BANK OF NAMIBIA

ANNUAL REPORT

1990

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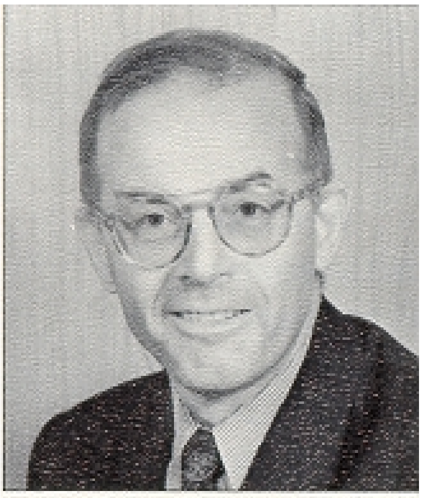
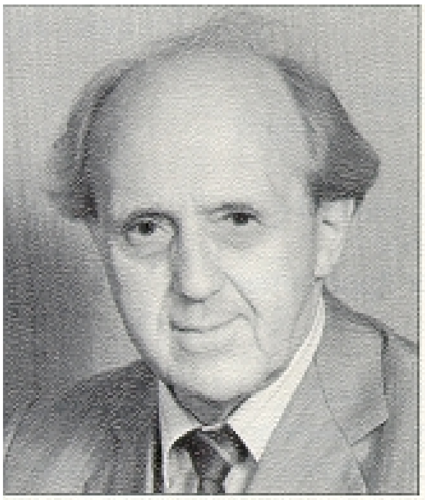
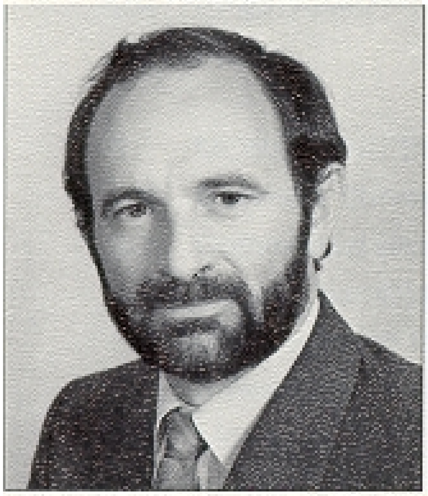


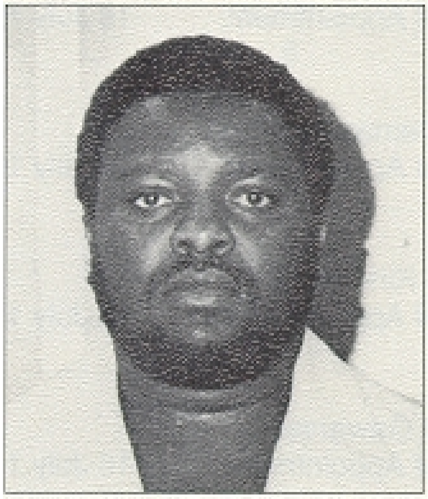
Dr W L Benard
Governor



Mr E Karlsson
Deputy - Governor



Mr P W Hartmann



Mr P Damaseb

Miss B Gawanas

Mr E Lule
Secretary to the Board

Mr J S Kirkpatrick

BOARD OF DIRECTORS

Directors

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Governor
Date of Appointment 16 July 1990

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Registered Office
10 Göring Street
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PART A

STATE OF THE ECONOMY IN 1990

1. OVERVIEW

1.1 International Background

During 1990 a slowdown in economic growth was experienced in the world economy for the second consecutive year reflecting a slackening of economic activity in the industrial countries. Towards the end of the year the increase in the price of oil triggered by the Gulf crisis further weakened growth prospects. In the Soviet Union and Eastern Europe major political and economic changes were followed by significant declines in economic activity.

Economic developments, however, were fairly diverse among the industrial countries. Notably, the United States and Great Britain were in recession at the end of the year. Integration in Germany had a positive effect on economic growth in that country and, in Japan, fast growth continued.

These trends in the industrial countries led to diverging stances of economic policies. Monetary policy in the United States was gradually eased while in Germany the costs of integration widened the budget deficit and called for increased interest rates. Reflecting these interest rate movements the dollar weakened toward the end of the year.

Developments in the South African economy - which are overwhelmingly important for Namibia because of the close economic linkages between the two countries - were unfavourable in 1990. Economic activity was sluggish for the second year in succession. Real Gross Domestic Product (GDP) decreased by about 1 per cent in 1990. Inflation having peaked at almost 16 per cent in the middle of 1989 slowed down moderately during the subsequent 12-month period reflecting the tight monetary policy stance adopted. However, this trend was interrupted primarily by the impact of oil price increases in October-November 19 90.

1.2 The Namibian Economy

Reflecting this international background coupled with some negative domestic factors especially in the mining sector together with hesitant investment behaviour, the Namibian economy did not perform satisfactorily in 1990. According to preliminary data, real growth was sluggish as evidenced by negative trends experienced in many key sectors, notably in the primary sector and building industry. These developments would have resulted to a slightly negative real GDP growth but for one offsetting nonrecurring factor. The strong increase in fishing, which since independence comprises the total recorded catches in Namibia's Exclusive Economic Zone, helped to push the real GDP growth in 1990 to nearly 3 per cent. The inflation rate, as measured by the rise of consumer prices in Windhoek, declined considerably during the year. The twelve-month rise of the consumer price index stood at 10 per cent in December.

Despite the unsatisfactory economic performance in 1990 total estimated budgetary revenue for the fiscal year 1990/91 somewhat exceeded that originally envisaged in the budget. As actual expenditure was in line with the budgeted expenditure, the budget deficit was practically zero.

The budget proposal for the fiscal year 1991/92 envisages an increase of 21 per cent in total revenue over the estimated revenue of the previous year. Total expected expenditure growth is 43 per cent. The resulting budget deficit, with grants regarded as income, of 7 per cent of GDP is propose to be financed by a rundown of cash balances and by raising loans.

It is pertinent to point out at this stage that the statistical data on which this report is based is currently rather weak. While progress has been made toward collecting and compiling monetary and balance of payments statistics in Namibia, much remains to be done in the area of improving existing systems for the collection of reliable and timely statistics relating to the various sectors of the economy.

2. REAL SECTOR AND PRICE DEVELOPMENTS

Although the reporting year is 1990, it is useful to review first, as a background, sectoral developments during the past decade.

2.1 Structural Features

Like most non-oil producing developing countries, the Namibian economy is characterized by a preponderance of the primary sector, which consists of agriculture, fishing and mining. However, the share of the primary sector of the country's total production (Gross Domestic Product, GDP) has been declining during the last decade. The secondary sector, which includes manufacturing, electricity and water, and construction, is small but has developed almost in line with GDP. The tertiary sector, which comprises of trade, transport, finance and government services, has grown considerably. Its share of GDP increased from 36 per cent in 1980 to 47 per cent in 1990.

The impetus for faster growth in the tertiary sector came mainly as a result of major increases in government spending and also for a small part from the other components of the sector, especially the wholesale and retail industry sub sector. The value added by the government sector rose considerably, increasing its GDP share to 18 percent in 1990 from 10 percent in 1980.

TABLE 2.1 SHARES OF PRINCIPAL SECTORS OF REAL GDP, IN PER CENT

	1980	1982	1984	1986	1988	1989	1990
Primary sector	55	47	44	44	44	43	42
Secondary sector	9	10	10	9	10	10	11
Tertiary sector	36	43	46	47	46	47	47

Source: Economic Review 1991, Ministry of Finance

During the 1980s, the primary sector went through difficult phases. On the positive note, the R6ssing Uranium mine, which opened in 1976, started producing at capacity in the early 1980s. Notwithstanding the declining ore grades and hence increasing cost of production at the oldest mines, uranium became the single most important contributor to total mining production. Prior to the opening of the uranium mine, the mining industry was dominated by diamond production, in terms of value added.

2.2 National Output

The combined effects of depressed mineral prices and the drought at the beginning of the decade resulted in the reduction in the general economic activity as witnessed by the negative real GDP growth rates recorded in the next five years.

TABLE 2.2
REAL GDP AT CONSTANT 1980 PRICES

Year	Real GDP Rand Million	Growth rate p.a. Percent
1980	1 444	13.4
1981	1 436	-0.5
1982	1 409	-1.9
1983	1 397	-0.9
1984	1 376	-1.5
1985	1 383	0.5
1986	1 425	3.0
1987	1 473	3.4
1988	1 502	1.9
1989	1 492	-0.6
1990*	1 534	2.7

** Preliminary*
Source: Economic Review 1991, Ministry of Finance

GDP grew in the decade by an average of about 2 per cent per annum, a rate that was somewhat lower than the rate of population growth estimated at about 3 per cent per annum during the period under review. Accordingly, real per capita income declined considerably. In 1980 the economy experienced an exceptionally high growth rate of 13 per cent, which was followed by a negative growth rate over the next four years. Due to the strengthening in mineral prices and largely to the weakened rand against the dollar (in which mineral earnings are denominated), the economy recovered significantly in 1986, registering a positive growth rate of over 3 per cent. During the following three years economic growth averaged 1.6 per cent.

The Namibian economy experienced modest growth during 1990, estimated at 2.7 per cent, despite the fact that almost all indicators of economic activity showed major declines throughout the year. The impetus for growth came largely from the fisheries sub sector, which recorded a spectacular growth rate of over 300 per cent, because since independence all recorded fish catches in the Namibia's 200nautical mile Exclusive Economic Zone have been incorporated in the country's national accounts. Also the inclusion of fish processing in Walvis Bay in the accounts boosted the sectoral share of the secondary sector in GDP to 11 per cent.

Other sectors, which experienced relatively high growth, were the electricity and water, manufacturing, transport and communication, general government and subsistence agriculture. Meanwhile, the mining sector was badly hit, declining by 10 per cent with the diamond sub sector decreasing by 18 per cent.

Although it is expected that economic growth will remain slow in the early 1990s, the growth prospects later on are encouraging as witnessed by the economic policies adopted. According to the Government's development strategy, which stresses reviving economic growth, redressing social inequities and redirecting public expenditure, the authorities have committed themselves to a pragmatic approach. This entails social reconciliation and the building of an economy with a central role for the private sector. Towards this end investors have been encouraged by adopting an Investment Code providing safeguards for private investors and organising a Private Sector Investment Conference.

2.3 Sectoral Developments

2.3.1 Agriculture

The agricultural sector in Namibia, like in most developing countries, is the most dominant sector of the economy in terms of employment. The majority of the Namibian population - about 70 per cent - live in the rural areas and they derive their livelihood directly or indirectly from agriculture. The agricultural sector's contribution to total output has fluctuated during the decade under review from a high of 12 per cent in 1981 to a low of 8 per cent in 1984, owing to the devastating three-year drought which commenced in 1981.

The huge difference between the sector's contributions to employment as opposed to contribution to total output reflects the dual character of agricultural production in Namibia, which is divided into commercial agriculture employing modern methods of production and subsistence or traditional agriculture. Subsistence agricultural activities engage a large section of the labour force that is not accommodated in the modern sector and it involves about 95 per cent of the farming households, each holding an average farm size of about 3 hectares. A major aim of agricultural policy shift will therefore be to achieve a marked improvement in the productivity of communal farms in the subsistence agricultural sector.

In 1988, a total of 36 000 people were employed in commercial agriculture. Although it accounts for the major share of total agricultural production and exports, it involves only about 5 per cent of the farmers, with an average holding of more than 5 000 hectares. Its value added in 1990 was R135 million in contrast to the subsistence agriculture's share of R22 million.

The structure of commercial agricultural production in Namibia is dominated by livestock production, with crop production and other agricultural activities such as poultry, piggery and small scale fishing being largely undeveloped. It should be noted, however, that livestock production by nature is capital intensive, and hence it cannot be solely relied upon to create more job opportunities in the sector. In this regard any strategy to improve the overall contribution of the agricultural sector must necessarily focus on the expansion and diversification of crop production as well as other agricultural activities that will ensure food security for the majority of the farmers.

