ANNUAL REPORT 2024

The impact of **Artificial Intelligence (AI)** on the economy

Bank of Namibia

The Bank of Namibia Annual Report and Financial Statements for the financial year ended 31 December 2024 are prepared pursuant to section 67(1) of the Bank of Namibia Act (No. 1 of 2020).

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ACRONYMS AND INITIALISMS

AD	Authorised Dealer
ADLA	Authorised Dealer with Limited Authority
AEs	Advanced Economies
AFI	Alliance for Financial Inclusion
AI	Artificial Intelligence
BPS	Basis points
CEO	Chief Executive Officer
CMA	Common Monetary Area
DSIB	Domestic Systemically Important Bank
EFT	Electronic Funds Transfer
EU	European Union
EMDEs	Emerging Market and Developing Economies
GDP	Gross Domestic Product
GHG	Greenhouse gas
IFFs	Illicit Financial Flows
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
ISO	International Organization for Standardization
IT	Information Technology
ITGPC	Information Technology Governance and Projects Committee
KfW	Kreditanstalt für Wiederaufbau (Germany)
LLM	Large Language Model
M2	Broad Money Supply
ML	Machine Learning
MOC	Macroprudential Oversight Committee
MFPE	Ministry of Finance and Public Enterprises
MPC	Monetary Policy Committee
MTEF	Medium-term Expenditure Framework
NAB	Namibian Agronomic Board
NAD	Namibia Dollar
NAMFISA	Namibia Financial Institutions Supervisory Authority
NBFIs	Non-Bank Financial Institutions
NamRA	Namibia Revenue Agency
NCD	Negotiable Certificate of Deposit
NDC	Nationally Determined Contribution
NEER	Nominal Effective Exchange Rate
NFSS	Namibia Financial Sector Strategy
NFSTS	Namibia Financial Sector Transformation Strategy
NIPAM	Namibia Institute of Public Administration and Management
NISS	Namibia Inter-Bank Settlement System
NPL	Non-Performing Loan
NPS	National Payment System
NDGA	Namibia Deposit Guarantee Authority
NGFS	Network for Greening the Financial System
NSA	Namibia Statistics Agency
NSX	Namibian Stock Exchange
PoN/NUST	Polytechnic of Namibia / Namibia University of Science and Technology
ODC	Other Depository Corporation
PSCE	Private Sector Credit Extension
REER	Real Effective Exchange Rate
ROA	Return on Assets
ROE	Return on Equity
RTGS	Real-Time Gross Settlement System
SACU	Southern African Customs Union
SADC	Southern African Development Community
SMEs	Small and Medium-sized Enterprises
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TCIB	Transactions Cleared on an Immediate Basis
UK	United Kingdom
UN	United Nations
UNAM	University of Namibia
USA	United States of America
USD	United States Dollar
ZAR	South African Rand

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MESSAGE FROM THE GOVERNOR

Mr Johannes !Gawaxab
Governor & Chairperson

CREATING ENDURING MACROECONOMIC STABILITY TO SUPPORT SUSTAINABLE DEVELOPMENT

Introduction

It is with great honour that I present the Bank of Namibia 2024 Annual Report, in accordance with Section 67 (1) of the Bank of Namibia Act (No 1 of 2020).

The year 2024 has been profoundly shaped by a series of key events that have significant implications for our mandate. Geopolitical tensions and economic fragmentation, coupled with prevailing policy uncertainties on the global stage, have created a complex landscape. Domestically, we faced the demise of the sitting President, Dr Hage G. Geingob, and subsequently welcomed Dr Nangolo Mbumba as our fourth President. Additionally, presidential and national assembly elections were held amid severe drought conditions, which were ultimately declared an emergency.

The year also marks the conclusion of our three-year strategic cycle (2022-2024). Throughout this period, we performed robustly across strategic, operational and financial dimensions. Our key activities align with our strategic themes, focusing on four purpose, stakeholder engagement, talent and transformation and achieving future-fit organisational efficiency and effectiveness. In this regard, the pillar of purpose is reflected in the decline of headline inflation, from the high levels of 6.1 percent and 5.9 percent in 2022 and 2023, respectively, to average 4.2 percent in 2024, with projections indicating a further decrease to an average of 4.0 percent in 2025. The banking system remains stable and sound, further supported by the finalisation of our Macroprudential Framework, including plans for a national Crisis Simulation exercise set for 2025.

Regarding digital transformation, we have made notable advances in leveraging new technologies to enhance our operational and supervisory capabilities. Our approach to stakeholder engagement has also evolved, as we strive to bolster public trust and understanding regarding the central bank's role and functions while effectively communicating monetary policy and immersing ourselves in the community.

As we envision creating a future-fit organisation, we recognise that while the core and statutory responsibilities of the Bank of Namibia remain steadfast, the methods through which we fulfil our mandate have fundamentally transformed. In response, we in 2022 established a new department focused on Strategy, Projects and Transformation (SPT) to facilitate this shift, fostering a culture of agility, collaboration and trust.

Intelligent Technologies

The emergence of Intelligent Technologies, including Quantum Computing and Machine Learning, represents a key structural transformation with significant relevance to the Bank. Artificial Intelligence (AI) is now at the forefront of how business is conducted, as models have evolved from mere analytical tools designed for specific tasks to sophisticated generative AI systems capable of performing human-like functions.

Within Namibia's financial sector, AI has been employed mainly to detect fraud, enhance compliance and streamline regulatory reporting processes. AI influences the mandate of the Bank of Namibia in two fundamental ways. Firstly, as the steward of the Namibian economy, AI enhances productivity, complements skill sets, and boosts overall economic activity, promoting innovation and growth.

Secondly, the diverse application of AI within the Bank of Namibia encompasses an extensive range of operational functions, particularly in data collection and analysis, economic forecasting, payments oversight, reserves management, banking oversight, financial system supervision, currency production and communication.

As we look to the future, it is imperative that we harness these transformative technologies to safeguard our objectives and ensure that we remain agile and responsive to the ever-evolving landscape. While AI offers enormous opportunities, it also introduces various risks inclusive of cyber and data governance risks, and it is important that we put guard rails in place to mitigate these risks.

Elsewhere in the Theme Chapter of the Annual Report, we assess the impact of AI on our economy. The rise of AI presents both opportunities and challenges for the future of work and society as a whole. While many concerns about job displacement are valid, it is essential to recognise that AI has the potential to liberate individuals from mundane and unfulfilling tasks. Studies have shown that many people are dissatisfied with their jobs, often feeling undervalued and confined to repetitive roles for extended periods.

Execution of the Bank's Strategic Objectives

By the end of 2024, the Bank had made noteworthy progress, completing 98 percent of the comprehensive three-year strategic plan and meeting 95 percent of the specific goals set for 2024. This substantial achievement can be attributed to the well-defined goals and outcomes aligned with the Bank's overarching objectives. Playing a pivotal role in these accomplishments was each department's dedication, transformation to modernise the strategy's implementation and their focus on achieving its intended impact, namely the ongoing pursuit of digital transformation to modernise the financial sector and enhance financial inclusion as listed below.

During the year under review, the Bank took bold strides in leveraging AI and Machine Learning (ML) to enhance banking supervision, strengthen financial oversight, and improve decision-making processes. With a steadfast commitment to innovation and digital transformation, the Bank embraced cutting-edge AI-driven solutions to optimise operational efficiency and reinforce its supervisory functions. A major milestone in this journey was the creation of a Large Language Model (LLM), designed to process vast amounts of financial and regulatory data, enhance risk assessment, and streamline reporting mechanisms. Additionally, the Bank successfully deployed predictive analytics to monitor and address Non-Performing Loans (NPLs) - a development that allows for proactive intervention, risk mitigation, and a more resilient credit environment. This AI-driven system now has the capability to predict NPL trends up to four quarters ahead, ensuring timely and data-driven regulatory responses without human intervention.

To promote the responsible development and use of AI, the Bank established a comprehensive Artificial Intelligence Policy designed to mitigate associated risks. Recognising the rapid evolution of these technologies, the Bank remains committed to continuously enhancing its frameworks and adapting to emerging developments. Through these proactive measures, the Bank has set a benchmark for responsible and forward-thinking regulatory practices within the financial sector.

Beyond supervisory functions, advanced data analytics have been integrated into the Bank's core operations. Such analytics offer greater visibility, fostering a data-driven culture, and enable continuous improvement. Thus, as part of its monetary policy mandate, the Bank has automated the collection of mineral data, significantly improving the speed, accuracy, and reliability of the mineral data. This advancement has enhanced data quality, enabled real-time insights, and strengthened overall institutional efficiency. The automation of other economic data collection processes - including in respect of obtaining Balance of Payments information, real sector data, and monetary and financial statistics - is also well under way, with several projects already in advanced stages. By integrating AI-powered tools into its regulatory, monetary, and operational frameworks, the Bank is positioning itself at the forefront of technological innovation, ensuring a robust, efficient, and future-ready financial system.

Revolutionising Government Payments: the 2024 Portal Launch

In our ongoing commitment to enhancing service delivery and operational efficiency, the Bank proudly introduced the Government Payment Portal in 2024. This innovative digital platform was designed to revolutionise the processing of both domestic and international payments for the Namibian Government. The Payment Portal facilitated the processing of an impressive 702 domestic payments, amounting to a substantial N$31.7 billion, along with 1,259 international payments, reflecting a total value of N$5.6 billion. By ensuring seamless, transparent and efficient transactions, the portal elevated the quality of our services and significantly contributed to improved resource allocation and overall governmental efficiency. This strategic initiative underscored our dedication to leveraging technology to drive excellence and support the Government in achieving its financial and administrative goals.

Economic Developments

Global GDP growth moderated slightly in 2024 compared to 2023. In this regard, global GDP growth eased to 3.2 percent in 2024 from 3.3 percent in 2023 on the back of weak investment, sluggish productivity growth, and high debt levels. Moreover, tight monetary conditions dampened global growth, especially by impacting housing and credit markets. Growth in Advanced Economies (AEs) ticked marginally higher to 1.8 percent in 2024 compared to 1.7 percent registered in 2023, as investment remained subdued, particularly in the Euro Area. In Emerging Market and Developing Economies (EMDEs), growth remained unchanged at 4.2 percent in 2024 relative to 2023. This was ascribed to the slow pace of structural reforms, which is holding back productivity growth. Going forward, global economic growth is projected to increase slightly, albeit still below the historical average. The world's GDP growth is projected to rise by 3.3 percent in 2025. According to the International Monetary Fund's January 2025 World Economic Outlook Update, the anticipated sluggish growth was attributed to the lagged impact of tight monetary policy and increased geopolitical risks. On the other hand, AEs are anticipated to register flat growth in 2025 relative to 2024. Specifically, growth in AEs is estimated to remain unchanged at 1.8 percent in 2025, supported by a combination of country-specific dynamics as inflation pressures unwind and economic activity converges towards long-term growth levels. Growth for EMDEs is projected at 4.2 percent in 2025, remaining at the same rate as in 2024.

Global headline inflation declined in 2024 relative to 2023, ascribed to moderating costs of international food and energy. Specifically, global headline inflation moderated to 5.8 percent in 2024 from 6.9 percent recorded in 2023, largely due to a decline in the costs of energy and food supported by eased labour market pressures in AEs. Looking ahead, global headline inflation is projected to ease further to 4.2 percent in 2025 and to 3.5 percent in 2026. Upside risks to inflation remain, however. These entail potential supply-side shocks in global commodity markets, which could drive up prices particularly of food and energy products; export restrictions that may be imposed by major producers; and climate-related shocks affecting the agricultural sector.

In line with global economic growth, real GDP in Namibia expanded further in 2024, although at a slower pace than in 2023. The growth rate of the Namibian economy slowed to 3.7 percent in 2024 from 4.4 percent recorded in 2023, impeded by a weak performance in the primary industry, particularly the contractions in diamond and crop production. The secondary and tertiary industries, however, showed improved performances, with the growth in the secondary industry primarily driven by stronger activity in the manufacturing and construction sectors. Meanwhile the tertiary industries experienced growth led by the wholesale and retail trade sector, largely stimulated by rising income, easing inflationary pressures, mineral exploration related purchases, the adjusted tax bracket refunds and moderately lower interest rates. Other sectors, including the transport, hotels and restaurants, finance, health and public administration and defence sectors also showed strong performances, contributing to the overall tertiary industry growth.

Inflation in Namibia eased in 2024 compared to 2023, offering some relief to consumers by ameliorating the erosion of their spending power. Overall inflation for Namibia decreased from 5.9 percent in 2023 to an average of 4.2 percent during the year under review. This lower inflation rate was ascribed mainly to a deceleration in food and transport inflation during the year under review compared to the previous year. The decline was reflected in food categories such as bread and cereals; meat and milk, cheese and eggs. Meanwhile, the decline in transport inflation was mainly reflected in the operation of personal transport equipment reflecting softer fuel prices, which were kept unchanged and/or adjusted downwards for the greater part of the year. Conversely, inflation for food and housing inched higher in 2024, somewhat offsetting the decline in the other components of inflation.

The Bank's Monetary Policy Committee (MPC) was gratified to witness how its consistent application of sound monetary policy culminated in a substantial slowdown of inflation in 2024 and adopted an easing policy stance in the second half of the year. In the face of accelerating inflation, the MPC had raised its key policy rate stepwise from February 2022 to reach a plateau of 7.75 percent in June 2023. This was not unique to Namibia but aligned with that of most central banks, given the need to tame the high inflation that was ignited during 2022 by a series of supply-side shocks hitting commodity prices. As monetary policy works with lags, by 2024 this conservative policy trajectory brought about a notable decline in domestic inflation. With medium-term projections of inflation also having moderated and against the backdrop of a global monetary policy easing cycle, the MPC began cutting interest rates in August 2024 with a 25-basis-point reduction. This was followed by similar reductions in October and December bringing the Repo rate to 7.00 percent by year-end. Key considerations informing the MPC's decisions included not only the slowdown in inflation, but also the robust level of international reserves, the orderly capital flows experienced, and the pressing need to continue supporting domestic economic activity amid weak credit growth. Correspondingly, the prime lending rate that amounted to 11.50 percent at the end of 2023 was reduced to 10.75 percent at the end of 2024, bringing measured relief to borrowers.

Growth in broad money supply (M2) remained firm in 2024, driven by a decrease in net foreign assets, whereas growth in private sector credit extension (PSCE) improved. Growth in M2 moderated to 9.7 percent in 2024, from the growth of 10.7 percent reflected at the end of 2023. The lower growth in M2 during the period under review was mainly on the back of a decline in NFA of the depository corporations. On the other hand, the growth in PSCE rose moderately to 4.0 percent in 2024, from 1.9 percent recorded in 2023. This higher growth was due to an increase in credit extended to both the corporate and household sectors in the form of other loans, advances and overdrafts. This growth was an indication of momentum picking up in domestic demand, partly attributed to the fiscal stimulus in the form of tax refunds that came into effect in October 2024 coupled with the eased restrictive monetary policy stance which commenced in August 2024.

The ratio of the Government's budget deficit to GDP widened during FY2024/25, leading to the rise in Government debt to GDP over the year to the end of December 2024. Central Government's deficit for FY2024/25 widen to 3.9 percent of GDP compared to 2.4 percent deficit registered during the FY2023/24. The increase in the deficit is a result of the faster increase in expenditure compared to the rise in revenue. Looking ahead, the March 2025 Budget provides for a moderate further widening of the budget deficit to 4.6 percent of GDP in 2025/26. Meanwhile, total debt as a percentage of GDP stood at 65.3 percent at the end of December 2024, representing an increase of 1.4 percentage points from a year earlier.

During 2024, Namibia's current account deficit widened further, while the stock of foreign reserves continued to rise in relation to 2023. The deficit on the current account remained elevated and unchanged at 15.3 percent of GDP during 2023 and 2024. The higher current account deficit was primarily due to an increase in the merchandise trade deficit driven by higher import payments across most categories, compared to lower export earnings, particularly from diamond exports. The current account deficit, excluding hydrocarbon exploration and appraisal-related transactions widened to 5.0 percent of GDP during 2024 compared to 3.7 percent in 2023. Nonetheless, the financial account inflows were sufficient to cover the current account deficit and contribute to the accumulation of foreign reserves. Namibia's international reserves rose by 18.4 percent in 2024 to N$63.0 billion primarily due to higher Southern African Customs Union (SACU) receipts, coupled with foreign borrowing by the Namibian Government as well as the revaluation gains due to the moderate depreciation of the Namibia Dollar against major currencies. Foreign reserves translated into an estimated import cover of 4.2 months in 2024, higher than the 3.8 months of import cover recorded in the preceding year. Moreover, the Real Effective Exchange Rate (REER) appreciated marginally on an annual basis in 2024, signalling a loss in Namibian products' trade competitiveness in international markets.

The banking sector remained resilient and sound during 2024, amidst challenging economic conditions. Banks' capital remained strong during the year under review, which supported the balance sheet expansion and cushioned against risk. Profitability improved in 2024 relative to 2023, with both the return on assets and the return on equity exceeding the performance reported in the previous year. Furthermore, the banks' liquid asset holdings remained adequate to meet near-term obligations after they continued to record significant buffers above the prudential limits. Asset quality, as indicated by the ratio of performing to non-performing loans, showed a slight improvement from the previous year by remaining below the supervisory intervention threshold. These factors underscore the current resilience of the banking sector to macroeconomic shocks. Overall, the banking sector remained stable under the prevailing economic conditions and continued to extend credit to the real economy.

The Non-Bank Financial Institutions (NBFIs) sector demonstrated resilience and stability throughout 2024. The sector's assets expanded significantly, attributable to favourable global financial markets and a steady demand for NBFI products, bolstered by easing inflation rates and increased Government spending in relation to the previous reporting period. Notably, the retirement funds and long-term insurance subsectors achieved returns on investments that exceeded inflation rates in the medium-term. This positive financial market performance and steady demand contributed to these subsectors maintaining sound capital reserves and, thus, remaining solvent in 2024.

The recent easing of monetary and fiscal policy measures, together with the existing regulatory initiatives, is expected to promote a sound financial sector going forward. Notwithstanding, the Bank's Macroprudential Oversight Committee emphasised continuous monitoring of the identified global and domestic financial stability risks, which could adversely impact the soundness of the Namibian financial system.

People Development and Engagement

Reflecting on 2024, our employees have been the cornerstone of our achievements. The Bank's successful strategy execution over the past year is closely linked to our outstanding employee engagement rate of 86 percent. This figure highlights the unwavering commitment, resilience, and adaptability of our workforce in a constantly evolving work environment.

Our focus on continuous development has resulted in over 700 initiatives aimed at enhancing our expertise in central banking, digital fluency, and leadership. Notably, our employees participated in prestigious leadership programmes, enabling us to fill 87 percent of leadership positions internally. This accomplishment underscores the talent we nurture at the Bank and reaffirms our dedication to providing growth opportunities. By investing in our employees' development, we aim to foster a culture of continuous learning, ensuring we have a future-ready workforce that not only grows professionally but also aligns with our values and purpose to contribute to the prosperity of all Namibians.

The Bank's Financial Performance

The Bank's financial performance increased slightly in 2024 in relation to 2023. Operating profit declined slightly by 1.3 percent, from N$1.025 billion in 2023 to N$1.011 billion in 2024, driven by normal operating expenses. The Bank's total assets increased by N$9.32 billion, from N$61.92 billion in 2023 to N$71.25 billion in 2024, mainly due to an uptick in investments on the back of SACU revenues, while higher-than-expected diamond sales and growth in deposits attributed to improved liquidity.

The Bank remains dedicated to financial stability and sustainability, as reflected in its prudent dividend distribution and profit appropriation. Reserves designated for distribution increased by 16 percent year-on-year, from N$956.9 million in 2023 to N$1 107.2 million in 2024. The Bank will therefore distribute a dividend of N$720 million (2023: N$511.5 million) to the Government for 2024. Allocations of N$70 million were made to the Building Fund Reserve to develop the Bank's new office building in Windhoek and N$9.7 million to the Training Fund Reserve for associated interventions.

Operating profit

1.3%

2023	2024
N$1.025 billion	N$1.011 billion

At the core of this transformation is a commitment to responsible innovation - expanding financial access, unlocking economic potential, and ensuring Namibia's digital and green economies are built on trust and resilience. Progress flourishes where regulation is pragmatic, leadership is bold, and innovation is nurtured. Namibia is ready to shape a financial future where innovation is not only encouraged but also embedded in the nation's economic blueprint.

This approach holds true for the broader economy as well. Smart and streamlined regulation has the potential to revitalise the business environment, improving operational efficiencies and leading to significant gains in productivity. This is especially important for a country facing issues such as unemployment and poverty, which require innovative thinking rather than just small, incremental changes. A reimagined regulatory framework can play a crucial role in enhancing the ease of doing business and reinvigorating the overall business climate.

Looking Ahead

As the global financial landscape evolves, the convergence of AI, fintech, and sustainable finance is reshaping economies, unlocking new opportunities, and redefining economic transformation. For Namibia, this intersection offers a chance to leapfrog traditional barriers, drive financial inclusion, and lead in digital payments, green finance, and responsible innovation. However, ensuring a regulatory environment that fosters growth without being overly restrictive or lax is crucial. Regulation, like a balanced ecosystem, should enable progress while maintaining stability. Overly rigid policies risk stifling innovation, while excessive leniency can create vulnerabilities. The key lies in crafting adaptable, forward-looking regulations that allow financial institutions, fintech innovators, and sustainability-driven enterprises to thrive securely.

Namibia stands at a new horizon harnessing AI and modernising financial services. Predictive analytics, automation, and machine learning are transforming risk assessment, fraud prevention, and financial stability. Digital payments are broadening financial access, while green finance is mobilising capital toward sustainability. Yet, these advancements require an enabling policy framework, one that aligns with global best practices but remains tailored to Namibia's unique landscape. To this end, Namibia is designing smart, fit-for-purpose regulations that encourage responsible innovation through regulatory sandboxes for fintech experimentation, AI-driven oversight models, and the integration of sustainability into financial supervision. At the same time, building institutional capacity is essential. Regulators, policymakers, and industry leaders need to develop deep expertise in emerging financial technologies, AI ethics, and digital risk management. By investing in skills development and forging global partnerships, Namibia will remain agile in an increasingly digital economy.

Concluding remarks

As we embrace 2025 and beyond, the Bank of Namibia is poised to navigate an evolving financial landscape with a proactive and future-ready approach. Anchored in our statutory mandate, our 2025-2027 strategy sets a clear path toward a smarter central bank, a more inclusive and resilient financial system and embracing a diversified economy. With digital and cultural transformation as enablers, this strategy is not just a vision but a commitment to delivering tangible progress and creating enduring macroeconomic stability.

Key initiatives emanating from this strategy for delivery over the next three years include Namibia's first Fast Payment System, issuing commemorative currency, reviewing the current banknotes and coins, modernising our headquarters with cutting edge facilities – (money museum, Knowledge Centre, Auditorium, and Innovation Hub) - launching Retail Bonds and implementing a Central Securities Depository (CSD) in collaboration with the Namibian Stock Exchange.

With a strong foundation and dynamic roadmap, the Bank is ready to turn the vision into action, ensuring prosperity for Namibia on the back of enduring macroeconomic stability.

Johannes !Gawaxab
Governor

HONOURING OUR COLLEAGUES

At the Bank we value teamwork and in this regard, we recognise the contribution of our ex employees who retired in 2024.

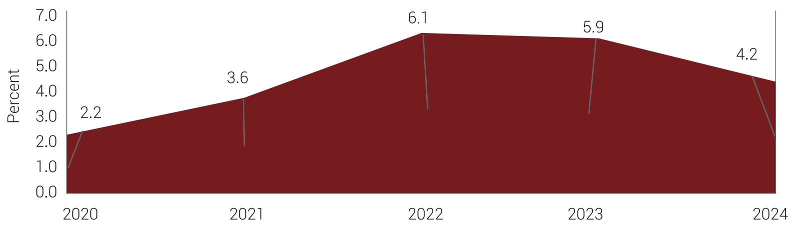
- Aino Nashiku (Supervisor: Cafeteria)
- Aili Akooko (Recruitment & ER Officer)
- Abia Mberijandja (Protection Officer)
- Sem Angolo (Cook)

They served the Bank for over twenty three (23) years and their contributions brought the Bank where it is today.

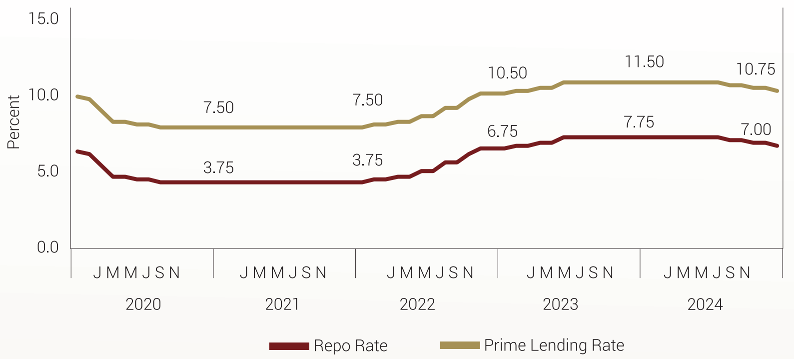
2024 ANNUAL REPORT DASHBOARD

PRICE STABILITY

Overall Inflation

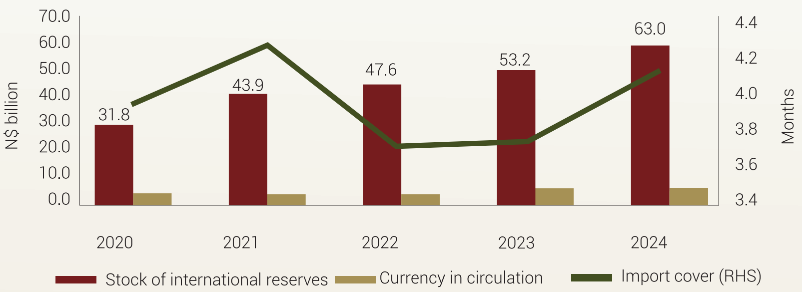


Interest rates



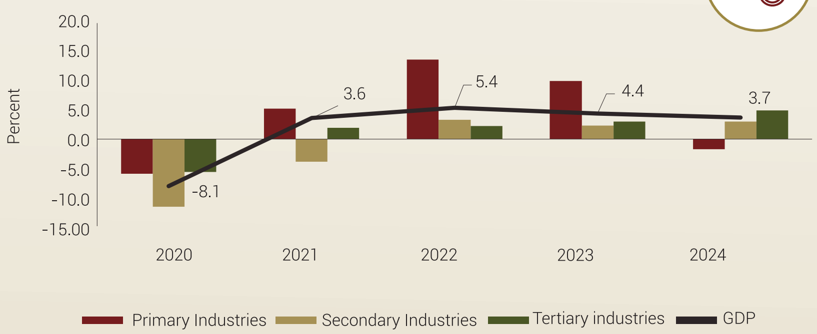
RESERVES

Stock of International Reserves



GROWTH

Economic Growth



FINANCIAL STABILITY

Capital Adequacy

↓ 0.3 p.p

2023	2024
17.0%	16.7%

Liquidity

↑ 2.4 p.p

2023	2024
17.3%	19.7%

NPL Ratio

↓ 0.2 p.p

2023	2024
5.8%	5.6%

FINANCIAL OUTCOMES

Government Dividend

↑ 208.5 mill

2023	2024
511.5 mill	720 mill

Note: p.p denotes percentage point.

STRATEGY EXECUTION

- 96% Purpose
- 97% Talent & Transformation
- 98% Stakeholder Engagement
- 96% Future Fit organisational Efficiency & Effectiveness
- 93% Digital transformation as an Enabler

CURRENCY

Currency in Circulation
2024
N$5.6B

Increase from
2023
N$5.2B

6.9% ↑

DIGITAL TRANSFORMATION

Pioneer Award - Fintech Regtech Global Awards 2024

SOCIAL AND RELATIONSHIP OUTCOMES

UN General Assembly President and industry stakeholders during a roundtable discussion

Public Lectures

PART A

OPERATIONS AND AFFAIRS OF THE BANK

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Part A
Operations and Affairs of the Bank

BOX ARTICLE:
POLICY ISSUES EMANATING FROM THE BANK OF NAMIBIA'S 24TH ANNUAL SYMPOSIUM ON TRANSFORMATION OF THE RURAL ECONOMY IN NAMIBIA

STAKEHOLDER ENGAGEMENT PILLAR

TABLES

FIGURES

BANK OF NAMIBIA CORPORATE CHARTER

MISSION

Support sustainable economic development through effective monetary policy and an inclusive and stable financial system for the benefit of all Namibians.

VISION

To be a leading central bank committed to a prosperous Namibia.

CULTURE STATEMENT

Embracing **Agility, Collaboration and Trust** (ACT)

OUR VALUES

- Act with integrity
- Lead through innovation
- We care
- Open engagement
- Performance excellence
- Embrace diversity

ORGANISATIONAL STRUCTURE OF THE BANK OF NAMIBIA

MEMBERS OF THE BOARD (AS AT 31 DECEMBER 2024)

MR JOHANNES !GAWAXAB

POSITION HELD
- Governor of the Bank of Namibia
- Chairperson of the Board

TERM
- Incumbent since 1 June 2020
- Current term ends 31 December 2026

QUALIFICATIONS
- Bachelor of Arts (BA) and Master of Business Leadership (University of South Africa (UNISA))
- Master of Arts (MA) (Graduate Business School, Kingston)
- Certificate in Global Leadership (London School of Business)
- Advanced Management Program (Harvard Business School)

YEARS OF EXPERIENCE
47

EXPERTISE
- Financial services
- Finance
- Financial economics
- Central banking
- Investments
- Governance

MR EBSON UANGUTA

POSITION HELD
- Deputy Governor of the Bank of Namibia
- Executive Member of the Board

TERM
- Incumbent since 1 January 2012
- Current term ends 31 December 2026

QUALIFICATIONS
- Master of Science (MSc) in Economic Policy Analysis (Addis Ababa University)
- Bachelor of Economics (University of Namibia (UNAM))
- Advanced Management Program (Harvard Business School)
- Senior Executive Fellow (Harvard Kennedy School of Government)
- Senior Management Programme (University of Stellenbosch (US))
- Project Management Programme (University of Stellenbosch)

YEARS OF EXPERIENCE
30

EXPERTISE
- Economic policy research
- Central banking
- Public policy
- Leadership and governance
- Oil and Gas

MS LEONIE DUNN

POSITION HELD
- Deputy Governor of the Bank of Namibia
- Executive Member of the Board

TERM
- Incumbent since 1 January 2021
- Current term ends 31 December 2026

QUALIFICATIONS
- Master of Laws with specialisation in Commercial Law (LLM) (cum laude) Cardiff University, Wales (UK)
- Bachelor of Laws (LLB) (University of Stellenbosch)
- BA Law (University of Stellenbosch)
- Admitted Legal Practitioner of the High Court and the Supreme Court of Namibia
- Women in Leadership Development USA
- International Executive Development Programme (Wits Business School (WBS)/London Business School (LBS))
- International Leaders Programme (Foreign, Commonwealth & Development Office, UK)
- Advanced Management Program (Harvard Business School)
- Chevening Fellow

YEARS OF EXPERIENCE
27

EXPERTISE
- Commercial, Civil, Criminal and administrative law
- Financial services regulation
- Financial market integrity
- Anti-money laundering / counter-terrorism financing / counter-proliferation financing compliance, monitoring, supervision, administrative enforcement and strategic analyses
- Financial intelligence unit strategic leadership
- Central banking
- Prudential and market conduct regulation
- Financial Stability and Macroprudential oversign
- Central Banking Executive Leadership

MR TITUS NDOVE

POSITION HELD
- Ex-officio Member of the Board
- Executive Director of the Ministry of Finance and Public Enterprises

TERM
- Incumbent since 1 April 2022

QUALIFICATIONS
- MSc in Financial Economics (University of London)
- Graduate Fellow in Debt Markets (Macroeconomic and Financial Management Institute of Eastern and Southern Africa)
- Bachelor of Economics (UNAM)
- International Executive Development Programme (Wits Business School& London Business School)
- A Cutting Edge of Development Thinking (Harvard Kennedy School)
- Financial Programming and Policies (International Monetary Fund /IMF)

YEARS OF EXPERIENCE
27

EXPERTISE
- Public financial management
- Research
- Public procurement
- Public and commercial banking
- Financial markets
- Corporate governance

MS RIKA PRETORIUS

POSITION HELD
- Non-executive Member of the Board
- Chairperson of the Finance, Risk and Audit Committee (FRAC)
- Member of the Information Technology Governance and Projects Committee

TERM
- Incumbent since 1 April 2022
- Current term ends 31 March 2027

QUALIFICATIONS
- MCom in Forensic Accounting (North West University)
- Honours BCom Acc Science (UNISA)
- CA (NAM)
- CA (SA)

YEARS OF EXPERIENCE
18

EXPERTISE
- Financial management
- Auditing
- Professional membership includes Institute of Chartered Accountants Namibia, Public Accountant's and Auditors' Board, and South African Institute of Chartered Accountants

MR EHRENFRIED MERORO

POSITION HELD
- Non-executive Member of the Board
- Member of the Finance, Risk and Audit Committee (FRAC)
- Chairperson of the Remuneration Committee
- Member of the Information Technology Governance and Projects Committee

TERM
- Incumbent since 1 February 2019
- Term ended 31 December 2023, renewed to 31 December 2028

QUALIFICATIONS
- MSc Economics (A & T State University, North Carolina, USA)
- BSc Economics (A & T State University, North Carolina, USA)
- Economic Analysis of Structural Adjustments (Word Bank)
- Financial Programming and Analysis (IMF)
- Senior Management Programme (University of Stellenbosch)
- Advanced Course for Research Economists (Switzerland)
- Risk Management Training (Intuition Web)

YEARS OF EXPERIENCE
33

EXPERTISE
- Risk management
- Economic policy research
- Currency management
- Banking regulation

MEMBERS OF THE BOARD (SINCE 1 FEBRUARY 2024)

DR MESHACK TJIRONGO

POSITION HELD
- Non-executive Member of the Board
- Member of the Finance, Risk and Audit Committee (FRAC)
- Member of the Remuneration Committee
- Member of the IT Governance and Projects Committee

TERM
- Incumbent since 1 February 2024
- Current term ends 31 January 2028

QUALIFICATIONS
- DPhil Economics (Oxford University)
- MA in Economics (New Mexico State University)
- BSc in Agricultural Business (Iowa State University)
- Diploma in Agriculture (University of Botswana and Swaziland)

YEARS OF EXPERIENCE
36

EXPERTISE
- Macroeconomic policy formulation and implementation
- Economic policy research
- Strategic planning and management
- Economic and development policy

ADV. ELIASER NEKWAYA

POSITION HELD
- Non-Executive Member of the Board
- Member of the Finance, Risk and Audit Committee (FRAC)
- Member of the Remuneration Committee

TERM
- Incumbent since 1 February 2024
- Current term ends 31 January 2028

QUALIFICATIONS
- Master of Laws in Corporate Law (UNISA)
- LLB (UNAM)
- Bachelor of Jurisprudence (BJuris) (UNAM)

YEARS OF EXPERIENCE
12

EXPERTISE
- Corporate governance
- Risk management
- Regulations and policy oversight
- Financial and operational oversight
- Stakeholder relations and management
- Strategy and governance

MR PIETER KRUGER

POSITION HELD
- Non-executive Member of the Board
- Chairperson of the IT Governance and Projects Committee
- Member of the Remuneration Committee

TERM
- Incumbent since 1 February 2024
- Current term ends 31 January 2028

QUALIFICATIONS
- Master of Philosophy in Business Management (Universidad Catolica San Antonio de Murcia)
- MSc in Computer Science (University of Stellenbosch)
- BSc in Computer Science and Applied Mathematics (University of Stellenbosch)

YEARS OF EXPERIENCE
27

EXPERTISE
- Artificial intelligence
- Cybersecurity
- Operational leadership
- Financial management
- Corporate governance

SENIOR MANAGEMENT TEAM (AS AT 31 DECEMBER 2024)

MR JOHANNES !GAWAXAB

POSITION HELD
- Governor of the Bank of Namibia
- Chairperson of the Board
- Member of the MPC

TERM
- Incumbent since 1 June 2020
- Current term ends 31 December 2026

QUALIFICATIONS
- Bachelor of Arts (BA) and Master of Business Leadership (University of South Africa (UNISA))
- Master of Arts (MA) (Graduate Business School, Kingston)
- Certificate in Global Leadership (London School of Business)
- Advanced Management Program (Harvard Business School)

YEARS OF EXPERIENCE
47

EXPERTISE
- Financial services
- Finance
- Financial economics
- Central banking
- Investments
- Governance

MR EBSON UANGUTA

POSITION HELD
- Deputy Governor of the Bank of Namibia
- Executive Member of the Board
- Member of the MPC

TERM
- Incumbent since 1 January 2012
- Current term ends 31 December 2026

QUALIFICATIONS
- Master of Science (MSc) in Economic Policy Analysis (Addis Ababa University)
- Bachelor of Economics (University of Namibia (UNAM))
- Advanced Management Program (Harvard Business School)
- Senior Executive Fellow (Harvard Kennedy School of Government)
- Senior Management Programme (University of Stellenbosch (US))
- Project Management Programme (University of Stellenbosch)

YEARS OF EXPERIENCE
30

EXPERTISE
- Economic policy research
- Central banking
- Public policy
- Leadership and governance
- Oil and Gas

MS LEONIE DUNN

POSITION HELD
- Deputy Governor of the Bank of Namibia
- Executive Member of the Board
- Member of the MPC

TERM
- Incumbent since 1 January 2021
- Current term ends 31 December 2026

QUALIFICATIONS
- Master of Laws with specialisation in Commercial Law (LLM) (cum laude) Cardiff University, Wales (UK)
- Bachelor of Laws (LLB) (University of Stellenbosh)
- BA Law (University of Stellenbosh)
- Admitted Legal Practitioner of the High Court and the Supreme Court of Namibia
- Women in Leadership Development USA
- International Executive Development Programme (Wits Business School (WBS)/London Business School (LBS))
- International Leaders Programme (Foreign, Commonwealth & Development Office, UK)
- Advanced Management Program (Harvard Business School)
- Chevening Fellow

YEARS OF EXPERIENCE
27

EXPERTISE
- Commercial, Civil, Criminal and administrative law
- Financial services regulation
- Financial market integrity
- Anti-money laundering / counter-terrorism financing / counter-proliferation financing compliance, monitoring, supervision, administrative enforcement and strategic analyses
- Financial intelligence unit strategic leadership
- Central banking
- Prudential and market conduct regulation
- Financial Stability and Macroprudential oversign
- Central Banking Executive Leadership

SENIOR MANAGEMENT TEAM (AS AT 31 DECEMBER 2024)

MR MARSORRY ICKUA

POSITION HELD
- Director: Information Technology

QUALIFICATIONS
- General Management Programme (Havard Business School)
- MSc Information Systems Management (University of Liverpool)
- Diploma in Personal Computer Support (Boston City Campus, South Africa)
- Diploma in Business Computing (Boston City Campus, South Africa)
- Management Development Programme (University of Stellenbosch)
- International Executive Development Programme (Wits Business School (WBS) & London Business School LBS)

YEARS OF EXPERIENCE
22

EXPERTISE
- Executive leadership (General management)
- Corporate governance
- Coaching & Mentorship
- Sustainability and ESG leadership
- Information technology (IT), strategy and governance
- Technology innovation
- Programme management
- IT security management
- Resource planning and IT risk
- Disaster recovery and business continuity management

MR ROMEO NEL

POSITION HELD
- Technical Advisor to the Governor
- Member of the MPC

QUALIFICATIONS
- LLB (UNISA)
- MBA Banking (University of London)
- Bachelor of Economics (UNAM)
- Postgraduate Certificate in Accounting (University of KwaZulu-Natal)
- International Executive Development Programme (Wits Business School (WBS) & London Business School (LBS)

YEARS OF EXPERIENCE
32

EXPERTISE
- Customs and excise
- Finance
- Financial analysis
- Compliance management
- Banking regulation
- Risk management
- Strategy leadership and corporate governance

MS FLORETTE NAKUSERA

POSITION HELD
- Director: Financial Stability and Macroprudential Oversight

QUALIFICATIONS
- MComm Economics (University of Stellenbosch)
- BComm Hons (Economics) (University of Stellenbosch)
- BComm (UNAM)
- Executive Development Programme (University of Stellenbosch)
- International Executive Development Programme (Wits Business School (WBS) & London Business School (LBS))

YEARS OF EXPERIENCE
26

EXPERTISE
- Macroeconomic policy
- Economic research and statistics
- Central banking
- Finance
- Strategic management
- Leadership and corporate governance
- Environmental economics and policy

DR EMMA HAIYAMBO

POSITION HELD
- Director: Research and Financial Sector Development
- Member of the MPC

QUALIFICATIONS
- PhD in Development Finance (University of Stellenbosch)
- MSc in Financial Economics (University of London)
- Master of International Business (Polytechnic of Namibia/Namibia University of Science and Technology) (PoN/NUST)
- Postgraduate Diploma in Financial Economics (University of London)
- BEcon (UNAM)
- Diploma in Public Administration (PoN/NUST)
- Fellow at the Fletcher School Leadership Program for Financial Inclusion (Tufts University)
- Certified Expert in Financial Inclusion Policy (Frankfurt School of Finance and Management)
- Advanced Management Programme (MIT-Sloan School of Management)
- Stanford Lead Programme (Stanford Graduate School of Business)
- International Executive Development Programme (Wits Business School (WBS)/London Business School(LBS)
- Management Development Programme (University of Stellenbosch)

YEARS OF EXPERIENCE
28

EXPERTISE
- Macroeconomic research
- Macroeconomic statistics and analysis
- Financial sector development
- Development finance
- Project management
- Strategic planning and management
- Corporate governance

DR LEA NAMOLOH

POSITION HELD
- Director: Human Resources

QUALIFICATIONS
- PhD in Management (Swiss Management Center)
- MBA (Maastricht University)
- MEd (UNAM)
- BEd (Honours) (Bristol University)
- International Executive Development Programme (University of the Witwatersrand)
- Diploma in Teaching English as a Foreign Language (University of Edinburgh)
- Board of Directors Certificate (University of Stellenbosch)

YEARS OF EXPERIENCE
34

EXPERTISE
- Human resources management
- Project management
- Currency management
- Banking services
- Strategic leadership

MS SHIRINE BAMPTON

POSITION HELD
- Director: Human Resources (Designate)

QUALIFICATIONS
- MSc Global Human Resources Management (University of Liverpool)
- BTech Degree Human Resources (University of South Africa)
- Diploma Human Resources (Polytechnic of Namibia)
- Executive Leadership (Oxford University)
- Management Development (National University of Singapore)

YEARS OF EXPERIENCE
29

EXPERTISE
- Strategic human resources management
- Employee relations
- Rewards management
- Organisational development
- Talent management
- Strategic leadership

SENIOR MANAGEMENT TEAM (AS AT 31 DECEMBER 2024)

MS ANCOIS PLAATJE

POSITION HELD
- Director: Banking Supervision

QUALIFICATIONS
- MSc International Banking and Finance (University of Salford)
- BComm (UNAM)
- General Management Program (Harvard Business School)

YEARS OF EXPERIENCE
23

EXPERTISE
- Financial analysis
- Technology Innovation
- Policy development, regulation and supervision
- Risk management
- Strategy planning and execution
- Corporate governance

MR NICHOLAS MUKASA

POSITION HELD
- Director: Financial Markets
- Member of the MPC

QUALIFICATIONS
- Bachelor of Business Administration (UNAM)
- Chartered Financial Analyst® (CFA Institute)
- Senior Management Development Programme (University of Stellenbosch)
- Postgraduate Diploma in Financial Management (Heriot-Watt University)
- Global Executive Leadership Program (Deloitte & London Business School)
- General Management Program(Harvard Business School)

YEARS OF EXPERIENCE
23

EXPERTISE
- Portfolio management
- Financial analysis
- Asset valuation
- Capital markets
- Reserves management
- Risk management

MS BARBARA DREYER

POSITION HELD
- Director: National Payment System and Financial Surveillance

QUALIFICATIONS
- MSc in Global Central Banking and Financial Regulation (University of Warwick Business School
- MBA (Swiss Management Center)
- MEd (State University of New York)
- BA Hons and BEd (University of the Western Cape (UWC))
- Postgraduate Diploma in Social Science Research Methods (University of Stellenbosch)
- Postgraduate Diploma in Higher Education (University of the Western Cape)
- Fellow at the Fletcher School Leadership Program for Financial Inclusion (Tufts University)
- International Executive Development Programme (Wits Business School (WBS) & London Business School (LBS)

YEARS OF EXPERIENCE
33

EXPERTISE
- Digital financial services
- Innovation, policy development, regulation and Supervision
- Fintech regulatory policy
- Cross-border payments oversight and regulation
- Payment systems strategy
- Payment systems risk management
- Central banking
- Corporate governance
- Human resources management strategy
- Remuneration strategy and organisation development
- Strategic management and leadership development
- Knowledge management

MS SENCIA KAIZEMI-RUKATA

POSITION HELD
- Director: Currency Management and Banking Operations

QUALIFICATIONS
- MComm in Business Management (cum laude) (UNISA)
- Hons BComm in Business Management (UNISA)
- BComm with specialisation in Human Resources Management (UNISA)
- National Diploma in Commerce (NUST)
- Specialised training in Foundational Payment Systems (Payments Association of South Africa)
- Specialised Training in Banknote Production (Royal Joh. Enschedé)
- Senior Management Development Programme (University of Stellenbosch) LBS)
- Global Executive Leadership Development Programme (Deloitte Alchemy & London Business School)

YEARS OF EXPERIENCE
27

EXPERTISE
- Commercial and central banking
- Currency management
- Banking services
- Strategic payment
- Systems management
- Leadership and corporate governance

MR KAZEMBIRE ZEMBURUKA

POSITION HELD
- Director: Strategic Communications and International Relations

QUALIFICATIONS
- MA in Development Policy and Practice (University of Cape Town)
- MA in Journalism (with distinction) (Cardiff University)
- BA in Media Technology; Honours in Journalism (Polytechnic of Namibia)
- National Diploma in Media Technology and Journalism (PoN)
- Management Development Programme (University of Stellenbosch)
- General Management Development Programme, INSEAD,

YEARS OF EXPERIENCE
24

EXPERTISE
- Journalism
- Media
- International relations
- Central banking communications
- Sustainability

MR LLOYD LONDT

POSITION HELD
- Director: Finance and Administration

QUALIFICATIONS
- MBA (with distinction) (Warwick University)
- Postgraduate Diploma in Specialised Accounting (with distinction) (University of Witwatersrand)
- Chartered Accountant (Namibia and South Africa);
- Professional Member of the South African Institute of Chartered Accountants of Namibia and the South African Institute of Chartered Accountants
- BAcc Hons (Accounting) (Rhodes University)
- General Management Program (Harvard Business School)

YEARS OF EXPERIENCE
19

EXPERTISE
- Financial management, annual report writing and storytelling
- International financial reporting standards
- Business administration
- Financial management and management accounting
- Basic behavioural and emotional finance analysis
- Communication
- Facilitation and training
- Auditing
- Transformative Leadership

SENIOR MANAGEMENT TEAM (AS AT 31 DECEMBER 2024)

MS VALERIA MBANGO

POSITION HELD
- Director: Strategy, Projects and Transformation

QUALIFICATIONS
- MEng in Project Management (University of Pretoria)
- BEng in Industrial Engineering (University of Stellenbosch)
- PGDip Future Studies (University of Stellenbosch Business School)

YEARS OF EXPERIENCE
11

EXPERTISE
- Strategy development and alignment
- Digital transformation
- Leadership
- Project and programme management
- Business process management and automation
- Change management and organisational development

MS MAGRETH TJONGARERO

POSITION HELD
- Director: Governance, Risk and Compliance

QUALIFICATIONS
- MSc in International Banking and Finance (University of Salford)
- BComm (Accounting) (UNAM)
- International Executive Development Programme (Wits Business School (WBS) & London Business School) (LBS)
- ISO22301:2012 Business Continuity Management Systems: Lead Implementer (International Organisation for Standardization (ISO)

YEARS OF EXPERIENCE
24

EXPERTISE
- Auditing
- Credit risk auditing
- Risk management
- Business continuity management
- Corporate governance
- Project assurance
- Compliance management

MS LEENA SHIPANGA

POSITION HELD
- Deputy Director: Internal Audit

QUALIFICATIONS
- BAcc (NUST)
- Certified Internal Auditor, CIA (Institute of Internal Auditors)
- Leadership Development Programme (Gordon Institute of Business Science)

YEARS OF EXPERIENCE
10

EXPERTISE
- Operational and IT auditing
- Data analytics
- Corporate governance
- Compliance management
- Risk management
- Business continuity management
- Project management

MR RUBEN PHILANDER

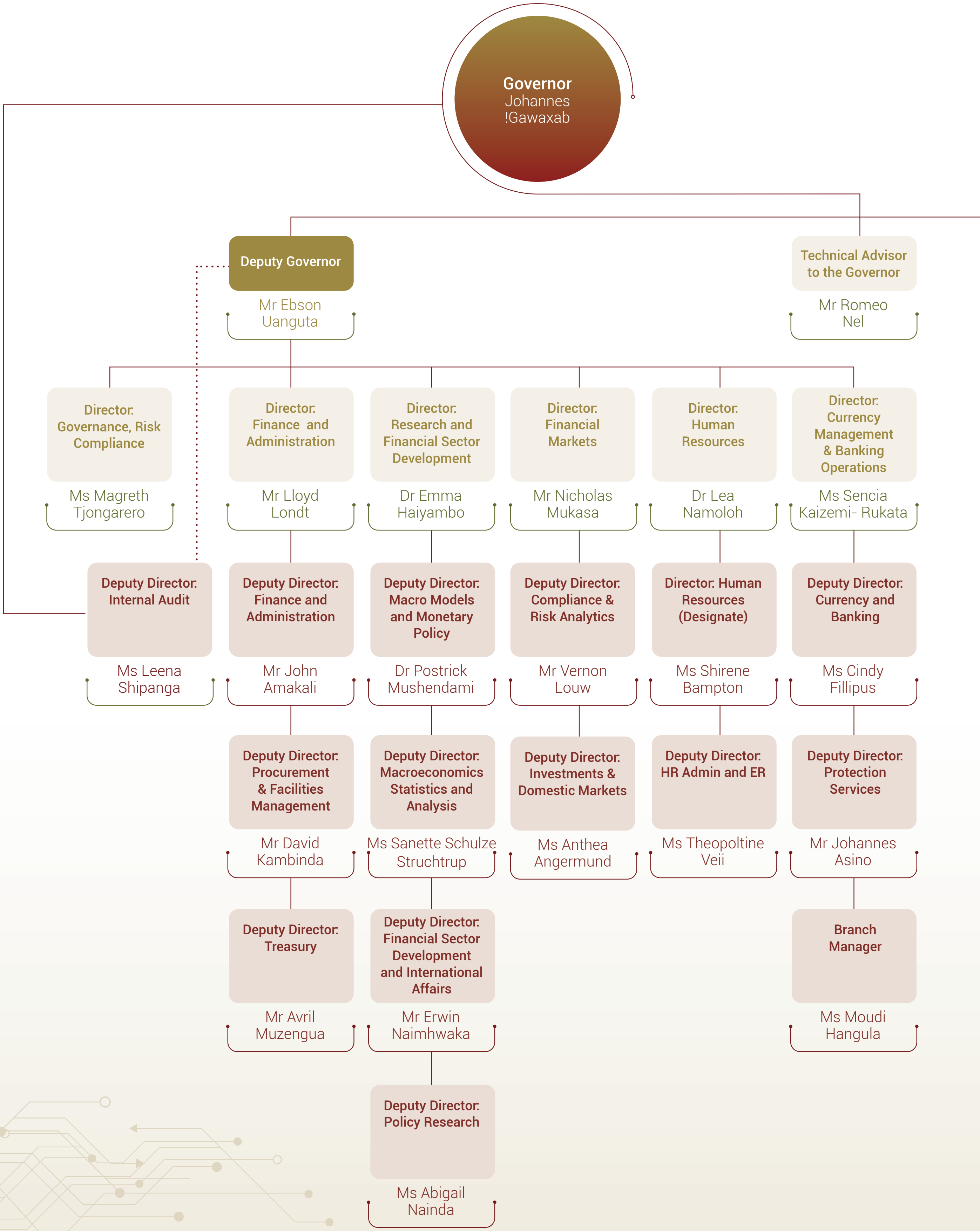
POSITION HELD
- Deputy Director: Legal Services

QUALIFICATIONS
- BJuris and LLB (University of the Western Cape)
- Diploma in Insolvency Law (University of Pretoria)
- Admitted Legal Practitioner of the High Court of Namibia

YEARS OF EXPERIENCE
30

EXPERTISE
- Employment law
- Administrative law
- Public law
- Pension law
- Banking
- Litigation

MANAGEMENT STRUCTURE
BANK OF NAMIBIA



(AS AT 31 DECEMBER 2024)

- **Deputy Governor** – Ms Leonie Dunn
  - **Director: Banking Supervision** – Ms Ancois Plaatje
    - **Deputy Director: Onsite Examinations** – Ms Karin Elago
      - **Deputy Director: Policy & Regulation** – Mr Elifas Kamati
        - **Deputy Director: Off-site Analysis** – Mr Elia Paavo
  - **Director: Financial Stability & Macroprudential Oversight** – Ms Florette Nakusera
    - **Deputy Director: Resolution & NDGA** – Mr Petrus Shifotoka
      - **Deputy Director: Financial Stability & Macroprudential Surveillance** – Ms Anna William
  - **Director: National Payment System and Financial Surveillance** – Ms Barbara Dreyer
    - **Deputy Director: NISS Operations and Projects** – Mr Peter Nghinyotwa
      - **Deputy Director: Oversight & Policy Research** – Ms Irene Venter
        - **Deputy Director: Exchange Control** – Ms Penelao Kapenda
  - **Director: Information Technology** – Mr Marsorry Ickua
    - **Deputy Director: Business Systems** – Ms Martha Dama
      - **Deputy Director: IT Infrastructure** – Mr Paulus Tshiningayamwe
  - **Director: Strategy, Projects & Transformation** – Ms Valeria Mbango
  - **Deputy Director: Legal Services** – Mr Ruben Philander
- **Director: Strategic Communications & International Relations** – Mr Kazembire Zemburuka

GOVERNANCE

BANK OBJECTIVES AND ACCOUNTABILITY

The Bank of Namibia is the central bank of the Republic of Namibia, created under Article 128(1) of the Namibian Constitution. The Constitution mandates the Bank of Namibia ("the Bank") to serve as the principal instrument of the Government of the Republic of Namibia ("the Government") for controlling the country's money supply, currency, banking institutions, and any other financial institutions. The objectives of the Bank as defined in the Bank of Namibia Act (No. 1 of 2020) are, inter alia,

- to implement monetary policy and promote price stability;
- to contribute towards financial stability through macroprudential oversight over the financial system and coordinate activities involved in the safeguarding of financial stability in order to maintain and enhance a stable financial system in Namibia;
- to issue currency in Namibia
- to provide fiscal advice, depository services and fiscal agency services to the Government
- to foster monetary, credit and financial conditions conducive to the orderly, balanced and sustained economic development of Namibia
- to promote a sound, progressive and inclusive banking system
- to oversee money and the foreign exchange market
- to hold and manage foreign reserves in Namibia
- to promote an exchange rate regime which is consistent with the economy of Namibia,

In addition, the Bank fulfils other key functions as defined in other Acts, notably,

- the Banking Institutions Act (No. 13 of 2023), which empowers the Bank to regulate and supervise banking institutions, their affiliates and associates of banking institutions;
- the Payment System Management Act (No. 14 of 2023), which provides for the management, administration, operation, regulation, oversight and supervision of payment, clearing and settlement systems in Namibia;
- the Currency and Exchanges Act (No. 9 of 1933), as amended, which regulates exchange control in Namibia;
- the Deposit Guarantee Act (No. 16 of 2018), which obliges the Bank to provide certain administration and support services to the Namibia Deposit Guarantee Authority, and
- the Financial Intelligence Act (No. 12 of 2012), which requires the Bank of Namibia to physically host and provide administrative support services to the Financial Intelligence Centre where needed.

In line with section 5 (1) of the Bank of Namibia Act, the Bank is required to be independent to act without improper or undue influence and without fear, favour, prejudice or direction from any person or authority.

CORPORATE CHARTER

Beyond its statutory mandate, the Bank's activities and approach are guided by its Mission, Vision, Values and Culture Statement, as detailed in its Corporate Charter. The Bank's Vision sets forth its aspirations and, defines the principles that shape how it fulfils its Mission. The Mission statement defines the Bank's fundamental purpose of the Bank, specifying its reason for being and emphasising the significance of striving towards its Vision. The Bank's Values and Culture Statement encapsulate the beliefs and cultural essence that are embraced by its stakeholders. The Values form the foundation of the Bank's organisational culture, providing a framework for ethical conduct and excellence. They also serve as a compass for the Bank's efforts in aligning its resources with the Mission and Vision. All the Bank's stakeholders are expected to conform to and identify with these standards and principles on ethical behaviour and excellence. Thus, the Charter is an instrument of cohesion, fostering a unified sense of purpose and shared expectations among employees at every level and across generations.

ACCOUNTABILITY

The Bank is committed to good corporate governance practices and accountability to the public. It is of paramount importance that the Bank always remains accountable to the public at large by adhering to sound corporate governance principles. Relevant legislative frameworks, the Bank's Corporate Charter and its Strategic Plans are amongst the tools that guide the Bank in setting the standards of good governance. The Bank also continuously pursues transparency through its concrete communication strategy that enables the open and clear expression of why and how the Bank acts the way it does. The Bank's commitment to good governance includes the following:

- » Being responsible, respected, trustworthy, and credible;
- » Being accountable to its shareholder – the Government – and the Namibian people;
- » Demonstrating an exceptionally high degree of integrity;
- » Ensuring that its actions and policies are efficient, effective and transparent;
- » Maintaining professionalism and excellence in the delivery of its services; and
- » Being flexible and forward-looking in its approach, while still avoiding undue risk.

THE GOVERNOR

The Governor serves the Bank as Chairperson of its Board of Directors and as the Bank's Chief Executive Officer (CEO) and is accountable to the Board for the management of the Bank and the implementation of its policies. The Governor also represents the Bank in its relations with the Government and other institutions. In most other matters, comprehensive and Board-approved delegations of authority are in place to enable the Governor and his delegates to carry out their duties related to the implementation of the Bank's mandate. Ordinarily, the Governor is appointed for a five-year term. The Bank of Namibia Act sets specific criteria for the appointment, reappointment, and dismissal of a Governor. The current incumbent, Mr. Johannes !Gawaxab, originally appointed on 1 June 2020, is currently serving a second, now five-year term, effective from 1 January 2022 to 31 December 2026.

THE BOARD OF THE BANK OF NAMIBIA

The Board is responsible for the Bank's corporate governance. To assist it in fulfilling this function, the Board adhere to the Corporate Governance Code of Namibia "the NamCode" insofar as the Code does not contradict the Bank of Namibia Act. Accordingly, the Board ensures that the Bank's align its governance framework with international standards, thereby ensuring stakeholder confidence and operational integrity. An assessment by the Board done in October 2024 showed that the Bank largely complied with the NamCode as far as it did not contradict the said Act, e.g. by implementing the NamCode's apply-and-explain principles. Areas requiring improvement include sustainability and integrated reporting as well as disclosure. Consequently, the Bank defined the required measures to ensure such reporting and disclosures were carried out in the future.

To further provide effective oversight, in terms of Section 10 (1) of the said Act the Board is responsible for determining the Bank's general policies, overseeing its internal controls, managing its risk, and administering it. Additionally, the Board handles any other functions assigned or conferred on it by the Bank of Namibia Act or any other laws. Without limiting the generality of section 10(1) of the said Act, the Board is obliged to -

- » approve determinations issued by the Bank,
- » approve the Bank's budget,
- » approve the Bank's annual report,
- » determine the Bank's strategic direction of the Bank and its ultimate performance,
- » determine and ensure that an effective risk management structure is established within the Bank, and
- » make rules for the good governance of the Bank and the conduct of its business in line with best practices.

The Bank's Board members are appointed by the President of the Republic of Namibia. They consist of the Chairperson (an Executive Member), two further Executive Members, one Ex-officio Member (Non-executive), and a minimum of five and a maximum of six further Non-executive Members. The Governor (Chairperson) and the two Deputy Governors constitute the Executive Members, while the Executive Director of the MFPE is the Ex-officio Member. In addition, not fewer than five but not more than six Non-executive Members of the Board are appointed with due cognisance of their respective skills and areas of expertise in the fields of central banking, economics, banking, finance, law, business, commerce and such other disciplines as may be relevant to the execution of the Bank's mandate.

The Board meets at regular intervals but at least four times a year, with the main purpose of overseeing and monitoring the Bank's finances, operations and policies. During 2024, four ordinary and three special Board meetings were held (Table A.1).

Table A.1

DATES AND ATTENDANCE OF BOARD MEETINGS DURING 2024

Board member	2 February (special)	20 March	15 May (Special)	23 May (Special)	31 May	30 August	24 November
Mr J. !Gawaxab (Chairperson)	✓	✓	✗	✗	✓	✓	✓
Mr E. Uanguta	✗	✓	✗	✗	✓	✗	✗
Ms L. Dunn	✓	✓	✗	✗	✓	✓	✓
Mr T. Ndove	✓	✓	✓	✓	✗	✓	✓
Mr E. Meroro	✓	✓	✓	✓	✓	✓	✓
Ms R. Pretorius	✓	✓	✓	✓	✓	✓	✓
Dr M. Tjirongo	✓	✓	✓	✓	✓	✓	✓
Adv E. Nekwaya	✓	✓	✓	✓	✓	✓	✓
Mr P. Kruger	✓	✓	✓	✓	✓	✓	✓

✓ = attended; ✗ = apology

The Board delegates certain functions to various committees from time to time. Currently these are the Information Technology Governance and Projects Committee (ITGPC), the Finance, Risk, & Audit Committee (FRAC), and the Remuneration Committee (REMCO). Established through formal terms of reference, and reporting directly to the Board, these Committees are important elements of the Bank's sound corporate governance structure. During 2024, the Committees held regular meeting and met their respective obligations in all material respects.

The ITGPC was established to assist the Board in discharging IT-related duties and responsibilities. The Committee, therefore performs a strategic oversight role to ensure the Bank's IT aligns with its overall Strategic Plans. The roles comprise approving, prioritising and monitoring of strategic IT projects and initiatives for value creation, risk mitigation and resource allocation. The ITGPC consist of four Non-executive Board Members and hold meetings quarterly. Table A.2 displays the dates and the attendance of ITGPC during 2024.

Table A.2

DATES AND ATTENDANCE OF ITGPC MEETINGS DURING 2024

ITGPC member	29 Feb	16 May	15 August	15 November
Mr P. Kruger (Chairperson)	✓	✓	✓	✓
Mr E. Meroro	✓	✓	✓	✓
Ms R. Pretorius	✗	✓	✓	✓
Dr M. Tjirongo	✓	✓	✓	✓

✓ = attended; ✗ = apology

The Finance, Risk & Audit Committee (FRAC) is responsible for evaluating the adequacy and efficiency of the Bank's corporate governance practices, including its internal control systems, risk control measures, accounting standards, and auditing processes. Thus, it considers all audit plans as well as the scope of external and internal audits to ensure that the coordination of audit efforts is optimised. The Committee is also required to introduce measures to enhance the credibility and objectivity of financial statements and reports prepared on Bank's affairs, besides enhancing the Bank's corporate governance, with the emphasis on the governing principles of accountability and transparency.

Four independent Non-executive Board Members currently serve as members of this Committee. Its meetings are also attended by the two Bank's Deputy Governors; Director: Finance and Administration; Director: Governance, Risk and Compliance and the Deputy Director: Internal Audit, the external auditors; and relevant Bank staff members. Table A.3 presents the dates of the FRAC meetings and the attendance during 2024.

Table A.3

DATES AND ATTENDANCE OF FINANCE, RISK AND AUDIT COMMITTEE MEETINGS DURING 2024

ITGPC member	29 Feb	16 May	15 August	15 November
Ms. R.Pretorius (Chairperson)	✓	✓	✓	✓
Mr E. Meroro	✓	✓	✓	✓
Adv E. Nekwaya	✓	✓	✓	✓
Dr M. Tjirongo	✓	✓	✓	✓

✓ = attended; ✗ = apology

The Remuneration Committee is responsible for overseeing and coordinating the Bank's remuneration policy and strategy not only to ensure its competitiveness and comprehensiveness but also to attract and retain quality members of staff and Board. This Committee consists of four Non-executive Board Members and the two Deputy Governors. The dates and attendance of Remuneration Committee meetings a during 2024 are set out in Table A.4.

Table A.4

DATES AND ATTENDANCE OF REMUNERATION COMMITTEE MEETINGS DURING 2024

ITGPC member	16 February (special)	15 May	8 August	12 November
Mr E. Meroro (Chairperson)	✓	✓	✓	✓
Dr M Tjirongo	✓	✓	✓	✓
Adv E. Nekwaya	✓	✓	✓	✗
Mr P Kruger	✓	✓	✓	✓

✓ = attended; ✗ = apology

MANAGEMENT STRUCTURE

The Bank's Senior Management Team as at the end of 2024 consisted of the Governor, two Deputy Governors, and the Directors of the Bank's various Departments, as outlined in the given organisational structure earlier herein. To ensure that the Bank implements its policies effectively, several committees are in place. These are the Monetary Policy Committee (MPC); the Financial System Stability Committee, the Macroprudential Oversight Committee (MOC); the Management Committee, the Investment Committee, the Budget Committee, the Tender Committee, the Digital Transformation Management Committee and the Risk Management Committee.

The function of the Monetary Policy Committee (MPC) is to decide on and implement an appropriate monetary policy stance. The MPC in 2024 comprised the Governor (Chairperson); one Deputy Governor, the Director of Research and Financial Sector Development Department, the Director of Financial Markets Department, the Technical Advisor to the Governor on the Financial Sector; the Advisor on Monetary and Economic Matters.

The MPC normally meets every second month to deliberate on an appropriate monetary policy stance to be implemented by the Bank in the subsequent two-month period. All decisions relating to monetary policy matters are taken through a consensus-seeking process. In seeking consensus, Committee Members express and motivate their individual views regarding an appropriate policy stance. These views and their motivations are recorded. Where consensus does not emerge, the Chairperson may, before exercising casting vote, enable debate on the various views expressed. The final monetary policy decision is communicated to the public through a media statement delivered at a media conference.

The Financial System Stability Committee assesses the vulnerability and risk exposure of the entire financial system. It is an inter-agency body set up between the Bank and the Namibia Financial Institutions Supervisory Authority (NAMFISA), with the MFPE as an observer. The Committee is made up of the Governor of the Bank of Namibia (Chairperson); the Bank's Deputy Governors; the CEO of NAMFISA (Deputy Chairperson), and a representative of the MFPE nominated by the Minister. In addition, the Bank by law nominates two of its officers of the Committee, namely the Technical Advisor(s) to the Governor on the Financial Sector and Monetary and Economic Matters as well as the Director of Financial Stability and Macroprudential Oversight. The CEO of NAMFISA is entitled by law to nominate the two Authority's Deputy CEOs as well as the General Manager responsible for Research, Policy and Statistics, to serve on the Committee. The Committee meets on a quarterly basis to assess the potential risks that may impact the financial system, and to discuss and recommend appropriate policy measures to address such risks.

The Macroprudential decision-making powers in Namibia are vested in the Governor of the Bank of Namibia. The Governor is therefore supported by the Macroprudential Oversight Committee (MOC) in the executing of the Bank's mandate. The MOC's terms of reference involve assessing risks and vulnerabilities in the financial system and the design of appropriate policy responses to mitigate their impact. The Committee consists of the Governor as the Chairperson; the two Deputy Governors (with the Deputy Governor responsible for Financial Stability serving as the Deputy Chairperson); the Technical Advisor(s) to the Governor on the Financial Sector and Monetary and Economic Matters; and the Director of Financial Stability and Macroprudential Oversight, Director of Research and Financial Sector Development, Director of National Payment System and Financial Surveillance, Director of Banking Supervision, Director of Financial Markets, and Director of Strategic Communications and International Relations. The Committee meets at least twice a year and at any other time during the year as the need arises to discuss key changes to systemic risk being confronted as well as the overall state of the financial system. Additionally, the MOC may need to consider recommendations from the Financial System Stability Committee for approval.

The Management Committee is responsible for reviewing the Bank's policies on financial and other administrative matters. The Committee consists of the Governor (Chairperson), the Deputy Governors, the Advisor(s) to the Governor; all Directors, the Deputy Director of Internal Audit and the Deputy Director of Legal Services. The Management Committee meets every second week.

The Investment Committee is responsible for reviewing the management of Namibia's foreign reserves. While the Board approves the International Reserves Management Policy, the Investment Committee reviews the investment guidelines for final approval by the Governor. This Committee is also expected to ensure that investments comply with the approved policy. The Committee consists of the Governor (Chairperson), the Deputy Governors, the Technical Advisor(s) to the Governor on the Financial Sector and Monetary and Economic Matters, the Director of Financial Markets, the Director of Research and Financial Sector Development, the Director of Strategic Communications and International Relations; and the Director of Finance and Administration.

The function of the Budget Committee is to oversee the Bank's budget deliberations. The Committee meets as part of the annual budget processes of determining and providing for the Bank's income and expenditure (both operational and capital) to be incurred in the executing of its functions and responsibilities. Each of the Bank's department presents and defends its anticipated annual budgetary allocations before the Budget Committee. The Committee consists of the Governor (Chairperson); the Deputy Governors; and the Director and senior staff members of the Finance and Administration Department, which also provides administrative and support services. To ensure transparency, two employee representatives - one each from the Employee Liaison Forum and the employees' bargaining union are permitted to attend (in a non-voting capacity) and participate in the budget deliberations.

The Tender Committee is responsible for ensuring the sustainable, ethical, transparent, and cost-effective procurement of and tendering for the Bank's assets, goods and services. To achieve these objectives, the Tender Committee takes into consideration the following:

- Quality of the product/service;
- Cost/price;
- Reliability of suppliers;
- Delivery time and after-sales service support and Support to small and midsized enterprises (SMEs).

The key objectives of the Digital Transformation Management Committee are to determine and align the Bank's Strategic Objectives with cross-departmental concerning digital transformation, technology, projects, processes and overall efficiency within the bank.

The Committee is comprised of the two Deputy Governors, the Advisor(s) to the Governor, and all departmental heads. The Director of Governance, Risk and Compliance; the Director of Strategy, Projects and Transformation; and the Director of Information Technology are permanent attendees who serve in the capacity of Advisors to the Committee. The Digital Transformation Management Committee meets at least four times per calendar year.

The Risk Management Committee assists the Finance, Risk and Audit Committee to ensure that the Bank implements an effective risk management policy. The Risk Management Committee also supports the annual strategic focus areas that enhance the Bank's ability to achieve its Strategic Objectives and ensure that disclosure regarding risks is comprehensive, timely and relevant. The Committee consists of all members of the Management Committee and is chaired by the Deputy Governor responsible for administrative departments. Risk Management Committee meetings are held on a quarterly basis precede Finance, Risk and Audit Committee meetings.

RISK AND COMPLIANCE

Enterprise Risk Management Framework

The Bank's Enterprise Risk Management Framework not only provides the governance structure and approach for its risk management discipline, but it also guides the Bank in instilling an effective risk management culture. The Framework establishes the Bank's risk management universe, structure, policies, and processes. The Governance, Risk and Compliance Department also works with the IT Security Team, which oversees comprehensive and integrated governance and management of the Bank's Cyber and Information Security Programme and monitors the implementation of the IT Security Plan.

The governance of risk

The Bank has a complex, multi-layered risk management structure, but the Board is ultimately responsible for risk management. This involves ensuring that risks are appropriately identified, assessed, measured, managed and monitored, and maintaining governance. The Board therefore oversees risk strategy execution, approves risk appetite and tolerance, and ascertains whether risks are mitigated within acceptable tolerance levels.

Risk management covers strategic, risk, policy & regulatory risk, governance, people risk, reputational risk, project risk, financial risks and operational risks. These includes risks that involve infrastructure/technology, artificial intelligence (AI), business continuity, cybersecurity, compliance.

Meeting of the board, Finance Risk and Audit Committee and the Risk Management Committee, continued to examine and monitor the highest strategic and operational risks and their defined response strategies. A forward-thinking approach encourages healthy risk discussions during the year under review while keeping track of past risk events.

As a rule, the Bank scans the horizon for new emerging risks and identifies the top contenders among them that impact its operations. As is customary, various surveys and reports on global risks were reviewed during 2024 to ensure that the Bank identifies all key risks that might interfere with the attainment of its Strategic Objectives. Such reviews also served the purpose of ensuring the Bank's top risks to be managed were aligned with the global risks. Compared with 21 risk incidents reported in 2023, 16 were reported during 2024.

Cross-cutting risks

Central Bank business is vulnerable to certain risks that are inherent in its core objectives. Thus, achieving these objectives requires special attention and associated risks to be managed effectively and efficiently.

