DOCUMENT OF INTERNATIONAL MONETARY FUND
AND NOT FOR PUBLIC USE

FOR AGENDA

SM/95/182

CONTAINS CONFIDENTIAL INFORMATION

July 26, 1995

To: Members of the Executive Board

From: The Secretary

Subject: Namibia - Recent Economic Developments and Selected Economic Issues

This paper provides background information to the staff report on the 1995 Article IV consultation with Namibia, which was circulated as SM/95/162 on July 6, 1995.

Mr. Mordi (ext. 34140) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Unless the Documents Preparation Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the African Development Bank (AfDB), the European Commission (EC), the European Investment Bank (EIB), the Food and Agriculture Organization (FAO), and the United Nations Development Programme (UNDP), following its consideration by the Executive Board.

Att: (1)

Other Distribution:
Department Heads

CONTAINS CONFIDENTIAL INFORMATION

INTERNATIONAL MONETARY FUND

NAMIBIA

Recent Economic Developments and Selected Economic Issues

Prepared by a staff mission consisting of
Mr. R.O. Carstens (head), Mr. C.N.O. Mordi,
Ms. D.E. Rehm, and Mrs. R. Randall (all AFR)

Approved by the African Department

July 24, 1995

Contents | Page

Text Tables

Charts

NAMIBIA - Basic Data

Area, population, and GDP per capita	
Area	823,144 square kilometers
Population: Total (1994 est.)	1.541 million
Growth rate	3 percent
GDP per capita (1994 market prices)	US$1,867

	1988	1989	1990	1991	1992	1993	1994
				(In units indicated)			
National accounts							
GDP (in millions of Namibian dollars at constant 1990 basic prices)	5,071.7	5,155.1	5,163.2	5,539.0	5,953.6	5,832.7	6,216.5
Agriculture	466.1	498.7	520.0	548.2	432.0	442.6	522.1
Mining and quarrying	1,259.3	1,193.6	1,084.3	1,295.4	1,442.4	1,128.1	1,246.5
Manufacturing	318.7	322.6	372.9	329.5	387.4	441.3	480.4
Real growth rate (in percent)	1.2	1.6	0.2	7.3	7.5	−2.0	6.6
Share in GDP (in percent, current prices)							
Gross domestic investment	17.7	17.3	25.3	17.4	21.5	14.2	19.9
Gross domestic savings 1/	17.2	18.0	13.1	6.8	11.1	8.4	16.8
Prices (change in percent)							
CPI (period average)	12.8	15.1	12.0	11.8	17.7	8.5	10.8
CPI (end of period)	15.5	13.9	10.1	18.1	10.8	9.7	11.3
GDP deflator	22.3	14.8	4.9	4.6	10.6	8.2	16.1
			(In millions of Namibian dollars)				
Public finance 2/							
Revenue and grants	1,788.5	2,313.0	2,007.1	2,602.5	2,906.6	3,073.1	3,422.4
Revenue	1,471.4	2,004.6	1,906.0	2,534.7	2,833.1	3,018.2	3,392.4
Grants	317.2	308.3	101.1	67.8	73.5	54.9	30.0
Expenditure and net lending	1,790.1	1,983.5	2,078.8	2,791.5	3,342.2	3,406.2	3,848.8
Overall surplus or deficit (−)	−1.5	329.5	−71.8	−189.0	−435.6	−333.1	−426.4
In percent of GDP	−0.0	5.7	−1.2	−2.7	−5.4	−3.8	−4.0
Money and credit (end of period)							
Credit to the economy	855.9	1,301.3	1.426.4	1,672.4	2,157.8	2,773.1	3,697.5
Private sector deposits	1,089.7	1,579.2	1,477.4	1,925.0	2,422.6	2,862.6	3,551.5
			(In millions of U.S. dollars)				
Balance of payments							
Exports of goods and nonfactor services	1,189.9	1,240.0	1,196.4	1,343.7	1,486.1	1,480.8	1,539.9
Imports of goods and nonfactor services	−1,440.2	−1,255.9	−1,482.2	−1,603.2	−1,781.6	−1,633.0	−1,632.0
Trade balance	−250.3	−15.9	−285.8	−259.4	−295.5	−152.2	−92.1
Net factor services	−171.5	−130.6	40.6	96.6	27.7	60.1	43.7
Net transfers	276.5	253.5	292.3	303.7	372.0	270.6	259.3
Current account balance, including transfers	−145.3	107.0	47.1	140.9	104.2	178.4	210.8
In percent of GDP	−6.8	4.9	2.0	5.8	3.8	7.0	7.3

IMF Data	
Date of membership	September 25, 1990
Quota	SDR 99.6 million
Status	Article XIV
Exchange rate as of March 31, 1995	US$1 = 3.5905

Sources: Ministry of Finance; Bank of Namibia; and Central Statistical Office.

1/ Gross domestic product at current market prices less consumption.
2/ Fiscal year beginning April 1.

I. Overview and Regional Issues

1. Introduction

Namibia's continued economic and financial links with South Africa--principally through the Southern African Customs Union (SACU) and the Common Monetary Area (CMA)--coupled with the historical antecedents, contribute in significant ways to the current structure of the economy. 1/ These linkages notwithstanding, growth prospects for Namibia--and the other SACU countries--will also be determined by the country's economic policies and priorities. 2/

This chapter provides a broad overview of the structure of Namibia's economy. Chapters II-VI provide a more detailed discussion of the structure and evolution of the productive base, recent trends in investment and savings performance, fiscal policies, monetary issues and policies, and external sector developments. Chapter VII provides an assessment of Namibia's export performance and prospects for the future.

2. Economic background

The links between Namibia's economy and South Africa are extensive: the CMA provides for free capital flows; the Namibian dollar is linked at par to the rand; and South African markets account for most of Namibia's imports and nonmineral exports. Namibia's remuneration structure in both the public and private sectors mirrors closely those in South Africa. In addition, price and interest rate movements follow developments in South Africa, and the role for monetary and exchange rate measures is sharply limited.

Namibia is one of the most sparsely populated countries in Africa, with an average population density of only 1.5 people per square kilometer, and a total population of around 1.4 million (excluding Walvis Bay). 3/

1/ The SACU arrangement began in 1910, and currently comprises Botswana, Lesotho, Namibia, Swaziland--the "BLNS" countries--and South Africa. The agreement provides for a common external tariff, as determined by South Africa, and a revenue-sharing arrangement among the participants. The renegotiation of the arrangement is ongoing (Appendix I). The CMA is in fact a series of bilateral agreements between Lesotho, Namibia, Swaziland, and South Africa that provides for free capital flows among the participants. Nevertheless, the precise terms of the arrangement are not uniform across all members. Prior to the elimination of the financial rand mechanism by South Africa on March 13, 1995, Namibia and Lesotho participated in the mechanism, while Swaziland did not.

2/ Namibia's independence, which was attained in March 1990, is considerably more recent than that of Botswana (1966), Lesotho (1967), and Swaziland (1968).

3/ Until March 1, 1994, Walvis Bay remained part of South Africa.

Population growth is currently estimated at about 3 percent a year; and may reach 3.5 percent per annum in the near future.

Namibia is classified as a middle income country with an estimated per capita GNP of about US$1,660 in 1993 (World Bank Atlas 1995), but there is a sharply uneven income distribution that is attributable to its historical antecedents. At independence in 1990, about 5 percent of the population earned an estimated 70 percent of GDP, while two-thirds of the population received an annual per capita income of less than US$100. Less than a third of the population lives in urban or peri-urban areas, while the remaining two-thirds are located largely in the communal areas in the far north. The disparities in income are reflected in urban access to public social services of a standard comparable to those available in industrial countries, while the social services available elsewhere--including the relatively densely populated north--remain limited. The Government is striving to equalize the access of all Namibian citizens to education, health care, and other basic social services.

Economic activity is clustered geographically, with trade and manufacturing, and much of the infrastructural base, concentrated around Windhoek and Walvis Bay, in central and western Namibia, which jointly account for about 15 percent of Namibia's population. Communal agriculture, which is concentrated in the arable portions of Namibia's northern region, employs half the economically active population, but accounted for only about 2.8 percent of GDP in 1994. Commercial agriculture--largely livestock--which is more land and technology intensive, is located in the southern and central regions.

Namibia's status as a middle income country largely reflects the development of the mining and commercial agricultural sectors during the 1960s. After flattening during the 1970s, real per capita income declined by an estimated 21 percent between 1980 and 1990. The sharp deterioration reflected a number of exogenous developments, including the depletion of high yield diamond deposits, and a 45 percent decline in the volume of diamonds mined and exported; a 20 percent reduction in uranium mining operations, following the imposition of sanctions against South Africa; adverse shifts in the prices of other minerals; and the effect of drought conditions during 1981-84 on agricultural production.

Uncertainty preceding independence contributed to a decline in gross fixed investment from 33 percent of GDP to 20 percent between 1980 and 1990, while infrastructure also deteriorated substantially. Public investment was deliberately compressed as part of the expenditure response to reduced transfers from South Africa during the second half of the 1980s, 1/ while private investment responded not only to the uncertain climate, but also to

---

1/ Between 1980 and 1985, fiscal spending was supported by transfers from South Africa amounting to 12 percent of GDP, on average, before declining sharply in the period prior to independence (Chapter IV).

the effect of sanctions against South Africa, 1/ developments in Angola, and the impact of declining mineral prices on the expected profitability of mining activities. 2/ By 1991, Namibia's unemployment was estimated at 20 percent overall, and as high as 30 percent in urban areas.

While economic performance improved, on average, during 1991-94, this largely reflected the opening of two additional diamond mines--which only partially offset earlier production losses--and the increased control after independence by Namibian investors of the fishing and fish processing activities conducted in coastal waters. Nevertheless, neither these developments nor the expansion of tourism-related activities sufficed to offset the employment losses experienced during the 1980s. 3/

3. Sectoral trends

Between 1980 and 1994, Namibia's primary sector--comprising mining, agriculture, and fishing--stagnated in real terms; the secondary industries expanded at an average annual rate of about 1½ percent; and the 4 percent annual real growth in the tertiary sector is reduced to a 2 percent annual rate if the contribution from government services is excluded.

The stagnation in the primary sector reflects a substantial contraction of diamond, uranium, and other mining activities, only partially offset by growth in fishing and subsistence agriculture. In the secondary sectors, construction activity contracted steadily between 1980 and 1990, offsetting the modest growth in meat processing and other manufacturing activities. However, since independence, construction activities appeared to have recovered to complement the growth in fish processing during the period. Activity in the tertiary sector largely reflected the expansion of government services at a fairly steady 7 percent real rate, compared with hotels and restaurants (3.4 percent); trade (1.4 percent); finance and real estate (1.8 percent); and transportation and communications (2.8 percent). Moreover, those sectors experiencing strong growth in recent years--such as fishing, fish processing, and hotels and restaurants--constitute a small share of GDP and are unlikely to support sustained growth.

1/ Because Namibia was not independent at the time sanctions were imposed, it did not benefit, as did Swaziland as an alternative production site during that period, despite the flexibility of financial flows.

2/ Weakness in world diamond markets during 1982-85 discouraged exploration activities. Between 1980 and 1990, the cumulative decline in the real price for other minerals was substantial, including: lead (36 percent); gold (54 percent); iron (16 percent); tin (73 percent); and copper (12 percent, following a 46 percent drop between 1970 and 1980). However, zinc prices rose in real terms by a cumulative 4 percent between 1980 and 1990.

3/ Between 1980 and 1990, employment in the mining sector declined from 19,800 to 12,800; employment in commercial agriculture decreased from an estimated 42,000 in 1970 to 35,000 by 1988.

Namibia's mineral wealth is diverse and considerable. The prospects for diamond mining are limited, owing in part to the shift to higher risk offshore sources. Moreover, the operations are becoming increasingly capital intensive, and are unlikely to provide sufficient employment opportunities. The diamond mining industry expects to shed about 75 percent of its positions by the end of the decade, despite the expectation of a modest increase in production. The future prospects for other minerals will depend on developments in the international commodity markets.

With regard to agriculture, the outlook for expansion is constrained by the limited availability of arable land for crops or grazing, as well as the generally poor soil; and by limits to the potential for irrigation, owing to high rates of evaporation and a limited water table. Changes in land policies, as well as increased resources, in the form of higher-yield varieties and fertilizer, would potentially improve the performance of the subsistence sector. However, the effect on the overall performance of the economy would have to take into account the limited opportunities for increased commercial activity, as well as the small share of agriculture in overall GDP.

Prospects for fishing are limited by ecological constraints--which are projected to become binding by the end of the decade--and the potential for adverse oceanic conditions. Employment in fishing and related fish processing activities is expected to grow from an estimated 6,000 in 1994 to about 15,000 by 2000, while the labor supply is estimated to expand by 16,500-18,000 persons each year.

Manufacturing activities are dominated by meat and fish processing. The prospects for meat processing are bounded over the longer term by the lack of additional land suitable for grazing. There is, however, the potential to replace current "on the hoof" exports to South Africa with processed products. Other manufacturing activities have lost ground in export markets, and the almost exclusive reliance on imported inputs is indicative of limited linkages to the other sectors of the economy.

Electricity and water face capacity constraints: even the historically well-supplied urban areas are experiencing shortages. Increased supplies--from either new domestic sources or imports from South Africa or Angola--will require considerable new infrastructure. The resurgence of construction activity during 1990-94 has resulted in a reported overbuilding in urban areas.

Recent growth in the tertiary sector has reflected the continued expansion of government services at a 7 percent annual rate, as well as in tourism, as measured by hotels and restaurants, and in transport and communications. Tourism activities are expected to double in real terms by the end of the decade, and to remain at about that scale in the future. While these activities accounted for an estimated 2 percent of GDP in 1994, employment opportunities are expected to increase from an estimated 10,000 positions to 20,000 by 2000. Transport and communications activities have reflected the ongoing construction of the Trans-Caprivi highway--linking Namibia with

Zambia, Zimbabwe, and northern Botswana--and the Trans-Kalahari highway--linking Namibia with South Africa, via southern Botswana. Finance, real estate, and business services have expanded by less than 3 percent a year.

The Namibian economy is open, with exports accounting for over half of output. The main export commodities are mineral products, such as diamonds, uranium, and gold, live animals, and fish--processed and unprocessed. The current account has been in substantial surplus since independence; while capital outflows has also been substantial, gross official reserves have increased.

The overall fiscal position (including grants) of the central government, which was in surplus on the eve of Namibia's independence, moved into deficit soon after independence. The continuing deficit reflects a sharp increase in government expenditure, particularly in personnel, and has been financed largely through domestic borrowing. Consequently, the public debt of the central government has risen in relation to GDP--from 12.7 percent at the end of 1989/90 1/ to 19.7 percent at the end of FY 1994/95. 2/ For the current fiscal year, the stance of the Government is to limit the overall fiscal deficit to around 4 percent of GDP, and to allocate more public resources to productive investment.

There has been considerable financial sector development since independence, comprising: the establishment of the central bank--Bank of Namibia (BON)--in 1990; the auctioning of government debt instruments since May 1991, and the establishment of the stock exchange in October 1992 to promote the development of money and capital markets; and the introduction of the Namibian dollar as the country's currency in September 1993. The various banking regulations inherited from South Africa have been amended to make them adaptable to the Namibian environment. However, the BON's ability to conduct an independent monetary policy has been constrained by the close integration of Namibia's financial system with that of South Africa, and the delay in putting the necessary legislations in place.

4. Regional developments

Recent developments within the region will have important implications for Namibia's growth prospects. These include: (a) the ongoing reduction in South Africa's imports duties within the World Trade Organization (WTO), and the implications for the tariff structure within the customs union; (b) the continuing renegotiation of the SACU agreement; (c) the potential loss of ACP advantages that have provided privileged access to markets; 3/

1/ The fiscal year runs from April 1 to March 31.

2/ It should be noted, however, that the bulk of Namibia's debt constitute pre-independence rand denominated debt to South Africa. Excluding such debts, the debt-to-GDP ratio is about 10 percent.

3/ ACP: African, Caribbean, and Pacific countries.

and (d) the impact of measures undertaken as part of structural adjustment programs, and participation in the Cross Border Initiative throughout the region.

a. Trade policy measures in South Africa

Under the current structure of the SACU agreement, the commitments made by the Government of South Africa under the WTO accord will apply throughout the customs union. The changes in the rate structure will have implications for the competitive conditions facing Namibian producers. For agricultural commodities, quantitative restrictions are to be converted to tariffs, and tariff bindings are to be reduced, on average, by 36 percent over the next six years. On industrial products, most of the tariff lines will be bound, and bound rates will be reduced by one-third, on average, over five years. The tariff structure is also to be standardized into six bands, ranging from zero percent to 30 percent. On average, the realignment will place increased competitive pressures on the member countries, and emphasize the effects of the misalignment between productivity, labor market skills, and wage rates.

b. The renegotiation of the SACU agreement

The SACU agreement, which has been under renegotiation for more than a decade, has effectively supported an economic structure based on subsidies for import-competing industries. The BLNS countries gained a potentially mitigating advantage through the ability to export to South African markets in a duty-free environment. However, these countries contend that the impact on industrial development was negative, owing to a tariff structure that met South Africa's objectives at the expense of the other partner countries, and South Africa's ability to block foreign investment in enterprises that would compete with South African firms.

These arguments notwithstanding, Namibia depends on SACU receipts for a considerable portion of the revenue base (Table I.1), and changes to the arrangement would have substantial implications for Namibia's fiscal position. While South Africa's agreement with the WTO does not affect the rate of compensation under the existing agreement, the lower external tariff rates would serve to widen the gap between the estimated revenue rate of about 9 percent, and the 17 percent minimum rate of compensation. 1/

c. ACP privileges

The completion of the Uruguay Round of the WTO provides for the gradual elimination of quota advantages currently accorded to the ACP countries. Namibia is one of six countries granted access to the European Union (EU) market for beef, under the Lomé Convention, at a substantially reduced import duty and considerably higher price than that prevailing in other

---

1/ Under the existing agreement, the floor on SACU payments is set at a rate equal to 17 percent of the dutiable base.

markets. However, South African prices have recently been even higher, providing an additional market for Namibian beef. The loss of the ACP advantages is unlikely to be without consequence, however, as South Africa would be faced with increased supplies from both Botswana and Namibia, and a likely reduction in market prices.

d. Other regional developments and the CBI

Throughout the region, a number of countries have shifted to a more outward-looking policy position that has resulted in measures aimed at liberalizing trade and foreign exchange markets, and an improved investment climate. These steps have been taken both as part of structural adjustment programs and as part of the policy framework under the CBI.

The CBI comprises a policy framework aimed at increasing the flow of goods, services, and financial capital among the participating countries and a simultaneous increase in the interaction with countries outside the region. 1/ In addition to measures aimed directly at reducing trade barriers and increasing financial flows, the initiative also focuses on measures aimed at improving the investment climate and facilitating the creation of a broader regional market to attract additional investment. Participating countries agree to prepare a single short, transparent document containing all investment codes and regulatory requirements; to establish a single agency to handle all investment applications, as well as related work and residence permits; to provide *de facto* approval of all investment applications within a 45-day period; and to provide for the cross listing of assets on regional stock markets.

While Namibia's tariff structure remains determined by the nature of the SACU agreement, bilateral trade agreements do exist between SACU members and third parties in the region. The prevailing currency board arrangement with South Africa that supports the recent introduction of the Namibian dollar--and the linkage of the Namibian dollar to the South African rand at par--contribute to the stability of the currency. However, measures under way elsewhere in the region to liberalize investment-related capital flows among the participating countries could place Namibia at a disadvantage for investors seeking to operate in multiple markets.

1/ Trade-related measures call for the elimination of quantitative barriers, and the elimination of tariffs on trade among participants by 1998, as well as a shift toward a common external tariff structure consisting of three nonzero bands, and a maximum rate of 20-25 percent. In the area of payments and exchange measures, participating countries agree to the elimination of all restrictions on current account transactions and the facilitation, where possible, of cross-border investment flows; the development of a unified interbank spot exchange market by 1996; a strengthening and harmonization of prudential regulations and the supervision of financial institutions; and free entry by regional and extra-regional financial institutions, particularly in the areas of export finance and equity capital.

Table I.1. Percentage Contribution of Customs Union Revenue to Total Revenue of Botswana, Lesotho, Namibia, and Swaziland (BLNS), 1990/91 – 1994/95 1/

	1990/91	1991/92	1992/93	1993/94	1994/95
Botswana	13.2	19.0	21.9	15.9	14.2
Lesotho	...	51.7	53.7	59.1	58.4
Namibia	23.5	37.3	26.0	25.7	26.6
Swaziland	45.4	44.8	41.5	47.7	46.9
BLNS share of SACU revenue	17.4	25.5	22.6	20.6	21.1

Sources: Data supplied by the country authorities; IMF, Government Finance Statistics Yearbook; and staff estimates.

1/ Percentages reflect total revenue, excluding grants.

II. The Domestic Economy

1. The structure of the economy 1/

Namibia is one of the most sparsely populated countries in Africa, with an average population density of only 1.5 people per square kilometer. The 1991 census puts the total population (excluding Walvis Bay) at around 1.4 million, with an annual growth rate of 3 percent. About a third of the population live in urban areas, and the remaining two-thirds in rural areas, largely in the far north. At independence in 1990, Namibia inherited an economy that was closely integrated with that of South Africa in terms of external trade, capital flows, ownership of productive investments, and economic policy management, as well as a society that was characterized by inequalities in income and access to social services along racial lines. Namibia is classified as a middle income country with an estimated per capita GNP of about US$1,660 in 1993 (World Bank Atlas 1995). This classification, however, masks the existing extremely skewed income distribution: about 5 percent of the population earn 70 percent of GDP, while an estimated two-thirds of the population receive an annual per capita income of less than US$100. Equally wide social disparities exist, as a very small minority of Namibia's inhabitants in the modern urban sector have access to public social services at standards comparable to that of industrial countries, while more than two-thirds of the population live in poverty, mostly in the rural areas, where access to social services has only recently been improving. While access to basic primary health care has improved measurably, considerable progress remains to be accomplished in other areas, including education.

The economy is not well diversified, although the country is well endowed with natural resources. At independence in 1990, Namibia was heavily dependent on a limited range of primary export commodities--minerals, fish, and agriculture. In 1980, the earliest year for which revised economy-wide national account data are available, the direct contribution of these three sectors (including related processing activities) to GDP was 46 percent. In addition to the direct contribution, a host of additional activities in the services sector, including retail and wholesale trade, transport, and finance, were supported by these three sectors. Both minerals (notably diamonds, uranium, and other base minerals) and fish are produced, mainly for export, with little or no domestic processing. The fishing sector (encompassing processed and unprocessed fish) has taken on a growing importance since 1990 as Namibian nationals took over much of the activity in its coastal waters. The agricultural sector, which employs the bulk of the rural population, is rain-fed and oriented toward either production of food for consumption (mainly millet, maize, and sorghum), or livestock (notably cattle, sheep, goats, and other small stock), primarily

---

1/ The discussion below is based on the revised official national accounts statistics. See Annex I for a discussion of the revisions carried out.

for export. Tourism, as represented by hotels and restaurants, is also growing in importance, both in terms of value added and foreign exchange earnings.

2. Macroeconomic developments

a. Background

The Namibian economy experienced strong growth in the 1960s, averaging almost 9 percent a year, fueled largely by expansion of agricultural and mining activity. However, the economy stagnated in the 1970s, recording negative growth in five years of the decade. This stagnation continued into the 1980s with real GDP declining in the first half of the decade, owing to a combination of adverse factors, including a severe drought in 1981-84 and a drop in world diamond prices. GDP growth has been irregular and on occasion less than population growth, itself 3 percent per annum. In the 1980s, growth was greatest during 1986-87, which may be attributed to the rebound of the agricultural output from the severe drought of the 1981-84 period, higher mining output, as well as the related expansion in the fishing, and hotel and restaurant sectors. A second major influence was the increase in investment, particularly nongeneral government investment, to 15.2 percent of GDP in 1987, after a sharp fall in the preceding two years. The expansion in aggregate real output slowed appreciably in the subsequent two years; by 1989, aggregate real output was only slightly higher than the level at the beginning of the decade. Between 1980 and 1989, Namibia's real GDP increased at an annual compound rate of 1 percent in absolute terms, but declined by about 2 percent in per capita terms. This growth was far from smooth. The deterioration during the 1980s resulted from a number of factors: severe drought; declining mineral prices and an attendant drop in exploration and investment; sanctions against South Africa; and the uncertainty preceding independence.

Since independence in 1990, Namibia's real GDP has expanded at an annual compound rate of 3.8 percent, or 0.9 percent in per capita terms. Economic stagnation continued during 1990, with real GDP growing by a mere 0.2 percent, despite the higher rate of investment relative to the preceding eight years. The poor performance reflected a sharp fall in the output from the fishing, mining, construction, and hotel and restaurant sectors. Following the end of the deep recession in 1990, the economy expanded by about 7.5 percent a year during 1991-92. Among the factors that contributed to this expansion were the opening of two new diamond mines in 1991, the extension of the limits of Namibia's national waters, and the rapid growth in government services. In 1993, however, the impressive performance of the preceding two years was partially reversed as real GDP contracted by 2 percent, owing to the sharp drop in mining output, and the effect of the drought on agriculture. Mining activity was affected by two factors:

workers in the diamond subsector embarked upon a strike to press for wage increases, and conditions weakened in the world diamond market. 1/

Namibia's overall economic activity rebounded during 1994, with real GDP (at basic prices) estimated to have grown by 6.6 percent. Underlying the remarkable growth was the recovery of the major sectors of the economy from the recession of the preceding year, complemented by continued expansion of output in the others. The mining sector expanded, owing in part to improvements in world market conditions for diamonds, 2/ while uranium output also recovered. Good rainfall during the second quarter of the 1993/94 season led to a significant improvement in agricultural output and the subsistence agricultural subsector appears to have finally recovered from the devastating drought of 1991-92. Notable increases in tourism traffic during 1994 had a favorable impact on the performance of the hotels and restaurants sector, whose real value added improved by a substantial 25 percent. Another sector that experienced strong growth in 1994 was electricity and water, largely on account of the improved rainfall. The growth of output of the fishing sector and fish processing subsector (both of which constituted the largest growing sectors in the preceding two years) slowed significantly in 1994, after the vigorous expansions recorded during 1991-93, owing to adverse climatic and oceanic conditions toward the latter half of the year.

An analysis of growth rates by sector provides some useful insights into the economy's overall growth. First, the mining, fishing, and agricultural sectors exhibited a tendency to large inter-annual variations in growth performance. Second, the tertiary sector in general and the government subsector in particular recorded the highest averages as well as the least variance in growth rates. Table II.1 shows the composition of GDP by sector for the 1980-94 period. Very few structural changes have occurred in the production side of the Namibian economy in the period before and after independence. The primary sector, comprising mining, fishing, and agriculture, which in 1980 was the major contributor to total production, has witnessed a declining trend since. Its share declined from an average of 37.3 percent of GDP during 1980-85, to 36.1 percent and 33.4 percent, respectively, during 1986-89 and 1990-94, mirroring the trend in the mining share, as fishing and agriculture showed remarkable stability in their contribution to overall economic activity. The share of the mining sector in GDP decreased from an average of 25.7 percent during 1980-89 to 21.6 percent during 1990-94, reflecting the volatility of the individual industries in the sector. A major reason for the reduced mining contribution to the

---

1/ About 80 percent of all diamond production is marketed through the Central Selling Organization (CSO), a subsidiary of De Beers. Owing to a combination of supply-side disruptions and slack demand, purchases from producers were reduced by 25 percent of productive capacity in September 1992, in an attempt to avoid price reductions in the world market.

2/ The limit of purchases from diamond producers to 75 percent of productive capacity, imposed by the CSO in 1992, was later relaxed in stages to the 85 percent level, effective since July 1993.

Namibian economy is the significant fall in uranium output since 1991, reflecting among other things, unfavorable world market conditions and a low level of exploration and investment throughout the 1980s. The depletion of high yield diamond mines also contributed to the contraction of the sector.

In contrast to the trend in the primary sector, the contribution of the secondary sector remained unchanged at about 11 percent throughout the 15-year period. The relative stability in the share of this sector reflects the considerable progress made in the fish processing industry, which more than offset the fall in the share of construction. The shares of the other industries in this group--meat processing, other manufacturing, and electricity and water--have remained largely unchanged since 1980. The share of the tertiary sector, which includes the General Government, expanded on average from 51.9 percent in the decade before independence to 55.3 percent in the post-independence period, mirroring the rapid growth in the General Government's efforts to improve on the availability of, and access to, basic social services soon after independence. The General Government's share rose from 22 percent to 26 percent during the review period, thus making it the largest single contributor to the country's GDP.

b. Use of resources

Since 1980, the allocation of domestic expenditure has shifted, with more resources being devoted to consumption and fewer to investment--a trend that contributed to the economic stagnation during the 1980s. Gross fixed capital formation declined continuously, from about 33 percent of GDP in 1980 to about 15 percent during 1986-87, before rising gradually to about 20 percent in 1990. Following the uncertainty that accompanied Namibia's political independence in 1990, the gross fixed capital formation/GDP ratio fell sharply in 1991, before picking up in the subsequent years, to average around 18 percent of GDP per annum during 1992-94. Both the public and private sectors contributed to the lower fixed investment ratio during the preceding 15 years, reflecting in part Namibia's inability to attract a large volume of foreign investment, coupled with the rapid expansion of the public sector and reduced private sector confidence. The consumption/GDP ratio increased from 68 percent in 1980 to 87 percent in 1989, while the investment/GDP ratio was almost halved. The aggregate consumption/GDP ratio declined slightly from an average of 87 percent per annum during the 1980s to 83 percent in the post-independence period, largely as a result of the decrease in the private consumption ratio. In contrast, the government consumption ratio trended steadily upward, particularly in the post-independence era, as health, education, and social service expenditures rose markedly. Although the Namibian economy remains highly open, in terms of the share of external trade in GDP, the share of exports has fluctuated with the fortunes of the world mineral markets, notably diamonds and uranium, and has averaged about 58 percent of GDP since 1980. The share of imports, however, has declined from 68 percent a year during 1980-85 to 62 percent during 1986-89, and averaged 61 percent during 1990-94. Reflecting the increase in aggregate consumption, gross domestic savings declined sharply as a share of GDP, in some cases below the level of investment, while the foreign ownership of productive investments led to larger factor payments (Appendix IV, Table 7). The savings rate fell from almost 39 percent of GDP

in 1980 to less than 10 percent in 1981-84. Despite subsequent increases, it remained below 20 percent (except for 1985) ever since. Consequently, the financing of investment has tended to rely increasingly on SACU transfers from South Africa and net factor inflows. 1/

Government policy since independence has sought to emphasize the urgent need to redirect public expenditure toward productive investment, and to promote private domestic and foreign investment as a vehicle for long-term growth. To improve the competitiveness of Namibia's investment climate, and facilitate private sector investment, the authorities have, in addition to setting up an investment center to facilitate the administrative and procedural work of investors, passed a foreign investment act, which provides for safeguards and guarantees to private foreign investors, while various fiscal incentives to manufacturers and exporters have been put in place. 2/

3. Sectoral developments 3/

a. Mining and quarrying

The mining industry remains the most important sector of the Namibian economy, despite its declining trend in the share of exports and GDP. Mining contributed 75 percent of total value of merchandise exports on the eve of Namibia's independence in 1989 and, although this had fallen to an average of 57 percent in 1990-94, it remains by far the country's major source of foreign exchange earnings. It is the largest source of corporate tax revenue and the biggest private sector employer. In spite of the heavy reliance on the production of diamonds and uranium, other aspects of the country's mineral base remain largely unexplored. There are about 30 different minerals, of which the most valuable are diamonds, uranium, and precious metals such as gold and silver, as well as base metals and concentrates--copper, lead, and zinc. 4/ Namibia's minerals are almost all exported in raw or semiprocessed form, leaving the mining industry especially vulnerable to demand and price fluctuations in its main Western European and East Asian markets. Generally speaking, the sector is an enclave with relatively few forward and backward linkages with the rest of the economy. Real mining value added fell during 1993 by 22 percent,

---

1/ A more detailed analysis of developments in savings and investment in Namibia during the pre- and post-independence period is undertaken in Chapter III.

2/ These incentives are described in Chapter VII.

3/ Because of the very close correspondence between production in key sectors and exports, a much more detailed analysis of sectoral developments in respect of these key sectors is taken up in Chapter VII.

4/ In addition, there exist substantial deposits of other base metals and concentrates (tin, cadmium, and arsenic, and antimony concentrates); industrial minerals (such as salt, flouspar, lithium minerals, etc.); dimension stones (including marble and granite); and semi precious stones (such as amethyst, rose quartz, agate, tourmaline).

reflecting a 27 contraction in the value of diamond value added--the outcome of the reduced diamond quota, and the resulting cut in production. In 1994, the share of mining in real GDP increased marginally in response to the surge in the sector's output, motivated by the improved mineral markets, particularly diamonds and uranium.

Uranium mining declined progressively during 1988-93, except in 1990. The long-term decline in production resulted primarily from a reduced ability to secure new long-term contracts to replace those expiring. In the two years 1992-93, output was 47 percent lower than the level in 1988 but it recovered somewhat in 1994, rising by 14 percent in response to the new eight-year contract secured with Electricité de France (EdF), and the more stable world uranium market. The short-term prospects for a full recovery of this sector are not promising, however, in the face of the persistent depression in the world uranium market.

The performance of the rest of mining industry over the period has been affected by adverse commodity price shocks as well as by changing domestic supply conditions, and is still not showing noticeable signs of improvement, with the possible exception of zinc and gold. The output of most of the base metals has been either declining or stagnant for most of the 1980s, and except for zinc to some extent, the declining trend continued into the 1990s. The production of zinc fell during 1990-91 and 1993, but the 1994 output was almost double that of 1993. In the precious metal category, the production of gold increased fivefold in 1990, following the opening of a new mine, and grew modestly during 1991-92, but declined slightly in 1993, before recovering significantly in 1994.

The outlook for the mining sector will to a large extent continue to depend upon world market conditions--notably prices, which are not expected to recover dramatically in the near term. Another potentially important factor is the renewed investment in exploration, although the high transportation costs remain a critical issue in the development of the sector, because of the long distance between the mines and the export outlets at Walvis Bay (for the bulk minerals) and in South Africa. Small-scale mining in Namibia is considered to have development potential and it is the policy of the Government to support it. The subsector is capable of creating many new jobs if the policy is successful, although the overall impact on GDP growth will be limited. In an effort to encourage the private sector to play a more dynamic role in mining, the Government introduced in December 1992 a new Minerals Act. The Act established the legal framework for the sector and a new fiscal incentive regime designed to create a tax climate conducive to the rapid expansion of mining operations, and to improve Namibia's competitiveness vis-à-vis other mineral exporting countries. Accordingly, mining companies are now subject to a performance-related graduated income tax, with rates ranging from 25 percent to 55 percent; the applicable rate rises with company profitability. Exploration costs are fully deductible in the current tax year, and may be used to offset income from any company-owned producing mine in Namibia.

b. Agriculture

Namibia's agricultural sector is dualistic, with a small subsistence sector characterized by communal land tenure arrangements, and a commercial sector with freehold title deed land. Subsistence farming is concentrated in the northern region of the country, which is more fertile and well suited to arable farming and crop cultivation--mainly millet, maize, and sorghum; commercial farming, on the other hand, is characteristic of the more arid southern and central regions, which are best suited for extensive ranching of livestock. Institutional constraints, together with the apartheid system, reduced access by the subsistence sector to resources, services, and markets as attention was almost exclusively focused on commercial farming. The majority of subsistence and small farmers were thus denied access to the network of institutions and resources that supported the commercial farming sector, such as marketing, financial resources, input supply, research, and training services. In addition, many subsistence farming areas also suffered from a poorly developed transportation infrastructure, compared with that available to commercial farmers.

The agricultural sector is the second most important sector (after mining), contributing about 8 percent to overall economic activity, a figure which has changed very little since 1980. However, the sector's contribution to rural livelihood, particularly in the subsistence farming sector, is much more significant than this figure might suggest. According to the 1991 census, about 73 percent of Namibian nationals live in the rural areas and are engaged in subsistence agriculture and other traditional activities. As a result, the agricultural sector constitutes the principal source of employment in Namibia, and over 42 percent of the labor force is engaged in either wage or nonwage agricultural production (see Appendix IV, Table 16). The provisional results of the 1993/94 household income and expenditure survey indicate that subsistence farming constitutes the principal source of income for 41 percent of all household income in Namibia.

In the light of the low growth projections for the other sectors of the economy, the bulk of the population will continue to rely upon the agricultural sector for their livelihood. However, Namibia's agricultural production faces formidable constraints, given the fragility and low production potential of the environment. Productive land is scarce, and water resources are quite limited. Rainfall is generally low and erratic, and subject to considerable inter- and intra-seasonal variability, coupled with a high incidence of evaporation and recurring drought in the whole Southern African region. Rainfed crop production is possible only in the areas with annual rainfall of 400-700 mm, which covers only 34 percent of the country, located primarily in the far north. Within these areas, crop production is also limited by a scarcity of productive soil, since most of the soils lack the clay content required for meaningful crop production. The implication is that roughly 1 percent of Namibia's land, or 820,000 hectares, can be considered as medium- to high-potential arable land.

Water for irrigation purposes is scarce; the only perennial water sources are located along the borders to the north and the south. The high evaporation rate makes irrigation an expensive venture. Underground water

is scarce and considered to be a highly vulnerable resource; sources are already showing signs of depletion, and in many cases, the saline content and salt crust threaten the future of these sources. The potential for expanding the irrigated area beyond the current 6,500 hectares is therefore limited. While the recurring droughts explain the large variations in agricultural output, the small increase in the sector's contribution to the GDP reflects the limitations on the expansion of the commercial sector, owing to poor land quality and scarce water resources. The lack of growth in the subsistence sector reflects, in part, the historically low allocation of resources, the inaccessibility of markets and services, and limitations stemming from poor quality and water shortages.

The vastness of the country means that the distances between the input suppliers and the producing areas, and between the producing areas and the market, both local and export, add significantly to the cost of production. This is further aggravated by the poor transport infrastructure serving farmers in the subsistence sector. Pressures on the land have grown progressively, owing to the rapid increase in the population, while average levels of productivity are significantly below potential, owing in part to low input-low output production systems, which result from a combination of environmental, historical, technical, social, and economic factors.

The current policy of the authorities is aimed at increasing the productivity of existing commercial ranching areas and at encouraging the sustainable utilization of the subsistence grazing areas in accordance with environmental and socioeconomic factors. The Government has indicated that farmers' efforts to obtain higher yields will be supported by pricing and marketing policies, credit facilities, and research, extension, and training services. Improving transport infrastructure in the subsistence farming areas for input and output marketing and improving access to agricultural service, and diversification of crops planted are also being emphasized.

c. Fishing

At independence, Namibia inherited coastal waters that were potentially rich, but were depleted owing to overexploitation by international fishing fleets. Consequently, after independence the Namibian Government declared a 200-nautical mile exclusive economic zone (EEZ) and temporarily suspended the fishing activities of foreign fleets. The monitoring and control of the EEZ has been enhanced, while notable progress has been recorded in enforcing Namibian fishing regulations, particularly in Walvis Bay. In addition, the Government introduced various conservation measures, including minimum fish size regulations and prohibitions of fishing in certain shallow waters, and established a quota system based on an annual total allowable catch (TAC) for most species. 1/

1/ The quota is a one-year quantity connected to a fishing right that is granted for at least seven years, and is not transferable, although the quota holder has the right to subcontract.

Arising from these measures and enlarged private sector investment, fish stocks have recovered, and fish catches continued to increase, until the onset of recent adverse oceanic conditions (Appendix IV, Table 12). The TACs for the main controlled species have been raised substantially and in 1994 stood at 150,000 tons for hake, 125,000 tons for pilchard, and 500,000 tons for horse mackerel. Most of the catches are exported, although increased domestic processing has been witnessed in recent years, as part of the effort to improve the local valued added. In response to some of the post-independence policy measures, the real value added of the fishing sector has made considerable progress since 1990, with the growth rate increasing from -21.8 percent to 89 percent in 1992, thanks to the improved catches of both pelagic and demersal fish species, whose respective volumes were significantly above the levels of the previous year. During 1993-94, real value added increased by 43.7 percent and 6.1 percent, respectively. The modest rate of growth in 1994 reflected the impact of the adverse oceanic conditions on fish catches during the year--the low oxygen levels affected pelagic fishing, as most shoals moved north of the normal fishing grounds and into Angolan waters. In addition to the growing fish catch, the local ownership of fishing fleet has continued to expand, which also significantly enhances the value added of the sector. Employment offered by the sector has correspondingly increased from about 6,000 in 1990 to 9,000 in 1993, and is estimated to rise each year by about 1,000-1,500 for the remainder of the decade, and to eventually reach the level of 14,000-15,000 workers by the end of the decade. In terms of sectoral contribution to aggregate output, the share of fishing remains quite low, with an average annual share of 3.2 percent during 1990-94, compared with 2.2 percent in the decade 1980-89. Consequently, the total effects of the high growth rate in recent years should not be overemphasized. Although growth potentials remain favorable, overall performance will continue to depend on exogenous factors, and indications point to a flattening out of growth by the end of the current decade, when the ecological limits of the sector will have been attained.

d. Manufacturing

Industrial development in Namibia is still in its early stages; food processing is the dominant activity, with the largest contributors being the fish processing and meat processing industries. Most manufactured products, including consumer goods, are imported from South Africa. Development of manufacturing has been constrained by, among other factors, the limited size of the domestic market and the low purchasing power of the majority of the population. Other factors contributing to the low level of industrial development include the long distance between producing areas and marketing areas and high transport costs, shortage of skilled and semiskilled personnel, and the very close integration with industrialized South Africa, which provides a wide range of incentives to its exporters. Government efforts are currently focused on encouraging local processing and creating employment, primarily among small-scale, labor-intensive, resource-based enterprises.

The manufacturing sector is small, and contributed on the average 7 percent of total GDP during 1990-94. The very modest expansion, compared

with the share of 5.8 percent in the 1980s, reflects mainly the strong growth of fish processing after independence. According to the 1991 Namibian Population and Housing Census, manufacturing employment totaled about 23,000, or 6 percent of the labor force in formal employment in 1991. During 1990-94, real value added of the manufacturing sector expanded by 8.9 percent per annum on average, compared with 5.1 percent per annum during 1980-89, reflecting the substantial increase in fish processing activity after independence. The growth of meat processing and other manufacturing remained roughly constant, at about 3 percent per annum between 1980 and 1994. In terms of share of real GDP, the shares of meat processing and other manufacturing similarly remained unchanged at about 1 percent and 3 percent per annum, respectively, during 1980-94, while that of fish processing rose from an average of 1.6 percent in 1980-89 to 2.7 percent in 1990-94.

e. Construction

Construction has traditionally depended on high levels of government spending on road construction and the public works program. The real decline in government construction outlays after independence was offset by the recovery of private construction activity and real output of construction, which increased by 37 percent during 1992. Its growth rate fell sharply to 5.5 percent in 1993, however, reflecting a cut in the Government's capital program and dampened momentum in private sector building activity, as well as the downturn in the general economic climate. Although there were indications that construction activity picked up in 1994, owing mainly to a large number of hotel and office developments in Windhoek and the coast (Appendix IV, Table 13), published data indicated growth of less than 1 percent. The contribution of the construction sector to real GDP fell continuously, from 7 percent in 1980 to 2.8 percent during 1994. The potential for higher growth exists within the current policy stance of the Government to improve access to land. While this would contribute to continued growth in this sector, a critical issue exists regarding the lack of an easily available water supply.

f. Energy and water

At present, Namibia is a net importer of energy and depends on South Africa for imports of coal, oil, and gas. The potential exists, however, for it to become a significant exporter of energy products, if the hydroelectric power along the Kunene River is expanded and/or the large Kudu gasfields near the Orange River are developed. The Government recently awarded a contract for a feasibility study on the economic and financial viability of the proposed Epupa Dam.

Electricity and water supply constitute binding constraints on Namibia's development efforts. The performance of the sector depends on adequate rainfall, as is reflected in the climate-induced variations in value added. In addition to the low rainfall, the high rate of evaporation and depletion of underground water sources also hinder the sector's overall contribution. Electricity is supplied by a public enterprise, the South West Africa Water and Electricity Corporation (SWAWEK), which has an

installed capacity of about 600 MW, including 240 MW from the Ruacana hydroelectric station on the Kunene River on the Namibian-Angolan border, and 200 MW from an interconnector with ESKOM, the South African electric utility. Demand for electricity has witnessed a phenomenal growth since independence, as economic activity has expanded and access to these utilities has widened. The current priorities of the Government are to manage the country's water resources and explore alternative water sources, while emphasizing a sustainable water development plan, first by improving the availability and quality of water for domestic use, followed by industrial use, and lastly agricultural use.

g. Tertiary sector

The tertiary sector has shown some steady growth over the past decade, owing largely to increases in the value added from tourism, transport and communications, and general government. 1/ Since 1986, value added by tourism--as reflected in growth rates of the hotels and restaurants sector--has grown continuously, except for declines in 1990 and 1993. The sharp fall in 1990 reflected the uncertainty that accompanied the country's political independence. However, the sector has maintained its share in aggregate output. The sector has generated considerable foreign exchange and employment. It is projected that tourism currently provides direct employment for an estimated 10,000 people. The transport and communications sector has expanded consistently since 1989, averaging about 6 percent per annum between 1989 and 1994. Its share in total output rose modestly from 4.8 percent during 1980-89 to 5.4 percent per annum during 1990-94. The ongoing road construction projects--the Trans-Caprivi and Trans-Kalahari highways--have been the major underlying factors for the sustained growth in the transport and communications sector, complemented by continuing improvements in telecommunications facilities. The growth in general government sector's value added has remained relatively unchanged throughout the last 15 years, averaging 7 percent a year before and after independence. As a share of real GDP, the sector's contribution rose from an average of 22.1 percent during 1980-89 to 26.1 percent in 1990-94, reflecting the expansion of government services after independence.

4. Prices, wages, and employment

a. Prices

Namibia does not yet have a broad-based national consumer price index (CPI), although the Central Statistical Office carried out a National Income and Expenditure Survey during 1993-94 with a view to developing a representative base. The Windhoek CPI is the only available measure of general price levels and inflation in Namibia. During 1993, the series was revised to reflect 1985 weights, and was re-based to December 1992. The basket in

---

1/ A detailed discussion of the performance of the tourism sector is taken up in Chapter VII.

the interim index was also enlarged somewhat to include items not previously captured by the old series.

Most prices in Namibia are market determined, although prices follow developments in South Africa, owing to the large proportion of imported consumer goods in the consumption basket and to the close link between the two countries' monetary systems (see Table II.2, and Chart II.1). Price controls apply to only a few commodities, particularly petroleum products, including gasoline, diesel fuel, and paraffin. These prices are, however, adjusted periodically in line with market conditions, and are free of government subsidy.

The annual inflation rate as measured by the Windhoek CPI averaged 13 percent during 1980-89, with the highest rates of about 16 percent recorded in 1982 and 1989, reflecting movements in the South African rates. After declining to an average of about 12 percent a year in 1990-91, prices rose sharply in 1992 and the annual inflation rate climbed to an all-time high of 18 percent, while the average inflation rate in South Africa declined from 15 percent in 1991 to 14 percent. The upward pressure on Namibian prices reflected the drought-related increase in food prices, and imports of cereals from outside the region; the comparatively large weight of food in Namibia's consumption basket; and the impact of the 12 percent increase in petroleum prices. Inflationary pressures eased significantly in 1993 and the overall inflation rate fell to 8.5 percent, with food prices rising more slowly than in the preceding year. During 1994, inflation accelerated in line with regional trends to post an average of 11 percent, reflecting the effect of climatic conditions on food prices throughout the region, higher inflation in South Africa, and the pass-through of the depreciation of the rand during the year. The corresponding inflation rate for South Africa was about 2 percentage points lower, reflecting the difference in the composition of the basket, and the narrow sample base in Namibia.

b. Employment and wages

Data on employment in Namibia are scanty and are not collected on a regular basis. The only available information on employment was provided after a detailed analysis of the 1991 Namibian Population and Housing Census data. Based on the census, the Ministry of Labor and Human Resources Development has provided a table of employment by sector, broken down into wage and nonwage, and public and private sector employment (see Appendix IV, Table 16). Based on the 1.4 million Namibian inhabitants counted in the census, the labor force is officially estimated to be 479,779 (or 58.4 percent of the total population in 1991), comprising 388,014 employed and 91,765 unemployed persons. Those categorized as employed included those in formal paid employment, the self-employed, and those working in the informal sector. The public sector accounted for 18.7 percent of total employment and 33 percent of those in paid employment, while the private sector accounted for 37.8 percent of total employment and 67 percent of wage employment. Nonwage employment accounted for 43.5 percent of the total labor force. The analysis showed that 47.5 percent of the total employment are employed in agriculture, hunting, forestry, and fishing; followed by

community, social, and personal services with 23 percent. The remaining sectors each employed far less than 10 percent of the total employment with the exception of trade, hotels, and motor repairs, whose share is 9.7 percent.

Unemployment remains high; according to the 1991 census, it is estimated at 20 percent of the labor force, with urban and rural unemployment rates being 26 percent and 15.4 percent, respectively. Many of the unemployed persons in Namibia have no skills and/or are without basic education, making the issue of adequate training the country's most compelling human resource priority. About 16,500 new entrants are estimated to enter the labor market each year, and there are no indications that the unemployment pressure will moderate in the medium term, with the rapid growth in population and the labor force. 1/ Namibia also faces an acute shortage of professional and technical skills. The new Labor Act recently enacted by the authorities sets out procedures for addressing this problem. The authorities recognize the limitations of efforts to estimate unemployment rates in a country like Namibia, which has a large rural sector. Existing labor force statistics are merely indicative and therefore need to be interpreted carefully. Pending the availability of improved data, the authorities currently estimate the unemployment rate in Namibia to be in the region of 30-40 percent. A national labor force survey is planned for 1997/98, while an agricultural survey is planned for 1995/96 to cover, *inter alia*, employment statistics.

As with unemployment, data on wages remain scanty. The only existing information on wages was provided by the 1992 Establishment Survey (see Appendix IV, Table 17). Information available from other sources indicates that wage patterns in Namibia mirror closely those in South Africa, and formal sectors wages are generally higher than those in other countries in the region. This level of wages seem generally inconsistent with the massive pool of unskilled labor in Namibia, and average real wages for most sectors appear high relative to labor productivity. The present high wage has been attributed to the rigid wage structure inherited at independence, and lack of skilled manpower, reinforced by the activities of the various labor unions during the post-independence period. Although, the Government has recognized the near- and medium-term implications of maintaining the existing structure of wages, with respect to attracting investment and increasing employment, the complexity of the issues has precluded the Government from expeditiously addressing the problem. 2/ Nevertheless, the Government has indicated that the planned export processing zones (EPZs)--free of labor union activities--would provide a viable option for confronting the twin problems of unemployment and high wages.

1/ The gravity of the unemployment situation is exacerbated by the fact that about 50 percent of the population is young: 15 years and below.

2/ The issues encompass a wide range of economic, structural, political, social, and ethnic issues, related to Namibia's pre-independence legacy.

Revised System for the National Accounts

The National Planning Commission (NPC), through the Central Statistics Office (CSO), assumed responsibility for the compilation of the national income accounts statistics in Namibia during 1994. 1/ Since assuming responsibility, the CSO has revised the entire national accounts data, going as far back as 1980 in some cases. This revision has produced a new set of key aggregates and ratios, which differ from the latest estimates published, 2/ and the data contained in various Fund publications. 3/ The CSO noted that the estimates reflect several key factors: (a) the adoption of the revised system of national accounts recommended by the UN and other international organizations (the 1993 SNA), which has resulted in some adjustments to basic concepts; (b) a shift in the base year from 1985 to 1990, which has affected the constant price estimates; and (c) the review of sources and methods by the CSO; the availability of more firm basic data; and additional details in the estimates of GDP by activity.

These factors necessitated the revision of some time series back to 1980. The implementation of the 1993 SNA also affected the general framework for the national accounts: gross national income (GNI) has replaced gross national product (GNP), underlining the fact that GNI is a concept of income rather than of production; (ii) the value added by industry is valued at basic prices, instead of at factor cost, when calculating GDP by activity; 4/ and GDP at factor cost is now calculated at current prices only.

While in many cases the source data are similar to those used in the past, the revisions take advantage of previously omitted information. In addition, new preliminary data from the Household Income and Expenditure Survey (1991) have resulted in substantial revisions to the estimated value added from subsistence agriculture, owner-occupied dwellings, and household final consumption. In addition: (a) the estimates of crop production and changes in livestock inventories reflect previously unused information about quantities and prices, and incorporate revisions to the quantity and prices for cattle and small stock; (b) fishing is now defined to include fish catching and all processing on board the vessels, while fish processing

---

1/ Prior to this change, the Ministry of Finance used to compile and maintain the national income accounts through its Economic Policy Advisory Services Division.

2/ See Ministry of Finance, Economic Review, May, 1994.

3/ For example, SM/91/83 (5/2/91) and SM/91/105 (5/22/91); SM/92/99 (5/13/92) and Sup. 1 (5/27/92); SM/93/116 (5/27/93), Sup. 1 (6/17/93); SM/93/127 (6/16/93); SM/94/109 (5/3/94); and SM/94/113 (5/16/94).

4/ The basic price is defined as the amount receivable by the producer from the purchaser for a unit of a good or service produced as output minus any tax payable, and plus any subsidy receivable, on that unit as a consequence of its production or sale. It excludes any transport charges invoiced separately by the producer (See System of National Accounts, 1993, p. 151, 6.205).

(manufacturing) now comprises only processing on shore, and the time series on quantities and prices have been revised by the Ministry of Fisheries; (c) a separate series for meat processing has been developed; (d) separate estimates for hotels and restaurants are now available; (e) estimates of the financial intermediation industry (banks and insurance companies) are available as from 1990; (f) the value added of general government has increased owing to a revised method of estimating consumption of fixed capital (provision for depreciation in the Economic Review); and (g) gross fixed capital formation has been revised upward, and substantially so for the years 1991-93, owing to the gross underestimation in the previous estimates, particularly gross fixed capital formation in fishing and fish processing; additional firm data for other industries are available, notably for the mining sector.

The differences between the old and revised series for the period 1980-93 for some key variables and ratios have been summarized in Tables II.3 to II.9 and Charts II.2 to II.9.