During 1990 total production in commercial agriculture fell by 3 per cent, after having risen substantially in the previous year. The decline came as a result of reduced cattle exports to the South African market. Due to the drought, the South African farmers sold more cattle; hence the Namibian quota to that market was severely reduced. On a positive note, the subsistence agriculture experienced a slight improvement after many years of stagnation. Total output increased by 3 per cent in response to the fairly good rainfall season and also due to the prevailing peace in the country, especially in the northern region where farming activities were previously seriously affected by the war.

2.3.2 Fishing

Prior to independence the fishing industry played a rather insignificant role in the economic activity in Namibia, with its value added constituting only 2 per cent of GDP in 1989. However, with the restoration of Namibia's Exclusive Economic Zone, the fishing industry's share in total output increased considerably. In 1990 value added by the fishing industry, including fish processing, was R103 million compared with R32 million a year ago.

Total fish catches more than doubled in 1990 to about 400 000 tonnes. Total fish catches are estimated to increase considerably in the 1990s to over a billion tons by the year 2000. In addition, the tax concessions and other incentives granted to this sector by the Government will encourage processing activities to locate in the country and to create job opportunities for the population. Among the steps taken by the Government to increase the recovery of fish catches are granting of fishing rights, the allocation of quotas, and registration of boats. Surveillance of the exclusive zone has been affected.

2.3.3 Mining

The dominance of the mining sector in the Namibian economy renders the whole economy vulnerable to the volatile external forces that cause short-term variations in the GDP. The value added by the mining sector reached a peak of over R600 million in 1980 but continued to decline gradually throughout the decade. In 1989, the mining sector's value added was less than R500 million, representing 32 per cent of GDP. A recession in the industrialised countries during the early part of the decade meant that the demand for and prices for both precious and base metals were significantly reduced.

The combined effects of political events (the Gulf war, and the opening up of the Eastern Bloc sources to the West created supply shocks in some of the commodities) and the on-set of a recession in some of the industrialised countries in the latter part of 1990 served to push down the prices of most base metals and minerals. This resulted in reduced mineral export earnings, which were further exacerbated by the weakening of the US dollar against the rand, in particular.

2.3.3.1 Diamonds

During 1990 the diamond mining industry showed signs of further deterioration. Production of diamonds totalled 760 000 carats in 1990, representing a decrease of 18 per cent over the 1989 figure. The decrease was largely a result of lower grades in the main mining areas and start-up problems at the new Auchas mine. Production in 1991 is expected to increase significantly with the coming on stream of the Elizabeth Bay mine in June and also due to the intensification of production at the offshore sites.

2.3.3.2 Uranium

In 1990 uranium production was about 20 per cent below capacity. Uranium prices were depressed in 1990, due largely to the opening of trade between the Eastern Bloc and the West. In June the spot price was US$11.6 per pound and this dropped substantially to US$8.35 per pound by October. Although the continued oversupply situation inhibited R6ssing Uranium, the company was able to obtain a long-term contract to supply the French electricity industry with 5 200 short tons of uranium oxide. Deliveries will commence in 1995 and will continue in the next century.

2.3.3.3 Other minerals

With the exception of gold, almost all other base metals recorded reduced output levels. The low world tin price resulted in Uis Tin Mine terminating production in 1990. The price of copper was volatile during 1990 due to low stocks and various supply disruptions around the world. However, the general price trend was downwards reflecting the depressed economic activity in the industrialised countries. Production of blister copper declined from 38 000 metric tons in 1989 to 33 000 metric tons in 1990.

2.3.4 Manufacturing

The manufacturing sector in Namibia is dominated by the food and beverages industry, followed by wood products (carpentry and joinery works, furniture and a few other products) and metal and non-metal products. The textiles, clothing and leather industries, which are labour-intensive, are largely undeveloped and still play an insignificant role in total manufacturing output. The food and beverage industry, of which the meat industry is a major component, provides 52 per cent of the work opportunities for the sector as a whole. Another important feature of the manufacturing sector in Namibia is that a large number of the operations are small and tend to be capital-intensive, with only one enterprise employing more than 500 people. In addition, a large part of the inputs (such as wood, cement, sugar, steel, fruits, and some food products) are imported, which implies that the backward linkages with other sectors are very small.

The manufacturing sector experienced modest growth during the 1980s. The value added by this sector increased at an annual rate of 2 per cent. However, it should be noted that throughout the period under review, the sector's output was depressed until 1989 when production strengthened substantially. The high growth momentum came largely as a result of the substantial increase in the output of the meat processing industry. The inclusion of fish processing in Walvis Bay in the Namibian national accounts boosted the contribution of the manufacturing sector in total output. During 1990 the share of total manufacturing was about 6 per cent of GDP.

2.3.5 Construction

The construction sector's output declined at an annual rate of 4 per cent during the 1980s. The sector experienced major declines in the first part of the decade, before it stabilised towards the end of the period under review. The decline was occasioned mainly by the reduction in construction and building activity done by and for the Government.

Output in the construction sector recovered briefly during 1987 and 1988. However, the expansion was reversed in the next two years with the output failing by 6 per cent in 1989 and 10 per cent in 1990. In 1990 the value of buildings completed fell considerably by 27 per cent, while the value of building plans passed remained virtually unchanged. The completion of-a large number of offices and shopping centres in Windhoek during the latter part of 1990 was a positive development in the construction sector during 1990. However, the lower levels of real fixed investment in the building and construction works will have to rise substantially in order to realize the sector's potential.

2.3.6 Tourism

The tourism industry in Namibia is still in its infancy. However, it has some potential in view of foreign exchange earnings and employment creation. At present, the number of people directly employed in this sector is estimated at over 6 000. With the end of hostilities in Namibia, the tourism industry is expected to expand rapidly.

2.4 Employment

Although annual employment statistics are not available, it is evident that there is a slowdown in the rate of employment creation in the economy. According to the International Labour Organisation (ILO), the total labour force in Namibia was estimated at 550 000 in 1990. The ILO also estimated that 43 per cent of the labour force was employed in the formal sector, while the rest were engaged in subsistence agriculture and informal sector activities or were openly unemployed.

A sectoral analysis reveals that the largest employer is the Government (20.6%), followed by agriculture (1 9.5%) and community and other services (1 9.3%). Although mining is the single largest contributor to GDP and exports, it employs only 5 per cent of the labour force. Meanwhile the contribution of the manufacturing sector to employment generation (9 500 people in 1988) is very small. Total public sector employment was 55 000 in 1988 of which the representative authorities, central government and others accounted for 44,40 and 16 per cent respectively.

Against this background, it is evident that Namibia faces an uphill battle to reduce the backlog of unemployment, currently estimated at about 30 per cent. The labour force is estimated to be growing at 3 per cent per annum, which translates into 15 000 or so new jobs that need to be created annually, in addition to reducing the huge backlog that already exists. The negative growth of the economy during the early half of the decade and the stagnation in the second half are the underlying causes of the high unemployment. In addition, the levels of unemployment have been exacerbated by the demobilisation of SWATF, Koevoet and PLAN soldiers and the repatriation of about 45 000 exiles to Namibia.

TABLE 2.3 INFLATION IN NAMIBIA (annual percentage change)

Year	All Items	Food only	GDP deflator
1980	12.5	12.5	15.1
1981	14.8	26.6	4.9
1982	15.5	17.0	13.6
1983	12.0	14.0	9.8
1984	9.1	10.7	12.0
1985	11.9	6.0	28.5
1986	13.4	14.7	11.6
1987	12.6	17.4	3.5
1988	12.9	13.5	19.1
1989	15.1	17.7	14.3
1990	12.0	17.3	7.2

Source: *Economic Review 1991, Ministry of Finance*

While no wage statistics are available in Namibia, the wage levels in the modern sector are estimated to be higher than in other countries in the region at the same level of per capita income. The salary structure was partly inherited, especially for managerial and professional staff. The limited potential for rapid employment generation in the already large government service, in the capital-intensive commercial agriculture and mining sectors as well as tourism industry, implies that employment growth in other sectors will have to be expanded. Thus, in addition to agriculture export-led manufacturing activities must be given high priority. Given the present level of skills of the Namibian work force, relatively competitive wages should serve as an incentive for investments in Namibia.

2.5 Prices

Consumer price inflation in Namibia is measured only by the consumer price index for Windhoek. During the latter part of the 1980s inflation stood at 12-13 per cent until 1989 when it accelerated to 15 per cent. In 1990 the average rate of inflation decelerated to 12 per cent. In December 1990 the twelve-month increase in consumer prices was 10 per cent. Food price inflation has been more volatile. Especially lately increases in food prices have been higher than consumer prices increases. Thus, in 1989 food prices rose by nearly 18 per cent and this high inflation continued during 1990.

The GDP deflator provides a wider measure of price changes in the economy as a whole than that provided by the consumer price index which only records price changes of goods consumed by households in Windhoek. It should be noted that the consumer price index measures price changes for the locally produced goods as well as imports mainly from South Africa. As imports weigh heavily in consumption, the rate of consumer price inflation in Namibia is closely linked to the rate of inflation in South Africa. The movements in the exchange rates as well as the world prices of minerals largely influence the GDP deflator. Hence the wide gaps between the two indexes.

Namibia's inflation, as measured by changes in the GDP deflator, fluctuated widely during the decade, ranging from a peak of 28 per cent in 1985 to a low of 4 per cent in 1987. The peak in the GDP deflator reflected huge increases in mineral export earnings as a result of a steep decline of the rand against the US dollar in 1985. In 1990 the increase in the GDP deflator fell considerably to 7 per cent from 14 per cent recorded in the previous year. The deceleration in the GDP deflator reflected the tough market conditions in the agricultural sector and the decline in mineral output prices during 1989 after the exceptionally high prices recorded in 1988.

TABLE 3.1 MONETARY SURVEY (end period in R million)

	1989 (deposit money banks only)	1990
ASSETS:		
Net foreign assets		329.0
Domestic credit		1
Claims on government		206.6
(net)	255.0	-215.2
Claims on the private	1 259.8	1
sector	-57.8	368.0
Other claims	1 246.8	53.8
Deposit money banks' cash	70.8	
TOTAL ASSETS	44.9	50.2
	1 559.7	1
LIABILITIES:		585.8
Money		
Quasi-money	759.6	
Other items (net)	738.1	599.4
TOTAL LIABILITIES	62.0	850.1
	1 559.7	
		136.3
		1
		585.8

Source: *Bank of Namibia*

3. MONEY AND BANKING

The statistics currently reported by the banks in Namibia do not make a distinction between Namibia and South Africa with respect to their assets and liabilities. As a result there are no appropriate time series covering banking statistics for Namibia. After its establishment the Bank of Namibia took measures to design new financial returns in order to collect banking statistics for Namibia according to internationally accepted criteria. These returns are expected to be introduced by mid-1991.

In the meantime banking statistics have been compiled for Namibia for December 1989 and December 1990 based on the available financial returns from the banks and additional information obtained from them on an ad hoc basis.

3.1 Monetary Survey

A monetary survey consolidates the assets and liabilities of the so-called deposit money banks and the central bank; in Namibia the monetary survey covers the five commercial banks and the Bank of Namibia. It summarises the financial relationship between the banking system and the rest of the economy. Thus, the survey makes possible the study of movements of money and the banking system's other liabilities and assets in the economy. The monetary survey is also customarily utilised to assess broad trends in economic activity and the underlying soundness of the financial system.

TABLE 3.2 DEPOSIT MONEY BANKS (end period in R million)

	1989	*1990*
ASSETS:		
Currency holdings and deposits with the central bank	61.4	81.2
Foreign assets	413.8	348.4
Claims on government	60.0	40.0
Claims on private sector	1 246.8	1 368.0
Other assets	54.3	53.8
TOTAL ASSETS	1 836.3	1 891.4
LIABILITIES:		
Demand deposits	759.6	599.4
Time and savings deposits	738.1	850.1
Foreign liabilities	154.8	207.7
Government deposits	117.8	96.0
Other liabilities	66.0	138.2
TOTAL LIABILITIES	1 559.7	1 891.4

Source: Bank of Namibia

In the monetary survey there is no entry representing the liability of the central bank for currency in circulation, as Namibia does not yet have its own currency. The deposit money banks' cash (rand currency) is, therefore, entered separately as an asset and the corresponding liabilities of the banks are a part of the liabilities as shown in the monetary survey. The rand currency in circulation in Namibia is estimated to be approximately R300 million at the end of 1990.