To this end, an Artificial Intelligence (AI) policy was developed in 2024 not only to promote innovation, but also to guide the adoption and responsible usage of AI tools within the Bank to manage the risks inherent in its core objectives. Awareness and implementation of the AI policy will commence in 2025.

BUSINESS CONTINUITY MANAGEMENT

The Business Continuity Management Programme is supported by a policy and plans that are aligned to the relevant International Organisation for Standardization (ISO 22301), as approved by the Board. A Crisis Management Team oversees all aspects of the Bank's business continuity. In addition, The Governance Risk and Compliance Department conducts business continuity impact assessments and facilitates all Department's business continuity plans. These plans include procedures to be followed in the event of an extreme disruption. During the reporting period, business continuity practices were incorporated into strategy formulation and routine processes. Following the implementation of the DR IT infrastructure, four simulations have been conducted, three of which met the two-hour recovery time objective.

Moreover, lessons learnt continued to be implemented within agreed timelines. The year under review also awareness of Cyber Response Plan being conducted to assist staff in managing potential cyber-attacks incidents. More training in this regard as well as further simulation have been planned for 2025.

Ethics

The Bank's working environment demands high ethical standards, with rules applying equally to all employees, irrespective of their positions. Thus, business activities and relations with stakeholders are infused with ethical standards of behaviour. Ethics also feature in the Bank's commitment to the principle of accountability and to developing a work culture in which employees and the public are encouraged to report any improper behaviour and/or any violation of the Bank's Code of Ethics and Code of Conduct, or relevant laws, policies, and procedures that apply to staff members at all levels. The Bank's Code of Ethics and Code of Conduct document was reviewed in 2023 to align with best practices and with the recommendations ensuing from the ethics risk assessment. Following, approval of the revised Code, an awareness campaign was conducted in 2024 to ensure all staff understood the behaviours expected of them in upholding the highest level of ethics. The outcomes of the Ethics risk assessment and awareness campaign were shared with all Departments, Board Members and the Management Committee. Following the Ethics Risk Assessment outcome, recommendations were agreed for implementation. Further, the Bank conducted a declaration-of-interest for all its staff to ensure that no individual staff were experiencing conflicting interests while executing their functions.

The independent external hotline service - Deloitte Tip-offs Anonymous implemented towards end of 2022 continued to enable allows whistle-blowers to report wrongdoing related to the Bank's business, while guaranteeing employees and the public anonymity, if desired.

INFORMATION GOVERNANCE – ELECTRONIC DOCUMENT AND RECORDS MANAGEMENT SYSTEM (EDRMS) MIGRATION

In 2024, the Bank achieved a major milestone by migrating its Electronic Document and Records Management System (EDRMS) from the on-premises Microsoft SharePoint 2013 to the cloud-based Microsoft SharePoint Online platform. This strategic upgrade enhances the Bank's organisational efficiency, reduces costs and ensures compliance with legislative requirements like the National Archives Act (No.12 of 1992) and the Electronic Transactions Act (No.4 of 2019). By transitioning to the cloud, the Bank has improved scalability, accessibility, and security while introducing user-friendly features such as advanced search, seamless collaboration tools, and intuitive workflows. Key benefits include faster document retrieval, streamlined filing systems, cost-effective storage, and robust compliance mechanisms supported by audit trails and records-retention tools. The migration also aligns with the Bank's sustainability goals by promoting a paperless environment and hybrid records management. Looking ahead, the Bank remains committed to optimising the EDRMS through ongoing user training, enhanced classification systems and iterative improvements based on feedback. These Optimisations will affirm its position as a leader in digital transformation and operational excellence.

COMPLIANCE MANAGEMENT

The Compliance Management Function contributes to developing a culture that values compliance risk identification, assessment, management, monitoring, and reporting amongst the Bank's ongoing activities. Besides monitoring new regulatory developments, the compliance management function collaborates with those responsible for formulating policy as well as with other actors within the Bank to ensure that all applicable laws and regulations, internal policies, and procedures are accessible and followed, and are supported by appropriate controls.

Since an updated compliance universe system is in place, no significant non-compliance issues were reported during the period under review. In addition, an assessment against the Bank of Namibia Act 1 of 2020 was done and the Bank is compliant with 88 of 89 sections of the Act. Thus, policy awareness and the execution of compliance monitoring remains an integral part to the functioning of the Bank.

REPORTING OBLIGATIONS

The Bank of Namibia Act requires the Bank to submit various reports to the Minister of Finance and Public Enterprises, including a copy of the its Annual Report within three months of the end of each financial year. The Minister, in turn, is required to table the Annual Report in the National Assembly within 30 days of receiving it. The Annual Report needs to contain the Bank's annual accounts, certified by external auditors, information about the Bank's operations and affairs, and information about the state of the economy. Apart from the Annual Report, the Bank is further required to submit a monthly balance sheet, which is published in the Government Gazette.

INTERNAL AUDIT

Purpose

The Internal Audit function (IA) aims to strengthen the Bank's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, in sight, and foresight. The function brings a systematic approach to assessing risk, control and governance processes, advising management in developing control solutions and monitoring management's corrective actions. Internal auditing is applied throughout the Bank, covering all operational functions as well as information technology (IT) systems and processes and thereby enhancing

- » successful achievement of objectives;
- » governance, risk management, and control processes;
- » decision-making and oversight;
- » reputation and credibility with stakeholders; and
- » ability to serve the public interest.

The work of internal audit is carried out in accordance with the Institute of Internal Auditors' (IIA) Global Internal Audit Standards. Accordingly, April 2023 saw the Bank undergoing an external quality assurance review. The review findings concluded that the IA function generally conform to the IIA standards, with only minor improvements identified. The function has made significant progress in addressing the improvements recommended in the quality assurance review report. The next external quality assurance review is scheduled for 2028.

Key Activities

The Finance, Risk and Audit Committee (FRAC) approved the internal audit strategy, the annual internal audit plan, and the internal audit resources required to deliver on the plan. The Deputy Director: Internal Auditor reports functionally to this Committee and administratively to the Governor. The Committee reviewed the function's quarterly reports and is satisfied that the IA function is independent and appropriately resourced to provide assurance on the adequacy and effectiveness of the Bank's internal control environment.

The reporting year saw 93 percent of the annual internal audit plan successfully completed. The remaining activities were on track to be completed by their target date of 30 March 2025.

Looking Ahead

The IA function remains committed to advancing forward-looking audit practices that align with and support the Bank's strategic objectives.

The IA function will continue to enhance the integration of data analytics, leverage continuous auditing technologies, and strengthen the combined assurance program to drive maximum value and effectiveness.

THE YEAR UNDER REVIEW

STRATEGIC PLAN 2022-2024

The Bank's Strategic Plan is designed to reflect its mission and key functional priorities. The Bank's three-year Strategic Plan, initiated on 1 November 2021, concluded successfully on 31 October 2024, delivering significant accomplishments and making a high-impact contribution to its objectives. Throughout the strategy's implementation the Bank maintained a steadfast commitment to its direction and priorities, ensuring alignment across departments to achieve a unified vision. This clarity facilitated streamlined decision-making and enabled the Bank to stay on course. The overarching aim was to recalibrate, repurpose and reprioritise, positioning it to become a future-fit institution. A key contribution to this plan is becoming a digitally transformed institution within a fully modernised financial system that can help restore economic growth and sustain economic development.

In 2024, the Bank undertook comprehensive strategy reviews in May and November. These biannual evaluations not only assessed the year's progress but also measured cumulative strategy achievements over the three-year period. The sessions additionally highlighted the key impact achieved and strategic initiatives that would be carried over into the new three-year strategy.

The Bank's strategic direction is structured around four core pillars and one enabler, each guiding its mission and shaping its long-term impact, namely:

- Purpose Pillar;
- Stakeholder Engagement Pillar;
- Talent and Transformation Pillar; and
- Future-fit Organisational Efficiency and Effectiveness Pillar, with
- Digital Transformation serves as the Key Enabler.

Each pillar is further composed of high-level Strategic Objectives that the Bank aims to achieve collectively through a series of targeted initiatives. These Strategic Objectives are directly connected to the Bank's functional priorities, its Mission, its Vision, and developments in the internal and external environments. To ensure the successful implementation of the Strategic Plan, the Strategic Objectives are further supported by strategic initiatives with clear and measurable targets. In 2024, the Bank conducted strategy reviews in May, August and November. These sessions involved cumulative reviews that evaluated the overall advancement towards completing the three-year strategic plan. By the end of 2024, the Bank had made noteworthy progress, completing 98% of the comprehensive three-year plan and meeting 96% of the specific goals set for 2024. The substantial progress made can be credited to the clear goals aligned with the Strategic Plan's objectives and the explicit definition of strategic outcomes.

Below, the High-Level Strategic Objectives are presented in a tabular format with performance measures expressed in terms of the completion rate percentage. These performance outcomes are supported and further illustrated by a summary of key results and achievements over the year. A deeper exploration of specific Strategic Objectives and their associated initiatives follows in this section.

PURPOSE PILLAR

The purpose pillar is at the core of the Bank of Namibia's mission, reflecting its fundamental role in maintaining the country's price and financial stability and promoting long-term economic growth. The Bank recognises the importance of fulfilling its mandate effectively, especially in an increasingly complex and dynamic financial environment. The purpose pillar ensures that the Bank remains proactive in safeguarding Namibia's financial system, aligning the country's regulatory framework with global best practices, and fostering sustainable economic development.

96% average completion of all objectives

Purpose Pillar	Number of initiatives	Completion % for 2024
Pillar Overall Performance	**36**	**96**
Pillar's High-level Strategic Objectives		
Maintain a stable and inclusive financial system	16	98
Maintain price and monetary stability	2	95
Ensure the sufficiency of supply and the integrity of currency	1	100
Operate as fiscal advisor to and banker for the Namibian Government	3	92
Manage reserves prudently	5	99
Promote financial sector growth and economic development	9	90

The Bank's strategic direction is structured around four core pillars and one enabler, each guiding its mission and shaping its long-term impact

STAKEHOLDER ENGAGEMENT PILLAR

The stakeholder engagement pillar is essential to the Bank of Namibia's strategic priorities, which focus on building trust, fostering dialogue, and maintaining transparent relationships with key stakeholders. This pillar underlines the importance of actively engaging with the government, the general public, financial institutions, and other key players throughout the economy. Through effective communication and stakeholder management, the Bank strengthens its role as a credible and autonomous public institution that operates with transparency and accountability.

98% average completion of all objectives

Stakeholder Engagement Pillar	Number of initiatives	Completion % for 2024
Pillar Overall Performance	**13**	**98**
Pillar's High-level Strategic Objectives		
Promote a positive reputation	1	100
Enhance stakeholder awareness and confidence	4	100
Maintain proactive public engagement	8	95

TALENT AND TRANSFORMATION PILLAR

The talent and transformation pillar is a key component of the Bank of Namibia's strategy, focusing on creating a dynamic, innovative, and inclusive work environment that attracts and nurtures future-fit talent. In a rapidly evolving global and local environment, traditional operating models and organisational designs are no longer sufficient for institutions striving for excellence. The Bank recognises that to meet its strategic objectives, it must cultivate a culture that inspires innovation and encourages its employees to explore new ideas, approaches, and solutions.

97% average completion of all objectives

Talent and Transformation Pillar	Number of initiatives	Completion % for 2024
Pillar Overall Performance	**8**	**97**
Pillar's High-level Strategic Objectives		
Future-fit capacity building	4	96
Promoting potential through talent transformation	1	99
Being an employer of choice	1	98
Fostering visionary and collaborative leadership	1	100
Promoting a staff culture of integrity, agility, excellence and performance	1	100

FUTURE-FIT ORGANISATIONAL EFFICIENCY & EFFECTIVENESS PILLAR

The future-fit organisational efficiency and effectiveness pillar is dedicated to improving the Bank of Namibia's ability to adapt to and incorporate technological advancements, building an institution that is capable of meeting its strategic and operational objectives in a fast-evolving world. As digital technology continues to transform industries globally, this pillar ensures that the Bank is equipped to take advantage of these changes, positioning itself as a more efficient, agile, and effective organisation.

96% average completion of all objectives

Future-fit Organisational Efficiency & Effectiveness Pillar	Number of initiatives	Completion % for 2024
Pillar Overall Performance	**49**	**96**
Pillar's High-level Strategic Objectives		
Effective and proactive risk management	17	95
Deliver responsive and innovative solutions	8	97
Develop a sustainable and green organisation	4	100
Effective financial management	2	98
Enhance operational capability and value maximisation	14	98
Strengthen resilience through good governance and compliance	1	100
Adopt data-driven solutions and decision making	3	92

KEY ENABLER: DIGITAL TRANSFORMATION

Digital transformation is a key enabler for the Bank of Namibia's strategic success, focusing on leveraging technology to improve efficiency, enhance collaboration, and support modern ways of working. As the Bank transitions into a more digital and automated environment, its technology footprint will expand, introducing tools and platforms that streamline operations and allow for greater collaboration across departments. This transformation will enable the Bank to operate more efficiently, ensuring that internal processes are aligned with digital innovation best practices.

93% average completion of all objectives

Purpose Pillar	Number of initiatives	Completion % for 2024
Digitally transforming the Bank	**30**	**93%**

STRATEGIC PLAN 2025-2027

STRATEGIC PLANNING PROCESS FOR THE 2025-2027 STRATEGY

The Bank of Namibia's strategic planning process between June and October 2024 was a comprehensive approach designed to ensure the Bank's alignment with its organisational goals and its preparedness for future challenges. The process involved meticulous planning, assessment, and execution to foster the Bank's growth and effectiveness. This multi-stage process was forward-thinking, preparing the Bank to navigate future uncertainties and drive economic stability.

Key Steps:

- **Pre-strategy Session:** Provided leaders with insights into global and local developments to inform strategy.
- **Environmental Scanning and Scenario Planning:** For the first time, the Bank of Namibia utilised Scenario Planning analyses to understand factors affecting the Bank and prepare flexible strategies. The objective was to develop plausible scenarios to help anticipate and prepare for various potential future outcomes based on global and regional trends. These scenarios were intended to form the basis for a dynamic strategy over the next three years.
- **Strategy Execution Refresher:** Emphasised balancing short-term gains with long-term success and fostering collective leadership.
- **Strategy Formulation:** Involved both bottom-up and top-down approaches to refine strategies, adding "organisational culture transformation" as a strategic enabler.
- **Cumulative Review:** Assessed initiatives, highlighted achievements, identified gaps, and refined strategies.
- **Final Strategy Agreement and Budgeting:** Ensured alignment of departmental strategies with overall goals and addressed financial and workforce planning.
- **Strategy Breakaway Session:** Reflected on past successes and set priorities for the 2025-2027 strategy.

STRATEGIC DAGWOOD[A1]

STRATEGIC GAME PLAN

Our new strategy, crafted with input from all levels of the Bank, reflects our vision for a forward-thinking and adaptive institution poised to support Namibia's economic transformation.

At the heart of this strategy are three key outcomes: building a smart central bank, fostering an inclusive and resilient financial system, and embracing a diversified economy. These outcomes form the cornerstone of our strategic direction, each reinforced by our strategic pillars and the critical enablers that will drive our success.

Building a Smart Central Bank

- In today's dynamic environment, we must operate smarter, not harder. As part of our digital transformation agenda, we will continue to modernise our internal processes, embrace automation, and adopt data-driven decision-making. By investing in technology as well as our staff, we aim to enhance our agility, enabling the Bank of Namibia to respond to both anticipated and unforeseen challenges.

Fostering an Inclusive and Resilient Financial System

- Inclusivity is at the heart of our mission. We recognise that a stable financial system must be accessible to all Namibians, including those at the margins of society. As we enhance financial sector regulation and modernise our payment systems, we will ensure that financial services are accessible to every Namibian, regardless of geography or economic standing. Furthermore, our regulatory and supervisory approach will embody what I refer to as "smart regulation" a commitment to regulations that are fi t for purpose, adaptable, and supportive of innovation. Over the next three years, we will strive to ease regulatory barriers where appropriate, encouraging innovation while maintaining a stable and secure regulatory environment. This is a delicate balancing act between economic stability, social pressure, and developmental needs, as we work to foster greater financial literacy and broader economic participation across our nation.

Embracing a diversified economy

- Economy Namibia stands on the cusp of a new economic era, driven by oil, gas, and green hydrogen. Our role as the central bank is to ensure our financial infrastructure can support these industries responsibly, promoting sustainable growth. We will work closely with government and industry stakeholders to ensure that policies and regulatory frameworks facilitate this transformation.

STRATEGIC PILLARS AND KEY ENABLERS

The Bank's Strategic Pillars have remained unchanged, the high-level strategic objectives have been optimised, and a new Enabler has been added to the Bank's Strategic Dagwood namely, Organisational Culture Transformation.

The additional enabler reflects the Bank of Namibia's recognition of the pivotal role that culture plays in the successful execution of any strategy. A strong, adaptive, and collaborative organisational culture is essential for driving the Bank's strategic objectives and ensuring that it remains resilient and responsive in a changing environment.

[A1] Strategic Dagwoord refers to a multi-layered strategy comprising of various pillars and initiatives.

PURPOSE PILLAR

STRATEGIC OBJECTIVE 1: MAINTAIN A STABLE AND INCLUSIVE FINANCIAL SYSTEM

Financial Stability Assessment and Surveillance

The Bank assesses all risks and vulnerabilities that could threaten financial sector stability to determine the sector's resilience and ability to withstand internal and external shocks. These risks are assessed in the Financial Stability Report published in April each year and which is followed by an internal review in September. Accordingly, risks to financial stability in Namibia have been – and will continue to be monitored – under the advisory guidance of the Financial System Stability Committee and the direction of the Macroprudential Oversight Committee (MOC).

During April 2024, the Bank published the Bank of Namibia Resolution Policy which provides guidance on the manner in which the Bank carries out its enhanced resolution powers under the Banking Institutions Act (No. 13 of 2023). These powers enable the Bank to mitigate the risks posed by the failure of a banking institution. Thus, during the review period, the Bank embarked on the development of resolution strategies for individual banking institutions, in line with international best practices. The main strategies the Bank has developed to deal with failing banking institutions include their sale or transfer to a private sector purchaser, their transfer to a bridge bank, bail-in, and liquidation. Additionally, the Bank may take any other action it deems fit to resolve a failing banking institution. In recognising the importance of clear internal coordination pertaining to resolution, the Bank established a Resolution Committee as an internal decision-making mechanism entrusted with resolution planning. This Committee deliberates on all policy matters related to resolution and makes recommendations to the Board for the latter's final decision. All Strategic Objectives pertaining to the assessment of risks and vulnerabilities in the financial system were completed in 2024.

Namibia's financial system remained stable, given the current macroeconomic environment. The domestic financial system's stability, robustness, and resilience during 2024 allowed it to withstand elevated risks and vulnerabilities emanating from the global and domestic economic and financial environments. Although there were incidents of fraud and cybersecurity targeting regulated entities, both the banking and non-banking financial sectors continued to perform adequately and remained within the acceptable fraud tolerance levels during 2024. Moreover, the banking sector remained liquid and well capitalised, while the non-banking financial industry reported funding and solvency positions above the prudential limits.

The Banking industry continued to be profitable, liquid, and well capitalised. Both the capital adequacy and the liquidity position of the banking sector improved and remained well above the statutory minimum requirements. Profitability increased during 2024, reaching pre-pandemic levels, as observed in both the return on assets and return on equity. Asset quality, as measured by the non-performing loans (NPLs) ratio, remained stable and below the supervisory intervention trigger point of 6 percent. The NPL ratio stood at 5.6 percent at the end of 2024, a marginal improvement from the levels observed at the end of 2023. Overall, the banking sector reported sound developments with adequate containment of threads to financial systems stability.

Aggregate NBFI assets expanded in 2024, supported by slowing inflation rates, as well as coordinated fiscal and monetary policy interventions. The aforesaid macroeconomic developments enhanced households' purchasing power, while contributing to an increase in the demand for NBFI products. Furthermore, favourable financial market conditions emerged, bolstering NBFI resilience. Retirement funds' benefits paid persistently exceeded contributions received. However, investment income offset the shortfall in contributions in the short-to-medium term. Retirement funds were financially sound in 2024. Resilient demand for long-term insurance products resulted in slowing lapse and termination rates. Long-term insurers realised consistent underwriting profits post the pandemic and were financially sound in 2024. An expansion was realised in collective investment schemes' assets under management, resulting from sustained net inflows and favourable market conditions.

During the review period, the Bank continued to support the effective administration of the Namibia Deposit Guarantee Authority. The Namibia Deposit Guarantee Authority is mandated to manage the Deposit Guarantee Scheme, the purpose of which is to protect depositors in the event of bank failures. This is done by ensuring that deposits up to the insured limit are reimbursed in an efficient, transparent, and speedy manner. The Scheme is considered a necessity in the financial sector as its existence provides confidence in the system and reduces the risk of a financial system crisis.

> **The Bank published the Bank of Namibia Resolution Policy which provides guidance on the manner in which the Bank carries out its enhanced resolution powers under the Banking Institutions Act (No. 13 of 2023).**

Payment System Oversight

The Bank continued to fulfil its regulatory mandate as the sole overseer of the National Payment System (NPS) in 2024, in line with the Payment System Management Act, 2023 (No.14 of 2023). In light of the above regulatory mandate, the oversight function was accomplished through risk-based on-site and off-site oversight activities, licensing and regulatory reform. In addition, the Bank continued to provide interbank settlement service to authorised institutions through the Namibia Interbank Settlement System (NISS).

The Bank conducted off-site activities by monitoring authorised payment service providers through a combination of assessments based on information provided by the regulated institutions in the NPS. The off-site inspections included analysis of data collected, compliance checks and performance analysis. During the review period, the Bank conducted various risk-based inspections of various payment service providers. The observations from the assessments have been shared with the respective payment service providers to be addressed along agreed timelines. Recommendations from the assessments required payment service providers to continuously update controls and ensure infrastructure enhancements in accordance with the Bank's legal and oversight policy frameworks.

The Bank is responsible for licensing payment service providers and virtual asset service providers under the Payment System Management and the Virtual Assets Act, 2023 (Act No. 10 of 2023), respectively. During 2024, the Bank granted provisional authorisation to two entities to provide payment services in Namibia. In addition, the Bank also granted two entities provisional authorisation to operate as virtual asset service providers under the Virtual Assets Act.

Following the introduction of the Payment System Management Act of 2023, the Bank commenced with revising its regulatory framework to ensure alignment of subordinate legislation (Determinations, Directives, etc.) with the Act. The Act empowers the Bank to be the sole regulator of the NPS, thus withdrawing the powers previously vested in the Payments Association of Namibia (PAN) to license and oversee payment service providers. In terms of the Act, PAN will continue to operate as an advisory and collaborative body for setting technical rules and standards for its members to participate in the NPS. The Act established the collective term 'payment service providers' in reference to both banking institutions and non-bank financial institutions authorised and licensed to offer payment services, as listed in the Schedule of the Act.

In line with this stipulation, the Bank revised the current Determination on the Licensing and Authorisation of Payment Service Providers in Namibia (PSD-1). The revised PSD-1 provides requirements for the licencing and authorisation of payment service providers in Namibia, which includes specific requirements for the various payment service provider categories. The revised PSD-1 was gazetted on 15 February 2024.

Furthermore, the Bank comprehensively reviewed the Determination on Issuing of Electronic Money in Namibia (PSD-3). The revised PSD-3 aims to promote the availability and acceptance of e-money, enable interoperable wallets, foster financial inclusion, stimulate competition, and encourage innovative financial products and services. The revision broadens the scope and application of e-money wallets by allowing both banks and non-bank financial institutions to offer a wider range of financial products and services, such as savings, credit, insurance, and investment products on e-money wallets. Non-bank financial institutions are required to offer these services in accordance with an agreement entered with a banking institution or a financial institution licensed by the relevant authority to offer savings, and/or investments, and/or credit and/or insurance products. The revised PSD-3 was gazetted on 27 September 2024.

The Act empowers the Bank to be the sole regulator of the NPS, thus withdrawing the powers previously vested in the Payments Association of Namibia (PAN) to license and oversee payment service providers.

To further align to the PSM Act, the Bank revised the Determination for the Authorisation of Payment System Operators and System Participants in the National Payment System (PSD-6). The revised PSD-6 aims to establish authorisation and compliance requirements, and technical standards for payment system operators and system participants in Namibia's payment, clearing, and settlement systems. The revised PSD-6 was gazetted on 21 June 2024.

The Bank issued the Determination on the Designation of Systemically Important Systems and Authorisation of Financial Market Infrastructures in Namibia (PSD-13). PSD-13 stipulates the criteria and relevant factors that the Bank will consider in determining whether an authorised payment service provider or payment system should be designated as a systemically important system and/or be authorised as a financial market infrastructure, subjecting such an entity to enhanced oversight by the Bank. PSD-13 was gazetted on 26 November 2024.

The Bank published the User Complaints Guidelines: Payment, Virtual Asset and Foreign Exchange Services (the Guidelines). The Guidelines establishes the complaint handling procedure of the Bank under the Payment System Management Act, Virtual Assets Act, and the Currency and Exchanges Act.

During 2024, a Payment System Notice was issued in accordance with section 46 (1) of the PSM Act. This Payment System Notice provides guidance on minimum capital adequacy requirements for payment service providers, fees payable by payment service providers and payment system operators, as well as transaction and balance limits. It is important to note that the Payment System Notice repeals and replaces Circular PSMA No. 1 (Transactions and Balance Limits for Electronic Money Accounts and Fees Payable) that was published on 16 November 2018.

In line with the National Payment System Vision and Strategy (2021-2025), the Bank, in collaboration with the industry, commenced with the development of the Namibian Open Banking and Quick Response Code (QR Code) Standards in 2024. The Open Banking Standards will drive payment system modernisation by enabling secure data sharing between banks, fintechs, and third-party providers subject to consumer consent, fostering innovation, enhancing interoperability, and promoting competition. The Open Banking Standards are expected to be finalised by April 2025. The standardisation of the Namibian QR Codes will promote payment choice, convenience, security as well as support interoperability across all payment streams, which facilitates a seamless user experience. The standards offer guidelines for the creation, encoding, and decoding of QR codes, ensuring they are universally readable and optimised for performance. The standards are expected to be completed by March 2025.

As part of its ongoing commitment to public education, the Bank implemented several initiatives in 2024 to enhance awareness of cybersecurity and virtual assets in Namibia. The Bank released a newsletter titled "A Guide to Understanding Cybersecurity and Virtual Assets in Namibia." It offered guidance on preventing cyber threats and underscored the importance of the regulated institutions adhering to the Determination of the Operational and Cybersecurity Standards within the NPS (PSD-12). The newsletter detailed virtual assets services, and licensing under the Virtual Assets Act, including license classifications for virtual asset service providers. To ensure wider reach and impact, various platforms such as radio and television interviews were utilised.

Settlement System

In 2024, the Bank provided interbank settlement services to system participants through the NISS. The PSD-6 allows both banking institutions and non-banks to participate in the NISS. Currently, seven banks settle directly while one non-bank settles indirectly in the NISS.

As part of the settlement system modernisation agenda, the Bank successfully migrated the Namibia Interbank Settlement System (NISS) to an upgraded version during the third quarter of the year. This latest upgrade incorporates the ISO 20022 payment messaging standard and enables straight-through processing, marking a significant milestone in the modernisation of Namibia's national payment system. The adoption of these advanced capabilities enhances the efficiency, interoperability, and security of payment processing, aligning with international best practices and supporting the evolving needs of the financial sector. This achievement underscores the Bank's commitment to fostering safe, efficient, and effective functioning of the country's settlement system.

In terms of business continuity, the NISS remained resilient throughout 2024. The Bank successfully conducted two scheduled Business Continuity Management (BCM) exercises, both of which achieved the target of the two-hour recovery time objective.

In 2024, the Bank recorded a marginal increase in both the total settlement volume and values processed through the NISS. The total settlement value for the year amounted to N$1,269.14 billion, corresponding to 100,571 transactions, which averaged 333 transactions per settlement day. Compared to the previous year, the total value and volume settled through the NISS increased by 5.25 percent and 5.27 percent, respectively. Single transactions accounted for N$804.66 billion, representing 63.4 percent of the total settlement value. Retail payment transactions cleared by Namclear contributed N$464.47 billion, equivalent to 36.6 percent of the overall value settled.

Table A.5

NISS TRANSACTION VALUES AND VOLUMES

Year	Number of settlement days	Values settled in N$ billion			Total number of settlement transactions
		Total value settled	Real-time transaction	Retail payment transactions	
2020	301	983.8	687.8	296.0	70 150
2021	301	1 050.4	726.4	323.9	89 758
2022	302	1 131.0	766.3	364.7	90 434
2023	300	1 205.8	800.5	405.3	95 539
2024	302	1 269.1	804.7	464.5	100 571

Clearing System

The Bank continued to oversee clearing operations in the NPS. During the review period, Namclear remained the only payment service operator that provided clearing services within the NPS. It clears interbank EFT and card transactions, which are submitted to the NISS for settlement.

The value of EFT transactions processed by Namclear increased significantly in 2024 in comparison to 2023. EFT transactions processed decreased from 27 million to 26 million, valued at N$404 billion in 2024 from N$388 billion in 2023, which represents a 4 percent decrease in volume and a 4 percent increase in value. The increase in EFT value could be attributed to increased economic activity.

Card payment transactions continue to increase year-on-year. In 2024, Namclear processed 111 million card transactions (84 million in 2023) with a total value of N$57 billion (N$42.6 billion in 2023), which represents a 32 percent and 34 percent increase for volume and value, respectively.

Intrabank and Electronic Money Schemes

The value of EFT intrabank transactions decreased in 2024. The EFT intrabank transactions processed in 2024 amounted to 61 million (47 million in 2023), valued at N$827 billion, down from the N$839 billion reported in 2023. The decrease in EFT usage can be attributed to the use of electronic money (E-money), which is the payment stream most preferred by consumers.

Payment card intrabank transactions in 2024 increased over the transactions reported in 2023. Card transactions processed between merchants and customers of the same banking institution amounted to 98 million, valued at N$70 billion, which is a moderate increase from the N$58 billion and 84 million transactions reported in 2023.

The use of E-money schemes, which are currently close-loop (i.e., only operating within the same banking institution's systems) continued to increase in 2024. The Bank observed a significant increase in the use of E-money as a payment instrument, which shows a shift in the payments behaviour of consumers of the domestic payment system. In 2024, the value and volume of E-money increased to N$43.7 billion (N$37.7 billion in 2023) and N$86 million (N$72 million in 2023), respectively. This increase can be attributed to consumer behaviour changing as a result of ease of use and access particularly to wallets.

Table A.6

NAMCLEAR VALUES AND VOLUMES

Year	EFT transactions		Card transactions		E-money transactions		Value of total intrabank transactions
	Value (N$ Million)	Volume ('000)	Value (N$ Million)	Volume ('000)	Value (N$ Million)	Volume ('000)	(N$ Million)
2020	269 614	20 475	25 946	47 386	30 035	53 244	670 241
2021	307 671	23 093	31 733	59 433	31 464	61 305	551 156
2022	349 742	25 362	38 251	73 004	34 169	64 617	770 061
2023	388 021	26 811	42 629	83 958	37 748	71 857	897 396
2024 (p)	404 093	26 422	57 160	111 367	43 674	85 628	897 392
Annual percent change							
2020	3	13	12	9	18	18	-51
2021	12	11	18	20	5	13	-22
2022	12	9	17	19	8	5	28
2023	10	5	10	13	9	10	14
2024 (p)	4	-1	34	32	16	19	0

Note: p in this section stands for provisional

Regional Payment Systems

The Bank remained a participant in the SADC Real-Time Gross Settlement (SADC-RTGS) system. The SADC-RTGS is a regional settlement system that processes time-critical or high-value payments between participating SADC countries. At the end of the 2024 reporting period, there were 88 participants (i.e., registered banking institutions, as well as central banks within the respective SADC jurisdictions) from 15 countries of which five, including the central bank, were Namibian. During 2024, the total value of payments processed in the SADC-RTGS amounted to R2.6 trillion. Namibian banks accounted for R690 billion, which is 26 percent of the SADC-RTGS total. This reflects the optimal usage by Namibian banks of the SADC-RTGS in support of regional payments integration in accordance with the Finance and Investment Protocol.

The Bank mandated the regularisation of Electronic Fund Transfer (EFT) transactions through the issuance of the Determination on the Conduct of Electronic Fund Transfers within the National Payment System (PSD-9), which came into effect on 30 September 2024. PSD-9 establishes the regulatory framework for processing EFT payments within Namibia, as well as cross-border transactions between Namibia and other SADC countries, including the Common Monetary Area (CMA).

To comply with this regulation, the industry adopted the SADC RTGS as an interim solution for processing low-value CMA EFT transactions. Additionally, the Bank issued the Directive on User Fees, Charges, and Speed of Cross-Border Common Monetary Area (CMA) Low-Value Transactions (PSDIR-9) to regulate transaction speed, as well as fees and charges to mitigate potential customer impact.

Following the implementation of this interim solution, several challenges emerged, including incomplete beneficiary information and incorrect Balance of Payments (BOP) codes, which affected straight through processing and customer experience, leading to transaction delays. In response, CMA regulators are actively working to address these issues.

Furthermore, efforts are underway to develop or adopt a permanent regional payment solution that better serves all CMA countries. To this end, on 31 July 2024, the CMA Cross-Border Payments Oversight Committee (CPOC) released a position paper announcing that by 31 March 2027, all cross-border low-value EFT transactions must transition from the SADC RTGS system to a designated retail payment system, such as the Transactions Cleared on an Immediate Basis (TCIB) system.

The SADC-RTGS Operator collaborated with the SADC Bankers Association to support the adoption of ISO 20022 messaging standards for cross-border payments. To ensure timely adoption within the SADC region, an ISO 20022 Migration Project was launched, and the SADC RTGS went live in June 2024. The Society for Worldwide Interbank Financial Telecommunications (Swift) has directed all financial institutions using the Swift messaging standards globally to migrate from the current MT (messaging text) standards to ISO 20022 messaging standards by November 2025. Engagements are underway at both regional and domestic levels to ensure compliance with Swift's deadline. All the domestic banks that participate in the SADC RTGS have migrated to ISO 20022 standards, along with the SADC RTGS Operator. The Bank will continue to ensure domestic compliance with international standards as part of its oversight efforts. Additionally, to support the ISO 20022 migration efforts, the Bank has issued a guidance note to ensure the timely migration to the new standards by participants within the Namibian jurisdiction.

Regional Retail Payment System

TCIB was developed as an industry initiative in collaboration with SADC regulators to facilitate immediate cross-border fund transfers between participants within the region. Its primary objective is to streamline and simplify cross-border money transfers by reducing time and complexity, particularly for low-value transactions.

The system is operated by BankservAfrica, which serves as the Regional Clearing and Settlement System Operator (RCSO) for the SADC region. TCIB functions as a real-time clearing system, enabling seamless clearing of payment instructions among its participants.

Industry Fraud Statistics

The total value of fraudulent transactions perpetrated within the NPS has increased over the past five years. During the review period, the total value of fraudulent transactions increased significantly compared to 2023. The industry reported an increase in Card fraud amounting to N$19 million (up from N$18 million in 2023). This increase was primarily due to card-not-present (CNP) fraud on e-commerce platforms. These incidents occur when a customer uses their card at an online merchant where transactions are not authenticated with a one-time password (OTP), meaning no OTP confirmation is required from the customer. EFT fraud increased by $29 million (up from N$17 million in 2023). This was largely due to phishing attacks, where individuals are deceived into divulging sensitive information, such as usernames and passwords, by fraudsters posing as legitimate entities. These attacks often take the form of fraudulent emails, text messages, phone calls, or websites that appear legitimate. In contrast, E-money fraud decreased to N$2.7 million (down from N$11 million in 2023). The decrease in E-money fraud can be attributed to enhanced controls for e-money wallets and heightened consumer awareness regarding phone call scams, given the increased regulatory focus after the previous year's high fraud values.

To address the increasing prevalence of card and EFT fraud, the industry has introduced various measures. These include enhanced monitoring for fraudulent transactions and the blocking of e-commerce sites identified as sources of fraudulent activity. Card issuers are now more vigilant, and awareness campaigns aimed at educating customers have increased across various platforms. The implementation of PSD-12 required the industry to implement controls such as 2-factor authentication, requiring two forms of verification before a payment is executed. There have also been improvements in controls to protect financial data from being compromised, as the industry is continuously implementing standards such as Payment Card Industry Data Security Standard (PCI DSS). PCI DSS is a set of security guidelines created to ensure that all stakeholders handling card information follow strict security protocols to protect cardholder data. It helps prevent data breaches, fraud, and theft of sensitive payment information. Ongoing awareness campaigns educate clients on the importance of keeping their data confidential and are expected to intensify in the next reporting period. The Bank has engaged with the industry to stress the importance of heightened controls for managing client data confidentially. Furthermore, industry platforms such as the Cybersecurity Council have been mobilised to emphasise the importance of security against payment fraud.

Table A.7

INDUSTRY FRAUD STATISTICS (NPS)

Year	Card fraud	EFT fraud	E-money fraud	Total fraud
	Value	Value	Value	Value
	(N$'000)	(N$'000)	(N$'000)	(N$'000)
2020	5 690	1 476	1 585	8 751
2021	6 753	2 907	3 618	13 278
2022	7 391	14 455	9 610	31 456
2023	17 720	17 420	11 030	46 170
2024	19 041	29 076	2.78	50 903

STRATEGIC OBJECTIVE 2: MAINTAIN PRICE AND MONETARY STABILITY

Monetary Policy Stance during 2024

The Bank of Namibia reduced its policy rate by a cumulative 75 basis points in the second half of the year as inflation subsided and the global monetary policy easing cycle progressed. The MPC of the Bank reduced the Repo rate by a cumulative 75 basis points to 7.00 percent during 2024. The Bank initially kept the repo rate unchanged at 7.75 percent during the first half of the year. This position was based on the Bank's cautious assessment of the global and domestic economic landscape between the MPC meetings. This assessment leaned towards the need to keep policy on an even keel, even as the first cautious reductions in interest rates were announced by some of the leading central banks.

The second half of the year was, however, characterised by declining headline inflation outcomes and prospects for lower medium-term inflation alongside a more widespread global trend of monetary policy easing. This created the monetary policy space for the MPC to reduce the Repo rate.

The reduction was further supported by robust international reserves, orderly capital flows, the need to further support the sluggish domestic economy that was struggling with weak credit growth, and relatively high real interest rates. In essence, the stance adopted during 2024 was necessary to continue supporting domestic economic activity while safeguarding the one-to-one link between the Namibia Dollar (NAD) and the South African Rand (ZAR).

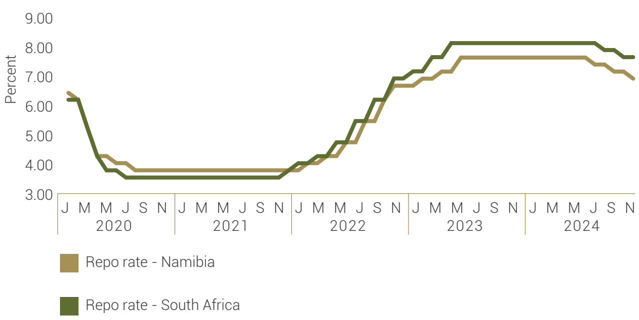
Domestic economic activity continued expanding during 2024, supported by the primary and secondary industries, despite some sectors facing strong headwinds. However, real gross domestic product growth slowed in 2024 compared to 2023. Accordingly, Namibia's real economy is estimated to have expanded by 3.7 percent in 2024, compared with a more solid growth rate of 4.4 percent recorded in 2023. Similarly, although growth in PSCE slowed to an average annual rate of 2.4 percent in 2024, from 2.6 percent recorded in 2023, the prints towards year-end were an improvement. The sluggish growth in PSCE during 2024 was attributed to weak demand exacerbated by the high-interest rate environment.

Moreover, the high-interest rate environment was not unique to Namibia but aligned with that of most global central banks, given the need to tame the high inflation that had been ignited during 2022. At that point supply-side shocks had triggered strong increases in commodity prices, with sticky inflation momentum carrying over into 2023 and early 2024. Throughout this episode, Namibia's monetary policy stance remained broadly aligned with most global central banks, including those in the CMA.

The monetary policy actions undertaken in 2024 were aimed at supporting domestic economic activity and maintaining adequate foreign exchange reserves to support the fixed exchange rate between the NAD and the ZAR. In its pursuit to support the sluggish domestic economic activity, the Bank kept its Repo rate unchanged during the first half of 2024 but decided to reduce it from its plateau value earlier than South Africa (Figure A.1). As shown in Figure A.1, the Namibian repo rate was reduced by more than that of the anchor country, with a differential of 75 basis points by the end of 2024. However, the Bank was mindful of the need to close the gap over the medium term. Furthermore, given the orderly capital flows, the Bank retained sufficient foreign reserves to safeguard the currency peg to the ZAR and meet the country's international financial obligations.

Figure A.1

NAMIBIAN VERSUS SOUTH AFRICAN REPO RATE



Source: Bank of Namibia and the South African Reserve Bank

In support of enabling domestic economic growth, the Bank continued to implement targeted economic relief measures during the period under review, particularly in respect of the SME Economic Recovery Loan Scheme. The Scheme, a loan facility established by the Bank of Namibia in collaboration with the Namibian Government through the Ministry of Finance and Public Enterprises, is a targeted intervention aimed at reviving the Small and Medium Enterprises (SMEs) sector. To this end, the Bank and the Ministry had together allocated N$500 million through four local commercial banks, which are responsible for disbursing funding to qualifying entities in the sector. As at 31st December 2024, total loans disbursed under the Scheme amounted to N$462 million, or 92.4 percent of the loan facility. Relative to 2023, activity under the Scheme slowed during the period under review, as some participating banks had utilised their total allocations.

Overall, the construction sector, accommodation and business services subsectors continued to account for most of the disbursed loans. Geographically, the Scheme was primarily concentrated in the Khomas, Oshana and Omusati regions. However, while this scheme targets a limited subset of borrowers, the repo rate reductions announced by the Bank from August 2024 have reached all borrowers in the economy. The benefits of the lower inflation that has been achieved similarly accrue to the economy in general.

STRATEGIC OBJECTIVE 3: ENSURE SUFFICIENT SUPPLY AND INTEGRITY OF CURRENCY

Currency Management

The Bank's mandate as the exclusive producer and issuer of Namibian currency was established by the Bank of Namibia Act 1 of 2020 (No.1 of 2020). This responsibility is central to the Bank's mission of ensuring monetary stability and supporting the country's economic well-being.

During the period under review, the currency in circulation increased from the previous financial year. Thus, the value of currency in circulation rose by 6.9 percent from N$5.2 billion in 2023 to N$5.6 billion in 2024 (Table A.8). The most significant surge in demand was observed for the N$20 notes, which inclined by 28.4 percent, whilst the N$100 and N$200 note denominations respectively increased by 10.1 percent and 10.5 percent, compared with their levels in the prior year. Both the N$10 and N$50 note denominations indicated significant reductions in issuance, namely by 22.4 percent and 26.9 percent, respectively. These reductions are attributed to the market readjusting itself in terms of supply and demand, supported by the 28.4 percent growth in N$20 notes in circulation.

Amongst the coins in circulation, the highest increase was observed on the N$0.50 cent denomination, with a rise of 114.8 percent followed by an uptick in the N$1 coins of 4.2 percent. The increase in the N$0.50 cent pieces in circulation is attributed to a growth in retail activity, with coins of lower denominations being used predominately by the retail market to issue change to customers. Overall, the use of coins saw an incline of 4.6 percent, while the use of banknotes was 7.1 percent higher in 2024 than in 2023.

The value of currency in circulation

↑ 6.9%

2023

N$5.2 billion

2024

N$5.6 billion

Table A.8

COMPOSITION OF NAMIBIAN CURRENCY IN CIRCULATION

Denomination	End of 2023		End of 2024		Change in value percent
	Value (N$ million)	Volume (million)	Value (N$ million)	Volume (million)	
5c coin	14.5	290.7	14.5	290.7	0.0
10c coin	25.1	250.8	25.3	253.0	0.8
50c coin	17.5	35.1	37.6	75.2	114.8
N$1 coin	122.8	122.8	127.9	127.9	4.2
N$5 coin	79.0	15.8	65.7	13.1	-16.8
N$10 coin	17.0	1.7	17.7	1.8	4.1
TOTAL COINS	275.9	716.8	288.7	761.7	4.6
N$10 notes	123.2	12.3	95.6	9.6	-22.4
N$20 notes	181.5	9.1	233.1	11.7	28.4
N$30 notes	146.6	4.9	146.2	4.9	-0.3
N$50 notes	376.1	7.5	275.1	5.5	-26.9
N$100 notes	947.3	9.5	1,042.6	10.4	10.1
N$200 notes	3193.2	16.0	3528.6	17.6	10.5
TOTAL NOTES	4 968.1	59.3	5 321.2	59.7	7.1
GRAND TOTAL	5 244.0	776.0	5 609.9	821.3	6.9

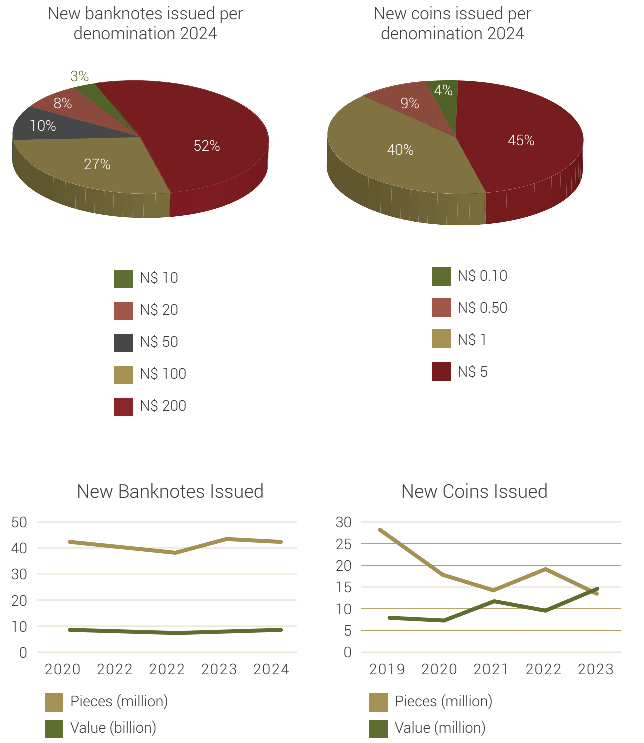
The Bank successfully continued to fulfil its mandate to provide high-quality currency. During 2024, the N$20 note became the most issued denomination, surpassing the N$200 note, with the N$100 note following. The issuance of the N$50 note decreased significantly from the previous year, primarily due to market demand with regard to the five Namibian banknote denominations. The N$30 note was issued in full and was in active circulation.

The overall issuance of new banknotes remained stable between 2023 and 2024 in terms of both volume (41 million pieces) and value (N$3 billion). New coins issued, however, increased by N$5.0 million in terms of value to N$13 million in 2024. This was despite reduced volumes issued, i.e. 18 million pieces in the prior year to 13 million pieces in 2024.

Of the coins issued, the N$5 coin accounted for 45 percent of the total issuance for 2024, followed by the N$1 coin at 40 percent. At 52 percent, the N$200 note accounted for the highest proportion of new issuance value, whereas the lowest was the N$10 note, at 3 percent (Figure A.2).

Figure A.2

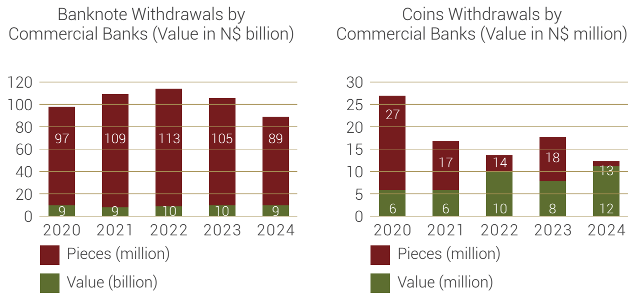
VALUE AND VOLUME OF NEW BANKNOTES AND COINS ISSUED



Throughout the review period, the Bank effectively accomplished its main objective of issuing national currency to commercial banks in a balanced manner (Figure A.3). In 2024, banknotes valued at N$9 billion were issued, reflecting a 10 percent decrease relative to the previous year. Notably, the number of banknote pieces issued declined from 105 million in 2023 to 98 million in 2024. Similarly, coin issuance decreased from 18 million pieces in 2023 to 13 million in 2024. Total bulk cash deposits made by the commercial banks at the Bank for the 2024 financial year declined by 2.4 percent to N$8.9 billion, compared with N$9.1 billion in such deposits in 2023.

Figure A.3

BANKNOTE AND COIN WITHDRAWALS BY COMMERCIAL BANKS



The Bank is also responsible for withdrawing unfit currency from circulation. In the year under review, N$2.8 billion in banknotes were withdrawn, marking an increase from the N$2.4 billion withdrawn in 2023. This rise is largely attributed to the higher withdrawal of N$100 and N$200 banknotes, as new modified notes were introduced to the market in 2024 and 2023, respectively. The introduction of these modified banknotes led to a greater volume of unfit N$100 and N$200 notes being taken out of circulation.

On 4 April 2024, and in full accordance with the Bank of Namibia Act, the Bank released a modified N$100 note in Lüderitz. The printing and issuance of this banknote was conducted in full compliance with the said Act and the Bank's Currency Design and Production Policy. The modified N$100 banknote prominently reflects the current Governor's signature as a key Level 1 security feature, while all other security features remain unchanged.

As part of its commitment to service delivery for commercial banks, the Bank successfully completed its Integrated Cash Management System Project. Launched in 2023, this initiative focused on developing an integrated cash management solution tailored for commercial banks. The first phase of the solution was implemented in March 2024, followed by the second phase in May 2024. The purpose of the solution was to automate the currency withdrawal and deposit functions between the Bank and the various commercial banks, enabling a seamless, end-to-end processing of these transactions. The Project has significantly improved overall operational efficiency in the Bank's cash supply chain and mitigated risks associated with manual processing.

During the period under review, the incidence of counterfeited banknotes declined. The banknotes declined by 10.7 percent, from 84 in 2023 to 75 in 2024. Notably, the quality of the counterfeits remained low, and their volume fell below not only the Bank's threshold of 10 pieces per million in circulation, but also the industry standard of 70 pieces per million. Thus, counterfeit banknote pieces per million increased from 1.43 in 2023 to 1.63 in 2024, which remained below the Bank's approved threshold of 10 pieces per million. The N$200 banknote continued to be the most frequently counterfeited denomination, followed by the N$100 and N$50 notes. Figure A.4 and Table A.9 respectively illustrate data on counterfeit Namibia Dollar banknotes.

Figure A.4

TOTAL COUNTERFEIT NAMIBIA DOLLAR BANKNOTES

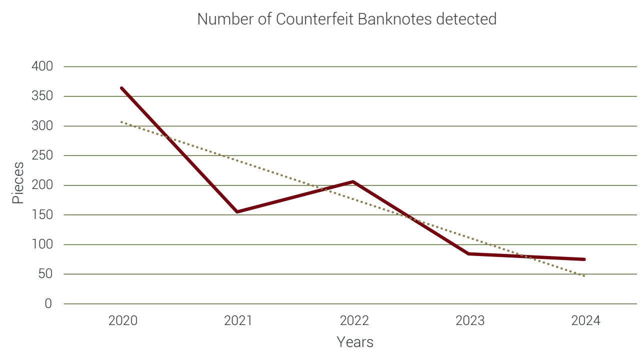
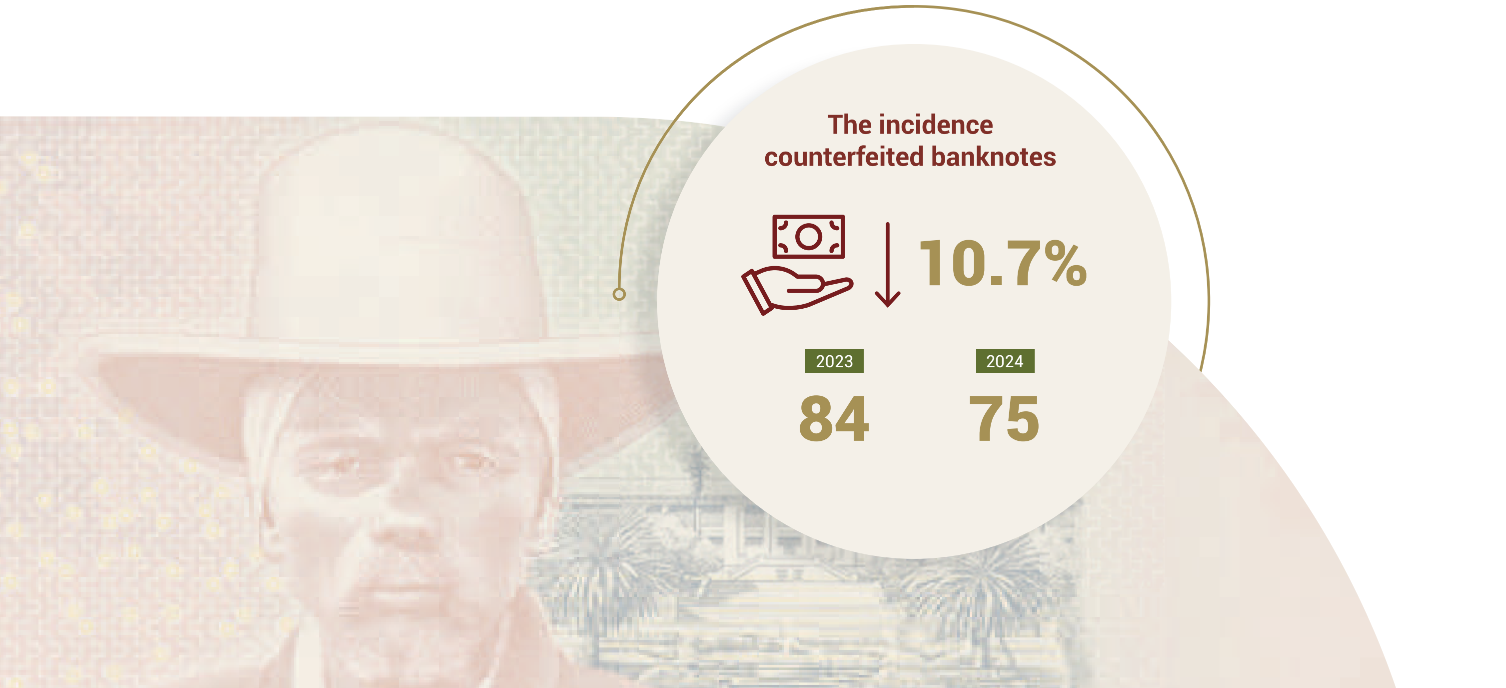


Table A.9

COUNTERFEIT NAMIBIA DOLLAR BANKNOTES

Denomination	Number of Counterfeit Banknotes detected per denomination					Counterfeits per single denomination per million notes in 2023	Counterfeits per single denomination per million notes in 2024
	2020	2021	2022	2023	2024		
N$10	23	1	1	2	2	0.1	0.2
N$20	29	6	7	8	7	0.7	0.8
N$30	0	0	0	0	0	0.0	0.0
N$50	59	37	28	13	12	1.0	1.8
N$100	54	33	55	26	13	3.0	1.6
N$200	199	78	115	35	41	4.0	2.8
TOTAL	364	155	206	84	75	1.43	1.63
Counterfeits per million notes for all denominations	N/a	N/a	N/a	N/a	N/a		



STRATEGIC OBJECTIVE 4: OPERATE AS FISCAL ADVISOR TO AND BANKER FOR THE NAMIBIAN GOVERNMENT

The Bank's commitment to digitisation and automation culminated in the successful development of an innovative online portal that has transformed Government payment processing. This portal facilitates the uploading of payments and processing of transactions through the use of robotic process automation. As a result, the turnaround time for payment processing improved significantly, i.e. by over 80 percent. The portal has been extended to all Government Offices, Ministries, and Agencies, enabling the handling of both local and foreign payments directly at the Line Ministry level. This transition has eliminated paper-based processes, greatly enhancing efficiency, service delivery, and banking operations. Consequently, it has provided the Government with a more streamlined banking experience.

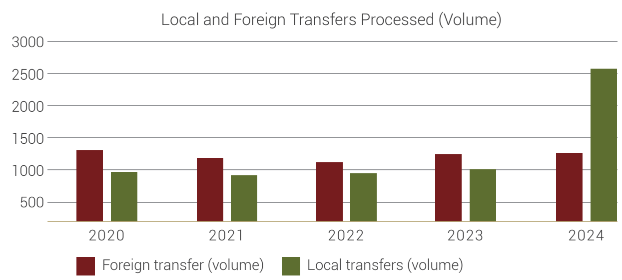
The effective management of Government Accounts continued to be a fundamental responsibility of the Bank, encompassing the collection and processing of ministerial cash deposits into the respective accounts. In this regard, the Bank made significant progress on the Public Teller Project during 2024. This Project, which is designed to streamline the Government's deposit and withdrawal functions, is anticipated to reach completion in 2025 and will enhance the efficiency and effectiveness of Government financial operations.

Provision of Banking Services

In its capacity as the provider of banking services to the Government of Namibia, the Bank is responsible for executing all domestic and foreign payments on the Government's behalf. During the period under review, the volume of foreign payments recorded a slight increase, namely from 1,228 in 2023 to 1,259 in 2024 (Figure A.5). Conversely, domestic high-value payments experienced substantial growth of 152.4 percent, rising from 1,002 payments in 2023 to 2,529 in 2024. High-value payments are classified as those that exceed N$5 million processed via the Namibia Interbank Settlement System. The incline in high-value payments is attributed to increased economic activity and a subsequent rise in the local form of these payments from the Government.

Figure A.5

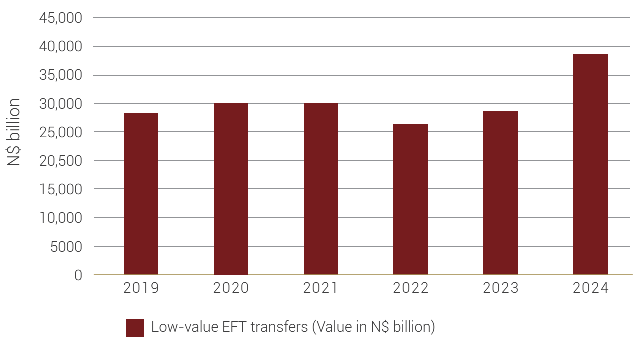
LOCAL AND FOREIGN TRANSFERS PROCESSED (VOLUMES)



Payments categorised as low-value are defined as those below N$5 million that are processed through the Bank's EFT system. During the period under review, the total collective value of these low-value payments saw a significant increase of 35 percent, escalating from N$28 billion in 2023 to N$38 billion in 2024 (Figure A.6). This growth illustrates the Bank's steadfast commitment to providing efficient and secure payment processing for smaller transactions, thereby enhancing the overall effectiveness of its electronic payment infrastructure. Furthermore, the rise in the value of low-value payments indicates a growing trend in transactional activity on Government banking operations.

Figure A.6

LOW-VALUE ELECTRONIC FUND TRANSFERS



Issuance of Government debt

The Bank continues to play a crucial role in the issuance and management of government debt securities. As the government's primary fiscal agent, the Bank oversees the issuance of bonds and treasury bills, for government's budget financing requirements. The Bank ensures that the issuance process is efficient, transparent, and aligned with market conditions, while also aiding the development of the broader money and capital markets. The Bank has been able to facilitate various auctions in accordance with the Government Domestic Financing requirements for FY2024/25 with both bond and treasury bills auctions remaining well subscribed at 1.8 and 2.7 times average bid to cover ratio. In terms of redemptions for the year, the Bank effectively redeemed the GC24 worth N$1.3 billion, which matured on 15 October 2024. The key redemption strategy for the local bonds remains the switch auctions where investors can successfully convert their holdings of the maturing bond into longer-dated instruments.

As part of its efforts around digital transformation, the Bank has introduced an online bidding auction platform. This platform has replaced manual bid submissions and increased the efficacy of the overall auction process. This innovation, combined with consistent performance delivery at the weekly auctions, means that the government is on target with 74.2 percent of its domestic borrowing requirement for the FY2024/25 fiscal year met by the end of December 2024.

STRATEGIC OBJECTIVE 5: MANAGE RESERVES PRUDENTLY

As stipulated in Section 61 of the Bank of Namibia Act, 2020 (Act No.1 of 2020), the Bank is entrusted with accumulating and prudently managing Namibia's foreign exchange reserves. These reserves are held to back the Namibian currency in circulation, which is required to maintain the peg to the South African Rand and to ensure that the country meets its international financial obligations. Reserve assets further serve other strategic objectives such as maintaining confidence in the country's monetary position and ensuring resilience to external shocks.

To meet the purposes of holding foreign reserves, the Bank ensures that the core objectives of capital preservation and liquidity are met. Subject to meeting these two objectives, excess reserves are managed with the aim of maximising risk-adjusted returns and minimising the cost of holding reserves, thereby maintaining and enhancing the purchasing value of long-term reserves. These aims and objectives are achieved through exposure to a range of eligible foreign assets set within certain limits, which is informed by the Bank's annual strategic asset allocation exercise.

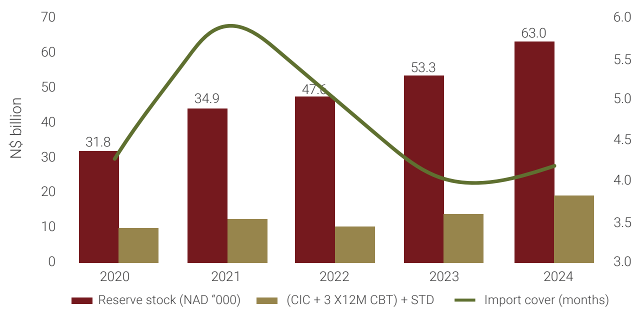
Over the past 12-months reporting period, the level of foreign exchange reserves recorded an increase. Year-on-year, reserves rose by 18.4 percent during 2024. Foreign reserves stock increased from NAD53.229 billion at the end of 2023 to NAD 63.009 billion as at 31 December 2024. The key drivers of increases in foreign reserves during 2024 included SACU receipts of NAD27.121 billion and currency revaluations amounting to NAD225.9 million. As it relates to outflows, net commercial bank flows were recorded at NAD16.1 billion (2023: NAD19.2 billion) while payments made on behalf of the Government amounted to NAD6.9 billion (2023: NAD6.7 billion). Furthermore, the net customer foreign currency account declined by NAD246.1 million in 2024 in comparison with 2023 levels.

The reserve position recorded in 2024 remained adequate. The adequacy position was measured in terms of (1) import coverage, (2) Currency in Circulation (CIC) plus a buffer of three times the monthly commercial bank outflows, and (3) [(2) plus 12-month external debt]. These adequacy measures were well above their respective thresholds during the review period and reported a coverage of 4.2 months' worth of imports and a ratio of 6.5 and 3.3 for metrics (2) and (3), respectively. At these levels, the measures are considered adequate to support the peg to the ZAR and the threshold for invoking Section 61 of the Bank of Namibia Act.

Figure A.7

OFFICIAL FOREIGN EXCHANGE RESERVE STOCK

The stock of international reserves increased by 18.4 percent over the reporting period and remains well above the international import coverage ratio of three months.

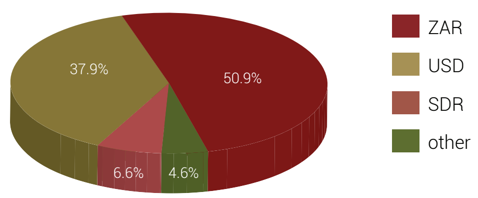


The USD and the ZAR remained the dominant components of the Bank's foreign exchange reserves. As of 31 December 2024, the ZAR and USD accounted for 50.9 percent and 37.9 percent of the reserves, respectively. The remaining 11.2 percent comprised the IMF Special Drawing Rights (6.6 percent) and other basket currencies, including the Euro (EUR), British Pound Sterling (GBP), Japanese Yen (JPY), and Chinese Yuan/Renminbi (CNY). (see Figure A.8).

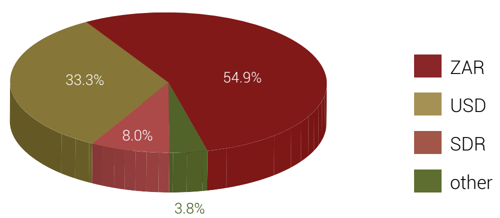
Figure A.8

CURRENCY MIX OF FOREIGN EXCHANGE RESERVES AS AT 31 DECEMBER 2024

The largest currency allocation was apportioned among the ZAR and USD currencies of the overall reserves during 2024.



The largest currency allocation was apportioned among the ZAR and USD currencies of the overall reserves during 2023.



Administration of Exchange Controls

Pursuant to its mandate as the agent for exchange control administration as provided for in the Bank of Namibia Act and the Currency and Exchanges Act - and its complementing Regulations 1961, the Bank continued to fulfil this function to support a stable foreign exchange market in the country. The Bank also remained aligned with its own Foreign Reserves Management Policy. During the period under review, the Bank made significant strides in executing this mandate by following a high-priority, focused strategy to accomplish certain specified Key Performance Indicators for 2024. These comprised the following activities:

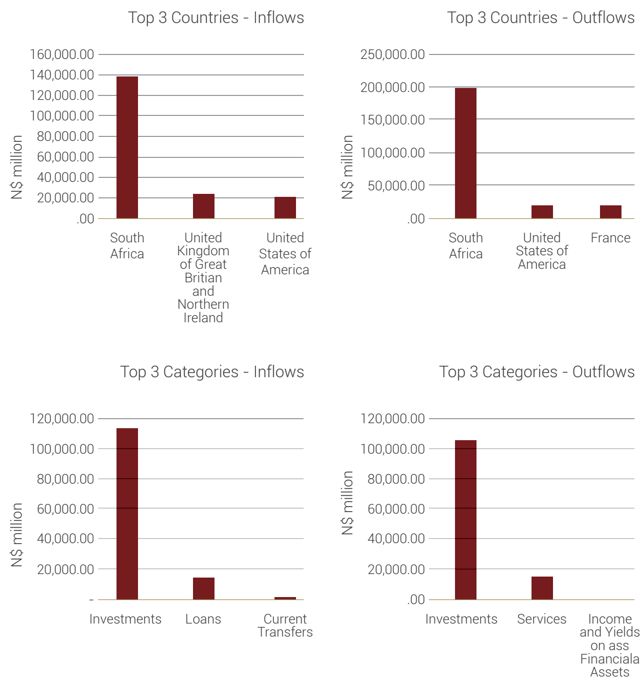
- » Conducting risk-based supervision and compliance enforcement on the regulated institutions comprising of six Authorised Dealers in Foreign Exchange and four Authorised Dealers in Foreign Exchange with Limited Authorities
- » Rolling out Phase 2 of the Trade Verification System, which aims to improve controls, automate declaration and payment matching, enhance reporting on customer transactions via a Balance of Payments system and implement ongoing improvements to the said System's functionality
- » Ensuring that the country's exchange controls remain aligned with those prevailing in the CMA as required in terms of the Multilateral Monetary Agreement between the CMA member countries, which are Namibia, South Africa, Lesotho and Eswatini
- » Undertaking robust risk - mitigation efforts to combat illicit financial flows (IFFs), and
- » Investigating alleged non-compliance of the Currency and Exchanges Act and its associated Exchange Control Regulations.

Off-site Monitoring

Authorised Dealers and Authorised Dealers with Limited Authority are required to report cross-border transactions within two business days from the value date of the transactions. This requirement ensures the timely monitoring of cross-border flows of funds. In 2024, Namibia saw a significant flow of financial transactions, characterised by substantial investment inflows from non-resident entities, alongside considerable outflows from residents. At the same time, non-resident entities provided more services to residents. An influx of loan inflows was also observed during the reporting year (Figure A.9).

Figure A.9

TOP CATEGORIES OF ACTUAL CROSS-BORDER INFLOWS AND OUTFLOWS FOR THE REPORTING YEAR 2024



On-site Compliance Inspection

In 2024, the Bank continued to shape the compliance environment of the regulated industry, namely the six Authorised Dealers and four Authorised Dealers with Limited Authority through on-site and offsite inspections and regular industry meetings. During the period under review, risk - based on – site inspections were conducted on three Authorised Dealers and two Authorised Dealers with Limited Authority. The Bank noted a significant improvement in the level of compliance with the provisions of the Currency and Exchanges Manual when compared with such compliance in 2023. This improvement indicates that the Bank's efforts to mitigate the risks of illegal cross - border financial transactions are beginning to bear fruit.

However, the inaccurate categorisation of foreign exchange transactions remained an issue. To address the problem, the Bank shall continue, to deploy a multi-pronged approach in close collaboration with relevant stakeholders. The approach aims, inter alia, to create additional awareness, to tighten verification measures at regulated institutions, and to enforce adherence to the Balance of Payment reporting standards and categorisation requirements.

Mitigating the risks of Illicit Financial Flows

The National Technical Working Group (TWG) on Illicit Financial Flows (IFF), which the Bank chairs, continued its work in the reporting year. Membership of the Working Group was expanded from 11 state agencies to14 in 2024. Thanks to United Nations (UN) developmental funding, Namibia participated in the measurement of IFFs using three methodologies developed by United Nations Trade and Development.

Among the Bank's efforts to stem IFFs in Namibia during 2024 was its facilitation of a Namibian Government Inter-agency Technical Working Group dedicated to the task. This body subsequently established a temporary National IFF Project Office responsible for administering and executing the project tasks specified under UN Sustainable Development Goal Indicator 16.4.1 ("Total value of inward and outward illicit financial flows (in current United States dollars)") and monitoring the implementation of the Namibia's National Action Plan Recommendations to Tackle IFFs, once the Plan has been approved by Cabinet.

The National Project Office was resourced with a staff member during the period under review. Following the successful completion of the pilot project for measuring IFFs on the continent, Namibia was selected to participate in further projects by the UN agencies with the aim of continuing to measure IFFs and formulate policy recommendations that will strengthen institutional capacity in identifying, measuring, and curtailing such flows. Ultimately, all these efforts are aimed at recovering lost funds.

In the coming financial year, the Inter-agency Technical Working Group will formally disseminate statistics on IFFs from the pilot project. Developments are also underway to ensure continuous IFF reporting. Notably, the project on IFFs advances the control environment as it assists in identifying the drivers of risk and introduces controls that shape the compliance environment.

Investigations

The 2024 reporting period saw the Bank implement an Incident and Investigative Case Management System to capture and manage information related to investigations. The System came into effect from August 2024. The Bank investigated 11 entities for alleged violations of Exchange Control Regulation 10(1)(a) (iii) that requires Namibian exporters to repatriate proceeds within six months from the date of exports. In this regard, two entities were investigated. The outcome determined that export proceeds had indeed been received but categorised wrongly. Investigations that were still ongoing in the remaining nine entities were expected to be concluded in 2025.

STRATEGIC OBJECTIVE 6: PROMOTE FINANCIAL SECTOR GROWTH AND ECONOMIC DEVELOPMENT

Policy Research and Advice

As part of its statutory mandate, the Bank is required to provide policy advice to the Government. In this regard, the Bank conducts economic and financial research, as well as other research of strategic importance. The main aim of the research undertaken by the Bank is to inform Government policy direction and actions. The following is a summary of research activities carried out in 2024.

The Bank continued to provide the Ministry of Finance and Public Enterprises (MFPE) with technical advice on public debt sustainability, in line with its mandate. Debt Sustainability Analysis (DSA) is an important facet of debt management and an avenue through which risks and vulnerabilities associated with the country's debt trajectory can be identified and mitigated. The Bank prepared three debt sustainability analysis reports and submitted them to the MFPE during 2024. After a careful analysis of Namibia's macroeconomic and fiscal indicators, the debt sustainability analysis established that Namibia's public debt is projected to moderate over the medium term (2024–2027). This is on the back of enhanced revenue and improvement in the Government budget deficit thereof. In light of this, the debt sustainability analysis continues to underscore the need for intensified efforts to restore fiscal sustainability over the medium term. This included thoroughly investigating the reasons behind the below-budget execution rate for the development budget, among others.

The Bank also conducted research on the effectiveness of Namibia's drought relief programme. Being one of the driest countries south of the Sahara, Namibia has been grappling with recurring drought for several years due to inconsistent rainfall patterns. These prevailing conditions significantly impact the agricultural sector, which is the primary source of livelihood for about 70 percent of the population, leading to adverse implications on food security. As such, the note aimed to explore suitable mechanisms in the management and distribution of drought relief initiatives in Namibia with a view to offer effective strategies for improved preparedness, recovery and adaptation measures, in order to reduce future losses from adverse events.

In addition, the Bank of Namibia successfully held its 25th Annual Symposium on the 19th of September 2024 under the theme: *Agricultural Global Value Chains for Inclusive Development: How can Namibia position its agriculture sector?* The theme focused on probable interventions the country can undertake to increase global participation in the agricultural sector to raise sustainable economic development. In this regard, the theme examined the current challenges faced by Namibia's agricultural sector and reviewed potential options to increase global participation, and by extension integrating Namibia in global value chains. As such, several policy options emanated from the discussion and papers presented and are highlighted in the box article in this report titled: Policy Issues Emanating from the Bank of Namibia Annual Symposium.