Table II.1. Namibia: Sectoral Contribution to Real GDP, 1980–94

(In percent of real GDP, at constant basic prices)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994 Prel.
GDP at constant prices															
Agriculture	9.6	9.3	8.4	8.0	8.3	8.7	8.8	9.1	9.2	9.7	10.1	9.9	7.3	7.6	8.4
Commercial agriculture	7.0	6.7	5.6	5.1	5.3	5.7	5.8	6.2	6.2	6.6	7.0	6.6	6.0	5.8	5.6
Subsistence agriculture	2.6	2.6	2.7	2.9	3.0	3.0	3.0	3.0	3.0	3.0	3.1	3.3	1.3	1.7	2.8
Fishing	1.6	2.2	2.8	2.8	1.9	2.2	1.8	2.2	1.8	2.2	1.7	1.8	3.1	4.6	4.6
Mining and quarrying	32.8	28.9	26.4	26.3	25.6	24.8	26.1	25.6	24.8	23.2	21.0	23.4	24.2	19.3	20.1
Diamond mining	19.8	16.0	13.2	12.9	12.7	12.6	13.9	14.0	13.4	12.8	10.7	15.4	17.5	13.1	13.6
Uranium	..	..	..	..	..	..	..	7.0	7.1	6.2	6.4	4.6	3.2	3.2	3.5
Other mining and quarrying	13.0	13.0	13.2	13.4	13.0	12.2	12.2	4.6	4.3	4.2	3.9	3.4	3.5	3.0	3.0
Subtotal, primary industries	44.0	40.4	37.6	37.0	35.8	35.7	36.7	36.9	35.9	35.0	32.8	35.1	34.6	31.5	33.0
Manufacturing	4.5	5.0	5.4	5.5	5.6	5.7	6.1	6.5	6.3	6.3	7.2	5.9	6.5	7.6	7.7
Meat processing	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Fish processing	0.8	0.9	1.4	1.4	1.3	1.5	1.9	2.4	2.0	1.9	2.7	1.7	2.4	3.3	3.6
Other manufacturing	3.0	3.4	3.3	3.3	3.5	3.4	3.3	3.3	3.4	3.5	3.7	3.5	3.3	3.5	3.4
Electricity and water	1.5	1.6	1.6	1.7	1.8	1.8	1.8	1.8	1.9	2.0	2.0	1.7	2.2	1.1	1.2
Construction	7.0	6.6	5.5	4.3	3.4	3.5	2.6	2.5	3.1	3.1	2.7	2.2	2.7	2.9	2.8
Subtotal, secondary industries	13.0	13.1	12.5	11.5	10.8	11.0	10.5	10.8	11.3	11.3	12.0	9.8	11.5	11.6	11.7
Wholesale and retail trade, repairs	8.1	8.5	8.8	8.2	8.2	8.0	7.9	7.8	8.0	8.1	8.1	7.6	7.4	7.7	7.3
Hotels and restaurants	1.5	1.6	1.5	1.3	1.4	1.3	1.4	1.6	1.8	2.0	1.5	1.5	1.6	1.5	1.8
Transport and communications	4.9	4.5	4.2	4.6	5.0	5.0	5.0	4.9	4.8	5.3	5.5	5.4	5.2	5.4	5.4
Transport and storage	..	..	..	..	..	..	..	..	..	..	3.2	3.0	2.9	3.0	3.1
Post and telecommunications	..	..	..	..	..	..	..	..	..	..	2.3	2.4	2.3	2.4	2.3
Finance, real estate, business services	11.2	10.8	11.0	11.5	11.8	11.8	11.6	11.5	11.5	11.5	11.5	11.0	10.5	11.1	10.6
Financial intermediation	..	..	..	..	..	..	..	..	..	..	3.7	3.7	3.3	3.9	3.8
Financial services indirectly measured	..	..	..	..	..	..	..	..	..	..	−3.1	−3.0	−2.6	−3.3	−3.2
Real estate and business services	..	..	..	..	..	..	..	..	..	..	10.8	10.3	9.9	10.4	10.0
Owner-occupied dwellings	..	..	..	..	..	..	..	..	..	..	7.4	7.0	6.7	7.0	6.8
Other real estate and business services	..	..	..	..	..	..	..	..	..	..	3.5	3.3	3.2	3.4	3.3
Community, social, and personal services	1.0	1.1	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.2	1.1	1.2	1.1
General Government	14.1	17.8	20.9	22.2	23.0	23.3	23.0	22.6	22.8	23.0	24.7	25.9	25.7	27.5	26.5
Other producers	2.3	2.3	2.4	2.5	2.6	2.6	2.6	2.5	2.6	2.6	2.7	2.5	2.4	2.5	2.4
Subtotal, tertiary industries	43.0	46.5	49.9	51.5	53.4	53.3	52.8	52.3	52.8	53.7	55.2	55.1	53.9	56.9	55.2

Source: Central Statistics Office.

Table II.2. Namibia: Consumer Price Index (CPI) and Inflation Rate, 1980–94 1/

	End of period				Period average			
	South Africa		Namibia		South Africa		Namibia	
	CPI	Inflation rate	CPI	Inflation rate	CPI	Inflation rate	CPI	Inflation rate
1979.0	93.0		94.2		87.9		88.9	
1980.0	107.5	15.6	105.7	12.2	100.0	13.7	100.0	12.5
1981.0	122.4	13.9	122.2	15.6	115.2	15.2	114.8	14.8
1982.0	139.3	13.8	140.3	14.8	132.1	14.7	132.6	15.5
1983.0	154.6	11.0	153.8	9.6	148.4	12.3	148.5	12.0
1984.0	175.0	13.2	168.9	9.8	165.7	11.7	162.0	9.1
1985.0	207.6	18.6	194.6	15.2	192.5	16.2	181.4	11.9
1986.0	244.9	18.0	217.8	11.9	228.3	18.5	205.7	13.4
1987.0	280.6	14.6	242.1	11.2	265.0	16.1	231.6	12.6
1988.0	315.9	12.6	279.7	15.5	299.1	12.9	260.6	12.5
1989.0	364.6	15.4	318.5	13.9	342.9	14.7	300.9	15.5
1990.0	418.3	14.7	350.8	10.1	392.4	14.4	337.1	12.0
1991.0	485.8	16.1	414.3	18.1	452.5	15.3	377.2	11.9
1992.0	532.5	9.6	459.1	10.8	515.4	13.9	444.1	17.7
1993.0	583.9	9.7	503.8	9.7	565.5	9.7	482.0	8.5
1994.0	642.4	10.0	560.6	11.3	616.2	9.0	533.9	10.8

Sources: Central Statistics Office; and IMF, International Financial Statistics.

1/ For the consumer price index, 1980 is the base year; the inflation rate is in percent.

Table II.3. Namibia: Comparison of GDP Growth Rates, 1980–93

(In percent)

	Previous series		Revised series	
	Real GDP 1/	Per capita real GDP 2/	Real GDP 1/	Per capita real GDP 2/
1980	...	...	...	...
1981	0.4	−3.8	0.1	−2.0
1982	−0.9	−4.0	−0.6	−4.2
1983	−2.7	−6.7	−1.2	−5.4
1984	−0.9	−2.4	−0.7	−3.5
1985	−0.0	−2.5	1.7	−2.9
1986	3.9	−0.3	4.0	2.2
1987	2.7	1.7	4.6	1.1
1988	1.4	3.7	1.2	−2.9
1989	−0.6	−2.4	1.6	−1.0
1990	0.8	−2.1	0.2	−2.7
1991	5.6	21.6	7.3	3.3
1992	5.6	−13.0	7.5	4.3
1993	−3.3	−5.2	−2.0	−5.0
Average				
1980–85	−0.8	−3.9	−0.1	−3.6
1985–90	1.4	−0.3	2.2	−1.0
1990–93	2.2	0.3	3.2	−0.0

Sources: Ministry of Finance, and Central Statistics Office; and staff calculations.

1/ GDP at 1985 constant factor cost.
2/ GDP at 1985 constant market prices.
3/ GDP at 1990 constant basic prices.
4/ GDP at 1990 constant market prices.

Table II.4. Namibia: Composition of Real GDP, 1980–93

(In percent)

	Primary Industries		Secondary Industries		Tertiary Industries	
	Previous	Revised	Previous	Revised	Previous	Revised
1980	55.2	44.0	8.9	13.0	35.9	43.0
1981	51.4	40.4	9.6	13.1	39.0	46.5
1982	48.3	37.6	9.6	12.5	42.2	49.9
1983	46.8	37.0	9.3	11.5	43.9	51.5
1984	45.5	35.8	9.1	10.8	45.4	53.4
1985	44.9	35.7	9.1	11.0	45.9	53.3
1986	45.4	36.7	9.3	10.5	45.4	52.8
1987	44.8	36.9	9.8	10.8	45.4	52.3
1988	45.0	35.9	9.3	11.3	45.7	52.8
1989	43.1	35.0	9.4	11.3	47.5	53.7
1990	41.6	32.8	10.2	12.0	48.2	55.2
1991	42.0	35.1	9.4	9.8	48.6	55.1
1992	40.9	34.6	10.2	11.5	48.9	53.9
1993	36.8	31.5	11.2	11.6	52.0	56.9
Averages						
1980–85	48.7	38.4	9.3	12.0	42.1	49.6
1985–90	44.1	35.5	9.5	11.2	46.3	53.3
1990–93	40.4	33.5	10.2	11.2	49.4	55.3

Sources: Ministry of Finance, and Central Statistics Office; and staff calculations.

Note: Primary industries comprise agriculture, fishing, and mining and quarrying; secondary industries comprise manufacturing, electricity and water, and construction; tertiary comprise the remaining sectors.

Table II.5. Namibia: Growth of Main Sectors of Real GDP, 1980–93

(In percent)

	Primary Industries		Secondary Industries		Tertiary Industries	
	Previous	Revised	Previous	Revised	Previous	Revised
1980	--	--	--	--	--	--
1981	−6.5	−8.0	8.3	1.1	9.1	8.2
1982	−6.9	−7.6	−0.7	−4.8	7.1	6.7
1983	−5.6	−2.7	−5.2	−9.1	1.2	1.9
1984	−3.6	−3.9	−3.2	−6.6	2.6	3.0
1985	−1.3	1.4	0.3	3.3	1.2	1.5
1986	4.9	6.9	5.3	−0.8	2.6	3.0
1987	1.4	5.1	8.9	7.9	2.7	3.6
1988	1.8	−1.6	−3.9	5.5	2.1	2.3
1989	−4.8	−0.8	−0.1	1.9	3.3	3.2
1990	−2.6	−6.2	9.7	6.0	2.2	3.1
1991	6.6	14.8	−2.6	−12.2	6.4	7.0
1992	2.7	6.1	14.1	25.5	6.4	5.2
1993	−12.9	−10.8	6.5	−1.1	2.8	3.4
Averages						
1980–85	−4.8	−4.2	−0.1	−3.2	4.3	4.3
1985–90	−0.1	0.8	3.4	4.0	2.3	2.8
1990–93	−1.6	1.0	6.9	4.5	4.5	4.7

Sources: Ministry of Finance, and Central Statistics Office; and staff calculations.

Table II.6. Namibia: Government Value Added and Final Consumption, 1980–93

(In percent of GDP)

	Value added		Final consumption 1/	
	Previous 2/	Revised 3/	Previous	Revised
1980	10.1	11.4	16.8	17.2
1981	15.4	17.5	25.1	25.8
1982	19.0	21.1	27.2	27.6
1983	20.6	22.6	29.2	29.0
1984	21.7	23.6	30.4	29.6
1985	18.8	21.4	27.9	29.1
1986	18.7	21.9	28.7	30.3
1987	22.8	24.4	33.1	32.2
1988	20.2	21.8	29.7	30.2
1989	19.5	21.3	27.5	28.4
1990	21.7	24.7	30.8	31.2
1991	25.1	27.3	34.4	33.7
1992	27.4	29.0	36.0	35.6
1993	26.9	29.5	33.1	34.7
Averages				
1980–85	17.6	19.6	26.1	26.4
1985–90	20.3	22.6	29.6	30.2
1990–93	25.3	27.6	33.6	33.8

Sources: Ministry of Finance, and Central Statistics Office; and staff estimates.

1/ At current market prices.
2/ At current factor cost.
3/ At current basic prices.

Table II.7. Namibia: Savings, Investment, and Net Exports of Goods and Services, 1980–93

(In percent of GDP)

	Gross national savings		Gross fixed capital formation		Net exports of goods and nonfactor services	
	Previous	Revised	Previous	Revised	Previous	Revised
1980	30.8	27.2	27.3	26.9	10.5	9.6
1981	25.0	23.4	26.8	27.0	−19.9	−19.4
1982	22.9	22.0	22.7	22.8	−15.8	−14.4
1983	24.6	26.9	18.5	18.3	−14.3	−12.4
1984	22.2	21.7	15.0	15.3	−11.8	−10.9
1985	25.5	21.8	13.3	14.3	12.1	11.0
1986	28.9	24.2	12.7	13.9	9.9	9.1
1987	16.5	17.2	14.3	14.5	−10.6	−9.0
1988	18.3	17.9	14.7	15.4	−1.5	−0.5
1989	21.2	23.7	15.8	16.8	−0.8	0.8
1990	20.1	26.1	16.9	20.3	−13.5	−12.1
1991	18.2	23.3	10.4	14.8	−9.9	−10.5
1992	16.5	24.9	12.5	19.5	−10.6	−10.5
1993	16.0	20.8	10.6	19.4	−5.9	−5.8
Averages						
1980–85	25.2	23.8	20.6	20.8	−6.5	−6.1
1985–90	21.8	21.8	14.6	15.9	−0.7	−0.1
1990–93	17.7	23.8	12.6	18.5	−10.0	−9.7

Sources: Ministry of Finance, and Central Statistics Office; and staff calculations.

Table II.8. Namibia: Savings and Fixed Investment by Sector, 1980–93

(In percent of GDP)

	Gross national savings				Gross fixed capital formation			
	Previous		Revised		Previous		Revised	
	General Government	Others	General Government	Others	Public	Others	Public	Others
1980	6.9	23.9	5.7	21.5	16.2	11.1	15.6	11.3
1981	3.3	21.8	1.4	22.0	17.3	9.5	16.9	10.1
1982	5.6	17.3	3.5	18.5	16.2	6.5	15.2	7.1
1983	2.9	21.7	1.4	25.4	12.5	5.9	11.9	6.4
1984	8.0	14.2	7.2	14.5	9.4	5.6	9.0	6.2
1985	7.6	17.9	6.7	15.1	9.1	4.2	9.2	5.1
1986	13.8	15.1	12.8	11.4	7.6	5.1	7.9	6.0
1987	4.7	11.8	4.5	12.7	8.0	6.3	8.1	6.9
1988	6.1	12.2	2.6	15.3	7.1	7.7	7.8	8.9
1989	9.3	12.0	5.5	18.2	5.9	9.9	6.4	11.5
1990	6.5	13.6	5.4	20.7	5.9	11.0	7.6	12.7
1991	0.7	17.5	0.8	22.5	5.1	5.3	6.1	7.8
1992	−0.6	17.0	−1.1	26.1	7.1	5.4	7.6	11.0
1993	−0.7	16.7	−0.1	21.0	5.5	5.1	7.3	11.4
Averages								
1980–85	5.7	19.5	4.3	19.5	13.5	7.1	13.0	7.7
1985–90	8.0	13.8	6.2	15.6	7.3	7.4	7.8	8.5
1990–93	1.5	16.2	1.2	22.5	5.9	6.7	7.2	10.7

Sources: Ministry of Finance, and Central Statistics Office; and staff calculations.

Table II.9. Namibia: Domestic and Foreign Savings, 1980–93

(In percent of GDP)

	Gross domestic savings		Foreign savings	
	Previous	Revised	Previous	Revised
1980	42.9	38.6	−12.1	−11.4
1981	10.5	9.5	14.5	13.9
1982	6.6	6.6	16.3	15.4
1983	2.8	11.7	21.8	19.9
1984	4.9	5.8	17.3	15.9
1985	25.6	21.9	−0.1	−0.1
1986	22.4	17.9	6.5	6.3
1987	4.2	6.2	12.3	11.0
1988	17.7	17.2	0.7	0.6
1989	15.1	18.0	6.1	5.7
1990	6.1	13.1	14.0	14.5
1991	0.5	6.8	17.7	16.6
1992	0.9	11.1	15.6	14.4
1993	3.7	8.4	12.3	12.9
Averages				
1980–85	15.5	15.7	9.6	8.9
1985–90	15.2	15.7	6.6	6.3
1990–93	2.8	9.9	14.9	14.6

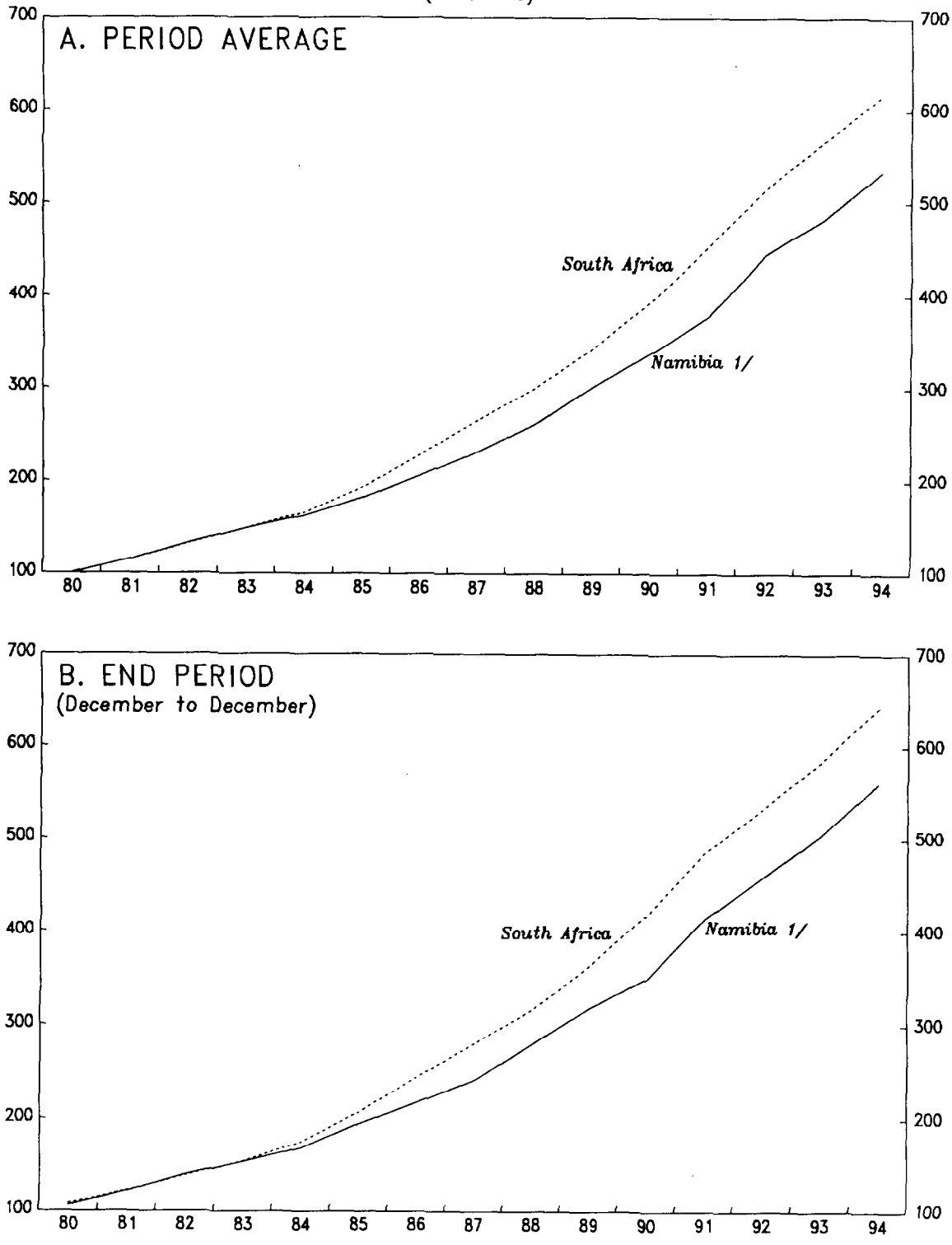
Sources: Ministry of Finance, and Central Statistics Office; and staff calculations.

CHART II.1

NAMIBIA

CONSUMER PRICE INDICES, 1980-94

(1980=100)



Sources: Data provided by the Namibian authorities; and staff estimates.

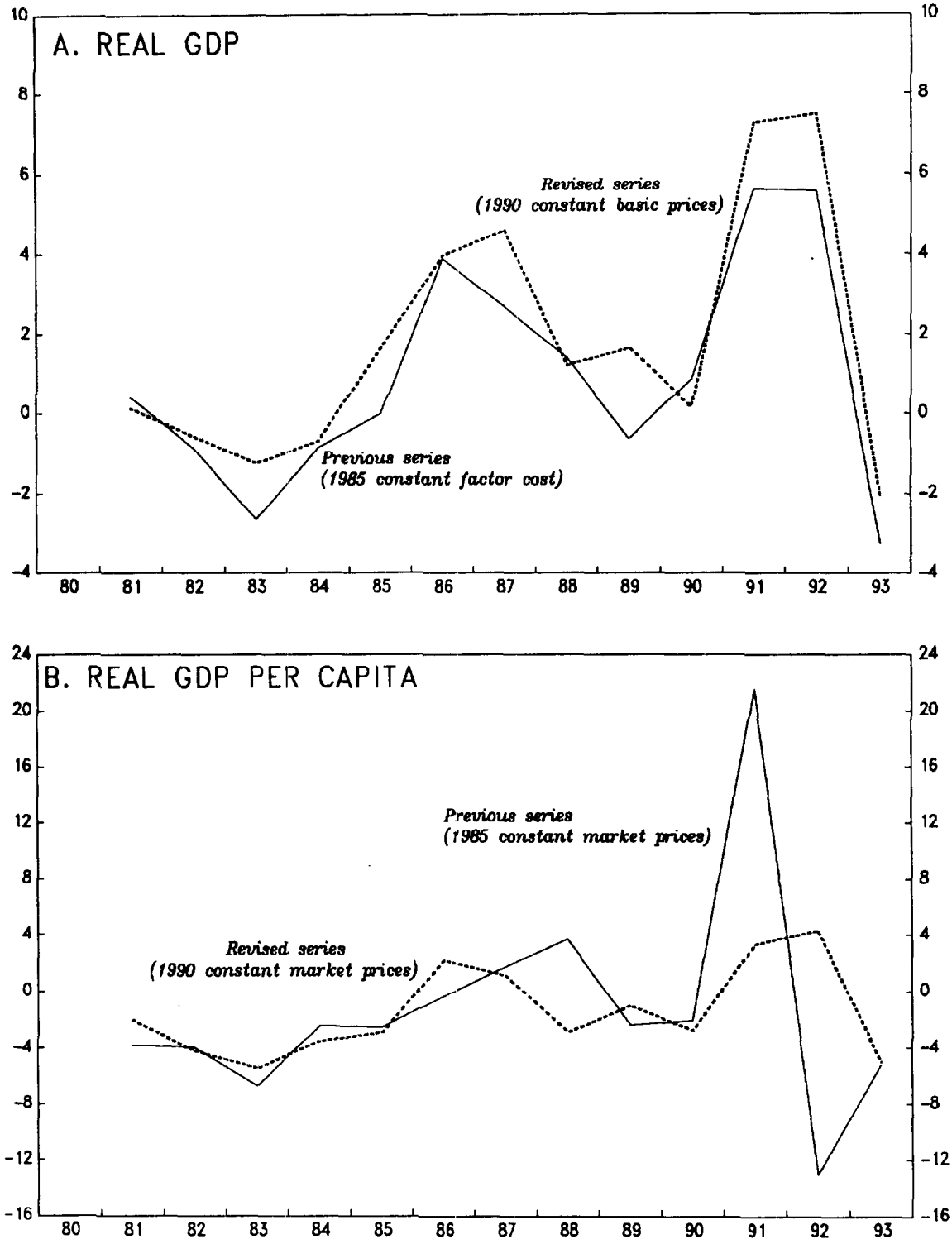
1/ Windhoek CPI.

CHART II.2

NAMIBIA

GDP GROWTH RATES, 1980-93

(In percent)



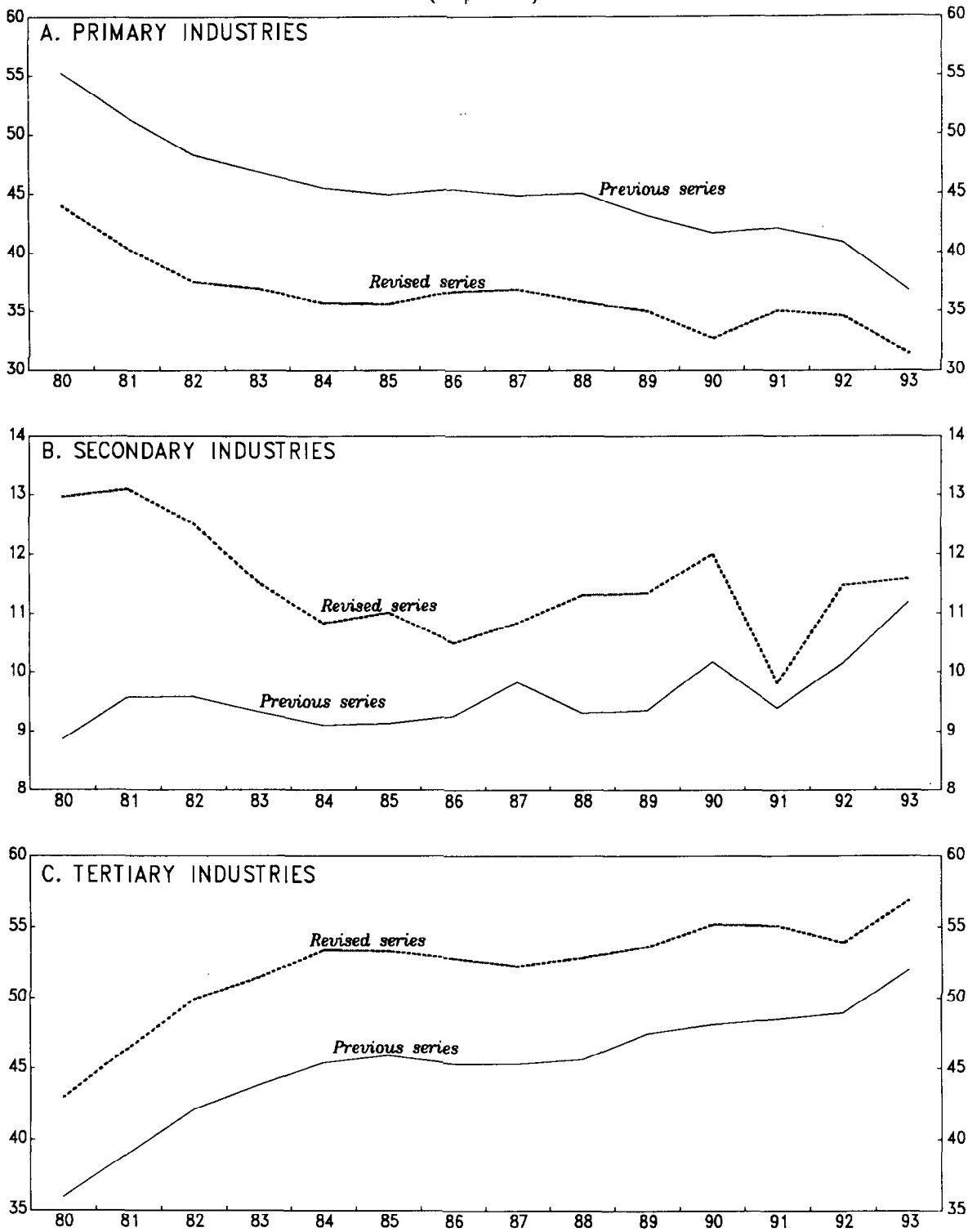
Sources: Data provided by the Namibian authorities; and staff estimates.

CHART II.3

NAMIBIA

COMPOSITION OF REAL GDP, 1980-93

(In percent)



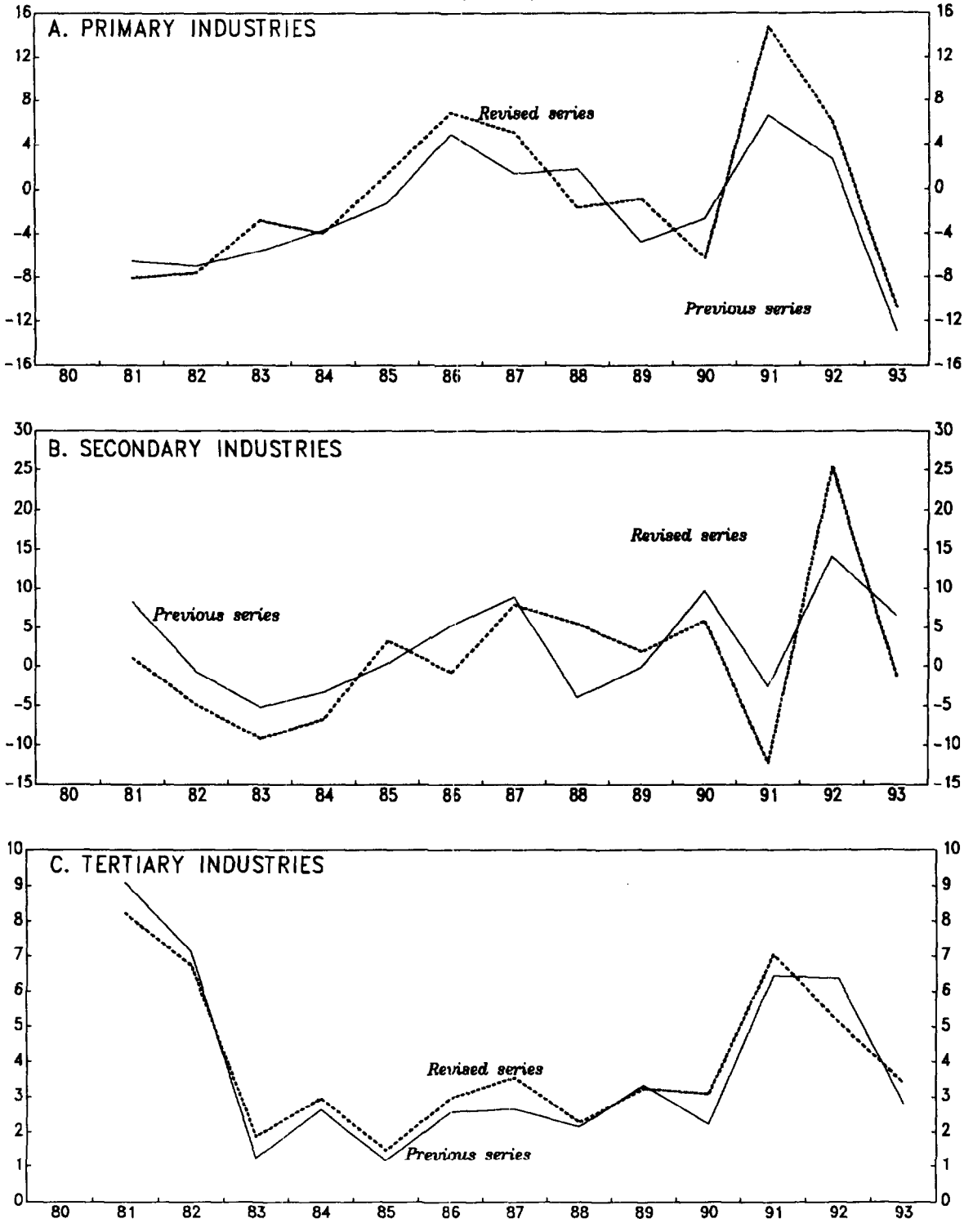
Sources: Data provided by the Namibian authorities; and staff estimates.

CHART II.4

NAMIBIA

GROWTH OF MAIN SECTORS OF REAL GDP, 1980-93

(In percent)

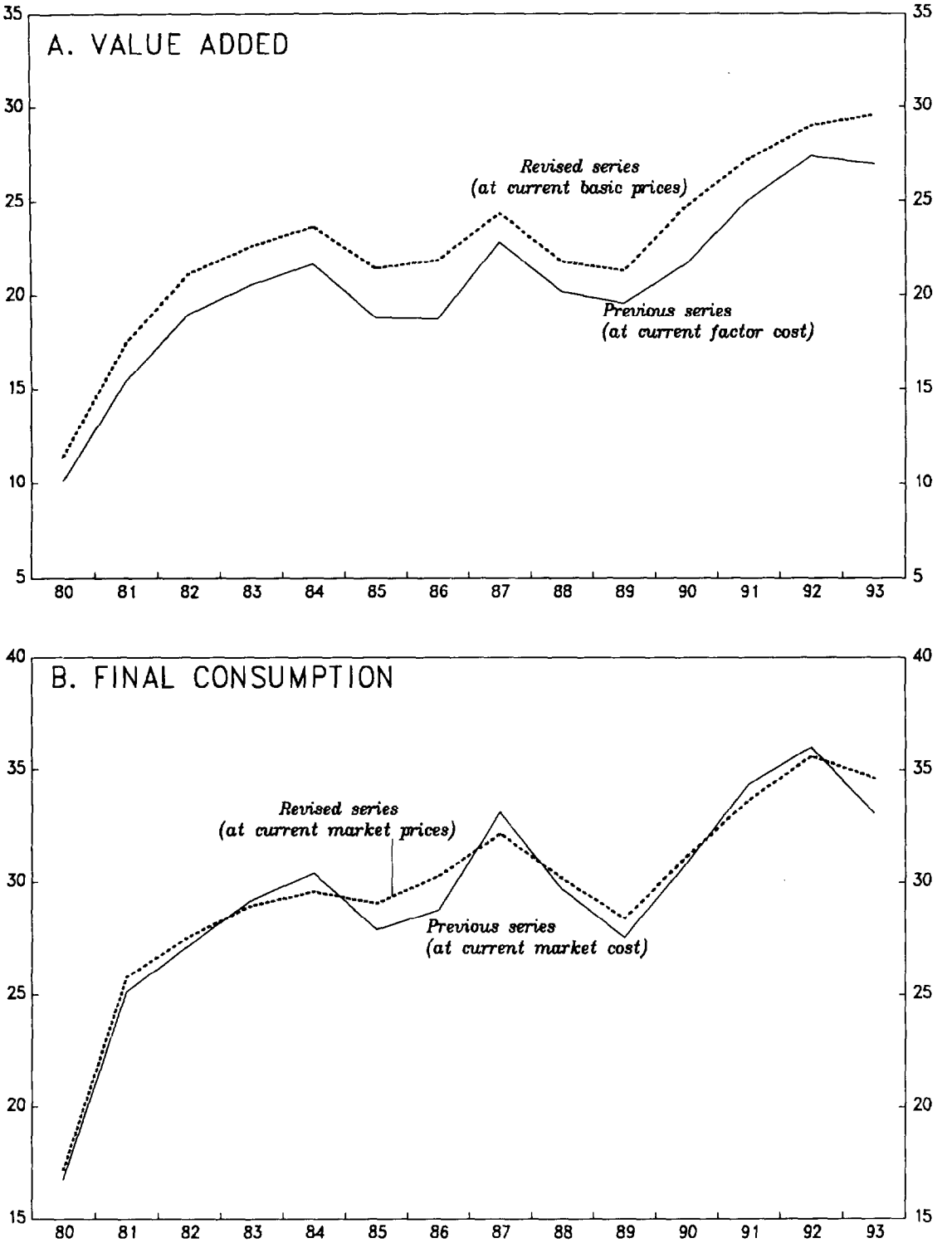


Sources: Data provided by the Namibian authorities; and staff estimates.

CHART II.5

NAMIBIA

GOVERNMENT VALUE ADDED AND FINAL CONSUMPTION, 1980-93 1/



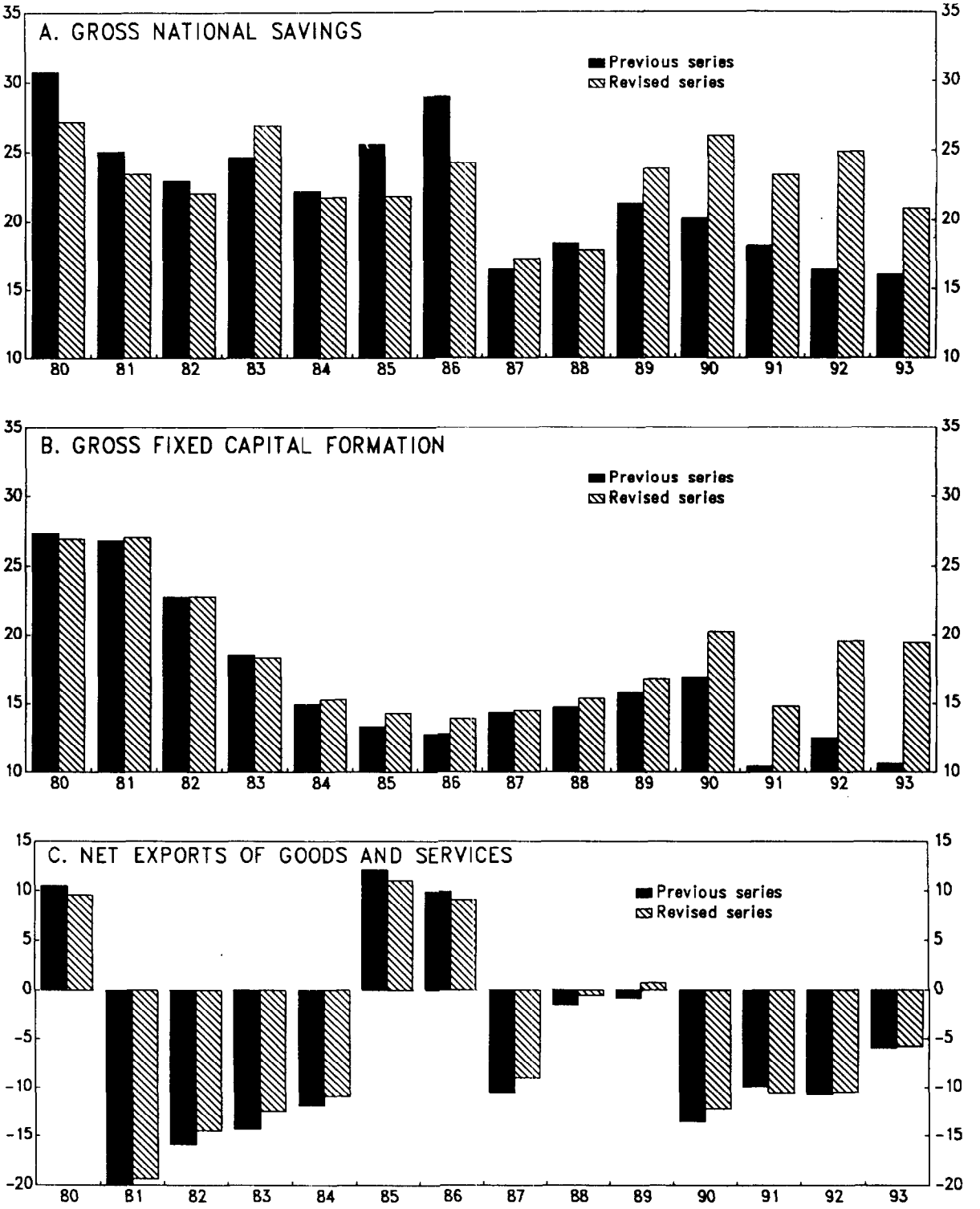
Sources: Data provided by the Namibian authorities; and staff estimates.

1/ In percent of GDP

CHART II.6

NAMIBIA

SAVINGS, INVESTMENT, AND NET EXPORTS OF GOODS AND SERVICES, 1980-93 1/



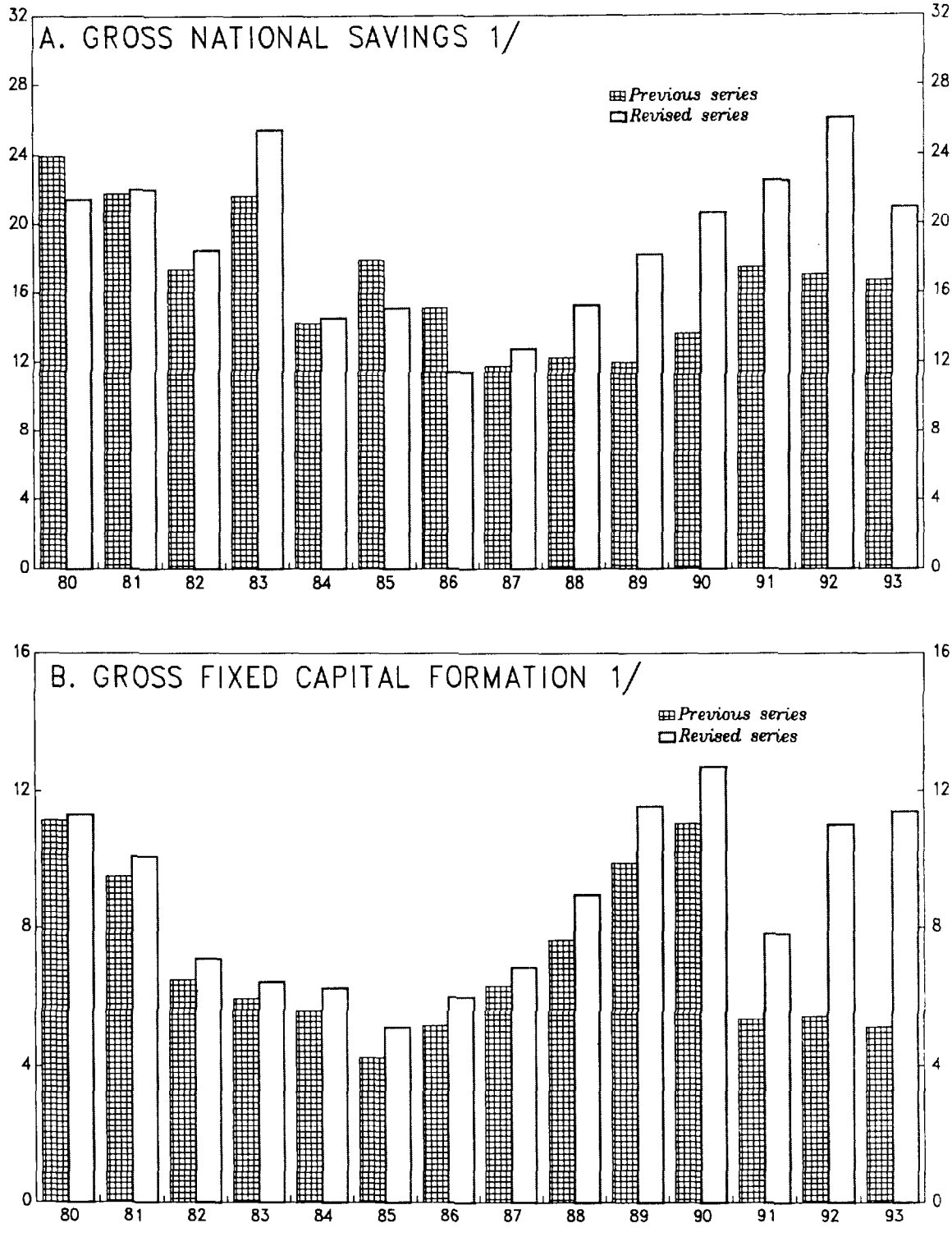
Sources: Data provided by the Namibian authorities; and staff estimates.

1/ In percent of GDP.

CHART II.7

NAMIBIA

PRIVATE SECTOR SAVINGS AND FIXED INVESTMENT, 1980-93



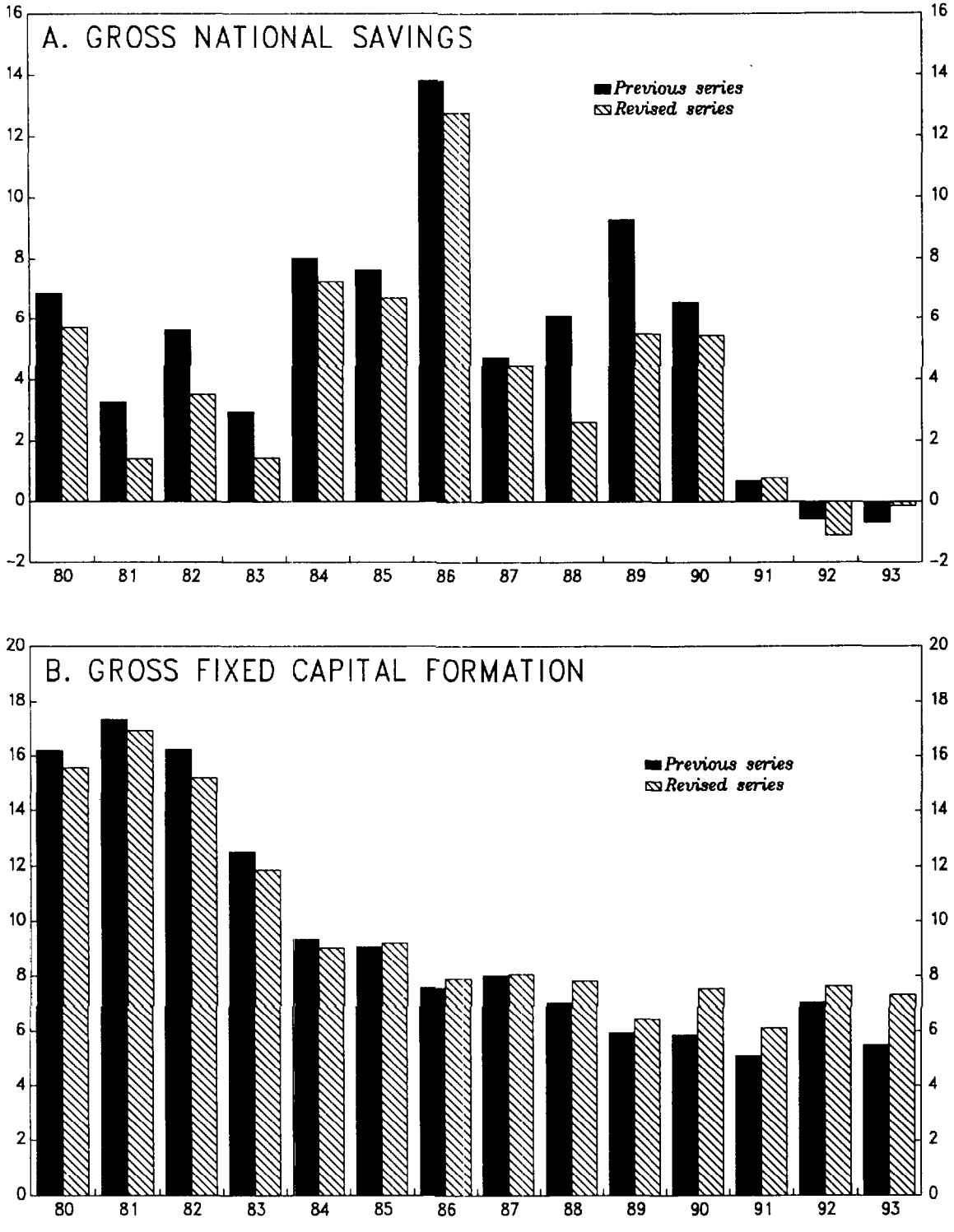
Sources: Data provided by the Namibian authorities; and staff estimates.

1/ In percent of GDP.

CHART II.8

NAMIBIA

GENERAL GOVERNMENT SAVINGS AND FIXED INVESTMENT, 1980-93 1/



Sources: Data provided by the Namibian authorities; and staff estimates.

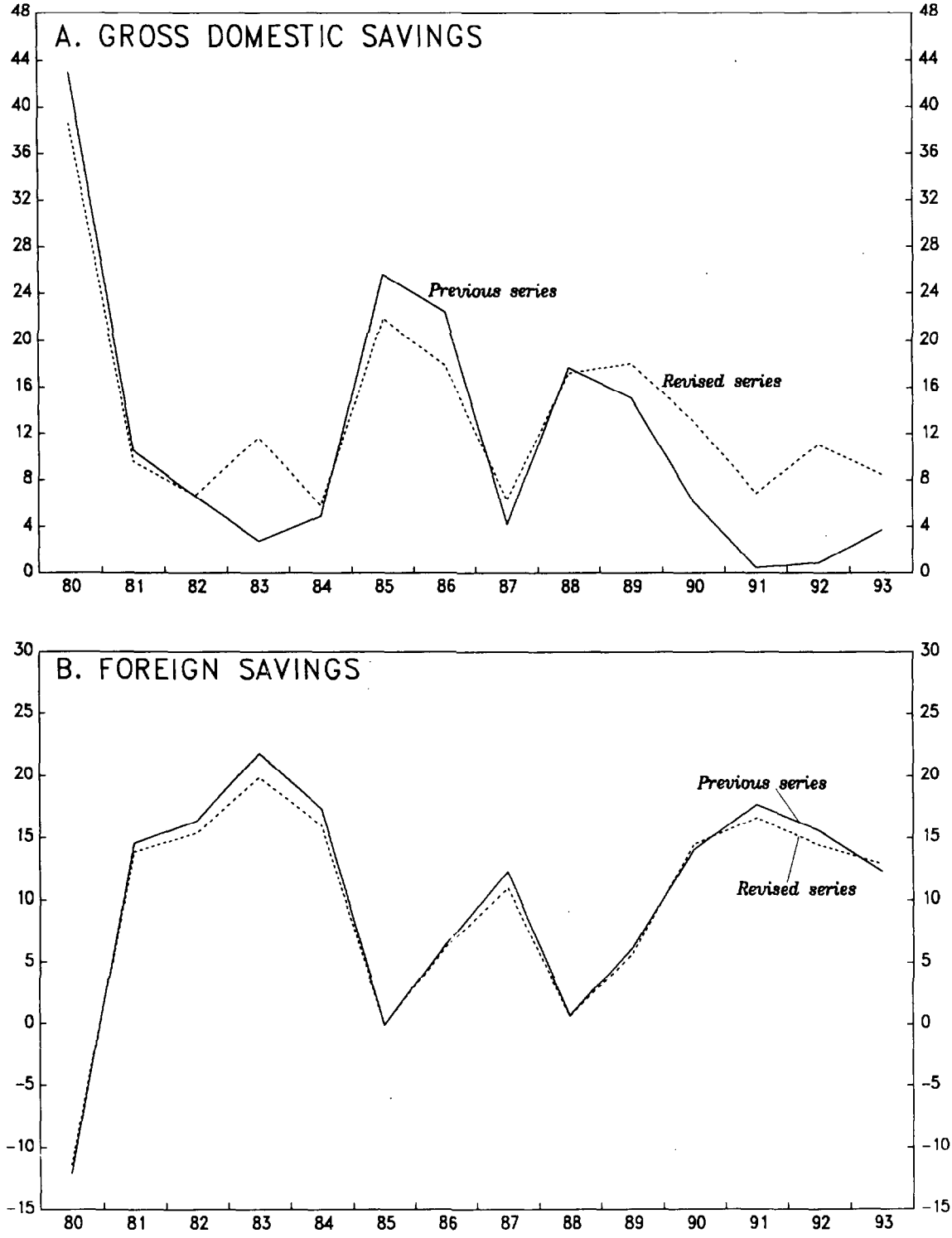
1/ In percent of GDP.

CHART II.9

NAMIBIA

DOMESTIC AND FOREIGN SAVINGS, 1980-93

(In percent of GDP)



Sources: Data provided by the Namibian authorities; and staff estimates.

III. Investment and Savings Performance, 1980-94

1. Introduction

The growth performance of the Namibian economy during the past 15 years has been disappointing. While the performance of the economy during this period may be attributed, in part, to the adverse impact of a number of exogenous factors, the declining trend in investment and savings also played a significant role. During 1980-94, real investment, as a percentage of real GDP, declined from about 33 percent to 18 percent, while real domestic savings fell from 32 percent to 21 percent, with significant variability during the period. Average gross fixed capital formation as a ratio of GDP during the latter half of the 1980s declined to around 16 percent, from 25 percent in the earlier period, and then rose marginally during 1990-94, but remained below the level in the first half of the 1980s, and averaged 19.6 percent. The public sector share (including public corporations and enterprises) in total annual gross fixed capital formation fell from 62.1 percent to 51.5 percent between 1980-84 and 1985-89. This ratio further declined to 40 percent in 1990-94 because of increased allocation of government expenditure to nondevelopment-oriented projects. The domestic savings ratio changed little until 1987-88, when a significant decrease was recorded.

This chapter reviews the extent to which recent trends in investment and saving performance have been important for Namibia's growth. In Section 2, Namibia's investment and saving performance is compared with that of selected countries within the Southern African region, particularly members of SACU, with a view to evaluating Namibia's relative position. Section 3 analyzes the trends in the investment-GDP ratio in Namibia since the 1980s, paying attention to the interactions between public and private investment. Section 4 evaluates trends in the financing of investment in Namibia, and emphasizes the role and behavior of private, public, and foreign savings.

2. International comparisons

Gross domestic fixed investment in Namibia has been low relative to other developing countries (Table III.1 and Chart III.1). While most developing countries seem to have experienced either a stable or a steady increase in the investment rate since the early 1980s, Namibia's performance has been considerably weaker, in terms of both the growth rate and share of GDP. Compared with the average for African countries during 1981-87, the average in Namibia was about 0.8 percentage point lower, after which the gap widened substantially, on average, to 5-8 percentage points. This analysis extends to a comparison with all developing countries. During 1981-87, Namibia's share was about 6 percentage points below the developing countries' average, and then widened to as much as 11 percentage points in some years. In comparison with fellow SACU members, the difference in the investment-GDP ratio was in the range of 7.2-17 percentage points in the case of Lesotho, and 9-20 percentage points in the case of Botswana. For Swaziland, the difference was in the range of 3-5 percentage points except for the years 1991 and 1993, when the ratio was marginally higher in

Namibia. The only SACU member with an investment-GDP ratio that is close to that of Namibia is South Africa, but even so, South African investment rates exceeded those in Namibia for most of the period.

In contrast to investment, Namibia's gross national savings rate is high and compares favorably with the average for all developing countries, and higher than the average for Africa during the period 1981-94 (Table III.1 and Chart III.1). Between 1981 and 1987, the savings rate in Namibia averaged 22.5 percent of GDP--the same average for developing countries during the period, compared with an average of 18.8 percent for the whole of Africa. Matched against SACU countries, the savings rate in Namibia was substantially lower than that of Botswana, Lesotho, and Swaziland for most of the period.

