BANK OF NAMIBIA

Annual Report 2001

Bank of Namibia

Annual Report

2001

Registered Office

71 Robert Mugabe Avenue
P.O. Box 2882
Windhoek
Namibia

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 our staff, their well-being and their contribution to the organisation.

We value teamwork.

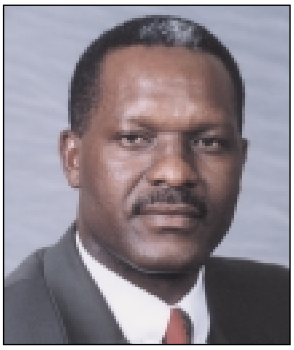
In accordance with Section 52(1) of the Bank of Namibia Act No. 15 of 1997, the Bank has submitted to the Minister of Finance this Annual Report, which includes:

(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 2002

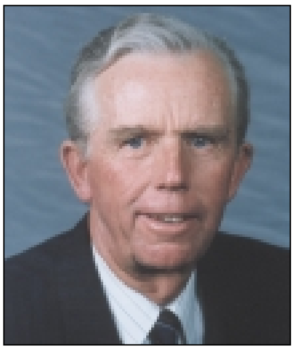
MEMBERS OF THE BOARD


Mr TK Alweendo
(Governor)


Mr LS Ipangelwa
(Deputy Governor)


Mr F Kisting


Mr PT Damaseb


Dr O Herrigel


Mr RL Ritter


Mr U Maamberua


Ms P Elago


Mrs S Tjijorokisa
(Board Secretary)

BANK OF NAMIBIA MANAGEMENT

Governor	**Mr Tom K Alweendo**
Deputy Governor	**Mr L S Ipangelwa**
Advisor	**Dr S Ikhide**
General Manager	**Mr U Davids**
Senior Manager Special Projects	**Dr C Hoveka**
Chief Internal Auditor	Mr H Theodore
Board Secretariat and Corporate Communications	Ms S Tjijorokisa
Chief Economist and Head of Research	**Mr D Anjaneyulu**
Deputy Chief Economist and Deputy Head of Research	**Mr W I Shiimi**
Principal Economist - Statistics	Mr J F Steytler
Principal Economist - Modelling and Forecasting	Mr M Gaomab II
Principal Economist - Policy Research	Mr P Kalenga
Senior Manager - Bank Supervision	**Mr E I Meroro**
Manager - Regulations and Analysis	Mr B Masule
Manager - Bank Examinations	Mr P Mwangala
Manager - Policy and Licensing	Mr V Williams
Senior Manager - Banking Services	**Mr P Hartmann**
Manager - Payment System	Mr F Guiseb
Manager - Currency and Banking	Ms R Metzler
Manager - Exchange Control	Mr W Mberirua

Bank of Namibia Management (Continued)

Senior Manager - Information Technology	**Mr J van der Merwe**
Manager - Business Systems	Ms M Dama
Senior Manager - Human Resources	**Ms L Markus**
Manager - Training and Development	Mr B Uirab
Senior Manager - Corporate Services	**Mr F Hamunyela**
Manager - Protection Services	Mr A Shikongo
Manager - Properties and General Services	Mr E Lehmann
Manager - Protection Services (Oshakati Branch)	Mr P Amunyela
Senior Manager - Financial Markets	**Mr F Hangula**
Manager - Finance	Mr K Mathew

ABBREVIATIONS

ACP	African, Caribbean and Pacific (countries)
AIDS	Acquired Immune Deficiency Syndrome
BES	Book Entry System
BON	Bank of Namibia
BTP	Build-Together Programme
CBS	Central Bureau of Statistics
CSIB	City Savings and Investment Bank
c.i.f	cost, insurance, freight
CPI	Consumer Price Index
DCP	Development Capital Portfolio
EDP	Entrepreneurial Development Programme
EU	European Union
f.o.b	free on board
FTA	Free Trade Area
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GIPF	Government Institutions Pension Fund
GNI	Gross National Income
GNDI	Gross National Disposable Income
GST	General Sales Tax
HIV	Human Immunodeficiency Virus
IMF	International Monetary Fund
JSE	Johannesburg Stock Exchange (South Africa)
MTEF	Medium-term Expenditure Framework
NDP1	First National Development Plan
NDP2	Second National Development Plan
NGO	Non-governmental organisation
NIM	Net Interest Margin
NPL	Non performing Loans
NSX	Namibian Stock Exchange
OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation of Petroleum Exporting Countries
ROA	Return of Assets
ROE	Return on Equity
RSA	Republic of South Africa

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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

*The **global economy** experienced a significant slowdown in 2001. Generally, the consensus among major forecasting agencies is that the global economy is likely to grow by less than 1.5 percent in 2001 compared with the growth of 4.0 percent witnessed in the previous year (see Table 1 below). Technically, this connotes that the world is in a state of recession.[1]*

The global slowdown persisted and intensified somewhat after the beginning of 2001 because of the delayed recovery in the United States economy, triggered by a weakening domestic demand growth. The deterioration in the global situation became apparent with the loss of confidence in Europe and waning prospects of a possible recovery in Japan in the near future, along with the continued decline in information technology spending and deteriorating financing conditions for emerging markets.

There has also been some uncertainty as regards the duration of global recessionary trends. This raised concerns about the risks of undertaking investment and productive activities. These concerns are quite noticeable in the case of leading sectors such as information technology. A number of global industries, namely airlines, tourism and media, have been hit hard. This led to a deepening of global recessionary trends, as the possibility of an early recovery faded.

As stated earlier, the world's two largest economies, the USA and Japan, have recorded near zero or negative growth rates for most of 2001, aggravated in part by the attacks on the USA on September 11. The revised growth forecast for the Japanese economy is placed at –0.4 percent for 2001, as compared with a growth rate of 2.2 percent for the preceding year. Japan is currently confronted by weak external demand, an inadequate pace for corporate

Table 1:World Economic Performance and Projections (%)

	Average 1993-99	2000	2001	2002
World output growth	2.7	4.0	1.4	1.2
United States	3.7	4.1	1.0	0.7
European Union	2.1	3.4	1.7	1.3
Japan	1.1	2.2	–0.4	–1.0
Africa	2.9	2.8	3.5	3.5
Namibia	3.4	3.3	2.5	2.8
South Africa	2.4	3.1	2.2	2.3
Developing Asia	7.6	6.8	5.6	5.6
Newly industrialised Asia	5.6	8.2	0.4	2.0
Latin America	3.1	4.1	1.0	1.7
Argentina	3.2	–0.5	–2.7	–1.1

Source: International Monetary Fund (IMF) World Economic Outlook December 2001; regional breakdowns based on the IMF's International Financial Statistics

[1] According to the IMF, a growth rate of less than 2.5 percent per year indicates a state of recession.

restructuring, and continuing financial sector problems. Forecasts for the US economy show an expected growth rate of 1.0 percent for 2001, while that for the European Union is estimated at 1.7 percent.

The attacks on the USA seem to have had a profound impact on the economic growth of developing countries as well. In developing Asia, growth was estimated at 5.8 percent for 2001 prior to September 11, while in the Middle East it was estimated at 2.3 percent. However, revised forecasts (post-September 11) indicate growth rates of 5.6 percent and 1.8 percent for developing Asia and the Middle East, respectively. Growth prospects in the Middle East have weakened due to lower oil prices, cuts in production and the crisis in Turkey.

Growth for the African continent prior to September 11 was forecast at 3.8 percent. Now it has been revised to 3.5 percent. South Africa, Namibia's main trading partner, also witnessed a deceleration in its economic growth from 3.1 percent in 2000 to 2.2 percent in 2001. The current account of the balance of payments also deteriorated recording a deficit during 2001.

The above patterns show that trade and investment growth have slowed down in most of the regional economies. Against the backdrop of deteriorating global and regional scenarios, most developed economies have eased macroeconomic policies, partly in the form of reduced interest rates and partly by way of introducing a fiscal stimulus package, in order to stimulate domestic demand growth and boost investor confidence and with a view to reversing the declining trend in productive activities.

An assessment of the emerging global scenario indicates that the recovery of the global economy could only be expected in mid-2002: the latest forecasts for the global economy indicate a growth rate of 1.2 percent for 2002. Thus, not only does the outlook remain somewhat uncertain, there is also an imperative need to monitor the emerging global scenario closely, with a view to fine-tuning domestic economic policies to minimise the adverse impact of possible global shocks.

Domestic economy

The performance of the Namibian economy in 2001 has to be viewed against the backdrop of the global economic recession that started in the fourth quarter of 2000 and gained momentum in the subsequent quarters of 2001. According to the latest global economic forecasts, the world economy grew at a rate of 1.5 percent in 2001, which technically means that the global economy is in recession. Accordingly, preliminary estimates show that Namibia experienced a GDP growth of only 2.5 percent during 2001, compared with the rate of 3.3 percent recorded for 2000. The lower growth in 2001 has resulted from declines registered in the outputs of sectors like mining, fishing, transport and communications, electricity and water, and hotels and restaurants. In contrast, the agriculture, manufacturing, construction, government and financial intermediation sectors have experienced higher output growth.

Namibia's overall balance of payments during 2001 was characterised by a widening trade deficit, a decline in net current transfer receipts, and an enlarged deficit in the capital and financial account. Despite these developments, the overall balance of payments yielded a positive balance. The situation is reflective of excess of savings over investment in the economy. The challenge that faces Namibia therefore lies in creating more investment opportunities that will stimulate economic growth and development.

Sharply responding to the developments on the global front, the South African Rand and, hence, the Namibia Dollar experienced a marked depreciation against the world's major currencies. By the end of the year, the South African Rand had lost about 42 percent of its value against the US Dollar and about 35 percent against a trade-weighted basket of currencies. A matter of concern was not only the sharp depreciation of the currency, but also the severe volatility it suffered, particularly in the last two months of the year. The

South African Reserve Bank has arrested the downward trend to some extent with its announcement on 21 December 2001 to put in place tougher measures if the Rand's slide continues.

The monetary scene in 2001 was characterised by an easing in monetary policy internationally, regionally and domestically. Major central banks across the globe eased their monetary policy stances. This trend was evident even before the events of September 11 in the USA, but was intensified and more co-ordinated thereafter. One of the steps taken by the South African Reserve Bank, for example, was to reduce the repo rate by 100 basis points in early September 2001. Apart from this technical adjustment, as part of new monetary policy operational procedures, the South African Reserve Bank reduced the repo rate on two further occasions: by 100 basis points in June 2001, and by 50 basis points in September 2001.

In line with the above developments, the Bank of Namibia also embarked upon a series of interest rate reductions. The Bank Rate, Namibia's main monetary policy instrument, was reduced on three occasions during 2001. The first reduction took effect in June 2001, followed by a second and third during September. While one of the reductions in September was merely technical in nature, the other September reduction and the one in June were aimed at stimulating economic activity and restoring consumer and investor confidence. The Bank Rate stood at 9.25 percent in December 2001.

Activity on the capital market, especially the local market component, was rather subdued during 2001, as is reflected in the trends witnessed on the NSX. The local price index declined from 92 points in January 2001 to 80 points in June, before further declining to 59 points in December. Correspondingly, local market capitalisation declined from N$4.3 billion in January 2001 to N$4.1 billion in June, dropping further to N$1.8 billion by December. The local turnover decreased from N$12.0 million in January 2001 to N$4.4 million in June, spiralling down to N$0.5 million in December.

Living up to the promise it announced in the budget statement for 2000/01, the Ministry of Finance introduced an MTEF or rolling budget for the 2001/02 financial year. These are rolling plans or forecasts of income and expenditure for the next three years that are updated annually. The idea is to move away from a narrow, one-year planning horizon, as was the case with the previous budgetary system.[2]

The Government also undertook major policy initiatives for stimulating economic activities in the private sector and with a view to strengthening legal and institutional frameworks. These initiatives include the establishment of the Development Bank of Namibia (DBN) and the Namibian Financial Institutions Supervisory Authority (NAMFISA).

The modest increase in revenue and a higher increase in government expenditure is expected to raise the budget deficit for the 2001/02 fiscal year by N$326.9 million to N$1.5 billion or 5.3 percent of estimated GDP, up from 1.3 percent in the previous fiscal year. This situation is a significant departure from the NDP2 target of keeping the deficit around 3 percent and needs to be reversed as a matter of urgency. The revised deficit is to be financed by way of drawing down cash balances at the Bank of Namibia, as well as through the issue of treasury bills and bonds, and foreign borrowing totalling N$137.8 million.

The foreign debt of central government, which rose substantially by 72.2 percent to N $1.6 billion in 2001, is a matter of concern. Correspondingly, the share of foreign debt in total public debt increased from 17.6 percent in 2000 to 21.7 percent in 2001, and as a ratio of GDP, from 4.6 percent to 5 percent over the same period. It may be noted that the steep rise in foreign debt was mainly attributable to the sharp depreciation of the Namibia Dollar during the year under review.

[2] See also Box A for more detail on the MTEF

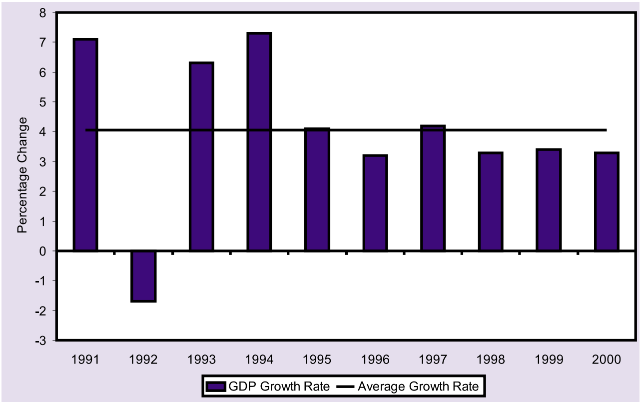
1. Socio-Economic Development in Namibia: The Post-independence Decade

This chapter attempts to summarise the key macro-economic developments in Namibia in the post independence decade. Apart from reviewing the main macroeconomic accounts, that is the real sector, fiscal sector, monetary and external sector, it also reviews developments in the social sector. Based on the review of the main macroeconomic activities the chapter identifies some sectors with potential in the Namibian economy and concludes with some major challenges for the next decade.

1.1 Economic Growth

Since independence, the Namibian government has taken great strides towards consolidating and reviving the economy, which had performed poorly during the preceding decade. As part of its strategy, the government has attempted to diversify the economy and develop the manufacturing and agricultural sectors, with the dual goal of creating employment opportunities and addressing socio-economic imbalances inherited from colonial times. Output growth in Namibia started to improve considerably after independence, surpassing the 1.1 percent average achieved during the previous decade. In 1991, the economy grew by 8.2 percent. Besides sustaining this pace between 1991 and 1995, it reached an average growth rate of 5 percent during this period. The turnaround came in 1995, after the economy had hit a high of 7.3 percent growth in 1994. Between 1996 and 2000, the average growth rate of real GDP decelerated to 3.5 percent. Namibia is an open economy, heavily dependent on primary commodities, and has a small manufacturing base. Hence, this growth pattern is a reflection of external influences, such as climatic and marine conditions with their attendant effects on agriculture, fisheries, etc., and fluctuations in international commodity demand and prices, which impact on mineral production and exports.

Chart 1: Real GDP Growth (1991-2000)



Source: CBS

Despite the economic slowdown, in the latter half of the 1990's Namibia experienced an expansion of production activities in sectors that were less vulnerable to some of these external influences. In the decade after independence the agriculture and mining sectors strongly reduced their respective roles in overall economic activity. The share of government services in the GDP also dropped during the decade, although that share remains the largest contributor to the GDP. The decline in the share of government services to GDP is partially attributed to the outsourcing of some government services. Table 1 shows the average sectoral contributions to GDP during the first and second half of the decade.

Table 2: Sectoral Percentage Contribution to GDP - At Current Prices

Sector	1991-1995	1996-2000
Total Primary Industries	22.7	20.7
Agriculture and forestry	6.9	5.6
Fishing	3.5	4.5
Mining and quarring	12.2	10.6
Total Secondary Industries	17.2	14.9
Manufacturing	12.5	10.0
Electricity and water	1.9	2.3
Construction	2.7	2.5
Total Tertiary Industries	52.2	53.5
Wholesale and retail trade, repairs	8.0	8.9
Hotels and restaurants	1.6	1.7
Transport and communication	5.9	6.1
Financial intermediation	3.3	3.4
Real estate and business services	9.6	9.7
Community, social and personal service activities	1.0	4.2
Producers of government services	23.9	22.0
Other Producers	2.3	1.9

Source: CBS

The ratio of gross fixed capital formation (GFCF) to Gross Domestic Product (GDP) is a significant indicator of future economic growth. A rising ratio may contribute to higher economic growth, as well as redirect resources available for expanding future production. In the pre-independence period, Namibia's GFCF as a percentage of GDP stood at an average of 18.8 percent. After independence, the First National Development Plan (NDP1) emphasised the implementation of policies that encouraged and facilitated the expansion of productive investment. The result was a slight increase in the GFCF-GDP ratio to 20.0 percent during the period 1991-1995. In the period 1996-2000, the ratio stood at 21.5 percent, and the post-independence decade ended with an average ratio of 20.7 percent. While this is among the highest in sub-Saharan Africa, it is low compared with rapidly developing Asian countries such as Singapore and Malaysia, where the ratio has been in excess of 30 percent. This suggests that resources allocated to future economic growth are still relatively low in Namibia.

Trends in Inflation

The inflation rate in Namibia is largely determined by price developments in South Africa, because over 80 percent of Namibian imports come from South Africa. The inflation rate declined significantly in the 1990s. In 1993 the inflation rate was recorded at 8.5 percent compared with 11.9 percent and 17.7 percent in 1991 and 1992, respectively. This favourable trend continued in the second half of the 1990s. The lowest inflation, namely 6.2 percent, was recorded in 1998. In the latter half of the decade the inflation rate fell to single-digit levels (8.9 percent) from a high of 13.9 percent in the first half of the decade. The overall price level in Namibia was low and more stable in post-independence Namibia than in the decade before independence.

Per Capita Income

Another important economic indicator is per capita GDP, a variable used to compare different countries in terms of their relative richness and poverty and, most importantly, to determine a country's level of development. For the period 1991-1995, Namibia's real GDP per capita grew by 1.9 percent on average, while the average growth rate decreased to 0.3 percent during the period 1996-2000. This resulted in per capita GDP registering an average growth rate of 1.1 percent for the decade. Real Gross National Income (GNI) per capita also decreased from an average growth rate of 2.8 percent recorded during the 1991-1995 period to 1.7 percent for the period 1996-2000. Noteworthy is the fact that a negative growth rate of 1.8 percent in per capita income was recorded in 1999, an indication that the Namibian population grew faster than the national income in that year; therefore, the Namibians' standard of living worsened. However, a respectable average growth rate of 2.3 percent was recorded for the entire decade, suggesting that, on average, Namibians have gained additional wealth during this period.

In monetary terms, real per capita GDP increased to N$8,096 in 2000 from the N$4,646 recorded in 1991. Real per capita income, on the other hand, increased to N$9,075 in 2000 from the N$4,815 registered in 1991. This level of per capita income places the country in the group of middle-income countries. However, Namibia has one of the most unequal income distributions in the world, posing a Gini coefficient for income of 0.7[3] Between 1990 and 1998, the average Gini coefficient for SADC, excluding the Democratic Republic of Congo and Mozambique, was 0.58. Because a Gini coefficient above 0.55 is an indication of a very unequal income distribution, per capita GDP and/or GNI can hardly be used to accurately reflect the welfare of the population in a country where income distribution is highly skewed. The human development index (HDI) developed by the United Nations Development Program (UNDP), which measures average achievements in basic dimensions of human development, seems to be a better measure. The index looks at three aspects, namely longevity, knowledge, and access to resources. Life expectancy is taken to be an indicator for longevity, while the adult literacy rate and the school enrolment rate serve as a proxy for representing knowledge. In respect of access to resources, the right to use land, credit, capital and other productive resources is taken into account.

Analysing the above components of the HDI for Namibia shows that, although child health and nutrition have improved over recent years, contributing to a lower mortality amongst children, the increasing prevalence of AIDS in the country has had the opposite effect: its strong impact on life expectancy showed the 1998 figure of 58.8 years to have fallen to an estimated provisional figure of 43 years in 2000. In terms of knowledge, Namibia's aggregate school enrolment increased from 85 percent in 1997 to 94.5 percent by 1999. In terms of access to resources, per capita income is used as a proxy due to the lack of comprehensive and reliable data (in those factors mentioned above), and this reveals the dualistic nature or inequality of the Namibian nation in terms of very skewed income distribution. The combined result of these indicators is that Namibia's HDI, from 0.734 in 1996, increased to 0.744 in 1997 and 0.770 in 1998. However, it declined to 0.683 in 1999 and slipped to 0.648 in 2000.

1.2 Employment

Before independence, Namibia had a skewed labour market structure, characterised by a mismatch of skills requirements and training, as well as discriminatory recruitment and employment practices. After independence, as part of its national development programme, the government embarked on correcting the situation through various policies. One such endeavour was the establishment of the Ministry of Labour to develop and implement labour and employment policies with the main aim of creating labour relations conducive to economic growth. In order to realise this objective, the Labour Act, 1992 (No. 6 of 1992), the Vocational Training Act, 1994 (No. 18 of 1994), and the Social Security Act, 1994 (No. 34 of 1994) were enacted, and the White Paper on Labour Based-Works was adopted. Furthermore, an affirmative action policy was identified as an important tool in redressing the imbalances of the past; companies are now obliged to report on their affirmative action plans to the Ministry of Labour. In addition, the creation of employment opportunities was included as one of the four main objectives of the NDP1, while several incentive schemes to promote manufacturing activities were implemented, amongst which is the Export Processing Zone Act, 1995 (No. 9 of 1995), with the aim of diversifying the economy.

Despite government efforts to create jobs, unemployment in Namibia has been recorded to be as high as 34.5[4] percent of the labour force or, in numerical terms, 211,000 of the 613,000 economically active. This was revealed by the Namibian Labour

[3] The Gini coefficient, a widely accepted measure of income distribution, is 0.70 for Namibia, the highest in the world. The Gini coefficient 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. According to the UNDP (1996), Namibia is the most inegalitarian society in the world, outdoing e.g. Brazil (0.57), Ivory Coast (0.55), and Bangladesh (0.34).

[4] This estimate is based on the broad definition of unemployment, which excludes the sense of an unemployed individual actively searching for a job. Imposing the condition of actively searching for a job reduces the rate of unemployment to 19.5 percent of the labour force.

Force Survey conducted in 1997. In addition, the survey found that the level of underemployment in terms of very low levels of productivity and income or insufficient work is widespread among workers in the traditional economy. Close analysis of the information revealed by the Labour Survey Report indicates that job creation in Namibia was rather lacklustre, and that the structure of the labour force has not changed in line with expected trends but has been exhibiting a decline in employment.

Total employment fell over the period 1991-1997 by some 9.5 percent. The declining levels of employment are particularly evident in the primary industries, notably agriculture and mining, while employment grew within the fishing sector. Employment in the primary industries declined by about 29 percent between 1991 and 1997, or by about 5.6 percent per annum on average. The agriculture sector has been by far the most important provider of jobs in Namibia, but agricultural employment has experienced a steady decline from about 47 percent of the workforce in 1991 to 37 percent in 1997. This is contrary to the expected increase in employment within this sector envisaged in the NDP1. On the other hand, employment for all other sectors grew by about 24 percent, 1997 over 1991 or at a rate of 3.6 percent per annum on average.

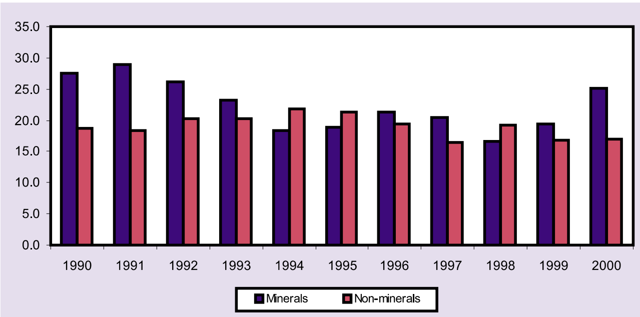
Notably, another outcome of the poor education system to which the majority of Namibians were subjected prior to independence is that unemployment is most prevalent in the unskilled worker category. In fact, there is an acute shortage of skilled manpower in the country. Assessing unemployment by level of educational attainment indicates that the overwhelming majority of the unemployed are those without higher education (more than 80 percent), while the unemployment rate for those with qualifications beyond secondary education is lower (less than 1 percent) than those with less formal education or no formal education at all. This shows that Namibia's labour market has a stronger preference for people with more advanced education.

Commendable efforts have been made to create employment in Namibia since independence, but additional employment opportunities have not been sufficient to absorb all the new entrants on the labour market, which are estimated at some 20,000 per annum. It is also estimated that the current job creation potential of the economy, which is of the order of between 6,000 and 8,000 per annum, will be unable to absorb these new entrants or workers shed by the primary sector. The private sector's absorption of the unemployed is limited by the fact that most of the modern industries are capital-intensive, particularly in the mining sector, while government's action in creating additional employment opportunities is constrained by its deteriorating fiscal position.

1.3 Export Performance

The Namibian economy has been and remains dominated by the export of primary commodities, particularly mineral exports. On average, these accounted for about 50 percent of exports after independence. Merchandise exports have grown substantially from N$3.4 billion in 1991 to N$10.1 billion in 2000 posting an increase of about 197.0 percent. Broadly, the growth trends in exports can be examined by looking at the two main components of merchandise exports: mineral and non-mineral exports. Mineral exports form the core of the nation's exports. From a percentage contribution of 56.5 in 1991, the share of minerals in total exports has fallen moderately to 50.7 percent in 2000 after a low of 36.5 percent in 1998. The sharp fall in mineral exports during 1998 was primarily attributed to a depressed demand for diamonds, following the East Asian financial crisis at the time. The 1998 decline was exacerbated by the closure of Tsumeb Corporation Limited (TCL) mines, which led to a virtual halt in the export of blister copper and other by products such as lead. In 1991, the contribution of diamonds to total mineral exports was 61.4 percent; this rose to 80.9 percent in 2000. During the same period, the export share of other minerals – principally gold, copper, silver, lead and zinc – declined from 38.6 percent to barely 19.1 percent. Copper has suffered by far the largest setback, falling from 9.5 percent to about 3.6 percent in 1999. However, in 2000, copper exports recovered again after the former TCL mines resumed operations under the new management of Ongopolo Mining and Processing Company. It is clear, therefore, that the downward trend in the contribution of mineral exports witnessed in the last decade is mainly due to the weakening of the international market for minerals, the closure of TCL's mines, and the proportionate increase in manufactured exports.

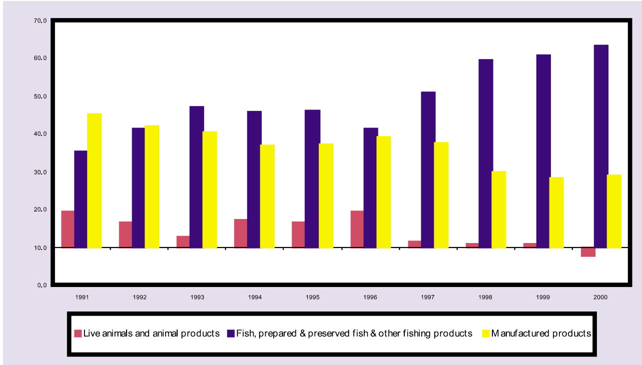
Chart 2: Mineral and Non-mineral Exports as Percentage of Total Exports



Source: BoN

Non-mineral exports, consisting mainly of agricultural products, manufactured goods and unprocessed fish, have improved moderately since independence. This group's contribution to total exports rose from 47.1 percent in 1990 to 49.3 percent in 2000, having outperformed mineral exports in 1994, 1995 and 1998. Manufacturing exports remain the principal subcomponent under the non-minerals export category, having risen from 24.7 to 36.8 as a percentage of total exports between 1990 and 2000. A major component of manufacturing is fish products, which account for about 68 percent of total manufactures and close to 25 percent of total exports. This is followed by meat and meat preparations, representing about 14.6 percent of manufactured exports and 5 percent of total exports. The other manufactured products consist mainly of beverages, hides and skins, dairy products, crafts, fine arts and jewellery – in that order.

Chart 3: Non-mineral Exports



Agricultural exports recorded some contractions during the period under review in the decade since independence, falling from about 9.6 to 3.1 percent of total exports. The major subcategory here is live animals and animal products, which accounts for close to 88 percent of total agricultural exports. It is instructive to note that exports of other agricultural products like ostriches, karakul pelts, and grapes have experienced rapid growth, particularly in the past three years.

Some pertinent conclusions can be drawn from the above review. Firstly, exports, as a percentage of GDP, remained more or less unchanged during the post-independence decade even though the year 2000 reported an encouraging increase in exported commodities. Between 1996 and 2000, exports in relation to GDP increased moderately to 47.9 percent from 46.6 percent during 1991-1995. Secondly, exports remain skewed towards primary unprocessed commodities, mainly minerals, meat and meat products, and fish. The processing of these goods for export purposes remains largely unexplored.[5] There may well be room for further processing and value addition to primary commodities for exports. Value addition in the export sector can contribute substantially to economic growth and job creation.

5 Little processing of fish and meat products is carried out – even for domestic consumption. It is worth mentioning, however, that the value of live animal exports has declined since 1995, while the value of meat and meat product exports has increased subsequent to the same period. This may be an indication of more meat processing taking place for exports.

1.4 Fiscal Operations

Since independence, efforts have been made to reorientate Namibia's fiscal policy towards fiscal prudence and discipline with the objective of attaining overall macroeconomic stability and laying the foundation for sustainable economic development. The objectives of fiscal policy since independence have focused on stimulating employment and investment and easing the burden of the poor. This policy approach has put pressure on government to increase spending, which has led to a growing fiscal deficit. Over the years, attempts have been made to ensure that the level of government fiscal deficits is kept relatively low while at the same time ensuring that growth is sufficiently stimulated through well-targeted government spending. Although total government revenue has grown substantially over the decade since independence expenditure has outstripped revenue because income redistribution and poverty alleviation were strongly emphasised.

This role of fiscal policy has been elevated by the fact that domestic monetary policy cannot be used for stabilisation because of Namibia's membership to the Common Monetary Area. Thus, fiscal policy plays a crucial role in the country's macroeconomic policy framework. The increasing budget deficit also led to a greater reliance on domestic sources of borrowing to finance the deficit. More recently, the accumulation of debt both internally and externally has raised concerns about the ability of government to sustain this fiscal position.

Government Finances

The major sources of revenue have been domestic taxes on goods and services, accounting for an average of 29.4 percent of revenue. Southern African Customs Union (SACU) receipts contribute 29.4 percent, and direct taxes on income and profits add another 28.9 percent. Non-tax revenue (comprising mainly receipts from administrative fees and charges) and entrepreneurial and property income only accounted for 10.6 percent between 1990 and 2000.

Change in Tax Structure

The Namibian tax system has been modified considerably since Independence, in order to accommodate government's socio-economic agenda of growth with equity. In addition, the administratively cumbersome system was modernised and computerised to meet the independent nation's requirements.

To serve as a strong incentive for existing and new investors, the company tax rate, as well as the maximum marginal rate for individual income tax, was reduced from 42 percent at Independence to the current flat rate of 35 percent for companies and a maximum marginal rate of 36 percent for individuals. All income tax rebates and abatements were abolished and the number of income tax bands for individuals was sharply reduced to the current 6 bands, with a view of streamlining and simplifying the system.

On the bottom end of the income tax bands, the personal income tax threshold was raised a number of times from N$5,000 in 1991 to N$20,000 in 2000 and it is under consideration for further increases. This was done with a view towards easing the tax burden of low-income earners and thereby alleviating poverty.

Attractive enhanced investment write-off provisions characterise the Namibian income tax system to promote new and substitute fixed investments in new and existing productive operations. Even more attractive provisions are given to companies operating from export processing zones (EPZs), which are exempt from all direct and indirect taxes.

Out of equity considerations, the general sales tax (GST) was extended in 1995 to cover not only goods but services as well. With effect from November 2000, an invoice-based value-added tax (VAT) was introduced to replace GST. A number of basic household commodities are exempt from VAT, while differentiated VAT rates were introduced to accommodate certain equity and investment promotion concerns.

Namibia's participation in SACU and the global and regional drive towards more liberal trade policies has led to strong tariff reductions within the customs union, after years of fairly protectionist policies by the governments of SACU member countries. This has certainly contributed to slowing down the growth of the SACU revenue pool. To compensate for this revenue loss, SACU members broadened and intensified excise duties, mostly on luxury and socially undesirable goods such as alcohol and tobacco. Today, excise duties contribute more than half to the SACU pool. As Namibia's SACU revenue share is not determined by the size of the revenue pool but by the size of its imports, the decelerated growth of the pool did not have an adverse impact on Namibia's SACU revenue. The new SACU revenue sharing formula to be introduced in 2002/03 will change this situation, because it will distribute revenue according to the actual receipts of the revenue pool as opposed to a fixed proportion of imports in the previous dispensation.

Total government expenditure also maintained more or less the same growth trend as revenue and grants, averaging at about 15.5 percent annually. While the current expenditure expanded by 16.3 percent on average over the past ten years, capital expenditure posted a low growth rate of 12.1 percent. In relation to GDP, total expenditure fluctuated between a low of 31.1 and a high of 38.1 percent between 1990 and 2000. Current expenditure continues to be a predominant proportion of total government spending, averaging about 86.2 percent of total expenditure and close to 31 percent of GDP during the same period. Out of this, expenditure on human resources accounts for around 52.4 percent of total expenditure. In contrast, capital expenditure averaged 13.8 percent of total expenditure for the past decade and about 5 percent of GDP.

Over the past decade, allocations to human capital have grown disproportionately in relation to allocations to economic and infrastructural development. Despite some overspending in respect of personnel, there has been significant underspending on some other major items, and particularly on capital development. As a result, government's personnel expenditure has risen steadily and, among SACU member countries, is now the highest relative to GDP (see Table 2).

Table 3 which shows government expenditure by function/economic classification, indicates that more funds were spent on the community and the social sector (education, health, etc.) over the last decade. The highest share was allotted to education. Education's share of the total budget increased from 19.8 percent in 1991/92 to 26.5 percent in 1996/97, but started to decline after that to reach 21.3 percent by 2001/02. While this ratio is still high compared with other SADC countries, the fact that it has decreased in recent years is a matter of concern, as it is generally accepted that human capital is a key ingredient in economic development. Moreover, the Africa Competitiveness Report of 2000 shows that the lack of

Table 2: SACU Member Countries' Central Government Personnel Expenditure, 1995/96–2000/01 (% of GDP)

Country	95/96	96/97	97/98	98/99	99/00	00/01	Average
Botswana	8.9	8.2	8.6	10.2	10.0	9.5	9.2
Lesotho	14.6	14.3	15.1	16.5	14.6	14.5	14.9
Namibia	**15.7**	**17.2**	**16.4**	**16.4**	**16.9**	**16.3**	**16.5**
South Africa	10.3	12.1	12.0	11.7	10.6	10.3	11.2
Swaziland	13.2	13.3	12.3	11.4	12.9	12.0	12.5

Source: IMF

skilled human resources was one of the principal impediments to attracting foreign direct investment into Namibia. It is important, therefore, to reverse this trend until the current backlog in education has been fully addressed. Therefore, investing in human resource should continue to occupy a central position in public spending. This will go a long way in forestalling future unemployment.

It was observed that the share taken up by economic services in the total allocation declined from 19.8 percent in 1991/92 to a mere 10 percent in 2001/02. This is because many of the major investment projects in this sector were completed towards the end of the first decade of Independence. Furthermore, the outsourcing of some government departments' services also contributed to the decline in the share of economic services. On the other hand, the share of general government services rose from 27.4 percent in 1991/92 to 33.3 percent in 2001/02, crowding out allocations to more productive sectors of the economy.

expressed as a percentage of GDP, has averaged at around 3.1 percent for the past decade, almost reaching the 3 percent target set in the NDP1. Although this is commendable, the recent increase in this ratio to 5.3 percent of GDP 2001/02 is a matter of concern and should be reversed if the Second National Development Plan (NDP2) target of 3 percent for the next 5 years is to be met. The recent introduction of the Medium-term Expenditure Framework (MTEF) and Performance and Effectiveness Management Programme, the outsourcing of some government functions and activities through commercialisation and VAT are some of the measures undertaken by government to further cut down on the size of the deficit. However, it is necessary to reduce the deficit still further in the coming years in order to ensure a sustainable debt situation and financial stability.

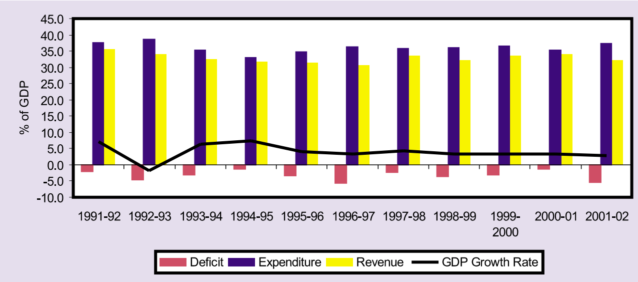
Table 3: Summary of Expenditure by Economic Classification (%)

Economic Classification	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02
General Government Services	27.4	28.5	26.9	26.4	28.9	32.3	27.7	29.3	29.9	32.3	33.2
General Public Services	14.7	17.1	13.8	14.0	16.7	19.8	14.1	15.5	13.8	15.7	17.6
Defence	5.9	5.0	5.6	5.4	5.3	6.4	7.2	6.5	7.2	7.3	7.3
Public Order and Safety	6.8	6.4	7.5	7.1	6.9	6.1	6.5	7.3	8.8	9.3	8.4
Community and Social Services	45.4	46.2	50.6	55.5	52.8	47.1	51.6	48.8	48.6	49.6	49.5
Education	19.8	20.5	24.0	25.8	24.2	24.4	26.5	25.1	24.0	23.3	21.3
Health	8.8	9.2	9.9	11.1	11.1	9.7	10.6	10.5	10.8	11.0	10.0
Economic Services	19.8	24.1	19.6	14.5	15.5	16.9	17.0	15.4	15.2	11.7	10.6
Expenditure not Classified	7.4	1.2	2.9	3.6	2.8	3.7	3.6	6.65	6.4	6.3	6.6
TOTAL EXPENDITURE	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Finance and Bank of Namibia

The fiscal deficit ranged between a low of 0.7 percent and a high of 5.6 percent of GDP between 1991 and 2000 (see Chart 4). Over the years, government has made concerted efforts to reverse the trend in its deficit, which reached a high of about 5.6 percent in the 1996/1997 fiscal year. The deficit,

Chart 4: Budget Deficit (-) / Surplus (+)

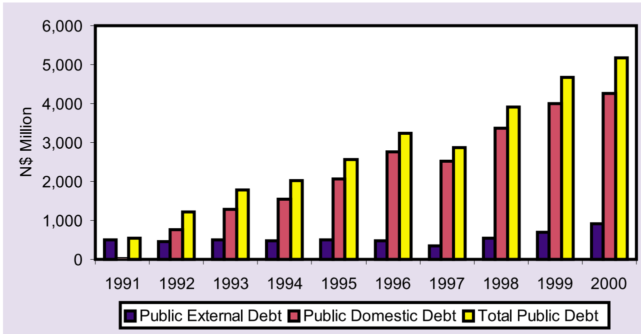


Source: Ministry of Finance and Bank of Namibia

Namibia's national debt has steadily increased since independence from N$536 million in 1991, to N$5.2 billion by the end of 2000. On average, external debt accounts for 4.6 percent of GDP, while domestic debt accounts for 13.3 percent of GDP. Total public debt stood at an average ratio of about 20 percent of GDP. Domestic public debt grew from N$35.9 million in 1991 to N$4,808.7 million in 2000. The growth of domestic debt over the post-independence decade has been a source of concern. Interest payments on domestic debts rose from barely N$20.9 million in 1991 to a massive N$520 million in 2000. As a result, the government is required to set aside a greater proportion of revenue for servicing existing debt stock and this limits the allocations to economic services and social equity.

The challenge in Namibia is, therefore, to contain the rise in the debt-to-GDP ratio along the 25 percent benchmark spelt out by the NDP2, and establish a sustainable path for fiscal policy. This requires some combination of improved tax collection and lower government expenditures relative to the size of the economy. The real challenge of the fiscal policy is to harmonise the budget targets (MTEF) with the debt-management benchmarks. Thus, Namibia needs a properly considered debt management policy and strategy to ensure that the level, composition and growth of public debt are fundamentally sustainable, manageable and serviceable under a wide range of circumstances.

Chart 5: Total Public Debt



Source: Ministry of Finance and Bank of Namibia

BOX A: The Medium-Term Expenditure Framework

Introduction

At Independence, Namibia pursued a one-year budgetary framework, with its fiscal year spanning from 1 April to 31 March. Although the idea was to effectively link the budget formulation process with the development plans, this link has been relatively weak. The result was largely an incremental budgetary approach, where a current year's budget estimates were based on the previous year's estimates. This short-term planning horizon has often been criticised as it hampered effective expenditure management.

The earlier practice followed in respect of budget preparation was for the Ministries to submit their budget proposals; support these with comprehensive information on the objectives, policies and activities involved; state the expected outcomes; and state what progress had been achieved in respect of previous budget proposal. However, budget requests from line ministries and subsequent allocations have not been appropriately integrated in line with set government priorities. These shortcomings, among others, led Namibia to adopt a multi-year budget framework, referred to as the Medium-term Expenditure Framework (MTEF). The first-ever rolling budget for the three fiscal years constituting 2001/02 to 2003/04, spelling out a clear strategic approach to public expenditure planning and management in Namibia, was approved by the National Assembly in 2001. In illustration of the MTEF in practice, Table 4 below outlines budget deficit projections for the three relevant financial years:

Table 4 Budget Deficit Projections (in Constant 2001/02 Prices)

N$ Million	2001/01*	2002/03	2003/04
Total operational expenditure	8,020.0	8,258	8,717
Development budget	1,784.6	1,030	1,061
Statutory interest payments	678.3	675	690
Total expenditure	10,483.9	9,963	10,468
Total revenue	9,012.2	9,110	9,582
Budget deficit	1,471.8	853	886
Budget deficit in %	5.3	2.9	2.9

Source: Budget statement for the financial year 2001/02. * = indicates revised figures.

Principles underlying the MTEF

A Medium-term Expenditure Framework is an integrated, broad-based performance budget that sets out government expenditure plans for a multi-year period within a fixed resource ceiling. It integrates current and capital expenditure, as well as government and donor resources, and is based on achieving an agreed level of performance within each sector. An MTEF consists of a top-down resource envelope and a bottom-up estimation of the current and medium-term costs of existing policies. An MTEF seeks to finely balance costs and available resources to reap optimal gains.