Of the total assets of the monetary survey in Table 3.1 the proportion of net foreign assets (foreign assets less liabilities) was slightly more than one fifth at the end of 1990. This proportion represents an underestimate, as it does not reflect the foreign assets, which the central bank would have held as a counterpart to its liabilities for currency in circulation. Considering the bulk of the assets in the survey, namely domestic credit, it is noteworthy that the central government had net claims of R215 million on the banking system comprising the central bank and the deposit money banks reflecting its favourable cash position as at the end of 1990. The Central Government was a significant net contributor of funds to the banking system as its borrowings were considerably less than its deposits. Domestic credit extended by banks was, therefore, essentially made up of claims of the deposit money banks on the private sector. Other asset items together amounted to only R54 million as at the end of 1990.

The liabilities of the monetary survey essentially represent the money supply of the economy showing how the means of payment in the economy are provided by the banking system. As mentioned above, because currency outside banks is not recorded, money, as shown in the monetary survey, consists only of demand deposits, which were roughly one third of the total liabilities. Quasi-money, comprising time, savings and foreign currency deposits, was a somewhat larger part of the so-called broad money concept, which includes money and quasi-money.

After the establishment of the Bank of Namibia the Government started to deposit some of its cash balances at the Bank, which is captured in the monetary survey for December 1990. The total assets/liabilities of the monetary survey increased only marginally during 1990. Reflecting the sluggish economic conditions and uncertainties the broad money supply decreased by R50 million, i.e. by 3 per cent. Net foreign assets and claims on the private sector together increased by an amount roughly offsetting the rise in government deposits in the banking system.

3.2 Commercial Banks

At the end of 1990 the banking sector in Namibia consisted of five commercial banks all of which were incorporated in Namibia. All of these were substantially foreign-owned. Of the total assets of the deposit money banks the majority, i.e. nearly three quarters, amounting to Rl 368 million were claims on the private sector while credit to the central government was of the order of R40 million. The rest of the assets were essentially made up of foreign assets and reserves. It is noteworthy that some R350 million was invested abroad, mainly in South African markets. This was partially attributable to the sluggishness of domestic loan demand and a lack of domestic money and capital market instruments and related infrastructure.

Of the total liabilities three quarters were deposits. Moreover, the majority of the deposits were of extremely short maturities, which is a common characteristic with South Africa. Foreign liabilities amounted to R212 million and government deposits were nearly R100 million.

Demand deposits dropped substantially during 1990. A contributing factor for the decline was the departure of South, African Defence Force and the UNTAG contingents. However, this decline was partially offset by an increase in time deposits. Partly as a consequence of tapping resources accumulated by the second-tier authorities, government deposits decreased only moderately in spite of the deposits made at the Bank of Namibia.

Loans, advances and other credit to the private sector increased by nearly 10 per cent, i.e. considerably less than the increase in nominal economic activity. On the other hand foreign assets and claims on government decreased.

A disaggregated overview of the deposit money banks' lending to the private sector is presented in Table 3.3. Two features are worth mentioning. Firstly, the bulk of the lending is in the form of loans and advances. Secondly, most of the increase in the total of lending in 1990 was due to a rise in loans and advances.

At the end of 1990 the prime-lending rate of the deposit money banks was 21 per cent. This was comparable to that in South Africa. Overdraft rates ranged between 21 and 32 per cent. The range of instalment loan rates was somewhat narrower while real estate mortgage rates were a bit above or below the prime rate.

3.3 Bank of Namibia

The Bank of Namibia began its financial operations on 1 August 1990. According to Table 3.4 the total size of the balance sheet of the Bank of Namibia more than quadrupled from August to December 1990 and stood at R202.9 million at the end of 1990. Sharp monthly fluctuations in the balance sheet were caused by changes in government deposits at the Bank. The Government started to invest part of its cash balances at the central bank. The banks' deposits at the Bank to meet their cash reserve requirements stayed rather constant during the reporting period reflecting the lack of change in the structure and amount of deposits at the banks. The reserve deposits as well as the government deposits were mainly invested in South Africa, but since September a small part of them has been invested in major foreign currencies.

3.4 Other Banking Institutions

Other banking institutions in Namibia comprise two building societies, the Post Office Savings Bank, the National Building and Investment Corporation and the Land and Agricultural Bank of Namibia.

The two building societies in Namibia increased their mortgage loan business during 1990 by almost 14 per cent to R400 million. This increase was comparable to the inflation rate and reflected the levelling off of the building activity. Funding for the growth of lending was provided primarily by an increase of about a half in deposits while the share capital contracted.

The Post Office Savings Bank, which is a department of the Ministry of Works and Telecommunications, mainly offers tax-exempt savings bank accounts and savings bank certificates. During the financial year 1989/90 the value of the savings accounts increased marginally while that of the savings certificates fell substantially. In consequence, the total stock of these liabilities declined by one third to R21.4 million. The decrease reflected the uncertain political climate at that time with accounts being transferred to South Africa.

TABLE 3.3 DEPOSIT MONEY BANKS' CLAIMS ON THE PRIVATE SECTOR (end period in R million)

	1989	1990
Bills discounted or purchased	9.7	19.8
Loans and advances	919.8	1 013.6
Leasing transactions	55.4	55.7
Instalment credit	261.7	278.7
Investments	0.2	0.2
TOTAL	1 836.3	1 891.4

Source: Bank of Namibia

TABLE 3.4 BANK OF NAMIBIA: ASSETS AND LIABILITIES from August 31 to December 31,1990

	31.08	30.09	31.10	30.11	31.12
			Rand million		
ASSETS					
External:					
Rand Coin	0.2	0.1	0.1	0.1	0.1
Balances with other banks	0.1	0.1	0.1	0.7	0.9
IMF - Reserve tranche					
- SD.Rs					
Investments					
- Rand Currency	26.6	16.5	85.6	86.7	186.2
- Other Currencies	0.0	4.2	4.2	4.2	5.6
Domestic:					
Loans and advances	0.8	0.0	0.0	0.0	0.0
Claims on the Government	9.5	13.4	10.7	0.0	0.0
Fixed assets	6.1	6.5	6.6	6.7	6.9
Other assets	0.5	1.2	0.4	1.5	3.1
TOTAL ASSETS	43.8	42.0	107.6	99.9	202.9
LIABILITIES					
Share Capital	10.0	10.0	10.0	10.0	10.0
General reserve					
Deposits:					
Government	0.1	0.1	63.6	63.4	159.2
Bankers - Current	0.0	0.2	0.0	0.0	0.0
- Reserve	32.9	31.3	33.5	25.2	31.1
Other	0.0	0.1	0.1	0.1	0.1
Allocation of SDRs					
Other Liabilities	0.8	0.4	0.5	1.3	2.5
TOTAL LIABILITIES	43.8	42.0	107.6	99.9	202.9

Source: Bank of Namibia

TABLE 3.5 CONSOLIDATED BALANCE SHEET OF BUILDING SOCIETIES IN NAMIBIA (end period in R million, unaudited)

	1989	1990
ASSETS:		
Mortgage advances	351.9	400.2
Properties in possession	1.6	2.0
Deposits		
With banking institutions	40.0	58.5
Cash at bank and in hand	3.8	8.9
Other assets	9.0	14.7
TOTAL ASSETS	406.3	484.3
LIABILITIES:		
Share capital	152.8	130.4
Deposits	220.4	319.7
Collateral cash deposits	9.2	3.9
Reserves	12.4	16.9
Other liabilities	11.5	13.4
TOTAL LIABILITIES	406.3	484.3

**Includes liquid assets*

Source: Bank of Namibia

The National Building and Investment Corporation, which is a wholly Government owned parastatal agency, is engaged principally in the provision of housing for the low-income population in the country. Funds invested for housing projects and loans rose only marginally during the financial year 1989/90. Funding from domestic market sources has increased considerably during the past years.

The Land and Agricultural Bank of Namibia is a wholly Government-owned institution. The primary objective of the bank is to provide financial assistance to the agricultural sector in the form of loans on moderate terms. In the financial year 1989/90 long-term mortgage loans extended to farmers, which made up three quarters of the total assets, increased by one third to Rl59 million.

Apart from the above mentioned other banking institutions the wholly Government owned First National Development Corporation also promotes economic growth through loan finance. Towards this end the Corporation approved during 1989/90 a total of R9 million in loans.

3.5 Interest rates and exchange rates

As the Rand is legal tender in Namibia and the country is a member of the Common Monetary Area, the general levels of interest rates and exchange rates are determined in the South African markets. After having risen strongly in 1988-89 interest rates in South Africa decreased mildly in 1990 reflecting prevailing expectations of a softer monetary policy stance. However, during 1990 monetary policy remained fairly stringent in order to bring the South African inflation rate down to a level of its principal trading partners. At the end of 1990 the 3-month bankers' acceptances rate was 17.70 per cent. 1,ie trend of declining interest rates continued into the first half of 1991 supported by a cut in the Bank rate in March 1991.

Exchange rate policy in South Africa is based on a basket peg. Thus measured, the external value of the Rand declined slightly during 1990. Regarding individual currencies the Rand strengthened mildly against the US dollar but weakened against the German mark. The financial rand, which is a sensitive indicator of perceptions of foreign investors, stood on average some 30 per cent above the commercial rate but started to firm rapidly after September 1990.

3.6 Monetary Policy Developments

As long as Namibia lacks an own currency the Bank of Namibia cannot perform all the ordinary central bank functions. More specifically, the Bank cannot control the money supply, determine the general interest rate level or act as lender of last resort. Without an own currency in the country the Bank cannot build up significant foreign exchange reserves. Moreover, in these circumstances the central bank lacks its major source of income.

To accomplish the functions of a fully-fledged central bank, which the Constitution also stipulates, preparations have been underway to introduce a national currency. In January 1991 the Government decided to introduce the new currency called the Namibian dollar. It is expected that the currency conversion will start by the end of 1992.

In the meantime only minor monetary policy measures were undertaken during the reporting year. These measures were aimed primarily at providing investment avenues for the Government's surplus funds and modest credit facilities to the Government and the banks in the form of overnight loans at the Bank of Namibia. The maximum limit of the combined facility was set roughly equal to that of the banks' permanent deposits with the Bank of Namibia. The facility was made available in approximately equal amounts to the Government and to the banks.

During the reporting year the preparation for the introduction of Treasury bills of the Government Namibia was commenced. In order to develop a domestic financial market and utilise domestic savings it was deemed important that this instrument would be available as soon as possible.

The abovementioned measures also constitute the initial steps in developing the Namibian financial markets.

4. PUBLIC FINANCE

4.1 Fiscal Year 1989/90

The last pre-independence fiscal year was characterised by substantial total revenue and expenditure increases of more than one third and almost 10 per cent, respectively, over the previous year. Particularly strong revenue increases were recorded in mining taxes, general sales tax and fuel levies. This spectacular increase in taxes on income and property on individuals from R20 million to R272 million was due to a change in the manner of recording these taxes, so that these taxes were no longer recorded under the budget aid item.

While current expenditure increased by 16 per cent capital expenditure contracted by almost one third. The budget surplus (including grants) amounted to R273.7 million. With net repayments of loans of almost R200 million an increase of some R100 million in Government's cash balances was recorded.

4.2 Fiscal Year 1990/91

The budget proposal presented for the fiscal year 1990/91 was the first budget of the independent Republic of Namibia. Thus, it cannot easily be compared with the budgets of the earlier years because of the consolidation of the first and second tier of governments at independence. The total revenue was expected to decrease somewhat mainly because of the demilitarisation of Namibia and the withdrawal of UNTAG as well as expected decline of taxes paid by the mining companies. On the other hand with independence customs and excise contribution was envisaged to be negotiated to increase by nearly Rl00 million, i.e. 21 per cent.

