<u>2001</u> N\$' 000
Net interest received		88 930	101 683
Interest received		135 976	131 128
Interest paid		(47 046)	(29 445)
Net realised gain on portfolio investments		7 498	9 717
Other income		2 589	540
Total income		99 017	111 940
Operating expenses		(80 769)	(71 019)
Administration expenses		56 828	49 598
Currency expenses		4 812	2 703
Depreciation		8 560	7 702
Other operating costs		10 569	11 016
Net profit for the year before transfers to reserves	2	18 248	40 921
Transfers to reserves		(12 774)	(19 921)
General reserve	7	7 465	10 230
Building reserve	9	-	-
Development fund reserve	10	5 309	9 691
Distribution to State Revenue Fund		5 474	21 000

BALANCE SHEET AS AT 31 DECEMBER 2002

	Notes	2002 N\$' 000	2001 N\$' 000
ASSETS			
Non-current assets		216 044	192 805
Property, plant and equipment	3	166 339	161 033
Currency inventory		15 838	5 283
Loans and advances		33 867	26 489
Current assets		2 970 417	2 788 481
Investments	4	2 842 966	2 682 587
Bankers current		61 689	54 804
Loans and advances		18 972	24 758
Rand cash		38 504	19 320
Other assets	5	8 286	7 012
Total assets		3 186 461	2 981 286
EQUITY AND LIABILITIES			
Capital and Reserves		1 088 689	1 607 777
Share capital	6	40 000	40 000
General reserve	7	241 204	203 739
Revaluation reserve	8	792 485	1 324 347
Building reserve	9	-	30 000
Development fund reserve	10	15 000	9 691
Current Liabilities		2 097 772	1 373 509
Notes and coins in circulation	11	818 980	787 255
Deposits	12	1 270 535	566 436
Other liabilities		8 257	19 818
Total Equity and Liabilities		3 186 461	2 981 286


TOM K. ALWEENDO
 GOVERNOR
 26 February 2003


KURUVILLA MATHEW
 ACTING CHIEF FINANCIAL OFFICER
 26 February 2003

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2002

	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 31 December 2000	40 000	193 509	561 526	30 000	-	825 035
Net foreign exchange gains	-	-	762 821	-	-	762 821
Appropriation of net profit for the year	-	10 230	-	-	9 691	19 921
Balance at 31 December 2001	<u>40 000</u>	<u>203 739</u>	<u>1 324 347</u>	<u>30 000</u>	<u>9 691</u>	<u>1 607 777</u>
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	<u>40 000</u>	<u>241 204</u>	<u>792 485</u>	<u>-</u>	<u>15 000</u>	<u>1 088 689</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2002

1. ACCOUNTING POLICIES

The Bank's annual financial statements are prepared on the historical cost basis. The annual financial statements have also been prepared to comply with the requirements of the Bank of Namibia Act No. 15 of 1997. The principal accounting policies, which have been consistently applied in all material respects, are set out below.

1.1 General reserve

The general reserve is established in terms of Section 16 of the Bank of Namibia Act No. 15 of 1997 and may only be used for the purpose specified therein.

1.2 Revaluation reserve

In terms of Section 31 of the Bank of Namibia Act No. 15 of 1997 foreign assets and liabilities are translated at year end exchange rates and any gains and losses are transferred to the Revaluation Reserve Account, until realised.

1.3 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%

1.4 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 as well as realised and unrealised depreciations are recognised in the income statement. Unrealised capital appreciations are included in other liabilities and only recognised as income when it is being realised.

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 stated at cost and any exchange rate movements are accounted for through the Revaluation Reserve Account.

Interest from investments is accounted for on the accruals basis.

1.5 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.

1.6 Foreign currency transactions

Transactions in foreign currencies are accounted for at the rate of exchange ruling on the date of transaction. Where the transaction is covered by a forward exchange contract the rate specified in the contract is used.

1.7 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2002

	<u>2002</u>	<u>2001</u>
	N\$' 000	N\$' 000

2. NET PROFIT FOR THE YEAR

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

Realised gains on portfolio investments	7 498	9 717
Salaries and related personnel costs	51 611	44 257
Staff training and development	1 450	2 590
Social responsibility	509	1 297
Board members' fees	144	185
Auditor's remuneration for services - current year	131	131
Membership fees	16	1 231
Building and other maintenance costs	2 615	1 832
Loss on disposal of fixed property	17	2 110
Profit on disposal of property, plant and equipment	<u>56</u>	<u>69</u>

3. PROPERTY, PLANT AND EQUIPMENT

	<u>Freehold buildings</u>	<u>Computer software & hardware</u>	<u>Furniture fittings & equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	N\$' 000	N\$' 000	N\$' 000	N\$' 000	N\$' 000
Cost					
At 1 January 2002	151 590	15 834	18 466	1 128	187 018
Additions	5 743	6 867	1 185	91	13 886
Disposals / write-off	-	(10)	(35)	(349)	(394)
At 31 December 2002	<u>157 333</u>	<u>22 691</u>	<u>19 616</u>	<u>870</u>	<u>200 510</u>
Depreciation					
At 1 January 2002	6 005	8 500	10 651	829	25 985
Current period charge	2 193	3 622	2 590	155	8 560
Disposals / write-off	-	(10)	(15)	(349)	(374)
At 31 December 2002	<u>8 198</u>	<u>12 112</u>	<u>13 226</u>	<u>635</u>	<u>34 171</u>
Book value					
At 1 January 2002	<u>145 585</u>	<u>7 334</u>	<u>7 815</u>	<u>299</u>	<u>161 033</u>
At 31 December 2002	<u>149 135</u>	<u>10 579</u>	<u>6 390</u>	<u>235</u>	<u>166 339</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2002

	<u>2002</u> N\$' 000	<u>2001</u> N\$' 000
4. INVESTMENTS		
Rand currency	1 135 768	466 684
Other currencies	1 707 198	2 215 903
	<u>2 842 966</u>	<u>2 682 587</u>
5. OTHER ASSETS		
Stock inventory	180	157
Accounts receivable	7 907	6 605
IMF - special drawing rights	199	250
	<u>8 286</u>	<u>7 012</u>
6. SHARE CAPITAL		
Authorised capital		
100 000 000 Ordinary shares of N\$1 each	<u>100 000</u>	<u>100 000</u>
Issued capital		
40 000 000 Ordinary shares of N\$1 each	<u>40 000</u>	<u>40 000</u>
7. GENERAL RESERVE		
Opening balance	203 739	193 509
Transfer from: Net profit	7 465	10 230
Building reserve	30 000	-
Closing balance	<u>241 204</u>	<u>203 739</u>
8. REVALUATION RESERVE		
Opening balance	1 324 347	561 526
Net foreign exchange (losses)/gains	(531 862)	762 821
Closing balance	<u>792 485</u>	<u>1 324 347</u>
9. BUILDING RESERVE		
Opening balance	30 000	30 000
Transfer to General Reserve	(30 000)	-
Closing balance	<u>-</u>	<u>30 000</u>

This reserve was created to meet the costs of building the branch in Oshakati for the Bank of Namibia. This reserve has now been transferred to the General Reserve as the construction of the Branch is complete.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2002

	<u>2002</u> N\$' 000	<u>2001</u> N\$' 000
10. DEVELOPMENT FUND RESERVE		
Opening balance	9 691	-
Transfer from net profit	5 309	9 691
Closing balance	<u>15 000</u>	<u>9 691</u>
This reserve was created to provide a grant to the Development Bank of Namibia on its formation.		
11. NOTES AND COINS IN CIRCULATION		
Notes	765 545	737 625
Coins	53 435	49 630
	<u>818 980</u>	<u>787 255</u>
12. DEPOSITS		
Government of the Republic of Namibia	1 050 030	381 501
Domestic bankers' reserve account	153 995	113 240
Domestic bankers' call account	7 633	6 779
Other	58 877	64 916
	<u>1 270 535</u>	<u>566 436</u>

The Government of the Republic of Namibia has immediate access to an overdraft facility of N\$100 million with the Bank of Namibia, of which interest is payable at an average Treasury Bill rate plus 2% ruling at the time the facility is being utilised.

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 marginal discount of 4,5%.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2002

	<u>2002</u>	<u>2001</u>
	N\$' 000	N\$' 000

13. COMMITMENTS

13.1 Capital expenditure

Contracted:

Real Time Gross Settlement system

- Perago System Enablers

Printing of Notes

Bank of Namibia - Oshakati Branch

-	7 885	
-	7 844	
-	9 976	
-	25 705	

13.2 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.

14. 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\$26 million. The Bank views the case as having no substance and is addressing it in conjunction with its legal advisors.

15. PENSION FUND

Pensions are provided for employees by a separate Pension Fund, known as the Bank of Namibia Provident Fund, to which the Bank contributes. The Provident Fund is administered by the Pension Fund Act, No. 24 of 1956. An actuarial valuation was done (with no adjustments recommended) whereby the Pension Fund has been converted from a Defined Benefit Pension Fund to a Defined Contribution Provident Fund as at 1 March 2000. All employees contribute to the Provident Fund. Total Bank contributions of the Bank for the year amounted to N\$4 801 306 (31 December 2001, N\$4 218 435).

**NOTES TO THE ANNUAL FINANCIAL
STATEMENTS (continued)
31 DECEMBER 2002**

16. 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.

17. 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 creation and withdrawal of money.

PART E

STATISTICAL APPENDIX

11. STATISTICAL APPENDIX

11.1 METHODS AND CONCEPTS

Banking Survey

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

Monetary Survey

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

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 five financial intermediaries classified as financial intermediaries in Namibia, i.e. First National Bank of Namibia, Standard Bank of Namibia, Commercial Bank of Namibia, Bank Windhoek and City Savings and Investment Bank.

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 four such institutions are covered, i.e. SWABOU, Building Society, Agribank of Namibia, National Housing Enterprise and the Namibia Post Office Savings Bank.

Broad Money Supply (M1)

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

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.

Demand Deposits

These are deposits that are exchangeable without

penalty or restriction, on demand and is directly usable for making third party payments.

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.

Bank rate

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

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.

Money Market Rate

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

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.

Lending Rate

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

Mortgage Rate

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

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.

Overall Market

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

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.

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.

The Balance of Payment

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. Its main components are the current account, the capital and financial account and the international investment position. Each transaction in the balance of payment is entered as a credit or a debit. A credit transaction is one that leads to the receipt of payment from non-residents. A debit transaction leads to a payment to non-residents.

The Current account

The current account is divided into four categories: goods, services, income and current transfers. We call the transactions recorded in the current account real transactions.

Goods

Transactions classified under goods show changes in the ownership of physical products. These items are of two kinds: consumer goods and capital goods.

Services

The services account includes such items as transportation, insurance and tourism.

Income

Income represents earnings abroad by residents or, on the other side of the ledger, earnings by nonresidents in the reporting economy. Examples are salaries and wages earned by residents working abroad for less than a year, interest on foreign debt, and dividends on foreign investments.

Current Transfers

Current transfers are gifts of money or goods to or from nonresidents, including foreign governments and private individuals. One particular type of such transfer is money sent home by workers who have been abroad longer than one year. These remittances, which support families that have stayed behind (residents), are not included under income because the workers are considered nonresidents – they are residents of the foreign country in which they are working.

Trade Balance

The trade balance is the difference between exports and imports of goods.

Current Account Balance

The current account balance is the difference between credits and debits (see double-entry accounting) for all current transactions: in goods, services, income, and current transfers.

The Capital and Financial Account

The main item in the capital account is capital transfers. Capital transfers generally originate with foreign governments or international organizations and are used to finance equipment and investment

projects. Any debts that are forgiven are also recorded here as the counterpart to an entry under other investment. The financial account has four functional categories: direct investment, portfolio investment, other investment and reserve assets. We call the transactions recorded in the capital and financial account financial transactions.

Direct Investment

Direct investment includes investments in the recording or domestic economy by foreign investors, or by domestic investors abroad, who buy a significant share (at least 10 percent of the capital) in an enterprise with the intention of becoming either sole or joint managers.

Portfolio Investment

Portfolio investment comprises purchases of stocks and bonds with the intent to earn dividends and interest from an enterprise rather than to manage it.

Other investment

Other investment includes government borrowing, short-term trade credit, and most transactions between the recording country's commercial banks and the rest of the world. In this standard presentation of the BOP, borrowing from the International Monetary Fund is also included, along with other liabilities of the central bank. Also what is included on the debit side is the amortization of existing debt and any debt forgiveness of which the counterpart (credit) is recorded in capital transfers as mentioned above.

Reserve Assets

Under reserve assets is where the changes in the gross external asset of the central bank are recorded. These assets include foreign exchange (currency, deposits, and securities), monetary gold, special drawing rights (SDRs), and the country's reserve position in the IMF. Reserve assets, which are under the effective control of the monetary authorities, are typically used to finance an overall BOP deficit. The central bank may also use its reserves to intervene in the foreign exchange market to influence the exchange rate.

Overall Balance

The overall balance is equal the current account balance plus the capital and financial account balance.

Residency

A¹ transaction is recorded in the BOP between a resident of the reporting country and a nonresident. Residents of a country include individuals who have lived there for a certain length of time, enterprises established in the country, and the country's government. Nonresidents are individuals, enterprises, and governments that meet the definition of residency in another country. Individuals are generally considered residents if they have lived in the country for at least a year or intend to live there for at least a year. Nonresidents include visitors (tourist, crews of ships or aircraft, and seasonal workers, for example) individuals who live and work in the country for less than a year, foreign diplomats and members of foreign armed forces stationed in the country.

Accrual basis

Like the national account, BOP accounts are kept on an accrual rather than a cash or payment basis. An international transaction is recorded at the time when ownership changes hands, not necessarily at the time when payment is made.

Double-entry accounting

The BOP uses the double-entry accounting method. This method reflects the fact that most transactions are two sided and each side of a transaction is entered in the BOP, once on the credit side (inflow) and once on the debit side (outflow).

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.

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 authorized 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 authorized.

Capital expenditure

Expenditure for acquisition of land, intangible assets, government stocks, and nonmilitary, 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 organizations 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 organizations.

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 nongovernmental sources.

Capital transfers

No repayable, unrequited payments that are designed to finance the acquisition of no financial capital assets by the recipient, compensate the recipient for damage or destruction of capital assets, or increase the financial capital or cover accumulated debts or losses of the recipient, or that are non-recurrent and distinctly irregular for donor or recipient.