Various SADC countries have adopted MTEFs as important policy tools with which to conduct their budgetary operations. Of course, the exact scope of an MTEF varies from country to country. In Namibia's case, the MTEF approach is intended to have two frameworks or reports:

- Economic and fiscal outlook framework: The former, namely the economic outlook, broadly explains the global economic trends and reviews domestic economic developments, besides presenting macroeconomic forecasts. The fiscal outlook deals with how the economic outlook impacts on the fiscal aggregates within the same time horizon. It also incorporates an analysis of recent expenditure trends in terms of economic classification.

- The fiscal strategy report and budget policy paper set forth the economic and fiscal targets, and determine policy priorities for the country's medium-term development objectives.

Challenges of Namibia's MTEF

The introduction of the MTEF focuses on the need for expenditure management to be guided by appropriate policies in the medium term rather than be concerned with short-term cash management. However, its implementation remains a challenge.

Resource Envelope

The revised/additional budget has an inherent bias of drifting expenditure beyond initial ceilings due to the consistent tendency to underestimate both revenue and expenditure in the main budget. If revenues are consistently underestimated, there is a danger that ministries are likely to overspend because they can expect higher revenues later in the year. There is, therefore, less incentives for the spending ministries to adhere to ceilings and fine-tune their expenditure in line with stipulations in the main budget. Over time, such an approach could lead to an increase in government borrowings and interest payments. Furthermore, such a scenario could undermine the credibility of the MTEF process.

Weak Links between National Goals and Sectoral Plans

The major objective of the MTEF is to move the budget process away from an incremental approach towards a more pragmatic one that focuses on policies in general, and costing activities and policies in particular, in a medium-term framework. In other words, the intention was to encourage comprehensive planning by each (sector) ministry, clearly specifying the links between activities funded in the budget and the national priorities served by such activities. For this process to be effective, individual ministries should formulate their respective strategic plans. At the time of writing, progress on this front has yet to materialise. It has been observed that only a few ministries had submitted comprehensive plans that encompassed providing information on their strategic objectives and expenditures. It is imperative, therefore, that all ministries complete their strategic plans, establishing effective links between expenditure estimates and planned priorities as spelt out in the NDP2.

Duplication of Activities between Ministries

A key objective of the MTEF is to improve the budgetary process in such a way as to restructure expenditure both within and between sectors, in line with clearly established priorities. This would help minimising duplication of activities by different line ministries.

Lack of Integration between the Development and Operational Budgets

The lack of integration between these two budgets is seen as another critical hindrance to the improvement of the budgetary process. One of the problems of this separation is that the cost implications of completed projects are often not reflected in subsequent recurrent estimates.

Conclusion

Overall, there is a need to eliminate some of the weaknesses from which the budgetary process still suffers if the MTEF exercise is to be effectively implemented in Namibia. The following suggestions in this regard could prove helpful:

- For the MTEF to be successfully adopted, there is a need for accurate projections of revenue and expenditure supported by sound and appropriate macroeconomic assumptions. This will ensure that budgetary ceilings are decided in a pragmatic manner and as a result will enhance credibility in fiscal matters.

- There is a need for co-ordination among ministries to eliminate the duplication of efforts and generate the synergetic benefits associated with such co-ordination. There is also a need to integrate the preparation and execution of the recurrent and development budgets. The aim should be to move into a new budget classification system, where expenditure is based on those costs that relate to achieving the objectives of the institution concerned.

- The establishment of budget committees in line ministries is of importance in order to impart robustness and strengthen the operational effectiveness of the MTEF

- Experience from countries that have introduced MTEFs show that not only is its implementation complex, but it also demands a thorough knowledge of the underlying procedures and commitments. Emphasis should also be placed on developing both the institutional and human capacity for the MTEF process.

The Role of the Government in the Economy

The government sector generally plays an important role in the Namibian economy. It is the largest contributor to GDP, and a significant investor and employer. In addition, the government is a major consumer of goods and services in the country.

The role of the Namibian government policy gains significance from the point of view of transforming an economy that was stricken with structural weaknesses during the pre-independence period into a more dynamic economic system that facilitates a faster rate of economic growth in an environment of a just and equitable social order. It may be recalled that, at the time of independence, the country faced acute imbalances in the physical and social infrastructure. In addition, the private sector was too lethargic to promote development. This state of affairs led the new government to play a leading role (either directly and/or indirectly) in economic activity through parastatals. Against this background, government activities extended beyond the provision of public goods such as creating and maintaining an appropriate legal framework, putting in place institutions and structures, and maintaining stable macroeconomic conditions.

Table 5 shows that the government's involvement in the economy was more significant in the first five years of the post-independence decade as the government scaled down its activities in the latter half of the decade. Government's contribution to the GDP amounted to 22.9 percent on average in the first half of the decade, as compared with 22 percent in the second half. Likewise, the share of government investment to total investment fell from an average of 29.6 percent to 23.1 percent in the ten post-independence years. Accordingly, government expenditure also declined marginally. On the contrary, the share of government employment in total employment increased by about 2.8 percentage points, reflecting the recruitment of ex-combatants in the Public Service in the latter part of the decade. The greater role of government in the economy in the first half of the decade should, therefore, be seen in the context of the need to address the socio-economic imbalances cited above.

Table 5: Government's Participation in the Economy

Type of Participation	1991-1995	1996-2000
Government's contribution to the GDP	22.9	22.0
Government investment's share of total investment	29.6	23.1
Central Government spending in relation to the GDP	37.2	36.3
Government employment's share of total employment	15.5 (1991)	18.3 (1997)

Source: National Accounts

Against the backdrop of progress made in a number of areas in the first half of the 1990s, (which will be discussed later), the government started rethinking its role in the economy. Moreover, questions arose among policymakers and the public at large with regard to the pervasiveness of government's role in the economy, in view of the need to encourage the private sector to take a leading role in the economy. Pertinent questions raised in this context included whether the government was the most efficient producer of some of the services it provided, and whether its significant demand on national resources, even if effectively used, retarded the development of the private sector.

The above questions were raised from the perspective of a relatively large civil service and an increasing government debt. Furthermore, financial assistance to public corporations increased in the second half of the 1990s, creating additional pressures on the budget and, consequently, threatening macroeconomic stability. Evidence of this can be found in the figures for subsidies and transfers, which grew by 23 percent on average between 1991 and 2000.

The government is fully aware of these problems as the maintenance of the sustainable levels of deficit and debt remains the main objective of the financial framework for the NDP2. To address these problems, some of the government's non-core functions were outsourced or commercialised. For example, the functions of road maintenance and construction were reallocated from the Ministry of Works, Transport and Communication to the Roads Authority, the Road Fund Administration and the Road Contractor Company. This was done not only to reduce pressure on the government budget, but also to improve the efficiency and effectiveness of some of the commercialised institutions. However, there remains much more to be done in this area. Government should put in place a more comprehensive privatisation programme with a view to transferring institutions that are poorly run to the private sector.

Further, in order to encourage the development of a stronger private sector, various policies and schemes were put in place. These include, inter alia, the intention to establish the Development Bank of Namibia, the Investment Promotion Programme, aimed at increasing investment and the Industrial Development Programme, aimed at establishing industrial parks in various parts of the country, the passing of the Foreign Investment Act, the EPZ Act, and the establishment of the Small Business Credit Guarantee Scheme.

Whether the return on increased government spending in Namibia is diminishing, remains an issue. From the economic perspective, major investment in priority areas seems to have been realised, and expanding investment in those sectors may yield diminishing returns. The only exception would be the need for further investments in social services such as education, health and housing. From a socio-political perspective, however, the demand for such investment remains significant. There is also a need to deliver public services of equal quality throughout the country, including the remote rural areas of Namibia.

While socio-political concerns are important, they must be considered in the context of resource availability and long-term development objectives. Even if social objectives are accorded ultimate priority, they must be based on a wealth-creating economy that allocates funds on a sustainable basis. For example, an effective poverty reduction strategy will be one that raises opportunities for the poor through quality education and by strengthening the private sector to create sustainable employment. This is the philosophy that the Namibian government has been pursuing since independence, and should continue to uphold in the years ahead.

1.5 Poverty and Social Services

Although Namibia is endowed with valuable natural resources, and is classified as a low- to middle-income country with a relatively high per capita income, as mentioned earlier, this statistical average conceals one of the most inegalitarian societies in the world in terms of wealth distribution, as highlighted by the Gini coefficient. The Gini coefficient reflects the fact that 5 percent of the Namibian population enjoys 44 percent of the total income, while the remaining 95 percent enjoys only 56 percent of the total income. Further, the National Household Income and Expenditure Survey conducted in 1993/1994 established that the richest 10 percent of society have been receiving 65 percent of the income, while only 35 percent of the income is available to the rest of the population.

Poverty has different dimensions, ranging from income levels to access to social services, particularly health and education, and interactions with society.

These variables are used to measure the extent and incidence of poverty. At independence, poverty was one of the many issues of concern faced by the new government. Poverty eradication has, therefore, featured as a priority for government over the past decade. The government realised that the welfare of the people could only be improved through, amongst other things, policies aimed at ensuring that every citizen had access to public facilities and services; raising and maintaining the level of nutrition and public health and the standard of living of the people; ensuring equality of opportunity for women; and protecting and maintaining the ecosystems and living natural resources. The government has tried to address these issues through strategies that include the creation of employment opportunities, improving access to basic social services, and encouraging a reduction in the population growth rate. Although poverty reduction is a cross-cutting issue that affects many sectors of the economy, the government has been focusing especially on the rural areas where poverty is most widespread.

Against this backdrop, the government earmarked some priority sectors in implementing measures to achieve the above objectives. These include the provision of education, health services, access to potable water and sanitation, and housing. Some details are provided below on progress made in the respective sectors.

Education

At independence Namibia inherited an inefficient and ethnically fragmented education system based on a curriculum that did not relate to the needs of the country. The education system consisted of eleven different education authorities organised along racial lines. The system was abolished in 1990 and, by 1995, seven education regions had been established. The main themes emphasised during the NDP1 period as far as education was concerned, were Access, Equity and Quality.

Since independence Namibia's education sector has improved substantially. Between 1990 and 1999 the number of schools increased by 21 percent, and the number of children of school-going age who were in fact attending school rose from 60 percent to 85 percent. Over the same period, enrolment increased threefold at the senior secondary level . In addition, the number of classrooms increased steadily from 12,444 at Independence to 16,292 in 1999. This represents an increase of 30.9 percent.

In spite of the above improvements in education a number of constraints persist, which could negatively affects the sector's performance. These include the following:

- Access to education for learners from marginalised groups and for those with special needs trailed behind the general increase in enrolment during the NDP1 period.

- The HIV/AIDS pandemic will exacerbate the existing funding and staff shortages in the education sector due to the high percentage of GDP that must go towards controlling HIV/AIDS transmission and caring for those who live with HIV/AIDS, and the reduced number of qualified teachers.

- The growing HIV/AIDS pandemic also has the potential to reduce enrolment figures and educational performance at all levels.

Health

Many of Namibia's health problems have been linked to poverty and the living conditions caused by it. The nature of the health services provided before independence was curative rather than preventative. It is argued that very little attention was given to rural, preventative, primary, occupational and community health care. There was a concentration of health services in the urban areas and the focus tended to be on the white members of the population. The ratio of government expenditure on per capita health care for blacks and whites was in the region of 1:10. As a result, the new government had to restructure the existing health system technically as well as administratively with the aim of meeting the needs of the country's population. Since independence, therefore, the Ministry of Health and Social Services has actively pursued a policy of decentralisation, and has posted Health Management Teams in the 13 Regions to take charge of some 34 Health Districts. These Districts were created during the NDP1 period to co-ordinate community health services, clinics, health centres and district hospitals.

The NDP1 set a number of targets for the health sector. Progress measured at the end of the NDP1 period showed that substantial gains had been made in the following areas:

- By 2000, the number of clinics had increased from 221 to 246.
- By 2000, the number of health centres had increased from 31 to 37 .
- By 2000, the number of hospital beds occupied average per annum had decreased from 7,285 to 6,756, indicating that efforts towards strengthening primary health care had paid off.
- By 2000, the percentage of children immunised in the 12 to 23-month age group had increased to 74 percent.
- By 2000, 90 percent of the women giving birth had access to antenatal care from a doctor or nurse.

In spite of the fact that access to health facilities has improved overall, a number of communities still live without access to these facilities and there are still significant disparities from one region to another. Moreover, there has been a reversal in key indicators of health care and more reversals are expected due the tremendous impact of the HIV/AIDS pandemic. The key indicators expected to worsen are life expectancy and infant mortality. It is also expected that access to health services will deteriorate as the health care system tries to cope with an increasing number of people living with HIV/AIDS and as household incomes deteriorate due to the loss of wage earners. It is important, therefore, for the government and the society at large to redouble its efforts to contain the spread of HIV if the progress made so far in this sector is to be maintained.

Access to Potable water and Sanitation

Significant strides have also been made in the provision of water to the majority of the Namibian population. In 1992 only 30 percent of the rural population had access to safe drinking water; by 2000, this had increased to 70 percent. In urban areas, the provision of water increased from 90 percent of households in 1991 to 98 percent in 2000. Rural residents have also become actively involved in the management of water resources, with 36 Water Point Committees having been established by June 2001. In spite of the significant advances in the provision of potable water, problems remain. Unimproved and/or unprotected water remains a problem for approximately 30 percent of rural Namibians and 2 percent of urbanites.

On the other hand, the sanitation situation during the first few years after independence was considered as generally good, with an estimated coverage ranging from 95 percent in municipalities to 60 percent in communal towns. However, there are problems with sanitation facilities in rural areas, where the majority of residents continue to rely on the bush/veld for human waste disposal. The availability of and access to toilet facilities in rural areas are far below their urban counterparts. Sanitation problems are worsened by a lack of clarity as regards the division of responsibility, institutional capacity, and finance.

Housing

The dual grave disparity in wealth distribution in the Namibian society before independence characterised all sectors, including housing. In towns and villages, a well-serviced modern area existed for the minority, while inadequate houses and shacks served to accommodate the majority. Consequently, recognising that every Namibian was entitled to a decent place to live, the new government established housing as one of its top priorities. The Build-Together Programme (BTP) was established in 1992 to target the housing needs of low-income households. In the first four years of its existence, the BTP supported 3,379 families in 60 rural and peri-urban areas in building their own houses by way of bank loans of between N$1,000 and N$22,000. While the NDP1 had set a target of 4,300 houses to be built every year for the period 1996-2000, evidence suggests that only half of this target was met. On the other hand, the NDP2 aims for 3,705 houses to be constructed each year for the period 2001-2006. Although it is difficult to accurately estimate the housing backlog in Namibia, a study has put it between 37,000 and 80,000. Assuming a housing backlog of 37,000 houses and that 1, 500 houses will be built each year, Namibia will be able to meet its housing needs by the year 2025; however, assuming a backlog of 80,000, the country will only be able to provide housing for over half of the population by the year 2030, provided that 1,500 houses are built each year. On the other hand, if 3,000 houses are built each year, Namibia might be able to meet its housing needs by 2020.

1.6 Development in the Financial System

Development of Financial Institutions in Namibia

The financial system in Namibia is relatively advanced by developing countries' standards. The financial sector is dominated by a sound banking industry as may be seem from prudential indicators such as the non-performing loan (NPL) ratio, which was only 4.7 per cent in 2000 and the return to assets ratio averaging 4.7 per cent over the period 1997 to 2000. During the last decade, the number of commercial banks increased to five after the establishment of another bank in 1994. The banks make up 33 percent of total financial assets. The two largest banks, account for over 60 percent of commercial banks' risk assets. With respect to population per bank branch, Namibia has done relatively well in comparison with other southern African countries: it ranks second after South Africa in banking density, at close to 20,000 people per bank branch, compared with South Africa's 11,000. However, the geographical distribution is highly skewed in that the southern and central parts of the country are much better served than the northern parts. Another important institution in mobilising savings is the building society. In terms of asset development, the building society has increased in size over the years from a base of N$611.8 million in 1992 to one of N$950.0 million in 1996, while it grew further to total a base of N$1.5 billion by the end of 2000.

A notable feature of the banking system has been the dominant South African shareholding. The two biggest banks, Standard and First National, are 100 percent and 78 percent South African-owned, respectively. It is also worth noting that the distribution of the commercial bank branches is skewed. The spread of bank branches is concentrated in urban centres while most rural areas remain without any financial intermediary. Furthermore, the industry is highly concentrated as evidenced by the concentration of assets ratio of 66 percent and 60 percent in 1995 and 2000, respectively. This could have adverse consequences for efficiency and competition.

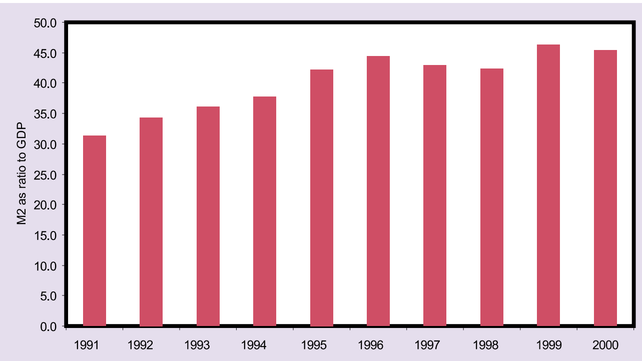
Apart from the five commercial banks, there are many non-bank financial institutions in Namibia. An example of such institutions are pension funds. The total number of registered pension funds has grown fast since independence. Whereas the number of pension funds was only 179 as at the end of 1992, the number had climbed to 500 by 2000. Second, in 1997, there were 9 short-term and 8 long-term insurers registered with the then Directorate of Financial Services in the Ministry of Finance. A third type of institution, namely the unit trust, does not have a long history in Namibia. The first such trust was launched by Sanlam in Namibia in August 1994. By the end of 2000, the country already had 8 registered unit trust management companies. Non-bank financial institutions accounted for roughly half of the total assets of the financial system. Prominent development bodies, a third type of non-bank institution, include AgriBank, the Namibia Development Corporation, the National Housing Enterprise, and the Development Fund of Namibia. The combined assets of these institutions amounted to N$1.2 billion at the end of 2000. This figure represents about 3.9 percent of the total assets of the Namibian financial system.

Financial Deepening and Widening

In terms of the broad money supply as a ratio to GDP, which gives a rough indication of financial deepening and the size of the banking industry in relation to the economy, an increasing trend of deepening has been observed since 1991 (see Chart 6). The increase in this ratio means that the banking sector has been progressively able to raise capital for growth and diversify risk in the economy. However, the major beneficiaries of capital were the larger, established corporate bodies, while access to credit for small- and medium-scale enterprises, both in rural and urban areas, generally remains a problem.

Similarly, the introduction of a number of instruments such as unit trusts and government bills and bonds have contributed considerably to the deepening of the financial system in recent years. However, there is still scope for improvement in this area. In this regard new instruments such as the securitisation of mortgage loans could unleash the lending potential of commercial banks and this, in turn, may contribute to economic development and growth.

Chart 6: Broad Money Supply as a Ratio to GDP



In terms of the number of financial institutions, which is a good measure of financial widening great strides have also been made. One of the measures that the government introduced to develop the local financial market is the requirement that institutions' local investments constitute a minimum of 35 percent. One of the main criticisms by institutional investors is that this regulation forces them to make suboptimal investment decisions. Nevertheless, there is no doubt that the regulation has contributed substantially to the widening of the Namibian financial sector, as evidenced by the number of financial auxiliaries such as the stockbroking firms and asset management companies that have emerged since the regulation took effect. Another major beneficiary of the requirement for 35 percent local investment is the Namibian Stock Exchange (NSX), although it may be correctly argued that money still leaves the country via investments in dual-listed companies.

Credit Developments

The growth rate of domestic credit, comprising primarily private sector credit and credit to Central Government, was very robust during the first half of the 1990s (see Chart 7). After growing at an average rate of about 25.9 percent during the period 1991-1996, private sector credit slowed down to a rate of about 11.6 percent per annum during the period 1996-2000. The initially sharp rate of increase during the first half of the decade is primarily attributable to a surge in the demand for credit immediately after independence, as a number of previously disadvantaged people now had access to income and security. The slower annual growth rate of domestic credit during the second half of the 1990s is primarily attributable to a tight monetary policy stance brought about by the high inflationary pressure witnessed during the period under consideration. It was further aggravated by the contagion effects of the Asian financial crisis, which led to a sharp rise in interest rates during 1997/98. It may be noted that the dawn of the new decade witnessed an easing of monetary policy, followed by a faster growth in domestic credit.

Claims on the private sector accounted for most of the increase in domestic credit, surging to N$9.2 billion, while claims on the Central Government rose from N$377 million at the end of 1991 to N$673 million by the end of 1995. The increase in the second half of the decade since independence was reflected in a N$3.8 billion increase in private sector credit, while net claims on Central Government recorded a decline of N$43.8 million.

Chart 7: Private Sector Credit and Net Credit to Government as Ratio of GDP

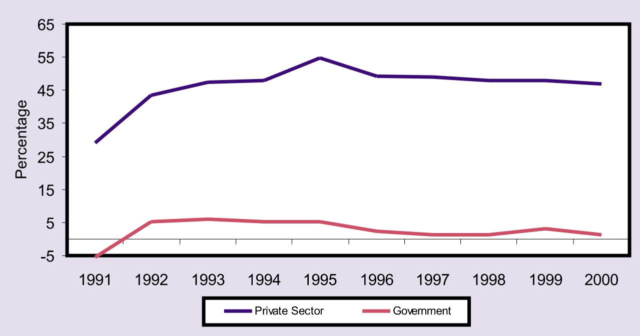
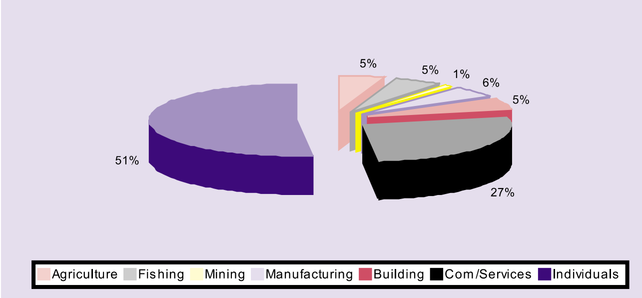
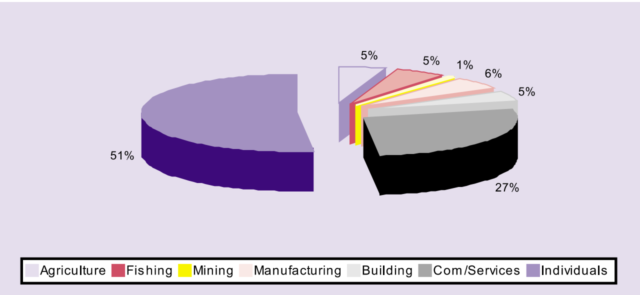


Chart 8 (b): Direction of Commercial Bank Credit (1995)



As may be seen in Chart 8 below, commercial banks' credit was dominated by credit granted to individuals, followed by credit to the "Commercial and Services" category. During the last decade credit to individuals consistently accounted for more than 50 percent of total private sector credit, with credit to the Commercial and Services sector accounting for 30 percent during the first 5 years and about 21 percent during the second 5 years of the decade, respectively. The more productive sectors of the economy, namely agriculture, mining, manufacturing, and building and construction, collectively accounted for 30 percent at the end of 1995 and 21 percent at the end of 2000, respectively. This situation is highly undesirable. For the economy to reach its optimal level of growth, more resources need to be channelled into the productive sectors of the economy.

Chart 8 (a): Direction of Commercial Bank Credit (2000)



1.7 Interest Rate Developments

Domestic interest rates are directly influenced by developments in the South African money markets. The Bank of Namibia maintains its bank rate in close alignment with the South African repo rate.[note] During the 1990s, there were a number of changes in interest rates. The major rates followed trends in South Africa during the period under review. For instance, the money market rate recorded an average of 14.1 percent in the early 1990s and then fell to 13.7 percent between 1996 and 2000. The deposit and lending rates stood at 10.8 percent and 18.2 percent, respectively, for the period 1991-1995. In the second half of the decade the deposit and lending rates increased slightly to 11.0 percent and 18.9 percent, respectively. The increase in interest rates during the second half of the 1990s is mainly attributable to the restrictive monetary policy stance in the face of the Asian financial crisis during 1998. The high interest rate following the Asian financial crisis led to a sharp contraction in the growth rate of private sector credit, especially credit extension to the business sector. By the end of 1999 the annual growth rate of credit extension to the business sector contracted sharply by 10.6 per cent over the level prevailing as at the end of the preceding year. However, with the decline in interest rates since 2000, credit to the business sector has surged again, particularly in the second half of 2001.

1.8 The Structural Weakness of the Namibian Economy

Namibia's economy is characterised by a dualistic production structure in that its economic activity ranges from traditional subsistence to the high technology of a modern industrialised sector. The economy's productive capacity is based mainly on the mining, agriculture and fishing sectors. Generally, Namibia's economy has always been very open, the emphasis being on primary production for export, while the bulk of processed goods required for the domestic market are imported from South Africa. The performance of the Namibian economy has to be viewed against the behaviour of global economies as the country relies heavily on exports of primary commodities. While Namibian products still enjoy good demand in their export markets, the country's dependence on its primary exports leaves it extremely vulnerable to world market fluctuations. An export strategy should be developed to ensure that export diversification brings long-term improvements to Namibia's basic earning capacity. Over the long term, Namibia will continue to redress three key structural problems: (a) dualism in the economy, (b) unemployment, and (c) environmental sustainability.

Dualism in the Economy

The economy has two subsectors: a relatively small, modern subsector characterised by comparatively high income, and a large, traditional subsector based on subsistence patterns of production. This dualism in the Namibian economy cuts across sectors, but features most prominently in the agricultural sector. Thus, policy efforts must be geared towards developing the domestic subsistence (or informal) sector to narrow the gap between the modern and traditional sectors. Continuation of the status quo would further undermine the growth of the economy in the medium and long term. A related problem that could be exacerbated by this dualism is the stark skewness in income distribution and the widespread poverty in the Namibian economy.

Environmental Sustainability

Namibia is in an ecologically sensitive zone. Surface and underground water resources, both for human and livestock consumption, are limited. The semi-arid to arid climate constrains crop production in the country. This is evidenced by the current deficit of fruit and vegetables to the value of around N$300 million, of which N$250 million is imported. In addition, there is a cereal deficit that is covered by imports. Thus, huge costs for irrigation is required to make large-scale crop production feasible in Namibia.

1.9 Sectors with Future Potential

Over the short to medium term, growth in the Namibian economy will continue to emanate from the existing primary sectors of production: agriculture, mining and fishing. However, because the related natural resources can become depleted over the long term, the country should diversify its production base.

The agricultural sector

Within the agricultural sector, farming by way of smallholdings on communal land and commercial farms has potential for growth and employment. Agriculture is the largest employer in Namibia, directly or indirectly supporting around 70 percent of the population. It is also a significant contributor to exports. The livestock industry is the third most important subsector of the economy. In 1999, it accounted for 5.1 percent of total exports. Furthermore, the subsector has great potential for vertical integration in the economy through the development of a stronger leather industry.

Among the strategies cited in the NDP2 is that agricultural financing will continue to be provided in an equitable manner to all members of the farming community, irrespective of their land-tenure status. The government will also continue to improve efficiency in the remaining publicly provided services, identify, promote and support post-harvest and processing operations; encourage the development of more efficient input and output marketing systems, particularly in the communal-tenure areas; and fully integrate the communal-tenure areas into the national systems.

The grape cultivation projects have reached a mature stage, with large volumes being exported to the European Union (EU). In view of the African, Caribbean and Pacific (ACP) countries' exports to the EU being duty-free up to 1,200 tonnes per annum, Namibia is fortunate to be the only country within the SADC region that exports table grapes to the EU. About 340,000 cartons of grapes were produced during 2000, whilst 700,000 cartons were expected to be produced in 2001. The number of cartons is projected to increase to around 3 million by 2004/05. Namibian grapes have a comparative advantage during the month of December, as the supply of grapes from other countries is limited during this period. As a result, Namibian grapes fetch a superior price in the EU market.

The ostrich subsector has developed rapidly since independence. The industry yields four types of direct export products, namely meat, adult birds, chicks and eggs. The meat, which accounted for about 20 percent of the value of slaughtered birds some years ago, improved recently to about 30 percent. All the European markets are open to ostrich meat and related products, and efforts to access other markets (particularly Asia and the USA) have been satisfactory. Namibia also has some potential to produce cotton to supply the envisaged Ramatex textile factory in Windhoek.

The manufacturing sector

Over the medium and long term, the manufacturing sector is anticipated to be the main engine of growth, being a source of export earnings and a creator of employment. Namibia's manufacturing sector has shown faster growth than other economic sectors. The sector has also diversified both by subsector and by region, and has attracted more investment. At the same time, the importance of the industry and its exports remains lower than in other countries that have experienced a high growth rate.

Most agricultural and mineral products in Namibia are still exported in an unprocessed form. Thus, large scope exists to process these products in forms that would add value to them, thereby simultaneously diversifying the manufacturing base of the economy.

The tourism sector

Namibia's tourism sector is one of the sectors with high growth potential over the medium and long term. The country is endowed with unique ecological attractions that will continue to attract a sizeable number of tourists. Namibia's political and economic stability since independence, combined with an excellent infrastructure and well-developed accommodation facilities, has contributed significantly to the growth of this sector. Recent estimates indicate that income generated by the tourism sector accounts for 6 percent of GDP, which is equal to the share derived from commercial agriculture. Foreign exchange earnings from the sector are estimated at 11 percent of all exports of goods and services, which ranks the sector as the third most important after mining and manufacturing. Tourism is considered to have a major potential for jobs and income-generation in Namibia. The growth in the sector could be used to broaden the income base of poor communities who can participate in conservancies. Support at this level is needed by way of providing training in game and conservancy management, as outlined in the NDP2.

1.10 Regional Economic Integration

Namibia is a member of three regional economic groupings, namely, the Southern African Customs Union (SACU), the Southern African Development Community (SADC), and the Common Market for Eastern and Southern Africa (COMESA). 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 that is necessary for increased investment and growth. During the past ten years, significant strides have been made within these groupings.

SACU

With specific reference to SACU, the most enduring and deepest integration arrangement in Africa, the most significant development has been the re-negotiation process of the Customs Union with the main objective of democratising the governance of SACU, especially the role played by South Africa to set external tariffs. Other re-negotiations objectives were to put in place SACU institutional arrangements and discuss and agree on a new revenue sharing formula and industrial and competition policies amongst others.

To date, significant progress has been made with regard to the new revenue sharing formula, SACU institutional arrangements and a number of policy issues including industrial and agricultural policies. Ministers responsible for SACU matters initialed a draft agreement laying the basis for a democratised new SACU in October 2001. The new agreement is expected to provide for equitable sharing of revenue and common policies amongst others.

In terms of the institutional issues there is consensus on the need to establish a SACU structure consisting of the Council of Ministers, the Customs Union Commission, Technical Liaison Committees, Tribunal, and the Tariff Board. It has also been agreed in principle that a SACU Secretariat will be established to oversee the day to day SACU activities.

With respect to the new revenue sharing formula, the share accruing to each member will be calculated 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 total SACU GDP in that year, while the development component is to be funded from 15 per cent of the excise component.

SADC

As indicated earlier, Namibia is also a member of SADC, the successor to the Southern African Development Co-ordinating Conference (SADCC). The purpose of transforming the SADCC to SADC in 1992 was to promote deeper integration in the region in order to achieve development-oriented growth. Towards this end, important strides have been made especially in the areas of trade liberalisation, infrastructural development and capacity building. With respect to trade matters, it is interesting to note that intra-SADC trade has been growing at double digits throughout the 1990s. The successful launch and implementation of the trade protocol leading to a free trade area in 2008 is another achievement and is expected to lead to deeper regional integration.

Over the past two years SADC has undertaken an exercise to restructure its institutions from a decentralised institutional arrangement, where member States are the principal actors in the formulation and implementation of policy decisions, to a centralized structure and functions so as to ensure efficient and effective performance. This restructuring was necessitated by the number of difficulties and constraints encountered in the process of moving the organisation from a coordinating conference into a Community. The new institutions include the Summit – the highest policy making body made up of Heads of State and/or Government; the Troika; the Organ on Politics, Defence and Security; The Council of Ministers; and the Integrated Committee of Ministers. There is also a Tribunal, a Standing Committee of Senior Official, and the Secretariat.

Furthermore, the current 20 sectoral units have been clustered into four Directorates. The ultimate objective is to enable SADC to effectively address the developmental needs of the region and to position the region to meet the challenges of the dynamic, ever changing and complex globalisation process as well as to take advantage of the opportunities. The new directorates are: (i) Trade, Industry, Finance and Investment; (ii) Infrastructure and Services; (iii) Food, Agriculture and Natural Resources (FANR); and (iv) Social and Human Development and Special Programmes.

Another important development in the area of finance and investment was the creation of the Finance and Investment Sector Co-ordinating Unit (FISCU) in 1995, located at the South African Department of Finance. This Unit operates through two parallel Committee, namely the Committee of Senior Treasury Officials and the Committee of Central Bank Governors (CCBG). The former deals with fiscal and investment issues, while the latter deal primarily with issues related to central banking including the development of financial markets, co-operation regarding international and regional financial matters especially those relating to money, investment and foreign exchange policies.

Through the CCBG, a number of projects have been embarked upon including the development and establishment of the statistical database and information bank on the policies and structures of SADC Central Banks. It also work on macroeconomic convergence, which is necessary for macro-economic stability and growth. Other projects include the harmonisation of the legal and operational frameworks of SADC central banks and coordination and cooperation in the area payment systems, IT and training etc.

COMESA

COMESA was established as the Preferential Trade Area for Eastern and Southern Africa (PTA) in 1982 with trade liberalisation and promotion of intra-regional trade as its primary objectives. Its programme of tariff reduction calls for the gradual reduction of tariffs moving towards zero tariffs with the launch of the COMESA free trade area.

Amongst other achievements, the main one has been the launching of the Free Trade Area recently, which is by far the largest in Africa and includes some 20 countries. Other achievements include the launching of a trade insurance agency to encourage investments in the region through the provision of protection of such investments against political risks and a number of projects and infrastructral developments.

Owing to her membership in SACU, Namibia has not ratified the COMESA Treaty. This is because Namibia could not extend trade preferences unilaterally to other COMESA countries due to the common external tariffs in SACU. It is for this reason that Namibia and Swaziland, the only two SACU Comesa members, have been granted a derogation from implementing specific COMESA programmes. In the meantime, Namibia and Swaziland were to enter negotiations with the COMESA Secretariat to map the way forward.

To sum up, important strides have been made on the regional front as indicated above. Namibia will be challenged to develop capacity in order to contribute and participate more meaningful in the regional integration process. In particular, Namibian producers and exporters need to take advantages created by preferential market access into SADC and COMESA markets. To this end, information dissemination on the benefits that flow from Namibia's membership in regional integration arrangements should be accelerated.

1.11 Development Planning in Namibia

At independence, Namibia inherited a highly imbalanced economy. Inequalities manifested themselves in many aspects. The country had and continues to have one of the highest Gini coefficients in the world. Inequality in education and training levels, as well as in the allocation of financial resources to the social sectors, was widespread. Poverty reduction is, therefore, a prime obligation of the new government.

In order to alleviate these socio-economic inequities, the government adopted a development planning approach. Institutions necessary for carrying out various aspects of planning were established. In this regard, the National Planning Commission, the Ministry of Finance and other line Ministries were put in place with the view to co-ordinating the country's national planning activities. Since then, the planning process has taken several initiatives. The Transitional National Development Plan was adopted, documenting a comprehensive description of the government's development objectives and activities for the period 1991-1994. The first national development budget was published in 1993 alongside the operational budget. The development budget contains financial details of development projects that are funded inside and outside the State Revenue Fund over a three-year period. This development budget also presented the first results of an attempt to move towards a comprehensive project assessment for government development projects. The preparation of a development budget has since then become an annual exercise.

An Inter-agency Committee on Macroeconomic Planning was established in 1993 with a view to promoting the co-ordination of macroeconomic issues between the Bank of Namibia, the National Planning Commission and the Ministry of Finance. The Macroeconomic Modelling Working Group, responsible for the development and maintenance of macro-models as well as for preparing the macroeconomic framework, is an offshoot of these efforts.

In 1994, the government completed its first Public Expenditure Review with the assistance of the World Bank. The purpose of this review was to ascertain whether government expenditure patterns reflected the development priorities government had set. Among the findings of the review was that, although budget preparations included a serious attempt to ensure consistency within macroeconomic constraints and resource availability, and there have been some examples of shifts in expenditure within the ministries to reflect the government's broad policy objectives, budgetary discipline has been poor.

When the NDP1 was finalised in 1995, it sought to outline national, sectoral and regional development objectives, as well as the strategies to meet those objectives. Among the priorities of the NDP1 were the need to raise and sustain economic growth, the fight against poverty and inequality, and the need to increase employment. A mid-term review for the NDP1 was conducted in 1998-1999. The review concluded that, while the NDP1 could not deliver in all aspects, access to and the quality of social services had improved significantly. Facilities such as proper and equal education, proper health care facilities and access to clean water, previously available only to a small minority of the population, were now accessible to the larger proportion of Namibians. Also, there were signs that the structure of the economy had started to change. Dependence on the traditional sectors such as mining and agriculture was diminishing, and sectors such as manufacturing, fishing, tourism and finance were expanding. Furthermore, the NDP1 was deemed positive in the sense that it provided a framework by which government could systematically target investment, monitor developments, and provide a set of criteria to measure achievements. On that basis it was decided to proceed with formulating the NDP2. As the objectives of the NDP1 remained valid for the medium term, the NDP2 is seen as a further consolidation of the former and, therefore, its focus remains largely the same as that of the NDP1. Work on the NDP2 started in 1999 and this exercise was completed in early 2001.

In 2000, Namibia adopted a three-year rolling budget system – better known as the MTEF – for the first time. The purpose of the MTEF was to increase the planning horizon of the budgetary system from a one-year plan to a medium-term planning system. This would reduce uncertainty for line ministries as regards the resources available for the coming three years, thus making planning easier. This new framework stipulates that budget requests from line ministries should be based on business plans linked to government's priorities, as stated in the NDP1 and NDP2. This is a major shift from the incremental approach of budgeting that was inherent in the previous budgetary system.

Furthermore, during the 2001/02 financial year, a Performance and Effectiveness Management Programme was integrated into the budgeting process. This aimed at linking expenditure to the objectives identified in the NDP1 and NDP2, Vision 2030 (see more on this below), and the Public Sector Investment Programme. The Performance and Effectiveness Management Programme outlines sectoral objectives rather than the objectives of individual ministries, and links those objectives logically to the expenditure proposals submitted by ministries and other government agencies. The management programme's objectives have measurable output: they measure the achievements of each government agency vis-à-vis the objectives set. With the introduction of this management programme it is hoped that government's strategic priorities will be easy to implement because they are sectoral, as opposed to relating only to individual ministries.

The efforts to widen the planning horizon in Namibia were again strengthened with the decision to adopt a long-term vision for the country, better known as Namibia's Vision 2030. The overall aim of the vision project is to carry out long term perspective studies that will identify strategic issues and information in different areas, identify the wishes and aspirations of the people, and construct scenarios for the future and build a shared vision and develop broad strategies for taking Namibia forward to realising the people's vision in year 2030. Work on the formulation of the vision gathered momentum in year 2000 as various institutional committees were put in place to facilitate this process. It is expected that the formulation of Vision 2030 will be completed by the end of 2003.

Despite all of the above initiatives to strengthen the process of development planning in Namibia, challenges remain. The mid-term review identified various impediments to the effective realisation of the NDP1. These include poor co-ordination among the institutions responsible for development planning and implementation, a lack of understanding and inadequate adherence by some sectors to the basic principles of planning and implementation, and a shortage of skills in the critical areas of planning and project execution. The same can be said with respect to the MTEF system. While the MTEF aimed at encouraging planning within sector ministries and, consequently, creating a link between the activities funded in the budget and the priorities outlined in the development plans, most line ministries continue to prepare their budgets on an incremental basis.

A related concern is the duplication of activities between ministries in the same broad sectors. For example, both the Ministry of Women Affairs and Child Welfare and the Ministry of Health and Social Services have programmes related to infant mortality. This type of duplication is costly, given the country's limited resources. This problem can be avoided if ministries clearly define their mission statements so that each has a good understanding of its role and the purpose for its existence. Another way of reducing the duplication of activities is for ministries in the same broad sectors to consult with each other before their budget requests are forwarded to the Ministry of Finance.

1.12 Summary and Challenges in the Next Decade

In summary Namibia had made significant progress in some areas during the past decade. Real economic growth has averaged around 4 per cent per annum against the average of 3.1 for Sub Saharan Africa. In GDP per capita terms, Namibia has recorded an annual growth rate of 1.1 per cent during this period. The comparative average for Sub Sahara Africa stood at 0.7 per cent, indicating that Namibia has outperformed many of its sister countries in this group. Notwithstanding the increasing pressure on government finances, budgetary developments have also been kept within desirable limits. The budget deficit averaged around 3 per of the gross domestic product and government total debt remained below 25 per cent of the same during the last ten years. Further, major strides were made in the area of access to social services, such as education, health and potable water, signaling that efforts aimed at addressing the pre-independence backlog in these sectors have yielded positive results.

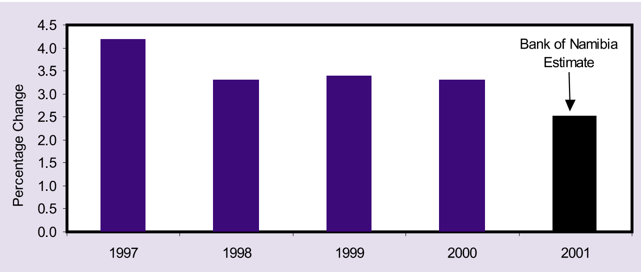
Despite this respectable performance, challenges still remain. The economy does not create enough jobs to employ a large proportion of Namibiansactively looking for work, resulting in a high unemployment rate. Further, although the composition of the economy has changed somewhat during the last decade, the primary sector still continues to play a prominent role in terms of export earnings, employment and government revenue. This suggests that the Namibian economy remains vulnerable to fluctuations of the world commodity markets and the secular decline in prices of some commodities witnessed over the last two decades.