Financial Sector Transformation and Inclusion

In 2024, the Bank made significant strides in strengthening the financial sector's resilience, inclusivity, and contribution to national development. A key milestone was the continued coordination and development of the Namibia Financial Sector Transformation Strategy (NFSTS) 2025–2035, a blueprint aimed at fostering an inclusive, resilient, competitive and digitally enabled financial ecosystem.

To ensure that the Strategy reflects the needs and aspirations of all stakeholders, the Bank in conjunction with other organisations forming part of the Secretariat team of the NFSTS undertook a series of extensive consultations with key industry players, policymakers, financial service providers, consumer advocacy groups and development partners. These engagements reinforced a transparent, inclusive and human-centered approach to financial sector reform. The NFSTS introduces transformative pillars, including financial technology integration, financial inclusion acceleration, capital market deepening, and enhanced regulatory frameworks to promote financial integrity and stability. Following a rigorous consultative process, the Strategy received endorsement from the Financial Sector Council Advisory Body (FSCAB) and was tabled to the Financial Sector Council (FSC) in November for final approval. The FSC directed further engagements with the grassroot users of financial services before the Strategy can be finalised. Once approved, the NFSTS is expected to be launched in the first half of 2025, marking a decade-long commitment to a reformed and dynamic financial sector that supports economic growth and inclusion.

Diagnosing Informality in Namibia

The Bank also continued to spearhead a diagnostic study on informality in Namibia to gain a deeper understanding of the dynamics of the informal sector and its implications for financial inclusion and economic development. The study is a collaborative effort with the Ministry of Trade and Industrialisation, Ministry of Labour and Industrial Relations and various UN agencies, including the International Labour Organization, the United Nations Development Programme and the United Nations Human Settlements Programme.

The study seeks to:

» Identify the characteristics of informal businesses and workers, their financial behaviour, and their barriers to formalisation.

» understand the extent to which informal sector players engage with formal financial services, such as savings, credit, and insurance, and.

» evaluate the effectiveness of existing policies and recommend targeted solutions to support the transition from informality to formality.

Given that a significant portion of Namibia's workforce operates within the informal economy, this diagnostic study is expected to provide critical insights for designing financial products and regulatory frameworks that better serve micro entrepreneurs and informal workers. The outcomes will also inform the broader financial sector transformation agenda by aligning financial inclusion policies with the realities of Namibia's labour market.

Strengthening Financial Literacy

The Bank remained steadfast in its commitment to enhancing financial education and literacy, recognising that an informed population is essential for a well-functioning financial system. Through its Memorandum of Understanding with the MFPE, the Bank continued to provide technical support to the Financial Literacy Initiative, a national platform dedicated to promoting financial awareness among Namibians. As a platform supporter, the Bank makes annual financial contributions to this initiative, ensuring the sustainability of its outreach programmes and educational campaigns.

A key milestone was the continued **coordination and development of the Namibia Financial Sector Transformation Strategy (NFSTS) 2025–2035,** a blueprint aimed at fostering an inclusive, resilient, competitive and digitally enabled financial ecosystem.

SME Development

The Bank continued to play a pivotal role in supporting the implementation of the three facilities under the SME Financing Strategy, which aims to improve access to finance for micro, small and medium enterprises. The Bank's technical support focused on engagements to enhance the uptake and usage of the Credit Guarantee Scheme managed by the Namibia Special Risks Insurance Association, which provides risk-sharing mechanisms to encourage financial institutions to lend to small businesses. It also continued to monitor the implementation of the Mentoring and Coaching Facility, housed under the Development Bank of Namibia, which supports capacity-building for entrepreneurs, and to support the operational design of the Venture Capital Fund, an upcoming initiative designed to foster innovation and support high-growth startups through equity financing.

Thought Leadership in Financial Inclusion

As a member of the Alliance for Financial Inclusion (AFI), the Bank continued to play an active role in the activities of the Alliance. Through its participation in various AFI working groups, the Bank contributed to the development of key knowledge products, policy frameworks, and best practice guidelines aimed at enhancing financial inclusion on a global scale. The Bank's contribution to the AFI's knowledge network was further acknowledged when it was invited to co-host the upcoming AFI Global Policy Forum in September 2025. This prestigious event, which brings together policymakers, regulators, and financial inclusion practitioners from across the globe, will provide Namibia with a platform to showcase its progress in financial inclusion and exchange insights with international peers. The Bank's role in hosting this landmark event reflects its leadership in the financial inclusion space in Namibia and its ongoing commitment to fostering innovative, inclusive financial systems that serve all segments of the population.

The Bank continued to play a pivotal role in supporting the implementation of the three facilities under the SME Financing Strategy, which aims to improve access to finance for micro, small and medium enterprises.

POLICY ISSUES EMANATING FROM THE BANK OF NAMIBIA'S 25TH ANNUAL SYMPOSIUM ON AGRICULTURAL GLOBAL VALUE CHAINS FOR INCLUSIVE DEVELOPMENT: HOW CAN NAMIBIA POSITION ITS AGRICULTURE SECTOR?

(i) INTRODUCTION AND BACKGROUND

- On 19 September 2024, the Bank of Namibia held its 25th annual symposium at the Mercure Hotel in Windhoek under the theme: Agricultural Global Value Chains for Inclusive Development: How can Namibia position its agriculture sector? The theme focused on probable interventions the country could undertake to increase global participation in the agricultural sector in an effort to enhance sustainable economic development. The theme, therefore, examined the challenges faced by Namibia's agriculture industry and reviewed potential options to increase global participation - and by extension, integrate Namibia into existing agricultural global value chains (AGVCs).

- AGVCs have changed the nature of production and specialisation around the world. Simply defined, global value chains represent activities spread over several countries that take place while transforming raw materials into end-use products. While changes in the international production landscape have been most pronounced in manufacturing and services, similar changes have also occurred in the agricultural and food (agri-food) sector, as reflected in the rising trade in both intermediate and final goods.

- AGVCs connect producers to consumers across the world. Trade in agricultural and food products has changed over time, with the food we eat and the clothing we wear increasingly being delivered by global production systems that cross many borders. Thus, AGVCs not only connect producers of food and fibre to consumers worldwide, but they also help ensure the delivery of food and textiles supplies remain stable. This provides greater choice to consumers, while generating incomes for producers. To put this in context, an average of around 21 percent of the value of exported agrifood products from any given country in 2014 came from goods and services produced in other countries[A2].

- Agricultural businesses in developing countries such as Namibia offer an opportunity for market-based economic development that creates benefits throughout AGVCs. About 78 percent of the world's poor live in rural areas and depend on farming, livestock, aquaculture and other agricultural products as their primary source of income[A3]. Given the World Bank's estimate that economic growth in the agricultural sector is twice as effective in reducing poverty as growth in other sectors of the economy, strengthening AGVCs is among the most effective ways to address global inequality and poverty.

- For agriculture and food sectors, participation in agrifood value chains helps enhance overall sector growth – improving the returns to farmers and food producers along the value chain. In particular, making use of more affordable inputs from other countries to produce agrifood products, and having access to foreign consumers through value chains have helped to grow agrifood sectors and increase the share of gains flowing to farmers and producers. Vos and Cattaneo (2021), for example, emphasise the importance of having resilient and inclusive food systems and facilitating better functioning and interconnectedness small and medium sized enterprises that are proliferating the "hidden middle" of the food value chains in storage, logistics transportation and wholesale and retail distribution. The authors also stress the importance of policies that can help smallholder farmers connect to this "hidden middle" in more gainful ways and help eradicate poverty.

- Against this background, governments and producers are increasingly interested in finding pathways to position their agricultural and food sectors to leverage opportunities provided by AGVCs. The manner in which producers in different sectors participate in value chains is heavily influenced by the nature of the products they offer. For instance, with highly perishable products such as fresh vegetables are likely to go relatively directly from producer to consumer through AGVCs, compared to long-lasting items such as oilseeds, wheat and many fibers such as wool and cotton, which feed into food and clothing manufacturing processes and which can cross borders multiple times before reaching the end user.

A2 https://www.wto.org/english/res_e/statis_e/its2015_e/its2015_e.pdf

A3 https://www.worldbank.org/en/news/feature/2014/11/12/for-up-to-800-million-rural-poor-a-strong-world-bank-commitment-to-agriculture#:~:text=About%2078%20percent%20of%20the%20world's%20poor%20people—,food%20on%20their%20plates%20and%20make%20a%20living

- The Symposium was organised against this backdrop, with a view to advancing greater global agricultural integration. More specifically, the deliberations were guided by the following key questions, among others:
  - What measures are needed to increase agricultural productivity and facilitate a thriving agricultural industry in Namibia?
  - What are the key impediments to transforming the agricultural sector, including how to scale up technologies to boost and spread benefits more widely across the entire agrifood chain, all the way to the consumer?

What are the major constraints for value chain upgrading (e.g. market access restrictions, weak infrastructure, a lack of resources and institutional voids)?

  - What can the Government do to devise clear, implementable plans to support physical infrastructure development and achieve a smoother flow of products through the value chain (e.g. better road infrastructure, better distribution facilities such as storage, and better communication infrastructure)?
  - How best should policymakers and producers sustainably address the reality of the fluctuating rain patterns owing to ever-increasing temperatures in the country caused by climate change, which affects agricultural production?
  - What are the upgrading options related to value addition?
  - What are the most suitable partnerships for upgrading the AGVC in Namibia?
  - How can Namibia expand entrepreneurship opportunities for increased skills in the rural areas for agro-industry development?
- These and other issues were addressed through presentations delivered during the Symposium by local and international speakers and further supplemented by a panel discussion. Notable speakers comprised of representatives from the public, private and International Organizations, specifically from the Natural Resource Institute at the University of Greenwich (United Kingdom); the Food and Agriculture Organisation of the United Nations; the Ministry of Industrialisation and Trade; the Ministry of Agriculture, Water and Land Reform; Ombu Capital Namibia; the Southern African Development Community (SADC) Secretariat; and the Bank of Namibia.
- Following the introduction and background sketched in this section (i), section (ii) provides a summary of the substantive policy issues raised during the Symposium. Section (iii) underscores the general policy recommendations, while section (iv) looks at specific policy recommendations proposed. A major conclusion that emanated from the 25th Annual Symposium was that the agriculture sector plays a major role in national food security and needs proper planning and infrastructure for the sector to grow and thrive.

(ii) KEY POLICY ISSUES AND RECOMMENDATIONS EMANATING FROM THE SYMPOSIUM

A number of policy issues within the agriculture sector were highlighted from the papers and discussions at the Symposium. The following is a summary of the key issues that emerged from the Symposium, divided into two sub-themes:

Challenges affecting productivity in the agricultural sector

High cost of water and electricity

- The cost of manufacturing in Namibia is higher than that in its neighbouring countries due to the prevailing high input costs of water and electricity. The domestic agro-processing industry, therefore, continues to express discontent about these high costs. Given their operational setup, abattoirs utilise significant amounts of water and electricity and, therefore, tend to pay higher tariffs when compared to most other businesses. In addition, abattoirs are charged an extra levy on dirty water. For this industry, therefore, the associated exorbitant energy and water costs are two key challenges to reaching full production capacities and profitability. Moreover, a demand charge of approximately N$150 000 is imposed on companies such as millers simply for switching on the water pumps, which is above and beyond associated cost of actual electricity consumption.

The cost of manufacturing in Namibia is higher than that in its neighbouring countries due to the prevailing high input costs of water and electricity.

Poor-quality storage facilities, high transportation costs and a lack of skills

- Other challenges exist along the agro processing supply chain including poor-quality storage facilities, high transportation costs a lack of skills in agriculture management and information asymmetries. Moreover, some sector players especially in rural areas lack sufficient information on prevalent consumer price. Other challenges also relate to the lack of consistency in supply and demand for agricultural produce, mainly owing to changing weather patterns.

Unavailability of inputs such as seeds and fertilisers within the local market

- The local market lacks adequate agricultural inputs such as seeds and fertilisers, meaning that a significant portion of them is sourced abroad. According to data obtained from the Namibia Statistics Agency (NSA), Namibia imported an average of N$12.8 million seeds between 2010 and 2023. It also imported feed worth N$776.8 million and fertilisers worth N$606.1 million in the same period. Overall, fertiliser prices saw huge increases from 2020 to 2022 due to the Covid-19 pandemic and further surged even higher after supply disruptions caused by the Russia-Ukraine conflict. Moreover, a sharp increase in prices of fertilizer was also recorded in 2023 owing to global production shortfalls in urea and ammonia.

Traditional farming methods still popular in Namibia, despite devastating effects of climate change

- The agricultural sector is vulnerable to climate change as the country is yet to adopt new farming methods in view of changing weather. The use of traditional methods, particularly the heavy reliance on rainfed agricultural practices, is still prevalent in Namibia despite recuring droughts and climate change affecting crops. Furthermore, the poor quality and lack of fertilisers along with limited access to feed for livestock have exacerbated the situation.

Financial inclusion remains low in rural areas.

- Access to finance in Namibia remains a barrier to development. Lack of access to financial services, whether through the sparsity of financial service providers, shallow financial markets or the problems with land tenure and, hence, collateral, is a major bottleneck in rural Namibia (see Namibia Financial Sector Strategy 2011-2021). Moreover, despite significant improvement at the national level, financial inclusion remains low in rural areas. About 27 percent of the rural population eligible for financial services remain financially excluded.

Regulatory uncertainties and delays in implementation of regulations and bills

- The absence of certain regulatory frameworks as well as delays in implementing of regulations and bills makes attracting investors into the country difficult. Approximately 70 bills still awaited approval at the end of 2024, causing uncertainty for businesses. Some of the outstanding bills that have been seen as unfriendly for investment include the Investment Promotion and Facilitation Bill, the National Equitable Economic Empowerment Bill, and the International Trade Management Bill. Additionally, critical regulations are associated with the Special Economic Zones Bill, the Consumer Protection Bill, the Food Safety Bill, and legislation about land and property procurement. Moreover, the timely cancellation of unpassed bills is crucial for investment and economic growth. Revoking former tax incentives for local manufacturing without suitable alternatives has also negatively affected investment decisions and the economy.

The local market lacks adequate agricultural inputs such as seeds and fertilisers, meaning that a significant portion of them is sourced abroad.

Namibia imported an average of **N$12.8 million seeds between 2010 and 2023.**

Challenges affecting trading in agricultural products

Lack of access to domestic and international markets

- Access to domestic and international markets for smallholder and/or communal farmers remains a major bottleneck due to a lack of market infrastructure, including abattoirs. In many cases, smallholder farmers are forced to sell their products at low prices or in extreme cases, being forced to donate products because they cannot find buyers. This situation discourages such farmers from producing more than what they need for own consumption.

- A large number of beef cattle are slaughtered outside the formal abattoir sector; therefore, the hides produced do not form part of further beneficiation (value adding). Also, the quality of raw hides produced from informal slaughtering appear to raise concern because they are not being processed to their maximum potential. The local training and education capacities regarding hides were also assessed as being inadequate for enhancing training and skills development research and development, and efficient commercialisation of services.

Strong competition from imported dairy products

- The influx of cheaper dairy imports poses a significant risk to the Namibian dairy industry. Since 2004, the local dairy industry has been on the verge of extinction due to the influx of cheaper dairy imports from South Africa. South African products are cheaper not only because that country has larger economies of scale and cheaper inputs, but also because milk products attract no sales tax. Namibia's eight-year Infant Industry Protection initiative, implemented to shield the industry, which expired in 2008. Despite these protective measures, the sector has struggled to meet domestic demand.

- Nonetheless, the dairy industry has an opportunity to penetrate its neighbours' markets. This is especially true for Angola where there is a high demand for cultured milk products (Omaere, Oshikandela and Oshitaka). However, the issue of uncertainty when it comes to payments from Angola poses a serious business risk to producers' cash-flows needs.

Poor marketing and packaging of locally produced products

- Namibian agricultural products are poorly marketed and packaged for both the domestic and international consumers. Notwithstanding the unique quality of Namibian beef and sustainable production practices, very few marketing efforts have been undertaken to build brand loyalty. Namibian beef is known for being hormone-free and antibiotic-free, and the cattle are raised on natural rangelands. The industry's commitment to strict animal welfare and traceability standards is unwavering, contributing to its reputation for high-quality beef and sustainability.

> *Despite challenges such as drought, land degradation, and high production costs, the industry is well-positioned to meet the global demand for high-quality beef, presenting opportunities for growth.*

Poor agricultural infrastructure

- There are inadequate infrastructure services in the agricultural sector in Namibia despite agriculture being an important part of development and poverty mitigation. The sector depends on infrastructure such as good roads, safe drinking water, adequate power supply, a market network, modern communication services and facilities for processing and storing farm harvests.

- Over the last few years, issues with the Port of Cape Town have necessitated the need for grape and date farmers to switch to exporting their products through the Port of Walvis Bay. The Port of Walvis Bay is seen as a viable export hub, with potential for increased cargo from Namibian and South African growers. Shipping through Walvis Bay rather than Cape Town saves around four days at sea, ensuring fresher fruit for customers. However, there are challenges, such as the 508 km longer round trip for trucks from Aussenkehr to Walvis Bay instead of Cape Town (the distance from Aussenkehr to Walvis Bay is 911 km while that from Aussenkehr to Cape Town is 734 km). Nonetheless, the competitive logistical solution provided by Walvis Bay is predicted to attract more cargo from Capespan – a global distributor, marketer and producer of fresh produce – and others in the future. However, for a competitive advantage, this will require the construction of a shorter route through Maltahöhe that will save approximately 300 km of travelling.

(III) GENERAL POLICY RECOMMENDATIONS

- Key recommendations from the papers and discussions at the Symposium outlined the urgent need for the country to roll out a new curriculum for skills development, sustainable agriculture and income-generating activities. The following is a summary of the key policy issues that emerged from the Symposium, arranged according to three broad themes in line with the rural economy discourse namely ease of doing business; management, infrastructure and market access; and infrastructure and skills development:

Ease of doing business

Enhance water security by adopting climate-smart agriculture to increase productivity

- Efforts to build water infrastructure such as desalination plants for bulk water supply should be accelerated. Namibia faces issues of a lack of water along with high electricity costs. The country could therefore reap major benefits from coupling desalination with renewable energy sources, given its long shoreline and abundance of sun. Doing so could potentially ensure a sustainable water supply, energy security for the water sector, and environmental sustainability.

- The country also needs to improve its agricultural resilience by installing irrigation systems. Improved irrigation systems and broader access to electricity and finance would support higher levels of employment, economic growth and poverty reduction during prolonged dry spells and water shortages. These factors work hand in hand: electricity powers irrigation systems and deep tube-well pumps, and access to finance facilitates the building and maintenance of all three. However, the country also needs to review its high electricity fees, such as demand charges.

- Furthermore, the government needs to find a solution to the issue of high electricity costs. The high demand fees levied against greens schemes need to be examined. Similarly, despite the lower prices of solar PVs, battery prices in Namibia remain high, and the energy generated cannot be stored and can only be used during the day, and at night or during cloudy days, the greens scheme are subsequently forced to revert to the grid. The Government should thus consider lowering the price of electricity to meet the private sector halfway.

Revise levies for intermediate goods

- Raw materials imported into the country that are used as intermediate goods to produce finished goods should not be subjected to unnecessary levies. For example, the wheat used to produce pasta in Namibia is imported. The wheat is sourced from available global origins, but on entry to Namibia, it becomes 5 percent more expensive due to the 5 percent levy imposed by the Namibian Agronomic Board (NAB). If pasta is exported to the southern African market, it faces a disadvantage when competing with South African or other global pasta manufacturers, as pasta exports are indirectly taxed in Namibia. Although the NAB uses its levy revenue for research and agricultural growth domestically, it is making the millers worse off and killing the industrial process.

Invest in the production of fertilisers in the domestic market to reduce input costs

- Investment is required in fertiliser manufacturing in Namibia is required to reduce the burden of fertiliser costs and thereby reduce input costs. For example, local manufacturing of this agro-input could reduce prices as it would ease the burden of logistics costs.

The country should also leverage and embrace the current hydrogen projects to **increase domestic fertiliser production.**

- An added advantage is that this would produce low-carbon-footprint fertilisers. Domestically produced green hydrogen and ammonia can also help reduce Namibia's dependence on imports for such inputs, enhance food security, and limit emissions from fertiliser manufacturing.

Provide income tax incentives and subsidies to encourage growing Namibian products

- Income tax incentives should be offered on the importation of agricultural raw materials intended for value addition. As mentioned earlier, the wheat used to produce pasta in Namibia is imported. The wheat is sourced from available global origins, but on entry to Namibia, it becomes 5 percent more expensive due to the 5 percent levy imposed by the NAB. If pasta is exported to the southern African market, it faces a disadvantage when competing with South African or other global pasta manufacturers, as pasta exports are indirectly taxed in Namibia. Although NAB uses its levy revenue for research and agricultural growth domestically, it is making the millers worse off and killing the industrial process.

- Furthermore, subsidies or zero taxes on all milk products could put Namibia's dairy industry on par with those in neighbouring countries. Namibia is currently at a disadvantage when competing with neighbouring countries' milk products as the latter's products are zero-rated across the board in those countries, while only fresh milk is zero-rated in Namibia. This means Namibia's dairy industry cannot compete with similar products from abroad.

Raw materials imported into the country that are used as intermediate goods to produce finished goods should not be subjected to unnecessary levies.

Finalise relevant outstanding bills and regulations to boost investor confidence and attract investment

- The Government should finalise long-outstanding bills and regulations to boost investor confidence. The challenges associated with the delay in implementing regulations or passing bills hinder the attraction of investors to the country. Bills that have been outstanding for several years should, therefore, be finalised promptly. Alternatively, Namibia should set a limit on the time for which a bill can be outstanding, after which the bill should be taken off Parliament's register.

Management, infrastructure and Market Access

Improving rural infrastructure and supporting small-scale farmers

- The Government needs to invest in rural infrastructure to make it easier for farmers – especially small-scale and subsistence farmers in rural areas – to reach the markets. These farmers and other agricultural producers need such facilities to profitably sell their products to the domestic market and for potential buyers to have access to products that are in the market. Although Namibia has made great strides in ensuring that local farmers' produce meet the markets, more needs to be done – especially in improving infrastructure. Moreover, infrastructure development requires water supply and irrigation systems, farm-to-market roads, railways, airports, marketplaces, storage facilities, information and communication technologies, energy, and rural electrification.

Take advantage of existing markets to increase value chain and market access

- The design and implementation of marketing strategies to enhance the brand identity of Namibian beef products and highlight their premium qualities at the retail shelf should be supported. Namibian beef's unique qualities and sustainable production practices should be publicised to build brand loyalty. Namibian beef is known for being hormone-free and antibiotic-free, and the cattle are raised on natural rangelands. The industry's commitment to strict animal welfare and traceability standards is unwavering, contributing to its reputation for high-quality beef and sustainability. These qualities should be used to market the beef and penetrate more markets.

- The value chain and market access should be enhanced by taking advantage of the existing market continentally and globally. As a small economy with a limited domestic market, Namibia has an array of trading arrangements underpinned by a commitment to trade openness and integration into regional and global markets. The country is also a member of the African Continental Free Trade Area (AfCFTA) Agreement, the Southern African Customs Union (SACU) and the Southern African Development Community (SADC), besides having duty-free access to markets in the United States until 2025 via that country's African Growth and Opportunity Act.

- Furthermore, strengthening its logistics hub can enhance Namibia's position in the AGVC. Namibia is a key beef-exporter within SADC, whereas several countries in the region import meat from South America-particularly Chile and Argentina.

- The ongoing work to further integrate Namibia and Angola's national payment systems into SADC's regional cross-border real-time gross settlement (RTGS) system as part of efforts to facilitate and expedite trade both among and between SADC members. This should be complemented with the speedy elimination of other non-tariff barriers as well as investment and improvement in both soft and physical infrastructures to facilitate trade. By doing so, trade between Namibia and Angola in particular could be strengthened. In addition, as part of the AfCFTA Agreement, Namibia should leverage the Inclusive Instant Payments Systems in Africa launched by the African Union[A4] to boost trade within the continent.

Focus on viable strategies to increase agricultural output and value addition

- The production of grains (millet and sorghum) should be increased as they have recently been internationally recognised as superfoods. Cereal grains serve as a crucial food source and hold substantial importance in human diets. Therefore, increasing the production of these foods becomes crucial for achieving food and nutritional security. Leveraging these grains holds the potential to significantly alleviate the challenges of food insecurity and malnutrition. Furthermore, millet is a drought-resistant grain, constituting a primary source of carbohydrates and proteins.

- Smallholder and subsistence farmers should be encouraged to use high-yield technologies. The accelerated application of smart, digital and precision agricultural technologies offers a historic opportunity to improve agricultural productivity for such farmers in developing countries and to generate the rural transformation. Use of these technologies also helps address the information asymmetries and deficiencies that small-scale farmers in particular face.

- Namibia needs to vary the forms of the products the country it produces, especially where it already has a competitive advantage. For example, Namibia currently grows fresh produce meant for raw consumption, such as onions, tomatoes and table grapes. Since the country is already integrated into the global market in these products, it can add different seed varieties of the same products, such as diversifying into grapes for wine or tomatoes for tomato paste or sauce.

[A4] Now led by Africa Export-Import Bank (Afreximbank) in partnership with the AfCFTA Secretariat and dubbed the Pan-African Payment and Settlement System (PAPSS).

- Another recommendation is to create a more resilient and sustainable agricultural system by applying the principles of circular agriculture to increase feed production. Fodder costs remain high, and the import bill increases significantly during drought years. Using a circular agricultural farming practice will reduce such imports and lower costs. Practices such as crop rotation, composting and integrated pest management are examples of circular agriculture methods that enhance soil health, reduce chemical inputs and promote biodiversity[A5]. This is also a way of increasing feedlots in the country, as was done on the Musese Green Scheme. Cattle at Musese are put out to graze on harvested sections of the farms. This not only feeds the animals, but also increases ground fertility.

Explore sustainable financing products for SMEs and smallholder farmers

- An Agricultural Fund should be established with a specific focus on water infrastructure development. Planning such investments for agriculture needs to factor in the uncertainty associated with climate change. To this end, investments be flexible and capable across a wide range of wet and dry conditions.

- More support should be provided to farmers via financial literacy programmes for them to access finance. While not a means to an end, access to financial services is critical in providing funds for farm investments in productivity and to improve post-harvest practices, smooth household cash flow, enable better access to markets and promote better management of risks. Access to finance can also play an important role in climate adaptation and can increase the resilience of agriculture to climate change, thus contributing to longer-term food security. Access to a comprehensive range of financial services is a significant challenge for smallholder and subsistence farmers, who constitute the vast majority of agriculturalists in Namibia. Namibia should therefore find innovative ways to increase loan product offerings to finance especially this majority group.

» Infrastructure and Skills Development

Improve rural infrastructure and support small scale farmers

- Established infrastructure should be used to increase agricultural productivity. Thus, Namibia needs to make efficient and effective use of existing opportunities and infrastructure such as the vast Neckartal Dam and Government Green Scheme programmes. This should solve the water issues that the country faces and would increase food productivity.

Invest in cold storage and refrigerated transportation systems

- Cold storage facilities and refrigerated transportation systems for perishable foods are crucial for minimising post-harvest losses. However, since losses occur at every step in the post-harvest cycle, such storage and transportation cannot be considered as the only solution to post-harvest spoilage. Nonetheless, this component certainly needs to be integrated into a cold-chain network from the point of harvest to the point of purchase by the end consumer.

Provide training and technical support to rural farmers.

- Namibia should, together with key agricultural players, invest in capacity-building programmes focused on farmers and other interested parties in the agro-processing of fruits and vegetables. The main actors in this sector should be represented at NAB platforms, for the smooth facilitation, control and development of the sector. Moreover, agro-processing should be incorporated into the five-year Crop Value Chain Strategy being developed by the NAB as a separate chapter, providing targeted interventions that will stimulate agro-processing in Namibia.

- Practical training programmes should be created for semi-skilled workers. By prioritising skills development, the agricultural sector would be able to build a more skilled, innovative and adaptable workforce. This, in turn, would lead to increased productivity, improved food security, and sustainable growth for the entire industry. Indeed, skills development is the cornerstone of a thriving agricultural sector. The Government could, therefore, consider hiring skilled, retired farmers from neighbouring countries such as Zimbabwe to improve Namibia's agriculture sector.

- Strategies and training programmes that boost the youth's interest in agriculture should be developed as well. Another intervention that could offer a permanent solution to the persistent skills gap is to introduce practical agriculture as a required subject in public schools from elementary level. Furthermore, the National Youth Council should include courses on agriculture to support upskilling in the sector.

[A5] https://www.sustainableagriculture.eco/post/circular-economy-principles-applied-to-agriculture-from-farm-to-fork#:~:text=Practices%20such%20as%20crop%20rotation,resilient%20and%20sustainable%20agricultural%20systems

(iv) SPECIFIC POLICY RECOMMENDATIONS

The recommendations below are subdivided into those that affect short- to medium-term policies on the one hand, and long-term policies on the other.

Short- to medium-term policies:

Improve statistics on rural economic activity:

- The NSA, in coordination with the Ministry of Urban and Rural Development, needs to provide quality statistics on rural economic activity to inform policy decisions. A lack of reliable and timely data serisously hampers rural development. There is a need to improve the quality of the data collected through the improvement of methodologies and systems for data collection, processing and dissemination. Therefore, the NSA needs to develop and maintain a more comprehensive database of statistics on the national rural economy.

Drive agricultural productivity by utilising established infrastructure:

The Ministry of Agriculture, Water and Land Reform should initiate the drive to use the Neckartal Dam to increase agricultural productivity. Besides being an adequate resource for expanding irrigation schemes in southern Namibia, this body of water could benefit other projects too. Some examples are the following:

- Irrigation Green Schemes: Besides lucerne and fodder, these Green Schemes could include cash and high-value crops depending on the outcomes of the soil tests and feasibility studies
- Hydroponic green feed and fodder projects as well as small stock feedlots, and
- Freshwater fishing: Recent assessments by the Ministry of Fisheries and Marine Resources have shown that the Neckartal dam is home to various fish species.

Reduce the cost of industries that create value addition to products:

- The Ministry of Finance and Public Enterprises should provide income tax incentives with respect to the importation of agricultural raw materials intended for value addition. Thus, enterprises that add value to products should be given tax incentives to grow Namibia's agricultural industries.
- In addition, the Ministry of Mines and Energy should review the demand charges levied against green schemes. A demand charge of approximately N$150 000 is levied on millers – simply for switching on the water pumps. This charge adds to the costs of actual electricity consumption. The ministry therefore needs to find a way of reducing this cost to safeguard food security.

Draft skills development policies:

- The Ministry of Education, Arts and Culture, in collaboration with the Ministry of Agriculture, Water and Land Reform and the Ministry of Urban and Rural Development should narrow skills gaps in the food economy by providing adequate training. The youth should be taughtpractical holistic food system education (ecology, food safety, food processing, marketing, use of digital technologies, etc.) from an elementary level.
- Provide training in agroecological and climate-smart agriculture practices. Climate-smart agriculture is a comprehensive strategy for managing farmlands, crops, livestock, and forests in a way that counteracts the negative impacts of climate change on agricultural productivity. By enhancing crop and livestock production as well as farm profitability, climate-smart agriculture works to raise overall agricultural productivity and provide greater food security.
- The rural youth should be reskilled so that they can be integrated into downstream agricultural activities. Small-scale farmers and young people in rural areas with low levels of skills have trouble integrating into local and global agricultural value chains, making it difficult for them to move up the ladder to meet the quantity and quality standards required for both national and export markets. Thus, vocational training should be tailored to suit rural settings and should promote employment in downstream agricultural activities as well as how to access markets. This reskilling should be done by the Ministry of Higher Education, Technology and Innovation in conjunction with the Ministry of Rural and Urban Development.

Draft policies to improve the quality of agricultural food:

- The Ministry of Agriculture, Water and Land Reform, in coordination with the Ministry of Urban and Rural Development, should support markets for premium and local agri-food products through standards and regulatory mechanisms. There is also a need to support the development of premium organic products (organic and other certified products) that could fetch higher prices in both global and domestic markets. This could be achieved through the adoption of a common regional organic standard, for example.

- Consumers should be made more aware of local and organic products. The organic fruits and vegetables market is driven primarily by consumers making a significant shift to organic products. Increasing awareness about the health benefits of such specialised produce is expected to drive the demand over the forecast period. Additionally, Government support for organic farming is expected to have a positive influence on the market by improving supply and product quality. Nonetheless, the lack of consumer awareness of organic products and the high costs involved in producing them hinder the growth of this part of the market. Therefore, the Ministry of Agriculture, Water and Land Reform, in coordination with the Ministry of Urban and Rural Development, should raise consumer awareness of local and organic products.

- There is also a need for the effective development and beneficiation of land reform policies as well as for establishing agrivillages to enhance local economic development. The Ministry of Agriculture, Water and Land Reform, in collaboration with the Ministry of Rural and Urban Development should therefore ensure that there is sufficient land available to develop agricultural produce.

Long-term policies:

Draft infrastructure development policies

The Ministry of Works and Transport, together with the Ministry of Agriculture, Water and Land Reform should improve rural infrastructure and transportation networks. These Ministries should develop comprehensive strategies to improve infrastructure such as roads, bridges, and water supply and power distribution systems. In addition, they should not only devise strategies to enhance transportation networks but also consider the best types of infrastructure to facilitate transporting agricultural goods.

The Ministry of Works and Transport should improve access to markets by constructing a shorter route from southern Namibia to Walvis Bay through Maltahöhe. This will provide companies in southern Namibia with easy market access to the Port of Walvis Bay instead of using the Port of Cape Town in South Africa.

STAKEHOLDER ENGAGEMENT PILLAR

COMMUNICATIONS AND STAKEHOLDER RELATIONS

Stakeholder engagement remains a key pillar in the Bank's 2022–2024 Strategic Plan, serving as a critical tool for fostering collaboration and enhancing transparency. In 2024, the Bank focused on meticulously executing all planned engagements and initiatives, ensuring alignment with its core mandate of determining monetary policy. This focus was integral to reinforcing the Bank's various Strategic Objectives and ensuring that its functions and mandate were consistently prioritised across all interventions.

In a bid to fully understand and address public perceptions of its initiatives, the Bank of Namibia conducted an Annual Perception Survey in 2024, which achieved an overall performance rating of 79 percent. This survey provided critical insights into how the public and key stakeholders perceived the Bank's roles and initiatives. Moreover, it created a platform for stakeholders to offer recommendations on improving the Bank's service delivery. Such surveys have been instrumental in shaping the Bank's engagement strategies and ensuring that stakeholder concerns and suggestions inform it's ongoing work.

In maintaining this focus, the Bank continued to build trust and align its efforts with national and global economic priorities. This approach fosters stakeholder engagement, which in turn drives the Bank to realise its Vision of a resilient and inclusive financial ecosystem in Namibia.

STATUTORY AND GOVERNMENT ENGAGEMENTS

Parliamentary Standing Committee on Economics and Public Administration

Governor of the Bank of Namibia, Johannes !Gawaxab, presented a report to the Parliamentary Standing Committee on Economics and Public Administration, outlining the Bank's operations, the state of the economy, and the discharge of monetary policy over the past reporting year.

Key topics included new financial regulations, strategic advice on oil and gas ventures, and the impact of public debt on the economy. The Standing Committee plays a vital role in monitoring and recommending economic and public administration matters to support national development.

Picture: Governor Johannes !Gawaxab and other Bank officials with members of the Parliamentary Standing Committee on Economics and Public Administration.

Launch of the 2023 Annual Report

The Bank of Namibia presented its 2023 Annual Report, themed "The Impact of Climate Change on the Economy: Adaptive Strategies and Policy Options for Namibia." The report highlights key developments in the Bank's mandate and the progress made in achieving strategic initiatives outlined in its Strategic Plan. During the launch event, the Bank, announced a dividend of N$511.5 million to the State Revenue Fund, reflecting the institution's strong financial performance and its continued support for Namibia's economic growth and resilience.

Picture: Governor Johannes !Gawaxab, Deputy Governor Leonie Dunn and Officer-in-Charge Marsorry Ickua pictured with Deputy Minister of Finance and Public Enterprises, Honourable Maureen Hinda-Mbuende at the launch of the 2023 Annual Report.

COMMUNITY AND KEY INTEREST GROUPS

Bank of Namibia Diplomatic Engagement

The Bank of Namibia hosted an engagement with the diplomatic corps and development partners, convening ambassadors, high commissioners and country representatives from international organisations. The engagement aimed to foster collaboration and strengthen stakeholder relations between the Bank and the diplomatic corps by providing updates on Namibia's domestic economic developments and discussing global economic trends. Governor Johannes !Gawaxab highlighted the progress made on its Strategic Plan, particularly its focus on digital transformation, financial inclusion and modernising the financial sector.

Picture: Governor Johannes !Gawaxab is pictured with a high-level delegation of the diplomatic corps and development partners.

Regional Engagements

Countrywide engagements serve as vital platforms for connecting with economic actors and citizens, fostering critical discussions on regional development.

The Bank also hosted public lectures to directly engage communities. The first lecture in Lüderitz, themed "Positioning Namibia's Oil & Gas Endowments: Avoiding the Dutch Disease," focused on strategies to harness natural resource wealth while minimizing economic distortions. Stakeholders shared insights on maximizing benefits from oil and gas for sustainable growth.

The second lecture in Eenhana addressed "Unlocking Opportunities for Rural and Informal Sector Development through Financial Inclusion." These public events allow for the public and the Bank's leadership to better understand its each other's priorities and plans. Overall, the Bank aims to strengthen the dialogue among stakeholders regarding appropriate approaches and tools to tackle economic challenges and seize opportunities in new engines of growth.

Pictures: Participants attending a public lecture by Governor Johannes !Gawaxab.

Pictured top to bottom: Governor Johannes !Gawaxab, together with senior leaders from the Bank of Namibia and the Namibia University of Science and Technology (Eenhana Campus), during a public lecture titled 'Unlocking Opportunities for Rural and Informal Sector Development through Financial Inclusion.'

Engagement with Retired Employees

The Bank of Namibia hosted an inaugural luncheon to honour its retired employees, recognising their significant contributions to the institution's legacy. This event presided over by Governor Johannes !Gawaxab, underscored the advancements achieved under the Strategic Plan. The Governor also commended the former staff members for their pivotal role in shaping the strategic direction of the institution.

Picture: Governor of the Bank of Namibia, Mr. Johannes !Gawaxab and the senior management of the Bank pictured alongside the retired staff members of the Bank during the engagement.

Senior Editors Engagement

The annual Senior Editors' Engagement was conducted to deepen the understanding of the Bank's mandate and operations, while also enhancing the quality of reporting on financial and economic matters. The session was led by Deputy Governor Leonie Dunn and Officer in Charge Marsorry Ickua, who highlighted significant milestones achieved in the execution of the Bank's strategic plan. They underscored the essential nature of fostering robust relationships with the media, which serves as a crucial stakeholder in this endeavour.

Picture: Deputy Governor of the Bank of Namibia, Ms. Leonie Dunn, Officer in Charge, Mr. Marsorry Ickua and Director of Strategic Communications and International Relations, Mr. Kazembire Zemburuka pictured with senior editors from various local media houses during the engagement.

THOUGHT LEADERSHIP AND POLICY INTERVENTION ENGAGEMENTS

In 2024, the Bank solidified its position as a leading voice in shaping national and regional discourse on critical economic and financial matters. Through a series of thought leadership and policy intervention events, the Bank convened experts, policymakers and stakeholders to engage in meaningful dialogue aimed at addressing Namibia's most pressing challenges and unlocking its untapped potential. These platforms not only facilitated knowledge-sharing and collaboration but also positioned the Bank as a catalyst for innovative policy solutions. From addressing value chain development to navigating financial inclusion and economic sustainability, our interventions reflect the Bank's vision to build resilience and foster inclusive growth for Namibia.

Inaugural Monetary Policy Strategy Session

The Bank of Namibia held its inaugural Monetary Policy Strategy Session to enhance the understanding and implementation of monetary policy in the country. This significant event brought together members of the MPC and the Board as well as key staff to discuss best practices and challenges. Officials from various central banks, including the South African Reserve Bank, and the Bank of Botswana, contributed to the discussions along with experts from the Harvard Growth Lab, and the University of Buenos Aires. Key topics included tackling inflation, adapting to technological changes such as AI, and managing risks arising from climate change and geopolitical tensions. This session was a crucial step toward improving monetary policy effectiveness in Namibia, fostering collaboration, and equipping policymakers with essential knowledge and tools for a complex economic landscape.

Picture: Governor Johannes !Gawaxab and Deputy Governor Leonie Dunn pictured with officials from the Bank of Botswana and other Bank officials.

2024 Cirrus Investor Conference

In April 2024, the Bank took part in the fifth Annual Cirrus Investor Conference, which connects Namibian securities issuers with global investors. Governor Johannes !Gawaxab delivered the opening address at the event, which took place in Swakopmund. He highlighted the Bank's commitment to financial stability, modernisation and inflation control amidst global challenges. He also spotlighted initiatives championed by the Bank such as the Instant Payment Solution, the Central Securities Depository, and the exploration of Central Bank Digital Currencies to foster inclusivity and attract investment.

Picture: Governor Johannes !Gawaxab delivers keynote address at the Cirrus Investor Conference.

Bank of Namibia Property Workshop

In April 2024, the Bank hosted a workshop on residential property acquisition, bringing together key stakeholders from the Government, financial institutions, and industry to address systemic inefficiencies. The workshop highlighted the need for structural reforms and emphasised the importance of collaboration among stakeholders, including banks, conveyancers, and the Government's Deeds Office. A consensus was reached to digitise and streamline property processes, using technology to reduce costs and improve efficiency. Deputy Governor Leonie Dunn affirmed the Bank's commitment to making property ownership more accessible for all Namibians.

Picture: Deputy Governor Leonie Dunn and Technical Advisor to the Governor Romeo Nel pictured with officials of the Namibia Revenue Agency, the Deeds Office and the Economic Association of Namibia.

Global African Green Hydrogen Summit

Governor Johannes !Gawaxab spoke at the Global African Green Hydrogen Summit held in Windhoek stressing the need for central banks to actively combat climate change and support the transition to a low-carbon economy. He highlighted the risks climate change poses to financial stability and underscored Namibia's ambition to lead in green hydrogen production.

Governor !Gawaxab also addressed the challenges of ensuring a just energy transition while managing public expectations in Namibia's renewable energy journey. He emphasised the importance of careful planning to balance the economic impacts of climate change with the opportunities offered by developing sources of renewable energy.

Picture: Governor Johannes !Gawaxab delivering the keynote address at the Global African Green Hydrogen Summit held in Windhoek, Namibia.

Bank of Namibia Annual Symposium

In 2024, the Bank of Namibia celebrated a new milestone by hosting its 25th Annual Symposium under the theme "Global Value Chains for Inclusive Development: How Can Namibia Position its Agriculture Sector?". This event convened policymakers, industry experts and academics to explore strategies for integrating Namibia's agricultural sector into global value chains, aiming to enhance economic inclusivity and sustainable growth. Discussions centred on empowering farmers through improved access to finance, infrastructure development and value addition, with a focus on supporting smallholder farmers in accessing international markets. The Symposium underscored the Bank's commitment to fostering economic development and addressing critical issues pertinent to Namibia's growth.

Picture: Governor Johannes !Gawaxab together with Deputy Governor Leonie Dunn, Officer-In-Charge Marsorry Ickua, the Minister of Agriculture, Water and Land Reform, Honourable Calle Schlettwein pictured alongside high-level speakers at the 25th Annual Symposium.

REGIONAL AND INTERNATIONAL COOPERATION

REGIONAL AND INTERNATIONAL COOPERATION

The Bank's International Relations Strategy aims to build and enhance strategic partnerships with central bank and noncentral bank actors in pursuit of its own vision to become a leading central bank committed to Namibia's prosperity. During the year under review, a number of exchanges took place, which fostered open dialogue and formalised key partnerships. These are elaborated on below briefly.

Bank of Namibia and Banco Nacional De Angola Enhance Cooperation

In March 2024, Governor Johannes !Gawaxab undertook a courtesy visit to the Banco Nacional de Angola, to engage his counterpart, Governor Manuel Dias. Having signed a Memorandum of Agreement (MoA) in 2023, the two central bank parties took advantage of the visit to review the outcomes of their cooperation and identify potential areas for further collaboration.

Both central banks announced plans for joint research activities on trade-related topics and financial inclusion, aiming to identify untapped trade opportunities and promote economic development. Furthermore, they reiterated their commitment to advancing modern and digitally-driven payment methods, along with improving exchange control systems to facilitate trade and ensure financial system stability. Through ongoing stakeholder engagement and exploration of additional measures, the two sister central banks also expressed their dedication to working together to advance their nations' economies.

Picture: Governor Johannes !Gawaxab poses for a photo with Governor Manuel Dias of the Banco Nacional de Angola in Luanda, Angola.

The Bank of Namibia Engages African Central Banks

In March 2024, Governor of the Bank of Namibia, Mr. Johannes !Gawaxab undertook a series of regional visits to the Bank of Ghana, the Reserve Bank of Zimbabwe, and the Bank of Botswana to strengthen ties with these institutions. Accompanied by technical experts from various Bank departments, the visits focused on advancing collaboration in financial inclusion, digital innovation, and central banking best practices.

Discussions with the Bank of Ghana built on the two central banks' 2022 Memorandum of Understanding, exploring areas such as digital currency innovation, sovereign wealth management and sustainable banking principles. The visit also highlighted the potential to learn from Ghana's Central Bank Digital Currency pilot as well as its Central Securities Depository. During Governor !Gawaxab's meetings at the Reserve Bank of Zimbabwe, both central banks expressed a keen interest in advancing Central Bank Digital Currencies, marking a key step in strengthening cooperation between these two institutions. The Governor's visit to the Bank of Botswana focused on monetary policy, financial stability and sovereign wealth fund management, paving the way for enhanced collaboration.

During all three visits, Governor !Gawaxab emphasised the importance of such partnerships in driving innovation and achieving shared goals, with the respective central bank technical teams held initiating discussions to translate ideas into actionable initiatives.

Picture: Governor Johannes !Gawaxab and a delegation of technical staff from the Bank of Namibia pictured alongside Governor Cornelius Karlens Dekop of the Bank of Botswana in Gaborone, Botswana.

BoN Participates in 3i Africa Summit in Accra, Ghana

The Bank of Namibia participated in the 3i Africa Summit 2024, a three-day event in Accra, Ghana, which brought together African central bank governors and global leaders to discuss the role of digital innovation in promoting financial inclusion and sustainable economic growth across the continent. Deputy Governor Ms. Leonie Dunn represented the Bank and joined a roundtable discussion focused on digital transformation, fintech development, and technology's potential to empower SMEs.

Picture: Deputy Governor, Ms. Leonie Dunn pictured alongside other high-level speakers at the 3i Africa Summit in Accra, Ghana.

Picture: Deputy Governor Leonie Dunn with Development Bank of Namibia Chief Executive Officer, Mr. John Steytler and other officials on the occasion of signing a Memorandum of Understanding between the two institutions.

> The partnership between The Bank of Namibia and Development Bank of Namibia **aims to align the expertise and resources of both institutions to advance sustainable economic progress and enhance social welfare.**

DOMESTIC ENGAGEMENTS

Bank of Namibia and Development Bank of Namibia Sign Memorandum of Understanding

The Bank of Namibia and the Development Bank of Namibia signed a Memorandum of Understanding during the reporting period to strengthen economic growth and development in the country. This partnership aims to align the expertise and resources of both institutions to advance sustainable economic progress and enhance social welfare. Under the Memorandum, the two institutions will collaborate on joint research, share critical economic data, and organise initiatives addressing Namibia's developmental challenges.

Engagement with the Namibia Investment Promotion and Development Board

Governor Johannes !Gawaxab met with the Chief Executive Officer of the Namibia Investment Promotion and Development Board, Ms Nangula Uaandja, during 2024, following the latter institution's signing of a Memorandum of Understanding with the Bank. This expression of partnership established a formal framework for collaboration, reflecting the two institutions' shared commitment to advancing Namibia's economic development agenda.

The engagement also aimed to align the institutions' efforts to provide critical economic data and insights into key sectors, which would enhance the Bank's support of national economic priorities. Furthermore, this new formal alignment seeks to complement broader national initiatives by promoting sustainable growth and bolstering Namibia's international economic standing.

Through this strengthened collaboration, the Bank and the Namibia Investment Promotion and Development Board reaffirmed their dedication to driving inclusive and sustainable economic progress for the country.

Picture: Governor Johannes !Gawaxab and the Chief Executive Officer of the Namibia Investment Promotion and Development Board, Ms Nangula Uaandja.

Communications Regulatory Authority of Namibia

In December 2024, the Bank of Namibia and the Communications Regulatory Authority of Namibia (CRAN) signed a Memorandum of Understanding in Windhoek, reinforcing their partnership in regulating Namibia's financial and telecommunications sectors. The MoU, replacing a 2016 agreement, establishes a joint working committee to address shared priorities, including cybersecurity, mobile money, open banking and consumer protection. This collaboration aims to enhance regulatory oversight, foster innovation, streamline processes, and safeguard financial and ICT systems. The two institutions' efforts will support sustainable economic growth while ensuring safe, inclusive and efficient services for all Namibians.

Picture: Deputy Governor Leonie Dunn and Chief Executive Officer of the Communications Regulatory Authority of Namibia, Ms Emilia Nghikembua, with senior officials from both institutions to reflect the auspicious signing of a new Memorandum of Understanding between them.

DIPLOMATIC COURTESY VISITS

Engaging with stakeholders is at the heart of the Bank's mandate to promote financial and economic stability while fostering national development. In 2024, the Bank undertook a comprehensive series of diplomatic engagements reflecting its commitment to inclusivity, transparency and collaboration.

Ambassador of the European Union to Namibia

Governor Johannes !Gawaxab welcomed Her Excellency Ms Anna Beatriz Martins, Ambassador of the European Union (EU) to Namibia, for a courtesy visit. The meeting aimed to deepen the ongoing partnership between Namibia and the EU, focusing on the country's economic potential and its renewable resource development plans. Accompanied by Deputy Governor Ms. Leonie Dunn, Governor !Gawaxab expressed the Bank's appreciation for the EU's support and stressed the crucial role of key stakeholders in achieving Namibia's development objectives.

Picture: Governor Johannes !Gawaxab and Deputy Governor Leonie Dunn pictured with the EU Ambassador Her Excellency Anna Beatriz Martins, on her courtesy visit to the Bank.

Bank of Namibia Hosts Ambassador of Japan to Namibia

Governor Johannes !Gawaxab met with the Japanese Ambassador to Namibia, His Excellency, Mr. Nishimaki Hisao, to discuss Namibia's domestic economic developments and provide insights into its monetary policy framework and decision-making processes.

Picture: Governor Johannes !Gawaxab pictured with the Japanese Ambassador to Namibia, His Excellency, Mr. Nishimaki Hisao.

President of the UN General Assembly

Governor Johannes !Gawaxab hosted a roundtable discussion with UN General Assembly President Dennis Francis and certain key stakeholders to address financing sustainable development in Namibia. The dialogue, held ahead of Namibia's co-chairing of the UN Summit of the Future in September 2024, explored multilateral solutions to global challenges. Discussions focused on scaling investments in climate adaptation and digital infrastructure, leveraging innovative financial instruments, and strengthening domestic resource mobilisation to meet the UN Sustainable Development Goals (SDGs).

Picture: Governor Johannes !Gawaxab and Deputy Governor Leonie held discussions with the UN General Assembly President Dennis Francis and other key stakeholders.

PUBLIC EDUCATION

The Bank has made a concerted effort to elevate its public profile through various public awareness initiatives to inform and educate the public about its crucial role. In 2024, the Bank of Namibia (BoN) intensified its commitment to public education and awareness, launching several initiatives to empower citizens with essential financial knowledge. These campaigns addressed critical topics, including microfinance regulations, the dangers of illegal financial schemes, currency features, whistleblower protections and consumer rights.

Combatting Illegal Financial Schemes

The Bank of Namibia implemented a nationwide awareness campaign to combat illegal financial schemes, addressing the growing threat to financial stability. The campaign used various platforms, including daily radio live reads in multiple vernaculars, translated social media content, internal staff awareness sessions and strategic stakeholder collaborations. By broadcasting messages in regional languages and engaging diverse audiences, the campaign ensured accessibility, particularly in rural areas with limited internet penetration. The initiative also empowered internal staff, with 97% reporting an improved understanding of illegal schemes, enabling them to serve as advocates within their communities. Collaborations with stakeholders such as NAMFISA, GIPF and IUM targeted institutional vulnerabilities, promoting financial literacy and protecting vulnerable groups like pensioners. Additionally, public-facing interviews, including those aired on 99FM, reached over 50,000 viewers, fostering trust in the Bank and encouraging vigilance against fraudulent schemes.

Moving forward, the Bank aims to sustain its efforts by expanding outreach, enhancing stakeholder engagement and developing mechanisms to measure the campaign's long-term impact. Through these initiatives, the Bank continues to play a pivotal role in safeguarding Namibians from financial exploitation.

Picture: Bank of Namibia staff members dressed in traditional local attire pose for a photo used in a series of posters aimed at raising awareness about illegal financial schemes, translated into various local languages.

Awareness Campaign following the Launch of the N$100 Banknote

In April 2024, the Bank of Namibia launched the modified N$100 banknote in Lüderitz, //Karas region. This updated note, bearing the signature of Governor Johannes !Gawaxab as a key security feature, underscores the Bank's ongoing commitment to enhancing the integrity and reliability of Namibia's currency. The launch was strategically held in Lüderitz, a town symbolic of Namibia's vibrant economic, historic and cultural fabric, aligning the event with the Bank's mission to engage communities nationwide.

With the introduction of the new N$100 banknote, BoN conducted an awareness campaign to familiarise citizens with its security features and design elements. This initiative aimed to enhance public confidence in the currency and reduce the risk of counterfeiting.

Outreach activities were conducted through various digital and multi-media platforms in multiple languages. Educational materials were also disseminated to foster inclusivity and reach diverse communities.

Picture: Governor !Gawaxab and Sencia Kaizemi-Rukata, Director of Currency Management and Banking Operations at the Bank of Namibia, are featured at the launch of the modified N$100 banknote in Luderitz, Namibia.

Consumer Protection Awareness Campaign

In a bid to bring financial matters closer to the people, the Bank of Namibia teamed up with 99FM to deliver insightful, bi-monthly interviews tackling the most pressing issues shaping Namibia's financial landscape. In 2024, six interviews were successfully conducted, covering topics such as monetary policy, the Instant Payment Project, Electronic Funds Transfer Regulations, Virtual Assets, Innovation and Green Finance, and Illegal Financial Schemes. These interviews were both audio and video recorded, broadcast live on 99FM, and subsequently shared across the Bank's YouTube channel, website, and social media platforms, as well as 99FM's digital platforms.

Picture: A poster depicting information and instructions for reporting illegal financial activities.

IN 2024 **6 interviews**
were successfully conducted, covering topics such as monetary policy, the Instant Payment Project, Electronic Funds Transfer Regulations, Virtual Assets, etc.

Awareness and Knowledge Sharing Blog

The Bank of Namibia took a bold step in enhancing public engagement by launching its very first blogging platform, hosted on the Bank's official website. This initiative aims to foster greater awareness, encourage information sharing, and connect with stakeholders and the broader public through thought-provoking and informative content. What makes this platform unique is that the blog pieces are crafted by the Bank's own staff - individuals with firsthand expertise and insights on critical financial and economic matters.

To date, the blogs have addressed pivotal topics such as monetary policy, combating illegal financial schemes, leadership, financial education, and sustainability. By empowering staff to share their knowledge, the Bank taps into its internal wealth of expertise and builds a direct bridge between technical information and the public.

UNDERSTANDING EXCHANGE RATE MISALIGNMENT IN SMALLER AFRICAN ECONOMIES: WHAT IT MEANS AND WHY IT MATTERS

Have you ever wondered how exchange rates impact the economies of smaller countries like Eswatini, Lesotho, and Namibia? These countries are part of the Common Monetary Area (CMA), which ties their currencies to the South African Rand. While this arrangement offers some stability, it also comes with challenges, especially when it comes to their real effective exchange rate (REER).

Tags: Monetary Policy

24/01/2024 | Mukela Mabakeng

Read More

Picture: A screenshot from the blog article titled "Understanding Exchange Rate Misalignment in Smaller African Economies."

Tertiary Institutions Debating Challenge

In July 2024, the Bank hosted its Annual Tertiary Institutions Debating Challenge as part of its key public education initiatives. The competition aims to enhance students' understanding of economic issues, stimulate critical thinking, and promote informed national discourse. This year's theme, "Avoiding the Dutch Disease," focused on leveraging Namibia's oil, gas, and green hydrogen discoveries for sustainable economic growth while avoiding resource dependency. Participating institutions included the University of Namibia (UNAM), Namibia University of Science and Technology (NUST), the International University of Management, Triumphant College, and the International Training College – Lingua. To support participants, the Bank held a preparatory workshop with technical experts and debating coaches, ensuring students were well-prepared.

TERTIARY INSTITUTIONS DEBATING CHALLENGE

2024
Theme, **"Avoiding the Dutch Disease,"**

The theme focused on leveraging Namibia's oil, gas, and green hydrogen discoveries ....

Picture: 2024 Tertiary Institutions Debating Challenge Champions from the University of Namibia, pose with senior management from the Bank following their victory.

National High School Competition

The Bank of Namibia successfully hosted its biennial National High School Competition in 2024, a flagship initiative aimed at promoting financial literacy and economic education among Namibian learners. This year's competition saw the participation of 170 schools in regional rounds, culminating in a thrilling finale on 12 September 2024, held in Windhoek. ELCIN Nkurenkuru Secondary School emerged victorious, clinching the top prize of N$50,000, followed by Epako High School in second place with N$30,000 and Onawa Secondary School and Dr. Romanus Kampungu Secondary School in third and fourth places, respectively.

Officiated by Deputy Minister of Education, Arts and Culture, Hon. Faustina Caley and the Bank's Deputy Governor, Ms. Leonie Dunn, the event underscored the importance of financial literacy in shaping Namibia's future leaders. By empowering learners with knowledge and encouraging analytical thinking, the Bank reaffirmed its commitment to advancing public education and fostering sustainable economic growth. Initiatives like this demonstrate the Bank's dedication to inspiring the next generation while reinforcing its strategic focus on socio-economic development.

Picture: The finalists of the 2024 High School Competition highlighting their talents at the Grand Finale in Windhoek.

Financial Education and Youth Engagement

In 2024, the Bank of Namibia reaffirmed its dedication to financial education and youth engagement through a series of impactful school visits and on-site learning experiences. These initiatives were designed to demystify the Bank's operations, foster financial literacy, and inspire young Namibians to consider careers in central banking, aligning with the Bank's commitment to the nation's socio-economic development. Throughout the year, learners from schools across the country participated in this program.

Picture: Ms Esther Hamutenya, Knowledge Management and Public Outreach Practitioner pictured with school learners from Nehale Secondary School.

Bank of Namibia Ambassadors' Programme

The Bank of Namibia's Ambassador Outreach Programme is a flagship initiative designed to foster a culture of social responsibility among staff members while educating young Namibians about the pivotal role of the central bank in shaping the nation's economy. This unique programme empowers staff to reconnect with their former schools and communities, providing a platform to share their educational journeys, professional experiences and insights into the workings of the Bank.

Picture: Ms Martha Dama, Deputy Director for Business Systems, Information Technology pictured with the learners from her alma mater, Haudano Senior Secondary School, in Omusati Region.

CORPORATE SOCIAL RESPONSIBILITY

In 2024, the Bank of Namibia reaffirmed its commitment to driving sustainable development through impactful Corporate Social Investment (CSI) initiatives. Guided by its core values of responsibility and inclusivity, we strategically directed resources to areas that matter most education and financial literacy. The Bank's approach reflects a deep understanding that the prosperity of Namibia is intertwined with the well-being of its people. Through partnerships, outreach programs, and meaningful investments, we aimed to empower individuals, foster resilience, and contribute to the creation of a more equitable and prosperous society. This year's CSI efforts underscore the Bank's unwavering dedication to not only shaping the financial landscape but also positively influencing the lives of Namibians across the country.

Bank of Namibia and MindsInAction Successfully Host STEAM EXPO

Picture: Learners from the PK de Villiers Secondary School, Wennie du Plessis Secondary School and the Nuuyoma Senior Secondary School with their winning prizes.

On March 8, 2024, the Bank of Namibia, in collaboration with MindsInAction, hosted the STEAM Expo, highlighting the skills of learners from participating schools. STEAM—Science, Technology, Engineering, Arts, and Mathematics -aims to prepare students for future careers in technology.

This event continued the Bank's successful STEAM initiative, launched in 2023, reinforcing its commitment to digital empowerment and knowledge in Namibia. Twenty learners showcased innovative tech solutions for community challenges, such as food spoilage detection, solar-powered vehicles, and rhino tracking devices.

The top three projects received awards, with Wennie du Plessis Secondary School's air monitoring system winning first place. The Expo emphasised the importance of corporate support for STEAM education and innovation across Namibia.

NAMPOL Vehicle Donation

Picture: Governor of the Bank of Namibia, Mr. Johannes !Gawaxab and the Bank's management pictured with the Inspector General of the Namibian Police Force, Mr. Joseph Shikongo.

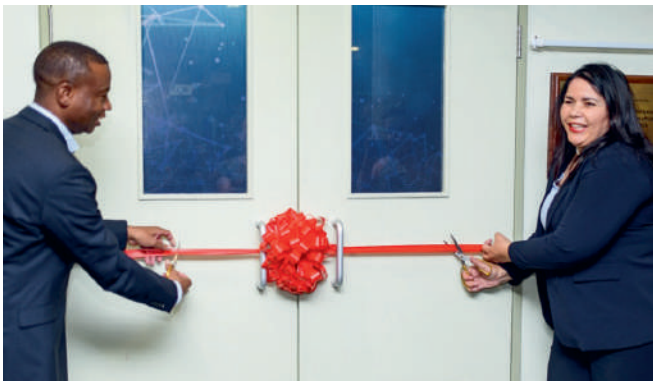
Bank of Namibia **donates a special operations vehicle to the Namibian Police Force**

On April 23, 2024, the Bank of Namibia donated a special operations vehicle to the Namibian Police Force in a handover ceremony attended by Lieutenant General Joseph Shikongo, Inspector General of the Namibian Police. This donation highlights the strong partnership between the Bank and the Police in enhancing public safety and security.

The vehicle, given to the Special Reserve Force Division, will strengthen their capacity to conduct special operations. The ceremony marked a significant milestone in the collaboration between the institutions, underscoring their shared commitment to law enforcement and national security. The Bank expressed its gratitude to the Namibian Police for their continued dedication to public service.

Launch of the Bank of Namibia Artificial Intelligence and Robotics Accelerator (AIRA) Laboratory

On November 5, 2024, the Namibia University of Science and Technology (NUST) unveiled its Artificial Intelligence and Robotics Laboratory at the Science and Technology Building, Lower Campus. This state-of-the-art facility is the result of a strategic collaboration with the Bank of Namibia, marking a major milestone in the country's development of AI and robotics.



Picture: Bank of Namibia Deputy Governor, Ms. Leonie Dunn pictured with the Namibia University of Science and Technology Vice Chancellor, Prof. Erold Naomab.

The Bank's investment highlights its dedication to advancing Namibia's financial and technological sectors. The lab will support NUST's newly launched Bachelor's and Honours programmes in Artificial Intelligence, focusing on areas like Natural Language Processing, AI in Cybersecurity, and Robotics. With cutting-edge technology, the lab encourages innovation and positions Namibia to lead in the evolving landscape of Industry 5.0.

Donation of Gym Equipment to Namibian Police, Oshana Region

Picture: Bank of Namibia officials pictured with the Oshana Police Regional Commander, Commissioner Naftal Lungameni Sakaria at the donation handover ceremony.

On 02 December 2024, the Bank of Namibia demonstrated its ongoing commitment to community support and public service enhancement by donating gym equipment to the Namibian Police in the Oshana region. This significant gesture aims to ensure the physical fitness and mental wellness of police officers, serving as critical elements for maintaining high performance, morale, and team cohesion.

The donation reflects the Bank's recognition of the demanding nature of law enforcement work and its impact on the members' health. By equipping the Oshana police force with modern gym facilities, the Bank of Namibia hopes to empower members of the force to achieve greater physical and mental resilience, thereby enhancing their effectiveness in serving and protecting the community.

The initiative underscores the Bank's broader mission to support essential public service sectors and promote overall societal well-being.

Bursary and Scholarship Scheme

In 2024, the Bank continued its commitment to supporting education and developing future talent by awarding twelve new bursaries to students pursuing degrees in key fields such as Industrial Engineering, Computer Science, Economics, Applied Mathematics and Statistics, Accounting, and Actuarial Sciences. These bursaries reflect the Bank's strategic focus on fostering skills critical to the future of the financial sector and the broader economy and nurturing the next generation of professionals who will contribute to the institution's long-term success and innovation.

The Bank's ongoing collaboration with the British High Commission through a co-sponsorship agreement underscores its commitment to promoting advanced education and global learning opportunities. For the 2024/25 financial year, two students were awarded postgraduate scholarships in specialized fields such as Artificial Intelligence, Energy Economics, and Law. These scholarships enable recipients to pursue their studies in the United Kingdom, further enhancing their expertise and contributing to developing critical skills for the country.

To further strengthen its commitment to harness central banking expertise, the Bank of Namibia partnered with the Deutsche Bundesbank to establish an exclusive opportunity for Namibian students to pursue a Bachelor of Science in Central Banking at the University of Applied Sciences in Hachenburg, Germany. Two exceptional students were awarded fully funded bursaries during the review period, reaffirming the Bank's dedication to nurturing talent.

The Graduate Accelerated Programme continues to play a crucial role in developing the Bank's future leadership and central banking expertise. In 2024, eight new graduate trainees joined the Bank and embarked on an 18-month rotational training program set to conclude in July 2025. This program is designed to expose the trainees to various departments, allowing them to gain diverse experiences and develop into well-rounded central bankers.

The Bank further provided experiential learning opportunities to students required to complete their studies. During the reporting period, 20 interns from various fields of study were placed in different departments, gaining valuable hands-on experience to fulfil their work-integrated learning requirements. The internship programme has proven to be mutually beneficial, allowing students to apply their academic knowledge in a real-world setting while enabling the Bank to identify talented individuals for future employment opportunities.

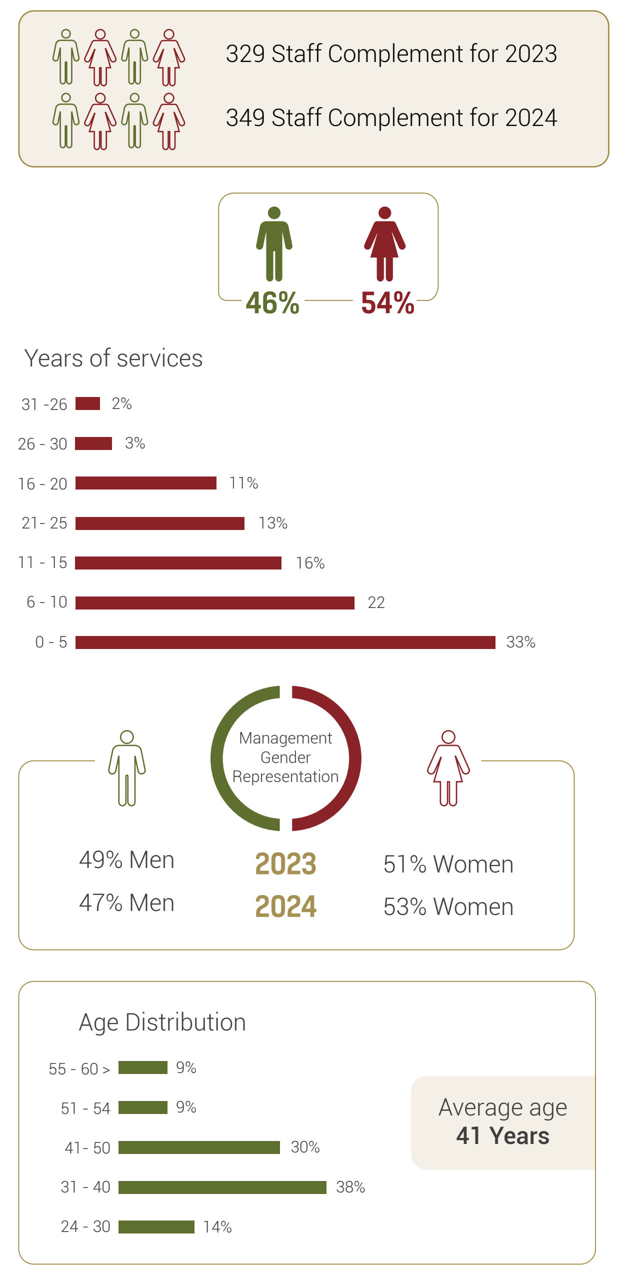
TALENT AND TRANSFORMATION PILLAR

Employment Equity

To effectively deliver the Bank's mandate and strategy, a staff complement of 349 positions was approved for the 2024 financial year. Of these positions, 344 positions were filled, representing a staff strength of 99 percent. Moreover, the Bank proactively manages compliance with the Affirmative Action (Employment) Act (No. 29 of 1998), with an ongoing review of its human resources strategies to ensure a dynamic, resilient, and inclusive work environment. Thus, a balanced and diverse workforce profile currently exists, with 54 percent female and 46 percent male representation. Furthermore, the average tenure of 11 years and an average age of 41 years highlight a well-established, experienced employee base (Figure A.10).

Figure A.10

STAFF COMPLEMENT, 2023–2024



Culture and Well-being

The Bank takes pride in fostering a working environment where all employees can reach their full potential. To this end, the review period saw several cultural initiatives being implemented to reinforce the Bank's Culture Statement of Embracing Agility, Collaboration, and Trust (ACT). One such initiative was a survey gauging employee engagement and commitment levels. The survey revealed an 86 percent employee engagement rate across the Bank, indicating a healthy and productive workplace. Feedback was shared with all staff, and a collaborative process was launched to address the areas identified for improvement.

Holistic wellness initiatives reflect a strong commitment to employee well-being, emphasising a comprehensive approach that integrates mental, physical, and financial health. Key interventions implemented by the Bank in 2024, included mental health resilience programmes, on-site health screenings, financial literacy sessions, and personalised financial coaching. These efforts aim to help employees enhance their personal and professional lives and contribute to a culture where staff feel valued and empowered to thrive.

The Bank further maintained sound human resources relations through constructive and mature engagements with employees, the recognised Union, the Namibia Financial Institutions Union, and the Employee Liaison Forum. These platforms enabled the Bank to strengthen communication channels and proactively evaluate and review the effectiveness of its people practices. In this way, the Bank strives to remain an employer of choice, and retained its scarce and critical human resources skills.

Capacity Development

The emphasis on continuous capacity development highlights the Bank's dedication to fostering a future-fit workforce that drives its mandate and strategic priorities. During the review period, 727 courses (2023: 597) were completed through a diverse and flexible learning approach that combined in-person sessions, online training, webinars, rotations, and coaching. These development initiatives were strategically targeted at enhancing essential skills in central banking, technology, and leadership. This commitment ensures employees are equipped to meet evolving challenges and reinforces the Bank's focus on long-term growth and investing in leadership development reflects the Bank's strategic focus on building a robust talent pipeline.

By enrolling 56 senior officials in prestigious programmes from renowned institutions such as the Harvard Business School, INSEAD, the International Institute for Management Development, the London Business School, the Massachusetts Institute of Technology and Oxford University, the Bank ensures its leaders are equipped with world-class skills. During the period under review, 87 percent of leadership roles were filled internally, underscoring the Bank's commitment to succession planning and its ability to nurture and promote talent from within. The Bank further facilitated the acquisition of formal qualifications for 13 employees by providing study loans and full-time scholarships to pursue undergraduate and postgraduate studies locally and internationally.

FUTURE-FIT ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS PILLAR

LEGAL AFFAIRS

During the period under review, the Bank continued to mitigate legal risks emanating from the discharge of its mandate. In this regard, a total of 19 cases served before courts involving the Bank either as a primary party or a party which may have an interest in the particular matter. Twelve cases, the majority of which had their origin in the Bank's regulatory mandate, were launched during 2023. Six of these cases were either finalised in favour of the Bank or await delivery of final judgment. The Bank has also established its panel of legal service providers, comprising of four law firms.

INFORMATION TECHNOLOGY

The Bank made significant strides over the past year in aligning its technology with the Bank's corporate strategy and contributing to its overall success. The Bank's technology accomplishments span the three themes listed below.

Theme 1: **Innovate (digitise the Bank)**

The Bank has enhanced its digital posture through a series of innovative interventions, transforming various operations within the Bank. Firstly, in the data analytics domain, four Departments benefited from the implementation of dynamic analytics dashboards, providing data-driven insights to enhance business decision-making processes. Additionally, operational efficiency in the Finance and Administration and Human Resources Departments was enhanced through the digitisation of various processes. Moreover, a portal for facilitating international benchmarking and advisory requests was launched. Enhancements and new developments in the Bank's Robotic Process Automation (RPA) programme made further progress, resulting in the deployment of 11 bots to handle repetitive tasks, significantly improving efficiency. Notably, as highlighted in the Fiscal advice section, an automated process has been extended to OMAs to realise efficiencies in local payments. The Bank invested significant time and effort to optimise the Enterprise Resource Planning (ERP) system, resulting in enhanced productivity and improved integration with other platforms.