Despite the restructuring of all the Ministries, newly created services and the pressure to meet social and economic needs, total expenditure was proposed to expand modestly. The increase was, however, more substantial in capital expenditure even recognising the relatively low level in the previous year.

The expected budget deficit including grants of R60 million (1.0 per cent of GDP) was relatively small. The deficit and the repayment of loans were planned to be financed mainly by drawing down cash balances. Also, it was planned to withdraw R78 million from the Amortization Fund, which was established to make provision for the repayment of loans.

According to latest available estimates of the outcome for the fiscal year 1990/91 the budget had proceeded essentially as planned. Total revenue exceeded the budgeted revenue by some R100 million. There was a slight shortfall in tax revenues reflecting the somewhat depressing economic conditions. On the contrary this was more than compensated by an increase in non-tax revenue. Total expenditure stood at the budgeted level despite savings of R55 million in the capital budget. As a consequence, there was a small budget surplus recorded even taking into account a shortfall of nearly R60 million in grants. The intended withdrawal of R78 million from the Amortization Fund did not take place.

4. 3 Budget Speech 1991/92

The Budget for the financial year 1991/92 is characterised by a strong increase in capital expenditure, reflecting the Government's policy to develop the Namibian economy as quickly as possible. Current expenditure is also envisaged to rise considerably. The expansionary budget will have a positive effect on economic growth but it will at the same time lift both total expenditure and the deficit to a rather high level.

Total estimated revenue for the 1991/92 financial year amounts to R2 423 million, an increase of R424 million or 21 per cent over the estimated revenue of the previous year. The bulk of the increase, R266 million, is expected to come from customs and excise revenue. There is also a new source of income, namely Compensation for the use of the Rand, yielding an additional R75 million.

Total expected expenditure amounts to R2 976 million, which represents an increase of 43 per cent over the previous year. Current expenditure is envisaged to grow by 32 per cent, which, however, is a slight understatement because R100 million of current expenditure under the reclassification of the budget is included in capital expenditure. Capital expenditure is expected to double from the previous fiscal year.

TABLE 4.1 REVENUE, EXPENDITURE AND FINANCING OF CENTRAL GOVERNMENT OPERATIONS
(in Rand million)

	1988/89	1989/90	1990/91 Budget	1990/91 Outcome	1991/92 Budget
Total revenue	1477.9	2003.5	1886.4	1999.0	2422.7
Tax revenue	842.3	1320.9	1188.2	1102.2	1171.3
Non-tax revenue	635.6	682.6	698.2	896.8	1251.4
Total expenditure	1790.1	1959.7	2106.5	2083.1	2975.8
Current	1524.5	1768.7	1793.9	1829.1	2421.9
Capital	272.8-	193.7	309.3	254.0	553.9
Net lending	-7.2	-2.7	3.3	--	--
Budget deficit (excluding grants)	-312.2	43.8	-220.1	-84.1	-553.1
Grants	317.2	229.9	160.0	102.0	105.0
Budget deficit (-)	5.0	273.7	-60.1	17.9	-448.1
Financing	-5.0	-273.7	60.1	-17.9	448.1
Net borrowing	89.4	-177.2	-285.9	-166.9	170.1
Loans raised	188.9	93.7	--	--	314.2
Loans repaid	99.5	270.9	285.9	166.9	144.1
Amortization Fund			78.0	--	78.0
Cash balances (decrease+)	-94.4	-96.5	268.0	149.0	200.0
Fiscal year GDP*	4.590	5.200	5.750	5.750	6.400
			(in percent of GDP)		
Total revenue	32.2	38.5	32.8	34.9	37.8
Total expenditure	39.0	37.7	36.6	36.2	46.5
Budget deficit (excl. grants)	-6.8	0.8	-3.8	-1.4	-8.6
Budget deficit (incl. grants)	0.0	5.3	-1.0	0.3	-7.0

Source: Ministry of Finance,
**estimates*

The budget deficit, with grants regarded as income, is envisaged to widen to R450 million resulting in a deficit to GDP ratio of 7.0 per cent. The deficit is expected to be financed by a rundown of the remaining R200 million of cash balances, a withdrawal of R78 million from the Amortization Fund and the rest by raising loans. It is expected that the bulk of the loans can be raised from the local money and capital markets by issuing Treasury bills and Government stock.

5. BALANCE OF PAYMENTS

For the time being there are no comprehensive balance of payments statistics available for Namibia. As it will take some years before conventional balance of payments sources such as trade statistics are well established, the Bank needs to undertake large-scale surveys to obtain much of the required data. Two major surveys will be conducted in 1991.

First, an exploratory survey of most businesses and other organisations, covering foreign assets and liabilities, imports and exports, and various other current foreign receipts and payments has been initiated. Second, after this survey has been completed several months later, the first regular annual balance of payments surveys will commence. Initially, much of the effort has been directed towards the development of the infrastructure for future balance of payments surveys, especially creating a register of survey entities, training and computer systems.

Namibia's external accounts have been consolidated within those of South Africa. However, since 1987 the Department of Finance in Windhoek has carried out sample surveys from which certain characteristics of Namibia's foreign transactions in goods and services can be observed. As Namibia's exports are heavily concentrated, with diamonds, uranium and other minerals accounting for almost 80 percent of the total value of merchandise exports, adequate export data can be obtained. Other important exports include beef, karakul pelts, fish products and other agricultural items. Merchandise imports are determined residually from national accounts figures.

Because total exports are mainly determined by the performance of mineral exports, changes in world prices, export demand of minerals and fluctuations in the exchange rate of the rand have a major impact on trade figures. Imports, mainly originating from South Africa, consist predominately of food and beverages, petroleum products and fuel, machinery and equipment and transportation vehicles. Therefore imports are strongly determined by domestic economic activity and as a rule are more stable than exports.

In 1990 exports were affected negatively by decreased demand in the export markets and gradually declining ore grades. The output volumes of diamond and copper as well as exports fell approximately by a fifth while uranium and gold outputs increased. Also the tourism industry contracted noticeably. Likewise imports in 1990 were sluggish reflecting the negative trends in domestic economic activity.

PART B

OPERATIONS AND AFFAIRS OF THE BANK OF NAMIBIA

1. GENERAL

1.1 The establishment of the Bank of Namibia

"There shall be established by Act of Parliament, a Central Bank of the Republic of Namibia which shall serve as the State's principal instrument to control the money supply, the currency and the institutions of finance, and to perform all other functions ordinarily performed by a central bank."

This provision in the Constitution of the Republic of Namibia (Article 128) creates the legal base for the establishment of the Bank of Namibia. Preparatory work for a Central Bank Act commenced prior to independence, and in June 1990 a Bank of Namibia Bill was presented to the National Assembly. After deliberations by the National Assembly, the Act was promulgated in the same month, by a proclamation of the President. The commencement date for the Bank of Namibia Act, 1990 (Act 8 of 1990) was set for 16 July 1990. The Bank was named Bank of Namibia. The Members of the Board of Directors were appointed as from the same date. They held their first Board Meeting on 19 July 1990.

The South African Reserve Bank had maintained a branch in Windhoek since 1961. One of the first tasks for the Board of the Bank of Namibia was to arrange for a take-over of that branch. A Property Agreement, containing the conditions under which the branch building, and other assets could be transferred to the Bank of Namibia, was signed on 31 July 1990. Also a Secondment Agreement was signed that day, containing rules under which the South African Reserve Bank would temporarily assist the Bank of Namibia with its experienced staff.

Both agreements became effective on 1 August 1990 at which date the Bank of Namibia commenced banking operations, managing the Government's and the commercial banks' accounts in its books and managing the clearing function. On that day it also took up the responsibility of serving the Namibian economy with notes and coins, being Rand currency since the Rand was still the legal tender in Namibia.

Soon thereafter the Bank of Namibia could open bank accounts abroad and start building up a foreign exchange reserve. However, since Namibia is lacking its own currency the purchase of foreign exchange was very limited during the reporting period.

1.2 Board of Directors

The Board of Directors consists of six members namely, the Governor who is the Chairman; the Deputy governor; and four other members. His Excellency, the President appoints all the members for periods ranging from three to five years. Collectively, the Board is responsible for the policies and general administration of the Bank; but for practical purposes, it has delegated the day-to-day administration of the Bank to the Governor.

Section 15 (1) of the Bank of Namibia Act 1990 provides that the Board shall meet as often as the business of the Bank may require, but not less frequently than once in each calendar quarter. Commensurate with the volume of business, the Board held fifteen regular meetings in the period from 16 July 1990 to 31 January 1991. Besides it met a few times to deal with specific issues.

1.3 Organisation

The organisation of the Bank is based on a line and staff model that roughly can be divided into three components namely, the Board, the Management and the functional departments.

On top of the hierarchy is the Board which is the policies making organ of the Bank and responsible for its general administration.

Next to the Board is the Management, composed of the Governor who is the Chief Executive, the Deputy Governor, the General Manager, and six heads of departments, some of whom have the title of director. As per the end of January 1991 there were some vacancies for the heads of departments.

The Management meets once a week in a management committee forum presided over by the Governor. The role of the management committee meeting is to assist the Governor to review departmental progress reports and to integrate the various functions, components and skills of the organisation in order to achieve the Bank's objectives. The management committee is not a decision-making medium but is rather an advisory device to the Governor.

Below the Management, there are six functional departments namely, the Administration Department, the Operations Department, the Exchange Control Department, the Computer Department, the Supervision Department and the Research Department. Five of the departments are subdivided into divisions, each headed by a senior officer. A special unit reporting directly to the Governor pursues the internal auditing.

From the departmental director level to the lowest staff grade in the organisation, there are ten (10) levels of established positions, which depict career paths for staff in each department.

	Total	Division in job grades				
		Managerial (incl. Advisors and above)	Officers	Clerical	Secretarial	Support
Previous SARB	49	-	2	16	-	31
Newly recruited	42	1	10	19	6	6
Seconded SARB (to leave in 1991)	7	1	5	1	-	-
Expatriate (recruited by IMF/UNDP/SIDA)	7	7	-	-	-	-
TOTAL	105	9	17	36	6	37

1.4 Staff

There was seventy-two (72) staff, including the branch manager when the Bank acquired the South African Reserve Bank branch in Windhoek on 1 August 1990. Of this total, fifty-three (53) were Namibians and nineteen (19) South Africans.

Under a separate Secondment Agreement negotiated between the Bank of Namibia and the South African Reserve Bank, all staff at Windhoek branch were seconded to the Bank of Namibia as from 1 August 1990. Before the end of August the Bank made an offer of employment to almost the complete seconded staff. Roughly speaking, this offer was accepted by the Namibians while the South Africans preferred to remain in the service of the South Africans Reserve Bank. The latter left the Bank at the expiry of the Secondment Agreement on 31 December 1990 except for a small group that will leave in the course of 1991 after having accomplished the training of their Namibian successors.

In order to recruit staff needed to replace the seconded staff returning to South Africa and additional staff for the six new departments, the Bank went on an aggressive recruitment campaign of national staff at all levels.

As a result in the period of six months to 31 January 1991, the Bank recruited forty-two (42) national staff categorized as follows:

Category	**Number recruited**
Managerial	1
Officers	10
Clerical	19
Secretarial staff	6
Support staff	6
TOTAL	42

A full staff complement at the end of the financial year on 31 January 1991 is shown on table 1.

The highest ranks in the Bank are for the time being filled by expatriates recruited by IMF/UNDP and by the Swedish International Development Authority (SIDA). As these international experts will leave after a few years the Bank regards training, at all levels, as a top priority.

2. DEPARTMENTAL REPORTS

2.1 Operations Department

The Operations Department has three divisions, namely the currency division, dealing with the issuance of notes and coins, the banking division, dealing with the clearing and payment of cheques and the accounting division. These functions were al ' ready performed in the previous Windhoek branch of the South African Reserve Bank.