3. Trends in investment in Namibia

The path of gross fixed investment in the last 15 years in Namibia is marked by a clearly discernible break in the mid-1980s (Table III.2). The overall downward trend was relatively modest before the mid-1980s, and became more dramatic, dropping from 24.9 percent observed in 1982 and to 14.9 percent in 1986. Total real investment as a percentage of GDP exhibited three clearly differentiated stages, beginning in 1980 (Chart III.2). The first stage extends from 1980 to 1986, when the rate of investment fell from 33.3 percent to 14.9 percent. The second stage shows a reversal of this trend with a rise of investment to 16.8 percent of GDP in 1988, and to 20.3 percent in 1990. The ensuing recession lowered the rate of investment to 14.0 percent of GDP in 1991 which, with a slight recovery increased and stabilized at around 18 percent thereafter.

The marked difference between the average gross fixed investment of the immediate pre-independence decade and the post-independence period reappears when the paths of its components are considered: machinery and equipment, and construction (see Charts III.3 and III.4). 1/ For both, the average in the first half of the 1980s is significantly higher than in 1985-89 and 1990-94: investment in machinery and equipment falls from 6.7 percent of GDP to 4.8 percent, before returning to about the 1980-84 level during the final sub-period. Investment in construction declined from 18.2 percent to 11.6 percent and further to 11.3 percent over the same period. The share of each in total gross fixed investment changes only slightly between the two sub-periods of the 1980s. However, a comparison of the 1980s with the post-independence period shows a substantial change between the two: the share of investment in machinery and equipment in total investment rose to about 37 percent, while that of investment in construction declined to about 63 percent.

As indicated in Table III.3, the decline in investment (in nominal terms) in the 1980s was associated with a substantial fall in public

---

1/ Machinery and equipment consists of transport equipment, and machinery and other equipment, while construction consists of building and construction works.

investment, complemented by a modest decline in the rate of private investment. Of the fall of almost 7 percentage points in the rate of aggregate investment, approximately 6 percentage points stemmed from the decline in public investment, which decreased as a share of total investment from 62.7 percent to 51.4 percent.

Most public investment in Namibia is carried out by the general government, rather than the public corporations and enterprises. Chart III.5 shows the behavior of both components of public sector investment at current prices as a proportion of GDP. During the last 15 years, the variance of general government investment was strikingly larger than that of investment by public corporations and enterprises. The peak in public investment expenditures, corresponding to more than 13 percent of GDP--or more than 60 percent of the economy's total investment--was reached in 1980-84. Private fixed investment declined, although the trend is largely cyclical, with low points ranging from 5.1 percent to 6.7 percent in all cases during 1983-87, and high points of 11.3 percent in 1980 and 12.7 percent at the beginning of the 1990s (Chart III.6)

Public investment, on average, accounted for 16 percent of nominal GDP during 1980-82, before declining steadily to 6.0 percent in 1989. Since independence the rate of public investment has fluctuated between approximately 7 percent and 8 percent. Overall, the rate of public investment declined by almost 9 percentage points in the last 15 years. The investment of producers of government services, which fell from 12.2 percent of GDP in 1980 to 5.5 percent in 1994, was a determining factor in this decline. There was a reduction of 6.2 percentage points in public investment and of 0.8 percentage point in private investment between 1980-84 and 1985-89, and while the share of public investment fell to about 51 percent, that of private investment rose to 49 percent. The same trend is maintained in the post-independence era, although with a change of some significance in the composition of aggregate investment, because private investment on average has surpassed the levels in the first and last five years of the 1980s (59.5 percent of the total). The share of public investment in total investment declined further to 40 percent in 1990-94. The shifting trend observed in public and private investment, regardless of whether aggregate investment is expanding or contracting, suggests a strong substitutability relationship between the two.

In Namibia, capital formation fluctuated fairly widely from year to year, reflecting changes in inventories. The change in stocks, however, accounted on average for only -3.5 percent of gross domestic investment.

As for the allocation of gross fixed domestic investment by industrial sector, there have been relatively minor changes in the pattern since 1980 (Table III.4 and Chart III.7). For instance, the primary sector--including mining--received close to 21 percent of total fixed investment during 1980-84, but received a slightly higher share of 25 percent during the two later periods (1985-89 and 1990-94). The small increase reflected the rise in the share of mining between 1985 and 1990, and in the share of fishing between 1990 and 1994. The share of total gross fixed investment allocated to the manufacturing sector declined slightly from 3.5 percent during 1980-

84 to 2.1 percent during 1985-89, but then increased modestly to 4.7 percent in 1990-94. The fall in the second period reflected the substantial decline in the share of investment in other manufacturing, while the recovery in the later period emanated from increased investment in fish processing. Consequently, the social overhead and other services sectors' share of fixed investment recorded a minor decrease, from 76 percent of the total during 1980-84 to 73 percent during 1985-89 and 70 percent during 1990-94. Over the entire period (1980-94), 23.4 percent of domestic fixed investment was allocated to the primary sector, while a mere 3.4 percent and a significant 73.2 percent were allocated to the manufacturing sector and the social overhead and other services sectors respectively.

4. Trends in the financing of investment in Namibia

This section examines the relative roles of the domestic and external sectors, as well as the public and private sectors in the generation of savings for the financing of aggregate investment. 1/ Table III.5 summarizes the trend of aggregate savings and savings by sector during 1980-94, while Chart VI.8 shows the evolution of aggregate savings as a proportion of GDP.

Domestic and public savings have both declined over the past 15 years, especially during 1990-94. Domestic (and public) savings plummeted during 1981-84 (1981-85), before rising to 22 percent in 1985 (and 13 percent in 1986). While both declined thereafter with significant fluctuations, public savings turned negative during 1992-94. The behavior of private savings, however, was somewhat different; it effectively compensated for fluctuations in public savings during 1980-83, before trending downward. External saving also demonstrates shifts ranging from 14-20 percent of GDP during 1981-84, and 1985-89 when, on average, it fell below 10 percent of GDP. During the post-independence period it was in the range of 10-17 percent.

a. Private savings trends

The overall trend of the rate of private savings for different periods as a percentage of GDP is shown in Table III.5 and Chart VI.8. In absolute terms, private savings represented the largest percentage of the total, and peaked in 1983, at 25.4 percent of GDP, and then began a gradual decline to a trough in 1986 at slightly more than 10 percent. The first significant drop in private savings (about 11 percentage points of GDP) occurred between 1983 and 1984, although a decline of 4 percentage points had also been recorded between 1981 and 1982. In both cases the contraction of private savings was accompanied by some modest increases in the rate of public savings. Since 1990 private savings have recovered somewhat, and have remained consistently above 20 percent of GDP with a peak of about 27 percent in 1994, once again compensating for the deterioration of public savings.

1/ The public sector under analysis in this section is the general government because there are no separate savings series published for public corporations and enterprises. By analogy, the private sector includes public corporations and enterprises.

b. Public savings trends

Public savings fluctuated sharply throughout the period in question, with significantly positive years such as 1986, and negative years such as 1992-94. Between 1980 and 1983 public savings fell by 4 percentage points, owing to the sharp increase in current expenditures compared with that of current revenue.

Between 1984 and 1986, public savings recovered substantially and in 1986 stood at 13 percent of GDP. It fell thereafter, and remained at less than 5 percent of GDP, on average. Public savings turned negative in 1992-94, reflecting the deficit in the primary balance (of about 3, 6, and 4 percent of GDP, respectively).

In conclusion, public sector savings remained a minor contributor over the entire period, accounting for just about one-tenth of the domestic savings effort in Namibia. Public savings were high enough to finance all public investment in only three years during 1980-94, and continuously deteriorated over the 15-year period. As seen above, public investment as a percentage of GDP has tended to decline primarily as a result of trends in general government, particularly regarding personnel expenditures. The rate of public sector savings also has exhibited a tendency to fluctuate in the long term.

c. Foreign savings trends

There were wide swings in foreign savings between 1980 and 1989, ranging from -11.3 percent of GDP to positive rates of almost 20 percent. Between 1990 and 1994, foreign savings were consistently positive with far less variation--between 10.4 percent and 16.4 percent (Table III.5).

The rise in total investment and savings in the first half of the eighties occurred mainly because of an increase in foreign savings between 1980 and 1985. In sharp contrast to what happened in the first half of the 1980s, the contribution of foreign savings to financing the investment effort in the Namibian economy has been shrinking in the latter half of the eighties, except in 1987. The contribution of foreign savings recovered once more during the post-1990 era, and remained above 10 percent of GDP between 1990 and 1994. When one separates foreign savings into its components--foreign resource transfers and foreign factor income--one observes that the net foreign resource transfers is the most important source of foreign savings. 1/

1/ Care should be exercised in interpreting this, since the bulk of the transfer component of foreign savings consists of SACU receipts (net) on account of Namibia's membership in SACU.

Table III.1. Investment and Savings Ratios in Namibia and Selected Developing Countries, 1981–94

(In percent of GDP)

	1981–87	1988	1989	1990	1991	1992	1993	1994
Namibia								
Investment	18.0	15.4	16.8	20.3	14.8	19.5	19.4	17.6
Savings	22.5	17.9	23.7	26.1	23.2	24.9	20.8	27.2
Botswana								
Investment	26.6	35.8	37.2	34.7	33.2	29.6	28.5	28.8
Savings	24.6	42.8	41.7	40.7	41.8	41.1	37.1	37.7
Lesotho 1/								
Investment	– –	24.4	23.2	30.6	29.7	31.5	34.3	34.3
Savings	– –	17.4	14.7	23.6	28.9	33.5	37.7	39.8
South Africa	23.8	22.7	22.6	19.5	18.9	16.8	17.2	– –
Investment	24.1	19.8	21.6	19.6	17.8	16.4	15.2	– –
Savings								
Swaziland								
Investment	– –	20.5	21.4	19.4	19.2	24.5	19.3	20.7
Savings	– –	36.0	23.4	28.7	27.1	28.7	– –	– –
African countries 2/								
Investment	23.4	20.9	21.8	21.3	23.2	21.0	19.7	22.6
Savings	18.8	17.0	17.7	18.7	18.3	15.1	15.7	16.8
Developing countries 2/								
Investment	24.0	26.4	26.9	26.2	26.3	26.5	27.9	29.0
Savings	22.5	25.0	25.5	25.6	24.3	24.9	25.5	27.5

Sources: Data supplied by the country authorities; and staff estimates.

1/ Fiscal year basis, and excludes Lesotho Highland Water Project savings and investment data.
2/ Taken from IMF, World Economic Outlook, May 1995.

Table III.2. Namibia: Gross Fixed Investment, 1980–94

(In percent of GDP)

	Total		Machinery and equipment		Construction	
	Current prices	Constant prices	Current prices	Constant prices	Current prices	Constant prices
1980	26.9	33.3	7.5	9.6	19.3	23.7
1981	27.0	29.9	6.6	8.0	20.4	21.9
1982	22.8	24.9	5.4	6.5	17.4	18.5
1983	18.3	19.4	4.2	5.0	14.1	14.4
1984	15.3	16.7	3.7	4.5	11.6	12.2
1985	14.3	16.8	3.4	4.3	10.9	12.5
1986	13.9	14.9	4.4	4.6	9.5	10.3
1987	14.5	14.9	4.7	4.7	9.8	10.2
1988	15.4	16.8	4.3	4.6	11.1	12.1
1989	16.8	18.0	5.2	5.5	11.5	12.5
1990	20.3	20.3	9.0	9.0	11.3	11.3
1991	14.8	14.0	4.8	4.6	10.0	9.3
1992	19.5	18.7	7.8	7.5	11.7	11.2
1993	19.3	18.7	6.5	6.4	12.8	12.4
1994	17.6	18.3	5.7	6.0	11.9	12.3
Average						
1980–84	22.1	24.8	5.5	6.7	16.6	18.1
1985–89	15.0	16.3	4.4	4.7	10.6	11.5
1990–94	18.3	18.0	6.8	6.7	11.5	11.3

Sources: Central Statistics Office; and staff estimates.

Note: Machinery and equipment includes investment in transport equipment and machinery and other equipment, while construction includes buildings and construction works.

Table III.3. Namibia: Gross Fixed Investment by Sector, 1980–94

	As a percentage of GDP at current prices					As a percentage of total investment			
	Public investment			Private investment	Aggregate investment	Public investment			Private investment
	Producers of government services	Public corporations and enterprises	Total			Producers of government services	Public corporations and enterprises	Total	
1980	12.2	3.4	15.6	11.3	26.9	45.4	12.6	58.0	42.0
1981	11.6	5.4	16.9	10.1	27.0	42.8	19.9	62.7	37.3
1982	10.5	5.2	15.7	7.1	22.8	46.0	22.7	68.7	31.3
1983	8.3	3.6	11.9	6.4	18.3	45.1	19.7	64.8	35.2
1984	6.9	2.1	9.0	6.2	15.3	45.4	13.8	59.1	40.9
1985	7.2	2.0	9.2	5.1	14.3	50.2	14.2	64.3	35.7
1986	6.2	1.7	7.9	6.0	13.9	44.4	12.5	56.9	43.1
1987	6.1	1.7	7.8	6.7	14.5	42.2	11.5	53.7	46.3
1988	5.6	1.6	7.1	8.2	15.4	36.2	10.2	46.4	53.6
1989	4.7	1.3	6.0	10.8	16.8	27.8	7.7	35.5	64.5
1990	6.4	1.2	7.6	12.7	20.3	31.4	6.0	37.3	62.7
1991	5.4	1.1	6.5	8.3	14.8	36.6	7.5	44.0	56.0
1992	6.2	2.0	8.2	11.3	19.5	31.9	10.4	42.2	57.8
1993	6.3	1.4	7.7	11.7	19.3	32.4	7.3	39.7	60.3
1994	5.5	1.4	6.9	10.7	17.6	31.3	7.8	39.0	61.0
Average									
1980–84	9.9	3.9	13.8	8.2	22.1	44.9	17.7	62.7	37.3
1985–89	5.9	1.7	7.6	7.4	15.0	40.2	11.2	51.4	48.6
1990–94	6.0	1.4	7.4	10.9	18.3	32.7	7.8	40.5	59.5

Sources: Central Statistics Office; and staff estimates.

Table III.4. Namibia: Gross Fixed Investment by Major Industrial Sector, 1980–94

(As a percentage of total, at constant 1990 prices)

	Primary	Manu–facturing	Others
1980	29.2	3.6	67.2
1981	21.7	5.1	73.1
1982	17.3	2.3	80.4
1983	18.3	3.0	78.7
1984	17.5	3.4	79.1
1985	15.7	2.7	81.5
1986	23.2	2.2	74.6
1987	24.0	1.9	74.1
1988	29.8	1.6	68.7
1989	32.9	2.0	65.1
1990	31.8	1.5	66.6
1991	22.7	2.9	74.4
1992	25.6	7.9	66.5
1993	24.4	7.1	68.6
1994	22.4	4.3	73.3
Average			
1980–84	20.8	3.5	75.7
1985–89	25.1	2.1	72.8
1990–94	25.4	4.7	69.9

Sources: Central Statistics Office; and staff estimates.

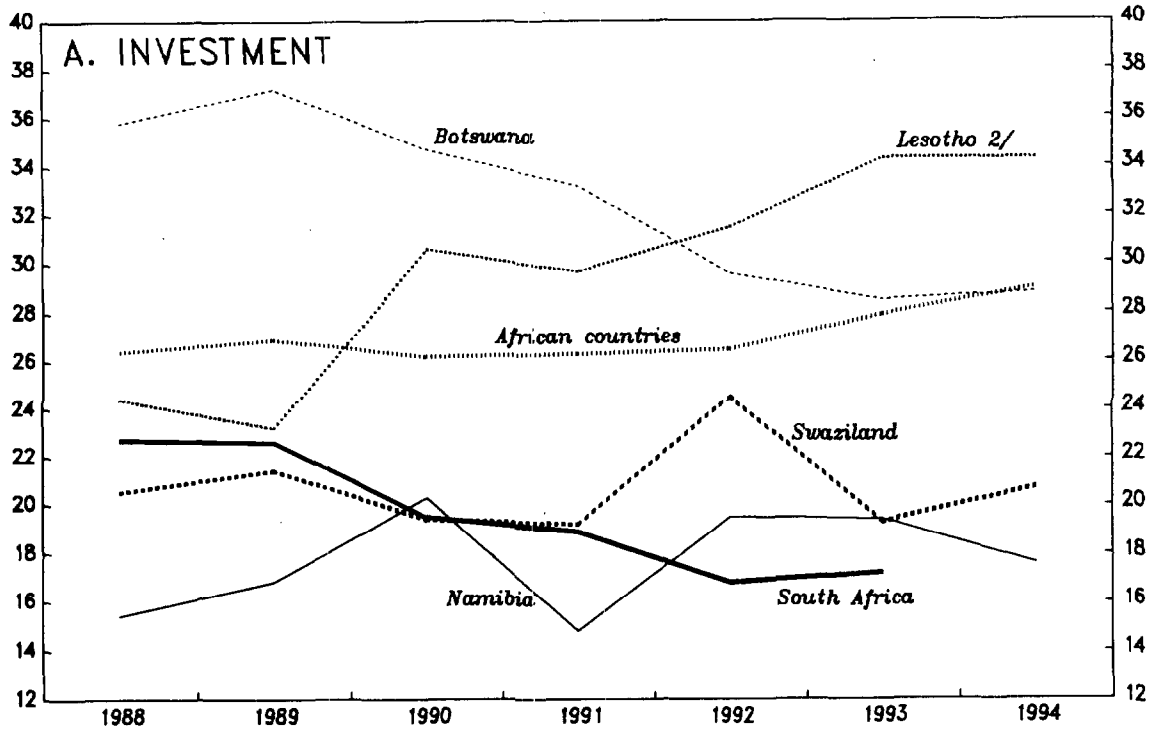
Table III.5. Namibia: Gross National Savings by Sector, 1980–94

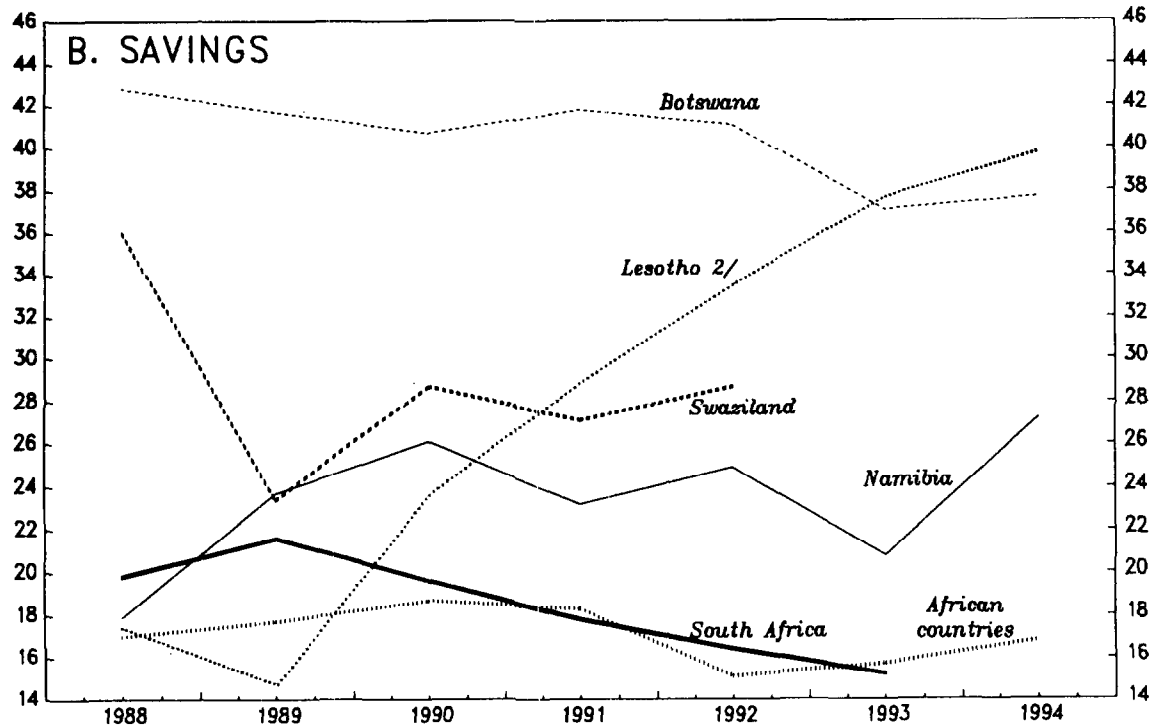
(In percent of GDP, at current prices)

	Domestic savings	Foreign savings	Aggregate savings	Public savings	Private savings
1980	38.5	−11.3	27.2	5.7	21.5
1981	9.5	13.9	23.4	1.4	22.0
1982	6.6	15.4	22.0	3.5	18.5
1983	7.0	19.9	26.9	1.4	25.4
1984	5.8	15.9	21.7	7.2	14.5
1985	21.9	−0.1	21.8	6.7	15.1
1986	17.9	6.3	24.2	12.8	11.4
1987	6.2	11.0	17.2	4.5	12.7
1988	17.2	0.6	17.9	2.6	15.3
1989	18.0	5.7	23.7	5.5	18.2
1990	13.1	13.0	26.1	5.4	20.7
1991	6.8	16.4	23.2	0.8	22.5
1992	11.1	13.9	24.9	−1.1	26.1
1993	8.4	12.4	20.8	−0.1	21.0
1994	16.8	10.4	27.2	−0.1	27.3
Average					
1980–84	13.5	10.7	24.2	3.9	20.4
1985–89	16.2	4.7	20.9	6.4	14.6
1990–94	11.3	13.2	24.5	1.0	23.5

Sources: Central Statistics Office; and staff estimates.

CHART III.1
NAMIBIA
INVESTMENT AND SAVINGS RATIOS IN
NAMIBIA AND SELECTED DEVELOPING COUNTRIES, 1988-94 1/





Sources: Data provided by the country authorities; IMF, World Economic Outlook, May 1995; and staff estimates.

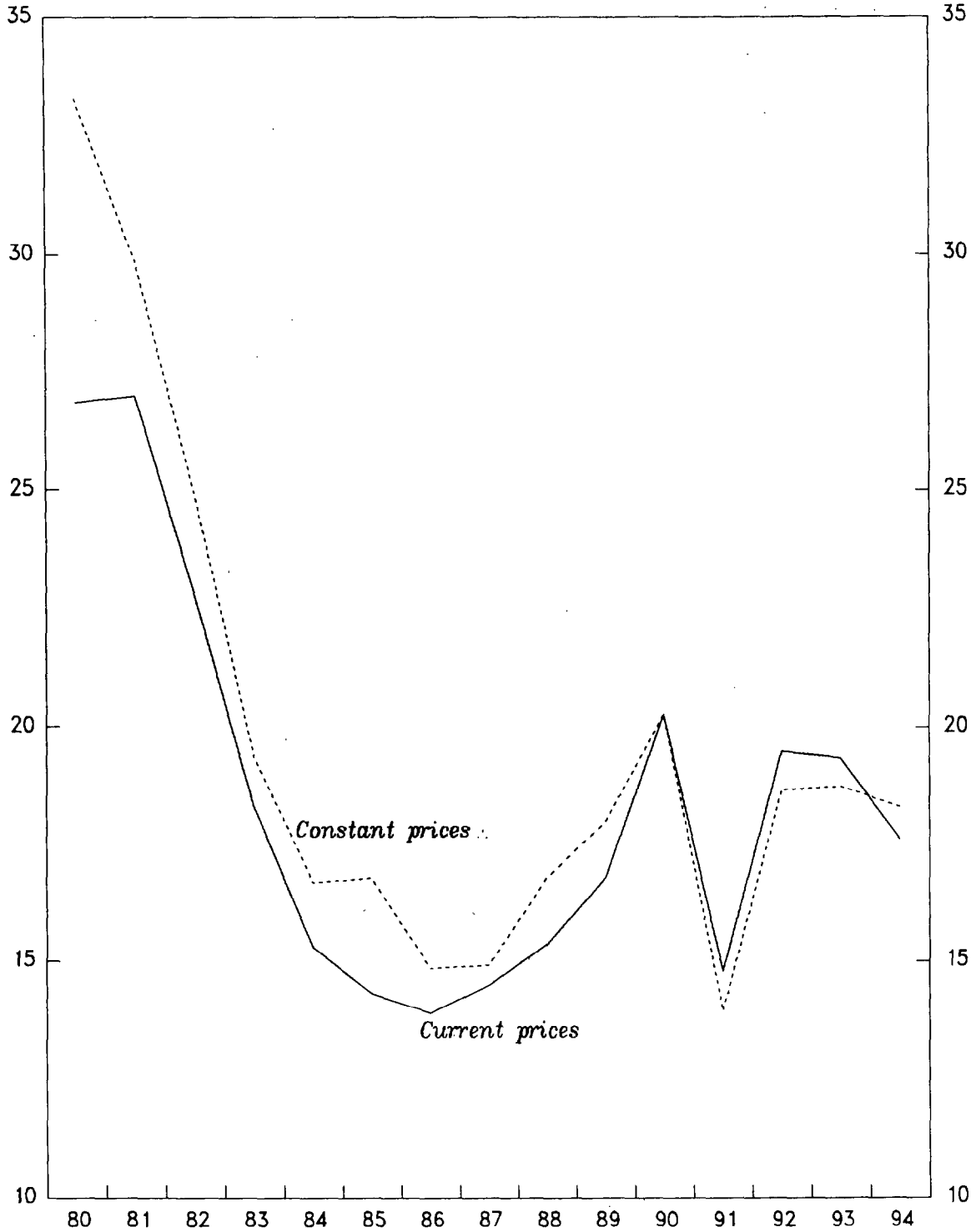
1/ In percent of GDP.
2/ Fiscal year basis; excludes Lesotho Highland Water Project data.

CHART III.2

NAMIBIA

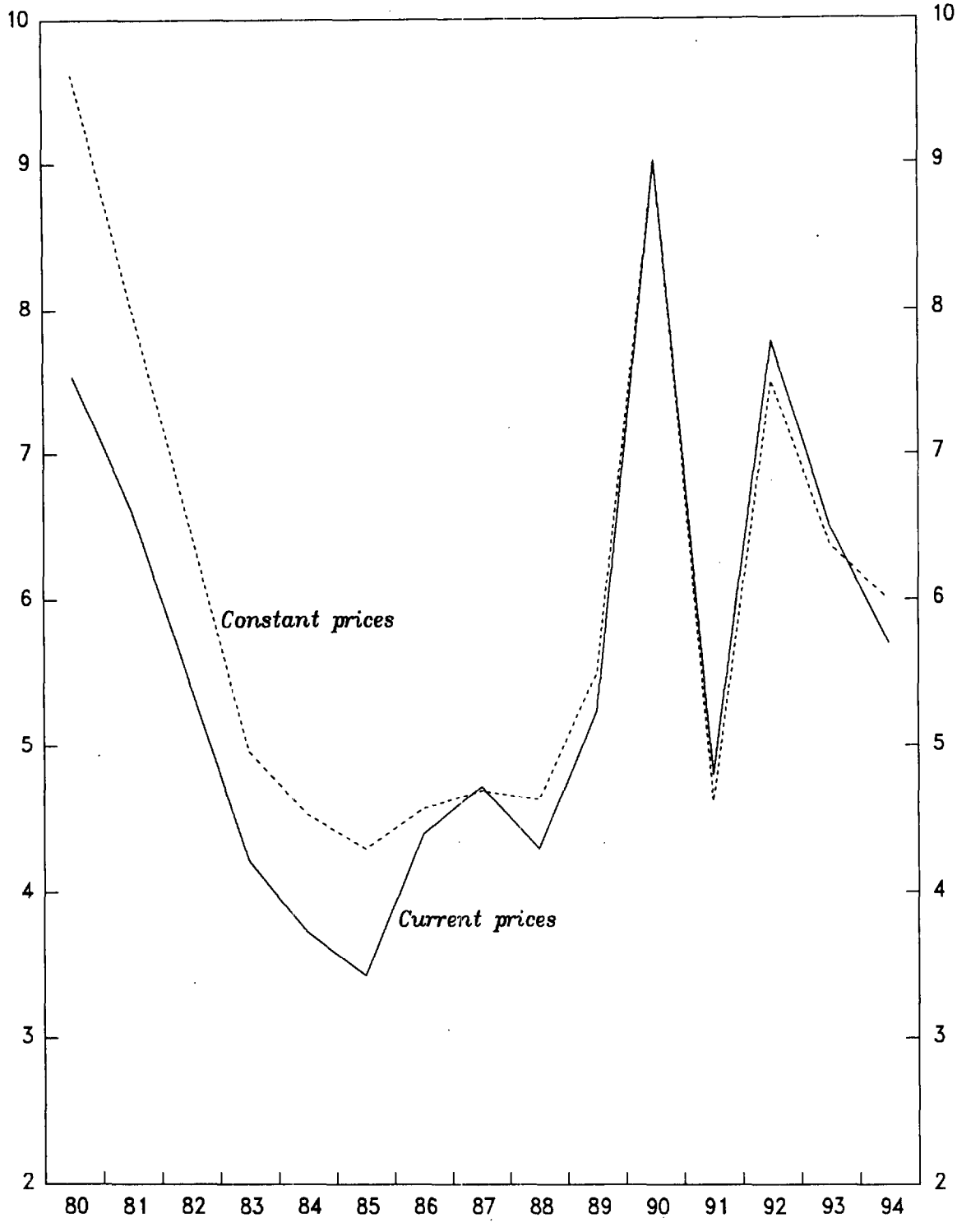
GROSS FIXED INVESTMENT, 1980-94

(In percent of GDP)



Sources: Data provided by the Namibian authorities; and staff estimates.

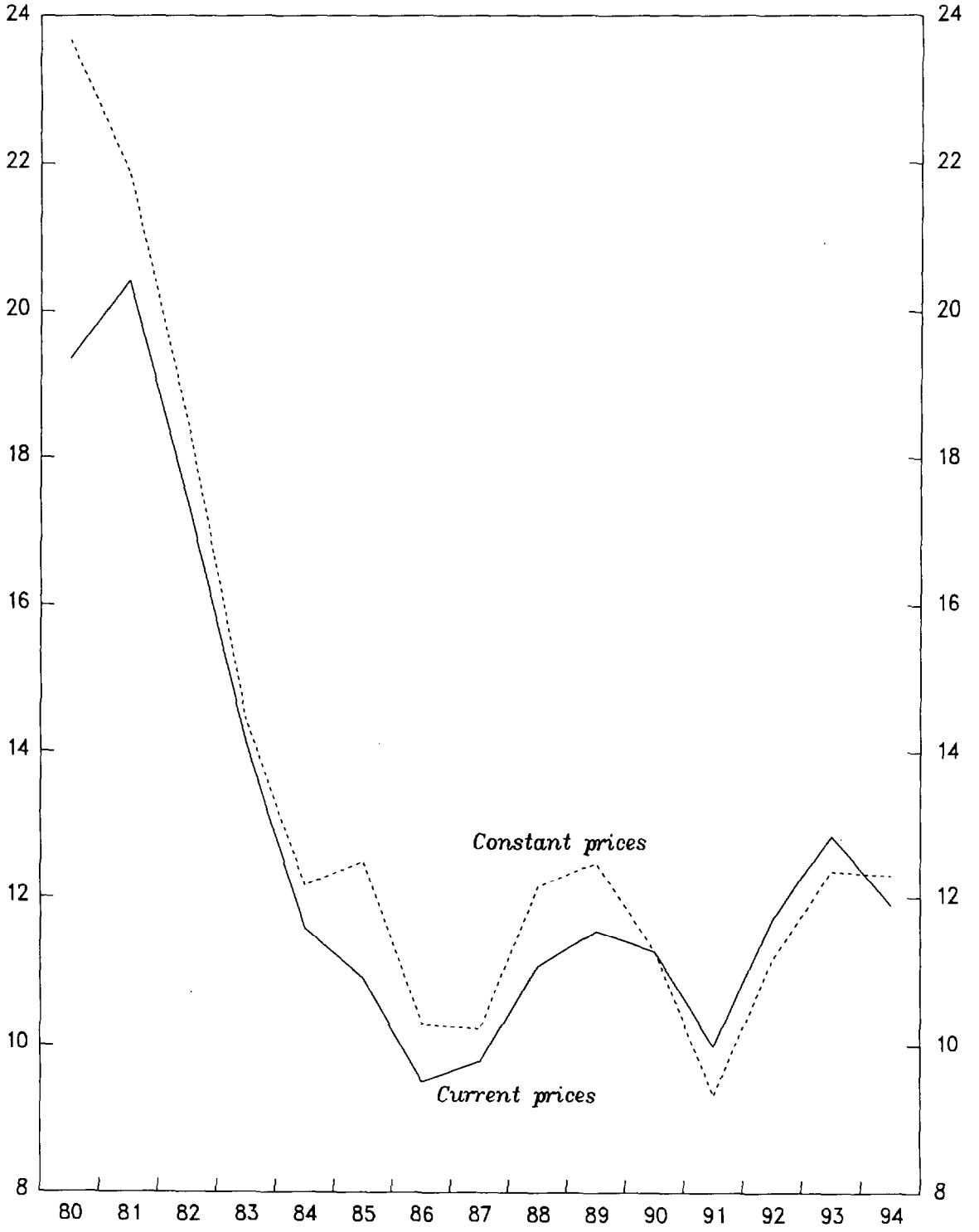
CHART III.3
NAMIBIA
INVESTMENT IN MACHINERY AND EQUIPMENT, 1980-94
(In percent of GDP)



Sources: Data provided by the Namibian authorities; and staff estimates.

CHART III.4
NAMIBIA

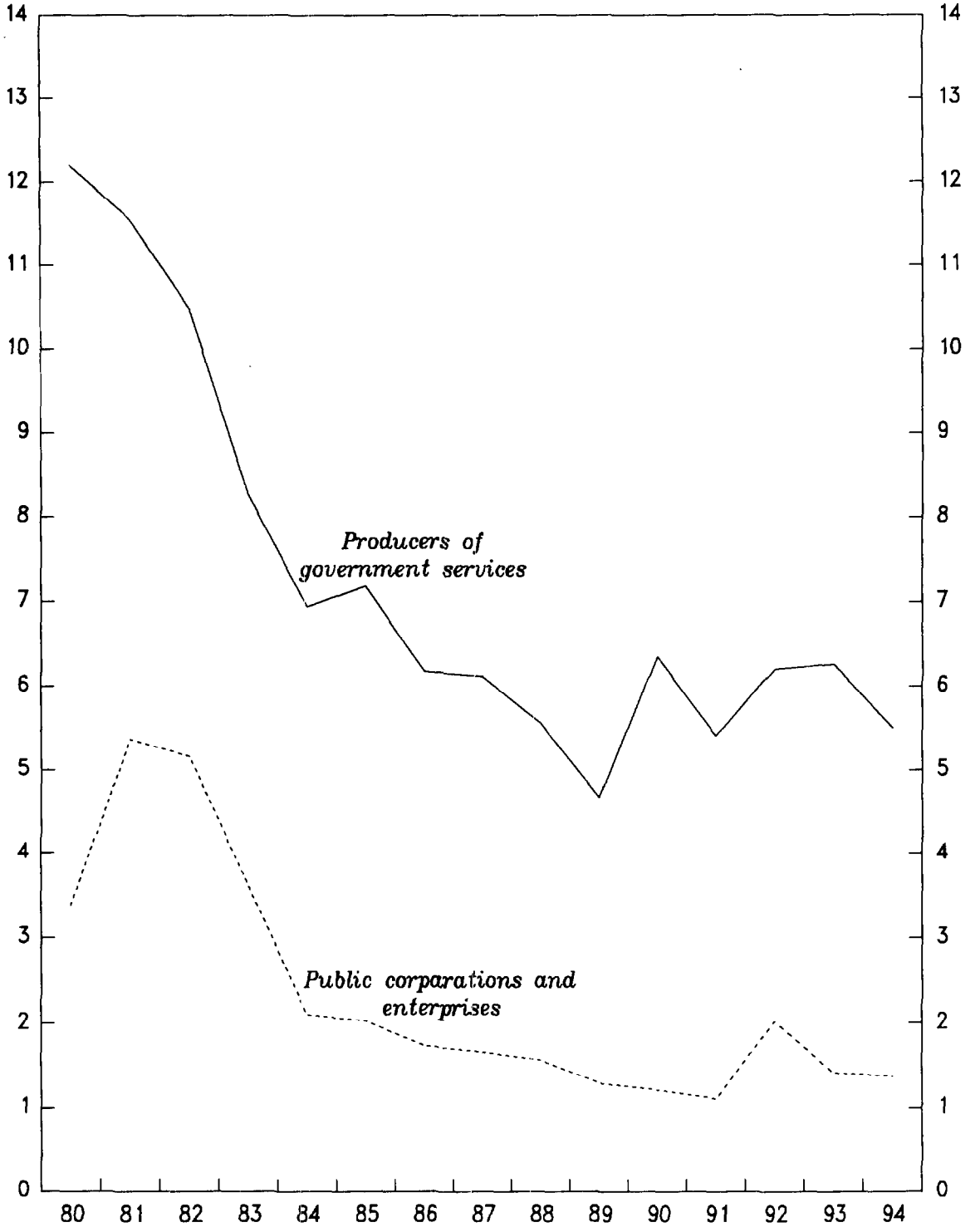
INVESTMENT IN CONSTRUCTION, 1980-94
(In percent of GDP)



Sources: Data provided by the Namibian authorities; and staff estimates.

CHART III.5
NAMIBIA

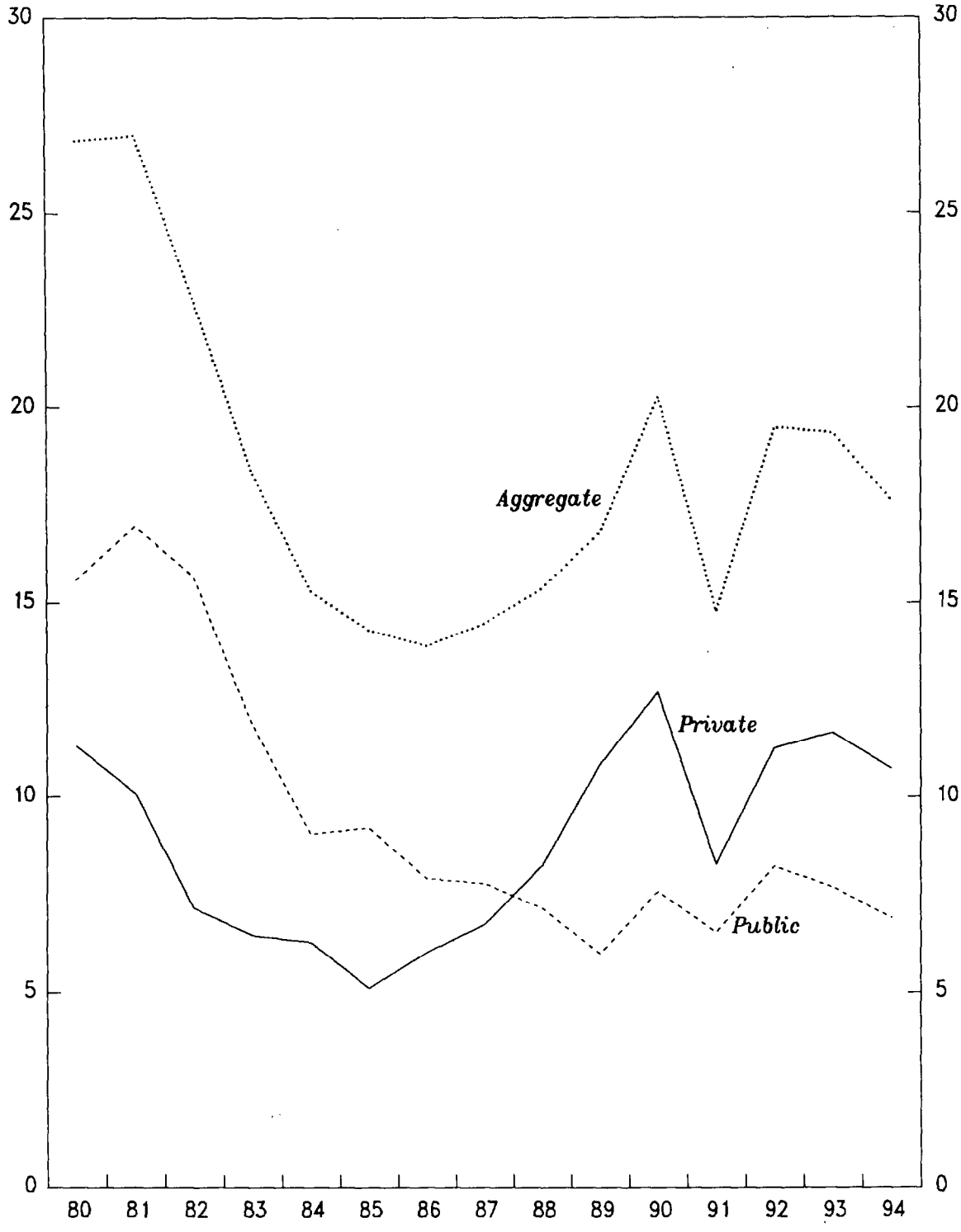
PUBLIC INVESTMENT, 1980-94
(In percent of GDP)



Sources: Data provided by the Namibian authorities; and staff estimates.

CHART III.6
NAMIBIA

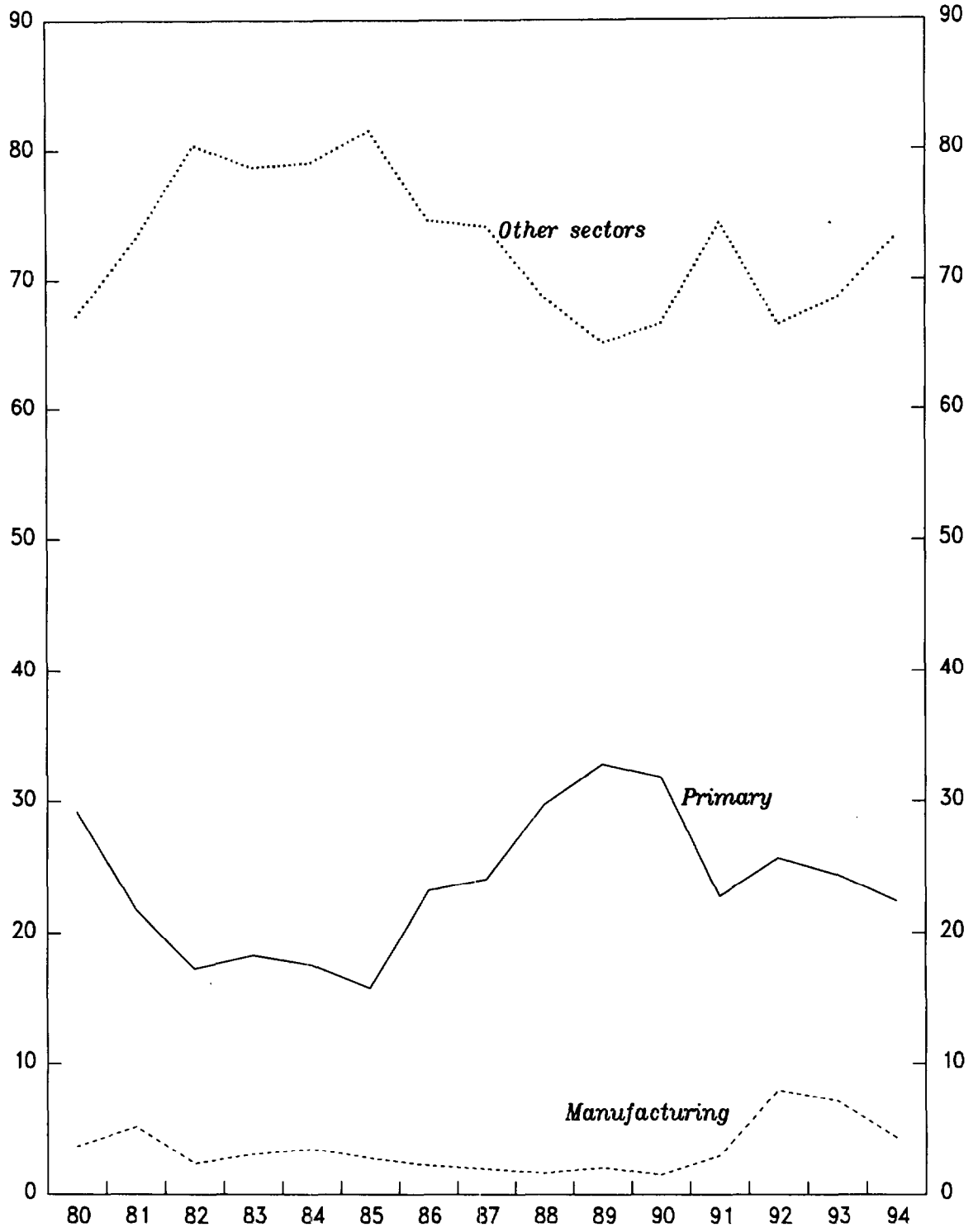
PUBLIC, PRIVATE AND TOTAL INVESTMENT, 1980-94
(In percent of GDP)



Sources: Data provided by the Namibian authorities; and staff estimates.

CHART III.7
NAMIBIA

GROSS FIXED INVESTMENT BY MAJOR INDUSTRIAL SECTOR, 1980-94 1/

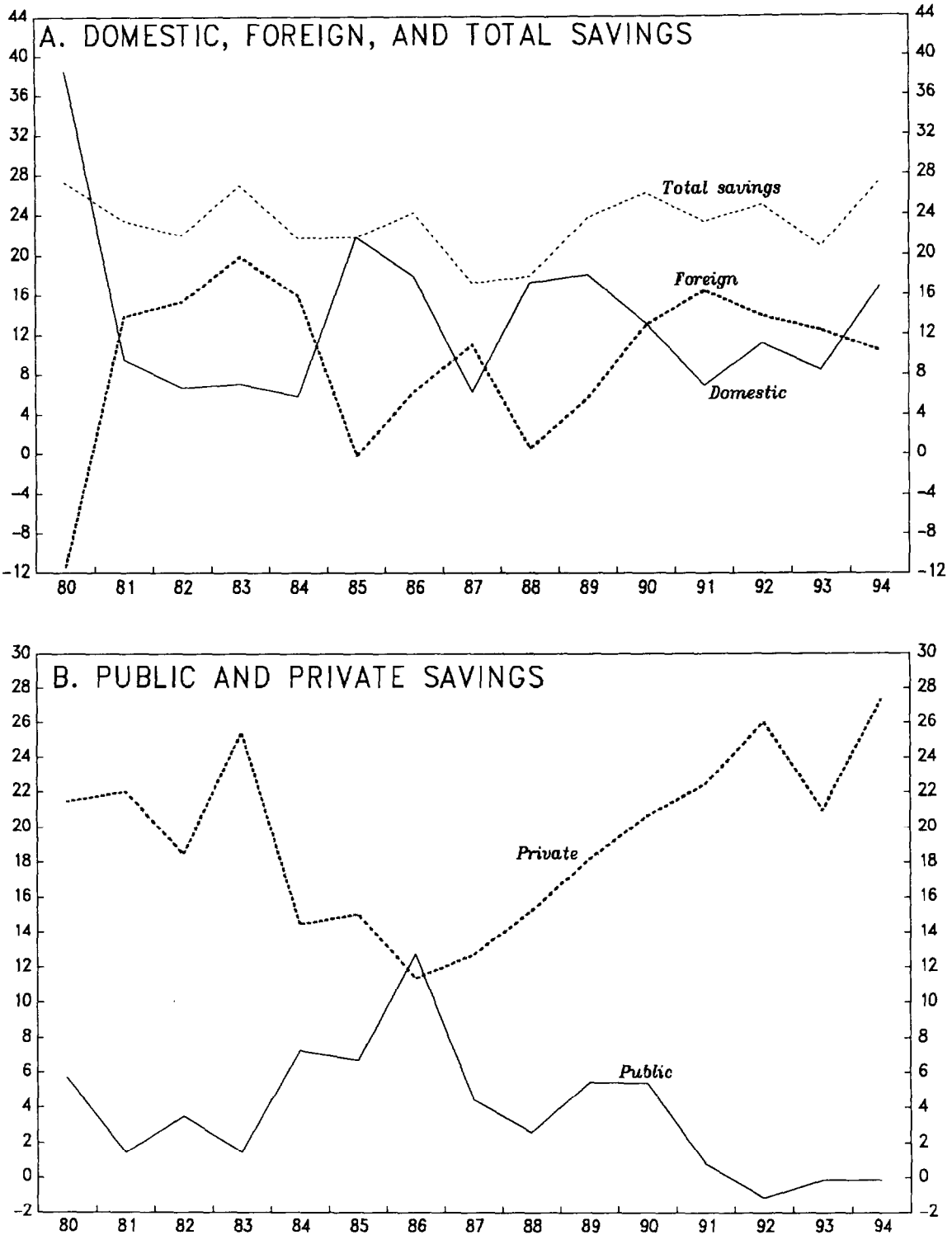


Sources: Data provided by the Namibian authorities; and staff estimates.

1/ As percent of total, at constant 1990 prices.

CHART III.8
NAMIBIA

GROSS NATIONAL SAVINGS SECTOR, 1980-94 1/



Sources: Data provided by the Namibian authorities; and staff estimates.

1/ In percent of GDP, at current prices.

IV. Fiscal Policy and Public Sector Developments, 1990-94

Fiscal policy is the main instrument of economic management in Namibia because of the limited scope for monetary policy imposed by the country's membership in the CMA, and the very close linkage between Namibia and South Africa--for example, the large share of imports from South Africa in Namibia's total imports; the co-circulation of the South African rand and Namibian dollar (linked at par), and the fact that price movements in Namibia largely reflect developments in South Africa. The role of monetary policy is further constrained by the effect of unrestricted capital flows within the CMA on interest rates in Namibia, and by the limited capacity for the Bank of Namibia to control domestic credit expansion. 1/ In this context, only fiscal and structural measures are readily available to guide the path of the economy.

1. Developments in fiscal aggregates

The current fiscal policy stance of the Namibian authorities is to hold the overall deficit (including grants) as a percent of GDP constant at about the same level as in the preceding two fiscal years, though with a progressive reduction in personnel costs as a share of GDP. The overall fiscal position (including grants), which had been in deficit for most of the period 1981/82-1988/89 (with the exception of 1985/86 and 1986/87), improved significantly just before independence, recording a surplus of 5.7 percent of GDP in 1989/90. However, immediately after independence, the fiscal situation deteriorated and has remained in deficit, although the deficit recorded in the last two fiscal years declined from the post-independence peak of 5.4 percent of GDP realized during 1992/93 (see Table IV.1).

At independence, Namibia inherited a public sector that required extensive modification to meet the needs of a small developing economy. Until 1990, the public sector consisted of the Central Authority, 11 ethnically based Second Tier Authorities, and an equivalent number of municipalities, or Third Tier Authorities. During the first half of the 1980s the deficit of the Central Authority, excluding grants, averaged about 18 percent of GDP. Transfers from South Africa averaged 12½ percent of GDP, and the remainder was financed largely by commercial bank loans, guaranteed by South Africa. Over the second half of the decade, budgetary support from South Africa declined, and total expenditure (including net lending) declined by nearly 5 percentage points as a share of GDP, to 36 percent by 1988/89. Total revenue (excluding grants) rose as a share of GDP from a 23 percent average during 1981-84 to 29 percent during 1985-88. Nevertheless, the share of revenue absorbed by personnel spending increased steadily to 9 percent of GDP by 1988/89, equivalent to about 24 percent of total revenue, including grants. During the period immediately prior to independence, expenditure restraint--combined with revenue measures, particularly in the

---

1/ Reserve requirements are legally determined and, pending legislative changes, cannot be varied by the Bank of Namibia; as a result, commercial bank lending reflects resources available through the parent banks.

area of individual income tax--resulted in a surplus equivalent to about 5 percent of GDP in 1989/90. Public capital expenditure declined on balance, measured as a share of GDP, from about 10 percent during 1981/82 to 6 percent during 1988/89, exacerbating the effects of the concomitant decline in private investment. In addition, the Central Authority acquired responsibility during this period for enterprises taken from South Africa's public and private sector, as well as a number of internally managed agencies. 1/

Soon after independence, current expenditure surged from 28 percent of GDP in 1990/91 to 35 percent in 1992/93, owing to a rapid expansion of the civil service and substantial increases in wages (Table IV.1). The increase in the wage bill from 8 percent to 15 percent of GDP during 1990/91 reflected, in part, a reorganization of the public sector, and a reduction in transfers from the Central Authority to other government entities. However, personnel spending continued to increase during the subsequent two fiscal years by 35 percent and 22 percent, respectively; during 1992/93 wage expenditures accounted for 19 percent of GDP, or 52 percent of total revenue, including grants. Efforts aimed at an eventual rationalization of the civil service are ongoing, but the moderation of increases in the wage bill during 1993/94 was offset by a 14 percent increase during 1994/95. The adjustments to wage expenditures under the additional budget for 1994/95 reflected, in part, pressures from the four main public sector labor unions 2/ in connection with a demand for wage increases amounting to 29 percent for the lower end of the pay scale, and 10 percent for those in the more highly paid positions. The budget for 1995/96 provided for a 10 percent general increase in civil service salaries, as well as funding for about 1,182 additional posts.

Overall, the number of posts funded under the budget has expanded from 60,458 in 1991/92 to 68,912 in 1995/96, representing a cumulative increase of about 17 percent. While Namibia has a notable need for additional teachers and health care workers, most of the staffing increase in education has occurred at administrative levels, including principals and department heads, and therefore does not yet incorporate the intended teaching staff for the future.

Subsidies and transfers have expanded as a share of GDP from 3.3 percent in 1991/92 to 4.5 percent in 1994/95. Most of Namibia's parastatals operate on commercial terms, and more than half of the transfers reflect transfers to households and nonprofit institutions, primarily for health care funding, and the social pensions provided by the Government. The

---

1/ These included electricity and water supply, transportation, posts and telecommunications, and tertiary education.

2/ The Public Service Workers Union of Namibia, the Namibia Public Workers Union, Namibian National Teachers Federation, and the Teachers' Union of Namibia.

increase in the overall share reflects, in part, the extended coverage of the social pension to previously omitted regional areas, particularly the north. 1/

Capital expenditures have remained low, accounting for 5-6 percent of GDP between 1991/92 and 1994/95, owing in part to the increase in current expenditures. However, this does not reflect the full amount of capital spending, as a sizable amount of direct financing from donors has not been included in the budget, as either expenditure or revenue. One significant contribution of the National Planning Commission has been the Development Budget, which--for 1995/96--includes a greater share of projects not incorporated into the budget presented to Parliament.