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, decentralized 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 expenditure

Expenditure other than for capital transfers or the acquisition of land, intangible assets, government stocks, or nonmilitary 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 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 nongovernmental sources.

Debt

The outstanding stock of recognized, 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.

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 form a part of general government.

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 noncommercial 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 channeling 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, noncompulsory 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.

Revenue

All no repayable and non-repaying receipts, whether required or unrequired, other than those noncompulsory, 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.

Tax

A compulsory, unrequited, no repayable contribution exacted by government for public purposes. Tax revenue, includes interest collected on tax arrears and penalties collected on nonpayment or late payment of taxes.

Tax payment

The amount of tax actually paid to the government.

11.2. STATISTICAL TABLES

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Table I.I AGGREGATE ECONOMIC INDICATORS

	1997	1998	1999	2000	2001
Current Prices					
GDP (N\$ mil.)	16754	18790	20681	23995	27231
% Change	11.6	12.2	10.1	16.0	13.5
GNI (N\$ mil.)	17059	19274	20575	24226	27506
% Change	11.3	13.0	6.8	17.7	13.5
GDP per capita (N\$)	9878	10737	11457	12887	14176
% Change	8.1	8.7	6.7	12.5	10.0
GNI per capita (N\$)	10059	11014	11406	13011	14319
% Change	7.9	9.5	3.6	14.1	10.1
Constant 1995 Prices					
GDP (N\$ mil.)	13665	14115	14588	15074	15439
% Change	4.2	3.3	3.4	3.3	2.4
GNI (N\$ mil.)	14627	15474	15493	16053	16967
% Change	4.5	5.8	0.1	3.6	5.7
GDP per capita (N\$)	8057	8065	8082	8095	8037
% Change	1.0	0.1	0.2	0.2	-0.7
GNI per capita (N\$)	8624	8842	8583	8622	8832
% Change	1.2	2.5	-2.9	0.5	2.4

Source: Central Bureau of Statistics

Table I.2 GROSS DOMESTIC PRODUCT AND GROSS NATIONAL INCOME

	1997	1998	1999	2000	2001
Current prices - N\$ millions					
Compensation of employees	6990	7801	8303	9340	10420
Consumption of fixed capital	2191	2482	2851	3103	3554
Net operating surplus	5672	6325	6912	9167	10739
Gross domestic product at factor cost	14853	16609	18066	21610	24713
Taxes on production and imports	2105	2332	2771	2995	3189
Subsidies	-204	-151	-156	-610	-671
Gross domestic product at market prices	16754	18790	20681	23995	27231
Primary incomes					
- receivable from the rest of the world	1026	1014	1129	1721	1894
- payable to the rest of the world	-720	-530	-1235	-1491	-1619
Gross national income at market prices	17059	19274	20575	24226	27506
Current transfers					
- receivable from the rest of the world	2164	2492	2906	3272	3297
- payable to the rest of the world	-235	-249	-363	-262	-312
Gross national disposable income	18988	21516	23117	27235	30491
Current prices - N\$ per capita					
Gross domestic product at market prices	9878	10737	11457	12887	14176
Gross national income at market prices	10059	11014	11399	13011	14319
Constant 1995 prices - N\$ millions					
Gross domestic product at market prices	13665	14115	14588	15074	15439
- Annual percentage change	4.2%	3.3%	3.4%	3.3%	2.4%
Real gross national income	14627	15474	15493	16053	16967
- Annual percentage change	4.5%	5.8%	0.1%	3.6%	5.7%
Constant 1995 prices - N\$ per capita					
Gross domestic product at market prices	8057	8065	8082	8095	8037
- Annual percentage change	1.0%	0.1%	0.2%	0.2%	-0.7%
Real gross national income	8624	8842	8583	8622	8832
- Annual percentage change	1.2%	2.5%	-2.9%	0.4%	2.4%

Source: Central Bureau of Statistics

Table 1.3 NATIONAL DISPOSABLE INCOME AND SAVING

	1997	1998	1999	2000	2001
Disposable income and saving					
Gross national disposable income	18988	21516	23117	27235	30491
Consumption of fixed capital	2191	2482	2851	3103	3554
Net national disposable income	16797	19034	20266	24133	26937
All other sectors	11919	13557	14004	17407	19915
General government	4878	5477	6261	6726	7021
Final consumption expenditure	15224	16741	18504	21011	24062
Private	10160	11185	12240	14192	16500
General government	5064	5556	6262	6819	7562
Saving, net	1573	2293	1764	3122	2875
All other sectors	1759	2372	1764	3215	3415
General government	-186	-79	-1	-93	-540
Financing of capital formation					
Saving, net	1573	2293	1764	3122	2875
Capital transfers receivable from abroad	156	254	141	46	47
Capital transfers payable to foreign countries	-2	-2	-2	-2	-2
Total	1727	2545	1902	3166	2920
Capital formation					
Gross fixed capital formation	3288	4321	4760	4460	6039
All other sectors	2403	3482	3784	3465	4817
General government	886	839	975	995	1222
Consumption of fixed capital	-2191	-2482	-2851	-3103	-3554
All other sectors	-1532	-1771	-2083	-2284	-2638
General government	-659	-711	-768	-819	-916
Changes in inventories	92	518	57	171	418
Net lending (+) / Net borrowing (-)	537	187	-63	1639	18
All other sectors	1014	528	219	1862	826
General government	-476	-341	-282	-224	-808
Discrepancy on GDP ¹	174	528	413	338	577
Net lending/borrowing in external transactions	712	715	349	1976	595
Total	1727	2545	1902	3166	2920

Source: Central Bureau of Statistics

¹This is the discrepancy in Table 1.6

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

Industry	1997	1998	1999	2000	2001
Agriculture and forestry products	979	905	1101	1299	1208
Commercial	542	459	532	792	786
Subsistence	438	447	569	507	422
Fishery products	650	933	971	1044	1223
Mining and quarrying	1729	1835	1949	2610	3489
Diamond mining	1251	1358	1697	1934	2854
Other mining and quarrying	478	477	253	677	635
Primary Industries	3358	3674	4021	4953	5920
Manufacturing	1655	2041	2074	2371	2638
Meat processing	116	131	139	121	142
Fish processing	281	543	451	548	512
Manufacture of other food products and beverages	774	912	1014	1090	1215
Other manufacturing	484	455	470	612	768
Electricity and water	357	451	541	605	652
Construction	433	528	483	476	773
Secondary Industries	2445	3020	3097	3452	4063
Wholesale and retail trade, repairs	1510	1727	1857	2682	3004
Hotels and restaurants	302	359	344	403	477
Transport and communication	1084	1111	1226	1358	1435
Transport and storage	759	698	787	877	975
Post and telecommunications	325	413	439	481	460
Financial intermediation	606	641	739	833	958
Real estate and business services	1625	1798	2023	2235	2497
Owner-occupied dwellings	860	956	1070	1194	1317
Other real estate and business services	765	841	953	1041	1180
Community, social and personal services	143	155	171	201	219
Producers of government services	3762	4129	4617	5064	5671
Other producers	326	354	392	437	486
Tertiary Industries	9359	10274	11368	13211	14746
Less: Financial services indirectly measured	209	216	259	273	328
All industries at basic prices	14953	16752	18228	21343	24401
Taxes less subsidies on products	1801	2037	2453	2652	2830
GDP at market prices	16754	18790	20681	23995	27231

Source: Central Bureau of Statistics

Table I.5 GROSS DOMESTIC PRODUCT BY ACTIVITY

Constant 1995 Prices - N\$ Million

Industry	1997	1998	1999	2000	2001
Agriculture and forestry products	926	909	1009	1056	896
Commercial	519	489	495	648	585
Subsistence	407	420	514	408	310
Fishery products	465	567	559	641	624
Mining and quarrying	1145	1117	1210	1190	1118
Diamond mining	782	793	908	847	803
Other mining and quarrying	363	324	303	343	315
Primary Industries	2537	2593	2779	2887	2637
Manufacturing	1445	1574	1515	1570	1664
Meat processing	92	99	111	101	109
Fish processing	262	356	281	241	199
Manufacture of other food products and beverages	654	725	759	774	808
Other manufacturing	438	394	364	455	548
Electricity and water	214	223	268	299	309
Construction	367	423	364	344	521
Secondary Industries	2026	2220	2148	2214	2494
Wholesale and retail trade, repairs	1248	1336	1380	1455	1496
Hotels and restaurants	254	285	251	269	292
Transport and communication	962	862	968	1024	1087
Transport and storage	673	533	631	671	725
Post and telecommunications	289	329	337	353	362
Financial intermediation	423	450	461	489	503
Real estate and business services	1243	1272	1319	1338	1393
Owner-occupied dwellings	644	660	677	694	711
Other real estate and business services	599	612	642	645	682
Community, social and personal services	122	122	122	133	133
Producers of government services	2980	3059	3160	3235	3293
Other producers	275	281	286	292	298
Tertiary Industries	7507	7668	7948	8236	8494
Less: Financial services indirectly measured	137	144	152	151	160
All industries at basic prices	11932	12336	12722	13185	13465
Taxes less subsidies on products	1733	1779	1866	1889	1974
GDP at market prices	13665	14115	14588	15074	15439

Source: Central Bureau of Statistics

Table I.6 EXPENDITURE ON GROSS DOMESTIC PRODUCT

Current Prices - N\$ Million

Expenditure category	1997	1998	1999	2000	2001
Final consumption expenditure	15224	16741	18502	21011	24062
Private	10160	11185	12240	14192	16500
General government	5064	5556	6262	6819	7562
Gross fixed capital formation	3288	4321	4760	4460	6039
Changes in inventories ¹	92	518	57	171	418
Gross domestic expenditure	18605	21581	23319	25641	30518
Exports of goods and services	7961	8637	9548	10811	12075
Imports of goods and services	9638	10900	11773	12119	14785
Discrepancy	-174	-528	-413	-338	-577
Gross domestic product at market prices	16754	18790	20681	23995	27231

Source: Central Bureau of Statistics

¹Change 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	1997	1998	1999	2000	2001
Final consumption expenditure	12649	13087	13391	13966	14465
Private	8551	8864	8983	9501	9953
General government	4098	4223	4408	4465	4513
Gross fixed capital formation	2866	3564	3713	3379	4266
Changes in inventories ¹	92	518	57	171	418
Gross domestic expenditure	15607	17169	17162	17515	19149
Exports of goods and services	6287	6243	6520	6465	6177
Imports of goods and services	8465	9113	9240	8759	9103
Discrepancy	236	-185	146	-147	-784
Gross domestic product at market prices	13665	14115	14588	15074	15439

Source: Central Bureau of Statistics

¹Change 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	1997	1998	1999	2000	2001
Agriculture	205	228	252	268	299
Fishing	54	148	151	160	238
Mining and quarrying	437	500	662	828	867
Manufacturing	291	435	307	387	394
Electricity and water	138	261	451	136	1217
Construction	145	232	163	156	167
Wholesale and retail trade; hotels, restaurants	178	196	153	224	292
Transport and communication	476	949	1123	687	615
Finance, real estate and business services	508	519	539	644	753
Community, social and personal services	27	47	24	17	20
Producers of government services	831	808	935	952	1177
Total	3288	4321	4760	4460	6039

Source: Central Bureau of Statistics

Table I.9 GROSS FIXED CAPITAL FORMATION BY ACTIVITY

Constant 1995 Prices - N\$ Million

Industry	1997	1998	1999	2000	2001
Agriculture	182	192	200	209	218
Fishing	48	126	121	124	172
Mining and quarrying	393	429	536	656	631
Manufacturing	256	364	244	296	283
Electricity and water	119	209	339	99	848
Construction	130	194	131	124	125
Wholesale and retail trade; hotels, restaurants	156	163	121	171	207
Transport and communication	405	762	865	506	427
Finance, real estate and business services	437	425	419	479	526
Community, social and personal services	25	41	19	13	15
Producers of government services	715	658	718	700	812
Total	2866	3564	3713	3379	4266

Source: Central Bureau of Statistics

Table I.10 GROSS FIXED CAPITAL FORMATION BY THE TYPE OF ASSET

Current Prices - N\$ Million

Type of Asset	1997	1998	1999	2000	2001
Buildings	1063	1172	1200	1392	1672
Construction works	798	1153	965	882	1625
Transport equipment	476	950	1439	702	866
Machinery and other equipment	840	922	980	1318	1627
Mineral exploration	112	124	175	167	249
Total	3288	4321	4760	4460	6039

Source: Central Bureau of Statistics

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

Type of Asset	1997	1998	1999	2000	2001
Buildings	914	958	931	1033	1166
Construction works	669	909	710	618	1070
Transport equipment	411	775	1115	517	589
Fixed capital stock by activity	774	818	818	1087	1270
Mineral exploration	98	104	139	124	171
Total	2866	3564	3713	3379	4266

Source: Central Bureau of Statistics

Table I.12 GROSS FIXED CAPITAL FORMATION BY THE TYPE OF OWNERSHIP
Current Prices - N\$ Million

Ownership	1997	1998	1999	2000	2001
Public	1423	1446	2270	1451	2545
Producers of government services	831	808	935	952	1177
Public corporations and enterprises	592	639	1335	499	1368
Private	1866	2875	2490	3008	3494
Total	3288	4321	4760	4460	6039

Source: Central Bureau of Statistics

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

Ownership	1997	1998	1999	2000	2001
Public	1221	1171	1738	1067	1766
Producers of government services	715	658	718	700	812
Public corporations and enterprises	506	513	1021	367	954
Private	1645	2392	1975	2312	2500
Total	2866	3564	3713	3379	4266

Source: Central Bureau of Statistics

Table I.14 FIXED CAPITAL STOCK BY ACTIVITY

Current Prices - N\$ Million

Industry	1997	1998	1999	2000	2001
Agriculture	3614	3893	4151	4322	4650
Fishing	491	632	782	917	1163
Mining and quarrying	4210	4525	4960	5562	6307
Manufacturing	1781	2128	2344	2602	2917
Electricity and water	2917	3221	3756	3919	5167
Construction	507	647	689	693	719
Wholesale and retail trade; hotels, restaurants	1697	1840	1926	2045	2255
Transport and communication	3808	4702	5712	6168	6682
Finance, real estate and business services	6772	7427	8115	8866	9890
Community, social and personal services	306	349	375	384	403
Producers of government services	22373	23789	25509	26881	28865
Total	48478	53151	58317	62358	69019