Given the scenario painted above, it is necessary to redouble efforts aimed at accelerating the growth process in the country. It is against the backdrop that the projected real growth for the next ten years is unlikely to exceed 4 per cent per annum, unless efforts are stepped up to accelerate the growth process. The need to improve economic growth should therefore continue to be the thrust of policies in Namibia in the present decade. Of significance, is the need to intensify strategies for encouraging investment both domestic and foreign with the view to increasing the ratio of investment to the gross national product to a level above 25 per cent. In this regard strategies should be developed to encourage Namibian investors, particularly institutional investors who place large amount of funds outside Namibia each year to first exploit domestic investment opportunities before they look elsewhere. The further development of the financial sector is also an important element in augmenting the growth process. In this context, policies and strategies should be put in place to fill the finance gaps existing presently in the market, particularly with the view to improving the accessibility of credit by the small and medium enterprises. Further, investing in human resources should continue to occupy the central position of public and private polices given the fact the lack of skills has been one of the impediments to realising high investment and growth. Finally, the maintenance of macroeconomic stability should continue, as this will be the necessary environment for investment and growth to prosper.

2. The Real Economy

The performance of the Namibian economy in 2001 has to be viewed against the background of the global economic recession that started in the fourth quarter of 2000 and gained momentum in the subsequent quarters of 2001. According to the latest global economic forecasts, the world economy grew at a rate of 1.4 percent in 2001, which technically means that the global economy is in recession. Accordingly, preliminary estimates show that Namibia experienced a GDP growth of only 2.5 percent during 2001, compared with the rate of 3.3 percent recorded for 2000. The lower growth in 2001 has resulted from declines registered in the output from the mining, fishing, transport and communications, wholesale and retail trade, electricity and water, and hotels and restaurants sectors. In contrast, the agriculture, manufacturing, construction, government and financial intermediation sectors have experienced higher output growth.

Chart 2.1: Annual Change in Real GDP (1997-2001)



Source: CBS

2.1 Gross National Income and Gross National Disposable Income [6]

The analysis of this section focuses on 2000's data since those for 2001 are not yet available.

While GDP is a production concept, GNI and GNDI are income concepts, designed to measure various aspects of the total income receivable by Namibian residents. GNI is the total income received by residents, irrespective of the location of the activity from which income is derived, while GNDI measures the disposable income after transfers and taxes.

Namibia's GNI and GNDI in 2000 were recorded at N$23.7 billion and N$26.9 billion, respectively, at current market prices, compared with N$20.6 billion and N$23.1 billion, respectively, in 1999. GDP, on the other hand, stood at N$23.8 billion in 2000 compared with N$20.7 billion in 1999. In 2000, the GNDI was clearly greater than the GDP recorded during the same period. This has been the trend throughout the 1990s, mainly because of large transfers from the SACU pool: these amounted to N$2.9 billion in 2000, and N$2.2 billion in 1999. On an annual basis, real GNI recorded a growth rate of 7.8 percent in 2000, after having grown marginally by 1.3 percent in 1999. On the other hand, GNDI increased by 4.6 percent in 2000 compared with 1.0 percent in 1999. This increase is largely attributable to the gains from the improved terms of trade, which recovered by 12.3 percent in 2000 after a decline of 0.7 percent in 1999.

Namibia's real GDP per capita has remained constant at N$8,100 over the past three years. If this indicator is used to measure the population's standard of living, it implies that although there has been no material improvement, the standard has also not deteriorated. On the other hand, real GNI per capita, measured in constant 1995 prices, improved slightly from a position of N$8,700 in 1999 to N$9,100 in 2000. However, as mentioned earlier, Namibia's GDP per capita can hardly be used as a measure of wealth and development, due to the very skewed income distribution in the country.

[6] GNI and GNID data are compiled by the Central Bureau of Statistics. Figures for 2001 will only be available in the second quarter of 2002.

2.2 Sectoral Review[7]

As is indicated above, GDP in Namibia is estimated to have grown by 2.5 percent in 2001. This positive growth rate is reflected in the performance of the agriculture, manufacturing, construction and government sectors. On the other hand, the mining, fishing, retailing, hotels and restaurants, transport and communications, and electricity and water sectors showed negative growth. The performance of various sectors is outlined in more detail below.

The growth in agricultural output is estimated to have increased to 13.5 percent in 2001 from 10.3 percent during 2000. The improvement in agricultural output in 2001 is mainly attributed to the rise from 15 percent in the value added by commercial agriculture in 2000 to 16.0 percent in 2001.[8] Further, cereal production declined due to late rainfall in the main cereal-producing regions. As livestock forms the mainstay of the agriculture sector, its good performance in 2001 contributed to the overall output of the sector.

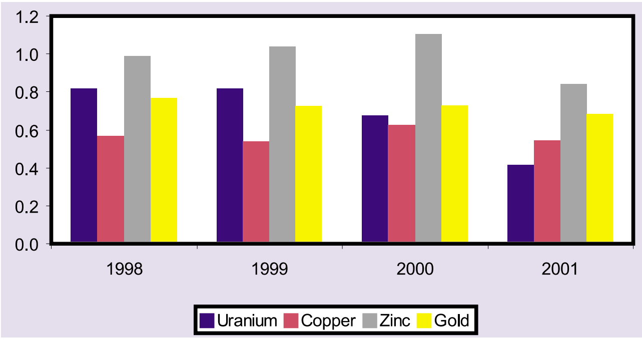
The number of livestock marketed is normally affected by the climatic situation prevailing in the country. For instance, in 2000, the number of cattle marketed in Namibia was substantially lower as good rains in that year induced farmers to hold back animals for restocking. On the other hand, crops such as maize also yielded a low harvest because of the dry periods in 1998/99, while the good rains of the 1999/2000 seasons yielded a substantial harvest for 2000.

Output in the mining sector is estimated to have fallen by 5.2 percent in 2001 following a contraction of 2.7 percent in 2000. The negative performance is a result of the decline in the production of some minerals due to depressed global demand. Diamond production fell by 3.5 percent, a figure that includes the effect of problems experienced by one marine diamond miner in the beginning of 2001. Uranium output declined by 17.5 percent due to all-time low uranium prices, while zinc output also performed poorly. On the other hand, gold production responded positively to the prevailing favourable gold prices. Copper output increased, as did silver. However, the increase in these minerals could not offset the declines in diamond and uranium output.

Table 2.1: Total Allowable Catches and Landings of Major Species

Species	TAC (tonnes)			Landings (tonnes)		
	2000	2001	% Change	2000	2001	%Change
Pilchard	25,000	10,000	-60.0	29,702	14,560	-51.0
Hake	194,000	200,000	3.1	155.376	147,889	-4.8
Horse Mackerel	410,000	410,000	0.0	319,110	260,628	-18.3
Rock Lobster	350	400	14.3	365	209	-42.5
Crab	2,000	2,100	5.0	2,339	2,365	1.1
Orange roughy	2,400	1,875	-21.9	1,542	1,000	-35.2

Chart 2.2: Mineral Price Indices in US Dollars



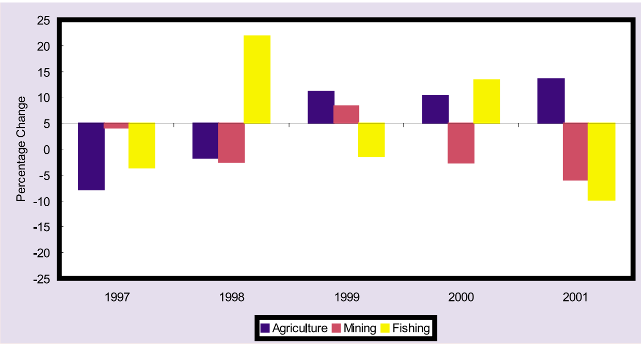
Source: London Metal Exchange

[7] Figures for 2001 are the Bank of Namibia's estimates only and will be revised once the national accounts figures are available.
8 The growth rate of commercial agriculture per 2001 is a BON estimate, based mainly on the number of livestock markteted. Since livestock is the biggest component of commercial agriculture it may be used as a proxy to estimate the output of the commericial agricultural sector.

As indicated by Chart 2.2, uranium prices, which have been falling since the early 1990s, continued to decline into 2001. The depressed international demand for uranium because of a resistance to nuclear power has largely been responsible for the drop in prices. Prices of metals such as copper, gold and zinc also deteriorated in 2001.

Despite the increased Total Allowable Catches (TAC) for some species such as hake and rock lobster during 2001, output in the fishing sector is estimated to have declined by 9.8 percent compared to an increase of 13.3 percent registered in 2000. The decline is due to unfavourable climatic conditions at sea, which resulted in lower landings during 2001. The cut in the pilchard quota from 25,000 tonnes in 2000 to 10,000 tonnes in 2001 also contributed to the decline in the total output of this industry during 2001.

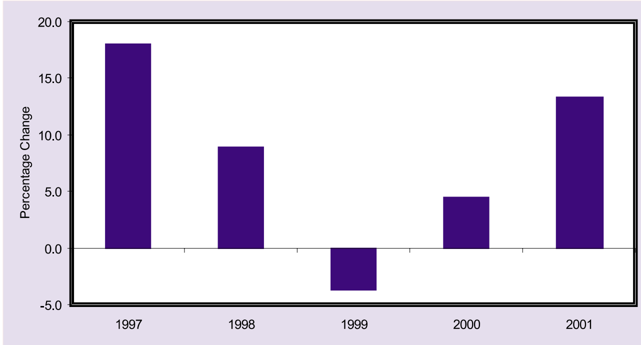
Chart 2.3: Real Growth in the Primary Sector



Source: CBS and Bank of Namibia estimates for 2001

Overall, the value added by the manufacturing sector recorded a positive growth rate of 12.3 percent in 2001 compared with an expansion of 4.5 percent recorded in 2000. The better performance in the manufacturing sector was primarily driven by a recovery in the value added by the meat-processing subsector, which responded to the increase in the number of livestock marketed during the year. The increase in real value added by fish processing and alcoholic and non-alcoholic beverages, leather products, the construction support industries (i.e. paint production), and the printing subsector further boosted the positive performance, while real value added of the chemicals and jewellery subsectors declined.

Chart 2.4: Real Growth in the Manufacturing Sector



Source: CBS and Bank of Namibia estimates for 2001

In line with the prevailing low interest rates, the construction sector seem to have recovered during 2001, registering an increase of 6.8 percent in real value added. Other barometers in the construction sector, such as building plans passed and completed, further confirmed the positive performance. This suggests that the drop in interest rates combined with low and stable prices favourable impact on construction in 2001.

Growth in the value added by the retailing sector slowed to 6.8 percent, from 1.8 percent during 2000. The slowdown is particularly obvious in the sharp decline in real value added by the furniture- and vehicle-retailing subsectors, while the clothing and supermarket subsectors' value added recorded positive growth rates.

The real value added by the transport and communications sector is estimated to have contracted by 6.9 percent during 2001, as compared with an expansion of 4.7 percent in 2000. The contraction in the sector was sharply reflected in the transport subsector, reflecting a combination of the fuel price increase during the year as well as problems faced by the national airline. The communications subsector performed positively, although its growth was not sufficient to offset the decline in the transport subsector.

Preliminary estimates show that real value added by the hotels and restaurants sector (which is regarded as a proxy for the tourism sector) registered a decline of 20.2 percent during 2001, compared with an increase of 7.4 percent during 2000. This could be the result of a general slowdown in tourist arrivals in the SADC Region during 2001, exacerbated by the aftermath of the catastrophic events in the USA on September 11.

Table 2.2: Household Consumption of Income by Purpose of Use (%)

Purpose of Use of Income	Share percentage				
	1996	1997	1998	1999	2000
Food, beverages and tobacco	37.6	38.6	38.8	41.1	38.4
Clothing and footwear	5.5	4.9	5	4.7	4.2
Housing, water, electricity and fuel	14.4	13.8	14.1	14.3	14.3
Other goods	27.5	26.4	26.4	25.5	28.9
Other services	15.0	16.2	15.7	14.3	14.2
Household consumption on the domestic market	100.0	100.0	100.0	100.0	100.0

2.3 Domestic Demand

The analysis of this section also focuses on 2000's data since those for 2001 are not yet available.

After a steep increase of 10.0 percent in 1998, real domestic expenditure steadily declined for the two years that followed, registering 0.1 and 1.8 percent negative growth rates for 1999 and 2000, respectively. The decline was evident mainly in the investment-spending category of aggregate spending. Investment is composed of two categories, namely gross fixed capital formation (GFCF) and inventories. Both categories were responsible for the decline, while real growth in private and general government consumption, although positive, also slowed down.

Real GFCF declined by 12.4 percent during 2000, compared with the positive growth of 4.2 percent registered in 1999. As a percentage of GDP, nominal GFCF also showed a slowdown, recording 18.1 percent in contrast to the 23.0 percent for 1999. The decline in real GFCF is reflected in the category of public investment, which fell significantly by 32.5 percent in 2000, compared with the expansion of 48.4 percent recorded for the preceding year. Private GFCF, on the other hand, increased by 5.2 percent in 2000, after having contracted by 17.4 percent in 1999. In nominal terms, private investment stood at N$2.1 billion in 2000, while public investment was recorded at N$1.2 billion. It is expected that the increasing trend in real private fixed investment will continue in 2001 as the first phases of the Skorpion Mine project and the Ramatex textile factory are implemented.

Growth in the consumption category of aggregate real spending, on the other hand, slowed down in 2000. In line with the slowdown in GDP, real final consumption expenditure grew by 1.6 percent compared with the 2.3 percent growth recorded for 1999. It is also observed that the share of private consumption to GDP remained constant at 59.0 percent during the period 1999-2000. The slowdown in the growth of real final consumption expenditure is particularly reflected in public consumption category, which slowed down to 1.0 percent in 2000 from a 4.5 percent growth registered in 1999. Real private consumption, on the other hand, expanded by about 5.4 percent during 2000 compared with the 1.3 percent recorded in 1999. A close examination of consumption by households (see Table 2.2 below) reveals that households in Namibia spend a major part of their income on the "Food, beverages and tobacco" category. The second major consumption category for households is "Other goods", while "Clothing and footwear" takes up a smaller part of the income.

In terms of changes per annum, Table 2.2 also reveals a significant increase of 26.5 percent in the "Other goods" category for 2000. On the other hand, the increase in the category "Food, beverages and tobacco" was only 4.5 percent during the same period, down from the 15.7 percent recorded in 1999. Household consumption in the "Clothing and footwear" category declined marginally by 0.5 percent in 2000.

There may be an increase in private consumption in 2001 on the back of the prevailing lower interest rates and lower inflation, whilst savings, which are supposed to be the residual from spending, are bound to drop off due to higher consumption levels and lower interest rates. The result is that real public consumption increased moderately by 1.0 percent during 2000, compared with the 4.4 percent growth observed in 1999.

2.4 Savings and Investment Balance

This section will also focus on the developments in 2000, since data for 2001 were not yet available.

The balance between domestic savings and investment reflects the foreign saving position of the country. Thus, excess saving would lead to foreign lending – reflected by an outflow of capital – while a deficiency in national savings would lead to an import of capital through foreign borrowing. Namibia has always experienced a position of excess savings over investment, reflected by consistent surpluses on its external current account.

The same situation prevailed for 2000. Namibia's gross domestic savings increased significantly by 45.6 percent to N$6.7 billion, up from N$4.6 billion in the previous year. This represents a savings-to-GDP ratio of 28.3 percent for 2000, and 22.4 percent for 1999. The increase in the savings rate for 2000 was reflected mainly in gross private sector savings, which increased by N$2.0 billion to N$5.8 billion during the year. Gross public sector savings also contributed to the increase in total savings in 2000, rising to the tune of N$919 million from the N$787 million recorded in 1999. The significant increase in savings could have resulted from a small increase in the final consumption expenditure, relative to the increase in disposable income. While GNDI increased by about 16 percent in nominal terms during 2000, the final consumption expenditure only rose by 9 percent in the same period. Consequently, the ratio of the latter to GNDI fell from 80 percent in 1999 to 75 percent in 2000. This development may be explained by the fact that consumers consolidated their debt, following the steady decline in interest rates after the Asian financial crisis in 1998. This is further supported by the decline in the non-performing-loan ratio from 9.4 percent in 1999 to 4.7 percent in 2000.

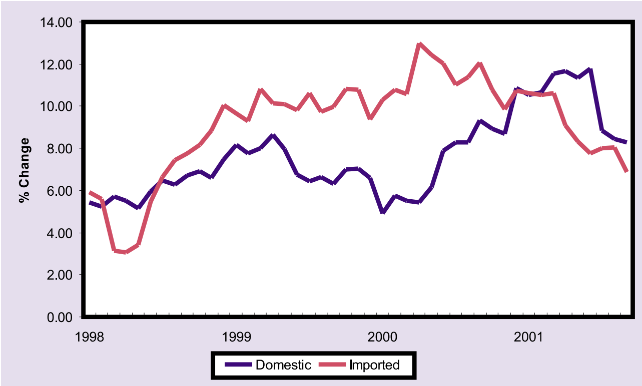
Gross investment, on the other hand, declined to N$4.3 billion in 2000, from a position of N$4.8 billion in 1999. As a result, the ratio of investment to GDP declined from 23.2 percent in 1999 to 18.1 percent in 2000. The result has been a gap of N$2.4 billion in excess savings, which reflects the outflow of savings to South Africa through the capital and financial accounts of the balance of payments. This means Namibia is an exporter of savings, which is an untypical situation for a developing country.

2.5 Inflation

Inflation rates started off with a double digit of 10.6 per cent in January 2001 and softened to a single digit rate of 9.8 per cent by June. This resulted in an average inflation rate of 10.4 per cent during the first half of this year, compared to an average rate of 8.5 per cent recorded during the same period last year. The first month of the second half of the year registered an inflation rate of 8.5 per cent, which further eased to 7.9 per cent in October. However, the rate was pushed-up to 8.3 per cent in the last month of the year, resulting in an average rate of 8.2 per cent for the last part of the year. The overall annual average rate for 2001 ended up to be 9.30 per cent or an increase of 0.05 percentage points from the 9.25 per cent recorded in the preceding year. The upward pressure on inflation were reflected mainly in the price of sub-indices food which increased to 11.5 per cent from 6.9 per cent recorded in 2000, clothing and footwear which increased to 7.7 per cent compared to 3.9 per cent in 2000 and miscellaneous goods and services which increased to 7.6 per cent compared to 3.4 per cent recorded in the preceding year. The slight increase of 0.2 percentage points in the price index of household goods also contributed to the upward pressure in inflation. On the other hand, price indices of sub-categories beverage and tobacco, housing, fuel and power, transport and communication, recreation and medical health care decreased, recording 8.7 per cent, 7.8 per cent, 12.4 per cent 3.4 per cent and 9.7 per cent respectively, compared to increases of 10.5 per cent, 8.8 per cent, 17.1 per cent, 9.5 per cent and 10.8 per cent, respectively, recorded in 2000.

During 2001, close analysis revealed that the upward trend in inflation originated from increases in the prices of domestically produced goods. Domestic inflation overtook imported inflation, increasing to 9.9 per cent during the year under review compared to 8.7 per cent recorded for imported inflation. This has been the trend during the larger part of 2001 except for the months of January, March and December where imported inflation exceeded domestic inflation (chart 2.4), an indication that domestic forces continue to exert inflationary pressure. The factors responsible for the upward tendency in the goods category are not clear as movements in other categories, as well as imported inflation are moving into opposite directions. It is suspected that value added tax and the fuel price increases during the year could be the factors responsible for the high domestic inflation.

Chart 2.5: Namibia's Domestic and Imported Inflation



3. Foreign Trade and Payments

Namibia's overall balance of payments during 2001 was characterised by a widening trade deficit, a decline in net current transfer receipts, and a widening deficit in the capital and financial account. Despite these developments the overall balance of payments still managed to yield a positive balance. The situation of a positive current account balance, offset by a deficit on the capital and financial account, has become a structural feature of the Namibian economy. This reflects chronic excess of savings over investment in the economy, which, in turn, has led to an outflow of capital over the years. This situation, a rather atypical one for a developing country where the opposite situation is normally the case, can be explained by the relatively high savings in relation to investment. The challenge facing Namibia is how to redress the situation by creating more investment opportunities that will stimulate economic growth and development.

3.1 Current Account

Namibia's trade deficit widened slightly during 2001 as compared with the previous year. A slowdown in the growth of the value of goods and services exported was primarily responsible for the larger trade deficit, while the value of imports increased moderately. The depreciation of the Namibia Dollar could not offset the weak foreign demand and poor commodity prices due to the global slowdown of economic activities, which constrained the performance of Namibian commodity exports. During 2001 the value of total exports increased by 12.6 percent to N$8.9 billion from N$7.9 billion the previous year. The value of total imports, on the other hand, increased from N$9 billion in 2000 to N$10.5 billion in 2001. As a result, the trade deficit widened to N$1.6 billion from N$1.1 billion in the previous year.

Good performance in the mining and fishing sectors contributed to the strong growth in exports during 2001. The main factor responsible for the increase in mineral exports was a sharp increase in the value of diamond exports from N$4.2 billion in 2000 to N$4.5 billion in 2001. Despite this development the weight of diamond receipts to total exports declined from 53.7 percent in 2000 to 50.6 percent in 2001. The rise in the value of diamond exports in the year under review came about because of an increase in price that offset the decrease in volume. It may be noted that the majority of Namibia's diamonds are still exported in raw form and, as such, this commodity is very sensitive to volatile price movements. In order to minimise this problem, recent efforts to diversify the diamond sector are encouraging, but further action is needed.

The export value for other mineral products grew from N$1.3 billion in 2000 to N$1.7 billion in 2001, representing a growth of 30 percent over the previous year. The increase can be attributed to the growth in export receipts from other mineral products. For example, the value for copper and gold increased due to a higher demand for these metals, particularly for gold. The fact that Ongopolo's copper mine reached its full production capacity during 2001 explains the increase in the value for copper.

The value of imports, on the other hand, swelled from N$9.0 billion in 2000 to N$10.5 million in 2001, representing an increase of 16.3 percent. South Africa continues to be the main source of imports for Namibia. A strong influx of business has been experienced lately, especially in retailing from South Africa, and this will support South Africa as Namibia's main source for imports.

The net outflow in services improved during 2001. Net services outflow decreased from N$696.3 million in 2000 to N$566.7 million in 2001. This is attributable to significant improvement in receipts from business travel and tourism during 2001. The improvement in receipts from travel is partly due to returning stability in the north-eastern region of the country. Travel receipts increased from N$965 million in 2000 to N$1.1 billion in 2001. This was supported by a reduction in net outflows in other private services, from N$765 million in 2000 to N$703 million in 2001.

Net investment income during 2001 recorded an inflow of N$9.0 million as opposed to the net outflow of N$347.2 million witnessed in 2000. The inflow in the year under review is mainly attributed to interest receipts from other investment (pension funds and insurance) and portfolio investment, which more than offset dividend payments to foreign shareholders.

After having experienced an upward trend in the level of current transfer receipts during 2000, inflows on current transfers declined moderately in 2001. This occurred mainly because of the decline in revenue from SACU, which accounts for almost 85 percent of this category. Development assistance and private current transfers (grants to NGOs and other transfers) continued to decline. The former fell from N$281.2 million in 2000 to N$263.5 million in 2001, representing a decrease of 6.3 percent. With the advent of the global slowdown affecting developing and developed countries alike, official development assistance for developing countries has declined sharply – seemingly because of a shift away from direct government financing towards project-linked funding.

Table 3.1: Major Current Account Component (N$ Million)

Major Current Account Component	2000	2001
Balance on Merchandise Trade	-1098.6	-1572.2
Merchandise Exports (fob)	7906.2	8901.4
Merchandise Imports (fob)	-9004.8	-10473.7
Net Services	-696.3	-566.7
Net Income	-347.2	9.0
Net Current Transfers	2958.6	2954.2
Balance on Current Account	807.1	818.6

In summary, the net effect of all the transactions (in goods, services, income and current transfers) resulted in the current account surplus decreasing from 3.3 percent of GDP in 2000 to 3.1 percent in 2001. A wider trade deficit and lower current transfers supported this development.

3.2 Capital and Financial Account

During 2001 the deficit in the capital and financial account increased slightly by N$41.5 million to N$1.041 billion in 2001. The main factor responsible for this was a continuous increase in the outflow of long-term investment capital from insurance corporations and pension funds, supported by a sharp increase in the outflow of portfolio investment since the second quarter of 2001. On the other hand, short-term investment witnessed a reversal from a net outflow in 2000 to a net inflow in the year under review. This situation occurred in the wake of a sharp rise in the demand for credit witnessed during the year, which forced commercial banks to reduce their asset holdings and increase their liabilities abroad.

Table 3.2: Major Capital and Financial Account Components (N$ Million)

Major Current Account Component	2000	2001
Net capital transfers	213.4	225.2
Direct investment, net	1002.0	863.6
Portfolio investment, net	-402.3	-993.6
Other long-term investment, net	-1639.5	-1495.9
Capital & Financial Account Balance (excluding reserves)	-999.6	-1041.1
Overall Balance	108.5	198.5

* = Provisional

Despite the worldwide trend of declining development aid from industrial nations to developing economies, countries such as Germany, the EU, the USA and Norway have remained committed to provide aid to Namibia. As a result net capital transfers, which consist mostly of aid linked to projects of a capital nature, increased moderately by N$11.8 million to N$225.2 million in 2001 from N$213.4 million in the preceding year. This trend, is however, not expected to continue in the future as there is a general fatigue about development aid on the side of the donor countries. Namibia may, however, reap benefits from the Africa Growth and Opportunity Act (AGOA), which allows for the duty free access of certain Namibian commodities in the US market. This is a much more desirable type of assistance as it will allow participating countries to move away from aid dependency to the development and diversification of their economies. Already Namibia has benefited substantially from the Cotonou Agreement, which has enabled Namibia not only to expand meat operations, but also to export grapes into the EU market.

During 2001 foreign direct investment into Namibia slowed substantially to N$853.8 million compared to an inflow of N$1,064.5 million in 2000. The sharp reduction in direct investment into Namibia was mainly reflected in the Retained Earnings component, which declined by N$241.6 million during 2001 compared with a decrease of N$106.4 million in the preceding year. The other component of direct investment, equity capital, increased by N$333.8 million over the year compared with the rise of N$436.9 million in 2000. This sharp reduction in direct investment inflow into Namibia in 2001 was mainly due to direct investment companies that reduced their liabilities with affiliated companies abroad, due to an improved business environment inside the country.

Net outflows of portfolio investment increased substantially by N$591.3 million, raising the figure of N$402.3 million for 2000 to N$993.6 million for 2001. As in the past, portfolio investment in Namibia was dominated by the purchase of South African unit trusts by Namibian residents.

In 2001, Namibia's capital and financial account continued to be dominated by transactions related to insurance corporations and pension funds. These transactions are included in the "Other investment – Long-term" component. During 2001 outflows of these institutions slowed down to N$1,495.9 million, compared with an outflow of N$1,639.5 million the previous year. This development is mainly attributable to the increase in benefits and claims paid by these institutions to the Namibian residents in 2001. The gradually liberalising exchange control environment within the Common Monetary Area since the middle of the 1990s has also contributed to stronger outflows of investment. In particular, Namibian residents have taken full advantage of the strong Namibia Dollar exchange rate depreciation by making foreign investments within the limits allowed.

The final component of the capital and financial account is "Other investment – Short-term". This mainly reflects transactions between domestic banks and their parent companies in South Africa. Movements in this account are largely determined by the prevailing climate for credit in Namibia. An increase in the demand for domestic credit is generally mirrored by an inflow of money into this account, while depressed domestic demand for credit leads to an outflow. The year 2001 was characterised by a rapid increase in the demand for credit due to relatively low interest rates. As a result, commercial banks in Namibia reduced their foreign assets while at the same time increasing their liabilities abroad (i.e. foreign borrowing) during 2001. The consequences of the aforementioned developments was that, for 2001, the item other short term investment recorded a net inflow of N$359.6 million compared with an outflow of N$173.2 million for 2000.

The summary of Namibia's external transactions is reflected in the overall balance on the balance of payments: the latter increased by N$198.5 million in 2001, compared with an increase of N$108.5 million in the preceding year. The net addition to the international reserves was, therefore, of the same magnitude. Namibia's foreign reserves had increased to N$2.2 billion by the end of 2001, representing 2.0 months of import cover, slightly down from the 2.1 months recorded in 2000. This situation is somewhat worrisome as the internationally accepted level for reserves, as recommended by the IMF, is three months of import coverage.

3.3 International Investment Position

The analyses of this section focuses on 2000's data since those for 2001 are not yet available.

Namibia's international investment position deteriorated from a net liability of N$4.4 billion in 1999 to N$4.5 billion in 2000. The growth in foreign liabilities outstripped that of foreign assets.

The country's foreign assets had increased to N$9.2 billion by the end of 2000, compared with the N$7.7 billion level recorded for 1999. The rise in foreign assets during 2000 is primarily attributable to portfolio investment, which increased to N$4.6 billion from N$4.0 billion in 1999. This was further supported by the category "Other assets", which posted an increase of 45.5 percent to stand at N$2.2 billion at the end of 2000.

Namibia's foreign liabilities increased from N$12.1 billion in 1999 to N$13.7 billion at the end of 2000. The sharp rise in the country's foreign liabilities is mainly attributable to the rise in the market value of direct investment in Namibia, which represents 70.6 percent of the country's total liabilities.

Table 3.3: Namibia's International Investment Position for 2000 (in N$ Million)

Type of International Investment	1999	2000
Foreign assets at the end of the year	**7,677.6**	**9,184.0**
Direct investment abroad	258.2	340.2
Portfolio investment	4,024.7	4,620.9
Other assets	1,535.6	2,233.7
Reserve assets	1,859.1	1,989.2
Foreign liabilities at the end of the year	**12,068.0**	**13,678.5**
Direct investment in Namibia	9,309.1	9,659.9
Portfolio investment	511.6	567.8
Other liabilities	2,247.3	3,450.8
Net foreign assets/liabilities at the end of the year	**-4,390.4**	**-4,494.5**

3.4 Exchange Rate Developments[9]

The slowdown in the global economy that started in the fourth quarter of 2000 persisted during the first and second quarters of 2001. The situation turned rather grim in the wake of the September 11 terrorist attacks on the USA. A direct result of the latter events was a contraction in growth in the USA and Japan during the third quarter of 2001, setting aside any sign of improvement by the year-end. Overall, the available evidence suggests that the global economy grew by less than 2 percent during 2001.

Sharply responding to the developments on the global front, the South African Rand and, hence, the Namibia Dollar experienced a marked depreciation against the world's major currencies. While the depreciation was steadier during the first half of 2001, the situation worsened in the second half, particularly after the September 11 attacks and especially during December. By the end of the year the South African Rand had lost about 42 percent of its value against the US Dollar and about 35 percent against a trade-weighted basket of currencies, making it the second poorest performer after the Turkish Lira during 2001. A matter of concern was not only the sharp depreciation of the currency, but also the severe volatility it suffered, particularly in the last two months of the year. The South African Reserve Bank has arrested the downward trend to some extent with its announcement on 21 December 2001 to put in place tougher measures if the Rand's slide continued.

The value of the South African Rand and, hence, the Namibia Dollar reached an annual average of N$8.6031 per US Dollar during 2001, compared with an annual average of N$6.8687 recorded in the preceding year. This represents an average depreciation of 20.1 percent during 2001.

While the Namibia dollar it depreciated by 3.7 percent between January and June 2001, its slide between July and December was a substantial 40 percent. The Namibia Dollar suffered a depreciation of 48 percent during the year 2001. In particular, the rate

9 The Namibia Dollar is pegged to the South African Rand on a one-to-one basis and is, therefore, used interchangeably in Namibia (but not in Sout Africa)

of depreciation between September 11 and the end of 2001 was 38.2 percent, while the Namibia Dollar lost 25.2 percent of its value against the US Dollar during the month of December 2001 alone.

The Namibia Dollar suffered steeply against other currencies like the British Pound and the Euro as well during the year 2001. Against the British Pound, it depreciated by 14.9 percent over the year 2000. During the course of the year 2001,however, while it strengthened moderately against the British Pound by 1.8 per cent in the first half, it suffered a depreciation of 34.8 percent in the second half. Overall, the rate of depreciation of the Namibia Dollar against the British Pound during the year 2001 i.e. between January and December, 2001 stood at 35.8 percent.

The Namibia Dollar recorded a depreciation of 41.2 percent during the year 2001 over the year 2000 against the Euro. Its value vis a vis the Euro, however, fluctuated during the course of the year under review. While it appreciated by 5.80 percent in the first half, it depreciated by 46.3 percent in the second half.

The sharp depreciation of the Namibia Dollar during the year under review occurred within the ambit of the pegged exchange rate arrangement in terms of which Namibia Dollar is linked one to one with the South African Rand. Consequently, there was a direct and instantaneous transmission of the fluctuations in the Rand to the Namibia Dollar.

A plethora of factors have been cited as responsible for the Rand's slide in 2001. These factors include the general slowdown in the world economy, perceptions about emerging markets generally, and the perceived political instability in the SADC Region. The default of the Argentine government on its US$135 billion debt was stated to be a major factor behind the sharp depreciation of the Rand in December, 2001. The slowdown in South Africa's privatisation programme and the rising industrial unrest are also mentioned as important contributing factors for the weak performance of the South African currency during the year under review. The situation on the currency front seems to have been aggravated by the adverse developments experienced by the South African economy, particularly in the wake of the widening current account deficit as a result of huge outflows on the services account in the second half of the year. Overall, the weakness of the currency (as reflected in its depreciation by 35 percent as against a trade-weighted basket of currencies) seems to have been the outcome of all these developments.

3.5 Regional Integration Issues

3.5.1 SACU Renegotiation

The SACU renegotiation process is still ongoing, but will soon be concluded. Significant progress has been made with regard to the new revenue-sharing formula, SACU institutional arrangements, and a number of policy issues including those relating to industry and agriculture. In October 2001, ministers responsible for SACU matters initialled a draft agreement laying the basis for a more democratised SACU. The new agreement is expected to provide for, amongst other things, equitable sharing of revenue and common policies.

In terms of institutional issues, there is consensus on the need to establish a SACU structure consisting of a Council of Ministers, a Customs Union Commission, Technical Liaison Committees, a Tribunal, and a Tariff Board. Agreement has also been reached in principle that a SACU Secretariat will be established to oversee day-to-day SACU activities.

With respect to the new revenue-sharing formula, the share accruing to each SACU member will be calculated 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 for the Common Customs Area. The excise component due to each member state will be based on the value of its GDP in a specific year in relation to total SACU GDP for that year, while the development component is to be funded from 15 percent of the total excise component and shared amongst member countries according to GDP-per-capita indicators.

3.5.2 SADC Trade Protocol

The implementation of the SADC Trade Protocol, which commenced in the year 2000, is on track and the SADC region hopes to attain a free trade area by 2008. The ultimate objective is to enable SADC to effectively address the developmental needs of the region and to position the region to meet the challenges of the globalisation process as well as to take advantage of the opportunities offered by trade liberalisation. Notwithstanding, the good progress made with regard to the implementation process, there are still outstanding issues that need to be resolved. These issues relate to the differences over the rules of origin on wheat flour products, textiles and clothing, and general improvement on market access. On the issue of wheat flour and related products, it is expected that these issues will be resolved in the immediate future after further consultations with stakeholders.

With respect to textiles and clothing, it has been agreed to implement the special market access arrangement between Southern Africa Customs Union (SACU) and Malawi, Mozambique, Tanzania and Zambia (MMTZ). This arrangement provides for duty free quotas for MMTZ exports to SACU on the basis of ‘single stage transformation’ rule of origin to be applied from August 2001 for a period of five years. Mauritius and Zimbabwe would be granted accelerated tariff reduction for their exports meeting the ‘double stage transformation’ rule of origin to SACU.

The restructuring process of the SADC sectors, which is being implemented, is expected to enhance the implementation of the Trade Protocol. The first directorate, namely the Trade, Finance, Industry and Investment has already started operations at the SADC Secretariat in August 2001. Other directorates were scheduled for implementation in late in 2001.

In a related development, SADC and COMESA have agreed on a proposal to establish a Task Force at the level of the two Secretariats reporting to the appropriate institutional structures in the areas of cooperation and joint activities. It is expected that once established, the Task Force would carry out an audit of all projects and programmes being implemented by the two institutions in order to identify areas of common interest.

Box B: Impact of the RSA-EU Trade, Development and Co-operation Agreement on SACU Revenue

A study was undertaken to ascertain Namibia's revenue losses from SACU because of the Trade, Development and Co-operation Agreement between the Republic of South Africa and the EU, and how those losses will impact on public revenue and the balance of payments in Namibia. The RSA-EU Agreement was signed in 1999, following three years of protracted negotiations between the two parties. It provides for the removal of tariffs on an average of 86 percent of the trade in goods over 12 years for South Africa, and 95 percent over 10 years for the EU. The major phasing down of tariffs is 6 years after the implementation of the Agreement, which took effect in 2000.

The study estimated that the SACU common revenue pool would lose approximately N$2.1 billion over a period of 12 years, which represents 35 percent of the SACU customs component if the 1997 figures are used. This is equivalent to about 14 percent of the 1997 total SACU common revenue pool. The loss to Namibia is likely to be approximately N$549 million, which represents 35 percent of the 1997 SACU receipts. This is when protocol products are excluded from the estimations; when protocol products are included, the results do not change significantly.

Given that Namibia relies heavily on revenue from the SACU common revenue pool, the reduction in customs revenue holds implications for fiscal policy and the balance of payments for the country. In particular, the Current Account balance is expected to lose about 35 percent of its SACU receipts over 12 years, while the level of foreign reserves and, hence, imports cover are expected to fall by more or less the same percentage. The currency cover within the Common Monetary Area arrangement will also probably be negatively affected.

With respect to fiscal policy, the fall in SACU revenue will exert severe fiscal pressure and may lead to increases in the budget deficit and borrowing. Given that Namibia has been running a budget deficit ranging between 3 and 5 percent of the GDP, further increases in the budget deficit may become unsustainable in the medium to long term.

Apart from the revenue reductions due to the RSA-EU Agreement and the new SACU revenue-sharing formula, it is expected that taxes on international trade will continue to decline as the trade liberalisation programmes in the context of the World Trade Organisation and in the context of regional trade arrangements take effect. Indeed, a number of studies have concluded that, unless there is a sharp change to the trend of globalisation and trade liberalisation, the era in which governments depend on taxes on international trade as a major source of revenue is ending. In other words, alternative domestic revenue sources need to be found to offset the fall in trade taxes. For Namibia, it needs to be stressed that the scope for raising the rate of taxation is not an option because tax rates are already relatively high in regional and international terms. Therefore, other alternative measures to generate revenue have to be explored.

This study recommends a number of measures designed to minimise the adverse effects resulting from the expected drop in SACU revenue receipts. These measures include streamlining and strengthening the revenue-collection machinery, as well as considering the establishment of an independent revenue authority.

Furthermore, government is advised to speed up tax reforms with a view to broadening its tax base, including the possible introduction of new taxes. In addition, the government is encouraged to rationalise public expenditure and exercise prudence in its fiscal management and operations, taking into account the declining revenue, growing public debt and debt servicing (interest payments) on the one hand, and growth and development on the other.

Finally, the increase in direct fiscal transfers to parastatals that perform poorly and the bloated public service sector's wage bill need to be addressed speedily to lessen these excessive demands on the national budget.

On the positive side, a free trade area has the potential to increase the overall economic activities and welfare. More specifically, consumers are likely to benefit from trade liberalisation through lower prices due to increased competition. To the extent that trade liberalisation results in increased economic activities, this may result in increased revenue generation to offset the revenue fall from international trade. However, this possibility depends largely on the response from those who supply such trade and, hence, cannot be quantified at this stage.

4. Monetary and Financial Development

The monetary scene in 2001 was characterised by an easing in monetary policy internationally, regionally and domestically. Most major central banks eased their monetary policy stances. This trend was evident even before the events of September 11 in the USA, but was intensified and more co-ordinated thereafter. One of the steps taken by the South African Reserve Bank, for example, was to reduce the repo rate by 100 basis points in early September 2001. Apart from this technical adjustment, as part of new monetary policy operational procedures the South African Reserve Bank reduced the repo rate on two further occasions: by 100 basis points in June 2001, and by 50 basis points in September 2001, from 10 percent to 9.5 percent.

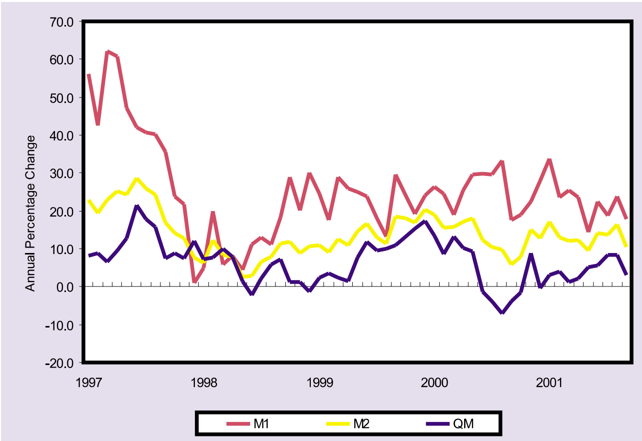
In line with the above developments, the Bank of Namibia also embarked upon a series of interest rate reductions. The Bank Rate, Namibia's main monetary policy instrument, was reduced on three occasions during 2001. The first reduction took effect in June 2001, followed by a second and third during September . While one of the reductions in September was merely technical in nature, the other September reduction and the one in June aimed at stimulating economic activity and restoring consumer and investor confidence. The Bank Rate stood at 9.25 percent in December 2001.

As a result of the above developments, money market rates in Namibia declined steadily throughout 2001. An example is the average prime lending rate at commercial banks, which had dropped from 15.90 percent in January 2001 to 14.00 percent by December.

4.1 Money Supply

The rate of growth in monetary aggregates decelerated steadily in the first half of 2001, but increased moderately in the third quarter before slowing again in the final quarter of the year. The year-on-year growth rate of broad money supply (M2) rose by an average of 13.1 percent over the first six months of 2001, compared with an average of 16.3 percent during the corresponding period in 2000. The slowdown in the growth rates of monetary aggregates continued into the second half of the year, with the exception of the third quarter, which was characterised by a moderate increase in the growth rate of money supply. As a result, the average annual growth rate of M2 rose moderately to 10.8 percent during the second half of 2001, 0.5 percentage points higher than the average year-on-year growth rate of 10.3 percent witnessed during the corresponding period in 2000. The average annual broad money supply growth rate registered an increase of 12.0 percent in 2001, marginally lower than the 13.3 percent of the previous year.