Total revenue (including grants) rose from 31 percent of GDP to 36 percent between 1990/91 and 1991/92, owing to increases in SACU receipts and transfers from South Africa as compensation for Namibia's use of the rand, which more than offset lower company tax receipts. During 1992/93, tax revenues declined as a share of GDP, owing to a decline in SACU receipts, which was only partially offset by increased sales tax receipts. Tax revenues continued to decline as a share of GDP during 1993/94 and 1994/95, owing in part to changes to the structure of personal taxes, and reductions in the company tax rate. Receipts were also affected in 1994/95 by the renegotiation of the agreement with Consolidated Diamond Mines (CDM), and the shift from diamond export duties to royalty payments, which boosted nontax receipts. In general, the revenue effect of various measures enacted since 1992/93 has been limited, owing to the lack of participation in the several incentive schemes, which were intended to boost the development of the manufacturing sector. As a result, the compression of tax revenues as a share of GDP is not indicative of the total effect that could be anticipated for the future.

2. Developments in fiscal planning

The budgeting process in Namibia has undergone considerable restructuring since independence. The 1994/95 budget was the first to be presented to Parliament before the beginning of the new fiscal year. Prior to the submission of the 1995/96 budget on February 9, 1995, the process was further expanded, and included a direct role for the formulation of the first National Development Plan (NDP1), currently in draft form, in the overall budget preparation process. In addition, the Development Budget, instituted in 1994/95, was expanded to include, wherever possible, development projects funded directly by the donor community. Under the new protocol, the budget cycle will now begin with the preparation of an overall macroeconomic framework, including a review of economic conditions, and projections for the medium term, drawing on discussions with the line ministries, and the development of Policy Guidelines, to be approved by Cabinet.

1/ The coverage implied by the social pension amounts to N$135 a month per person.

3. NDP1 and the development budget

As part of the first five-year National Development Plan (NDP1), the National Planning Commission compiled the first development budget that took explicit account of projects funded by the Government, and by donors--including amounts outside the annual budget (Table IV.2). In general, all development funding from loans is included in the State Revenue Fund (SRF), and these loans all carry concessional rates and a grant element of at least 25 percent. Only about 9 percent of development funding in the form of grants, however, appears in the SRF. Nevertheless, while donor funding through the budget is verified with the donors, reported expenditures outside the SRF rely on reports from the various ministries, and may be understated--particularly for those ministries with limited institutional capacity. Overall, the National Planning Commission estimates that it has captured about 75 percent of all development spending. A new Project Identification System has also been implemented to provide a more complete appraisal of projects that takes into account the financial and physical programming; employment creation; and recurrent expenditure implications of capital spending.

4. Nonfinancial public enterprises (NFPEs)

NFPEs have historically operated in Namibia under full government ownership, but without government subsidies. These enterprises operate independently and according to private sector business principles, with boards of directors generally comprised solely of representatives from the private sector. There are nine NFPEs operating in Namibia at present, three of which were established after independence--the Namibian Broadcasting Corporation (NBC), Namibia Post and Telecom Holdings Limited (NPTHL), and the National Fish Corporation of Namibia (Fishcor). The other NFPEs are SWAWEK (established in 1973), TransNamib (1988), First National Development Corporation (FNDC, founded in 1978), National Petroleum Corporation of Namibia (NAMCOR), MeatCo, and the National Housing Enterprise (NHE). In August 1993, the Government placed former ministerial departments, such as the Department of Posts and Telecommunications, on commercial terms with their relationship with the Government to be regulated by performance contracts, and with provisions for explicit payments for loss-incurring operations. 1/

5. Tax structure

In recent years, Namibia has undertaken a number of modifications to the direct and indirect tax systems, with implications for the revenue base, and the transparency and credibility of the fiscal stance. A summary of Namibia's tax system is contained in Appendix II.

1/ A brief discussion of the activities of the major NFPEs is contained in Annex II.

a. Taxation of individuals

Until 1993/94, Namibia maintained a relatively complex personal income tax regime, consisting of 23 bands. At end-1992, the system consisted of 12 rates, with a maximum rate of 40 percent applied to income in excess of N$80,000, and a threshold of N$5,000. By end-1993, this had been reduced to 10 bands with a maximum rate of 38 percent for income in excess of N$120,000, while the primary rebate was doubled to N$10,000, and then to N$15,000 (Tables IV.3 and IV.4). 1/ Interest income, however, is differentially taxed--depending on the source. Interest payments from government securities, the Post Office Savings Bank, and some investments in building societies are exempt, while interest earned on bank deposits is considered taxable. Such a policy has the clear potential to distort the allocation of assets in the economy, and the importance of this issue is magnified by the increase in the domestic asset requirement of the pension funds to 25 percent by end-March 1995, and 35 percent by end-June 1995. The 1995/96 budget also called for an increase in the exemption for retired persons from N$30,000 to N$50,000, despite the fact that pension contributions are deductible--up to N$15,000 a year.

b. Taxation of companies

While there is no separate taxation of incorporated businesses, the restriction of certain provisions to individuals effectively separates companies from individuals. The Income Tax Act of 1981, as amended, calls for income tax to be levied on all companies registered in Namibia, and on the taxable income of all foreign enterprises generated in Namibia. Deductions include normal operating costs and interest, but exclude dividends and capital expenditures. Mining companies are covered under separate taxation.

(1) Nonmining companies

Since 1992, the flat tax on company income has been lowered from 40 percent to 38 percent in 1994, and a further reduction to 35 percent is proposed in the 1995/96 budget--in line with the drop in the top rate applicable to individuals Depreciation allowances and deductions for capital expenditures are generous, and are further increased under the 1995/96 budget.

(2) Manufacturing enterprises

Beginning in 1993/94, a number of provisions were enacted to provide incentives for manufacturing firms and to exporters of manufactured goods, excluding fish and meat products. Registered manufacturers are to be given ten years of graduated tax relief, equal to 50 percent for the first

---

1/ The initial doubling of the threshold was motivated by the reintegration of Walvis Bay, and the desire to ease the transition to the Namibian tax system. The measure also reflected increased efforts to improve the welfare of the lower income groups.

five years after registration, with the percentage reduced by 5 percent points in each of the following five years. This element is, however, granted at the discretion of the Minister of Finance. In addition, should the Minister so choose, the tax holiday may be increased to 100 percent.

Under the 1994 Budget Statement and since enacted, 80 percent of the profits earned from the export of manufactures, other than meat and fish products, are exempt from taxation for an unlimited period. Because this is granted in addition to the tax holiday, it could produce a complete exemption on manufacturing export profits for the first 11 years after registration. Manufacturing companies also receive a special abatement from taxable income ranging from 5 percent to 50 percent over a period of 14 years. The Income Tax Act also permits 125 percent deductibility of wages and training costs for registered manufacturers, as well as the deduction of 125 percent, 150 percent, or 175 percent of certain export marketing expenses.

c. Sales tax mechanisms

A general sales tax (GST) is assessed on vendors with a turnover of more than N$50,000 a year. An attempt was made to avoid cascading through the implementation of a "ring" system, under which registered traders do not pay sales tax on purchases for business use. 1/ Until September 1993, a single rate of 11 percent was applied, and goods specifically exempted include exports, gas, electricity, water, posts, telecommunications charges other than rentals, and medical services. Construction sales are also exempt, because they do not fall within any of the listed taxable items. The GST is also paid on inputs, since these are not specifically exempted, with implications for the effective tax rate.

During 1993, however, the sales tax system was complicated by two factors: (1) a break between the 8 percent rate applied to all goods, and that applied to services (11 percent); and the introduction of the Additional Sales Duty (ASD), separately applied at the manufacturing/import stage. However, most foodstuffs, petroleum products, and electricity are exempt; processed foods, simple metal goods, and clothing face an ASD of 5 percent; motor vehicles, beer, and consumer durables are taxed at a 10 percent rate; and wine, spirits, jewelry, and cosmetics face a 15 percent ASD. It is important to note that the GST is charged on top of the ASD, and thus the effective rate will reflect both retail and wholesale margins, as well as any taxation of inputs. Successive FAD technical assistance missions noted that the earlier system, and the more complicated system that followed, appeared to be characterized by considerable cascading; estimates indicated that about one-third of sales tax revenue for 1992/93 had been

---

1/ Until 1992, taxable and exempt transactions were listed separately in the Sales Tax Act, allowing for a transaction to be exempt by default. Under Section 5(10), as amended in 1992, the GST applies to all vendors of nonexempt goods with an annual turnover exceeding N$50,000.

improperly derived from the taxation of business inputs. As a result, the suggested conversion to a value-added tax system would be unlikely to enhance revenues, despite improvements to the collection procedures.

6. Public debt

Although Namibia's stock of public debt outstanding remains low by international standards, it has been on a rising trend in recent years (particularly in respect of the domestic component) (Appendix IV, Table 24). At the time of independence in 1990, the stock of public debt outstanding was N$730.3 million, equivalent to 12.7 percent of nominal GDP. As the fiscal deficits since then have been increasingly financed through treasury bills and internal registered stock, public debt outstanding amounted to N$2,078.0 million at the end of fiscal 1994/95, equivalent to 19.7 percent of GDP. About half the stock of debt stems from before independence, and more than three quarters is denominated in rand (or Namibian dollars). External debt (including the BON facility with the South African Reserve Bank) accounts for N$1,169.8 million of the total, of which about 92 percent is pre-independence debt owed to South Africa. 1/ The current policy of the Namibian authorities is to limit external borrowing to loans of concessional nature.

1/ In early 1992, a debt rescheduling agreement with South Africa was concluded, which covered virtually all of Namibia's guaranteed medium- and long-term external debt of N$830 million. Under the agreement, Namibia's pre-independence debt was refinanced under a credit facility provided by the South African Reserve Bank. The credit is to be repaid over a period of 17 years starting in 1995 at a 1 percent interest rate. Agreement was reached in principle towards the end of 1994, at the level of the two heads of state, to write off this debt, but modalities to bring the agreement into effect have not been fully worked out. In Appendix IV, Table 24, this debt is classified as domestic debt of the Government (to the BON).

Nonfinancial Public Enterprises (NFPEs)

SWAWEK, which is administered by the Ministry of Mines and Energy, is responsible for electricity generation, transmission, and distribution. About one-third of Namibia's consumption of electricity is supported from domestic generators; the remaining two-thirds of annual electricity consumption is met through imports from ESKOM in South Africa. Current levels of consumption, however, have reached the capacity of the distribution system. Substantial investments will be required, either in a hydroelectric power scheme at Epupa, which is under consideration, or in the form of increased capacity to support imports from South Africa. The company is profitable, and maintains substantial reserves: SWAWEK's net operating income was nearly N$87 million in 1993 and N$71.8 million in 1994. On July 1, 1993, the previous exemption from income tax payments ended, and net operating income after taxes for 1994 was reduced to N$53.6 million.

TransNamib, which is administered by the Ministry of Works, Transport and Communication, owns the national rail system, the national airline (Air Namibia), runs a road transport enterprise, manages Lüderitz harbor, and operates a commercial sea transport line. During 1993 and 1994, TransNamib made operating losses of N$21 million and N$18 million, respectively, which were financed through revenue from interest, property rental, and sale of assets. In contrast to its position as a loss maker during the 1980s, TransNamib earned positive net income during 1990-94, following sustained efforts to cut costs and improve efficiency. TransNamib makes no demands on the State Revenue Fund, and has historically paid no taxes. Rail and road transport costs are regarded as high, but within the average range in the region. Costs are boosted, in part, by the fact that vehicles often travel empty in one direction. While TransNamib has cited increased road transit competition from foreign haulers, other recommendations indicate that a deregulation of the transportation of goods and passengers to reduce the existing high degree of concentration is regarded as essential for efficient functioning.

The Namibia National Development Corporation assumed the assets, rights, liabilities, and obligations of the First National Development Corporation (FNDC) on September 30, 1993. The First National Development Corporation had comprised a development finance institution and holding company for numerous enterprises in trading, meat processing, retail petroleum stations, banking, manufacturing, agro-processing, cattle ranching, rural development, and various service industries. FNDC had made steady net losses over the previous three years, which were financed through the sale of shares and drawing down of cash resources. During 1992/93, a new corporation-- Namibia's National Development Corporation (NNDC)--was formed to replace the FNDC. The NNDC is made up of two divisions--an industrial development division, which handles development objectives in conjunction with the Ministry of Trade and Industry, including efforts to promote the establishment of small industries, and an agricultural development division, which handles objectives in conjunction with the Ministry of Agriculture, Water, and Rural Development.

Administered by the Ministry of Mines and Energy, NAMCOR is involved in the coordination, execution, and monitoring of oil and natural gas exploration activities in Namibia and assists the ministry with the conduct, evaluation, and negotiation of bids from international oil companies concerning offshore exploration licenses. NAMCOR is responsible for the day-to-day monitoring of the petroleum exploration activities of the license holders and for the conduct, through subcontractors, of additional seismic surveys. The enterprise has a small staff and receives ongoing technical assistance from the Commonwealth Secretariat and the Norwegian aid agency NORAD. NAMCOR earned net income of N$1.2 million in 1994 and N$0.2 million in 1993, in part from the sale of data.

MeatCo, which is under the Ministry of Agriculture, Water and Rural Development, operates slaughtering and processing facilities for the Namibian livestock industry. Its main abattoirs in Windhoek and Okahandja have been approved for export by the EU and are each capable of slaughtering and processing 600 cattle per day. The company prepares and markets frozen and refrigerated beef, corned beef, and lamb and mutton products for domestic consumption and export, primarily to southern Africa and Europe.

NBC operates the national television channel and eight radio stations that broadcast in 12 languages, reaching an estimated 90 percent of the country's population. Seventy-five percent of the NBC's funding comes from the Government, with the remainder coming from sponsorship and advertising. NBC's management is accountable to an independent Board of Directors, which formulates policy. The radio and television broadcasts are used, however, to support government policies in education and other social services. NBC has agreements with the French satellite television company CFI to receive eight hours of daily news, sports, entertainment, and educational programming, with costs covered by the French Government. NBC reported net operating income of N$4.5 million in 1993, and N$0.2 million in 1994, reflecting a decline in the subsidy from the Central Government, from N$41.4 million in 1993 to N$34.7 million in 1994.

NHE is a lending institution and a developer of low- and middle-income housing. During the past decade, it has constructed or provided mortgage finance for approximately 7,000 dwellings, providing subsidized interest rates to borrowers. NHE subcontracts much of its housing development work to the private sector.

In September 1992, the responsibility for posts and telecommunications was shifted from the Department of Post and Telecommunications to two state corporations, Telecom Namibia Ltd, and Namibia Post Limited (NPL), under a government holding company (NPTHL). The Board of Directors of the holding company is made up of representatives of the private sector and the Managing Directors of NPL and TNL. This structure was designated to function for a five-year period, after which the two operating companies will become independent enterprises, remaining under government ownership. While Namibia Post has increased its rates since its inception, its operations continue to be subsidized by Telecom Namibia.

Table IV.1. Namibia: Financial Operations of the Central Government, 1989/90–1995/96

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95 Original Budget	1994/95 Revised Budget	1994/95 Estimate	1995/96 Budget
				(In millions of Namibian dollars)					
Total revenue and grants	2,313.0	2,007.1	2,602.5	2,906.6	3,073.1	3,232.4	3,396.6	3,422.4	3,837.7
Revenue	2,004.6	1,906.0	2,534.7	2,833.1	3,018.2	3,188.0	3,366.6	3,392.4	3,799.2
Tax revenue	1,772.0	1,660.9	2,195.7	2,434.0	2,754.5	2,974.4	2,973.6	2,985.0	3,370.3
Income and profits	776.0	655.2	562.7	783.1	908.7	870.5	1,000.0	1,005.5	1,020.7
Domestic goods and services	454.9	479.5	576.0	800.5	906.7	1,039.5	1,023.2	1,029.1	1,130.9
International trade	521.7	507.5	1,036.6	829.1	896.1	1,023.4	902.4	902.4	1,155.7
Other	19.4	18.8	20.4	21.3	43.0	41.0	48.0	48.0	63.0
Nontax revenue	229.7	241.2	334.5	398.0	262.2	211.6	391.5	405.9	426.9
Capital revenue	2.9	3.8	4.5	1.2	1.5	2.0	1.5	1.5	2.0
Grants	308.3	101.1	67.8	73.5	54.9	44.4	30.0	30.0	38.5
Total expenditure and net lending	1,983.5	2,078.8	2,791.5	3,342.2	3,406.2	3,638.3	3,923.0	3,848.8	4,311.8
Current expenditure	1,765.4	1,720.1	2,366.4	2,761.9	2,902.9	3,134.6	3,337.8	3,290.9	3,650.8
Personnel expenditure	473.5	922.8	1,249.5	1,522.2	1,582.1	1,742.6	1,818.7	1,800.5	2,056.7
Goods and services	427.8	566.8	783.2	823.2	867.3	850.7	938.2	921.6	1,059.2
Interest payments 1/	131.2	26.8	20.9	21.6	70.0	100.9	97.4	97.4	119.8
Subsidies and current transfers	732.9	203.7	312.8	394.9	383.5	440.4	483.5	471.4	415.1
Capital expenditure	191.5	307.2	412.5	550.0	485.5	479.8	550.7	525.5	638.7
Net lending	26.6	51.5	12.6	30.3	17.8	23.9	34.5	32.4	22.3
Balance (including grants)	329.5	−71.8	−189.0	−435.6	−333.1	−405.9	−526.4	−426.4	−474.1
Financing	−329.5	71.8	189.0	435.6	333.1	405.9	526.4	426.4	474.1
Domestic	...	71.8	189.0	397.8	269.2	366.9	487.4	387.4	474.1
Banking system	...	...	34.0	336.1	...	...	...	...	...
Monetary authorities	...	...	−54.3	91.5	...	...	...	...	...
Commercial banks	...	...	88.3	234.6	...	...	...	...	...
Other banking institutions	...	...	...	10.0	...	...	...	...	...
Nonbank	...	...	155.0	61.7	...	...	...	...	...
Foreign 2/	...	...	...	37.8	63.9	39.0	39.0	39.0	...
				(In percent of GDP)					
Balance including grants	5.7	−1.2	−2.7	−5.4	−3.8	−3.9	−5.0	−4.0	−4.0
Balance excluding grants	0.4	−2.8	−3.7	−6.4	−4.4	−4.3	−5.3	−4.3	−4.3
Revenue	35.0	31.1	36.4	35.4	34.1	30.3	32.0	32.2	32.0
Revenue and grants	40.3	32.8	37.4	36.3	34.8	30.7	32.3	32.5	32.4
Expenditure	34.6	33.9	40.1	41.7	38.5	34.6	37.3	36.6	36.4
Current expenditure	30.8	28.1	34.0	34.5	32.8	29.8	31.7	31.3	30.8
Capital expenditure and net lending	3.8	5.9	6.1	7.2	5.7	4.8	5.6	5.3	5.6
Interest payments	2.3	0.4	0.3	0.3	0.8	1.0	0.9	0.9	1.0
Primary balance including grants	8.0	−0.7	−2.4	−5.2	−3.0	−2.9	−4.1	−3.1	−3.0
Memorandum items:				(In millions of Namibian dollars)					
Interest capitalized on preindependence debt	...	75.5	69.3	64.7	61.3	...	57.6	57.6	57.6
GDP at market prices (fiscal year)	5,733.3	6,127.8	6,955.5	8,013.8	8,840.1	10,529.7	10,529.7	10,529.7	11,860.8

Sources: Data provided by the Namibian authorities; and staff estimates.

1/ From 1990/91, excludes interest capitalized on preindependence debt.
2/ From outside the Common Monetary Area.

Table IV.2. Namibia: Development Budget by Source of Funding, 1994/95–1997/98

(In millions of Namibian dollars)

	1994/95	1995/96	1996/97	1997/98
Total	711.0	893.5	1,003.8	945.7
Government	377.0	458.6	532.0	623.8
External	334.0	434.9	339.0	138.8
State Revenue Fund (SRF)	93.3	124.5	78.6	8.6
Grants	47.6	32.0	22.1	1.6
Loans	45.7	92.5	56.5	7.0
Outside State Revenue Fund	240.7	310.4	260.4	130.2
Grants	240.7	310.4	260.4	130.2
To be funded			132.8	183.1
Memorandum item:				
Inflation (period average)			11.0	10.2

Source: National Planning Commission, Development Budget for 1995/96.

Note: Only amounts financed through the State Revenue Fund (SRF) are incorporated into the Estimates of Revenue and Expenditure for the Financial Year ending March 31, 1996. Data for 1994/94 reflects only those projects that will also receive funding in 1995/96.

Table IV.3. Namibia: Tax Abatement Schedules, 1993/94–95/96

(In Namibian dollars)

	1993/94	1994/95	1995/96
Abatement			
Primary	5,000	10,000	15,000
One child	1,000	1,000	
Two children	1,500	1,500	
Three or more children	2,000	2,000	
Age above 65 years 1/	1,000	1,000	
Sole breadwinner	3,000	4,000	

Source: Budget Statements provided by the Namibian authorities.

1/ A separate provision allows for a higher threshold for retirement income.

Table IV.4. Namibia: Income Tax Bands and Marginal Tax Rates, 1993/94–95/96

	1993/94	1994/95	1995/96
(Namibian dollars)		Marginal tax rate (In percent)	
5,001 – 10,000	14	14	– –
10,001 – 15,000	19	20	– –
15,001 – 20,000	24	22	19
20,001 – 25,000	28	26	22
25,001 – 30,000	31	30	22
30,000 – 40,000	34	34	27
40,001 – 50,000	36	35	32
50,001 – 60,000	37	35	33
60,001 – 70,000	38	36	33
70,001 – 80,000	39	36	33
80,001 – 120,000	40	37	35
120,000 –	40	38	35
Number in brackets	12	10	6

Source: Budget Statements provided by the Namibian authorities.

V. Financial Sector and Monetary Issues

1. The financial system

a. Overview

Namibia, at independence, inherited a relatively well-integrated financial system. Nevertheless, the financial sector lacks depth, and reflects the dualism in the economy. The existing institutions are concentrated in the main urban centers, and almost exclusively serve the modern sector. In addition, the sector is characterized by a lack of competition; the absence of branch networks; a high cost of finance; a limited range of financial instruments; limited access to credit by small businesses and those in the informal sector; low returns to small savers; limited medium- to long-term lending operations; and a high concentration of lending to a few important sectors of the economy; moreover, there is no secondary market for government short-term instruments, even though they are quoted on the stock exchange. Most important, the regulatory and supervisory framework has remained weak, owing to delays in drafting and then passing the necessary bills. Although there exist legal requirements for liquidity and reserves, and implied standards for capital adequacy and exposure, in practice the Bank of Namibia's oversight is limited. The Bank of Namibia has no authority to alter the legal requirements for liquidity and reserves, and consequently cannot use them for monetary policy purposes. Moreover, the responsibility for prudential regulation and supervision of financial institutions remains diluted, with responsibilities shared between the Bank of Namibia for banks and building societies, and the Ministry of Finance for nonbank financial institutions. At present, the activities of the commercial banks are largely autonomous, with limited formal linkages in practice to the central bank.

The formal financial system consists of the central bank--the BON, 5 locally incorporated commercial banks, 2 building societies, 12 insurance companies, a number of pension funds, and 3 public financial enterprises, of which 2 are specialized institutions. 1/ The system is dominated by the commercial banks, of which the two major ones accounted for about two thirds of total assets. The national currency--the Namibian dollar (notes)--was introduced on September 15, 1993, and coins in early 1994. Both the Namibian dollar and the South African rand are legal tender, and exchange at par. However, since the issuance of the national currency, the rand has been gradually withdrawn from circulation, and now forms part of Namibia's foreign exchange holdings. Although no firm data are available on the quantity of rand in circulation in Namibia, the authorities have indicated

---

1/ All the five banks and four major nonbank financial institutions (insurance companies) in Namibia are either fully foreign-owned or have significant foreign share ownership; and most are subsidiaries or branches of South African financial institutions.

that the amount of rand notes currently circulating is fairly small. 1/ The Namibian dollar has gained general acceptability since its introduction, boosting the public confidence in the ability of the BON to carry out the functions of a monetary authority. To promote the conduct of national monetary policy, the Government has made substantial progress in developing financial instruments and creating a primary market for them. Since 1991, public auctions of government debt instruments of varying maturity--treasury bills and internal registered stock--have been conducted regularly. In addition, the Namibian Stock Exchange, which started operations in October 1992, has grown substantially and by end-1994 had become second in Africa in terms of market capitalization. In spite of the success in the growth of the financial market, the absence of an active secondary market for these instruments remains a major challenge.

b. Institutional framework

The Bank of Namibia (BON) was established with extensive joint IMF/UNDP technical assistance in August 1990 as the central bank and it gradually took over the functions previously performed by the Windhoek branch of the South African Reserve Bank (SARB). The BON is responsible for currency issue, public debt management, administration of exchange controls, foreign exchange management, supervision of the banks and building societies, and conduct of monetary policy. With the introduction of Namibia's own currency in 1993, it took on some aspects of the role of lender of last resort to the Government and the banking system. Although the BON is vested with the responsibility for the pursuit of monetary policy in Namibia, in practice, as long as Namibia remains a member of the CMA 2/ and the new currency continues to be exchanged at par with the rand, monetary policy will remain heavily influenced by policies in South Africa. The BON now manages Namibia's foreign exchange reserves, which following independence had remained part of the pool administered by the SARB. With the introduction of the Namibian dollar, the South African rand withdrawn from circulation are reinvested in South Africa or other developed countries as part of Namibia's foreign reserves. In this way, the BON has been able to diversify the country's foreign exchange resources out of rand and into other major hard currencies, with a view to minimizing the impact of rand fluctuations on the value of foreign exchange reserves.

In order to strengthen the operational efficiency of the BON, the organizational structure of the bank was restructured in 1994, with the number of departments reduced from the original seven to four--corporate services, financial institutions, operations, and research. During 1994, new legislation was drafted, which would strengthen the bank's regulatory and supervisory capacity. These bills are expected to be enacted during 1995.

1/ The amount of rand in circulation was estimated to be about R 400 million in 1990.

2/ Other members of the CMA include Lesotho, South Africa, and Swaziland. The CMA agreement provides for the free flow of capital between member countries.

Also during the year, the bank applied for membership in S.W.I.F.T., 1/ and if approved, will become operational in the second half of 1995; enabling the BON to facilitate financial transfers and payments by electronic means between banks in the region and abroad.

There are five commercial banks currently operating in Namibia--First National Bank of Namibia (FNBN), Standard Bank of Namibia (SBN), Commercial Bank of Namibia (CBN), Bank Windhoek, and Citi Savings and Investment Bank (CSIB). All the banks are privately owned and have foreign share ownership, of either South African, European, or Malaysian origin, in the range of 49-100 percent. At its inception in 1993, CSIB was incorporated as a full Namibian-owned bank, but it ran into serious problems in 1994--with management crises arising from a lack of banking expertise and undercapitalization--and was compelled to sell off the controlling interest to a privately owned foreign bank, which injected funds to recapitalize it and took over its management. The two largest banks--FNBN and SBN--are full-fledged subsidiaries of South African banks, and between them they control about two-thirds of the total assets of the banking system; the smallest, CSIB, has only a 1 percent share. Although the banks provide a full range of financial services, and appear to be generally well managed and profitable, they have some shortcomings, which the BON is addressing through the pending bills and administrative steps. More specifically, bank branch activity beyond the urban areas continues to be very limited, and is underrepresented in the rural areas where the majority of the population live. Moreover, the deposit profile continues to be biased toward demand and time deposits of short maturities, which in recent years have accounted for about 80 percent of total deposits (Table V.1). Although data on the maturity structure of loans are not available, there are indications that their lending profile is similarly biased toward the shorter end of the spectrum, in keeping with the term structure of their deposits. Another noticeable feature shared by the banks is their high loan-to-deposit ratio, which averaged about 74 percent during 1990-94 (Table V.2). It appears that there is a high concentration of lending among a few sectors and borrowers.

In addition to the commercial banks, there are five other banking institutions regulated and supervised by the BON. These include: two building societies--the South West Africa Building Society (SWABOU) and the Namib Building Society (NBS); and three public financial institutions--the Post Office Savings Bank (POSB), the Agricultural Bank of Namibia (formerly the Land and Agricultural Bank), and the National Housing Enterprise (NHE) (formerly the National Building and Investment Corporation). The building societies are funded through a combination of tax-free shares and private sector deposits; they provide financing for mortgages and are restricted by law to operate only in urban centers. The bulk of their funding comes from domestic institutional investors, including pension funds, the Post Office Savings Bank, municipalities, and public enterprises. The Post Office Savings Bank is a savings deposit institution, and its operations are

---

1/ S.W.I.F.T.--Society for Worldwide Interbank Financial Telecommunications.

concentrated in the rural areas, with several branches, agencies, and mobile banking units throughout the country. It is the main savings mobilizer of financial savings in rural communities. The POSB does not lend directly to the private sector. The Agricultural Bank is an independent government institution. Besides its share capital, funding for the bank comes from long-term loans from the Government, deposits of other agricultural institutions, and overdrafts from commercial banks. Its lending operations consist largely of long-term loans for agricultural development, primarily in the commercial farming areas for mortgages, capital investment, and working capital. In recent years, its operations have been extended to the provision of credit to the more established communal farmers to acquire land in commercial areas, and assisting small-scale farmers in infrastructural development. The NHE is owned solely by the Government with the main objective of providing affordable housing, particularly to low-income households in urban areas. It relies heavily on the Government for funding in the form of share capital. In addition to lending activities, the NHE provides a range of other services, including construction of housing projects, architectural and civil engineering projects, and administration of contracts.

Complementing the deposit-taking institutions are several nonbank financial institutions operating in Namibia, which are regulated and supervised by the Ministry of Finance. These include 12 insurance companies 1/ and several pension funds. Insurance companies do not normally lend to the private sector, but policy holders could use their policies as collateral for borrowing from the banks. Because of the limited investment opportunities in Namibia, these institutions have concentrated their activities in real estate development, particularly office buildings. In addition, a substantial proportion of their financial assets have continued to flow to South Africa, given the free flow of funds allowed between member countries under the CMA agreement. This trend prompted the regulatory authority to pass a law during 1994 and early 1995 requiring these institutions to invest a specified proportion of their total assets in domestic assets. 2/

1/ Three out of the four biggest of these companies have 100 percent South African ownership--Sanlam, Old Mutual, and Metropolitan, while the fourth--Southern Life has 75 percent South African ownership.

2/ Regulation 28 was enacted in March 1994 and is applicable to the pension funds. Initially the regulation required the pension funds to invest a maximum of 10 percent of their total assets in Namibia (in domestic assets) by end-December 1994, 15 percent by end-March 1995, and 25 percent by end-June 1995. However, this was later amended to 25 percent and 35 percent respectively, by end-March and end-June 1995, to bring it in line with Regulation 34. Regulation 34, which came into effect during March 1995 and is applicable to the insurance companies, stipulates that the insurance companies should invest a maximum of 35 percent of their total assets in domestic assets by end-June 1995.

The Namibia Stock Exchange (NSE) was established in 1992 to assist in broadening investment opportunities in Namibia, against the background of the continued investment of the country's savings in the South African financial market. It started operations in October 1992 with only 1 company listed but has since expanded rapidly, particularly during 1994 when the number of listed companies increased from 6 in 1993 to 14 at the end of 1994. Some of the companies listed during 1994 include: the two largest fishing companies--Namsea and Namfish; local wholesaler--Metje and Ziegler; two diamond stocks--Ocean Diamond Mining and Namco, South African; the investment trust, Genbel; and the South African holding companies for First National and Standard Banks. The registered stocks issued by the Government of Namibia are also traded on the NSE. The NSE maintains a "dual listing" or "cross-listing" system, under which firms already registered on the Johannesburg stock exchange can list their stocks in the NSE. In September 1994, Namco, which is also registered on the Vancouver exchange, became the first dual listing with respect to an exchange outside Africa. Dividends from the NSE-listed companies payable to Namibian residents and firms are free from taxation.

c. Legal framework

The legal framework regulating financial institutions in Namibia is essentially that of South Africa, although these have been amended in some cases to accommodate certain specific aspects of the Namibian economy. The Banks Act of 1965 and the Building Societies Act of 1986, as amended, govern the activities of banks, bank controlling companies, and discount houses; and building societies, respectively. These acts set legal requirements for liquidity and reserves; while there are implied standards for capital adequacy and exposure, the oversight by the BON is limited. The Building Societies Act was amended in December 1992, in order to enable these institutions to become more competitive with commercial banks, which resulted in the removal of the limit on mortgage loans granted for the purchase of residential properties. Another amendment to the Act was made in November 1994, which would allow the building societies to be transformed into banks. Two new insurance acts were drafted during 1992, which aimed at localizing the insurance industry and enhancing its regulation; these acts have, however, remained in draft form.

The BON is currently in the process of introducing two new bills--the Bank of Namibia bill and the Banking Institutions Act (covering all banks and building societies)--before the Parliament, which will enhance the regulatory and supervisory powers of the BON. The new BON Act contains more prudential standards than currently exist, and includes more up-to-date and internationally accepted practices. The bill also seeks to give the BON power to promote branch banking and credit extension to the rural areas. In addition, the new bill would transfer the liquid assets and reserves requirement provisions (currently stipulated as prudential requirements) in the Banks Act to the BON Act to make them monetary policy tools.

d. Prudential regulation and supervision

Regulatory and licensing functions are shared between the Bank of Namibia and the Ministry of Finance (MoF), with the BON having responsibility for banks and building societies, and the MoF for the others, including the stock exchange. Prudential regulation and supervision in Namibia is still largely based on the South African and the Building Societies Acts, as amended, 1/ which set specific liquidity, reserves, and capital requirements. 2/ Prior to the establishment of the BON, all banks and bank controlling companies in Namibia were supervised by the South African Reserve Bank. From August to December 1990, the supervisory responsibility was shared by the SARB and the BON, until early 1991 when the BON assumed sole responsibility. The supervision of the building societies was transferred from the Ministry of Finance to the BON at end-1990.

Although progress has been made in trying to adapt the provisions of the Acts to Namibia, the issue of effective capacity to supervise the financial institutions, as well as the adequacy of bank legislation, remains a major challenge to the authorities, 3/ who have recently stepped up the training of requisite manpower to carry out on- and off-site inspections. To date, the BON has only been involved in redesigning basic reporting requirements, 4/ through the development of monthly reporting of liquid assets and reserve balances for the separate institutions to monitor compliance. In addition, work has begun on designing forms to collect information on capital adequacy and sectoral lending from the commercial banks. 5/

1/ The amendments focused primarily on adapting and strengthening the supervisory framework contained in these acts.

2/ Reserve requirements on commercial banks are as follows: 5 percent on short-term deposit liabilities (deposits of less than or equal to 31 days maturity), and 2 percent on medium-term deposit liabilities (deposits of 32 days-6 months); and liquidity requirements as follows: 20 percent on short-term liabilities, 15 percent on medium-term liabilities, and 5 percent on long-term liabilities (deposits of more than six months). Reserve ratios were reduced from 8 percent and 4 percent when the Banks Act of South Africa was made applicable to Namibia in December 1991. Liquid assets are defined as cash (over and above the cash reserve), treasury bills, government stock of less than three years to maturity, and trade bills. The minimum capital base for the commercial banks is N$2 million, while the prudential limit is 25 percent of capital.

3/ The BON lacks the legal authority to alter the cash reserve and liquidity requirements.

4/ Two on-site inspections were, however, conducted in 1994--one for an applicant bank in February 1994, and a second for an established institution in November 1994.

5/ Though risk-weighted capital requirements are not formally in place, the BON monitors capital adequacy on such a basis, based on a return form adopted from South Africa.

The pending draft bills are expected to address the existing shortcomings in respect of prudential regulation and supervision. Meanwhile, the BON plans to develop the institutional capacity to effectively perform the necessary supervision for commercial banks and building societies during 1995/96. The BON expects to develop a comprehensive reporting and analysis system for off-site supervision, capable of detecting worrisome trends in the development of the sector, or within an institution, in a timely manner; and to develop strategies and programs for on-site supervision, with the goal of conducting at least two annual on-site inspections a year in all institutions.

2. Monetary policy arrangements and monetary and credit developments

a. Institutional arrangements

The Namibian dollar was introduced on a currency board basis on September 15, 1993, and was initially backed fully by the South African rand, which is also legal tender in Namibia. A 1:1 parity is maintained between the two currencies. Together with Lesotho, South Africa, and Swaziland, Namibia is a member of the Common Monetary Area (CMA), which it joined officially in March 1992. The provisions of the CMA permit the free movement of capital by Namibian residents, companies and individuals.

The conduct of an independent monetary policy in Namibia is constrained by the tight linkage between Namibia and South Africa, and would likely remain so as long as the parity between the two currencies is maintained and capital flows freely between the countries. Nonetheless, the monetary authorities have made significant progress in developing a capacity for conducting a national monetary policy, including the introduction of government securities to promote the development of money and capital markets.

b. Monetary and credit developments

The introduction of the national currency, the Namibian dollar in September 1993, marked the most significant development in the Namibian financial system since the establishment of the central bank. This milestone allowed for the first time at least a partial measurement of currency in circulation, and thus money supply that includes the currency component. Prior to September 1993, currency in circulation was not included in the definition of money. 1/ The rapid expansion of monetary and credit aggregates has been a feature of Namibia's banking system. Broad money expanded by 30.3 percent in 1991, largely reflecting the substantial increase in the net foreign assets of the banking system, as the growth in domestic credit was moderate during the period. The doubling of the net foreign assets of the banking system mirrored the sharp rise in the accumulation of foreign assets by the commercial banks, as the holdings of net foreign assets by the

---

1/ The definition of narrow money employed in the analysis excludes rand in circulation, with the result that narrow money is understated. An accurate measure of the amount of rand in circulation is unavailable.

Bank of Namibia actually declined. In the following two years, however, the trend of the previous year was reversed, as domestic credit became the only contributory factor to monetary expansion. During 1992-93, broad money expanded on average by about 25 percent per annum, reflecting the substantial growth in domestic credit, which was partially offset by an average decline of 15 percent per annum in net foreign assets. In 1994, broad money expanded by 25.8 percent, compared with 23.7 percent in 1993, reflecting largely the continued strong growth in credit, even though net foreign assets recorded a modest growth on account of BON's continuing effort to build up its holdings. On the liabilities side, both demand deposits and quasi-money contributed equally to monetary expansion during the five-year period. On the average each of the components grew by 25 percent per annum between 1990 and 1994, although evidence of interyear variation in their relative contributions is noticeable.

The sharp upward movement in banking system domestic credit witnessed since 1992 continued during 1994. Domestic credit, which grew by only 10 percent in 1991, rose sharply in 1992 with a record growth rate of about 91 percent, attributable to the sharp rise in claims on Central Government, which posted an unprecedented growth of 217 percent, complemented by 30 percent growth in claims on the private sector. During 1993, domestic credit expanded by 29 percent with claims on both the Central Government and private sector rising by 32 percent and 30 percent, respectively. In 1994, domestic credit rose by 28 percent, largely reflecting the continued surge in credit to the private sector, as the growth in claims on Central Government moderated considerably, growing by only 2 percent. The surge in claims on Government during 1992-93 mirrored the increase in the borrowing requirements of the Central Government, as expenditure rose much faster than revenue, while the moderation in 1994 merely reflected the over-borrowing of the preceding year. Prior to 1992, the Central Government was a net creditor to the banking system; claims on local and regional governments, and nonfinancial public enterprises have generally been small relative to the total. In general, claims on the Central Government are accounted for entirely by the commercial banks through their purchases of treasury bills and registered stocks. Central bank financing has been nil throughout the period. Although data on the detailed distribution of commercial bank credit are still not available, indications are that the bulk of the credit is accounted for by mortgages and loans to individuals (Table V.3).

Demand deposits continue to account for a substantial proportion of broad money, averaging 42 percent in 1990-94, while the combined share of time and savings deposits averaged about 56 percent during the same period. Although the share of time deposits more or less remained the same, that of savings deposits fell during the review period. The share of currency in circulation increased from 4.5 percent in 1993 to 5.8 percent in 1994, reflecting the continuing withdrawal of the rand from circulation and the increased public confidence in the new currency. The observed structure of deposits illustrates the public's preference for shorter-term deposits with domestic financial institutions and longer-term investments in South African

financial markets (Table V.1). Reflecting the increased demand for money, the velocity of circulation has been on a downward trend, falling from 4.0 in 1990 to about 2.7 by end-December 1994.

c. Interest rates

Interest rates in Namibia are market determined. However, because of Namibia's membership in the CMA, interest rates are influenced by developments in the South African money and capital markets. Nevertheless, differentials exist between the two sets of rates, on account of different reserve and liquidity requirements in the two countries, as well as the general lack of competition in Namibia.

Interest rates remained relatively high through 1991, as a result of the tight monetary policy stance of the South African Reserve Bank. However, the rates came down during 1992-93, as inflationary pressures moderated significantly in South Africa, even though monetary policy stance remained tight. The rates rose during the last four months of 1994, as the monetary authorities in South Africa became concerned with the slack monetary conditions that attended the easy monetary policy stance of the preceding months. Since Namibia started publishing its principal interest rates in 1991, three-month deposit rates have consistently been lower in Namibia than in South Africa, whereas lending rates are generally higher, resulting in a much wider spread in Namibia than exists in South Africa (Appendix IV, Table 30). Between 1991 and 1994, the spread between lending rates and three-month deposits rate was in the range of 8-11 percentage points, while that of South Africa ranged from 4-5 percentage points (Chart V.1). When adjusted for inflation in both countries, the real deposit rate was on average negative in Namibia during 1991-94; in contrast, it was marginally positive in South Africa, reflecting the higher rate of inflation in Namibia during 1992 and 1994. The real lending rates were generally positive in both countries, albeit much more positive in Namibia than in South Africa--averaging 7 percent in the former and 5 percent in the latter during 1991-94 (Chart V.2).

d. Money and capital market developments

At independence the domestic money market remained restricted by the limited investment opportunities and the traditionally higher returns available in South Africa. However, since 1991 the BON has taken several steps to develop the domestic financial market, through the successful introduction of monthly auctions of 91-day treasury bills in May 1991. This was followed by issues of 182-day treasury bills and internal registered stocks with 2- to 3-year maturities during the last quarter of 1992. The most active maturity is, however, the 91-day issue, and the growth prospects are favorable. Since 1993, the amounts offered on treasury bills have been significantly increased, reflecting higher government financing requirements. The amount of 91-day treasury bills issued rose from N$55 million in 1991 to N$171 million in 1992, with the average issue rate falling from 16.6 percent in 1991 to 13.9 percent in the subsequent year. During 1993 and 1994, following the increased financial requirements of the Government,

treasury bill issues received a boost, rising to N$475 million and N$733 million, respectively. The average issue rate declined further from the 1992 level to about 12 percent during the two years, reflecting the movements in the South African money market. At end-December 1994, 91-day treasury bills totalling N$1,434 million were auctioned. Most of the issues were rollovers of the maturing bills. Total treasury bills of 91-day maturity outstanding at the end of December 1994 amounted to N$262.7 million.

The 182-day treasury bills issued rose from N$35 million in 1992 to N$250 million in 1993, but declined to N$111 million in 1994, reflecting the increased reliance by the Government on the treasury bill of shorter maturity. The average issue rate has been on a downward trend, falling moderately from about 12 percent in 1992 to 11.0 percent in 1994. A total of N$396.5 million had been auctioned since its introduction but all matured by December 31, 1994. The amount auctioned in respect of internal registered stocks exhibited the same trend, rising from N$100 million in 1992 to N$318.7 million in 1993, before declining by 28.5 percent to N$228 million in 1994. During 1992-94, the coupon rate on the internal registered stocks remained virtually unchanged at about 12 percent, while the average yield rose modestly from 13.1 percent in 1992 to 13.4 percent and 14 percent, respectively, in 1993 and 1994. Between 1992 and end-December 1994, total issues amounted to N$647 million, out of which N$597 million was outstanding.

The main holders of government securities in Namibia are institutional investors--commercial banks, building societies, insurance companies, and public enterprises. Since their introduction, the BON has not taken up any issue of government securities. Another feature of the financial market in Namibia is that all the issues have been consistently oversubscribed by a very wide margin--an indication of the dearth of viable investment outlets, as well as the general lack of viable alternative instruments. As with other interest rates, treasury bill rates in Namibia are often aligned with those in South Africa, with those in Namibia marginally higher. In addition, the real returns on these instruments have been positive (although in some cases on the margin) throughout the review period with the exception of 1992. In real terms, treasury bill rates in Namibia moved from -3.25 percent in 1992 to 3.37 percent in 1993--reflecting the substantial government borrowing requirements during the year--before declining to 0.02 percent in 1994. The corresponding rates for South Africa were -0.11 percent, 1.48 percent, and 2 percent, respectively, over the same period. The long-term rates in both countries are identical. Activity on the Namibia Stock Exchange was substantially boosted in 1994 with market capitalization amounting to N$34 billion, second in Africa to the Johannesburg Stock Exchange. In spite of the rapid growth of the NSE, secondary trading is virtually nonexistent.

Table V.1. Namibia: Commercial Bank Deposits by Type, 1992–94

(Quarterly averages)

	Demand deposits	Savings deposits	Time deposits: Short-term 1/	Time deposits: Medium-term 2/	Time deposits: Long-term 3/	Time deposits: Total	Grand Total
			(In millions of Namibian dollars)				
1992							
March	1,076.8	318.1	305.1	373.9	76.4	755.4	2,150.3
June	1,094.5	329.9	351.7	465.0	99.4	916.1	2,340.5
September	1,031.0	345.0	284.1	462.0	130.4	876.5	2,252.5
December	1,068.9	343.5	285.8	619.0	134.2	1,039.0	2,451.4
1993							
March	1,039.4	346.6	427.9	600.3	99.5	1,127.6	2,513.6
June	1,185.5	348.7	321.7	688.0	80.2	1,089.8	2,624.0
September	1,261.7	349.1	344.6	648.8	122.9	1,116.3	2,727.1
December	1,280.3	351.9	306.6	603.5	262.0	1,172.0	2,804.2
1994							
March	1,225.4	361.9	489.2	695.3	246.5	1,431.0	3,018.3
June	1,313.1	397.0	519.0	773.0	178.7	1,470.7	3,180.7
September	1,582.2	418.7	633.5	828.3	179.0	1,640.8	3,641.7
December	1,449.3	430.9	539.2	837.7	279.0	1,655.9	3,536.1
			(In percent of grand total)				
1992							
March	50.1	14.8	14.2	17.4	3.6	35.1	100.0
June	46.8	14.1	15.0	19.9	4.2	39.1	100.0
September	45.8	15.3	12.6	20.5	5.8	38.9	100.0
December	43.6	14.0	11.7	25.2	5.5	42.4	100.0
1993							
March	41.3	13.8	17.0	23.9	4.0	44.9	100.0
June	45.2	13.3	12.3	26.2	3.1	41.5	100.0
September	46.3	12.8	12.6	23.8	4.5	40.9	100.0
December	45.7	12.5	10.9	21.5	9.3	41.8	100.0
1994							
March	40.6	12.0	16.2	23.0	8.2	47.4	100.0
June	41.3	12.5	16.3	24.3	5.6	46.2	100.0
September	43.4	11.5	17.4	22.7	4.9	45.1	100.0
December	41.0	12.2	15.2	23.7	7.9	46.8	100.0

Source: Bank of Namibia.

1/ Less than 32 days.
2/ Less than six months.
3/ More than six months.

Table V.2. Namibia: Commercial Bank Loans Deposit Ratios, 1990–94

(In millions of Namibian dollars; end of period)

	Loans and advances	Total deposits	Loans/ Deposits (In percent)
1990			
December	1,372.6	1,468.7	93.5
1991			
March	1,418.3	1,471.8	96.4
June	1,495.5	1,539.8	97.1
September	1,549.8	1,681.4	92.2
December	1,599.9	1,912.5	83.7
1992			
March	1,229.9	1,770.8	69.5
June	1,337.8	2,046.2	65.4
September	1,399.4	2,169.6	64.5
December	1,434.5	2,422.6	59.2
1993			
March	1,387.5	2,433.4	57.0
June	1,654.3	2,688.8	61.5
September	1,701.9	2,648.0	64.3
December	1,644.0	2,862.6	57.4
1994			
March	2,131.5	3,045.7	70.0
June	2,310.9	3,096.4	74.6
September	2,465.4	3,694.1	66.7
December	2,634.5	3,551.5	74.2

Source: Bank of Namibia.

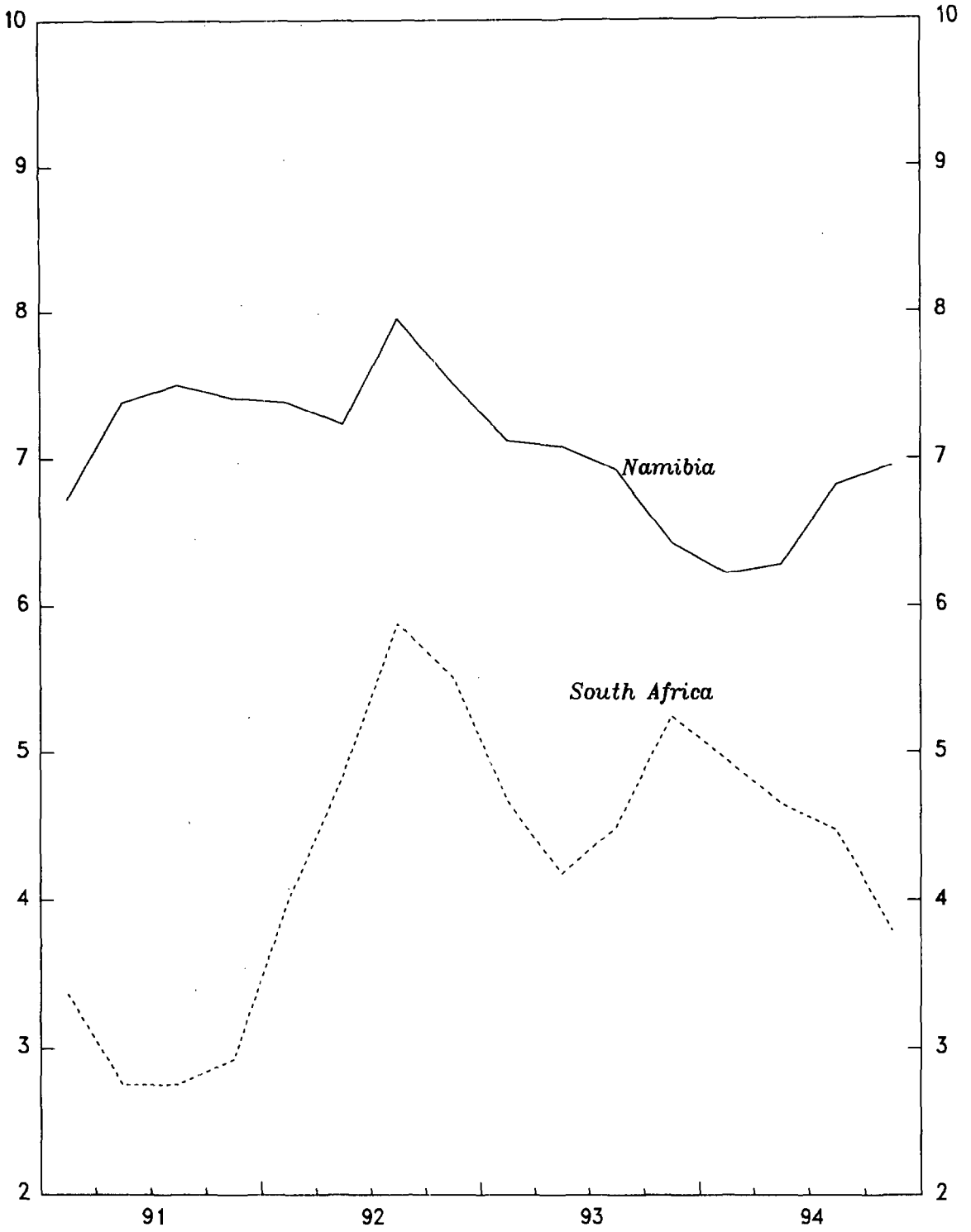
Table V.3. Namibia: Commercial Bank Claims on Private Sector, 1992–94

(In millions of Namibian dollars; end of period)

	Individuals								Business								Grand Total
	Loans and advances								Loans and advances								
	Mortgage loans	Other loans and advances	Sub total	Installment credit	Leasing transactions	Bills dis-counted or purchased	Other claims	Total	Mortgage loans	Other loans and advances	Sub total	Installment credit	Leasing transactions	Bills dis-counted or purchased	Other claims	Total	
1992																	
March	236.3	530.0	766.3	224.4	41.5	..	73.4	1,105.6	25.2	438.4	463.6	101.9	19.7	72.1	30.7	688.0	1,793.6
June	258.9	546.8	805.7	237.7	45.6	..	54.9	1,143.9	2.9	529.2	532.1	110.1	22.0	113.1	29.4	806.7	1,950.6
September	276.3	586.0	862.3	253.9	48.9	..	75.1	1,240.2	5.1	532.0	537.1	118.7	23.9	76.1	27.7	783.5	2,023.7
December	513.4	533.2	1,046.6	278.2	48.7	..	91.1	1,464.6	2.9	385.0	387.9	124.2	26.7	47.3	28.5	614.6	2,079.2
1993																	
January	409.3	578.4	987.7	283.5	49.1	..	77.8	1,398.1	2.8	499.2	502.0	124.5	26.7	48.6	36.9	738.7	2,136.8
February	365.9	668.6	1,034.5	290.5	48.3	..	76.6	1,449.9	2.8	337.6	340.4	125.7	26.6	22.3	170.2	685.2	2,135.1
March	375.8	593.2	969.0	305.8	47.7	..	82.3	1,404.8	2.9	415.6	418.5	127.5	26.5	38.7	204.3	815.5	2,220.3
April	393.1	595.3	988.4	314.5	48.5	..	77.7	1,429.1	2.9	598.9	601.8	127.6	25.3	50.3	30.9	835.9	2,265.0
May	403.6	510.7	914.3	378.2	50.0	..	78.0	1,420.5	2.8	686.5	689.3	128.2	25.4	43.2	30.8	916.9	2,337.4
June	416.2	607.0	1,023.2	340.2	50.7	..	78.1	1,492.2	3.8	627.3	631.1	132.3	24.0	46.7	30.4	864.5	2,356.7
July	435.4	608.8	1,044.2	442.2	47.2	..	76.1	1,609.7	4.2	629.2	633.4	43.4	24.3	46.4	29.6	777.1	2,386.8
August	454.2	555.3	1,009.5	367.6	51.6	..	62.6	1,491.3	4.2	692.5	696.7	135.1	24.7	56.5	28.4	941.4	2,432.7
September	466.0	613.1	1,079.1	422.9	64.9	..	74.1	1,641.0	129.6	493.2	622.8	136.1	25.5	53.0	30.8	868.2	2,509.2
October	486.7	648.6	1,135.3	390.3	49.2	..	70.1	1,644.9	12.4	659.9	672.3	137.5	25.4	51.9	27.8	914.9	2,559.8
November	504.8	671.6	1,176.4	399.6	45.8	..	125.7	1,747.5	11.4	603.8	615.2	140.3	24.6	65.9	29.8	875.8	2,623.3
December	521.7	683.5	1,205.2	652.6	46.0	..	65.3	1,969.1	12.7	426.1	438.8	141.5	23.9	92.1	40.2	736.5	2,705.6
1994																	
January	491.1	685.5	1,176.6	409.7	41.0	..	61.7	1,689.0	66.4	706.8	773.2	155.7	27.1	78.7	41.9	1,076.6	2,765.6
February	521.3	719.5	1,240.8	430.9	47.2	..	75.4	1,794.3	3.2	858.7	861.9	163.2	17.9	70.4	38.2	1,151.6	2,945.9
March	567.6	874.8	1,442.4	487.8	40.4	..	75.3	2,045.9	60.1	629.0	689.1	127.5	20.5	55.5	38.2	930.8	2,976.7
April	637.0	901.5	1,538.5	486.7	38.2	..	75.6	2,139.0	3.3	776.1	779.4	132.3	25.7	57.2	11.7	1,006.3	3,145.3
May	639.4	823.2	1,462.6	529.6	40.1	..	83.4	2,115.7	14.6	788.9	803.5	117.2	20.7	50.0	25.2	1,016.6	3,132.3
June	643.7	836.2	1,479.9	471.2	36.0	..	10.8	1,997.9	13.9	817.1	831.0	192.1	22.7	38.1	25.2	1,109.1	3,107.0
July	673.0	814.4	1,487.4	484.6	34.7	..	0.6	2,007.3	15.6	842.7	858.3	198.9	22.3	37.7	23.3	1,140.5	3,147.8
August	701.3	853.2	1,554.5	515.8	33.3	..	0.8	2,104.4	15.9	809.7	825.6	200.6	22.3	31.3	25.2	1,105.0	3,209.4
September	731.7	805.4	1,537.1	524.2	38.1	..	1.2	2,100.6	16.3	912.0	928.3	198.9	15.4	36.5	35.6	1,214.7	3,315.3
October	746.1	910.0	1,656.1	537.0	30.7	..	1.3	2,225.1	16.8	869.3	886.1	216.6	21.4	37.5	35.0	1,196.6	3,421.7
November	769.6	916.3	1,685.9	545.3	29.2	..	1.2	2,261.6	17.6	892.3	909.9	219.2	21.4	38.8	25.5	1,214.8	3,476.4
December	787.3	873.8	1,661.1	563.6	28.0	..	1.5	2,254.2	18.2	955.2	973.4	226.9	25.3	35.0	27.7	1,288.3	3,542.5

Source: Bank of Namibia.