Theme 2: **Alignment to Bank business**

The bank undertook several initiatives to ensure the responsiveness and resilience of the IT infrastructure. Following the completion of the active-active setup of the Disaster Recovery Site infrastructure in 2023, a second fibre connection was introduced in 2024 to build redundancy between the headquarters and disaster recovery site, ensuring high availability and redundancy at the network level. The Bank's Storage Area Network was upgraded to a new model, increasing storage capacity to support new digital systems and data analytics infrastructure. This investment also introduced new features, enabling several automation initiatives planned for the few coming years. Additionally, computing capacity with graphics processing units was acquired to support the Bank's growing artificial intelligence needs. Another investment made by the Bank was the acquisition of IT infrastructure to cater for the Instant payment system project. In addition to catering to the growing IT landscape, a Proof of Concept was undertaken, which focused on evaluating capabilities in automating system administration tasks and enhancing efficiency through repeatable, reliable, and consistent processes for the Bank's IT infrastructure.

Theme 3: **Safeguard (protect IT assets)**

The Bank made great strides in maintaining a resilient and secure infrastructure by concluding its three-year IT Security Plan with a completion rate of 99 percent. Focusing on ensuring that systems implemented by the Bank and its external stakeholders were adequately safeguarded and tested against vulnerabilities, to ensure the Bank remains resilient to emerging threats presented by the ever-evolving technological and cybercrime landscapes.

To further enhance cyber resilience in staff members, the Bank conducted awareness efforts that simulated real world attacks on organisations. These simulations were designed to enhance readiness, improve decision-making, strengthen inter-departmental coordination and communication and lastly, test existing controls to identify gaps.

SUSTAINABILITY AT THE BANK OF NAMIBIA

SUSTAINABILITY AT THE BANK OF NAMIBIA

Introduction

As a future-fit institution, the Bank is steadfast in its commitment to integrate sustainability principles into its operations while addressing economic, social and environmental responsibilities. The Bank aims to foster a positive and lasting impact on its stakeholders, the broader community, and the planet.

In alignment with its 2022-2024 Strategic Plan, the Bank identified the development of a 'sustainable and green organisation' as a high-level Strategic Objective under the Future-fit Organisational Efficiency and Effectiveness Pillar. This commitment led to the establishment of a dedicated Sustainability Function tasked with spearheading and coordinating sustainability initiatives. The Bank also became a member of the Network for Greening the Financial System, a coalition of central banks and prudential supervisory authorities dedicated to mitigating climate-related risks in the financial sector.

Membership of this Network, with its 140-plus members and observers, has enabled the Bank to adopt global best practices in pursuit of achieving a greener financial sector.

In 2024, the Bank reinforced its sustainability efforts by launching a Sustainability Forum, an internal platform designed to track sustainability-linked activities across Departments and facilitate collaboration. The Forum plays a critical role in implementing initiatives outlined in the Bank's Strategic Plan, including adopting energy-efficient practices; integrating environmental, social, and governance (ESG) factors into managing reserves and government borrowing; and the developing of a comprehensive Sustainability Framework.

Picture: The Bank's cross-Departmental Sustainability Forum chaired by the Officer in Charge, Mr Marsorry Ickua.

Chaired by the Officer in Charge acting in a capacity similar to that of Deputy Governor responsible for sustainability, the Forum is supported by the Strategic Communications and International Relations Department, which serves as the Secretariat. Additional departments that contribute to the Forum's objectives include Research and Financial Sector Development; Financial Stability and Macroprudential Oversight; Financial Markets; Banking Supervision; National Payments and Financial Surveillance; Finance and Administration Currency Management and Banking Operations; Internal Audit and Governance, Risk and Compliance. Together, these Departments work towards embedding sustainability into the Bank's operational and strategic framework, ensuring that the institution contributes meaningfully to sustainable economic development and financial stability in Namibia.

Organisational Framework

To institutionalise its sustainability objectives, the Bank's Sustainability Forum developed a comprehensive Sustainability Framework. This Framework, launched in October 2024, sets out a strategic roadmap based on seven key principles designed to enhance resilience in the banking sector and the broader economy.

The Seven Sustainability Principles are as follows:

1. **Monetary Policy and Financial Stability:** Ensuring that sustainability considerations are incorporated into monetary policy decision-making and financial stability assessments.

2. **Investment Framework:** Integrating ESG factors into the Bank's reserves management and investment policies to support sustainable financial growth.

3. **Financial Regulation:** Establishing regulatory frameworks that encourage financial institutions to align with sustainability goals and mitigate climate-related risks.

4. **Financial Inclusion:** Promoting green finance solutions that foster inclusive economic growth and empower vulnerable communities.

5. **Capacity Building and Collaboration:** Facilitating knowledge-sharing and cross-sector partnerships to enhance expertise in sustainable finance.

6. **Managing the Bank's Environmental Footprint:** Implementing operational measures to reduce carbon emissions, optimise energy efficiency, and promote responsible resource consumption.

7. **Sustainable Currency Supply Chain:** Proactively managing the environmental impact of currency production and ensuring a sustainable cash industry.

By aligning these principles with global climate targets, the Bank aims to position Namibia as a regional leader in sustainable finance, furthering its role as a key driver of economic and environmental resilience in southern Africa.

The following subsections offer a view of the key initiatives undertaken during the reporting year, that have bearing on the seven principles listed above:

Governance and Oversight

The Sustainability Framework is backed by a comprehensive governance structure designed to ensure effective monitoring and implementation. While its Board of Directors offers strategic oversight, the Bank's Finance, Risk and Audit Committee has delegated oversight responsibilities. The Bank's Management Committee is responsible for monitoring and operational reporting, and its Sustainability Forum focuses on the execution, implementation and reporting of sustainability initiatives. The Sustainability Function supports, coordinates and consolidates activities across various Departments. Moreover, a detailed roadmap is currently being developed to guide the implementation of the sustainability framework.

Financial Inclusion and Financial Stability

Over the years, the Bank has taken a lead in championing enhanced financial access for all, emphasising consumer protection and broad-based financial accessibility. Despite progress made with the Namibia Financial Sector Strategy of 2011-2021, its integration of sustainable finance was insufficient. The new Namibia Financial Sector Transformation Strategy commits the Bank to developing a robust Sustainable Finance Strategy that embeds sustainability at the heart of the financial sector.

During the year under review, the Bank embarked on a groundbreaking study to assess the impact of climate change on rural farmers and explore the role of Inclusive Green Finance in fostering climate resilience. Recognising that climate change disproportionately affects smallholder farmers, many of whom lack access to financial products tailored to climate risks, the study sought to identify ways in which financial services could support climate adaptation and mitigation in vulnerable communities. More specifically, it aimed to understand the specific climate-related challenges faced by rural farmers, including unpredictable weather patterns, prolonged droughts and flooding; examine how tailored financial products, such as climate risk insurance, sustainable agricultural financing and concessional green loans, could empower farmers to mitigate risks; and provide evidence-based insights to inform policies that integrated financial inclusion and climate resilience strategies into national development planning.

Picture: Data collection and focus group discussions with farmers in the Omaheke region.

To ensure a comprehensive assessment, the data collection phase was conducted between November and December 2024 across six key regions, namely Hardap, Kavango East, Kavango West, Kunene (Opuwo), Omaheke and Zambezi. These Regions were strategically selected due to their varying exposure to climate risks and the presence of agrarian communities that rely heavily on climate-sensitive activities. The findings from this study will serve as a foundation for developing financial instruments that promote climate-smart agriculture, enhance access to green finance, and build financial resilience in Namibia's rural economy.

In line with its commitment to promoting financial stability, the Bank initiated a study to evaluate the impact of climate change on financial stability. Climate change has emerged as a defining challenge of the 21st Century, bringing about many environmental, social and economic transformations. The risks associated with climate change on financial stability are notable, both in severity and time-horizon-wise, as emphasised by the Financial Stability Board in 2020. Against this background, the Bank study explored the relationship between climate risk and financial stability in Namibia. The research contributes to the scanty literature on this topic in the country by providing an empirical examination of the climate risks Namibia faces and their implications for financial stability. Furthermore, the study examined approaches by other countries to address their climate-related risks to derive valuable lessons from them. These lessons include incorporating climate risk into financial institutions' risk assessment frameworks, devising long-term risk monitoring and mitigation strategies, and regularly conducting climate-related stress testing.

Investment Policy

During 2024, the Bank began the process of reviewing its foreign reserves investment policy and guidelines to better align with sustainable investing principles and enable a more diversified portfolio that integrated ESG considerations. In this regard, the Bank began engaging external investment managers to raise awareness of its ESG ambitions. Moving forward, the Bank intends to pursue a strategic shift towards greener financial practices, ensuring that both domestic and international investment activities adhere to sustainable investment principles. Through this deliberate approach, the Bank aims to enhance long-term financial stability while supporting global sustainability objectives.

Financial Regulation

As part of its commitment to promote sustainability and to enhance its understanding of climate-related risks and ESG principles within the banking sector, the Bank engaged the relevant stakeholders to gather current information on ESG strategies and the integration of climate-related risk mitigation into their operations. This process provided valuable insights into the banking sector's approach to sustainability, and it will enable the Bank to better align its supervisory and regulatory focus accordingly.

Going forward, the Bank aims to further engage the banking sector and issue official Guidelines on Climate-related Risks and Sustainability. Such Guidelines will provide a framework for establishing regulations that encourage industry participants to align with sustainability goals and the mitigation of climate-related risks.

By taking these steps, the Bank aims to strengthen the resilience of Namibia's financial sector and ensure that the banking sector in particular is well-positioned to navigate the risks presented by climate change and take advantage of the opportunities that sustainability offers.

Capacity Building, Collaboration and Stakeholder Engagement

Hosting of thought leadership event on innovation and sustainability

The Bank hosted an event in Windhoek under the banner of "Leveraging innovation for Green Finance", during which its Sustainability Framework was unveiled. This strategic document with its seven guiding principles aims to align Namibia's financial system to global climate goals. Governor Johannes !Gawaxab stressed the importance of embedding sustainability across the financial sector for long-term stability and growth.

Hon. Heather Sibungo, the Deputy Minister of Environment, Forestry and Tourism, also delivered a powerful address, spotlighting Namibia's efforts to combat climate change through green initiatives. These included investments in renewable energy, reforestation programmes and the development of green hydrogen infrastructure. The event also featured three robust panel discussions, beginning with an examination of Namibia's evolving financial landscape. This first session addressed topics such as the development of regulatory frameworks, green capital markets and sustainable economic policies. The second panel explored the transformative potential of fintech innovation in advancing sustainability, underscoring how technology could foster green finance and enhance financial inclusion. The final panel delved into the role of central banks in spearheading sustainability efforts, emphasising their ability to guide the financial sector through the transition to a low-carbon economy.

Picture: Governor Johannes !Gawaxab, Hon. Heather Sibungo, the Deputy Minister of Environment, Forestry and Tourism, alongside the members of the Sustainability Forum during the endorsement of the Sustainability Framework. Concurrently, Ms Anna William, the Bank's Deputy Director for Financial Stability and Macroprudential Surveillance, moderates a panel of speakers from the financial sector.

Bank Of Namibia Participates in High-level Policy Dialogue Hosted by the European Central Bank

In November 2024, Governor Johannes !Gawaxab participated in a High-level Climate Change Policy Dialogue hosted by the European Central Bank, alongside other Governors and senior representatives from African central banks. The Dialogue aimed to promote collaboration on financial stability, resilience, and sustainability. As a speaker, Governor !Gawaxab highlighted the severe impact of climate change on agriculture, renewable energy and financial systems in Africa, particularly in Namibia, where extreme weather events persist. He called for practical solutions, including addressing drought, food security, and infrastructure issues; promoting public-private partnerships; and integrating climate risks into central bank policies.

Picture: Governor Johannes !Gawaxab speaking at the High-level Climate Change Policy Dialogue hosted by the European Central Bank in Frankfurt, Germany.

Managing the Bank's Environmental Footprint

As a leading player in the financial sector, the Bank has committed to measuring its emissions and will be disclosing carbon emissions attributed to its operations as of 2025. The Bank's carbon emissions measurement will be based on the Greenhouse Gas "GHG" Protocol. This Protocol provides tools that categorise emissions into three major components, namely Scope 1, Scope 2 and Scope 3.

Scope 1 emissions: This category covers direct emissions derived from sources owned by the Bank, i.e. its vehicles and standby generators. The Bank is currently investigating the installation of hybrid fuel-saver solutions for the standby generators.

Scope 2 emissions: This category encompasses indirect emissions associated with the Bank's energy use, e.g. its purchase of electricity. The Bank has been monitoring its electricity consumption across its property portfolio since 2019 and uses this year as a baseline for reporting purposes. Thus far, the Bank has installed grid-tied solar photovoltaic systems across its portfolio. Based on the design capacity, the systems are expected to generate approximately 30 percent of the Bank's annual energy needs, translating into a 30 percent reduction in Scope 2 emissions by the end of 2024. The Bank's commitment to reducing this category of emissions and increasing its energy efficiency includes replacing aged facilities and installing efficient energy systems, to mention a few.

Scope 3 emissions: This category refers to indirect emissions derived from the Bank's value chain, including staff travel, water usage and waste disposal. As of 2025, the Bank will incorporate a sustainability criterion in the evaluating local suppliers and service providers as part of sustainable procurement. Furthermore, the Bank commits to incorporating sustainability in the currency lifecycle.

Currency Supply Chain Responsibility

The Bank recognises the criticality of sustainability in the currency supply chain and is dedicated to minimising the environmental impact of its operations by encouraging key currency stakeholders to ensure sustainable material sourcing and optimized energy-efficient production practices to reduce waste across the lifecycle of currency. To achieve this, the Bank has implemented rigorous selection processes for its supply chain partners, prioritising those with robust environmental and sustainability practices. These objectives aim to promote responsible practices within the cash industry.

In pursuit of enhanced sustainability, the Bank implemented several key initiatives during the period under review. These include the following:

Durable Banknotes: The Bank has reviewed its currency and will be introducing upgraded currency which is more durable and environmentally friendly.

Optimised Coins: A comprehensive upgrade of the Namibian coin series is under way, focusing on reducing coin sizes and refining metal compositions. This initiative seeks to optimise material usage while maintaining the highest standards of quality and security.

Responsible Currency Disposal: The Bank is actively forging partnerships to ensure that practices involving the disposal of currency at the end of its lifecycle remain environmentally sound.

Sustainable Packaging and Recycling: Efforts are being made to adopt more recyclable packaging materials for currency and enhance internal recycling practices.

These multifaceted initiatives underscore the Bank's unwavering commitment towards an environmentally friendly currency supply chain. By implementing these measures, the Bank aims to significantly reduce its ecological footprint while maintaining the integrity and efficiency of the national currency system.

Way Forward

Looking ahead, the Bank remains committed to fostering strategic partnerships that will accelerate the adoption of Green finance solutions. The next steps include -

- **establishment of an Industry Sustainability Body:** A dedicated entity will oversee the sector-wide implementation of the Sustainability Framework, ensuring that financial institutions align with sustainable best practices enhancing
- **public-private Collaboration:** Strengthening partnerships between the financial sector, government, and industry leaders to advance Namibia's sustainable finance agenda, and
- **promoting Namibia as a regional hub for green fintech innovation:** The Bank aims to create an enabling environment for technological advancements that streamline access to green investments and sustainable financial solutions.

Through these initiatives, the Bank seeks to champion sustainability within the financial sector, ensuring long-term economic stability while actively contributing to global climate mitigation goals. By integrating sustainability into its operations and policies, the Bank is not only fostering a resilient financial system but also paving the way for a more sustainable future for Namibia and, ultimately, for the planet.

PART B

MACROECONOMIC REVIEW

CONTENTS[B1]

Part B
Macroeconomic review

[B1] This section presents the performance of key macroeconomic indicators for 2024, compared to the previous year. For statistical tables that were included in the Annual Report, please refer to the Bank of Namibia's March 2025 Quarterly Bulletin. Additionally, these statistical tables can be downloaded from the Bank of Namibia website (bon.com.na) by navigating to the 'Statistical Information' section.

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FIGURES

SUMMARY OF GLOBAL AND DOMESTIC ECONOMIC AND FINANCIAL DEVELOPMENTS

OVERVIEW

Global GDP growth moderated slightly in 2024 compared with 2023. In this regard, global GDP growth eased to 3.2 percent in 2024 from 3.3 percent in 2023 on the back of weak investment, sluggish productivity growth and high debt levels. Moreover, tight monetary conditions dampened global growth, especially by impacting housing and credit markets. Growth in Advanced Economies (AEs) amounted to 1.7 percent in 2024, unchanged from 2023, as investment remained subdued, particularly in the Euro Area. In Emerging Market and Developing Economies (EMDEs), growth inched lower to 4.2 percent in 2024 from 4.4 percent in 2023. This state was ascribed to the slow pace of structural reforms, which is holding back productivity growth.

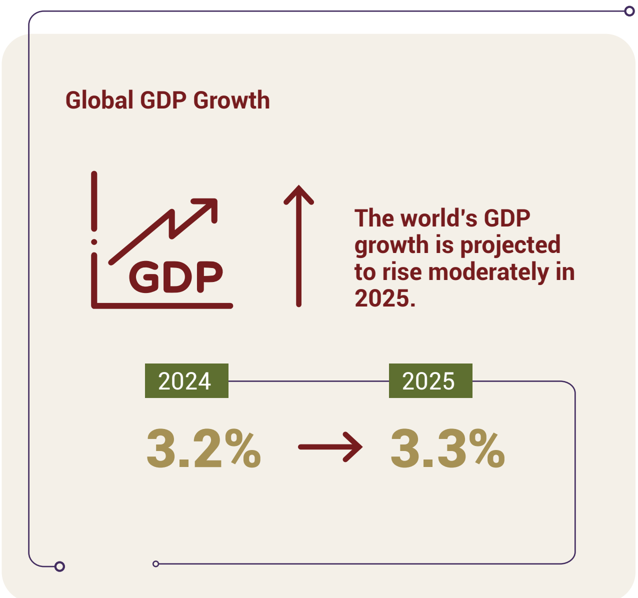
Going forward, global economic growth is projected to increase slightly, albeit still below the historical average. The world's GDP growth is projected to rise to 3.3 percent in 2025. According to the IMF's January 2025 World Economic Outlook Update, this will continue to fall below the long-term average growth rate of 3.7 percent, amid increased geopolitical risks. AEs are anticipated to register slightly higher growth in 2025 relative to 2024 levels. Specifically, growth in AEs is estimated to tick higher from 1.7 percent in 2024 to 1.9 percent in 2025, supported by a combination of mostly easier monetary policies and country-specific dynamics as inflation pressures unwind and economic activity converges towards long-term growth levels. Growth for EMDEs is projected at 4.2 percent in 2025, remaining at the same rate as in 2024.

Risks to the global outlook are tilted to the downside, while the near-term outlook is characterised by divergent risks. Key risks to the outlook entail the escalation in regional conflicts, a possible resurgence of financial market volatility with adverse effects on sovereign debt markets, a deeper growth slowdown in China, and further intensification of protectionist policies. Sudden eruptions in financial market volatility could tighten financial conditions and weigh on investment and growth, especially in developing economies in which large near-term external financing needs may trigger capital outflows and debt distress. A deeper or longer-than-expected contraction in China's property sector, especially if it leads to financial instability, could weaken consumer sentiment and generate negative global spillovers, given China's large footprint in global trade. An intensification of protectionist policies, specifically in the form of tariff hikes, would exacerbate trade tensions, reduce market efficiency and further disrupt supply chains. While the balance of risks to the global outlook is tilted to the downside in the medium term, near-term risks, in contrast, could reinforce divergences across countries. Near-term risks are tilted to the upside in the US, whereas downside risks are expected to prevail in most other economies amid elevated policy uncertainty.

During 2024, global inflation continued to recede, driven by a retreat in international commodity prices, especially food and energy. Global headline inflation is estimated to have decelerated to an average of 5.8 percent in 2024 from 6.7 percent in 2023. Headline inflation in AEs eased considerably to 2.6 percent in 2024 from 4.6 percent in 2023. Similarly, the average inflation rate in EMDEs declined to 7.9 percent in 2024 from 8.1 percent in 2023. The fall in inflation in both AEs and EMDEs is attributed to a moderation in international commodity prices – notably of food and energy.

Going forward, inflation is anticipated to ease further in both AEs and EMDEs. In this connection, inflation in AEs is projected to slow by 0.6 of a percentage point and register an average rate of 2.0 percent in 2025. Similarly, the average inflation rate in EMDEs is forecasted to decline to 5.9 percent in 2025 from 7.9 percent in 2024. Risks to the inflation outlook remain, however. These include potential supply shocks in global commodity markets due to conflicts that could drive up energy and food prices, export restrictions imposed by major producers, and climate-related shocks affecting crop yields. Low-income countries are likely to be more affected, since food and energy costs constitute a larger proportion of household expenditures.

The year 2024 was a dynamic period for global financial markets, driven by key monetary policy changes and landmark events. Some of the major developments included the Bank of Japan's decision to end negative interest rates, the Wall Street crash in August and the US federal funds rate reduction in September as well as Donald Trump's historic presidential comeback in November. Lower inflation and the reduction of interest rates by central banks caused bond yields to fall in some markets as investors anticipated lower borrowing costs, while the foreign exchange market saw a mixed response, with the US Dollar initially weakening against some currencies amid expectations of reduced rate differentials.



Donald Trump's victory will make him the first modern-day US president to serve non-consecutive terms. Early reactions to Trump's win resulted in a boost to financial markets. Major US indices, including the Dow Jones, S&P 500 and Nasdaq opened at record highs, driven by optimism surrounding Trump's pro-business policies, such as tax cuts and deregulation. The commodities market was also impacted, with gold prices fluctuating as rising treasury yields and a stronger US dollar offset some of the metal's safe-haven appeal.

The Domestic economy grew further in 2024 but at a slower rate compared to 2023 due to weaker global demand for diamonds coupled with the drought conditions. The growth rate of the Namibian economy slowed to 3.7 percent in 2024 from 4.4 percent recorded in 2023, impeded by a weak performance in the primary industry, particularly the contractions in diamond and crop production. The secondary and tertiary industries, however, showed improved performances, with the growth in the secondary industry primarily driven by stronger activity in the manufacturing and construction sectors. Meanwhile the tertiary industries experienced growth led by the wholesale and retail trade sector, largely stimulated by rising income, easing inflationary pressures, mineral exploration related purchases, the adjusted tax bracket refunds and moderately lower interest rates. Other sectors, including the transport, hotels and restaurants, finance, health and public administration and defence sectors also showed strong performances, contributing to the overall tertiary industry growth.

Domestic inflation slowed in 2024 compared with 2023 levels, offering some relief to consumers by enhancing their spending power. Overall inflation for Namibia decreased to an average of 4.2 percent during the year under review from 5.9 percent in 2023. By June 2024, inflation had slowed to 4.6 percent and further to 3.4 percent by December 2024. This is mainly ascribed to the effect of the tight monetary policy stance filtering through to the economy, alongside slower food and transport inflation. The latter resulted from generally more favourable fuel prices, which were kept unchanged or adjusted downwards for the greater part of the year.

Growth in the credit aggregates rose moderately during 2024, supported by a rising demand for credit, while growth in broad money supply moderated somewhat. During 2024, growth in broad money supply (M2) moderated slightly but remained close to a double-digit level. However, from previously very slow growth, an acceleration in the growth of claims in other sectors was observed, specifically growth in Private Sector Credit Extension (PSCE). In this regard, growth in PSCE edged higher in 2024, up from 1.9 percent in 2023 to 4.0 percent in the reporting year, driven by somewhat higher credit demand from both the household and business sectors. The higher demand for credit was partly due to easing monetary conditions that commenced in the second half of the year, coupled with the tax refunds around October 2024 and slowing inflation.

The ratio of the Government's budget deficit to GDP widened during FY2024/25, leading to the rise in Government debt to GDP over the year to the end of December 2024. Central Government's deficit for FY2024/25 widen to 3.9 percent of GDP compared to 2.4 percent deficit registered during the FY2023/24. The increase in the deficit is a result of the faster increase in expenditure compared to the rise in revenue. Looking ahead, the March 2025 Budget provides for a moderate further widening of the budget deficit to 4.6 percent of GDP in 2025/26. Total debt as a percentage of GDP stood at 65.3 percent at the end of December 2024 compared to 63.9 percent registered during the corresponding period in the previous year.

During 2024, Namibia's current account deficit widened further, while the stock of foreign reserves continued to rise. The deficit on the current account as a percentage of GDP remained unchanged although still high, at 15.3 percent in 2024 and 2023. This was primarily due to a growing merchandise trade deficit, driven by higher import payments across most categories, and lower export earnings. The principal factor was a significant decline in diamond export receipts. Nonetheless, the financial account inflows were not only sufficient to cover the current account deficit, but also adequate to cater for a reduction in a reserve-related liability of N$1.2 billion with the first partial repayment of an IMF loan. Namibia's international reserves rose by 18.4 percent in 2024, relative to their 2023 level, to reach N$63.0 billion in 2024. This increase was primarily due to higher receipts from Southern African Customs Union (SACU), coupled with foreign borrowing by the Namibian Government in the form of loans from Kreditanstalt für Wiederaufbau (KfW) as well as revaluation gains due to the depreciation of the Namibia Dollar against major currencies. Foreign reserves translated into estimated import cover of 4.2 months, higher than the 3.8 months of such cover recorded in the preceding year. Moreover, the real effective exchange rate of the Namibia Dollar (REER) appreciated moderately on an annual basis, signalling not only an additional force helping to contain domestic inflation, but also a loss in the Namibian products' trade competitiveness in international markets.

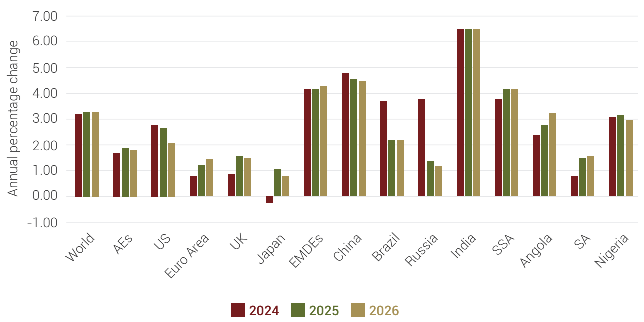
GLOBAL ECONOMIC AND FINANCIAL DEVELOPMENTS

According to the IMF's January 2025 World Economic Outlook update, global GDP growth is estimated to have slowed slightly in 2024 compared with the rate measured in 2023 on the back of weak investment, sluggish productivity growth and high debt levels. During the year under review, world output growth moderated marginally to 3.2 percent, whereas a growth rate of 3.3 percent was recorded for 2023. In the US, GDP growth remained solid at 2.8 percent in 2024 compared with the 2.9 percent registered for 2023. This solidity was due to stronger consumption and non-residential investment. In the Euro Area, economic activity recovered modestly, with GDP growth increasing to 0.8 percent in 2024 compared with the 0.4 percent increase noted in 2023. The recovery was supported by easing inflation and resilient labour markets (Figure B.1). Growth in Japan decelerated significantly to -0.2 percent in 2024 from 1.5 percent in 2023, which reflected temporary supply disruptions and the fading of one-off factors such as the surge in tourism that had boosted activity in 2023. In the United Kingdom, growth accelerated to 0.9 percent in 2024 from 0.3 percent in 2023, driven by improved aggregate demand.

On the other hand, real GDP growth in Russia rose to 3.8 percent in 2024 compared with 3.6 percent in the preceding year. Similarly, Brazil's real GDP growth rate increased to 3.7 percent in 2024 from 3.2 percent in the previous year. South Africa's real economic growth rose to 0.8 percent in 2024 from 0.7 percent in 2023 on account of higher levels of investor confidence.

Figure B.1

GDP REVIEW FOR 2024 AND OUTLOOK FOR 2025–2026



Source: IMF World Economic Outlook – Update January 2025

AEs = Advanced Economies; EMDEs = Emerging Market and Developing Economies; SA = South Africa; SSA = sub-Saharan Africa

In EMDEs, real GDP growth slowed in 2024 compared to 2023 on the back of weak economic activity in China. During 2024 real GDP growth in EMDEs slowed to 4.2 percent from 4.4 percent in 2023. This is owed to relatively sluggish growth in China and a moderation in India's GDP growth rate. Economic growth in China eased to 4.8 percent in 2024 from 5.2 percent in 2023, stemming from weak consumption and subdued performance of the real estate sector. Similarly, real GDP growth in India slowed slightly to 6.5 percent in 2024 from 8.2 percent in 2023, owing to lower demand.

Inflation and Interest Rate Developments

Relative to its 2023 levels, inflation decreased in the monitored AEs during the year under review, mostly supported by lower international commodity prices for food and energy (Table B.1). In the US, the inflation rate eased to 3.0 percent in 2024, down from 4.1 percent in 2023, also driven by the falling cost of energy and food. Similarly, inflation in the United Kingdom slowed remarkably to 2.5 percent in 2024, slipping from the 7.3 percent recorded for 2023. The decrease stemmed from a decline in that country's transport and fuel categories. Inflation in the Euro Area also fell, namely from 8.4 percent in 2023 to 2.4 percent in the year under review. The lower rate was ascribed to lower prices for energy and a moderation in the cost of food, alcohol, tobacco and non-energy industrial goods. Conversely, inflation in Japan rose slightly to 2.7 percent in 2024 from a rate of 2.4 percent recorded for 2023, amid a significant increase in the cost of energy and electricity as the Government fully removed subsidies.

Table B.1

ANNUAL AVERAGE CONSUMER PRICE INFLATION RATES IN SELECTED ECONOMIES

	2020	2021	2022	2023	2024
Advanced Economies					
Euro Area	1.2	0.3	2.6	8.4	2.4
Japan	0.5	0.1	-0.1	2.4	2.7
UK	0.9	2.6	9.1	7.3	2.5
US	1.2	4.7	8.0	4.1	3.0
Emerging Market and Developing Economies					
Brazil	3.7	3.2	8.3	9.4	4.3
China	2.9	2.5	0.9	2.0	0.2
India	3.7	6.6	5.2	6.7	4.9
Russia	4.5	3.4	6.7	13.8	8.3
South Africa	4.1	3.3	4.6	6.9	4.7

Source: Trading Economics

Inflation in EMDEs also exhibited an overall downward trend in 2024 relative to their positions in the previous reporting period, reflecting a moderation in international prices for food and energy (Table B.1). Inflation in Brazil decelerated to 4.3 percent in 2024 from 8.3 percent in 2023 owing to a fall in the cost of fuel and transport. Moreover, the inflation rate in Russia receded to 8.3 percent in 2024 from 13.8 percent in 2023 owing to the reduced cost of food and non-food products. Similarly, inflation in India eased to 4.9 percent during the review period from 6.7 percent reflected the year before, which was attributed to a moderation in the food category. The inflation rate in China decelerated to 0.2 percent in 2024 from its level of 2.0 percent in 2023. This decline stemmed from the lower cost of housing and transportation. Similarly, the inflation rate in South Africa fell to 4.7 percent in the period under review compared with 6.9 percent in 2023. Primarily underpinning the drop were the falling cost of fuel and a moderation in the prices of hotels and restaurants, food and non-alcoholic beverages, alcoholic beverages and tobacco, and health, respectively.

Most central banks in the tracked AEs reduced their monetary policy rates during the year under review, except for the Bank of Japan (Table B.2). Given the slowing rate of inflation, the US Federal Reserve System reduced the federal funds rate by a cumulative 100 basis points during 2024 to a range of 4.25–4.50 percent by December. Similarly, the Bank of England cut the Bank rate by 50 basis points to 4.75 percent in 2024 as disinflation continued, with previous external shocks having abated. Furthermore, the European Central Bank reduced its deposit rate by 175 basis points to 3.00 percent in 2024 to support the economy since its disinflation process was on track. On the contrary, the Bank of Japan hiked its call rate by 25 basis points from around -0.10 percent to 0.25 percent in 2024 as the economy had recovered moderately and was likely to keep growing at a pace above its potential.

Among the tracked EMDEs central banks, two tightened and two eased their policy rates in the year under review. In this regard, the People's Bank of China cut the lending rate by a cumulative 35 basis points in 2024 to 3.10 percent in 2024 to support the fragile economy. Similarly, the South African Reserve Bank reduced the repo rate by a cumulative 50 basis points to 7.75 percent in 2024 to stimulate economic activity amidst falling inflationary pressures. On the contrary, the Bank of Brazil and the Bank of Russia increased their policy rates to contain inflation. In this connection, the Bank of Brazil increased the SELIC policy rate by a cumulative 175 basis points to 12.25 percent in 2024 to address rising inflationary pressures, promote economic stability and support full employment. In the same vein, the Bank of Russia in 2024 hiked the benchmark policy rate by 500 basis points to 21.00 percent to curb high inflation.

Table B.2

POLICY RATES OF SELECTED ECONOMIES

Country or grouping	Policy rate name	Policy rates at end of 2024 (%)	Month of last meeting in 2024	Policy rate change in 2024 (%)	Inflation rate at end of 2024 (%)	Real interest rate at end of 2024 (%)
Advanced Economies						
Euro Area	Deposit facility rate	3.00	Dec	-1.75	2.4	0.6
Japan	Call rate	0.25	Dec	0.25	2.7	-2.4
UK	Bank rate	4.75	Dec	-0.50	2.5	2.3
USA	Federal funds rate	4.50	Dec	-1.0	3.0	1.5
Emerging Market and Developing Economies						
Brazil	SELIC rate	12.25	Dec	+1.75	4.3	8.0
China	Lending rate	3.10	Dec	-0.35	0.2	2.9
India	Repo rate	6.50	Dec	0.00	4.9	1.6
Russia	Key rate	21.00	Dec	+5.00	8.3	12.7
South Africa	Repo rate	7.75	Nov	-0.50	3.0	4.7

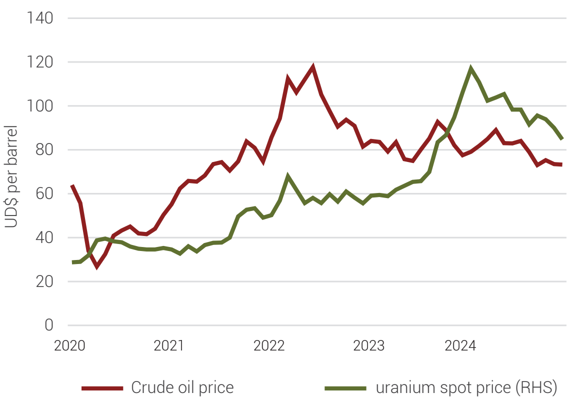
Source: Trading Economics

Commodity Market Developments

The average price of uranium increased, while that of Brent crude oil decreased in 2024 compared to 2023. The spot price of uranium rose by 36.2 percent, reaching an average of USD 85.14 per pound in 2024. An increase in demand accounted for this drop. Conversely, the price of Brent crude oil decreased by 2.5 percent, averaging USD 80.27 per barrel over the same period. This decline largely stemmed from lower oil demand in China and the resumption of Libyan crude output (Figure B.2). China's oil consumption was adversely affected by subdued growth in industrial production, the rapid adoption of electric and hybrid vehicles, and the increasing prevalence of trucks powered by liquefied natural gas. Libya's output recovered after a dispute over control of that country's central bank was resolved, allowing full production to resume at the nation's oilfields.

Figure B.2

URANIUM AND BRENT CRUDE OIL PRICES

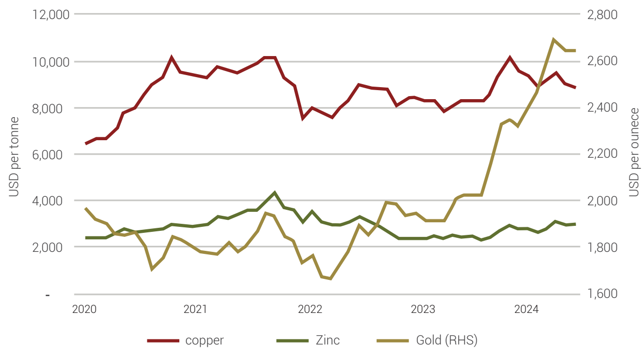


Source: International Monetary Fund and Cameco

During the year under review, the price of copper, gold and zinc increased in relation to 2023. The price of copper per tonne rose by 6.1 percent to USD8,916. Factors supporting this increase were the global economic recovery, the demand for green energy, supply chain constraints in copper mining, and financial market sentiment. Similarly, the price of gold rose by 30.7 percent from its 2023 levels to USD2,648 per ounce in 2024 mainly driven by central banks' aggressive buying, strong demand from Asia and heightened geopolitical tensions. In the same vein, zinc prices increased by 21.3 percent relative to 2023 to USD3,034 per tonne in 2024. Underpinning this incline were reduced global supplies as well as production disruptions at key mines.

Figure B.3

OTHER COMMODITY PRICES



Source: IMF

In 2024, diamond prices declined compared with their 2023 levels. Prices on the International Diamond Exchange's Diamond Index decreased by 14.7 percent year-on-year, namely from 90.2 in 2023 to 76.9 in 2024 (Figure B.4). These downward shifts largely reflect weak demand by China and competition from lab-grown diamonds. The demand for natural diamonds in key markets, particularly the US and China has been adversely affected by competition from synthetic diamonds and global economic uncertainties

Figure B.4

DIAMOND PRICES

Source: International Diamond Exchange (idexonline.com)

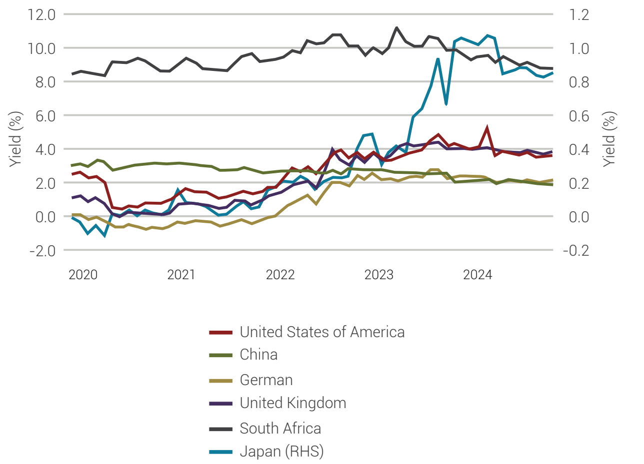
Government bond yields among the monitored AEs and EMDEs exhibited mixed performances in 2024. In the US, the 10-year bond yields rose slightly to an average of 4.3 percent in the reporting period, up from 4.0 percent in the previous year (Figure B.5). Key drivers of treasury yields in the US were a relatively stronger economy – which continued to surprise on the upside – on the one hand, and quantitative tightening on the other, as the Federal Reserve reduced its bond holdings, pushing yields higher despite two consecutive policy rate cuts. Similarly, the United Kingdom's 10-year bond yield increased to an average of 4.4 percent in 2024 from its average of 4.0 percent in 2023. Furthermore, in Japan, the 10-year bond yield rose to 1.0 percent in 2024, from 0.6 percent in the previous year, as the Bank of Japan continued its gradual path of normalising the policy rate. On the contrary, yields on Germany's 10-year government bond decreased marginally to 2.3 percent in 2024 from 2.4 percent in the previous year on the back of a weak economic outlook. In EMDEs, China's bond yields receded to 2.0 percent from 2.7 percent in the previous year owing to growth concerns and lower inflation. South Africa's 10-year bond yield fell to 9.1 percent in 2024 from 10.3 percent in the prior year on the back of lower inflation and improved investor confidence diminishing the risk premium.

Foreign Currency Market

In 2024 the USD and ZAR appreciated against major international trading currencies. The appreciation of the USD reflected America's economic strength against the backdrop of sluggish growth in the Euro Area and subdued economic activity in China. In addition, President Trump's return to the White House spurred a USD rally, given the impact of proposed tariffs and renewed optimism about the U.S. economy (Figure B.6). The ZAR appreciated against the USD and other major trading currencies in 2024, supported by both domestic and international factors. The domestic factors include South Africa's improving power crisis management which has reduced load shedding by Eskom and significantly improved the business environment and investor sentiment towards South Africa. Moreover, the formation of the Government of National Unity (GNU) prompted positive sentiment by investors and contributed to reducing the risk premium that was priced into the ZAR. This was further supported by the reduction of the policy rate in the United States, which made the ZAR more attractive to investors, who could potentially earn higher yields.

Figure B.5

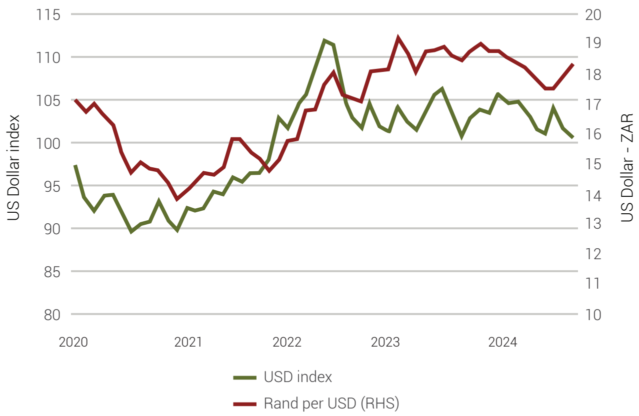
BOND MARKET



Source: Bloomberg

Figure B.6

FOREIGN CURRENCY MARKETS



Source: Bloomberg

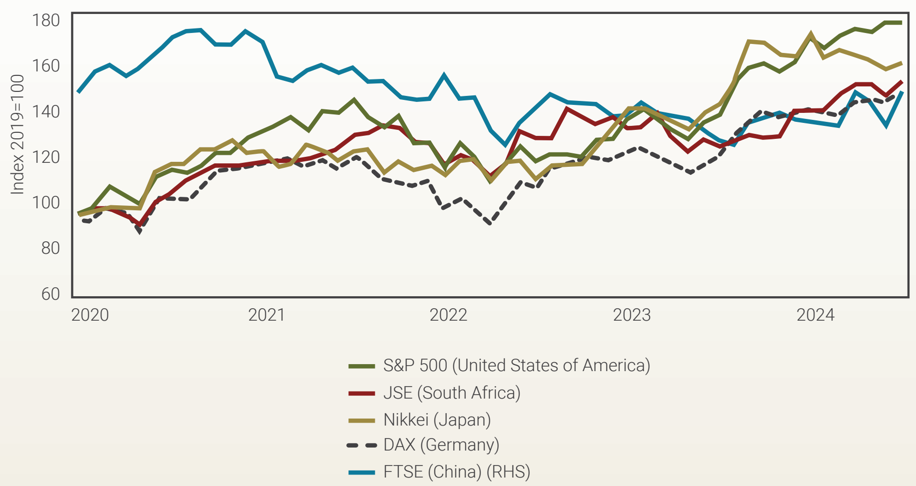
Stock Market Developments

Similar to 2023, the equity markets performed impressively during 2024 against the backdrop of a strong US economy. In the US, the stock market recorded double-digit returns amidst a positive background of strong economic activity and robust corporate earnings growth. Specifically, the Standard & Poor's 500 (S&P 500) index increased by 29.7 percent in 2024 relative to its 2023 levels, to end the year at 5,871 points owing to a lower policy rate that boosted investor confidence. The Deutsche Boerse AG/German Stock Index (DAX) also rose by 23.2 percent from its 2023 levels, reaching 19,617 points in 2024. Its performance was driven by the reduction of the policy rate by the European Central Bank. Equity market performance in Japan as measured by that country's Nikkei Index mirrored the trend in the US and Germany, posting a gain of 12.8 percent in 2024 relative to its 2023 position, ending the year at 37,889 points (Figure B.7). This gain was also reflected by the Bank of Japan normalising its monetary policy, signalling confidence in its economic recovery. In the same vein, the United Kingdom's Financial Times Stock Exchange 100 Index (FTSE 100) exhibited a significant increase of 9.9 percent relative to the prior year's status, reaching 8,249 index points by year-end in 2024.

Stock markets in EMDEs also displayed robust performance in the year under review. China's FTSE A50 Index grew by 30.5 percent between 2023 and 2024, given the stimulus package implemented by its central bank. The Johannesburg Stock Exchange Limited (JSE) All-Share Index in South Africa increased by 21.9 percent over the same period, mimicking the performance of global equity markets.

Figure B.7

STOCK PRICE INDICES



Source: Bloomberg

Conclusion

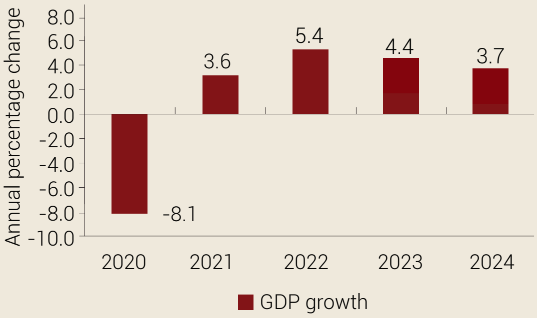
The global GDP growth rate in 2024 moderated marginally compared with its 2023 position, characterised by weak investment, sluggish productivity growth and high debt levels. Growth in AEs was virtually unchanged between the 2023 and 2024 reporting years owing to subdued investment, particularly in the Euro Area. In relation to its levels in 2023, real GDP growth in the US is estimated to have eased slightly to a still solid rate for 2024 on account of stronger outturns in consumption and non-residential investment. Economic activity in the Euro Area recovered modestly, with GDP growth increasing in 2024 compared to 2023, supported by easing inflation and resilient labour markets. In EMDEs, real GDP growth moderated slightly in 2024 relative to 2023. This moderation was ascribed to the slower pace of structural reforms that were holding back an incline in productivity.

Growth prospects in EMDEs are anticipated to be sustained by India going forward, while a more gradual slowdown is projected for China. The projected modest global growth in 2025 is anticipated to affect the demand for commodities of export interest to Namibia as well as export earnings from them.

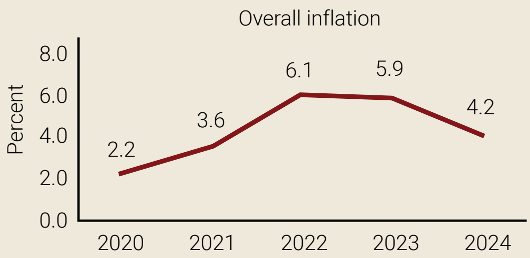
The fall in inflation in both AEs and EMDEs is attributed to moderating international commodity costs, notably of food and energy. Inflation is projected to moderate in both AEs and EMDEs in the coming financial year, mainly due to lower commodity prices and reduced disruptions in supply chains. Nonetheless, despite the overall improvement, upward risks to inflation remain. These include potential supply shocks in global commodity markets due to geopolitical conflicts that could drive up energy and food prices, export restrictions imposed by major producers, possible tariff wars, and climate-related shocks affecting agricultural product prices.

DOMESTIC ECONOMIC AND FINANCIAL DEVELOPMENTS AT A GLANCE

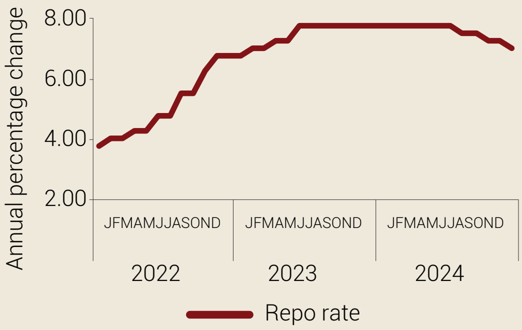
The Namibian economy continued to grow in 2024 but at a somewhat slower rate than in the preceding two years.



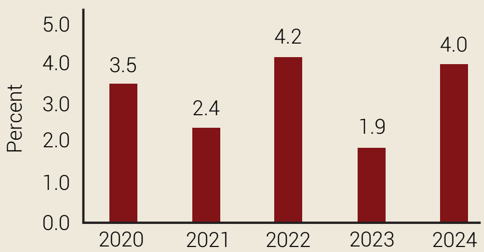
The annual average inflation rate decelerated during 2024.



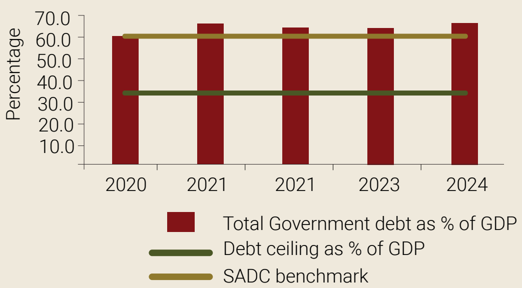
Monetary policy easing commenced in the latter half of 2024.



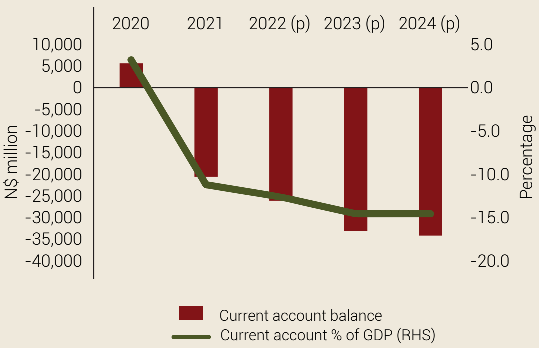
Growth in Private Sector Credit Extension (PSCE) edged up during 2024.



Total debt as a percentage of GDP stood at 65.3 percent at the end of December 2024, higher than the SADC benchmark of 60 percent of GDP.

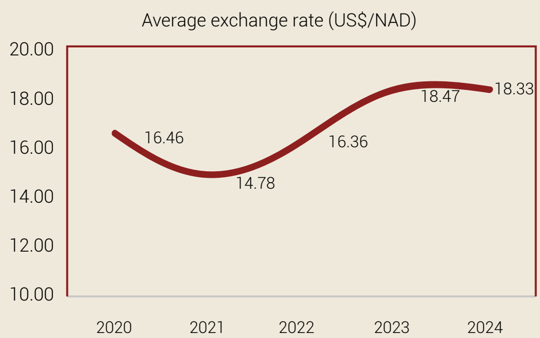


The current account deficit deteriorated further during 2024.



The official stock of foreign reserves continued its rising trend and remained sufficient to meet Namibia's international financial obligations.

The Namibia Dollar appreciated slightly against the United States Dollar during 2024.



Source: NSA, MFPE and BoN

(p = provisional)

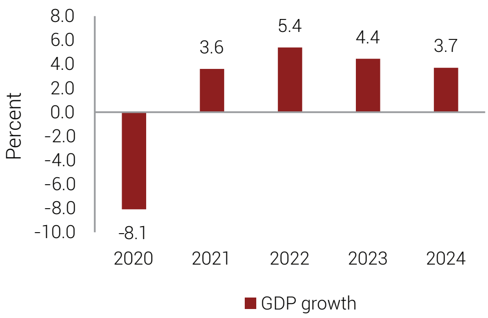
REAL SECTOR DEVELOPMENTS

REAL SECTOR DEVELOPMENTS

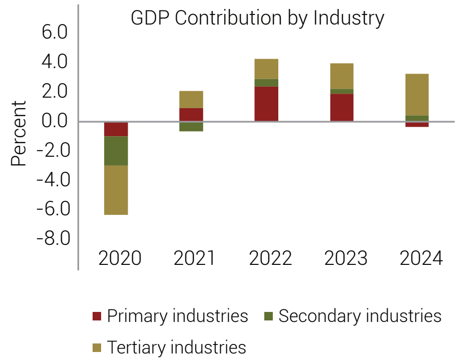
Figure B.8.a-e

GDP GROWTH AT A GLANCE

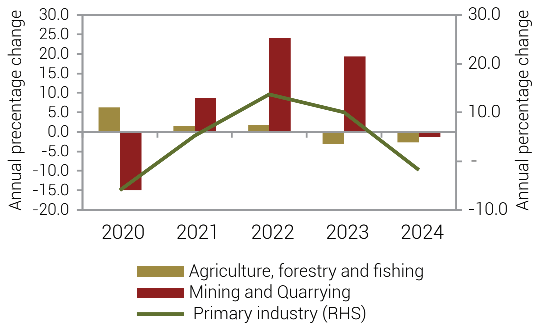
(a) The growth rate of the Namibian economy moderated in 2024, held back by a weak performance in the primary industry, particularly the contractions in diamond and crop production.



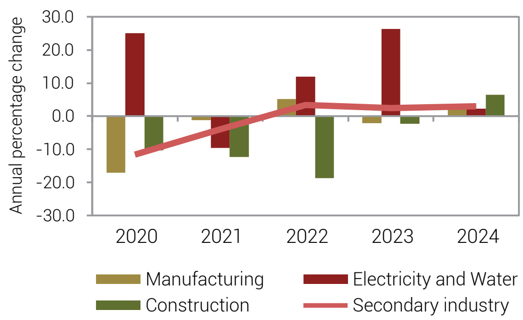
(b) The secondary and the tertiary industries sustained GDP growth, largely offsetting the weakness in the primary industry.



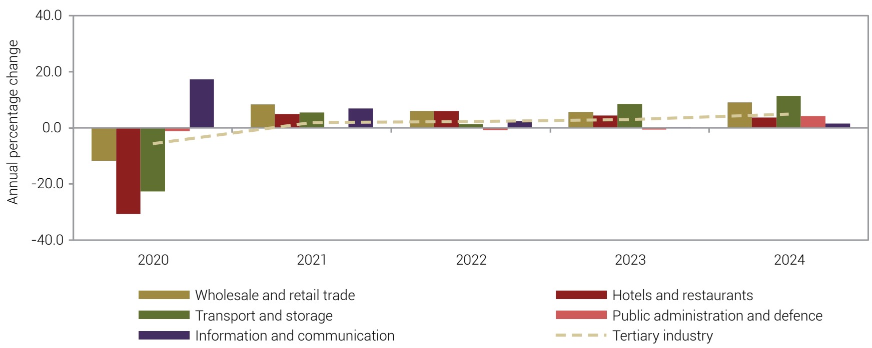
(c) Lower agricultural output due to severe drought conditions, coupled with weaker diamond production, resulted in a contraction of the primary industry in 2024.



(d) Output in the manufacturing sector improved and construction activity switched to positive growth, while electricity generation slowed down to a moderate pace of growth in 2024.



(e) The improved growth in the tertiary industry was broad-based, with notable performances reflected in several sectors, including trade, hotels and restaurants, transport and storage, as well as public administration.



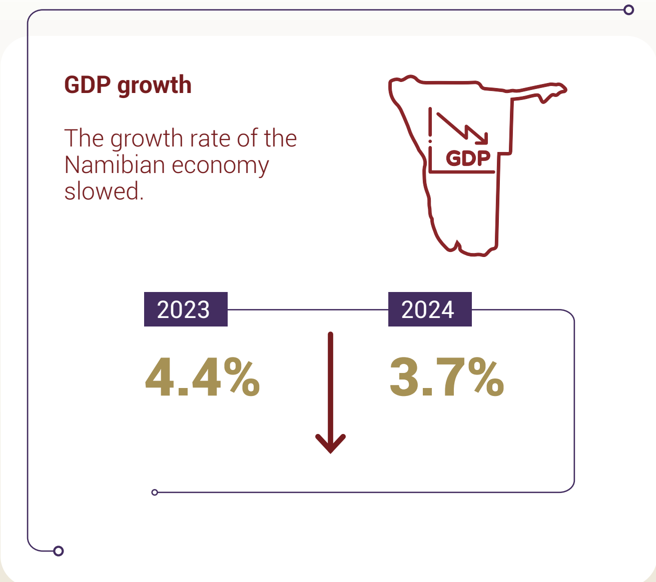
Source: NSA

GDP growth

During 2024, real GDP growth moderated on the back of a contraction in the primary industries. The growth rate of the Namibian economy slowed to 3.7 percent in 2024 from 4.4 percent recorded in 2023, impeded by a weak performance in the primary industry, particularly the contractions in diamond and crop production (Figure B.8a). The secondary and tertiary industries, however, showed improved performances, with the growth in the secondary industry primarily driven by stronger activity in the manufacturing and construction sectors. Meanwhile the tertiary industries experienced growth led by the wholesale and retail trade sector, largely stimulated by rising income, easing inflationary pressures, mineral exploration related purchases, the adjusted tax bracket refunds and moderately lower interest rates. Other sectors, including the transport, hotels and restaurants, finance, health and public administration and defence sectors also showed strong performances, contributing to the overall tertiary industry growth.

Contribution to real GDP growth by industry

Economic activity within the primary industry contracted marginally in 2024, primarily due to the drought coupled with weak demand for diamonds. The primary industry contracted by 1.8 percent, compared to a robust growth rate of 10.0 percent registered during the preceding year (Figure B.8c). The negative growth was ascribed to the prevailing drought conditions owing to extended periods of low precipitation during 2024, resulting in poor harvests during the year under review. Activity in the agriculture, forestry and fishing sector therefore contracted further by 2.7 percent from a contraction of 3.2 percent recorded in the preceding year. The 4.8 percent decline in diamond production to 2.2 million carats further dragged down the performance of the primary industry, owing to reduced global demand for natural diamonds due to weaker demand coupled with the growing competition from lab-grown diamonds. As a result, the growth in the mining and quarrying sector slowed to 1.1 percent in 2024, compared to the robust growth of 19.3 percent registered in 2023.



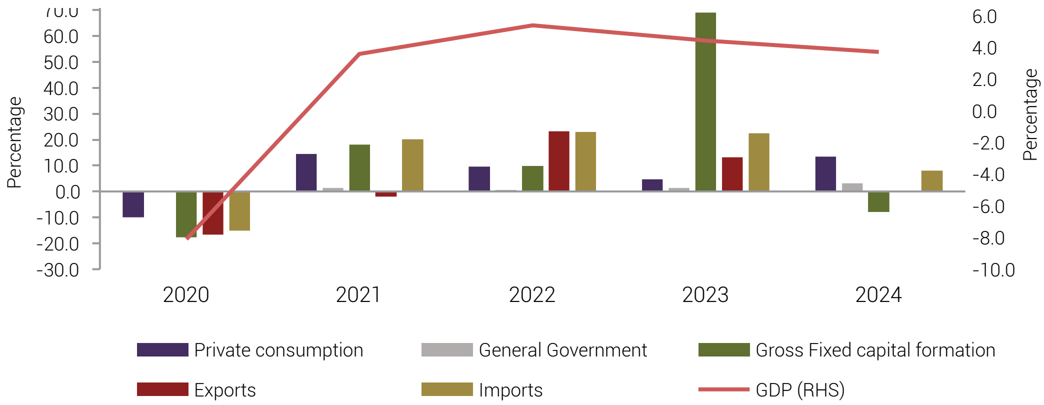
Growth in the secondary industries was notably positive in 2024, sparked by improved manufacturing and construction sector performances. The output of the secondary industries rose by 3.0 percent during 2024 (Figure B.8d), higher than the 2.4 percent increase registered in 2023. Manufacturing switched from a contraction in 2023 to positive growth of 2.8 percent in 2024, mostly ascribed to increased output of the beverages, grain milling and basic non-ferrous metal subsectors. The electricity and water sector continued to sustain the secondary industry, registering growth of 2.3 percent in 2024, though substantially lower than the 26.4 percent registered in 2023. The construction sector displayed a welcome recovery after having been in a continuous decline since 2016, with its output rising by 6.4 percent in 2024 from a contraction of 2.4 percent in 2023. This recovery was driven by increased construction activities in the mining and electricity sectors as well as government projects

The tertiary industries registered broad-based growth, as reflected in several sectors, including wholesale and retail trade, hotels and restaurants, transport and storage, finance, health as well as public administration and defence. The tertiary industries grew by 4.9 percent in 2024, up from 3.0 percent registered in 2023 (Figure B.8e). The growth was attributed to a collective positive performance of several sectors as highlighted above. For the wholesale and retail trade sector, rising income, slowing inflation, the wage increases for Government employees, the fiscal expenditure on drought relief, lower personal income tax, easing of interest rates and elevated mining activity provided impetus to the sector's growth. Meanwhile, the hotels and restaurants sector maintained strong growth momentum during 2024, largely supported by an increase in tourist arrivals. Transport activity also increased notably as the economy expanded with domestic expenditure and imports rising strongly. The health sector recorded a robust expansion while the public administration and defence sector also maintained notable growth in 2024, as the Government continued the recruitment of new staff.

Expenditure on GDP

Figure B.8.f

EXPENDITURE ON GDP



Source: NSA

From the expenditure side, with the exception of Gross fixed capital formation, all variables remained in positive territory, underpinned by elevated increases in private investment and exports. Real GDP increased to N$157.5 billion in 2024 from N$151.8 billion in the preceding year (Figure B.8f). This increase was largely attributed to private final consumption expenditure, supported by Government consumption which increased by 13.3 percent and 3.2 percent, respectively, in 2024.

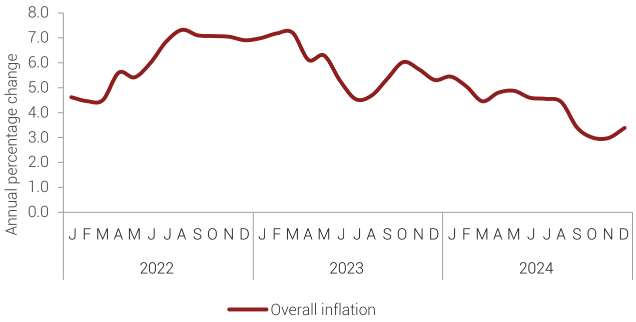
The rise was attributed to the tax refunds to individuals on the back of the increase in the threshold for income tax on individual from N$50, 000 to N$100 000, coupled with the expenditure by Government on the drought relief for household severely affected by the drought. Meanwhile, the Gross fixed capital formation contracted to 7.9 percent on the back of base effect due to high exploration activity related to the oil and gas sector during the preceding year (Figure B.8 f).

INFLATION DEVELOPMENTS

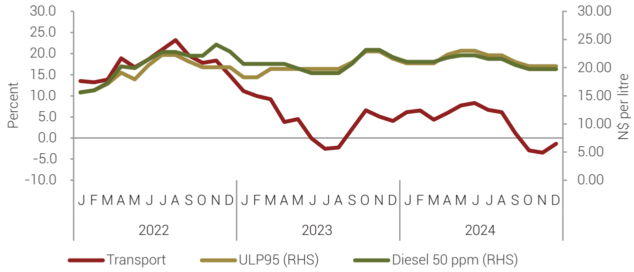
Figure B.9.a-e

INFLATION

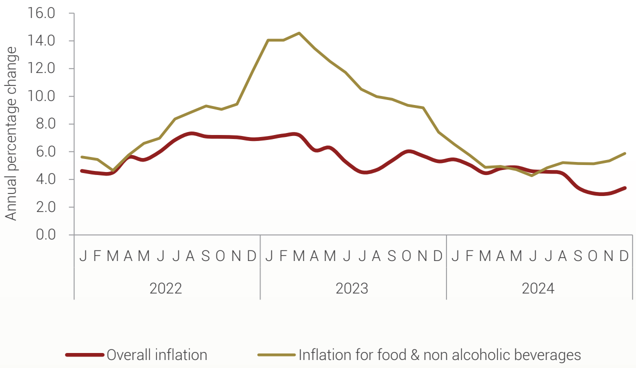
(a) Overall inflation slowed from 2023 to 2024, primarily underpinned by lower inflation trends in transport as well as food and non-alcoholic beverages.



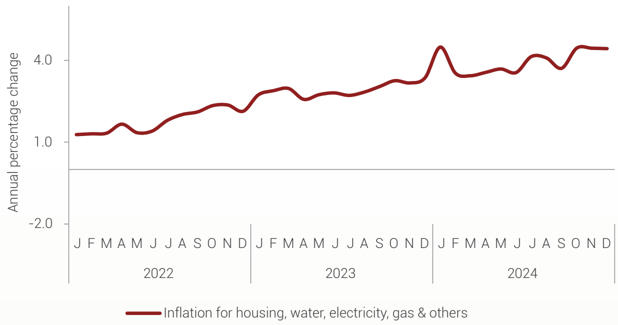
(b) Lower transport inflation was due to corresponding adjustments in domestic pump prices for both petrol and diesel.



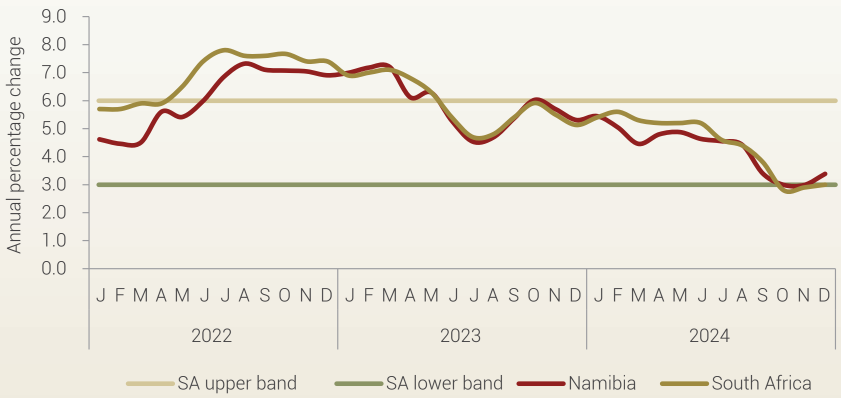
(c) Compared with 2023 levels, food and none-alcoholic beverages inflation declined during 2024, as reflected predominantly in the meat, bread and cereals as well as non-alcoholic beverages subcategories.



(d) Meanwhile, housing inflation trended higher in 2024 compared with its 2023 counterpart, mainly driven by regular home maintenance and repairs as well as rental payments.



(e) South Africa's inflation rate moderated further during 2024, especially during the second half of the year, even momentarily falling below 3 percent and maintaining a close correlation with that of Namibia.

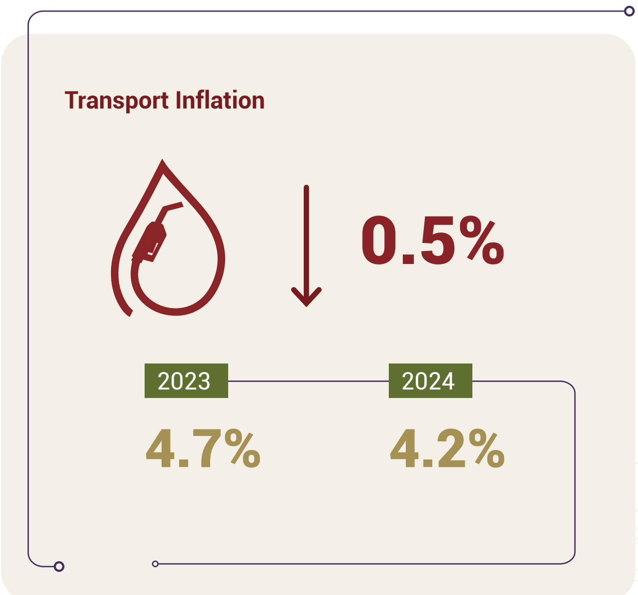


Source: NSA and Statistics South Africa

Namibia's inflation rate slowed during 2024 relative to the prior year, bringing relief to consumers. Overall inflation declined from 5.9 percent in 2023 to an average of 4.2 percent during the period under review, as the combined effects of the monetary policy easing and lower oil and food prices penetrated through the economy, easing pressure on consumers' purchasing power. In 2024, headline inflation decelerated after May, as inflationary pressures remained softer than in the previous year (Figure B.9a).

The decline in inflation largely reflected a deceleration in inflation for food and non-alcoholic beverages in 2024 relative to 2023. Inflation for these two subcategories declined by 6.2 percentage points from their 2023 level of 11.4 percent to settle at 5.1 percent in 2024 (Figure B.9c). The downturn in food inflation was predominantly reflected in the meat, bread and cereals, as well as non-alcoholic beverages subcategories. The deceleration was mainly due to an oversupply of meat amid drought-induced marketing coupled with a decline in international wheat prices.

In comparison with 2023, average transport inflation edged lower during 2024. Inflation in this sector retreated by 0.5 percentage point from its 2023 level to 4.2 percent in 2024. The lower average was supported by softer fuel prices, which were kept unchanged or adjusted downwards for most of the year. Despite prolonged cuts in oil production by major oil-producing countries in 2024, oil prices exerted less pressure on inflation than they had in the previous year. Despite this, Namibian pump prices of petrol and diesel rose during 2024 in relation to their 2023 levels. While the per liter pump price of petrol rose by N$1.10 per litre to cost N$21.40 per litre, purchasers of diesel 50 ppm were charged N$0.29 per litre more than in 2023, having to pay N$21.00 per litre during the reporting period (Figure B.9b). Inflation for the vehicle purchases subcategory also picked up over the same comparison period amid supply chain disruptions, leading to a shortage of new vehicles coupled with high shipping costs and rising raw material costs.



Annual inflation for housing, water, electricity, gas and other fuels similarly increased in 2024 relative to the prior year's average. Inflation for this category rose by 1.0 percentage point from its 2023 level of 2.9 percent to reach 3.9 percent during the reporting year. The incline was driven mainly by a rise in rental payments, regular maintenance and repairs to homes, and higher prices charged for electricity, gas and other fuels (Figure B.9d).

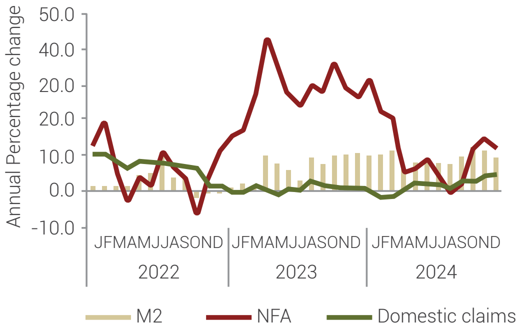
If one compares the developments in inflation for Namibia and South Africa, inflation trends in the two countries resembled each other in 2023 and 2024. South Africa's inflation rate declined by 1.4 percentage points to average at 4.5 percent for the year under review, i.e. congruent with Namibia's at 4.2 percent in 2024(Figure B.9e). The already small inflation-rate gap between Namibia and South Africa in 2023 narrowed further during 2024, with overall patterns much the same. Thus, whereas average food inflation in South Africa amounted to 4.1 percent in 2024, in Namibia it came to 5.1 percent for the year. However, housing inflation remained higher at 5.4 percent in South Africa, compared to Namibia's rate of 3.9 percent in this regard for 2024. In addition, the inflation differential between the two countries shrank and almost disappeared in the second half of the year as both nations continued to receive similar impulses from oil prices and the exchange rate of the ZAR.

MONETARY AND FINANCIAL MARKET DEVELOPMENTS

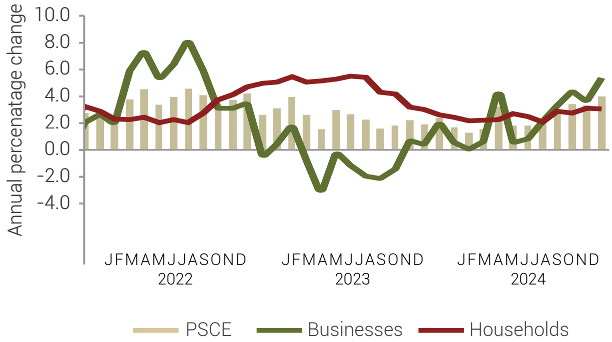
Figure B.10.a-e

MONETARY AND FINANCIAL MARKET INDICATORS

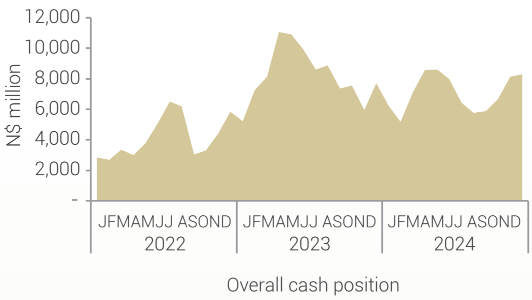
(a) The annual growth in broad money supply (M2) moderated slightly in 2024 to just below the double-digit mark.



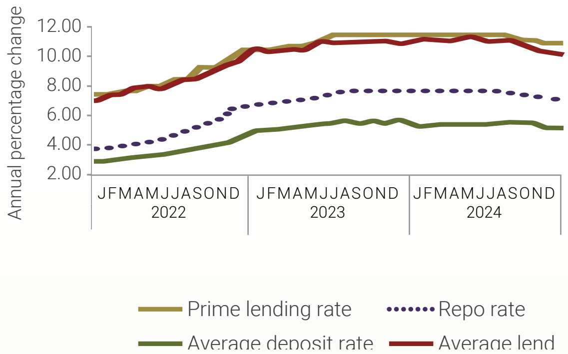
(b) Growth in PSCE increased moderately in 2024 due to higher credit demand by both the household and corporate sectors.