Chart 4.1: Twelve-Month Growth Rates in Monetary Aggregates



M1 = Narrow Money

M2 = Broad Money Supply

QM = Quasi-Monetary Liabilities

Monetary expansion in the first half of 2001 was brought about mainly by a sharp increase in private sector credit, supported by a substantial increase in net credit to the government. These expansionary forces were slightly offset by a decline in the banking system's net foreign assets, as opposed to a sharp increase during the corresponding period in 2000. This trend continued throughout the second half of 2001, with the growth rate of private sector credit reaching a peak of 19.1 percent in July and hovering around 17 percent thereafter. At the same time, commercial banks continued to draw down on their foreign assets to meet the increased demand for credit. Net credit to the government, on the other hand, exerted a contractile effect on the money supply during the second half of 2001.

In terms of the composition of money supply, the banking system shifted moderately from quasi-monetary to monetary liabilities during 2001, compared with the previous year. During the year under review, the share of quasi-monetary liabilities declined slightly from an average of 51.0 percent in 2000 to 47.5 percent in 2001, reflecting the increased preference for liquidity on the part of the public. This shift was largely in favour of demand deposits and may be partially attributed to the low interest rates, especially the negative real rates on deposits during 2001. The latter reduced the attractiveness of placing more money in longer-term instruments.

In terms of the factors influencing the money supply for the year ended December 2001, as shown in Table 4.1 below, the increase in broad money supply was dominated by an upsurge of N$1.8 billion in credit extended to the private sector by the banking system. The banking system's net foreign assets and net credit to the government sector, on the other hand, exerted a contractionary effect on the money supply to the tune of N$221.8 million and N$129 million during 2001, respectively. The net effect was a N$739 million increase in the broad money supply over 2001.

4.2 Net Foreign Assets

The net foreign assets of the banking system, which stood at N$2.3 billion as at the end of December 2001 compared with N$2.6 billion at the end of the previous year, exerted a contractionary effect on the money supply during the year. This decline was reflected mainly in commercial banks' net foreign assets, which fell gradually throughout the year. While these assets were at a high of N$1.8 billion in April 2001, they had declined to a low of N$1.4 billion by December 2001. Conversely, commercial banks' foreign liabilities increased from N$716 million as at the end of March to N$1.5 billion by the end of December 2001. As a result of these opposing movements, commercial banks' net foreign assets declined substantially from N$859 million at the beginning of the year to a negative N$93.3 million by the end of 2001. The decline is directly attributable to the high demand for credit witnessed throughout the year. The latter, in turn, is explained by the relatively low interest-rate regime since the middle of 2000. The decline in the banking system's net foreign assets, however, was partially offset by an increase in the Bank of Namibia's foreign assets. The Bank of Namibia's portion of these assets rose steadily throughout 2001, reaching a record high of N$2.7 billion in July, but declining again to N$2.7 billion by the end of the year. These assets are at a significantly higher level than the N$2.0 billion reflected at the end of 2000.

Table 4.1: Annual Changes in the Determinants of Broad Money Supply (N$ Million)

Determinant of Broad Money Supply	1999	% Change	2000	% Change	2001	%Change
Total Domestic Credit	888	7.6	1530	72.3	1650	7.8
Claims on the Private Sector	488	-38.8	1592	226.2	1779	11.7
Net Claims on the Central Government	400	1328.6	-62	-115.5	-129	108.1
Net Foreign Assets of the Banking System	930	104.4	347	-62.7	-222	-188.5
Other Items (Net)	-193	-62.2	-657	240.4	-689	-4.9
Broad Money Supply	1625	111.0	1219	-25.0	739	-39.4

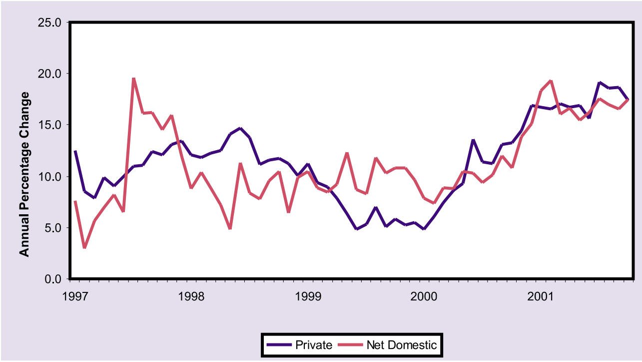
4.3 Domestic Credit

The average annual growth rate of domestic credit, comprising private sector credit and credit to the government sector, rose markedly to 17.0 percent in the first half of 2001, compared with the average annual growth rate of 8.3 percent registered for the corresponding half of the preceding year. The average annual growth rate of domestic credit decline to 16.3 percent in the second half of 2001, but when compared with the corresponding half of the previous year it increased by 4.4 percentage points. Consequently, for the year ended 2001, the rate in question remained relatively high at around 16.7 percent, compared with the 10.4 percent level registered for the previous year.

Net claims on the general government (that is, claims on Central Government, Regional Councils, Local Authorities and non-financial public enterprises) declined moderately by 6.8 percent from N$772.5 million at the end of 2000 to N$719.7 million by the end of 2001. Net borrowing by the government sector increased sharply from N$392.0 million in January to N$790.9 million by the end of June 2001. By July it had declined to N$95.6 million, before increasing again to N$643.5 million in the month of December 2001. It is noteworthy that the net claims on the government sector move in line with the quarterly SACU payments. It is possible that, at times of SACU receipts, therefore, the Central Government may become a net creditor to the banking system.

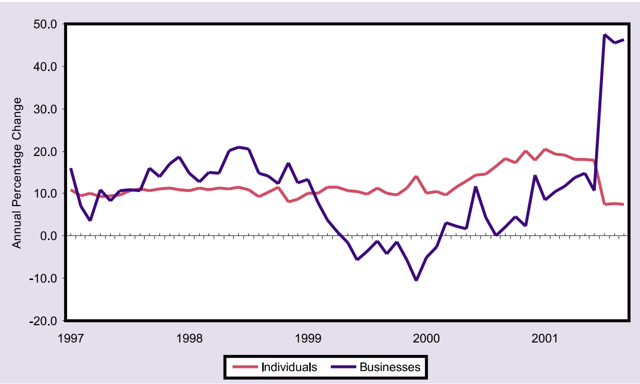
Claims on the private sector continued to account for most of the increase in domestic credit. The average annual growth rate of private sector credit stood at 17.4 percent during 2001, compared with 10.8 percent the previous year. The annual growth rate of private sector credit reached a peak of 19.2 percent in the month of July 2001, after which a moderately slower pace eventually brought it to 17.4 percent by the end of the year. The annual growth rate of private sector credit extension recovered remarkably from its all-time low of 4.8 percent in January 2000 after which it had started to increase gradually, hovering at around 17 percent on average during 2001. The high annual growth rates in private sector credit extension witnessed throughout the year under review may be attributed to the low interest rates that prevailed. Empirical research conducted by the Bank of Namibia found that private sector credit in Namibia normally responded with a lag to interest rate changes. During 2001, the Bank Rate was reduced on three occasions; in response, the commercial banks' average prime lending rate fell by 190 basis points from 15.9 percent at the beginning of the year to 14.0 percent at the end of the year. This level of interest rates represents the lowest in the last two decades.

Chart 4.2: Net Domestic Credit and Private Sector Credit



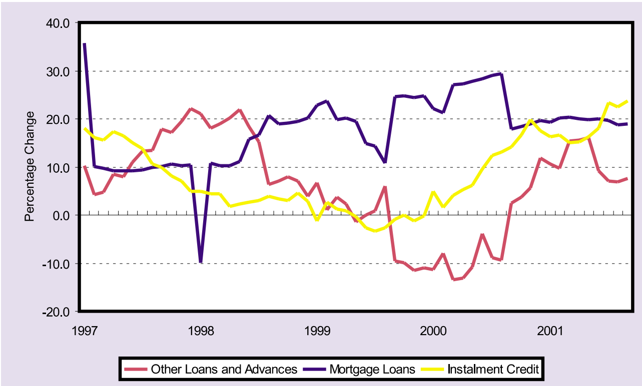
The increase in private sector credit was mainly driven by individuals or households during the first half of 2001. This situation was reversed in the second half of the year, when businesses became the major force behind the growth in private sector credit. The annual growth rate of credit to individuals or households rose by 18.9 percent on average during the first half of 2001, compared with an average of 11.6 percent registered during the corresponding period of the preceding year. In the second half of 2001, the annual growth rate of credit to individuals subsided substantially to 7.0 percent, compared with an average of 17.5 percent during the corresponding half of 2000. On the other hand, the average annual growth rate of credit to the business sector surged significantly to 40.7 percent in the second half of 2001, from only 10.7 percent in the first half of the year. The comparative growth rates for the corresponding periods of the preceding year were 4.6 percent and 1.9 percent, respectively. This sharp rise in the growth rate of credit to the business sector, especially during the second half of 2001, is primarily attributable to misclassification by one big bank which introduced a new classification system in June 2001. As a result of this development there was a moderate shift from 30 to 35 percent in the composition of credit in favour of the business sector. However, the remaining 65 percent accounted for by individuals remains abnormally high, a situation which is not conducive for the growth process in the long run. Nevertheless, the recent trend of more credit being provided to the business sector will hopefully result in the addition of more fixed investment, which in turn may contribute to an accelerated growth process.

Chart 4.3: Private Sector Credit



An analysis of private sector credit by type shows the average annual growth rate of instalment credit rose substantially by 20.0 percent in 2001 compared with the 10.4 percent registered for the previous year. The average annual rate of increase for this component was 16.3 percent during the first six months of the year, after which it accelerated slightly to the 23.7 percent registered for the second six months. The average annual growth rate of the category “Mortgage loans” decreased moderately to 19.7 percent in 2001 from 23.9 percent the preceding year. The average annual rate of increase for this component of private sector credit stood at 19.9 percent during the first half of the year, but then declined to 16.2 percent in the second half. The annual growth rate of the category “Other loans and advances’, which comprises mainly overdrafts, also declined to 12.0 percent in the year under review from a level of 11.8 percent the previous year. As in the case of the “Mortgage loans” category, most of the slowdown was observed in the second half of 2001, which registered an average annual growth of 3.1 percent as opposed to the 12.8 percent recorded in the first half of the year. Composition-wise, “Mortgage loans” accounted for 41.2 percent of private sector credit, followed by the category “Other loans and advances” and “Instalment credit” with 26.7 percent and 15.4 percent, respectively. The remaining private sector credit, approximately 5 percent, went to the categories “Leasing” and “Bills”.

Chart 4.4: Private Sector Credit by Type



In terms of sectoral distribution (see Chart 4.5), “Individuals and Others” continued to take the largest share of total credit extended by the banking sector, followed by “Commercial and Services”. These two sectors accounted for 50.7 percent and 29.4 percent, respectively, of total outstanding credit as at the end of December 2001. When compared with the previous year, the share of outstanding credit to the category “Individuals and Others” declined slightly by 1.0 percentage points, while that of “Commercial and Services” increased moderately by 2.4 percent.

Chart 4.5 (a): Direction of Commercial Bank Credit, 2001

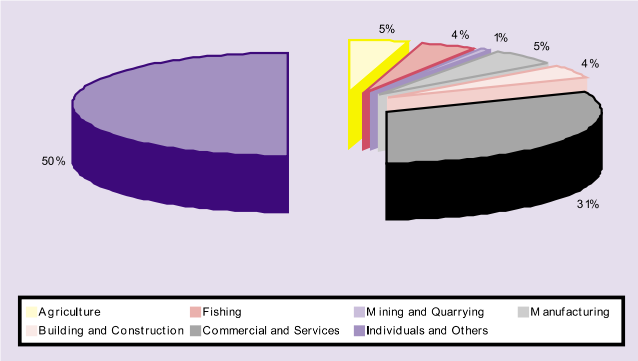
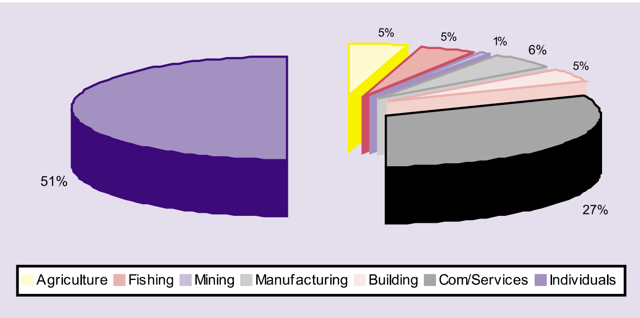


Chart 4.5 (b): Direction of Commercial Bank Credit, 2001



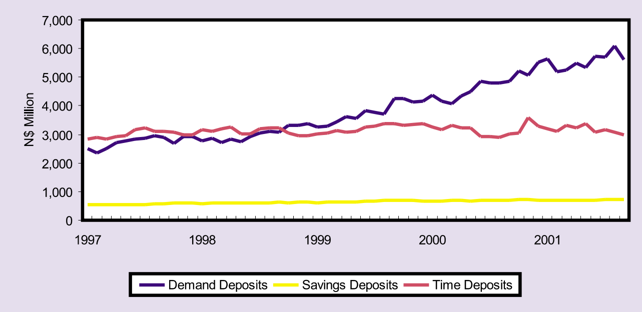
Growth in credit granted to the "Commercial and Services" sector accelerated to 26.4 percent in 2001 from 12.6 percent in the preceding year. This could be attributable to the salary adjustments granted to civil servants, especially the reintroduction of the management cadre's motor vehicle scheme, which led to an increase in the demand for certain consumables. Credit extended to the mining sector fell by 5.9 percent as opposed to the contraction of 9.9 percent registered for the preceding year. The increase in credit extended to the latter sector is attributed to some mining companies replacing machinery during the year, as well as Ongopolo's copper mine reaching its full capacity. Of particular significance is the buoyancy of credit extended to the manufacturing sector, which grew by 12.2 percent during the year under review. On the other hand, credit extended to the fishing sector expanded by about 11.0 percent, reflecting the difficulties they faced in the wake of adverse oceanic conditions. Growth in credit extended to the agricultural sector improved moderately by 3.4 percent, as opposed to a contraction of 2.4 percent registered in the preceding year.

4.4 Commercial Banks' Sources of Funds

The total deposits held by commercial banks had increased to N$9.8 billion by the end of 2001, up from N$9.5 billion mobilised at the end of the previous year. The share of private sector deposits in total commercial-bank deposits increased from 75.3 percent as at the end of 2000 to 83.4 percent by December 2001. Deposits from the business sector replaced those from households as the biggest component of total commercial-bank deposits held by the private sector. The share of the business sector moved by 3.3 percentage points to 45.0 percent at the end of December 2001 from 48.3 percent at the end of the preceding year. Government deposits increased marginally by N$25.0 million in 2001 to N$251.9 million as against a substantial increase of N$137.4 million registered for 2000. Resources mobilised from the financial sectors fell substantially by N$511.7 million in 2001, as opposed to a rise of N$236.7 million in the preceding year.

The year 2001 witnessed a shift away from time deposits in favour of demand deposits, reflecting the public's preference for more liquidity in the wake of low interest rates. As a result, the share of time deposits had declined to 30.4 percent by the end of 2001, down from 34.6 percent in the previous year. Conversely, the share of demand deposits increased from 57.9 percent at the end of 2000 to 61.9 percent in 2001. The share of savings deposits remained almost unchanged at 7.5 percent as at the end of December 2001.

Chart 4.6: Commercial Banks' Deposits, by Type



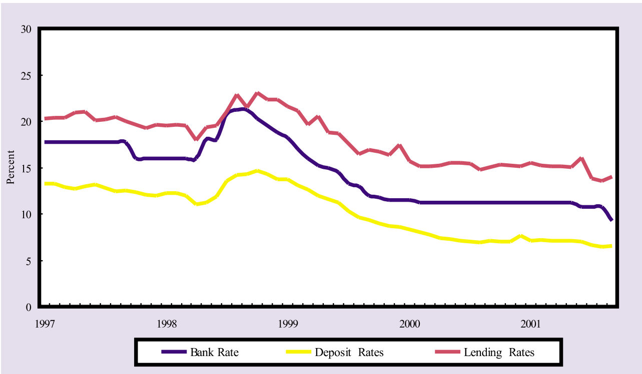
4.5 Money Market Developments

Despite the sharp depreciation of the South African Rand and, hence, the Namibia Dollar during the year under review, the monetary authorities in the Common Monetary Area opted for a rather accommodating monetary policy stance in order to boost investor confidence and promote growth in their respective countries. As a result, the Bank Rate, Namibia's most important monetary policy instrument, was reduced from 11.25 percent in January 2001 to 10.75 percent in June, and brought down further to 9.25 percent in September. This also ensured a close alignment of interest rates between Namibia and South Africa in line with the pegged exchange-rate arrangement. It is expected that the easing of interest rates will help to accelerate investment in the economy and boost investor confidence. Following the reduction in the Bank Rate, most commercial banks adjusted their prime lending rates downward. The commercial banks' nominal average prime lending rate decreased from 15.9 percent in January 2001 to 14 percent by October; similarly, the commercial banks' nominal average mortgage rate decreased from 15.70 percent to 13.75 percent during the same period.

In line with the above-mentioned developments, the commercial banks' nominal average lending rate moved downwards throughout the year under review. At the beginning of the year, the lending rate stood at 15.50 percent. Gradually, it moved slightly upwards to reach 16.09 percent by June, before declining to 13.76 percent by the end of the year. The temporal surge during June reflects the higher demand for credit witnessed in that month.

The nominal average deposit rate, which stood at 7.11 percent at the beginning of 2001, fell to 7.01 percent in June and further to 6.48 percent by the end of the year. These developments, led to the spread between the lending rate and the deposit rate moving down marginally from 7.5 percent in 2000 to 7.28 percent in 2001. This spread is still very high compared with South Africa and other industrialised economies. It also suggests that there is still some inefficiency in the Namibian financial system, in addition to the cost of capital still being high for investors. The main beneficiaries of the high spread are, therefore, only the banking institutions.

Chart 4.7: Selected Interest Rates



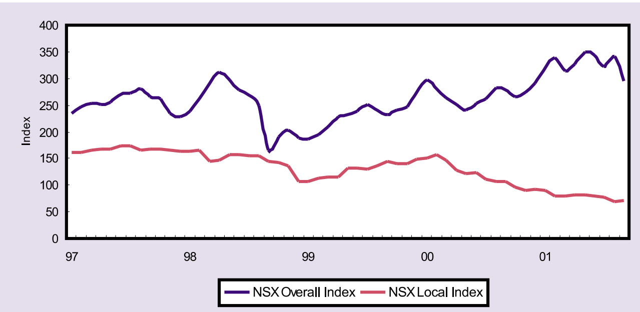
The cost of government borrowing went in the opposite direction than general interest rate developments, recording increases for the greater part of 2001 due to an increase of government stock issued. The average effective yield on 91-day treasury bills rose from 10 percent at the end of January 2001 to 10.11 percent in June, before declining to 9.68 percent at the end of December 2001. Similarly, the average effective yield on 182-day treasury bills increased from 10.22 percent in January 2001 to 10.4 percent in June, before declining to 9.89 percent again at the end of December 2001.

4.6 Capital Market

Activity on the capital market, especially the local market component, was rather subdued during 2001, as is reflected in the trends witnessed on the NSX. The local price index declined from 91 points in January 2001 to 80 points in June, before further declining to 59 points in December. Correspondingly, local market capitalisation declined from N$4.3 billion in January 2001 to N$4.1 billion in June, dropping further to N$1.8 billion by December. The local turnover decreased from N$12.0 million in January 2001 to N$4.4 million in June, spiralling down to N$0.5 million in December.

The overall index, on the other hand, moved from 321 points at the end of January 2001 to 343 points in June, before rising further to 392 points at the end of December. Correspondingly, the overall market capitalisation increased from N$371 billion at the end of January 2001 to N$869.7 billion at the end of June before declining to N$512 billion at the end of December. The overall turnover increased from N$1.4 billion in January 2001 to N$2.7 billion in June 2001, but then decreased to N$2.2 billion in December.

Chart 4.8: NSX Price Indices



The financial sector (N$204.2 billion) and the mining sector (N$153.9 billion) continued to dominate the overall market capitalisation during 2001. The industrial and retail subsectors accounted for N$16.2 billion and N$11.5 billion of overall market capitalisation, respectively. The contribution of the fishing subsector was negligible, at only N$1.1 billion. On the other hand, the financial (N$776 million) and the industrial (N$633 million) subsectors dominated the value of local market capitalisation, followed by the mining (N$535 million) and fishing (N$137 million) subsectors.

During August 2001, the NSX introduced a new settlement system that enabled dual-listed securities traded on the NSX to be settled electronically. The settlement of dual-listed shares is linked into the South African Central Depositories, with stockbrokers and institutional clients being required to appoint a SA Central Depository Participant. Settlement is contractual, rolling T+5 and delivery vs. payment, based on adherence to the G30 Standards. Due to the direct links between the NSX and the Johannesburg Stock Exchange (JSE) in South Africa, the NSX intends to adopt the same trading system as the JSE. The NSX is accordingly changing its infrastructure and positioning itself to be ready for the implementation of the new trading system during May 2002.

During the year under review, the NSX received three new applications for listing, one of which was a primary listing. There has also been some interest expressed in the NSX's proposal to list additional debt instruments on the official stock exchange.

Box C: Real Deposit Interest Rates and the Behaviour of Monetary Aggregates in Namibia

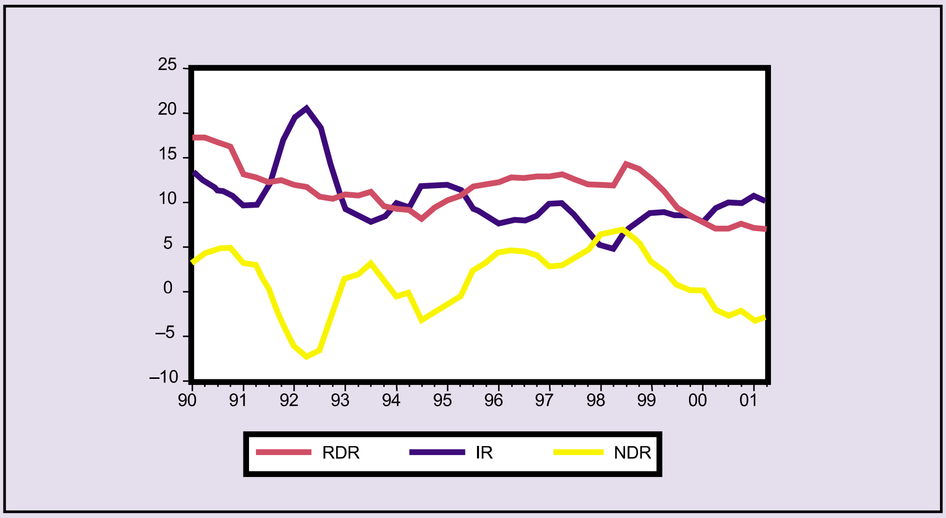
Financial liberalisation, in its basic form, involves the process of moving towards market-determined interest rates as well as market-determined prices on all classes of financial products. In a broader framework, it will also encompass a banking system characterised by –

- symmetric entry and exit conditions to all participants
- increasing internationalisation or the opening up of domestic markets to international competition
- limited barriers to the introduction of new financial products
- the removal of high reserve requirements that act as a tax on the banking system
- the opening up or reform of stock exchanges, and
- the liberalisation of foreign exchange transactions on the current and capital account.

Financial repression, being the opposite of financial liberalisation, accordingly encompasses the opposite of the conditions stated above. Since Namibia has not had any period of financial repression in the narrow sense, the conditions that dictate a policy of financial liberalisation have not been arisen. The market has always determined interest rates, for example. Thus, one expects that the benefits of financial liberalisation should manifest in the economy. However, in recent times, real interest rates on deposits have become negative even though the inflation rate has become more moderate.

One major factor responsible for this development is the fall in interest rates in the global economy. The resulting downward adjustment in deposit rates by commercial banks has been disproportionate and, given the inflation rate, rendered real deposit rates negative. For instance, average lending rates between the first quarter of 2000 and the second quarter of 2001 stood at 15.3 percent, whereas average deposit rates for the same period were about 7.2 percent, giving a wide spread of 8.1 percent. With inflation registered at 9.6 percent during the same period , the real return on savings became negative at –2.4 percent. It is argued that this could have severe implications for the mobilisation of savings, and could hamper efficient financial intermediation.

Chart 1: Real deposit interest rate (RDR), Inflation Rate (IR) and Nominal Deposit Rate (NDR)



Within the Namibian context, in the absence of policies of financial repression by government, our expectations is that market determined interest rates should lead to higher savings and investment and more efficient investment which should translate to higher economic growth.

Two forms of econometric functions have been used to test the relationship between real deposit interest rates and economic growth. The first examines whether there is a significant statistical relationship between the real interest rate and the willingness of people to hold money, broadly defined. The simple equation tested in this regard is of the form:–

$$(M2/P)= f(d\text{-}p^{e}) \ldots (1)$$

where M_2 is money, defined to include M_1 (currency in circulation and demand deposits) and quasi-money/QM (time and savings deposits). P is the consumer price index, used to deflate nominal money balances, d is the average nominal deposit rate, and p^e is the expected inflation rate.[10] This expression simply says that the demand for real money is a positive function of the real interest rate ($d–p^e$). As real interest rates rise, deposits in commercial banks will also rise due to the impact of the increasing interest rates on the interest-sensitive components of the money supply, i.e. savings and time deposits. A basic assumption underlying this relationship is that all savings are placed in bank deposits[11] since, in most developing countries, commercial banks are the main channels for the mobilisation of savings in the financial system. A stricter form of this relationship involves testing directly the functional form:–

$$M/P = f(d\text{-}p^{e}) \ldots (2)$$

where all variables are as previously defined.[12] This relationship assumes that a positive correlation exists between real deposit interest rates and time and savings deposits in commercial banks.

The second form of econometric work tests the relationship between real interest rates and economic growth directly, rather than through real money balances. Empirical evidence in this latter regard is scant as the purported relationship may be tenuous at best.

In this brief analysis we have provided a simple econometric test in line with Equations 1 and 2, illustrated below. The equations have been slightly modified by adding other explanatory variables such as the inflation rate (π) and real GDP growth (y) to make our results more robust. Quarterly data for the period 1993:1 to 2001:2 were used. Simple co-integration tests were performed to establish whether the variables were all co-integrated.[13] The results of the estimation are reported below:

Equation 1

$$M_2/P = –13.0587 + 2.0787\ (y) + 0.022148^{\pi} + 0.014825(d–p^{e})$$
$$\qquad\qquad (15.315) \qquad (1.638) \qquad (2.039)$$

$R^2 = 0.69$

[10] Price expectations are assumed to be formed rationally so that actual price levels are used as expected prices.

[11] This has been critised by the structuralist, who argued that a correlation between high real interest rates and a higher volume of bank deposits may be the result of a shift by depositors from curb markets to commercial banks and a staltification of curb market loans - a major source of informal finance in many developing countries.See e.g. Van Wijnbergen (1982) for an analysis of Korea.

[12] See e.g. Oshikoya (1992) and Ikhide (1993).

[13] The explanatory variables in all cases were found to be 1(1) except the real income (y), which was 1(0). Since the dependant variables in all cases were of the same order of at least one level higher than the explanatory variables, the variables could be combined to form a co-integrated series.

Equation 2

$$QM/P = -5.4981 + 1.1069y - 0.00023^{\pi} + 0.01879(d-p^{e})$$

(6.3627) (–0.01745) (3.4588)

$R^2 = 0.73$

The results clearly demonstrate that real deposit interest rates exert a strong positive impact on the demand for money, broadly defined, as well as quasi-money, i.e. financial savings. The impact is stronger on quasi-money, tending to confirm that as real deposit interest rates fall or become negative there is a shift by deposit-holders from this class of deposits to the narrowly defined aggregates. To further confirm this, similar regressions were run for money (M_1), defined narrowly as “currency and demand deposits”, and demand deposits (DD). The results are reproduced below:

Equation 3

$$M_1 /P = -22.7456 + 3.1876y + 0.0277^{\pi} - 0.0101(d-p^{e})$$

(15.613) (1.7396) (–1.588)

$R^2 = 0.90$

Equation 4

$$Rdemdep = -32.3040 + 4.9415y + 0.00838^{\pi} - 0.01738(d-p^{e})$$

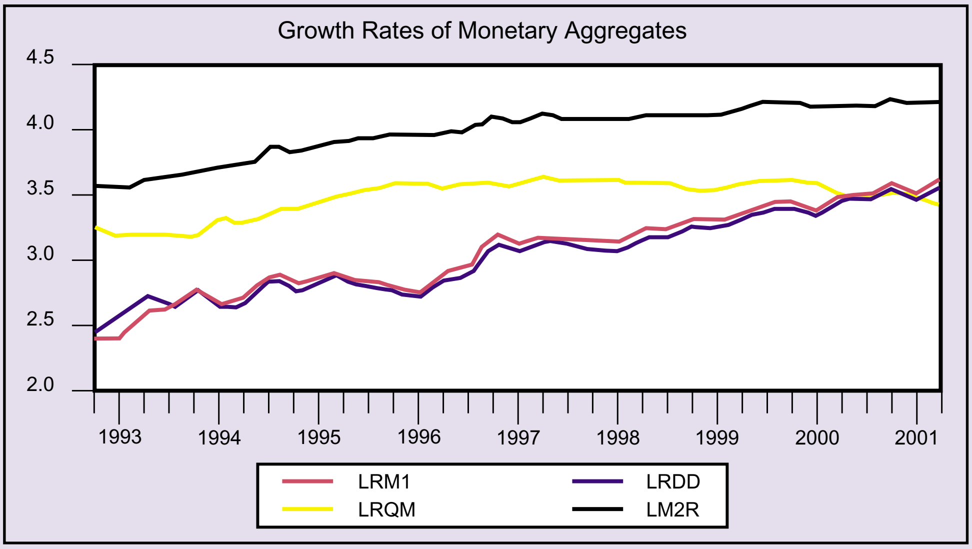
(15.0611) (0.3269) (–1.6957)

$R^2 = 0.89$

Two observations from Equations 3 and 4 are worthy of note. The first is that real deposit interest rates are negatively correlated with so-called narrow money and demand deposits. In other words, an increase in real deposit interest rates will actually lead to a shift away from these aggregates into the less liquid forms of money such as quasi-money or so-called broad money. The second observation has to do with the performance of the inflation variable. Whereas this variable is negatively correlated with quasi-money holdings (Equation 2), it turns out to be positively correlated with M_1 and demand deposits, thus confirming that inflation discourages savings and tends to encourage consumption-related transactions. The performance of real GDP in all the equations also did not come as a surprise, emphasising as it does the role of income in savings and economic growth.

What about the implications of these findings for the Namibian economy? Given the role of real interest rates in the mobilisation of financial savings and, hence, economic growth, efforts must continue to be directed at reducing the rate of inflation. The current downward trend in inflation is a welcome development. However, the current low level of interest rates on deposits is a matter of much concern. For real interest rates on deposits to be significantly positive in order to attract savings, commercial banks should be encouraged to increase the nominal interest rates on deposits. This is possible without unduly influencing their profit levels, given the current spread between lending and deposit rates. As the Chart below shows, a structural shift in deposits appears to have occurred in favour of the more liquid aggregates of money in response to declining real deposit interest rates – particularly in recent years.

Chart 2: Growth Rates of Real Monetary Aggregates



LRM1 = Growth rate of real narrow money (M1/RP)

LRQM = Growth rate of real quasi-money (QM/RP)

LRDD = Growth rate of real demand deposits

LM2R = Growth rate of real broad money

There could no doubt be other factors at play here as well, but the short analysis presented here clearly identifies the decline in real deposit interest rates as a culprit.[14]

[14] It has also been argued that the development of other forms of long-term (non bank) financial instruments and institutions may have contributed to this shift . This has not been fully investigated in the economy.

5. Public Finance

Living up to the promise it announced in the budget statement for 2000/01, the Ministry of Finance introduced an MTEF or rolling budget for the 2001/02 financial year. As discussed earlier, these are rolling plans or forecasts of income and expenditure for the next three years that are updated annually. The idea is to move away from a narrow, one-year planning horizon, as was the case with the previous budgetary system. The main objectives of the MTEF are, among others, to – maintain aggregate fiscal discipline, facilitate strategic prioritisation of expenditure between and with sectors, and improve allocative or technical efficiency in the use of limited resources.[15] Other policies and initiatives announced in the budget statement aimed at stimulating economic activities in the private sector and strengthening legal and institutional frameworks. These included –the establishment of the Development Bank of Namibia and the Namibian Financial Institutions Supervisory Authority.

5.1 Revenue

The revised government revenue and grants for 2001/02 amounted to N$9.0 billion, which is 2.7 percent higher than the original estimate, and 8.7 percent higher than the revised estimate for the previous fiscal year (see Chart 5.1). As a ratio of GDP, the estimated revenue was 32.2 percent compared with 31.3 percent in the original budget and 33.6 percent in 2000/01. The largest contribution to total revised revenue came from the taxes on income and profits (see Table 5.1). This revenue, estimated at N$3.2 billion, accounted for 34.9 percent of total revenue and grants.

Substantial revisions were made to all three components of company tax. Diamond mining companies and diamond royalties were expected to generate N$270 million and N$126 million, respectively, more than the estimates in the main budget, while other mining companies would yield N$50 million more than expected upon the presentation of the main budget. The estimated revenue from non-mining companies was expected to fall from N$635 million to N$500 million. On the other hand, receipts from fishing quota levies were revised down by N$100 million.

The second most important source of revenue is taxes on international trade and transactions generated via SACU, projected at N$2.6 billion, an equivalent of 29 percent of total revenue and grants. In

Table 5.1: Revenue Components, Revised vs. Main Budget (2001/02)

Revenue Components (N$ Million	1999/00	% Change	2000/01	% Change	2001/02	% Change
Taxes on Income and Profits	2,315.3	14.0	2,509.0	8.4	3,140.0	25.1
Taxes on Property	46.7	15.9	50.0	7.1	60.0	20.0
Domestic taxes on Goods and Services	1,943.5	22.9	1,632.1	-6.0	2,104.4	28.9
Taxes on International Trade	2,240.7	24.1	2,877.3	28.4	2,641.2	-8.2
Non-tax Revenue	587.1	-1.0	649.9	10.7	740.7	14.0

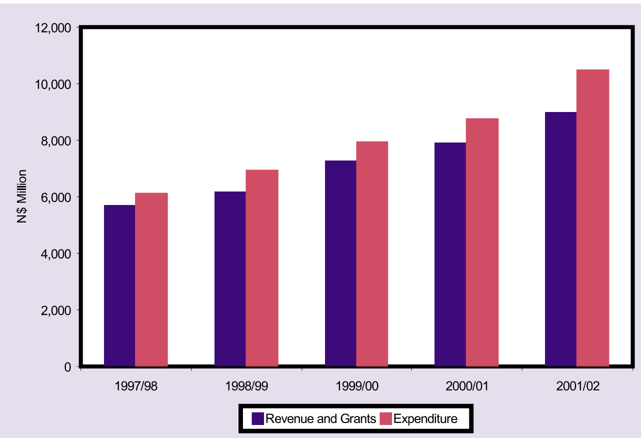
Source: Ministry of Finance

[15] See also Box A for more detail on the MTEF

comparison with the previous fiscal year, SACU revenue is expected to fall from N$2.9 billion to N$2.6 billion by 2001/02. The reduction is attributed chiefly to low import figures two years ago, since revenue from this source is calculated by including a two-year lag.

The third-largest contributor to total revenue is domestic taxes on goods and services, which comprise VAT, levies and licence fees. This category would contribute N$2.0 billion, representing 22.6 percent of total revenue and grants. VAT contributed 23.7 percent to tax revenue, while its share in domestic taxes on goods and services accounted for 90.3 percent of the revenue received. Non-tax revenue totalling N$870 million, consisting of receipts from administrative fees and charges, entrepreneurial and property income, is anticipated to account for 9.7 percent of total revenue and grants.

Chart 5.1: Total Revenue and Expenditure



5.2 Expenditure

The revised total government expenditure was estimated at N$10.5 billion, 7.2 percent higher than the original estimate, and 21.2 percent above the revised estimate for the previous fiscal year (see Chart 5.1). As a percentage of the projected GDP, total expenditure would increase from 35.3 percent to 37.4 percent in the revised budget. The increase in government expenditure originated largely from a faster growth in the current expenditure. This current expenditure is estimated at N$8.7 billion for the fiscal year 2001/02, compared with N$7.6 billion in the previous fiscal year. Table 5.2 shows that current expenditure increased by 14.7 percent over the 2000/01 fiscal year.

Table 5.2: Government Expenditure (N$ million)

Government Expenditure	99/00	% change	00/01	% change	01/02	% change
Current Exp	6,949	12.8	7,645	10.0	8,699	14.7
	-32.0		-31.0		-31.1	
Capital Exp	1,069	28.3	1,064	-0.4	1,785	67.7
	-4.9		-4.3		-6.4	
Total Exp	8,018	14.6	8,709	8.6	10,484	20.4
	-36.5		-35.3		-37.4	

Figures in brackets represent the ratio to GDP

The rise in current expenditure (see Table 5.2) is mainly due to salary increases for public service employees and the recapitalisation of Air Namibia. In particular, special provisions for the Ministry of Basic Education, Sport and Culture (see Table 5.3) to cover salaries for additional teachers accounted for the large increase in the wage bill. Furthermore, a considerable increase in the cost of the Public Service Medical Aid Scheme, and provision made for the newly introduced Early Retirement Scheme aimed at reducing the size of the Public Service, added to the high growth in the current expenditure. As a result, allocations to the Ministry of Basic Education, Sport and Culture, the Ministry of Finance and the Ministry of Defence grew by 26.1 percent, 70.5 percent and 37.2 percent, respectively (see Table 5.3). The increase in the vote for the Ministry of Defence was caused mainly by expenditure relating to the withdrawal of members of the Namibian Defence Force from the Democratic Republic of Congo.

Table 5.3: Summary of Estimate of Expenditure by Ministries (N$ Million)

Ministry	99/00	% change	00/01	% change	01/02	% change
Basic Education Sport & Cultrure	1623.5	10.6	1717.2	5.8	2165.5	26.1
Finance	1092.0	29.0	1337.3	22.5	2279.7	70.5
Defence	559.2	26.3	617.0	10.3	846.4	37.2

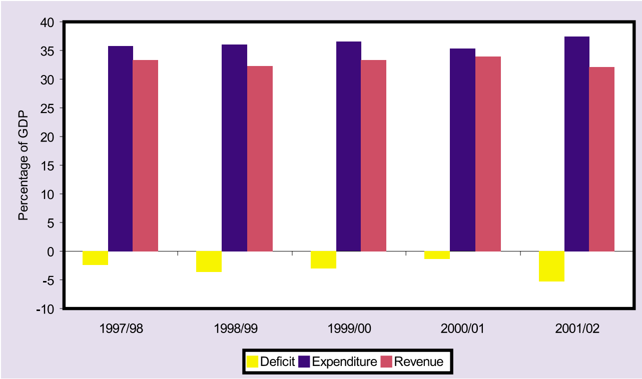
Debt-servicing costs (interest payments) amounted to N$678.3 million, up by 26.5 percent over the previous fiscal year. This steep rise in interest payments is cause for concern, as it reflects the sharply increased rate of government borrowing. This rate of borrowing, if left unchecked, may not be sustainable in the long run. The government debt outstanding at the end of the period stood at N$7.1 billion, representing an increase of 24.3 percent from the previous fiscal year. The government has set up a benchmark in the NDP2 to keep its debt below 25 percent of GDP in order to control future levels of borrowing. So far government debt has surpassed slightly this benchmark, standing at 25.4 percent at the end of 2001.

Capital expenditure increased by 35 percent, from N$1.1 billion to N$1.8 billion. It constituted 17 percent of total expenditure, higher than the 15.1 percent share in the 2000/01 fiscal year. As a percentage of GDP, total capital expenditure increased from 4.3 percent in 2000/01 to 6.4 percent in 2001/02, indicating improved government spending on infrastructure necessary for long-term growth.

5.3 Budget Deficit

The modest increase in revenue and a higher increase in government expenditure is expected to raise the budget deficit for the 2001/02 fiscal year by N$357.7 million to N$1.5 billion or 5.3 percent of estimated GDP, up from 1.4 percent in the previous fiscal year (see Chart 5.2). This situation is a significant departure from the NDP2 target of keeping the deficit around 3 percent and needs to be reversed as a matter of urgency. The revised deficit is to be financed by way of drawing down cash balances at the Bank of Namibia, as well as through the issue of treasury bills and bonds, and foreign borrowing totalling N$137.8 million.

Chart 5.2: Budget Deficit (–) / Surplus (+)



5.4 Central Government Debt

Total Central Government debt stood at N$7.1 billion (see Table 5.5) at the end of December 2001, representing an annual increase of 24.3 percent against a rise of 5.4 percent in the preceding year. Expressed as a ratio to GDP, Central Government debt amounted to 25.4 percent in 2001, up from the 22.8 percent recorded in the previous fiscal year.

Domestic Central Government debt, which accounted for 77.3 percent of total public debt, continued to grow. It increased by 14.3 percent to N$5.5 billion during 2001, compared with 10.2 percent in the previous year. Central Government's overall indebtedness on the domestic market is in the form of treasury bills and internal registered stocks.

The foreign public debt rose strongly by 77.2 percent to N$1,6 billion in 2001, compared with the minimal increase in 2000. The sharp increase in foreign debt in 2001 was mainly the result of the sharp depreciation of the currency witnessed during the year as well as the disbursement of existing and new loans. The share of foreign debt in total public debt increased from 17.6 percent in 2000 to 21.7 percent in 2001, and as a ratio of GDP, from 4.6 percent to 5.8 percent over the same period.

Table 5.5: Central Government Debt (N$ Million)

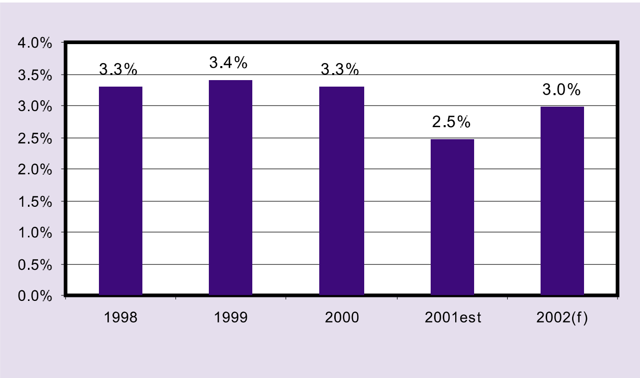
Category of Central Government Debt	1999	% Change	2000	% Change	2001	% Change
A. 1. External Debt	**687.7**	26.11	**909.7**	**32.28**	**1,613.0**	77.20
2. Bilateral Loans	448.3	33.66	194.8	-56.55	946.7	386.0
3. Multilateral Loans	239.4	14.05	714.9	32.28	665.3	-6.9
4. Financial Institutions	0	0.00	0	-56.55	0.0	0
5. Other	0	0.00	0	198.62	0.0	0
B. 6. Domestic Debt	4,363.60	15.84	4,808.70	10.20	5,494.8	14.27
7. Treasury Bills	2,430.70	28.72	2,640.00	8.61	2,799.7	6.05
8. Internal Registered Stocks	1,932.90	2.91	2,168.70	12.20	2,695.1	24.27
9. Bank of Namibia	0	0.00	0	0.00	0.00	0
10. Olther	0	0.00	0	0.00	0.0	0
C. Total Debt (1+6)	**5,051.30**	17.14	**5,718.40**	13.21	**7,107.8**	**24.30**
D. Total Debt as % of GDP	**22.20%**		**22.80%**		**25.40%**	

6. Outlook for 2002

The Namibian economy is expected to grow moderately by 2.8 percent on average for the 2001-02 period, which is lower than the 3.3 percent recorded in 2000. (see Chart 6.1). The lower growth in 2001 can be explained against the background of the continuing global economic recession, which was further aggravated by the September 11 attacks on the USA. The reduced growth in 2001 was due to contraction in mining, fishing, manufacturing and services (excluding government).