Source: Central Bureau of Statistics

Table I.15 FIXED CAPITAL STOCK BY ACTIVITY

Constant 1995 Prices - N\$ Million

Industry	1997	1998	1999	2000	2001
Agriculture	3070	3096	3121	3143	3163
Fishing	439	538	627	714	843
Mining and quarrying	3650	3713	3863	4106	4298
Manufacturing	1550	1762	1840	1960	2062
Electricity and water	2452	2561	2789	2773	3465
Construction	453	540	553	550	538
Wholesale and retail trade; hotels, restaurants	1468	1510	1502	1530	1583
Transport and communication	3215	3734	4275	4441	4507
Finance, real estate and business services	5825	6070	6300	6581	6900
Community, social and personal services	267	291	293	289	286
Producers of government services	18941	19020	19149	19246	19424
Total	41330	42835	44310	45334	47069

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
1997	150.36	148.44	156.99	139.79	122.04	151.08	180.44	178.91	174.68	172.53	8.85
1998	159.69	152.37	170.14	144.23	129.00	167.03	210.52	189.20	192.90	192.49	6.19
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											
Jan	199.65	183.16	214.71	202.61	147.61	193.26	275.02	237.02	240.96	220.89	10.58
Feb	200.86	185.34	214.71	202.66	148.38	193.83	275.67	240.17	240.96	225.53	10.59
Mar	203.29	187.74	216.28	208.30	149.22	194.54	285.80	233.03	241.66	225.94	11.09
Q1	201.27	185.41	215.23	204.52	148.40	193.88	278.83	236.74	241.19	224.12	10.75
Apr	204.30	188.87	216.34	210.11	150.28	192.66	288.19	233.10	241.75	227.03	10.44
May	204.53	189.03	216.34	210.01	151.33	194.22	288.59	233.70	242.10	228.13	9.90
Jun	207.10	190.65	218.13	218.65	151.82	192.84	291.67	233.62	242.42	225.98	9.84
Q2	207.83	189.52	216.94	212.92	151.14	193.24	289.48	233.47	242.09	227.05	10.06
Jul	208.30	190.16	217.27	222.56	151.66	196.52	291.18	232.50	242.42	228.30	8.46
Aug	209.92	190.75	217.27	222.61	152.11	198.28	292.04	232.50	242.68	230.18	8.26
Sep	208.68	193.77	219.42	222.96	152.67	199.11	296.30	232.20	242.62	230.33	7.61
Q3	211.29	191.56	217.99	222.71	152.15	197.97	293.17	232.40	242.57	229.60	8.11
Oct	212.42	196.76	220.09	222.96	154.13	199.24	300.21	232.20	242.54	231.41	7.93
Nov	214.79	199.72	220.18	223.04	155.40	199.13	298.68	236.25	243.54	231.59	8.61
Dec	212.03	204.54	221.33	226.16	155.48	199.32	299.73	236.83	243.66	232.23	8.29
Q4	207.02	200.34	220.53	224.05	155.00	199.23	299.54	235.09	243.25	231.74	8.28
Annual	207.01	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	10.51
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	239.05	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

*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 refers 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
1997	156.88	152.07	155.02	145.29	150.36	9.30	7.36	8.52	9.28	8.85
1998	170.20	155.49	164.52	154.45	159.69	8.47	2.25	6.12	6.29	6.19
1999	185.54	162.05	176.47	170.04	173.39	9.06	4.22	7.28	10.10	8.59
2000	199.04	174.98	189.75	189.15	189.46	7.26	7.94	7.50	11.23	9.25
2001										
Jan	208.53	189.24	201.08	198.09	199.65	8.98	13.42	10.55	10.61	10.58
Feb	209.98	190.90	202.62	198.95	200.86	9.06	13.54	10.65	10.52	10.59
Mar	211.10	194.83	204.82	201.63	203.29	9.24	15.71	11.53	10.60	11.09
Q1	209.87	191.66	202.84	199.56	201.27	9.09	14.22	10.91	10.58	10.75
Apr	211.20	196.67	205.59	202.69	204.20	9.29	16.02	11.68	9.10	10.44
May	211.28	197.99	206.15	202.76	204.53	8.72	16.14	11.36	8.33	9.90
Jun	214.57	200.38	209.09	204.93	207.10	9.64	15.62	11.78	7.76	9.83
Q2	212.35	198.35	206.94	203.46	205.28	9.22	15.93	11.61	8.40	10.06
Jul	215.04	199.60	203.08	206.47	207.83	5.58	15.02	8.87	8.00	8.46
Aug	215.04	200.19	209.31	207.21	208.30	5.50	13.84	8.44	8.06	8.26
Sep	215.59	204.86	211.45	208.2	209.92	5.41	13.49	8.29	6.86	7.61
Q3	215.22	201.55	209.95	207.31	208.68	5.50	14.12	8.53	7.64	8.11
Oct	215.77	205.92	211.97	210.56	211.29	5.44	13.21	8.23	7.60	7.93
Nov	216.05	209.55	213.54	211.20	212.42	5.57	15.29	9.05	8.13	8.61
Dec	217.13	214.43	216.09	213.38	214.79	5.06	13.13	8.01	8.61	8.29
Q4	216.32	209.97	213.87	211.71	212.83	5.35	13.88	8.43	8.11	8.28
Annual	213.44	200.38	208.40	205.51	207.02	7.29	14.54	9.87	8.68	9.30
2002										
Jan	218.87	215.50	217.57	216.35	216.99	4.96	13.88	8.20	9.22	8.68
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	8.85
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
Jun	223.49	223.10	227.33	230.52	228.85	4.16	16.33	8.72	12.49	10.51
Q2	221.50	231.96	225.58	228.34	226.90	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

*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		
	Banks	Fund Accounts		Claims on Central Govt.						Other		Sub-Total	
				Treasury Bills	Govt. Securities	Loans and Advances	Other	Sub-Total					
									DMB's				OBI's
1997	1217.8	1.2	1219.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.7	1219.7
1998	1527.3	1.2	1528.4	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.5	1529.0
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 Jan	2349.3	1.2	2350.5	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	2351.6
Feb	2021.8	1.2	2023.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	2024.0
Mar	1949.3	1.3	1950.6	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	1951.6
Apr	2219.1	1.3	2220.4	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	2221.5
May	1899.4	1.4	1900.7	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	1901.8
Jun	1987.3	1.4	1988.6	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	1989.7
Jul	2697.7	1.4	2699.1	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	2700.1
Aug	2298.4	1.4	2299.8	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	2300.8
Sep	2003.3	1.4	2004.7	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	2005.7
Oct	2314.9	1.4	2316.3	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	2317.3
Nov	2390.8	1.4	2392.2	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	2393.2
Dec	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	2.4	3272.4	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0	1.1	3273.5
Feb	3073.7	3.4	3077.1	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0	1.1	3078.2
Mar	2716.9	4.4	2721.3	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0	1.1	2722.4
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	2401.5	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0	1.2	2402.7
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	3495.6
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	3316.5
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	2856.3	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	2894.5	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0	1.3	2895.8

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								
1997								
1997	335.6	255.6	591.2	0.2	374.4	25.5	316.5	-88.1
1998	364.9	235.7	600.6	8.3	416.1	40.2	513.4	-49.7
1999	422.7	474.7	897.4	0.0	471.8	48.7	562.9	-103.0
2000	481.2	321.4	802.6	0.0	446.3	65.5	783.9	-111.9
2001								
2001 Jan	417.3	419.0	836.3	0.0	741.3	66.9	813.0	-105.9
Feb	424.5	339.8	764.4	0.0	498.6	64.6	788.6	-92.0
Mar	451.5	337.1	788.6	0.0	360.4	53.2	839.4	-89.9
Apr	455.0	362.4	817.4	0.0	590.4	77.7	838.2	-102.2
May	442.2	283.2	725.3	0.0	421.1	71.3	851.2	-167.2
Jun	469.1	461.0	930.0	0.0	294.3	77.9	855.4	-167.9
Jul	439.1	352.5	791.6	0.0	1169.9	86.4	899.4	-247.2
Aug	471.0	356.1	827.1	0.0	603.8	80.9	955.0	-165.8
Sep	511.4	391.2	902.6	0.0	134.1	77.2	1060.2	-168.4
Oct	484.3	419.6	903.9	0.0	351.4	84.9	1142.3	-165.2
Nov	542.3	347.7	890.0	0.0	292.2	92.1	1296.1	-177.2
Dec	507.5	399.8	907.3	0.0	360.5	72.5	1587.9	-223.0
2002								
2002 Jan	488.6	418.7	907.3	0.0	1002.1	82.8	1452.4	-171.1
Feb	500.7	338.7	839.4	0.0	879.1	75.1	1452.5	-167.9
Mar	547.7	308.8	856.5	0.0	514.4	65.9	1456.4	-170.8
Apr	515.4	425.5	940.9	0.0	439.5	66.4	1353.0	-221.7
May	538.1	483.4	1021.5	0.0	308.3	66.5	1206.0	-199.7
Jun	547.7	506.5	1054.2	0.0	34.5	69.5	1372.8	-200.8
Jul	530.1	477.3	1007.4	0.0	1275.9	76.1	1335.7	-199.2
Aug	579.0	522.9	1101.9	0.0	907.9	71.3	1434.2	-198.8
Sep	554.9	383.2	938.1	0.0	685.8	84.9	1424.4	-200.5
Oct	541.1	424.4	965.5	0.0	706.3	73.0	1313.0	-200.2
Nov	577.1	394.9	972.0	0.0	448.4	78.7	1154.1	-227.0
Dec	545.8	435.1	980.9	0.0	1044.6	58.9	1076.3	-264.8
2002								
2002 Jan	488.6	418.7	907.3	0.0	1002.1	82.8	1452.4	-171.1
Feb	500.7	338.7	839.4	0.0	879.1	75.1	1452.5	-167.9
Mar	547.7	308.8	856.5	0.0	514.4	65.9	1456.4	-170.8
Apr	515.4	425.5	940.9	0.0	439.5	66.4	1353.0	-221.7
May	538.1	483.4	1021.5	0.0	308.3	66.5	1206.0	-199.7
Jun	547.7	506.5	1054.2	0.0	34.5	69.5	1372.8	-200.8
Jul	530.1	477.3	1007.4	0.0	1275.9	76.1	1335.7	-199.2
Aug	579.0	522.9	1101.9	0.0	907.9	71.3	1434.2	-198.8
Sep	554.9	383.2	938.1	0.0	685.8	84.9	1424.4	-200.5
Oct	541.1	424.4	965.5	0.0	706.3	73.0	1313.0	-200.2
Nov	577.1	394.9	972.0	0.0	448.4	78.7	1154.1	-227.0
Dec	545.8	435.1	980.9	0.0	1044.6	58.9	1076.3	-264.8
2002								
2002 Jan	488.6	418.7	907.3	0.0	1002.1	82.8	1452.4	-171.1
Feb	500.7	338.7	839.4	0.0	879.1	75.1	1452.5	-167.9
Mar	547.7	308.8	856.5	0.0	514.4	65.9	1456.4	-170.8
Apr	515.4	425.5	940.9	0.0	439.5	66.4	1353.0	-221.7
May	538.1	483.4	1021.5	0.0	308.3	66.5	1206.0	-199.7
Jun	547.7	506.5	1054.2	0.0	34.5	69.5	1372.8	-200.8
Jul	530.1	477.3	1007.4	0.0	1275.9	76.1	1335.7	-199.2
Aug	579.0	522.9	1101.9	0.0	907.9	71.3	1434.2	-198.8
Sep	554.9	383.2	938.1	0.0	685.8	84.9	1424.4	-200.5
Oct	541.1	424.4	965.5	0.0	706.3	73.0	1313.0	-200.2
Nov	577.1	394.9	972.0	0.0	448.4	78.7	1154.1	-227.0
Dec	545.8	435.1	980.9	0.0	1044.6	58.9	1076.3	-264.8

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

ASSETS			Reserves				Foreign Assets			Claims on Central Government					CLAIMS ON DOMESTIC SECTOR				
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		
1997	193.7	17.8	64.2	275.7	533.3	3.7	537.0	452.2	198.7	2.6	6.4	659.8	17.4	148.8	23.6	6553.5	8215.9		
1998	157.6	22.4	85.7	265.7	538.2	10.2	548.4	435.1	255.2	1.7	9.7	701.7	18.8	142.7	14.6	7129.3	8821.1		
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		
2001Jan	180.5	10.41	238.4	429.4	1965.9	9.0	1974.9	498.1	301.1	9.9	22.3	831.5	10.4	195.5	53.6	8817.3	12312.5		
Feb	151.9	9.0	189.6	350.5	1337.7	9.0	1346.7	556.3	301.1	9.9	48.2	915.5	10.5	206.1	23.0	8789.9	11642.3		
Mar	144.3	10.9	192.9	348.1	1279.5	9.1	1288.6	557.9	303.4	9.9	70.6	941.8	8.3	132.7	26.2	8989.6	11735.3		
Apr	152.6	13.2	188.1	353.9	1838.0	9.7	1847.7	524.3	298.6	0.0	28.8	851.7	8.4	134.2	31.0	9066.7	12293.6		
May	170.4	8.6	159.5	338.5	1572.2	9.6	1581.7	535.2	300.8	0.0	39.4	875.4	16.6	140.8	36.2	9149.4	12138.8		
Jun	138.8	7.5	243.8	390.2	1662.3	9.9	1672.2	630.7	302.6	0.0	49.5	982.8	16.7	95.8	10.3	9288.0	12456.0		
Jul	193.1	7.6	134.0	334.7	1335.3	94.9	1430.2	791.6	328.2	0.0	26.0	1145.8	14.9	119.3	11.1	9423.8	12479.7		
Aug	187.9	8.1	113.2	309.2	1393.5	94.0	1487.5	721.6	335.2	0.0	26.9	1083.7	7.0	133.7	14.4	9505.2	12540.7		
Sep	149.8	7.1	113.3	270.2	1432.9	94.0	1526.9	583.9	290.8	0.0	38.0	912.7	6.8	136.5	21.2	9608.0	12482.3		
Oct	210.7	8.4	211.7	430.8	1253.9	95.2	1349.1	645.2	280.0	0.0	24.1	949.3	13.5	137.9	21.4	9684.9	12586.9		
Nov	173.5	7.3	158.0	338.8	1487.3	95.8	1583.1	627.5	180.1	0.0	36.2	843.8	7.1	114.6	19.5	10026.5	12933.4		
Dec	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	10115.4	13078.0		
2002Jan	209.3	7.0	153.5	369.8	1601.9	248.3	1850.2	763.5	269.2	0.0	41.7	1074.4	5.6	121.3	107.5	10087.8	13616.6		
Feb	191.2	8.5	213.2	412.9	2135.7	256.9	2392.6	788.2	300.2	0.0	18.2	1106.6	8.8	118.0	10.0	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	1081.7	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	0.0	48.5	1182.4	6.0	130.2	39.5	10565.2	15032.0		
Jun	154.7	8.9	304.2	467.8	2340.1	395.5	2735.6	860.4	265.1	0.0	57.0	1159.2	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	0.0	55.1	1127.0	4.7	124.1	37.4	10606.6	14733.3		
Aug	160.0	7.7	347.2	514.9	2223.6	268.1	2491.7	789.8	214.5	0.0	41.7	1025.6	4.6	130.0	12.2	10649.5	14848.9		
Sep	181.8	8.4	179.7	369.9	1897.6	373.8	2271.4	805.7	281.4	0.0	38.0	1104.7	5.2	128.3	11.2	10949.0	14860.3		
Oct	198.9	6.7	202.5	408.1	1990.2	262.1	2252.3	737.4	299.5	0.0	13.3	1050.2	5.4	137.2	1.2	11572.5	15426.9		
Nov	157.1	4.9	143.7	305.7	1891.2	260.7	2151.9	836.8	305.5	0.0	14.0	1156.3	7.2	155.8	0.6	11806.7	15584.2		
Dec	273.4	10.9	141.4	425.7	676.7	451.8	1128.5	756.7	336.1	0.0	90.2	1183.0	5.7	158.1	1.3	12161.2	15063.5		