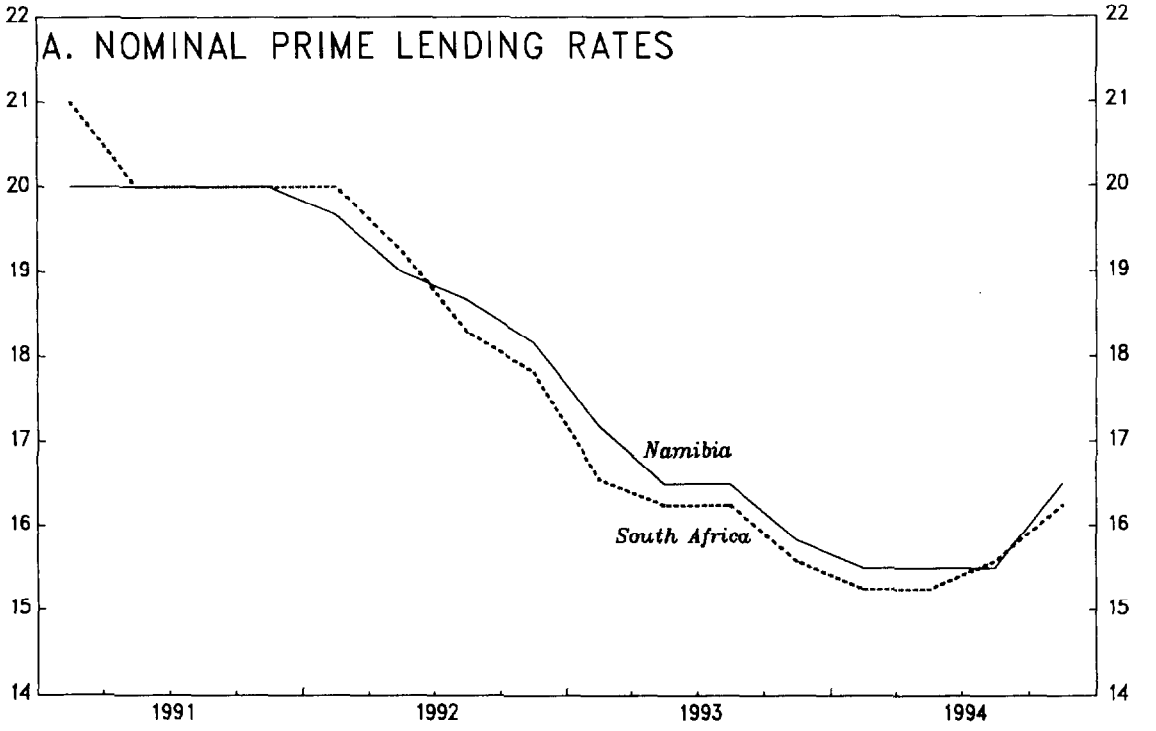
CHART V.1
NAMIBIA
SPREAD BETWEEN COMMERCIAL BANKS' LENDING AND
THREE-MONTH DEPOSIT RATES IN NAMIBIA AND SOUTH AFRICA, 1991-94 1/

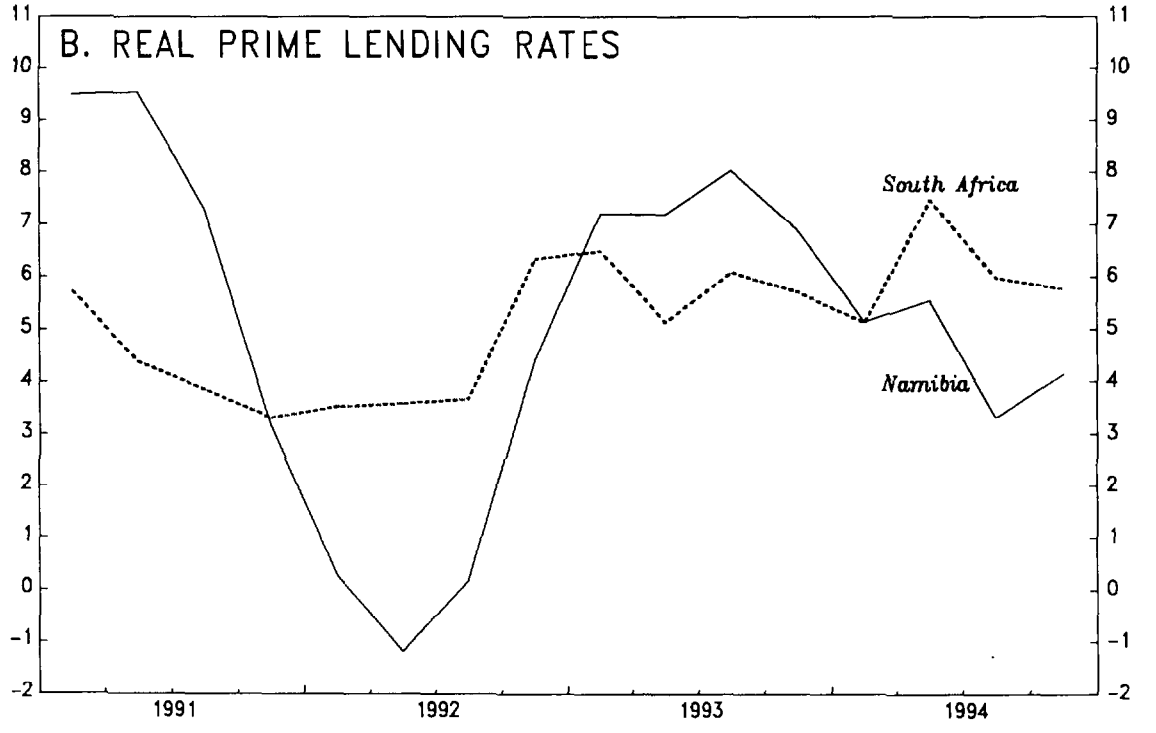


Sources: Data provided by the Namibian authorities; and staff estimates.

1/ Quarterly averages, in percent per annum.

CHART V.2
NAMIBIA
NOMINAL AND REAL PRIME LENDING RATES IN NAMIBIA AND SOUTH AFRICA, 1991-94 1/





Sources: Data provided by the Namibian authorities; and staff estimates.

1/ Quarterly averages, in percent per annum.

VI. External Sector

1. Overview

Before 1990, analysis of Namibia's economic relations with the outside world had been constrained by the absence of comprehensive balance of payments statistics. The historical data for Namibia's external activities were incomplete, covering only the current account at a fairly aggregated level. With the support of a technical project (jointly sponsored by the IMF and the UNDP), comprehensive balance of payments data have been compiled and published regularly since 1990. Table VI.1 shows the basic balance of payments data for the period 1990-94; more detailed data are shown in Appendix IV, Table 32.

The Namibian economy is fairly open, and foreign trade has always been a very significant component of overall economic activity, with exports accounting on average for about 55 percent of Namibia's GDP during 1990-94, and imports, 63 percent on average during the same period. Namibia's exports are mainly primary products, which account for about 80 percent of total exports, making earnings extremely vulnerable to fluctuations in international commodity prices and changes in the value of the rand. The most important exports by far are minerals, primarily gem diamonds and uranium, which contributed 73 percent of total earnings on average during 1986-89. However, their share has declined steadily since independence, accounting on average for about 57 percent of total earnings during 1990-94 (Appendix IV, Tables 34 and 35). The main factor underlying the fall in the share of minerals since independence has been the dramatic expansion in the value of fish (processed and unprocessed) exports, which increased from about 6 percent of total export earnings in 1989 to 28 percent in 1994. The expansion of beef sales--to include the European Union (as provided for under the beef and veal protocol of the Lomé Convention)--also boosted the share of meat products, although much more modestly, from 5 percent in 1989 to 8 percent during the same period. The direction of Namibia's exports has changed very little since independence, and about 75 percent of total exports still go to markets outside the Southern African Customs Union (SACU).

At independence, Namibia inherited a very small industrial base; consequently almost all consumer and capital goods (including foodstuffs) are imported, and virtually all from South Africa. This stemmed from Namibia's full membership in SACU, and from the high external tariff structure, 1/ which made imports from outside SACU countries uncompetitive with South African goods. Although a detailed breakdown of direction of trade statistics is not available, anecdotal evidence shows that, although Namibia has a positive trade balance with most other trading partners outside SACU, it has a negative trade balance within the SACU region. While Namibia has

---

1/ SACU members all apply the same tariff regime; the SACU provides for a common external tariff, determined by South Africa, free trade within the union, and a revenue-sharing arrangement.

maintained current account surpluses since 1990, which reflect the sizable transfers from the SACU revenue pool, this has been more or less offset by the substantial net capital outflows in the capital account. Consequently, the overall balance of payments position moved from a surplus of US$36.7 million in 1990 to a deficit during 1991-92, before turning into surplus in 1993-94.

A heavy reliance on a few primary export commodities and high dependence on imports has made the Namibian economy highly vulnerable to exogenous shocks, including changes in the terms of trade. In order to mitigate the effect of these exogenous shocks on the economy, and achieve sustainable economic growth over the longer term, as well as balance of payments viability, government efforts since independence have been directed toward developing and diversifying the export base through the provision of fiscal incentive packages to the manufacturing enterprises and exporters. 1/ However, apart from fish processing and to a limited extent meat processing, progress in export diversification has so far been limited.

Although Namibia introduced its own currency (the Namibian dollar) in September 1993, the South African rand remains legal tender and exchanges at par with the rand. In addition, Namibia applies the same exchange arrangements and restrictions as South Africa does. The export-weighted effective exchange rate depreciated by an annual average of 5.8 percent in nominal terms and by 0.2 percent in real terms during 1990-94, reflecting movements in the external value of the rand since 1990 (Chart VI.1). 2/

2. The current account

Some basic features of Namibia's current account are (i) high export earnings, leading to a trade surplus; (ii) a large deficit in the net services account, reflecting the substantial remittances of investment income and foreign management of the modern private sector, as well as associated transportation and insurance outlays to companies outside Namibia; and (iii) sizable transfers from the revenue pool of SACU.

Namibia's current account position strengthened considerably after independence, driven by the consistently positive merchandise trade balance and the increased surplus on net transfers in the form of foreign aid flows and receipts from SACU. The surplus in the current account rose from about US$47 million in 1990 to US$211 million in 1994. Excluding official transfers, the current account was consistently in deficit during the period, although to a lesser extent each year, except for the deterioration in 1992.

1/ These incentives are described in Chapter VII.

2/ These calculations are only indicative. Detailed and reliable data on direction of trade are lacking, and diamonds, which are marketed through the marketing cartel--Central Selling Organization--are excluded in deriving the weights.

a. Exports, imports, and the terms of trade 1/

As in the preceding decade, the growth of Namibia's exports since independence has continued to be dictated by world market conditions. The volume of merchandise exports rose by an average of 4 percent per annum during 1990-94, compared with about 1 percent in the four years to independence, reflecting largely the strong growth recorded during 1991-92. Export receipts in U.S. dollar terms showed an increase of 6 percent over the same period on account of the sharp growth in the export value of diamonds, meat and meat products, fish (processed and unprocessed), and other manufactures during the period. Export prices more or less stagnated with an average growth of 1 percent (Appendix IV, Table 33).

Developments in Namibia's imports mirror closely those of domestic demand, given the import dependence of the economy, and weakened sharply soon after 1990, as a result of the decline in real investment in the aftermath of the country's political independence. Import volumes declined over much of 1990-94, and averaged just 1 percent per annum during 1990-94. In U.S. dollar terms, the average annual growth in the value of imports fell from about 18 percent during 1986-89 to 6 percent during the five years of independence (Appendix IV, Table 33). In terms of the breakdown of imports, food, live animals, beverages, and tobacco accounted for the largest share of total imports. The large share of food and related products reflects in part the aftermath of the recurring incidence of drought, and the fact that Namibia is a food-deficient economy.

Namibia's terms of trade fell by an average of 3 percent per annum during 1990-94, which reflected the depressed world market prices for diamonds and other minerals. The terms of trade fell consistently from 1990 to 1993, but recovered sharply in 1994, although this was not sufficient to offset the decline of the preceding four years. Nevertheless, Namibia has continued to be insulated from excessive terms of trade losses because of the composition of its exports and imports and their pricing mechanisms. Export prices are fixed in the major international currencies, while imports are denominated in rand, so that any depreciation of the rand increases export prices relative to import prices.

b. Services and transfers

The services account is traditionally in deficit. The balance in the services account steadily worsened to US$374.4 million in 1992, owing largely to high transportation costs, including charter fees paid to foreign fishing vessel owners and increased payments on business, administrative, and other financial services. However, the expansion in the local ownership of fishing fleet has had the effect of significantly reducing charter fees. During 1993 and 1994, the net services deficit was down to US$274.4 million and US$257.3 million respectively, owing to higher receipts from tourism as

---

1/ A detailed discussion of the trends in Namibia's merchandise exports is undertaken in Chapter VII.

reflected in the travel net position. Tourism remains a sector with considerable potential for growth in the medium term. A sizable net investment surplus was also recorded during 1990-94, largely reflecting higher income for Namibian residents from portfolio investments in pension and life insurance assets. However, this fell from about US$106 million in 1991 to US$42 million in 1994, owing to a large direct investment deficit, as dividends and profits payable to nonresidents almost doubled over the period.

Since independence, transfers have constituted a major component of Namibia's current account position, driven by receipts from SACU. Changes in SACU receipts generally reflect the movements of imports. Another important component of transfers is the external grants (cash and in kind) that Namibia has received since independence, which peaked at US$150 million in 1992, but declined thereafter, to US$91 million by 1994. The prospects for increased external grants in future are uncertain, given the increased competition for grants among developing countries, and the general trend in developed countries to cut down on external assistance.

3. The capital account

Namibia's capital account is available only from 1990, and has been continuously negative, although the deficit has been on the decline. The deficit in the capital account fell steadily from US$205.7 million in 1990 to US$53.6 million in 1993, before rising to US$124 million in 1994, even with the imposition of the domestic asset requirement on the assets of the pension funds during the year in a bid to stem capital outflows. 1/ The main capital outflow is portfolio investment in South Africa by Namibian pension funds and life insurance companies. Capital movements between Namibia and South Africa are unrestricted, and this has accounted for the observed trend in the capital account. Net direct investment inflows have been modest and on a downward trend--they increased substantially in 1991 following enlarged investment in mining and fishing sectors, but fell thereafter, and remained virtually at the same level in 1993 and 1994. The movements in other long- and short-term capital outflows have followed the same pattern. The movements under "other short-term capital" represent mainly transactions by the locally registered foreign banks with their head offices, located mostly in South Africa.

Prior to the introduction of the Namibian dollar in September 1993, foreign exchange reserves were low, but in 1993 foreign exchange holdings rose to US$133 million, to provide import cover of one month, compared with 0.3 month in 1992. Initially, foreign exchange reserves were held mostly in rand to provide 100 percent backing for the new currency, because of the currency board arrangement. However, within one year of the introduction of the Namibian dollar, the Bank of Namibia moved quickly to diversify its foreign exchange reserves in order to minimize the effect of the rapidly depreciating rand on the country's reserves. At present, Namibia's foreign

---

1/ See page 76, footnote 2, for a brief description of the provisions of the domestic asset requirement.

exchange reserves are held in equal proportions between the rand and other foreign convertible currencies. The changes in foreign exchange assets in the balance of payments reflect the movements of the central bank's investment in South Africa and other western nations.

4. Exchange and trade system

The currency of Namibia is the Namibian dollar, introduced on September 15, 1993. The Namibian dollar is pegged at par with the South African rand, which is also legal tender in Namibia. The "financial rand" system which created a dual exchange rate practice, was abolished by South Africa (and by implication in Namibia) on March 13, 1995, thus paving the way for a unified exchange rate for the rand.

There are no restrictions on imports originating in any country of the SACU. Imports from countries outside the SACU are usually licensed in conformity with South Africa's import regulations. For purposes of import permit issuance, Schedule IA of the Import Control Regulations of South Africa is currently enforced. These permits are valid for one year, are expressed in value terms, and are valid for imports from any country outside the SACU. Authorized dealers are empowered to approve trade-related invisible payments without limitation and other invisible payments up to established limits. There are no prescribed limits on remittances for education and family maintenance, and reasonable amounts are granted on a case-by-case basis. A full description of the country's exchange and trade arrangements is provided in Appendix III of this report.

Table VI.1. Namibia: Balance of Payments, Main Aggregates, 1990–94

(In millions of U.S. dollars)

	1990	1991	1992	1993	1994
Balance in current account	47.1	140.9	104.2	178.4	210.8
Merchandise exports, f.o.b.	1,086.0	1,215.7	1,342.6	1,291.2	1,322.2
Merchandise imports, f.o.b.	−1,118.0	−1,121.8	−1,263.7	−1,169.0	−1,157.1
Nonfactor services, net	−253.7	−353.4	−374.4	−274.4	−257.3
Factor services, net	40.6	96.6	27.7	60.1	43.7
Net transfers	292.3	303.7	372.0	270.6	259.3
Balance in capital account	−205.7	−186.1	−97.6	−53.6	−124.0
Direct investment, net	28.2	114.3	80.7	23.9	24.8
Portfolio investment, net	−188.7	−316.4	−253.0	−138.8	−211.4
Other long–term capital, net	36.3	45.4	16.5	−4.6	29.6
Other short–term capital, net	−81.6	−29.4	58.3	65.9	33.0
Net errors and omissions	195.3	32.9	−13.3	−33.5	−11.8
Overall balance	36.7	−12.3	−6.7	91.3	75.0
Change in foreign exchange assets	−36.7	12.3	6.7	−91.3	−75.0
Memorandum items:					
Current account, excluding reserves	−221.6	−138.8	−214.8	−66.1	−18.6
Current account/GDP					
Excluding official reserves	−9.6	−5.8	−7.8	−2.6	−0.6
Including official reserves	2.0	5.8	3.8	7.0	7.3
Overall balance/GDP	1.6	−0.5	−0.2	3.6	2.6
International reserves (end of period) 1/	80.0	62.3	49.8	133.6	202.9
In months of imports of goods and nonfactor services	0.6	0.5	0.3	1.0	1.5

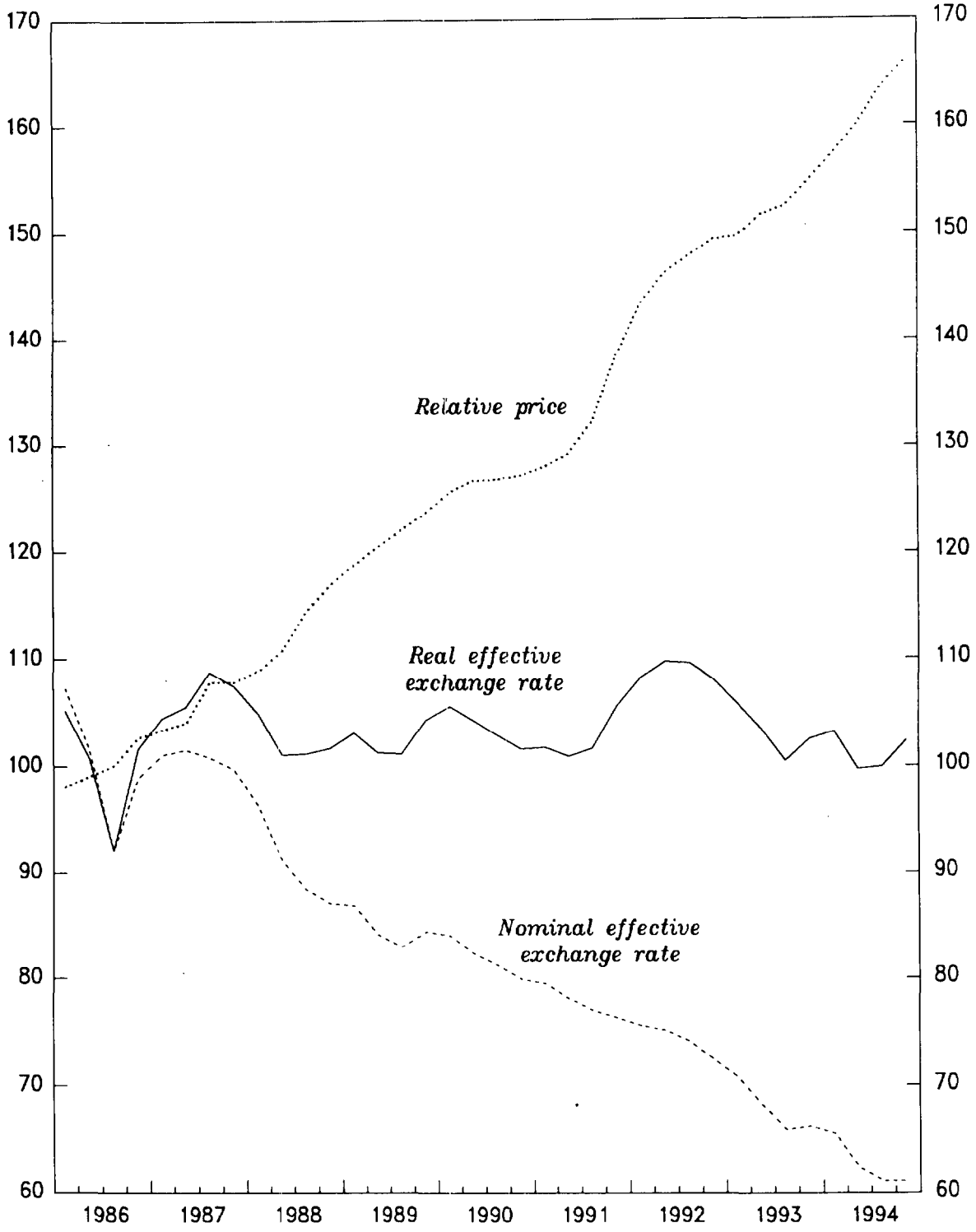
Source: Bank of Namibia.

1/ Gross official reserves of the Bank of Namibia (established in 1990).

CHART VI.1
NAMIBIA

EFFECTIVE EXCHANGE RATE AND RELATIVE PRICE INDICES[1], 1986-94

(Period average, 1986=100)



Sources: Ministry of Finance, Namibia Statistical Economic Review; IMF, International Financial Statistics; and staff estimates.

1/ Based on export weights (excluding diamonds) and the consumer price index for Windhoek. A decline in the index indicates depreciation.

VII. Production Trends and Contribution of Exports of Goods and Nonfactor Services to Economic Growth in Namibia, 1987-94

1. Introduction

This section reviews the production trends and contribution of exports of goods and nonfactor services (henceforth referred to as exports) to Namibian economic growth over 1987-94. The dominance of primary commodities in Namibia's production base and the limited size of the domestic market (owing to the relatively small population size and the limited purchasing power of the majority of the population) have resulted in a high ratio of exports to GDP in Namibia, which averaged 55.4 percent over the review period. However, the export share in GDP also declined marginally over 1987-94, from 56.2 percent to 53.1 percent (Table VII.1). This performance stemmed from the juxtaposition of two opposing trends: the contraction of two traditionally important export sectors--namely, minerals and ores and live animals and animal products--on the one hand; and favorable growth performance by traditionally small export sectors--such as unprocessed and processed fish and tourism. Collectively, these trends resulted in a diversification of Namibia's export base.

The decline in the share of mineral and ore exports, which occurred at an average annual rate of 5.1 percent over the review period, was primarily induced by the poor export performance of important base metals (such as copper and lead) and uranium. Furthermore, although adverse export market conditions were a common determinant of unfavorable uranium and base metals trends, in the case of base metals, domestic supply constraints were an additional contributing factor. By contrast, the diamond export share grew at an average rate of 2.9 percent over 1988-94, despite considerable annual variation due to adverse international market conditions and deteriorating domestic supply conditions in the late 1980s. The decline in live animals and animal products was precipitated largely by the decline in cattle exports, owing to periodic drought conditions, and by the contraction of output of karakul wool and pelts over much of the review period. However, weak performance by these industries helped mask strong growth trends exhibited by exports of small stock (sheep and goats) and other hides and skins, as well as by game, ostriches, and their products (Table VII.2).

2. Ores and minerals

Namibia's mineral base is extensive and diverse, and currently comprises about 40 different mineral commodities in the following groups: diamonds; precious metals (gold and silver); base metals and concentrates (including copper, lead, cadmium, and arsenic, zinc, and antimony concentrates); industrial minerals (salt, fluorite, lithium minerals, etc.); dimension stones (including marble and granite); nuclear fuel minerals (namely uranium); and semi-precious stones (amethyst, rose quartz, agate, tourmaline, etc.). Thus, although the export shares of both diamonds and uranium are dominant, new discoveries continue to expand Namibia's mineral and ore base as a result of active prospecting. This research has been financed in part by a "Sysmin" grant of Ecu 40 million (approximately

N$160 million) from the European Union awarded through the Lomé Convention, designated for prospecting and drilling, value-adding mineral processing, regional geophysical surveys, small-scale mining, and overall development of the mineral industry. Mining activity was further stimulated in the post-independence period by the implementation of the Mineral (Prospecting and Mining) Act on April 1, 1994, 1/ which prevented land from being held for long periods without active exploration. 2/

a. Diamonds

Diamond exports (98 percent gemstones) were the principal source of foreign exchange earnings during the entire review period, accounting for an average of 29.3 percent of export revenue and 10.7 percent of value added over 1987-94. Onshore production is undertaken almost exclusively by Consolidated Diamond Mines (CDM), 3/ now NAMDEB, and the more recent and growing offshore effort is being spearheaded by De Beers Marine (DBM), a subsidiary of De Beers Consolidated Mines. In September 1992, the Central Selling Organization (CSO) imposed a 75 percent quota on diamond sales based on productive capacity owing both to weak demand, stemming from a world recession which reduced the demand for gemstones in important markets such as the United States and Japan, as well as to excess supply conditions, which were due to growing illegal sales by Russia and Angola. This quota was subsequently relaxed in July 1993 to the prevailing level of 85 percent.

The variability of domestic supply conditions also affected diamond export performance. Diamond production declined owing to diminishing onshore recovery grades toward the latter part of the 1980s; however, subsequent technological advances and higher diamond prices enhanced the viability of mining lower grade ore, which in turn helped to prolong the expected life of alluvial deposits. Domestic supply conditions were further eased during 1991-92 after the opening of new mines in the Auchas diamond area (on the north bank of the Orange River) and the Elizabeth Bay

---

1/ This legislation was enacted on December 16, 1993.

2/ The Act allowed exploration costs to be fully tax deductible in the year in which they occurred and to be used to offset income from any company-owned producing mine in Namibia. The Act also widened the applicability of performance-related graduated income tax to minerals other than uranium (with the exception of diamonds), with rates ranging from 25 percent to 55 percent, the applicable rate rising with company profitability. In addition, a new reconnaissance license (nonrenewable) now enables prospective investors to undertake exploration without advance commitment to development work, and a renewable exclusive prospecting or mining license could be issued automatically to a license holder following the discovery of deposits.

3/ A recent 25-year agreement between the CDM (formerly a wholly owned subsidiary of De Beers Centenary) and the Government, signed on November 24, 1994, made the Government a 50 percent partner in the newly reconstituted Namibia Diamond Corporation (Pty) Limited ("NAMDEB"), with equal representation on its Board of Directors.

development to the south of Luderitz, which collectively added approximately 300,000 carats per annum to the volume of production. More recently, however, the composition of domestic diamond production has been shifting from onshore to offshore, as average onshore recovery grades decline and older onshore mines are not replaced, while substantial offshore deposits are identified and the techniques for mining these deposits are further developed.

Declining interest in onshore exploration has reportedly stemmed from employer disenchantment with growing union wage demands. This trend has affected a cross-section of mining activity over the review period, as manifested in a two-week strike at the CDM in November 1993, which affected onshore mining at Oranjemund, Elizabeth Bay, and Auchas, costing the CDM approximately N$3 million a day, and a narrowly escaped strike at the TCL base metals mines in September 1994, which would have cost the company approximately N$2 million a day in revenue. Productive capacity is expected to increase to roughly 2 million carats over the next seven years, following the establishment of three new offshore companies--namely, NAMCO, Canada's Diamond Field Resources, and South Africa's Ocean Diamond Mining (ODM). However, since offshore mining is not only labor efficient but tends to be more enclave in nature, a sizable net reduction in diamond mining employment is expected to result. 1/ Moreover, with each ocean-going vessel serving as a self-contained diamond mine, the potential for linkages with the rest of the Namibian economy is limited to the use of port facilities and maintenance infrastructure.

Thus, the viability of proposals to forge additional forward linkages in the diamond industry, through the establishment of a local diamond cutting and polishing facility, will depend on overcoming some rather significant obstacles. For instance, although NAMDEB is committed to investigating the possibility of augmenting the value added of diamonds purchased from the CSO, this market is believed to be very difficult to penetrate, as it is highly specialized 2/ and skill-intensive, with profit margins that are narrowly based on precision craftsmanship. Moreover, the absence of a precedent for successful market penetration by any producer country to date is noteworthy. In addition to the present shortage of skills in Namibia, the prevailing misalignment of wages and worker productivity renders the country relatively uncompetitive compared with other more established areas (such as India) with lower labor costs. Another factor militating against Namibia's possible success in this venture is its remoteness from any sizable retail market, which makes it difficult to keep abreast of ever-changing market trends.

1/ Industry experts speculated that employment at NAMDEB, the industry leader, could decline from the current 4,500 workers to as few as 1,000 over the next ten years.

2/ The United States and Israel maintain important niches in cutting and polishing large diamonds, and India specializes in smaller stones.

b. Uranium

Uranium is produced by Rössing Uranium Ltd and is marketed mainly to Europe, Japan, and Taiwan. Over the review period, uranium production--which includes the processing of uranium oxide--was constrained by a host of factors, including economic sanctions imposed under the Comprehensive Anti-Apartheid Act of 1986, which was lifted by President Bush effective March 21, 1990. In addition, an excess world supply of uranium, owing initially to the opening of new mines in Canada and Australia during the 1980s and to an increased supply from Russia and China after 1989, dampened prices. Further aggravating this declining trend were a waning of demand arising from growing environmental concerns over the use of uranium, and the end of the Cold War. As uranium's output is price inelastic in the short run, production levels were initially maintained in the wake of falling prices and reduced profitability because of the medium- and long-term contractual nature of market transactions. Thus, the long-term decline in exports, and hence production, observed over the review period 1/ resulted from a reduced ability to secure new long-term contracts to replace those expiring.

More recently, however, Rössing won an eight-year contract to supply Électricité de France with 5,200 tons of uranium oxide, which raised output levels by more than 15 percent during 1994 and was expected to restore the company to profitability by end-1994. Although the passage of legislation barring the release of information pertaining to uranium pre-empts a precise account of industry developments beyond 1992, Rössing is reputed to have reserves of around 120,000 tons, which should permit mining through the end of the second decade of the next century. The Rössing reactor is believed to be currently operating at less than 50 percent of its capacity. However, capacity utilization is expected to improve in the near term, owing to growing uncertainty over the supply of reactor-grade uranium from Russia and an estimated decline in world stockpiles. It is therefore anticipated that the Rössing mine could be operating at full capacity (5,000 short tons a year of uranium-oxide) within three to four years. In addition, the proposed new port at Möwe Bay to the north of Swakopmund should help to reduce transportation costs and enhance company profitability because of its relative proximity to Rössing.

c. Base metals: copper, lead, and zinc

The performance of base metals over the review period has also been affected by adverse commodity price shocks as well as by changing domestic supply conditions. Base metals constitute one of the few primary commodity groups that are processed in Namibia. The largest producer of base metals in Namibia is the Tsumeb Corporation Ltd. (TCL), which produces more than

---

1/ Production levels averaged 68 percent of Rössing mine's productive capacity of 5,000 tons of uranium oxide a year over 1981-92. Moreover, the production level in 1993 was reportedly the lowest level ever attained since the Rössing mine began operations in 1977.

70 percent of Namibian base metal output and owns the only Namibian smelting complex (processing mainly copper, lead, and cadmium). TCL owns and operates mines at Tsumeb, Kombat, and Otjihase (it owns 70 percent of the latter mine). In addition, the Iron and Steel Corporation (Iscor) owns and operates a base metal mine at Rosh Pinah.

Copper prices, after declining in 1980 and generally remaining low during the first half of the 1980s, rebounded in 1987 and reached a peak in 1989. In response to the surge in demand, stockpiles were reduced and world production increased. With the rise in world competition, copper prices again dropped and continued to decline after 1991, before rising again in 1994; moreover, international copper prices are projected to peak in 1995 and decline over the medium term. Lead usage in all major industrialized countries declined over 1980-88, reflecting growing environmental concern over lead use in paints and petroleum, which was only partly offset by growing utilization in developing countries. World lead prices declined over 1980-85 and gradually rose thereafter until 1990, before falling again during the early 1990s, owing to increasing output from Eastern Europe. By 1994, lead prices were 39 percent lower than at the start of the review period. Zinc prices, which oscillated considerably over the review period, were at their lowest during the mid-1980s, owing to weak industrial country demand caused by conservationist efforts and increasing substitution into zinc alternatives. However, interruptions in the Peruvian zinc supply and growing demand among industrializing countries caused prices to rise sharply in 1988; prices then exhibited a downward trend through the end of the review period in response to the world recession and reduced industrial country demand. Nevertheless, there was a net increase in international zinc prices by end-1994 relative to 1987, and prices are projected to rise further over the medium term.

In addition to adverse world supply and demand conditions, Namibian copper and lead production also declined because of depleted deposits and lower ore grades at the Tsumeb Mine, which is expected to close down by 1996. Copper blister production declined by 36.4 percent to 30,193 tons over 1986-94, and is expected to decline further to 25,000 tons annually within the next three years. However, the possible start-up of production at Tschudi, financed in part with funding from the Sysmin grant, and another smaller mine at Khusib Spring could increase copper production to 35-40,000 tons annually over the next seven years. Sysmin funding has also been provided to extend the Otjihase copper mine, where copper production could increase from 14,000 tons to 20,000 tons and--in combination with the Tschudi and Khusib Spring output--could fully compensate for the Tsumeb mine closure over a seven-year horizon. In addition, a feasibility analysis of another copper deposit site, the Haib copper-porphyry deposit, is planned for 1995/96. On the other hand, there are no known additional minable lead deposits expected to replace the lead output from Tsumeb. In other industry developments, the Tsumeb smelter complex is being equipped with a new lead smelter (at a cost of N$20 million), which has the capacity to process varying quantities of lead as well as a wide range of other minerals, and

which should become operational in 1996. 1/ This is an important development, particularly given the depletion of Namibian lead deposits and the growing reliance on imported raw materials, particularly as the existing lead smelter is characterized by high fixed costs and requires operation at full capacity for 24 hours a day for economic viability. Continued exportation of refined lead should enable Namibia to benefit from the projected restoration of lead prices to 1980 levels over the medium term.

Regarding other important base metals, the production of zinc concentrate, which has fluctuated between 56,300 tons and 79,800 tons a year since 1986, is expected to remain the same over the next seven years, unless treatment of the Tsumeb mine and Namib Lead mine slime dams occurs, as this would allow zinc production to increase by an additional 10,000 tons annually over the next four or five years. A new manganese mine (Otjosondu) came into production at the end of 1994, and an annual production of 120,000 tons is planned for the next three years, while prospecting continues for additional deposits. Finally, tantalite production, which ceased with the closure of the Uis tin mine in 1991/92, may resume in 1995/96 at a rate of 22-25 tons (of 40 percent concentrate) a year. The prospective producer has requested that the Government install a 7-km pipeline to transport water from the Orange River to the site, 2/ and a fund-raising drive is currently under way. Sysmin funding has also been requested, the availability of which will depend on the amount of Sysmin funding provided to TCL.

d. Other developments in the mining sector

In other sectoral developments, there was a surge in Namibia's dimension stone industry after 1986, with the introduction of new quarrying techniques that facilitated the exportation of large blocks of marble and granite to international export markets. In addition, although the majority of Namibia's dimension stones are still exported as large blocks, there is now local production of finished natural stone products. 3/ Local facilities include modern equipment for cutting and polishing large rock slabs as well as a complete tiling factory. Moreover, with large production increases recorded over 1993-94, dimension stones are believed to be a promising area for expansion, given Namibia's large reserves of high quality granite and marble, and the commencement of production of blue sodalite (a rare dimension stone unique to Namibia) in 1994, which commands a high market premium. In addition, there are plans under way to establish a local cutting and tiling facility expressly for blue sodalite. Continued growth of the dimension stone industry will depend primarily on two factors: (1) the extent to which present resistance from suppliers in traditional export markets can be overcome, and (2) success in establishing regular and

---

1/ The TCL copper smelter currently purifies cadmium and arsenic.

2/ The company has tried to promote the project by suggesting that an additional 4 km will enable the same pipeline to service a small village with water.

3/ Finished stone products are produced by the Marmorwerke Karibib Company.

direct shipping services to key markets in Europe, North Africa, and the Middle East. Exports are presently constrained by shipping delays and high freight charges, which are compounded by circuitous routes around South Africa that require expensive off-loading and reloading at Cape Town before shipment to final export destinations. Ongoing infrastructure investments, such as the Trans-Caprivi and Trans-Kalahari highways, as well as planned investments, such as the Möwe Bay Port, should also help reduce domestic transportation costs and thereby ease domestic supply constraints currently faced by some mineral producers.

Ongoing research into the economic feasibility of an underground gold mining operation at Navachab mine could increase gold bullion production by 39 percent, to 3,000 kg within the next seven years. Moreover, augmented copper blister production at the Otjihase copper mine could raise the gold content of copper blister by 24 percent and maintain production at 300 kg for the next seven years. In addition, there is unrealized export potential embodied in the proven gas reserves at the Kudu gas field (with its utilization awaiting the determination of cost-effective export markets) and unproven offshore oil reserves--the exploration for which is now in its second licensing round.

The export revenue and employment potential of small-scale mineral producers has reportedly not been realized, owing in part to an unwillingness on the part of either the National Development Corporation (NDC) or the commercial banking sector to provide much needed venture capital. The EU's Sysmin loan facility has offered small producers some reprieve, however, as it has been used to assist some small-scale mineral producers since 1993. Moreover, in light of the revealed risk aversion of banks and the NDC, it remains unlikely that the small-scale mining companies could benefit from a large injection of capital into the economy, such as that expected to result from the augmented domestic asset requirement.

3. Agricultural exports

Namibia's agricultural sector is traditionally dualistic, with a smaller subsistence sector characterized by communal land tenure arrangements and a commercial sector with freehold land. Subsistence farming is concentrated in the northern region of the country, which is more fertile and better suited to arable farming and crop cultivation. 1/ Commercial farming, on the other hand, is characteristic of the more arid southern and central regions of Namibia, which are best suited to extensive ranching of livestock. The agricultural sector constitutes the principal source of employment in Namibia, with over 42 percent of the labor force engaged in either wage or nonwage agricultural production. 2/ Namibia is

---

1/ Crops farmed in the north include millet, maize, and sorghum. In addition, most farmers maintain a few head of cattle (which also serve as a store of wealth), goats, and sheep.

2/ This estimate was derived from the 1991 Namibian Population and Housing Census.

self-sufficient in beef, mutton, and goat production, and because the domestic market is limited, a large proportion of agricultural output is exported, with large markets in South Africa (which accounted for 96 percent of livestock and 51 percent of meat exports in 1993) and the European Union (which in 1993 accounted for 48 percent of meat exports). In addition, there is a small but growing market for high-quality beef exports to Angola. South Africa is also an important market for calves exported on the hoof, which command a premium in South Africa, and Namibian sheep and goat exports. Access to the South African market is determined on the basis of quotas negotiated annually between the Namibian Meat Board and the South African Meat Board. In practice, however, the enforcement of South African quotas has been liberal, except when drought conditions have afflicted both South Africa and Namibia and generated the need to increase animal offtake in both countries.

A veterinary cordon fence (VCF) separates cattle raised according to South African and EU regulations from livestock in communal areas targeted for domestic consumption. A second fence was constructed during 1993-94 along the Angola-Namibia border so as to prevent the spread of livestock diseases from Angola. The Government aims to shift the VCF as far north as possible by raising the quality of products to international veterinary standards, which should increase communal meat exports. Thus, the Government has sought to upgrade and expand the number of "quarantine areas" or disease-free ranches in the north, where cattle are held separately for treatment to maintain veterinary standards. The existence of quarantine areas permits fresh meat from the north to be marketed to South Africa. In this regard, the National Marketing Scheme, recently launched by the Meat Corporation (Namibia's meat marketing board (Meatco)), is expected to raise the export potential of livestock and beef exports from the northern communal-tenure areas. 1/

Namibia is just one of six countries with access to the EU beef markets, as administered through the beef and veal protocol of the Lomé Convention. Under this arrangement, import duties other than customs duties applicable to beef and veal originating in the approved African Caribbean and Pacific (ACP) countries are reduced by 90 percent, and in the case of Namibia the reduction in import duties currently applies to 13,000 tons 2/ of boneless meat per calendar year.

Preferential access to key export markets has allowed Namibia to continue as a relatively high-cost producer of meat and meat-products, although a market premium is to be expected due to the fact that Namibian meat is free of additives, as livestock are pasture-fed with only occasional

---

1/ Through the administration of this program, the number of cattle marketed from the northern communal-tenure areas has recently been raised from an average of approximately 5,500 in 1990 (or less than 2 percent of cattle marketed nationally) to 16,500 in 1993 (more than 4 percent).

2/ "Namibian Agriculture: Policies and Prospects", OECD Development Centre, Technical Papers, No. 73, July 1992.

supplements of yellow maize. Nevertheless, Table VII.3 provides some indication of the extent of the inefficiency by comparing Namibian beef prices with those of South Africa, the EU, and a representative large world producer, Argentina. 1/ This table reveals that the representative Namibian beef price was 19 percent higher than that of Argentina, and was only comparatively more efficient than prices in South Africa and the EU. Namibian mutton, exported almost exclusively to South Africa, is also not internationally competitive, primarily because of a world excess supply of mutton reportedly resulting from dumping by Australia and New Zealand, which have aggressively sought new markets for their mutton following the sharp decline in wool prices.

In addition to preferential access to highly protected markets, Namibian meat exporters also benefited, before independence, from a host of incentives designed to help promote the industry. However, most of the *incentives offered to the commercial subsector have ceased following a* reorientation of Agricultural Policy toward small-scale communal producers in the post-independence period. This shift in policy was recently formalized in a draft White Paper on Agricultural Policy. Land reform features prominently in the new agricultural policy, as the Ministry of Lands and Resettlement will soon begin to acquire land on a willing seller/willing buyer basis. Land reform will involve the resettlement of communal farmers to commercial land and aim to preserve the commercial status of resettled land. In addition, pending reforms of the Government's agricultural extension services would remove its administrative functions to a separate body and concentrate on the actual provision of services. The Government's goal is to better tailor the extension services it provides to the needs of farmers by increasing the number of field staff and strengthening the interactive links between services and applied "farmer-centered" research. It also proposes to provide the colleges with extension officers to enhance the relationship between teachers and students.

The elimination of any remaining inefficiencies in the Namibian commercial subsector will require urgent addressing, particularly in the aftermath of the implementation of the Uruguay Round (UR) of the General Agreement on Tariffs and Trade (GATT) by the World Trade Organization (WTO). For instance, the impact of world trade liberalization could be initially manifested through the outcome of the 1995 midterm review of the Lomé Convention, with proposed changes to take effect in 1996. 2/ In addition, the nature of Namibia's trading relationship with South Africa is likely to be changed in the wake of a possible increase in regional competition for the South African market if preferential access to the EU through the Lomé Convention is reduced, and as South Africa implements trade reforms in conformity with the requirements of the UR. Thus, in the absence of key

---

1/ Argentina, Uruguay and Brazil constitute the largest beef exporters in the world.

2/ The failure of the parties to reach an agreement on the terms of the Convention through the year 2000 does not augur well for the future of Namibia's preferential access to the EU market.

protected markets, Namibian beef producers and exporters will be compelled to increase their efficiency if they are to preserve their world market shares. The final outcome, with concomitant implications for agricultural employment, will therefore depend on the extent to which Namibia is able to achieve competitiveness in as diversified an export market as possible. The expansion of regional markets should be facilitated by the Trans-Caprivi highway, connecting Walvis Bay with other countries in the region, namely northern Botswana, Zambia, Zaire and Zimbabwe; and the Trans-Kalahari highway, which will reduce the distance between Windhoek and Johannesburg by over 300 km and facilitate access to the Witwatersrand industrial area of South Africa.

a. Export diversification

There are ongoing efforts to diversify the agricultural export base, which has recently been expanded to include: horticultural products (particularly melons and grapes); flowers (destined for the European market), grown particularly around the Orange River; and live ostriches, ostrich meat, and other products. Ostrich meat (which is low in cholesterol) is covered by the Lomé Convention and can enter the EU on an open import license. Horticultural products and flowers also qualify for preferential EU access, 1/ and for assistance with start-up, production and marketing costs from the EU through the Lomé Convention. Moreover, an additional advantage is that Namibia's fruit and vegetables ripen during the European winter and thus command a higher price while facing less competition. 2/

In addition to increasing the number of nontraditional agricultural exports, forward linkages have been forged between cattle production and the tanning of cattle hides. Meatco opened the Okapuka Tannery on April 7, 1993--supplementing the capacity of the older Namibia Tannery--which has the daily capacity to produce nearly 1,000 wet blue raw hides, which possess up to 50 percent more value added than dried and salted hides. Moreover, marketing arrangements for exporting the hides to Italy are already well established. The facility also includes a modern effluent-treatment plant and a fleet of trucks. The total investment cost was estimated at Ecu 4.6 million, with Ecu 2.5 million in the form of a loan from the European Investment Bank. There are also long-term plans to expand the tannery's operations to include the processing of sheepskins and final leather finishing, with a view to ultimately developing a labor-intensive leather industry engaged in the production of goods such as handbags, shoes, and jackets.

b. Revitalization of the karakul sector

Finally, there are ongoing efforts to revitalize the karakul pelt, meat, and wool industries, which once accounted for a significant share of

---

1/ ACP quota access for these commodities is based on the relevant amendments to EU Council Regulations.

2/ For instance, Namibia is currently the only ACP country producing seedless grapes in December.

agricultural exports. The industries reached their peak during the 1970s and entered the 1980s with sharply declining prices, owing to a number of international market developments, namely: (1) milder European winters; (2) a worldwide campaign against furs; (3) increasing competition for shrinking international markets from the former Soviet Union, the leading international supplier; and (4) aggressive marketing by the mink industry, which competes with karakul. Domestically, the supply of karakul sheep was sizably reduced by recurrent droughts, which in combination with falling international prices, induced farmers to replace their karakul flocks with other higher meat-yielding breeds, suitable only for meat production. Karakul production is now being encouraged, in view of current awareness of the adaptation of karakul sheep to the semiarid environment in the south-central and southern regions of the country and the need to prevent overgrazing. Moreover, in view of the potential loss of competitiveness in the South African market following the implementation of the Uruguay Round, the welfare of Namibian shepherds could be enhanced by the flexibility embodied in the range of products offered by karakul farming. As a result, the Namibian Karakul Board has arranged technical workshops to educate and assist farmers; undertaken research into the uses and applications of karakul pelts and wool; established a private marketing company in a joint venture with NAKARA Manufacturing Furriers, with a view to developing a market for processed pelts and garments; and launched an advertising campaign to stimulate interest in the products. In addition, an agreement was reached with Afghanistan and Kazakhstan, whose pelts are heavier, to market the pelts jointly so as to further stimulate sales. 1/ Over the medium term, however, the success of the effort to revitalize the karakul industries (taking place against the backdrop of rising karakul pelt and wool prices) will depend to a large extent on relative prices of mutton and lamb, which represent the opportunity cost of karakul production.

4. Unprocessed and processed fish

Namibia's marine ecosystem is characterized by a large biomass of relatively few species that are commercially viable and can be harvested efficiently. The main fish resources are pilchard, hake, pelagic and demersal horse mackerel, crab, tuna, and rock lobster. Prior to independence, however, this fish resource was overexploited, resulting in an erosion of fish stocks, owing to the absence of an effective 200-mile zone off the country's coastline. Thus, following the creation, and successful enforcement, of the 200-mile Exclusive Economic Zone (EEZ) on July 10, 1990, and the adoption of strict conservationist practices, the fish biomass has been largely restored. Accordingly, a White Paper on Fisheries Policy, adopted by the National Assembly in 1991, outlined as objectives for fisheries policy a sustainable utilization of fish resources (through appropriate conservation policy in the form of enforceable "total allowable catches (TACs)" for each species) and enhancing the participation of Namibian nationals at all levels

1/ OECD Development Centre, Technical Papers, No. 73, "Namibian Agriculture: Policies and Prospects".

of the industry. This paper later formed the basis for the Sea Fisheries Act, which was passed and implemented in late 1992.

Financial incentives in the form of reduced quota fees were then established for achieving the stated objectives, and Namibian fishing underwent a period of "Namibianization" during which joint ventures were established between Namibian citizens and foreign fishing vessels, and onshore processing of fish expanded. The reintegration of Walvis Bay on March 1, 1994, contributed to the growth of fisheries, as Walvis Bay is the only deep-sea port in Namibia and accounts for more than half of the Namibian fishing industries and most fisheries supporting companies, infrastructure, and services. Accordingly, the export share of unprocessed fish grew by an astounding 449.8 percent in 1990 and again by 196.1 percent in 1991, albeit from the very low base of 0.2 percent in 1989. This growth in fish exports, and the underlying production trends, was largely a result of increased local ownership of fishing vessels, as value added on foreign-owned vessels was measured net of charter boat fees and had ranged as high as 85 percent of fish catches.

On the manufacturing side, the reduction in quota fees offered to fishing companies as an incentive for expanding onshore fish processing is based on the degree of Namibianization of the fishing enterprise. Thus, the average export share of fish processing expanded by an average of 21.4 percent in the post-independence period, and was sustained through the end of the review period. Employment in the fish and processing sector also rose from 6,000 in 1990 to 9,000 in 1993, including 2,500 seasonal workers in the canning industry at Walvis Bay and 2,000 at Luderitz, and is projected to rise to 15,000 by the end of the decade. However, although the incentives for onshore processing have stimulated employment growth, they have also reportedly proven costly to administer. Moreover, the 50 percent qualifying criterion is currently difficult to achieve, given the limited base of indigenous skilled manpower. Furthermore, the present scope for processing beyond present levels into areas such as gourmet food preparation is thought to be limited because of the distance from key export markets, which, given present freight charges, renders the shipping of final goods far more costly than the wholesale transport of intermediate products.

In order to help redress the current shortage of skilled labor, the Government reached an agreement with the Norwegian Government in 1991 to help train sea going officers for patrol vessels and fisheries inspectors. In addition, the Luderitz-based Rössing vocational training school has been converted into a maritime training center, and a maritime training center was established at Walvis Bay with the cooperation of private industry. A Vocational Training Act is also pending.

The fish biomass declined in 1994 because of adverse oceanic conditions, which affected mostly pelagic fish (such as pilchards), while the demersal and mid-water fish (such as hake and horse mackerel) have been less affected. A rise in ocean temperatures and the resulting oxygen deficiency at the bottom of the ocean has induced a migration of fish stocks from Namibian waters. Nevertheless, the outlook for the fishing sector remains favorable over the medium term in the event of a restoration of normal

oceanic conditions. A favorable outlook remains a possibility even in the event of a loss of ACP advantages since the fish sector is commercialized and because exports to the EU as a whole, with the exception of Spain, are not dependent on preferential access through the Lomé Convention. Although Spain is an important market for hake exports, it is presently the only EU country with import duties on fish imports. Import duties (of 15 percent levied on non-Spanish flag vessels) are reduced by 90 percent under the terms of the Lomé Convention.