Given that global economic recovery is expected during the second half of 2002, the growth of the Namibian economy is set to increase to around 3 percent for 2002. Such growth would be supported by increased output growth in agriculture, mining and manufacturing.

Chart 6.1: Real GDP Growth



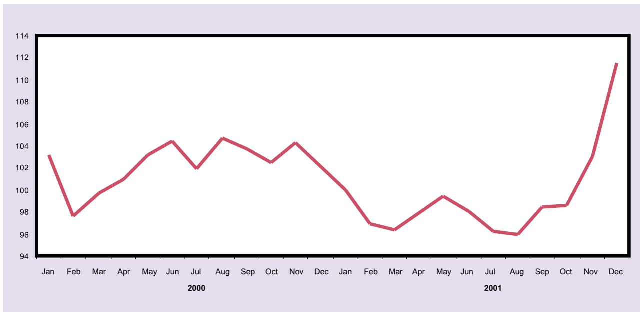
Note:Est = Estimate f = forecast

Despite favourable export conditions due to the depreciation of the rand, the deficit in the trade balance has widened for 2001, mainly because the exports were offset by increases in imports, particularly of capital goods. Exports are projected to grow much stronger in 2002, resulting in a reduced trade balance. As a percentage of GDP, the budget deficit is projected to be above the committed level of 3.2 percent for 2002, which may necessitate fiscal policy re-orientation for the future.

6.1 Real Sector

In the agricultural sector, livestock marketing increased signaficantly for 2001 after a protracted period of herd stocking over the past two years. During the first 2 quarters of 2001, international meat prices were under pressure due to the outbreak of bovine spongiform encephalopathy (BSE, or so-called Mad Cow Disease) and foot-and-mouth disease in parts of Europe (see Chart 6.2). However, the indications are that prices have started to increase since August 2001. Due to the low demand for traditional meat caused by meat-related diseases, there is an increasing scope for the international marketing of organic meat products. However, in 2002, livestock marketing, especially of cattle, should increase considerably as the recovery in prices witnessed recently is expected to continue.

Chart 6.2: Meat Price Index (N$)



Source: Institute of Public Policy Research and Irvin Greene Jacobs Business Climate Index

In the light of promoting a modernised agricultural economy in Namibia, efforts have been made to diversify this sector. In this context, grape and ostrich production is expected to increase its output value during 2001. An additional yield of 40,000 cartons of grapes and 10,000 ostriches are expected for 2001, and further excellent output growth may be recorded in 2002.

Future potential growth areas in the agricultural sector include the import substitution of fruit and vegetables, and the export of dates and cotton. The establishment of Ramatex, a textile factory, in 2002 could provide an incentive to local cotton production for ensuing years. However, it must be noted that the contribution of cotton to GDP is small in relation to other industries in the agricultural sector and, therefore, no major shift in the composition of the sector's output is envisaged in the near term.

Overall, the positive increases recorded in the number of cattle marketed as well as increases in ostrich and grape production are expected to continue. Thus, the agricultural sector is projected to grow by more than 5 percent in 2002.

The fishing industry suffered a setback during 2001, which is expected to continue into the first part of 2002 due to unfavourable marine conditions. However, the government's efforts to keep the fishing stock at a sustainable level together with improved marine conditions in the future could result in moderate growth of the fishing sector. However, continued concerns about the declining pilchard industry could impact negatively on the sector, which may compromise the expected moderate growth in 2002.

Real growth in the mining sector is estimated to contract slightly during 2001. This is mainly due to declines in diamond production. The output production of other minerals -mainly copper and gold - increased significantly in 2001, but not enough to offset the negative growth of the diamond sector. The sector is, however, expected to recover in 2002. The recovery will be boosted by new offshore diamond mining activities by a joint venture between Diamond Fields International and the Transhex group using an additional vessel. Overall, in real terms, mining is expected to recover to 2.0 percent in 2002 from the negative growth of 5.2 percent in 2001.

Table 6.1: Selected Sectoral Real Growth Patterns (percent)

Sector	**2000 Actual**	**2001 Estimates**	**2002 Forecasts**
Agriculture	10.3	13.5	5.8
Fishing	13.3	-9.8	2.0
Mining	-2.7	5.2	2
Manufacturing	4.5	12.3	2.7
Construction	-5.4	6.8	2.2
Tourism	6.2	2.0	2.5
Services (exl gov)	3.5	2.3	2.6
Government	4.2	4.5	3.6
Real GDP Growth (%)	**3.3**	**2.5**	**3.0**

Source: Central Statistics Bureau and Bank of Namibia, Research Department

Prospects for the manufacturing sector remain positive for 2002 due to the potential for increased textile production by the Ramatex factory as well as two other new textile manufacturers that should be operational by 2003. The establishment of Ramatex is a good indication that government's efforts to promote diversification of the economy are now bearing fruit.

With the expected recovery in external demand in 2002, the value added for processed fish and beverages could see increases for 2002. The worldwide trend of moving away from beef towards fish should positively influence the marketability of Namibian fish. This, combined with the sustainable management of the fish resources, should ensure a moderate growth for fish processing in 2002.

Over the past few years, the construction sector has performed below expectations. This sector did, however, show an increase of 6.8 percent in 2001. The latest increase shows that the Bank of Namibia's reduction in interest rates during 2001 has begun to yield positive results for sectors, such as construction, that are sensitive to interest rate fluctuations. These sectors usually only respond to interest rate changes after some time has passed, as empirical research conducted by the Bank of Namibia has shown. Therefore, for the year 2002, the construction sector is expected to exhibit positive increases after a prolonged period of negative growth rates. The construction of capital projects such as the Skorpion Zinc Mine and, potentially, Ramatex will also contribute positively towards the 2.2 percent increase in value added that is expected in this sector for 2002.

All other sectors are expected to record relatively moderate growth rates of around 2 to 3.5 percent in 2002, with the exception of government services, which would grow by 3.6 percent in 2002.

6.2 Investment and Consumption

Total consumption is expected to increase from 1.5 percent in 2000 to 3.1 percent in 2001, (see Table 6.2). These increases were brought about because of the continuing lower interest and inflation rates that induced consumers and the corporate sector to spend more. In 2002, total consumption growth is projected to contract to 2.5 percent as higher inflation and interest rate expectations is anticipated for this year.

Supported by the overall expected improvement in the economy by 2002, with its favourable export prospects, prudent policy environment, real investment is expected to increase from a negative level of 12.4 percent during 2000 to a positive of 2.5 and 3.2 percent in 2001 and 2002, respectively. Investments are expected to be channelled into new growth areas such as the three textile companies and the Skorpion Mine. These investments are already producing spin-off effects in the sense that they promote skills development (as with the current training conducted by the Ministry of Labour and Education for the Ramatex Company), which provide a stimulus for small business development. This, coupled with current lending by the commercial banks through the Small Business Credit Guarantee Trust, should promote the much-needed entrepreneurial talent and skills development in the economy.

Table 6.2: Key Macroeconomic Indicators in N$ Million

Macroeconomic Indicator	2000 Actual	2001 Estimates	2002 Forecasts
Nominal GDP	23787	26585	30171
Total Consumption Growth	1.5	3.1	2.5
Exports	9680	10421	11837
% Nominal Growth	3	8	14
In % of GDP	41	39	39
Imports	11511	12945	14303
% Nominal Growth	2	8	14
In % of GDP	48	49	47
Trade Balance	-1831	-2524	-2466
In % of GDP	-7.7	-9.5	-8.2
External Current Account Balance	807	440	1164
In % of GDP	3.4	1.7	3.9
CPI Inflation (%)	9.3	9.3	10.5
Average N$/US$	6.86	8.56	11.5

Source: Central Statistics Bureau and Bank of Namibia, Research Department

6.3 External Sector

The value of exports performed better than expected during 2001. Preliminary estimates suggest that exports grew by 12.6 percent in 2001 and are projected to increase by 14 percent in 2002 due to a projected higher average exchange rate in comparison to 2001 (See Table 6.2). However, In real terms growth in exports for 2001 was depressed due to slower world demand. There was also a lower international commodity prices of Namibia's major export items such as diamonds, live animals and manufactured products.

In 2002 moderate increases in prices and volumes of gold, copper, diamonds, processed beef and fish are expected which would boost production and export growth. Textile exports are also expected to commence in 2002. These are envisaged to become a major export item, as well as an impetus for economic growth in the medium term. Such increases in exports are in line with the government's sound policy reforms aimed at re-orienting the economy towards export diversification, so as to allow Namibia to cope with adverse external shocks that impinge mainly on traditional exports.

The value of imports is expected to increase by 16.3 percent and 10 percent in 2001 and 2002 respectively. In real terms, imports also recorded positive growth despite the higher level of import prices. Real import growth mainly stems from the imports of machinery and equipment required for the construction of some proposed capital projects such as the Skorpion Mine and Ramatex.

Consequently, the trade deficit as a percentage of GDP is projected to narrow to 8.2 percent in 2002. The current account surplus as a percentage of GDP is projected to grow moderately from 3.1 percent to 3.9 percent in 2002, due to the improved trade balance but off-setted by the envisaged reduction in SACU receipts this year. (See Table 6.2).

6.4 Prices

The inflation rate recorded 9.3 percent on average for the whole of 2001. Generally, the inflation rate has been on a decline since January 2001, from a double digit of 10.6 percent to 8.3 percent by the end of the year. Since Namibia's imports originate mainly from South Africa, the slowdown in the inflation rate during 2001 was attributed to the lower imported inflation. However, the ongoing depreciation of the South African currency is expected to accelerate the rate of imported inflation. This is evident from the inflation rate that started to edge upwards as from September 2001, recording 7.6 percent and rising steadily to 8.3 by the end of December 2001. Namibia's inflation rate is expected to reach levels in excess of 10 percent in 2002, as South Africa is likely to miss inflation target of between 3 and 6 percent for 2002. SA CPIX is projected to reach levels in excess of 7 percent for 2002.

6.5 Fiscal Sector

Based on the revised budget of 2001/02, government revenue is projected to increase by close to 6.1 percent for the 2002 calendar year compared with 2001. As a share of GDP, however, government revenue shows a reduction from 31.9 in 2001 to 30.3 percent in 2002 (see Table 6.3). The slow growth in revenue is attributable to the estimated decrease in SACU receipts, which are expected to drop by 5.4 percent on average between 2001 and 2002. The increase in expenditure is projected to slow down to around 4.2 percent in 2002 after a strong increase of 16.2 percent due to once-off increases in salaries and further increases in items such as current transfers and equity participation in parastatals.

Table 6.3: Financial Operations of Government (N$ Million)

Financial Operations	2000 Actual	2001 Estimates	2002 Forecast
Total Revenue	7,461.3	8,379.2	8,935.8
SACU Receipts	2,399.9	2,818.3	2,602.9
Total Expenditure	8,127.3	9,109.2	10,581.4
Personnel	3,879	4,388	4,679
Interest Payments	512	637	676
As % of GDP			
Total Revenue	31.6	31.9	30.3
Total Expenditure	34.2	34.3	35.1
Budget Deficit	438.9	1,193.4	1,409.15
As % of GDP	1.9	4.5	4.7
Debt	5,718.4	7,106.8	8,428.7
As % of GDP	22.8	26.7	27.9

Source: Ministry of Finance and Bank of Namibia, Research Department

Thus, the budget deficit for 2002 is projected to increase to 4.7 percent from 4.5 percent in 2001. Given the government's commitment of reducing the budget deficit to 3.2 percent of GDP over the next three years, the deficit needs to be reduced to below 3 percent for 2003 and 2004 to reach the intended target.

On account of financing the relatively high budget deficit of a N$1,472 million indicated in the revised budget for 2001/02, as well as taking into account the effect of exchange rate depreciation on the external debt, the debt stock in relation to GDP is projected to grow from 22.8 percent in 2000 to 26.7

and 27.9 percent in 2001 and 2002 respectively. A continuation of this upward trend is not sustainable, as borrowing to raise funds for external debt servicing and resulting interest payments will increase, thereby threatening macroeconomic stability. It will be necessary, therefore, to stabilise the debt-to-GDP ratio at a committed level of 25 percent for the next three years as endorsed by the Cabinet in November 2001. This can only be achieved if the government restrains the expansion of expenditure and improves revenue recovery, especially in the light of SACU receipts that are likely to decline in the foreseeable future.

6.6 Conclusion

Namibia's economic growth is forecast to recover moderately from an estimated level of 2.5 percent in 2001 to 3.0 percent in 2002. This would be spurred mainly by the recovery in mineral production, especially diamonds, and an increase in manufactured exports (processed fish, meat and textiles).

The primary sector would remain the leading contributor of GDP, which is still a concern, however, for future diversification efforts. If prudent and sustainable fiscal policies are implemented, export prices recover, and the current global recession is reversed, Namibia is well positioned to record a fair growth performance during 2002.

Despite the expected improved prospects in the Namibian economy for 2002, there is a great downside risk that the above forecasts may not be realised. Several factors currently at play compound the near-term economic outlook globally and in Namibia. Firstly, the recovery in the Namibian economy largely hinges on the bottoming out of the world economy. If, however, the present global recession remains, commodity prices and demand would weaken further and this would result in declining commodity production and exports. Secondly, the continued depreciation of the Namibia Dollar could spur inflationary pressures. This, in turn, could compel the monetary authorities to reverse the downward trend in interest rates witnessed during 2001, thus weakening domestic demand conditions in Namibia. Thirdly, there is great uncertainty with respect to the better budgetary operations envisaged in the above projections. The budget deficit and public debt targets proposed in the MTEF and NDP2 will only be achieved if stringent measures are effected to stem high increases in government spending of the kind recorded in the 2001/02 fiscal year. A further deterioration in budgetary operations would be unsustainable and that would threaten macroeconomic stability, and consequently, materially alter the economic outlook discussed above.

The future growth path of the Namibian economy can, therefore, be enhanced by appropriate policies. Such policies as mentioned also in the IMF Mission 2001 report, include: –

- allocating adequate resources towards combating the further spread of HIV/AIDS
- relaxing rigid regulations governing the labour market
- improving the quality of social services, and implementing a comprehensive privatisation policy for state-owned enterprises and parastatals.

PART B

BANKING SUPERVISION

7. Report on Banking Supervision and the Registrar's Report on the Building Society

7.1 Overview

In accordance with the Bank of Namibia Act, the Banking Supervision Department exercised its supervisory function in 2001 to ensure the stability and soundness of the financial system. For achieving the set objectives, the Department is tasked with the responsibility of ensuring ongoing surveillance, keeping track of developments in the banking sector. Its supervisory and regulatory functions are carried out in line with the best international standards and practices. The Department also submits regular reports on these aspects to the Management and the Board.

With respect to laws and regulations, the Department continued to strengthen and consolidate its supervisory function by monitoring performance and compliance. This includes updating and reviewing the continued relevance of banking legislation, and its conformity with international banking and prudential standards. In general, there have been no major changes in the structure of the banking system.

On the basis of on-site examinations carried out during the year under review, it was established that banks have generally conducted their business in a satisfactory manner. There were instances that warranted supervisory intervention, but the overall performance was good. In this regard, the Bank has adopted a new policy whereby all banking institutions are subject to a full scope on-site examination at least once a year.

The performance of the banking industry was satisfactory, with total asset growth of 4.8 percent to N$13.8 billion as at the end of 2001. The capital adequacy[16] of the banking sector remained high at an average of 15.3 percent for the year under review. In addition, the asset quality[17] of the banking system improved significantly from 9.4 percent in 1999 to 4 percent in 2001. In line with these favourable developments, the profitability of the banking system improved significantly. This is reflected in the after-tax earnings increasing by 6.1 percent during the review period, as compared with an increase of 24.4 per cent during 2000.

7.2 Industry and Regulatory Development

The number of banking institutions remained unchanged at five banks since 1994. In contrast to this stability, the distribution of bank branches decreased slightly from 85 at the beginning of 2001 to 84 in the fourth quarter of the year. The Bank of Namibia adopted a liberal approach to branch establishment and closure, that is, commercial banks are required to notify the Bank of Namibia only when branches are opened or closed. The number of agencies, on the other hand, rose from 36 to 38 during the year.

During the year, the Bank proposed some amendments to certain provisions of the Banking Institutions Act, 1998 (No. 2 of 1998). Some provisions were found to be unclear and problematic in practice. For instance, the Act broadly defined the activities of banks as “receiving funds from the public”. However, this definition could also be interpreted to include pyramid-type activities, which the Act did not explicitly prohibit. The recommended amendment was, therefore, for the Act to expressly prohibit the conduct of any pyramid-type activities. The proposed amendments are still under review due to new developments that need attention before finalisation.

Amendments were also made to the Determinations on Large Exposure to Single Customer or Group of Related Customers (BID-4). These amendments are meant to prevent banking institutions from having unduly large exposures of more than 30 percent of their regulatory capital funds to a single borrower or a group of related borrowers. However,

[16] Capital adequacy refers to the evaluation of whether a banking institution maintains enough capital reserves to absorb losses.

[17] Asset quality refers to the evaluation of the quantity of existing and potential credit risks associated with loan and investment portfolios and other assets.

since the BID-4 requirement did not explicitly include investments in its definitions of exposure and credit facilities, it was recommended that the definition be amended accordingly.

An application to operate a discount house business in Namibia was rejected by the Bank of Namibia because there was insufficient evidence that the proposed operations would be viable. Also under consideration by the Bank of Namibia is an application to restructure and merge the operations of the City Savings and Investment Bank and SWABOU. The proposed undertaking, if favourably considered, would lead to a consolidation of the two banking institutions, which may result in better synergy for the banking industry.

The Bank of Namibia also co-operated with various other central banks and has established regular contacts with the IMF. An IMF mission also visited the Bank of Namibia to conduct supervisory training, while IMF experts provided useful guidance on how to streamline the organisational structure of the Supervision Department and assisted in developing operation policies. Some of the policies drafted during this exercise were the policy on the on-site examination of banks, the policy on meetings with the commercial bank's board of directors as well as with the executive management of banks.

There other developments in the regulatory environment that is worth mentioning in this report. Among them is the anti-money laundering legislation that is being drafted under the auspices of the Ministry of Finance. This legislation has reached and advance stage and has been drafted to conform to the international best practices such as the United Nations Fourty Recommendations. The draft also attempted to follow the format recommended by the Common Wealth Secretariat. It is expected that a final draft could be completed in 2002 for tabling in the Parliament.

The other major development is the new capital accord that is being developed by the Basel Committee on Banking Supervision. Unlike its predecessor, that is the 1988 Capital Accord, the new capital is designed to be more risk sensitive as it would include other types of risks other than credit and market risks. It is expected that the new accord would ensure safety and soundness of the banking system through a combination of effective bank level management market discipline and supervision. The Bank of Namibia has been monitoring developments in the new capital accord and is preparing itself for a smooth implementation by 2005.

7.3 On-site Examination Activities

During the year under review, the Bank Examinations Division carried out a number of full-scope examinations designed to provide supervisory assurance on the financial condition and soundness of the institutions examined. The results of the examinations have confirmed that the performance of the institutions examined was generally satisfactory, with one exception: one institution was found to be financially weak, and lacked much in terms of internal control systems and management. A number of corrective options were discussed with the management and shareholders of the bank concerned, and the implementation of the preferred option is now in progress.

The examinations, carried out in collaboration with off-site surveillance operations, focused mainly on the appraisal and verification of capital, asset quality, management, earnings and liquidity, and compliance with statutory requirements.

In order to instil further public confidence in the banking system, a policy decision was adopted by the Bank of Namibia in terms of which each banking institution would be subject to a routine on-site examination at least once a year. The policy will take effect during 2002. In addition to the routine examinations, banking institutions with perceived risks and weaknesses will be subjected to more frequent on-site examinations.

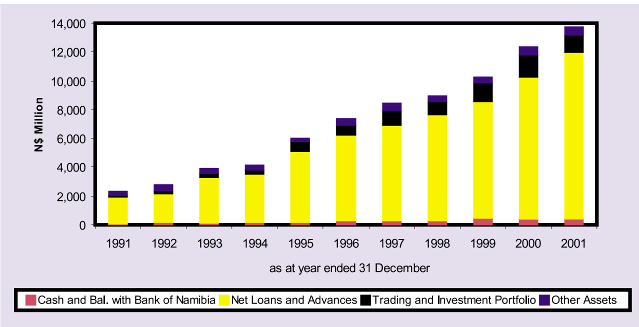
During the year under review, no incidents of illegal banking business in the form of pyramid schemes were reported or discovered. Thus, there were no closures of such schemes during the course of 2001, which is an indication of the success of the public awareness regarding the illegality of such schemes as explained in a press statement issued by the Bank of Namibia on 21 July 2000.

7.4 Performance of the Banking Sector

7.4.1 Asset Growth

The total asset base of the banking sector grew by 11.8 percent to N$13.8 billion during 2001, compared with the 20.0 percent growth for the year ended 31 December 2000. The growth in total assets is mainly attributed to a 25.5 percent decline in the trade and investment portfolio to an amount of N$1.1 billion as at 31 December 2001, and the growth in net loans and advances[18], that slowed down from 21.9 percent in 2000 to 15.2 percent in 2001. The monthly average growth rate for the year 2001 was 0.9 percent. The average annual growth rate in assets recorded during 1997 and 2001 stood at 13.5 percent.

Chart 7.1: Composition of Commercial Banks' Total Assets



Although net loans and advances constitute a major proportion of commercial banks' total assets, there is a noticeable upward trend in the trading and investment portfolio (see Chart 7.1). This implies that commercial banks are generally shifting their exposure from credit risk to market risk. Such a shift would demand increased supervision to ensure that commercial banks are attuned to managing this type of risk.

7.4.2 Funding Structure

Total funding in the banking system stood at N$13.0 billion for 2001 as compared with N$11.9 billion a year ago, representing an increase of 9.8 percent. Total funding[19] is made up of deposits (74.8 percent), capital and reserves (10.2 percent), foreign funding (4.9 percent), interbank funding (7.1 percent) and debt instruments and other borrowings (1.8 percent). Compared with the previous year, the share of deposits in total funding decreased from 82.4 percent to 74.8 percent, while the share capital and reserves increased from 10.1 percent in 2000 to 10.2 percent in 2001.

Total deposits, comprising demand deposits, savings deposits, fixed and notice deposits, and negotiable certificates of deposit, increase by 1.2 percent to N$9.7 billion during the year under review, compared with an increase of 16.7 percent witnessed during 2000.

Demand deposits constituted 62.7 percent of the total deposits in 2001, compared with 59.1 percent during the previous year and 51.3 percent in 1999. Fixed and notice deposits accounted for a percentage share of 29.2 compared with 33.5 percent the preceding year.

Capital and reserves grew by 14.1 percent during 2001 mainly due to an increase in reserves. Interbank funding increased substantially from N$400 million in 2000 to N$929 million in 2001, indicating an increased interaction among commercial banks. Foreign funding also increased substantially, although it accounted for only 5.6 percent of total funding.

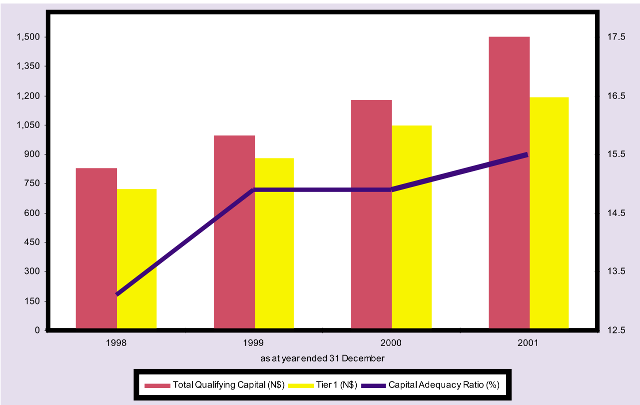
18 Net loans and avances refer to gross loans and advances, less specific provisions and interest in suspense.
19 Total funding includes capital funds but excludes other liabilities

7.4.3 Capital Adequacy

Total qualifying capital[20] amounted to N$1.5 billion as at 31 December 2001, representing an increase of 28.9 percent on the figure of N$1.2 billion recorded a year ago. The average qualifying capital stood at N$1.3 billion, while the average monthly growth was 2.0 percent during the year under review.

In the year 2001, the share of Tier 1[21] capital (primary capital) in total qualifying capital declined to 80.0 percent, as compared with 89.3 percent in the preceding year.

Chart 7.2: Capital Adequacy



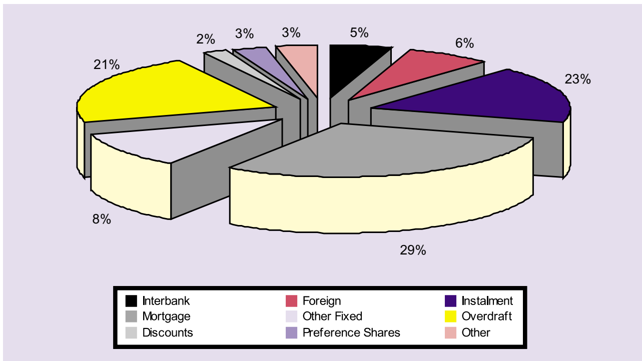
In terms of the Determinations on Risk-weighted Capital Adequacy (BID-5), all banking institutions are required to maintain a ratio of qualifying capital to risk-weighted assets of at least 8 percent. The banking sector's capital adequacy ratio stood at 15.5 percent as at 31 December 2001 as compared with 14.8 percent in the previous year. Overall, therefore, banking institutions maintained a capital adequacy ratio above the statutory requirement.

In line with the growth in total assets, risk-weighted assets maintained an upward trend. During 2001, risk-weighted assets increased by 22.8 percent to N$9.7 billion, compared with an increase of 17.9 percent the previous year. Despite this, the capital adequacy ratio increased only marginally from 14.8 percent to 15.5 percent as the rate of increase in risk-weighted assets was lower than that of qualifying capital.

7.4.4 Credit Risk

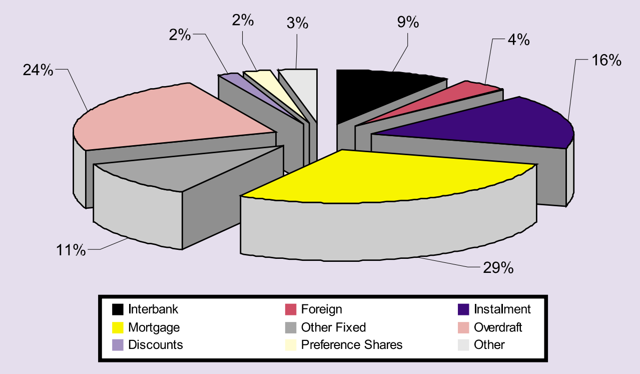
The composition of gross loans and advances for 2001 and 2000 is reflected in Charts 7.3 (a) and (b), respectively, below. As the Charts illustrate, some significant changes have occurred in the composition of loans and advances, particularly foreign loans, interbank placements and overdraft facilities. The category of foreign loans increased its share of total loans from 4 percent in 2000 to 6 percent in 2001, while the category of interbank placements decreased its share to 5 percent in 2001, from 9 percent in 2000. This shift is mainly attributed to an increase in foreign currency accounts giving rise to banks raising loans abroad to hedge themselves against exchange rate fluctuations.

Chart 7.3 (a): Composition of Loans and Advances as at 31 December 2001



20 Capital that is able to participate in bank losses, or Tier 1 plus Tier 2.
21 Tier 1 capital consists of paid up share capital, share premiums, retained income and reserves.

Chart 7.3 (b): Composition of Loans and Advances as at 31 December 2000



7.4.5 Non-performing Loans[22]

It is encouraging to note that the banking sector's non-performing loans (NPLs) started declining sharply from N$854.5 as at the end of December 1999, to a level of N$406.3 million as at the end of December 2001. The decline in NPLs was of the order of 17.4 percent in 2001, 42.4 percent in 2000, and 5.8 percent in 1999. The fall in NPLs is attributed to the introduction of more stringent prudential limits by the Bank of Namibia, coupled with the fall in market interest rates that made it affordable for borrowers to service their loans.

Consistent with the fall in NPLs, their share in relation to total loans has been declining over the past three years. The ratio of NPLs to total loans fell from 4.7 percent as at 31 December 2000 to 3.4 percent at 31 December 2001. As at the end of year 2000, this ratio fell by half from 9.4 percent. The diminishing ratios indicate that the banking sector's credit risk is low and carries good quality loans that may result in high profitability. NPLs in the form of mortgages reflected the highest balances of all NPL categories. These amounted to N$115.1 million and increased by 29.6 percent during 2001. NPLs in the form of overdrafts fell significantly by 58 percent to N$109.2 million between 2000 and 2001.

7.4.6 Provisions

In accordance with the Determinations on the Classification of loans and the suspension of interest on non-performing loans and the provision for bad and doubtful debts (BID-2), banking institutions are required to make specific provisions in respect of NPLs and to suspend all interest accrued on such loans. During 2001, the banking sector's provisions in regard to NPLs decreased by 36.3 percent during 2001. This was mainly attributed to the decline in NPLs witnessed during the same period. Consistent with this development, interest suspended also declined from N$198.6 million in 2000 to N$132.3 million in 2001.

However, the net balance of NPLs that were neither secured nor provided for increased by 5.7 percent to N$109.0 million during 2001. This development may result in higher provisions requirements being set for the banking sector if the NPLs should become classified amounts falling within the ambit of specific provisions.

On the back of falling interest rates and the reduction in NPLs, provision charges for loan losses declined by 15.4 percent during 2001, compared with the preceding year. Loan charge-offs[23] for 2001 amounted to N$89.3 million, compared with N$105.5 million for 2000 and N$140.5 million for 1999. The decrease in net loan charge-offs between 2000 and 2001 is due to the fall in interest rates, which induced an improvement in loan delinquencies.

7.4.7 Large Exposures

Large exposures, which refer to exposures by a single borrower or group of related borrowers that are equal to or above 10 percent of a banking institution's capital funds, decreased by 13.4 percent to N$2.04 billion in 2001. In 2000, large exposures had shown a more substantial decrease of 15.2 percent, since banking institutions were compelled to reduce exposures that were still above the limit of 30 percent of their capital funds.

The total large exposures in 2001 accounted for 22.5 percent of gross loans and advances compared with 24.7 percent a year ago. This ratio has reduced significantly in comparison with the 33.4 percent for

22 Non performing or classified loans refer to loans that have been overdue for six months or more.
23 Loans charge-offs refer to bad debts written off.

1999 and 39.5 percent for 1998, again mainly because, as from 30 June 2000, banking institutions were compelled to reduce their exposures to single borrowers or groups of related borrowers to below 30 percent of the institution's capital funds. This is a welcome development as it shows a reduction in risk concentration to these borrowers, as well as the sector's favourable response to the banking legislation governing this prudential requirement.

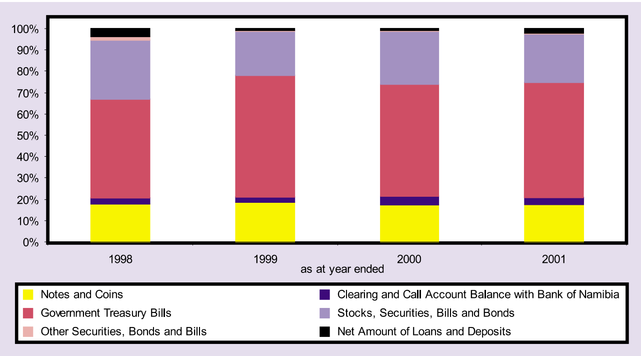
7.4.8 Liquidity

In 2001 liquid assets held by banking institutions stood at N$1.3 billion, representing an increase of 10.4 percent. The ratio of liquid assets to total assets has been showing a downward trend since 1999. Nevertheless, the banking institutions continue to hold liquid assets in excess of the statutory requirement, viz. 10 percent of their average total liabilities to the public.

Table 7.1: Liquidity Ratios

Ratio (%)	1998	1999	2000	2001
Liquid assets to average liabilities to the public	12.1	14.5	12.0	11.8
Loans to deposits	103.9	97.1	101.4	117.2

Chart 7.4: Composition of Liquid Assets



A significant development has been noticed with the clearing and call account balances with the Bank of Namibia. These balances decreased substantially by 66.1 percent in 2001, compared with an increase of 4.1 percent in 2000. This shift in the structure of liquid assets indicates a lesser preference for banks to hold such assets in the call and clearing account, as opposed to holding it in treasury bills and other instruments.

In 2001, the banking sector experienced a sharp increase of 15.8 percentage points in the loans-to-deposits ratio, compared with 4.3 percentage points in 2000. The reason for the sharp increase is partly linked to the shrinkage in deposits, as explained earlier, and could indicate a tight liquidity condition for commercial banks.

7.4.9 Profitability and Earnings

The banking industry recorded a marginal increase of 0.6 percent in net income after tax, registering N$319.6 million for the year ended 31 December 2001. This was partly driven by an improvement in net interest income, which rose by 12.6 percent to N$688.6 million, and an 15.3 percent reduction in provisions for loan losses.

Net Interest Income

Despite the pressure on interest margins resulting from falling real interest rates, net interest income improved on the back of increased volumes of earning assets. Whilst interest expenses increased due to increased leverage, the increase in interest income grew at a faster rate than interest expenses to maintain a positive change in net interest income. In 2001, net interest income amounted to N$688.6 million, representing an increase of 77 percent over the preceding year. The net interest margin for 2001 worked out to 5.7 percent, against the 5.9 percent recorded for 2000.

Non-Interest Income

Non-interest (or other operating) income for the year under review totalled N$581.5 million, compared with N$508.2 million for 2000, representing an increase of 14.4 percent. As a share of total income non-interest income increased steadily from 31.9 percent in 1993 to 28.2 percent in 2001, indicating a significant shift by commercial banks from the traditional source of income to a more fee based and knowledge based source of income.

Non-interest Expenses

Non-interest (or operating) expenses for 2001 amounted to N$642.8 million, representing an increase of N$104.9 million or 19.5 percent in comparison with 2000 (see Table 7.2). The increase in non-interest expenses for 2001 compared with the previous year came about as a result of higher costs for salaries and benefits, offset by lower costs for data processing, supplies and communication. Rental and marketing costs showed modest increases.

Table 7.2: Aggregate Income Statement for the Banking Sector (N$ Million)

Type of Income	December 1998	December 1999	December 2000	December 2001
Net Interest income	540.2	576.9	611.5	688.6
Non-interest income	365.5	398.6	508.2	581.5
Provisions	-173.0	-140.5	-105.5	-89.3
Operating Expenses	-403.7	-464.9	-537.9	-642.8
Net Income Before Taxation	329.0	370.1	476.3	537.9
Taxation	-137.8	-107.5	-158.5	-218.3
Net Income After Taxation	191.2	262.5	317.8	319.6

The commercial banks' operational efficiency, as measured by their profitability ratios, remained fairly stable. On a net basis (after tax), the strong return on equity (ROE) and assets (ROA) reported by commercial banks can be traced to both internal factors (improved revenue-generation efforts and cost control) and external factors (fewer credit losses charged against income). On a pre-tax basis, ROE and ROA showed a markedly smaller decline. All the commercial banks achieved an ROE above the rate of inflation, which signifies that these banks are preserving the real value of their capital.

Table 7.3: Key Profitability Ratios (%)

Profitability Ratio	31 Dec 1998	31 Dec 1999	31 Dec 2000	31 Dec 2001
Return on Assets	3.8	3.8	4.2	4.1
Return on Equity	44.3	40.1	43.1	42.6
Net Interest Margin	6.8	6.5	5.9	5.7
Net Interest Spread[24]	6.1	5.8	5.4	5.4

7.4.10 Suspension of Cheque Account Facilities

Banking institutions are required to report half-yearly all cheque account facilities suspended. This measure aims to ensure continued public confidence in the payment system. The banking sector suspended 247 cheque accounts during the first half of 2001, compared with the 642 suspended during the corresponding period in 2000.

As at 30 June 2001, some 1,873 cheques had been referred to drawer due to insufficient funds on suspended accounts, compared with 5,204 during the same period in 2000. The total amount involved in regard to these cheques was about N$5.3 million at 30 June 2001, while as at 30 June 2000 the amount totalled N$14.1 million.

24 Net interest spread refers tot the ratio of interest income to average earning assets, minus the ratio of interest expenses to average interest-bearing liabilities.

7.4.11 Fraud and Other Economic Crime

Apart from causing financial loss to banking institutions, various forms of economic crime may have far-reaching consequences for the afflicted institutions as well as in terms of undermining public confidence in the banking system.

The amount involved in fraudulent cases for the banking sector during the 2000-01 period totalled N$23.4 million, of which only N$2.2 million was lost during 2001. In 2000, the amount involved was N$25.0 million, of which 27.2 percent or N$6.8 million was lost. Most cases resulted from armed robberies, insider-assisted fraud and forged cheques.

7.5 The Performance of the Building Society

With the number of authorised building societies remaining at one, namely SWABOU, the size of assets continued to grow, standing at N$1.7 billion by the end of 2001. These assets principally remain funded by deposits, which comprised 71.8 percent of total capital and liabilities employed. The building society's average total assets registered a moderate growth in the past three years, hitting the billion-Dollar level during 1998. With the growth in deposits being comparable to those of banking institutions, this suggests that the building society is pricing its products competitively vis-à-vis those institutions.

7.5.1 Assets

The building society's total assets grew by 19.9 percent from N$1,483 million as at 31 December 2000 to N$1,778 million as at the end of the year under review. The main contributor to the growth in total assets was an 26.2 percent increase reported in loans and advances.

Loans and Advances

Loans and advances as at 31 December 2001, which constituted 80.4 percent of the building society's total assets, by and large remained steady at the preceding year's level. This component continues to be the major source of income for the building society. As a share of total assets, liquid assets accounted for 14.2 percent, fixed assets 4.1 percent, and other assets 1.1 percent during 2001.

During the year under review, the building society's loans and advances increased substantially by 26.2 percent from N$1,134 million as at 31 December 2000 to N$1,430 million as at 31 December 2001. This ties in very well with the 26.2 percent increase in mortgage loans that accounts for 99 percent of the total loan portfolio.

Loan Quality

The gross amount of NPLs stood at N$203.1 million by 31 December 2001, compared with N$265.6 million as at 31 December 2000. The significant 23.5 percent decline indicates an improvement in the quality of the building society's loan portfolio. This improvement is further corroborated by a sharp decrease in the NPL ratio, from 23.7 percent as at 31 December 2000 to a relatively lower position of 14.2 percent as at the end of 2001.

Provisions

In line with the improvement in the loan quality, there was a 19.7 percent reduction in the specific provision made in respect of NPLs from N$6.1 million as at the end December 2000 to N$4.8 million as at the end December 2001. This had a positive impact on the building society's profitability.

7.5.2 Deposits

The building society's total deposits increased by 23.6 percent during the year under review, from N$1,053 million as at 31 December 2000 to N$1,300.9 million as at 31 December 2001. The increase is mainly due to a 10.0 percent rise in fixed deposits and a 30.5 percent rise in transmission account deposits. There was also a marginal increase of 0.8 percent in savings deposits, and a 7.8 percent increase in collateral.

Total deposits increased by 19.4 percent in 1999 from N$722.3 million as at December 1998. By the end of December 2000, total deposits had exceeded N$1 billion, showing an increase of 16.4 percent over 1999. Thus, deposit growth has slowed down each year for the past three years.

7.5.3 Capital and Reserves

The building society's total capital and reserves stood at N$363 million as at the end of 2001, compared with N$325 million as at 31 December 2000, representing a growth rate of 11.7 percent. The growth in capital and reserves is mainly due to a 5.1 percent increase in share capital and a substantial increase of 29.9 percent in unappropriated reserves.

The building society was able to meet the requirement for an indefinite share capital and reserves, even exceeding the requirement by an amount of N$68.8 million as at the end of 2001, having complied with this prudential requirement throughout the year. In other words, the building society's indefinite share capital and reserves holding as at 31 December 2001 was 1.26 times the required minimum.

7.5.4 Profitability

The building society recorded a pre-tax profit of N$51.3 million as at 31 December 2001, which represents a 3.1 percent increase from the previous year. The increase was mainly due to the exceptional improvement of 38.9 percent in net interest income. The building society's ROA remained fairly flat at 2.7 percent for 2001, while the ROE came down to 7.8 percent in 2001, from the 11.8 percent registered for 2000.

7.5.5 Liquidity

By the end of December 2001 the building society's liquid assets stood at N$252 million, compared with N$259 million at the end of the previous year, reflecting a decline of 21.3 percent. On the other hand, the loans-to-deposits ratio was 109.9 percent at 31 December 2001, compared with a ratio of 102.7 percent as at 31 December 2000, implying that sources other than deposits were employed to fund the transactions. Nevertheless, the building society complied with the statutory minimum liquid asset requirement during 2001.

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

8. Bank of Namibia Operations and Affairs

8.1 Board Activities

The Board met six 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 society. The Board gave special attention to internal matters including the budget presentation, amendments to the Bank of Namibia Act, and personnel matters.

The Board's Audit Committee met four times during 2001. The purpose of these meetings was to discuss the external auditors' management report for the year ended December 2000, the Internal Audit Division's Internal Audit Plan, and the Internal Audit reports submitted by key Departments. The Committee also discussed the Audit Planning Memorandum for the year ending 31 December 2001, and the Bank of Namibia's Budget for 2002.

The Board's Remuneration Committee, which oversees and co-ordinates the remuneration of Bank of Namibia personnel, met three times. The Committee deliberated on the salary and benefits policy for 2002 to ensure that the Bank of Namibia remunerated its staff and management fairly and equitably.