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 Instr.	Bonds	Foreign Liabilities			Central Govt. Deposits	Credit from BON	Capital Accounts	Other Items (NET)	TOTAL
		For. Curr.	Time Dep.	Savings	Sub-Total			Banks	Non-Banks	Sub-Total					
1997	2562.5	0.0	3026.5	576.5	3603.0	0.0	7.0	768.7	70.0	838.7	217.6	0.0	782.7	204.4	8215.9
1998	3315.9	0.0	2902.0	622.9	3524.9	0.0	5.5	579.9	101.0	680.9	173.2	7.7	919.0	194.0	8821.1
1999	4166.2	0.0	3369.4	667.3	4036.7	0.0	8.3	137.5	280.9	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	1.0	713.7	267.4	981.1	227.5	18.5	1291.0	370.4	12063.0
2001 Jan	5576.8	0.0	3126.5	688.3	3814.9	0.0	19.2	854.1	261.3	1115.5	158.9	18.1	1293.9	315.3	12312.5
Feb	4980.0	0.0	3049.4	706.4	3755.8	0.0	19.2	733.6	247.3	980.9	172.3	18.1	1317.0	399.0	11642.3
Mar	5024.4	0.0	3225.9	697.3	3923.2	0.0	10.6	487.8	227.8	715.6	307.2	17.9	1350.5	385.9	11735.3
Apr	5393.3	0.0	3179.2	701.7	3880.9	0.0	10.6	874.2	172.1	1046.3	230.0	41.1	1376.3	315.1	12293.6
May	5006.6	0.0	3342.3	701.0	4043.3	0.0	10.6	965.8	177.9	1143.7	229.3	16.5	1408.4	280.4	12138.8
Jun	5716.3	0.0	3044.5	701.7	3746.1	0.0	10.6	859.8	170.8	1030.6	233.1	16.8	1367.3	335.2	12456.0
Jul	5548.0	0.0	3111.4	727.4	3838.8	0.0	20.2	841.1	205.4	1046.5	220.4	17.2	1414.5	374.1	12479.7
Aug	5753.2	0.0	3023.5	735.0	3758.5	0.0	20.2	910.5	208.1	1118.6	224.8	16.7	1395.2	253.5	12540.7
Sep	5459.2	0.0	2934.5	737.3	3671.8	0.0	0.0	1248.2	197.5	1445.7	226.5	16.4	1433.7	229.1	12482.4
Oct	5731.0	0.0	3029.5	747.9	3777.4	0.0	0.0	999.1	193.8	1192.9	233.2	17.6	1480.1	154.7	12586.9
Nov	5762.9	0.0	3084.6	783.4	3868.0	0.0	0.0	1117.2	192.1	1309.3	218.5	21.9	1666.8	85.9	12933.4
Dec	5691.6	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	1572.3	194.0	1766.3	231.8	24.4	1587.6	201.4	13616.6
Feb	6542.2	1.0	3177.9	750.6	3929.5	1.0	0.0	1476.2	255.0	1731.2	230.5	30.2	1621.1	150.2	14235.9
Mar	6071.9	2.0	3065.8	744.0	3811.8	2.0	0.0	1255.7	201.3	1457.0	282.2	26.1	1659.0	770.1	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
Ma	6931.2	0.0	3418.4	769.2	4187.6	0.0	0.0	1103.5	293.8	1397.3	281.4	20.2	1701.0	513.4	15032.1
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	15008.9
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	14733.2
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	564.5	14848.9
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	603.4	14860.3
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	553.1	15426.8
Nov	6715.7	0.0	3637.6	819.4	4457.0	0.0	0.0	1208.2	529.7	1737.9	314.4	30.2	1834.8	494.2	15584.2
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	496.4	15063.5

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

ASSETS	1999	2000	2001												2002											
			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	120.2	123.5	190.2	138.0	180.9	181.1	130.8	134.2	143.4	126.5	138.0	167.5	157.7	153.8	157.3	116.3	101.4	109.1	110.1	104.6	104.6	104.6	97.2	92.9	92.9	92.9
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. Non-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
3. CLAIMS ON CENTRAL GOVERNMENT	151.91	34.3	29.3	30.0	37.9	76.1	125.9	131.4	139.5	141.0	141.3	136.9	142.2	138.5	157.9	180.6	164.0	164.0	164.0	164.0	164.0	164.0	164.0	164.0	164.0	164.0
a. Treasury bills	151.9	10.8	5.6	5.8	5.6	41.9	89.9	94.0	10.2	103.5	103.4	93.3	96.6	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
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	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. Other	0.0	23.5	23.8	24.2	32.4	34.2	34.2	36.1	37.4	37.5	37.5	37.9	43.6	43.5	43.4	43.3	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2
4. CLAIMS ON LOCAL AUTHORITIES AND REGIONAL COUNCILS	5.1	4.9	4.7	4.8	4.8	4.8	4.8	4.8	4.7	4.7	4.7	4.7	4.7	4.6	4.7	4.6	4.7	4.7	4.6	4.5	4.5	4.6	4.5	4.6	4.6	4.6
5. CLAIMS ON NON-FINANCIAL PUBLIC ENTERPRISES	7.5	211.6	220.8	211.7	90.3	90.3	90.3	90.5	61.7	60.9	59.4	61.9	61.9	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
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	18.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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 transactions	0.0	0.0	18.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	7.5	211.6	202.3	211.7	90.3	90.3	90.3	90.5	61.7	60.9	59.4	61.9	61.9	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
6. CLAIMS ON NONBANK FINANCIAL INSTITUTIONS	18.1	12.9	12.7	12.7	12.7	12.7	14.8	13.3	12.7	12.4	12.4	12.4	12.9	12.9	12.9	12.7	12.7	12.6	12.7	12.7	12.7	12.7	12.7	12.7	12.8	12.8
7. CLAIMS ON PRIVATE SECTOR	1623.5	2091.8	2112.2	2155.5	2207.0	2207.0	2230.5	2287.5	2322.4	2350.5	2396.3	2430.9	2461.7	2498.7	2523.2	2539.8	2619.2	2622.9	2622.9	2629.7	2629.7	2629.7	2645.7	2656.5	2656.5	2656.5
a. Individuals	1582.2	2085.8	2086.2	2129.4	2180.7	2180.7	2204.3	2261.2	2295.9	2324.0	2369.7	2404.5	2453.3	2472.1	2486.7	2513.0	2592.4	2596.0	2596.0	2602.8	2602.8	2602.8	2618.8	2629.6	2629.6	2629.6
b. Business	41.4	26.1	26.1	26.1	26.3	26.3	26.3	26.3	26.4	26.4	26.8	26.4	26.4	26.6	26.5	26.8	26.8	26.9	26.9	26.9	26.9	26.9	26.9	26.9	26.9	26.9
8. CLAIMS ON DMB'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	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	1826.4	2479.0	2570.0	2553.6	2593.4	2572.0	2597.2	2661.6	2684.3	2696.0	2752.1	2814.3	2841.1	2871.9	2918.6	2916.8	2968.8	2980.2	2981.2	2982.5	2982.5	2982.5	2991.0	2997.6	2997.7	2997.7

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

LIABILITIES	1999	2000	2001											
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1. TIME, SAVINGS AND FOREIGN CURRENCY DEP.	868.8	1284.2	1386.1	1356.9	1316.2	1279.6	1286.3	1326.4	1344.4	1356.9	1400.0	1444.9	1476.9	1531.5
a. Time Deposits	168.1	301.3	1015.5	971.2	990.4	316.3	324.9	327.1	324.3	340.1	356.5	356.5	362.3	309.0
b. Savings Deposits	700.7	983.0	370.6	385.8	325.8	963.4	961.4	999.4	1020.1	1016.8	1043.5	1082.6	1151.2	1222.5
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
2. MONEY MARKET INSTRUMENTS	182.5	45.4	44.3	44.8	44.9	45.4	46.0	45.1	46.4	46.8	42.6	43.2	43.8	44.4
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
4. FOREIGN LIABILITIES	23.5	83.6	86.8	101.7	156.2	160.7	163.8	159.2	156.1	152.1	154.3	153.6	153.6	151.2
a. Banks	0.0	0.0	0.0	0.0	57.1	57.1	57.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b. Nonbanks	23.5	83.6	86.8	101.7	156.2	160.7	106.7	159.2	156.1	152.1	154.3	153.6	153.6	151.2
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
6. CREDIT FROM CENTRAL BANK	0.0	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5
7. CREDIT FROM DMB's	36.0	74.4	77.7	82.4	83.6	86.6	89.0	87.3	86.9	91.4	90.4	92.2	82.0	82.4
8. CAPITAL ACCOUNTS	1099.9	1237.3	1206.3	1217.7	1227.1	1226.7	1241.7	1261.3	1276.2	1282.0	1289.6	1306.2	1307.8	1325.0
9. OTHER ITEMS (NET)	-126.4	-246.3	-231.7	-250.4	-235.1	-227.4	-229.9	-219.2	-226.2	-233.5	-225.3	-226.3	-223.5	-263.1
a. Unclassified Liabilities	323.1	266.0	285.4	286.2	-281.3	291.2	297.3	302.6	309.6	317.0	325.3	325.3	329.5	303.2
b. Less: Unclassified Assets	449.5	514.4	517.2	536.7	516.4	518.6	527.2	521.8	535.7	550.5	550.6	551.6	553.0	566.3
10. TOTAL LIABILITIES	2206.7	2479.0	2570.0	2553.4	2593.4	2572.0	2597.2	2661.5	2684.3	2696.0	27520.1	2814.3	2841.1	2871.9

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

End of Period	Net Foreign Assets	Domestic Credit				Total	Money Supply			TOTAL	
		To Gov't (Net)	Financial Sector		Other		Monetary Liabilities	Quasi-Monetary Liabilities	Total		Other Items (Net)
1997	876.9	230.8	17.7	7956.1	176.2	9257.7	2736.3	4448.5	7184.8	2072.9	9257.7
1998	1332.3	260.5	18.1	8752.8	174.1	10537.8	3560.7	4393.6	7954.3	2583.5	10537.8
1999	2262.1	668.5	24.7	9233.7	166.5	12355.5	4419.3	5160.0	9579.3	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											
Jan	3056.3	-39.4	65.9	10929.5	431.4	14443.8	5804.0	5200.9	11004.9	3438.9	14443.8
Feb	2222.5	274.6	32.0	10945.5	433.2	13907.8	5265.7	5112.7	10378.4	3529.4	13907.8
Mar	2314.3	312.1	13.0	11168.6	323.9	14131.9	5295.0	5239.4	10534.4	3597.5	14131.9
Apr	2783.4	107.4	17.6	11273.7	237.7	14419.7	5667.2	5160.5	10827.7	3592.0	14419.7
May	2103.7	350.9	15.0	11380.0	252.6	14102.2	5318.0	5329.6	10647.6	3454.6	14102.2
Jun	2393.1	586.9	17.1	11575.5	204.0	14776.6	6051.1	5072.6	11123.7	3652.8	14776.6
Jul	2840.2	-105.0	12.9	11745.9	200.6	14694.6	5843.6	5183.2	11026.9	3667.7	14694.6
Aug	2435.7	396.0	15.9	11855.7	206.3	14909.6	6097.7	5115.5	11213.2	3696.4	14909.6
Sep	1854.4	693.5	13.8	12004.2	207.4	14773.4	5832.5	5071.8	10904.3	3869.1	14773.4
Oct	2234.0	501.6	14.2	12115.8	218.1	15083.7	6047.8	5222.3	11270.1	3813.6	15083.7
Nov	2420.2	485.1	15.6	12488.1	188.3	15597.3	6147.6	5344.8	11492.4	4104.9	15597.3
Dec	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	194.3	15954.1	6173.3	5536.8	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	527.6	14.1	12872.6	213.3	16829.6	6518.2	5403.7	11921.9	4907.7	16829.6
Apr	3613.6	464.2	14.6	12807.6	215.3	17115.3	6868.0	5640.2	12502.2	4613.1	17115.3
May	3416.7	777.1	17.9	13188.0	207.8	17607.5	7360.2	5789.7	13149.9	4457.6	17607.5
Jun	3360.5	957.2	14.1	13075.3	212.9	17620.0	7225.7	5762.7	12988.4	4631.6	17620.0
Jul	4069.4	-291.7	15.1	13236.2	200.3	17229.3	7083.6	5665.5	12749.1	4480.3	17229.3
Aug	4039.4	0.1	15.0	13279.1	206.1	17539.7	7383.7	5444.9	12828.6	4711.0	17539.7
Sep	3158.9	257.1	13.9	13594.7	205.0	17229.6	6991.7	5438.5	12430.2	4799.4	17229.6
Oct	3308.4	155.3	13.9	14229.0	214.0	17920.6	7431.5	5788.8	13220.3	4700.3	17920.6
Nov	2559.1	557.4	13.2	14463.2	234.6	17827.5	7199.9	6066.2	13266.1	4561.5	17827.6
Dec	1557.0	-78.1	14.0	14817.7	235.3	16545.9	6809.9	5613.1	12423.0	4122.9	16545.9