In accordance with the take-over agreement with this Bank, the Bank of Namibia issues the Rand notes as an intermediary, keeping the notes to be issued in custody for the Reserve Bank. In the case of coins, on the other hand, the Bank of Namibia purchases the coins to be issued from the Reserve Bank. In the period under review the 2 Rand note was replaced by a new 2 Rand coin.

The value of bank notes issued by and returned to the Bank was (Rand millions):

		Issued	**Returned**
August	1990	61,8	66,4
September	1990	51,1	49,7
October	1990	47,5	58,3
November	1990	60,3	50,5
December	1990	52,1	48,0
January	1991	47,2	79,5
		320,0	352,4

The Bank is the principal banker to the Government and the cheques processed are mainly related to the Government account. In addition accounts are maintained for the Post Office.

The number of cheques processed was (thousands):

August	1990	74,0
September	1990	77,2
October	1990	80,8
November	1990	81,3
December	1990	85,5
January	1991	72,1

The number of cheques presented for encashment by civil servants is highly concentrated around the monthly pay date, which is an adverse feature of the payment system.

2.2 Administration Department

The Administration Department was designed to perform the personnel administration and to provide the general administrative and security services to other departments. Staff of other departments initially performed many of the functions. The transfer of these functions to the Administration Department was finalised after the end of the reporting period.

The Administration Department will play a central role in the field of training and development of human resources, which is a top priority of the Bank. As a first step towards this goal, the Bank has hired a consultant to investigate its training needs, which have been documented. Further, the Board has approved recruitment of an expatriate training coordinator who will be responsible for the execution of the Bank's training programmes. Induction courses for newly recruited staff have already begun.

The Bank's training aim is to develop its human resources skills, on the job, in central banking operations, economic research, bank supervision and inspections, management as well as to enable promising staff to acquire professional or postgraduate academic qualifications relevant to central banking environment.

2.3 Research Department

Tasks and Organization

One of the tasks of the Bank of Namibia is to collect data and to analyse monetary and balance of payments developments as a prerequisite to the establishment of monetary control and a proper monetary policy for Namibia. Furthermore, the Bank is the financial advisor to the Government in which capacity it is, among others, bound to submit an annual report on the state of the economy to the Minister of Finance. Within the Bank these functions are performed by the Research Department.

The Department is organized into two divisions: the Economics Division and the Statistics Division. The former deals with financial and economic analysis, central bank policy planning and follow-up matters as well as various assignments designated to the Department. The Statistics Division is responsible for collecting, compiling and reporting Balance of Payments and Monetary Statistics.

Policy Initiatives

The Department has produced reports on basic policy issues. The significance and importance of having an own currency in Namibia has been elaborated in various papers. Both for the purpose of planning the own currency issue and for the negotiations with South Africa on compensation for the gains the South African Reserve Bank makes from the Rand currency in circulation in Namibia, estimates have been provided on the size of the circulation. The estimates amounted to Rand 300 million. Policy options concerning the financing of the budget deficit have been examined. The recommendation is that the financing should mainly be done domestically. For internal discussion a paper dealing with building up and managing foreign exchange reserves has been written.

Balance of Payments Statistics

Currently, there are no comprehensive balance of payments statistics available for Namibia and the Government is anxious to obtain such information without delay. An Adviser on balance of payments statistics under the joint IMF/UNDP technical assistance project is to establish such statistics for Namibia. As it will be some years before conventional sources such as trade statistics are well established, the Bank needs to undertake large-scale surveys to obtain much of the required data. Two major surveys will be undertaken towards this end.

First, an exploratory survey of most businesses and other organisations is conducted. This survey covers foreign assets and liabilities, imports and exports, foreign aid and various other current receipts and payments. Several months later, the first of regular annual balance of payments surveys will commence. Initially, much of the effort has been directed towards the development of the infrastructure for future balance of payments surveys, especially a register of entities, computer systems and recruitment and training of staff.

Money and Banking Statistics

The work of compiling money and banking statistics was initiated with the help of another Adviser under the IMF/UNDP technical assistance project. A monetary survey as at the end of December 1990 has been compiled based on data submitted by the banks in their monthly financial return BA Form 9 and on additional information provided by them. It is envisaged to replace this financial return with a more comprehensive one, which adequately meets the requirements in respect of sectorisation of money and banking statistics. Additionally a survey of nonbank financial institutions in Namibia will be undertaken to provide detailed statistics covering not only banks but also other financial institutions on a regular basis.

2.4 Supervision Department

Formation of the Department

With the passage of the Bank of Namibia Act, 1990 the Bank of Namibia was given general supervisory powers over banks, bank controlling companies and discount houses in Namibia. The Act also enables the Minister of Finance to designate to the Bank of Namibia powers, duties or functions relating to supervision or inspection of certain other financial institutions or intermediaries.

In early August 1990, a Director was appointed, and the Supervision Department commenced to operate.

In November of 1990, the Director was confirmed as Registrar of Banks and, upon passage that month of an amendment to the Building Societies Act, 1986, was also appointed as Registrar of Building Societies, extending supervisory authority to include those institutions.

Until appointment of the Department Director as Registrar of Building Societies, the responsibility for supervision of those institutions was lodged with the Ministry of Finance.

Organization and Staffing

The Department is organized into two divisions, the Legislative & Policy Development Division and the Examinations & Follow-up Division. The former is responsible for analysing the returns submitted by the banking institutions and building societies to determine financial condition and compliance with law and regulations, to identify trends and needs within the industry and to recommend policies, regulations, laws, etc. This Division is also responsible for the processing of applications for registration of new banking institutions, building societies and bank controlling companies, and for various other regulatory approvals. The latter Division is responsible for the on-site inspection of banking institutions and building societies and the resolution of matters arising from those inspections.

Due primarily to physical constraints, initial staffing of the Department was deferred until the first quarter of calendar year 1991, when sufficient office space at a new location would become available to the Bank.

For a description of the activities of the Department, reference is made to the Report of the Registrar of Banks and Building Societies.

2.5 Exchange Control Department

This department processes the applications required by the foreign exchange control regulations. According to the Bilateral Monetary Agreement between Namibia and South Africa, the exchange control has had to be managed in line with the exchange control provisions in force in South Africa as amended from time to time. The administration of the exchange control has been carried out in close cooperation between the Ministry of Finance, the Bank of Namibia and the South African Reserve Bank. The Bank received and processed 657 applications.

2.6 Computer Department

The establishment of the Bank of Namibia necessitated the need for the bank to embark on the development of its own information systems according to its unique requirements and to eliminate the dependency on the facilities provided by the South African Reserve Bank as the Reserve Bank will end these facilities in June 1991.

All aspects of computerisation of banking activities are formulated in an Information Systems Strategy. The Information Systems Plan addresses essential issues of the information systems development life cycle. In this respect the bank follows an open systems approach to computing, which allows for unlimited growth, at the same time securing its investment in resources.

Satisfactory progress is being made with the computerisation of bank operations with the successful implementation of the initial phases of the central banking systems in the Operations Department and the network system in the Research and Supervision Departments. Implementation of these systems satisfies the banks immediate information systems requirements for computerised document processing, financial and statistical reporting.

Internationally proven software was chosen for the central banking systems providing for add on capabilities for future requirements. Money market, foreign exchange and SWIFT modules will be added to the present systems at a later stage. Plans are also underway for the bank to be linked into the international communications network system using the Reuters facilities.

The existing systems configuration will eventually result in a totally integrated network system allowing the flow of information to the various functions of the bank and facilitating access to important management information on a continuous basis. Office automation has already begun with the acquisition of a number of workstations distributed to the various functions in the bank. Routine office tasks are now performed with greater speed and efficiency.

3. UNDERTAKINGS WHERE THE BANK OF NAMIBIA IS INVOLVED

3.1 Preparation of Monetary Agreements

Lacking a national currency, the Bank of Namibia had to start its work under special conditions and in cooperation with the South African Reserve Bank. At independence, a Bilateral Monetary Agreement between the Government of South Africa and the Government of Namibia came into force. In that agreement the rules were set out under which monetary matters should be dealt with in Namibia without a central bank.

After the establishment of the Bank of Namibia, the monetary agreement between the two countries had to be changed, and in the course of July 1990, a new Bilateral Monetary Agreement was worked out. Under this agreement, the Bank of Namibia could make foreign exchange transactions, build up foreign exchange reserves and manage the Rand as the legal tender of the country.

In early 1991 preparatory work started on a Bilateral Agreement between South Africa and Namibia under the presumption of membership in the Common Monetary Area. This agreement was technically completed in April 1991. When the two Governments have accepted and signed the agreement, and when Namibia also signs an accession document for the Multilateral Monetary Agreement, Namibia will become a member of the Common Monetary Area.

According to the drafted Bilateral Monetary Agreement, the Rand shall still be legal tender in Namibia, but the Government of Namibia shall get compensatory payments from South Africa for the Rand in circulation in Namibia. The compensatory payments shall cover the whole period from independence to the day when the Rand would cease to be legal tender in Namibia. The Bank shall continuously have the right to make foreign exchange transactions and to build up foreign exchange reserves. In this agreement as well as in the earlier ones, Namibia undertakes to pursue an exchange control consistent and in accordance with the exchange control policies of the Common Monetary Area.

3.2 Development of the National Currency

The Bank of Namibia is bound to play a key role in the introduction of the Namibian national currency, according to the provision in the Constitution of the Republic of Namibia, referred to under "The Establishment of the Bank of Namibia", the Bank shall serve as the State's principal instrument to control the money supply and the currency, which implies that a national currency has to be introduced, and the Bank of Namibia Act prescribes that the Bank shall arrange for this introduction.

However, important decisions, linked to the introduction of the national currency, have to be taken by the President, and in many cases the approval of the Minister of Finance is required.

Therefore, to achieve the best result, two committees were set up for the preparation and the coordination. In September 1990 a Technical Committee was formed, consisting of two members from the Ministry of Finance and two members from the Bank of Namibia, and in January 1991 a Cabinet Committee of Banknotes Specifications was constituted, led by the Minister of Finance.

The first task of the Technical Committee was to invite note printers, interested in the Namibian note-printing project. Sixteen printers expressed their interest in the project. They presented upon request to the Committee specimens and proofs of their work recently done for other countries. The Committee invited fewer coin-minting firms in early 1991 for the newly started coin-minting project.

On 25 January 1991 the Government announced the name of the currency: Namibian Dollar. The Cabinet Committee's main task is to lay down the specifications of the notes. When the symbols, denominations, size, colour of the notes and coins have been determined, a short-list of printers and one of the minters will be made up and designs of notes and coins asked for. The tender for the production and delivery of the notes and coins will hopefully be concluded before the end of 1991, which will give ample time for the printing of notes and the minting of coins in the course of 1992.

3.3 Development of Financial Markets

In the first year after independence domestic financial markets have not developed yet in Namibia. There are three major reasons for that. The first is that most financial institutions have not changed their practice of channelling surplus funds through their South African parent company to the South African markets and borrowing from them if they need to. Consequently there was no urgent need for them to develop an interbank market. Secondly the (South African) Banks Act 1965 has remained in force in Namibia. Until the Banking Institutions Amendment comes into force the banks can only largely meet their liquid asset requirement in the South African market. The third reason is that because of its satisfactory cash position there was no need for the Government to issue money market instruments such as Treasury Bills.

In the course of 1991 a gradual change is likely. As from 1 March 1991, Bank of Namibia has offered overdraft facilities to the commercial banks (-and the Government) and thus will be able to function as the central point in a domestic money market. The new

Bill, if approved, will specify Namibian instrument as liquid assets. Finally in the course of May 1991 the Bank of Namibia will, on behalf of the Government, start issuing Treasury Bills.

In the period under review, initial steps were taken towards the establishment of a Namibian Stock Exchange. A Working Committee was established, consisting of representatives of the commercial banks and building societies, the Ministry of Finance and the Bank of Namibia. As it was decided to operate on the basis of a Stock Exchange Act, which will take some time to be written and approved, it is unlikely that this venture will be realised before the end of 1991.