8.2 Reserve Management

The year 2001 witnessed continued slowdown in global economic activity that had begun towards the end of 2000. Led by major industrial economies, the worldwide lacklustre demand associated with the sluggish economic activity worsened the economic situation in Japan, leading to a strong likelihood of the Yen weakening against other major currencies, while interest rates fell to historic lows. Consequently, Yen money-market assets became less profitable. This, coupled with the fact that the Yen constituted only a small portion of Namibia's liabilities, prompted the Bank of Namibia to sell the Yen in its reserve portfolio.

In Namibia Dollar terms, total reserves increased by about 44 percent from January 2001 to N$2.7 billion as at December 2001. In US Dollar terms, however, reserves declined by 9 percent to US$237 million during the same period. The depreciation of the Namibia Dollar against major currencies contributed to the significant growth of reserves in Namibia Dollar terms, while the South African Rand component of the portfolio fell in US Dollar terms. The latter decline was due to the Rand's depreciation against the US Dollar, leading to a drop in reserves in US Dollar terms.

Due to poor world economic growth in 2001, money market rates in industrialised economies were low, particularly in the last half of the year. This resulted in a lower return on the reserve portfolio compared with 2000.

8.3 Management of Public Debt

In the course of 2001 the Bank of Namibia, in conjunction with the Ministry of Finance, devised and implemented switch auctions as a retirement strategy for the government bond maturing on 15 April 2002 (GC02). In switch auctions, GC02 holders have an opportunity to switch their holdings into GC05 and GC10 bonds, due in 15 April 2005 and 15 January 2010, respectively. The purpose of these auctions is to minimise the roll-over risk for government at the bonds' maturity and allow GC02 holders to switch into alternative, longer-dated bonds, thus avoiding reinvestment risk at maturity. Despite the slow progress on these auctions, a significant amount was switched from the source stocks to the destination stocks. The auctions are expected to end in March 2002.

8.4 Developments in the Financial Markets

8.4.1 Book Entry System

The introduction of the first phase of the Book Entry System (BES) in August 2001 marked yet another milestone in the development of the local financial market. The majority of money-market participants welcomed the first phase of the BES, which involved the immobilisation of treasury bills and resulted in a drastic decline in the number of bills printed, allowing for the efficient management of short-term debt. Holders of treasury bills now enjoy the benefits of the BES by way of the reduced risk of carrying and storing bills issued in bearer form.

In 2002, the Bank of Namibia intends to implement the second phase of the system, which comprises two modules. The first module allows the inclusion of Internal Registered Stock in the BES, while the second module would cater for repurchase (repo) agreements to facilitate the use of securities in the system in the repo market.

The immobilisation of treasury bills precedes the abolition of the safe custody facility for treasury bills in early 2002. The Bank of Namibia also intends to cease providing safe custody services for Internal Registered Stock in due course. By the end of 2002, it is anticipated that all relevant legislation would have been amended to support the full implementation of the BES and the immobilisation or dematerialisation of government securities.

8.4.2 Bond Market Development

In a bid to enhance price availability, improve secondary trading, and a price discovery process in the securities of the Government of the Republic of Namibia, the Bank of Namibia continued exploring ways to improve liquidity in the market. For example, secondary auctions, introduced in 2000 to enhance secondary trading in government stock, were less transparent in terms of price quotations and long periods elapsed between one auction and another. This meant only limited trading was recorded through these formal auctions. However, judging from the amount of stock transferred among various participants each month, the secondary market is apparently fairly active. Nevertheless, the market continues to lack the desired features of an efficient market, such as price availability and a price discovery process. For that reason, the Bank of Namibia intends to set up a web page whereby willing buyers and sellers display their intentions to transact in stock by indicating the type of stock they wish to trade, the amounts concerned, and the associated prices. In the interest of the market, participants would also have the opportunity to report on basic information such as the date of a transaction, the type of stock traded, the amount traded, and the trading price concerned, without compromising on the confidentiality of their identity.

8.5 Staff Development

The Bank of Namibia made substantial achievements in capacity-building during the course of the year under review.

The process of career management that seeks to improve individual and organisational effectiveness through establishing the best match between the profile of a job and that of the person who fills it, was finalised during 2001. The results that were obtained from the process were then employed in many decisions that affected employees, including training and development, promotion, and transfers. With this information, the Bank of Namibia aims to ensure that its employees are empowered with the competencies and skills that allow them to perform to the best of their ability.

The effective management of employee performance remains a key element in determining the Bank of Namibia's success in carrying out its mandate. In this regard, the computerised performance management system introduced in 2000 was used extensively in 2001. This system enables its users to keep proper track of employees' performance, and provides some guidance on how to coach and develop subordinates.

Since management and leadership development features prominently as a strategic priority of capacity-building, five members of management attended the Executive Development Programme offered by the University of the Witwatersrand in Johannesburg, South Africa. The programme aimed at equipping senior management with the skills to cope with the increasing leadership challenges they faced in their respective organisations. An executive coaching seminar was also held for the management team, enabling them to implement the results of the career management process from a coaching perspective.

Generally, staff development received high priority over the past year. In total, Bank of Namibia employees attended 171 courses, of which 83.0 percent were technical, 8.2 percent related to soft skills, and 8.8 percent dealt with supervisory/managerial capacity-building. These courses were attended locally as well as at institutions such as the IMF, the Federal Reserve Bank of New York, the South African Reserve Bank, and other reputable institutions both in the southern African region and internationally.

As part of the staff development strategy, the Bank of Namibia sponsored courses for several of its employees who enrolled in post-graduate and professional studies in the United Kingdom during the 2000/01 period. Those employees who had completed their studies resumed employment with the Bank of Namibia during the course of the year under review.

One employee obtained a CAIB (SA) qualification in 2001, bringing to four the total of employees who have received this prestigious qualification. One senior employee has a FIBSA, qualification, which is one step higher than the CAIB (SA).

8.6 Organisational Culture and Shared Vision

The organisational culture project, with the theme of living the Bank of Namibia's Corporate Charter, has a major impact on the efficiency and effectiveness of the Bank as a whole. The project, whose development began as far back as 1997, had its intervention phase finalised during 2001. In the period under review, the principles of the organisational culture and shared vision were reinforced by organising events such as the quarterly "culture-change" days as well as the annual culture festival.

The process of "culture change" aims to improve individual and organisational performance by addressing the way the Bank of Namibia does things through specific issues such as communication, team-building dynamics and management styles. The process contributed considerably to the development of positive attitudes towards work and amongst staff. It also provided a platform for employees to share experiences in a more informal manner, while establishing stronger bonds that would contribute to enhanced productivity.

8.7 Affirmative Action

In 2001, the Bank of Namibia continued to pursue its affirmative action goals through targeting designated groups for specific technical training. This proved to be successful as the percentage of women that received training increased significantly from 33 percent in 2000 to 48 percent in 2001.

The Employment Equity Commission also awarded the Bank of Namibia a prize for having the most balanced workforce, according to its Affirmative Action Report in 2000. This award was important in the sense that it recognises the Bank of Namibia's efforts to ensure that its workforce is demographically representative.

8.8 Social Responsibility

As part of its social responsibility, the Bank of Namibia operates a bursary programme for under-privileged students who show potential in the areas of economics, finance, banking, accounting, and information technology. There are currently 11 students on the programme, of which seven are women. Nine students are studying at the University of Namibia, whilst the other two are at the University of Cape Town, South Africa. It is regarded as important that students attend a variety of universities in the southern African region, to ensure that there is a cross-pollination of ideas among them. Once they complete their studies, the students are expected to join the Bank of Namibia. So far, two bursary recipients have graduated and are now Bank employees.

As a way of introducing the Bank of Namibia's bursary scheme and the functions of a central bank to high school learners, the Bank participated in a career fair organised by the Rössing Foundation during the year. The Bank of Namibia's participation in these fairs has proved to be worthwhile: many learners visit the Bank's stand at the fair, learning more about the role of central banks and the various fields of study that central banking offers.

8.9 Regional Co-operation on Monetary and Financial Matters

With regard to regional monetary and financial co-operation, the Bank of Namibia continues to attend and participate in a number of forums, particularly those of the Committee of Central Bank Governors in SADC, the Common Monetary Area and the Association of African Central Banks. These meetings are held to discuss issues related to the development of well-managed financial institutions and markets, co-operation regarding international and regional financial issues, and harmonisation of monetary and foreign exchange policies.

Specific issues discussed in the meetings of the Committee of Central Bank Governors include the impact of exchange control on the cross-border movements of goods, services and capital; harmonising the legal and operational frameworks of SADC central banks; co-operation in the areas of protective services and training; issues related to payment, clearing and settlement systems; and the macroeconomic stability of and convergence in the SADC Region. A number of Memoranda of Understanding on Co-operation in these areas are being drafted and will be implemented in the next few years.

The Bank attended the 26th annual meeting of the Common Monetary Area Commission, which was held at Ezulwini, Swaziland on 8 February 2001. Delegates of the four member states reviewed current and expected economic developments and consulted on various issues of mutual interest within the context of the provisions of the Monetary Agreement.

To enhance transparency and improve consultation with regard to setting up monetary and exchange rate policies, the Bank of Namibia has attended quarterly meetings preceding those of the Monetary Policy Committee of the South African Reserve Bank. At these meetings, members of the Common Monetary Area provide updates on recent economic developments in their countries as input in the monetary policy decision-making process.

8.10 Events Hosted by the Bank

Bankers Conference

The Bank hosted the third annual bankers conference, which took place on August 9, 2001. The conference deliberated on the theme "Optimal Financial Structure in Namibia". The main objectives of the conference were to understand the inter-relationship between finance and growth, to review Namibia's financial structure, to identify the financing gaps in the economy and to come up with suggestions towards putting in place an optimal financial structure.

Governors Annual Address

As it has now become a tradition for the Governor of the Bank of Namibia to address the public on a topical issues, the Bank again organised this event during 2001. The forum, which is now commonly known as the Governor's Annual Address, was well attended by key people from the financial industry as well as representatives of other important sectors in the Namibian economy. The increasing pace of financial sector integration was the theme for 2001. The Governor explained that global financial integration brings along both opportunities and challenges to the Namibian financial sector. He alluded that whether Namibia would reap the benefits arising from global financial integration depends on the country's preparedness to minimise the associated potential risks through the appropriate adjustment of the local financial system to global changes. The Governor highlighted actions already taken by that the Bank of Namibia with the view to making the financial sector ready for global financial integration and urged all concerned parties to do what is necessary in their respective areas.

SADC Central Bank Governors Meeting

The Bank of Namibia hosted the twelfth meeting of the CCBG on the 5th April 2001 in Windhoek. Amongst other issues discussed were the macro-economic convergence in SADC, co-operation, co-ordination and harmonisation of exchange controls, information technology, human resource development, and payment and settlement systems. To enhance transparency and improve consultation with regard to monetary and exchange rates policies setting, the Bank has been attending the quarterly meetings preceding the Monetary Policy Committee (MPC) of the South African Reserve Bank (SARB). At these meetings, CMA member countries provide updates on recent economic developments in their countries as input in the monetary policy decision-making process.

SADC Central Bank's Training and Development Forum Meeting

During August 2001, the Bank hosted the SADC Central Banks' Training and Development Forum Meeting. This meeting was followed by a Human Resources Conference, where delegates discussed the latest trends in the field. Both these events were well attended by 12 SADC countries, making it a record attendance at Forum meetings held to date.

8.11 Payment System Development

Introduction of real-time gross settlement (RTGS)

On 9 August 2001 the Bank of Namibia has entered into a Service and a Licencing and Support Agreement with a South African IT Company, Perago Financial System Enablers (Pty) Ltd., to provide a new national inter-bank settlement system for Namibia. Perago was appointed after a thorough process in which a number of responses by international system providers to the Bank's request for information (RFI) had been appraised and evaluated.

The appointment of Perago marks the beginning of one the most significant financial system development projects in Namibia, namely the national payment system. The payment system represents the interaction between transactions in the real economy, such as purchase and sale of goods and services, including financial instruments, and financial transactions, which give rise to payment and settlement obligations. The banking institutions play the role of payment intermediaries because they hold the settlement accounts of those engaged in economic activity. Amongst the banks there should be an interbank transfer system, representing the clearing and settlement process. The central bank is responsible for final settlement and payment transfers take place across the accounts which banks hold with the central banks.

Namibia's payment system reform project is essentially driven by three key considerations:

♣ Firstly, the foremost driving force behind the project is the realisation that the Namibian payment system reform process is essential to reduce various payment system risks and increasing the efficiency of the Namibian financial system and the functioning of its economy.

♣ Secondly, South Africa, having been the settlement centre for a long period of time, has realised that by allowing its domestic payment system to be used by other countries it could introduce risks from these countries, which, in turn, could destabilise its financial system. CMA countries were, therefore, encouraged to establish their own internal clearing and settlement arrangements.

♣ Thirdly, under the consultative framework provided by the SADC Central Bank Governors, an initiative was established to define and implement safe, efficient and harmonised payment systems in SADC member states and to implement a regional cross-border payments strategy in support of the free-trade protocol. Safe, efficient and cost effective payment systems are critical to the sound functioning of the financial system and are a key requirement in maintaining and promoting financial stability. Sound and safe functioning payment systems also facilitate prudential supervision, and improves monetary policy intervention and liquidity management.

The national payment system reform project is driven by the entire banking industry and led by the Bank of Namibia as overseer of the clearing and settlement processes. The Bank of Namibia and the Bankers Association of Namibia have agreed that the Bank would spearhead the settlement leg of the project, while commercial banks would assume responsibility to seek appropriate solutions for the Namibian payment and clearing arrangements. Commercial Banks are driving this process in line with standards laid down by the Bank of Namibia. Both projects are closely co-ordinated between the Bank and commercial banks and for each a steering committee has been created.

The settlement computer application, which Perago is implementing on behalf of the Bank of Namibia, is called CRISPTM – the acronym for Central Real-time Interbank Settlement Processor. The overall system, called the Namibian Interbank Settlement system (NISS), is based on real-time gross settlement (RTGS) principles and, will, once implemented, enable the Namibian banks to exchange payments electronically, in real-time, amongst each other and between themselves and the Bank of Namibia. In accordance with international practices, these fund transfers will also be final and irrevocable, thereby bringing the Namibian system in line with generally accepted principles for safe and efficient national payment systems. All commercial banks in Namibia will be connected to CRISP via SWIFT, the international de facto financial message carrier. They will access the system through the CRISP-Entry user interface also provided by Perago.

Namibia's RTGS project is not simply the installation of computer hardware and software – it involves the reengineering of the financial system in Namibia. A number of existing policies, procedures and rules will have to be revisited and adjusted to support the overall financial system of the country and enhance the effectiveness of central bank policies. Some legal statutes need to be created and some need to be amended to make the system legally enforceable and properly aligned in the Namibian legal environment. As such, it requires willingness to change from existing policies, practices and processes. The Bank has already formulated the liquidity and credit provision policy, which is a key constituent of any settlement system. Policies aimed at providing sufficient liquidity to safeguard same-day real-time settlement are closely related to and have implications for monetary policy. The Bank has, therefore, addressed these policy issues in a holistic manner.

The advantages that the RTGS system could bring about for commercial banks are the improved management of risks and exposures, optimal usage of own liquidity and possible new services to customers. For the Bank of Namibia, the system should lead to enhanced mechanism supporting monetary policy execution, containment of systemic risk and a platform for financial market deepening. Overall, the system should improve the international risk profile of Namibia.

The system should be ready in a production environment by May 2002 and initially domestic cheques and high-value inter-bank payments should be cleared in the CRISP system. Thereafter, the remaining payment streams, i.e. card and electronic payments should be brought on board.

Payment arrangements and clearing systems

Apart from domestic cheque clearance, most domestic and cross-border payment arrangements and clearing systems are still integrated and intertwined in the South African payment system, making use of various payment and clearing services through Bankserv, the South African interbank payment services utility company.

The Namibian clearing project is therefore aimed at designing, developing and installing systems that will support paper, card and electronic transactions through Namibianised systems. The clearing system project is primarily driven by the commercial banks and the high-level project plan has been approved. The Clearing System Steering Committee has agreed to appoint a project adviser to assist in defining the system architecture, preparing a Request-for-Proposal (RFP) and evaluating the system proposals. By August 2002 all payment streams should be migrated to the new platform and fully integrated with the settlement system.

8.12 IMF Code of Good Practice and Transparency in Monetary and Financial Policies

Following the spate of financial crises in several countries in the 1990s, there has been increasing consensus among the international community about the need to strengthen the international financial architecture. The principal objective of the Financial Stability Forum established by the G7 industrial countries in 1998 was to promote international stability through greater information exchange and co-operation in financial market supervision and surveillance. This Forum recommended the establishment of a Code of Good Practices and Transparency in Monetary and Financial Policies, covering central banks as well as financial agencies. It was felt that strict adherence to the Code would prove beneficial to the countries concerned (particularly in the context of growing inter-dependencies) in averting systemic risks.

Recognising the positive benefits for Namibia in its adherence to the Code, the Bank of Namibia appointed an Internal Committee headed by its Deputy Governor, Mr LS Ipangelwa, to examine and evaluate the degree to which the central bank adhered to the Code. The Internal Committee found that the Bank of Namibia complied with most of the Code, and identified areas of partial or total non-compliance with it. The Bank has already initiated action to rectify the situation on most of these areas, which include –

- disseminating information in respect of financial instruments, such as the overnight credit facility, on the Bank of Namibia's web page and in its Annual Report

- providing monthly information on the Bank of Namibia's foreign exchange reserve assets, its liabilities and its commitments, on the web page and in quarterly bulletins in Specialised Data Dissemination Standard format

- reporting on the Bank's audit procedures in its Annual Report

- establishing a consultative framework with NAMFISA by way of a Memorandum of Understanding after its establishment, and

- publishing information in the Annual Report, etc. on the number of complaints or grievances lodged as regards unfair banking practices, as well as the courses of action taken either by the Bank of Namibia or commercial banks to address such problems.

As mentioned in the Annual Report for 2000, the Namibian Government committed itself to upholding the IMF's General Data Dissemination Standards in 1999. The objective of this exercise was to present metadata in major areas of economic and social interest. This is a collaborative exercise on the part of the Bank of Namibia, the National Planning Commission, the Ministry of Finance, and several other ministries. The first draft of this exercise has been completed and presented to the IMF for comment.

8.13 Oshakati Branch

In pursuits of creating an environment conducive to the efficient functioning of the financial system and in cognizance of the Government's decentralization policy, the Bank is building a branch in Oshakati. This Branch is part of the Bank's efforts to, among other, ensure the following:

- adequate stocks of notes and coins of acceptable standard are readily available in the northern regions of the country,

- notes are regularly sorted in order to reduce the risk of having counterfeit notes circulating in the system,

- ATM fit notes are sorted and are therefore available to the banks on continuous basis, thus contributing towards the efficient operation of the ATMs and minimising their down times

- Cheque from the area are cleared as the branch will serve as the regional clearinghouse.

- Government institutions and departments in the northern regions are well served, thus facilitating in the Government's decentralization program.

The construction commenced in July 2000.It is envisaged that the branch will be ready by early March 2002 and operations are scheduled to start in April 2002. In thanking all of those who contributed towards the construction of the Northern Branch decentralization, the Bank wants to single out the Town Council of Oshakati, for their resolve to facilitate the development of their town.

8.14 Sitting on external Boards.

In compliance with the IMF "Code of Good Practices on Transparency in Monetary and Financial Policies" the Bank wishes to disclose the names of organisations on which the Governor and the Deputy Governor as well as Senior Executives of the Bank serve as board members. These are listed as follows:

- Mr. Tom K Alweendo Governor,: Trustee of the Rossing Foundation, an NGO and no remuneration is received.

- Mr. L. S. Ipangelwa Deputy Governor,: Development Fund of Namibia; NamPower and Namibia Financial Institutions Supervisory Authority.

BOX D: INTERNAL GOVERNANCE PROCEDURES NECESSARY TO ENSURE THE INTEGRITY OF OPERATIONS, INCLUDING INTERNAL AUDIT ARRANGEMENTS.

Summary of Main Elements

1. Key elements of an internal control system

- Internal governance procedures, to 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;
- Internal audit review, conducted by a separate and independent division; this includes financial audits; organizational or functional audits.

2. Essential controls

- Governing board commitment to a control environment;
- Audit Committee of the board;
- Management responsibility for operation of control systems;
- Formal authorizations to undertake activities and to control access to information and assets;
- Separation of duties and application of the “ four eyes” principle: staff conducting transactions should be different from staff controlling transactions;
- Complete and timely maintenance of transaction records;
- Financial and budgetary controls to limit exposures;
- A clear policy and timetable for release of financial information;
- A commitment to transparency in reporting.

3. Internal audit operations

- An internal audit charter establishing the powers and responsibilities of internal auditing, covering; financial and operational auditing; collection and documentation of audit evidence through inquiry, observation, and analysis of records; audit reporting and follow-up to management that identifies and classifies internal systems in terms of potential harmful implications, including agreed corrective actions.
- Regular communication and coordination with the external auditor.

4. Control of central bank market operations

- Maintenance of confidentiality for all transactions associated with policy actions;
- A formal system of financial limits on transactions, instruments, and parties to transactions;
- Senior management authorization of (new) financial instruments, including off balance sheet financial instrument, and of trading partners, incorporating a clear strategy for managing risks, detailed operational instructions, and consultation with the internal audit function;
- Key operational controls that include: recording of deals by tape, immediate data entry, the “four eyes” principle of supervision, regular reconciliation, clear documentation of dealing rules, and dispute resolution procedures;
- Strict separation of duties, in particular, between the dealing room, back office and the accounting function;
- A written code of conduct for dealers regarding, e.g. ethics, rules on acceptance of gifts, and private/insider trading;
- Foreign portfolio investment strategies that are consistent with exchange rate arrangements and monetary policy requirements, in particular in terms of liquidity;
- Assessment of foreign portfolio performance against recognized benchmark measures;
- Appropriate training of central bank staff involved in various dealing, investing, processing, and control activities.

5. Currency and banking controls

- Physical security measures to protect financial, human and information assets;
- Daily balancing of customer accounts and cash holdings, and dual control of bulk cash holdings;
- Secure communication facilities and computer operations with control over access by internal and external parties;
- Established plans and regular testing of facilities to guarantee system operation and prompt business resumption in the event of a catastrophe or serious disruption.

6. **Information and accounting system controls**

- Responsible for central bank-wide accounting policies assigned to the Accounting Function along with responsibility for monitoring daily balancing and performance of the systems;
- Regular review by information users of accounting system output and format;
- Daily back up, separate storage of files, and regular testing of back up systems;
- Advance planning for implications of major structural changes or challenges;
- Regular communication between the Accounting Function and the internal auditor;
- Accurate and timely recording of all transactions.

7. **Controls on effective and efficient utilization of central bank resources**

- A strategic planning process linked to the annual budget planning cycle to control expenditures;
- Formal delegation of authority to incur expenses, and procedures for authorizing non-budgeted expenditures;
- Monthly monitoring and reporting of actual outcomes against budget forecasts, and annual review of full year outcomes;
- Accounting systems capable of allocating costs and revenues across specific central bank functions, departments and projects.

PART D

ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2001

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 2001

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

Introduction

We have audited the annual financial statements of the Bank of Namibia set out on pages 90 to 99 for the year ended 31 December 2001. These financial statements are the responsibility of the Members 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 2001 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
31 March 2002

BOARD MEMBERS' STATEMENT

Pursuant to Section 8(1) of the Bank of Namibia Act No. 15 of 1997, we confirm that:

1. We are responsible for the preparation of the annual financial statements and for the judgements used therein;

2. We are responsible for establishing and maintaining the systems of internal control designed to provide assurance as to the integrity and reliability of the Bank's financial reporting;

3. In our opinion, the attached annual financial statements for the financial year ended 31 December 2001 fairly present the financial position of the Bank and the results of its operations.

The annual financial statements on pages 90 to 99 were approved by the Members of the Board of the Bank and are signed on its behalf by.

CHAIRMAN
31 March 2002

BOARD MEMBER
31 March 2002

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2001

	Notes	2001 N$' 000	2000 N$' 000
Net interest received		101 683	127 358
Interest received		131 128	140 120
Interest paid		(29 445)	(12 762)
Net realised gain on portfolio investments		9 717	246
Other income		540	2 745
Total income		111 940	130 349
Operating expenses		(71 019)	(63 830)
Administration expenses		49 598	43 293
Currency expenses		2 703	3 482
Depreciation		7 702	6 858
Other operating costs		11 016	10 197
Net profit for the year before transfers to reserves	2	40 921	66 519
Transfer to reserves		(19 921)	(27 430)
General reserve	7	10 230	16 630
Building reserve	9	-	10 800
Development Fund reserve	10	9 691	-
Distribution to State Revenue Fund		21 000	39 089

BALANCE SHEET
AS AT 31 DECEMBER 2001

	Notes	2001 N$' 000	2000 N$' 000
ASSETS			
Non-current assets		**192 805**	**163 560**
Property, plant and equipment	3	161 033	128 282
Currency inventory		5 283	2 556
Loans and advances		26 489	32 722
Current assets		**2 788 481**	**2 005 558**
Investments	4	2 682 587	1 966 649
Bankers current		54 804	-
Loans and advances		24 758	16 361
Rand cash		19 320	18 023
Other assets	5	7 012	4 525
Total assets		**2 981 286**	**2 169 118**
EQUITY AND LIABILITIES			
Capital and reserves		**1 607 777**	**825 035**
Share capital	6	40 000	40 000
General reserve	7	203 739	193 509
Revaluation reserve	8	1 324 347	561 526
Building reserve	9	30 000	30 000
Development Fund reserve	10	9 691	-
Current liabilities		**1 373 509**	**1 344 083**
Notes and coins in circulation	11	787 255	660 444
Deposits	12	566 436	672 518
Other liabilities		19 818	11 121
Total equity and liabilities		**2 981 286**	**2 169 118**

TOM K. ALWEENDO - GOVERNOR
31 March 2002

UBAIDULLAH DAVIDS - CHIEF FINANCIAL OFFICER
31 March 2002

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2001

	Share Capital N$ '000	General Reserve N$ '000	Revaluation Reserve N$ '000	Building Reserve N$ '000	Special Reserve N$ '000	Development Fund Reserve N$ '000	Total N$ '000
Balance at 31 December 1999	40 000	93 301	353 720	100 243	2 535	-	589 799
Net foreign exchange gains	-	-	207 806	-	-	-	207 806
Appropriation of net profit for the year	-	16 630	-	10 800	-	-	27 430
Transfers to / (from) reserves	-	83 578	-	(81 043)	(2 535)		-
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 period	-	10 230	-	-	-	9 691	19 921
Balance at 31 December 2001	**40 000**	**203 739**	**1 324 347**	**30 000**	**-**	**9 691**	**1 607 777**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2001

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 2001

2. NET PROFIT FOR THE YEAR

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

		2001 N$' 000	2000 N$' 000
Realised gains on portfolio investments		9 717	246
Salaries and related personnel costs		44 257	38 100
Staff training and development		2 590	2 873
Social responsibility		1 297	814
Board members' fees		185	150
Auditor's remuneration for services	- current year	131	120
	- prior year	-	31
Membership fees		1 231	976
Building and other maintenance costs		1 832	1 313
Loss on disposal of fixed property		2 110	-
Profit on disposal of property, plant and equipment		69	662

3. PROPERTY, PLANT AND EQUIPMENT

	Freehold buildings	Computer software & hardware	Furniture fittings & equipment	Motor vehicles	Total
	N$' 000	N$' 000	N$' 000	N$' 000	N$' 000
Cost					
At 1 January 2001	121 513	10 496	13 663	1 431	147 103
Additions	34 629	5 455	4 998	-	45 082
Disposals / write-off	(4 552)	(117)	(195)	(303)	(5 167)
At 31 December 2001	151 590	15 834	18 466	1 128	187 018
Depreciation					
At 1 January 2001	3 817	5 595	8 579	830	18 821
Current year charge	2 188	3 022	2 265	227	7 702
Disposals / write-off	-	(117)	(193)	(228)	(538)
At 31 December 2000	6 005	8 500	10 651	829	25 985
Book value					
At 1 January 2001	117 696	4 901	5 084	601	128 282
At 31 December 2001	145 585	7334	7 815	299	161 033

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2001

		2001 N$' 000	2000 N$' 000
4.	**INVESTMENTS**		
	Rand currency	466 684	590 919
	Other currencies	2 215 903	1 375 730
		2 682 587	1 966 649
5.	**OTHER ASSETS**		
	Stock inventory	157	156
	Accounts receivable	6 605	4 191
	IMF - special drawing rights	250	178
		7 012	4 525
6.	**SHARE CAPITAL**		
	Authorised capital		
	100 000 000 Ordinary shares of N$1 each	100 000	100 000
	Issued capital		
	40 000 000 Ordinary shares of N$1 each	40 000	40 000
7.	**GENERAL RESERVE**		
	Opening balance	193 509	93 301
	Transfer from: Net profit	10 230	16 630
	Building reserve	-	81 043
	Special reserve	-	2 535
	Closing balance	203 739	193 509
8.	**REVALUATION RESERVE**		
	Opening balance	561 526	353 720
	Net foreign exchange gains	762 821	207 806
	Closing balance	1 324 347	561 526

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2001

	2001 N$' 000	2000 N$' 000
9. BUILDING RESERVE		
Opening balance	30 000	100 243
Transfer from net profit	-	10 800
Transfer to general reserve	-	(81 043)
Closing balance	30 000	30 000

This reserve has been created to meet the costs of building the branch in Oshakati for the Bank of Namibia.

10. DEVELOPMENT FUND RESERVE		
Opening Balance	-	-
Transfer from net profit	9 691	-
	9 691	-

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

11. NOTES AND COINS IN CIRCULATION		
Notes	737 625	614 798
Coins	49 630	45 646
	787 255	660 444

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2001

	2001 N$' 000	2000 N$' 000
12. DEPOSITS		
Government	381 501	486 371
Domestic bankers' current account	-	3 184
Domestic bankers' reserve account	113 240	100 484
Domestic bankers' call account	6 779	41 629
Other	64 916	40 850
	566 436	672 518

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 CPD rate less a marginal discount of 2,5%.

13. COMMITMENTS

13.1 Capital expenditure

	2001 N$' 000	2000 N$' 000
Contracted:		
Real Time Gross Settlement system		
- Perago System Enablers	7 885	-
Printing of Notes	7 844	-
Bank of Namibia - Oshakati Branch	9 976	41 383
	25 705	41 383

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2001

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$35 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 March 1st, 2000. All employees contribute to the Provident Fund. Total Bank contributions of the Bank for the year amounted to N$4 218 435 (31 December 2000, N$3 769 939).

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

9. STATISTICAL APPENDIX

9.1 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. It 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 per cent 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 us 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

A 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 from 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 unrequited, 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.

9.2. STATISTICAL TABLES

I National Accounts

II Monetary and Financial Developments

III FINANCIAL MARKET INDICATORS

IV PUBLIC FINANCE

V BALANCE OF PAYMENTS

Table I.I AGGREGATE ECONOMIC INDICATORS

	1996	1997	1998	1999	2000
Current Prices					
GDP (N$ mil.)	15011	16752	18791	20691	23786
% Change	18.1	11.6	12.2	10.1	15.0
GNI (N$ mil.)	15321	17057	19275	20586	23697
% Change	15.4	11.3	13.0	6.8	15.1
GDP per capita (N$)	9136	9877	10737	11463	12774
% Change	14.6	8.1	8.7	6.8	11.4
GNI per capita (N$)	9325	10057	11014	11405	12726
% Change	12.0	7.8	9.5	3.6	11.6
Constant 1995 Prices					
GDP (N$ mil.)	13111	13665	14114	14597	15074
% Change	3.2	4.2	3.3	3.4	3.3
GNI (N$ mil.)	13996	14627	15474	15675	16897
% Change	5.4	4.5	5.8	1.3	7.8
GDP per capita (N$)	7980	8057	8065	8087	8096
% Change	0.1	1.0	0.1	0.3	0.1
GNI per capita (N$)	8518	8624	8842	8684	9075
% Change	2.3	1.2	2.5	-1.8	4.5

Source: Central Bureau of Statistics

Table I.2 GROSS DOMIESTIC PRODUCT AND GROSS NATIONAL INCOME

	1996	1997	1998	1999	2000
Current prices - N$ millions					
Compensation of employees	6283	6990	7801	8306	8957
Consumption of fixed capital	1945	2191	2482	2851	3097
Net operating surplus	5163	5671	6326	6920	9378
Gross domestic product at factor cost	**13391**	**14852**	**16610**	**18077**	**21432**
Taxes on production and imports	1843	2105	2332	2771	2964
Subsidies	-223	-204	-151	-156	-610
Gross domestic product at market prices	**15011**	**16752**	**18791**	**20691**	**23786**
Primary incomes					
- receivable from the rest of the world	1359	1026	1014	1129	1221
- payable to the rest of the world	-1049	-720	-530	-1235	-1310
Gross national income at market prices	**15321**	**17057**	**19275**	**20586**	**23697**
Current transfers					
- receivable from the rest of the world	1939	2164	2492	2906	3477
- payable to the rest of the world	-189	-235	-249	-363	-262
Gross national disposable income	**17071**	**18986**	**21517**	**23128**	**26911**
Current prices - N$ per capita					
Gross domestic product at market prices	9136	9877	10737	11463	12774
Gross national income at market prices	9325	10057	11014	11405	12726
Constant 1995 prices - N$ millions					
Gross domestic product at market prices	**13111**	**13665**	**14114**	**14597**	**15074**
- Annual percentage change	3.2%	4.2%	3.3%	3.4%	3.3%
Real gross national income	**13996**	**14627**	**15474**	**15675**	**16897**
- Annual percentage change	5.4%	4.5%	5.8%	1.3%	7.8%
Constant 1995 prices - N$ per capita					
Gross domestic product at market prices	**7980**	**8057**	**8065**	**8087**	**8096**
- Annual percentage change	0.1%	1.0%	0.1%	0.3%	0.1%
Real gross national income	**8518**	**8624**	**8842**	**8684**	**9075**
- Annual percentage change	2.3%	1.2%	2.5%	-1.8%	4.5%

Source: Central Bureau of Statistics

Table I.3 NATIONAL DISPOSABLE INCOME AND SAVING

	1996	1997	1998	1999	2000
Disposable income and saving					
Gross national disposable income	**17071**	**18986**	**21517**	**23128**	**26911**
Consumption of fixed capital	1945	2191	2482	2851	3097
Net national disposable income	**15126**	**16795**	**19035**	**20277**	**23814**
All other sectors	11134	11917	13559	13996	17187
General government	3992	4878	5475	6281	6627
Final consumption expenditure	13203	15224	16741	18496	20169
Private	8653	10160	11185	12235	13636
General government	4551	5064	5556	6261	6533
Saving, net	1922	1571	2294	1781	3645
All other sectors	2482	1757	2374	1761	3550
General government	-559	-186	-81	19	95
Financing of capital formation					
Saving, net	1922	1571	2294	1781	3645
Capital transfers receivable from abroad	183	156	254	148	59
Capital transfers payable to foreign countries	-2	-2	-2	-2	-2
Total	**2103**	**1725**	**2545**	**1927**	**3702**
Capital formation					
Gross fixed capital formation	3535	3288	4321	4760	4310
All other sectors	2748	2403	3482	3784	3171
General government	787	886	839	975	1138
Consumption of fixed capital	-1945	-2191	-2482	-2851	-3097
All other sectors	-1338	-1532	-1771	-2083	-2273
General government	-607	-659	-711	-768	-824
Changes in inventories	-65	92	518	57	2
Net lending (+) / Net borrowing (-)	578	536	188	-39	2487
All other sectors	1379	1012	531	223	2659
General government	-801	-476	-343	-262	-172
Discrepancy on GDP[1]	459	176	527	398	51
Net lending/borrowing in external transactions	1037	712	715	358	2538
Total	**2103**	**1725**	**2545**	**1927**	**3702**

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

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

Industry	1996	1997	1998	1999	2000
Agriculture and forestry products	971	977	906	1102	1327
Commercial	583	540	460	533	674
Subsistence	388	438	447	569	652
Fishery products	629	650	933	971	1161
Mining and quarring	1539	1729	1835	1949	3092
Diamond mining	1169	1251	1358	1697	2772
Other mining and quarring	371	478	477	253	320
Primary Industries	**3139**	**3356**	**3675**	**4022**	**5579**
Manufacturing	1336	1655	2041	2074	2427
Meat processing	148	116	131	139	123
Fish processing	153	281	543	451	608
Manufacture of other food products and beverages	645	774	912	1014	1090
Other manufacturing	391	484	455	470	606
Electricity and water	309	357	451	541	561
Construction	452	433	528	483	476
Secondary Industries	**2096**	**2445**	**3020**	**3097**	**3464**
Wholesale and retail trade, repairs	1307	1510	1727	1857	2058
Hotels and restaurants	219	302	359	344	404
Transport and communication	972	1084	1111	1241	1378
Transport and storage	704	759	698	787	867
Post and telecommunications	268	325	413	454	511
Financial intermediation	476	606	641	732	781
Real estate and business services	1529	1625	1798	2023	2235
Owner-occupied dwellings	766	860	956	1070	1194
Other real estate and business services	763	765	841	953	1041
Community, social and personal services	131	143	155	171	184
Producers of government services	3404	3762	4129	4615	4887
Other producers	294	326	354	392	437
Tertiary Industries	**8332**	**9359**	**10274**	**11374**	**12363**
Less: Financial services indirectly measured	162	209	216	256	246
All industries at basic prices	**13406**	**14951**	**16753**	**18238**	**21160**
Taxes less subsidies on products	1606	1801	2037	2453	2626
GDP at market prices	**15011**	**16752**	**18791**	**20691**	**23786**

Source: Central Bureau of Statistics

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

Industry	1996	1997	1998	1999	2000
Agriculture and forestry products	1005	926	909	1010	1114
Commercial	602	519	489	496	570
Subsistence	403	407	420	514	544
Fishery products	482	465	567	559	634
Mining and quarring	1100	1145	1117	1210	1178
Diamond mining	783	782	793	908	844
Other mining and quarring	317	363	324	303	334
Primary Industries	**2588**	**2537**	**2593**	**2779**	**2926**
Manufacturing	1225	1445	1574	1515	1583
Meat processing	128	92	99	111	98
Fish processing	139	262	356	281	284
Manufacture of other food products and beverages	586	654	725	759	774
Other manufacturing	372	438	394	364	427
Electricity and water	238	214	223	268	232
Construction	416	367	423	364	345
Secondary Industries	**1879**	**2026**	**2220**	**2148**	**2160**
Wholesale and retail trade, repairs	1179	1248	1336	1380	1447
Hotels and restaurants	200	254	285	251	270
Transport and communication	894	962	862	977	1005
Transport and storage	655	673	533	631	644
Post and telecommunications	239	289	329	346	361
Financial intermediation	380	423	450	461	487
Real estate and business services	1285	1243	1272	1319	1338
Owner-occupied dwellings	628	644	660	677	694
Other real estate and business services	657	599	612	642	645
Community, social and personal services	120	122	122	122	122
Producers of government services	2876	2980	3059	3159	3292
Other producers	270	275	281	286	292
Tertiary Industries	**7204**	**7507**	**7668**	**7956**	**8254**
Less: Financial services indirectly measured	125	137	144	152	146
All industries at basic prices	**11545**	**11932**	**12336**	**12731**	**13193**
Taxes less subsidies on products	1566	1733	1779	1866	1881
GDP at market prices	**13111**	**13665**	**14114**	**14597**	**15074**

Source: Central Bureau of Statistics

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

Expenditure category	1996	1997	1998	1999	2000
Final consumption expenditure	13203	15224	16741	18496	20169
Private	8653	10160	11185	12235	13636
General government	4551	5064	5556	6261	6533
Gross fixed capital formation	3535	3288	4321	4760	4310
Changes in inventories[1]	-65	92	518	57	2
Gross domestic expenditure	**16673**	**18605**	**21581**	**23313**	**24481**
Exports of goods and services	7593	7961	8637	9549	11916
Imports of goods and services	8796	9638	10900	11773	12560
Discrepancy	-459	-176	-527	-398	-51
Gross domestic product at market prices	**15011**	**16752**	**18791**	**20691**	**23786**

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

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

Expenditure category	1996	1997	1998	1999	2000
Final consumption expenditure	11895	12649	13087	13390	13602
Private	7957	8551	8864	8982	9161
General government	3938	4098	4223	4408	4440
Gross fixed capital formation	3306	2866	3564	3713	3252
Changes in inventories[1]	-65	92	518	57	2
Gross domestic expenditure	**15135**	**15607**	**17169**	**17160**	**16855**
Exports of goods and services	6461	6287	6243	6521	6543
Imports of goods and services	8184	8465	9113	9240	8884
Discrepancy	-301	236	-185	155	560
Gross domestic product at market prices	**13111**	**13665**	**14114**	**14597**	**15074**

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

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

Industry	1996	1997	1998	1999	2000
Agriculture	168	205	228	252	270
Fishing	94	54	148	151	132
Mining and quarrying	567	437	500	662	693
Manufacturing	246	291	435	307	387
Electricity and water	148	138	261	451	128
Construction	131	145	232	163	156
Wholesale and retail trade; hotels, restaurants	211	178	196	153	221
Transport and communication	279	476	949	1123	571
Finance, real estate and business services	951	508	519	539	636
Community, social and personal services	22	27	47	24	17
Producers of government services	718	831	808	935	1099
Total	**3535**	**3288**	**4321**	**4760**	**4310**

Source: Central Bureau of Statistics

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

Industry	1996	1997	1998	1999	2000
Agriculture	159	182	192	200	209
Fishing	90	48	126	121	103
Mining and quarrying	540	393	429	536	539
Manufacturing	232	256	364	244	296
Electricity and water	137	119	209	339	93
Construction	126	130	194	131	124
Wholesale and retail trade; hotels, restaurants	198	156	163	121	169
Transport and communication	259	405	762	865	424
Finance, real estate and business services	880	437	425	419	473
Community, social and personal services	21	25	41	19	13
Producers of government services	666	715	658	718	808
Total	**3306**	**2866**	**3564**	**3713**	**3252**

Source: Central Bureau of Statistics

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

Type of Asset	1996	1997	1998	1999	2000
Buildings	1368	1063	1172	1200	1444
Construction works	681	798	1153	965	837
Transport equipment	438	476	950	1439	725
Machinery and other equipment	811	840	922	980	1137
Mineral exploration	237	112	124	175	167
Total	**3535**	**3288**	**4321**	**4760**	**4310**

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	1996	1997	1998	1999	2000
Buildings	1263	914	958	931	1071
Construction works	624	669	909	710	585
Transport equipment	415	411	775	1115	533
Fixed capital stock by activity	781	774	818	818	938
Mineral exploration	222	98	104	139	124
Total	**3306**	**2866**	**3564**	**3713**	**3252**