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	
1997	2929.1	592.8	674.3	1762.5	557.7	2994.5	6 516.5
1998	3376.6	622.9	696.2	1918.6	339.2	2954.0	6 953.6
1999	4174.0	667.4	722.7	2207.1	444.4	3374.1	8 215.5
2000 Jan	4377.4	661.8	805.5	2037.6	430.2	3273.4	8 312.6
Feb	4173.8	677.9	722.9	1963.5	479.5	3165.9	8 017.6
Mar	4085.6	682.7	791.5	1955.7	571.7	3318.9	8 087.2
Apr	4340.2	682.8	873.7	1869.0	476.5	3219.2	8 242.2
May	4494.8	674.7	1017.0	1665.7	544.2	3226.8	8 396.3
Jun	4856.8	688.8	823.8	1422.3	669.0	2915.1	8 460.7
Jul	4804.1	687.0	805.1	1493.6	637.8	2936.5	8 427.6
Aug	4794.0	691.5	731.5	1526.9	640.3	2898.6	8 384.1
Sep	4869.7	685.7	898.5	1528.7	598.3	3025.5	8 581.0
Oct	5214.9	718.1	789.2	1699.5	543.8	3032.4	8 965.4
Nov	5075.6	732.8	924.7	2129.6	528.4	3582.7	9 391.1
Dec	5507.6	705.8	854.3	2167.1	273.6	3295.0	9 508.3
2001 Jan	5638.1	688.3	959.1	1945.9	302.9	3207.9	9 534.3
Feb	5191.6	706.4	854.5	2000.8	261.6	3116.9	9 014.9
Mar	5260.8	697.3	1188.8	1902.3	239.2	3330.3	9 288.5
Apr	5495.1	701.7	1021.0	1935.7	275.7	3232.5	9 429.2
May	5342.7	701.0	1316.9	1736.6	338.9	3392.4	9 436.1
Jun	5733.2	701.7	759.6	1956.1	368.9	3084.6	9 519.4
Jul	5807.9	727.4	1134.4	1543.8	473.8	3152.0	9 607.7
Aug	6198.7	735.0	1008.0	1581.3	478.9	3068.2	10 001.9
Sep	5620.6	737.3	752.2	1839.9	396.1	2988.2	9 346.1
Oct	5855.9	847.9	781.6	1875.2	436.5	3093.4	9 797.3
Nov	6085.0	783.4	649.7	2073.6	427.4	3150.7	10 019.1
Dec	6095.0	748.7	684.9	1965.1	343.9	2993.9	9 837.6
2002 Jan	5953.5	735.6	707.1	2322.5	277.9	3307.5	9 996.6
Feb	6580.1	750.6	761.1	2268.4	208.3	3237.8	10 568.5
Mar	6272.9	744.0	905.9	2036.4	183.7	3126.0	10 142.9
Apr	6585.3	758.8	1429.9	1893.0	156.8	3479.7	10 823.8
May	6991.7	769.2	1331.6	2041.3	230.6	3603.6	11 364.5
Jun	6789.7	777.8	1378.8	1958.1	227.4	3564.3	11 131.8
Jul	6723.0	786.0	1378.7	1702.4	329.0	3410.2	10 919.2
Aug	7069.3	778.2	1131.9	1729.6	333.3	3194.7	11 042.2
Sep	6688.4	784.3	928.7	1822.5	468.1	3219.3	10 692.0
Oct	7075.9	796.9	1148.1	1776.1	573.3	3497.5	11 370.3
Nov	6878.6	819.4	1200.4	2015.6	541.7	3757.7	11 455.8
Dec	6440.5	786.2	1071.6	1849.7	551.2	3466.1	10 692.8

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

Period		DEMAND DEPOSITS						SAVINGS DEPOSITS						TIME DEPOSITS						TOTAL
		Private Sector		Financial Sector	Central Govt.	Other	Total	Private sector		Financial Sector	Central Govt.	Other	Total	Private Sector		Financial Sector	Central Govt.	Other	Total	
		Busin.	Indiv.					Busin.	Indiv.					Busin.	Indiv.					
1997		1091.3	992.8	329.7	116.9	171.7	2702.5	8.6	567.5	0.0	0.0	0.1	576.2	674.6	1147.3	339.2	63.6	865.4	3090.1	6368.8
1998		1482.2	1160.2	577.7	61.6	95.1	3376.7	8.5	614.3	0.0	0.0	0.1	622.9	613.0	1068.6	309.0	51.4	912.1	2954.0	6953.6
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	Jan	1887.6	1195.7	925.2	103.8	265.0	4377.4	10.7	650.7	0.0	0.0	0.4	661.8	870.7	1192.1	262.1	52.4	896.2	3273.4	8312.6
	Feb	1600.0	1259.3	895.5	109.9	309.1	4173.9	9.9	667.7	0.0	0.0	0.4	677.9	888.9	1180.0	166.8	37.7	892.4	3165.8	8017.6
	Mar	1848.7	1190.4	710.8	128.0	207.7	4085.6	10.1	672.2	0.0	0.0	0.4	682.7	875.9	1180.6	257.9	17.7	986.8	3318.9	8087.2
	Apr	1802.6	1358.8	783.5	121.2	274.0	4340.1	10.7	671.7	0.0	0.0	0.4	682.8	852.7	1156.6	222.1	33.8	953.9	3219.1	8242.0
	May	1983.6	1413.5	663.6	125.9	308.2	4494.8	9.6	665.0	0.0	0.0	0.0	674.7	954.8	1116.5	412.8	29.0	713.7	3226.8	8396.3
	Jun	2124.3	1513.7	729.0	124.8	365.0	4856.8	10.5	678.3	0.0	0.0	0.1	688.8	914.4	1021.1	221.7	18.0	739.9	2915.1	8460.8
	Jul	2182.8	1454.6	683.0	150.3	333.3	4804.1	9.8	677.1	0.0	0.0	0.1	687.0	934.4	993.5	249.1	14.6	744.9	2936.5	8427.6
	Aug	2099.8	1553.9	635.6	146.7	358.0	4794.0	10.1	681.3	0.0	0.0	0.1	691.5	958.4	1013.1	201.2	21.2	704.7	2898.6	8384.1
	Sep	2177.2	1539.1	606.9	168.4	378.1	4869.7	10.2	675.4	0.0	0.0	0.1	685.7	1097.5	1007.4	249.6	18.6	652.5	3025.5	8581.0
	Oct	2317.0	1509.0	880.9	144.2	363.8	5214.9	11.0	707.0	0.0	0.0	0.1	718.1	1159.2	1014.7	228.4	31.7	598.4	3032.4	8965.4
	Nov	2215.1	1457.8	1031.6	126.4	244.6	5075.6	12.0	719.2	0.6	0.2	0.8	732.8	1589.5	1034.6	255.5	30.5	672.5	3582.7	9391.1
	Dec	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	Jan	2777.0	1736.2	716.6	125.3	283.0	5638.1	10.1	678.1	0.1	0.0	0.1	688.4	1214.5	1114.1	310.4	30.2	538.6	3207.8	9534.3
	Feb	2663.5	1552.6	588.7	126.8	260.1	5191.7	10.4	695.9	0.0	0.0	0.1	706.4	1275.3	1038.0	214.8	46.6	542.1	3116.8	9014.9
	Mar	2555.9	1564.2	714.2	219.1	207.4	5260.8	11.7	684.4	0.0	0.0	1.3	697.3	1590.9	1003.2	245.2	87.6	403.5	3330.3	9288.4
	Apr	2589.5	1634.1	881.6	178.6	211.2	5495.1	12.9	686.0	0.0	0.0	2.8	701.7	1565.2	1007.2	234.2	46.0	379.8	3232.5	9429.2
	May	2637.2	1503.9	784.9	184.4	232.2	5342.7	13.1	685.1	0.0	0.0	2.7	701.0	1698.8	1013.5	230.0	47.4	402.7	3392.4	9436.1
	Jun	2659.4	1725.7	905.4	187.7	255.0	5733.2	13.2	686.8	0.0	0.0	1.7	701.7	1525.0	1035.4	175.9	38.2	310.1	3084.6	9519.4
	Jul	2649.9	1933.2	694.8	182.1	249.6	5709.7	9.1	716.6	0.0	0.0	1.7	727.3	1572.9	1170.7	75.5	38.4	295.8	3153.3	9607.7
	Aug	2710.1	2178.3	728.5	186.8	296.8	6100.5	10.0	723.0	0.0	0.0	2.1	735.1	1552.7	1139.8	95.2	43.5	255.2	3086.4	9922.0
	Sep	2777.8	1691.0	643.3	172.7	327.4	5612.3	9.3	725.7	0.0	0.0	2.3	737.3	1409.2	1203.5	69.8	52.0	261.9	2996.4	9346.0
	Oct	3026.2	1739.8	648.3	188.3	364.2	5966.8	9.3	737.0	0.0	0.0	1.6	747.9	1457.6	1241.4	69.8	51.9	261.8	3082.5	9607.7
	Nov	3121.5	1809.0	678.3	167.8	308.4	6085.0	8.7	772.9	0.0	0.0	1.7	783.3	1592.1	1221.2	35.3	50.6	251.6	3150.8	10019.1
	Dec	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	307.3	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	305.1	3237.5	10568.2
	Mar	3260.7	2053.7	715.7	197.8	242.7	6470.6	11.3	731.0	0.0	0.0	1.7	744.0	1481.2	1231.6	42.0	59.0	312.2	3126.0	10340.6
	Apr	3451.8	1899.8	659.6	250.1	324.0	6585.3	12.3	745.0	0.0	0.0	1.5	758.8	1682.1	1246.6	155.3	85.5	310.2	3479.7	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	777.7	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	3194.8	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	11455.8
	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

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

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

Period		DEMAND DEPOSITS						SAVINGS DEPOSITS						TIME DEPOSITS						TOTAL
		Private Sector		Financial Sector	Central Govt.	Other	Total	Private sector		Financial Sector	Central Govt.	Other	Total	Private Sector		Financial Sector	Central Govt.	Other	Total	
		Busin.	Indiv.					Busin.	Indiv.					Busin.	Indiv.					
1997		1091.3	992.8	329.7	116.9	171.7	2702.5	8.6	567.5	0.0	0.0	0.1	576.2	674.6	1147.3	339.2	63.6	865.4	3090.1	6368.8
1998		1482.2	1160.2	577.7	61.6	95.1	3376.7	8.5	614.3	0.0	0.0	0.1	622.9	613.0	1068.6	309.0	51.4	912.1	2954.0	6953.6
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	Jan	1887.6	1195.7	925.2	103.8	265.0	4377.4	10.7	650.7	0.0	0.0	0.4	661.8	870.7	1192.1	262.1	52.4	896.2	3273.4	8312.6
	Feb	1600.0	1259.3	895.5	109.9	309.1	4173.9	9.9	667.7	0.0	0.0	0.4	677.9	888.9	1180.0	166.8	37.7	892.4	3165.8	8017.6
	Mar	1848.7	1190.4	710.8	128.0	207.7	4085.6	10.1	672.2	0.0	0.0	0.4	682.7	875.9	1180.6	257.9	17.7	986.8	3318.9	8087.2
	Apr	1802.6	1358.8	783.5	121.2	274.0	4340.1	10.7	671.7	0.0	0.0	0.4	682.8	852.7	1156.6	222.1	33.8	953.9	3219.1	8242.0
	May	1983.6	1413.5	663.6	125.9	308.2	4494.8	9.6	665.0	0.0	0.0	0.0	674.7	954.8	1116.5	412.8	29.0	713.7	3226.8	8396.3
	Jun	2124.3	1513.7	729.0	124.8	365.0	4856.8	10.5	678.3	0.0	0.0	0.1	688.8	914.4	1021.1	221.7	18.0	739.9	2915.1	8460.8
	Jul	2182.8	1454.6	683.0	150.3	333.3	4804.1	9.8	677.1	0.0	0.0	0.1	687.0	934.4	993.5	249.1	14.6	744.9	2936.5	8427.6
	Aug	2099.8	1553.9	635.6	146.7	358.0	4794.0	10.1	681.3	0.0	0.0	0.1	691.5	958.4	1013.1	201.2	21.2	704.7	2898.6	8384.1
	Sep	2177.2	1539.1	606.9	168.4	378.1	4869.7	10.2	675.4	0.0	0.0	0.1	685.7	1097.5	1007.4	249.6	18.6	652.5	3025.5	8581.0
	Oct	2317.0	1509.0	880.9	144.2	363.8	5214.9	11.0	707.0	0.0	0.0	0.1	718.1	1159.2	1014.7	228.4	31.7	598.4	3032.4	8965.4
	Nov	2215.1	1457.8	1031.6	126.4	244.6	5075.6	12.0	719.2	0.6	0.2	0.8	732.8	1589.5	1034.6	255.5	30.5	672.5	3582.7	9391.1
	Dec	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	Jan	2777.0	1736.2	716.6	125.3	283.0	5638.1	10.1	678.1	0.1	0.0	0.1	688.4	1214.5	1114.1	310.4	30.2	538.6	3207.8	9534.3
	Feb	2663.5	1552.6	588.7	126.8	260.1	5191.7	10.4	695.9	0.0	0.0	0.1	706.4	1275.3	1038.0	214.8	46.6	542.1	3116.8	9014.9
	Mar	2555.9	1564.2	714.2	219.1	207.4	5260.8	11.7	684.4	0.0	0.0	1.3	697.3	1590.9	1003.2	245.2	87.6	403.5	3330.3	9288.4
	Apr	2589.5	1634.1	881.6	178.6	211.2	5495.1	12.9	686.0	0.0	0.0	2.8	701.7	1565.2	1007.2	234.2	46.0	379.8	3232.5	9429.2
	May	2637.2	1503.9	784.9	184.4	232.2	5342.7	13.1	685.1	0.0	0.0	2.7	701.0	1698.8	1013.5	230.0	47.4	402.7	3392.4	9436.1
	Jun	2659.4	1725.7	905.4	187.7	255.0	5733.2	13.2	686.8	0.0	0.0	1.7	701.7	1525.0	1035.4	175.9	38.2	310.1	3084.6	9519.4
	Jul	2649.9	1933.2	694.8	182.1	249.6	5709.7	9.1	716.6	0.0	0.0	1.7	727.3	1572.9	1170.7	75.5	38.4	295.8	3153.3	9607.7
	Aug	2710.1	2178.3	728.5	186.8	296.8	6100.5	10.0	723.0	0.0	0.0	2.1	735.1	1552.7	1139.8	95.2	43.5	255.2	3086.4	9922.0
	Sep	2777.8	1691.0	643.3	172.7	327.4	5612.3	9.3	725.7	0.0	0.0	2.3	737.3	1409.2	1203.5	69.8	52.0	261.9	2996.4	9346.0
	Oct	3026.2	1739.8	648.3	188.3	364.2	5966.8	9.3	737.0	0.0	0.0	1.6	747.9	1457.6	1241.4	69.8	51.9	261.8	3082.5	9607.7
	Nov	3121.5	1809.0	678.3	167.8	308.4	6085.0	8.7	772.9	0.0	0.0	1.7	783.3	1592.1	1221.2	35.3	50.6	251.6	3150.8	10019.1
	Dec	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	307.3	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	305.1	3237.5	10568.2
	Mar	3260.7	2053.7	715.7	197.8	242.7	6470.6	11.3	731.0	0.0	0.0	1.7	744.0	1481.2	1231.6	42.0	59.0	312.2	3126.0	10340.6
	Apr	3451.8	1899.8	659.6	250.1	324.0	6585.3	12.3	745.0	0.0	0.0	1.5	758.8	1682.1	1246.6	155.3	85.5	310.2	3479.7	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	777.7	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	3194.8	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	11455.8
	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