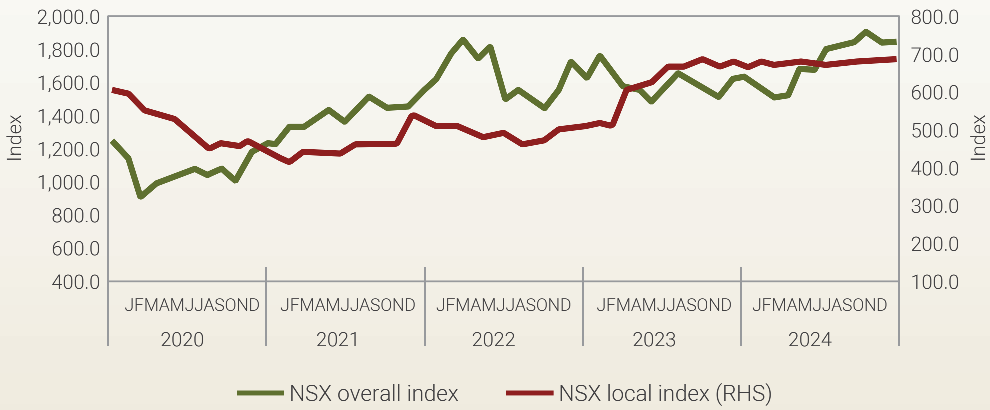
(c) Money-market cash balances rose in 2024, partly attributable to higher diamond sales.



(d) The banks' lending and deposit rates declined in the second half of 2024 in line with the reduced repo rate.



(e) The Overall and Local share price indices of the Namibian Stock Exchange ended 2024 at higher levels relative to the previous year.



Monetary and Credit Aggregates

In 2024, monetary aggregates experienced a slight slower growth but remained well aligned with nominal GDP, while the key credit aggregates recorded moderately higher growth arising mainly from increasing demand. The growth of broad money supply (M2) ticked lower to just below 10 percent, remaining close to the pace of nominal income growth during the period under review (Table B.3). On the other hand, the main credit aggregates recorded higher growth in 2024 relative to their 2023 rates, reflecting higher demand from both the corporate and household sectors, supported by the easing monetary conditions, tax relief and lower inflation.

Table B.3

MONETARY AND CREDIT AGGREGATES

(N$ million)	2020	2021	2022	2023	2024
Levels (end of period)					
Net Foreign Assets	41 819	50 697	56 675	71 713	81 165
Net Domestic Assets	134 933	148 158	144 956	146 713	153 484
Claims on other sectors	111 239	112 371	113 879	118 262	124 576
of which: claims on Households	60 727	61 942	64 997	66 869	68 926
claims on businesses	44 941	44 832	46 238	47 440	49 396
Net claims on Central Government	23 694	35 787	31 077	28 451	28 907
Claims on Central Government	30 811	39 848	34 720	34 044	39 239
less Government deposits	7 118	4 060	3 643	5 593	10 332
Other Items, net*	-52 100	-68 911	-71 673	-74 626	-76 927
Broad Money Supply	124 652	129 944	129 958	143 800	157 721
(Change during the period, N$ million)					
Net Foreign Assets	3 885	8 878	5 978	15 038	9 595
Net Domestic Assets	7 311	13 225	-3 202	1 757	6 771
Total Claims on Other Sectors	961	1 131	1 508	4 383	6 315
of which: claims on individuals	2 648	1 214	3 055	1 872	2 057
claims on businesses	-191	-109	1 407	1 202	1 956
Net claims on Central Government	6 350	12 094	-4 710	-2 626	456
Claims on Central Government	5 589	9 036	-5 128	-676	5 195
less Government deposits	-761	-3 057	-417	1 951	4 738
Other Items, net*	-1 880	-16 811	-2 763	-2 953	-2 444
Broad Money Supply	9 316	5 292	14	13 842	13 922
(Annual percentage growth rates)					
Net Foreign Assets	10.2	21.2	11.8	26.5	13.2
Total Claims on Other Sectors	0.9	1.0	1.3	3.8	5.3
of which: claims on individuals	4.6	2.0	4.9	2.9	3.1
claims on businesses	-0.4	-0.2	3.1	2.6	4.1
Broad Money Supply	8.1	4.2	0.0	10.7	9.7

Money Supply

The annual growth in M2 slowed moderately albeit remaining close to the pace of nominal income growth during the period under review compared to 2023. The year-on-year growth in M2 moderated marginally to 9.7 percent in 2024, compared to 10.7 percent in 2023 (Figure B.10a). M2 growth nevertheless remained well aligned with the growth in nominal income during the period under review. Moreover, non-transferable deposits – fixed and notice deposits - registered a brisk growth rate of 14.1 percent in 2024 compared to 3.3 percent in 2023, as reflected particularly in a rise in the deposit holdings of other resident sectors, public non-financial corporations, other financial corporations, and regional and local Government. On the other hand, transferable (demand) deposits stood at N$84.8 billion at the end of 2024, representing a lower growth rate of 6.3 percent compared to 17.2 percent recorded in 2023. The desire to lock in higher interest rates on deposits when interest rates are close to the top of the cycle probably contributed to the shift from demand to fixed and notice deposits. Growth in currency in circulation, the most liquid form of money, stood at 9.6 percent in 2024, higher than the 6.2 percent growth recorded in 2023.

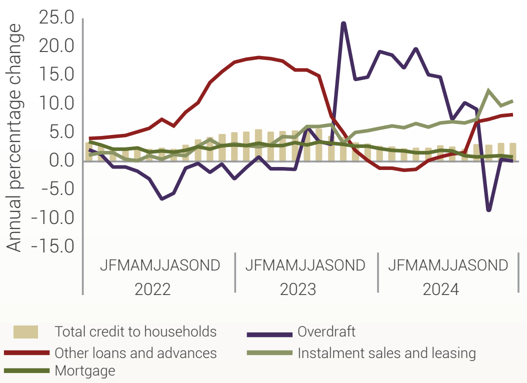
Extension of Bank Credit to the Private Sector [B1]

Although still subdued, growth in PSCE edged higher in 2024 compared to its 2023 levels, as demand by both the corporate and household sectors increased. Year-on-year growth in PSCE rose by 4.0 percent in 2024, relative to a growth rate of 1.9 percent in 2023. The increase in 2024 is attributable to a higher uptake of credit by both individuals and businesses, on the back of the ongoing economic recovery, coupled with the easing monetary conditions and tax refunds that commenced in the last half of the year. The amplification in total PSCE growth was reflected in higher growth rates for instalment sale and leasing credit and other loans and advances, during the period under review compared to their 2023 levels.

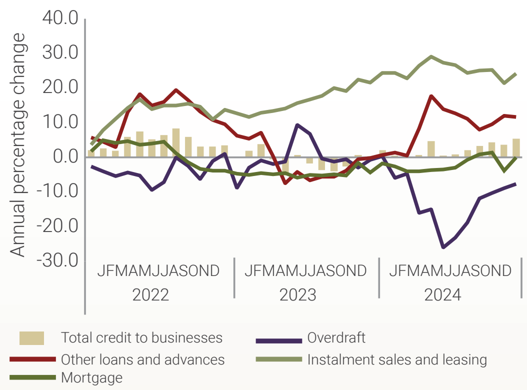
Figure B.11 a-c

CREDIT DEVELOPMENTS

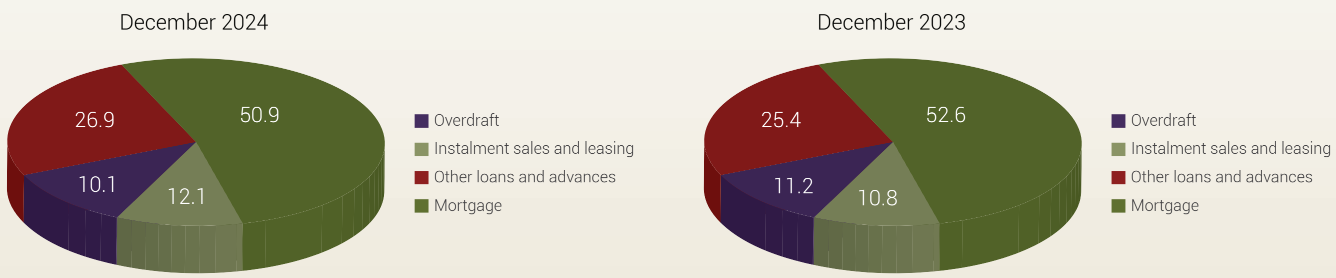
(a) Growth in credit extended to households rose slightly in 2024 compared to 2023.



(b) Growth in total credit extended to corporations increased in 2024 relative to the previous year.



(c) As they had been in 2023, mortgage loans continued to be the main contributor to total PSCE in 2024, followed by overdraft, and instalment sales and leasing.



[B1] Private sector in section B is slightly different from that compiled under section C of this report.

Growth in credit extended to households rose moderately in 2024 in relation to 2023 levels, reflected mainly in instalment sales and leasing and other loans and advances. The annual growth in total credit extended to households rose slightly to 3.1 percent in 2024, from 3.0 percent in 2023 (Figure B.11a). This increase was reflected in other loans and advances, which recorded a boosted growth rate of 8.0 percent in 2024, relative to a moderate growth of 0.2 percent registered in 2023. An additional factor that contributed to the higher rate of credit extended to households for 2024 relative to the prior year was reflected in instalment sales and leasing credit with growth that rose to 9.7 percent in 2024 compared to 5.4 percent recorded in 2023.

Credit extended to corporates also increased in 2024, due to higher demand for other loans and advances. On an annual basis, growth in total credit extended to businesses increased to 5.4 percent in 2024 from 0.4 percent the previous year (Figure B.11a). The improved growth observed in credit extended to businesses was mainly reflected in increased credit uptake in the form of other loans and advances, which grew by 11.6 percent in 2024 relative to a contraction of 0.2 percent recorded in 2023.

In 2024, mortgage credit continued to account for more than half of the total PSCE in Namibia, as banks remained significantly exposed to mortgages. The share of mortgage credit in total PSCE stood at 50.9 percent in 2024, which marked a decline of 1.7 percentage points relative to 2023, yet it still constituted the largest component of total PSCE. The components other loans and advances, and instalment sales and leasing credit ranked second and third, contributing 26.9 percent and 12.1 percent, respectively, while overdraft contributed 10.1 percent in 2024, slightly down from 11.2 percent a year earlier (Figure B.11c). The rise in the share of instalment sale and leasing credit reflects a marginal improvement in the demand for vehicles since 2023.

Credit extended to businesses

On an annual basis, growth in total credit extended to businesses increased from...

2023	2024
0.4%	5.4%

Other/Non-bank Financial Corporations [B2]

Total assets of Other/Non-Bank Financial Corporations (OFCs) rose in 2024. The total asset value of OFCs stood at N$266.4 billion at the end of 2024, representing an increase of 17.5 percent relative to the 2023 total. The absolute size of the pension funds continued to dominate the OFCs sector, with a net equity of households amounting to N$145.5 billion of at the end of 2024, while the net equity of households in life assurance amounted to N$35.6 billion during the same period (Table B.4).

Table B.4

KEY FINANCIAL AGGREGATES (N$ MILLION AT END OF PERIOD) [B3]

Category	2022	2023	2024
1. Bank of Namibia (BoN)			
Bank of Namibia total asset value	53,014	61,924	71,245
Net foreign assets	41,365	47,474	55,305
Claims on other sectors	117	171	167
2. Other depository corporations			
Other depository corporations total asset value	216,152	232,023	250,233
Net foreign assets	13,641	24,239	25,859
Claims on other sectors	113,762	118,091	124,410
of which: individuals	64,879	66,727	68,760
businesses	46,238	47,440	49,396
3. Depository corporations survey (1+2=3)			
Depository corporations total asset value	269,165	293,947	321,478
Net foreign assets	55,005	71,713	81,165
Net domestic assets	144,956	146,713	153,484
of which: Claims on individuals	64,997	66,898	68,926
Claims on businesses	46,238	47,440	49,396
Broad money supply	129,958	143,800	157,721
4. Other financial corporations survey			
Other financial corporations total asset value	226,029	226,826	266,441
Net foreign assets	95,766	98,948	115,571
Claims on other sectors	19,452	18,118	28,504
Insurance technical reserves	186,379	200,109	197,092
5. Financial corporations survey (3+4=5)			
Financial corporations total asset value	495,194	520,773	587,919
Net foreign assets	152,442	170,661	196,736
Net domestic assets	185,462	188,728	208,649
Insurance technical reserves	186,379	200,109	197,092
Net equity of households in life insurance	30,164	32,330	35,556
Net equity of households in pension funds	142,419	152,817	145,501
Prepayments of premiums	13,797	14,961	16,035

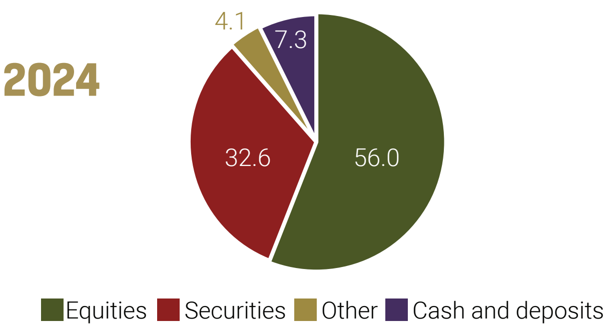
[B2] The OFC sub-sector reported herein consists of a sample of resident pension funds, insurance corporations and development finance institutions.
[B3] The values in Tabe B.4 are as at the end of the period and not year averages.

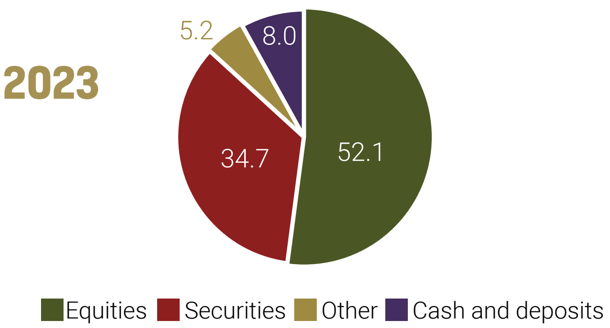
The net foreign assets (NFA) of OFCs increased in 2024. The sector's NFA stood at N$115.6 billion at the end of 2024, higher than the N$98.9 billion registered at the end of the preceding year (Table B.4). This brought the total net foreign assets of the financial corporations to N$196.7 billion at the end of 2024 - further indicating the significance of the non-banking financial institutions in the Namibian financial sector.

Figure B.12

ASSET HOLDINGS OF NON-BANK FINANCIAL INSTITUTIONS AS AT 31 DECEMBER

With regard to asset allocation, equities remained the most preferred asset class into which OFC funds were channelled during 2024.





Equities remained the preferred asset class into which OFC funds were channelled during 2024. Figure B.12 shows that 56.0 percent of OFC funds were invested in equities in 2024, which aligns with the long-term investment goals of pension funds. This preference is due to equities typically offering higher long-term growth, although they can be relatively volatile. The next largest component of asset holdings comprised interest-bearing securities which accounted for 32.6 percent of investments during the reporting period. This securities class was followed by cash and deposits with a 7.3 percent share of the pie, while other assets took up a 4.1-percent share.

Banking System Liquidity

The Namibian banking industry cash holdings moved lower on average in 2024 compared to the preceding year. The banking industry's cash holdings show funds that can be used for settlement purposes, whether domestically or in accounts held in South Africa. In this regard, the banking industry's cash holdings averaged N$7.1 billion in 2024, down from N$8.2 billion recorded during 2023 (Figure B 10c). The reduction in the cash holdings was mainly attributed to the increase in the government's domestic borrowing requirement which increased by 41.7 percent in FY2024/25 compared to N$10.7 billion during FY2023/24 as well as comparatively lower diamond sales proceeds. Furthermore, 2024 continued to see strong national imports, which served as a drag on the overall domestic liquidity position.

Overall industry liquidity, however, remained elevated compared to five years ago. Figure B.10c shows that liquidity hovered between N$2.0 billion and N$4.0 billion in 2019. After remaining relatively low during the pandemic period, liquidity shot up in 2023 after the Heineken acquisition of Namibia Breweries and has remained above average since then. The banking sector maintained a favourable liquid asset ratio averaging 20.4 percent during 2024, well above the 10.0 percent prudential requirement.

Money Market Developments

The Bank of Namibia's Monetary Policy Committee (MPC) reduced the Repo rate by a cumulative 75 basis points during 2024, resulting in lower money market rates. Following a 14-month policy rate plateau at 7.75 percent and taking cognisance of the progress that had been made in reducing inflation, the MPC reduced the Repo rate by 25 basis points in August 2024 to 7.50 percent; and by the same magnitude again in October 2024 and December 2024 to 7.25 percent and 7.00 percent, respectively. These decisions were deemed appropriate to support domestic economic growth, while maintaining the one-to-one peg between the Namibia Dollar (NAD) and the ZAR. As a result, the prime lending rate of the commercial banks was also adjusted downward, ending the year at 10.75 percent in December 2024. In line with the falling policy rates, the banks' average lending rate declined to 10.31 percent at the end of 2024, compared to 11.19 percent at the end of the previous year. Adjusting more slowly, the average deposit rate ended lower at 5.22 percent at end of 2024 relative to 5.33 percent at the end of 2023 (Figure B 10d).

Interbank Market Activity

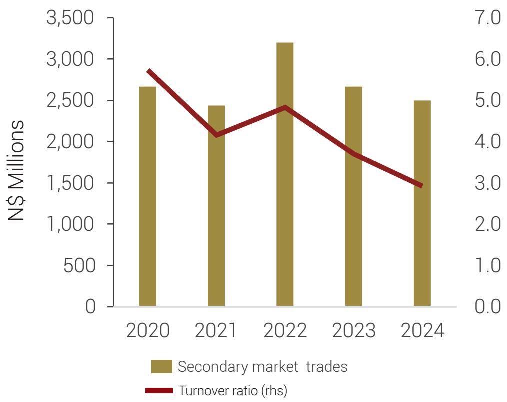
The value of transactions in the interbank market rose during 2024 compared to the prior year. The local interbank market recorded transactions valued at N$27.3 billion in 2024, which indicates a N$5.4 billion increase from N$21.9 billion observed in 2023. The highest amounts traded in the interbank market during 2024 were N$4.7 billion and N$3.2 billion in September and June, respectively. The least traded month was December, with N$1.0 billion worth of transactions.

Bond Market Developments

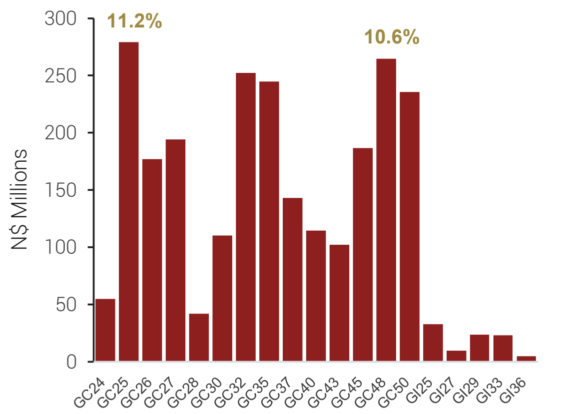
Figure B.13 a-c

BOND MARKET DEVELOPMENTS

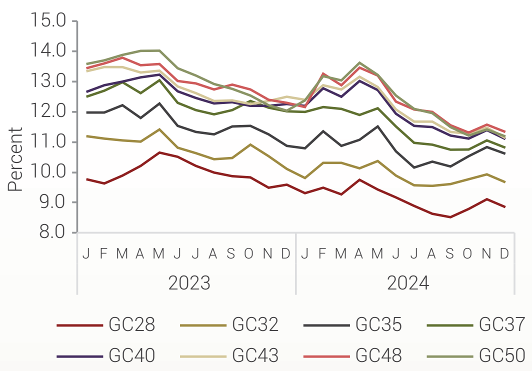
(a) The trade volumes of Government bonds in the secondary market decreased during 2024, resulting in a lower turnover ratio.



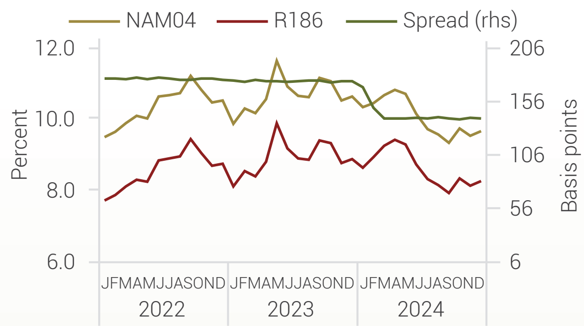
(b) The GC25 and GC48 were the most traded bonds in 2024.



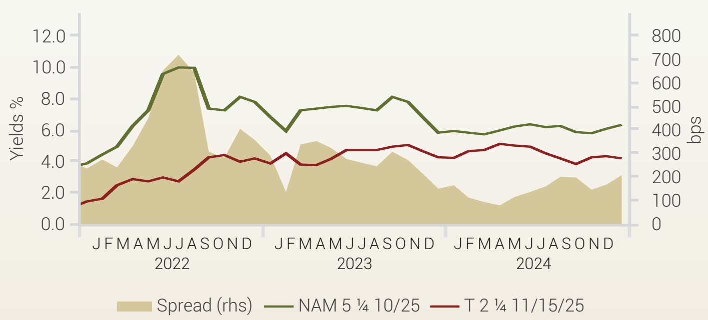
(c) As inflation slowed, Government bond yields declined during 2024 more evident at the longer end of the yield curve.



(d) The yield on the NAM04 decreased by more than the benchmark South African bond, resulting in a narrowing in spreads.



e) The yield on the Namibian 2025 Eurobond decreased in 2024, while the yield on its US benchmark (T 2 ¼ 11/15/25) increased, resulting in a narrower spread compared to 2023.



Source: NSX, Bloomberg

Government Domestic Bonds

In line with the increased FY2024/25 fiscal year borrowing requirements, the value of outstanding domestic public debt increased in 2024. The outstanding Government bond debt increased by 15.8 percent from N$72.1 billion at the end of 2023 to N$83.5 billion by the end of December 2024. Of this amount, 88.7 percent were fixed-rate bonds, while the inflation-linked bonds accounted for the remaining 11.3 percent. As a percentage of GDP, domestic debt declined on yearly basis by 0.5 percentage points, reflecting lower ratios of both government bonds and Treasury bills to GDP of 0.1 percentage point and 0.4 percentage point, respectively. Demand for government bonds was fairly spread across the curve during the year, with notable interest in the GC27 and GC50 bonds. The Government continued to conduct switch auctions for its near-term maturing bonds to relieve cash flow pressures during bond redemptions. Switch auctions took place for the GC24 and the GC25 in 2024. After this switching activity, N$1.3 billion remained and was redeemed for the GC24 upon maturity, while the outstanding balance on the GC25 was reduced from N$2.2 billion at the beginning of the year to N$1.9 billion at year-end.

Government Bond Yields

In 2024, Government bond yields dropped as overall market interest rates fell and demand for bonds remained robust. Lower inflation prints in 2024 and the expectation of lower inflation in the future informed yield movements that tapered over 2024. The GC48 and GC50 recorded the highest drop in average yields, from 13.3 percent in 2023 to 12.3 percent in 2024. This was followed by the GC37, which decreased to 11.4 percent from 12.4 percent during the period under consideration (Figure B.13). Notably, monetary policy interest rates have declined in South Africa by (cumulatively) 50 bps, while Namibian monetary policy rates have been reduced by 75 bps in 2024.

Spreads

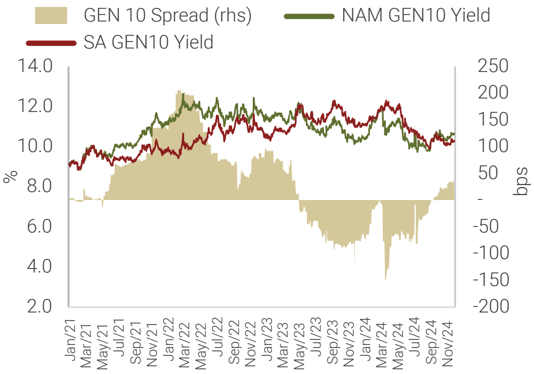
During 2024, the yield spreads between Nambian government bonds and the corresponding South African instruments shifted from negative territory into positive territory. The shift was mainly on the back of the bond rally in South Africa, following improved investor sentiment after the formation of the Government of National Unity (GNU) and more stable electricity supply. More so, in response to interest rate cuts, benchmark yields dropped materially given the liquid South African bond market. In January 2024, spreads across the belly of the curve were negative, averaging 50bps below South Africa. Meanwhile, spreads on your GC48 and GC50 were positive, trading 22bps and 30bps above South Africa, respectively (Figure B.14). By December 2024, spreads at the belly of the curve had shifted positive, trading 16bps higher than South Africa. Meanwhile, at the curve's tail end, spreads remained more or less unchanged, hovering between 20 and 25bps higher than in South Africa. Spreads on the short end of the curve were highly volatile. They moved deeply negative by mid-year to 100bps below South Africa before rebounding to the same levels as at the beginning of 2023 of - 6bps below South Africa.

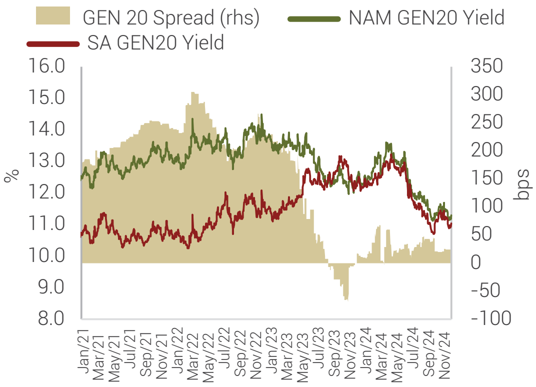
Compared to historical periods, spreads remained tight despite the reversal in trend observed during 2024. Spreads were hovering between 20 to 25bps versus +100bps a few years ago.

Figure B.14

SPREADS BETWEEN NAMIBIAN GOVERNMENT BONDS AND SOUTH AFRICAN BENCHMARK BONDS

Yield spreads between the Namibian Government bonds and their respective South African (SA) benchmarks narrowed in 2024.





Source: IJG, Bank of Namibia

Secondary Market Activities

The Namibian Stock Exchange (NSX) registered a decline in the secondary market trading of government bonds for 2024. Government bonds in the secondary market recorded a decrease in the value of instruments traded from N$2.7 billion observed in 2023 to N$2.5 billion during the period reviewed. This decline in trade volumes coincides with the increased government bonds issuance in the primary market. As such, the turnover ratio stood at 2.9 percent from the ratio of 3.7 percent recorded in 2023. The GC25 recorded the highest number of trades, accounting for 11.2 percent of the total value of trade recorded during the period under review, trailed by the GC48 and GC32 with 10.6 percent and 10.1 percent, respectively (Figure B.13a).

Corporate Bonds

The value of corporate bonds outstanding declined over the year to the end of 2024. In this regard, the stock of bonds issued by Namibian corporates listed on the Namibian Stock Exchange (NSX) and the Johannesburg Stock Exchange (JSE) declined by N$26.0 million from a total of N$7.4 billion in 2023. The total value of corporate bonds comprised 93.6 percent of instruments listed on the NSX, and the remaining 6.4 percent were listed through issuance on the JSE. The registered decline in corporate bonds for 2024 was mainly due to the maturing of several bonds and fewer new bond issuances.

In terms of the overall issuance during the year, commercial banks issued the highest amount with corporate bonds worth N$6.0 billion, followed by other corporates with N$1.3 billion, while state-owned enterprises (SOEs) issued N$130.0 million.

Namibian Eurobond

During the period under review, the average yield on the Namibian 2025 Eurobond decreased. The yield dropped from an average of 7.2 percent in 2023 to 6.1 percent in 2024 (Figure B.13e). The average spread to the US benchmark bond contracted to 153 basis points from 268 basis points in the preceding year. Recall yields drifted higher in the US, as the Fed reduced its holdings of bonds, pushing yields higher despite policy rate cuts.

Namibia's JSE-listed bonds

The yield on the JSE-listed Namibian Government bond, the NAM04, declined in 2024. In this regard, the NAM04 yield averaged 10.1 percent, down from 10.7 percent observed in 2023. Similarly, yields on the R186 declined by 31 basis points from 8.9 percent registered during 2023 to 8.6 percent for the period reviewed (Figure B.13d). As a result, the NAM04 spread against its South African counterpart narrowed from an average of 175 basis points the previous year to 144 basis points in 2024.

Equity Market Developments

Table B.5

NSX SUMMARY STATISTICS

Category	2022	2023	2024	Percentage change
Overall				
Index (end of year)	1 631	1 633	1 801	10.3
Market capitalisation (N$ million) (end of year)	2 268 308	2 205 684	2 440 625	10.7
Free-float market capitalisation (N$ million) (end of year)	1 921 206	1 876 846	1 611 900	-14.1
Volume traded ('000)	49 403 174	12 256 461	7 059 325	-42.4
Value traded (N$ million)	2 911	569	613	7.7
Number of deals	427	395	350	-11.4
Number of new listings	0	0	0	0.0
Local				
Index (end of year)	507	672	691	2.9
Market capitalisation (N$ million) (end of year)	36 568	44 088	46 385	5.12
Volume traded ('000)	1 605	1 266	5 349	322.5
Value traded (N$ million)	32 847	15 010	69 486	362.9
Number of deals	77	112	98	-12.5
Number of new listings	0	0	0	0.0

Source: Namibian Stock Exchange and Johannesburg Stock Exchange Limited

Both the NSX Overall and Local indices edged higher during 2024 in relation to their 2023 levels. At the end of 2024, the Overall Index increased by 13.5 percent to 1 853.06 index points compared to 1 633.32 at the end of 2023 (Figure B.10e). This year-on-year increase was sustained by a strong rally in the South African stock market following the formation of the Government of National Unity, after the country's general elections in May 2024.

The increase in the Overall Index was in line with the performance of the global stock market, which rose due to eased financial conditions which were supported by reduced interest rates. Similarly, the Local Index increased by 2.8 percent to close at 690.56 index points at the end of 2024, relative to 672.73 index points registered at the end of 2023. (Table B.5). The market capitalisation of the Overall Index increased over the year to N$2.44 trillion at the end of 2024, relative to N$2.20 trillion at the end of the previous year.

PUBLIC FINANCE

Budget Balance

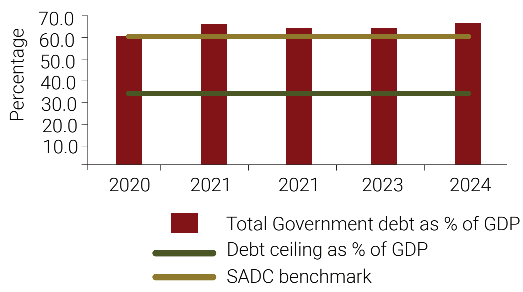
While both expenditure and revenue increased notably in FY2024/25, the March 2025 Budget estimates show that government revenue for FY2024/25 has been revised downwards from earlier estimates while expenditure was kept unchanged, thereby resulting in a further widening of the budget deficit. Government revenue for the FY2024/25 was revised downwards by 1.3 percent to N$90.9 billion in the March 2025 main budget statement by the Minister of Finance and Social Grants Management. The downward adjustment was attributed to a significant reduction in the dividends from SOEs, which declined by 75.7 percent to N$561 million. This was largely due to the poor outcome from Namdeb Holdings, coupled with the deferment of N$1.6 billion from the dissolution of Namibia Post and Telecommunication Holdings. Meanwhile, Central Government expenditure was left unchanged from earlier estimates, resulting in a revised budget deficit of 3.9 percent of GDP, up from 3.2 percent estimated by the Minister in both February 2024 and October 2024. When compared to the previous fiscal year, Central Government revenue increased by 11.5 percent to N$90.9 billion and expenditure by 15.9 percent to N$101.4 billion in 2024/25. The budget deficit at 3.9 percent of GDP compared with 2.4 percent in 2023/24 suggests a moderate easing of fiscal policy. The widening deficit is primarily due to rapid growth in expenditure necessary to cover unforeseen and unavoidable costs, such as drought relief, social grants, and funding for the University of Namibia and the Namibia Students' Financial Assistance Fund. Despite significant tax refunds and relief measures, revenue for the 2024/25 period is also estimated to have increased at a double-digit pace, largely driven by strong SACU revenue, VAT receipts, and increased income tax collections from individuals. This can be linked to higher domestic demand due to enhanced economic activity and improved compliance with tax regulations. Looking ahead, the March 2025 Budget provides for a moderate further widening of the budget deficit to 4.6 percent of GDP in 2025/26.

Central Government Debt

The Central Government's debt stock rose over the year to the end of December 2024, mainly due to a rise in domestic debt. Total Government debt stock stood at N$164.1 billion at the end of December 2024, representing an increase of 10.6 percent during the year under review (Figure B.18) and (Table B.6). The increase in the domestic debt on a yearly basis was driven by a rise in the issuance of both Treasury Bills (TBs) and Internal Registered Stock (IRS). Meanwhile, external debt declined owing to exchange rate appreciation. Total debt as a percentage of GDP stood at 65.3 percent at the end of December 2024, representing a increase of 1.4 percentage points from a year earlier, remaining above the SADC benchmark of 60 percent of GDP. Meanwhile, total Central Government debt service rose by 17.5 percent to N$12.4 billion during the year under review (Table B.6).

Figure B.15

CENTRAL GOVERNMENT DEBT



Source: MFPE

Table B.6

CENTRAL GOVERNMENT DEBT AS AT 31 DECEMBER 2024 (N$ millions)

Value (N$ million) / %	2020	2021	2022	2023	2024
Fiscal year GDP	**176,505**	**188,856**	**211,119**	**232,939**	**251,263**
Foreign debt stock	**33,065**	**32,488**	**34,095**	**37,305**	**37,931**
Bilateral	2,804	2,792	2,504	4,220	6,024
As % of total	8.5	8.6	7.6	11.3	15.9
Multilateral	9,942	15,723	18,376	18,830	17,473
As % of total	30.1	48.4	46.9	50.5	46.1
Eurobond	18,277	11,930	12,722	13,921	14,099
As % of total	55.3	36.7	39.5	37.3	37.2
JSE Listed bond	2,042	2,042	492	335	335
As % of total	6.2	6.3	6.0	0.9	0.9
Total debt service	**7,179**	**14,005**	**10,144**	**10,578**	**12,424**
Domestic debt service	3,443	3,119	6,077	6,912	7,313
Foreign debt service	3,736	10,886	4,067	3,666	5,111
Domestic debt stock	**73,773**	**91,844**	**103,362**	**111,526**	**126,119**
Treasury bills	27,330	31,765	35,109	37,483	41,956
As % of total	37.0	34.6	34.0	33.6	33.3
Internal registered stock	46,443	60,079	68,253	74,043	84,163
As % of total	63.0	65.4	66.0	66.4	66.7
Total Central Government debt	**106,838**	**124,332**	**137,457**	**148,831**	**164,051**
Proportion of total debt					
Foreign debt stock	30.9	26.1	24.8	25.1	23.1
Domestic debt stock	69.1	73.9	75.2	74.9	76.9
As % of GDP					
Foreign debt stock	19.0	17.7	16.1	16.0	15.1
Domestic debt stock	42.3	50.1	48.7	47.9	50.2
Total debt	**61.2**	**67.8**	**64.8**	**63.9**	**65.3**

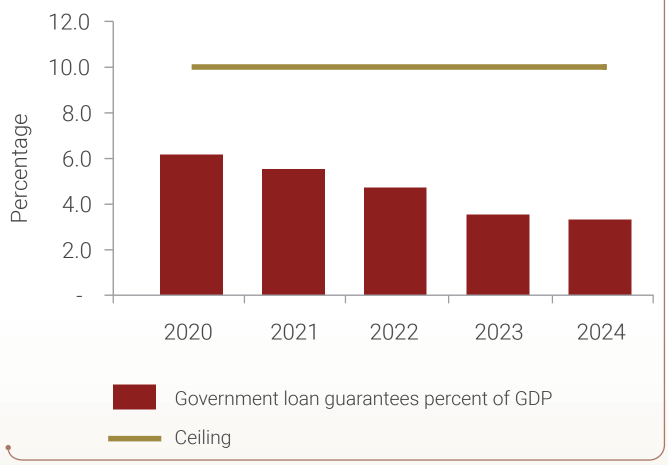
Sources: MFPE, BoN and NSA

Central Government Loan Guarantees

Total Central Government loan guarantees rose at the end of December 2024 compared to the corresponding period in 2023. Central Government's total loan guarantees rose to N$8.9 billion during the period under review. The rise was ascribed to the disbursement of domestic loan, which were guaranteed in the energy sector. Meanwhile, foreign loan guarantees declined by 1.9 percent, attributed to the repayments of some loans that were guaranteed by Government to public institutions in the transport and communication sectors. As a percentage of GDP, total Central Government loan guarantees declined by 0.2 percentage point to 3.3 percent during the quarter under review. At this ratio, total loan guarantees remained well below the Government's set ceiling of 10.0 percent of GDP, which signifies a low contingency liability risk.

Figure B.16

CENTRAL GOVERNMENT LOAN GUARANTEES



Source: MFPE

EXTERNAL SECTOR DEVELOPMENTS

BALANCE OF PAYMENTS OVERVIEW

Namibia's financial account inflows during 2024 were not only sufficient to cover the current account deficit, but also to cater for repayment of liabilities related to reserves. The current account deficit widened further than its 2023 levels, amounting to N$37.6 billion by the end of 2024 (Table B.8). Nonetheless, the deficit was more than fully offset by N$43.2 billion in non-reserve-related inflows in the financial account, mainly in the form of direct investment and other investment. Given the surplus in financing the above current account deficit, the overall balance of payments – before reserve action – registered a surplus of N$11.5 billion. This was sufficient to cater for the partial repayment of N$1.1 billion of the Rapid Financing Instrument to the IMF, and to boost the country's gross reserves by N$10.3 billion. As a result, Namibia was a net borrower from the rest of the world to the tune of N$31.7 billion in 2024 (Table B.8).

TABLE B.7

BALANCE OF PAYMENTS OVERVIEW (N$ MILLION) [B4]

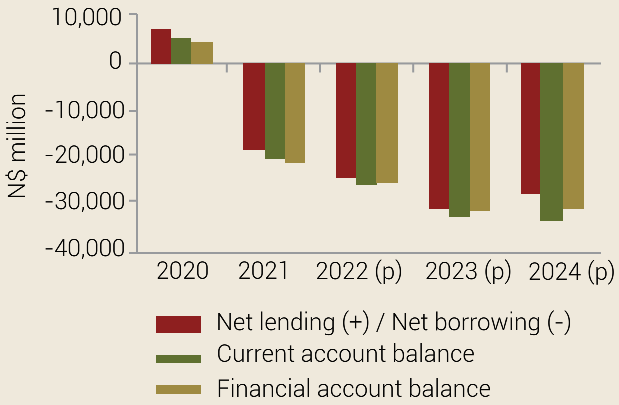
Balance of payments overview	2023	2024
1. Current account (deficit -)	-34 919	-37 621
2. Capital transfer (inflow +)	2 478	2 968
3. Financial account excluding reserve action (outflow -, inflow +)	36 436	43 230
4. Unidentified transactions (outflow -, inflow +)	662	2 905
5. Balance of Payments before reserve action = (1+2+3+4)	**4 657**	**11 481**
6. Reserve action: Foreign liabilities related to reserves	0	-1 147
7. Gross reserves (increase +, decrease -) = (5+6)	**4 657**	**10 334**
8. Net borrowing (+) with reserve action = (3+6-7)	31 780	31 748

[B4] The sign convention in this "additive flow" overview table differs from the sign convention in the statistical tables at the back of the Quarterly Bulletin reports and those released on the Bank of Namibia website. This table makes it analytically easier for the readers, by building up the organic balance of payments flows reaching the authorities and showing how reserves, along with reserve-related loans, are used to finance or absorb the balance of payments transactions above the line.

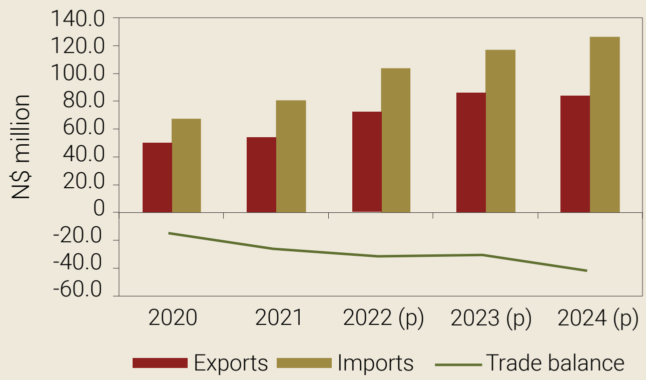
Figure B.17 a-f

EXTERNAL DEVELOPMENTS

(a) During 2024, Namibia recorded a net borrowing position from the rest of the world in line with the deficit recorded on the current account.

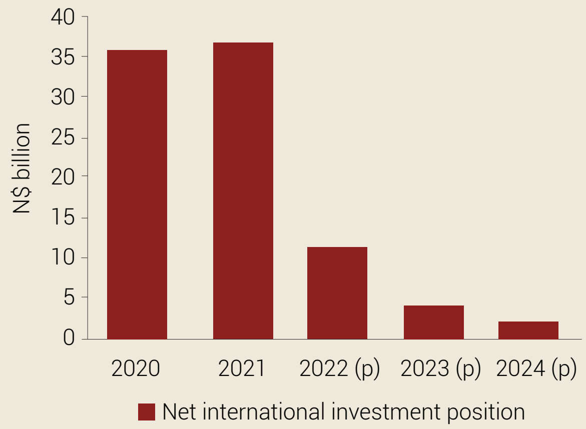


(b) The merchandise trade deficit widened notably during 2024, driven particularly by further growth in import payments while export receipts decreased somewhat.

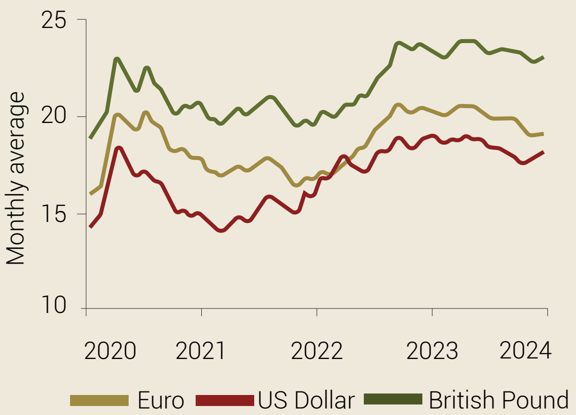


(c) During 2024, the stock of foreign reserves rose, largely attributable to SACU receipts and foreign government borrowing.

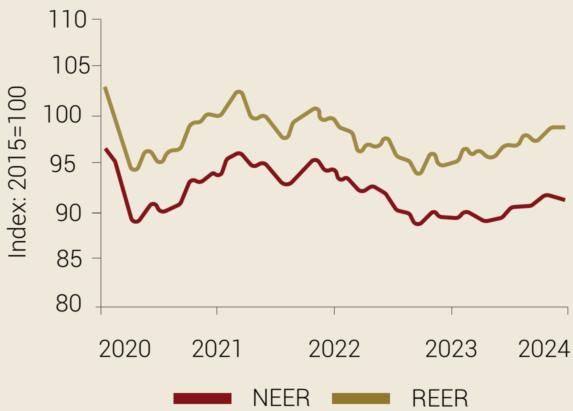
(d) At the end of 2024, Namibia's external balance sheet recorded a lower net asset position when compared 2023.



(e) During 2024, the NAD/ZAR strengthened against major trading currencies triggered by better electricity supplies in South Africa and positive sentiment about the formation of the Government of National Unity in that country after its 2024 general elections.



(f) The nominal effective exchange rate (NEER) and real effective exchange rate (REER) both appreciated during 2024, indicating a loss in the Namibian products' trade competitiveness in international markets.



Note: p in this section stands for provisional

TABLE B.8

EXTERNAL VULNERABILITY INDICATORS

	2020	2021	2022	2023	2024
Solvency (percentage)					
Gross external debt/Gross domestic product (GDP)	69.1	74.1	74.4	76.3	76.3
Gross external debt/Exports of goods and services	189.5	210.6	173.3	165.2	173.7
External debt service/Exports of goods and services	34.1	45.3	35.9	41.0	39.5
Current account balance/GDP	3.2	-11.2	-12.6	-15.3	-15.3
Current account balance/GDP excluding oil and gas exploration and appraisal-related transactions	4.2	-8.8	-9.1	-3.7	-5.0
Reserves adequacy					
Reserves/Imports of goods and services (months)	4.8	5.5	4.7	3.8	4.2
Reserves/Imports of goods and services excluding oil and gas exploration and appraisal-related imports (months)	N/A	N/A	N/A	4.3	5.1
Reserves/Broad money liabilities (percent)	25.5	33.8	36.6	37.0	39.9
Reserves/Short-term external debt (ratio)	2.8	3.8	2.3	2.2	2.3

CURRENT ACCOUNT

Namibia's current account deficit deteriorated further, primarily due to a widening merchandise trade deficit. The current account deficit expanded to N$37.6 billion in 2024 from N$34.9 billion recorded in the preceding year (Figure B.17a). This was due to higher import payments and slightly lower export earnings during the period under review. The current account deficit could have been higher, but it was partially offset by lower net outflows on the primary income account and higher SACU receipts. As a ratio of GDP, the current account deficit remained unchanged at 15.3 percent during 2024 and 2023. The current account deficit as a ratio of GDP excluding hydrocarbon exploration and appraisal-related transactions widened to 5.0 percent during 2024 compared to 3.7 percent in 2023, largely reflecting the decrease in exports, particularly diamond exports, coupled with an increase in the import bill.

Merchandise trade balance

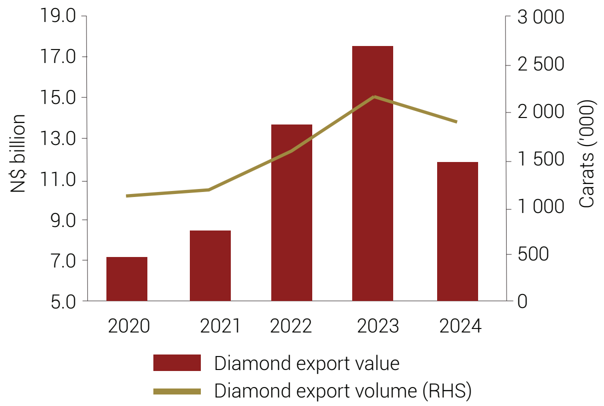
During 2024, Namibia's merchandise trade deficit widened notably as merchandise imports rose further while exports edged lower. The considerable expansion of 39.0 percent from 2023 levels pushed the trade deficit to a record high of N$39.7 billion in 2024 (Figure B.17b). This increase was primarily driven by higher import payments, which grew by 8.1 percent to N$123.8 billion, reflecting increased expenditures across all import categories, with the exception of mineral fuels. This wider deficit was exacerbated by a decline in export earnings, which decreased by 2.2 percent year-on-year to N$84.1 billion. This decline was largely attributed to a notable reduction in the earnings from both rough and processed diamond exports. The merchandise trade deficit was partially offset by a 30.4 percent increase in gold export earnings compared with 2023 levels, reaching N$14.6 billion in 2024.

Exports

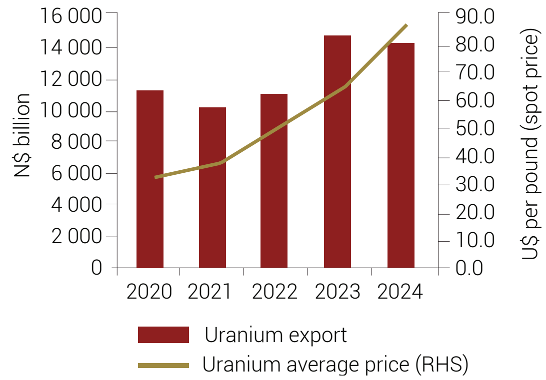
Figure B.18 a-f

EXPORT COMMODITIES

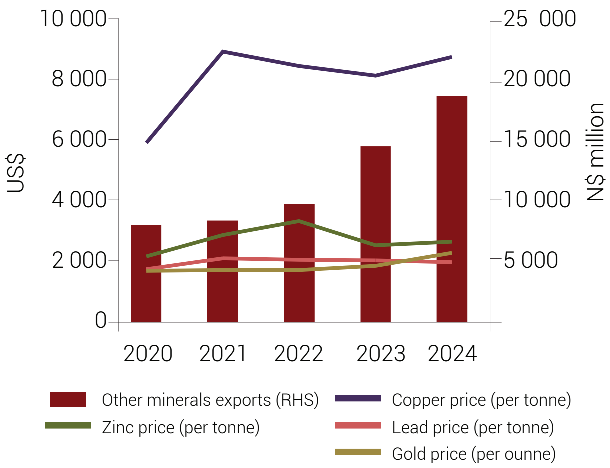
(a) Rough diamond export earnings declined during 2024 compared to their 2023 levels, reflected in lower export volumes, partly owing to an oversupply in the midstream coupled with low demand and lower realised prices.



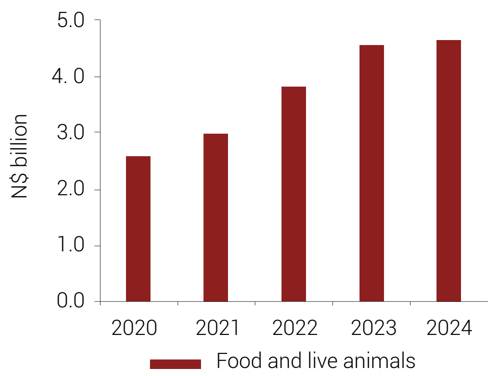
(b) Export earnings from uranium declined marginally during the period under review, attributable to lower volumes exported amid shipping delays experienced in the final quarter of the year.



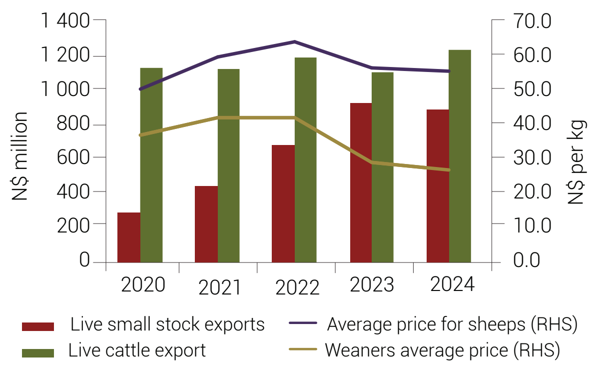
(c) The value of other mineral exports rose due to higher volumes of gold exported.



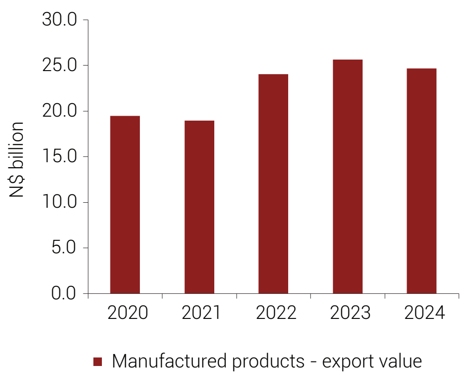
(d) Export earnings from food and live animals improved during 2024 on account of higher income from weaners and grapes.



(e) During 2024, the average price of sheep and weaners fell in comparison to 2023 levels.



(f) Compared with figures recorded for 2023, the value of manufactured exports declined during 2024, mainly due to lower export receipts from polished diamonds.



Mineral exports

Rough diamonds

Export earnings from rough diamonds declined year-on-year, driven by reduced export volumes and lower realised prices. The value of these exports fell by 32.9 percent to N$11.9 billion versus related export values in 2023 (Figure B.18a). The drop was mainly due to lower export volumes and realised prices. Underlying the decline was the weakened global demand from key downstream markets, including the US and China, as well as lower realised prices exacerbated by intense competition from laboratory-grown equivalents and an oversupply of rough diamonds in the midstream.

Uranium

Export earnings from uranium declined during the period under review relative to 2023. Uranium export revenues declined by 3.3 percent, reaching N$14.5 billion (Figure B.18b) during the reporting year, primarily driven by lower export volumes, despite a rise in spot and realised prices. In the spot market, the average international price of uranium rose by 36.2 percent to reach USD85.14 per pound. This escalation is linked to the growing global demand for nuclear energy as an alternative to carbon-emitting power sources.

Other mineral exports

The value of other mineral exports rose, supported by higher gold volumes exported combined with record-high gold prices during the review period. Export earnings from other minerals increased by 28.4 percent to N$19.4 billion during 2024 (Figure B.18c). This boost was fuelled by higher gold volumes exported from the high-grade ore mined, coupled with higher international gold prices. Thus, export receipts from gold increased significantly by 30.4 percent compared to their levels in 2023, to reach a record high of N$14.6 billion. Meanwhile, the average international price of gold also rose by 22.9 percent to USD2 388 per ounce due to increased demand for safe-haven assets owing to weaker global economic prospects and heightened uncertainty induced by geopolitical tensions.

Non-mineral exports

Food and live animals

Export earnings from food and live animals rose marginally year-on-year on the back of increased earnings from weaners and grapes (Figure B.20d). Foreign earnings from food and live animals rose slightly by 1.8 percent from 2023 levels to N$4.6 billion in 2024. Greater receipts from weaners and grape exports saw respective increases of 11.6 percent and 13.1 percent, reaching N$1.2 billion for weaners and N$1.5 billion for grapes. The rise in weaner export earnings was driven by improved marketing efforts, largely influenced by concerns over drought conditions. Meanwhile, the increase in grape exports was primarily due to higher export volumes, particularly to Europe.

In 2024, the average prices of weaners and sheep fell. These prices declined by 7.5 percent and 1.6 percent to N$25.49 and N$52.71 per kilogram, respectively, compared with their counterpart averages in the previous year (Figure B.18e). The lower annual sheep and weaner prices were attributable to higher animal supply due to drought-induced marketing.

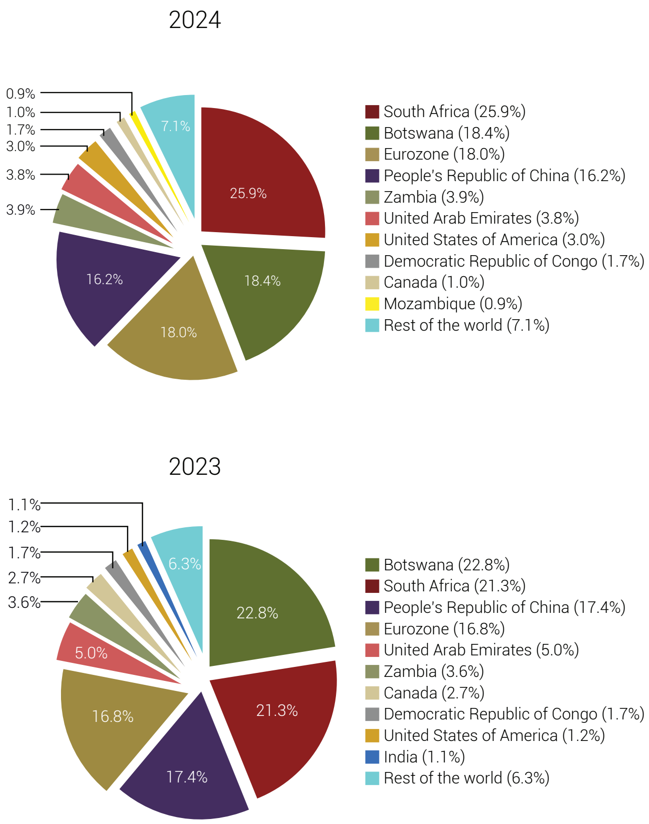
Manufactured exports

The value of manufactured exports was lower in 2024 than in 2023, mainly on account of depressed earnings from polished diamonds. The value of these exports declined by 3.8 percent year-on-year to N$24.7 billion (Figure B.18f), driven mainly by a 24.4 percent drop to N$5.4 billion in receipts from polished diamonds. This was attributable to reduced export volumes due to less demand from key markets such as China and the US as well as oversupply in the midstream.

Figure B.19

EXPORTS BY DESTINATION

Namibia's exports were largely destined to South Africa, Botswana, the Eurozone, China, and Zambia during 2024.



Source: Namibia Statistics Agency

The bulk of Namibia's merchandise exports during 2024 were absorbed by South Africa, Botswana, the Eurozone, China and Zambia. Year on year, Botswana lost its first position of Namibia's exports to South Africa, with the share decreasing from 22.8 percent in 2023 to 18.4 percent in 2024, largely due to a fall in export receipts from rough diamonds. South Africa's share of Namibia's merchandise exports rose to 25.9 percent from its 2023 level, consisting mainly of higher gold, cattle and beverages exports. The third-largest share was taken up by the Eurozone, amounting to 18.0 percent, mainly in the form of uranium, fish, beef, wood charcoal and grapes. China's share, which comprised the fourth largest, declined from its 2023 level of 17.4 percent to 16.2 percent, largely made up of uranium as well as other commodities such as other minerals (marble), fish and beef. Zambia, on the other hand, absorbed a 3.9 percent share of Namibia's exports, largely in the form of fish and the re-export of mineral fuels, while the United Arab Emirates' share receded from its 2023 levels to 3.8 percent, largely underpinned by the fall in rough and polished diamond exports. Other significant export destinations during the review period included the US (3.0 percent), the Democratic Republic of Congo (1.7 percent), Canada (1.0 percent) and Mozambique (0.9 percent) (Figure B.19).

Imports

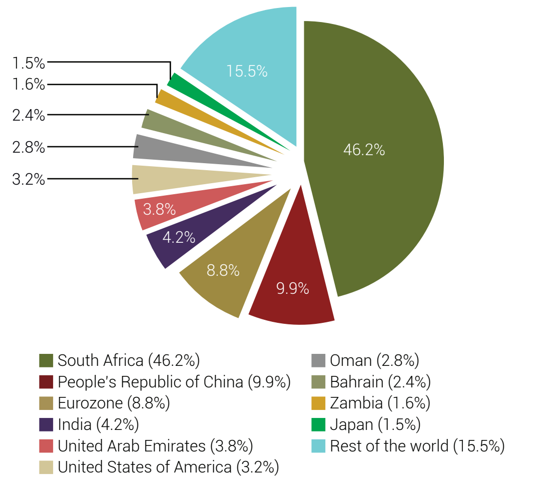
During 2024, the value of Namibia's imports rose, driven by higher growth in key import categories. Expenditure on merchandise imports rose by 8.1 percent to N$123.8 billion in 2024 when compared to 2023, reflecting increments in major import categories such as consumer goods; machinery, mechanical and electrical appliances; vehicles and parts; and products of the chemical industry. The increased consumer goods imports were related mainly to higher import payments for essential goods such as cereals, grains and sugar, whose increases were largely due to the drought. Meanwhile, the boost in imported machinery and products of the chemical industry was generally fuelled by a broad-based expansion in both the mining, telecommunications as well as the renewable sector.

Figure B.20

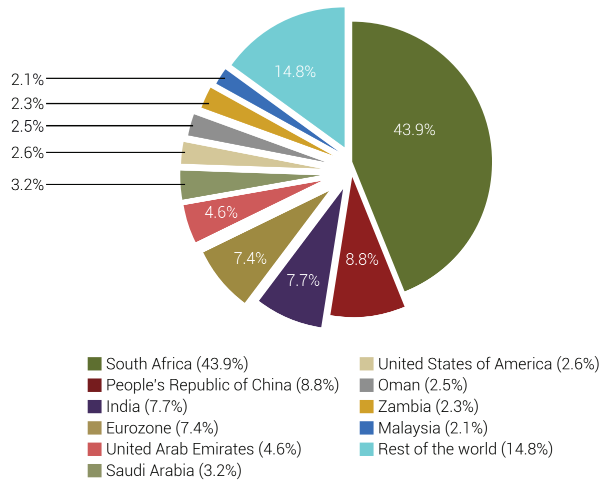
IMPORTS BY ORIGIN

Namibia's imports were largely sourced from South Africa, China, the Eurozone, India and the United Arab Emirates during 2024.

2024



2023



Source: Namibia Statistics Agency

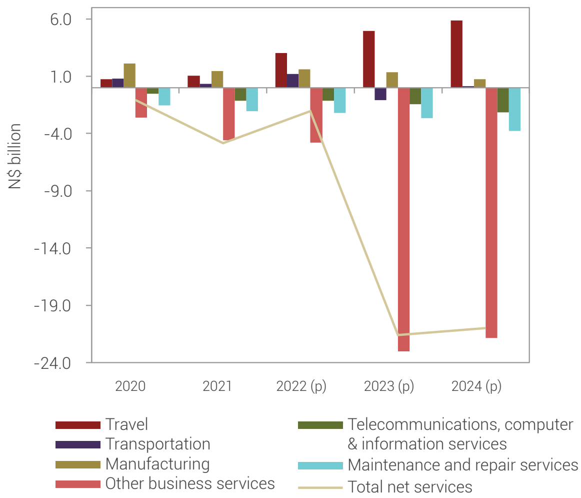
During 2024, Namibia sourced its imports primarily from South Africa, China, the Eurozone, India and the United Arab Emirates. South Africa's share of merchandise imports rose yearly from 46.2 percent recorded in 2023 to 46.3 percent during 2024 (Figure B.20). Namibia's main imports from South Africa included vehicles; machinery and mechanical appliances; articles of iron or steel; sugars; and cereals. China's share also increased slightly from 8.8 percent to 9.9 percent on the back of higher imports of machinery and mechanical appliances, electrical appliances; vehicles and parts as well as inorganic chemicals. The share of imports from the Eurozone took up the third-largest share of 8.8 percent, with major products including machinery and mechanical appliances; vehicles and parts; mineral fuels and pharmaceutical products. India's share dropped from a share of 7.7 percent during 2023 to 4.2 percent during 2024 mainly due to the decline in the import of mineral fuels. The United Arab Emirates contributed 3.8 percent of Namibia's total imports during 2024, with the main products comprising mineral fuels; machinery, and mechanical appliances. Other suppliers of merchandise imports included the United States (3.2 percent), Oman (2.8 percent) Bahrain (2.4 percent), Zambia (1.6 percent), and Japan (1.5 percent) (Figure B.20).

Services, investment income and current transfers

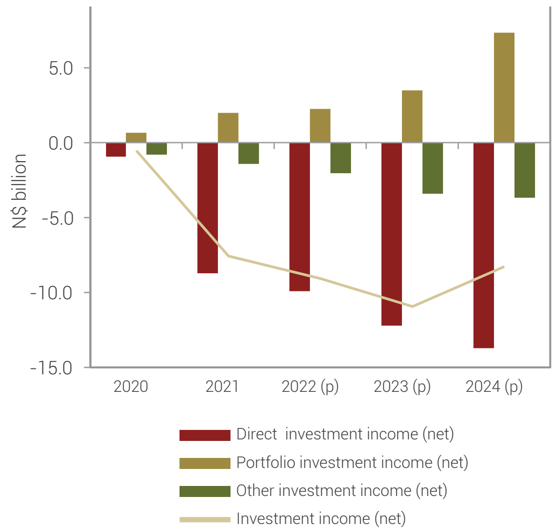
Figure B.21 a–e:

SERVICES, PRIMARY AND SECONDARY INCOME

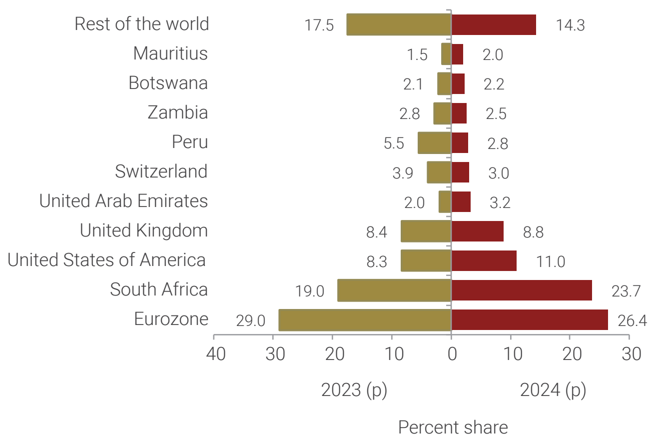
(a) The services account registered a lower net outflow during 2024 compared to 2023, mainly owing to higher net inflows in travel services.



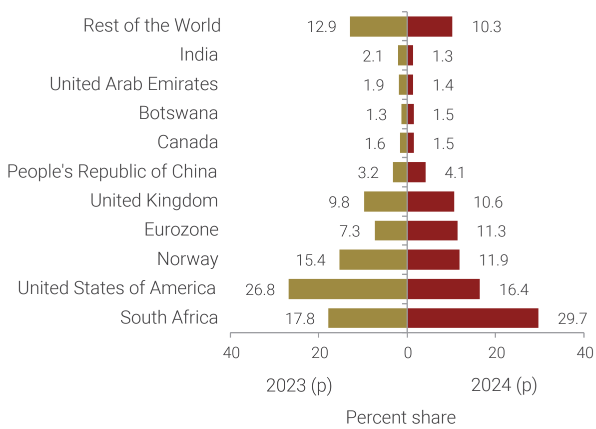
(b) Net outflows on the primary income account declined from 2023 to 2024, mainly supported by relatively higher net portfolio investment income inflows.



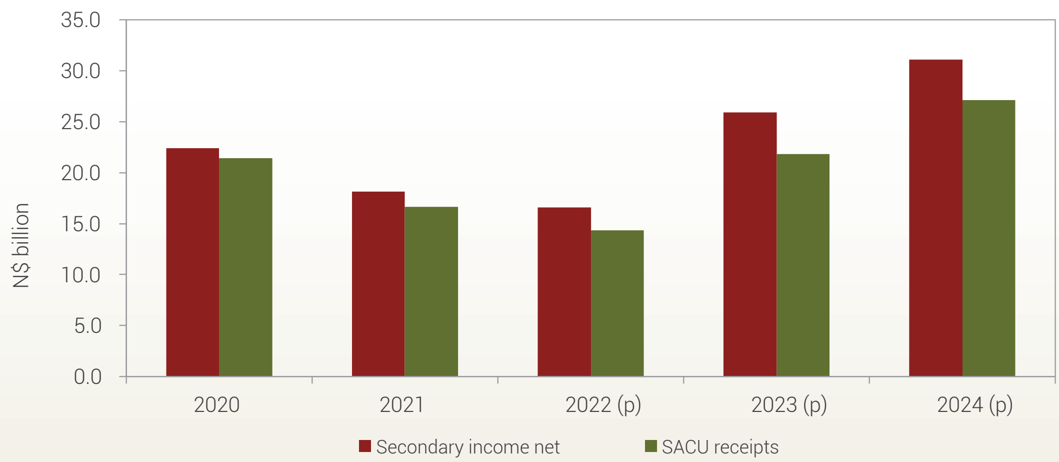
(c) Namibia's export of services was mainly absorbed by the Eurozone, South Africa, and the United States of America.



(d) Namibia's import of services were mainly sourced from South Africa, the United States of America and Norway.



(e) Namibia's net secondary income receipts increased during 2024 compared to 2023 levels, largely due to higher Southern African Customs Union (SACU) receipts.



Source: Various companies and administrative records

Note: p in this section stands for provisional and subject to revision

Services balance

The services account registered a decrease in net outflows on an annual basis, attributable principally to higher net inflows from travel services. Thus, the services account recorded a net outflow of N$21.0 billion in 2024, which was lower than the N$21.6 billion recorded a year earlier (Figure B.21a). This lower net outflow on the services account was mainly ascribed to an increase in net inflows from travel services, in turn chiefly attributable to a recovery in both international and regional arrivals for leisure and business purposes. Nonetheless, net outflows for other business services remained robust during 2024 as payments for operating leases for oil and gas exploration and related appraisal activities in the Orange Basin continued.

Namibia's export of services was mainly absorbed by the Eurozone, South Africa, the United States of America and the United Kingdom. Service exports increased by 19.1 percent, reaching N$23.5 billion, up from N$19.7 billion recorded in 2023. This was chiefly due to higher export receipts from travel, transport and other business services. Most export services were directed to the Eurozone, accounting for 26.4 percent of the total services exports, reinforcing the Eurozone as one of Namibia's main tourist source market. South Africa took up the second largest share (23.7 percent) of Namibia's service exports, mainly in the form of transport services. The United States share was the third largest (11.0 percent) followed by the United Kingdom (8.8 percent) and the United Arab Emirates (3.2 percent) (Figure B.21c).

Namibia's import of services were mainly sourced from South Africa, the United States of America and Norway. Imports of services increased by 7.7 percent to N$44.5 billion from N$41.3 billion recorded in 2023, shaped largely by higher payments for maintenance and repairs services as well as computer services., The share of services imports from South Africa rose notably from 17.8 percent recorded a year earlier to 29.7 percent recorded in 2024, mainly in the form of maintenance and repairs as well as other business services. , The US and Norway's share in services imports declined to 16.4 percent and 11.9 percent, respectively, in line with the slowdown in oil and gas exploration and appraisal-related activity. The Eurozone took up the fourth largest share, standing at 11.3 percent during 2024, largely consisting of other business and transport services. Other major import sources of services included the United Kingdom, the People Republic of China, Canada and Botswana (Figure B.21d).

Net primary income

The primary income account recorded lower net outflows year-on-year, largely attributed to higher net portfolio investment income inflows. The registered net outflow of N$8.0 billion for 2024 was lower than that for 2023, namely N$10.7 billion (Figure B.21b). Chiefly responsible for this were relatively higher net inflows of portfolio investment income, largely in the form of increased dividend receipts on portfolio investment assets abroad as equity markets performed strongly both globally and in the CMA during 2024.

Net secondary income

Namibia's secondary income account recorded higher net inflows in 2024 relative to their 2023 levels, chiefly due to improved SACU receipts. During 2024, net inflows on this account rose by 20.0 percent to N$31.1 billion (Figure B.21c). The rise was chiefly ascribed to higher SACU receipts, which tilted upwards by 24.4 percent to total N$27.1 billion for the reporting year.

CAPITAL ACCOUNT

Namibia's capital account surplus increased during 2024, largely due to higher capital transfers from non-residents. The surplus rose by 19.8 percent to N$3.0 billion in 2024 compared to its 2023 levels. These higher inflows reflected the larger volume of capital transfers from foreign governments and private institutions.

Net lending (+) and net borrowing (-)

Given the deficit on the current account during 2024, Namibia again registered substantial net borrowing from the rest of the world. Thus, the country recorded net borrowing from the rest of the world of N$34.7 billion during 2024, compared with N$32.4 billion recorded in this regard for the previous year.

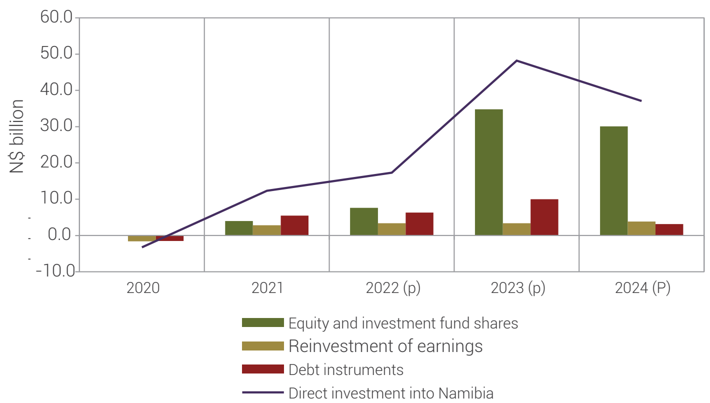
FINANCIAL ACCOUNT [B5]

During 2024, Namibia's financial account balance reflected an increase in net borrowing in comparison with 2023 levels. The financial account balance registered a high net borrowing of N$31.7 billion from the rest of the world in 2024, sustained by net inflows from direct and other investment. These inflows were sufficient to cater for the current account deficit and support the accumulation of foreign reserve assets. As a percentage of GDP, Namibia's financial account balance stood at 13.0 percent, compared with 13.9 percent in 2023.

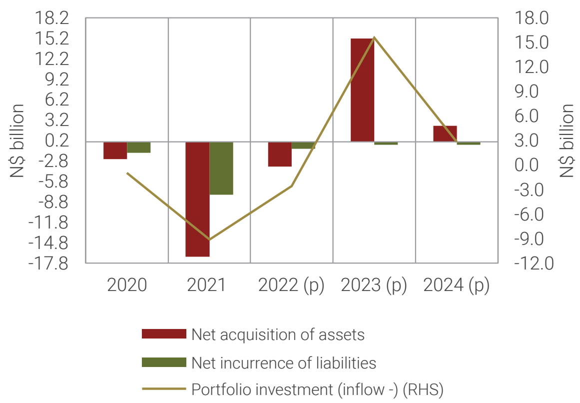
Figure B.22 a–c:

FINANCIAL ACCOUNT COMPONENTS

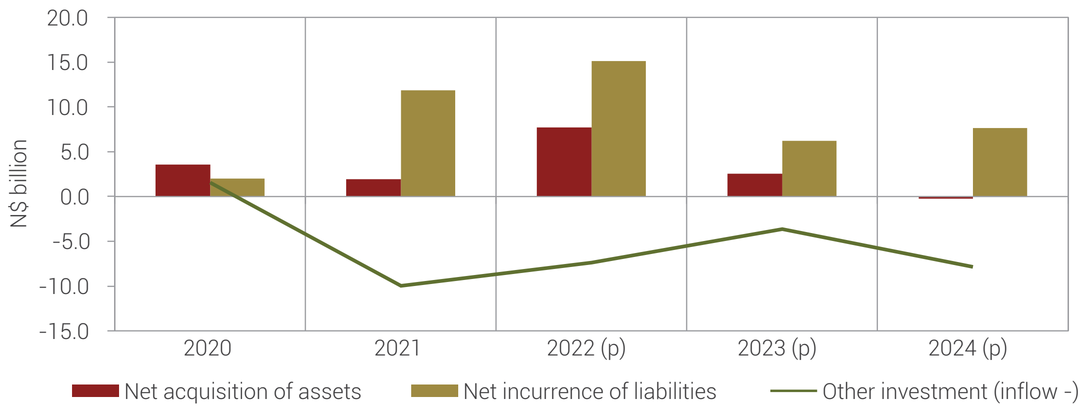
(a) During 2024, Namibia recorded a lower net inflow of direct investment compared to 2023, mainly attributed to the high base effect from the sale of foreign assets in the manufacturing sector that occurred in 2023.