Source: Central Bureau of Statistics

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

Ownership	1996	1997	1998	1999	2000
Public	1101	1423	1446	2270	1594
Producers of government services	718	831	808	935	1099
Public corporations and enterprises	383	592	639	1335	495
Private	2434	1866	2875	2490	2716
Total	**3535**	**3288**	**4321**	**4760**	**4310**

Source: Central Bureau of Statistics

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

Ownership	1996	1997	1998	1999	2000
Public	1021	1221	1171	1738	1174
Producers of government services	666	715	658	718	808
Public corporations and enterprises	355	506	513	1021	366
Private	2285	1645	2392	1975	2078
Total	**3306**	**2866**	**3564**	**3713**	**3252**

Source: Central Bureau of Statistics

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

Industry	1996	1997	1998	1999	2000
Agriculture	3298	3614	3893	4151	4443
Fishing	433	491	632	782	891
Mining and quarrying	3855	4210	4525	4960	5413
Manufacturing	1527	1781	2128	2344	2602
Electricity and water	2648	2917	3221	3756	3911
Construction	433	507	647	689	693
Wholesale and retail trade; hotels, restaurants	1530	1697	1840	1926	2042
Transport and communication	3283	3808	4702	5712	6051
Finance, real estate and business services	6034	6772	7427	8115	8857
Community, social and personal services	274	306	349	375	384
Producers of government services	20439	22373	23789	25509	27022
Total	**43753**	**48478**	**53151**	**58317**	**62309**

Source: Central Bureau of Statistics

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

Industry	1996	1997	1998	1999	2000
Agriculture	3044	3070	3096	3121	3143
Fishing	413	439	538	627	694
Mining and quarrying	3610	3650	3713	3863	3997
Manufacturing	1423	1550	1762	1840	1960
Electricity and water	2429	2452	2561	2789	2767
Construction	412	453	540	553	550
Wholesale and retail trade; hotels, restaurants	1420	1468	1510	1502	1528
Transport and communication	3022	3215	3734	4275	4361
Finance, real estate and business services	5575	5825	6070	6300	6575
Community, social and personal services	256	267	291	293	289
Producers of government services	18793	18941	19020	19149	19350
Total	**40397**	**41330**	**42835**	**44310**	**45214**

Source: Central Bureau of Statistics

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

	All Items	Food	Beverage & Tobacco	Housing, Fuel & Power	Clothing & Footwear	Household Goods etc.	T/port & Communication	Recreation etc.	Medical Health Care	Misc. Goods etc.	Inflation* (%) Annual
Weight	**100.00**	**28.36**	**4.10**	**19.94**	**4.33**	**10.22**	**20.67**	**4.14**	**1.35**	**6.88**	**100.00**
1996	**138.17**	**137.84**	**153.17**	**143.44**	**132.82**	**118.44**	**129.28**	**159.98**	**149.22**	**159.39**	**7.21**
1997	**150.36**	**148.44**	**180.44**	**156.99**	**151.08**	**122.04**	**139.79**	**178.91**	**174.68**	**172.53**	**8.85**
1998	**164.80**	**156.52**	**148.73**	**219.89**	**132.05**	**173.45**	**177.64**	**193.19**	**193.79**	**197.40**	**7.94**
1999	**178.77**	**163.33**	**251.84**	**191.09**	**179.89**	**139.65**	**176.26**	**211.63**	**201.00**	**203.94**	**8.48**
2000											
Jan	180.55	164.04	252.35	191.43	181.09	141.71	177.97	226.38	200.84	207.76	7.41
Feb	181.62	166.39	253.05	192.64	181.09	141.78	177.97	226.38	203.39	209.24	8.07
Mar	183.00	167.20	261.73	195.22	181.35	143.90	178.28	226.42	203.43	209.02	7.84
Q1	**181.72**	**165.88**	**255.71**	**193.10**	**181.18**	**142.46**	**178.07**	**226.39**	**202.55**	**208.67**	**7.77**
Apr	184.90	167.83	267.61	195.92	181.84	144.89	184.07	226.55	203.62	209.15	8.94
May	186.10	168.65	271.38	195.92	181.84	145.52	185.76	226.35	229.19	210.08	9.10
Jun	188.55	170.18	271.21	197.10	182.28	146.18	193.66	226.24	230.48	210.89	9.85
Q2	**186.52**	**168.89**	**270.07**	**196.31**	**181.99**	**145.53**	**187.83**	**226.38**	**221.10**	**210.04**	**9.30**
Jul	191.62	171.86	272.12	207.85	182.41	147.62	194.73	227.02	230.08	211.08	9.57
Aug	192.41	174.04	272.26	207.85	182.94	147.55	194.92	227.66	230.11	212.25	9.74
Sep	195.08	177.00	272.65	208.30	183.84	146.50	203.59	227.37	230.11	212.49	10.60
Q3	**193.04**	**174.30**	**272.34**	**208.00**	**183.06**	**147.22**	**197.75**	**227.35**	**230.10**	**211.92**	**9.97**
Oct	195.77	178.72	271.77	208.41	185.59	146.85	203.81	27.59	230.91	213.07	9.82
Nov	195.58	175.83	270.26	209.97	191.44	147.29	203.92	227.63	231.96	213.58	9.26
Dec	198.34	182.43	267.98	214.17	191.06	147.27	202.78	228.17	234.50	218.61	10.79
Q4	**196.56**	**178.99**	**270.00**	**210.85**	**189.36**	**147.14**	**203.50**	**227.80**	**232.46**	**215.09**	**9.96**
Annual	**189.46**	**172.01**	**267.03**	**202.07**	**183.90**	**145.59**	**191.79**	**226.98**	**221.55**	**211.43**	**9.25**
2001											
Jan	199.65	183.18	275.02	214.71	193.26	147.61	202.61	237.02	240.96	220.89	10.58
Feb	200.86	185.34	275.67	214.71	193.83	148.38	202.66	240.17	240.96	225.53	10.59
Mar	203.29	187.74	285.80	216.28	194.54	149.22	208.30	233.03	241.66	225.94	11.09
Q1	**201.27**	**185.42**	**278.83**	**215.23**	**193.88**	**148.40**	**204.52**	**236.74**	**241.19**	**224.12**	**10.75**
Apr	204.20	188.87	288.19	216.34	192.66	150.28	210.11	233.10	241.75	227.03	10.44
May	204.53	189.03	288.59	216.34	194.22	151.33	210.01	233.70	242.10	228.13	9.90
Jun	207.10	190.65	291.67	218.13	192.84	151.82	218.65	233.62	242.42	225.98	9.84
Q2	**205.28**	**189.52**	**289.48**	**216.94**	**193.24**	**151.14**	**212.92**	**233.47**	**242.09**	**227.05**	**10.06**
Jul	207.83	190.16	291.18	217.27	196.52	151.66	222.56	232.50	242.42	228.30	8.46
Aug	208.30	190.75	292.04	217.27	198.28	152.11	222.61	232.50	242.68	230.18	8.26
Sep	209.92	193.77	296.30	219.42	199.11	152.67	222.96	232.50	242.62	230.33	7.61
Q3	**208.68**	**191.56**	**293.17**	**217.99**	**197.97**	**152.15**	**222.71**	**232.40**	**242.57**	**229.60**	**8.11**
Oct	211.29	196.76	300.21	220.09	199.24	154.13	222.96	232.20	242.54	231.41	7.93
Nov	212.42	199.72	298.68	220.18	199.13	155.40	223.04	236.25	243.54	231.59	8.61
Dec	214.79	204.54	299.73	221.33	199.32	155.48	226.16	236.83	243.66	232.23	8.29
Q4	**212.83**	**200.34**	**299.54**	**220.53**	**199.23**	**155.00**	**224.05**	**235.09**	**243.25**	**231.74**	**8.28**
Annual	**207.01**	**191.71**	**290.26**	**217.67**	**196.08**	**151.67**	**216.05**	**234.43**	**242.28**	**228.13**	**9.30**

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

Table I.16(b) INTERIM CONSUMER PRICE INDEX

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

	Monthly Index					Annual Inflation Rate (%)*				
	Domestic			Imported	All	Domestic			Imported	All
	Non-Tradeable	Tradeable	Total	Tradeables	Items	Non-Tradeable	Tradeable	Total	Tradeables	Items
Weight	**32.00**	**20.11**	**52.11**	**47.89**	**100.00**	**32.00**	**20.11**	**52.11**	**47.89**	**100.00**
1996	**143.52**	**141.01**	**142.12**	**133.01**	**138.08**	**9.97**	**7.04**	**8.79**	**7.65**	**8.00**
1997	**156.88**	**152.07**	**155.02**	**145.29**	**150.36**	**9.30**	**7.36**	**8.52**	**9.28**	**8.85**
1998	**175.49**	**157.55**	**168.56**	**160.70**	**164.80**	**9.59**	**2.68**	**6.99**	**9.04**	**7.94**
1999	**189.15**	**165.81**	**180.14**	**177.28**	**178.77**	**7.79**	**5.24**	**6.87**	**10.32**	**8.48**
2000										
Jan	191.35	166.85	181.89	179.09	180.55	5.61	3.66	4.91	10.31	7.41
Feb	192.54	168.13	183.12	180.01	181.63	6.16	5.06	5.77	10.76	8.08
Mar	193.25	168.38	183.65	182.30	183.00	5.02	6.35	5.49	10.57	7.85
Q1	**192.38**	**167.79**	**182.89**	**180.47**	**181.73**	**5.60**	**5.02**	**5.39**	**10.55**	**7.78**
Apr	193.25	169.52	184.09	185.79	184.90	5.02	6.16	5.42	13.00	8.94
May	194.34	170.47	185.13	187.17	186.11	5.69	7.02	6.16	12.45	9.10
Jun	195.70	173.31	187.06	190.18	188.55	7.58	8.41	7.88	12.05	9.85
Q2	**194.43**	**171.10**	**185.43**	**187.71**	**186.52**	**6.10**	**7.20**	**6.49**	**12.50**	**9.30**
Jul	203.68	173.54	192.05	191.17	191.63	8.57	7.77	8.29	11.02	9.58
Aug	203.82	175.85	193.85	191.75	192.41	8.50	7.90	8.75	11.37	9.74
Sep	204.53	180.51	195.26	194.89	195.08	9.27	9.38	9.32	12.05	10.60
Q3	**204.01**	**176.63**	**193.72**	**192.60**	**193.04**	**8.78**	**8.35**	**8.79**	**11.48**	**9.97**
Oct	204.64	181.89	195.86	195.69	195.77	8.23	10.23	8.94	10.78	9.81
Nov	204.66	181.76	195.82	195.32	195.58	8.24	9.54	8.70	9.87	9.26
Dec	206.68	189.54	200.06	196.16	198.34	9.19	13.84	10.84	10.56	10.79
Q4	**205.33**	**184.40**	**197.25**	**195.72**	**196.56**	**8.55**	**11.20**	**9.50**	**10.40**	**9.95**
Annual	**199.04**	**174.98**	**189.82**	**189.13**	**189.46**	**7.26**	**7.94**	**7.54**	**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**

*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				Claims on Domestic Sector									
Period	Foreign Assets		Sub-Total	Claims on Central Govt.					DMB's	OBI's	Other	Sub-Total	TOTAL ASSETS
	Banks	Fund Accounts		Treasury Bills	Govt. Securities	Loans and Advances	Other	Sub-Total					
1996	906.5	1.2	**907.7**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.7	0.0	0.7	**908.4**
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 Jan	2144.3	1.2	**2145.6**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.7	0.0	0.7	**2146.3**
Feb	1987.5	1.2	**1988.7**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.7	0.0	0.7	**1989.4**
Mar	1714.7	1.2	**1716.0**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.7	0.0	0.7	**1716.7**
Apr	2243.6	1.2	**2244.8**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.7	0.0	0.7	**2245.6**
May	2111.0	1.2	**2112.2**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.7	0.0	0.7	**2112.9**
Jun	1979.5	1.2	**1980.7**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.7	0.0	0.7	**1981.4**
Jul	2353.6	1.2	**2354.8**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.7	0.0	0.7	**2355.5**
Aug	1878.2	1.2	**1879.4**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.7	0.0	0.7	**1880.0**
Sep	1725.9	1.2	**1727.1**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.7	0.0	0.7	**1727.8**
Oct	2157.8	1.2	**2159.0**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.7	0.0	0.7	**2159.7**
Nov	1948.8	1.2	**1950.0**	0.0	0.0	0.0	0.0	**0.0**	0.0	0.7	0.0	0.7	**1950.7**
Dec	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	**2301.0**
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**

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**
1996	282.8	214.2	**497.0**	0.0	162.4	9.0	303.8	-63.8	**908.4**
1997	335.6	255.6	**591.2**	0.2	374.4	25.5	316.5	-88.1	**1219.7**
1998	364.9	235.7	**600.6**	8.3	416.1	40.2	513.4	-49.7	**1529.0**
1999	422.7	474.7	**897.4**	0.0	471.8	48.7	562.9	-103.0	**1877.8**
2000 Jan	389.1	287.8	**676.9**	0.0	927.7	50.9	588.1	-97.3	**2146.3**
Feb	399.7	251.4	**651.1**	0.0	785.3	62.0	583.1	-92.1	**1989.4**
Mar	414.2	225.0	**639.2**	0.0	486.5	57.8	619.0	-85.8	**1716.7**
Apr	436.9	485.0	**921.9**	0.0	750.1	59.3	664.9	-150.5	**2245.6**
May	415.4	462.3	**877.8**	0.0	627.9	57.8	691.5	-141.9	**2113.0**
Jun	428.7	352.3	**781.0**	0.0	599.1	68.8	675.4	-141.0	**1983.5**
Jul	420.3	370.5	**790.8**	0.0	945.5	64.4	684.5	-129.7	**2355.5**
Aug	422.2	356.0	**778.2**	0.0	444.8	120.3	664.0	-127.2	**1880.0**
Sep	444.9	452.2	**897.1**	0.0	167.3	73.8	714.6	-126.2	**1726.6**
Oct	434.1	522.4	**956.5**	0.0	507.1	69.9	746.9	-120.7	**2159.7**
Nov	462.0	462.9	**924.9**	0.0	303.8	68.1	779.3	-125.3	**1950.7**
Dec	481.2	321.4	**802.6**	0.0	446.3	65.5	783.9	-111.9	**1986.3**
2001 Jan	417.3	419.0	**836.3**	0.0	741.3	66.9	813.0	-105.9	**2351.6**
Feb	424.5	339.8	**764.4**	0.0	498.6	64.6	788.6	-92.0	**2024.2**
Mar	451.5	337.1	**788.6**	0.0	360.4	53.2	839.4	-89.9	**1951.7**
Apr	455.0	362.4	**817.4**	0.0	590.4	77.7	838.2	-102.2	**2221.5**
May	442.2	283.2	**725.3**	0.0	421.1	71.3	851.2	-167.2	**1901.8**
Jun	469.1	461.0	**930.0**	0.0	294.3	77.9	855.4	-167.9	**1989.6**
Jul	439.1	352.5	**791.6**	0.0	1169.9	86.4	899.4	-247.2	**2700.1**
Aug	471.0	356.1	**827.1**	0.0	603.8	80.9	955.0	-165.8	**2301.0**
Sep	511.4	391.2	**902.6**	0.0	134.1	77.2	1060.2	-168.4	**2005.7**
Oct	484.3	419.6	**903.9**	0.0	351.4	84.9	1142.3	-165.2	**2317.3**
Nov	542.3	347.7	**890.0**	0.0	292.2	92.1	1296.1	-177.2	**2393.2**
Dec	507.5	399.8	**907.3**	0.0	360.5	72.5	1587.9	-223.0	**2705.2**

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

ASSETS																	
	Reserves				Foreign Assets			CLAIMS ON DOMESTIC SECTOR									
								Claims on Central Government									
Period	Namibian Currency	Rands	Dep. with BON	**Sub-Total**	Banks	Non-Banks	**Sub-Total**	Treasury Bills	Government Securities	Loans and Advances	Other	**Sub-Total**	Regional Councils	Non-fin. Pub. Enterpr.	OBI's	Private Sector	**TOTAL**
1996	169.6	11.2	45.5	**226.3**	346.5	3.2	**349.7**	377.8	77.9	0.0	5.2	**460.9**	18.6	72.2	7.0	5673.3	**6808.0**
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 Jan	171.6	9.0	91.3	**271.8**	1002.0	8.4	**1010.4**	694.1	265.8	9.3	38.9	**1008.1**	14.2	146.1	8.5	7549.8	**10009.2**
Feb	143.7	16.1	87.7	**247.5**	833.3	8.2	**841.4**	678.7	268.1	9.3	39.1	**995.1**	14.3	121.3	10.9	7580.5	**9811.0**
Mar	135.4	7.9	90.3	**233.6**	1026.5	9.0	**1035.5**	638.6	300.4	9.3	0.0	**948.3**	14.2	128.4	0.6	7714.9	**10075.5**
Apr	150.5	7.0	311.5	**469.0**	965.7	89.8	**1055.4**	621.8	267.1	9.3	0.1	**898.3**	14.3	124.6	0.6	7786.6	**10348.7**
May	166.7	9.4	292.8	**468.8**	948.2	12.7	**960.8**	771.8	278.6	9.3	0.7	**1060.4**	14.3	132.8	0.5	7824.4	**10462.1**
Jun	136.1	9.4	216.7	**362.1**	818.1	9.5	**827.6**	779.3	245.0	9.3	0.0	**1033.7**	16.2	143.7	0.5	8105.4	**10489.1**
Jul	152.9	12.2	219.3	**384.4**	865.4	8.8	**874.2**	603.9	323.8	0.0	0.0	**927.8**	12.3	179.1	20.2	7939.3	**10337.3**
Aug	165.5	8.9	199.6	**374.1**	1024.2	8.0	**1032.2**	501.9	351.8	0.0	0.1	**853.8**	12.1	179.6	20.3	8046.7	**10518.8**
Sep	118.6	7.4	334.0	**459.9**	740.4	283.5	**1023.9**	547.7	329.4	9.3	22.6	**909.0**	12.2	174.6	20.4	8140.4	**10740.4**
Oct	169.9	9.1	352.5	**531.5**	1306.5	10.4	**1316.9**	568.8	281.7	0.0	35.5	**885.9**	12.2	193.7	0.4	8313.2	**11253.8**
Nov	183.9	14.5	279.0	**477.4**	1598.2	10.0	**1608.3**	543.6	303.6	9.3	46.5	**902.9**	12.2	194.4	37.9	8458.5	**11691.6**
Dec	179.3	47.0	142.2	**368.5**	1744.2	9.0	**1753.3**	619.7	308.9	0.0	20.5	**949.1**	12.4	234.0	45.9	8699.8	**12063.0**
2001 Jan	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	119.1	22.0	10115.4	**13078.0**

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

LIABILITIES															
Period	Demand	Time and Savings Deposits				Money	Bonds	Foreign Liabilities			Central Govt.	Credit from	Capital	Other Items	TOTAL
	Deposits	For. Curr.	Time Dep.	Savings	**Sub-Total**	Market Instr.		Banks	Non-Banks	**Sub-Total**	Deposits	BON	Accounts	(NET)	
1996	2516.7	0.0	2692.4	558.3	**3250.7**	0.0	8.9	201.8	93.2	**295.0**	77.9	0.0	644.0	14.8	**6808.0**
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 Jan	4169.6	0.0	3205.5	661.8	**3867.3**	0.0	8.2	426.2	133.0	**559.2**	217.4	19.2	1107.9	60.3	**10009.2**
Feb	4036.5	0.0	3117.2	677.9	**3795.1**	0.0	8.2	390.9	108.6	**499.6**	148.0	19.2	1129.4	174.9	**9811.0**
Mar	4020.3	23.7	3301.0	682.7	**4007.4**	0.0	8.3	402.6	188.0	**590.6**	146.2	19.2	1134.9	148.6	**10075.5**
Apr	4325.9	26.3	3185.3	682.8	**3894.4**	0.0	8.1	438.9	180.0	**618.9**	156.4	32.4	1159.6	152.9	**10348.7**
May	4409.9	25.8	3197.6	674.7	**3898.1**	0.0	10.5	400.3	156.7	**556.9**	154.0	18.5	1186.6	227.4	**10462.1**
Jun	4710.4	25.5	2896.9	688.8	**3611.2**	0.0	10.1	536.1	148.3	**684.4**	139.8	18.7	1189.8	124.7	**10489.1**
Jul	4668.3	35.9	2881.7	687.0	**3604.5**	0.0	10.5	376.0	129.5	**505.5**	163.3	18.8	1194.0	172.4	**10337.3**
Aug	4639.3	0.0	2856.2	691.5	**3547.7**	0.0	10.6	325.9	280.2	**606.1**	166.6	20.1	1223.2	305.1	**10518.8**
Sep	4707.7	0.0	2985.6	685.7	**3671.3**	0.0	17.6	338.2	302.4	**640.6**	188.3	0.0	1251.0	263.8	**10740.4**
Oct	4973.8	0.0	2985.4	718.1	**3703.5**	0.0	4.2	490.7	290.9	**781.5**	174.0	0.0	1279.9	336.9	**11253.8**
Nov	4910.0	0.0	3532.1	731.2	**4263.3**	0.0	18.2	391.2	300.3	**691.5**	157.4	18.0	1313.2	319.9	**11691.6**
Dec	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**	218.9	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**

Table II.3 MONETARY SURVEY
(N$ Million)

End of Period		Foreign Assets (Net) 1	Domestic Credit: Central Gov't (Net) 2	Domestic Credit: Financial Sector 3	Domestic Credit: Private Sector 4	Domestic Credit: Other 5	TOTAL (1-5)	Currency in Circulation	Demand Deposits	Savings Deposits	Time Deposits	Other Items (Net)	Money Supply	TOTAL
1996		983.5	220.5	17.8	5663.2	90.8	**6945.8**	282.8	2516.7	558.4	2692.4	895.5	6050.3	**6945.8**
1997		891.8	67.8	24.3	6553.5	166.3	**7703.7**	335.6	2562.5	576.5	3026.5	1202.6	6501.1	**7703.7**
1998		1355.8	112.3	15.1	7129.3	161.5	**8774.0**	364.9	3315.9	622.9	2902.0	1568.3	7205.7	**8774.0**
1999		2287.8	459.0	11.4	7434.2	153.0	**10345.4**	422.7	4166.2	667.3	3369.4	1719.7	8625.6	**10345.3**
2000	Jan	2546.0	-136.9	9.2	7549.8	160.4	**10128.5**	389.1	4169.6	661.8	3205.5	1702.5	8426.0	**10128.5**
	Feb	2268.5	61.8	11.6	7580.5	135.6	**10058.0**	399.7	4036.5	677.9	3117.2	1826.7	8231.3	**10058.0**
	Mar	2103.1	315.5	1.3	7714.8	142.6	**10277.2**	414.2	4020.3	682.4	3324.7	1835.5	8441.7	**10277.2**
	Apr	2622.1	-8.3	1.3	7786.6	138.9	**10540.6**	436.9	4325.9	682.8	3211.6	1883.4	8657.2	**10540.6**
	May	2458.4	278.5	1.2	7824.4	147.1	**10709.6**	415.4	4409.9	674.7	3223.5	1986.2	8723.4	**10709.6**
	Jun	2057.1	294.7	1.2	8105.4	159.9	**10618.2**	428.7	4710.4	688.8	2922.3	1868.0	8750.2	**10618.2**
	Jul	2659.3	-181.0	20.9	7939.3	191.4	**10629.8**	420.3	4668.3	687.0	2917.6	1936.7	8693.1	**10629.8**
	Aug	2185.2	242.4	21.0	8046.7	191.7	**10687.1**	422.2	4639.3	691.5	2856.2	2077.9	8609.2	**10687.1**
	Sep	2035.4	553.3	21.1	8140.4	186.7	**10937.0**	444.9	4707.7	685.7	2985.6	2113.1	8823.9	**10937.0**
	Oct	2624.5	204.8	1.0	8313.2	205.9	**11349.5**	434.2	4973.8	718.1	2985.3	2238.2	9111.4	**11349.5**
	Nov	2798.9	441.8	38.6	8458.5	206.6	**11944.3**	462.0	4910.0	731.2	3532.1	2309.0	9635.4	**11944.3**
	Dec	2692.4	275.3	46.6	8699.8	246.4	**11960.5**	481.2	5298.0	705.8	3152.9	2322.7	9637.9	**11960.5**
2001	Jan	3143.1	-68.7	54.6	8817.3	205.9	**12152.2**	417.3	5576.8	688.3	3126.5	2343.2	9809.0	**12152.2**
	Feb	2324.3	244.6	24.0	8789.9	216.7	**11599.5**	424.5	4980.0	706.4	3049.4	2439.2	9160.3	**11599.5**
	Mar	2470.5	274.1	27.3	8989.6	141.0	**11902.5**	451.5	5024.4	697.3	3225.9	2503.3	9399.1	**11902.4**
	Apr	2944.1	31.3	32.0	9066.7	142.6	**12216.7**	455.0	5393.3	701.7	3179.2	2487.5	9729.2	**12216.7**
	May	2267.5	224.9	37.4	9149.4	157.5	**11836.8**	442.2	5006.6	701.0	3342.3	2344.6	9492.1	**11836.8**
	Jun	2552.3	455.5	15.2	9288.0	108.7	**12419.7**	469.1	5716.3	701.7	3044.5	2488.2	9931.5	**12419.7**
	Jul	2996.3	-244.5	12.3	9423.6	134.2	**12321.9**	439.1	5548.0	727.4	3111.4	2496.0	9825.9	**12321.9**
	Aug	2587.8	255.0	15.6	9505.2	140.7	**12504.3**	471.0	5753.2	735.0	3023.5	2521.5	9928.7	**12504.2**
	Sep	2008.7	552.2	22.3	9608.0	143.3	**12334.5**	511.4	5459.2	737.3	2934.5	2692.1	9642.4	**12334.5**
	Oct	2387.6	364.7	22.4	9684.9	151.4	**12611.0**	484.3	5731.1	747.9	3029.5	2618.3	9992.7	**12611.0**
	Nov	2573.8	342.9	23.3	10026.5	121.7	**13088.2**	542.3	5762.9	783.4	3084.6	2915.0	10173.2	**13088.2**
	Dec	2538.3	285.1	23.1	10115.5	151.8	**13113.8**	507.5	5961.6	748.7	2942.3	2953.7	10160.1	**13113.8**

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

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

Table II.4(a) OTHER BANKING INSTITUTIONS: DETAILED ACCOUNT

(end of period N$ Million)

ASSETS	1999				2000												2001											
	I	II	III	IV	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	121.6	97.0	96.7	120.2	217.5	179.1	214.5	178.8	174.1	200.7	170.0	140.7	202.0	204.7	180.3	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
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	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	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	0.0	0.0
3. CLAIMS ON CENTRAL GOVERNMENT		116.7	32.9	151.9	196.2	88.8	79.1	88.4	41.6	40.8	46.5	54.7	53.0	34.8	34.0	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
a. Treasury bills		116.7	32.9	151.9	76.0	75.4	65.7	71.2	24.8	23.6	24.2	32.3	30.6	12.4	11.2	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
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	0.0
c. Other		0.0	0.0	0.0	120.2	13.3	13.5	17.1	16.7	17.2	22.3	22.4	22.4	22.5	22.7	23.5	23.8	24.2	32.4	34.2	36.1	37.4	37.5	37.5	37.9	43.6	43.6	43.5
4. CLAIMS ON LOCAL AUTHORITIES AND REGIONAL COUNCILS	5.2	5.1	5.1	5.1	4.9	4.9	4.9	4.8	4.9	4.9	4.9	4.8	4.8	4.8	4.8	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
5. CLAIMS ON NON-FINANCIAL PUBLIC ENTERPRISES	6.1	6.4	7.1	7.5	8.9	86.7	86.9	82.1	133.8	133.9	156.8	157.8	157.0	155.1	190.8	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
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	0.0	0.0
b. Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.2	13.2	0.0	0.0	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
c. Leasing transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
d. Other	6.1	6.4	7.1	7.5	8.9	86.7	86.9	82.1	133.8	133.9	145.6	144.6	157.0	155.1	190.8	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
6. CLAIMS ON NONBANK FINANCIAL INSTITUTIONS	17.2	17.7	17.9	18.1	14.4	14.4	13.4	13.5	13.6	13.1	12.8	12.8	12.9	12.8	12.8	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
7. CLAIMS ON PRIVATE SECTOR	1462.5	1509.3	1575.2	1623.6	1815.3	1807.9	1824.5	1868.8	1888.1	1902.8	1918.3	1950.7	1979.0	2009.4	2045.4	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
a. Individuals	1419.4	1465.9	1533.4	1582.2	1776.1	1782.2	1798.8	1843.0	1862.2	1876.9	1892.4	1924.8	1953.0	1983.5	2019.5	2065.8	2086.2	2129.4	2180.7	2180.7	2204.3	2261.2	2295.9	2324.0	2369.7	2404.5	2453.3	2472.1
b. Business	43.2	43.4	41.8	41.4	39.2	25.7	25.7	25.8	25.8	25.8	25.9	25.9	26.0	25.9	26.0	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
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	0.0	0.0
9. TOTAL ASSETS	1787.6	1752.3	1734.9	1926.4	2257.2	2181.7	2223.3	2236.4	2256.0	2296.2	2309.4	2321.5	2408.7	2421.7	2468.2	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

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

LIABILITIES	1999				2000											
	I	II	III	IV	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1. TIME, SAVINGS AND FOREIGN CURRENCY DEPOSITS	**907.1**	**1046.8**	**870.8**	**868.8**	**1178.1**	**1124.3**	**1163.9**	**1159.1**	**1167.5**	**1194.4**	**1177.9**	**1169.0**	**1248.3**	**1276.2**	**1282.9**	**1284.2**
a. Time Deposits	177.9	192.4	159.9	168.1	208.8	214.1	238.3	250.5	257.4	267.1	266.1	262.9	279.4	268.3	307.5	301.3
b. Savings Deposits	729.2	854.4	710.9	700.7	969.3	910.2	925.6	908.6	910.1	927.3	911.7	906.1	968.9	1007.9	975.4	983.0
c. Foreign Currency Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. MONEY MARKET INSTRUMENTS	**180.1**	**44.2**	**200.5**	**182.5**	**43.8**	**43.8**	**43.9**	**44.3**	**45.3**	**45.7**	**46.1**	**46.5**	**46.3**	**46.6**	**46.1**	**45.4**
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**	**0.0**	**0.0**
4. FOREIGN LIABILITIES	**26.3**	**36.7**	**32.3**	**23.5**	**28.8**	**35.4**	**31.6**	**48.2**	**43.7**	**80.3**	**77.7**	**84.3**	**88.9**	**83.1**	**79.6**	**83.6**
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
b. Nonbanks	26.3	36.7	32.3	23.5	28.8	35.4	31.6	48.2	43.7	80.3	77.7	84.3	88.9	83.1	79.6	83.6
5. CENTRAL GOVERNMENT DEPOSITS	**3.3**	**0.0**	**0.0**	**0.0**	**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	**0.4**	**0.4**	**0.4**	**0.0**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.5**	**0.5**	**0.5**	**0.5**
7. CREDIT FROM DMB's	**39.2**	**41.5**	**36.4**	**36.0**	**43.1**	**48.3**	**51.8**	**49.9**	**50.9**	**53.2**	**55.7**	**56.8**	**61.6**	**63.6**	**76.2**	**74.4**
8. CAPITAL ACCOUNTS	**985.6**	**1027.9**	**1064.7**	**1099.9**	**1111.5**	**1130.0**	**1147.6**	**1141.2**	**1153.1**	**1132.1**	**1144.3**	**1154.3**	**1155.7**	**1172.3**	**1186.0**	**1237.3**
9. OTHER ITEMS (NET)	**-185.9**	**--66.6**	**-106.4**	**--126.4**	**-148.5**	**-200.4**	**-216.1**	**-206.8**	**-205.0**	**-209.9**	**-192.7**	**-189.9**	**-192.5**	**-220.6**	**-203.2**	**-246.3**
a. Unclassified Liabilities	180.9	328.9	322.8	323.1	281.7	270.9	271.8	272.9	274.8	274.9	256.1	266.4	294.6	311.8	307.0	268.0
b. Less: Unclassified Assets	366.8	395.5	429.2	449.5	430.2	471.4	487.9	479.7	479.9	484.8	448.8	456.3	487.1	532.4	510.2	514.4
10. TOTAL LIABILITIES	**1956.2**	**2135.9**	**2158.5**	**2206.7**	**2257.2**	**2181.7**	**2223.3**	**2236.4**	**2256.0**	**2296.2**	**2309.4**	**2321.5**	**2408.7**	**2421.7**	**2468.2**	**2479.0**

LIABILITIES	2001											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1. TIME, SAVINGS AND FOREIGN CURRENCY DEPOSITS	**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	**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	**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
2. MONEY MARKET INSTRUMENTS	**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**
4. FOREIGN LIABILITIES	**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	57.1	57.1	57.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b. Nonbanks	**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**
6. CREDIT FROM CENTRAL BANK	**0.5**	**0.5**	**0.5**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.5**	**0.5**	**0.5**
7. CREDIT FROM DMB's	**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	**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)	-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	**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	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	**2570.0**	**2553.6**	**2593.4**	**2572.0**	**2597.2**	**2661.6**	**2684.3**	**2696.0**	**2752.1**	**2814.3**	**2841.1**	**2871.9**

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

End of Period		Net Foreign Assets	Domestic Credit: To Gov't (Net)	Domestic Credit: Financial Sector	Domestic Credit: Private Sector	Domestic Credit: Other	**Total**	Monetary Liabilities (M1)	Quasi-Monetary Liabilities	Broad Money Supply (M2)	Other Items (Net)	**TOTAL**
1996		943.6	353.4	18.1	7016.2	100.6	**8431.9**	2707.1	3968.9	**6676.0**	1755.9	**8431.9**
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	Jan	2517.2	59.3	22.3	9365.1	174.1	**12138.1**	4341.2	5045.4	**9386.6**	2751.5	**12138.1**
	Feb	2233.1	150.6	24.7	9388.4	227.2	**12023.9**	4257.0	4919.4	**9176.5**	2847.4	**12023.9**
	Mar	2071.5	394.7	13.5	9539.4	234.2	**12253.3**	4220.1	5171.3	**9391.4**	2861.9	**12253.3**
	Apr	2573.9	80.1	13.5	9655.3	225.8	**12548.6**	4584.0	5053.5	**9637.5**	2911.2	**12548.7**
	May	2414.7	320.0	13.6	9712.4	285.8	**12746.6**	4651.3	5065.7	**9716.9**	3029.7	**12746.6**
	Jun	1976.8	335.5	13.1	10008.1	298.6	**12632.2**	4938.4	4805.5	**9743.9**	2888.3	**12632.2**
	Jul	2581.6	-134.5	12.8	9857.7	353.1	**12670.7**	4918.6	4782.4	**9701.0**	2969.6	**12670.7**
	Aug	2100.9	297.1	12.8	9997.5	354.3	**12762.7**	4920.8	4716.7	**9637.6**	3125.1	**12762.7**
	Sep	1946.6	606.3	12.9	10119.4	348.5	**13033.7**	4950.6	4919.6	**9870.2**	3163.5	**13033.7**
	Oct	2541.4	239.6	12.8	10322.6	365.8	**13482.4**	5203.2	4979.7	**10182.8**	3299.5	**13482.4**
	Nov	2719.3	475.7	50.4	10503.9	402.3	**14151.6**	5191.7	5546.3	**10738.0**	3413.6	**14151.6**
	Dec	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**

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	
1996	2617.7	559.0	722.4	1589.0	433.2	2744.6	**5921.3**
1997	2929.1	592.8	674.3	1762.5	557.7	2994.5	**6516.5**
1998	3376.6	622.9	696.2	1918.6	339.2	2954.0	**6953.6**
1999 Jan	3270.1	614.1	897.5	1764.6	351.6	3013.7	**6897.8**
Feb	3299.3	623.0	927.2	1827.9	300.4	3055.5	**6977.9**
Mar	3430.4	629.4	954.9	1802.3	379.0	3136.2	**7196.1**
Apr	3632.1	636.4	861.4	1665.2	539.8	3066.4	**7334.9**
May	3571.9	637.8	819.4	1594.9	700.5	3114.8	**7324.5**
Jun	3830.7	650.3	635.6	1554.7	1060.8	3251.1	**7732.1**
Jul	3767.4	678.0	676.0	1566.3	1053.0	3295.3	**7740.7**
Aug	3702.3	702.5	711.7	1569.4	1094.9	3376.0	**7780.8**
Sep	4254.3	695.7	729.6	1713.0	950.2	3392.8	**8342.8**
Oct	4247.7	696.3	632.5	1731.6	944.9	3309.0	**8253.1**
Nov	4139.6	706.4	610.2	1978.2	756.5	3344.9	**8190.9**
Dec	4174.0	667.4	722.7	2207.1	444.4	3374.1	**8215.5**
2000 Jan	4377.4	661.8	805.5	2037.6	430.2	3273.4	**8312.6**
Feb	4173.8	677.9	722.9	1963.5	479.5	3165.9	**8017.6**
Mar	4085.6	682.7	791.5	1955.7	571.7	3318.9	**8087.2**
Apr	4340.2	682.8	873.7	1869.0	476.5	3219.2	**8242.2**
May	4494.8	674.7	1017.0	1665.7	544.2	3226.8	**8396.3**
Jun	4856.8	688.8	823.8	1422.3	669.0	2915.1	**8460.7**
Jul	4804.1	687.0	805.1	1493.6	637.8	2936.5	**8427.6**
Aug	4794.0	691.5	731.5	1526.9	640.3	2898.6	**8384.1**
Sep	4869.7	685.7	898.5	1528.7	598.3	3025.5	**8581.0**
Oct	5214.9	718.1	789.2	1699.5	543.8	3032.4	**8965.4**
Nov	5075.6	732.8	924.7	2129.6	528.4	3582.7	**9391.1**
Dec	5507.6	705.8	854.3	2167.1	273.6	3295.0	**9508.3**
2001 Jan	5638.1	688.3	959.1	1945.9	302.9	3207.9	**9534.3**
Feb	5191.6	706.4	854.5	2000.8	261.6	3116.9	**9014.9**
Mar	5260.8	697.3	1188.8	1902.3	239.2	3330.3	**9288.5**
Apr	5495.1	701.7	1021.0	1935.7	275.7	3232.5	**9429.2**
May	5342.7	701.0	1316.9	1736.6	338.9	3392.4	**9436.1**
Jun	5733.2	701.7	759.6	1956.1	368.9	3084.6	**9519.4**
Jul	5807.9	727.4	1134.4	1543.8	473.8	3152.0	**9607.7**
Aug	6198.7	735.0	1008.0	1581.3	478.9	3068.2	**10001.9**
Sep	5620.6	737.3	752.2	1839.9	396.1	2988.2	**9346.1**
Oct	5855.9	847.9	781.6	1875.2	436.5	3093.4	**9797.3**
Nov	6085.0	783.4	649.7	2073.6	427.4	3150.7	**10019.1**
Dec	6095.0	748.7	684.9	1965.1	343.9	2993.9	**9837.6**

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

Period		DEMAND DEPOSITS						SAVINGS DEPOSITS						TIME DEPOSITS						TOTAL
		Private Sector		Financial	Central	Other	Total	Private sector		Financial	Central	Other	Total	Private Sector		Financial	Central	Other	Total	
		Busin.	Indiv.	Sector	Govt.			Busin.	Indiv.	Sector	Govt.			Busin.	Indiv.	Sector	Govt.			
1996		1182.2	908.7	294.0	44.1	188.7	**2617.7**	12.6	545.0	0.6	0.6	0.1	**559.0**	582.2	1115.1	274.7	23.7	748.9	**2744.6**	**5921.3**
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	Jan	1382.6	1104.9	595.8	70.2	116.5	**3270.1**	9.4	604.6	0.0	0.0	0.1	**614.1**	658.9	1085.3	302.9	53.0	912.8	**3012.9**	**6897.0**
	Feb	1433.8	1083.5	553.4	98.0	130.5	**3299.3**	7.9	615.0	0.0	0.0	0.1	**623.0**	693.2	1107.7	321.7	36.3	896.6	**3055.5**	**6977.9**
	Mar	1597.5	1073.7	561.4	103.3	94.5	**3430.4**	9.3	620.1	0.0	0.0	0.1	**629.4**	703.0	1141.6	345.8	73.7	872.1	**3136.2**	**7196.1**
	Apr	1614.7	1114.2	676.6	128.0	98.7	**3632.1**	10.1	626.2	0.0	0.0	0.1	**636.4**	696.6	1113.7	307.0	74.1	875.0	**3066.4**	**7335.0**
	May	1706.0	1034.1	579.5	121.2	131.2	**3571.9**	9.8	627.9	0.0	0.0	0.1	**637.9**	651.0	1155.5	287.0	73.2	948.1	**3114.8**	**7324.6**
	Jun	1955.2	1032.5	599.4	129.4	114.2	**3830.7**	9.3	640.9	0.0	0.0	0.0	**650.3**	687.7	1167.5	283.3	70.9	1041.7	**3251.1**	**7732.0**
	Jul	1731.7	1133.5	584.1	102.3	215.9	**3767.4**	9.4	667.8	0.0	0.0	0.8	**678.0**	680.5	1197.9	281.6	82.2	1053.1	**3295.3**	**7740.8**
	Aug	1578.5	1223.6	570.8	99.7	229.7	**3702.3**	10.3	692.1	0.0	0.0	0.1	**702.5**	695.4	1200.0	357.8	81.2	1041.5	**3376.0**	**7780.8**
	Sep	2011.2	1208.7	714.0	91.7	228.7	**4254.3**	10.3	685.3	0.0	0.0	0.1	**695.7**	774.0	1223.2	319.6	52.6	1023.4	**3392.8**	**8342.8**
	Oct	1883.3	1223.6	729.0	82.4	329.4	**4247.7**	10.2	686.0	0.0	0.0	0.1	**696.3**	738.9	1185.6	320.7	66.3	995.5	**3307.0**	**8251.0**
	Nov	1891.0	1175.0	738.7	79.9	255.0	**4139.6**	10.7	695.7	0.0	0.0	0.1	**706.4**	769.4	1203.2	296.4	94.6	981.3	**3344.9**	**8190.9**
	Dec	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	10.35.4	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**