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.						
1997	2.2	584.7	76.4	0.0	0.1	663.4	5.0	21.6	107.4	0.0	84.4	218.4	881.8	
1998	2.3	615.9	81.4	0.0	0.1	699.7	5.6	20.5	202.6	0.0	61.7	290.4	990.1	
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	Jan	3.1	856.0	110.1	0.0	0.1	969.3	5.9	254.9	127.4	0.0	98.6	486.9	1456.2
	Feb	2.8	806.6	100.6	0.0	0.1	910.2	6.6	261.4	142.7	0.0	90.7	501.4	1411.6
	Mar	2.9	821.5	101.1	0.0	0.1	925.6	7.1	275.0	153.2	0.0	53.1	488.5	1414.1
	Apr	2.8	806.2	99.5	0.0	0.1	908.6	6.9	268.1	147.5	0.0	51.1	473.6	1382.2
	May	2.8	807.6	99.6	0.0	0.1	910.1	7.0	269.6	150.6	0.0	52.2	479.3	1389.5
	Jun	2.8	807.0	99.6	0.0	0.1	909.5	7.3	269.6	157.5	0.0	54.6	489.3	1398.7
	Jul	2.8	809.4	99.4	0.0	0.1	911.7	7.7	274.5	164.6	0.0	123.8	570.5	1482.3
	Aug	2.8	804.5	98.5	0.0	0.1	905.9	7.8	275.0	168.1	0.0	117.5	568.5	1474.4
	Sep	3.1	857.8	108.0	0.0	0.1	968.9	8.5	277.2	182.3	0.0	121.7	589.8	1558.7
	Oct	3.2	892.9	111.7	0.0	0.1	1007.9	8.8	292.1	188.2	0.0	105.5	594.6	1602.6
	Nov	3.0	865.6	106.7	0.0	0.1	975.4	10.5	299.0	225.4	0.0	112.6	647.5	1622.9
	Dec	3.1	871.2	108.5	0.0	0.1	983.0	10.2	293.3	220.0	0.0	76.3	599.9	1582.8
2001	Jan	3.2	899.2	113.0	0.0	0.1	1015.5	10.7	297.7	158.9	0.0	79.7	547.0	1562.5
	Feb	3.0	861.7	106.4	0.0	0.1	971.2	11.3	38.1	243.6	0.0	175.1	468.1	1439.3
	Mar	3.1	878.4	108.8	0.0	0.1	990.4	11.5	38.7	247.4	0.0	111.9	409.4	1399.8
	Apr	3.0	855.0	105.2	0.0	0.1	963.4	11.9	40.0	256.1	0.0	94.8	402.9	1366.2
	May	2.9	853.8	104.5	0.0	0.1	961.4	12.3	41.1	263.3	0.0	97.2	413.9	1375.3
	Jun	3.1	885.5	110.6	0.0	0.1	999.4	12.0	40.4	258.2	0.0	103.8	414.4	1413.7
	Jul	3.2	903.4	113.4	0.0	0.1	1020.1	12.0	40.2	257.1	0.0	101.9	411.2	1431.4
	Aug	3.2	901.1	112.5	0.0	0.1	1016.9	12.6	42.3	270.4	0.0	93.7	419.0	1435.9
	Sep	3.3	921.9	116.2	0.0	0.2	1041.6	12.5	41.8	267.3	0.0	125.4	447.0	1488.6
	Oct	3.4	957.7	121.3	0.0	0.2	1082.6	12.7	42.6	272.7	0.0	126.5	454.5	1537.1
	Nov	3.7	1015.7	131.6	0.0	0.2	1151.2	11.3	37.9	242.5	0.0	116.0	407.7	1558.9
	Dec	4.0	1076.3	142.0	0.0	0.2	1222.5	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	86.3	339.5	1626.8
	Mar	4.4	1158.6	156.4	0.0	0.2	1319.6	10.0	33.6	215.3	0.0	88.3	347.2	1668.8
	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	1160.7	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	1686.0

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
	Busin.	Indiv.					
1997	7.2	606.3	613.5	183.8	0.0	84.5	881.8
1998	7.9	636.4	644.3	283.9	0.0	61.8	990.1
1999	8.2	1081.6	1089.7	216.2	0.0	94.4	1400.3
2000 Jan	9.0	1110.9	1119.9	237.5	0.0	98.7	1456.2
Feb	9.5	1068.0	1077.5	243.3	0.0	90.8	1411.6
Mar	10.0	1096.5	1106.5	254.3	0.0	53.2	1414.1
Apr	9.7	1074.3	1084.0	246.9	0.0	51.2	1382.2
May	9.8	1077.2	1087.0	250.1	0.0	52.3	1389.5
Jun	10.2	1076.9	1087.0	257.0	0.0	54.7	1398.7
Jul	10.5	1083.9	1094.4	264.0	0.0	123.9	1482.3
Aug	10.6	1079.5	1090.1	266.7	0.0	117.7	1474.4
Sep	11.5	1135.0	1146.6	290.3	0.0	121.8	1558.7
Oct	11.9	1185.1	1197.0	299.9	0.0	105.7	1602.6
Nov	13.5	1164.5	1178.1	332.1	0.0	112.7	1622.9
Dec	13.3	1164.5	1177.8	328.5	0.0	76.4	1582.7
2001 Jan	13.9	1196.8	1210.7	271.9	0.0	79.9	1562.5
Feb	14.4	899.7	914.1	350.0	0.0	175.2	1439.3
Mar	14.6	917.0	931.6	356.2	0.0	112.0	1399.8
Apr	14.9	895.1	910.0	361.3	0.0	94.9	1366.2
May	15.2	894.9	910.2	367.8	0.0	97.3	1375.3
Jun	15.2	925.9	941.0	368.8	0.0	103.9	1413.7
Jul	15.2	943.6	958.7	370.5	0.0	102.1	1431.4
Aug	15.8	943.3	959.2	382.9	0.0	93.9	1435.9
Sep	15.7	963.7	979.5	383.4	0.0	125.5	1488.6
Oct	16.1	1000.3	1016.4	394.0	0.0	126.7	1537.1
Nov	15.0	1053.6	1068.6	374.1	0.0	116.2	1558.9
Dec	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	86.5	1626.8
Mar	14.4	1192.2	1206.6	371.7	0.0	88.5	1666.8
Apr	14.4	1194.4	1208.8	371.7	0.0	88.5	1669.0
May	14.4	1200.4	1214.8	371.7	0.0	88.5	1675.0
Jun	14.4	1206.4	1220.8	371.7	0.0	88.5	1681.0
Jul	14.4	1206.4	1220.8	371.7	0.0	88.5	1681.0
Aug	14.4	1206.4	1220.8	371.7	0.0	88.5	1681.0
Sep	14.4	1202.4	1216.8	371.7	0.0	88.5	1677.0
Oct	14.4	1200.4	1214.8	371.7	0.0	88.5	1675.0
Nov	14.4	1200.4	1214.8	371.7	0.0	88.5	1675.0
Dec	14.4	1211.4	1225.8	371.7	0.0	88.5	1686.0

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)

	1999/2000	2001												2001												
		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																										
a. Loans and Advances	4709.0	5565.1	5593.2	5604.5	5684.3	5752.9	5800.9	5879.9	5176.1	5335.7	5391.9	5553.9	5690.9	5691.4	5746.7	5881.7	5969.7	6035.8	6088.5	6233.6	6233.3	6302.5	6438.7	6438.7	6932.0	7126.5
(i) Mortgage loans	3461.6	4071.5	4096.7	4093.6	4162.1	4205.0	4222.1	4252.2	3845.7	3917.1	3935.9	4058.6	4174.6	4137.8	4178.2	4287.3	4379.5	4434.9	4456.6	4601.7	4539.4	4595.1	4679.7	5097.6	5133.8	5279.1
(ii) Other loans and advances	2239.8	2658.3	2659.9	2692.0	2772.2	2808.9	2782.5	2828.6	2799.5	2833.6	2834.7	2962.4	3007.5	3005.4	3021.0	3105.5	3172.1	3232.0	3250.3	3385.4	3369.2	3405.9	3478.1	3548.6	3641.1	3726.9
b. Instalment credit	1221.8	1413.1	1436.8	1401.6	1389.7	1396.2	1439.7	1423.4	1046.2	1083.5	1001.2	1096.2	1167.1	1132.5	1157.2	1180.8	1207.4	1202.9	1206.3	1236.3	1170.2	1189.2	1201.6	1549.0	1492.7	1552.2
c. Leasing transaction	1179.7	1418.2	1421.7	1436.1	1444.7	1457.8	1489.4	1535.6	1279.8	1363.4	1401.8	1439.5	1466.1	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
d. Bills discounted or purchased	55.2	63.4	64.7	63.4	67.2	80.0	81.1	81.6	43.9	45.0	44.7	45.8	46.6	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
e. Other claims	0.0	0.0	0.7	0.18	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	12.4	12.0	10.4	11.2	10.2	9.8	8.1	10.2	6.6	10.2	10.0	10.0	3.5	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
2. Business																										
a. Loans and advances	2725.1	3134.8	3224.1	3185.4	3305.1	3313.8	3348.5	3408.2	4247.5	4169.6	4216.0	4130.9	4335.7	4424.1	4341.0	4305.3	4283.8	4149.0	4496.8	4212.0	4373.3	4347.0	4510.5	4688.7	4874.7	5034.7
(i) Mortgage loans	2406.0	2736.2	2831.0	2793.8	2914.6	2925.2	2965.0	2967.1	3098.4	3087.5	3134.9	321.3	3156.1	3220.1	3114.5	3023.5	3055.6	2930.2	3261.8	2986.0	3046.7	3097.5	3199.1	3377.9	3543.8	3656.2
(ii) Other loans and advances	213.5	331.8	333.0	328.4	335.7	328.4	381.8	364.3	433.5	430.3	400.3	402.2	432.3	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
b. Instalment credit	2192.5	2404.5	2498.0	2465.4	2578.3	2596.9	2583.2	2602.4	2664.9	2848.2	2734.6	2543.9	2723.8	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
c. Leasing transaction	143.9	136.9	133.1	133.8	133.4	133.1	129.5	126.5	196.5	429.4	435.7	459.4	453.1	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
d. Bills discounted or purchased	26.0	19.7	19.5	18.4	19.0	18.8	19.3	15.4	17.5	17.0	18.0	13.8	13.8	45.0	53.9	53.6	53.1	50.0	51.8	53.1	54.4	55.3	55.8	56.9	53.3	
e. Other claims	31.8	0.0	0.0	0.0	0.0	0.0	0.0	5.5	5.7	4.8	4.3	4.5	4.5	3.5	18.9	16.1	17.1	18.1	23.1	19.5	45.5	45.6	43.1	43.1	15.1	
	117.4	241.9	240.5	239.4	238.1	236.7	234.8	293.3	629.4	631.0	625.0	707.7	708.2	706.5	702.5	699.7	708.9	699.9	712.3	699.9	758.7	664.9	709.9	706.4	715.6	801.6
3. (1+2) Total Claims on Private Sector																										
a. Loans and advances	5887.7	6807.7	6926.7	6887.3	7076.6	7130.2	7187.1	7219.5	6944.1	7004.6	7070.8	7004.7	7330.7	7358.0	7292.2	7370.9	7435.1	7365.1	7718.4	7587.7	7586.1	7692.7	7878.8	8475.5	8677.6	8935.3
(i) Mortgage loans	2453.3	2990.1	2991.9	3020.4	3108.0	3137.2	3164.2	3193.1	3233.1	3272.9	3335.0	3364.6	3439.8	3500.9	3509.6	3565.8	3648.7	3699.5	3753.0	3648.2	3669.9	3830.7	3983.0	4053.8	4117.0	4176.5
(ii) Other loans and advances	3414.1	3817.6	3934.8	3866.9	3968.6	3993.1	4022.9	4026.5	3711.1	3731.7	3736.7	3640.1	3890.9	3857.0	3782.6	3505.1	3785.4	3665.6	3965.4	3739.5	3716.2	3762.0	3895.8	4421.7	4560.6	4758.8
b. Instalment credit	1323.6	1555.2	1554.8	1570.0	1578.1	1590.9	1618.9	1662.5	1776.3	1792.8	1837.0	1898.9	1919.2	1947.6	1968.7	1983.5	1987.6	1994.4	2005.0	2027.3	2102.1	2128.9	2173.7	2203.0	2220.7	2280.1
c. Leasing Transaction	81.2	83.1	84.2	81.8	86.2	98.8	100.3	97.1	61.5	62.0	80.6	59.6	60.4	94.8	102.1	101.6	101.0	103.9	103.1	107.7	110.9	114.0	138.1	140.1	145.1	144.3
d. Bills discounted or purchased	31.8	0.0	0.7	0.2	0.2	0.2	0.2	5.7	5.7	1.8	1.3	4.5	4.5	3.5	18.9	18.1	17.7	18.1	23.1	19.5	45.5	45.6	43.1	43.1	43.1	15.1
e. Other claims	129.8	253.9	250.9	250.6	248.3	246.5	242.9	303.5	635.9	641.2	634.9	717.1	711.7	711.7	705.8	703.0	712.1	703.3	715.7	703.4	762.0	668.4	713.2	710.8	720.2	806.4
TOTAL	7434.1	8699.8	8817.3	8789.9	8989.6	9066.7	9149.4	9288.0	9423.6	9505.2	9608.0	9684.8	10026.5	10115.5	101087.8	10187.0	10253.5	10184.8	10565.3	10445.6	10606.6	10549.5	10949.7	11572.5	11806.7	12161.2