PART C

REPORT OF THE REGISTRAR OF BANKS AND BUILDING SOCIETIES

1. INTRODUCTION

In terms of section 47 of the Banks Act, No. 23 of 1965 and section 77 of the Building Societies Act No. 2 of 1986, the Registrar of Banks and Building Societies submits this report for the period commencing with the establishment of the Bank of Namibia in August 1990 through 31 December 1990.

2. ESTABLISHMENT OF THE SUPERVISION DEPARTMENT

As indicated under the section discussing the operations and affairs of the Bank, the Supervision Department was established concurrently with the creation of the central bank. The Director of the Department has been appointed to serve in the capacity of Registrar of Banks and Building Societies for Namibia, and, as such, is responsible for the administration of the Acts governing the affairs of banks and building societies registered in Namibia and that the operations of these institutions are conducted in a safe and sound manner for the protection of depositors.

Under an agreement with the South African Reserve Bank (SARB) to ensure a smooth transition from one regulatory regime to another, supervision of the banking institutions in Namibia was shared by SARB and Bank of Namibia until the end of calendar year 1990, at which time Bank of Namibia became solely responsible for all supervisory matters.

Supervision has been accomplished primarily by review and analysis of reports and returns submitted periodically or on special request to the Bank of Namibia by the banking institutions and building societies. The system of returns and reporting requirements that is currently in place was designed to meet the needs of the South African authorities prior to the independence of Namibia and the establishment of its banking system as a separate entity. A new system that reflects the supervisory and informational needs of the Bank of Namibia is planned and should be implemented in mid-1991.

Bank of Namibia is not presently doing the performance of on-site inspections. As in the past, significant reliance is placed upon the independent auditors of each institution (who are approved by the Bank of Namibia annually) to audit the statements and affairs of the institution in accordance with the standards of their profession and the requirements of the governing Act and the Companies Act, 1973. On-site inspections are planned to commence in late 1991 or early 1992, after implementation of the reporting and analysis systems.

3. LEGAL AND REGULATORY MATTERS

The governing legislation for the exercise of supervisory powers is the Banks Act, 1965 that regulates the activities of banks, bank controlling companies and discount houses. For building societies, it is the Building Societies Act, 1986. These Acts contain specific prudential requirements for liquidity, reserves, capital adequacy and other facets of bank and building society operations.

These Acts, however, require adaptation. The evolution of financial institutions and markets dictates a need not only for revised legislation, but for revised supervisory practices as well.

The Department has sponsored a Bill to amend the Banks Act, 1965. This Bill, if enacted, will improve the supervisory capacity of the central bank and. among other things, will introduce internationally agreed standards for capital adequacy and concentrational limits. But it is still viewed as interim legislation until a comprehensive review of the financial system and laws governing that system can be performed.

Similar interim legislation is intended for building societies.

In order to implement the powers contained in the proposed Bill to amend the Banks Act, a large framework of regulations must be developed. This is a primary focus for the Department in the forthcoming year.

4. BANKS AND BUILDING SOCIETIES

4.1 Structure

The banking system at year-end consisted of five commercial banks all of which are incorporated in Namibia. They are:

*Bank Windhoek Limited
*The Commercial Bank of Namibia Limited
*First National Bank of Namibia Limited
*Namibian Banking Corporation Limited
*Standard Bank Namibia Limited

This structure is somewhat changed from what it was at the beginning of the year. In April 1990, the offices of Bank Windhoek, TrustBank (SWA) Limited and Boland Bank in Namibia and Walvis Bay were amalgamated, forming the new Bank Windhoek with a reconstituted ownership distribution, and a separate subsidiary for its Walvis Bay operations.

Also during the year, the former Bank of South West Africa/Namibia Limited, which became The Bank of Namibia Limited in 1989, saw a change in its controlling ownership and another change in name (which was in deference to the new central bank) and is now The Commercial Bank of Namibia, Ltd. This institution also established a subsidiary for South Africa/Walvis Bay operations.

The former First National Bank of South West Africa/Namibia-Limited altered its name slightly to become First National Bank of Namibia Limited.

On October 1, 1990 the assets and liabilities of the Windhoek Branch of NedPerm Bank Limited with head office in the RSA were transferred into Namibian Banking Corporation Limited, a registered Namibian banking institution.

The Standard Bank SWA Limited is now the Standard Bank Namibia Limited.

These changes represent a rationalization of the banking system, and have created for the banks an identity that links them to the newly independent Namibia rather than the historical identification with the Republic of South Africa, and therefore constitute a strategic decision for each. Despite these changes, foreign ownership, principally by South African registered banks or bank controlling companies, prevails.

The building societies, both of which are mutual societies, are:

*Namib Building Society
*South West African Building Society

There was no change in this population from year-end to year-end.

4.2. Condition

The banking system is sound and profitable, having enjoyed ready access to South Africa's money markets and free flow of capital between the two countries. Local banking institutions have benefited from affiliation with large South African and European institutions.

Building societies, also sound and profitable, have been more constrained in their abilities to generate interest and profit margins as a result of the stringent provisions of the Act that governs their operation. Nonetheless, the societies have been aggressive in attempting to meet the housing needs of Namibia's population, a priority of the government, and continue to seek a solution to providing housing to those citizens at the lower end of the income scale.

Both types of institutions maintain adequate levels of liquid assets in accordance with their governing Acts to meet foreseeable demands on their resources.

Because of the way in which the Namibian population is distributed and the concentration of commercial activity in Windhoek and a few other centres, branching by banks and building societies has been limited, leaving many areas unattended and the people of these areas without access to banking services. The Bank of Namibia is cognizant of the need to extend the availability of banking products and services throughout the country, and is seeking ways, traditional or otherwise, in which this need might be met efficiently and economically.

Despite the financially sound overall condition of the system, the Bank is concerned with several inherent difficulties facing banks and building societies. These derive from socio-economic and political factors, perhaps outside the control of the institutions, but which are still manifest in their balance sheets.

First, the deposit structure is very heavily biased toward the short term. This may reflect uncertainty by the providers of funds that perhaps will ameliorate in time with continued stability and prudent fiscal management by government. On average, approximately 60% of bank deposits and other liabilities have a maturity of less than 31 days; another 30% mature between one and six months. Within this mix are large concentrations of "wholesale" deposits from a limited group of clients. Such a structure has potential to adversely affect the liquidity of individual institutions and the system, if there were to be any disruption or if the economy were to suffer any prolonged downturn.

Secondly, lending against that deposit structure, in several instances, is substantial. Loan to deposit ratios have ranged from 70% (considered reasonable) to well over 100% (which is considered not reasonable). When the reserve and liquid asset requirement is deducted from the source fund base, the percentage of loans to net lendable funds increases substantially. As with the funding base, the loan portfolios also display sizeable concentrations relative to capital. These characteristics pose a threat not only to liquidity, but also to solvency in the event of financial disruption or economic adversity. At this time, the Bank of Namibia has not made a full evaluation of the quality of the loan portfolios in the system, but shall do so in the near future. Proposed legislation also addresses the concentrational feature in bank balance sheets by prescribing an individual customer exposure limit relative to the capital base of the institution. The proposed limitation is in accordance with internationally adopted standards.

Third, the level of capital, in light of the preceding observations and also in accordance with international standards that have been adopted for Namibia, must definitely be increased, or, alternatively, the structure and characteristics of the balance sheets changed. This exercise is taking place currently around the world as banking institutions are rationalizing their operations to conform to new capital requirements.

Fourth, the level of savings in the system, a classical prerequisite to development of an economy, is inordinately low. Much of the savings now in banks displays the characteristics of demand deposits, but without the use of cheques. This seemingly derives from the holders of savings accounts being able to accumulate very little of their wages in excess of their monthly living expenses. Additionally, it is apparent that much of the contractual savings and other discretionary funds are not retained in Namibia, where no money and capital market exist, so are employed in money and capital markets elsewhere.

If the banking system is to be insulated from the potential effects described above, the balance sheets must be restructured, the availability of credit must be constrained and the risks diversified; capital must be accumulated internally through reduced dividend payouts, as well as being obtained from external sources; deposit base risks, if they cannot be changed, must be offset through increased asset liquidity and backup funding arrangements. And if development of the economy is to be based in the banking system, savings must be encouraged and the ability of the citizenry to save must be enhanced.

PART D

ANNUAL ACCOUNTS ON THE FINANCIAL YEAR

ENDED 31 JANUARY 1991

REPORT OF THE INDEPENDENT AUDITORS TO THE GOVERNMENT OF THE REPUBLIC OF NAMIBIA

We have audited the annual financial statements set out on the following pages. These financial statements are the responsibility of the Bank's directors. Our responsibility is to report on these financial statements.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance that in all material respects, fair presentation is achieved in the financial statements. An audit includes an evaluation of the appropriateness of the accounting policies, an examination, on a test basis, of evidence supporting the amounts and disclosures included in the financial statements, an assessment of the reasonableness of significant estimates and a consideration of the appropriateness of the overall financial estimates and a consideration of the appropriateness of the overall financial statement presentation. We consider that our audit procedures were appropriate in the circumstances to express our opinion presented below.

In our opinion these financial statements fairly present the financial position of the Bank at 31 January 1991, the results of its operations for the six months then ended in conformity with generally accepted accounting practice.

We also report that, in our opinion, the affairs of the Bank have been conducted in accordance with the provisions of the Bank of Namibia Act, 1990, so far as they affect the balance sheet and accounts.

Deloitte Pim Goldby
Price Waterhouse
Chartered Accountants
WINDHOEK
22 March 1991

BANK OF NAMIBIA

APPROPRIATION ACCOUNT
FOR THE SIX MONTHS ENDED 31 JANUARY 1991

Net surplus from operations after meeting all current expenditure and making provisions as required by Section 6 of the Bank of Namibia Act, 1990.		590,794
Less:	Transfer to General Reserve under Section 7(1) of the Bank of Namibia Act, 1990.	147,699
	Net profit after Transfer to General Reserve	443,095
Less:	Transfer to Special Reserve Account under Section 7(2) of the Act.	443,095
	Surplus due to Government under Section 7(3) of the Act	Nil

BANK OF NAMIBIA

BALANCE SHEET
At 31 January 1991

CAPITAL EMPLOYED

		Notes	Rands
Capital		2	10,000,000
General Reserve			147,699
Revaluation Reserve		3	63,198
Special Reserve		4	443,095
Deposits			
Government			56,559,834
Bankers	-Current		7,743
	-Reserve		22,097,000
Other			74,587
Other Liabilities			2,036,835
			91,429,991

EMPLOYMENT OF CAPITAL

		Notes	Rands
Rand Coin			210,356
Balances with other banks			375,636
Investments	-Rand Currency		75,632,184
	-Other Currency		6,173,170
Fixed assets		5	7,051,102
Accounts receivable			1,987,543
			91,429,991

W L BENARD
GOVERNOR

E LULE
GENERAL MANAGER

BANK OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 1991

1. The Bank's financial statements are prepared on the historical cost basis. The financial statements have also been prepared to comply with the requirements of the Bank of Namibia Act, 1990. The principal accounting policies that have been consistently applied in all material respects are set out below.

1.1 **Fixed assets**
Fixed property is stated at cost and is not depreciated. All other fixed assets are depreciated to write off their cost or valuation over their estimated useful lines in equal annual instalments.

1.2 **Investments**
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.

Interest from investments is accounted for on the accrual basis.

In terms of section 32 of the Bank of Namibia Act, 1990, the Bank re-valued its foreign investments at year-end and any gains/losses were transferred to the revaluation reserve account.

2. Capital

Authorised capital of	
the Bank is	R 40 000 000
Issued capital of Bank is	R 10 000 000

3. Revaluation Reserve R 63 198
This reserve is created in accordance with note 1.2 above.

4. Special Reserve R 443 095
This reserve has been created to meet the costs of printing the national currency.

5. Fixed Assets R 7 051 102

Immovable property, at cost	6 102 928
Movable assets, at	948 174
Book Value	

6. Commitments

6.1 Capital expenditure

Contracted	R 1 063 742
Authorised but not yet contracted	R 2 464 348
	R 3 528 090

6.2 Issue of Namibian Currency

Authorised for next financial year but not yet contracted	R10 000 000
Total commitments	R13 528 090

These commitments are to be financed from:

- Internal resources	R 443 095
- Increse incapital	R 13 084 995
	R 13 528 090

7. Pension Fund

A separate Pension Fund to which the company contributes provides pensions for employees. The pension fund is governed by the Pension Fund act. The Pension Fund is in the nature of a defined contribution plan where the retirement benefits are determined with reference to the employee's pension able remuneration and years of service. All employees contribute to the pension fund.