(b) Namibia's portfolio investment registered significantly lower net capital outflows over the year, due to a fall in the acquisition of foreign assets.



(c) The other investment category recorded a higher net inflow from the rest of the world during 2024 compared with 2023 levels, owing to an increase in foreign borrowing by local enterprises.



Source: BON Surveys

[B5] In BPM6, the interpretation of the financial account particularly on the assets, denotes an increase as positive and a decrease as negative. The interpretation of the liabilities remains unchanged from BPM5, where an increase or decrease implies just that. Furthermore, the net balances are interpreted in terms of net lending (if positive [denoting outflows]) or net borrowing (if negative [inflows]). Thus, the financial account balance is now presented inclusive of reserve assets according to BPM6 and implies that the financing of the net lending/borrowing position (current account) is fully accounted for above the line (i.e. above the financial account balance).

Note: p in this section stands for provisional and subject to revision

Foreign direct investment

Namibia's net foreign direct investment (FDI) recorded a lower net inflow in 2024, due to the high base effect from the disposal of foreign assets in the manufacturing sector that occurred in the preceding year. Net FDI inflows were recorded at N$37.1 billion for 2024, compared with N$48.2 billion in 2023 (Figure B.22a), reflecting a 23.1 percent fall. This reduction in net direct investment inflows was largely attributed to higher base effects from the preceding year arising from the disposal of foreign assets by entities in the manufacturing sector, further supported by lower foreign liabilities incurred through intercompany loans in the mining sector during 2024. Furthermore, a marginal decline was recorded in oil and gas exploration and appraisal FDI inflows in 2024 as some major exploration operators reduced the appraisal drilling campaigns for further analyses of the results prior to the final investment decision.

Portfolio investment

During the reporting year, Namibia's portfolio investment recorded a lower net capital outflow, when compared to the outflow recorded in 2023. The net outflow amounted to N$2.8 billion for 2024, compared with an outflow of N$15.6 billion during the previous year (Figure B.22b). The lower net outflow recorded in 2024 was ascribed to a substantial decline in the acquisition of foreign assets in the form of equity and debt securities.

Other investment

Other investment in Namibia recorded a higher net inflow for the year under review due to the increase in foreign borrowing by local enterprises. On a net basis, the inflow of other investment rose by N$4.2 billion year-on-year, resulting in a net inflow of N$7.9 billion (Figure B.22c). This was largely supported by the uptake of loans from non-affiliated entities abroad by enterprises in the mining sector.

International reserves

The stock of international reserves held by the Bank of Namibia rose cumulatively to the end of 2024, predominantly driven by higher SACU receipts. At the end of 2024, the stock of international reserves grew by 18.4 percent compared with its 2023 levels to reach N$63.0 billion. The increase was ascribed to higher SACU receipts, coupled with foreign government borrowing in the form of a KfW loan. Adding impetus to the growth in foreign reserves were customer foreign currency placements and revaluation gains due to the marginal depreciation of the NAD against major currencies. In this regard, the stock of foreign reserves was 11.2 times the N$5.6 billion currency in circulation and remained adequate to sustain the currency peg between the NAD and the ZAR, while meeting the country's short-term international financial obligations. This level of international reserves translated into an estimated import cover of 4.2 months, higher than the 3.8 months recorded in the preceding year. The estimated import cover of goods and services, excluding expenditure on oil and gas exploration and appraisal activities, stood at 5.1 months.

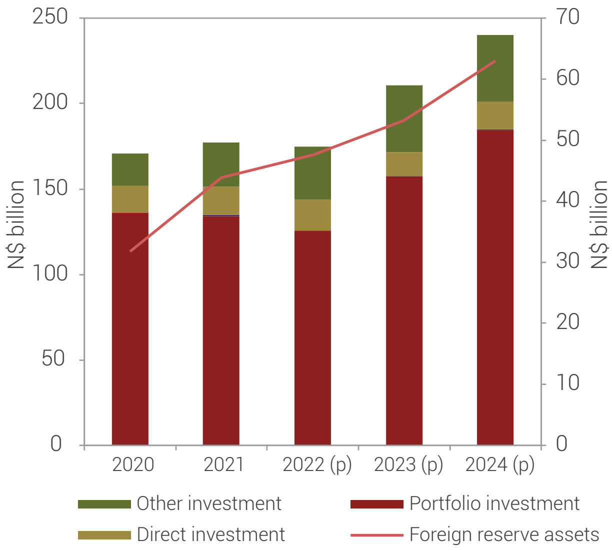
INTERNATIONAL INVESTMENT POSITION

Namibia's external balance sheet recorded a lower net asset position at the end of 2024 compared with the positions at the end of 2023. At the end of 2024, Namibia's net asset position stood at N$4.0 billion, a decline from the N$6.2 billion recorded for the previous year. This was driven by an increase in foreign liabilities, primarily in the direct investment and other investment categories.

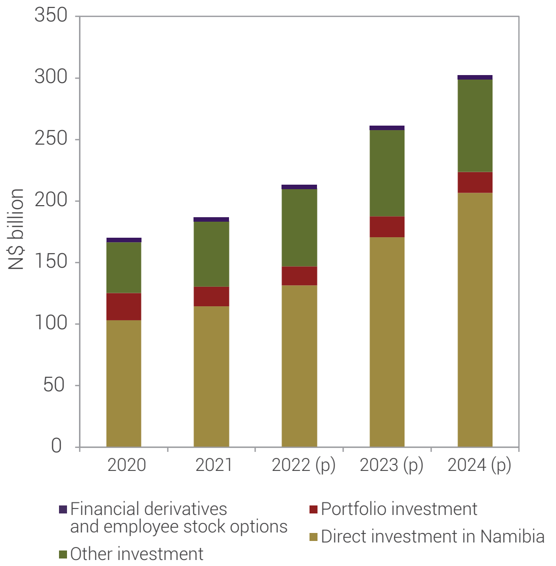
Figure B.23 a-b:

INTERNATIONAL INVESTMENT POSITION – FOREIGN ASSETS AND LIABILITIES

(a) At the end of 2024, the market value of Namibia's foreign assets rose relative to its levels in 2023, predominantly due to increases recorded in portfolio investment and foreign reserve assets.



(b) The market value of Namibia's gross foreign liabilities rose on a yearly basis, owing to increases in direct and other investment categories.



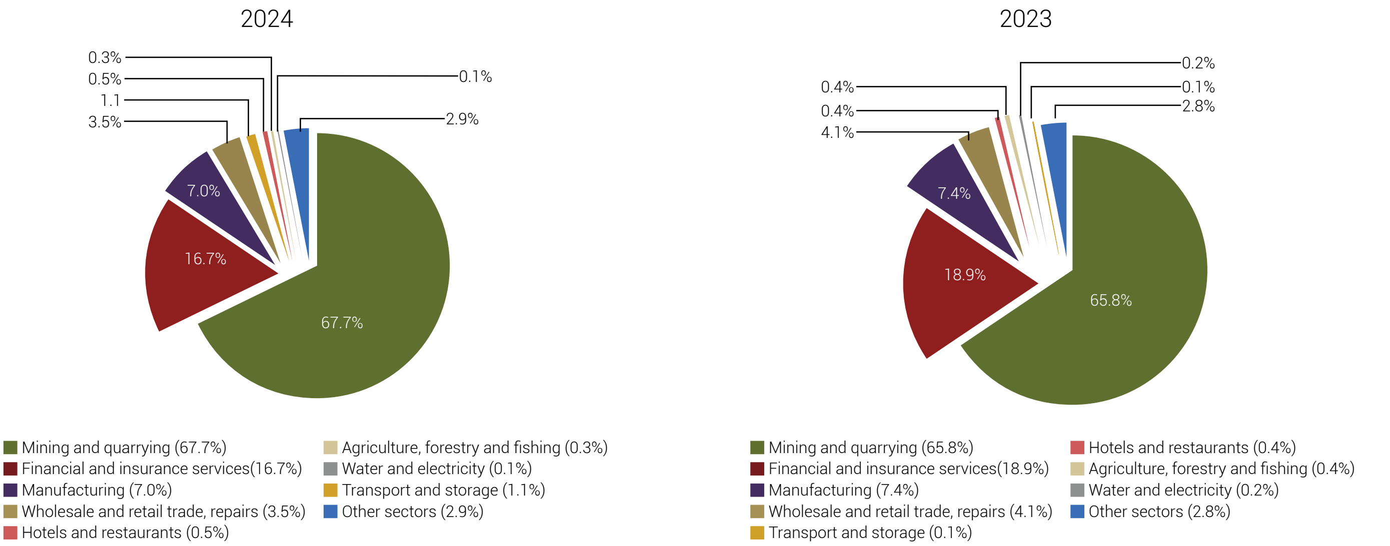
Note: p in this section stands for provisional and subject to revision

The market value of Namibia's gross foreign assets rose on an annual basis at the end of 2024, chiefly ascribed to increases observed in the foreign reserve assets and portfolio investment categories. Over the year to the end of 2024, the market value of Namibia's foreign assets had increased by 14.9 percent relative to the 2023 value to N$303.4 billion. The increase in gross foreign assets was predominantly driven by a substantial rise in portfolio investment abroad and foreign reserve assets during 2024. The higher reserve asset figures were primarily due to an increase in SACU receipts, supported by foreign borrowing by the Government in the form of a KfW loan as well as revaluation gains following the NAD's marginal depreciation against major currencies. In terms of portfolio investment, there was a year-on-year increase of 17.4 percent, bringing the total to N$184.7 billion. This growth can be attributed to increased net purchases of foreign equity and debt securities as well as significant revaluation gains on those securities. Furthermore, the increase in direct investment and financial derivatives during 2024 also contributed to the rise in gross foreign assets.

At the end of 2024, the market value of Namibia's gross foreign liabilities rose on an annual basis, predominantly reflecting increased direct and other investment categories. The market value of Namibia's gross foreign liabilities increased by 16.1 percent to N$299.4 billion. Direct investment recorded the largest increase compared to 2023, by 21.0 percent to N$206.7 billion. The increment was ascribed to ongoing oil and gas exploration and related appraisal expenditure, supported by intercompany borrowing of enterprises in the mining and financial intermediation sectors. Other investment liabilities increased to N$75.5 billion when compared to 2023 levels due to a higher uptake of trade credit facilities and foreign loans from non-affiliated enterprises mainly in the mining sector.

Figure B.24

FOREIGN DIRECT INVESTMENT LIABILITIES BY SECTOR (%)

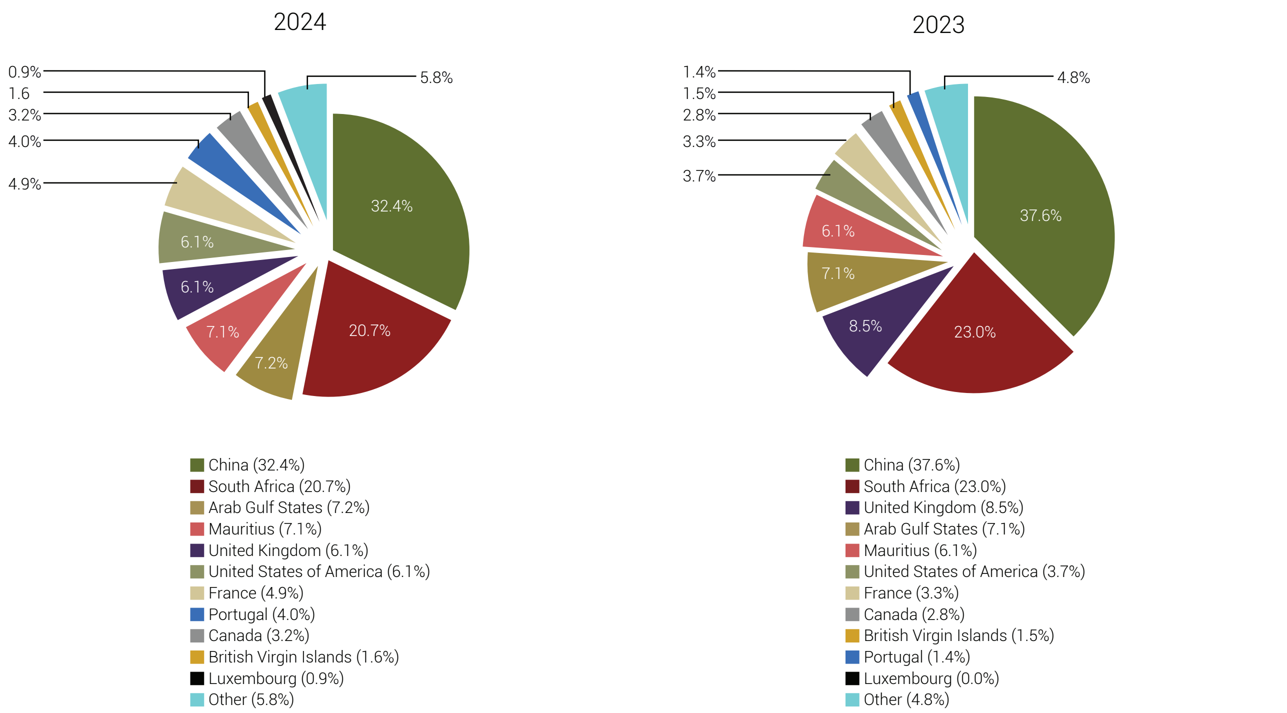


At the end of 2024, Namibia's FDI liabilities disaggregated by sector showed a pattern similar to that of 2023, with the mining and quarrying sector clearly dominating (Figure B.24). The stock of FDI liabilities by sector largely comprised mining and quarrying, which accounted for 67.7 percent of the total. This was followed by the financial intermediation sector, with a share of 16.7 percent for 2024. The mining sector increased by 2.0 percentage points during 2024 compared with the levels in 2023, driven primarily by oil and gas exploration and related appraisal activities.

Manufacturing and wholesale and retail trade sectors took up the third- and fourth-largest shares of 7.0 percent and 3.5 percent, respectively. The share of FDI in the transport sector increased from 0.1 percent in 2023 to 1.1 percent in 2024, largely reflecting significant foreign investments associated with the concessioning of the port of Walvis Bay.

Figure B.25

FOREIGN DIRECT INVESTMENT LIABILITIES BY COUNTRY (%)



By the end of 2024, the largest share of Namibia's FDI liabilities by country was sourced from China, followed by South Africa and the Arab Gulf States (Figure B.25). Together, China and South Africa accounted for a combined share of 53.1 percent of Namibia's FDI liabilities by the end of 2024. The FDI stock was mostly concentrated in the mining and financial intermediation sectors. As the graph for 2024 reveals, the share of FDI liabilities from both China and South Africa declined as the share of other countries with investment in oil and gas exploration and appraisal-related activities picked up. As such, the share of FDI from the Arab Gulf States, the United States of America and France increased to 7.2 percent, 6.1 percent and 4.9 percent, respectively, in 2024, largely due to oil and gas exploration and related appraisal activities in Namibia, which are attracting more investment.

EXTERNAL DEBT

Table B.9

NAMIBIA'S EXTERNAL DEBT

External debt by institutional sectors	2020	2021	2022	2023	2024
			N$ million		
Gross external debt position	**120 477**	**135 850**	**152 964**	**174 631**	**186 896**
Central Government	33 065	32 488	34 095	37 305	37 931
State-owned enterprises/parastatals	10 068	9 470	9 636	8 373	9 474
Central bank [B6]	2 914	6 815	6 714	7 892	7 616
Deposit-taking corporations, except the central bank	7 704	7 507	15 206	13 431	12 899
Other sectors [B7]	9 198	12 184	12 179	19 487	24 090
Direct investment: Intercompany lending [B7]	57 529	67 387	75 134	88 144	94 885
Gross external debt payments	**21 668**	**29 185**	**31 714**	**43 380**	**42 524**
Central Government	3 736	10 886	4 067	3 666	5 111
State-owned enterprises/parastatals	1 237	1 399	1 808	1 919	1 554
Central bank	81	85	78	304	293
Deposit-taking corporations, except the central bank	3 547	2 260	2 779	3 537	3 728
Other sectors	2 542	1 733	8 937	17 436	17 540
Direct investment: Intercompany lending	10 525	12 823	14 044	16 519	14 299
Official reserves	**31 752**	**43 871**	**47 558**	**53 229**	**63 008**
Exports of goods and services	**63 589**	**64 497**	**88 260**	**105 730**	**107 622**
			Percent		
Outstanding debt year-on-year (percentage change)	3.6%	12.8%	12.6%	14.2%	7.0%
Debt servicing year-on-year (percentage change)	-16.7%	34.7%	8.7%	36.8%	-2.0%
Debt servicing to exports (free on board)	34.1%	45.3	35.9	41.0	39.5
Short-term debt as a ratio of official reserves	2.8	3.8	2.3	2.2	2.3
Exchange rate (end of period, USD)	14.6218	15.9065	16.9625	18.5615	18.7988

[B6] The central bank debt comprises special drawing right allocations received from the IMF.
[B7] The category Other sectors consists of loans from non-affiliated entities; trade credits, debt securities and other debt liabilities.
[B9] Intercompany lending includes loan transactions (and transactions in other debt securities) between a parent company and its subsidiaries or investee companies, and between subsidiaries of the same group, unless the latter are financial intermediaries (except for insurance corporations and pension funds).

Namibia's stock of external borrowing rose in 2024 compared to 2023, attributable to higher uptake of trade credit by other sectors and increased intercompany borrowing from foreign direct investors. The stock of external borrowing rose by 7.0 percent from 2023 levels to reach N$186.9 billion for 2024 (Table B.10). The annual increase in external borrowing emanated from the 23.6 percent surge in the category of other sectors due to the uptake of higher trade credit facilities from non-resident institutions, mainly for fuel and machinery imports. Additionally, direct investment intercompany lending, which rose by 7.6 percent to N$94.9 billion for 2024 complemented the rise in external borrowing. This growth reflects long-term loans from foreign direct investors to their subsidiaries, mainly in the mining sector. Also contributing to the overall increase in Namibia's external borrowing for the year the government loan disbursed from the KfW.

At the end of 2024, Namibia's ratio of official reserves to short-term debt increased in comparison with the 2023 counterpart. The ratio rose from 2.2:1 to 2.3:1, owing to a rise in foreign reserves.

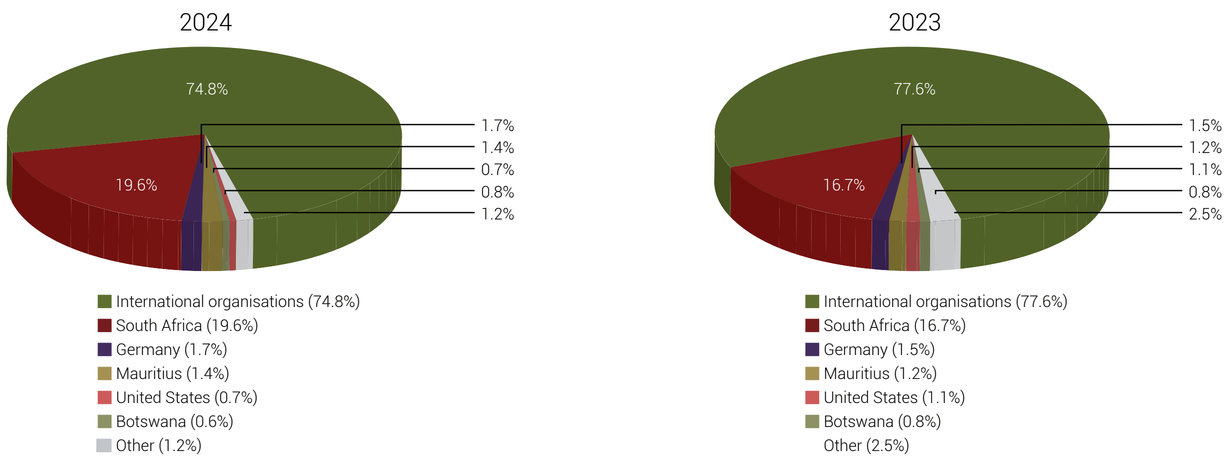
Namibia's foreign debt servicing declined marginally on an annual basis following repayments of direct investment intercompany loans. The total value of repayments on gross foreign debt declined to N$42.5 billion in 2024, 2.0 percent lower than in 2023. The fall was largely driven by lower repayments by enterprises within the mining sector repaying loans acquired through intercompany lending.

During 2024, the ratio of debt servicing to exports declined in comparison with the 2023 level. The ratio went down to 39.5 percent in 2024 from 41.0 percent in 2023. This decline was attributed to a marginal increase in exports of goods and services during 2024. Moreover, the current ratio of 39.5 percent was above the international benchmark of 15–25 percent. Notably, approximately half of the external debt was derived from direct investment intercompany lending, significantly reducing the risk of debt distress in Namibia.

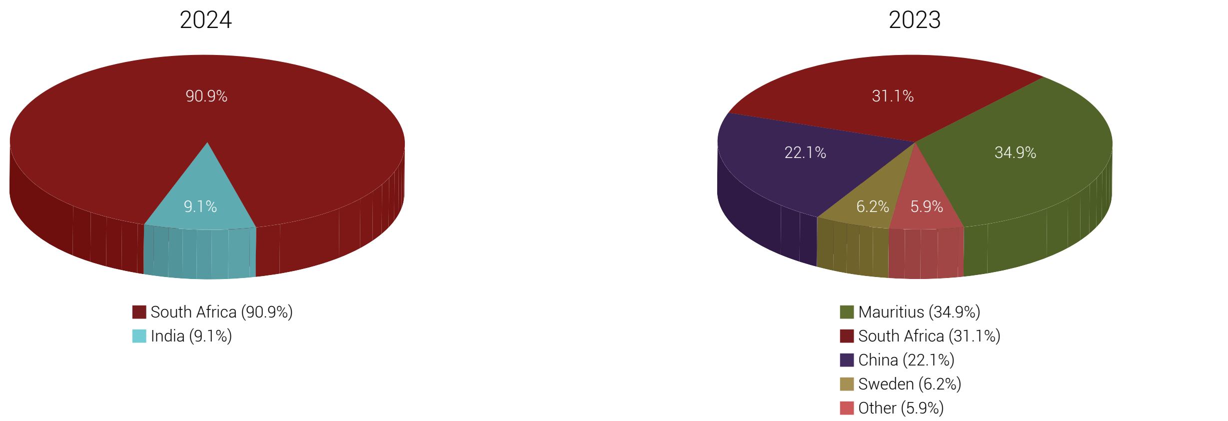
Figure B.26 a-b

EXTERNAL LONG- AND SHORT-TERM LOANS BY COUNTRY (%)

(a) During 2024, international organisations continued to dominate Namibia's long-term loans.



(b) While short-term loans remained dominated by South Africa during 2024.



During 2024, Namibia primarily sourced its long-term loans from international organisations[B9] and short-term loans from South Africa. Namibia's total external sector long-term loans by country mostly originated from international organisations with a share of 74.8 percent in 2024, predominantly reflecting multilateral loans to the Central Government (Figure 26a). However, there was a decline in this share during 2024 due to Namibia's partial repayment of its IMF Rapid Financing Instrument (RFI) loan. South Africa and Germany were the second- and third-largest sources of long-term loan liabilities, together contributing 21.3 percent. When it comes to Namibia's short-term loans, South Africa dominated the sphere, holding a 90.9 percent share (Figure B.26b). India represented the second-largest share of Namibia's short-term loans at 9.1 percent, as short term debt from other countries was repaid in 2024 (Table B.11).

EXTERNAL DEBT BY REMAINING MATURITY

Table B.10

EXTERNAL DEBT BY REMAINING MATURITY

N$ Millions	As at the end of December 2024	Short term*, 2025	2026	2027	2028	2029	2030	2031 plus**
1. Central Government	37,931	14,150	2,554	190	170	-	164	20,704
2. State Owned Enterprises/ Parastatals	9,474	809	-	303	-	494	603	7,265
3. Central Bank	7,616	-	-	-	-	-	-	7,616
4. Deposit-taking corporations, except the Central Bank	12,899	10,592	1,665	-	-	-	143	499
5. Other Sectors	24,090	13,213	-	-	-	-	1,843	9,035
6. Direct Investment: Intercompany Lending	94,884	1,903	481	17,550	405	2,475	4,792	67,279
Gross External Debt by remaining maturity	**186,896**	**40,667**	**4,700**	**18,043**	**575**	**2,970**	**7,544**	**112,398**

Note:
*This includes liabilities with an original maturity of less than one year, e.g. currency and deposits as well as trade finance. These liabilities are subject to renegotiations.
**This includes debt instruments that mature in 2031 and afterward.

At the end of 2024, Namibia's external debt maturity structure was largely concentrated in the longer term, although short-term debt due in 2025 has increased due to the scheduled redemption of the Eurobond. Namibia's external debt due within one year amounts to N$40.7 billion, representing 21.8 percent of total external debt. This short-term debt is largely made up of the Eurobond redemption by the Central Government scheduled for October 2025. Additionally, external debt maturing between 2026 and 2030 accounted for 18.1 percent of total external debt as of 31 December 2024, with significant obligations being intercompany lending in the mining sector due in 2027. External debt with a maturity of more than five years made up 60.1 percent of the total debt, indicating that Namibia's external debt is primarily long-term. A longer average term to maturity provides more time to fulfill debt obligations, thereby mitigating the effects of external shocks.

[B9] This included borrowing from multilateral organisations.

EXCHANGE RATE DEVELOPMENTS [B10]

During 2024, the NAD/ZAR strengthened slightly against the EUR and USD, largely triggered by the latest political and economic developments in South Africa. On average, the NAD/ZAR appreciated marginally against the USD and EUR by 0.7 percent and 0.6 percent, respectively. Against the British Pound Sterling (GBP), however, the NAD/ZAR depreciated relative to its 2023 levels by 2.1 percent during 2024. The strengthening of the NAD/ZAR rode on the back of interest rate easing by the US Federal Reserve and the European Central Bank. Also supporting the ZAR's appreciation were the improved electricity supply and economic activity in South Africa. Global financial markets also continued to demonstrate a more positive sentiment towards South Africa's economy following the formation of that country's Government of National Unity, which contributed to the strengthened ZAR as well.

Trade-weighted effective exchange rates [B11]

The NEER and REER both appreciated during 2024, owing to the latest positive developments in the South African economy as well as other external forces. The NEER appreciated slightly from its 2023 levels, i.e. by 0.7 percent, reaching an average index level of 90.4 during 2024 (Figure B.17f), reflecting a strengthened ZAR. The ZAR strengthened as a result of better electricity supply by the South African state-owned energy company Eskom, coupled with improved economic activity in South Africa and a decline in political risk following the establishment of that country's Government of National Unity. Furthermore, interest rate cuts implemented by the US Federal Reserve and the European Central Bank during the period under review have been a factor contributing to the ZAR's appreciation. Similarly, the REER exhibited an appreciation of 1.6 percent year-on-year, reflecting a loss in the trade competitiveness of Namibian products in international markets.

[B10] The NAD trades one-to-one against the ZAR and is therefore referred to interchangeably with it. This section uses middle exchange rates against foreign currency units, unless mentioned otherwise, and period averages are employed for the respective exchange rates.

[B11] The NEER is a trade-weighted index of the NAD's nominal exchange rate against the currencies of Namibia's major trading partners, i.e. the Rand, Pula, Euro, US Dollar, Yuan, Dirham and Rupee. The REER, on the other hand, takes the NEER and deflates it with Namibia's relative consumer price indices as well as those of its major trading partners. An increase in the index, both the NEER and REER therefore represents an effective appreciation of the NAD, whereas a decline in the index represents an effective depreciation.

THEME CHAPTER

THE IMPACT OF ARTIFICIAL INTELLIGENCE ON THE ECONOMY

CONTENTS

TABLES

INTRODUCTION

- **The global economy is on the brink of a technological revolution that could significantly drive productivity, boost global growth and raise incomes across the world.** Nevertheless, there are also risks associated with the current wave which could also replace jobs and deepen inequality. As such, while the rapid advancement in artificial intelligence (AI) has captivated the world, it is causing both excitement and alarm and raising important questions about its potential impact on the global economy. Available research indicates that the net influence of AI is difficult to predict, given the complexities that economies will face in terms of its ripple effects.

- **Through the advancement of AI, countries, have an opportunity to diversify their economies and drive productivity.** AI is significant in empowering personalisation, improving healthcare outcomes, enhancing safety and security measures, increasing accessibility for individuals with disabilities, contributing to sustainability exertions, aiding in decision-making processes, transforming the education system, and supporting the scientific exploration and discovery of the evolving world. AI holds the promise to reshape the future of developing countries, bringing opportunities that could transform economies, public services, and overall quality of life. With AI, these nations have a chance to diversify their economies, moving beyond traditional sectors by integrating AI into industries such as manufacturing, agriculture, and services.

- **Thus, AI has the potential to operate as a driver of productivity and economic growth. For example, research findings suggest Emerging Market and Developing Economies face fewer immediate disruptions.** However, although AI can increase efficiency and significantly improve the decision-making process by analysing large amounts of data, it simultaneously creates serious risks of job market divergence, rising inequality, structural unemployment and the emergence of new but undesirable industrial structures.

- **According to a study by the International Monetary Fund (IMF, 2020), the rise of AI could lead to a widening of the gap between rich and poor nations across several channels.** The study found that, given the higher wages in advanced economies, the motivation to replace the workforce with new technologies is stronger there which results in a higher demand for investment in robotics rather than traditional aspects of the economy. The IMF anticipates that AI will affect almost 40 percent of jobs around the world, replacing some and complementing others. It is therefore important to have a balance of policies to tap into its potential. The theme chapter will, therefore, unpack the benefits and the costs of AI for the economy, with specific focus on the macroeconomic impact as well as the impact on the financial sector. The theme chapter also looks at Namibia's AI Preparedness Index developed by the IMF to measures readiness.

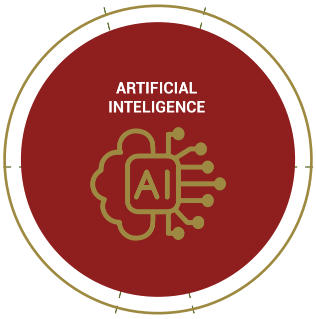
- **One first needs to clarify the distinction between digitisation (also referred to as digital transformation) and artificial intelligence.** Although the two terms are sometimes used interchangeably, there is a vast difference between them. Digital transformation involves the use of digital technology in a corporate entity, for example, to create a more agile, innovative, and customer-centric organisation - when done well. Digitisation, also known as digital transformation, refers to the process of utilising digital technologies to convert analogue or physical assets, processes or information into digital formats. Another way to define digitisation is the use of digital technologies to change a business model based on technologies to provide new revenue and value by producing new opportunities. Thus, in a corporate environment, digitisation involves incorporating digital tools and systems into a variety of corporate processes, including management, communication, production and customer service. Digitisation also involves the integration of digital technologies into various aspects of business operations, resulting in improved efficiency, productivity and innovation.

- **AI, on the other hand, involves creating and using algorithms and other systems that perform tasks typically requiring human intelligence, such as learning, reasoning, problem-solving and understanding natural language.** Thus, AI is not one specific technology that empowers machines to think and work like humans. Some of the notable components of AI include machine learning, natural language processing, computer vision, deep learning, robotics and expert systems. The accompanying diagram, depicted on the next page, provides further clarification of these key components.

- **Overall, the different parts of the digitisation and AI ecosystems enable our society and/or organisations to leverage various domains and applications to gain a competitive edge, increase efficiency and quality, and create value.** In this sense, the benefits brought about by digitisation do not differ significantly from those rendered by AI. Theme Table 1 lists the key benefits of both digitalisation and AI, showing several areas of overlap and contrast.

> **The IMF anticipates that AI will affect**
> almost
> **40%** of jobs around the world, replacing some and complementing others.

KEY COMPONENTS OF ARTIFICIAL INTELLIGENCE (AI)



MACHINE LEARNING (ML)

Machine Learning enables systems to learn from data and improve over time without explicit programming, enhancing decision-making through pattern recognition.

NATURAL LANGUAGE PROCESSING (NLP)

NLP allows AI to understand and respond to human language, powering chatbols, translation, and sentiment analysis.

DEEP LEARNING

Deep learning, a subset of ML, uses neural networks with multiple layers to process complex data, enhancing tasks like image and speech recognition.

COMPUTER VISION

Computer vision allows AI to interpret visual data, commonly used for surveillance, autonomous vehicles, and medical imaging.

ROBOTICS

Robotics integrates AI for autonomous or semiautonomous task performance in aeras like manufacturing, healthcare, and exploration.

EXPERT SYSTEMS

Expert systems use a knowledge base and set rules to mimic human expertise, offering solutions in fields like medical diagnosis and financial planning.

Theme Chapter Table B.1

BENEFITS OF AI AND DIGITALISATION

DIGITISATION	ARTIFICIAL INTELLIGENCE
Automation and efficiency Digitisation often involves automating manual or paper-based processes by digitising them. This automation reduces manual errors, speeds up workflows and improves operational efficiency. It also enables the integration of intelligent technologies, such as AI and machine learning, to further optimise processes.	**Automation and efficiency** AI enables the automation of repetitive and mundane tasks, freeing up human resources to focus on more complex and strategic activities. This leads to increased productivity, reduced errors and improved operational efficiency.
Data digitisation Digitisation focuses on digitising data, which involves capturing, encoding and storing information in a digital format. It enables data to be stored, replicated and transmitted easily across various digital systems and platforms.	**Improved decision-making** AI systems can analyse large volumes of data, identify patterns, and extract meaningful insights. This enables more informed and data-driven decision-making, enhancing accuracy and reducing biases.
Connectivity and integration Digitisation involves connecting and integrating various systems, devices and platforms to enable seamless data exchange and interoperability. This connectivity allows for real-time collaboration, data-sharing and integration of digital processes across different departments or entities.	**Personalisation and customer experience** AI can analyse customer data and behaviour to provide personalised recommendations, tailored experiences and targeted marketing campaigns. This enhances customer satisfaction, engagement and loyalty.
Enhanced data management Digitisation enables efficient data management, including storage, retrieval, analysis and security. Digital systems and databases provide capabilities for organising, categorising and analysing data, enabling organisations to derive insights and make data-driven decisions.	**Enhanced productivity** AI-powered tools and systems can augment human capabilities and streamline workflows. They can assist in tasks such as data analysis, content generation, customer support and process optimisation, leading to increased productivity and faster turnaround times.
Improved customer experience Digitisation allows organisations to deliver enhanced customer experiences by leveraging digital technologies. For example, digitisation enables personalised interactions, self-service options and real-time communication channels, resulting in improved customer satisfaction and loyalty.	**Advanced data analysis** AI algorithms excel at analysing complex and large-scale data sets. They can uncover hidden patterns, correlations and anomalies that humans might overlook. This capacity enables businesses to gain valuable insights, make predictions and identify trends for better strategic planning and decision-making.
	Innovation and creativity AI can aid in generating new ideas, designs, and solutions by leveraging large data sets and algorithms. It can therefore assist in areas such as content creation, art, music and design, inspiring innovation and creativity.

» The unique features in both technologies can work together to enable advanced applications and processes in different domains to support companies in achieving a better level of productivity and efficiency, this Theme Chapter will focus only on the impact of AI on the economy.

The Economic Benefits of AI

» **A key question in assessing AI's impact on the economy is judging when that impact will become sufficiently significant to show up in macroeconomic statistics.** Predicting the point at which any technology starts to become widely adopted is inherently difficult, so a range of timing assumptions are explored in this analysis. In all cases, the impact of AI on the economy is expected to be relatively modest in the near term – raising the gross domestic product (GDP) by between 0.1 and 1 percent over the next five years and the level of unemployment by up to 180,000 by 2030. By 2035, the range of outcomes is much broader – with the level of GDP 0.6 to 6 percent higher, depending on the scenario. How this plays out in practice will depend not only on the fundamental nature of AI or decisions made by private-sector firms, but also on policy decisions that have the capacity to accelerate or delay the implementation of AI. It is therefore important to determine what the macroeconomic aspects of AI are.

AI impact on Productivity and Economic Growth

» **Studies suggest that AI has the potential to significantly impact economic growth in various ways.** At the macroeconomic level, AI-driven innovation contributes to economic growth by enhancing overall productivity, increasing capital returns, and fostering technological spillovers across industries. However, as highlighted earlier, the impact of AI on economic growth is not uniform across all sectors and regions. Some industries may experience more significant changes and growth, while others may face challenges or disruptions. Additionally, the successful adoption and integration of AI technologies need data availability, adequate infrastructure development and supportive policies, which can vary across different economies.

» **The incorporation of AI into national economies enhances global competitiveness, facilitates the creation of high-skill employment opportunities, replaces routine and repetitive jobs and encourages foreign direct investment (FDI), thereby reinforcing economic resilience.** Additionally, AI advances long-term sustainability by facilitating the development of green technologies and smart infrastructure.

» **A study by PricewaterhouseCoopers (PwC, 2018) estimated that global GDP may increase by up to 14 percent by 2030 as a result of the accelerating development and adoption of AI.** The report also anticipates the next wave of digital revolution to be unleashed with the help of the data generated from the Internet of Things, which is likely to be many times greater than the data generated by the current 'Internet of People'. It is expected to boost standardisation and consequently automation, as well as enhancing the personalisation of products and services.

» **In the near term, AI will lead to productivity gains based on the automation of routine tasks.** This is likely to affect capital-intensive sectors such as manufacturing and transport. The change will also include extended use of technologies such as robots and autonomous vehicles. Productivity is destined to improve due to businesses complementing and assisting their existing workforce with AI technologies. To fully reap the expected benefits from AI will require investing in software, systems and machines based on assisted, autonomous and augmented intelligence. Such investments would not only enable the workforce to perform their tasks more effectively and efficiently, but also free up their time - allowing them to focus on more stimulating and higher-value-added activities. Thus, automation would partially remove the need for labour input, leading to productivity gains overall.

AI Impact on the labour market

» **The widespread use of AI may significantly increase the demand for highly skilled labour in some areas, while reducing demand for low-skilled labour in others.** Much of the debate about AI and the future of work has centered on the risk that AI will replace jobs through automation. Some jobs will certainly be replaced by AI, but, according to a report by the Tony Blair Institute for Global Change (2024), it is only one of the ways that AI will affect labour demand. AI could also increase the demand for labour and create new jobs through two additional channels. For example, in the first channel, the report contends that AI could complement workers by making them more productive, which would increase economic growth and, hence, the demand for labour. In the second channel, AI could follow the pattern of previous technological waves and create new products, markets and sectors of the economy that require workers to perform new tasks and jobs – again increasing the demand for labour. The relative strength of these three forces, rather than only the first, will determine the net impact of AI on labour demand.

» **Furthermore, although AI has the potential to increase the quantity, quality and effective deployment of labour by creating new jobs in technological fields, it will also displace routine jobs, which will in turn require workforce adaptation.** For instance, AI-enabled education could raise educational attainment and productivity growth, while AI-assisted health care could lead to a larger and more economically active labour force. AI also has the potential to improve the functioning of the labour market by more efficiently matching employers with employees, reducing frictional unemployment (the mismatch between workers and jobs) and helping to reduce the underutilisation of labour. Additionally, AI has a significant impact on skills transformation, both in terms of the skills needed to work with AI technologies and the broader skills required in a world where AI increasingly prevails.

One of the most evident effects of AI is taking over roles that involve high amounts of monotonous work. Concerning computers, the routine tasks that previously engaged workers' time can now be undertaken by AI systems so that personnel can perform more meaningful and challenging tasks instead. It has been noted that the global market of AI is projected to grow and exceed $1.8 trillion by 2030.

- **Lastly, AI's capacity to automate repetitive tasks has the potential to reshape the environment in which people work.** This will increase access to the workplace, including for differently-abled groups, and will facilitate better monitoring to safeguard against health-and-safety risks and to help boost productivity. This capacity is not without risks, however, as any new technology can be used both for good and ill. Nonetheless, careful adoption of AI clearly has the potential to make work more engaging, inclusive and safer, and to make workers more productive.

AI impact on income inequality

- **AI may widen income inequality, benefiting those who can leverage it while disadvantaging those whose jobs are automated.** The rise of AI could exacerbate both within-country and between-country inequality, thus placing upward pressure on global inequality. High-income individuals and regions stand to benefit disproportionately, while lower-skill workers and resource-poor regions risk being left behind. Nations with advanced AI capabilities are pulling further ahead, deepening the global divide. That said, the cost of new AI software seems to be on a declining path, with the potential to extend the reach of this technology to a wider range of countries and users.
- **An IMF study on the effects of AI on selected Asia-Pacific region countries found that AI could widen income inequalities in these countries.** The study indicates that most workers at risk of displacement in that region are those that work in services, sales, and clerical support roles. Meanwhile, workers who are more likely to benefit from AI typically work in managerial, professional, and technician roles that already tend to be among the better-paid professions.

Industry jobs and sectors that will mostly be affected by AI

There are several industries in which the advancement of AI can be most beneficial. These industries include healthcare, finance, retail, transportation, manufacturing and education. Nonetheless, there will be some job losses in certain types of jobs, where reskilling will be necessary. The jobs below will partly or even largely be replaced by AI advancements:

- **Routine manual labour:** Jobs involving repetitive, manual tasks are highly susceptible to automation. This category includes jobs in manufacturing, agriculture, and even some aspects of construction. Robots and AI-powered machines can perform many of these tasks more efficiently, accurately, and tirelessly than humans.
- **Data entry and analysis:** Jobs that primarily involve data entry, data analysis, and basic decision-making based on data are vulnerable. AI algorithms can process vast amounts of data quickly, reducing the need for human intervention in tasks like data entry, data cleaning, and statistical analysis.
- **Customer service:** Many customer service jobs, especially those handling routine inquiries and simple problem-solving, can be automated using chatbots and virtual assistants. While AI can enhance customer service by providing instant responses, human interaction will still be essential for more complex issues.
- **Retail and cashier positions:** The retail sector is experiencing significant automation, with self-checkout kiosks and inventory management systems increasingly prevalent. Cashier positions may become scarcer as AI-powered systems take over payment processing.
- **Telemarketing:** AI-driven sales and marketing tools can automate cold-calling and lead-generation tasks, reducing the need for telemarketers. Human sales professionals who can provide personalised and strategic sales approaches will remain valuable, however.

On the other hand, there are jobs that will be less affected by AI. Notably, most – if not all – industries will be impacted in some way. However, certain industries will feel the impact less and in more positive ways. These industries include the arts and entertainment, human resources, social work and personal services, where AI will have to work together with human intervention. In the given areas in the list below, AI would offer advancements without replacing too many jobs – and, in some cases, it might even increase the variety of work and the number of positions available:

- **Healthcare**: Healthcare jobs, particularly those requiring empathy, complex decision-making, and patient interaction, are less likely to be fully automated. Doctors, nurses, therapists, and other healthcare professionals will continue to play a vital role in providing care.
- **Creative industries:** Jobs in creative fields such as art, design, writing, and entertainment rely on human creativity, emotional intelligence, and unique perspectives. AI can assist in these domains but cannot fully replicate the human creative process.

- **Complex problem-solving:** Professions that involve complex problem-solving, critical thinking, and adapting to unforeseen challenges are less susceptible to AI disruption. Engineers, scientists, and research professionals fall into this category.

- **Human resources and professionals' management:** These job incumbents and managers require a deep understanding of human behaviour, culture, and organisational dynamics. Human judgment remains essential in these roles, although AI can aid in recruitment and data analysis.

- **Education:** Teaching and mentoring roles require a deep connection with students and the ability to adapt to individual needs. AI can supplement education with personalized learning tools, but educators play a unique role in shaping young minds.

A report by the World Economic Forum (WEF2025) on the future of jobs found that the most transformative trend in the future of jobs from 2025 to 2030 will be broadening digital access. According to more than 1,000 employers across different sectors, advancements in technologies, particularly AI and information processing are expected to transform jobs at a rate of 86 percent; robotics and automation at a rate of 58 percent; and energy generation, storage and distribution at a rate of 41 percent. The report also indicates that these trends are expected to have a divergent effect on jobs, driving both the fastest-growing and fastest-declining roles, and fueling demand for technology-related skills. Such skills include the proficiency in AI and big data, networks and cybersecurity and technological literacy, which are anticipated to be the top three fastest-growing skills requirement.

Also, according to the WEF report, technology-related roles are the fastest growing jobs in percentage terms. These roles include Big Data Specialists, Fintech Engineers, AI and Machine Learning Specialists and Software and Application Developers.[22] Moreover, it is expected that on average, workers can expect that 39 percent of their existing skill sets will be transformed or become outdated over the 2025-2030 period.

AI and information processing are expected to transform:

Jobs at a rate of **86%**

Robotics and Automation **58%**

energy generation, storage and distribution **41%**

THE IMPACT OF AI ON THE FINANCIAL SECTOR

AI has already been impacting financial markets for many years. This part of the economy that has been leveraging data and sophisticated analytical methods for decades to improving efficiency and enhancing returns for investors. Further advances in AI would therefore boost the benefits already being experienced, but there may also be negative impacts that need to be borne in mind.

What are the implications for financial stability?

- **AI offers benefits such as improved operational efficiency, regulatory compliance, personalised financial products, and advanced data analytics.** There is a need to acknowledge that AI could be good news from a stability perspective. For financial institutions, AI can bring new opportunities and benefits such as productivity enhancements, cost savings, improved regulatory compliance, and more tailored offers to clients. In financial markets, technology has done a remarkable job in improving price discovery and deepening markets - often dampening volatility in times of stress. AI is likely to continue these trends as well.

- **On the downside, AI may also potentially amplify certain financial sector vulnerabilities.** AI-related vulnerabilities in the financial sector that stand out for their potential to increase systemic risk include (i) third-party dependencies and service provider concentration; (ii) market correlations; (iii) cyber risks; and (iv) model risk, data quality and governance. Generative AI (GenAI) also increases the potential for financial fraud and disinformation in financial markets.Misaligned AI systems that are not calibrated to operate within legal, regulatory, and ethical boundaries can also engage in behaviour that harms financial stability. Moreover, from a longer-term perspective, AI uptake could also drive changes in market structure, macroeconomic conditions and energy use that could have implications for financial markets and institutions.

Are existing supervisory frameworks and tools sufficient?

- **The AI developments will have implications for the central banks and their supervisory efforts.** Such developments impinge in two important ways. The first entails AI influencing central banks' core activities as stewards of the economy.

- Central bank mandates revolve around price and financial stability. Because AI will affect financial systems as well as productivity, consumption, investment and labour markets, which themselves have direct effects on price and financial stability[28]. It is vital that central banks keep abreast of these developments.

» **The second way in which AI developments have implications for central banks also relates to AI's impact on the financial system, which bears directly on central bank operations.** For one, financial institutions such as commercial banks increasingly employ AI tools; such will change how these banks interact with and are supervised by central banks. Moreover, central banks and other authorities are likely to increasingly use AI in pursuing their missions in monetary policy, supervision and financial stability.

» **It is important to look at a few critical areas, both from a structural and a monitoring point of view.** Structurally speaking, markets continue to move faster, and industry players (including Government) need to ensure they are ready to deal with the even greater speeds that could come with AI. As AI increases the ability of markets to move quickly and react to new information, the speed and size of price moves may exceed what was previously envisioned.

» **From a monitoring point of view, the rise of AI means that regulators will need to stay agile.** They can do so by adopting the necessary tools to track developments in these changing markets, and, importantly, the entities acting in the ecosystem. AI could mean a continuing rise in the importance of non-bank financial institutions, particularly broker-dealers, trading firms, hedge funds, and related entities who are well placed to take advantage of this new reality without the burden of intrusive supervision. A central bank may find itself facing a world where such agents will be playing a critical role in markets, despite the regulatory and supervisory authority not fully understanding who those agents are, how they are funded, or what they are doing.

» **It is crucial, therefore, to look at the level of AI readiness in the supervisory space.** This level of AI readiness varies substantially across countries, as do the existing frameworks needed to handle these issues. Policymakers also urgently need to measure this degree of preparedness if they are to identify areas for improvement and assess the need of new tools.

Negative Impacts of AI on the Financial System

» **The widespread adoption of AI technologies in various domains has raised significant privacy concerns.** AI systems often require vast amounts of data to train and improve their performance, and this data can contain sensitive personal information. This raises potential risks of data breaches as well as unauthorised access to and misuse of personal data. One notable area of concern is AI-powered surveillance technologies. Facial recognition systems, for example, can capture and analyse people's faces in real-time, leading to concerns about unwelcome and even unlawful surveillance contravening the right to privacy.

» **The very nature of AI presents challenges in data management, modelling and governance.** AI could also exacerbate financial stability risks, particularly procyclicality, market volatility, market concentration and cyber-attacks. Moreover, the potential for misuse, such as information manipulation, could destabilise the financial system. Nonetheless, the potential impacts of AI remain difficult to quantify as they will depend on the scale and modalities of its adoption. Mitigating these risks will therefore require a governance framework and risk management approach tailored to AI-specific challenges. A recent case in point is the European Artificial Intelligence Act, adopted in May 2024, which is specifically designed to promote trustworthy AI.

In Namibia, cyber-attacks are already a reality. According to a report by the Communications Regulatory Authority of Namibia (CRAN), the Namibian cybersecurity landscape witnessed a significant increase in such attacks in 2024. The report noted that over two million cyber vulnerabilities and 1.1 million cyber incidents had been recorded between January and September that year alone. Two very distinct incidents constituted the ransomware attack on the telecommunications company MTC and the Bank Identification Number (BIN) attack on Mastercard holders. In the latter type of fraud, a cybercriminal uses a card's BIN to generate the rest of the card's numbers and thus gain access to the cardholder's financial information. Namibia has been developing the Cyber Crime Bill since 2013 and is yet to be passed. The bill is expected to be passed along with the Data Protection Bill and the National Cyber Security Strategy.

Fraud Incidents and Cyberattacks in Namibia

» **Theme Table 2 shows that, over the years, fraud incidents have been on the rise in tandem with new technological advances.** In the case of AI-powered cyber-attacks, AI or machine-learning algorithms and techniques are leveraged to automate, accelerate or enhance various phases of such attacks.

Theme Chapter Table B.2

NUMBER OF FRAUD INCIDENTS RECORDED IN NAMIBIA

	Amounts involved (N$ 000)	Amounts lost (N$ 000)	No. of fraud incidents
2010	14,573.79	10,351.24	N/A
2011	43,940.17	21,128.65	N/A
2012	56,476.81	7,975.98	N/A
2013	29,671.73	11,557.70	N/A
2014	47,357.20	22,913.86	N/A
2015	38,768.42	15,596.08	N/A
2016	30,866.10	13,615.04	189
2017	31,253.63	18,789.23	200
2018	56,790.79	37,049.95	251
2019	29,398.45	19,829.08	238
2020	25,709.60	20,485.28	258
2021	142,405.24	20,750.51	260
2022	41,581.94	32,595.50	370
2023	27,191.00	26,309.00	357
2024	51,160.00	47,030.00	5053

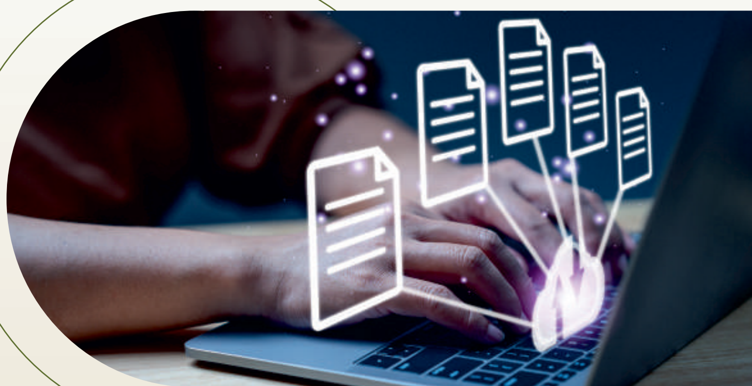
Source: Bank of Namibia

» **As cybersecurity risks and fraud activities continue to increase, AI can be used to protect customers.** By integrating measures to fight financial crimes and gleaning meaningful insights from data, AI-enabled systems deliver accurate, predictive assessments that help to detect and prevent fraud. The incorporation of AI into fraud risk management not only enhances organisational resilience, but also bolsters confidence among stakeholders, strengthening the foundation of trust essential to any business's success in today's dynamic and challenging economic landscape. By utilising machine learning, predictive analytics, and behavioural analysis, banks and financial services can better protect their customers and their assets.

» **AI fraud detection is a technology-based approach that employs machine learning to identify fraudulent activities within large data sets.** It This type of detection involves training algorithms to recognise patterns and anomalies that signal possible fraud. By continuously learning from new data, these machine-learning models become increasingly adept over time, improving their predictive accuracy and enabling them to adapt to evolving fraudulent tactics. This proactive defence mechanism equips businesses with a powerful tool for maintaining transaction integrity and security. Banks that have undertaken the journey to adopt AI-based solutions in areas such as watchlist screening, 'Know Your Customer' (KYC), and transaction monitoring are seeing significant improvements in their programmes.

How AI can revolutionise the banking industry

» **AI has the potential benefits of streamlining banking industry processes.** For example, three years ago, payments to Government contractors previously took the Bank of Namibia more than a day to finalise; now they are processed within two minutes, using AI technologies. Another case in point is where officials needed to drive to the central bank to file documents: this role is now fulfilled by AI robots via an Internet-based Government portal. One of these robots is called Onguvi (Otjiherero for "eagle").



BOX ARTICLE

BANK OF NAMIBIA LAUNCHES A MODEL POWERED BY ARTIFICIAL INTELLIGENCE TO PROACTIVELY MONITOR NON-PERFORMING LOANS

In November 2024, the Bank of Namibia launched a pioneering artificial intelligence (AI) model for credit risk supervision – the first of its kind for the institution. The model, which is driven by AI and machine learning, is designed to enhance the supervision and monitoring of non-performing loans (NPLs). These are loans that are unlikely to be repaid in full. They arise when borrowers are more than 90 days overdue on loan principal and interest payments. Such loans pose challenges for banks, reducing profitability, necessitating additional provisions, and potentially leading to financial losses. If not effectively managed, high levels of NPLs threaten not only institutional but also overall financial stability. One way of keeping this risk in check is to monitor the so-called NPL ratio, which is the ratio of NPLs to total loans.

Economic challenges, including inflation and a high-interest rate environment, have significantly contributed to late repayments and loan defaults. In Namibia, December 2024 saw the NPL ratio nearing its early-warning regulatory threshold of 6.0 percent of total loans, as the value of NPLs reached N$6.6 billion. This figure represented an increase of N$565 million on the levels recorded for December 2023. This trend underscores the need for AI-enabled supervisory tools to detect early warning signs and implement timely recovery measures, effectively managing the escalating risk of loan defaults.

Previously, the Bank of Namibia relied on quarterly historical financial data to track and monitor trends in NPLs. The new NPL predictive model transformed this process by integrating key economic variables and delivering forward-looking indicators. This proactive approach enables potential risks to be detected early on, allowing for timely supervisory interventions and more effective credit risk management.

The NPL predictive model has the following features:

» **Powered by AI and machine learning:** Developed using Python, this model integrates AI and Machine Learning to analyse historical NPL data along with key economic indicators, such as inflation, the prime lending rate, money supply, and GDP, to forecast NPL trends up to four quarters ahead.

» **Continuous learning:** The model evolves over time as new economic data becomes available, ensuring the tool remains accurate and relevant.

» **Visual insights:** Intuitive Power BI dashboards offer stakeholders easy access to predictions and trends.

» **Scalable and customisable:** Built with flexibility, the model can integrate additional data sources and variables, supporting ongoing enhancement and development of other risk-specific use cases.

Model Benefits:

The NPL predictive model offers significant advantages for financial oversight and credit risk management, including the following benefits:

» **Proactive supervision:** Supervisors can now forecast risk in real-time, allowing for early detection, monitoring, and management of credit risk.

» **Data-Driven decision-making:** The model empowers supervisors to make informed decisions, enabling them to proactively engage banks on effective credit risk management.

» **Trend analysis and benchmarking:** By analysing trends across the banking sector, supervisors can establish industry benchmarks for acceptable NPL levels, promoting stability across the sector.

Bank of Namibia (AI) model is designed to enhance the supervision and monitoring of non-performing loans (NPLs).

The AI model marks a significant advancement in the Bank of Namibia's ability to oversee credit risk. The model's applications are expected to expand, with potential use in liquidity risk, capital scenario analysis and stress testing. The Bank's of Namibia's commitment to leveraging advanced technologies underscores its dedication to a sound, modern, and resilient banking sector. Through innovation, agility, and collaboration, the Bank is poised to facilitate the modernisation of banking in Namibia.

» **The Bank of Namibia and the KPMG embarked on a digital maturity assessment project, which aimed to assess the digital maturity on four major banking institutions in Namibia.** The project assessed Bank Windhoek Limited, First National Bank Namibia Limited, Nedbank Namibia Limited, and Standard Bank Namibia Limited. To assess the Namibian banking industry's progress towards customer-centricity and digital transformation, KPMG's connected enterprise framework was employed. This framework provided a valuable approach for assessing the digital maturity of the Namibian banking industry across eight key capabilities their relevant decomposed sub-capabilities. The assessment identified areas of strength and opportunities for improvement, and the recommendations provided a roadmap for each bank and the industry as a whole to continue its digital transformation journey.

» **The main takeaways from the assessment were that there is a lack of integration between the banks and institutions, such as the Home Affairs and the Business and Intellectual Property Authority hinders the acceleration of secure digital transformation.** Furthermore, the Namibian banking industry continues to grapple and compete for scarce digital skills (e.g., cyber, data, cloud) to drive its transformation agenda. Finally, network coverage and infrastructure challenges, especially in rural areas, are obstacles to achieving the desired Namibian financial inclusion objectives.

NAMIBIA AI PREPAREDNESS

» **According to the IMF's AI Preparedness Index (AIPI), in 2024 Namibia ranked ninth among African countries most prepared for the adoption of AI.** This ranking suggests Namibia has been striding ahead in developing the infrastructure and environment necessary to leverage AI technologies.

» **The AIPI evaluates countries based on four critical factors: digital infrastructure, human capital, technological innovation and legal frameworks.** These elements are considered crucial for the successful integration of AI into various sectors of the economy. Importantly, the index is merely an indicative measure to support policymakers in identifying areas for improvement and should not be interpreted for ranking purposes. According to the report, Namibia scores 0.08 in digital infrastructure, 0.01 in innovation and economic integration, 0.12 in human capital and labour market policies, and 0.12 in regulation and ethics. The assigned scales suggests that the country has broadly achieved important milestones in terms of a supportive environment and required infrastructure when compared to regional peers.

» **According to the AIPI, the four dimensions are probably relevant for smooth AI adoption.** Each dimension is computed by normalising and averaging a rich set of sub-indicators. These include the presence of relevant digital infrastructure, sustained human capital investment, inclusive STEM (science, technology, engineering and mathematics) expertise, labour and capital mobility, a vibrant research-and-development ecosystem, and the adaptability of legal frameworks to digital business models.

» **Further data from the IMF report placed Botswana and Namibia on the top 10 list, tied for ninth place with an identical score of 0.417.** Morocco and Ghana were closely matched in AI readiness, occupying the seventh and eighth spots respectively, both scoring 0.428. Rwanda demonstrated rapid progress by securing fifth place with a score of 0.449, edging out Cabo Verde in sixth place with a score of 0.438. South Africa came in third, scoring 0.491, slightly ahead of Tunisia in fourth place with a score of 0.479. The Seychelles outpaced all others on the continent in AI preparedness with a score of 0.531, significantly ahead of Mauritius, which secured second place with a score of 0.521. The AIPI index relies on a combination of objective data and subjective assessments, making it a valuable tool for policymakers to identify areas for improvement rather than serving as a definitive ranking system.

CASE STUDY: SINGAPORE AI READINESS INDEX

AI Singapore developed an AI Readiness Index (AIRI), which is an industry-focused framework for assessing such readiness. The AIRI distils the critical success factors for AI adoption based on hundreds of engagements AISG has with companies across different industries of various sizes and AI readiness levels. AIRI allows business units and organisations to assess their readiness and identify the gap between their current and desired states. The Index also enables organisations to determine the most suitable approach for them to adopt AI and to implement targeted programmes to increase their AI readiness.

Ultimately, AIRI translates abstract concepts into concrete actions to help organisations accelerate their AI adoptions. Thus, AI Singapore uses AIRI to help its clients identify which of its and its collaborators' programmes can be leveraged to accelerate their AI journey. An illustration of how companies' readiness is assessed via AIRI is offered in Theme Chapter Table 3.

Theme Chapter Table B.3

AIRI SCORES

	AI UNAWARE	AI AWARE	AI READY	AI COMPETENT
Average Score	Less than 2.5	2.5 - 3.4	3.5 - 4.5	Greater than 4.5
Interpretation	Organisation might hear about AI. but is unaware of AI applications.	Organisation is aware of Ai applications and could identify potential used cases.	Organisation has the capabilities to intergrate pre-trained AI models into products or business proccess.	Organisation has the capabilities to develop customised AI models and solutions for specific business needs.
Characteristics	Wait for vendors to convince with use cases and business value of AI Consume ready-made AI solutions.	Actively seek AI solutions to address business needs. Able to identified potential use cases for AI applications, and consume ready-made AI solutions.	Evaluate and seek AI APIs. SDKs and pre-trained AI models for use within business.	Have strategy and roadmap of AI deployment for organisation.
Recomendations	increase AI literacy of organisation.	Consume ready-made. end-to-end. COTS AI solutions.	Prepare organisation to adopt and integrate AI solution. Broaden understanding of AI to whole of organisation.	Deepen organisational AI capabilities. Broaden understanding of AI to whole of organisation.

The pillars and dimensions of AIRI

AIRI 2.0 consists of five pillars which map to 12 dimensions. The five pillars are interdependent and synergistic. Thus, organisations with strong Organisational Readiness (Pillar 1) would be assessed as being able to identify good use cases, thereby contributing to their Business Value Readiness (Pillar 2). The decision and approach of identifying appropriate business use cases would be guided by the organisation's Ethics and Governance Readiness (Pillar 3). Being able to identify such use cases would in turn support the organisation's Data Readiness (Pillar 4) if it possessed established data policies, processes and practices to ensure the accuracy, reliability and completeness of data. Infrastructure Readiness (Pillar 5) would be established by AI Singapore helping the organisation to turn ideas into actions by providing it with the tools and technologies to train, host and deploy AI solutions.

Each of these pillars has several dimensions, each in turn assessed at four levels of AI readiness, namely AI Unaware, AI Aware, AI Ready and AI Competent. Since organisations may exhibit different levels of AI readiness across these dimensions, their score across the five pillars of the AIRI offers a holistic assessment of such readiness.

CONCLUSION AND POLICY RECOMMENDATIONS

Conclusion

» **The rise of AI presents both opportunities and challenges for the future of work and society as a whole.** While many concerns about job displacement are valid, it is essential to recognise that AI has the potential to liberate individuals from mundane and unfulfilling tasks. Studies have shown that many people are dissatisfied with their jobs, often feeling undervalued and confined to repetitive roles for extended periods. Thus, embracing AI as a means to free humanity from such drudgeries could lead to a more rewarding existence. Achieving this positive vision, however, requires a paradigm shift from viewing AI as a mere 'job destroyer/replacer' to viewing it as an unlocking human potential. Through AI's assistance in automating alienating tasks, individuals can focus on more meaningful activities, such as spending time with loved ones, pursuing cultural interests, and engaging in personal growth and learning. In this way, AI can be a complement to human capabilities rather than a replacement for them, fostering a harmonious relationship between technology and society.

» **The future of AI is filled with potential, yet it also presents challenges.** AI is significant in empowering personalisation, improving healthcare outcomes, enhancing safety and security measures, increasing accessibility for individuals with disabilities, contributing to sustainability exertions, aiding in decision-making processes, transforming the education system, and supporting the scientific exploration and discovery of the evolving world. Notably, however, while AI offers numerous benefits, there are also considerations and challenges related to ethics, privacy, bias, and job displacement that need to be carefully addressed and managed in its implementation.

» **In terms of job losses, it is clear that AI will replace jobs of those performing repetitive tasks, while stronger demand for highly skilled labour can also be expected.** In simple repetitive tasks, as well as in high-level decision-making, AI is rapidly changing and improving how work is done. Digital literacy and 'techno-logical' adaptability will be essential competencies for individuals navigating the complexities of the AI era.

> *Studies have shown that many people are dissatisfied with their jobs, often feeling undervalued and confined to repetitive roles for extended periods. Thus, embracing AI as a means to free humanity from such drudgeries could lead to a more rewarding existence.*

Recommended policy approaches to deal with AI

REMOVING BOTTLENECKS TO ADOPTION

» **Namibia should strengthen its international cooperation in respect of facilitating technology transfer.** Considering the already advanced rollout of AI in high-income countries, developing nations can harness the already available digital capacity to provide policymakers with the knowledge and tools required to integrate and facilitate technology transfer and bridge the AI divide. High-income countries should bridge the AI divide by such transfers and by sharing their AI expertise with developing nations. This collaboration is crucial for high-income countries as well, as it creates a win-win scenario. By helping Emerging Market and Developing Economies adopt AI, Advanced Economies can open new markets for their AI technologies, foster global economic stability, and address shared challenges such as climate change and public health more effectively. International cooperation also ensures that AI adoption aligns with ethical standards, benefiting both sides in terms of economic and social progress.

» **There is also a need to enhance Namibia's digital infrastructure.** Developing a robust digital infrastructure, including reliable internet and electricity, is foundational for AI adoption. Such infrastructure is crucial because without it, access to AI technologies will remain limited, deepening the digital divide and preventing equitable participation in the benefits of AI. Moreover, reliable infrastructure can facilitate access to, and the use of, AI tools, thus fostering inclusive growth and development. Digital infrastructure needed for AI advancements includes broadband and mobile telecommunication infrastructure, data centers, systems, networks, Internet of Things (IoT) and cloud computing services.

ENCOURAGING ADVANCEMENT OF AI

» **It is important for Namibia to encourage local innovation and provide incentives for start-ups.** Fostering local technology ecosystems and supporting homegrown innovations will enable sustainable, locally-relevant economic growth. Encouraging AI adoption also helps build resilience and adaptability within the local economy, ensuring that AI solutions are tailored to the specific needs of the community concerned.

» **Incentives and supportive policies are also needed to encourage Namibian start-ups to develop AI innovations that address specific challenges faced by developing countries.** These startups can be instrumental in creating solutions that are both culturally relevant and economically viable. By combining incentives with fostering a culture of innovation, developing countries can create an environment not only where innovation thrives, but also where responsible growth is achieved.

» **Regulations and policies related to AI also need to be pro-innovation while ensuring consumer protection, striking a balance that fosters a dynamic startup ecosystem that can innovate responsibly, benefiting both the economy and society.** The Bank of Namibia and the Namibia Financial Institutions Supervisory Authority currently play a key role in this regard in Namibia by encouraging local innovation and removing regulatory barriers through regulatory sandboxes, as well as by offering other initiatives that provide start-ups with the necessary support to develop and scale their solutions.

» **In addition, Namibia should promote public–private partnerships to foster advancements in AI.** Close collaboration between the Namibian Government and the private sector is required to create an environment that supports AI adoption. Such partnerships can also help bridge funding gaps, provide necessary infrastructure, and ensure that AI solutions are tailored to meet local needs.

DEALING WITH THE IMPACT ON LABOUR MARKETS AND DISTRIBUTION

» **Advancing in AI and preventing job losses require extensive focus on skills development.** Educational initiatives in Namibia should prioritise not only basic digital literacy, but also advanced training in AI, ensuring the workforce is equipped for the future. This is important because, without the necessary skills, workers may be left behind in an AI-driven economy, leading to increased inequality and missed opportunities for economic growth. By focusing on both foundational and advanced AI skills, developing countries can build a competitive workforce capable of driving innovation and benefiting from the AI revolution.

REGULATING AI: TRANSPARENCY, INTELLECTUAL PROPERTY, PRIVACY, HUMAN RIGHTS, SECURITY

» **The final recommendation is a call for standardised data collection and governance.** Namibia should establish standards for collecting, governing and managing data to ensure that such data used in AI systems has the necessary quality, privacy protection and security. Developing and enforcing such standards are crucial for building trust in AI technologies and ensuring that data-driven AI solutions are both effective and ethical. Standardising data practices also helps in creating a consistent framework that can facilitate collaboration between public and private sectors, as well as across borders. There is also an urgent need to finalize the Cybercrime Bill as cybercrime incidents continue to increase. National policies to protect against cybercrime are crucial because they provide a coordinated framework to combat the growing threat of cyberattacks, safeguarding critical infrastructure, citizen privacy, and the economy.

PART C

BANKING SUPERVISION

CONTENTS

Part C
Banking Supervision

INTRODUCTION

The number of licensed banks changed slightly, with one bank exiting the market and another obtaining a provisional banking license. The banking sector consisted of six fully-fledged commercial banks, four of which were classified as Domestic Systemically Important Banks (DSIBs), while the remaining two were categorised as second-tier banks. Additionally, the sector included one branch of a foreign banking institution and one representative office, completing the list of authorised institutions. During the year, the Bank of Namibia granted a provisional licence for the establishment of a new banking institution, Access Bank Namibia (Pty) Ltd, bringing the number of institutions with provisional authorisation to two, alongside Cadence Building Society. Furthermore, one banking institution voluntarily returned its banking licence to the regulator to pursue other business ventures.

Several supervisory activities enhancing corporate governance structures and cyber security measures were conducted during 2024 to bolster stability and confidence in the banking sector. The Bank conducted targeted on-site examinations focused on the various institutions' governance and risk culture as well as their management of cybersecurity risk. The inspections assessed the effectiveness of boards in establishing strong corporate governance structures and policies. The outcome of these supervisory activities demonstrated that banks had made significant investments in terms of enhancing the diversity of their boards' skills and improving their institutions' cyber controls and capacity. In addition, the Bank participated in supervisory colleges that aimed at ensuring coordination, collaboration and sharing of information for effective supervision pertaining to components of cross-border banking groups.

During 2024, several by-laws were introduced to strengthen the regulatory framework, aid financial inclusion, and provide relief to the ailing sectors of the economy. The Bank issued a Determination for Microfinance Banking Institutions (BID-38) during the reporting year to drive financial inclusion and provide critical banking services to underserved communities nationwide. Similarly, to support farmers facing the ongoing drought in the country during the year, the Bank issued the Determination on Policy Changes in Response to Economic and Financial Stability Challenges (BID-39) in support of the State of Emergency declared in Namibia. The main aim of this Determination was to extend financial relief to clients in the agricultural sector.

PERFORMANCE OF THE BANKING SECTOR

Despite the modest economic growth, higher interest rate environment and inflationary pressure during 2024, the banking sector exhibited resilience, supported by adequate capital levels, sustained profitability and excess liquidity. During the period under review, both the total eligible capital ratio (TECR) and common equity Tier 1 ratio recorded values above their respective minimum regulatory requirements of 12.5 percent and 10.0 percent, respectively. The TECR decreased from 17.0 percent in 2023 to 16.7 percent in 2024, whereas the common equity tier 1 ratio decreased from 15.7 percent to 14.7 percent, primarily due to dividends paid out during the year.

The profitability of the banking sector, as measured by the return on assets (ROA) and return on equity (ROE) ratios, remained favourable on the back of net profit after tax. The banking sector ROA ratio increased from 2.1 percent in 2023 to 2.5 percent in 2024, while the ROE ratio rose from 18.4 percent to 20.3 percent over the same period. The growth in profitability ratios was driven by the improvement recorded in net interest income, which stemmed from the marginal growth observed in the loan book, as well as in non-interest income due to higher transactional volumes.

Asset quality, as measured by the NPL ratio improved slightly as the loan book growth outpaced the marginal growth observed in NPLs. The NPL ratio improved marginally from 5.8 percent reported in 2023 to 5.6 percent at the end of 2024, owing to expansion in the loan book during the period under review. However, despite the decrease in the NPL ratio, the value of NPLs remained high, having increased by N$96.4 million to N$6.6 billion as a result of high interest rates, inflation and unemployment observed during most of 2024 which negatively impacted customers' loan affordability.

The banking sector ROA ratio increased from 2.1 percent in 2023 to 2.5 percent in 2024, while the ROE ratio rose from 18.4 percent to 20.3 percent over the same period.