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

		2001												2002													
1999	2000	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	1582.2	2065.8	2086.2	2129.4	2152.8	2180.7	2204.3	2261.2	2295.9	2324.0	2369.7	2404.5	2432.2	2472.1	2496.7	2513.0	2592.5	2596.0	2596.0	2602.8	2602.8	2602.8	2618.8	2629.7	2629.7	2629.7	
	1581.2	2064.6	2085.1	2128.4	2151.5	2179.4	2203.0	2260.0	2294.8	2323.0	2368.5	2403.4	2434.1	2471.1	2495.6	2512.0	2591.4	2594.9	2594.9	2601.6	2601.6	2601.6	2617.7	2628.6	2628.6	2628.6	
	1350.0	2045.1	2065.7	2108.7	2131.6	2159.1	2182.5	2239.6	2274.4	2302.6	2348.4	2383.0	2413.7	2450.8	2475.2	2491.5	2570.9	2574.4	2574.4	2581.2	2581.2	2581.2	2597.2	2608.1	2608.1	2608.1	
	231.2	19.5	19.4	19.7	19.9	20.3	20.4	20.4	20.5	20.3	20.2	20.4	20.4	20.3	20.4	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
	1.0	1.2	1.1	1.1	1.7	1.3	1.3	1.3	1.2	1.2	1.1	1.1	1.1	1.1	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1		
	2. Business	41.4	26.1	26.1	26.1	26.2	26.3	26.3	26.3	26.4	26.5	26.5	26.4	26.4	26.6	26.6	26.7	26.6	26.8	26.9	26.9	26.9	26.9	26.9	26.9	26.9	26.9
		35.7	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	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	19.4	
		0.0	0.0	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.4	19.4	19.4	19.4	19.4	19.4	0.0	19.4	0.0	19.4	19.4	19.4	19.4	19.4	
		35.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
5.7		6.6	6.6	6.6	6.7	6.8	6.8	6.8	6.9	7.0	7.1	7.0	7.0	7.2	7.2	7.3	7.2	7.4	7.5	7.5	7.5	7.5	7.5	7.5	7.5		
3. (1+2) Total Claims on Private Sector		1616.8	2084.1	2104.6	2147.8	2171.0	2198.9	2222.5	2279.4	2314.3	2342.4	2388.1	2422.8	2453.5	2490.5	2515.0	2531.4	2610.8	2614.3	2614.3	2621.1	2621.1	2637.1	2648.0	2648.0	2648.0	
		1350.0	2064.6	2085.2	2128.2	2151.1	2178.6	2259.0	2299.9	2322.1	2367.9	2402.4	2433.1	2470.2	2494.6	2510.9	2590.3	2593.8	2593.8	2600.6	2600.6	2600.6	2616.6	2627.5	2627.5	2627.5	
	266.9	19.5	19.4	19.7	19.9	20.3	20.4	20.4	20.5	20.3	20.2	20.4	20.4	20.3	20.4	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5		
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
	6.8	7.8	7.7	7.7	8.0	8.1	8.1	8.1	8.0	8.1	8.2	8.1	8.1	8.3	8.2	8.3	8.4	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6		
	1623.6	2091.8	2112.2	2155.5	2179.0	2207.0	2230.5	2287.5	2322.4	2350.5	2396.3	2430.9	2461.6	2498.7	2523.2	2539.7	2619.1	2622.8	2622.8	2629.6	2629.6	2645.7	2656.6	2656.6	2656.6		
	TOTAL																										

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
1997	20.00	16.00	15.31	17.17	14.14	14.72	12.00	19.60
1998	23.55	18.75	18.32	19.17	16.36	18.12	13.76	22.31
1999	16.70	11.50	11.53	13.25	13.96	10.43	8.57	17.51
2000 Jan	16.50	11.50	11.12	12.88	13.49	9.60	8.35	15.74
Feb	15.90	11.25	10.62	12.25	13.50	9.32	8.02	15.16
Mar	15.90	11.25	10.52	12.19	13.92	9.26	7.79	15.17
Apr	15.90	11.25	10.30	12.14	13.92	9.21	7.40	15.28
May	15.90	11.25	10.29	12.13	14.79	9.09	7.29	15.49
Jun	15.90	11.25	10.48	12.13	14.33	7.88	7.07	15.55
Jul	15.90	11.25	10.30	12.13	13.90	9.27	7.04	15.39
Aug	15.90	11.25	10.09	12.13	13.52	9.27	6.96	14.74
Sep	15.90	11.25	10.01	12.00	13.72	9.39	7.09	15.09
Oct	15.90	11.25	9.95	11.96	13.72	9.39	7.03	15.31
Nov	15.90	11.25	9.71	11.96	12.96	9.27	6.99	15.22
Dec	15.90	11.25	9.62	11.85	12.84	9.24	7.63	15.11
2001 Jan	15.90	11.25	9.42	11.68	12.61	9.18	7.11	15.50
Feb	15.90	11.25	9.31	11.41	11.94	8.73	7.20	15.23
Mar	15.90	11.25	9.16	11.19	11.82	8.29	7.14	15.12
Apr	15.90	11.25	9.05	11.14	12.14	8.06	7.14	15.12
May	15.90	11.25	9.43	12.00	11.90	9.39	7.09	15.06
Jun	14.50	10.75	9.52	12.00	11.30	9.39	7.01	16.09
Jul	14.70	10.75	9.40	12.00	10.77	9.39	6.61	13.80
Aug	14.50	10.75	9.41	11.73	10.43	8.97	6.48	13.57
Sep	14.50	9.25	9.40	12.29	10.43	9.36	6.51	14.05
Oct	14.00	9.25	9.24	12.01	10.43	9.28	6.47	13.78
Nov	14.00	9.25	9.19	13.99	10.43	11.03	6.29	13.30
Dec	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	13.13	10.62	7.43	13.28
May	15.75	11.00	10.72	11.00	13.13	10.73	7.47	12.56
Jun	16.75	11.00	11.48	11.00	12.96	10.75	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

(1) from January 1996: Namibian average

(2) South African Reserve Bank for South African government bonds

(3) until December 1995: South African Reserve Bank for South African interbank rates
from January 1996: Namibian average

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
2002	Jan	04/02	105.0	10.0	115.0	110.7	0.0	16.8	242.6	2 522.3
	Jan*	07/02	134.0	15.0	149.0	50.9	0.0	100.0	200.0	2 722.3
	Jan	04/02	203.5	0.0	203.5	29.6	0.0	16.8	250.0	2 972.3
	Feb	05/02	90.0	10.0	100.0	123.7	0.0	22.3	246.0	2 598.5
	Feb*	08/02	155.1	12.0	167.1	32.8	0.0	0.0	200.0	2 798.6
	Feb	05/02	50.0	10.0	60.0	180.5	0.0	19.4	260.0	3 058.5
	Mar	05/02	125.0	0.0	125.0	59.6	0.0	15.4	200.0	2 689.4
	Mar	06/02	135.0	8.0	143.0	91.4	0.0	15.6	250.0	2 939.4
	Mar*	09/02	96.3	0.0	96.3	23.3	0.0	0.3	120.0	3 059.4
	Mar**	03/03	120.0	0.0	120.0	31.5	0.0	0.0	151.5	3 211.0
	Apr	07/02	30.0	0.0	30.0	192.9	0.0	17.0	240.0	2758.4
	Apr	10/02	165.0	10.0	175.0	75.0	0.0	0.0	250.0	3008.4
	Apr	07/02	126.9	0.0	126.9	106.8	0.0	16.4	250.3	3258.7
	Apr	04/03	107.4	0.0	107.4	41.3	0.0	1.3	150.0	3408.7
	May	08/02	100.0	15.0	115.0	113.2	0.0	21.7	250.0	2482.7
	May	08/02	57.0	0.0	57.0	182.8	0.0	20.0	260.0	2742.7
	May	08/02	152.0	7.0	159.0	110.1	0.0	15.8	285.0	3027.7
	May	11/02	125.0	10.0	135.0	145.0	0.0	0.0	280.0	3307.7
	May	10/02	199.8	18.0	217.8	32.1	0.0	0.0	250.0	3557.7
	Jun	09/02	170.0	17.7	187.7	96.1	0.0	16.0	300.0	3457.7
	Jun	06/03	70.0	19.0	89.0	62.8	0.0	0.0	151.8	3609.5
	Jul	10/02	50.0	0.0	50.0	184.0	0.0	16.0	250.0	3169.2
	Jul	10/02	121.2	6.0	127.2	114.2	0.0	18.4	259.9	3429.2
	Jul*	01/03	113.3	23.0	136.3	65.7	47.8	1.0	250.0	3679.2
	Aug	11/02	79.7	0.0	79.7	148.0	0.0	22.3	250.0	2934.1
	Aug	11/02	133.0	0.0	133.0	74.0	0.0	12.9	220.0	3154.1
	Aug	11/02	30.0	0.0	30.0	149.0	0.0	21.0	200.0	3354.1
	Aug*	02/03	188.0	0.0	188.0	11.5	0.0	0.1	200.0	3554.1
	Sep	12/02	180.3	15.0	195.3	81.7	0.0	20.5	297.6	3331.7
	Sep*	03/03	129.7	0.0	129.7	0.0	0.0	0.3	130.0	3461.8
	Sep**	09/03	83.0	14.0	97.0	3.0	0.0	0.0	100.0	3561.8
	Oct	01/03	104.9	0.0	104.9	24.5	50.0	20.6	200.0	2751.8
	Oct	01/03	143.6	0.0	143.6	54.3	0.0	22.1	220.0	2971.8
	Oct*	04/03	170.0	0.0	170.0	16.5	0.0	0.0	186.5	3158.2
	Oct*	04/03	145.6	0.0	145.6	4.5	0.0	0.0	150.0	3308.2
	Oct**	10/03	48.0	0.0	48.0	2.0	0.0	0.0	50.0	3358.2
	Nov	02/03	191.0	0.0	191.0	5.1	0.0	3.9	200.0	2608.2
	Nov	02/03	135.1	0.0	135.1	108.1	0.0	6.8	250.0	2858.2
	Nov*	05/03	246.7	0.0	246.7	53.2	0.0	0.5	300.0	3158.2
	Nov**	11/03	276.0	0.0	276.0	0.3	0.0	0.0	276.3	3434.5
	Dec	031/03	139.3	0.0	139.2	110.1	30.3	20.3	300.0	3266.2
	Dec**	03/03	219.0	0.0	219.0	29.0	0.0	2.0	250.0	3516.2