5. Other manufacturing exports

The manufacturing sector accounted for 8.1 percent of GDP in 1994 and for 28.8 percent of export revenues. However, Table VII.1 shows that Namibian manufacturing exports are dominated by food exports of processed fish and meat, which accounted for an average of 12.9 percent and 5.8 percent of exports, respectively, or 83 percent of manufactured exports over the period 1987-94. By contrast, other manufactured exports only accounted for an average of 4 percent of exports over the same period. In addition, the growth of the export share of the manufacturing sector as a whole, averaging 9.0 percent over 1988-94, exceeded that of other manufacturing, which grew by 4.4 percent. Moreover, the growth of manufacturing's export share increased from an average decline of 1.5 percent during the pre-independence period shown, to 14 percent after independence (Table VII.2). The opposite was true of other manufacturing's export share, the growth of which declined from an average of 10.1 percent before independence to 1.7 percent after independence. There is also a shortage of internal production linkages in many of these industries, as the import content of manufacturing industries ranges from 20 percent to 50 percent. Moreover, an Input-Output table constructed by the Southern African Development Bank in 1989 reveals that out of 800 transactions there were only 4 cases where more than 10 percent of inputs were obtained from Namibian companies.

In an effort to stimulate the sector, the Government introduced a range of special tax and nontax incentives for manufacturing enterprises other than meat and fish producers that register with the Ministry of Trade and Industry, effective April 1993. These measures, which include a 50 percent tax abatement on taxable income and various tax deductions, are described in detail in the Annex to this chapter. Nevertheless, despite the provision of sector-specific incentives, nonfish and nonmeat manufacturing exports have yet to gain momentum in Namibia, in spite of an urgent need for local manufacturers of export-oriented products in support of the country's growing food processing export industries (such as containers, packaging and bottling material, and shipping labels). There is also additional scope for ship repair facilities. However, remaining constraints to potential investors in these and other areas include the following:

- A shortage of skilled and semiskilled labor--45 percent of establishments surveyed during the 1993 Manufacturing Survey reported experiencing difficulty in recruiting skilled and semiskilled labor.

- Wages that are high relative to productivity. This is believed to be reinforced by the geographical proximity to, and historical ties with,

South Africa formalized through SACU. SACU's high tariffs on consumer goods (which exert upward pressure on wages) and imported inputs help to raise Namibian firms' production costs, which in turn render manufactured exports internationally uncompetitive. This is further compounded by a lack of knowledge of alternative regional and international input supply sources.

- Limited access to credit facilities, particularly in the case of small-scale producers. However, some assistance is now being provided to the small-scale and informal sector industries by a number of governmental and nongovernmental organizations, including the Ministry of Trade and Industries' Small Scale and Informal Sector Division.

- A lack of implementation capacity on the part of the Investment Center, established in the Ministry of Trade and Industry in 1991 to serve as a one-stop investment promotion and facilitation agency, owing to a shortage of skilled and experienced staff.

- Distance from export markets and costly freight charges.

In addition to these constraints, it is arguable that remaining ambiguities surround the incentive package, which might pose an additional hindrance to investment. A lack of transparency arises because of the extent of the overlap between measures available through different provisions, and because of the degree of discretion still remaining in the system. Such provisions may not only serve to undermine the credibility of the tax system, but from an investment point of view may reduce transparency and encourage individual firms to seek discretionary arrangements. Moreover, the greater the difficulty in evaluating and comparing investment climates, the greater the perception of risk.

As a further stimulus to export-oriented investment, the Government established a pilot-study Export Processing Zone (EPZ) at Arandis in 1992. A new EPZ is planned at Walvis Bay, designed to enable Namibia to serve as a gateway to the Southern African region, and is based on the combined advantages of port facilities; an expansive and well-maintained road network; good cultural and trading linkages with Europe; a stable political and industrial environment; and a favorable investment climate, including a low tax liability, low wages, and government subsidies to help defray training costs (see Annex III). However, an essential component of the incentive structure will consist of the availability of a low, internationally competitive wage structure that remains in line with worker productivity. Although the bill was approved by the National Assembly in fiscal year 1994/95, it was reportedly held up in the National Council owing to effective labor union opposition to the decision that EPZs would be union-free.

6. Tourism

Namibia's tourist trade expanded rapidly after independence, given the country's well-developed infrastructure, strong cultural and trading ties with Europe, and extensive and diverse natural resource endowment. Over 1990-94, tourism's export share grew at an average rate of 12.6 percent--rising from 8.5 percent in 1990 to 13.3 percent in 1994--establishing

tourism as the third most important source of foreign exchange (Table VII.1). Although tourism statistics have been limited until very recently, the data show that the number of tourist arrivals rose from 213,000 in 1991 to roughly 300,000 in 1993, and is projected to rise to 540,000 by 2000, with employment in the industry rising concomitantly from under 10,000 to 19,000. Given the fragility of Namibia's ecosystem, the Government's policy is to emphasize the lower volume, higher-yielding tourist trade, which tends to forge greater domestic linkages with hotel and catering services, as well as other retail and financial services. Tourist accommodation capacity is being expanded by ongoing and planned investments in hotels and resorts; however, significant capacity constraints still exist in important support services such as the water and electric utility industries.

The country's future tourism development will be shaped by the Namibia Tourism Development Programme, which is expected to begin in 1995 and have a three-year duration. This plan is the result of a White Paper on Tourism, approved by the Cabinet in March 1994, which outlines an implementation framework for the development plan. Five working committees have been formed, which are organized accordingly: accommodation, registration, classification and grading; financial incentives; spatial development; establishment of the Namibia Wildlife Resorts (NWR); and creation of the Namibia Tourism Board. The NWR, of which the Government will be a majority shareholder, is to take over the management of government resorts and rest camps, so as to help ensure that the Government's environmental and conservationist objectives are maintained. 1/ This corporation would also invest in joint ventures with the Government and support community-based tourism, wherever possible. Finally, the committee on the creation of the Namibia Tourism Board will prepare guidelines and the necessary legislation for the establishment and operation of the tourism board, which will be charged with tourism promotion and with the development of a national system for training and human resources development in the tourism sector. 2/

7. Conclusion

The foregoing discussion has illustrated that over the review period, Namibia's export base was transformed from dependence on two commodity groups--namely, mineral and agricultural commodities--to a much broader base that includes growing export shares for the processed and unprocessed fish subsector and for tourism. Moreover, the emergence of these sectors as important engines of growth in the absence of industry-specific taxation incentives is instructive and contrasts with the growth performance of

---

1/ To symbolize the Government's emphasis on ecotourism, in 1994, the Ministry of Wildlife, Conservation and Tourism was renamed the Ministry of the Environment and Tourism.

2/ Recommended changes in the organizational structure for the management of tourism and in the regulatory and legislative systems are to be incorporated in the forthcoming tourism bill, which will update and extend existing legislation.

"other manufacturing" industries, which have benefited from substantial export promotion incentives. The provision of extensive incentives to enterprises other than fish and meat manufacturers effectively constitutes an implicit tax on the excluded parties, and could serve as an inducement to the excluded firms to evade current restrictions. In addition, although the negative effect of tax holidays and other concessions on fiscal revenues can be sizable over the medium term, the experience of other countries suggests that the benefits of these measures are at best questionable. Since emerging firms generally earn limited profits, the companies that are most likely to benefit from such tax concessions are those that would have found the environment profitable without the incentives. Moreover, tax holidays and abatements are prone to abuse by the beneficiaries, as an incentive is created for firms nearing the end of a holiday period to reconstitute their businesses so as perpetuate their access to concessional provisions.

The discussion has also shown that production linkages have been successfully established in agriculture (tanneries), mining (base metals processing and dimension stone cutting and tiling), fisheries, and tourism, which has helped to raise the value added of Namibia's exports. However, further expansion of these and other sectors is predicated on the implementation of effective solutions to the remaining constraints enumerated above, which include the internationally uncompetitive wage structure, a shortage of skilled manpower, a shortage of venture capital for small-scale enterprises, and high utility and transportation costs (particularly given the present structure of freight charges and the distances to key export markets). Formal steps have already been taken to develop human capital and raise labor productivity, particularly in fisheries and tourism.

It has also been noted that the growth of agricultural exports has stemmed largely from preferential access to protected markets, which is not sustainable in the current environment of global trade liberalization. In addition, the uncertain effect of the current land reform measures on commercial farm productivity has added implications for agricultural exports. Thus, in the aftermath of the conclusion of the Uruguay Round, the future performance of agricultural exports will depend on the adoption of efficient agricultural production practices and land tenure arrangements.

Future successful export promotion will also depend on the maintenance of Namibia's strengths, which include political and economic stability, the preservation of its extensive natural resources, a substantial and well-maintained infrastructure (including growing telecommunications and road networks), and strong cultural and trading linkages with Europe. In addition, an essential element of Namibia's economic stability thus far has been the predictability of its currency, which currently circulates at par with the South African rand. Under these circumstances, the enhancement of Namibia's competitiveness will depend greatly on the evolution of real wages.

The Manufacturing Incentive Structure

The general incentive framework

Since independence, the Government has progressively lowered the top marginal corporate tax rate for nonmining companies (from 40 percent in 1992 to 35 percent effective fiscal year 1995/96). In addition, the authorities have made important changes in the overall tax incentive structure, including: (a) a reduction of the nonresident shareholders' tax rate to 10 percent; (b) a reduction of personal tax rates, the maximum marginal rate now being 35 percent; (c) the provision of tax exemptions on dividends accruing to companies and dividends paid to residential shareholders of companies; (d) an allowance for plant, machinery and equipment to be fully written-off over a period of three years; (e) a guarantee that infrastructure may be written-off 20 percent in the first year and the balance at 4 percent per year for 20 years; and (f) an amendment for the Sales Tax Act to provide for the tax-free importation or acquisition of manufacturing machinery and equipment.

Manufactured products

In addition to the overall incentive framework, a range of special incentives for manufacturing enterprises that had registered with the Ministry of Finance and the Ministry of Trade and Industry were announced effective April 1993. The tax incentives were as follows:

- A 50 percent abatement on taxable income derived from manufacturing for a period of five years, to be phased out over a subsequent period of ten years;

- An accelerated building allowance for buildings used in the manufacturing process, as follows: 20 percent in the first year and 8 percent a year of the balance over ten years;

- An additional deduction of 25 percent in respect of training and production wage expenditure with prior approval from the Ministry of Trade and Industry and the Ministry of Labor and Manpower Development, and upon notification of the Ministry of Finance;

- A deduction for export expenditure related to marketing research, advertising, and soliciting orders in a foreign country, ranging from 25 percent to 75 percent, depending on export turnover;

- A discretionary measure empowering the Minister of Finance with the authority to negotiate with the appropriate Minister, negotiated through the Ministry of Trade and Industry, the applicable tax rate and the duration of tax concessions extended to any new qualifying manufacturing ventures in Namibia.

In addition, nontaxation incentives include the following: (a) concessional loans for the establishment, expansion, or diversification of a manu-

facturing enterprise, available from the Namibia Development Corporation on terms to be decided by the Board of Directors and in agreement with the Ministry of Trade and Industry; (b) cash grants/loans for exporters of up to 100 percent on concessional terms for the purpose of funding international marketing efforts; 1/ and (c) permission to purchase government studies at 50 percent of the real cost by companies wishing to develop investment opportunities.

In addition to these measures, the budget for 1994/95 announced an export promotion package that exempted 80 percent of all gross profits derived from exports or re-exports of manufactured goods, with the exclusion of processed fish and meat products. Moreover, this exemption is applicable regardless of the extent of the domestic input content and of whether or not the goods are manufactured locally.

Export processing zones

As a further stimulus to investment, the Government established a pilot-study Export Processing Zone (EPZ) at Arandis in 1992. Incentives for investors electing to locate in Arandis included (a) exemption from corporate tax for a negotiable time period, and a reduced tax rate upon expiration of the tax holiday; (b) reduction of withholding tax on dividends paid after tax profits and the elimination of taxes on reinvested profits; (c) exemption from general sales tax on imported capital goods; (d) exemption from all import duties if operations are geared for 100 percent export; and (d) reimbursement of 75 percent of the technical training costs incurred in training Namibian citizens.

An EPZ Bill, awaiting passage by Parliament, would formalize the EPZ incentive framework, and is likely to include: exemption from customs, import and export duties, and any tax on equipment and goods; exemption from income, profit and sales taxes; and no tax on corporate profit. 2/ However, an essential component of the incentive structure will consist of the availability of a low, internationally competitive wage structure that remains in line with worker productivity.

1/ On submission of full documentation, a maximum of 50 percent of real costs would be translated into fully taxable cash grants, and the balance of the loan would be repaid.

2/ The source for this information is "Namibia: An Objective Study of Investment Conditions," the Namibia Investment Centre, Ministry of Trade and Industry.

Table VII.1. Namibia: Exports of Goods and Nonfactor Services, 1987–94

(In percent of exports of goods and nonfactor services)

Product Group	1987	1988	1989	1990	1991	1992	1993	1994	1987–90:1	1990:2–94	1987–94
										Average	
Total exports of goods, f.o.b.	91.4	91.2	90.9	90.4	90.2	90.2	87.1	85.7	91.1	88.6	89.7
Live animals and animal products	10.0	9.0	8.2	7.8	6.9	7.3	6.9	9.1	9.0	7.6	8.1
Cattle	5.4	4.5	3.8	3.3	2.9	2.6	2.9	4.0	4.5	3.1	3.7
Sheep and goats	2.3	2.5	3.1	3.1	2.7	3.5	2.7	3.3	2.7	3.0	2.9
Game, ostriches, and products	0.2	0.2	0.1	0.1	0.1	0.4	0.2	0.4	0.2	0.3	0.2
Karakul wool and pelts	1.6	1.3	0.8	0.5	0.4	0.3	0.2	0.2	1.2	0.3	0.7
Other hides and skins	0.5	0.5	0.4	0.8	0.7	0.5	0.9	1.2	0.5	0.8	0.7
Fish and other aquatic products	0.2	0.3	0.3	1.9	5.6	4.6	4.0	4.7	0.4	4.3	2.7
Horse mackerel (midwater trawling)	--	--	--	1.6	5.4	4.1	3.2	3.9	0.1	3.7	2.3
Tuna						0.3	0.5	0.5	--	0.3	0.4
Other	0.2	0.3	0.3	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Ores and minerals	63.4	64.1	67.5	57.9	53.6	49.3	48.2	43.2	64.4	50.0	55.9
Copper	5.6	8.5	7.4	6.7	5.2	5.2	3.9	4.5	7.1	5.0	5.9
Gold	0.3	0.3	0.3	1.6	1.7	1.6	1.5	1.8	0.4	1.6	1.1
Silver	*2.2*	*2.0*	*1.5*	*1.2*	*0.9*	*0.8*	*0.7*	*0.6*	*1.8*	*0.8*	*1.2*
Lead	2.3	2.3	2.4	2.5	1.5	1.1	0.8	0.9	2.3	1.3	1.7
Zinc	1.2	2.6	3.1	3.2	1.4	1.4	0.9	0.9	2.4	1.5	1.8
Diamonds	23.6	30.3	30.6	27.3	32.9	31.5	31.0	27.0	28.1	30.1	29.3
All other ores and minerals	28.3	18.2	22.2	15.4	10.1	7.7	9.4	7.5	22.3	9.7	14.8
Of which: uranium	(27.3)	(17.0)	(20.9)	(14.2)	(9.2)	(7.1)	(...)	(...)	(21.1)	(5.7)	(11.9)
Electricity	0.3	0.3	0.3	0.3	0.1	0.1	--	--	0.3	0.1	0.2
Manufactured products	17.6	17.4	14.7	22.5	24.1	28.9	28.0	28.8	17.0	26.6	22.7
Meat and meat preparations	4.6	4.8	4.4	5.6	7.3	6.9	6.1	7.0	4.7	6.6	5.8
Prepared and preserved fish	10.0	10.0	7.2	11.7	12.4	15.5	17.2	19.4	9.3	15.4	12.9
White fish	1.8	2.8	1.1	4.8	5.0	6.9	6.5	9.0	2.1	6.5	4.7
Canned fish	1.8	2.1	1.8	2.7	4.5	5.4	7.3	8.5	2.0	5.8	4.3
Rock lobster and crab	1.8	1.6	2.7	2.3	1.4	1.3	1.5	0.6	2.1	1.4	1.7
Fish meal and fish oil	4.6	3.5	1.6	1.9	1.5	1.8	1.9	1.3	3.1	1.7	2.3
Other manufactured products	2.9	2.7	3.1	5.1	4.4	6.5	4.7	2.4	3.1	4.6	4.0
Total exports of nonfactor services	8.6	8.8	9.0	9.6	9.8	9.8	12.9	14.3	8.9	11.4	11.3
Tourism	...	...	...	8.5	8.7	8.8	12.0	13.3	0.7	10.3	10.3
Other nonfactor services	...	...	...	1.1	1.1	1.0	1.0	1.0	0.1	1.0	1.0
Memorandum items:											
Merchandise exports/GDP	51.4	50.6	53.5	47.1	50.5	48.5	50.3	45.6	51.5	48.5	49.7
Exports of goods and nonfactor services/GDP	56.2	55.5	58.8	52.1	55.9	53.7	57.8	53.2	56.5	54.7	55.4

Source: Central Statistics Office.

Table VII.2. Namibia: Exports of Goods and Nonfactor Services, 1988–94

(Percentage change in share of exports of goods and nonfactor services)

Product Group	1988	1989	1990	1991	1992	1993	1994	1987–90:1	1990:2–94 Average	1987–94
Total exports of goods, f.o.b.										
Live animals and animal products	−9.9	−9.4	−4.0	−12.2	5.8	−5.6	32.1	−9.1	3.6	−0.5
Cattle	−16.7	−16.4	−12.5	−13.8	−9.0	11.6	39.4	−16.1	4.0	−2.5
Sheep and goats	10.4	20.8	1.2	−12.9	27.8	−23.2	23.3	14.0	3.3	6.8
Game, ostriches, and products	−8.9	−14.0	−30.1	39.4	180.1	−43.6	83.7	−13.5	49.9	29.5
Karakul wool and pelts	−17.4	−41.9	−28.0	−16.8	−35.0	−46.3	16.9	−29.5	−21.5	−24.1
Other hides and skins	−7.4	−14.7	86.4	−5.9	−25.4	73.1	25.2	−0.2	27.7	18.8
Fish and other aquatic products	61.7	0.5	449.8	196.1	−17.9	−13.6	17.8	77.6	109.4	99.2
Horse mackerel (midwater trawling)	...	...	...	231.8	−23.6	−22.6	23.4	...	44.0	52.3
Tuna	...	...	...	...	...	66.9	−7.7	...	12.5	29.6
Other	47.3	4.9	−11.9	−20.1	−9.3	42.1	3.3	21.9	1.5	8.0
Ores and minerals	1.2	5.3	−14.2	−7.4	−8.0	−2.1	−10.5	1.3	−8.1	−5.1
Copper	52.8	−13.9	−9.1	−22.7	1.3	−26.1	16.1	16.3	−8.1	−0.2
Gold	3.3	19.5	412.1	3.2	−5.8	−1.8	15.0	55.9	67.3	63.6
Silver	−11.1	−22.4	−19.2	−27.6	−11.1	−11.0	−8.5	−17.0	−15.3	−15.8
Lead	4.4	0.9	5.9	−41.8	−21.8	−29.0	12.1	3.0	−16.0	−9.9
Zinc	114.9	20.0	2.8	−56.4	1.7	−36.1	2.0	60.3	−18.2	7.0
Diamonds	28.2	1.1	−10.7	20.5	−4.5	−1.3	−12.9	11.8	−1.3	2.9
All other ores and minerals	−35.7	22.4	−30.9	−34.2	−23.7	22.0	−20.7	−9.4	−16.8	−14.4
Of which: *uranium*	(−37.8)	(23.0)	(−32.1)	(−35.2)	(−23.0)	(−−)	(−−)	(−10.2)	(−17.3)	(−21.0)
Electricity	13.9	−17.8	18.7	−69.9	34.8	−83.1	−35.4	0.3	−29.4	−19.8
Manufactured products	−1.0	−15.5	52.9	7.1	20.0	−3.2	2.9	−1.5	14.0	9.0
Meat and meat preparations	3.3	−6.6	26.9	30.0	−5.8	−12.0	14.8	1.5	10.0	7.3
Prepared and preserved fish	−0.6	−27.8	62.5	5.5	25.3	11.2	12.7	−5.7	21.4	12.7
White fish										
Canned fish	13.8	−14.8	54.1	62.7	20.8	35.3	17.3	5.6	37.2	27.0
Rock lobster and crab										
Fish meal and fish oil	−10.0	67.2	−17.2	−38.9	−2.6	8.8	−57.7	23.5	−21.7	−7.2
Other manufactured products	−9.3	15.0	68.0	−14.5	48.3	−28.0	−48.5	10.1	1.7	4.4
Total exports of goods and nonfactor servi	−0.3	−0.3	−0.6	−0.2	−0.1	−3.4	−1.5	−0.3	−1.2	−0.9
Tourism	...	...	...	2.6	1.6	35.2	10.9	...	10.6	12.6
Other nonfactor services	...	...	...	−3.6	−8.9	−0.3	3.5	...	−2.0	−2.3
Total exports of nonfactor services	3.0	2.6	6.0	1.9	0.5	31.7	10.3	3.2	10.3	8.0

Source: Central Statistics Office.

Table VII.3. Namibia: Beef Prices In Relation to Selected Prices Elsewhere, 1990

(Namibia = 100)

Namibia	100.0
South Africa	105.0
EC	116.0
Argentina	81.0

Source: "Namibian Agriculture, Policies and Prospects," OECD Development Centre, Technical Papers, No. 73, July 1992.

Regional Arrangements

I. The Southern African Customs Union (SACU)

1. Background

The Southern African Customs Union (SACU) was established in 1910 between the newly established Union of South Africa and the separate protectorates of Botswana, Lesotho, and Swaziland. 1/ The arrangement provided for the free movement of goods and the right of transit among members, as well as a common external tariff determined by South Africa.

The Agreement was renegotiated in 1968 to reflect increases in the partner country shares of regional imports. 2/ Moreover, the Republic of South Africa agreed to compensate the partner countries for several effects of the customs union: (1) the price-increasing effect of the customs union for the BLNS countries and the implicit protection for South African industry; (2) the industrial polarization resulting in part from South Africa's role in determining the tariff structure and the implications for South African industries; (3) the loss of fiscal discretion experienced by the BLNS partners because South Africa retained tariff-setting power for the region; and (4) the reduction in the revenue pool that resulted from the use of nontariff barriers by South Africa. The compensation agreed upon at the time was equivalent to 42 percent of the respective share of customs revenue.

In 1977, a stabilization factor was introduced to counteract variations in payments resulting from changes in South African petroleum tariff and excise policies. The stabilization factor was centered on a mean of 20 percent of imports, with a lower bound of 17 percent and an upper bound of 23 percent of the tax base. 3/

Any member of SACU may leave the arrangement with 12 months' notice. The consequences of an abrupt termination of the SACU agreement would, however, be serious for all of the BLNS countries. In addition to the role of SACU receipts as a share of total revenue, the partner countries generally lack the institutional capacity to fully administer domestic tariffs. The potential gains from cheaper imports would also be at least partially offset in the near term by the extensive use of South African importers--and the attendant possibilities for economies of scale.

1/ Namibia was added to the organization upon independence in 1990; at this time the appellation for the non-South African partners was changed from the "BLS" countries to the "BLNS" countries.

2/ Initial arrangements for sharing the excise and customs revenue pool called for a 1.3 percent share for the BLS countries, with no provision for the updating of the shares over time.

3/ The tax base refers to the sum of duty-inclusive imports, c.i.f. and excise tax-inclusive value of goods produced in the union and consumed in a particular BLNS country.

2. Current status of the arrangement

While the SACU agreement has been under renegotiation since the early 1980s, no resolution has achieved a consensus, and the arrangement described above remains in effect. More recently, it was decided in November 1994 that a new agreement would be reached by March 1995; the discussions, however, are ongoing. The agreement provides for any individual member to leave the arrangement at will, subject to a one-year notification period. A range of issues are under consideration, including the role of South Africa in determining tariff levels. 1/ A second longstanding issue pertains to the fact that payments in any given year--which are negotiated prior to the beginning of the fiscal year--are based on import data from two years earlier, with subsequent revisions. 2/ So long as imports are increasing, this tends to understate the revenues due to the BLNS countries in any particular year. In addition, the scope for the BLNS countries to protect their own infant industries has been regarded as unduly limited, and has become an increasingly important issue as the partner countries have undertaken efforts to widen the base of their respective economies. It has been argued that any provisions encouraging the development of infant industries are effectively negated by other articles in the agreement which require consultation with the other members and/or protect vested interests of South Africa. 3/

2. Timing and calculation of SACU payments 4/

Actual payment for any fiscal year is comprised of four parts: (1) a "first estimate" of payments for the fiscal year, based on a formula including the compensation element; (2) a stabilization component to bring the amount actually received by the BLNS countries closer to 20 percent of their dutiable base; (c) an adjustment to compensate for the lag between collection and payment; and (d) an adjustment to account for revisions of the data used in the formulas.

1/ The agreement between South Africa and the GATT in 1994 calls for a general simplification of the tariff structure, and an adjustment to rates, in line with the provisions of the Uruguay Round. The scheduled changes will apply to all of the BLNS countries, but will not affect revenue receipts unless the existing formula is altered.

2/ This should not be understood as a making of payments with a two-year lag. Instead, contemporaneous payments are made, using estimates based on lagged data. Subsequent adjustment payments correct for estimation errors, and could--in principle--be positive or negative.

3/ See Umesh Kumar, "South African Customs Union and the BLS-Countries (Botswana, Lesotho, and Swaziland)," Journal of World Trade, Vol. 24, No 3, June 1990.

4/ This section draws heavily on material also contained in SM/84/92.

The 1969 formula determining the share for the member countries other than South Africa is:

(1) $FE = [(A+B+C)/(D+E+F+G)] * H * 1.42$

(1a) $= (A+B+C) * [H/(D+E+F+G)] * 1.42$

where:

FE = the first estimate of the amount intended for the BLNS country;
A = the c.i.f. value at the border of imports into the BLNS country, regardless of origin, including all duties (imports from within the customs union are therefore included);
B = value of excisable goods produced and consumed in the BLNS country;
C = excise duties paid on B;
D = c.i.f. values of imports into the common customs area excluding interregional trade within the customs area;
E = customs duties paid on D;
F = valuable of excise dutiable goods produced and consumed in the customs area;
G = excise duties paid on F; and
H = the total revenue pool (E+G)

The ratio in brackets in (1) thus defines a variable percentage accruing to the BLNS countries, to which a surcharge of 42 percent is added. The expression in brackets in (1a) shows the first estimate as the members dutiable base (A+B+C), multiplied by the "all-duty rate," defined as the average rate on all customs and excise collections in the union, adjusted by the compensation factor. South Africa's share is thus a residual. The average revenue rate declined steadily for a number of years, and recently stabilized at about 9 percent. Initially, customs duties accounted for about 30 percent of SACU's revenues, while they now account for about 60 percent. 1/

The revenue actually accruing to a BLNS country in a given year, however, depends on import and excise tax data from two fiscal years earlier, owing to the time lag in data availability. The first estimate is thus effectively paid two fiscal years in arrears. Some argue that, with a rising rate of trade and inflation, this amounts to a two-year interest-free loan to South Africa. The process leading to the first estimate payments is as follows:

Revenue collected	Payments calculated					Payments made
FY (t-2)	FY (t-1)					FY (t)
...March	April...	June	Sept.	Oct.	Dec.	March	April
		TM	TM	TM	TM	MM	P

1/ This apparently reflects reductions in the excise tax rates.

where TM denotes a technical meeting of SACU members for the purpose of exchanging data, MM denotes a ministerial meeting at which payments to commence in period t are agreed on, and P denotes the first of four quarterly payments.

When the SACU Agreement was revised in 1968, an "all-duty" rate of 20 percent of dutiable imports and excisable goods production was envisaged, after the adjustment factor, while in practice, compensation had varied between 14 percent and 24 percent. In 1976, a stabilization factor was introduced to keep the post-compensation rate within 3 percentage points of 20 percent of the member's dutiable base. The post-compensation payment is calculated according to the formula. Half of the difference between this rate and 20 percent is added to the original post-compensation payment rate, and is termed the "stabilized revenue rate (SP(t))." The stabilized revenue rate has a lower bound of 17 percent of the member's base, and an upper bound of 23 percent. The actual payment made in year t is thus the stabilization rate or 17 percent, whichever is higher, subject to the upper bound of 23 percent. This rate is then multiplied by the country's dutiable base in year t-2 to determine actual payments in year t.

The "first adjustment" is designed to compensate SACU members for the two-year lag. This payment is based on the assumption that trade is growing steadily and is equal to the difference between the first estimate after stabilization for the current year (FE(t) and SP(t) based on data from (t-2)) and the first estimate of two years earlier (FE and SP for (t-2), based on (t-4) data).

The "final adjustment" in any given year adjusts for the data revisions made since the calculation of the first estimate and the stabilization factor, and adjusts the shares of members in the pool. These shares are calculated with the actual data, and additional payments are adjusted for under- and over-payments.

II. The Common Monetary Area (CMA)

The Common Monetary Area (CMA) includes South Africa, Lesotho, Namibia, and Swaziland. The initial arrangement, entitled the Rand Monetary Agreement, was signed by Botswana, Swaziland, Lesotho, and South Africa in 1974. Under the agreement, the rand would circulate as legal tender throughout the monetary area. While Swaziland and Lesotho retained the freedom to issue their own currencies, these currencies would circulate only within the boundaries of the issuing country. The agreement also provided for access to South African financial markets by Lesotho and Swaziland, as well as for some compensation for the continued use of the rand as legal tender. Shortly thereafter, Botswana withdrew from the arrangement to pursue a more independent path of monetary policy. Swaziland established an independent monetary authority in 1974, which was converted to the Central Bank of Swaziland in 1979, and issued its own currency, the lilangeni (plural: emalengeni), pegged at par to the South African rand. The Monetary Authority of Lesotho was established in 1979, which became the Central Bank

of Lesotho in 1982, and introduced the loti (plural: maloti) during 1980, fixed at par with the South African rand.

In 1986 the Trilateral Monetary Agreement (TMA) supplanted the Rand Monetary Agreement, and established the Common Monetary Area (CMA). The new agreement provided for the signing of bilateral agreements between South Africa and the two partner countries. Swaziland suspended the use of the rand as legal tender, and Lesotho took over the management of its own international reserves.

The South African rand has circulated as legal tender in Namibia since independence, based on an agreement with South Africa that also provided for Namibia's participation on a transitional basis in the CMA, and for the establishment of Namibia's central bank, the Bank of Namibia. On March 27, 1992, Namibia became an official member of the CMA, and began to receive compensatory payments from South Africa for using the rand, with retrospective effect from the date of independence. In accord with its constitution, Namibia began to issue its own currency (the Namibian dollar), to circulate at par with the rand, in September 1993. Current plans call for both currencies to circulate together at least through 1995, and Namibia is to continue to receive compensatory payments from South Africa, based on the estimated rand in circulation. As a result, Namibia's ability to pursue an independent monetary policy will remain limited so long as the Namibian dollar can be exchanged at par with the rand, and a free flow of funds with South Africa is maintained.

Owing to both the tight economic linkages and the pegged exchange rates, the BLNS countries have experienced patterns of inflation broadly in line with those in South Africa. As a consequence, real effective exchange rates have moved directly in line with that of South Africa. For the partner countries, the costs of the arrangement have been largely associated with the use of the rand, and the attendant limitations on monetary policy, especially given the constraints on fiscal policy deriving from membership in SACU. Namibia, Swaziland and Lesotho have tried to address their concerns in the context of the arrangement, through steps that have included some compensation for the loss of seigniorage and interest income on international reserves. Other steps include measured access to financial markets in South Africa, the availability of conditional credit from the Reserve Bank of South Africa, the limited latitude to pursue independent exchange rate policies, greater discretion in the management of international reserves, and strengthened consultative machinery under the CMA committee.

Namibia: Summary of the Tax System, April 1995

(All amounts in Namibian dollars)

Tax	Nature of Tax	Exemptions and Deductions	Rates
Central Government			
1. Taxes on net income and profits			
1.1. Taxes on companies			
1.11 Company income tax (Income Tax Act No. 24 of 1981 as amended)	Income tax is levied on the taxable income of any company registered in Namibia and on the taxable income of foreign companies generated in Namibia. Taxable income is defined as gross income, less allowable deductions and loss offsets. The year of assessment is the accounting year. Companies are required to make two provisional tax payments in respect of each year of assessment, e.g., the first within six months after the commencement of the year of assessment, the second at the end of such year.	Deductions include normal operating costs and interest, but exclude dividends and capital expenditures. Allowances in respect of capital assets: nonmining Expenditure incurred during the year of assessment in respect of machinery, implements, utensils, and articles used by the taxpayer for the purposes of his trade is allowed as follows: 1/3 in the year of acquisition, 1/3 in the second year, and 1/3 in the third year.	a. Nonmining: 38 percent on taxable income derived within Namibia. It was proposed in the 1994/95 Budget speech that tax rate for nonmining companies be reduced to 35 percent. b. All mining except diamond mining: for all mining except diamond mining, the following formula applies: $y = 60 - \frac{480}{x}$ in which formula y represents the percentage of taxation and x the ratio expressed as a percentage which the taxable income derived bears to the income derived; y is subject to a minimum of 25 percent.
	Comprehensive agreements for the avoidance of double taxation on the same income are in force with South Africa and the United Kingdom. Agreements with Germany and Sweden have been signed and will come into force after ratification by the National Assembly. Negotiations with a number of countries are still in progress-- Romania, France, Mauritius, and Malaysia.	The principal assets on which depreciation is not allowable are intangible assets such as goodwill, patents, and trademarks. However, the cost of patents and trademarks can be written off over the expected life of the patent or trademark or 25 years, whichever is the lesser.	c. Diamond mining: 50 percent of taxable income plus a surcharge of 10 percent, yielding an effective rate of 55 percent.
	Mining companies are subject to special taxation provisions.		
	Tax incentives are provided to manufacturing enterprises and to exporters of manufactured goods (excluding fishing and meat products); 80 percent of the profits resulting from the export of qualifying manufactured goods are exempt from company income tax; manufacturers receive a special abatement from taxable income ranging from 5 percent to 50 percent over a period of 14 years.	Initial and annual allowances: buildings In respect of buildings used by the taxpayer for the purposes of his trade, the tax authorities allow the deduction of 20 percent of the cost of erection of the building in the year in which it is brought into use and 4 percent p.a. for 20 years following the year of erection. However, in the case of a manufacturer, the deductions following the 20 percent are enhanced to 8 percent for 10 years.	

Namibia: Summary of the Tax System, April 1995 (continued)

(All amounts in Namibian dollars)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.11 Company income tax (Income Tax Act No. 24 of 1981 as amended) (concluded)		Capital expenditure allowances: mining Capital expenditure consists of development and exploration expenditure. Exploration expenditure can be written off in full in the year of assessment. Development expenditure can be deducted on the following basis: 1/3 in the year of assessment in which the expenditure is incurred, 1/3 in the following ensuing year of assessment, and 1/3 in the second ensuing year of assessment.	
1.2 Taxes on individuals			
1.21 Individual income tax: general (Income Tax Act No. 24 of 1981)	A tax charged on income received by or accruing to a person from any source within Namibia. Individuals are assessed on their taxable amount, i.e., gross income (other than capital receipts and exempt incomes) less allowable deductions and loss offsets. Wage and salary earners are subject to withholding tax at source (PAYE). Persons whose income consists almost entirely of remuneration of which the amount, after some deductions, does not exceed N$8,000 are not required to submit income tax returns. Provisional taxpayers are assessed on the basis of their estimated income in the year; payment is effected in two half yearly installments. Capital gains are not subject to tax. All dividends, except building society dividends, are tax free as from March 1, 1992. Interest received by a taxpayer other than a company from the Post Office Savings Bank is exempt from individual income tax.	The aggregate of the amounts which may be deducted in terms of contributions to retirement annuity funds, provident and pension funds shall not in a year of assessment exceed the sum of N$15,000. The Income Tax Amendment Act 25, of 1992, provides for husband and wife to be regarded as separate taxpayers. The following abatements are deductible from taxable income, so as to arrive at the taxable amount (to which tax rates are then applied): Abatements (In N$) Primary abatement 10,000 One child 1,000 Two children 1,500 Three or more children 2,000 Over 65 years 1,000 Sole breadwinner 4,000	The tax payable is calculated by applying the rates shown below to the taxable amount after deducting the appropriate abatements. The tax rates are as follows: Taxable amount — Rates of tax Where the taxable amount does not exceed N$10,000; — 14% of each N$1 of the taxable amount; exceeds N$10,000 but does not exceed N$15,000; — N$1,400 plus 20% of the amount by which the taxable amount exceeds N$10,000; exceeds N$15,000, but does not exceed N$20,000; — N$2,400 plus 22% of the amount by which the taxable amount exceeds N$15,000; exceeds N$20,000, but does not exceed N$25,000; — N$3,500 plus 26% of the amount by which the taxable amount exceeds N$20,000;

Namibia: Summary of the Tax System, April 1995 (continued)

(All amounts in Namibian dollars)

Tax	Nature of Tax	Exemptions and Deductions	Rates	
1.21 Individual income tax: general (Income Tax Act No. 24 of 1981) (continued)			exceeds N$25,000, but does not exceed N$30,000;	N$4,800 plus 30% of the amount by which the taxable amount exceeds N$25,000;
			exceeds N$30,000, but does not exceed N$40,000;	N$6,300 plus 34% of the amount by which the taxable amount exceeds N$30,000;
			exceeds N$40,000, but does not exceed N$60,000;	N$9,700 plus 35% of the amount by which the taxable amount exceeds N$40,000;
			exceeds N$60,000, but does not exceed N$80,000;	N$16,700 plus 36% of the amount by which the taxable amount exceeds N$60,000;
			exceeds N$80,000, but does not exceed N$120,000;	N$23,900 plus 37% of the amount by which the taxable amount exceeds N$80,000;
			exceeds N$120,000.	N$38,700 plus 38% of the amount by which the taxable amount exceeds N$120,000.
			It was proposed in the 1994/95 Budget speech to abolish all abatements and to introduce the following tax rates:	
			Taxable income	Rates of tax
			Where the taxable income does not exceed N$15,000;	0 percent
			exceeds N$15,000 but does not exceed N$20,000;	19% of the amount by which the taxable income exceeds N$15,000
			exceeds N$20,000 but does not exceed N$30,000;	N$950 plus 22% of the amount by which the taxable income exceeds N$20,000
			exceeds N$30,000 but does not exceed N$40,000;	N$3,150 plus 27% of the amount by which the taxable income exceeds N$40,000

Namibia: Summary of the Tax System, April 1995 (continued)

(All amounts in Namibian dollars)

Tax	Nature of Tax	Exemptions and Deductions	Rates	
1.21 Individual income tax: general (Income Tax Act No. 24 of 1981) (concluded)			exceeds N$40,000 but does not exceed N$50,000;	N$5,850 plus 32% of the amount by which the taxable income exceeds N$40,000
			exceeds N$50,000 but does not exceed N$80,000;	N$9,050 plus 33% of the amount by which the taxable income exceeds N$50,000
			exceeds N$80,000.	N$18,950 plus 35% of the amount by which the taxable income exceeds N$80,000
1.3 Other				
1.31 Taxes on royalties and know-how (Income Tax Act No. 24 of 1981)			Normal tax rate applicable to companies, but computed on only 30 percent of the royalty paid.	
1.32 Tax on nonresidential shareholders (Income Tax Act No. 24 of 1981)	A tax on dividend income derived by nonresidents. The tax is withheld by company declaring the dividends.	Ecclesiastical, charitable, or educational institutions of a public character.	10 percent (with effect from 25 September 1992).	
2. Taxes on property				
2.1 Property transfer taxes (Transfer Duty Act No. 14 of 1993)	A tax payable on the purchase consideration or fair value (whichever is the greater) of transfers of immovable property.	Building stands which do not exceed N$24,000 and dwellings costing not more than N$60,000 are tax exempt.	(a) Tax rate is 1 percent in the case of unimproved land which does not exceed N$24,000 in value; and in the case of improved land which does not exceed N$60,000 in value (b) Tax rate is 5 percent in the case of unimproved land which exceeds N$24,000 but not N$250,000 in value; and in the case of improved land, which exceeds N$60,000 but not N$250,000 in value; and (c) Tax rate is 8 percent if the value of the land exceeds N$250,000, irrespective of whether such land is improved or unimproved land:	

Namibia: Summary of the Tax System, April 1995 (continued)

(All amounts in Namibian dollars)

Tax	Nature of Tax	Exemptions and Deductions	Rates
2. Taxes on property 2.1 Property transfer taxes (Transfer Duty Act No. 14 of 1993)			In the case of the acquisition of agricultural land by a person to whom an advance, for the purposes of such acquisition, is made by the Agricultural Bank of Namibia in accordance with the provisions of section 46(1)(a) of the Agricultural Bank Act, 1944 (Act 13 of 1944), the rate at which transfer duty shall be levied on the value of such property shall be 1 percent if the value does not exceed N$30,000; and 3 percent if value exceeds N$30,000.
3. Taxes on goods and services			
3.1 General sales tax (Sales Tax Act, 1992, No. 5 of 1992)	Tax levied on the taxable value of transactions involving: a. the sale of goods; b. leased property under financial leases; c. rental agreements in respect of goods; d. the rendering of (taxable) services; e. the supply of board and lodging; f. the letting of transient accommodation; g. the import of goods; and h. the application of goods for own use or consumption by persons carrying on enterprises. Sales tax on imports cleared under the Customs and Excise Act, No. 91 of 1964, is based on the value for customs duty purposes, plus any duty levied under that Act, plus 10 percent of the said value. Where goods are not so cleared, sales tax on imports is based on the free-on-board value of the goods. Additional sales duties payable are added onto the value of goods imported before sales tax is levied.	All vendors whose gross annual receipts from the sale of goods exceed N$50,000 and all vendors who render taxable services are required to be registered. Auctioneers, financial leasing, or rental or accommodation or hotel enterprises have to be registered. The tax does include professional services, except medical services.	Every sale of goods and all imported goods. 8% Services 11%

Namibia: Summary of the Tax System, April 1995 (continued)

(All amounts in Namibian dollars)

Tax	Nature of Tax	Exemptions and Deductions	Rates
3.2 Additional sales duties (Additional Sales Duties Act No. 11 of 1993)	Duty levied on value of goods: Imported into Namibia, and every sale by a manufacturer. Values on which duties are payable. (a) In relation to sales by a manufacturer: the sum of all the amounts of the consideration accruing to the manufacturer in respect of a sale but excluding delivering charges if shown separately on invoice. (b) In relation to goods imported which are to be cleared under the Customs and Excise Act, No. 91 of 1964: the value thereof for customs duty purposes, plus any duty levied under the said Act, plus 10% of the said value. (c) In relation to goods imported which are not to be cleared under the Customs and Excise Act: the free-on-board value of the goods, plus 10% of the said value.		Rates vary from 0 on basic goods to 15% on luxury goods. Applicable additional sales duty rates are set out in a schedule to the Act and are based on the tariff headings as prescribed in the Customs and Excise Act, No. 91 of 1964.
3.3 Selective excises Customs and Excise Act (No. 91 of 1964 as amended)	Duties payable by the manufacturer or importer of certain commodities. Most are specific, though some ad valorem rates exist.	A rebate is granted on dutiable goods that are used by diplomatic representatives, etc., and on taxable goods used by producers in the manufacture of taxable goods for industrial or commercial purposes.	Beer made from malt: varies from 6,249c to 7,184c per 100 liters. Wine, fortified and sparkling: varies from 2,300c to 8,404c per 100 liters. Spirits: 163,838c to 168,275c per 100 liters of absolute alcohol. Manufactured tobacco - Cigars: 230c per kg net. - Cigarettes: 28.45c per 10. - Cigarette tobacco: 35.5c per 50 kg plus 213c per kg tobacco. Petrol From coal: 3.909c per liter. Other: 3.909c per liter Levy: 59.9c per liter.

Namibia: Summary of the Tax System, April 1995 (concluded)

(All amounts in Namibian dollars)

Tax	Nature of Tax	Exemptions and Deductions	Rates
4. Taxes on international trade and transactions			
4.1 Customs duties Customs and Excise Act (No. 91 of 1964 as amended)	A three-column tariff schedule based on the Brussels nomenclature with general, most favored nation, and preferential rates of duty. Preferential treatment is given to goods from the United Kingdom and in some cases, goods from Canada and Ireland. There is a Customs Union with South Africa, Botswana, Lesotho, and Swaziland. Most duties are assessed ad valorem at f.o.b. value, but there are a number of specific duties.	Rebates are allowed for certain goods used in manufacture by approved industries or by particular institutions and bodies.	Import duties vary widely.
5. Other taxes			
5.1 Stamp duties (Stamp Duties Act No. 15 of 1993)	Ad valorem or specific taxes payable on a wide range of legal documents such as agreements, bills of exchange, bonds, fixed deposit receipts, leases, marketable securities, transfer deeds, etc.	Most securities issued by certain public corporations and public authorities are exempt from stamp duty on issue and transfers. Where marketable securities tax is chargeable, brokers' notes do not attract stamp duty.	Rates of stamp duty vary for different instruments and also for a particular instrument. Examples are: agreements of lease - N$5-15 per N$1,000; bills of exchange - N$2 per N$1,000; fixed deposit receipts - N$1 per N$1,000.

Source: Ministry of Finance.

NAMIBIA - Exchange and Trade System
(As of March 31, 1995)

1. Exchange arrangement

The currency of Namibia is the Namibian dollar. The Namibian dollar is pegged at par with the South African rand, which is also legal tender in Namibia. The exchange rates of the Namibian dollar vis-à-vis other currencies are determined on the basis of cross rates of the South African rand against the currencies concerned in the international market. The representative rate of the Namibian dollar is determined on the basis of the fixed relationship between the Namibian dollar and the South African rand, and the middle rate between the buying and selling rates for the U.S. dollar in terms of the South African rand as reported by the Bank of Namibia. On March 31, 1995, the exchange rate of the Namibian dollar against the U.S. dollar was N$1=US$0.2796. The exchange market in Namibia has developed as an extension of the exchange market in South Africa.

Spot and forward exchange operations are regulated by the exchange control and banking regulations of South Africa. Authorized dealers are permitted to conduct forward exchange operations, including cover, for transactions by residents in any foreign currency in respect of authorized trade and nontrade transactions. Forward exchange contracts may cover the entire period of the outstanding commitments/accruals. Forward exchange cover may also be provided to nonresidents subject to certain limitations. Forward cover is provided in U.S. dollars only; such cover is given to authorized dealers for maturities not exceeding 12 months at a time, in the form of rand-U.S. dollar swap transactions, with a margin based on an interest rate differential between the U.S. dollar and the rand. Special rand forward cover at preferential rates is provided in respect of import financing offered to, and accepted by, Namibian importers. Such special forward cover must coincide with the redemption date of relevant financing and may not be canceled before maturity. Gold mining companies/houses may sell forward anticipated receipts of their future gold sales. There are no taxes or subsidies on purchases or sales of foreign exchange.

With effect from March 13, 1995, the South African authorities abolished the financial rand system, which subsequently paved the way for unitary currency to float against the basket. All financial rand balances were redesignated as either "Nonresident" account, where account holders are living outside the Common Monetary Area (CMA), while all balances belonging to immigrants were designated as "Resident" accounts. These "Nonresident" accounts will be freely transferable from the CMA.

2. Exchange control territory and administration of control

Namibia is part of the CMA. No restrictions are applied to payments within the CMA. In its relations with countries outside the CMA, Namibia applies exchange controls that are almost identical to those of other CMA members.

The Bank of Namibia, on behalf of the Ministry of Finance, controls all external currency transactions. Import and export permits, where required, are issued by the Ministry of Trade and Industry. The authorized dealers automatically provide foreign exchange for imports from outside the Southern African Customs Union (SACU) 1/ upon presentation of necessary documents. Advance payments for imports require the approval of the Bank of Namibia. All countries outside the CMA constitute the nonresident area. The rand is legal tender in Namibia and Lesotho but not in Swaziland. The rand accounts of nonresidents 2/ are divided into nonresident accounts and emigrant blocked accounts. The regulations that apply to these accounts in South Africa apply in Namibia.

3. Imports and import payments

There are no restrictions on imports originating in any country of the SACU. Imports from countries outside the SACU are usually licensed in conformity with South Africa's import regulations. For purposes of import permit issuance, Schedule IA of the Import Control Regulations of South Africa is currently enforced. These permits are valid for one year, are expressed in value terms, and are valid for imports from any country outside the SACU. At present, about 90 percent of imports require a permit. Namibia has the right to restrict certain imports (through customs duties or quantitative restrictions) from countries outside the SACU and from countries of the SACU under certain conditions. A wide range of imports from countries outside the SACU is subject to a general sales tax of 11 percent (as are locally produced goods) and to surcharges ranging from 7.5 percent on certain foodstuffs to 40 percent on nonessential luxury goods.

4. Payments for invisibles

Authorized dealers are empowered to approve trade-related invisible payments without limitation and other invisible payments up to established limits, as follows: (1) annual allowances for tourist travel of N$23,000 for an adult and N$11,500 for a child under 12 years (basic annual allowances for travel to the neighboring countries--Angola, Botswana, Malawi, Mozambique, Zaïre, Zambia, and Zimbabwe--are N$7,000 for an adult and N$3,500 for a child under 12 years); (2) business travel allowances at a rate not exceeding N$1,800 a day, with a maximum of N$34,000 in a calendar year (allowances for business travel to the neighboring countries mentioned above are at a rate not exceeding N$900 a day, with a maximum of N$12,000 a year). Residents leaving Namibia for destinations outside the CMA may be provided no more than the equivalent of one third of the foreign exchange made available per applicant. A larger amount may be granted on presentation of documented proof of need. There are no prescribed limits on

---

1/ The members of the SACU are Botswana, Lesotho, Namibia, South Africa, and Swaziland.

2/ A nonresident is a person (that is, a natural person or legal entity) whose normal place of residence, domicile, or registration is outside the CMA.

remittances for education and family maintenance, and reasonable amounts are granted on a case-by-case basis.

5. Exports and export proceeds

Most exports are permitted without a license and are shipped through South Africa. Permits are required for the exportation of goods in short supply to the non-SACU area. All export proceeds are normally required to be remitted to Namibia and surrendered within six months of shipment or within seven days of the date of accrual. In order to enforce the repatriation requirement, exporters are required to cover forward their export proceeds within seven days of shipment.

Proceeds from invisibles must be surrendered within seven days of the date of accrual, unless exemption is obtained. Upon entry from countries outside the CMA, residents and nonresidents may bring in N$500 in South African Reserve Bank notes. There are no limitations on the importation of domestic currency from Lesotho and Swaziland.

6. Capital and gold

All capital transfers to and from destinations outside the CMA in the form of loans are subject to specific approval from the Bank of Namibia. under the exchange control arrangements. Approval is generally given for borrowing abroad with a maturity of at least six months by domestic entrepreneurs, except for speculation or consumer credit. Authorized dealers are generally permitted to raise funds abroad in their own names for the financing of Namibia's foreign trade and for other approved purposes. Inward transfers of capital from non-CMA countries for equity investment are freely permitted, whereas applications by residents to retain in, or transfer to, countries outside the CMA funds for bona fide long-term investments in specific development projects or for the expansion of existing projects owned or controlled by residents are considered on their own merits.

Proceeds from the sale of quoted or unquoted South African securities, real estate, and other equity investments by nonresidents are freely transferable. Families emigrating to destinations outside the CMA are granted the normal travel (tourist) allowance and are permitted to remit up to N$200,000 (N$100,000 for single persons). Any balance exceeding this limit must be credited to an emigrant blocked account; the balance, including earned income, can be transferred under prescribed conditions. Immigrants are required to furnish the exchange control authorities with a complete return of their foreign assets and liabilities at the time of their arrival. Any foreign assets they transfer to South Africa may, through the same channel, be retransferred abroad within the first two years of their arrival.

Residents are permitted to purchase, hold, and sell gold coins in Namibia for numismatic and investment purposes only. All exports and imports of gold require the prior approval of the monetary authorities.

7. Changes during 1994

Exchange arrangement:

September 5. Limits of the invisibles under point 4 have been changed with effect from September 5, 1994.

8. Changes during 1995

March 13. Abolition of financial rand system by the South African authorities with effect from March 13, 1995.

Table 1. Namibia: Gross Domestic and National Product at Current Prices, 1987–94

(In millions of Namibian dollars)

	1987	1988	1989	1990	1991	1992	1993	1994 Prel.
GDP at factor cost	3,540.5	4,288.6	4,942.4	5,129.2	5,740.3	6,791.1	7,050.3	8,827.1
Compensation of employees	1,652.2	1,856.1	2,137.0	2,479.3	2,927.9	3,490.4	3,775.4	4,237.7
Consumption of fixed capital 1/	611.7	710.0	832.1	958.6	1,057.5	1,163.5	1,203.6	1,393.7
Net operating surplus	1,276.6	1,722.5	1,973.3	1,691.3	1,754.9	2,137.2	2,071.3	3,195.7
Plus: Taxes on production and imports	472.7	600.0	762.4	886.6	970.7	1,225.6	1,425.6	1,520.3
Less: Subsidies	76.0	62.5	45.9	59.6	68.4	122.6	103.5	104.6
GDP at market prices	3,937.2	4,826.1	5,658.9	5,956.2	6,642.6	7,894.1	8,372.4	10,242.8
Plus: Net factor income from abroad	−217.9	−594.7	−341.6	105	266	79	196	155
Factor income from abroad	172.5	300.8	495.5	482.0	670.0	579.0	702.0	773.0
Factor payments to rest of the world	−390.4	−895.5	−837.1	−377.0	−404.0	−500.0	−506.0	−618.0
GNP at market prices	3,719.3	4,231.4	5,317.3	6,061.2	6,908.6	7,973.1	8,568.4	10,397.8
Plus: Net current transfers from abroad	649.4	625.1	663.2	756.0	837.0	1,060.0	883.0	920.0
Transfer receipts from abroad	760.5	781.8	847.9	1,047.0	1,149.0	1,424.0	1,273.0	1,352.0
Transfer payments to rest of the world	−111.1	−156.7	−184.7	−291.0	−312.0	−364.0	−390.0	−432.0
Gross national disposable income	4,368.7	4,856.5	5,980.5	6,817.2	7,745.6	9,033.1	9,451.4	11,317.8
Memorandum item:								
Real GNI at constant 1990 prices 2/	5,354.8	5,403.7	5,918.2	6,052.3	6,264.9	6,232.3	6,088.7	6,988.0
Percentage change	13.7	0.9	9.5	2.3	3.5	−0.5	−2.3	14.8
Per capita GDP at current market prices	3,162.0	3,758.0	4,271.0	4,358.0	4,711.0	5,433.0	5,585.0	6,625.0
Per capita GNP at current market prices	2,987.0	3,295.0	4,013.0	4,426.0	4,893.0	5,483.0	5,712.0	6,723.0
Per capita GDP at constant 1990 mkt. prices	4,659.0	4,526.0	4,481.0	4,358.0	4,503.0	4,697.0	4,464.0	4,563.0
Percentage change	1.1	−2.9	−1.0	−2.7	3.3	4.3	−5.0	2.2
Per capita Real GNI at constant 1990 prices	4,301.0	4,207.0	4,467.0	4,438.0	4,444.0	4,284.0	4,063.0	4,516.0
Percentage change	10.3	−2.2	6.2	−0.6	0.1	−3.6	−5.2	11.1

Sources: Central Statistics Office; and staff estimates.