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

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

Period		PRIVATE SECTOR		**Total**	Financial Sector	Central Government	Other	**TOTAL**
		Busin.	Indiv.					
1996		1777.0	2568.8	**4345.8**	569.3	68.4	937.7	**5921.3**
1997		1774.5	2707.6	**4482.2**	668.9	180.6	1037.2	**6368.8**
1998		2103.6	2843.0	**4946.6**	886.7	113.0	1007.3	**6953.6**
1999	Jan	2050.9	2794.8	**4845.7**	898.8	123.2	1029.4	**6897.0**
	Feb	2134.9	2806.2	**4941.1**	875.2	134.3	1027.3	**6977.9**
	Mar	2309.8	2835.3	**5145.1**	907.2	177.0	966.7	**7196.1**
	Apr	2321.4	2854.1	**5175.5**	983.6	202.1	973.8	**7335.0**
	May	2366.9	2817.5	**5184.4**	866.5	194.4	1079.3	**7324.6**
	Jun	2652.2	2840.9	**5493.0**	882.7	200.3	1156.0	**7732.0**
	Jul	2421.6	2999.2	**5420.9**	865.7	184.5	1269.8	**7740.8**
	Aug	2284.2	3115.7	**5399.9**	928.6	180.9	1271.3	**7780.8**
	Sep	2795.5	3117.2	**5912.7**	1033.7	144.3	1252.2	**8342.8**
	Oct	2632.5	3095.2	**5727.7**	1049.6	148.7	1325.0	**8251.0**
	Nov	2671.1	3073.9	**5745.0**	1035.1	174.5	1236.3	**8190.9**
	Dec	2683.4	3092.8	**5776.2**	1067.2	89.5	1282.6	**8215.5**
2000	Jan	2769.0	3038.6	**5807.5**	1187.3	156.2	1161.6	**8312.6**
	Feb	2498.8	3107.0	**5605.8**	1062.3	147.6	1201.9	**8017.6**
	Mar	2734.7	3043.2	**5777.9**	968.7	145.8	1194.8	**8087.2**
	Apr	2666.0	3187.1	**5853.1**	1005.6	155.1	1228.3	**8242.2**
	May	2948.1	3194.9	**6143.0**	1076.4	154.9	1022.0	**8396.3**
	Jun	3049.2	3213.1	**6262.3**	950.7	142.8	1105.0	**8460.8**
	Jul	3127.0	3125.3	**6252.3**	932.0	164.9	1078.3	**8427.6**
	Aug	3068.3	3248.4	**6316.7**	836.8	167.9	1062.8	**8384.1**
	Sep	3287.8	3221.9	**6506.8**	856.5	187.1	1030.6	**8581.0**
	Oct	3487.2	3230.7	**6718.0**	1109.3	175.9	962.3	**8965.4**
	Nov	3816.6	3211.7	**7028.3**	1287.7	157.2	917.9	**9391.1**
	Dec	3546.6	3612.4	**7159.1**	1303.9	226.9	818.4	**9508.3**
2001	Jan	4001.7	3528.4	**7530.1**	1027.0	155.4	821.7	**9534.3**
	Feb	3949.2	3286.5	**7235.7**	803.6	173.4	802.2	**9014.9**
	Mar	4158.5	3251.8	**7410.3**	959.4	306.7	612.1	**9288.4**
	Apr	4167.7	3327.3	**7494.5**	1115.8	224.6	593.8	**9429.2**
	May	4349.2	3202.5	**7551.7**	1014.9	231.8	637.7	**9436.1**
	Jun	4197.6	3447.8	**7645.5**	1081.3	225.9	566.7	**9519.4**
	Jul	4231.9	3820.4	**8052.3**	770.4	220.5	547.1	**9607.7**
	Aug	4272.7	4041.1	**8313.7**	823.8	230.3	554.1	**10001.9**
	Sep	4196.3	3620.2	**7816.7**	713.1	224.7	591.6	**9346.0**
	Oct	4493.1	3718.1	**8211.3**	718.1	240.2	627.7	**9797.3**
	Nov	4722.3	3803.1	**8525.4**	713.6	218.4	561.7	**10019.1**
	Dec	4434.7	3769.0	**8203.7**	792.2	251.9	589.8	**9837.6**

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.					
1996		1.9	509.5	65.8	0.0	0.1	**577.3**	4.4	14.5	93.4	0.0	60.1	**172.4**	**749.7**
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	Jan	2.3	616.1	81.7	0.0	0.1	**700.2**	5.3	17.8	113.6	0.0	74.1	**210.7**	**910.9**
	Feb	2.4	631.0	84.3	0.0	0.1	**717.8**	5.4	18.0	115.2	0.0	77.3	**215.9**	**933.7**
	Mar	2.4	641.6	85.1	0.0	0.1	**729.2**	5.4	18.1	116.0	0.0	77.6	**217.1**	**946.3**
	Apr	2.5	672.0	89.1	0.0	0.1	**763.7**	5.8	19.3	123.7	0.0	92.0	**240.8**	**1004.5**
	May	2.5	676.1	87.8	0.0	0.1	**766.5**	5.9	19.7	126.2	0.0	81.0	**232.8**	**999.3**
	Jun	2.8	753.0	98.5	0.0	0.1	**854.4**	6.4	21.5	137.5	0.0	73.5	**238.9**	**1093.3**
	Jul	2.9	792.9	103.9	0.0	0.1	**899.9**	5.7	19.2	122.7	0.0	88.2	**235.8**	**1135.8**
	Aug	2.8	790.1	100.6	0.0	0.1	**893.7**	5.8	19.4	124.2	0.0	83.0	**232.4**	**1126.1**
	Sep	2.8	797.4	99.5	0.0	0.1	**899.8**	5.7	19.1	122.5	0.0	79.9	**227.2**	**1127.0**
	Oct	3.0	838.2	106.5	0.0	0.1	**947.8**	5.0	254.8	107.6	0.0	76.3	**443.7**	**1391.6**
	Nov	3.0	842.1	106.5	0.0	0.1	**951.8**	5.0	257.9	107.7	0.0	92.1	**462.7**	**1414.5**
	Dec	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**

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.					
1996		6.3	524.0	**530.3**	159.2	0.0	60.2	**749.7**
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	Jan	7.6	633.8	**641.4**	195.3	0.0	74.2	**910.9**
	Feb	7.7	649.0	**656.8**	199.5	0.0	77.4	**933.7**
	Mar	7.8	659.7	**667.5**	201.1	0.0	77.7	**946.3**
	Apr	8.3	691.3	**699.6**	212.8	0.0	92.1	**1004.5**
	May	8.4	695.8	**704.2**	213.9	0.0	81.2	**999.3**
	Jun	9.2	774.5	**783.6**	236.0	0.0	73.6	**1093.3**
	Jul	8.7	812.1	**820.8**	226.7	0.0	88.3	**1135.8**
	Aug	8.6	809.5	**818.1**	224.8	0.0	83.2	**1126.1**
	Sep	8.5	816.5	**825.0**	222.0	0.0	80.0	**1127.0**
	Oct	8.0	1093.0	**1101.0**	214.1	0.0	76.4	**1391.6**
	Nov	8.0	1100.0	**1108.0**	214.3	0.0	92.2	**1414.5**
	Dec	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**

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											
	I	II	III	IV	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1. Individuals	**4360.3**	**4359.9**	**4386.0**	**4709.0**	**4592.1**	**4697.8**	**4758.9**	**4877.4**	**4912.7**	**5033.4**	**5068.0**	**5190.2**	**5265.6**	**5335.7**	**5473.9**	**5565.1**
a. Loans and Advances	3182.9	3180.9	3222.2	3461.6	3379.0	3438.7	3477.7	3581.3	3604.5	3703.4	3708.8	3795.8	3858.0	3892.8	3994.4	4071.5
(i) Mortgage loans	1975.8	2013.1	2062.2	2239.8	2190.3	2222.2	2265.2	2326.5	2353.1	2395.8	2434.7	2492.5	2546.8	2543.9	2605.8	2658.3
(ii) Other loans and advances	1207.1	1167.7	1160.0	1221.8	1188.7	1216.5	1212.5	1254.8	1251.4	1307.6	1274.2	1303.3	1311.2	1348.8	1388.6	1413.1
b. Instalment credit	1115.2	1115.9	1101.3	1179.7	1149.4	1196.1	1218.7	1229.9	1241.0	1265.1	1293.2	1328.6	1336.1	1366.5	1403.7	1418.2
c. Leasing transaction	53.8	53.1	53.4	55.2	51.8	51.1	51.4	55.2	53.6	53.9	55.1	55.3	60.2	64.1	64.3	63.4
d. Bills discounted or purchased	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0
e. Other claims	8.4	10.1	9.1	12.4	11.9	11.9	11.2	11.0	13.6	10.9	10.8	10.5	11.3	11.7	11.5	12.0
2. Business	**2848.3**	**2732.3**	**2802.5**	**2725.1**	**2957.7**	**2882.6**	**2955.8**	**2909.1**	**2911.7**	**3072.0**	**2871.4**	**2856.5**	**2874.8**	**2977.5**	**2984.5**	**3134.8**
a. Loans and advances	2584.5	2499.1	2495.3	2406.0	2641.8	2587.2	2514.0	2463.1	2476.4	2650.7	2486.1	2483.2	2455.1	2562.3	2561.8	2736.2
(i) Mortgage loans	207.9	236.3	251.6	213.5	276.4	279.6	288.2	262.4	265.6	274.1	277.0	278.3	278.5	331.2	331.0	331.8
(ii) Other loans and advances	2376.6	2262.8	2243.7	2192.5	2365.4	2307.6	2225.8	2200.7	2210.8	2376.6	2209.1	2204.9	2176.6	2231.1	2230.9	2404.5
b. Instalment credit	202.2	170.4	199.3	143.9	187.6	149.0	153.3	150.5	151.3	144.2	147.0	135.8	148.7	155.5	163.5	136.9
c. Leasing transaction	29.7	28.8	28.9	26.0	24.3	20.6	19.8	21.1	20.5	19.8	19.6	20.5	20.1	19.1	19.9	19.7
d. Bills discounted or purchased	19.3	24.1	15.0	31.8	17.9	11.1	11.8	18.3	7.7	7.7	0.0	0.0	0.0	0.0	0.0	0.0
e. Other claims	12.7	9.9	64.0	117.4	86.1	114.7	256.9	256.2	255.8	249.5	218.7	217.0	250.9	240.6	239.3	241.9
3. (1+2) Total Claims on Private Sector																
a. Loans and advances	5767.4	5678.9	5717.5	5867.7	6020.8	6026.0	5991.7	6044.4	6080.9	6354.2	6194.9	6278.9	6313.1	6455.1	6556.2	6807.7
(i) Mortgage loans	2183.8	2249.4	2313.8	2453.3	2466.7	2501.8	2553.4	2588.9	2618.6	2669.9	2711.7	2770.7	2825.3	2875.1	2936.8	2990.1
(ii) Other loans and advances	3583.6	3430.5	3403.7	34141	3554.1	3524.2	3438.3	3455.5	3462.2	3684.3	3483.3	3508.2	3487.8	3580.1	3619.5	3817.6
b. Instalment credit	1317.4	1286.3	1300.6	1323.6	1337.0	1345.1	1372.0	1380.5	1392.3	1409.3	1440.3	1464.4	1484.8	1522.0	1567.2	1555.2
c. Leasing Transaction	83.5	81.9	82.3	81.2	76.1	71.6	71.2	76.3	74.1	73.7	74.6	75.8	80.2	83.2	84.3	83.1
d. Bills discounted or purchased	19.3	21.1	15.0	31.8	17.9	11.1	11.8	18.3	7.7	7.7	0.0	0.0	0.0	0.7	0.0	0.0
e. Other claims	21.1	19.9	73.1	129.8	98.0	126.7	268.1	267.2	269.4	260.4	229.5	227.6	262.2	252.3	250.8	253.9
TOTAL	**7208.6**	**7092.2**	**7188.5**	**7434.1**	**7549.8**	**7580.5**	**7714.8**	**7786.5**	**7824.3**	**8105.4**	**7939.4**	**8046.7**	**8140.4**	**8313.2**	**8458.4**	**8699.8**

	2001											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1. Individuals	**5593.2**	**5604.5**	**5684.3**	**5752.9**	**5800.9**	**5879.9**	**5176.1**	**5335.7**	**5391.9**	**5553.9**	**5690.9**	**5691.4**
a. Loans and Advances	4096.7	4093.6	4162.1	4205.0	4222.1	4252.2	3845.7	3917.1	3935.9	4058.6	4174.6	4137.8
(i) Mortgage loans	2658.9	2692.0	2772.3	2808.9	2782.5	2828.8	2799.5	2833.6	2834.7	2962.4	3007.5	3005.4
(ii) Other loans and advances	1436.8	1401.6	1389.7	1396.2	1439.7	1423.4	1046.2	1083.5	1001.2	1096.2	1167.1	11325
b. Instalment credit	1421.7	1436.1	1444.7	1457.8	1489.4	1535.6	1279.8	1363.4	1401.8	1439.5	1466.1	1498.6
c. Leasing transaction	64.7	63.4	67.2	80.0	81.1	81.6	43.9	45.0	44.7	45.8	46.6	49.8
d. Bills discounted or purchased	0.7	0.18	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
e. Other claims	10.4	11.2	10.2	9.8	8.1	10.2	6.6	10.2	10.0	10.0	3.5	5.2
2. Business	**3224.1**	**3185.4**	**3305.1**	**3313.8**	**3348.5**	**3408.2**	**4247.5**	**4169.6**	**4216.0**	**4130.9**	**4335.7**	**4424.1**
a. Loans and advances	2831.0	2793.8	2914.6	2925.2	2965.0	2967.1	3098.4	3087.5	3134.9	432.3	3156.1	3220.1
(i) Mortgage loans	333.0	328.4	335.7	328.3	381.8	364.3	433.5	430.3	400.3	402.2	432.3	495.6
(ii) Other loans and advances	2498.0	2465.4	2578.9	2596.9	2583.2	2602.9	2664.9	2848.2	2734.6	2543.9	2723.8	2724.6
b. Instalment credit	133.1	133.8	133.4	133.1	129.5	126.9	196.5	429.4	435.7	459.4	453.1	448.9
c. Leasing transaction	19.5	18.4	19.0	18.8	19.3	15.4	17.5	17.0	18.0	13.8	13.8	45.0
d. Bills discounted or purchased	0.0	0.0	0.0	0.0	0.0	5.5	5.7	4.8	4.3	4.5	4.5	3.5
e. Other claims	240.5	239.4	238.1	236.7	234.8	293.3	629.4	631.0	625.0	707.1	708.2	706.5
3. (1+2) Total Claims on Private Sector												
a. Loans and advances	6926.7	6887.3	7076.6	7130.2	7187.1	7219.3	6944.1	7004.6	7070.8	7004.7	7330.7	7358.0
(i) Mortgage loans	2991.9	3020.4	3108.0	3137.2	3164.2	3193.1	3233.1	3272.9	3335.0	3364.6	3439.8	3500.9
(ii) Other loans and advances	3934.8	3866.9	3968.6	3993.1	4022.9	4026.3	3711.1	3731.7	3736.7	3640.1	3890.9	3857.0
b. Instalment credit	1554.8	1570.0	1578.1	1590.9	1618.9	1662.5	1776.3	1792.8	1837.0	1898.9	1919.2	1947.6
c. Leasing Transaction	84.2	81.8	86.2	98.8	100.3	97.1	61.5	62.0	80.6	59.6	60.4	94.8
d. Bills discounted or purchased	0.7	0.2	0.2	0.2	0.2	5.7	5.7	1.8	1.3	4.5	4.5	3.5
e. Other claims	250.9	250.6	248.3	246.5	242.9	303.5	635.9	641.2	634.9	717.1	711.7	711.7
TOTAL	**8817.3**	**8789.9**	**8989.6**	**9066.7**	**9149.4**	**9288.0**	**9423.6**	**9505.2**	**9608.0**	**9684.8**	**10026.5**	**10115.5**

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

	1999				2000												2001											
	I	II	III	IV	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	**1419.3**	**1465.9**	**1533.4**	**1582.2**	**1776.1**	**1782.2**	**1817.0**	**1843.0**	**1862.2**	**1876.9**	**1892.4**	**1924.8**	**1953.0**	**1983.5**	**2019.5**	**2065.8**	**2086.2**	**2129.4**	**2152.8**	**2180.7**	**2204.3**	**2261.2**	**2295.9**	**2324.0**	**2369.7**	**2404.5**	**2432.2**	**1698.2**
a. Loans and Advances	1427.6	1474.3	1532.3	1581.2	1774.8	1780.7	1815.9	1841.9	1861.1	1875.8	1891.4	1923.8	1952.1	1982.3	2018.3	2064.6	2085.1	2128.4	2151.5	2179.4	2203.0	2260.0	2294.8	2323.0	2368.5	2403.4	2434.1	1697.1
(i) Mortgage loans	1082.4	1239.8	1297.7	1350.0	1756.7	1762.7	1797.7	1823.5	1842.6	1856.9	1887.0	1919.2	1947.6	1978.0	1999.2	2045.1	2065.7	2108.7	2131.6	2159.1	2182.5	2239.6	2274.4	2302.6	2348.4	2383.0	2413.7	1676.8
(ii) Other loans and advances	345.2	234.5	234.6	231.2	18.1	18.0	18.2	18.4	18.4	18.9	4.4	4.6	4.5	4.4	19.2	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
b. Instalment credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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
d. Bills discounted or purchased	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
e. Other claims	-8.3	-8.4	1.1	1.0	1.3	1.5	1.1	1.1	1.2	1.1	1.1	1.0	1.0	1.1	1.2	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
2. Business	**43.2**	**43.4**	**41.8**	**41.4**	**39.2**	**25.7**	**25.7**	**25.8**	**25.8**	**25.8**	**25.9**	**25.9**	**26.0**	**25.9**	**26.0**	**26.1**	**26.1**	**26.1**	**26.2**	**26.3**	**26.3**	**26.3**	**26.4**	**26.5**	**26.6**	**26.4**	**26.4**	**26.6**
a. Loans and advances	37.1	37.5	36.2	35.7	33.2	19.6	19.6	19.6	19.6	19.6	19.6	19.6	19.6	19.5	19.5	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
(i) Mortgage loans	0.0	0.0	0.0	0.0	33.2	19.6	19.6	19.6	19.6	19.6	19.6	19.6	19.6	19.5	19.5	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
(ii) Other loans and advances	37.1	37.5	36.2	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
b. Instalment credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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
d. Bills discounted or purchased	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
e. Other claims	6.0	5.9	5.7	5.7	6.1	6.1	6.2	6.2	6.2	6.3	6.3	6.4	6.4	6.4	6.5	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
3. (1+2) Total Claims on Private Sector																												
a. Loans and advances	1464.8	1511.8	1568.5	1616.8	1808.0	1800.3	1835.5	1861.5	1880.6	1895.4	1910.9	1943.4	1971.6	2001.8	2037.8	2084.1	2104.6	2147.8	2171.0	2198.9	2222.5	2279.4	2314.3	2342.4	2388.1	2422.8	2453.5	1716.5
(i) Mortgage loans	1082.4	1239.8	1297.7	1350.0	1789.9	1782.3	1817.3	1843.0	1862.2	1876.5	1906.5	1938.8	1967.2	1997.4	2018.6	2064.6	2085.2	2128.2	2151.1	2178.6	2259.0	2259.0	2293.9	2322.1	2367.9	2402.4	2433.1	1696.2
(ii) Other loans and advances	382.3	272.0	270.8	266.9	18.1	18.0	18.2	18.4	18.4	18.9	4.4	4.6	4.5	4.4	19.2	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
b. Instalment credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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
d. Bills discounted or purchased	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
e. Other claims	-2.2	-2.4	6.8	6.8	7.3	7.6	7.3	7.3	7.4	7.4	7.4	7.3	7.4	7.6	7.6	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
TOTAL	**1462.5**	**1509.3**	**1575.2**	**1623.6**	**1815.3**	**1807.9**	**1842.7**	**1868.8**	**1888.1**	**1902.8**	**1918.3**	**1950.7**	**1979.0**	**2009.4**	**2045.4**	**2091.8**	**2112.2**	**2155.5**	**2179.0**	**2207.0**	**2230.5**	**2287.5**	**2322.4**	**2350.5**	**2396.3**	**2430.9**	**2461.6**	**1724.8**

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
1996	20.70	17.75	16.52	17.67	16.19	16.08	12.91	19.92
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 Jan	23.35	18.25	17.08	18.98	15.89	17.29	13.72	21.57
Feb	22.50	17.00	15.93	18.82	14.88	16.55	13.13	21.11
Mar	21.35	16.00	14.80	17.89	14.54	15.35	12.60	19.61
Apr	20.75	15.25	13.69	16.64	14.58	14.32	11.95	20.58
May	20.35	15.00	13.11	16.33	15.14	13.74	11.60	18.77
Jun	20.15	14.50	13.35	15.98	14.93	13.58	11.26	18.65
Jul	19.05	13.25	12.50	15.10	14.97	12.50	10.32	17.56
Aug	17.70	13.00	12.04	14.13	15.28	11.68	9.65	16.42
Sep	17.70	12.00	12.05	14.01	15.35	11.49	9.38	16.92
Oct	16.90	11.75	11.58	13.39	15.00	10.52	8.98	16.72
Nov	16.70	11.50	11.58	13.29	14.30	10.45	8.70	16.40
Dec	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

(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
1996			**1 668.3**	**152.0**	**1 820.3**	**97.3**	**75.0**	**782.2**	**2 774.8**	**992.1**
1997			**2 785.9**	**483.6**	**3 269.5**	**319.9**	**111.0**	**1 329.0**	**5 029.3**	**1 678.2**
1998			**3 370.5**	**411.0**	**3 781.5**	**244.8**	**181.0**	**1 966.7**	**6 174.0**	**1 888.3**
1999			**3 830.8**	**195.0**	**4 025.8**	**172.1**	**261.5**	**2 510.8**	**6 970.2**	**2 446.0**
2000			**4 125.7**	**52.8**	**4 178.5**	**1 036.4**	**330.4**	**1 476.1**	**7 022.1**	**2 140.0**
2001	Jan	04/01	30.7	7.0	38.0	140.5	0.0	1.8	180.0	2 300.0
	Jan*	07/01	75.0	0.0	75.0	5.0	0.0	0.0	80.0	2 380.0
	Jan	04/01	114.5	0.0	114.5	5.4	0.0	0.2	120.0	2 500.0
	Feb	05/01	67.0	0.0	67.0	217.4	0.0	0.7	285.1	2 105.0
	Feb*	08/01	65.0	9.0	74.1	46.0	0.0	0.0	120.0	2 225.1
	Feb	05/01	155.0	0.0	155.0	54.0	0.0	31.3	240.0	2 465.1
	Mar	05/01	144.0	0.0	144.0	55.0	0.0	31.2	230.0	2 115.1
	Mar*	07/01	150.4	0.0	150.4	6.9	0.0	2.7	160.0	2 275.1
	Mar	06/01	46.0	0.0	46.0	30.7	0.0	44.0	120.0	2 395.1
	Mar**	03/02	40.3	21.0	61.3	39.0	0.0	0.2	100.0	2 495.1
	Apr	07/01	46.7	0.0	47.0	121.8	0.0	1.5	170.0	2 185.1
	Apr	07/01	77.1	0.0	77.1	73.1	0.0	0.1	150.0	2 335.1
	Apr*	10/00	121.1	50.0	171.1	8.9	0.0	0.0	180.0	2 515.1
	May*	07/00	120.9	50.0	170.9	8.9	0.0	0.2	180.0	2 020.0
	May	08/00	149.0	0.0	149.0	79.1	0.0	2.0	230.0	2 250.0
	May	11/00	120.0	0.0	120.0	169.5	0.0	0.5	290.0	2 540.0
	Jun	08/00	160.0	0.0	160.0	46.4	0.0	29.0	235.0	2 200.0
	Jun	09/00	56.0	5.0	61.0	38.3	0.0	20.7	120.0	2 315.0
	Jun*	06/01	130.0	0.0	130.0	29.4	0.0	0.0	159.4	2 474.2
	Jun**	10/00	78.7	0.0	78.7	31.2	40.0	0.1	150.0	2 624.2
	Jul	01/01	34.3	0.0	34.3	31.2	0.0	84.6	150.0	2 374.2
	Jul*	10/00	112.0	0.0	112.0	38.0	0.0	0.0	150.0	2 524.2
	Jul	11/00	114.0	8.0	122.0	38.0	0.0	4.7	164.6	2 688.8
	Aug	02/01	100.0	0.0	100.0	116.9	116.9	3.1	220.0	2 034.0
	Aug*	11/00	80.0	10.0	90.0	19.8	0.0	0.0	109.8	2 144.0
	Aug	12/00	50.0	0.0	50.0	170.6	0.0	28.6	249.2	2 393.1
	Aug*	03/01	121.3	0.0	121.3	58.7	0.0	20.0	200.0	2 593.1
	Sep	12/00	37.0	37.0	41.4	42.4	42.4	16.2	100.0	2 313.1
	Sep*	09/01	98.0	0.0	98.0	20.7	0.0	0.4	119.1	2 432.2
	Sep**	01/01	64.9	0.0	64.9	35.1	0.0	0.0	100.0	2 532.2
	Oct	01/01	50.0	0.0	50.0	48.5	0.0	51.5	150.0	2 188.0
	Oct*	04/01	122.6	50.0	172.6	27.4	0.0	0.0	200.0	2 388.0
	Oct	01/02	176.5	0.0	176.4	9.0	0.0	34.2	220.0	2 608.0
	Nov*	05/02	150.0	58.0	208.0	41.7	0.0	0.3	250.0	1 849.0
	Nov	02/02	110.0	0.0	110.0	119.0	0.0	21.0	250.0	2 099.0
	Nov	02/02	60.0	0.0	60.0	196.5	0.0	3.4	260.0	2 359.0
	Nov	02/02	120.0	0.0	120.0	101.0	0.0	28.5	250.0	2 609.0
	Nov*	05/02	158.0	0.0	158.0	35.0	0.0	27.0	220.0	2 829.0
	Dec	03/02	80.5	0.0	81.0	4.0	0.0	15.0	100.0	2 629.0
	Dec**	12/02	110.0	5.0	115.0	55.8	0.0	0.0	170.8	2 800.0

* 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
1998**										
Aug	01/10	12.00	41.3	0.0	41.3	35.2	0.0	0.8	**77.3**	1 766.5
Oct	04/05	12.00	59.6	0.0	59.6	0.0	0.0	0.1	**59.6**	1 803.4
Nov	04/02	12.00	14.6	0.0	14.6	5.0	0.0	0.3	**19.8**	1 823.2
Nov	01/10	12.00	0.0	0.0	0.0	55.0	0.0	0.1	**55.1**	1 878.3
Sub-total			**115.4**	**0.0**	**115.4**	**95.2**	**0.0**	**1.3**	**211.9**	
1999										
Jan	04/02	12.00	25.0	10.0	35.0	0.0	0.0	0.9	**35.9**	1 914.2
May	04/02	12.00	15.0	5.0	20.0	0.0	0.0	0.1	**20.1**	1 904.2
Jun	04/02	12.00	1.5	0.0	1.5	0.0	0.0	1.8	**3.3**	1 907.5
Aug	04/02	12.00	9.0	0.0	9.0	0.0	0.0	0.4	**9.4**	1 916.9
Oct	04/02	12.00	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	1 916.9
Nov	04/02	12.00	5.0	3.2	8.2	21.8	0.0	0.0	**30.0**	1 921.9
Dec	04/02	12.00	5.0	0.0	5.0	5.0	0.0	1.0	**11.0**	1 932.9
Sub-total			**60.5**	**18.2**	**78.7**	**26.8**	**0.0**	**4.2**	**109.7**	
2000										
Feb	04/02	12.00	0.3	0.0	0.3	29.7	0.0	0.0	**30.0**	1 962.9
Mar	04/02	12.00	10.0	0.0	10.0	0.0	0.0	1.0	**11.0**	1 973.9
May	04/05	12.00	0.0	0.0	0.0	40.0	0.0	0.0	**40.0**	2 013.9
Jul	04/02	12.00	120.0	0.0	120.0	0.0	0.0	0.0	**120.0**	2 093.9
Aug	04/02	12.00	15.0	0.0	15.0	0.0	0.0	0.0	**15.0**	2 108.9
Aug	04/05	12.00	15.0	0.0	15.0	0.0	0.0	0.0	**15.0**	2 123.7
Nov	04/02	12.00	15.0	0.0	15.0	0.0	0.0	0.0	**15.0**	2 138.7
Nov	04/05	12.00	15.0	0.0	15.0	0.0	0.0	0.0	**15.0**	2 153.7
Nov	01/10	12.00	15.0	0.0	15.0	0.0	0.0	0.0	**15.0**	2 168.7
Sub total			**205.3**	**0.0**	**205.3**	**69.6**	**0.0**	**1.0**	**276.0**	
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**	

* 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 1996/97	Actual 1997/98	Actual 1998/99	Actual 1999/00	Revised 2000/01	Revised 2001/02
REVENUE AND GRANTS						
Taxes on income and profits	1353.9	1979.1	2031.3	2315.4	2619.3	3142.9
Taxes on property	32.9	36.0	40.3	46.7	62.8	60.0
Domestic taxes on goods and services	1342.0	1490.7	1581.8	1943.6	1954.0	2038.9
Taxes on international trade	1348.7	1560.4	1805.2	2240.7	2877.3	2641.2
Other taxes	36.4	39.8	42.8	51.3	55.0	55.0
Total Tax Revenue	**4113.9**	**5106.0**	**5501.4**	**6597.7**	**7568.4**	**7938.0**
Entrepreneurial and property income	303.5	300.8	378.8	402.7	429.0	623.1
Fines and forfeitures	10.8	13.5	9.4	10.9	12.3	10.0
Administration fees and charges	183.3	171.4	205.1	173.6	205.7	219.4
Return on capital from lending and equity	14.0	43.9	54.3	20.1	20.9	17.5
Total Non-Tax Revenue	**511.6**	**529.6**	**647.6**	**607.3**	**667.9**	**870.0**
Total revenue (own sources)	**4625.5**	**5635.6**	**6149.0**	**7205.0**	**8236.3**	**8808.0**
Grants & loans earmarked for on-lending	50.3	54.0	37.4	44.4	56.9	204.1
TOTAL REVENUE AND GRANTS	**4675.8**	**3689.6**	**6186.4**	**7249.4**	**8293.2**	**9012.1**
EXPENDITURE						
Current Expenditure						
Personnel expenditure	2649.7	2830.5	3162.0	3619.1	3966.5	4528.9
Expedenditure on goods and other services	1151.2	1240.6	1350.4	1583.3	1638.6	1824.6
Interest payments	250.5	350.1	488.7	512.0	512.1	678.3
Subsidies and other current transfers	786.2	841.1	1101.5	1168.8	1469.5	1667.5
Total Current Expenditure	**4837.6**	**5262.3**	**6102.6**	**6883.2**	**7586.7**	**8699.3**
Capital Expenditure						
Capital Expenditure	624.0	779.2	737.1	917.5	921.8	1265.5
Capital Transfers				30.1	20.3	44.3
Total lending and equity participation	105.3	87.5	95.9	121.4	122.1	474.9
Total Capital Expenditure	**729.3**	**866.7**	**833.0**	**1069.0**	**1064.2**	**1784.7**
TOTAL EXPENDITURE	**5566.9**	**6129.0**	**6935.6**	**7952.2**	**8650.9**	**10484.0**
OVERALL DEFICIT (-)/SURPLUS (+)	**-891.1**	**-439.4**	**-749.2**	**-702.8**	**-357.7**	**-1471.9**
TOTAL FINANCING						
Net borrowing	520.6	1065.4	428.5	595.6	596.7	707.0
Decrease (+)/increase (-) in cash balances	370.5	-626.0	320.7	-106.5	-239.0	300.0
TOTAL FINANCING	**891.1**	**439.4**	**749.2**	**702.1**	**357.7**	**1471.9**

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

	1996	1997	1998	1999	2000(p)	2001(p)
1. Merchandise Trade Balance (2-3)	**-390.3**	**-1285.2**	**-1579.8**	**-1137.9**	**-1098.6**	**-1572.2**
2. Exports Fob	**6245.4**	**6281.2**	**6655.7**	**7397.3**	**7906.2**	**8901.4**
Diamonds	2318.3	2494.8	2161.4	3022.2	4245.4	4506.5
Other Mineral Products	1069.3	1163.6	1092.5	1123.1	1287.9	1672.5
Food and Live Animals	1116.2	743.4	1059.3	1202.6	1372.8	1399.9
Manufactured Products	1621.3	1775.8	2232.5	1867.8	794.8	1234.9
Other Commodities	120.3	103.6	110.0	181.6	205.3	87.7
3. Imports Fob - Excluding Duty (b)	**-6635.7**	**-7566.4**	**-8235.5**	**-8535.2**	**-9004.8**	**10473.7**
4. Services (net)	**-1063.0**	**-721.8**	**-872.3**	**-753.4**	**-696.3**	**566.7**
Transportation (net)	-860.7	-830.1	-778.7	-708.8	-752.3	862.9
Travel (net)	878.0	1073.7	1094.3	1208.7	964.9	1140.9
Insurance (net)	-244.3	-330.4	-242.8	-156.2	-127.2	120.4
Other Private Services* (net)	-837.1	-641.3	-691.1	-1080.6	-764.8	703.5
Other Government Services (net)	1.1	6.3	16.0	-16.5	-16.8	20.8
5. Compensation of Employees (net)	**-3.8**	**-31.8**	**-13.0**	**-8.3**	**-9.4**	**5.7**
6. Investment income (net)	**327.3**	**351.1**	**506.0**	**-89.2**	**-347.2**	**9.0**
Income Received	1328.6	994.0	981.6	1094.3	1143.9	1192.1
Direct Investment	-5.5	3.3	-2.8	-4.0	-4.4	-4.4
Portfolio Investment	37.7	17.9	27.8	29.8	22.0	27.2
Other Investment	1296.4	972.8	956.6	1068.5	1126.3	1169.3
Income Paid	-1001.3	-642.9	-475.6	-1183.5	-1491.1	-1183.1
Direct Investment	-828.0	-498.8	-323.2	-1042.3	-1164.8	-846.5
Portfolio Investment	-98.8	-75.8	-72.6	-72.1	-217.2	-242.3
Other Investment	-74.5	-68.3	-79.8	-69.1	-109.1	-94.3
7. Total Goods, Services and Income Balance (2-6)	**-1129.8**	**-1687.7**	**-1959.1**	**-1989.0**	**-2151.0**	**-2136**
8. Transfer in Cash and Kind (net)	**1848.6**	**2081.4**	**2405.7**	**2385.6**	**2958.6**	**2954.2**
Government						
Grants from Foreign Govts, Intl & NGO's	365.5	343.1	444.6	401.0	281.2	263.5
SACU Receipts	1300.5	1560.4	1805.2	2131.9	2718.2	2700.2
Withholding Taxes	57.9	59.9	48.8	35.0	52.5	111.3
Other Transfers Received	54.5	55.9	67.0	70.9	75.0	76.0
Transfer Debits (mainly SACU)	-62.4	-54.7	-57.8	-334.4	-233.2	-261.5
Private						
Grants Received by NGO's	123.3	106.0	86.9	71.3	64.9	54.2
Other Transfers (net)	9.4	10.8	11.0	10.0	54.9	10.4
9. Current Account Balance (7+8)	**718.9**	**393.7**	**446.6**	**396.8**	**807.1**	**818.6**

(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. Estimated imports before adjustment were: 1996 = N$ 6 635.7 million; 1997 = N$7 566.4 million; 1998 = N$8 235.5 million; 1999 = NS 8 535.2 million; 2000 = N$ 9 004.8 million and 2001 = N$ 10 473.7 million.
*Business, administrative, financial and communications services.
(p) Provisional

Table V.2 CAPITAL AND FINANCIAL ACCOUNT (a)
N$ Million

	1996	1997	1998	1999	2000(p)	2001(p)
Net Capital Transfers	**180.8**	**154.2**	**251.7**	**140.0**	**213.4**	**225.2**
Direct Investment Abroad	93.2	-3.0	7.1	11.4	-62.5	9.8
Equity Capital	0.0	0.0	0.0	12.9	-7.5	-0.5
Reinvested Earnings	12.7	1.1	2.8	-1.0	3.0	14.4
Other Capital	80.5	-4.1	4.3	-0.5	-58.0	42.1
Direct Investment in Namibia	553.3	386.0	427.3	679.4	1064.3	853.8
Equity Capital	317.6	357.7	402.0	170.4	607.3	941.2
Reinvested Earnings	340.4	63.0	-108.0	622.3	515.8	274.1
Other Capital	-104.7	-34.7	133.3	-113.3	-58.8	-361.5
Portfolio Investment	134.1	85.7	-55.7	-30.2	-402.3	-993.6
Equity						
Assets	-33.8	-44.4	-96.6	-113.7	-487.3	-1029.4
Liabilities	220.1	132.8	175.0	253.5	284.6	265.4
Debt						
Assets	-1.2	0.1	-10.0	-50.0	-50.0	-62.1
Liabilities	-51.0	-2.8	-124.1	-120.0	-149.6	-167.5
Other Investment - Long Term	-1539.5	-991.6	-614.7	-668.2	-1639.5	-1495.9
General Government	114.3	75.0	88.5	92.6	62.9	181.2
Assets	-5.0	-5.0	-5.0	-5.0	-23.5	-23.7
Drawings on Loans Received	125.8	86.5	100.0	100.0	221.3	258.9
Repayments on Loans Received	-6.5	-6.5	-6.5	-2.4	-134.9	-54.0
Monetary Authorities: Liabilities	73.2	0.0	0.0	0.0	0.0	0.0
Banks: Liabilities	-5.0	0.0	0.0	0.0	0.0	0.0
Other Sectors	-1722.0	-1066.6	-703.2	-702.6	-1702.4	-1677.1
Assets	-1742.3	-1098.2	-1284.1	-1649.1	-2091.0	-2173.9
Liabilities	20.3	31.6	580.9	888.3	388.6	496.8
Other Investment - Short Term	-93.5	221.1	-189.8	-413.3	-173.2	359.6
General Government: Assets	0.0	0.0	0.0	0.0	0.0	0.0
Banks	-414.6	349.4	-169.2	-591.9	-312.9	303.1
Assets	-209.0	-187.3	-11.4	-329.4	-875.5	-281.2
Liabilities	-205.6	536.7	-157.8	-262.5	562.7	584.3
Other Sectors	321.1	-128.3	-20.6	178.7	-139.7	56.5
Assets	-24.0	-16.0	-14.0	123.2	-95.3	-292.8
Liabilities	345.1	-112.3	-6.6	55.5	235.0	349.3
Capital and Financial Account Balance, Excluding Reserves (b)	**-671.6**	**-147.7**	**-174.1**	**-281.9**	**-999.8**	**-1041.1**
Overall Balance	**98.5**	**312.3**	**309.4**	**349.9**	**108.5**	**198.5**
Reserves	-98.5	-312.3	-309.4	-349.9	-108.5	-198.5

(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.
(p) Provisional.

Table V.3 BALANCE OF PAYMENTS ESTIMATES 1998 TO 2001 (p): FOREIGN DEVELOPMENT ASSISTANCE TO NAMIBIA

N$ million

	1998 Assistance provided to:			1999 Assistance provided to:			2000 Assistance provided to:			2001 (p) Assistance provided to:		
	Nam Gov't	Other	Total	Nam Gov't	Other	Total	Nam Gov't	Other	Total	Nam Gov't	Other	Total
1. All Grants - Cash and Kind (1+2)	**688**	**92**	**780**	**535**	**103**	**638**	**559**	**93**	**652**	**385**	**59**	**444**
1.1 Cash Grants	**332**	**63**	**395**	**211**	**53**	**286**	**159**	**48**	**207**	**89**	**14**	**103**
1.1.1 Budget Support to Government (i.e. Channelled Through State Revenue Fund	213	0	213	100	0	100	83	0	83	33	0	33
1.1.1.1 For Capital Projects	173	0	173	65	0	65	56	0	56	8	0	8
1.1.1.2 Recurrent Expenditure	40	0	40	33	0	33	26	0	26	24	0	24
1.1.1.3 Other Purpose (not specified)	0	0	0	2	0	2	1	0	1	1	0	1
1.1.2 Non-budget Support to Government Projects (i.e. financed outside of budget)	108	0	108	122	0	122	72	0	72	54	0	54
1.1.2.1 For Capital Expenditure	48	0	48	55	0	55	19	0	19	17	0	17
1.1.2.2 Recurrent Expenditure	6	0	6	25	0	25	16	0	16	32	0	32
1.1.2.3 Other Purpose (not specified)	53	0	53	42	0	42	37	0	37	5	0	5
1.1.3 Grants to Namibian Non-Government Organisations	11	63	74	11	53	64	4	48	52	2	14	16
1.2 In Kind Grants	**356**	**29**	**385**	**324**	**50**	**406**	**400**	**45**	**445**	**296**	**45**	**341**
1.2.1 Goods												
1.2.1.1 Capital Goods	23	5	28	11	4	31	13	3	16	13	4	17
1.2.1.2 Other Goods	4	3	7	13	5	18	19	3	22	10	3	13
1.2.2 Services (including technical assistance)	313	20	333	275	38	329	337	31	368	261	30	291
1.2.3 Educational Scholarships	16	1	17	25	3	28	31	8	39	12	8	20
1.3 Loans	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(p) Provisional

Table V.4 EXPORTS BY VALUE
(N$ Million)

Period	Diamonds	Gold	Zinc	Other Minerals	Meat	Fish
1996	2253.3	118.7	72.9	796.9	875.5	1532.4
1997	2474.8	123.5	115.7	839.3	553.9	1594.8
1998	2110.4	101.9	113.3	780.4	807.4	2031.0
1999	2809.3	119.7	133.0	870.4	963.7	2438.0
2000	3936.6	160.2	116.9	1010.3	1068.9	940.4
2001	4040.3	207.7	134.6	1317.1	624.3	929.6

Table V.5 FOREIGN EXCHANGE RATES

Period	US Dollar	British Pound	German Mark	Japanese Yen	Swiss Franc	Spanish Peseta	EU ECU
1996	0.2343	0.1504	0.3520	25.4332	0.2889	29.6288	0.1871
1997	0.2173	0.1327	0.3765	26.2794	0.3153	31.7830	0.1922
1998	0.1823	0.1101	0.3214	23.7756	0.2646	27.2892	0.1629
1999	0.1637	0.1011	0.3001	18.6130	0.2456	25.4789	0.1535
2000	0.1465	0.0955	0.3062	15.6147	0.2488	26.0297	0.1564
2001	0.1177	0.0820	0.2545	14.2759	0.1987	21.8594	0.1313

Source: SARB

10. 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

11. 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 ☐
- Financial Services ☐
- Profession/Business/Consultancy ☐
- Academics/Research Institute/Teaching Institution/ Library ☐
- Audio and/or visual Media/Journalism ☐
- Other: Please specify ☐

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

- Box Article ☐
- Economic Development ☐
- Supplements to the Report ☐
- Statistical Appendix ☐

(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.