* 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
2001										
Feb	01/10	12.00	5.0	0.0	5.0	17.1	0.0	0.5	23.0	2 191.2
Feb	04/05	12.00	40.0	0.0	40.0	5.0	0.0	0.0	45.0	2 236.2
Apr	04/05	12.00	10.0	10.0	20.0	0.0	0.0	0.0	20.0	2 256.2
Apr	04/10	12.00	25.0	0.0	25.0	0.0	0.0	0.0	25.0	2 281.2
Jun	04/05	12.00	50.0	0.0	50.0	0.0	0.0	0.0	50.0	2 331.2
Jun	01/10	12.00	28.9	0.0	28.9	20.7	0.0	0.4	50.0	2 381.2
Jul	04/05	12.00	4.7	0.0	47.0	11.0	0.0	0.0	58.0	2 439.2
Jul	01/10	12.00	35.0	0.0	35.0	13.0	12.0	0.0	60.0	2 499.2
Aug*	04/02	12.00	0.0	0.0	0.0	0.0	0.0	0.0	-57.1	2 442.1
Aug*	04/02	12.00	6.9	0.0	6.9	9.8	0.0	0.0	16.7	2 458.7
Aug*	01/10	12.00	31.7	0.0	31.7	9.3	0.0	0.0	41.0	2 499.7
Sep	09/05	12.00	15.0	0.0	15.0	4.0	0.0	0.0	19.0	2 513.7
Sep*	04/02	12.00	0.0	0.0	0.0	0.0	0.0	0.0	-18.0	2 495.7
Sep*	04/05	12.00	0.0	0.0	0.0	9.8	0.0	0.0	9.8	2 505.5
Sep*	01/10	12.00	0.0	0.0	0.0	7.9	0.0	0.0	7.9	2 513.5
Oct*	04/02	12.00	0.0	0.0	0.0	0.0	0.0	0.0	-83.2	2 430.2
Oct*	04/05	12.00	22.6	0.0	22.6	0.0	0.0	0.0	30.5	2 460.7
Oct*	01/10	12.00	43.1	0.0	43.1	7.8	0.0	0.0	50.9	2 511.6
Nov	04/02	12.00	0.0	0.0	0.0	0.0	0.0	0.0	-27.0	2 484.1
Nov	04/05	12.00	2.9	0.0	2.9	0.0	0.0	0.9	4.0	2 488.1
Nov	01/10	12.00	21.7	0.0	21.7	0.0	0.0	0.0	22.0	2 510.7
Dec	04/02	12.00	77.0	0.0	77.0	8.0	0.0	0.0	85.0	2 595.7
Dec	01/10	12.00	95.0	0.0	95.0	4.0	0.0	0.4	99.4	2 695.1
Sub total			514.6	10.0	566.9	127.4	12.0	2.2	531.3	
2002										
Jan		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2 695.0
Feb	04/05	12.00	14.6	0.0	14.6	3.5	10.0	1.9	30.0	2 715.1
Feb	01/10	12.00	17.7	0.0	17.7	2.0	0.0	0.3	20.0	2 735.1
Mar*	04/02	12.00	0.0	0.0	0.0	0.0	0.0	0.0	-31.6	2 703.5
Mar*	04/05	12.00	30.6	0.0	30.6	0.0	1.6	0.0	32.2	2 735.8
Apr	07/07	12.00	167.0	0.0	167.0	20.3	30.0	0.3	217.7	2 284.5
Apr	04/15	12.00	112.0	0.0	112.0	2.0	10.0	0.0	124.0	2 408.5
May	04/05	12.00	110.6	0.0	110.6	0.0	0.0	0.0	110.6	2 519.2
May	07/07	12.00	35.4	0.0	35.4	10.0	0.0	0.0	45.4	2 564.6
Jun	04/05	12.00	15.0	3.0	18.0	1.0	0.0	0.0	18.1	2 582.7
Jun	07/07	12.00	28.0	0.0	28.0	1.5	0.0	0.4	30.0	2 612.7
Jun	01/10	12.00	0.0	0.0	0.0	5.0	0.0	0.0	5.0	2 617.7
Jun	04/15	12.00	0.0	0.0	0.0	19.0	0.0	0.0	19.0	2 636.7
Jul	0.0	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2 636.7
Aug	04/05	12.00	44.1	0.0	44.1	5.8	0.0	0.0	50.0	2 686.7
Aug	07/07	12.00	12.7	0.0	12.7	17.0	2.0	0.2	50.0	2 736.7
Aug	01/10	12.00	24.5	0.0	24.5	0.5	0.0	0.0	25.0	2 761.7
Aug	04/15	12.00	22.2	0.0	22.2	2.4	0.4	0.0	25.0	2 786.7
Sep	07/07	12.00	38.5	0.0	38.5	1.5	0.0	0.0	40.0	2 826.7
Sep	01/10	12.00	40.0	0.0	40.0	0.0	0.0	0.0	40.0	2 866.7
Sep	04/15	12.00	15.0	0.0	15.0	25.0	0.0	0.0	40.0	2 906.7
Oct	07/07	12.00	0.0	0.0	0.0	1.2	8.7	0.0	10.0	2 916.7
Oct	01/10	12.00	25.0	0.0	25.0	4.2	10.0	0.0	39.2	2 955.9
Oct	04/15	12.00	25.0	0.0	25.0	2.0	0.0	0.0	27.0	2 982.9
Nov	0.0	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2 982.9
Dec	01/10	12.00	21.6	0.0	21.6	0.0	0.0	0.0	21.6	3 004.5
Dec	04/15	12.00	13.0	0.0	13.0	0.0	0.0	0.0	13.0	3 017.5

* Switch Auction from August

** In May 1998, consolidation of Government Internal Registered Stock was completed, including a total net additional issue of N\$ 477.2 million

Table IV.3 GOVERNMENT REVENUE AND EXPENDITURE

N\$ Million

	Actual 1997/98	Actual 1998/99	Actual 1999/00	Actual 2000/01	Revised 2001/02	Revised 2002/03
REVENUE AND GRANTS						
Taxes on income and profits	1979.1	2031.3	2315.4	2619.3	3143.0	3951.0
Taxes on property	36.0	40.3	46.7	62.8	60.0	70.0
Domestic taxes on goods and services	1490.7	1581.8	1943.6	1954.0	2039.0	2422.9
Taxes on international trade	1560.4	1805.2	2240.7	2877.3	2641.0	2597.1
Other taxes	39.8	42.8	51.3	55.0	55.0	75.0
Total Tax Revenue	5106.0	5501.4	6597.7	7568.4	7938.0	9116.0
Entrepreneurial and property income	300.8	378.8	402.7	429.0	623.0	720.1
Fines and forfeitures	13.5	9.4	10.9	12.3	10.0	15.0
Administration fees and charges	171.4	205.1	173.6	205.7	219.4	240.8
Return on capital from lending and equity	44.0	54.0	20.0	21.0	18.0	18.6
Total Non-Tax Revenue	529.6	647.6	607.3	667.9	870.0	994.5
Total revenue (own sources)	5635.6	6149.0	7205.0	8236.3	8808.0	10110.5
Grants & loans earmarked for on-lending	54.0	37.4	44.4	56.9	204.1	145.8
TOTAL REVENUE AND GRANTS	3689.6	6186.4	7249.4	8293.2	9012.1	10256.3
EXPENDITURE						
Current Expenditure						
Personnel expenditure	2830.5	3162.0	3619.1	3966.5	4535.0	4738.3
Expenditure on goods and other services	1240.6	1350.4	1583.3	1638.6	1817.0	1861.9
Interest payments	350.1	488.7	512.0	512.1	678.0	955.0
Subsidies and other current transfers	841.1	1101.5	1168.8	1469.5	1667.0	1907.6
Total Current Expenditure	5262.3	6102.6	6883.2	7586.7	8697.0	9462.8
Capital Expenditure						
Capital Expenditure	779.2	737.1	917.5	921.8	1267.0	1265.7
Capital Transfers			30.1	20.3	44.0	86.8
Total lending and equity participation	87.5	95.9	121.4	122.1	475.0	662.0
Total Capital Expenditure	866.7	833.0	1069.0	1064.2	1786.0	2014.5
TOTAL EXPENDITURE	6129.0	6935.6	7952.2	8650.9	10483.0	11477.3
OVERALL DEFICIT (-)/SURPLUS (+)	-439.4	-749.2	-702.8	-357.7	-1471.0	-1221.0
TOTAL FINANCING						
Net borrowing	1065.4	428.5	595.6	596.7	0.0	0.0
Decrease (+)/increase (-) in cash balances	-626.0	320.7	-106.5	-239.0	0.0	0.0
TOTAL FINANCING	439.4	749.2	702.1	357.7	1471.0	1221.0

Table V.1 CURRENT ACCOUNT (a)
N\$ Million

	1998	1999	2000	2001(p)	2002(p)
1. Merchandise Trade Balance (2-3)	-1579.8	-1215.3	-734.8	-1555.5	-1901.3
2. Exports Fob	6655.7	7319.9	9195.0	9839.0	11195.7
Diamonds	2161.4	3022.2	4245.4	4506.5	5603.9
Other Mineral Products	1092.5	1123.1	1287.9	1672.5	2106.4
Food and Live Animals	1059.3	1202.6	1372.8	1399.9	1632.8
Manufactured Products	2232.5	1790.4	1562.7	1612.3	1630.1
Other Commodities	110.0	181.6	726.2	647.9	222.4
3. Imports Fob - Excluding Duty (b)	-8235.5	-8535.2	-9929.8	-11394.5	-13097.0
4. Services (net)	-602.3	-750.1	-685.7	-407.1	49.6
Transportation (net)	-778.7	-705.4	-741.7	-644.7	-872.5
Travel (net)	1094.3	1208.7	964.9	1116.9	1733.5
Insurance (net)	-242.8	-156.2	-127.2	-120.4	-122.3
Other Private Services* (net)	-691.1	-1080.6	-764.8	-738.2	-668.9
Other Government Services (net)	16.0	-16.5	-16.8	-20.8	-20.3
5. Compensation of Employees (net)	-13.0	-8.3	-9.4	-7.5	-7.5
6. Investment income (net)	506.0	442.5	245.1	8.1	608.8
Income Received	981.6	1626.0	1684.7	1659.9	1817.6
Direct Investment	-2.8	-1.0	4.2	13.2	16.0
Portfolio Investment	27.8	22.0	53.4	52.1	117.8
Other Investment	956.6	1605.0	1627.1	1594.6	1683.8
Income Paid	-475.6	-1183.5	-1439.6	-1651.8	-1208.8
Direct Investment	-323.2	-1042.3	-1113.3	-1303.1	-696.6
Portfolio Investment	-72.6	-72.1	-217.2	-242.3	-370.1
Other Investment	-79.8	-69.1	-109.1	-106.4	-142.0
7. Total Goods, Services and Income Balance (2-6)	-1689.1	-1531.1	-1184.8	-1962.0	-1250.4
8. Transfer in Cash and Kind (net)	2405.7	2385.6	2962.2	2937.8	2891.9
Government					
Grants from Foreign Govts, Intl & NGO's	2307.8	2304.3	2897.3	2873.2	2825.2
SACU Receipts	1805.2	2131.9	2718.2	2700.2	2607.9
Withholding Taxes	48.8	35.0	52.5	111.3	139.6
Other Transfers Received	67.0	70.9	78.6	79.2	84.3
Transfer Debits (mainly SACU)	-57.8	-334.4	-233.2	-281.1	-277.7
Private					
Grants Received by NGO's	86.9	71.3	54.9	54.2	55.3
Other Transfers (net)	11.0	10.0	10.0	10.4	11.4
9. Current Account Balance (7+8)	716.6	854.5	1777.4	975.8	1641.5

(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

	1998	1999	2000	2001(p)	2002(p)
Net Capital Transfers	251.7	140.0	777.7	815.7	1124.4
Direct Investment Abroad	7.1	4.5	-18.4	109.0	51.1
Equity Capital	0.0	12.9	-7.5	-1.6	6.4
Reinvested Earnings	2.8	-2.0	3.0	17.1	8.5
Other Capital	4.3	-6.4	-13.9	93.5	36.2
Direct Investment in Namibia	427.3	679.4	1064.3	2368.8	1908.3
Equity Capital	402.0	170.4	607.3	3021.0	1918.2
Reinvested Earnings	-108.0	622.3	515.8	134.7	-345.3
Other Capital	133.3	-113.3	-58.8	-786.9	335.4
Portfolio Investment	-55.7	-39.8	-407.5	-1441.5	-1672.6
Equity					
Assets	-96.6	-123.3	-489.9	-1477.8	-1547.9
Liabilities	175.0	253.5	282.0	247.0	301.0
Debt					
Assets	-10.0	-50.0	-50.0	-60.5	-63.4
Liabilities	-124.1	-120.0	-149.6	-150.1	-362.3
Other Investment - Long Term	-614.7	-1515.3	-1665.8	-2249.7	-3174.5
General Government	88.5	133.8	189.9	683.8	-162.1
Assets	-5.0	-5.0	-23.5	-23.7	-24.4
Drawings on Loans Received	100.0	141.2	221.3	704.0	-134.4
Repayments on Loans Received	-6.5	-2.4	-7.9	3.5	-3.3
Monetary Authorities: Liabilities	0.0	0.0	0.0	0.0	0.0
Banks: Liabilities	0.0	0.0	0.0	0.0	0.0
Other Sectors	-703.2	-1649.1	-1855.7	-2933.5	-3012.4
Assets	-1284.1	-1649.1	-2091.0	-2956.6	-3248.8
Liabilities	580.9	0.0	235.3	23.1	236.3
Other Investment - Short Term	-189.8	-413.3	-172.9	386.2	437.1
General Government: Assets	0.0	0.0	0.0	0.0	0.0
Banks	-169.2	-591.9	-312.8	865.5	638.4
Assets	-11.4	-329.5	-875.5	281.2	345.7
Liabilities	-157.8	-262.5	562.7	584.3	292.7
Other Sectors	-20.6	178.7	139.9	-479.3	-201.3
Assets	-14.0	123.2	-95.1	-555.6	-164.5
Liabilities	-6.6	55.5	235.0	76.3	-36.8
Capital and Financial Account Balance, Excluding Reserves (b)	-174.1	-1144.5	-422.6	-11.4	-1326.2
Net Errors and omissions (c)	-233.1	639.8	-1247.5	-607.5	465.9
Overall Balance (d)	309.4	349.9	107.3	356.9	781.2
Reserves	-309.4	-349.9	-107.3	-356.9	-781.2

(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	US Dollar	British Pound	German Mark	Japanese Yen	Swiss Franc	Spanish Peseta	EU ECU
1998	0.1729	0.1033	0.2877	20.6760	0.2353	24.4626	0.1463
1999	0.1636	0.1000	0.3072	17.0500	0.2514	26.1421	0.1572
2000	0.1317	0.0910	0.2964	14.4608	0.2298	25.2100	0.1515
2001	0.0991	0.0687	0.2169	12.2566	0.1630	18.3996	0.1106
2002	0.1040	0.0662	Euro	12.7363	0.1508	Euro	0.1039

Source: SARB

12. BON WEBSITES

To facilitate quicker access to 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>

13. SURVEY

Readers' Views on the Annual Report 2001

Dear Reader,

With a view to improving the format and content of the Annual Report, we would like you to complete the following questionnaire. We greatly appreciate your sparing time to answer the questionnaire and mail it to the address given below:

Research Department
Bank of Namibia
P O Box 2882
Windhoek, Namibia

Please tick-mark () the appropriate box/boxes.

(1) Please tell us about yourself – your occupation/ your activity – association:

- | | |
|--|--------------------------|
| Government/Semi-Government/Public Sector | <input type="checkbox"/> |
| Financial Services | <input type="checkbox"/> |
| Profession/Business/Consultancy | <input type="checkbox"/> |
| Academics/Research Institute/Teaching Institution/ Library | <input type="checkbox"/> |
| Audio and/or visual Media/Journalism | <input type="checkbox"/> |
| Other: Please specify | <input type="checkbox"/> |

(2) Please indicate the items in the Report that you find useful:

- | | |
|---------------------------|--------------------------|
| Box Article | <input type="checkbox"/> |
| Economic Development | <input type="checkbox"/> |
| Supplements to the Report | <input type="checkbox"/> |
| Statistical Appendix | <input type="checkbox"/> |

- (3) Please indicate, with reference to the answer given for (2) above, your suggestions for improvements in regard to items other than the statistical appendix portion of the Report.

- (4) What in your opinion, should be done to improve the coverage of the statistical appendix portion?

- (5) Do you think it would be advisable to separate 'statistical appendix portion from the rest of the Report? Yes No

- (6) What is your opinion about the analysis of the economic report of the report.
Please tick as appropriate.

fair

bad

good

very good

- (7) How do you think we can improve on the analysis of the report?

- (8) Any other suggestions on how to improve the quarterly report.

- (9) Are you a user of our web site (<http://www.bon.com.na>)?

Yes No

Thank you very much for your cooperation.