1/ Provision for depreciation.
2/ GNI = gross national income.

Table 2. Namibia: Gross Domestic Product by Industrial Origin, at Constant 1990 Prices, 1987–94

	1987	1988	1989	1990	1991	1992	1993	1994 Prel.
	(In millions of Namibian dollars)							
GDP at constant basic prices	5,011.3	5,071.7	5,155.1	5,163.2	5,539.0	5,953.6	5,832.7	6,216.5
Agriculture	457.9	466.1	498.7	520.0	548.2	432.0	442.6	522.1
Commercial agriculture	309.9	314.4	342.6	359.1	366.1	356.8	341.0	347.0
Subsistence agriculture	148.0	151.7	156.1	160.9	182.1	75.2	101.6	175.1
Fishing	108.1	93.0	111.5	87.2	98.5	186.2	267.6	284.0
Mining and quarrying	1,282.1	1,259.3	1,193.6	1,084.3	1,295.4	1,442.4	1,128.1	1,246.5
Diamond mining	703.6	678.4	661.6	553.9	852.4	1,044.7	762.2	844.2
Uranium	348.9	361.8	317.2	331.0	252.5	191.5	189.4	216.0
Other mining and quarrying	229.6	219.1	214.8	199.4	190.5	206.2	176.5	186.3
Subtotal, primary industries	1,848.1	1,818.4	1,803.8	1,691.5	1,942.1	2,060.6	1,838.3	2,052.6
Manufacturing	327.7	318.7	322.6	372.9	329.5	387.4	441.3	480.4
Meat processing	39.9	41.2	42.5	43.8	45.0	46.3	47.6	49.0
Fish processing	121.8	103.8	97.1	139.7	91.8	145.0	191.8	221.5
Other manufacturing	166.0	173.7	183.0	189.4	192.7	196.1	201.9	209.9
Electricity and water	88.3	98.3	102.2	105.1	95.5	132.9	62.3	76.5
Construction	127.7	156.8	160.1	141.8	119.1	162.6	171.6	172.5
Subtotal, secondary industries	543.7	573.8	584.9	619.8	544.1	682.9	675.2	729.4
Wholesale and retail trade, repairs	389.9	405.5	417.9	420.0	420.0	441.0	447.6	456.5
Hotels and restaurants	82.1	92.1	100.8	78.3	85.7	93.6	90.4	113.0
Transport and communications	246.6	245.6	271.2	281.9	299.1	310.1	316.3	333.3
Transport and storage	...	...	...	164.0	168.4	171.6	176.2	189.7
Post and telecommunications	...	...	...	117.9	130.7	138.5	140.1	143.6
Finance, real estate, business services	575.9	582.7	592.2	591.9	608.8	626.7	645.1	660.9
Financial intermediation	...	...	...	191.2	205.8	195.1	229.0	233.5
Financial services indirectly measured	...	...	...	−158.5	−167.5	−157.7	−192.7	−196.5
Real estate and business services	...	...	...	559.2	570.5	589.3	608.8	623.9
Owner–occupied dwellings	...	...	...	380.7	390.2	400.0	410.0	420.2
Other real estate and business services	...	...	...	178.5	180.3	189.3	198.8	203.7
Community, social, and personal services	63.1	64.5	65.5	66.0	67.1	68.0	68.0	69.3
General government	1,134.2	1,157.4	1,183.5	1,276.3	1,431.9	1,527.7	1,604.3	1,650.4
Other producers	127.7	131.7	135.3	137.5	140.2	143.0	147.5	151.1
Subtotal, tertiary industries	2,619.5	2,679.5	2,766.4	2,851.9	3,052.8	3,210.1	3,319.2	3,434.5
Plus: Taxes on international trade	349.5	310.5	330.0	330.6	351.8	380.7	373.7	349.8
Other taxes on products	439.6	431.4	452.6	462.4	458.9	489.8	485.7	487.5
GDP at market prices	5,800.4	5,813.6	5,937.7	5,956.2	6,349.7	6,824.1	6,692.1	7,053.8
Memorandum items:								
GDP at current basic prices	3,501.2	4,266.8	4,944.8	5,163.2	5,794.1	6,824.0	7,146.7	8,957.5
GDP deflator	67.9	83.0	95.3	100.0	104.6	115.7	125.1	145.2
GDP at constant 1990 market prices	5,800.5	5,813.5	5,937.6	5,956.1	6,349.6	6,824.1	6,692.0	7,054.0
GDP at current market prices	3,937.0	4,826.2	5,659.0	5,956.2	6,642.6	7,894.2	8,372.5	10,242.7

Table 2 (concluded). Namibia: Gross Domestic Product by Industrial Origin, at Constant 1990 Prices, 1987–94

	1987	1988	1989	1990	1991	1992	1993	1994 Prel.
	(Annual percentage change)							
GDP at constant basic prices	4.6	1.2	1.6	0.2	7.3	7.5	−2.0	6.6
Agriculture	8.7	1.8	7.0	4.3	5.4	−21.2	2.5	18.0
Commercial agriculture	11.5	1.5	9.0	4.8	1.9	−2.5	−4.4	1.8
Subsistence agriculture	3.1	2.5	2.9	3.1	13.2	−58.7	35.1	72.3
Fishing	23.7	−14.0	19.9	−21.8	13.0	89.0	43.7	6.1
Mining and quarrying	2.6	−1.8	−5.2	−9.2	19.5	11.3	−21.8	10.5
Diamond mining	5.7	−3.6	−2.5	−16.3	53.9	22.6	−27.0	10.8
Uranium		3.7	−12.3	4.4	−23.7	−24.2	−1.1	14.0
Other mining and quarrying	−60.7	−4.6	−2.0	−7.2	−4.5	8.2	−14.4	5.6
Subtotal, primary industries	5.1	−1.6	−0.8	−6.2	14.8	6.1	−10.8	11.7
Manufacturing	12.3	−2.7	1.2	15.6	−11.6	17.6	13.9	8.9
Meat processing	3.4	3.3	3.2	3.1	2.7	2.9	2.8	2.9
Fish processing	31.3	−14.8	−6.5	43.9	−34.3	58.0	32.3	15.5
Other manufacturing	3.6	4.6	5.4	3.5	1.7	1.8	3.0	4.0
Electricity and water	3.2	11.3	4.0	2.8	−9.1	39.2	−53.1	22.8
Construction	1.0	22.8	2.1	−11.4	−16.0	36.5	5.5	0.5
Subtotal, secondary industries	7.9	5.5	1.9	6.0	−12.2	25.5	−1.1	8.0
Wholesale and retail trade, repairs	3.5	4.0	3.1	0.5	--	5.0	1.5	2.0
Hotels and restaurants	19.5	12.2	9.4	−22.3	9.5	9.2	−3.4	25.0
Transport and communications	2.1	−0.4	10.4	3.9	6.1	3.7	2.0	5.4
Transport and storage	...	...	...	...	2.7	1.9	2.7	7.7
Post and telecommunications	...	...	...	...	10.9	6.0	1.2	2.5
Finance, real estate, business services	3.4	1.2	1.6	−0.1	2.9	2.9	2.9	2.4
Financial intermediation	...	...	...	...	7.6	−5.2	17.4	2.0
Financial services indirectly measured	...	...	...	...	5.7	−5.9	22.2	2.0
Real estate and business services	...	...	...	...	2.0	3.3	3.3	2.5
Owner–occupied dwellings	...	...	...	...	2.5	2.5	2.5	2.5
Other real estate and business services	...	...	...	...	1.0	5.0	5.0	2.5
Community, social, and personal services	2.3	2.2	1.6	0.8	1.7	1.3	--	1.9
General government	3.1	2.0	2.3	7.8	12.2	6.7	5.0	2.9
Other producers	3.4	3.1	2.7	1.6	2.0	2.0	3.1	2.4
Subtotal, tertiary industries	3.6	2.3	3.2	3.1	7.0	5.2	3.4	3.5
Plus: Taxes on international trade	−1.4	−11.2	6.3	0.2	6.4	8.2	−1.8	−6.4
Other taxes on products	6.3	−1.9	4.9	2.2	−0.8	6.7	−0.8	0.4
GDP at market prices	4.3	0.2	2.1	0.3	6.6	7.5	−1.9	5.4
Memorandum items:								
GDP at current basic prices	13.7	21.9	15.9	4.4	12.2	17.8	4.7	25.3
GDP deflator	9.2	22.3	14.8	4.9	4.6	10.6	8.2	16.1
GDP at constant 1990 market prices	4.3	0.2	2.1	0.3	6.6	7.5	−1.9	5.4
GDP at current market prices	13.9	22.6	17.3	5.3	11.5	18.8	6.1	22.3

Source: Central Statistics Office (CSO).

Table 3. Namibia: Gross Domestic Product by Industrial Origin, at Current Prices, 1987–94

	1987	1988	1989	1990	1991	1992	1993	1994 Prel.
	(In millions of Namibian dollars)							
GDP at current basic prices	3,501.2	4,266.8	4,944.8	5,163.2	5,794.1	6,824.0	7,146.7	8,957.5
Agriculture	416.5	502.8	531.4	520.0	603.3	505.9	559.9	972.7
Commercial agriculture	314.9	385.0	391.9	359.1	401.4	412.3	421:5	698.3
Subsistence agriculture	101.6	117.8	139.5	160.9	201.9	93.6	138.4	274.4
Fishing	56.8	71.7	76.4	87.2	118.7	194.8	232.4	312.2
Mining and quarrying	807.4	1,143.9	1,382.3	1,084.3	1,103.6	1,122.8	866.3	1,426.4
Diamond mining	351.3	610.6	714.8	553.9	722.4	786.0	607.6	1,037.4
Uranium	331.1	310.8	464.1	331.0	193.8	152.1	137.2	163.3
Other mining and quarrying	125.0	222.5	203.4	199.4	187.4	184.7	121.5	225.7
Subtotal, primary industries	1,280.7	1,718.4	1,990.1	1,691.5	1,825.6	1,823.5	1,658.6	2,711.3
Manufacturing	232.1	256.1	293.1	372.9	364.6	503.1	656.2	832.5
Meat processing	29.5	32.7	43.0	43.8	56.7	63.7	69.8	76.1
Fish processing	90.3	91.4	88.8	139.7	91.6	193.8	316.4	453.1
Other manufacturing	112.3	132.0	161.3	189.4	216.3	245.6	270.0	303.3
Electricity and water	57.0	79.0	82.1	105.1	105.5	162.2	97.6	121.6
Construction	83.2	119.0	141.2	141.8	133.6	198.3	224.7	243.8
Subtotal, secondary industries	372.3	454.1	516.4	619.8	603.7	863.6	978.5	1197.9
Wholesale and retail trade, repairs	268.3	314.3	372.8	420.0	470.4	580.8	640.0	723.1
Hotels and restaurants	56.5	71.4	89.9	78.3	96.0	123.3	129.3	179.0
Transport and communications	197.8	216.2	245.7	281.9	304.8	357.2	398.1	412.1
Transport and storage	...	...	...	164.0	190.4	215.3	245.4	258.3
Post and telecommunications	...	...	...	117.9	114.4	141.9	152.7	153.8
Finance, real estate, business services	344.4	413.7	498.6	591.9	681.7	825.3	922.4	1,046.9
Financial intermediation	...	...	...	191.2	236.6	260.4	349.4	393.1
Financial services indirectly measured	...	...	...	−158.5	−193.8	−211.1	−297.5	−334.5
Real estate and business services	...	...	...	559.2	638.9	776.0	870.5	988.3
Owner–occupied dwellings	...	...	...	380.7	437.0	526.7	586.3	665.6
Other real estate and business services	...	...	...	178.5	201.9	249.3	284.2	322.7
Community, social, and personal services	40.6	46.2	56.0	66.0	75.4	84.4	97.5	111.7
General government	852.9	930.4	1,054.5	1,276.3	1,579.6	1,977.5	2,111.4	2,336.1
Other producers	87.7	102.1	120.8	137.5	156.9	188.4	210.9	239.4
Subtotal, tertiary industries	1,848.2	2,094.3	2,438.3	2,851.9	3,364.8	4,136.9	4,509.6	5,048.3
Plus: Taxes on international trade	212.3	246.8	307.8	330.6	365.3	416.5	457.4	398.1
Other taxes on products	223.5	312.6	406.4	462.4	483.2	653.7	768.4	887.1
GDP at market prices	3,937.0	4,826.2	5,659.0	5,956.2	6,642.6	7,894.2	8,372.5	10,242.7
	(Percentage contribution to GDP at current basic prices)							
GDP at current basic prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	11.9	11.8	10.7	10.1	10.4	7.4	7.8	10.9
Commercial agriculture	9.0	9.0	7.9	7.0	6.9	6.0	5.9	7.8
Subsistence agriculture	2.9	2.8	2.8	3.1	3.5	1.4	1.9	3.1
Fishing	1.6	1.7	1.5	1.7	2.0	2.9	3.3	3.5
Mining and quarrying	23.1	26.8	28.0	21.0	19.0	16.5	12.1	15.9
Diamond mining	10.0	14.3	14.5	10.7	12.5	11.5	8.5	11.6
Uranium	9.5	7.3	9.4	6.4	3.3	2.2	1.9	1.8
Other mining and quarrying	3.6	5.2	4.1	3.9	3.2	2.7	1.7	2.5
Subtotal, primary industries	36.6	40.3	40.2	32.8	31.5	26.7	23.2	30.3
Manufacturing	6.6	6.0	5.9	7.2	6.3	7.4	9.2	9.3
Meat processing	0.8	0.8	0.9	0.8	1.0	0.9	1.0	0.8
Fish processing	2.6	2.1	1.8	2.7	1.6	2.8	4.4	5.1
Other manufacturing	3.2	3.1	3.3	3.7	3.7	3.6	3.8	3.4
Electricity and water	1.6	1.9	1.7	2.0	1.8	2.4	1.4	1.4
Construction	2.4	2.8	2.9	2.7	2.3	2.9	3.1	2.7
Subtotal, secondary industries	10.6	10.6	10.4	12.0	10.4	12.7	13.7	13.4
Wholesale and retail trade, repairs	7.7	7.4	7.5	8.1	8.1	8.5	9.0	8.1
Hotels and restaurants	1.6	1.7	1.8	1.5	1.7	1.8	1.8	2.0
Transport and communications	5.6	5.1	5.0	5.5	5.3	5.2	5.6	4.6
Transport and storage	...	...	...	3.2	3.3	3.2	3.4	2.9
Post and telecommunications	...	...	...	2.3	2.0	2.1	2.1	1.7
Finance, real estate, business services	9.8	9.7	10.1	11.5	11.8	12.1	12.9	11.7
Financial intermediation	...	...	...	3.7	4.1	3.8	4.9	4.4
Financial services indirectly measured	...	...	...	−3.1	−3.3	−3.1	−4.2	−3.7
Real estate and business services	...	...	...	10.8	11.0	11.4	12.2	11.0
Owner–occupied dwellings	...	...	...	7.4	7.5	7.7	8.2	7.4
Other real estate and business services	...	...	...	3.5	3.5	3.7	4.0	3.6
Community, social, and personal services	1.2	1.1	1.1	1.3	1.3	1.2	1.4	1.2
General government	24.4	21.8	21.3	24.7	27.3	29.0	29.5	26.1
Other producers	2.5	2.4	2.4	2.7	2.7	2.8	3.0	2.7
Subtotal, tertiary industries	52.8	49.1	49.3	55.2	58.1	60.6	63.1	56.4

Source: Central Statistics Office (CSO).

Table 4. Namibia: Expenditure on Gross Domestic Product at Constant 1990 Prices, 1987–94

	1987	1988	1989	1990	1991	1992	1993	1994 Prel.
				(In millions of Namibian dollars)				
Expenditure on GDP at market prices	5,800.5	5,813.5	5,937.6	5,956.1	6,349.6	6,824.1	6,692.0	7,054.0
Gross domestic expenditure	6,187.2	6,196.9	6,255.7	6,695.2	6,666.2	6,846.3	6,311.9	7,089.9
Final consumption expenditure	5,261.6	5,077.4	5,159.7	5,190.3	5,609.1	5,401.6	5,502.3	5,596.5
General government	1,732.3	1,802.6	1,762.2	1,856.1	2,019.3	2,161.3	2,156.8	2,172.1
Private	3,529.3	3,274.8	3,397.5	3,334.2	3,589.8	3,240.3	3,345.5	3,424.4
Gross capital formation	925.6	1,119.5	1,096.0	1,504.9	1,057.1	1,444.7	809.6	1,493.4
Gross fixed capital formation	865.1	975.5	1067.6	1207.5	885.9	1273.3	1253.5	1289.7
Public	467.5	455.4	382.2	450.6	388.7	522.0	491.5	497.6
Producers of government services	368.9	354.2	299.1	378.6	322.8	404.0	403.0	400.7
Public corporations and enterprises	98.6	101.2	83.1	72.0	65.9	118.0	88.5	96.9
Private	397.6	520.1	685.4	756.9	497.2	751.3	762.0	792.1
Changes in inventories	60.5	144.0	28.4	297.4	171.2	171.4	−443.9	203.7
Net exports	−386.7	−383.4	−318.1	−739.1	−316.6	−22.2	380.1	−35.9
Exports of goods and nonfactor services	3,365.9	3,235.1	3,322.4	3,090.2	3,677.0	4,134.9	4,326.0	3,860.4
Imports of goods and nonfactor services	3,752.6	3,618.5	3,640.5	3,829.3	3,993.6	4,157.1	3,945.9	3,896.3
Memorandum items:				(Annual percentage change)				
Gross domestic expenditure	20.7	0.2	0.9	7.0	−0.4	2.7	−7.8	12.3
Final consumption expenditure	12.9	−3.5	1.6	0.6	8.1	−3.7	1.9	1.7
General government	0.4	4.1	−2.2	5.3	8.8	7.0	−0.2	0.7
Private	20.2	−7.2	3.7	−1.9	7.7	−9.7	3.2	2.4
Gross capital formation	98.0	20.9	−2.1	37.3	−29.8	36.7	−44.0	84.5
Gross fixed capital formation	4.7	12.8	9.4	13.1	−26.6	43.7	−1.6	2.9
Public	−1.4	−2.6	−16.1	17.9	−13.7	34.3	−5.8	1.2
Producers of government services	−0.1	−4.0	−15.6	26.6	−14.7	25.2	−0.2	−0.6
Public corporations and enterprises	−5.8	2.6	−17.9	−13.4	−8.5	79.1	−25.0	9.5
Private	13.0	30.8	31.8	10.4	−34.3	51.1	1.4	4.0
Exports of goods and nonfactor services	−9.7	−3.9	2.7	−7.0	19.0	12.5	4.6	−10.8
Imports of goods and nonfactor services	13.9	−3.6	0.6	5.2	4.3	4.1	−5.1	−1.3
				(In percent of GDP at constant market prices)				
Gross domestic expenditure	106.7	106.6	105.4	112.4	105.0	100.3	94.3	100.5
Final consumption expenditure	90.7	87.3	86.9	87.1	88.3	79.2	82.2	79.3
General government	29.9	31.0	29.7	31.2	31.8	31.7	32.2	30.8
Private	60.8	56.3	57.2	56.0	56.5	47.5	50.0	48.5
Gross domestic savings 1/	9.3	12.7	13.1	12.9	11.7	20.8	17.8	20.7
Gross capital formation	16.0	19.3	18.5	25.3	16.6	21.2	12.1	21.2
Gross fixed capital formation	14.9	16.8	18.0	20.3	14.0	18.7	18.7	18.3
Public	8.1	7.8	6.4	7.6	6.1	7.6	7.3	7.1
Private	6.9	8.9	11.5	12.7	7.8	11.0	11.4	11.2
Exports of goods and nonfactor services	58.0	55.6	56.0	51.9	57.9	60.6	64.6	54.7
Imports of goods and nonfactor services	64.7	62.2	61.3	64.3	62.9	60.9	59.0	55.2
Resource gap	−6.7	−6.6	−5.4	−12.4	−5.0	−0.3	5.7	−0.5

Source: Central Statistics Office (CSO).

1/ Gross domestic savings calculated as GDP (at market prices) less consumption.

Table 5. Namibia: Expenditure on Gross Domestic Product at Current Prices, 1987–94

	1987	1988	1989	1990	1991	1992	1993	1994 Prel.
			(In millions of Namibian dollars)					
Expenditure on GDP at market prices	3,937.1	4,826.3	5,658.9	5,956.1	6,643.3	7,908.2	8,397.3	10,242.9
Gross domestic expenditure	4,291.5	4,851.4	5,615.8	6,678.8	7,341.6	8,736.1	8,879.3	10,555.6
Final consumption expenditure	3,691.5	3,994.9	4,638.7	5,173.9	6,188.9	7,035.7	7,693.6	8,517.7
General government	1,266.8	1,456.9	1,604.7	1,856.1	2,236.9	2,812.0	2,901.4	3,162.5
Private	2,424.7	2,538.0	3,034.0	3,317.8	3,952.0	4,223.7	4,792.2	5,355.2
Gross capital formation	600.0	856.5	977.1	1,504.9	1,152.7	1,700.4	1,185.7	2,037.9
Gross fixed capital formation	570.9	741.3	949.9	1,207.5	983.0	1,540.5	1,624.6	1,803.7
Public	306.3	344.2	337.6	450.6	432.8	650.6	644.8	704.3
Producers of government services	240.9	268.6	264.3	378.6	359.5	490.8	526.3	564.3
Public corporations and enterprises	65.4	75.6	73.3	72.0	73.3	159.8	118.5	140.0
Private	264.6	397.1	612.3	756.9	550.2	889.9	979.8	1,099.4
Changes in inventories	29.1	115.2	27.2	297.4	169.7	159.9	−438.9	234.2
Exports of goods and nonfactor services	2,211.3	2,676.5	3,329.1	3,106.6	3,713.2	4,242.2	4,839.2	5,468.6
Imports of goods and nonfactor services	2,565.7	2,701.6	3,286.0	3,829.3	4,411.5	5,070.1	5,321.2	5,781.3
Net exports of GNFS 1/	−354.4	−25.1	43.1	−722.7	−698.3	−827.9	−482	−312.7
Memorandum items:			(Annual percentage change)					
Final consumption expenditure	30.1	8.2	16.1	11.5	19.6	13.7	9.4	10.7
General government	21.1	15.0	10.1	15.7	20.5	25.7	3.2	9.0
Private	35.4	4.7	19.5	9.4	19.1	6.9	13.5	11.7
Gross capital formation	97.1	42.8	14.1	54.0	−23.4	47.5	−30.3	71.9
Gross fixed capital formation	18.8	29.8	28.1	27.1	−18.6	56.7	5.5	11.0
Public	12.0	12.4	−1.9	33.5	−4.0	50.3	−0.9	9.2
Private	27.7	50.1	54.2	23.6	−27.3	61.7	10.1	12.2
			(Percentage of GDP at current market prices)					
Final consumption expenditure	93.8	82.8	82.0	86.9	93.2	89.0	91.6	83.2
General government	32.2	30.2	28.4	31.2	33.7	35.6	34.6	30.9
Private	61.6	52.6	53.6	55.7	59.5	53.4	57.1	52.3
Gross domestic savings	6.2	17.2	18.0	13.1	6.8	11.0	8.4	16.8
Gross capital formation	15.2	17.7	17.3	25.3	17.4	21.5	14.1	19.9
Gross fixed capital formation	14.5	15.4	16.8	20.3	14.8	19.5	19.3	17.6
Public	7.8	7.1	6.0	7.6	6.5	8.2	7.7	6.9
Private	6.7	8.2	10.8	12.7	8.3	11.3	11.7	10.7
Changes in inventories	0.7	2.4	0.5	5.0	2.6	2.0	−5.2	2.3
Exports of goods and nonfactor services	56.2	55.5	58.8	52.2	55.9	53.6	57.6	53.4
Imports of goods and nonfactor services	65.2	56.0	58.1	64.3	66.4	64.1	63.4	56.4
Resource gap	−9.0	−0.5	0.8	−12.1	−10.5	−10.5	−5.7	−3.1

Source: Central Statistics Office (CSO).

1/ GNFS, goods and nonfactor services.

Table 6. Namibia: Gross Domestic Fixed Investment by Sector, at Constant 1990 Prices, 1987–94

	1987	1988	1989	1990	1991	1992	1993	1994 Prel.
				(In millions of Namibian dollars)				
Gross domestic fixed investment	865.2	975.5	1067.7	1207.6	886.2	1273.1	1253.5	1289.7
By sector:								
Agriculture	69.4	67.0	72.9	71.5	70.3	70.3	64.3	63.7
Fishing	0.8	0.8	0.7	5.2	39.3	90.9	45.8	25.6
Mining and quarrying	137.4	222.6	277.6	307.9	91.8	164.8	195.2	199.1
Manufacturing	16.5	15.2	21.2	18.7	25.5	100.5	88.6	55.5
Fish processing	3.8	3.5	3.2	1.7	11.1	84.5	70.9	38.3
Other manufacturing	12.7	11.7	18.0	17.0	14.4	16.0	17.7	17.2
Electricity and water	9.3	14.3	45.8	48.9	53.9	58.9	42.3	37.5
Construction	11.3	13.3	15.2	16.0	15.0	14.7	14.7	16.0
Wholesale and retail trade; hotels, restaurants	29.8	32.9	48.6	58.6	29.8	31.8	30.7	87.2
Transport and communications	61.1	45.3	36.4	87.9	31.5	90.4	36.0	41.2
Finance, real estate, and business services	150.7	194.1	236.5	203.8	197.6	239.5	326.3	355.4
Community, social, and personal services	10.0	15.8	13.7	10.5	8.7	7.3	6.6	7.8
General government	368.9	354.2	299.1	378.6	322.8	404.0	403.0	400.7
By organization:								
Public	467.5	455.4	382.2	450.6	388.7	522.0	491.5	497.6
Producers of government services	368.9	354.2	299.1	378.6	322.8	404.0	403.0	400.7
Public corporations and enterprises	98.6	101.2	83.1	72.0	65.9	118.0	88.5	96.9
Private	397.7	520.1	685.5	757.0	497.5	751.1	762.0	792.1
				(Percentage contribution to gross investment)				
Gross domestic fixed investment	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
By sector:								
Agriculture	8.0	6.9	6.8	5.9	7.9	5.5	5.1	4.9
Fishing	0.1	0.1	0.1	0.4	4.4	7.1	3.7	2.0
Mining and quarrying	15.9	22.8	26.0	25.5	10.4	12.9	15.6	15.4
Manufacturing	1.9	1.6	2.0	1.5	2.9	7.9	7.1	4.3
Fish processing	0.4	0.4	0.3	0.1	1.3	6.6	5.7	3.0
Other manufacturing	1.5	1.2	1.7	1.4	1.6	1.3	1.4	1.3
Electricity and water	1.1	1.5	4.3	4.0	6.1	4.6	3.4	2.9
Construction	1.3	1.4	1.4	1.3	1.7	1.2	1.2	1.2
Wholesale and retail trade; hotels, restaurants	3.4	3.4	4.6	4.9	3.4	2.5	2.4	6.8
Transport and communications	7.1	4.6	3.4	7.3	3.6	7.1	2.9	3.2
Finance, real estate, and business services	17.4	19.9	22.2	16.9	22.3	18.8	26.0	27.6
Community, social, and personal services	1.2	1.6	1.3	0.9	1.0	0.6	0.5	0.6
General government	42.6	36.3	28.0	31.4	36.4	31.7	32.1	31.1
By organization:								
Public	54.0	46.7	35.8	37.3	43.9	41.0	39.2	38.6
Producers of government services	42.6	36.3	28.0	31.4	36.4	31.7	32.1	31.1
Public corporations and enterprises	11.4	10.4	7.8	6.0	7.4	9.3	7.1	7.5
Private	46.0	53.3	64.2	62.7	56.1	59.0	60.8	61.4

Source: Central Statistics Office.

Table 7. Namibia: Gross Domestic Fixed Investment by Sector, at Current Prices, 1987–94

(In millions of Namibian dollars)

	1987	1988	1989	1990	1991	1992	1993	1994 Prel.
Gross domestic fixed investment	570.9	741.3	949.8	1,207.6	983.0	1,540.5	1,624.7	1,803.7
By sector:								
Agriculture	46.9	51.2	65.7	71.5	77.0	83.0	82.0	88.2
Fishing	0.5	0.6	0.6	5.2	43.7	114.8	66.3	40.0
Mining and quarrying	94.5	170.8	249.3	307.9	99.9	192.3	241.4	266.4
Manufacturing	11.2	11.7	19.0	18.7	27.9	120.2	113.0	76.9
Fish processing	2.5	2.7	2.9	1.7	12.2	101.2	90.5	53.3
Other manufacturing	8.7	9.0	16.1	17.0	15.7	19.0	22.5	23.6
Electricity and water	6.1	10.8	40.3	48.9	60.6	72.2	55.9	53.4
Construction	7.5	10.1	13.7	16.0	16.3	17.5	19.0	22.3
Wholesale and retail trade; hotels, restaurants	19.8	25.0	43.3	58.6	32.9	38.2	39.7	122.0
Transport and communications	39.2	34.0	32.3	87.9	35.0	113.0	49.0	61.0
Finance, real estate, and business services	97.7	146.6	209.1	203.8	220.6	289.8	423.5	498.2
Community, social, and personal services	6.6	11.9	12.2	10.5	9.6	8.7	8.6	11.0
General government	240.9	268.6	264.3	378.6	359.5	490.8	526.3	564.3
By organization:								
Public	306.3	344.2	337.6	450.6	432.8	650.6	644.8	704.3
Producers of government services	240.9	268.6	264.3	378.6	359.5	490.8	526.3	564.3
Public corporations and enterprises	65.4	75.6	73.3	72.0	73.3	159.8	118.5	140.0
Private	264.6	397.1	612.2	757.0	550.2	889.9	979.9	1,099.4
Memorandum items:								
Gross domestic investment	600.0	856.5	977.0	1,505.0	1,152.7	1,700.4	1,185.8	2,037.9
Gross domestic fixed investment	570.9	741.3	949.8	1,207.6	983.0	1,540.5	1,624.7	1,803.7
Change in inventories	29.1	115.2	27.2	297.4	169.7	159.9	−438.9	234.2
Financing of gross domestic investment	600.0	856.5	977.0	1,505.0	1,152.7	1,700.4	1,185.8	2,037.9
Gross domestic savings 1/	245.6	831.4	1,020.2	782.2	454.4	872.5	703.7	1,725.2
Net factor receipts	−217.9	−594.7	−341.6	105	266	79	196	155
Net transfer receipts	649.4	625.1	663.2	756	837	1060	883	920
Net foreign borrowing	−77.1	−5.3	−364.8	−138.2	−404.7	−311.1	−596.9	−762.3

Source: Ministry of Finance.

1/ GDP at current market prices net of consumption.

Table 8. Namibia: Gross Domestic Fixed Investment by Type of Assets, at Constant 1990 Prices, 1987–94

	1987	1988	1989	1990	1991	1992	1993	1994 Prel.
				(In millions of Namibian dollars)				
Gross domestic fixed investment	865.2	975.5	1,067.6	1,207.6	886.0	1,273.1	1,253.5	1,289.7
Buildings	367.6	414.0	452.2	422.3	389.9	475.0	550.9	607.2
Construction works	225.3	292.2	288.5	248.5	202.6	286.4	276.1	258.9
Transport equipment	80.2	74.6	98.3	199.3	116.8	255.0	129.0	121.4
Machinery and other equipment	192.1	194.7	228.6	337.5	176.7	256.7	297.5	302.2
				(Percentage contribution to gross investment)				
Gross domestic fixed investment	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Buildings	42.5	42.4	42.4	35.0	44.0	37.3	43.9	47.1
Construction works	26.0	30.0	27.0	20.6	22.9	22.5	22.0	20.1
Transport equipment	9.3	7.6	9.2	16.5	13.2	20.0	10.3	9.4
Machinery and other equipment	22.2	20.0	21.4	27.9	19.9	20.2	23.7	23.4
				(Annual percentage change)				
Gross domestic fixed investment	4.8	12.7	9.4	13.1	−26.6	43.7	−1.5	2.9
Buildings	8.3	12.6	9.2	−6.6	−7.7	21.8	16.0	10.2
Construction works	−3.1	29.7	−1.3	−13.9	−18.5	41.4	−3.6	−6.2
Transport equipment	−15.1	−7.0	31.8	102.7	−41.4	118.3	−49.4	−5.9
Machinery and other equipment	20.4	1.4	17.4	47.6	−47.6	45.3	15.9	1.6

Source: Central Statistics Office.

Table 9. Namibia: Gross Domestic Fixed Investment by Type of Assets, at Current Prices, 1987–94

	1987	1988	1989	1990	1991	1992	1993	1994 Prel.
			(In millions of Namibian dollars)					
Gross domestic fixed investment	570.9	741.3	949.9	1,207.6	983.1	1,540.5	1,624.7	1,803.7
Buildings	238.2	312.6	399.7	422.3	435.5	574.8	714.5	850.7
Construction works	146.8	221.3	253.6	248.5	228.2	350.7	364.4	369.2
Transport equipment	50.5	54.8	87.4	199.3	130.0	322.1	186.7	189.7
Machinery and other equipment	135.4	152.6	209.2	337.5	189.4	292.9	359.1	394.1
			(Percentage contribution to gross investment)					
Gross domestic fixed investment	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Buildings	41.7	42.2	42.1	35.0	44.3	37.3	44.0	47.2
Construction works	25.7	29.9	26.7	20.6	23.2	22.8	22.4	20.5
Transport equipment	8.8	7.4	9.2	16.5	13.2	20.9	11.5	10.5
Machinery and other equipment	23.7	20.6	22.0	27.9	19.3	19.0	22.1	21.8
			(Annual percentage change)					
Gross domestic fixed investment	18.8	29.8	28.1	27.1	−18.6	56.7	5.5	11.0
Buildings	22.3	31.2	27.9	5.7	3.1	32.0	24.3	19.1
Construction works	9.6	50.7	14.6	−2.0	−8.2	53.7	3.9	1.3
Transport equipment	5.6	8.5	59.5	128.0	−34.8	147.8	−42.0	1.6
Machinery and other equipment	29.9	12.7	37.1	61.3	−43.9	54.6	22.6	9.7

Source: Central Statistics Office.

Table 10. Namibia: Output of Selected Minerals, 1987–94

	1987	1988	1989	1990	1991	1992	1993	1994
				(In units indicated)				
Diamond (thousands of carats) 1/	1,030.1	974.6	931.7	761.3	1,186.9	1,549.3	1,141.2	1312.3
Uranium (tons)	3,992.0	4,140.0	3,629.0	3,787.0	2,889.6	2,191.0	2,167.0	2471.8
Copper (thousands of tons)	50.1	42.2	38.0	33.2	31.9	37.5	34.8	30.1
Lead (thousands of tons)	40.6	44.4	44.2	35.1	33.4	31.7	31.2	23.8
Zinc (thousands of tons)	76.0	71.7	79.8	72.5	68.1	68.6	34.6	64.6
Gold (thousands of grams)	172.0	239.6	335.6	1,605.0	1,851.2	2,025.0	1,953.0	2445.0
Silver (tons)	95.4	108.5	108.2	91.6	91.3	89.0	72.0	64.5
Tin (tons)	1,637.0	1,772.0	1,683.0	1,379.0	17.0	18.0	6.0	4.0
				(Annual percentage change)				
Diamond	1.9	−5.4	−4.4	−18.3	55.9	30.5	−26.3	15.0
Uranium	−2.5	3.7	−12.3	4.4	−23.7	−24.2	−1.1	14.1
Copper	0.0	−15.8	−10.0	−12.6	−3.9	17.6	−7.2	−13.5
Lead	1.5	9.4	−0.5	−20.6	−4.8	−5.1	−1.6	−23.7
Zinc	16.0	−5.7	11.3	−9.1	−6.1	0.7	−49.6	86.7
Gold	−6.5	39.3	40.1	378.2	15.3	9.4	−3.6	25.2
Silver	−9.2	13.7	−0.3	−15.3	−0.3	−2.5	−19.1	−10.4
Tin	24.7	8.2	−5.0	−18.1	−98.8	5.9	−66.7	−33.3

Source: Ministry of Mines and Energy.

1/ Excluding estimates of smuggled diamonds.

Table 11. Namibia: Marketing of Livestock, 1987–94

	1987	1988	1989	1990	1991	1992	1993	1994
				(In thousands of head)				
Cattle	348.3	327.0	346.4	323.5	333.8	365.6	400.7	406.1
South Africa	184.2	160.1	163.1	144.6	135.4	157.1	179.6	190.7
Open markets	133.4	122.9	119.0	110.6	103.5	126.3	152.5	179.3
Controlled markets	50.8	37.2	44.1	34.0	31.9	30.8	27.1	11.4
Local butchers	42.6	40.2	40.0	37.6	41.8	36.8	38.0	34.1
Local factories	121.5	126.7	143.3	141.3	156.7	171.7	183.1	181.3
Small stock	742.6	729.8	960.1	986.3	981.1	1,198.3	935.8	984.9
South Africa	244.2	246.9	314.1	332.8	339.4	439.5	377.3	242.6
Open markets	244.2	246.9	314.1	332.8	339.4	439.5	377.3	242.6
Controlled markets	...	...	...	...	...	...	...	...
Local butchers	360.8	350.8	529.0	520.8	500.1	606.3	440.3	645.8
Local factories	137.6	132.1	117.0	132.7	141.6	152.5	118.2	96.5
				(Annual percentage change)				
Cattle	14.5	−6.1	5.9	−6.6	3.2	9.5	9.6	1.3
South Africa	29.5	−13.1	1.9	−11.3	−6.4	16.1	14.3	6.2
Open markets	82.5	−7.9	−3.2	−7.1	−6.5	22.1	20.7	17.6
Controlled markets	−26.5	−26.8	18.5	−22.9	−6.1	−3.5	−12.0	−57.9
Local butchers	−3.6	−5.6	−0.5	−6.0	11.2	−12.0	3.3	−10.3
Local factories	3.2	4.3	13.1	−1.4	10.9	9.6	6.6	−1.0
Small stock	15.3	−1.7	31.6	2.7	−0.5	22.1	−21.9	5.2
South Africa	71.5	1.1	27.2	6.0	2.0	29.5	−14.2	−35.7
Open markets	71.5	1.1	27.2	6.0	2.0	29.5	−14.2	−35.7
Controlled markets	...	...	...	...	...	...	...	...
Local butchers	−5.9	−2.8	50.8	−1.6	−4.0	21.2	−27.4	46.7
Local factories	16.4	−4.0	−11.4	13.4	6.7	7.7	−22.5	−18.4

Source: Meat Board of Namibia.

Table 12. Namibia: Physical Volume of Fish Catches, 1987–94 1/

	1987	1988	1989	1990	1991	1992	1993	1994
				(In thousands of tons)				
Purse–seine net fishing	477.2	351.1	187.4	247.0	172.4	238.2	259.3	176.8
Pilchard	66.6	62.2	76.0	92.4	68.8	80.8	114.8	116.4
Anchovy	376.1	116.9	78.7	50.5	17.1	38.8	63.1	25.1
Maasbanker (Horse mackerel)	33.5	168.9	30.8	85.2	83.2	115.9	73.5	33.5
Other	1.0	3.1	1.9	18.9	3.3	2.7	7.9	1.8
Trawling and other coastal fishing	26.1	40.0	23.9	122.7	300.4	307.5	297.2	353.5
Demersal	25.8	38.4	22.7	60.0	63.4	97.9	118.4	124.5
Hake	19.6	30.3	13.9	53.3	56.1	87.5	106.9	107.7
Maasbanker (Horse mackerel)	...	...	...	...	1.2	1.1	1.1	0.6
Monk	2.4	1.7	0.7	1.5	4.6	8.1	9.2	12.1
Other	3.8	6.4	8.1	5.2	1.5	1.2	1.2	4.1
Midwater	0.3	1.6	1.2	62.7	237.0	209.6	178.8	229.0
Hake	...	...	...	...	...	10.0	30.0	50.0
Maasbanker (Horse mackerel)	...	...	...	...	...	...	5.0	10.0
Other	0.3	1.6	1.2	62.7	237.0	199.6	143.8	169.0
Other fish	0.4	0.8	0.9	0.8	1.0	3.2	4.7	4.9
Tuna	...	...	...	...	0.2	2.2	3.7	3.7
Line fishing	0.4	0.8	0.9	0.8	0.8	1.0	1.0	1.2
Ring and bow net fishing	1.5	1.3	6.4	4.9	3.1	2.9	3.3	3.4
Rock lobster	1.4	1.3	0.8	0.5	0.4	0.1	0.1	0.1
Crab	0.1	– –	5.6	4.4	2.7	2.8	3.2	3.3
				(Annual percentage change)				
Purse–seine net fishing	212.3	–26.4	–46.6	31.8	–30.2	38.2	8.9	–31.8
Pilchard	25.4	–6.6	22.2	21.6	–25.5	17.4	42.1	1.4
Anchovy	2,326.5	–68.9	–32.7	–35.8	–66.1	126.9	62.6	–60.2
Maasbanker (Horse mackerel)	–59.6	404.2	–81.8	176.6	–2.4	39.4	–36.6	–54.4
Other	–16.7	210.0	–38.7	894.7	–82.4	–18.9	192.6	–77.2
Trawling and other coastal fishing	–6.1	53.3	–40.3	413.4	144.8	2.4	–3.3	18.9
Demersal	–6.2	48.8	–40.9	164.3	5.7	54.4	20.9	5.2
Hake	–2.0	54.6	–54.1	283.5	5.3	56.0	22.2	0.7
Maasbanker (Horse mackerel)	...	...	...	...	...	–8.3	– –	–45.5
Monk	9.1	–29.2	–58.8	114.3	206.7	76.1	13.6	31.5
Other	–28.3	68.4	26.6	–35.8	–71.2	–20.0	– –	241.7
Midwater	...	433.3	–25.0	5,125.0	278.0	–11.6	–14.7	28.1
Hake	...	...	...	...	...	...	200.0	66.7
Maasbanker (Horse mackerel)	...	...	...	...	...	...	...	100.0
Other	...	433.3	–25.0	5125.0	278.0	–15.8	–28.0	17.5
Other fish	–51.5	97.4	6.8	–11.1	25.0	220.0	46.9	4.3
Tuna	...	...	...	...	...	1,000.0	68.2	...
Line fishing	–51.5	97.4	6.8	–11.1	– –	25.0	– –	20.0
Ring and bow net fishing	–19.6	–9.6	387.0	–23.5	–37.5	–5.7	13.8	3.0
Rock lobster	–22.6	–2.9	–37.2	–37.3	–27.9	–73.3	– –	– –
Crab	66.7	...	...	–21.4	–38.6	3.7	14.3	3.1

Source: Ministry of Fisheries and Marine Resources.

1/ The increase in 1990 reflects mainly a change in the coverage of fishing activities to include fish catches in the expanded 200–mile zone declared after independence; excluding the impact of this change in coverage, the increase in total fish catches is negligible.

Table 13. Namibia: Construction Indicators (Private Sector), 1987–94

	1987	1988	1989	1990	1991	1992	1993	1994
				(In millions of Namibian dollars)				
Value of buildings completed	55.9	129.5	205.1	153.6	126.9	160.1	254.6	442.5
By purpose:								
New constructions	55.9	108.5	163.4	109.5	93.2	127.9	187.3	342.7
Residential buildings	(38.1)	(64.8)	(81.5)	(39.4)	(59.1)	(84.5)	(133.9)	(234.2)
Nonresidential buildings 1/	(17.8)	(43.7)	(81.9)	(70.1)	(34.1)	(43.4)	(53.4)	(108.5)
Changes/Extensions	...	21.0	41.7	44.1	33.7	32.2	67.3	99.8
By area:								
New constructions	55.9	129.5	205.1	...	...	...	187.3	342.7
Windhoek	(33.6)	(54.9)	(130.8)	...	...	...	(146.8)	(237.2)
Rest of the country	(22.3)	(74.6)	(74.3)	...	...	...	(40.5)	(105.4)
Changes/Extensions	...	...	...	...	...	...	67.3	99.8
Windhoek	...	...	...	...	...	...	(63.0)	(87.6)
Rest of the country	...	...	...	...	...	...	(4.3)	(12.2)
Value of building plans approved	120.2	289.4	208.2	242.4	231.6	319.4	408.0	617.8
By purpose:								
New constructions	120.2	248.9	154.5	154.5	168.5	235.5	261.8	478.1
Residential buildings	(84.4)	(116.6)	(56.1)	(65.6)	(123.2)	(171.8)	(195.3)	(269.9)
Nonresidential buildings 1/	(35.8)	(132.3)	(98.4)	(88.9)	(45.3)	(63.7)	(66.5)	(208.2)
Changes/Extensions	...	40.5	53.7	87.9	63.1	83.9	146.2	139.7
By area:								
New constructions	120.2	289.4	208.2	...	...	...	261.8	478.1
Windhoek	(80.9)	(117.3)	(132.0)	...	...	...	(190.4)	(309.5)
Rest of the country	(39.3)	(172.1)	(76.2)	...	...	...	(71.4)	(168.6)
Changes/Extensions	...	...	...	...	...	...	146.2	139.7
Windhoek	...	...	...	...	...	...	(135.5)	(117.2)
Rest of the country	...	...	...	...	...	...	(10.7)	(22.5)
				(Annual percentage change)				
Value of buildings completed	78.0	131.7	58.4	−25.1	−17.4	26.2	59.0	73.8
By purpose:								
New constructions	78.0	94.1	50.6	−33.0	−14.9	37.2	46.4	83.0
Residential buildings	107.1	70.1	25.8	−51.7	50.0	43.0	58.5	74.9
Nonresidential buildings	36.9	145.5	87.4	−14.4	−51.4	27.3	23.0	103.2
Changes/Extensions	...	...	98.6	5.8	−23.6	−4.5	109.0	48.3
By area:								
New constructions	78.0	131.7	58.4	...	..	...	...	83.0
Windhoek	64.7	63.4	138.3	...	...	...	...	61.6
Rest of the country	102.7	234.5	−0.4	...	...	...	...	160.2
Changes/Extensions	...	...	...	...	...	...	...	48.3
Windhoek	...	...	...	...	...	...	...	39.0
Rest of the country	...	...	...	...	...	...	...	183.7
Value of building plans approved	69.5	140.8	−28.1	16.4	−4.5	37.9	27.7	51.4
By purpose:								
New constructions	69.5	107.1	−37.9	−−	9.1	39.8	11.2	82.6
Residential buildings	62.0	38.2	−51.9	16.9	87.8	39.4	13.7	38.2
Nonresidential buildings	90.4	269.6	−25.6	−9.7	−49.0	40.6	4.4	213.1
Changes/Extensions	..	...	32.6	63.7	−28.2	33.0	74.3	−4.4
By area:								
New constructions	69.5	140.8	−28.1	...	...	...	...	82.6
Windhoek	79.8	45.0	12.5	...	..	...	...	62.6
Rest of the country	51.7	337.9	−55.7	...	...	..	...	136.1
Changes/Extensions	...	...	...	...	...	...	...	−4.4
Windhoek	...	...	.	...	..	...	...	−13.5
Rest of the country	..	...	..	...	..	...	...	110.3

Source: Central Statistical Office.

1/ Includes the following classification: flats, institutional, industrial and commercial.

Table 14. Namibia: Indicators of Transportation, Electricity Consumption, and Tourism, 1987–94

	1987	1988	1989	1990	1991	1992	1993	1994
				(In units indicated)				
Rail transport of goods (thousand ton/kilometer)	...	...	...	1,519.0	1,198.5	1,225.7	1,108.8	1,075.0
Electricity consumption (millions of kilowatt–hours)	1,471.8	1,652.4	1,647.5	1,678.4	1,692.6	1,773.7	1,506.2	1616.0
Number of rooms sold in private accommodation establishments (thousands of rooms)	278.1	312.1	354.6	271.6	298.9	326.7	312.5	373.5
Average room occupancy (in percent)	45.7	51.5	56.5	35.5	38.3	41.3	39.4	37.7
Number of beds sold in private accommodation establishments (thousands of beds)	406.3	465.2	504.5	377.3	418.9	464.8	449.3	599.4
Average bed occupancy (in percent)	35.5	40.6	43.1	25.3	27.8	29.5	28.2	27.7
				(Annual percentage change)				
Rail transport of goods (thousand ton/kilometer)	...	...	...	...	−21.1	2.3	−9.5	−3.0
Electricity consumption (millions of kilowatt–hours)	2.8	12.3	−0.3	1.9	0.8	4.8	−15.1	7.3
Number of rooms sold in private accommodation establishments (thousands of rooms)	21.9	12.2	13.6	−23.4	10.1	9.3	−4.3	19.5
Average room occupancy (in percent)	19.6	12.7	9.7	−37.2	7.9	7.8	−4.6	−4.3
Number of beds sold in private accommodation establishments (thousands of beds)	23.0	14.5	8.4	−25.2	11.0	11.0	−3.3	33.4
Average bed occupancy (in percent)	17.5	14.4	6.2	−41.3	9.9	6.1	−4.4	−1.8

Source: Central Statistical Office.

APPENDIX IV

Table 15. Namibia: Consumer Price Index (Windhoek), 1980–94

(1980 = 100)

Period		All items		Food	
		Index	Percent change	Index	Percent change
1980		100.0	12.5	100.0	12.5
1981		114.8	14.8	126.6	26.6
1982		132.6	15.5	148.1	17.0
1983		148.5	12.0	168.8	14.0
1984		162.0	9.1	186.8	10.7
1985		181.4	12.0	198.0	6.0
1986		205.7	13.4	227.2	14.7
1987		231.6	12.6	266.8	17.5
1988		261.4	12.8	302.8	13.5
1989		300.9	15.1	356.4	17.7
1990		337.1	12.0	418.0	17.3
1991		377.3	11.9	442.8	5.9
1992		444.1	17.7	530.1	19.7
1993 1/		482.0	8.5	564.3	6.5
1994 1/		533.9	10.8	638.8	13.2
1985	IV	190.1	13.4	210.4	20.6
1986	I	198.2	14.0	217.2	12.0
	II	201.9	13.0	220.9	15.1
	III	206.9	13.1	225.2	15.1
	IV	215.7	13.4	245.3	16.6
1987	I	220.8	11.4	254.4	17.1
	II	226.1	12.0	260.2	17.8
	III	238.1	15.1	275.0	22.1
	IV	241.5	12.0	277.7	13.2
1988	I	246.6	11.7	285.7	12.3
	II	254.4	12.5	296.2	13.8
	III	267.3	12.3	310.2	12.8
	IV	277.2	14.8	319.2	14.9
1989	I	286.6	16.2	329.5	15.3
	II	297.1	16.8	346.5	17.0
	III	305.6	14.3	362.4	16.8
	IV	314.4	13.4	387.0	21.2
1990	I	325.5	13.6	398.8	21.0
	II	333.9	12.4	406.1	17.2
	III	340.3	11.4	426.3	17.6
	IV	348.7	10.9	440.7	13.9
1991	I	356.8	9.6	435.2	9.1
	II	365.9	9.6	427.3	5.2
	III	380.7	11.9	435.7	2.2
	IV	405.6	16.3	472.9	7.3
1992	I	425.8	19.3	501.4	15.2
	II	440.6	20.4	526.3	23.2
	III	451.0	18.5	538.9	23.7
	IV	459.1	13.2	553.9	17.1
1993	I	465.3	9.3	547.5	9.2
	II	478.9	8.7	566.0	7.5
	III	486.3	7.8	569.1	5.6
	IV	497.5	8.4	574.8	3.8
1994	I	511.1	9.8	582.5	6.4
	II	524.1	9.4	608.5	7.5
	III	543.7	11.8	665.9	17.0
	IV	556.5	11.9	698.2	21.5

Sources: Central Statistical Office; and staff estimates.

1/ The series was spliced from the new Windhoek CPI, which has December 1992 as the base.

Table 16. Namibia: Employment by Sector and Economic Activity, 1991 1/

	Wage employment			Nonwage employment 2/	Both sectors	As a percentage of total		
	Public sector	Private sector	Total			Wage employment	Nonwage employment	Both sectors
Agriculture, hunting, forestry, and fishing	1,711	40,443	42,154	142,056	184,210	19.2	84.2	47.5
Mining and quarrying	315	14,183	14,498	184	14,682	6.6	0.1	3.8
Manufacturing	646	11,868	12,514	10,323	22,837	5.7	6.1	5.9
Electricity, gas, and water supply	2,039	840	2,879	95	2,974	1.3	0.1	0.8
Construction	3,523	12,411	15,934	2,675	18,609	7.3	1.6	4.8
Trade, hotels, and motor repairs	1,358	26,687	28,045	9,683	37,728	12.8	5.7	9.7
Transport and communications	4,443	4,297	8,740	582	9,322	4.0	0.3	2.4
Financial and real estate services	1,063	6,944	8,007	540	8,547	3.6	0.3	2.2
Community, social, and personal services	57,443	29,177	86,620	2,485	89,105	39.5	1.5	23.0
Total	72,541	146,850	219,391	168,623	388,014	100.0	100.0	100.0
Percentage of total employment	18.7	37.8	56.5	43.5	100.0	...	...	...

Source: Based on the 1991 Namibian Population and Housing Census.