The Fund is subject to an actuarial valuation every three years. Any shortfall will be made good by the Bank as recommended by the actuaries.

PART E

STATISTICAL TABLES

TABLE 1. BANK OF NAMIBIA: DETAILED ACCOUNTS (DECEMBER 31,1990)

ASSETS:	'000 Rand	
1. FOREIGN ASSETS		192 826
a. Gold	--	
b. Holdings of SDRs	--	
c. Reserve position in the Fund	--	
d. Convertible foreign exchange	192 826	
i) Foreign currency (Rand)	103	
ii) Demand deposits at banks abroad		
- in rand	915	
- in other foreign currencies	5 582	
iii) Deposits with foreign government entity	186 226	
iv) Time deposits at foreign banks	--	
- in rand		
- in other foreign currencies		
v) Non-marketable instruments		
2. CLAIMS ON CENTRAL GOVERNMENT		--
a. Treasury bills	--	
b. Government securities	--	
c. Ways and means advances	--	
d. Other	--	
3. CLAIMS ON REGIONAL COUNCILS AND LOCAL AUTHORITIES		--
4. CLAIMS ON NON-FINANCIAL PUBLIC ENTERPRISES		--
5. CLAIMS ON PRIVATE SECTOR		--
6. CLAIMS ON DEPOSIT MONEY BANKS		--
7. CLAIMS ON NON-MONETARY FINANCIAL INSTITUTIONS		--
8. TOTAL ASSETS		192 826

TABLE 1. BANK OF NAMIBIA: DETAILED ACCOUNTS (CONTINUED)

LIABILITIES:			'000 Rand
1.	RESERVE MONEY		31 076
a.	Notes issue		
b.	Coin issue		
c.	Rand in circulation (as legal tender)	na	
d.	Deposit money banks' deposits (current)	7	
e.	Deposit money banks' deposits (reserve)	31 069	
f.	Other public sector deposits	--	
g.	Non-monetary financial institutions' deposits	--	
h.	Deposits of businesses and individuals’	--	
2.	FOREIGN LIABILITIES		75
	Multilateral Investment Guarantee Agency	75	
3.	CENTRAL GOVERNMENT DEPOSITS		159 196
a.	General revenue		
b.	Postmaster General	8 721	
c.	Postmaster	36	
d.	Central authority account	150 438	
4.	CAPITAL ACCOUNTS		10 633
a.	Share capital	10 000	
b.	Surplus	633	
c.	Revaluation reserve		
5.	OTHER ITEMS (NET)		(8 154)
a.	Unclassified liabilities	1 886	
b.	Less: Unclassified assets	10 040	
6. TOTAL LIABILITIES			192 826

TABLE 2. DEPOSIT MONEY BANKS: DETAILED ACCOUNTS

	('000 Rand) As on December 31			
	1989		1990	
ASSETS:				
RESERVES		61476		81265
a. Currency	44874		50188	
b. Deposits with central bank	16602		31077	
FOREIGN ASSETS		413799		348358
a. Claims on non-resident banks	253399		203779	
b. Claims on non-resident non-banks	160400		144579	
CLAIMS ON CENTRAL GOVERNMENT		60010		39999
a. Treasury bills	-		-	
b. Government securities	3426		1160	
c. Loans and advances	56584		38839	
CLAIMS ON REGIONAL COUNCILS AND LOCAL AUTHORITIES		5373		2168
a. Regional councils	-		-	
b. Local authorities	5373		2168	
CLAIMS ON PUBLIC ENTERPRISES (NON-FINANCIAL)		7048		3968
a. Bills	4418		-	
b. Loans and advances	-		3	
c. Leasing transactions	2630		3965	
d. Bills rediscounted at central bank	-		-	
CLAIMS ON PRIVATE SECTOR		1 246836		1 368048
a. Bills discounted or purchased	9713		19822	
b. Loans and advances	919775		1013643	
c. Leasing transactions	55392		55655	
d. Instalment credit	261724		278686	
e. Investments	232		242	
CLAIMS ON NON-MONETARY FINANCIAL INSTITUTIONS		41779		47639
a. Bills	10160		14903	
b. Loans and advances	31619		23631	
c. Deposits	-		9105	
TOTAL ASSETS		1 836 321	1 891 445	

TABLE 2. DEPOSIT MONEY BANKS: DETAILED ACCOUNTS (CONTD)

('000 Rand)
As on December 31

		1989		1990
LIABILITIES				
DEMAND DEPOSITS		759628		599405
TIME, SAVINGS AND FOREIGN CURRENCY DEPOSITS		738104		850099
a. Foreign currency deposits	-		-	-
b. Time deposits	490.779		603575	
c. Savings deposits	247.325		246524	
MONEY MARKET INSTRUMENTS		-		-
BONDS				
FOREIGN LIABILITIES		158773		212097
a. Non-resident banks	150.107		124470	
b. Non-resident non-banks	8.666		87627	
CENTRAL GOVERNMENT DEPOSITS		117812		96038
CREDIT FROM CENTRAL BANK		-		-
OTHER LIABILITIES TO NON-MONETARY FINANCIAL INSTITUTIONS		-		-
CAPITAL ACCOUNTS		61030		87859
a. Share capital	11.225		17805	
b. Reserves	49.805		70054	
OTHER ITEMS (NET)		974		45947
a. Unclassified liabilities	68.599		148935	
b. Less: Unclassified assets	67.625		102988	
TOTAL LIABILITIES		1836321		1891445

TABLE 3. MONETARY SURVEY

(DECEMBER 31,1990)

			‘000 Rand
ASSETS			
1. FOREIGN ASSETS (NET)			329 012
a.	Foreign assets (MA)	192 826	
b.	Less: Foreign liabilities (MA)	75	
c.	Foreign assets (DMB)	348 358	
d.	Less: Foreign liabilities (DMB)	212 097	
2. DOMESTIC CREDIT			1 206 588
a.	CLAIMS ON CENTRAL GOVERNMENT (NET)		
a.	Claims on central government (MA)	--	(215 235)
b.	Less: central government deposits (MA)	159 196	
c.	Claims on central government (DMB)	39 999	
d.	Less: central government deposits (DMB	96 038	
b.	CLAIMS ON REGIONAL COUNCILS AND LOCAL AUTHORITIES		
a.	Claims on regional councils and local authorities (MA)	--	2 168
b.	Claims on regional councils and local authorities (DMB)	2 168	
c.	CLAIMS ON NON-FINANCIAL PUBLIC ENTERPRISES		
a.	Claims on non-financial public enterprises (MA)	--	3 968
b.	Claims on non-financial public enterprises (DMB)	3 968	
d.	CLAIMS ON PRIVATE SECTOR		
a.	Claims on private sector (MA)		1 368 048
b.	Claims on private sector (DMB)	1 368 048	
e.	CLAIMS ON NON-MONETARY FINANCIAL INSTITUTIONS		
a.	Claims on non-monetary financial institutions (MA)	--	47 639
b.	Claims on non-monetary financial institutions (DMB)	47 639	
3. Deposit money banks' cash (rand currency)			50 188
4. TOTAL ASSETS			1 585 788

MA: Monetary Authorities
DMB: Deposit Money Banks

TABLE 3. MONETARY SURVEY (Continued)

		'000 Rand
LIABILITIES:		
1. MONEY		
a. Currency outside banks	na	
b. Private sector deposits (MA)		
c. Other public sector deposits (MA)		
d. Non-monetary financial institutions' deposits (MA)	-	
e. Demand deposits (DMB)	599 405	
2. QUASI-MONEY		850 099
a. Time, savings and foreign currency deposits (MA)		
b. Time, savings and foreign currency deposits (DMB)	850 099	
3. BONDS AND MONEY MARKET INSTRUMENTS		
a. Bonds (MA)		
b. Money market instruments (DMB)		
c. Bonds (DMB)		
4. OTHER ITEMS (NET)		136 284
a. Other items (net) (MA)	(8154)	
b. Capital accounts (MA)	10633	
c. Deposit money banks' deposits (MA)	31076	
d. Less: Deposits with central bank (DMB)	31077	
e. Other items (net) (DMB)	45947	
f. Credit from central bank (DMB)	-	
g. Less: Claims on deposit money banks (MA)		
h. Other liabilities to non-monetary financial institutions (DMB)	-	
i. Capital accounts (DMB)	87 859	
5. TOTAL LIABILITIES		1 585 788

na: not available

TABLE 4. SELECTED STATISTICS FOR NAMIBIAN COMMERCIAL BANKS

(Amounts in R million)

Reporting Month 1990	Required Liquid assets	Liquid assets held	REQUIRED RESERVE			Required Liquid assets to Liability (%)	Required Reserve to Liability (%)	Total Assets	Capital & Reserves	Capital & Reserves to Total Assets (%)
			Gross	Cash	At Bank Of Namibia					
SEPTEMBER	292.9	304.5	62.1	28.9	33.2	14.4%	3.1%	2,036.8	85.6	4.2%
OCTOBER	272.2	294.1	56.9	31.9	25.0	14.1%	3.0%	2,093.4	90.0	4.3%
NOVEMBER	293.3	315.0	61.0	30.4	30.6	14.7%	3.1%	2,124.8	90.3	4.2%
DECEMBER	288.5	294.4	60.4	39.1	21.5	15.1%	3.2%	2,059.9	92.3	4.5%

Note: Statistics are compiled beginning from September 1990.
Data for prior periods was collected and maintained by the South African Reserve Bank.

Required Liquid Assets and Required Reserve are for the period commencing on the 21st of the month following the reporting month until the 20th of the next following month.

* In terms of the definition in Section 1 of the Banks Act, 1965.

TABLE 5. GROSS DOMESTIC AND NATIONAL PRODUCT

Rand million

AT CURRENT PRICES	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Remuneration of employees	610.8	800.2	951.9	1069.8	1181.4	1311.6	1472.7	1735.4	1949.5	2215.6
Net operating surplus	737.9	598.3	609.7	582.9	655.4	1088.6	1305.3	1214.8	1637.7	1909.9
Provision for depreciation	95.4	107.6	118.0	126.3	132.9	140.4	149.6	162.4	180.0	200.7
GDP at factor cost	1444.1	1506.1	1679.6	1779.0	1969.7	2540.6	2927.6	3,112,6	3767.2	4326.2
Less: Net factor payments to the rest of the world	152.8	102.7	132.7	76.4	112.6	297.7	319.7	196.7	399.8	372.2
GNP at factor cost	1291.3	1403.4	1546.9	1702.6	1857.1	2242.9	2607.9	2915.9	3367.4	3954.0
Real GNP at factor cost (at 1980 constant prices)	1291.3	1149.1	1105.2	1067.7	1106.6	1119.6	1098.3	1147.6	1187.0	1286.4