Market Share Analysis

The market share distribution within the banking industry remained largely unchanged from the previous reporting period, with DSIBs taking up the biggest share. The banking sector market share was highly concentrated among the four DSIBs, as they comprised 97.3 percent of industry total assets, 97.0 percent of total loans and advances, and 98.9 percent of deposits. The remaining portion of the market share was shared among the three non-DSIBs.

Table C.1

BANKING SECTOR MARKET SHARE

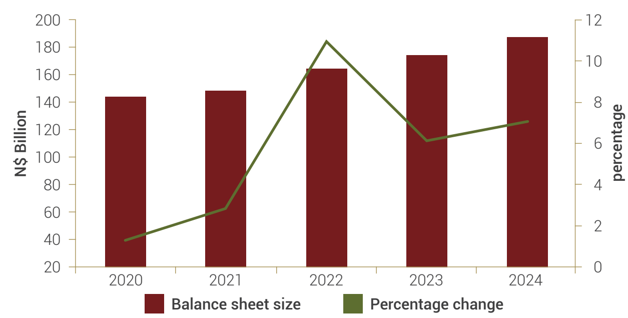
Market share component	Domestic Systemically Important Banks (%)	Second-tier banks (%)	Total (%)
Total Assets	97.3	2.7	100.0
Total Loans & Advances	97.0	3.0	100.0
Deposits	98.9	1.1	100.0
Net Income After Tax	99.4	0.6	100.0
Total Qualifying Capital	94.1	5.9	100.0

BALANCE SHEET STRUCTURE

The banking sector balance sheet recorded significant growth during 2024 compared to 2023. The size of the aggregated balance sheet grew by 7.1 percent to N$186.7 billion, which was higher than the 6.1 percent growth reported in 2023 (Figure C.1). The nominal growth in balance sheet size was mainly driven by increases in total loans and advances, short-term negotiable securities, the total trading and investments portfolio, other assets and fixed assets.

Figure C.1

AGGREGATED BALANCE SHEET



ASSET STRUCTURE

Balance sheet growth during 2024 was mainly driven by the increase in total loans and advances, which constitutes core banking business activity. Total loans and advances grew by N$6.3 billion from 2023 and amounted to N$118.9 billion. The increase was mainly driven by fixed term loans which expanded by N$4.2 billion to N$21.8 billion. Instalment debtors and hire purchase recorded the second-highest growth. This category grew by N$2.0 billion to N$14.3 billion year-on-year. In addition, personal loans rose by N$759.4 million to N$9.8 billion in 2024 while the remaining loan book products accumulated negative growth of N$672.2 million. Short-term negotiable securities also contributed to the rise observed in the balance sheet size during 2024, as they increased by N$3.5 billion to N$26.3 billion. Furthermore, total trading and investment securities increased by N$2.6 billion to N$9.5 billion during the period under review, while other assets moved up by N$757.7 million to N$3.6 billion over the same period.

Similar to the preceding reporting period, the balance sheet composition of the banking sector during the 2024 financial year was dominated by net loans and advances[C1]. Net loans and advances comprised 61.0 percent of total assets, followed by Cash and balances with banks, which made up 16.4 percent. Short-term negotiable securities and Trading and investment portfolios followed with 14.1 percent and 5.1 percent, respectively. Other assets and Property plant and equipment comprised negligible portions of 1.9 percent and 1.5 percent, respectively.

Banking sector credit extension[C2] improved during 2024, mainly due to growth observed in fixed-term loans. Total loans and advances rose by 5.6 percent compared with their 2023 position to N$118.9 billion in 2024. The expansion in the loan book was mainly driven by a N$4.2 billion growth in Fixed-term loans, a N$2.0 billion gain in Instalment debtors, hire purchase and suspensive sales, and a N$759.4 million rise in personal loans. During 2024, Total loans and advances were mainly comprised of Residential mortgages, which made up 37.8 percent, followed by Fixed-term loans at 18.3 percent, and Instalment debtors, hire purchase and suspensive sales at 12.0 percent. Commercial mortgages constituted 10.9 percent of Total loans and advances, Overdrafts 10.3 percent, Personal loans 8.2 percent, Preference shares credit 1.1 percent, credit cards 0.7 percent, and other loans and advances 0.2 percent (Figure C.2).

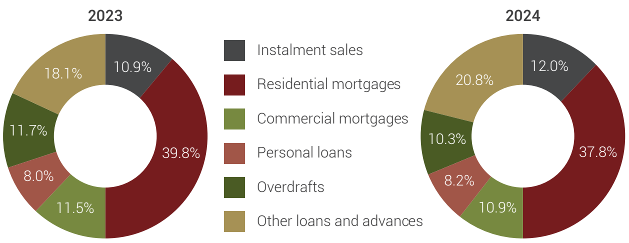
[C1] Net loans and advances refer to the total amount of loans and advances less specific provisions, general provisions, and interest in suspense.

[C2] The banking sector credit extension only includes credit extended by commercial banks and excludes microlenders, Agribank and the Development Bank of Namibia.

Figure C.2

COMPOSITION OF LOANS AND ADVANCES

Residential mortgages, Other loans and advances[1] and Instalment sales comprised the majority of loans and advances in the reporting year.



Ownership and Asset Base of Commercial Banks

The Namibian banking sector comprised four DSIBs in 2024, of which three were subsidiaries of foreign-owned banks and one was locally owned. In addition, the three Tier-2 banks in Namibia were majority foreign-owned. The majority of the banking sector's assets for the year under review were held by foreign-owned banks (Table C.2).

Table C.2

OWNERSHIP OF BANKING INSTITUTIONS

Banking institution	Total assets (N$'000)	Share of the industry's total assets (%)
Foreign-owned banking institutions	132,752,000	71.1
Locally-owned banking institutions	53,978,000	28.9
Total	186,730,000	100.0

The three subsidiaries of South African banking institutions remained dominant in the sector as they constituted a 68.4 percent share of the banking industry's total asset base while the one local bank only accounted for 28.9 percent. The remaining portion of 2.7 percent was comprised of Tier-2 banks, owned by banks from Angola and Portugal as well as by a financial services company from Botswana. By year-end, a Namibian banking service provider had withdrawn itself from the market.

FUNDING STRUCTURE

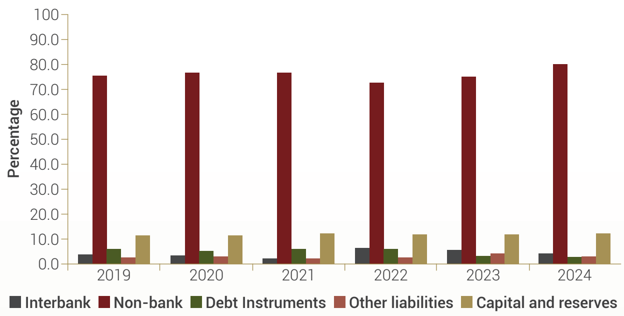
The total funding mix of the banking industry during 2024 consisted of bank funding, non-bank funding, and capital and reserves, with non-bank funding remaining the dominant source. Non-bank funding increased by N$18.9 billion from its 2023 levels to N$149.8 billion in 2024 due to demand deposits. A year-on-year increment was observed in capital and reserves as well, by N$2.2 billion to N$22.9 billion, mainly due to retained income. Conversely, bank funding contracted by N$1.1 billion compared with its 2023 position to stand at N$8.5 billion in 2024 (Figure C.3). Proportionally, non-bank funding accounted for 80.2 percent of total funding, followed by capital and reserves at 12.3 percent and bank funding at 4.6 percent. Other liabilities only accounted for 2.9 percent of total funding during the period under review.

Figure C.3

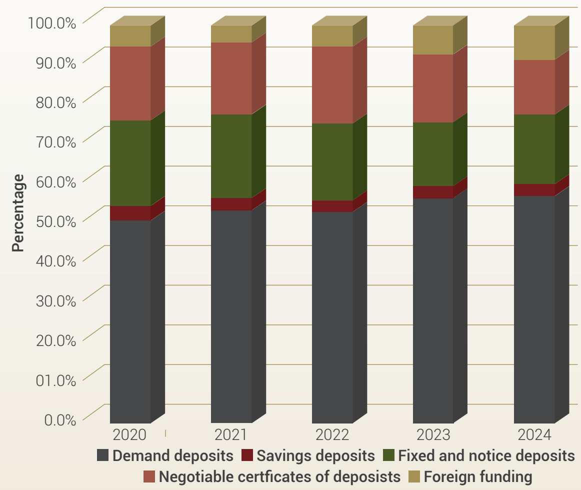
FUNDING STRUCTURE

Non-bank funding and capital and reserves were the primary sources of funding in the banking industry during the reporting year.

(a) Composition of funding structure



(b) Composition of non-bank deposits



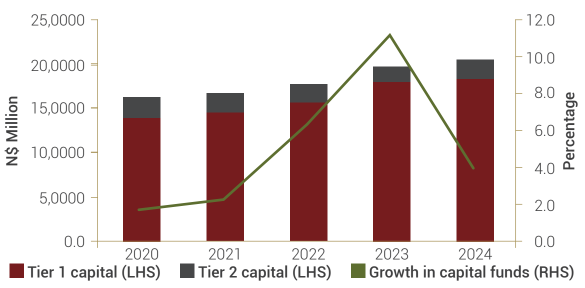
Demand deposits, consisting of current accounts and call accounts, were the main source of non-bank funding. Demand deposits increased from N$73.9 billion in 2023 to N$81.4 billion in 2024, accounting for 54.3 percent of total non-bank funding for the period under review. Fixed and notice deposits also rose significantly, namely by N$4.0 billion from 2023 levels to reach N$24.8 billion in 2024, while short-term negotiable securities decreased by N$2.9 billion to N$19.5 billion in the same period. Proportionally, fixed and notice deposits comprised 16.5 percent of total non-bank funding during the reporting year, followed by short-term negotiable securities at 13.0 percent. Foreign funding and saving deposits made up 8.2 percent and 3.0 percent of the total non-bank funding for the period, respectively.

CAPITAL ADEQUACY

The banking sector's capital adequacy remained robust and sufficiently strong during the review period to sustain growth and absorb potential shocks from unforeseen events. The DSIBs remained well-capitalised under the Basel III framework during 2024, demonstrating resilience to absorb shocks. Furthermore, all capital ratios exceeded the statutory minimum requirements (Figure C.4a). The total eligible capital ratio recorded a slight decline from 17.0 percent in 2023 to 16.7 percent in 2024, due to growth observed in risk-weighted assets coupled with a reduction in retained earnings, which resulted from dividends paid out during the year. The ratio, therefore, remained above the minimum prudential requirements of 12.5 percent.

Figure C.4a

DSIBS CAPITAL FUNDS GROWTH

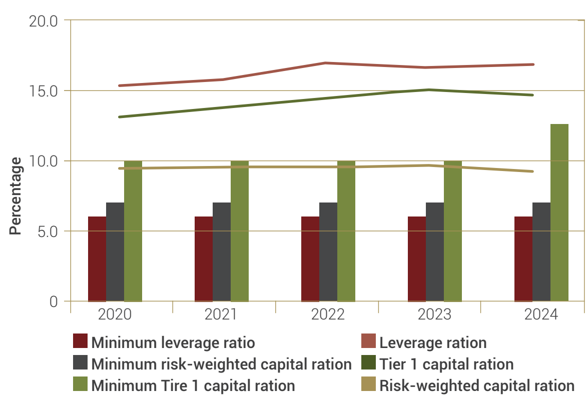


The Common Equity Tier 1 capital ratio remained significantly above the prudential minimum requirements during 2024. The Common Equity Tier 1 capital ratio slightly declined to 14.7 percent in 2024 compared to 15.5 percent in 2023 due to dividends declared during 2024. Despite this decrease, the ratio also remained above the minimum requirement of 10.0 percent, indicating sound capital levels. Similarly, the Tier 1 leverage ratio decreased from 10.1 percent year-on-year to 9.2 percent but remained comfortably above the regulatory minimum of 6.0 percent, ensuring adequate buffers against financial shocks.

Total eligible capital declined due to a reduction in retained profits under Tier 1 capital following the dividend pay-outs. Total eligible capital stood at N$20.4 billion in 2024, trending downwards from N$21.9 billion in the previous year (Figure C.4b). The reduction was driven by an 8.6 percent decrease in common equity Tier 1 capital, which fell to N$18.2 billion as a result of dividends declared during the year. Conversely, Tier 2 capital recorded an increase of 12.0 percent year-on-year to N$2.2 billion in 2024, due to a growth in instruments issued by banks that meet the criteria for inclusion in Tier 2 capital.

Figure C.4b

CAPITAL ADEQUACY RATIOS



The non-DSIBs operating under the Basel II Capital Accord, also maintained adequate capital during 2024. Total qualifying capital grew by N$162.4 million in respect of its 2023 levels to register at N$1.3 billion for 2024 (Figure C.4c). This growth was largely driven by a N$93.6 million rise in Tier 1 capital, supported by an increase in paid-up ordinary shares reported by one of the banks. Correspondingly, the total risk-weighted capital ratio improved significantly, rising from 32.2 percent in 2023 to 58.6 percent in 2024, primarily due to an increase in paid-up ordinary shares. This ratio remained well above the regulatory minimum of 10.0 percent. Furthermore, the Tier 1 capital ratio and Tier 1 leverage ratio stood at 47.8 percent and 30.2 percent, respectively, comfortably exceeding their respective regulatory minimums of 7.0 percent and 6.0 percent.

Figure C.4c

SECOND-TIER BANKS' CAPITAL FUNDS

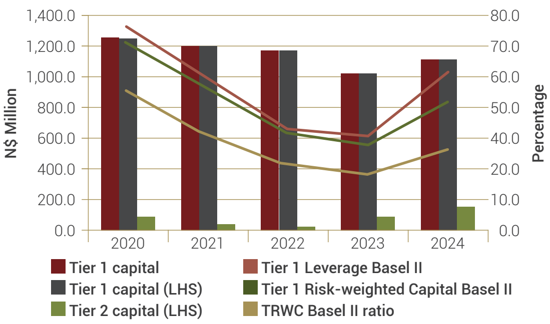
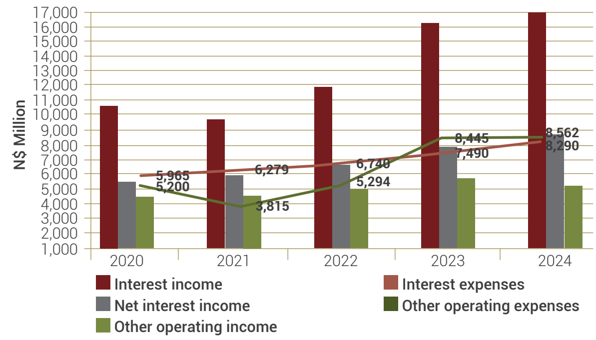


Figure C.5a

KEY INCOME STATEMENT INDICATORS



PROFITABILITY AND EARNINGS

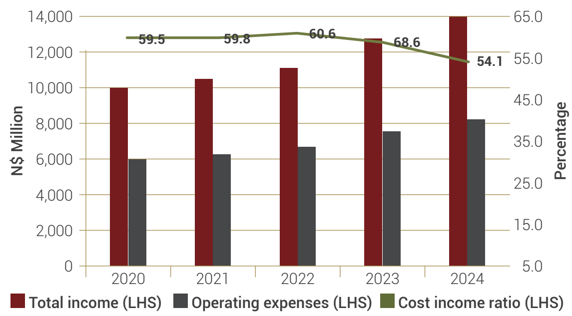
Total income for the banking sector increased due to growth recorded in net interest income and operating income for the review period. Total income amounted to N$14.5 billion in 2024, representing an increase of 13.1 percent from the N$12.8 billion reported during 2023. Similarly, net interest income increased by 11.1 percent, i.e. from N$7.9 billion reported in 2023 to N$8.7 billion reported during the period under review, mainly driven by the loan book growth. Furthermore, operating income increased by 13.3 percent from 2023's level of N$5.8 billion to N$6.6 billion owing to improvements in the fee income and trading income recorded in 2024, supported by high transactional volumes.

Net interest income continued to be the banking sector's principal source of income during 2024, constituting 54.6 percent of total income in 2024 in comparison with 54.7 percent in 2023. This was largely driven by the interest earned from residential mortgages, fixed term loans, and other interest-related income. The remaining 45.4 percent of total income, equivalent to N$6.6 billion, comprised fee income of N$4.5 billion (31.5 percent), which was the largest contributor to non-interest income, primarily derived from transaction fees and service charges. Net trading income contributed N$1.1 billion (7.9 percent) to the sector's total income, reflecting gains from trading activities during the review period. Other sundry income contributed N$437.7 million (3.0 percent), generated from miscellaneous revenue streams.

Despite operating expenses increasing during the reporting period in comparison with 2023 levels, the cost-to-income ratio trended downward, reflecting an improvement in operational efficiency. The operating expenses rose by 10.4 percent to N$8.3 billion in 2024, while total income trended upward by 13.1 percent to N$14.5 billion. The increase in operating expenses was primarily driven by higher staff costs, administration and overheads, and depreciation and amortisation, whereas total income inclined due to growth in net interest income and fee income. The cost-to-income ratio decreased from 58.6 percent in 2023 to 57.2 percent in 2024 (Figure C.5b) and remained well below the Bank's benchmark of 65.0 percent.

Figure C.5b

EFFICIENCY INDICATORS OF THE BANKING SECTOR



Income from non-traded securities made up N$45.0 million (1.1 percent), primarily from investments held for income generation (Figure C.5a).

The banking sector continued to record profits, surpassing those registered in the preceding year, mainly due to growth in net interest income and fee income. Net income after tax grew by 17.0 percent to N$4.4 billion in 2024. This increase was primarily due to an 11.1 percent upward trend in net interest income and a 31.5 percent boost in fee income as a result of transactional volumes. Consequently, the ROA increased from 2.1 percent in 2023 to 2.5 percent in 2024 while the ROE grew from 18.4 percent to 20.3 percent year-on-year, as capital and reserves improved relative to their position in the prior reporting period (Table C.3).

Table C.3

RETURN ON ASSETS AND RETURN ON EQUITY

Description	2019	2020	2021	2022	2023	2024
Return on Assets (%)	2.0	1.3	1.7	1.9	2.1	2.5
Return on Equity (%)	17.3	10.9	13.9	16.2	18.4	20.3

In respect of the banking sector branch and agency network, the number of bank branches remained unchanged from the previous year, whereas the number of banking agencies reduced. The number of branches remained steady at 143, while the number of agencies decreased from 53 to 47 (Table C.4).

Table C.4

BANK BRANCH AND AGENCY NETWORK

Description	2019	2020	2021	2022	2023	2024
Branches	149	145	135	135	143	143
Agencies	82	84	85	81	53	47
Total banking outlets	231	229	220	216	196	190

The number of employees in the banking sector increased during the review period relative to their 2023 levels, mainly due to banks increasing staff capacity in the credit, collections and digitisation areas. The banking industry reported a total of 6,665 employees in 2024, which was more than the 6,420 reported for 2023. Permanent personnel increased from 5,857 to 6,042 year-on-year, while the temporary personnel count increased from 563 to 623 over the same period, mainly for project-related reasons (Table C.5).

Table C.5

BANK STAFF COMPLIMENTS

Description	2018	2019	2020	2021	2022	2023	2024
Permanent personnel	6 371	6 268	6 144	5 915	5 693	5 857	6 042
Temporary personnel	192	200	215	310	434	563	623
Total	6 563	6 468	6 359	6 225	6 127	6 420	6 665

CREDIT RISK

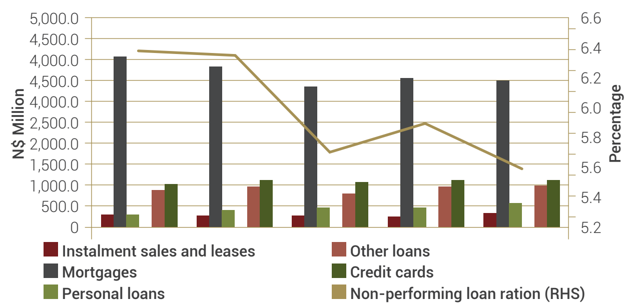
Analysis of non-performing loans

NPLs remained elevated during 2024 compared with their 2023 position, mainly due to the continuous economic pressure on households and businesses. The NPLs increased by N$96.3 million to N$6.6 billion in 2024 due to unfavourable economic conditions characterised by high interest rates, high inflation and unemployment which impacted the ability of households and businesses to service their debts. This upward trend was particularly evident in the Personal loans, Instalment sales agreements and Other loans categories as these categories recorded NPL increases of N$94.3 million, N$72.2 million and N$17.8 million, respectively. Nonetheless, the trend was somewhat offset by decreases in Mortgage loans, Credit cards and Overdrafts. These three categories recorded declines of N$60.4 million, N$24.7 million and N$3.0 million, respectively.

Despite the increase recorded in NPLs during 2024, the NPL ratio declined. The decline from 5.8 percent to 5.6 percent when compared to 2023 was attributed to marginal growth in the loan book of 5.6 percent, counteracting the increase in the NPLs (Figure C.6). Thus, overdue loans decreased by N$1.3 billion to N$9.5 billion. The downward trend was mainly observed in the two-to-three-month time bucket due to strict monitoring and rehabilitation of impairment by the banks concerned. Mortgages and Other loans and advances contributed the most to the observed NPL position.

Figure C.6

NON-PERFORMING LOANS PER PRODUCT



NPLs were highly concentrated in one sector. NPLs mainly emanated from the Individual's sector and Trade and accommodation, which accounted for 52.4 percent and 9.2 percent, respectively. Construction contributed 8.9 percent while Agriculture, hunting & forestry accounted for 6.2 percent during the review period. The Manufacturing; Business services; Transport, storage & communication and other sectors were responsible for the rest of NPL's share, collectively accounting for 22.2 percent.

Adequacy of provisions

The total provisioning increased marginally year-on-year and in line with the incline observed in the NPL portfolio. Total provisions rose from N$3.7 billion in 2023 to N$3.8 billion in 2024 due to increases observed in NPLs. Specific provisions[2] grew from N$2.2 billion in 2023 to N$2.4 billion in 2024, while general provisions marginally declined. General provisions, thus, reduced by N$78.2 million from the N$1.5 billion recorded previously to N$1.4 billion in 2024. The drop occurred despite total loans and advances increasing from N$112.6 billion to N$118.9 billion, year-on-year. The decline in general provisions was mainly attributed to the improvement in the classification of loans amounting to N$1.3 billion from Special mention to Pass category. Moreover, the specific and general provisions complied with the Determination on Asset Classification, Suspension of Interest, and Provisioning (BID-2)[3] requirements during the reporting year.

Table C.6

ASSET QUALITY AND PROVISIONS

Description	31 December 2023 (N$'000)	31 December 2024 (N$'000)	Percentage change
Total assets	174,268,148	186,665,470	7.1
Gross loans and advances	112,575,353	118,868,706	5.6
Net loans	107,913,829	113,940,267	5.6
Total non-performing loans	6,522,231	6,618,610	1.5
Total provisions	3,690,902	3,789,423	2.7
Gross loans/Total assets (%)	64.6	63.7	-1.4
Non-performing loans/Gross loans (%)	5.8	5.6	-3.4

Loan diversification and statutory large exposures

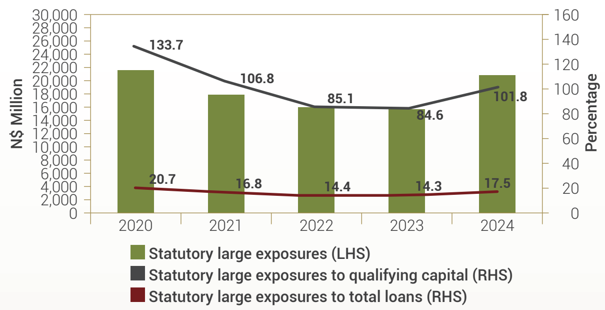
In terms of sectoral distribution, total loan growth was observed in the Individual sector, as well as in the Others, Manufacturing and Trade and accommodation sectors. The growth in sectoral distribution was depicted primarily by the incline in loans extended to individuals, which increased by N$370.3 million from its 2023 levels to stand at N$49.7 billion in 2024, constituting most of the total loans disbursed. Loans disbursements to the Other Sectors increased by N$45.0 million to N$2.0 billion in 2024, while the Manufacturing sector increased by N$43.0 million year-on-year to N$3.6 billion. On the other hand, significantly fewer disbursements were noted between 2023 and 2024 in the Real estate sector, resulting in a comparative decrease of N$135.0 million. In addition, Agriculture, Fishing, Mining and quarrying, Business services and Construction recorded a combined decline in disbursements of N$302.0 million relative to 2023.

The banking industry's large exposures increased during the year under review but remained within the prescribed capital limits. Large entities' appetite for credit increased as large exposures grew by 30.2 percent to N$20.8 billion year-on-year. The increase was primarily a result of the growing need for working capital, guarantees, hedging, and capital expenditure. Accordingly, the large exposures to total loans ratio grew from 14.3 percent in 2023 to 17.5 percent in 2024, demonstrating that the loan book for the industry was not highly exposed to large clients, which in turn minimises the concentration risk in the banks' loan books.

Total large exposures relative to qualifying captial increased. Total large exposures[4] in relation to qualifying capital increased from 84.6 percent to 101.8 percent year-on-year. On aggregate, this ratio stood well within the permissible limit of 800.0 percent of capital funds (Figure C.7). In addition, all individual large exposures were within the single borrower limit of 25.0 percent. The limitation is intended to mitigate the borrowing of excessive amounts of a bank's funds, whether by one person or a group of related persons or a group of counterparties whose performance is determined by common or correlated underlying factors. The limitation is also intended to safeguard a bank's depositors and creditors by diversifying risks among several persons engaged in different lines of business.

Figure C.7

STATUTORY LARGE EXPOSURES RELATIVE TO TOTAL LOANS AND CAPITAL FUNDS



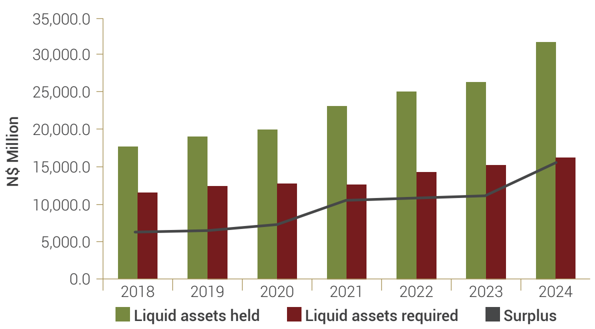
Liquidity

The banking sector liquidity position demonstrated a year-on-year increase, attributed to sustained investments in short-term securities alongside moderate growth in credit demand. As of 2024, the aggregate liquid asset holdings reached N$31.8 billion, reflecting a robust growth of 20.2 percent compared to N$26.4 billion in the prior year. This increase in liquid assets was primarily fuelled by investments in Government of the Republic of Namibia (GRN) Treasury bills and Bank of Namibia (BoN) bills.

The liquid assets to total asset ratio exhibited significant year-on-year improvement and remained substantially above the statutory minimum requirement. The growth in liquid asset holdings propelled the liquidity ratio from 15.2 percent in 2023 to 17.0 percent in 2024, resulting in a surplus liquidity position of N$15.6 billion (Figure C.8). Notably, an increase in liquid assets holdings was consistently observed across all liquid asset categories except strip bonds. Investments in GRN Treasury bills, GRN Bonds, and balances in clearing and call accounts with the Bank experienced notable growth alongside stocks and securities issued by the GRN. This growth was driven by the high interest rates offered on central bank accounts, given the high repo rate coupled with the heightened credit risk which reduced appetite for loans and advances. Additionally, the issuance of BoN Bills continues to indicate substantial subscriptions from banks and effectively absorbed some of the excess liquidity within the banking sector.

Figure C.8

STATUTORY LIQUID ASSETS



The liquidity ratio, which measures the relationship between public liabilities and liquid assets, showed improvement during the review period. Average total liabilities to the public rose from N$152.6 billion in 2023 to N$161.2 billion in 2024, heightening the banking sector's overall exposure to the public. Liquid assets also experienced an increase, leading to a year-on-year rise in the liquidity ratio from 17.3 percent to 19.7 percent. This ratio comfortably surpassed the statutory minimum of 10.0 percent.

The loan-to-asset ratio decreased marginally during 2024 and remained below the international benchmark. A high ratio indicates an asset base dominated by loans and advances thus exposing the banking institutions to higher liquidity risk due to the generally illiquid nature of loans and advances. In 2024, the loan-to-asset ratio declined from its 2023 level of 61.9 percent to 61.0 percent, thus remaining below the international benchmark of 75.0 percent. The marginal decrease in the ratio was due to the higher growth observed in total assets from N$174.4 billion to N$186.7 billion for the two respective reporting periods relative to the growth observed in loans and advances in those years.

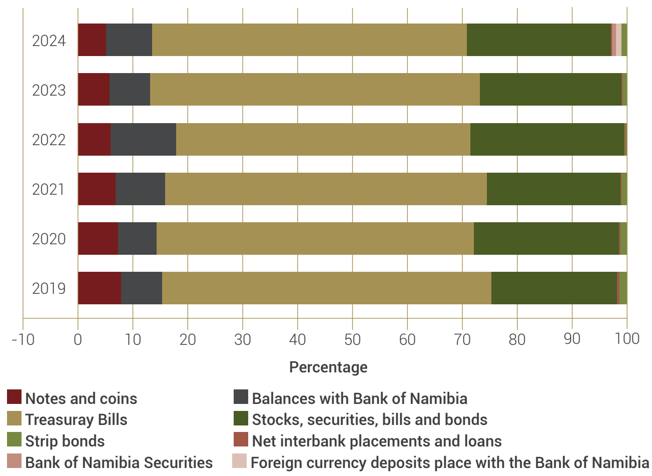
The banking industry experienced modest growth in total deposits for 2024, surpassing the increase in net loans and advances. The overall loan-to-deposit ratio (LDR) decreased from 77.6 percent in 2023 to 76.1 percent in 2024. The growth in total deposits from N$139.1 billion in the prior reporting year to N$148.8 billion in 2024 surpassed the growth observed in the net loans and advances from N$107.7 billion in 2023 to N$113.9 billion reported for 2024, therefore, driving the decline in the LDR. Despite the decrease in LDR, the current ratio demonstrates a balanced approach to lending and liquidity management. This indicates that banking institutions are judiciously utilising a reasonable portion of their deposits to extend loans to borrowers.

GRN Treasury bills continue to represent the predominant component of the industry's qualifying liquid assets (Figure C.9). Treasury bills comprised 57.4 percent of the total qualifying liquid assets. Stocks, securities, bills, and bonds comprised 26.3 percent of qualifying liquid assets and made up the second largest component. Balances held with the Bank comprised 8.3 percent, while notes and coins contributed 5.1 percent. Additionally, foreign currency deposits and Bank securities made up 1.0 percent each. Net interbank placements and strips contributed 0.9 percent and 0.1 percent, respectively.

DSIBs reported Basel 3 liquidity ratios above the required minimums. Following the introduction of the Basel III framework through the gazetting of the Determination on Liquidity Risk Management for Domestic Systemically Important Banks (BID-6A), which became effective on 1 April 2024, DSIBs reported their liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) above the required statutory minimums. Thus, banks reported an LCR of 163.6 percent and an NSFR of 111.5 percent above the minimum requirement of 75.0 percent required for both the LCR and NSFR. All four DSIBs, therefore, operated above the minimum requirement.

Figure C.9

COMPOSITION OF LIQUID ASSETS



INTEREST RATE RISK

The banking industry reported a cumulative positive net repricing gap, indicating a favourable high-interest rate environment during the year under review. The industry total repricing gap increased from N$3.4 billion in 2023 to N$8.2 billion in 2024, due to growth in interest-sensitive assets exceeding the growth in interest-sensitive liabilities for the overall time buckets. Positive repricing gaps were recorded in the time buckets of up to 30 days (N$32.1 billion), more than 3 months to 6 months (N$1.2 billion), and more than 6 months to 9 months (N$1.1 billion). On the other hand, the negative repricing gaps were observed in the time buckets of more than 1 year (N$12.8 billion), more than 1 month to 3 months (N$11.9 billion) and in the more than 9 months to 12 months category (N$1.5 billion). The overall positive net repricing gap suggests that banks are better off in a high-interest-rate environment and worse off in a low-interest-rate environment.

The dominance of interest-rate-sensitive assets and liabilities led to highly responsive interest-earning margins amid interest rate fluctuations. Interest-rate sensitive liabilities comprised the majority of total liabilities, accounting for 70.0 percent in 2024, a decline from the 82.5 percent registered in 2023. The remaining liabilities were comprised of fixed-rate liabilities and managed earning rate, which stood at 18.0 percent and 12.0 percent, respectively. On the other hand, interest-rate-sensitive assets still represented the majority of the assets, albeit significantly reducing to 72.0 percent in 2024 from 94.0 percent recorded in 2023. The remaining 20.2 percent of the total assets constituted fixed-rate assets, while non-interest and non-rate-sensitive assets comprised 6.3 percent and 1.6 percent of total assets, respectively.

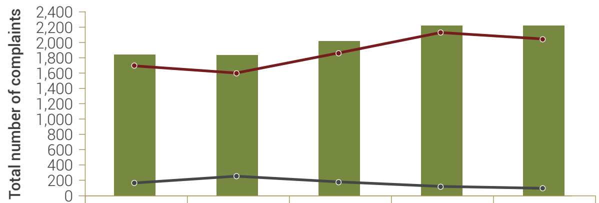
Stress testing affirms the resilience of the banking sector to interest rate shocks. The results of stress testing, a supervisory tool to identify risks early, demonstrated minimal impact on the banking sector's capital during the year under review. A 200-basis-point adjustment in interest rates would result in a cumulative change of N$436.4 million in net interest income over 12 months, either positive or negative, depending on the rate adjustment. Similarly, the economic value impact would be N$21.7 million, either positive or negative, representing only 0.1 percent of total capital funds.

CUSTOMER COMPLAINTS

The year under review recorded a decrease in the number of customer complaints lodged against banking institutions. The total number of customer complaints reduced from the 2,231 reported in 2023 to 2,153 reported for 2024. Of these 2,153 cases, 95.6 percent were lodged with the respective banking institutions, while 4.4 percent were lodged at the Bank. A total of 95.2 percent of the complaints were successfully resolved, while the remaining 4.8 percent remained works in progress (Figure C.10). The most prevalent types of complaints reported during the period under review included fraud against consumers, arrears on home loan accounts, unauthorised deductions, and poor customer service. In addition to the complaints, the Bank also handled 310 customer inquiries throughout the year, which were received via telephone, email or in-person visits to the Bank's premises.

Figure C.10

TOTAL NUMBER OF COMPLAINTS



	2020	2021	2022	2023	2024
Total complants	1,853	1,834	2,023	2,231	2,153
Closed	1,696	1,596	1,861	2,129	2,049
Pending	157	238	162	102	74

The Bank's mediation between banking institutions and customers led to an amicable resolution of complaints. The Bank's mediation resulted in the successful resolution of complaints in 2024, leading to monetary refunds. These were issued for matters such as interest discounts or write-offs on outstanding home-loan balances, reimbursement for amounts lost due to fraudulent transactions, unauthorised deductions, and refunds on fees and charges. Total refunds during 2024 amounted to N$1.5 million for 20 complaints, reflecting a significant increase in value compared with the N$943.7 thousand refunded in 2023 for 22 complaints and inquiries.

These results highlight the banking sector's strong capacity to withstand interest rate shocks, reinforcing its financial stability.

Notable progress was achieved in ensuring the lodging of complaints at the Oshakati Branch, enhancing accessibility by consumers. As outlined in its 2023 Guidelines for Lodging Customer Complaints, the Bank plays a pivotal role in ensuring effective mediation between consumers and banking institutions. Its strategic decision to enable customers to lodge complaints directly at its Oshakati Branch aims to bring complaint-handling services closer to the people ensuring that all consumers have an equitable platform to voice their concerns and seek redress. This enhanced access to consumers via the Bank's Oshakati Branch allowed notable progress to be made in resolving complaints during 2024.

REGULATORY REFORMS

One of the core mandates of the Banking Supervision Department is to formulate policy instruments and legislative frameworks. The Bank constantly revises and develops such frameworks to regulate and supervise banking institutions in accordance with the relevant international standards. In 2024, the Bank developed the following secondary legislation as provided in the Banking Institutions Act:

» **The Determination on Recovery Plans (BID-36) was drafted to formalise the recovery planning process for authorised banking institutions.** The Determination is designed to ensure that banking institutions in Namibia are well prepared to react quickly to and recover from financial distress through their own actions, thereby preventing disruptions to the financial system.

» **The Determination relating to Microfinance Banking Institutions (BID-38) aims to increase access to formal banking services by introducing a new form of deposit-taking institution.** The Determination subjects the microfinance banking institutions to less stringent capital and liquidity requirements, while maintaining the integrity of the financial ecosystem by placing limits on the scope and complexity of the services such institutions are permitted to offer.

» **The Determination on Policy Changes in Response to Economic and Financial Stability Challenges as a Result of the State of Emergency over the Persistent Drought in Namibia (BID-39) was developed to provide relief to clients engaged in the agriculture sector experiencing financial hardship due to the persistent drought conditions.** The Determination was drafted in response to the President of the Republic of Namibia's declaration of a State of Emergency owing to the persistence of the drought. The Determination outlines banking institutions' responsibilities in extending financial relief to clients in the agricultural sector whose ability to repay their loans have been affected by the drought.

» **The Determination on Cloud Computing (BID-19) repealed the Determination on Localisation of Core Banking Systems (BID-19).** The new Determination aims to ensure that cloud environments are resilient to cyber threats, compliant with regulatory requirements, and capable of driving innovation and operational efficiency. Thus, banking institutions in Namibia are allowed to host their systems on the cloud, subject to approval by the Bank.

» **Determination on Outsourcing (BID-34) amended the previous Determination on the Outsourcing in Banking Institutions and Cloud Computing (BID-34).** It sets out the requirements that banking institutions must observe in assessing and managing risks relating to outsourcing arrangements to third-party service providers. The Determination also outlines material business activities or functions that can be outsourced with the approval of the Bank. Further provisions cover the functions and activities that are not permitted to be outsourced due to the integral and fundamental nature of such functions and activities in respect of banking institutions' operations.

ILLEGAL FINANCIAL SCHEMES

In 2024, the Bank remained steadfast in combating illegal financial schemes, ensuring the integrity of the financial ecosystem. The Bank collaborated with the Government Institutions Pension Fund (GIPF) and the Namibia Financial Institutions Supervisory Authority (NAMFISA) as strategic partners to expand its awareness outreach on illegal financial schemes awareness. The Bank's proactive measures in creating public awareness on such schemes, its collaborative efforts with strategic partners, and its commitment to deterring these schemes resulted in a rise in the number of queries and reports from members of the public in this regard. During the reporting period, the Bank assessed 18 illegal financial schemes compared to 8 schemes assessed in 2023. The Bank applauds the initiative taken by the public to use its digital platform to report such schemes before falling prey to them. The Bank and the public's proactive approach has resulted in a decline in active illegal financial schemes and investment in them.

ON-SITE EXAMINATIONS

In 2024, the Bank completed governance and risk culture on-site examinations at four DSIBs and one second-tier bank. The governance and risk culture examinations focused on the effectiveness of the various institutions' boards in establishing strong corporate governance structures, policies, and a culture aligned with organisational values. The assessment was conducted in line with requirements and standards outlined in the Banking Institutions Act, the Determination on the Appointment, Duties, and Responsibilities of Directors, Principal Officers, and Executive Officers of Banking Institutions and Controlling Companies (BID-1), the NamCode, and the Basel Committee on Banking Supervision's guidelines on the corporate governance principles for banks. The review identified both best practices and areas needing improvement. Recommended improvements included enhancing board diversity in terms of their members' skills, strengthening succession planning and expanding board mandates. Since strong governance and risk culture are vital to financial stability, the banks are required to remediate the findings within a period of twelve (12) months of their issue.

The Bank also completed cybersecurity risk management assessments at four DSIBs and one second-tier bank. The cybersecurity risk assessments focused on how well the banks identified, assessed, monitored, and managed cyber risks, and whether proper oversight was exercised by their boards and senior management. The assessments were based on the Determination on Information Security (BID-30) and the Determination on Outsourcing in Banking Institutions and Cloud Computing (BID-34). The outcomes of these evaluations showed significant investment by banks in respect of strengthening their cyber controls and capabilities. However, the evaluations also identified the need for greater investment in cybersecurity expertise, stronger incident response capabilities and improved third-party risk management frameworks. Given the critical nature of cyber risks, the banks are required to address all the findings within six months of their issue. In this respect the bank boards are responsible for ensuring cybersecurity frameworks align with their risk tolerance and policies to effectively close the gaps. Cyber risk remains a top concern for the banking sector and will continue to be a supervisory focal point for the foreseeable future.

The digital maturity assessment of the four largest banks commenced in 2024, with completion expected in 2025. The digital maturity assessments aim to understand the state of digital transformation within the banking sector, identifying key gaps, opportunities, and the overall landscape. Digital transformation in banking involves adopting new technologies, processes, and innovations to enhance operations and improve the delivery of products and services to customers. Thus, the insights gained from digital maturity evaluations will guide future engagements with banks and inform policy development to support and accelerate digital transformation in Namibia's banking industry.

The activities for 2025 centre on addressing high-risk areas and oversight of cross-border banking groups. The Bank has strengthened its risk-based supervision framework to allow for a more dynamic approach, focusing on institutions with the greatest risks and impact. Key activities for 2025 include industry-wide examinations revisiting the themes of credit risk and the International Financial Reporting Standard for financial instruments (IFRS9) at DSIBs and concluding the abovementioned digital maturity assessments. In addition, the Bank will host a supervisory college for one DSIB to enhance coordination, collaboration, and information-sharing among regulators and will conduct one consolidated on-site examination of one DSIB under the consolidated supervision framework. These initiatives aim to strengthen oversight, improve risk management practices, and ensure effective supervision of cross-border banking activities.

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[1] Other loans and advances consisted of fixed-term loans and instalment debtors, hire purchase, suspensive sales, preference shares credit and credit cards.

[2] Specific provisions apply to loans graded as Substandard, Doubtful and Loss, namely that the net realisable value of collateral is required to be deducted from the loan balance before applying provisioning percentages.

[3] BID-2 requires banks to report, at a minimum, provisions equal to 10.0 percent, 50.0 percent and 100.0 percent of loans classified as sub-standard, doubtful and loss, respectively.

[4] The large exposure limit reduced from 30.0 percent of total capital funds to 25.0 percent from April 2024 onwards as the relief provided by BID 33 (the Determination on Policy Changes in Response to Economic and Financial Stability Challenges as a result of the Covid-19 Pandemic relief for commercial banks) had ended.

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PART D

ANNUAL FINANCIAL STATEMENTS

FINANCIAL STATEMENTS OVERVIEW AS AT 31 DECEMBER 2024

KEY POINTS		2024 N$'000	2023 N$'000
Net interest income increased from N$990.52 million in 2023 to N$1.22 billion in 2024 due to higher average investment balances.	Net interest income	1 224 728	990 520
Total operating expenses increased by N$148.64 million from N$592.51 million in 2023 to N$ 740.46 million in 2024.	Operating expenses	741 153	592 513
Amount available for distribution increased by N$150.33 million from N$956.89 million in 2023 to N$1.11 billion in 2024.	Amount available for distribution	1 107 214	956 889
An amount of N$720 million will be paid to the Government as dividend for the 2024 financial year compared to N$511.47 million paid in 2023.	Distribution to the State	720 000	511 470
The Bank's assets increased from N$61.92 billion in 2023 to N$71.25 billion in 2024.	Total assets	71 245 684	61 923 798
Notes and coins in circulation increased from N$5.24 billion in 2023 to N$5.61 billion in 2024.	Notes and coins in circulation	5 609 944	5 244 027

STATEMENT OF BOARD'S RESPONSIBILITIES

The main statutory provisions relating to the role and duties of members of the Board are covered under Section 9 and 10 of the Bank of Namibia Act no.1 of 2020. We confirm that:

1. The Board members are responsible for the preparation of the annual financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the requirements of the Bank of Namibia Act no. 1 of 2020 and for the judgements used therein.

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

3. The Board is satisfied that the annual financial statements complies with IFRS as issued by the International Accounting Standards Board and requirements of the Bank of Namibia Act no. 1 of 2020.

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

5. The Finance, Risk and Audit Board Committee is composed of members who are neither officers nor employees of the Bank and who have the required mix of skills with at least one member being a financial expert. The Committee is therefore qualified to review the Bank's annual financial statements and recommend the annual financial statements for the approval by the Board Members. The Committee has a duty to review the adoption of and changes in accounting principles including risk management issues and makes recommendations on the same for approval. The Board considers and where necessary approves the Finance, Risk and Board Audit Committee recommendations.

The annual financial statements on pages 178 to 216 were approved by the Board and are signed on its behalf by:

CHAIRMAN
J. !Gawaxab
17 March 2025

BOARD MEMBER
R. Pretorius
17 March 2025

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF THE BANK OF NAMIBIA

Opinion

We have audited the financial statements of Bank of Namibia ("Bank") set out on pages 178 to 216 which comprise the statement of financial position as at 31 December 2024, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and the notes to the financial statements including material accounting policies.

In our opinion the financial statements present fairly in all material respects the financial position of Bank of Namibia as at 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS®) Accounting Standards as issued by the International Accounting Standards Board (IASB®) and the requirements of the Bank of Namibia Act 2020.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and other independence requirements applicable to performing audits of financial statements in Namibia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board members are responsible for the other information. The other information comprises the information included in the Bank of Namibia Annual Report which includes the Message from the Governor, Part A (Operations and Affairs of the Bank), Part B (Macroeconomic Review), Part C (Banking Supervision), Financial Statements Overview, Statement of Board's Responsibilities, Statement of profit or loss and other comprehensive income in compliance with the Bank of Namibia Act Part D, Five Year Historical Financial Overview and Income Statement Comparisons 2024-2020, which we obtained prior to the date of this auditors' report. The other information does not include the financial statements and our auditors 'report thereon.

Our opinion on the financial statements does not cover the other information and we do not, and will not, express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements our responsibility is to read the other information and in doing so consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board members for the Financial Statements

The Board members are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS®), as issued by the International Accounting Standards Board and the requirements of the Bank of Namibia Act 2020 and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements the Board members are responsible for assessing the Bank's ability to continue as a going concern disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Board members either intend to liquidate the Bank or to cease operations or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE BANK OF NAMIBIA

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board members.

- Conclude on the appropriateness of the Board of directors' use of the going concern basis of accounting and based on the audit evidence obtained whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation structure and content of the financial statements including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding among other matters the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

Deloitte & Touche

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Deloitte Building, Maerua Mall Complex, Jan Jonker Road, Windhoek
PO Box 47, Windhoek
Registration number 9407
Per: P Parry (Partner)

Directors: M Harrison, G Brand
Partners: J Cronjé, H De Bruin, P Parry
Associate of Deloitte Africa a member of Deloitte Touche Tohmatsu Limited

28 March 2025

Grand Namibia

Grand Namibia

Registered Accountants and Auditors
Chartered Accountants (Namibia)
09 Axali Doeseb Street Windhoek;
PO Box 24304, Windhoek
Registration number 9424
Per: RN Beukes (Partner)
Partners: RN Beukes (Managing Partner), R Theron, P Nghipandulwa

28 March 2025

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 N$'000	2023 N$'000
Net interest income		**1 224 728**	**990 520**
Interest income	2	1 818 540	1 607 243
Interest expense	2	(593 812)	(616 723)
Net other interest income		-	-
Interest from rand investments exchanged	2	1 075 722	1 003 493
Interest paid on BON bills - NamPower and GIPF	2	(1 075 722)	(1 003 493)
Non-interest revenue		**527 899**	**627 130**
Rand compensation income	2	490 180	585 689
Dividend income on equity instruments	2	12 478	13 713
Profit on disposal of property, equipment and intangible assets	2	6	15
Other income	2	25 235	27 713
TOTAL INCOME		**1 752 627**	**1 617 650**
Total operating expenses	2	**(741 153)**	**(592 513)**
Operating expenses	2	(733 672)	(593 304)
Allowance for credit (losses)/reversals - amortised cost instruments	2	(7 481)	791
Operating profit		**1 011 474**	**1 025 137**
Foreign exchange and fair value gains		362 921	756 912
Net foreign exchange gains	20	225 918	778 241
Unrealised gains on rand investments exchanged		842 133	464 653
Unrealised losses on BON Bills - NamPower and GIPF		(842 133)	(464 653)
Unrealised gains/(losses) on derivative instruments	24	36 437	(56 000)
Unrealised gains on equity instruments	24	35 354	87 614
Realised foreign exchange gains/(losses) on sale of instruments and FEC's		65 212	(52 943)
PROFIT FOR THE YEAR		**1 374 395**	**1 782 049**
Items that will be reclassified subsequently to profit or loss:		**(16 194)**	**361 350**
Unrealised (losses)/gains - FVTOCI instruments	24	(16 194)	361 350
Items that will not be reclassified subsequently to profit or loss:		**30 528**	**(15 305)**
Allowance for credit loss reversal/(losses) - FVTOCI instruments	4.1	6 557	(1 586)
Actuarial gains/(losses) on post - employment benefits	17	23 971	(13 719)
TOTAL COMPREHENSIVE INCOME		**1 388 729**	**2 128 094**
Profits attributable to:			
Foreign currency revaluation reserve	20	225 918	778 241
Investment revaluation reserve	24	55 597	392 964
Amount available for distribution	3	1 107 214	956 889
TOTAL COMPREHENSIVE INCOME		**1 388 729**	**2 128 094**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

	Notes	2024 N$'000	2023 N$'000
ASSETS			
Investments	4	60 668 426	50 582 528
Loans and advances - local banks	5	358 340	850 329
Currency inventory	6	61 480	72 780
Rand deposits	7	12 390	104 496
Other receivables	8	9 574 850	9 824 780
Loans and advances - other	9	163 892	140 315
Investment in associate	10	-	-
Other inventory - stationery and spares	11	5 331	4 979
Property and equipment	12	338 977	300 606
Intangible assets - computer software	13	61 998	42 985
TOTAL ASSETS		**71 245 684**	**61 923 798**
LIABILITIES			
Deposits	14	52 016 177	43 985 974
Trade and other payables	15	164 754	129 176
Notes and coins in circulation	16	5 609 944	5 244 027
Provision for post-retirement medical aid benefits	17	134 246	114 760
TOTAL LIABILITIES		**57 925 121**	**49 473 937**
CAPITAL AND RESERVES			
Share capital	18	40 000	40 000
General reserve	19	3 662 959	3 347 175
Foreign currency revaluation reserve	20	8 635 844	8 409 926
Training fund reserve	21	30 208	28 007
State revenue fund	3	720 000	511 470
Development fund reserve	22	283 653	284 424
Building fund reserve	23	153 300	83 300
Investment revaluation reserve	24	(205 401)	(254 441)
TOTAL CAPITAL AND RESERVES		**13 320 563**	**12 449 861**
TOTAL LIABILITIES, CAPITAL AND RESERVES		**71 245 684**	**61 923 798**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

N$'000	Accumulated profit & loss account	Share capital	General reserve	Foreign currency revaluation reserve	Training fund reserve	State revenue fund	Development fund reserve	Building fund reserve	Investment revaluation reserve	Total N$'000
Balance at 01 January 2023	**-**	**40 000**	**3 010 484**	**7 631 685**	**19 279**	**413 700**	**184 424**	**83 300**	**(648 991)**	**10 733 881**
Profit for the year	1 782 049	-	-	-	-	-	-	-		1 782 049
Other comprehensive loss for the year	(15 305)	-	-	-	-	-	-	-	361 350	346 045
Transfer to Revaluation reserve	(778 241)	-	-	778 241	-	-	-	-	-	-
Transfers	-	-	1 272	-	(1 272)	-	-	-	-	-
Allowance for credit losses - FVTOCI	-	-	-	-	-	-	-	-	1 586	1 586
Transfer of unrealised gains on equity and derivative investments to investment revaluation reserve	(31 614)	-	-	-	-	-	-	-	31 614	-
Dividend distribution	-	-	-	-	-	(413 700)	-	-	-	(413 700)
Appropriation of net profit for the year	(956 889)	-	335 419	-	10 000	511 470	100 000	-	-	-
Balance at 31 December 2023	**-**	**40 000**	**3 347 175**	**8 409 926**	**28 007**	**511 470**	**284 424**	**83 300**	**(254 441)**	**12 449 861**
Profit for the year	1 374 395	-	-	-	-	-	-	-	-	1 374 395
Other comprehensive Income for the year	30 528	-	-	-	-	-	-	-	(16 194)	14 334
Transfer to revaluation reserve	(225 918)	-	-	225 918	-	-	-	-	-	-
Transfers	-	-	8 271	-	(7 500)	-	(771)	-	-	-
Allowance for credit losses - FVTOCI	-	-	-	-	-	-	-	-	(6 557)	(6 557)
Transfer of unrealised gains on equity and derivative investments to investment revaluation reserve	(71 791)	-	-	-	-	-	-	-	71 791	-
Dividend distribution	-	-	-	-	-	(511 470)	-	-	-	(511 470)
Appropriation of net profit for the year	(1 107 214)	-	307 513	-	9 701	720 000	-	70 000	-	-
Balance at 31 December 2024	-	**40 000**	**3 662 959**	**8 635 844**	**30 208**	**720 000**	**283 653**	**153 300**	**(205 401)**	**13 320 563**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 N$'000	2023 N$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated by operations	A	**253 653**	**109 570**
CASH FLOWS FROM INVESTING ACTIVITIES		**(108 100)**	**(66 028)**
Interest acquired in associate	10	(428)	(257)
Purchase of property and equipment	12	(59 198)	(37 700)
Disposal of property and equipment	12	299	702
Purchase of intangible assets - computer software	13	(27 272)	(3 881)
Disposal of intangible assets - computer software	13	2 076	-
Increase in loans and advances - other	9	(23 577)	(24 892)
CASH FLOWS FROM FINANCING ACTIVITIES		**(145 553)**	**(43 542)**
Distribution to the State Revenue Fund	B	(511 470)	(413 700)
Increase in notes and coins in circulation	16	365 917	370 158
Net cash flow	1.16	-	-

NOTE:

A. Reconciliation of profit for the year to cash generated by operations

		2024 N$'000	2023 N$'000
Operating Profit		1 011 474	1 025 137
Adjusted for:			
Interest from rand investments exchanged		(1 075 722)	(1 003 493)
Interest paid on BON bills - NamPower and GIPF		1 075 722	1 003 493
Depreciation		20 528	5 030
Provision for post-retirement medical aid benefits		43 457	30 000
Amortisation of computer software		6 183	(699)
Currency inventory amortisation costs		47 515	45 563
Expected credit allowance losses/(gains) IFRS 9		7 481	(791)
Impairment of investment in associate		428	257
Operating cash flows before movements in working capital		**1 137 066**	**(1 104 497)**
Increase in Investments		(9 746 652)	(5 692 427)
Decrease/(Increase) in Loans and advances - local banks		491 989	(844 236)
Increase in Currency inventory		(36 215)	(37 305)
Decrease in Rand deposits		92 106	55 208
Decrease/(Increase) in Other receivables		249 930	(1 910 800)
Increase in Other inventory-stationery and spares		(352)	(173)
Increase in Deposits		8 030 203	7 394 391
Increase in Trade and other payables		35 578	40 415
		253 653	**109 570**

B. Distribution to State revenue fund

		2024 N$'000	2023 N$'000
Opening balances		(511 470)	(413 700)
Appropriations of net profit for the year		(720 000)	(511 470)
Closing balance		720 000	511 470
Paid for the year		**(511 470)**	**(413 700)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

1. ACCOUNTING POLICIES

The Bank's annual financial statements are prepared in accordance with the going concern principle under the historical cost basis except for financial assets and liabilities where the fair value and amortised cost basis of accounting is adopted. The principal accounting policies which have been consistently applied in all material respects are set out below. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1.3. The annual financial statements have been prepared to comply with the requirements of the Bank of Namibia Act 2020, and International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

1.1. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

International Financial Reporting Standards and amendments, as issued by the International Accounting Standards Board and effective for 31 December 2024 year-end.

The disclosure relating to the IFRS S1 and S2 will be presented in a separate report to be issued subsequent to the annual report. The IFRS 16 standard did not have a material impact on the financial statements of the Bank. We have only disclosed relevant standards that have become effective during the current year.

Standards	Effective Date	Executive Summary
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2024	The objective of IFRS S1 is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity.
IFRS S2 Climate -related Disclosures	1 January 2024	The objective of IFRS S2 is to require an entity to disclose information about its climate-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity.
IFRS 16 Leases	1 January 2024	Amendments to IFRS 16 will clarify how a seller-lessee subsequently measures sale and leaseback transactions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

1. ACCOUNTING POLICIES (CONTINUED)

1.1 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

International Financial Reporting Standards and amendments, as issued by the International Accounting Standards Board and effective for 31 December 2024 year-end.

The standards listed below did not have a material impact on the financial statements of the Bank. We have only disclosed relevant standards that have become effective during the current year:

Standards	Effective Date	Executive Summary
IAS 1 Presentation of Financial Statements	1 January 2024	Classification of liabilities as Non-current: The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability income or expenses or the information disclosed about those items.
IAS 7 Statement of Cash Flows	1 January 2024	IAS 7 was amended to add disclosure requirements and 'signposts' within existing disclosure requirements that would ask entities to provide qualitative and quantitative information about supplier finance arrangements.
IFRS 7 Financial Instruments: Disclosures	1 January 2024	IFRS 7 was amended to add disclosure requirements and 'signposts' within existing disclosure requirements that would ask entities to provide qualitative and quantitative information about supplier finance arrangements.

1.2. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS NOT YET EFFECTIVE

International Financial Reporting Standards and amendments, as issued by the International Accounting Standards Board, but not effective for 31 December 2024 year-end.

Management is in the process of reviewing the impact that the Standards listed below will have on the financial statements of the Bank in future periods:

Standards	Effective Date	Executive Summary
IAS 21 amendment Lack of Exchangeability	1 January 2025	The International Accounting Standards Board (IASB) has published 'Lack of Exchangeability (Amendments to IAS 21)' that contains guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027	IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027	IFRS 19 enables subsidiaries to keep only one set of accounting records to meet the needs of both their parent company and the users of their financial statements and reduces disclosure requirements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

1. ACCOUNTING POLICIES (CONTINUED)

1.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The major areas where management has used its judgement and accounting estimates are set out below:

1. Impairment of financial assets

IFRS 9 requires that financial instruments be tested for impairments on a forward-looking basis. The main aim is to determine whether the credit risk of an instrument has changed materially since the previous reporting period. To make this calculation the IASB requires entities to develop and use an Expected Credit Loss (ECL) model. Generally, it can be summarised that the ECL model aims to anticipate shortfalls of contractual cash flows of financial instruments in the event of a default. Refer to note 1.5 and 4.1 for the ECL accounting policy and disclosure.

2. Provision for post-employment benefits disclosed under note 17

An actuarial valuation is performed annually to determine the Bank's obligation in this regard. The assumptions and judgements used by the actuary were considered by the Bank and were deemed reasonable considering the prevailing and anticipated future economic conditions.

3. Evaluation of useful lives and residual values

The residual value and useful life evaluation exercise is performed by internal staff members who have technical knowledge of specific classes of assets. Market information with regards to pricing is also obtained to ensure the required level of objectivity is maintained in the whole evaluation process.

4. Accounting for off-market loans as disclosed under note 9

Management judgement was applied to determine the average repayment period on the various classes of loans granted by the Bank. Prevailing interest rates at year-end were however applied to determine the impairment charge for the year on new off-market loans.

5. Rand Compensation Income

Rand compensation income is computed per the formula prescribed in article 8 of the Multilateral Monetary Agreement (MMA) which requires the South African government to make compensatory payments for the Rand currency circulating in Namibia. The compensation income (seigniorage) is calculated using the currency in circulation and yields being:

- Averages of Rand currency in circulation in South Africa and NAD currency in circulation in Namibia for the measured year and;
- South African government ten-year bond yield (average of the last 3 months – October/November/December of the measured year).

The compensation is calculated by taking two thirds (2/3) of the last three months' average of the South African government ten-year bond yield: 10.36% (2024) (2023: 11.90%) multiplied by the calculated stock of the Rand currency in circulation in Namibia as per the agreed formula. The actual Rand compensation income realised amounted to N$490 million (2023: N$586 million).

6. Acquisition of ZAR portfolios from GIPF and NamPower and issuance of BON bills

The Bank of Namibia entered into asset swaps with the GIPF and NamPower in November 2015 and February 2016, respectively, to bolster the country's foreign exchange reserves pursuant to its powers and functions in sections 4, 62 and 63 of the Bank of Namibia Act, No.1 of 2020. The swapped portfolios are comanaged by South Africa and Namibian registered investment managers and are denominated in the ZAR currency with a weighted overall duration of 14.03 years.

The benchmarks of the mandates swapped with the GIPF predominantly constitute 75 percent SA Inflation Linked Bond Index and 25 percent SA Government Bond 12+ year Index. Accordingly, as at 31 December 2024, the corresponding portfolios comprised of a 74 percent allocation to South African Government Inflation Linked Bonds, with the rest of the holdings spread across South African short-duration floating rate securities, negotiable certificates of deposits and private placements. The mandates swapped with GIPF are managed by Momentum, Trialpha, M&G and Sanlam Investment Managers. The portfolio swapped with NamPower is invested in Stanlib unit trusts with a tilt towards short-term fixed interest corporate paper and benchmarked against the Stefi Composite.

In exchange of the swapped mandates, the Bank of Namibia has issued a Namibian Dollar instrument to each of the institutions to the tune of the nominal capital exchanged. The value of this instrument is aligned to the investment earnings of the swapped portfolios. In the event that the Bank of Namibia requires to liquidate the asset swaps to enable financing of the country's foreign obligations/trade balance, the agreements together with the issued certificates necessitates that the NAD instrument will continue to accrue the benchmarks that are applicable to the GIPF swapped portfolios at the time of liquidation, while the Nampower instrument will continue to accrue the performance of the IJGMM index+150bps.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

1. ACCOUNTING POLICIES (CONTINUED)

1.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

The Bank has not only taken legal ownership of the bills but also has substantive control over the ZAR investments premised on the following substantive factors:

- GIPF and NamPower can liquidate these investments at any time. In return they have no claim to the ZAR investments but can receive compensation in NAD, SDR, foreign currency gold and loan funding from e.g. the IMF without liquidating the ZAR investments. Effectively the Bank has the discretion to decide on the form of the Bank of Namibia bills settlement. The Bank of Namibia bills and the ZAR investments are therefore not tied but can be sold/ exchanged/ transferred independently. Furthermore, the Bank manages the ZAR portfolios as part of its foreign currency reserves.
- The initial ZAR portfolio comprised of debt instruments, mainly SA government inflation-linked bonds and collective investment scheme instruments acquired from the counterparties, changed significantly since inception. The investment choices strategy and risk appetite were subject to the Bank's policies, guidance and strategy without any involvement of the counterparties.
- The Bank of Namibia will only liquidate the ZAR investments upon a balance of payments crisis confirming that the duration is long, and the investment is not working capital. In the event of a balance of payments crisis the returns shall link to an index plus a pre-agreed margin. The returns of the Bank of Namibia bills will not be required to return immediately.

1.4 REVENUE RECOGNITION

Interest income is recognised on a time proportioned basis taking account of the principal outstanding and the effective interest rate over the period to maturity. The effective interest rate considers all directly attributable external costs discounts or premiums on the financial assets.

Dividends on equity instruments are recognised in profit or loss in accordance with IFRS 9 unless the dividends clearly represent a recovery of part of the cost of the investment.

Rand compensation income is received from the South African Government as compensation for the Rand currency in circulation in Namibia. The Bank accounts for this income on an accrual basis.

Other income consists of rental received, bank supervision fees and charges as well as sundry income. Other income is recognised at the point in time, to the extent that it is probable that the economic benefit will flow to the Bank and revenue can be reliably measured.

1.5 FINANCIAL INSTRUMENTS

Financial instruments as reflected on the Bank's statement of financial position include all financial assets and financial liabilities. Management determines the appropriate classification at initial recognition of the financial instrument. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

In inactive markets the most recent arm's length transactions are the basis of current fair values. Fair value is not the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distressed sale.

It is to be noted that the Bank does not invest in financial instruments which are not in an active market. However, should our investment philosophy change, valuation techniques such as cash flows models and consideration of financial data of the investees will be used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures will be made in the financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit income, total assets or total liabilities.

Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Transaction costs are incremental costs that are directly attributable to the acquisition issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs do not include debt premiums or discounts financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments plus accrued interest and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest rate method. Accrued interest income and accrued interest expense including both accrued coupon and amortised discount or premium are not presented separately and are included in the carrying values of related statement of financial position items.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate on the carrying amount). The effective interest

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

1. ACCOUNTING POLICIES (CONTINUED)

1.5 FINANCIAL INSTRUMENTS (CONTINUED)

rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a short period if appropriate to the net carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Recognition

The Bank recognises financial instruments including "regular way" purchases and sales on settlement date and thus applies settlement date accounting to these transactions.

Financial assets and financial liabilities are recognised in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Loans and advances, other receivables and other financial liabilities are recognised on the day they are transferred to the Bank or on the day the funds are advanced.

Measurement

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities as appropriate on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Subsequent to initial measurement financial instruments are measured at fair value or amortised cost depending on their classification.

Reclassification

It is a requirement that institutions disclose when it has reclassified a financial asset between one measured at amortised cost FVTOCI or FVTPL. The Bank has not reclassified any of its financial assets during the year under review.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value depending on the classification of the financial assets.

1. Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Investment in equity instruments is classified at FVTPL unless designated as equity investment that is not held for trading.

Despite the foregoing the Bank may make the following irrevocable elections/designations at initial recognition of a financial asset:

- The Bank may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2. Impairment of financial assets

The Bank recognises a loss allowance for expected credit losses on investments in financial assets that are measured at amortised cost or at FVTOCI and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Bank always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Bank's historical credit loss experience adjusted for factors that are specific to the debtors general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date including time value of money where appropriate.

For all other financial instruments the Bank recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly

1. ACCOUNTING POLICIES (CONTINUED)

1.5 FINANCIAL INSTRUMENTS (CONTINUED)

since initial recognition the Bank measures the loss allowance for that financial instrument at an amount equal to a 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

2.1 Definitions

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition the Bank compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment the Bank considers both quantitative and qualitative information that is reasonable and supportable including historical experience and forward-looking information that is available without undue cost or effort.

In particular the following information is considered when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating.
- significant deterioration in external market indicators of credit risk for a particular financial instrument e.g. a significant increase in the credit spread the credit default swap prices for the debtor or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost.
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.
- an actual or expected significant deterioration in the operating results of the debtor.
- significant increases in credit risk on other financial instruments of the same debtor.
- an actual or expected significant adverse change in the regulatory economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Bank presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Bank has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing the Bank assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default

(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term and

(3) Adverse changes in economic and business conditions in the longer term may but will not necessarily reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Bank considers a financial asset to have low credit risk when the asset has an external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amount.

The Bank regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria can identify a significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Bank considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors including the Bank in full (without considering any collateral held by the Bank).

Irrespective of the above analysis the Bank considers that default has occurred when a financial asset is more than 90 days past due unless the Bank has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract such as a default or past due event (see (ii) above).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

1. ACCOUNTING POLICIES (CONTINUED)

1.5 FINANCIAL INSTRUMENTS (CONTINUED)

(c) the lender(s) of the borrower for economic or contractual reasons relating to the borrower's financial difficulty having granted the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or another financial re-organization; or;

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. Write-off policy

The Bank writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery e.g. when the debtor has been placed under liquidation or has entered bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Banks's recovery procedures considering legal advice where appropriate. Any recoveries made are recognised in profit or loss.

4. Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default for financial assets this is represented by the assets' gross carrying amount at the reporting date.

For financial assets the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Bank in accordance with the contract and all the cash flows that the Bank expects to receive discounted at the original effective interest rate.

If the Bank has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met the Bank measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Bank recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account except for investments in financial assets that are measured at FVTOCI for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

5. Derecognition of financial assets

The Bank derecognises a financial asset only when the contractual rights to the cash flow from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset the Bank continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss.

The Bank did not transfer financial assets in such a way that part of the assets did not qualify for derecognition.

Financial liabilities

These are measured at amortised cost. Amounts due to the Government bankers' reserve and current accounts are stated at cost as these accounts do not have fixed maturity dates.

Notes and coins issued are measured at face value as this liability does not have a fixed maturity date.

Accounts payable are stated at cost as this approximates fair value due to the short-term nature of such obligations.

1.6 GENERAL RESERVE

The general reserve is established in terms of Section 72 of the Bank of Namibia Act no.1 of 2020 and may only be used for the purpose specified below:

- increase the paid-up capital of the Bank.
- offset losses sustained by the Bank during a financial year.
- fund a Development Reserve Account; and
- redeem any securities issued by the Bank.

The amount maintained in this account relates to the annual appropriation of distributable profits determined by Section 71 of the Bank of Namibia Act, 2020. The Act prescribes that not less than 25% of the net profits of the Bank for a financial year be transferred to the General Reserve Account.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

1. ACCOUNTING POLICIES (CONTINUED)

1.7 FOREIGN CURRENCY ACTIVITIES AND REVALUATION RESERVE

The Revaluation Reserve has been created in accordance with Section 64 of the Bank of Namibia Act no.1 of 2020 and is used to accommodate any net gains or losses in any financial year of the Bank arising from any change in the book value or realised/unrealised value of the Bank's assets or liabilities denominated in currencies or units of account other than the Domestic Currency such as gold special drawing rights and foreign currencies. Any change in the value of such currencies or units of account in terms of the currency of Namibia shall be credited to the Revaluation Reserve Account before any appropriation to any other reserve.

Assets and liabilities in foreign currencies are translated to Namibia Dollars at year-end exchange rates. In terms of Section 64 of the Bank of Namibia Act no.1 of 2020 exchange gains and losses of the Bank are for the account of the Government and are consequently transferred to the Revaluation Reserve Account before appropriation of profits.

1.8 BUILDING FUND RESERVE

The reserve is to fund the modernization and extension of the head office building and potentially build a satellite office in Lüderitz. The renovation aims to enhance operational efficiency, to support future growth and enable our strategic objectives. Annual profits will be appropriated to the reserve and on completion of the construction the reserve so created will be released to the General Reserve.

1.9 DEVELOPMENT FUND RESERVE

This reserve was established under section 73(1)(a) of the Bank of Namibia Act no.1 of 2020 for the purpose of promoting or financing economic development in Namibia.

The reserve will be released to the General Reserve.

1.10 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and accumulated impairments losses and are depreciated on the straight-line method over their estimated useful lives. The estimated useful lives, residual values and depreciation methods are reviewed regularly with the effect of any changes in estimate accounted for on a prospective basis. The revised useful life in years is as detailed below:

Freehold buildings	50 years
Computer hardware	4-10 years
Motor vehicles	6-16 years
Furniture, fittings and equipment	1-37 years

The residual value on the building is benchmarked to similar structures in the country and did not call for any adjustment in residual value both in the previous year and the current year. Subsequent costs are included in the assets carrying value only when it is probable that future economic benefits associated with the assets will accrue to the Bank. All other repairs and maintenance costs are charged to the Statement of Profit or Loss and Other Comprehensive income during the financial period in which they are incurred.

1.11. INTANGIBLE ASSETS – COMPUTER SOFTWARE

On acquisition the software is capitalised at purchase price and amortised on a straight-line basis with zero residual value. The estimated useful lives, residual values and amortisation methods are reviewed at each year end with the effect of any changes in the estimate accounted for on a prospective basis. The Bank reassesses the residual value and useful life of Computer software on an annual basis and the useful life has been set to range between 1 and 8 years. Refer to note 13 for disclosure.

1.12. INVENTORY

Currency Costs

The costs of new Namibia bank notes and coins are capitalised and amortised on the earlier of issue of the currency or over five years. Cost comprises of printing and minting costs, carriage insurance and freight landed at the Bank's premises or designated port of consignment arrival. Currency is issued using the weighted average cost.

Stationery and spares

Stationery and spares inventory are capitalised and stated at the lower of cost and net realisable value. Cost comprises of purchase price as well as applicable freight for imported spare parts. Inventory is issued using the weighted average cost.

1.13. PENSION FUND

It is the policy of the Bank to contribute to the retirement benefits for employees. The Bank operates a defined contribution pension fund. Contributions to the Bank of Namibia Provident Fund are charged against income in the year in which they become payable.

1.14. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

1. ACCOUNTING POLICIES (CONTINUED)

1.15. EMPLOYEE BENEFITS

(a) Post- Retirement Medical Benefits

The Bank provides post-retirement medical benefits in the form of a medical aid scheme for eligible employees and pensioners. The cost of providing benefits is determined using the projected unit credit method. The liability for the Bank's contribution to the scheme is in respect of current and future pensioners provided for by means of a financial liability. The magnitude of the liability is based on an actuarial valuation. Actuarial gains and losses on the post-retirement medical benefits are accounted for in the year in which they arise.

(b) Annual Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave that are expected to be settled wholly within 12 months, are recognised and measured at the amounts expected to be paid when the liabilities are settled.