Source: Statistical/Economic Review, Ministry of Finance

TABLE 6. GROSS DOMESTIC PRODUCT BY TYPE OF ECONOMIC ACTIVITY, AT CONSTANT 1980 PRICES

Rand million

AT CONSTANT 1980 PRICES	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
PRIMARY SECTOR:	796.3	730.8	664.4	638.2	608.8	603.1	636.0	657.4	664.6	639.6	647.2
Agriculture	166.3	171.8	155.6	138.9	125.6	135.6	136.3	169.2	171.6	178.1	231.0
Agriculture (commercial)	-	-	-	100.9	91.1	94.1	97.5	127.0	123.1	139.4	134.7
Agriculture (subsistence)				17.8	18.3	18.9	19.5	20.1	20.6	21.2	21.9
Fishing				20.2	16.2	22.6	19.3	22.1	27.9	17.5	74.4
Mining	630.0	559.0	508.8	499.3	483.2	467.5	499.7	488.2	493.0	461.5	416.2
Diamond mining	-	-	-	237.7	218.0	212.7	236.3	240.7	227.7	217.7	177.9
Other mining & quarrying	-	-	-	261.6	265.2	254.8	263.4	247.5	265.3	243.8	238.3
SECONDARY SECTOR:	133.4	143.4	143.4	151.1	143.1	149.0	140.3	148.7	155.1	147.2	163.4
Manufacturing	56.5	55.4	61.2	62.5	62.1	59.9	60.5	61.4	62.2	64.8	68.1
Fish processing (Walvis Bay)	-	-	-	15.0	11.3	18.4	14.8	20.9	24.1	14.5	28.7
Construction	50.6	60.2	53.0	43.1	38.2	38.4	32.1	33.2	33.9	31.8	28.6
TERTIARY SECTOR:	514.4	562.1	601.8	607.8	624.6	631.3	648.5	667.3	682.0	705.7	722,9
Trade, Hotels	166.3	175.6	180,8	166.0	165.5	163.7	167.6	173.5	180.4	185.9	188.3
Transport & communications	76.7	70.3	65.8	70.8	77.6	77.8	82.0	83.7	83.4	92.1	96.7
Finance, Business services	77.0	74.3	75.7	77.8	79.6	80.8	82.8	85.6	86.6	88.0	87.9
Community, Personal services	18.6	22.8	23.8	25.0	26.2	26.5	26.8	27.4	28.0	28.4	28.7
Government	138.8	183.1	218.6	229.8	235.8	241.7	247.4	253.8	258.9	265.4	274.7
Other producers	37.0	36,0	37.1	38.4	39.9	40.8	41.9	43.3	44.7	45.9	46.6
GDP at constant 1980 prices	1444.1	1436.3	1409.6	1397.1	1376.5	1383.4	1424.8	1473.4	1501.7	1492.5	1533.5

Source: Economic Review 1991, Ministry of Finance

TABLE 7. GROSS DOMESTIC PRODUCT BY TYPE OF ECONOMIC ACTIVITY, AT CURRENT PRICES

Rand million

AT CURRENT PRICES	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
PRIMARY SECTOR:	796.3	671.7	670.2	666.1	707.5	1141.1	1330.0	1186.2	1575.3	1812.1	1799.6
Agriculture	166.3	217.3	204.6	163.1	172.5	196.2	233.0	380.7	444.2	498.4	478.8
Agriculture (commercial)	-	-	-	136.7	142.8	161.9	192.9	334.2	390.3	434.5	405.1
Agriculture (subsistence)	-	-	-	26.4	29.7	34.3	40.1	46.5	53.9	63.9	73.7
Fishing	-	-	-	29.7	24.6	36.8	35.8	48.3	79.3	55.0	270.8
Mining	630.0	454.4	465.6	473.3	510.4	908.1	1061.2	757.2	1051.8	1258.7	1050.0
Diamond mining	-	-	-	174.9	155.7	330.5	463.8	302.1	519.8	592.7	450..0
Other mining & quarrying	-	-	-	298.4	354.7	577.6	597.4	455.1	532.0	666.0	600.0
SECONDARY SECTOR:	133.4	170.9	190.8	232.2	230.2	263.9	282.5	338.9	422.9	426.1	511.5
Manufacturing	56.5	67.2	82.7	93.5	102.6	113.2	132.0	156.6	179.3	192.0	198.4
Fish processing (WalvisBay)	-	-	-	22.1	17.1	29.9	27.5	45.6	68.5	45.6	104.4
Construction	50.6	67.3	69.6	64.5	61.9	71.3	69.1	83.7	99.4	111.3	113.2
TERTIARY SECTOR:	1514.4	663.5	818.6	929.2	1078.8	1199.8	1382.7	1679.6	1891.4	2179.2	2556.6
Trade, Hotels	166.3	204.9	228.4	234.9	255.5	282.8	328.4	382.7	449.4	532.8	604.6
Transport & communications	76.7	78,3	83.8	107.6	137.2	139.5	175.2	204.1	229.7	265.0	318.3
Finance,Business services	77.0	88.2	111.8	127.5	153.0	176.9	184.8	217.3	263.7	311.2	365.3
Community,Personal services	18.6	24.1	28.8	36.1	41.3	46.9	54.1	62.7	72.5	85.1	98.3
Government	138.8	227.1	316.3	366.8	427.3	479.3	556.5	715.1	764.3	855.7	1019.1
Other producers	37.0	40.9	49.5	56.3	64.5	74.4	83.7	97.7	111.8	129.4	151.0
GDP AT FACTOR COST AT CURRENT PRICES	1444.1	1506.1	1679.6	1827.5	2016.5	2604.8	2995.2	3204.7	3889.6	4417.4	4867.7

Source: Economic Review 1991, Ministry of Finance

TABLE 8. INDICATORS OF ECONOMIC ACTIVITY

	1989				1990			
ECONOMIC INDICATORS	I	II	III	IV	I	II	III	IV
FOREIGN EXCHANGE RATES:								
(Rand per foreign currency unit)								
US-dollar	2.461	2.670	2.734	2.625	2.571	2.655	2.591	2.533
Deutsh-mark	1.331	1.382	1.422	1.456	1.520	1.583	1.627	1.688
Pound sterling	4.303	4.342	4.365	4.163	4.259	4.443	4.825	4.927
Japanese yen	0.019	0.019	0.019	0.018	0.017	0.017	0.018	0.019
INTEREST RATES:								
Bank rate	16.0	17.0	17.0	18.0	18.0	18.0	18.0	18.0
Prime overdraft rate	19.0	20.0	20.0	21.0	21.0	21.0	21.0	21.0
BA rate	16.3	17.3	17.3	18.3	18.3	18.3	18.3	18.3
INFLATION:								
(Percentage change over previous years)								
Consumer price index	16.2	16.8	14.3	13.4	13.6	12.4	11.4	10.9
Food price index	15.3	17.0	16.8	21.2	21.0	17.2	17.6	13.9
AGRICULTURE:								
Cattle marketed ('000)	71	100	101	74	69	90	98	67
Small stock marketed ('000)	246	362	234	206	233	385	313	157
MINING:								
Diamond output ('000 carats)	185	243	214	290	180	163	166	252
Uranium output (tons)	836	897	919	977	824	912	1113	-
Copper output ('000 tons)	9	1.1	1.0	8	7	8	9	9
PRIVATE SECTOR CONSTRUCTION								
Value of buildings completed (Rm)	31	78	44	34	27	27	45	30
Value of building plans passed (Rm)	57	32	29	35	1.9	42	49	40
ELECTRICITY CONSUMPTION:								
Kilowatt-hours sold (kw million)	314	339	348	342	331	351	386	346
PUBLIC TRANSPORT:								
Goods by rail (gross ton-km)	104	109	92	100	82	78	80	74
Passengers by rail (pax number)	90	45	40	85	59	36	34	41
Passengers by road (pax number)	124	136	218	244	166	145	227	184
TOURISM:								
Rooms sold-Private ('000)	80	93	97	85	70	63	69	70
Beds Sold-Private ('000)	116	132	138	119	92	87	97	100
Units sold-Government	30	39	45	33	29	27	35	33
COMPANY REGISTRATIONS:								
Domestic companies (number)	135	134	154	147	162	182	167	134
DEPOSIT MONEY BANKS:								
Total Deposits (Rm)	1327	1444	1494	1659	1732	1674	1756	1727
Demand Deposits (Rm)	498	614	601	816	822	675	756	764
Total loans and advances (Rm)	904	1011	1091	1218	1335	1265	1303	1378
Hire-purchases- advances (Rm)	212	233	247	262	273	215	256	262
BUILDING SOCIETIES:								
Total net mortgage loans granted (Rm)	17	18	18	18	23	17	32	37
New buildings (Rm)	2	2	5	6	6	4	13	13
On existing buildings (Rm)	15	16	13	12	17	13	19	24
Average loan per dwelling (R 000)	71	71	78	70	80	77	87	99
PUBLIC FINANCE:								
State Revenue Fund								
Total Revenue	462	411	604	451	628	308	653	332
Total Tax on Income	141	120	255	106	260	105	256	136
General sales tax	64	72	77	82	80	75	80	79
Other taxes	18	30	28	8	18	22	10	18
Ail other revenues	118	64	83	95	85	88	74	81

Source: Economic Review 1991 Ministry of Finance

TABLE 9. CONSUMER PRICE INDEX

		WINDHOEK				SOUTH AFRICA	
		ALL ITEMS		FOOD ONLY		ALL ITEMS	
PERIOD		INDEX 1980=100	PERCENT CHANGE	INDEX 1980=100	PERCENT CHANGE	INDEX 1985=100	PERCENT CHANGE
1980		100.0	12.5	100.0	12.5	51.9	12.5
1981		114.8	14.8	126.6	26.6	59.8	15.2
1982		132.6	15.5	148.1	17.0	68.6	14.7
1983		148.5	12.0	168.8	14.0	77.1	12.4
1984		162.0	9.1	186.8	10.7	86.0	11.5
1985		181.4	12.0	198.0	6.0	100.0	16.3
1986		205.7	13.4	227.2	14.7	118.6	18.6
1987		231.6	12.6	266.8	17.4	137.7	16.1
1988		261.4	12.9	302.8	13.5	155.4	12.9
1989		300.9	15.1	356.3	17.7	178.2	14.7
1990		337.1	12.0	418.0	17.3	203.8	14.4
1989	January	282.5	15.6	322.3	14.7	166.6	13.3
	February	286.2	16.2	330.8	14.5	168.5	13.9
	March	291.0	16.8	335.3	16.8	170.4	13.9
	April	293.6	16.7	338.9	15.4	172.5	14.0
	May	296.2	16.8	343.2	16.3	175.8	14.8
	June	301.5	16.8	357.3	19.1	178.5	16.1
	July	303.9	16.4	356.9	19.2	179.8	15.5
	August	304.9	14.6	361.6	15.7	181.7	15.1
	September	308.1	12.1	368.8	15.8	183.1	14.6
	October	310.4	13.0	372.5	18.9	184.8	14.5
	November	314.4	13.3	386.7	20.3	186.9	14.9
	December	318.5	13.9	401.7	24.4	190.2	15.6
1990	January	321.5	13.8	392.9	21.9	192.0	15.2
	February	324.6	13.4	403.6	22.0	192.8	14.4
	March	330.3	13.5	399.8	19.2	196.7	15.4
	April	332.3	13.2	400.9	18.3	197.9	14.7
	May	333.8	12.7	406.9	18.6	200.0	13.8
	June	335.7	11.3	410.5	14.9	202.3	13.3
	July	337.5	11.1	418.8	17.3	203.7	13.3
	August	341.1	11.9	429.2	18.7	206.4	13.6
	September	342.3	11.1	430.8	16.8	209.4	14.4
	October	246.7	11.1	437.2	17.4	210.9	14.1
	November	348.6	10.9	439.5	13.7	215.6	15.4
	December	350.8	10.1	445.5	10.9	217.5	14.4

Source: Economic Review 1991, Ministry of Finance and South African Reserve Bank Quarterly Bulletin

TABLE 10. FOREIGN TRADE, VALUE OF MERCHANDISE EXPORTS AND IMPORTS

Rand million

AT CURRENT PRICES	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Agricultural exports	132	174	121	78	95	128	157	242	258	294	
Fish exports	13	23	31	32	25	44	39	63	94	65	
Mineral exports	908	657	755	715	851	1284	1645	1307	1555	2027	
Manufactured exports	53	52	59	68	68	74	80	98	120	135	
All other exports	32	40	44	49	62	63	73	87	114	152	
TOTALEXPORTS	1138	947	1009	941	1101	1593	1994	1796	2141	2672	
TOTAL IMPORTS	-902	-1083	-1124	-1024	-1176	-1272	-1552	-1882	-2077	-2340	
TRADE BALANCE	236	-136	-115	-83	-75	321	442	-86	64	332	

Source: Statistical/Economic Review, Ministry of Finance