(c) Severance Pay

Severance pay is an amount paid to an employee on the early termination of a contract. Severance pay is equal to 1 week's remuneration for every 12 months of continuous employment with the same employer. The Bank makes provision for severance pay for employees in terms of section 35 (1) of the Labour Act.

1.16. STATEMENT OF CASH FLOWS

Cash as defined in IAS 7 is not wholly appropriate to the Bank due to its role in the creation and withdrawal of currency. The Bank has no cash balances on its statement of financial position.

1.17. PROVISIONS

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

1.18. TRANSACTIONS ON BEHALF OF GOVERNMENT

The Bank undertakes numerous transactions on behalf of the Government which include among other payments and receipts, opening and maintenance of accounts for donor-funded projects and the maintenance of accounts for line ministries. All such accounts opened are pre-funded with the funds received invested and the corresponding liability recorded in the books of the Bank. The transactions where the Bank only acts as an agent as well as the assets and liabilities arising from such transactions are not reflected in the annual financial statements of the Bank. Refer to note 31 for disclosure.

1.19. BORROWING COSTS

Borrowing costs are primarily interest and other costs incurred by the Bank in connection with the borrowing of funds. Borrowing costs are recognised on a time proportioned basis taking account of the principal outstanding and the effective interest rate over the period of the loan and are expensed accordingly.

1.20. ACCOUNTING FOR IMF – SPECIAL DRAWING RIGHTS (SDR)

The SDR is an international reserve asset created by the International Monetary Fund (IMF) in 1969 to supplement the existing official reserves of its member countries. SDRs are allocated to member countries in proportion to their IMF quotas. The SDR also serves as the unit of account of the IMF and some other international organisations. The SDR is defined in terms of a basket of currencies. Its value is determined as the weighted sum of exchange rates of the five major currencies (Euro, Japanese yen, Pound sterling, US dollar and Chinese renminbi). In as far as Namibia is concerned the total allocation of SDR by the IMF is classified in the books of the Bank as an asset under "Other Receivables" and as a liability under "Deposits" classification.

1.21. NOTES AND COINS IN CIRCULATION

One of the primary functions of the Bank is the printing and minting of Namibia Dollar currency and issuance thereof into circulation. The costs of printing and minting the currency are capitalised and amortised based on issuance of the currency into circulation.

New currency notes and coins are issued to the Commercial Banks at face value which then flows into circulation through the monetary and financial systems operational in the country. Once issued into circulation the notes and coins are reflected in the books of the Bank as a liability and the liability is only extinguished when the currency is no longer in circulation.

1.22. LENT-OUT SECURITIES

The Bank derives income from securities lending activity. The counterparties involved in these transactions are highly rated institutions and cash collateral is deposited by the counterparty with the custodians as a guarantee for the lent-out securities. Our custodians are responsible for the administration and management of this activity. The income generated from the lent-out securities activities are recorded in the books of the Bank accordingly.

1.23. INVESTMENT REVALUATION RESERVE

The Reserve has been created to retain unrealised gains and losses on the Bank's portfolio investments that are measured at fair value through other comprehensive income (FVTOCI) and fair value through profit and loss as per IFRS 9 until they are realised. Unrealised gains when realised become available for distribution and unrealised losses when realised are charged to the Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

2. RESULTS FOR THE YEAR

	2024 N$'000	2023 N$'000
Profit for the year is arrived at after taking the following items into account:		
Interest Income		
Namibia Dollar & Rand Currency	1 085 041	906 536
Debt securities and money market instruments	1 085 041	906 536
Other currencies	725 956	694 955
Debt securities	646 353	603 305
Money market instruments	79 603	91 650
Unwinding of present value adjustments (staff loans)	7 543	5 752
	1 818 540	1 607 243
Interest Expense		
BON Bills	28 228	95 977
SDR	293 209	303 806
Commercial banks	141 208	142 597
Customer Foreign Currency (CFC)	131 167	74 343
	593 812	616 723
Rand Currency		
Interest income from rand investments exchanged	1 075 722	1 003 493
Namibia Dollar Currency		
Interest paid on liabilities to NamPower and GIPF	1 075 722	1 003 493
Rand compensation income	490 180	585 689
Sundry Income		
Profit on disposal of property, equipment and intangible assets	6	15
Dividend income on equity instruments	12 478	13 713
Other income	25 235	27 713
	37 719	41 441

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

2. RESULTS FOR THE YEAR (CONTINUED)

	2024 N$'000	2023 N$'000
Operating Expenses		
Depreciation	20 528	5 030
Amortisation of computer software	6 183	(699)
Currency inventory amortisation costs	47 515	45 563
Salaries and related personnel costs	390 689	328 459
Post-retirement medical benefit expenses	43 457	30 000
Staff training and development	14 912	8 445
Social responsibility	6 972	1 628
Board members' fees - for services as board members	1 932	1 299
Auditors' remuneration - audit fees	3 044	2 233
Auditors' remuneration – non-audit fees	92	65
Membership fees	2 077	1 650
Building, Information Technology and other maintenance costs	31 350	24 627
Amortisation of pre-paid long-term employee benefits	7 543	5 752
Expected credit allowance losses/(reversals) - IFRS 9	7 481	(791)
Share of loss from associate	428	257
Asset management fees	12 590	13 575
Municipal accounts	11 402	11 413
Subscription	12 213	8 541
Research expenses: growth strategy	-	12 710
Travel Subsistence & Accommodation	9 602	8 266
Consultants Fees	11 247	8 284
Project Management fees	15 420	1 770
Other expenditure	84 476	74 436
Total operational expenditure	**741 153**	**592 513**
Number of employees	**349**	**339**

Interest income relates to interest earned on investments which are invested in the Rand, Euro and USD money and capital markets as well as interest earned in NAD on the commercial banks' settlement accounts repurchase agreements and staff loans.

Interest expense mainly relates to interest expense incurred on Bank of Namibia bills issued to commercial banks, interest expense incurred on commercial banks' settlement accounts, Special Drawing Rights allocations by the IMF and interest on bills issued to GIPF and NamPower.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

3. APPROPRIATION OF PROFITS IN TERMS OF THE BANK OF NAMIBIA ACT NO.1 OF 2020

	Notes	2024	2023
		N$'000	N$'000
Total Comprehensive Income for the Year		**1 388 729**	**2 128 094**
Unrealised gains transferred to the investment revaluation reserve	24	(55 597)	(392 964)
Exchange rate gains transferred to the revaluation reserve	20	(225 918)	(778 241)
Amount available for distribution		**1 107 214**	**956 889**
Appropriation of Profits		**1 107 214**	**956 889**
General reserve	19	307 513	335 419
Building fund reserve	23	70 000	-
Training fund reserve	21	9 701	10 000
Development fund reserve	22	-	100 000
State revenue fund		720 000	511 470

The net foreign exchange gain reflected on the Statement of Profit or Loss and Other Comprehensive Income includes the translation gain for the year that has been charged to the Statement of Profit or Loss and Other Comprehensive Income to comply with the requirements of IAS 21 – "The Effects of changes in Foreign Exchange Rates". In terms of section 64 of the Bank of Namibia Act 2020 gains and losses arising based on changes in the book or realised value of assets or liabilities denominated in currencies other than the domestic currency are to be transferred to the revaluation reserve. The net profit for the year in line with the compliance requirements of the Bank of Namibia Act 2020 would therefore amount to N$1.11 billion (2023: N$956.89 million). Appropriations of profits are based on this net profit figure.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

4. INVESTMENTS

	2024	2023
	N$'000	N$'000
RAND CURRENCY		
Fair value through profit or loss		
Debt securities and money market investments	21 117 866	20 783 886
Fair value through other comprehensive income		
Debt securities	2 699 050	2 977 005
Amortised cost		
Money market instruments	8 334 278	6 597 679
	32 151 194	30 358 570
OTHER CURRENCIES		
Fair value through profit and loss		
Equity instruments	701 689	651 418
Derivative instruments	36 437	-
Debt securities & money market investments	2 372 584	906 142
Fair value through other comprehensive income		
Debt securities & money market investments	14 796 894	9 030 578
Amortised cost		
Money market instruments	10 625 024	9 643 719
	28 532 628	20 231 857
Total Gross investments	60 683 822	50 590 427
Less: Rand currency allowance for credit losses - amortised cost (refer to 4.1)	(14 970)	(7 236)
Less: Other currency allowance for credit losses - amortised cost (refer to 4.1)	(426)	(663)
Total Net investments	60 668 426	50 582 528

The fair value of the certificates of deposit within the Rand currency instruments class, accounted for at amortized cost, was ascertained by referencing the prices provided in the custodian report. The fair value is determined to be N$ 2.04 billion (2023: N$950.246 million). All other instruments are considered short term therefore the carrying amount approximates fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

4. INVESTMENTS (CONTINUED)

4.1 MOVEMENT IN EXPECTED CREDIT LOSSES

The following table shows the movement in expected credit losses that has been recognised for the respective investments.

Classification	Measured At FVTOCI			Measured At Amortised Cost	Total
	Internally Managed bonds	Externally Managed bonds	Allowance for credit losses – FVTOCI instruments	Internally managed money market instruments	
	N$'000	N$'000	N$'000	N$'000	N$'000
Balance at 1 January 2024	18 822	1 766	20 588	7 899	28 487
Net (Decrease)/increase in ECL	(6 498)	(59)	(6 557)	7 497	940
Increase/(decrease): 12-month ECL	151	44	195	(237)	(42)
(Decrease)/increase: Lifetime ECL	(6 649)	(103)	(6 752)	7 734	982
Balance at 31 December 2024	12 324	1 707	14 031*	15 396	29 427

Classification	Measured At FVTOCI			Measured At Amortised Cost	Total
	Internally Managed bonds	Externally Managed bonds	Allowance for credit losses – FVTOCI instruments	Internally managed money market instruments	
	N$'000	N$'000	N$'000	N$'000	N$'000
Balance at 1 January 2023	17 180	1 822	19 002	8 709	27 711
Net Increase/ (decrease) in ECL	1 642	(56)	1 586	(810)	776
(Decrease)/increase: 12-month ECL	(685)	169	(516)	385	(131)
Increase/(decrease): Lifetime ECL	2 327	(225)	2 102	(1 195)	907
Balance at 31 December 2023	18 822	1 766	20 588*	7 899	28 487

IFRS 9.5.5.2 prescribes that the allowance for credit losses for financial assets measured at FVTOCI of N$14.0 million (2023: N$20.6 million) shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position. The movement in the loss allowance is included in the investment revaluation reserve.

*The total allowance for credit losses at FVTOCI is presented in the Investment revaluation reserve under equity.

4.2 LENT - OUT SECURITIES

At 31 December 2024 the nominal value of lent-out securities from our investment portfolio managed by our custodians amounted to USD 17.5 million; NAD equivalent 328.86 million (2023: USD 28.9 million; NAD equivalent 535.63 million). The counterparties involved in these transactions are investment grade rated institutions and cash collateral has been deposited with the custodians as a guarantee for the lent-out securities. The income generated from the lent-out securities activity has been recorded in the books of the Bank accordingly.

4.3 FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The levels of hierarchy used to determine the fair value of financial instruments is as detailed below:

Fair value of instruments that fall in the Level 1 category would be based on the unadjusted quoted prices in an active market for identical assets or liabilities. Level 2 category would be based on quoted prices that are observable for the asset or liability either directly as prices or indirectly as derived from prices. Level 3 category would be based on inputs for the asset or liability that are not based on observable market data.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

4. INVESTMENTS (CONTINUED)

4.3 FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Level 1

The fair value of the Bank's financial instruments traded in active markets are based on the quoted prices obtained from the custodian at the statement of the financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange dealer, broker or pricing services and the prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

The fair value of financial instruments not traded in an active market is determined using available observable market data and rely as little as possible on entity specific estimates. Some of the techniques used include market prices for similar instruments and discounted cash flows where future cash flows are discounted using a market related interest rate.

At 31 December 2024 the fair value of financial instruments that were classified under the various hierarchies is detailed in the tables below:

At 31 December 2024

	Level 1	Level 2	Level 3	Total
	N$'000	N$'000	N$'000	N$'000
Rand and other currencies investments at fair value through other comprehensive income	3 876 893	37 109 501	-	40 986 394
Other currencies - derivative investments at fair value through profit or loss	-	36 437	-	36 437
Other currencies - equity investments at fair value through profit or loss	701 689	-	-	701 689
	4 578 582	37 145 938	-	41 724 520

At 31 December 2023

	Level 1	Level 2	Level 3	Total
	N$'000	N$'000	N$'000	N$'000
Rand and other currencies investments at fair value through other comprehensive income	3 565 921	30 131 690	-	33 697 611
Other currencies - equity investments at fair value through profit or loss	651 418	-	-	651 418
	4 217 339	30 131 690	-	34 349 029

The value of the amortised cost instruments not included above amounts to N$18.96 billion excluding the allowance for credit losses of N$15.40 million (2023: N$16.24 billion excluding the allowance for credit losses of N$7.90 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

5. LOANS AND ADVANCES - LOCAL BANKS

	2024	2023
	N$'000	N$'000
Loans to local banks	358 343	351 543
Less: Allowance for credit losses	(3)	(19)
Repurchase Agreements-local banks	-	498 805
Closing balance	**358 340**	**850 329**

The loans to local banks are for the COVID-19 SME Loan Scheme where the commercial banks further on-lent the funds to eligible SME's as COVID-19 Loans. These loans are unsecured and accrue interest at the repo rate of which the obligation to pay interest and capital is deferred for the first six months after the first drawn down.

The loans to the local banks have a fair value of N$316.397 million (2023: N$299.885 million). The fair value was determined by discounting the loans using the prevailing prime rate of 10.75% (2023: 11.50%) plus 300bp over a 5-year period.

Repurchase agreements-local banks are overnight and seven-day loans (Repo's) to commercial banks to cover temporary liquidity shortages offered by the Bank at repo rate. The loans are short-term in nature and fair value approximates the carrying amount.

6. CURRENCY INVENTORY

	2024	2023
	N$'000	N$'000
Opening balance	72 780	81 038
Purchases current year	36 215	44 509
Currency revaluation	(200)	(7 204)
Currency amortisation	(47 315)	(45 563)
Closing balance	**61 480**	**72 780**

7. RAND DEPOSITS

	2024	2023
	N$'000	N$'000
Closing balance	**12 390**	**104 496**

Rand deposits is the value of Rand bank notes and coins held by the Bank of Namibia. Commercial banks deposit the Rand bank notes collected at their various branches at the Bank of Namibia. The Bank of Namibia in turn repatriates the Rand bank notes to the South African Reserve Bank based on predetermined currency values. During 2024 financial year R300 million (2023 : R225 million) was repatriated. Upon repatriation the South African Reserve Bank then credits the Namibian reserves on deposit with an amount equal to the value of the Rand bank notes repatriated. The carrying amount of Rand deposits or cash is a reasonable approximation of its fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

8. OTHER RECEIVABLES

	2024	2023
	N$'000	N$'000
Other receivables	239 221	86 942
Less: Allowance for credit losses	-	-
Net other receivables	**239 221**	**86 942**
Rand compensation receivable	489 376	585 049
IMF - Quota	4 691 354	4 700 035
Receivable - Financial Intelligence Centre (FIC)	-	29 000
IMF - Special Drawing Rights (SDR) holdings	4 154 899	4 423 754
Total other receivables	**9 574 850**	**9 824 780**

The SDR is an international reserve asset created by the International Monetary Fund (IMF) to supplement the existing official reserves of member countries. SDRs are allocated to member countries in proportion to their IMF quotas. The SDR holdings of the Bank comprises of 172 378 387 (2023: 177 866 792) units of SDR currency.

Other receivables balances consist mainly of prepayments and VAT receivables which are non-financial instruments.

No allowance for credit losses has been recognised on any of the Other receivables as the counterparties predominantly include the IMF, South African Government's Treasury and the FIC which are public corporations and government agencies which have high ratings and/ or creditworthiness.

The SDR holdings account is additional reserves for the Bank that are accessible immediately. The cost approximates the fair value due to its liquid nature. All other receivables are short-term in nature and its cost approximate their fair value.

9. LOANS AND ADVANCES - OTHER

	2024	2023
	N$'000	N$'000
Staff loans	165 710	142 011
Less: Present value adjustment for off - market loans	**(72 334)**	**(56 502)**
Opening balance - 1 January	(50 750)	(40 186)
Current year fair value adjustment of new loans	(14 041)	(10 564)
Amortised to income statement	(7 543)	(5 752)
Add: Staff long-term fringe benefits	**72 334**	**56 502**
Opening balance - 1 January	50 750	40 186
Current year fair value adjustment of new loans	14 041	10 564
Amortised to income statement	7 543	5 752
Net staff loans	**165 710**	**142 011**
Lifetime expected credit loss allowance	(1 818)	(1 696)
Closing balance	**163 892**	**140 315**

Loans and other advances constitute loans to staff members. The loans are issued at discounted rates (3%) which is below the market rates as a condition of employment.

The fair value of the staff loans as at 31 December 2024 is determined by discounting the loans and advances using the prevailing prime rate of 10.75% (2023; 11.50%) plus 300bp over the loan term. The loans have a fair value of N$91.237 million (2023: N$81.573 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

10. INVESTMENT IN ASSOCIATE

	2024	2023
	N$ '000	N$ '000
Carrying value of investment - 1 January	-	-
Increase in investment	428	257
Share of loss in associate	(428)	(257)
Total investment in associate - 31 December	**-**	**-**

The Bank holds a 49% interest in the Central Securities Depository Ltd (CSD). The company is incorporated in Namibia and the interest is equity - accounted for. The principal activity of the CSD is to provide central securities depository services to the Namibian market.

Below is a summary of the financial information:

	2024	2023
	N$ '000	N$ '000
Total Income	-	-
Total Expenses	(2 028)	(1 369)
Net loss for the year	**(2 028)**	**(1 369)**
Total Assets	2	2
Total Liabilities	(10 428)	(8 478)
Equity	**(10 426)**	**(8 476)**
Share of Loss in Associate recognised	428	257
Cumulative unrecognised share of loss	1 568	990

The Bank has subordinated its debt of N$4.6 million (2023: N$3.8 million) in favour of other creditors of the CSD both present and future and the Bank will not call its claims against the CSD before 1 January 2026. The debt has been fully impaired in the books of the Bank.

11. OTHER INVENTORY – STATIONERY AND SPARES

	2024	2023
	N$ '000	N$ '000
Opening balance	4 979	4 806
Purchases current year	935	811
Issues current year	(515)	(638)
Adjustments	(68)	-
Closing balance	**5 331**	**4 979**

The cost of inventories recognised as an expense during the year was N$ 2.42 million (2023: N$ 2.08 million). There was no write-down of inventory to net realisable value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

12. PROPERTY AND EQUIPMENT

2024 Cost	Freehold Land and Buildings	Computer Hardware	Furniture, Fittings & Equipment	Motor Vehicles	Assets under construction (AUC)	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
At 1 January 2024	345 319	24 794	105 207	17 073	24 163	516 556
Additions	-	12 261	18 577	3 720	25 416	59 974
AUC transfer	9 072	-	-	-	(9 072)	-
Adjustment	(132)	-	-	-	(644)	(776)
Disposals	-	(5 891)	(15 351)	-	-	(21 242)
At 31 December 2024	354 259	31 164	108 433	20 793	39 863	554 512
Accumulated depreciation						
At 1 January 2024	109 163	13 515	83 821	9 451	-	215 950
Current year charge	8 842	4 566	6 473	2 083	-	21 964
Disposals	-	(5 679)	(15 264)	-	-	(20 943)
Useful life change adjustment	(19)	(41)	(211)	(274)	-	(545)
Writeback Adjustment*	-	(49)	(687)	(155)	-	(891)
At 31 December 2024	117 986	12 312	74 132	11 105	-	215 535
Carrying value						
At 1 January 2024	236 156	11 279	21 386	7 622	24 163	300 606
At 31 December 2024	236 273	18 852	34 301	9 688	39 863	338 977

2023 Cost	Freehold Land and Buildings	Computer Hardware	Furniture, Fittings & Equipment	Motor Vehicles	Assets under construction (AUC)	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
At 1 January 2023	345 466	35 989	124 504	12 954	4 641	523 554
Additions	1 082	8 518	2 917	5 417	19 766	37 700
AUC transfer	244	-	-	-	(244)	-
Disposals	(1 473)	(19 713)	(22 214)	(1 298)	-	(44 698)
At 31 December 2023	345 319	24 794	105 207	17 073	24 163	516 556
Accumulated depreciation						
At 1 January 2023	102 399	33 175	106 898	12 444	-	254 916
Current year charge	8 645	5 693	7 371	1 020	-	22 729
Disposals	(1 248)	(19 341)	(22 109)	(1 298)	-	(43 996)
Useful life change adjustment	-	(2 374)	(292)	(337)	-	(3 003)
Writeback Adjustment*	(633)	(3 638)	(8 047)	(2 378)	-	(14 696)
At 31 December 2023	109 163	13 515	83 821	9 451	-	215 950
Carrying value						
At 1 January 2023	243 067	2 814	17 606	510	4 641	268 638
At 31 December 2023	236 156	11 279	21 386	7 622	24 163	300 606

A register containing details of land and buildings is available for inspection at the registered office of the Bank. The Bank conducted a useful life assessment in the current year, resulting in the extension of the useful life of assets. This extension decreased depreciation for the year by N$545 000. The effect on future periods is an increase in the total depreciation expense of N$545 000.

Impact of change in Accounting Estimates	2024	2023
	N$'000	N$'000
Depreciation based on new useful life estimates	813	10 234
Depreciation based on previous estimates	1 358	11 214
Net effect of change on current year depreciation	545	980

*During the useful life assessment, the Bank identified assets with nil book values that are still in use. A writeback of depreciation totaling N$891,000 (2023: N$14.696 million) was performed on these identified assets. The writeback indicates an immaterial error. The impact was recorded in the current financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

13. INTANGIBLE ASSETS - COMPUTER SOFTWARE

2024 Cost	Computer Software	Assets under construction (AUC)	Total
	N$'000	N$'000	N$'000
At 1 January 2024	78 516	-	78 516
Additions	10 171	17 101	27 272
Disposals	(8 029)	-	(8 029)
At 31 December 2024	80 658	17 101	97 759
Accumulated depreciation			
At 1 January 2024	35 531	-	35 531
Current year charge	7 178	-	7 178
Disposals	(5 953)	-	(5 953)
Useful life change adjustment	(20)	-	(20)
Asset Writeback Adjustment	(975)	-	(975)
At 31 December 2024	35 761	-	35 761
Carrying value			
At 1 January 2024	42 985	-	42 985
At 31 December 2024	44 897	17 101	61 998

2023 Cost	Computer Software	Assets under construction (AUC)	Total
	N$'000	N$'000	N$'000
At 1 January 2023	110 300	-	110 300
Additions	3 881	-	3 881
AUC transfers	-	-	-
Disposals	(35 665)	-	(35 665)
At 31 December 2023	78 516	-	78 516
Accumulated depreciation			
At 1 January 2023	71 895	-	71 895
Current year charge	13 419	-	13 419
Disposals	(35 665)	-	(35 665)
Useful life change adjustment	(8 122)	-	(8 122)
Writeback Adjustment*	(5 996)	-	(5 996)
At 31 December 2023	35 531	-	35 531
Carrying value			
At 1 January 2023	38 405	-	38 405
At 31 December 2023	42 985	-	42 985

A register containing details of computer software is available for inspection at the registered office of the Bank.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

13. INTANGIBLE ASSETS - COMPUTER SOFTWARE (CONTINUED)

The Bank conducted a useful life assessment in the current year, resulting in the extension of the useful life of the intangible assets. This extension decreased amortisation for the year by N$20,000. The effect on future periods is an increase in the total amortisation expense of N$20,000.

Impact of change in Accounting Estimates	2024	2023
	N$'000	N$'000
Amortisation based on new useful life estimates	22	2 085
Amortisation based on previous estimates	42	9 172
Net effect of change on current year amortisation	**20**	**7 087**

*During the useful life assessment, the Bank identified intangible assets with nil book values that are still in use. A writeback of amortisation totaling N$975 000 (2023: N$ 5.996 million) was performed on these identified assets. The writeback indicates an immaterial error, the impact of which was recorded in the current financial year.

14. DEPOSITS

	2024	2023
	N$'000	N$'000
Government of the Republic of Namibia	8 742 400	2 917 212
Domestic bankers' reserve account	1 612 784	1 526 443
Domestic bankers' settlement account	4 293 695	2 693 781
SDR allocation account	7 573 625	7 838 702
IMF securities account	4 691 354	4 700 035
BON Bill	-	368 477
Bank of Namibia Bill - GIPF	20 382 002	18 783 126
Bank of Namibia Bill - NamPower	735 864	847 997
Foreign currency placements	3 926 808	4 179 965
Other - pre-funded donor funds at cost	57 645	130 236
Total Deposits	**52 016 177**	**43 985 974**

Domestic bankers' reserve account balances have no fixed maturity and attract no interest. The settlement account, however, attracts interest at the prevailing rate as determined by the Bank of Namibia.

Pursuant to sections 45 and 47 of the Bank of Namibia Act no.1 of 2020 the Government may take up short-term loans from the Bank which shall have a maturity of less than six months. The Government may without prior notification utilise an overdraft facility from the Bank not exceeding N$2.5 billion. The Government shall pay interest to the Bank on debit balances at a rate equivalent to the 91–day treasury bill rate plus 50 basis points. Any request by Government for credit from the Bank exceeding N$2.5 billion shall be referred to the Board of Directors of the Bank for consideration and approval or not.

The IMF securities account represents long-term Government deposits.

The Government Institutions Pension Fund (GIPF) and Namibia Power Corporation (Proprietary) Limited (NamPower) purchase agreements were concluded in November 2015 and February 2016 respectively to enhance Namibia's foreign reserve stocks. NamPower and GIPF transferred their ZAR investments to the Bank in exchange for an investment in NAD Instruments issued by the Bank. The Bank has created and issued Bank of Namibia Bills to the two corporate investors in terms of Section 7(2) of the Bank of Namibia Act 2020.

Other deposits are mainly made up of foreign currency denominated call deposit facilities provided to commercial banks and call account facilities extended to specific local institutions.

The pre - funded donor funds at cost are monies received on behalf of the Government for various donor funded projects being undertaken in Namibia. These funds have no maturity dates and attract no interest.

SDR allocation account has no fixed repayment terms. Its cost approximates its fair value.

All other deposits are available on demand thus classified as short-term deposits. Short-term deposits are deemed to approximate fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

15. TRADE AND OTHER PAYABLES

	2024 N$'000	2023 N$'000
Sundry creditors	92 147	88 478
Payable - Namibia Deposit Guarantee Authority (NDGA)	31 018	23 580
Payable - Financial Intelligence Centre (FIC)	41 589	17 118
Total trade and other payables	**164 754**	**129 176**

Due to the short-term nature of the sundry creditors their carrying amount is considered to approximate fair value.

Namibia Deposit Guarantee Authority (NDGA) and Financial Intelligence Centre (FIC) payable consist of funds invested in money market instrument and call accounts. The interest received on the money market instruments and Corporation for Public Deposits (CPD) investments are capitalized to the balance. The fair value of the NDGA and FIC payable at year end is determined to be N$ 31.02 million (2023: N$ 23.58 million) and N$ 41.59 million (2023: N$ 17.12 million) respectively.

16. NOTES AND COINS IN CIRCULATION

	2024 N$'000	2023 N$'000
Namibian notes in circulation	5 321 206	4 968 085
Namibian coins in circulation	288 738	275 942
Total notes and coins in circulation	**5 609 944**	**5 244 027**

Issued notes and coins go into circulation and are recorded as a liability. The liability is extinguished when the notes and coins are removed from circulation.

17. PROVISION FOR POST-RETIREMENT MEDICAL AID BENEFITS

The Bank provides post-retirement medical aid benefits to retired staff members who joined the Bank prior to 1 January 2006. A provision for the liability has been determined based on the Projected Unit Credit Method. The independent actuarial valuation was performed for the year ended 31 December 2024.The actuarial valuation was performed by 3ONE Consulting Actuaries a member of the Actuarial Society of South Africa ("ASSA"). The prior year valuation was performed by ARCH Actuarial consulting.

	2024 N$'000	2023 N$'000
Opening liability	114 760	71 041
Interest cost	17 032	7 999
Current service cost	2 413	1 145
Benefit payments	(6 556)	(3 540)
Estimate adjustment*	30 568	24 396
Actuarial (gains)/losses	(23 971)	13 719
Closing liability	**134 246**	**114 760**
Number of members	163	172

Key Assumptions	2024	2023
Discount rate	11.92% p.a	12.02% p.a.
Medical inflation	8.09% p.a	7.77% p. a.
Valuation date	31.12.2024	31.12.2023

The effect of a 1% movement in the assumed medical cost trend rate is as follows:	Increase N$'000	Decrease N$'000
Aggregate of the current service cost and interest cost	21 895	17 364
Defined benefit obligation closing liability	150 087	120 821

At 31 December	2024 N$'000	2023 N$'000	2022 N$'000	2021 N$'000	2020 N$'000
Present value of post-retirement benefit obligation	134 246	114 760	71 041	69 098	64 957

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

17. PROVISION FOR POST-RETIREMENT MEDICAL AID BENEFITS (CONTINUED)

The Bank's post-retirement medical aid plan is unfunded.

The discount rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market closed at year end.

A health care cost inflation rate of 8.09% (2023: 7.77%) has been assumed. This is 1.50% (2023:1.50%) in excess of expected CPI inflation over the expected term of the liability namely 6.59% (2023: 6.27%).

*The estimate adjustment is a result of the change in the medical aid premium subsidy rate from 60% to 100% for all members.

18. SHARE CAPITAL

	2024 N$'000	2023 N$'000
Authorised share capital		
100 000 000 ordinary shares of N$1 each	100 000	100 000
Issued share capital		
40 000 000 ordinary shares of N$1 each	40 000	40 000

The share capital is the amount subscribed by the Government in accordance with Section 8 of the Bank of Namibia Act 2020. The Bank is not subject to any externally imposed capital requirements however the annual appropriation of profits is approved by the Government which requires that a minimum percentage of the annual profits is transferred to the general reserve which forms part of the Bank's capital.

19. GENERAL RESERVE

	2024 N$'000	2023 N$'000
Opening balance	3 347 175	3 010 484
Transfer from training fund reserve/development fund reserve	8 271	1 272
Appropriation of net profit for the year	307 513	335 419
Closing balance	3 662 959	3 347 175

The General Reserve is a Statutory Reserve that can be utilised for increasing the paid-up capital of the Bank, offset losses incurred, fund the Development Reserve and redeem any securities issued by the Bank.

20. FOREIGN CURRENCY REVALUATION RESERVE

	2024 N$'000	2023 N$'000
Opening balance	8 409 926	7 631 685
Net foreign exchange gains	225 918	778 241
Closing balance	8 635 844	8 409 926

The foreign currency revaluation reserve has been created in accordance with Section 64 of the Bank of Namibia Act 2020. The Act requires that both realised and unrealised gains and losses be transferred to the revaluation reserve account.

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21. TRAINING FUND RESERVE

	2024 N$'000	2023 N$'000
Opening balance	28 007	19 279
Transfer to general reserve	(7 500)	(1 272)
Appropriation of net profit for the year	9 701	10 000
Closing balance	**30 208**	**28 007**

The training fund reserve has been created to provide funds to up-skill the Bank's human capacity in order to meet challenges of the rapidly changing and complex financial environment in which the Bank operates. The transfer of N$7.5 million was for the executive leadership training conducted during 2024 financial year.

22. DEVELOPMENT FUND RESERVE

	2024 N$'000	2023 N$'000
Opening balance	284 424	184 424
Transfer to general reserve	(771)	-
Appropriation of net profit for the year	-	100 000
Closing balance	**283 653**	**284 424**

This reserve was established under section 73(1)(a) of the Bank of Namibia Act 2020 for the purpose of promoting or financing economic development in Namibia. The transfer of N$771,000 was utilized for the public consultation on the Consumer Credit Bill.

23. BUILDING FUND RESERVE

	2024 N$'000	2023 N$'000
Opening balance	83 300	83 300
Appropriation of net profit for the year	70 000	-
Closing balance	**153 300**	**83 300**

This reserve was established under section 73(1)(a) of the Bank of Namibia Act 2020 for the purpose of accumulating funds for building projects that the Bank intends to embark upon in the future.

24. INVESTMENT REVALUATION RESERVE

	2024 N$'000	2023 N$'000
Opening balance	(254 441)	(648 991)
Transfers to investment revaluation reserve for the year (FVTPL)	71 791	31 614
Transfers to investment revaluation reserve for the year (FVTOCI)	(16 194)	361 350
Allowance for expected credit losses	(6 557)	1 586
Closing balance	**(205 401)**	**(254 441)**

The reserve has been created to retain unrealised gains and losses on the Bank's portfolio investments that are measured at fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL) per IFRS 9 until they are realised. Unrealised gains when realised become available for distribution and unrealised losses when realised are charged to the Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

25. RETIREMENT FUND

Retirement benefits are provided for employees by a separate provident fund known as the Bank of Namibia Provident Fund to which the Bank contributes. The provident fund is administered under the Pension Fund Act 1956 (No. 24 of 1956). The Fund was converted from a defined benefit pension fund to a defined contribution provident fund as at 1 March 2000. All employees contribute to the Fund. The Bank's total contributions for 2024 amounted to N$33 517 442 (31 December 2023: N$29 908 837).

26. TAXATION

No provision for taxation has been made in the annual financial statements as the Bank is exempted from taxation in terms of Section 74 of the Bank of Namibia Act 2020.

27. FINANCIAL INTELLIGENCE CENTRE (FIC)

The Bank continues to render administrative support to the Financial Intelligence Centre (FIC). The FIC was established in terms of the Financial Intelligence Act 2007 (No 3 of 2007). This Act was repealed in 2012 and replaced by the Financial Intelligence Act of 2012 which came into effect in December 2012. The Act prescribes that the Bank of Namibia shall host the FIC and will be responsible and accountable for all its operational and administrative activities. During 2016 the FIC financials were separated from those of the Bank. The intercompany accounts are used to determine and settle transactions between the FIC and the Bank. As at 31 December 2024 the Bank owes the FIC N$41 589 000 (2023: Payable: N$17 117 804) which is reflected on the intercompany account in Notes 8,15 and 31.

28. NAMIBIA DEPOSIT GUARANTEE AUTHORITY (NDGA)

The Bank renders administrative support to the Namibia Deposit Guarantee Authority (NDGA). The NDGA was established in terms of the Deposit Guarantee Act (No. 16 of 2018). The Act prescribes that the Bank of Namibia shall host the NDGA and will be responsible and accountable for all its operational and administrative activities. The intercompany accounts are used to determine and settle transactions between the NDGA and the Bank. As at 31 December 2024 the Bank owes the NDGA N$ 31 018 000 (2023: N$23 579 366) which is reflected on the intercompany account in Note 15 and 31.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The foreign exchange reserve activities of the Bank of Namibia are exposed to various types of risks. These include financial risks in the form of market, credit, currency and liquidity risk. The Bank views risk management as an integral part of the reserves management process and an essential element of good corporate governance. Due to its unique role and functions, the Bank's risk management and control is not only based on the institutional risk and return considerations, but also takes into account the national interest, in line with its statutory responsibilities prescribed in the Bank of Namibia (2020) Act.

To support the effective and efficient risk management system, foreign exchange reserves are managed in a three-tier governance structure consisting of the Board of Directors, the Investment Committee (IC) and the Financial Markets Department (FMD). To further strengthen the role of managing foreign reserves, a Credit Risk Committee was established acting as a function of the FMD and consists of members from outside the department with financial risk expertise.

The highest hierarchy, namely the Board defines the investment policy of the Bank, which guides the management and risk appetite of the foreign exchange reserves. The Board authority is delegated to the IC to ensure compliance with the investment mandate. The FMD is responsible for managing the reserves and within the FMD, there is a Risk & Analytics section that proactively monitors compliance of investments to assigned risk parameters daily.

In order to best achieve the multiple investment objectives, the Bank divides the reserves into three tranches namely: working capital liquidity and investment tranche.

Tranche	Horizon	Objective
Working capital	0-3 Months	Provide liquidity. No negative returns allowed on any period (100% Cash).
Liquidity	1 Year	Maximise returns subject to avoiding negative returns at 99% confidence (as measured on an annual basis).
Investment	1 Year	Maximise returns subject to a negative return of 100 bps with 95% probability (as measured on an annual basis).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The different types of risks that the foreign exchange reserves are exposed to and the Bank's risk management approaches are stated below:

29.1 MARKET RISK

Market risk is the potential for adverse changes in the fair value or future cash flows of the Bank's foreign reserve assets due to changes in the level of volatility of market variables such as interest rates and foreign exchanges rates. The Bank employs duration management, diversification, hedging, correlation analysis and risk budgeting to manage market risk. In managing the foreign exchange reserves, the Bank follows an enhanced indexation approach which aims to outperform traditional passive portfolio management techniques by investing in a defined benchmark as well as employing an active management strategy to enhance investment returns on appropriate portfolios.

Sensitivity analysis on currency risk

The Bank of Namibia follows an Asset-Liability Management Approach to determine its currency composition (an exercise which is undertaken annually during the Strategic Asset Allocation review). To manage the Bank's exposure to foreign-denominated liabilities the foreign reserve assets are matched to these liabilities yet some exposure to currency risk remains. Refer to note 29.3.

To demonstrate the sensitivity of our foreign currency investments to foreign exchange market changes we elected to stress the foreign currency investments with a reasonably possible variable of 10% in line with the requirements of IFRS 7 Financial Instruments: Disclosures.

	2024		2023	
	Total Assets NAD'000	(Increase)/ decrease 10%change	Total Assets NAD'000	(Increase)/ decrease 10%change
Assets				
USD	25 585 382	(2 558 538)	18 289 820	(1 828 982)
EURO	1 998 140	(199 814)	1 099 846	(109 985)
SDR	8 820 128	(882 013)	9 123 791	(912 379)
OTHER CURRENCIES	949 009	(94 901)	914 119	(91 412)
Balance at 31 December 2024	**37 352 659**	**(3 735 266)**	**29 427 576**	**(2 942 758)**
% Impact on assets		5%		5%
Liabilities				
USD	(3 627 532)	362 753	(4 210 102)	421 010
EUROS	(356 919)	35 692	(100 099)	10 010
SDR	(12 238 852)	1 223 885	(12 538 736)	1 253 874
Balance at 31 December 2024	**(16 223 303)**	**1 622 330**	**(16 848 937)**	**1 684 894**
% Impact on liabilities		3%		4%

Excluded from the above table is the Rand and Namibian currency denominated assets and liabilities totaling N$33.379 billion (2023: N$32.075 billion) and N$35.932 billion (2023: N$27.266 billion) respectively.

29.2 INTEREST RATE RISK

Interest rate risk is the risk arising from changes in market interest rates that adversely affect the value of foreign exchange reserve assets. The Bank's exposure to fair-value interest rate risk arises mainly through its investment in foreign exchange reserves. A substantial portion of the foreign exchange reserves are invested in global sovereign bonds. Hence, the value of these instruments is affected by changes in interest rates in these countries, which in turn affects earnings. To analyse this impact, the Dollar Duration measure (DV01) is a commonly used measure which considers the interest rate sensitivity of investments.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.2 INTEREST RATE RISK (CONTINUED)

The following table summarises the Bank's interest rate exposure using this methodology and applies a 1 percent interest rate shock. The table can therefore be used as a basis for an assessment of the sensitivity of the Bank's income to interest rate movements.

Sensitivity analysis on interest rate risk

To demonstrate the sensitivity of our investments to interest rate changes we elected to stress the investments with a reasonably possible variable of 100 bps i.e. 1%. This variable is supported by the spate of interest rate changes in financial markets over the last two years. The elected variable is in line with the requirements of IFRS 7 Financial Instruments: Disclosures.

IMPACT OF INTEREST RATE CHANGE ON EUR PORTFOLIO – 2024

Instrument	Amount invested €'000	Actual Portfolio Weight (%)	Interest Rate %	Duration (Yrs)	Estimated Loss Assuming 1% Change ('000)	Amount invested NAD'000	Estimated Loss Assuming 1% Change ('000)
Working capital	3 191	7	3.63	-	-	62 368	-
Liquidity tranche	25 457	57	2.77	0.32	81	497 608	1 590
Investment tranche	16 022	36	-	0.03	4	313 179	95
	44 670	100			85	873 155	1 685

IMPACT OF INTEREST RATE CHANGE ON USD PORTFOLIO – 2024

Instrument	Amount invested US$'000	Actual Portfolio Weight (%)	Interest Rate %	Duration (Yrs)	Estimated Loss Assuming 1% Change ('000)	Amount invested NAD'000	Estimated Loss Assuming 1% Change ('000)
Working capital	15 961	1	4.24	0.00	0	299 910	8
Liquidity tranche	105 749	8	4.54	0.23	241	1 987 048	4 522
Investment Tranche	75 364	6	3.09	2.68	2 018	1 416 099	37 919
Externally Managed Portfolios	467 778	37	2.36	3.19	14 916	8 789 633	280 288
Customer Foreign Currency	201 342	16	4.37	0.00	7	3 783 257	129
Sinking Fund	404 863	32	4.39	0.29	1 164	7 607 449	21 873
	1 271 057	100			18 346	23 883 396	344 739

IMPACT OF INTEREST RATE CHANGE ON ZAR PORTFOLIO – 2024

Instrument	Amount invested R'000	Actual Portfolio Weight (%)	Interest Rate %	Duration (Yrs)	Estimated Loss Assuming 1% Change ('000)	Amount invested NAD'000	Estimated Loss Assuming 1% Change ('000)
Working capital	5 655 512	52	7.75	0.00	155	5 655 512	155
Liquidity tranche	1 810 802	16	8.12	0.20	3 547	1 810 802	3 547
Investment Tranche	3 490 354	32	8.26	0.24	8 479	3 490 354	8 479
BoN Bill	-	-	-	-	-	-	-
	10 956 668	100			12 181	10 956 668	12 181

IMPACT OF INTEREST RATE CHANGE ON SDR PORTFOLIO – 2024

Instrument	Amount invested '000	Actual Portfolio Weight (%)	Interest Rate %	Duration (Yrs)	Estimated Loss Assuming 1% Change ('000)	Amount invested NAD'000	Estimated Loss Assuming 1% Change ('000)
SDR	172 378	54	3.2	-	-	4 173 811	-
CNY	161 620	5	1.7	0.07	121	416 331	312
EUR	57 538	14	3.03	0.48	275	1 124 686	5 380
GBP	13 301	4	5.28	0.11	15	313 809	360
JPY	1 600 220	2	0	-	-	192 612	-
USD	90 652	21	5.33	0.22	200	1 703 368	3 758
		100			611	7 924 617	9 810

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.2 INTEREST RATE RISK (CONTINUED)

IMPACT OF INTEREST RATE CHANGE ON EUR PORTFOLIO - 2023

Instrument	Amount invested €'000	Actual Portfolio Weight (%)	Interest Rate %	Duration (Yrs)	Estimated Loss Assuming 1% Change ('000)	Amount invested NAD'000	Estimated Loss Assuming 1% Change ('000)
Working capital	763	100	3.40	-	-	15 671	-
	763	100		-	-	15 671	-

IMPACT OF INTEREST RATE CHANGE ON USD PORTFOLIO – 2023

Instrument	Amount invested US$'000	Actual Portfolio Weight (%)	Interest Rate %	Duration (Yrs)	Estimated Loss Assuming 1% Change ('000)	Amount invested NAD'000	Estimated Loss Assuming 1% Change ('000)
Working capital	15 905	2	5.28	0.00	0	295 225	8
Liquidity tranche	68 787	8	5.70	0.12	80	1 276 781	1 479
Investment Tranche	72 186	9	1.90	2.62	1 894	1 339 886	35 161
Externally Managed Portfolios	447 224	53	2.50	3.38	15 127	8 301 148	280 785
Customer Foreign Currency	234 015	28	5.29	0.10	230	4 343 672	4 271
	838 117	100			17 331	15 556 712	321 704

IMPACT OF INTEREST RATE CHANGE ON ZAR PORTFOLIO – 2023

Instrument	Amount invested R'000	Actual Portfolio Weight (%)	Interest Rate %	Duration (Yrs)	Estimated Loss Assuming 1% Change ('000)	Amount invested NAD'000	Estimated Loss Assuming 1% Change ('000)
Working capital	3 922 144	41	8.25	0.00	0	3 922 144	0
Liquidity tranche	1 726 807	18	8.44	0.16	3 186	1 726 807	3 186
Investment Tranche	3 561 432	37	8.64	0.43	15 374	3 561 432	15 374
BoN Bill	401 065	4	8.25	0.00	0.00	401 065	0
	9 611 448	100			18 560	9 611 448	18 560

IMPACT OF INTEREST RATE CHANGE ON SDR PORTFOLIO – 2023

Instrument	Amount invested '000	Actual Portfolio Weight (%)	Interest Rate %	Duration (Yrs)	Estimated Loss Assuming 1% Change ('000)	Amount invested NAD'000	Estimated Loss Assuming 1% Change ('000)
SDR	176 336	55	0.00	0.00	-	4 408 398	-
CNY	163 736	5	2.30	0.18	296	428 181	774
EUR	55 648	13	4.10	0.54	300	1 143 063	6 168
GBP	12 614	4	5.47	0.42	53	298 230	1 251
JPY	1 600 220	2	0.00	0.00	-	210 040	-
USD	85 636	21	5.88	0.36	312	1 589 540	5 794
		100			961	8 077 452	13 987

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.2 INTEREST RATE RISK (CONTINUED)

INTEREST RATE REPRICING PROFILE

The following table summarizes the Bank's interest rate exposure in the form of an interest rate re-pricing table. This shows when the interest rate earned or charged on assets and liabilities are expected to change based on the various maturities. The table can therefore be used as the basis for an assessment of the sensitivity of the Bank's net income to interest rate movements.

AS AT YEAR ENDED 31 DECEMBER 2024

N$'000	0 – 3 Months	3 – 12 Months	1 – 5 Years	More than 5 years	Non-Interest bearing	Total
Assets						
Investments	23 972 854	6 677 778	6 342 720	22 758 354	916 720	60 668 426
Loans and advances - local banks	-	-	358 340	-	-	358 340
Rand deposits	12 390	-	-	-	-	12 390
Other receivables	4 154 901	-	-	-	5 419 949	9 574 850
Loans and advances - other	-	-	163 892	-	-	163 892
Total Financial Assets	28 140 145	6 677 778	6 864 952	22 758 354	6 336 669	70 777 898
Liabilities						
Deposits	15 794 129	-	-	21 117 866	15 104 182	52 016 177
Trade and other payables	-	-	-	-	164 754	164 754
Total Financial Liabilities	15 794 129	-	-	21 117 866	15 268 936	52 180 931
Interest rate repricing gap	12 346 016	6 677 778	6 864 952	1 640 488	(8 932 267)	18 596 967

AS AT YEAR ENDED 31 DECEMBER 2023

N$'000	0 – 3 Months	3 – 12 Months	1 – 5 Years	More than 5 years	Non-Interest bearing	Total
Assets						
Investments	14 160 789	8 934 785	6 092 298	21 184 399	210 257	50 582 528
Loans and advances - local banks	498 805	-	351 524	-	-	850 329
Rand deposits	104 496	-	-	-	-	104 496
Other receivables	4 423 754	-	-	-	5 401 026	9 824 780
Loans and advances - other	-	-	140 315	-	-	140 315
Total Financial Assets	19 187 844	8 934 785	6 584 137	21 184 399	5 611 283	61 502 448
Liabilities						
Deposits	15 181 023	-	-	19 631 123	9 173 828	43 985 974
Trade and other payables	-	-	-	-	129 176	129 176
Total Financial Liabilities	15 181 023	-	-	19 631 123	9 303 004	44 115 150
Interest rate repricing gap	4 006 821	8 934 785	6 584 137	1 553 276	(3 691 721)	17 387 298

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.3 CURRENCY RISK

In terms of the Investment Policy and Guidelines foreign exchange risk is managed on a risk neutral basis through a currency composition (benchmark) that provides a natural hedge against potential liabilities. The currency composition of the foreign exchange reserves reflects the currency distribution of the country's short-term external debt imports and other contingent liabilities. The Bank's foreign reserve tranches are further composed of its various reserve currencies. The currency composition of reserves is determined using an Asset Liability approach whereby the potential calls on the reserves form the basis for the respective currency allocations. For the year 2024 the foreign reserves tranches were managed in-line with the currency exposure limits as shown below.

Instruments	ZAR Portfolio	USD Portfolio
Working capital	500mil – 2.5bn	10mil – 20mil
Liquidity tranche	1.0 bn – 4.5bn	20mil – 125mil
Investment tranche (%)	70	30

Risk - return preferences per tranche

Instruments	Horizon	Objective
Working capital	0-3 Mzonths	Provide Liquidity. No negative returns allowed on any period (100% Cash).
Liquidity	1 Year	Maximise returns subject to avoiding negative returns at 99% confidence (as measured on an annual basis).
Investment	1 Year	Maximise returns subject to a negative return of 100 bps with 95% probability (as measured on an annual basis).

The effect of the Namibia dollar exchange rates against the foreign currencies can have an impact on the level of foreign currency reserves when reported in local currency (NAD). The weakening of the NAD against the USD as well as other major currencies will favourably affect the reserve position when reported in NAD. The opposite effect holds when the NAD appreciates against these currencies. The NAD is pegged to the ZAR at a one-to-one parity and hence there is no currency risk on the portion of foreign reserves invested in that currency.

AT 31 DECEMBER 2024 THE BANK HAD THE FOLLOWING CURRENCY POSITION EXPOSURES

N$'000	N$ '000	ZAR '000	Euro '000	US$ '000	Other '000	Total N$'000
Assets						
Investments	430 685	31 705 210	1 998 140	25 585 382	949 009	60 668 426
Loans and advances - local banks	358 340	-	-	-	-	358 340
Rand deposits	-	12 390	-	-	-	12 390
Other receivables	239 220	489 376	-	-	8 846 254	9 574 850
Loans and advances - other	163 892	-	-	-	-	163 892
Total Financial Assets	1 192 137	32 206 976	1 998 140	25 585 382	9 795 263	70 777 898
Liabilities						
Deposits	14 648 880	21 117 866	356 919	3 627 532	12 264 980	52 016 177
Trade and other payables	164 754	-	-	-	-	164 754
Total Financial Liabilities	14 813 634	21 117 866	356 919	3 627 532	12 264 980	52 180 931
Net financial instruments	(13 621 467)	11 089 110	1 641 221	21 957 850	(2 469 717)	18 596 967

AT 31 DECEMBER 2023 THE BANK HAD THE FOLLOWING CURRENCY POSITION EXPOSURES

N$'000	N$ '000	ZAR '000	Euro '000	US$ '000	Other '000	Total N$'000
Assets						
Investments	154 489	30 124 254	1 099 846	18 289 820	914 119	50 582 528
Loans and advances - local banks	850 329	-	-	-	-	850 329
Rand deposits	-	104 496	-	-	-	104 496
Other receivables	115 940	585 049	-	-	9 123 791	9 824 780
Loans and advances - other	140 315	-	-	-	-	140 315
Total Financial Assets	1 261 073	30 813 799	1 099 846	18 289 820	10 037 910	61 502 448
Liabilities						
Deposits	7 505 914	19 631 123	100 099	4 210 102	12 538 736	43 985 974
Trade and other payables	129 176	-	-	-	-	129 176
Total Financial Liabilities	7 635 090	19 631 123	100 099	4 210 102	12 538 736	44 115 150
Net financial instruments	(6 374 017)	11 182 676	999 747	14 079 718	(2 500 826)	17 387 298

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.4 LIQUIDITY RISK

Liquidity risk is the risk that the Bank will be unable to meet its financial obligations as they fall due or the possibility that the Bank will incur sub-stantial capital losses when it disposes its securities in the secondary market. Liquidity is the second most important foreign exchange re-serves management objective after capital preservation. The Bank seeks to maintain sufficient liquidity by investing in money market instruments and securities with an active secondary market. At 31 December 2024 43.7% (2023:47.3%) of total assets could be liquidated at no cost within two working days reflecting the high liquidity nature of the portfolio. The remaining 56.3% remains highly liquid with varying minimal cost of liqui-dation. The Bank seeks to maintain sufficient liquidity by investing in money market instruments and securities with an active secondary market.

LIQUIDITY/OBLIGATIONS RISK ANALYSIS STATEMENT AS AT 31 DECEMBER 2024

N$'000	0 – 3 Months	3 – 12 Months	1 – 5 Years	5 + Years	Total
Assets					
Investments	24 164 811	6 677 777	6 342 720	23 483 118	60 668 426
Loans and advances - local banks	-	-	358 340	-	358 340
Rand deposits	12 390	-	-	-	12 390
Other receivables	728 597	-	-	-	728 597
Loans and advances - other	-	-	163 892	-	163 892
SDR Quota	4 691 354	-	-	-	4 691 354
SDR Holdings - IMF	4 154 899	-	-	-	4 154 899
Total Financial Assets	**33 752 051**	**6 677 777**	**6 864 952**	**23 483 118**	**70 777 898**
Liabilities					
Deposits	29 396 013	10 355 185	-	-	39 751 198
Trade and other payables	164 754	-	-	-	164 754
SDR Allocation - IMF*	-	-	-	7 573 625	7 573 625
IMF securities account*	-	-	-	4 691 354	4 691 354
Total Financial Liabilities	**29 560 767**	**10 355 185**	**-**	**12 264 979**	**52 180 931**
Liquidity sensitivity gap	**4 191 284**	**(3 677 408)**	**6 864 952**	**11 218 139**	**18 596 967**
Cumulative liquidity sensitivity gap	**4 191 284**	**513 876**	**7 378 828**	**18 596 967**	**18 596 967**

*Relates to reserves that are held as a result of the Bank's IMF membership. Refer to Note 1.20.

LIQUIDITY/OBLIGATIONS RISK ANALYSIS STATEMENT AS AT 31 DECEMBER 2023

N$'000	0 – 3 Months	3 – 12 Months	1 – 5 Years	5 + Years	Total
Assets					
Investments	18 792 667	8 936 917	6 092 298	16 760 646	50 582 528
Loans and advances - local banks	498 805	40 085	311 439	-	850 329
Rand deposits	104 496	-	-	-	104 496
Other receivables	672 991	28 000	-	-	700 991
Loans and advances - other	-	-	140 315	-	140 315
SDR Quota	-	-	-	4 700 035	4 700 035
SDR Holdings - IMF	-	-	-	4 423 754	4 423 754
Total Financial Assets	**20 068 959**	**9 005 002**	**6 544 052**	**25 884 435**	**61 502 448**
Liabilities					
Deposits	27 003 580	4 443 657	-	-	31 447 237
Trade and other payables	129 176	-	-	-	129 176
SDR Allocation - IMF*	7 838 702	-	-	-	7 838 702
IMF securities account*	4 700 035	-	-	-	4 700 035
Total Financial Liabilities	**39 671 493**	**4 443 657**	**-**	**-**	**44 115 150**
Liquidity sensitivity gap	**(19 602 534)**	**4 561 345**	**6 544 052**	**25 884 435**	**17 387 298**
Cumulative liquidity sensitivity gap	**(19 602 534)**	**(15 041 189)**	**(8 497 137)**	**17 387 298**	**17 387 298**

*Relates to reserves that are held as a result of the Bank's IMF membership. Refer to Note 1.20.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.5 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. In order to control the credit risk of the Bank's foreign exchange assets, the Investment Policy and Guidelines as well as the Credit Risk Framework limits exposure to eligible countries, counterparties, issuers, credit ratings and off-benchmark investments.

In terms of the Bank's credit appetite and threshold the Bank is exposed to credit risk through money market instruments issued by counterparts with a minimum short-term credit rating of upper medium grade. Longer-dated fixed income instruments are limited to issuances by countries holding a lower medium credit rating according to the IMF country classification list. South Africa's credit rating is presently below investment grade however exposure to this market is inevitable due to the historic economic relationship between Namibia and South Africa. Accordingly, a special provision has been made to allow for short-term exposure (minimum one year) to liquid instruments issued by the South African Government as well as by the top five commercial banks in South Africa. This is of strategic importance given the peg of the Namibian Dollar to the South African Rand.

Detailed below is a table which presents the Bank's total foreign asset exposure over various regions as well as their credit rating grading:

CREDIT RISK RATING ANALYSIS AS AT 31 DECEMBER 2024

REGIONAL EXPOSURE	CREDIT RATING GRADING 2024*	N$ '000
United States	High grade	19 495 193
North America (excl. USA)	High grade	913 095
Euro Area	High grade	4 309 813
United Kingdom	High grade	577 466
Japan	Upper medium grade	1 070 920
Other Advanced Economies**	High grade	738 329
China	Upper medium grade	443 276
South Africa	Non-investment grade speculative	32 206 976
Other Emerging Market **	Lower medium grade	246 110
Multilaterals**	Prime	9 584 583
Namibia	Non-investment grade speculative	1 192 137
TOTAL FINANCIAL ASSETS		70 777 898

*Lowest weighted average credit rating applied
**Other Advanced Economies Other Emerging Market and Multilaterals represents countries classified as such as per the International Monetary Fund (IMF) country classification list and these have been grouped together to represent one regional risk exposure.

CREDIT RISK RATING ANALYSIS AS AT 31 DECEMBER 2023

REGIONAL EXPOSURE	CREDIT RATING GRADING 2023*	N$ '000
United States	High grade	11 551 468
North America (excl. USA)	High grade	661 297
Euro Area	High grade	4 029 141
United Kingdom	High grade	324 360
Japan	Upper medium grade	2 209 291
Other Advanced Economies**	High grade	672 825
China	Upper medium grade	2 013 858
South Africa	Non-investment grade speculative	30 811 354
Other Emerging Market **	Lower medium grade	1 712 645
Multilaterals**	Prime	6 152 771
Namibia	Non-investment grade speculative	1 363 438
TOTAL FINANCIAL ASSETS		61 502 448

*Lowest weighted average credit rating applied
**Other Advanced Economies Other Emerging Market & Developing Economies and Multilaterals represents countries classified as such as per the International Monetary Fund (IMF) country classification list and these have been grouped together to represent one regional risk exposure.
The Bank invests/buys securities in reputable institutions who are rated by rating agencies. The Bank's credit risk exposure has remained static and movements in the fair values of our external portfolio investments were as a result of movements in interest rate risk and foreign exchange risk.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.6 SETTLEMENT RISK

The Bank is exposed to settlement risk when settling or clearing transactions. This type of risk occurs in an event that the Bank or the counterparty in the dealing contract fails to settle or clear transactions where the exchange of cash securities is not instantaneous. This risk is of particular significance as this could result in penalties interest foregone and consequently affecting the reputation of the Bank. To control this risk the Bank has imposed counterparty and dealer limits so as to limit the bank's exposure to a counterparty at any given time in the deal cycle.

29.7 OPERATIONAL RISK

Like any other institution the Bank is exposed to operational risk which is the risk of financial losses or damage to the Bank's reputation resulting from one or more risk factors such as human factors failed or inadequate processes failed or inadequate systems and external events.

These factors are defined in detail as follows:

29.7.1 Human Factors:

Insufficient personnel lack of knowledge skills or experience inadequate training and development inadequate supervision loss of key personnel inadequate succession planning or lack of integrity or ethical standards.

29.7.2 Failed or inadequate systems:

A process is poorly designed or unsuitable or not properly documented understood implemented followed or enforced. A system is poorly designed, unsuitable or unavailable or does not operate as intended.

29.7.3 External events:

The occurrence of an event having an adverse impact on the Bank but outside its control.

The operational risk at the Bank is managed by having a suitable operational organisational structure with clear segregation of duties as well as defined built-in systematic controls. Bank-wide operations manuals are in place to be followed by staff. The Bank - wide business continuity plans which clearly states effective disaster recovery plans are currently being developed.

For the treasury operations the Bank ensures that dealers and analysts are well trained in the instruments in which they are trading and that the systems they need to operate on are in place. The Bank also makes sure that all investment officers are aware of procedures in place and have access to relevant documents. The Financial Markets Department Director reviews all procedures documentation requirements and the operational practices.

29.8 LEGAL RISK

Legal risk is the risk arising from failure to comply with statutory or regulatory obligations. Legal risk also comes about if the rights and obligations of parties involved in a payment are subject to significant uncertainty, for example if a payment participant declares bankruptcy. Legal disputes that delay or prevent the resolution of payment settlement can cause credit liquidity or reputational risks at individual institutions. Legal risk also results from a financial institution's failure to comply with the bylaws and contractual agreements established with the counterparties with which it participates in processing, clearing and settling payment transactions. The Bank therefore manages this risk by having appropriate documentation and using the market - customary standard master - agreements where possible.

29.9 COLLATERAL

The Bank provides overnight and seven-day loans (Repo's) to commercial banks to cover for temporary liquidity shortages. The commercial banks pledge eligible securities in the form of Government bonds, treasury bills, etc. as collateral for this facility. The Bank is not permitted to sell or re-pledge these securities in the absence of default from the said commercial banks. As at 31 December 2024 the Repo's to commercial banks were N$ 0 million (2023: N$498 million).

29.10 CREDIT LOSSES

No expected credit losses have been recognised for the Bank's financial assets other than investments at FVTOCI and investments held at amortised cost (refer to note 4.1). However, when expected credit losses are recognised the Bank records the impairment in a separate impairment account rather than directly reducing the carrying amount of the concerned assets (refer to note 4.1).

29.11 DEFAULTS AND BREACHES

The bank did not default on any of its loan commitments during the current and previous financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

30. CAPITAL COMMITMENTS AND CONTINGENCIES

Capital commitments

	2024	2023
	N$'000	N$'000
Approved and contracted	242 000	-
Approved and not contracted	68 000	243 406

The capital commitments were approved by the board for future capital spending.

31. RELATED PARTY INFORMATION

During the year the Bank in its ordinary course of business entered into various transactions. These transactions were undertaken on commercial terms and conditions. The Bank of Namibia Act, 2020 prescribes that the emoluments of the Governor Deputy Governors and Board members be determined by the Minister of Finance. The emoluments of the Board members are primarily sitting fees and the annual stipend.

The Governor and the Deputy Governors` emoluments are all inclusive packages which comprises of salaries, pension contributions, medical aid and leave pay. The gross emoluments of executive, senior management and Board members are detailed below. Transactions with the Namibian Government, sole shareholder of the institution, are detailed in note 1.18 of this report. Notes 25, 27 and 28 provide more information on the Retirement Fund, Financial Intelligence Centre, and Namibia Deposit Guarantee Authority, respectively.

Gross Emoluments	Salaries	Retirement Benefit	Medical Aid Benefit	Total 2024	Total 2023
	N$'000	N$'000	N$'000	N$' 000	N$'000
Executive Management					
Governors	9 439	888	224	10 551	9 870
Senior Management	32 280	3 672	1 476	37 428	30 969
Non-Executive Board					
Mr C A Baisako				-	231
Ms C v/d Westhuizen				-	252
Ms S T Haipinge				-	197
Mr E I Meroro				462	332
Mr E Nekwaya				334	-
Dr M Tjirongo				407	-
Mr P Kruger				367	-
Ms R Pretorius				362	287
Total				**1 932**	**1 299**

Mr. Titus Ndove is an ex-officio director and is therefore not entitled to any directors' remuneration.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2024

31. RELATED PARTY INFORMATION (CONTINUED)

	2024	2023
	N$'000	N$'000
Assets - Government Investments	7 627 791	2 098 188
Liabilities - Government Deposits	8 742 400	2 917 212
Interest paid to Government	-	-
Interest received from Government	3 093	11 773
Payable - Financial Intelligence Centre (FIC)	41 589	17 118
Receivable: Loan to Financial Intelligence Centre (FIC)	-	(29 000)
Payable - Namibia Deposit Guarantee Authority (NDGA)	31 018	23 580
Current year investment in Central Securities Depository (CSD)	428	257
Impairment (I/S) - Investment in Central Securities Depository (CSD)	(428)	(257)
Investment in Central Securities Depository (CSD)	4 625	3 848
Impairment - Investment in Central Securities Depository (CSD)	(4 625)	(3 848)

Sovereign Wealth Fund

The Cabinet through cabinet decision no. 8th/23.06.20/005 approved in principle the establishment of the Sovereign Wealth Fund of Namibia (SWF) also known as the Welwitschia Fund as a reserve account that shall be managed in terms of the sections 72(2) and 73(1)(a) of the Bank of Namibia Act, 2020 (Act. No.1 of 2020). On 12 May 2022 the Minister of Finance and Public Enterprises, Honourable Ipumbu Shiimi, and the Governor of the Bank of Namibia, Mr. Johannes !Gawaxab, signed a Memorandum of Understanding (MoU) to appoint the Bank as the manager of the Sovereign Wealth Fund. The Bank has no equity interest in the Fund and effectively has no voting rights in the governance structures of the SWF. The Bank manages the Fund on behalf of the Ministry of Finance and Public Enterprises. The funds under management at 31 December 2024 were N$451.72 million (2023: N$334.62 million).

There were no other related party transactions with either the executive management or non-executive Board members.

32. APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements have been approved by the Board of Directors at the Board meeting held on 17 March 2025.

33. SUBSEQUENT EVENTS

The Bank declared dividends to the State amounting to N$720 million (2023: N$511.47 million). The board approved an additional budget provision of N$80million for the instant payment project.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENEDED 31 DECEMBER 2024 (IN COMPLIANCE WITH THE BANK OF NAMIBIA ACT 2020)

	Notes	2024 N$'000	2023 N$'000
Net interest income		1 224 728	990 520
Interest income	2	1 818 540	1 607 243
Interest expense	2	(593 812)	(616 723)
Net other interest income		-	-
Interest from rand investments exchanged	2	1 075 722	1 003 493
Interest paid on BON bills - NamPower and GIPF	2	(1 075 722)	(1 003 493)
Non-interest revenue		527 899	627 130
Rand compensation income	2	490 180	585 689
Dividend income on equity instruments	2	12 478	13 713
Profit on disposal of property, equipment and intangible assets	2	6	15
Other income	2	25 235	27 713
TOTAL INCOME		1 752 627	1 617 650
Total operating expenses	2	(741 153)	(592 513)
Operating expenses	2	(733 672)	(593 304)
Allowance for credit (losses)/reversals - amortised cost instruments	2	(7 481)	791
Operating profit		1 011 474	1 025 137
Foreign exchange and fair value gains		362 921	756 912
Net foreign exchange gains	20	225 918	778 241
Unrealised gains on rand investments exchanged		842 133	464 653
Unrealised losses on BON Bills - NamPower and GIPF		(842 133)	(464 653)
Unrealised gains/(losses) on derivative instruments	24	36 437	(56 000)
Unrealised gains on equity instruments	24	35 354	87 614
Realised foreign exchange gains/(losses) on sale of instruments and FEC's		65 212	(52 943)
PROFIT FOR THE YEAR		1 374 395	1 782 049
Items that will be reclassified subsequently to profit or loss:		(16 194)	361 350
Unrealised gains - FVTOCI instruments	24	(16 194)	361 350
Items that will not be reclassified subsequently to profit or loss:		30 528	(15 305)
Allowance for credit loss reversal/(losses) - FVTOCI instruments	4.1	6 557	(1 586)
Actuarial gains/(losses) on post - employment benefits	17	23 971	(13 719)
TOTAL COMPREHENSIVE INCOME		1 388 729	2 128 094
Profits attributable to:			
Foreign currency revaluation reserve	20	225 918	778 241
Investment revaluation reserve	24	55 597	392 964
Amount available for distribution	3	1 107 214	956 889
TOTAL COMPREHENSIVE INCOME		1 388 729	2 128 094

FIVE YEAR HISTORICAL FINANCIAL OVERVIEW

TABLE A. 15: STATEMENT OF FINANCIAL POSITION COMPARISONS 2024-2020 - N$'000

	31-Dec-24	31-Dec-23	31-Dec-22	31-Dec-21	31-Dec-20
ASSETS					
Investments	60 668 426	50 582 528	43 771 048	39 871 827	31 654 662
Loans and advances - local banks	358 340	850 329	6 093	1 456	1 040 782
Currency inventory	61 480	72 780	81 038	90 100	84 895
Rand deposits	12 390	104 496	159 704	70 014	45 337
Other receivables	9 574 850	9 824 780	7 913 980	7 653 445	5 288 750
Loans and advances - other	163 892	140 315	115 423	112 518	99 582
Investment in associate	-	-	-	-	-
Other inventory - stationery and spares	5 331	4 979	4 806	4 742	4 881
Property and equipment	338 977	300 606	268 638	278 240	284 287
Intangible assets - computer software	61 998	42 985	38 405	40 562	21 483
TOTAL ASSETS	**71 245 684**	**61 923 798**	**52 359 135**	**48 122 904**	**38 524 659**
LIABILITIES					
Deposits	52 016 177	43 985 974	36 591 583	32 800 835	24 147 300
Trade and other payables	164 754	129 176	88 761	99 077	110 901
Notes and coins in circulation	5 609 944	5 244 027	4 873 869	4 759 436	4 711 567
Provision for post-retirement medical aid benefits	134 246	114 760	71 041	69 098	64 957
TOTAL LIABILITIES	**57 925 121**	**49 473 937**	**41 625 254**	**37 728 446**	**29 034 725**
CAPITAL AND RESERVES					
Share capital	40 000	40 000	40 000	40 000	40 000
General reserve	3 662 959	3 347 175	3 010 484	2 741 385	2 463 986
Foreign currency revaluation reserve	8 635 844	8 409 926	7 631 685	7 002 208	6 200 558
Training fund reserve	30 208	28 007	19 279	16 179	16 179
State revenue fund	720 000	511 470	413 700	413 700	278 198
Development fund reserve	283 653	284 424	184 424	95 986	114 402
Building fund reserve	153 300	83 300	83 300	85 000	85 000
Investment revaluation reserve	(205 401)	(254 441)	(648 991)	-	291 611
TOTAL CAPITAL AND RESERVES	**13 320 563**	**12 449 861**	**10 733 881**	**10 394 458**	**9 489 934**
TOTAL LIABILITIES, CAPITAL AND RESERVES	**71 245 684**	**61 923 798**	**52 359 135**	**48 122 904**	**38 524 659**

TABLE A.16: INCOME STATEMENT COMPARISONS 2024-2020 – N$'000

	31-Dec-24	31-Dec-23	31-Dec-22	31-Dec-21	31-Dec-20
Interest income	1 818 540	1 607 243	740 023	547 330	638 676
Interest expense	(593 812)	(616 723)	(185 477)	(79 063)	(105 011)
NET INTEREST INCOME	**1 224 728**	**990 520**	**554 546**	**468 267**	**533 665**
Rand compensation income	490 180	585 689	578 000	505 628	499 787
Dividend income on equity instruments	12 478	13 713	5 025	-	-
Profit on disposal of property, equipment and intangible assets	6	15	36 162	43 237	18 294
Other income	25 235	27 713	-	-	-
TOTAL INCOME	**1 752 627**	**1 617 650**	**1 173 733**	**1 017 132**	**1 051 746**
Operating expenses	(741 153)	(592 513)	(522 504)	(432 933)	(514 928)
OPERATING PROFIT	**1 011 474**	**1 025 137**	**651 229**	**584 199**	**536 818**
Net foreign exchange translation gains	225 918	778 241	629 477	801 650	88 258
Unrealised gains/(losses) on equity instruments	35 354	87 614	(15 123)	-	-
Unrealised gains/(losses) on derivative instruments	36 437	(56 000)	-	-	-
Realised foreign exchange gains/(losses) on FEC's	65 212	(52 943)	56 599	151 656	(4 345)
PROFIT FOR THE YEAR	**1 374 395**	**1 782 049**	**1 322 182**	**1 537 505**	**620 731**
OTHER COMPREHENSIVE INCOME/(LOSSES)	**14 334**	**346 045**	**(544 428)**	**(392 450)**	**238 878**
Unrealised (losses)/gains on investment portfolio	(16 194)	361 350	(572 358)	(366 157)	238 878
Allowance for credit loss reversals/(losses) - FVTOCI instruments	6 557	(1 586)	24 631	(20 009)	-
Actuarial gains/(losses)on post - employment benefits	23 971	(13 719)	3 299	(6 284)	-
TOTAL COMPREHENSIVE INCOME	**1 388 729**	**2 128 094**	**777 754**	**1 145 055**	**859 609**
Foreign currency revaluation reserve	(225 918)	(778 241)	(629 477)	(801 650)	(88 258)
Investment revaluation reserve	(55 597)	(392 964)	587 481	366 157	(238 878)
Distribution adjustment on unrealised losses	-	-	36 879	(36 879)	-
NET INCOME AVAILABLE FOR DISTRIBUTION	**1 107 214**	**956 889**	**772 637**	**672 683**	**532 473**
APPROPRIATIONS:	**1 107 214**	**956 889**	**772 637**	**672 683**	**532 473**
General reserve	307 513	335 419	253 937	258 983	251 575
Building fund reserve	70 000	-	-	-	-
Training fund reserve	9 701	10 000	5 000	-	2 700
Development fund reserve	-	100 000	100 000	-	-
State Revenue Fund	720 000	511 470	413 700	413 700	278 198

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