1/ For the purposes of the 1991 Namibian Population and Housing Census, the labor force comprises persons aged 10 years and above who were working for pay, profit, or family gain (employed) or were actively seeking work (unemployed) during the week before census day. The size of the labor force was estimated at 479,779.

2/ Mostly self-employed and unpaid family workers.

Table 17. Namibia: Average Monthly Wages by Industry and Occupation, 1992

(In Namibian dollars)

	Senior officials and managers	Professionals	Technicians	Clerical workers	Service and sales workers	Skilled agri-cultural and fishery workers	Crafts-related workers	Plant machine operators	Unskilled workers	Average
Agriculture, hunting, forestry, and fishing	4,401	5,454	1,383	2,060	580	693	1,055	2,026	366	586
Mining and quarrying	10,728	6,719	5,660	3,345	2,158	1,644	2,825	2,931	1,094	3,001
Manufacturing	4,829	2,070	3,043	1,749	1,174	782	1,263	1,209	789	1,201
Electricity, gas, and water supply	5,546	4,178	4,132	2,607	1,100	...	3,019	2,101	870	2,138
Construction	4,065	4,313	2,701	1,323	425	...	1,131	1,270	621	1,043
Trade, hotels, and motor repairs	3,693	2,983	1,932	1,119	944	...	1,303	913	540	1,166
Transport and communications	4,892	3,599	4,079	1,845	2,126	...	1,590	2,120	904	1,588
Financial and real estate services	5,545	4,534	3,706	1,930	1,153	668	1,191	1,055	791	2,677
Community, social, and personal services	6,099	3,284	3,039	2,154	1,359	1,965	2,004	1,337	638	1,956
Average	5,448	4,178	3,403	1,813	1,085	830	2,211	1,980	656	1,761

Source: Based on the 1992 Establishment Survey carried out by the Ministry of Labor and Human Resources Development.

Table 18. Namibia: Central Government Revenue, 1989/90 – 1995/96

(In millions of Namibian dollars)

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95			1995/96
						Original Budget	Revised Budget	Estimate	Budget
Tax revenue	1,772.0	1,660.9	2,195.7	2,434.0	2,754.5	2,974.4	2,973.6	2,985.0	3,370.3
Taxes on income and profits	776.0	655.2	562.7	783.1	908.7	870.5	1,000.0	1,005.5	1,020.7
Individual income tax	275.5	350.4	413.0	506.5	518.5	--	560.0	565.5	590.0
Company tax on diamond mines	108.1	62.3	-11.8	93.4	159.9	--	111.7	111.7	105.0
Gross receipts	131.6	62.3	23.3	115.1	181.5	--	112.0	112.0	105.0
Transfer to Namib Finance Corp.	-23.5	--	-35.1	-21.7	-21.6	--	-0.3	-0.3	--
Company tax on other mines	157.3	75.8	26.1	2.6	5.8	--	63.0	63.0	30.0
Tax on nonmining companies	170.1	134.3	118.5	158.4	199.3	--	240.0	240.0	270.0
Nonresident shareholders tax	65.1	32.4	16.4	21.8	24.8	--	25.0	25.0	25.0
Tax on royalties	--	--	0.5	0.3	0.4	--	0.3	0.3	0.7
Transfer duty	14.4	12.3	12.4	14.3	27.8	--	28.0	28.0	33.0
Taxes on domestic goods and services	454.9	479.5	576.0	800.5	906.7	1,039.5	1,023.2	1,029.1	1,130.9
General sales tax	310.7	306.1	383.9	501.8	479.5	--	470.0	474.3	520.0
Additional sales duty	--	--	--	--	83.9	--	195.0	196.6	212.0
Fuel levies	127.7	119.7	118.5	202.3	229.2	--	245.0	245.0	281.7
Licenses	16.5	15.3	17.0	19.1	20.2	--	21.1	21.1	22.1
Business licenses	2.2	1.4	1.6	2.6	3.5	--	3.1	3.1	3.1
Motor vehicle license taxes	14.3	13.9	15.4	16.5	16.7	--	18.0	18.0	19.0
Fishing quota levies	--	38.4	56.6	77.3	93.9	--	92.1	92.1	95.1
Taxes on international trade 1/	521.7	507.5	1,036.6	829.1	896.1	1,023.4	902.4	902.4	1,155.7
Diamond export duty	73.9	60.5	90.9	93.6	114.2	--	--	--	--
Customs and excise compensation	447.8	447.0	945.7	735.5	781.9	--	902.4	902.4	1,155.7
Other taxes 2/	5.0	6.5	8.0	7.0	15.2	41.0	20.0	20.0	30.0
Nontax revenue	229.7	241.2	334.5	398.0	262.2	211.6	391.5	405.9	426.9
Entrepreneurial and property income	126.5	129.8	197.5	228.2	82.8	--	211.9	221.3	220.7
Operating surplus of public enterprises	49.6	55.1	77.6	15.7	-6.5	--	-8.8	-8.8	-10.4
Compensation for use of rand	--	--	--	155.5	48.2	--	27.8	37.2	30.0
Other property income	76.9	74.7	119.9	57.0	41.1	--	192.9	192.9	201.1
Administrative fees and charges	66.4	104.7	130.1	164.2	172.5	--	170.6	175.6	200.1
Fines and forfeits	4.4	5.8	6.0	4.9	5.9	--	8.0	8.0	5.0
Other nontax revenues	32.4	0.9	0.9	0.7	1.0	--	1.0	1.0	1.1
Capital revenue	2.9	3.8	4.5	1.2	1.5	2.0	1.5	1.5	2.0
Total revenue	2,004.6	1,906.0	2,534.7	2,833.1	3,018.2	3,188.0	3,366.6	3,392.4	3,799.2
Memorandum item:									
GDP at market prices (fiscal year)	5,733.3	6,127.8	6,955.5	8,013.8	8,840.1	10,529.7	10,529.7	10,529.7	11,860.8

Sources: Ministry of Finance; and staff estimates.

1/ Includes excises (as a result of the SACU arrangement).
2/ Stamp duties.

Table 19. Namibia: Central Government Revenue, 1989/90 – 1995/96

(In percent of GDP)

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95			1995/96
						Original Budget	Revised Budget	Estimate	Budget
Tax revenue	30.9	27.1	31.5	30.3	31.1	28.2	28.2	28.3	28.4
Taxes on income and profits	13.5	10.7	8.1	9.7	10.3	8.3	9.5	9.5	8.6
Individual income tax	4.8	5.7	5.9	6.3	5.9	...	5.3	5.4	5.0
Company tax on diamond mines	1.9	1.0	−0.2	1.2	1.8	...	1.1	1.1	0.9
Gross receipts	2.3	1.0	0.3	1.4	2.1	...	1.1	1.1	0.9
Transfer to Namib Finance Corp.	−0.4	--	−0.5	−0.3	−0.2	...	--	--	--
Company tax on other mines	2.7	1.2	0.4	--	0.1	...	0.6	0.6	0.3
Tax on nonmining companies	3.0	2.2	1.7	2.0	2.3	...	2.3	2.3	2.3
Nonresident shareholders tax	1.1	0.5	0.2	0.3	0.3	...	0.2	0.2	0.2
Tax on royalties	--	--	--	--	--	--	--	--	--
Transfer duty	0.3	0.2	0.2	0.2	0.3	...	0.3	0.3	0.3
Taxes on domestic goods and services	7.9	7.8	8.3	10.0	10.2	9.9	9.7	9.7	9.5
General sales tax	5.4	5.0	5.5	6.3	5.4	...	4.5	4.5	4.4
Additional sales duty	--	--	--	--	0.9	...	1.9	1.9	1.8
Fuel levies	2.2	2.0	1.7	2.5	2.6	...	2.3	2.3	2.4
Licenses	0.2	0.2	0.2	0.2	0.2	...	0.2	0.2	0.2
Business licenses	--	--	--	--	--	--	--	--	--
Motor vehicle license taxes	0.2	0.2	0.2	0.2	0.2	...	0.2	0.2	0.2
Fishing quota levies	--	0.6	0.8	1.0	1.1	...	0.9	0.9	0.8
Taxes on international trade 1/	9.1	8.3	14.9	10.3	10.1	9.7	8.6	8.6	9.7
Diamond export duty	1.3	1.0	1.3	1.2	1.3	--	--	--	--
Customs and excise compensation	7.8	7.3	13.6	9.2	8.8	...	8.6	8.6	9.7
Other taxes 2/	0.1	0.1	0.1	0.1	0.2	0.4	0.2	0.2	0.3
Nontax revenue	4.0	3.9	4.8	5.0	3.0	2.0	3.7	3.9	3.6
Entrepreneurial and property income	2.2	2.1	2.8	2.8	1.0	...	2.1	2.2	1.9
Operating surplus of public enterprises	0.9	0.9	1.1	0.2	--	--	--	--	--
Compensation for use of rand	--	--	--	1.9	0.5	...	0.3	0.4	0.3
Other property income	1.3	1.2	1.7	0.7	0.5	...	1.8	1.8	1.7
Administrative fees and charges	1.2	1.7	1.9	2.0	2.0	...	1.6	1.7	1.7
Fines and forfeits	0.1	0.1	0.1	0.1	0.1	...	--	--	--
Other nontax revenues	0.6	--	--	--	--	--	--	--	--
Capital revenue	0.1	0.1	0.1	--	--	--	--	--	--
Total revenue	34.9	31.1	36.4	35.3	34.1	30.3	31.9	32.2	32.0

Source: Table 18.

1/ Includes excises (as a result of the SACU arrangement).
2/ Stamp duties.

Table 20. Namibia: Central Government Expenditure, 1989/90–1995/96

(In millions of Namibian dollars)

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95			1995/96
						Original Budget	Revised Budget	Estimate	Budget
Current expenditure	1,765.4	1,720.1	2,366.4	2,761.9	2,902.9	3,134.6	3,337.8	3,290.9	3,650.8
Goods and services	901.3	1,489.6	2,032.7	2,345.4	2,449.4	2,593.3	2,756.9	2,722.1	3,115.9
Personnel expenditure	473.5	922.8	1,249.5	1,522.2	1,582.1	1,742.6	1,818.7	1,800.5	2,056.7
Other goods and services	427.8	566.8	783.2	823.2	867.3	850.7	938.2	921.6	1,059.2
Interest payments	131.2	26.8	20.9	21.6	70.0	100.9	97.4	97.4	119.8
Subsidies and other current transfers	732.9	203.7	312.8	394.9	383.5	440.4	483.5	471.4	415.1
Public enterprises and corporations	43.0	44.4	66.3	45.9	54.4	...	...	...	...
Other enterprises	1.8	20.2	3.4	94.4	36.8	...	...	...	...
Local government	14.7	18.2	34.4	22.6	23.6	...	...	..	...
Representative authorities	595.8	– –	– –	– –	– –	...	...	...	...
Households and nonprofit institutions	75.9	116.8	206.0	224.5	255.6	...	...	...	...
Universities and technical colleges	25.2	12.1	26.8	27.3	31.1	...	...	...	...
Other	50.7	104.7	179.2	197.2	224.5	...	...	...	...
Abroad	1.7	4.1	2.7	7.5	13.1	...	...	...	...
Capital expenditure	191.5	307.2	412.5	550.0	485.5	479.8	550.7	525.5	638.7
Acquisition of fixed capital assets	141.9	269.5	314.7	429.7	435.0	...	...	...	...
Equipment	24.9	50.1	59.0	43.3	50.0	...	...	...	...
Residential buildings	9.9	34.0	50.1	30.3	38.0	...	...	...	...
Nonresidential buildings	27.9	79.4	97.6	103.2	107.0	...	...	...	...
Other constructions	79.3	105.9	108.0	252.9	240.0	...	...	...	...
Purchase of land and intangible assets	– –	5.5	6.1	11.0	8.7	...	...	...	...
Capital transfers	49.5	32.3	91.7	109.3	41.8	...	...	...	...
Public enterprises and corporations	24.8	32.0	91.7	108.7	41.6	...	...	...	...
Other enterprises	– –	– –	– –	– –	– –	...	...	...	...
Local government	– –	– –	– –	– –	– –	...	...	...	...
Representative authorities	24.6	– –	– –	– –	– –	...	...	...	...
Households and nonprofit institutions	0.1	0.3	– –	0.6	0.2	...	10.1	10.1	16.0
Universities and technical colleges	– –	– –	– –	– –	– –	...	10.0	10.0	16.0
Other	0.1	0.3	– –	0.6	0.2	...	0.1	0.1	– –
Transfers abroad	– –	– –	– –	– –	– –	...	0.1	0.1	3.4
Net lending	26.6	51.5	12.6	30.3	17.8	23.9	34.5	32.4	22.3
Lending	35.9	73.7	48.4	45.9	29.2	...	45.1	43.0	34.2
Public enterprises and corporations	28.1	21.6	20.0	17.5	6.4	...	...	...	...
Other enterprises	0.3	7.0	– –	18.4	17.1	...	...	...	...
Local government	5.0	17.4	9.4	9.3	5.7	...	...	...	...
Representative authorities	2.0	– –	– –	– –	– –	...	...	...	...
Households and nonprofit institutions	0.5	27.3	19.0	0.7	– –	...	...	...	...
Universities and technical colleges	0.3	18.6	– –	– –	– –	...	...	...	...
Other	0.2	8.7	19.0	0.7	– –	...	...	...	...
Abroad	– –	0.4	– –	– –	– –	...	...	...	...
Repayments	–9.3	–22.2	–35.8	–15.6	–11.4	...	–10.6	–10.6	–11.9
Total expenditure and net lending	1,983.5	2,078.8	2,791.5	3,342.2	3,406.2	3,638.3	3,923.0	3,848.8	4,311.8
Memorandum item:									
GDP at market prices (fiscal year)	5,733.3	6,127.8	6,955.5	8,013.8	8,840.1	10,529.7	10,529.7	10,529.7	11,860.8

Sources: Ministry of Finance; and staff estimates.

Table 21. Namibia: Central Government Expenditure, 1989/90 – 1995/96

(In percent of GDP)

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95			1995/96
						Original Budget	Revised Budget	Estimate	Budget
Current expenditure	30.7	28.1	33.9	34.5	32.8	29.8	31.7	31.3	30.8
Goods and services	15.7	24.3	29.2	29.3	27.7	24.6	26.2	25.9	26.3
Wages	8.3	15.1	18.0	19.0	17.9	16.5	17.3	17.1	17.3
Other goods and services	7.5	9.2	11.3	10.3	9.8	8.1	8.9	8.8	8.9
Interest payments	2.3	0.4	0.3	0.3	0.8	1.0	0.9	0.9	1.0
Subsidies and other current transfers	12.7	3.3	4.4	4.9	4.3	4.2	4.6	4.5	3.5
Public enterprises	0.7	0.7	1.0	0.6	0.6	--	...	...	...
Other enterprises	--	0.3	--	1.2	0.4	--	...	...	...
Local government	0.3	0.3	0.5	0.3	0.3	--	...	...	...
Representative authorities	10.4	--	--	--	--	--	--	--	--
Households and nonprofit institutions	1.3	1.9	3.0	2.8	2.9	-	...	...	...
Universities and technical colleges	0.4	0.2	0.4	0.3	0.4	--	...	...	...
Other	0.9	1.7	2.6	2.5	2.5	--	...	...	...
Abroad	--	0.1	--	0.1	0.1	--	...	...	...
Capital expenditure	3.3	5.0	5.9	6.9	5.5	4.6	5.2	5.0	5.4
Acquisition of fixed capital assets	2.5	4.4	4.5	5.4	4.9	--	...	...	...
Equipment	0.4	0.8	0.8	0.5	0.6	--	...	...	...
Residential buildings	0.2	0.6	0.7	0.4	0.4	-	...	...	...
Nonresidential buildings	0.5	1.3	1.4	1.3	1.2	--	...	...	...
Other constructions	1.4	1.7	1.6	3.2	2.7	--	...	...	...
Purchase of land and intangible assets	--	0.1	0.1	0.1	0.1	--	...	...	...
Capital transfers	0.9	0.5	1.3	1.4	0.5	--	...	...	...
Public enterprises	0.4	0.5	1.3	1.4	0.5	--	...	...	...
Other enterprises	-	--	--	--	--	--	...	...	...
Local government	--	--	--	--	--	--	...	...	...
Representative authorities	0.4	-	-	-	--	-	...	...	...
Households and nonprofit institutions	...	...	--	...	...	...	0.1	0.1	0.1
Universities and technical colleges	--	--	--	--	--	--	0.1	0.1	0.1
Other	...	...	--	...	...	...	...	...	--
Abroad	--	--	--	...	--	--	...	...	...
Net lending	0.4	0.8	0.2	0.4	0.2	0.2	0.3	0.3	0.2
Lending	0.6	1.2	0.7	0.6	0.3	-	0.4	0.4	0.3
Public enterprises	0.5	0.4	0.3	0.2	0.1	--	--	--	--
Other enterprises	--	0.1	--	0.2	0.2	--	--	--	--
Local government	0.1	0.3	0.1	0.1	0.1	--	--	--	--
Representative authorities	--	--	--	--	--	--	--	--	--
Households and nonprofit institutions	--	0.4	0.3	--	--	--	--	--	--
Universities and technical colleges	--	0.3	--	--	--	--	--	--	--
Other	--	0.1	0.3	--	--	--	--	--	--
Abroad	--	--	--	--	--	--	--	--	--
Repayments	−0.2	−0.4	−0.5	−0.2	−0.1	--	−0.1	−0.1	−0.1
Total expenditure and net lending	34.5	33.9	40.0	41.7	38.5	34.6	37.3	36.6	36.4
Memorandum item:				(In millions of Namibian dollars)					
GDP at market prices (fiscal year)	5,733.3	6,127.8	6,955.5	8,013.8	8,840.1	10,529.7	10,529.7	10,529.7	11,860.8

Source: Table 20.

Table 22. Namibia: Functional Classification of Central Government Expenditure, 1990/91–1995/96

(In millions of Namibian dollars)

	1990/91	1991/92	1992/93	1993/94	1994/95 Budget	1995/96
General government services	729.1	953.0	1,117.6	945.4	1,068.7	1,254.3
General public services	447.8	591.3	746.6	539.6	575.7	724.3
Defense	122.7	181.8	175.0	180.7	218.5	232.2
Public order and safety	158.6	179.9	195.9	225.0	274.5	297.9
Community and social affairs and services	1,116.3	1,338.5	1,554.1	1,763.1	2,193.6	2,293.2
Education	457.2	578.6	688.2	857.6	1,035.1	1,050.0
Health	228.7	240.9	289.9	305.1	434.5	480.7
Social security and welfare	140.0	193.2	196.4	226.4	275.8	248.3
Housing and community amenity	214.9	245.8	289.1	290.0	352.1	402.9
Recreational, cultural and religious	75.6	79.9	90.4	84.1	96.1	111.3
Economic affairs and services	729.7	819.6	873.1	768.0	621.1	672.1
Fuel and energy	0.7	23.6	27.5	31.0	19.3	21.3
Agriculture, forestry, fishing, and hunting	100.0	171.1	275.6	279.9	254.2	271.9
Mining and mineral resources	9.4	10.0	11.1	11.4	16.8	18.0
Transportation and communications	221.5	325.4	452.9	273.9	248.3	270.9
Other	398.1	289.6	105.8	171.8	82.7	90.0
Expenditure not classified by function 1/	−496.3	−319.5	−202.5	−3.1	39.6	92.2
Total expenditure and net lending	2,078.8	2,791.5	3,342.2	3,473.4	3,923.0	4,311.8
Memorandum item:						
GDP at market prices (fiscal year)	6,127.8	6,955.5	8,013.8	8,840.1	10,529.7	11,860.8

Sources: Ministry of Finance; and staff estimates.

1/ Includes public debt transactions.

Table 23. Namibia: Functional Classification of Central Government Expenditure, 1990/91–1995/96

	1990/91	1991/92	1992/93	1993/94	1994/95 Budget	1995/96
	(In percent of total expenditure and net lending)					
General government services	35.1	34.1	33.4	27.2	27.2	29.1
General public services	21.5	21.2	22.3	15.5	14.7	16.8
Defense	5.9	6.5	5.2	5.2	5.6	5.4
Public order and safety	7.6	6.4	5.9	6.5	7.0	6.9
Community and social affairs and services	53.7	47.9	46.5	50.8	55.9	53.2
Education	22.0	20.7	20.6	24.7	26.4	24.4
Health	11.0	8.6	8.7	8.8	11.1	11.1
Social security and welfare	6.7	6.9	5.9	6.5	7.0	5.8
Housing and community amenity	10.3	8.8	8.7	8.3	9.0	9.3
Recreational, cultural and religious	3.6	2.9	2.7	2.4	2.4	2.6
Economic affairs and services	35.1	29.4	26.1	22.1	15.8	15.6
Fuel and energy	--	0.8	0.8	0.9	0.5	0.5
Agriculture, forestry, fishing, and hunting	4.8	6.1	8.2	8.1	6.5	6.3
Mining and mineral resources	0.5	0.4	0.3	0.3	0.4	0.4
Transportation and communications	10.7	11.7	13.6	7.9	6.3	6.3
Other	19.1	10.4	3.2	4.9	2.1	2.1
Expenditure not classified by function 1/	-23.9	-11.4	-6.1	-0.1	1.0	2.1
Total expenditure and net lending	100.0	100.0	100.0	100.0	100.0	100.0
	(In percent of GDP)					
General government services	11.9	13.7	13.9	10.7	10.1	10.6
General public services	7.3	8.5	9.3	6.1	5.5	6.1
Defense	2.0	2.6	2.2	2.0	2.1	2.0
Public order and safety	2.6	2.6	2.4	2.5	2.6	2.5
Community and social affairs and services	18.2	19.2	19.4	19.9	20.8	19.3
Education	7.5	8.3	8.6	9.7	9.8	8.9
Health	3.7	3.5	3.6	3.5	4.1	4.1
Social security and welfare	2.3	2.8	2.5	2.6	2.6	2.1
Housing and community amenity	3.5	3.5	3.6	3.3	3.3	3.4
Recreational, cultural and religious	1.2	1.1	1.1	1.0	0.9	0.9
Economic affairs and services	11.9	11.8	10.9	8.7	5.9	5.7
Fuel and energy	--	0.3	0.3	0.4	0.2	0.2
Agriculture, forestry, fishing, and hunting	1.6	2.5	3.4	3.2	2.4	2.3
Mining and mineral resources	0.2	0.1	0.1	0.1	0.2	0.2
Transportation and communications	3.6	4.7	5.7	3.1	2.4	2.3
Other	6.5	4.2	1.3	1.9	0.8	0.8
Expenditure not classified by function 1/	-8.1	-4.6	-2.5	--	0.4	0.8
Total expenditure and net lending	33.9	40.1	41.7	39.3	37.3	36.4

Source: Table 22.

1/ Includes public debt transactions.

Table 24. Namibia: Outstanding Debt of the Central Government, 1988–95

(In millions of Namibian dollars)

End of March	1988	1989	1990	1991	1992	1993	1994	1995 Prel.
External debt	782.1	849.3	680.0	561.0	512.2	459.1	488.7	464.8
Including the Bank of Namibia facility	(782.1)	(849.3)	(680.0)	(824.5)	(884.4)	(967.6)	(1,098.3)	(1,169.8)
In percent of GDP	18.8	16.9	11.9	13.5	12.7	12.1	*12.4*	*11.1*
Long–term stocks (issued before independence) 1/	569.7	549.5	549.5	497.5	466.5	439.6	403.6	368.6
Guaranteed by the South African Government 2/	(509.7)	(474.5)	(474.5)	(422.5)	(391.5)	(364.6)	(328.6)	(293.6)
Not guaranteed 3/	(60.0)	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)
Long–term stocks (issued after independence) 1/	– –	– –	– –	– –	– –	– –	55.7	55.7
Treasury bonds 4/	– –	113.2	19.0	9.6	– –	– –	– –	– –
Republic of South Africa loan (pre–independence) 2/	52.0	45.5	39.0	32.5	26.0	19.5	13.0	6.5
Foreign loans (pre–independence) 2/	160.4	141.1	72.5	21.4	19.7	– –	– –	– –
Foreign loans (post–independence)	– –	– –	– –	– –	– –	– –	16.4	34.0
African Development Fund	(– –)	(– –)	(– –)	(– –)	(– –)	(– –)	(6.4)	(– –)
Kreditanstalt fur Wiederaufbau	(– –)	(– –)	(– –)	(– –)	(– –)	(– –)	(9.7)	(– –)
Domestic debt	18.3	41.2	50.3	298.5	416.5	866.3	1,378.4	1,613.2
Excluding the Bank of Namibia facility	(18.3)	(41.2)	(50.3)	(298.5)	(416.5)	(357.8)	(768.8)	(908.2)
In percent of GDP	0.4	0.8	0.9	4.9	6.0	4.5	*8.7*	*8.6*
Local loans 5/	16.8	41.2	35.6	25.0	20.0	15.0	5.9	0.9
Other loans 6/	1.5	– –	14.7	10.0	5.0	1.4	– –	– –
Treasury bills	– –	– –	– –	– –	19.2	195.6	269.0	284.3
91 days	(– –)	(– –)	(– –)	(– –)	(19.2)	(95.0)	(150.0)	(284.3)
182 days	(– –)	(– –)	(– –)	(– –)	(– –)	(100.6)	(119.0)	(– –)
Internal registered stock	– –	– –	– –	– –	– –	130.0	473.6	597.0
2–year	(– –)	(– –)	(– –)	(– –)	(– –)	(80.0)	(84.0)	(– –)
3–year	(– –)	(– –)	(– –)	(– –)	(– –)	(50.0)	(322.9)	(– –)
5–year	(– –)	(– –)	(– –)	(– –)	(– –)	(– –)	(66.7)	(– –)
Bank of Namibia facility 7/	– –	– –	– –	263.5	372.3	524.3	629.9	731.0
Total central government debt outstanding	800.4	890.5	730.3	859.5	928.6	1,325.4	1,867.1	2,078.0
In percent of GDP	19.2	17.7	12.7	14.0	13.4	16.5	*21.1*	*19.7*
Memorandum items:								
Bank of Namibia								
External long–term liability				– –	– –	508.5	609.6	705.0
Counterpart claim on Government				– –	– –	524.3	629.9	731.0
Deposit money banks								
Holdings of treasury bills				– –	10.8	72.6	167.2	159.3
Holdings of government securities				1.2	1.2	61.5	88.3	80.0
Other banking institutions								
Holdings of treasury bills				– –	– –	4.0	7.4	– –
Holdings of government securities				– –	– –	– –	– –	– –

Sources: Ministry of Finance; and Bank of Namibia.

1/ Publicly issued stock, held mainly by nonresidents.

2/ Pre–independence debt is currently being serviced by the South African Reserve Bank; the debt service paid is being consolidated into the Bank of Namibia facility.

3/ Two loans (Nos. 26 and 32) were not guaranteed by the South African Government and are being serviced by Namibia.

4/ Held by banks in South Africa; paid off by Namibia and not consolidated.

5/ Borrowing from domestic banks.

6/ Local development bonds.

7/ Consolidation of pre–independence debt; interest is being capitalized at 2 percent per annum (the Government's counterpart is being capitalized at 2.5 percent). To be repaid in 17 annual installments of N$78.5 million, beginning in 1995.

Table 25. Namibia: Monetary Survey, 1990–94

(In millions of Namibian dollars; end of period)

	1990	1991	1992	1993				1994			
	Dec.	Dec.	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.
Net foreign assets	341.4	685.0	616.4	477.8	508.4	429.6	491.8	542.5	501.3	787.1	525.4
Bank of Namibia	192.8	159.4	134.6	93.6	93.6	346.1	446.2	559.5	631.2	644.5	705.2
Deposit money banks	98.5	459.1	276.3	189.9	226.9	17.8	34.1	–26.9	–137.9	136.8	–187.1
Other 1/	50.2	66.5	205.4	194.2	187.9	65.7	11.4	9.9	7.9	5.8	7.3
Domestic credit	1,233.6	1,357.5	2,586.3	2,806.9	3,059.9	3,134.3	3,336.9	3,553.3	3,736.0	4,078.6	4,272.1
Net claims on Central Government	–192.7	–314.9	428.5	509.0	626.3	547.9	563.8	504.9	545.8	576.8	574.5
Claims on local and regional governments	2.2	9.3	15.2	14.1	15.5	14.7	15.0	15.2	18.9	17.5	17.2
Claims on nonfinancial public enterprises	4.0	50.1	42.1	40.8	42.3	40.8	42.2	41.8	42.1	40.9	42.1
Claims on private sector	1,372.6	1,599.9	2,079.2	2,220.4	2,356.6	2,509.3	2,705.5	2,976.6	3,107.1	3,315.4	3,542.6
Claims on other banking institutions	47.6	13.1	21.3	22.5	19.3	21.5	10.5	14.8	22.2	127.9	95.6
Claims on nonbank financial institutions	– –	– –	– –	– –	– –	– –	– –	– –	– –	– –	– –
Broad money 2/	1,477.4	1,925.0	2,422.6	2,433.4	2,688.8	2,752.3	2,996.4	3,217.9	3,289.8	3,933.2	3,768.9
Money 2/	614.3	821.9	1,002.4	1,016.8	1,200.0	1,259.3	1,466.8	1,349.5	1,464.6	1,850.9	1,682.8
Of which: Namibian dollars in circulation	(– –)	(– –)	(– –)	(– –)	(– –)	(104.3)	(133.8)	(172.2)	(193.3)	(239.2)	(217.4)
Quasi–money	863.1	1,103.1	1,420.1	1,416.6	1,488.8	1,493.0	1,529.5	1,868.4	1,825.2	2,082.3	2,086.1
Money market instruments and bonds	– –	4.0	2.4	4.3	4.0	3.5	3.9	4.6	3.9	4.1	4.1
Long–term external liabilities	– –	– –	502.0	508.5	542.5	542.5	603.1	609.6	647.1	647.1	698.5
Other items, net	97.6	113.4	275.7	338.4	332.9	265.6	225.4	263.8	296.4	281.2	326.0

Source: Bank of Namibia.

1/ Deposit money bank and other banking institution holdings of South African rand currency.
2/ Excludes South African rand circulating in Namibia.

Table 26. Namibia: Summary Accounts of the Bank of Namibia, 1990–94

(In millions of Namibian dollars; end of period)

	1990	1991	1992	1993				1994			
	Dec.	Dec.	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.
Net foreign assets	192.8	159.4	134.6	93.6	93.6	346.1	446.2	559.5	631.2	644.5	705.2
Assets	192.8	159.5	141.4	102.7	95.5	351.7	454.5	570.8	634.9	658.9	718.5
Liabilities	0.1	0.1	6.8	9.1	1.9	5.6	8.3	11.3	3.6	14.3	13.3
Domestic assets	--	0.1	510.6	524.6	552.4	555.9	620.0	630.4	660.7	665.0	720.5
Claims on Government	--	--	510.3	524.3	552.1	555.6	619.6	629.9	660.3	664.4	720.0
Of which: counterpart to long-term external liabilities	(--)	(--)	(510.3)	(524.3)	(552.1)	(555.6)	(619.6)	(629.9)	(660.3)	(664.4)	(720.0)
Claims on local and regional governments	--	--	--	--	--	--	--	--	--	--	--
Claims on nonfinancial public enterprises	--	--	--	--	--	--	--	--	--	--	--
Claims on private sector	--	--	--	--	--	--	--	--	--	--	--
Claims on deposit money banks	--	--	--	--	--	--	--	--	--	--	--
Claims on other banking institutions	--	0.1	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.5
Reserve money	39.8	30.6	16.4	21.1	29.1	174.8	221.9	257.8	291.6	350.4	366.3
Namibian dollar currency issued	--	--	--	--	--	134.6	194.7	222.1	256.7	305.6	332.8
Deposit money bank deposits	31.1	18.1	16.4	21.1	29.1	40.2	27.2	35.7	34.9	44.8	33.6
Current accounts	(--)	(--)	(0.7)	(--)	(--)	(1.3)	(--)	(0.1)	(--)	(--)	(--)
Reserve accounts	(31.1)	(18.1)	(15.8)	(21.1)	(29.1)	(38.9)	(27.2)	(35.6)	(34.9)	(44.8)	(33.6)
Other deposits	8.8	12.5	--	--	--	--	--	--	--	--	--
Central government deposits	150.4	123.1	143.5	56.7	40.9	156.2	221.7	293.8	299.6	249.0	291.2
Long-term external liabilities	--	--	502.0	508.5	542.5	542.5	603.1	609.6	647.1	647.1	698.5
Capital and reserves	10.0	21.8	31.9	40.7	41.9	43.5	40.6	56.0	79.1	75.1	71.2
Other items, net	-7.5	-16.0	-48.6	-8.9	-8.4	-15.0	-21.0	-27.3	-25.5	-12.1	-1.5
Memorandum items:											
South African rand currency held by:											
Deposit money banks	50.2	66.5	66.9	51.0	55.1	37.3	11.4	9.9	7.9	5.8	7.3
Other banking institutions	--	--	138.4	143.2	132.8	28.4	--	--	--	--	--

Source: Bank of Namibia.

Table 27. Namibia: Summary Accounts of the Deposit Money Banks, 1990–94

(In millions of Namibian dollars; end of period)

	1990	1991	1992	1993				1994			
	Dec.	Dec.	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.
Reserves	81.3	84.7	83.4	72.1	84.2	106.5	99.5	98.7	98.5	117.1	156.2
Currency (Namibian dollars)	--	--	--	--	--	30.3	60.9	50.0	63.3	66.4	115.3
Currency (South African rand)	50.2	66.5	66.9	51.0	55.1	37.3	11.4	9.9	7.9	5.8	7.3
Restricted deposits with Bank of Namibia	--	--	--	--	--	--	--	--	--	--	--
Other deposits with Bank of Namibia	31.1	18.1	16.4	21.1	29.1	38.9	27.2	38.8	27.3	44.8	33.6
Foreign assets	374.1	585.5	375.7	298.8	341.1	226.5	195.0	147.9	128.2	247.8	194.4
Claims on nonresident banks	285.9	425.6	296.2	230.7	269.8	191.1	159.2	132.3	117.2	247.3	193.0
Claims on nonresident nonbanks	88.2	159.9	79.5	68.1	71.4	35.5	35.8	15.6	11.0	0.5	1.5
Domestic assets	1,466.4	1,713.0	2,329.1	2,471.2	2,657.4	2,843.6	3,052.0	3,359.5	3,478.7	3,750.1	3,935.8
Claims on Central Government	40.0	40.8	171.6	173.7	224.1	257.5	279.2	311.5	288.9	248.8	238.8
Treasury bills	(--)	(12.2)	(72.1)	(72.6)	(98.6)	(120.6)	(143.3)	(167.2)	(168.3)	(125.6)	(159.6)
Government securities	(1.2)	(1.2)	(59.7)	(61.5)	(69.3)	(76.7)	(80.8)	(88.3)	(86.7)	(112.8)	(73.5)
Loans and advances	(38.8)	(25.6)	(26.1)	(25.9)	(34.5)	(38.4)	(29.2)	(30.1)	(31.7)	(8.1)	(2.6)
Other	(--)	(1.8)	(13.7)	(13.7)	(21.8)	(21.8)	(25.9)	(25.9)	(2.3)	(2.3)	(3.0)
Claims on local and regional goverments	2.2	9.3	15.2	14.1	15.4	14.7	15.0	15.2	18.9	17.5	17.2
Claims on nonfinancial public enterprises	4.0	50.1	42.1	40.8	42.3	40.8	42.2	41.8	42.1	40.9	42.1
Claims on private sector	1,372.6	1,599.9	2,079.2	2,220.4	2,356.6	2,509.3	2,705.5	2,976.6	3,107.1	3,315.4	3,542.6
Claims on other banking institutions	47.6	13.0	21.0	22.2	19.0	21.2	10.1	14.4	21.7	127.4	95.1
Claims on nonbank financial institutions	--	--	--	--	--	--	--	--	--	--	--
Total assets = Total liabilities	1,921.7	2,383.2	2,788.1	2,842.1	3,082.7	3,176.6	3,346.4	3,606.1	3,705.4	4,115.0	4,286.4
Demand deposits	605.6	809.5	1,002.4	1,016.8	1,200.0	1,155.0	1,333.1	1,177.3	1,271.2	1,611.8	1,465.3
Time and savings deposits	863.1	1,103.1	1,420.1	1,416.6	1,488.8	1,493.0	1,529.5	1,868.4	1,825.2	2,082.3	2,086.1
Of which: time deposits	(616.6)	(794.0)	(1,082.3)	(1,064.0)	(1,142.8)	(1,141.9)	(1,182.5)	(1,485.2)	(1,421.9)	(1,656.9)	(1,660.8)
savings deposits	(246.5)	(309.1)	(337.8)	(352.6)	(346.0)	(351.1)	(347.0)	(383.1)	(403.2)	(425.4)	(425.3)
Money market instruments	--	--	--	--	--	--	--	--	--	--	--
Bonds	--	4.0	2.4	4.3	4.0	3.5	3.9	4.6	3.9	4.1	4.1
Foreign liabilities	275.6	126.4	99.3	108.8	114.3	208.8	160.9	174.8	266.1	111.0	381.5
Nonresident banks	213.4	71.7	56.1	60.4	77.3	179.5	145.7	150.3	234.9	77.6	291.5
Nonresident nonbanks	62.2	54.8	43.3	48.4	37.0	29.3	15.2	24.5	31.1	33.4	90.0
Central government deposits	82.3	232.6	109.9	132.2	109.0	109.0	113.3	142.8	103.7	87.5	93.1
Credit from central bank	--	--	--	--	--	--	--	--	--	--	--
Capital and reserves	87.9	162.8	204.5	223.7	236.0	253.5	273.2	288.8	299.1	323.2	293.8
Other items, net	7.3	-55.2	-50.5	-60.3	-69.4	-46.1	-67.4	-50.6	-63.9	-105.0	-37.6

Source: Bank of Namibia.

Table 28. Namibia: Summary Accounts of Other Banking Institutions, 1/ 1992–94

(In millions of Namibian dollars; end of period)

	1992	1993				1994			
	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.
Reserves	138.4	143.2	132.8	132.7	43.1	28.3	40.9	18.6	0.6
Currency (Namibian dollars)	--	--	--	104.3	43.1	28.3	40.8	18.6	0.6
Currency (South African rand)	138.4	143.2	132.8	28.4	--	--	--	--	--
Deposits with Bank of Namibia	--	--	--	--	--	--	--	--	--
Foreign assets	0.7	0.5	0.5	0.4	0.7	0.6	0.6	0.6	0.5
Domestic assets	1,021.9	1,051.2	1,083.6	1,137.0	1,280.8	1,362.3	1,387.8	1,498.1	1,552.9
Claims on Central Government	3.0	10.0	15.0	10.9	6.0	18.4	18.4	32.0	31.0
Treasury bills	(--)	(4.0)	(9.0)	(4.9)	(--)	(7.4)	(7.4)	(--)	(10.0)
Government securities	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Loans and advances	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Other	(3.0)	(6.0)	(6.0)	(6.0)	(6.0)	(11.0)	(11.0)	(32.0)	(21.0)
Claims on local and regional goverments	5.8	5.6	5.9	5.5	6.1	5.5	5.5	5.5	5.5
Claims on nonfinancial public enterprises	2.4	2.5	1.6	1.3	7.7	9.7	18.6	26.8	18.7
Claims on private sector	1,003.8	1,025.5	1,051.3	1,105.5	1,148.7	1,201.1	1,250.0	1,303.2	1,374.3
Claims on deposit money banks	--	--	--	--	95.8	107.3	84.3	121.6	119.8
Claims on nonbank financial institutions	7.0	7.6	9.8	13.6	16.6	20.3	10.8	9.1	3.7
Time and savings deposits	479.8	465.4	453.6	504.0	499.4	504.2	493.4	589.8	701.7
Money market instruments	153.1	195.8	181.2	176.6	223.8	264.7	314.7	240.7	190.9
Bonds and debentures	--	--	--	--	--	--	--	--	--
Foreign liabilities	8.6	8.1	8.0	10.4	10.2	10.2	10.3	21.1	18.3
Central government deposits	10.9	21.0	21.5	20.1	21.8	27.9	31.1	24.7	16.4
Credit from central bank	0.3	0.3	0.3	0.3	0.2	0.2	0.1	0.4	0.5
Credit from deposit money banks	21.0	22.4	17.7	26.4	20.0	12.5	26.9	34.0	24.0
Capital and reserves	563.2	573.1	597.7	613.7	634.2	649.8	663.6	742.4	763.1
Other items, net	-75.9	-91.2	-63.2	-81.4	-85.2	-78.4	-111.1	-135.8	-160.8

Source: Bank of Namibia.

1/ Comprising the Building Societies, the Post Office Savings Bank, the National Housing Enterprise, and the Agricultural Bank of Namibia.

Table 29. Namibia: Banking Survey, 1/ 1992–94

(In millions of Namibian dollars; end of period)

	1992	1993				1994			
	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.
Net foreign assets	608.5	470.2	500.9	419.6	482.2	532.9	491.6	766.6	507.7
Domestic credit	3,576.0	3,814.6	4,102.7	4,229.7	4,489.6	4,765.6	4,986.2	5,302.4	5,593.1
Net claims on Central Government	420.6	498.0	619.8	538.7	548.0	495.4	533.1	584.0	589.1
Claims on local and regional governments	20.9	19.7	21.3	20.3	21.1	20.7	24.4	23.0	22.7
Claims on nonfinancial public enterprises	44.5	43.3	43.8	42.2	49.8	51.5	60.8	67.8	60.8
Claims on private sector	3,082.9	3,245.9	3,407.9	3,614.9	3,854.2	4,177.7	4,357.1	4,618.5	4,917.0
Claims on nonbank financial institutions	7.0	7.6	9.8	13.6	16.6	20.3	10.8	9.1	3.7
Broad money 2/	2,857.3	2,851.0	3,090.2	3,191.7	3,488.2	3,720.4	3,773.2	4,500.1	4,465.5
Money 2/	1,002.4	1,016.8	1,200.0	1,259.3	1,466.8	1,349.5	1,464.6	1,850.9	1,682.8
Of which: Namibian dollars in circulation	(--)	(--)	(--)	(104.3)	(133.8)	(172.2)	(193.3)	(239.2)	(217.4)
Quasi-money	1,854.9	1,834.2	1,890.1	1,932.3	2,021.3	2,370.9	2,308.6	2,649.1	2,782.7
Money market instruments and bonds	155.5	200.1	185.2	180.1	227.7	269.3	318.7	244.8	195.0
Other items, net	1,171.6	1,233.6	1,328.1	1,277.5	1,255.9	1,308.8	1,385.8	1,324.1	1,440.4

Source: Bank of Namibia.

1/ Consolidation of the monetary survey and the operations of the other banking institutions.
2/ Excludes South African rand circulating in Namibia.

Table 30. Namibia: Interest Rates, 1/ 1988–94

(Annual averages in percent per annum)

	1988	1989	1990	1991	1992	1993	1994
Short–term interest rates							
Bank rate (end of period)							
In South Africa 2/	14.50	18.00	18.00	17.00	14.00	12.00	13.00
Bank of Namibia							
Treasury bill discount rate 3/				18.00	14.00	12.00	13.00
Deposit money bank overdraft rate				20.50	16.50	14.50	15.50
South African money market rate 4/	13.90	18.77	19.46	17.02	14.11	10.83	10.45
Treasury bill rate							
In South Africa	12.03	16.84	17.80	16.68	13.77	11.31	11.19
In Namibia 5/					13.88	12.16	11.32
Commercial bank deposit rate (3–month)							
In South Africa	13.54	18.13	18.86	17.30	13.78	11.69	11.12
In Namibia				12.77	11.36	9.61	9.10
Commercial bank lending rate							
In South Africa	15.33	19.83	21.00	20.31	18.91	16.16	15.58
In Namibia				23.36	20.21	18.02	17.05
Long–term interest rate							
Government bond yield in South Africa	16.37	16.90	16.15	16.26	14.90	13.97	14.83
Memorandum items:							
Inflation							
In South Africa	12.8	14.7	14.4	15.3	13.9	9.7	9.0
In Namibia 6/	12.8	15.1	12.0	11.9	17.7	8.5	11.3
Real interest rates 7/							
Commercial bank deposits							
In South Africa	0.66	2.99	3.90	1.73	−0.11	1.82	1.95
In Namibia 8/	0.66	2.63	6.13	0.78	−5.39	1.02	−1.98
Commercial bank lending							
In South Africa	2.24	4.47	5.77	4.35	4.40	5.89	6.04
In Namibia 8/	2.24	4.11	8.04	10.24	2.13	8.77	5.17
Government bond yield	3.16	1.56	3.71	3.90	−2.38	5.04	3.17

Sources: South African Reserve Bank; Bank of Namibia; and IMF, International Financial Statistics.

1/ Except as noted, all figures are annual averages.
2/ South African Reserve Bank's discount rate for Treasury bills.
3/ In practice this rate is not used; deposit money banks needing funds borrow from the Bank of Namibia at the overdraft rate.
4/ There is at present no significant interbank money market in Namibia; banks tend to borrow for short–term needs from their parent companies in South Africa.
5/ For 91–day bills.
6/ Average annual change in the Windhoek consumer price index.
7/ Using the average annual rate of inflation as indicator of inflation expectations.
8/ South African rates deflated by the Windhoek CPI through 1990.

Table 31. Namibia: Treasury Bill and Internal Registered Stock Tenders, 1991–94

(Amounts in millions of Namibian dollars; interest rates in percent per annum)

	91-day bills				182-day bills				Internal registered stock				
	Subscribed (a)	Allotted (b)	(a)–(b)	Interest rate	Subscribed (a)	Allotted (b)	(a)–(b)	Interest rate	Subscribed (a)	Allotted (b)	(a)–(b)	Coupon rate	Average Yield
1991													
May	46.0	10.0	36.0	16.85									
June	39.0	5.0	34.0	16.75									
July	29.0	5.0	24.0	16.72									
August	33.0	10.0	23.0	16.67									
September	22.0	5.0	17.0	16.61									
October	49.0	5.0	44.0	16.55									
November	14.0	10.0	4.0	16.48									
December	15.0	5.0	10.0	16.36									
1992													
January	27.0	5.0	22.0	16.18									
February	24.0	10.0	14.0	16.08									
March	22.0	5.0	17.0	15.55									
April	21.0	5.0	16.0	15.28									
May	30.0	10.0	20.0	14.42									
June	13.0	5.0	8.0	13.96									
July	22.0	10.0	12.0	13.44									
August	29.0	10.0	19.0	12.29									
September	40.0	20.0	20.0	12.26									
October	34.0	20.0	14.0	12.21					57.2	50.0	7.2	12.00	12.86
November	55.0	40.0	15.0	12.41									
December	45.0	31.0	14.0	12.46	40.0	35.0	5.0	11.94	61.6	50.0	11.6	12.00	13.40
1993													
January					74.0	50.0	24.0	12.11					
February	40.0	35.0	5.0	11.89									
March	62.1	60.0	2.1	11.94	33.3	25.0	8.3	11.87	34.1	34.0	0.1	11.50	13.23
April	33.7	30.0	3.7	12.58									
May	55.7	30.0	25.7	12.49									
June	28.9	25.0	3.9	12.53	100.9	60.0	40.9	12.27	89.0	89.0	0.0	12.00	14.06
July	124.4	50.0	74.4	12.16									
August	63.8	50.0	13.8	12.40					63.7	58.7	5.0	12.00	13.63
September	46.0	45.0	1.0	12.49	58.6	55.0	3.6	12.21					
October	56.7	50.0	6.7	12.18					82.7	66.7	16.0	13.00	13.81
November	84.8	50.0	34.8	11.53					81.0	71.0	10.0	12.00	12.60
December	71.1	50.0	21.1	11.26	107.4	60.0	47.4	11.09					
1994													
January	81.0	50.0	31.0	11.19									
February	91.5	60.0	31.5	11.18					69.0	69.0	0.0	11.50	12.56
March	82.3	50.0	32.3	10.97	71.6	60.0	11.6	10.93					
April	92.4	50.0	42.4	10.90									
May	78.3	60.0	18.3	10.97									
June	73.8	50.0	23.8	10.95	52.0	51.0	1.0	11.11	46.0	26.0	20.0	12.00	13.24
July	85.4	50.0	35.4	10.95									
August	--	--	--	--					110.8	82.6	28.2	12.00	13.78
September	194.7	100.0	94.7	10.99									
October	176.2	113.0	63.2	11.97									
November	92.8	50.0	42.8	12.32					79.5	50.0	29.5	12.00	16.58
December	114.9	100.0	14.9	12.44									

Source: Bank of Namibia.

Table 32. Namibia: Balance of Payments, 1988–94

(In millions of U.S. dollars)

	1988	1989	1990	1991	1992	1993	1994 Prov.
Current account	−145.3	−4.7	47.1	140.9	104.2	178.4	210.8
Trade balance	−15.4	78.2	−32.1	94.0	79.0	122.3	165.1
Exports, f.o.b.	(1,085.6)	(1,135.8)	(1,086.0)	(1,215.7)	(1,342.6)	(1,291.2)	(1,322.2)
Imports, f.o.b.	(−1,101.0)	(−1,057.6)	(−1,118.0)	(−1,121.8)	(−1,263.7)	(−1,169.0)	(−1,157.1)
Nonfactor services	−234.9	−205.8	−253.7	−353.4	−374.4	−274.4	−257.3
Credit	(104.3)	(115.0)	(110.5)	(128.0)	(143.5)	(189.6)	(217.7)
Debit	(−339.2)	(−320.8)	(−364.2)	(−481.4)	(−518.0)	(−464.1)	(−475.0)
Transportation (net) 1/	...	...	−167.8	−209.7	−220.7	−191.2	−195.3
Of which: charter of fishing boats	(...)	(...)	(−73.1)	(−113.6)	(−105.3)	(−82.4)	(−84.8)
Travel	...	...	1.2	14.1	30.9	82.7	109.3
Credit	...	...	(64.2)	(83.4)	(103.5)	(154.4)	(182.9)
Debit	...	...	(−63.0)	(−69.3)	(−72.6)	(−71.7)	(−73.5)
Communications	...	...	5.4	5.2	7.7	8.1	8.5
Credit	...	...	(5.4)	(5.2)	(7.7)	(8.2)	(8.6)
Debit	...	...	(0.0)	(0.0)	(0.0)	(−0.2)	(−0.1)
Insurance	...	...	−16.7	−17.5	−25.3	−21.8	−23.1
Credit	...	...	(6.1)	(8.6)	(5.3)	(4.9)	(5.4)
Debit	...	...	(−22.8)	(−26.1)	(−30.5)	(−26.7)	(−28.5)
Business, administrative, other	...	...	−89.3	−152.4	−170.2	−154.7	−158.1
Credit	...	...	(8.5)	(9.1)	(7.4)	(5.5)	(6.5)
Debit	...	...	(−97.8)	(−161.4)	(−177.6)	(−160.3)	(−164.6)
Government services	...	...	13.5	6.9	3.2	2.5	1.4
Credit	...	...	(26.3)	(21.7)	(19.7)	(16.5)	(14.4)
Debit	...	...	(−12.8)	(−14.8)	(−16.5)	(−14.1)	(−13.0)
Net factor receipts	−171.5	−130.6	40.6	96.6	27.7	60.1	43.7
Compensation of employees	...	...	−13.1	−8.9	−3.2	−1.2	1.4
Receipts	...	...	(5.0)	(5.8)	(7.0)	(6.4)	(6.5)
Payments	...	...	(−18.2)	(−14.7)	(−10.2)	(−7.7)	(−5.1)
Investment income	...	...	53.7	105.6	30.9	61.3	42.3
Receipts	...	...	(181.3)	(237.3)	(196.2)	(208.7)	(211.4)
Direct investment	...	...	3.1	8.0	9.1	8.9	9.6
Portfolio investment	...	...	140.7	172.0	139.7	164.5	160.1
Other investment	...	...	37.5	57.3	47.4	35.2	41.7
Payments	...	...	(−127.6)	(−131.7)	(−165.3)	(−147.4)	(−169.1)
Direct investment	...	...	−66.5	−75.5	−126.3	−110.9	−125.7
Portfolio investment	...	...	−23.6	−34.1	−22.1	−22.1	−26.2
Other investment	...	...	−37.5	−22.1	−16.8	−14.4	−17.2

Table 32 (concluded). Namibia: Balance of Payments, 1988–94

(In millions of U.S. dollars)

	1988	1989	1990	1991	1992	1993	1994 Prov.
Transfers	276.5	253.5	292.3	303.7	372.0	270.6	259.3
Government	...	...	(268.7)	(279.7)	(319.0)	(244.5)	(229.4)
Grants	...	...	102.8	102.3	150.2	111.5	90.7
SACU receipts 2/	...	...	233.9	259.8	262.5	233.5	244.6
Other	...	...	44.5	30.8	34.0	19.0	15.8
Transfer debit (mainly SACU)	...	...	−112.5	−113.2	−127.7	−119.5	−121.7
Private	...	...	(23.6)	(23.9)	(53.0)	(26.0)	(29.9)
Capital account	...	...	−205.7	−186.1	−97.6	−53.6	−124.0
Direct investment abroad	...	...	−1.2	−6.5	1.8	−8.6	−4.8
Direct investment in Namibia	...	...	29.4	120.8	79.0	32.5	29.6
Of which: reinvested earnings	(...)	(...)	(−43.7)	(22.9)	(56.5)	(19.3)	(47.9)
Portfolio investment	...	...	−188.7	−316.4	−253.0	−138.8	−211.4
Of which: life insurance	(...)	(...)	(−192.5)	(−145.1)	(−80.4)	(−19.9)	(−35.2)
pension funds	(...)	(...)	(−7.0)	(−145.8)	(−188.1)	(−197.3)	(−195.6)
Other long–term capital	...	...	36.3	45.4	16.5	−4.6	29.6
Other short–term capital	...	...	−81.6	−29.4	58.3	65.9	33.0
Of which: replacement of South African currency	(...)	(...)	(...)	(...)	(...)	(59.4)	(...)
Net errors and omissions	...	...	195.3	32.9	−13.3	−33.5	−11.8
Overall balance	...	...	36.7	−12.3	−6.7	91.3	75.0
Financing	...	...	−36.7	12.3	6.7	−91.3	−75.0
Reserve position in the Fund	...	...	--	--	--	--	--
Change in foreign exchange assets	...	...	−36.7	12.3	6.7	−91.3	−75.0
Memorandum items:							
Current account, excluding official transfers	−421.8	−258.1	−221.6	−138.8	−214.8	−66.1	−18.6
Current account/GDP							
Excluding transfers	−19.8	−11.9	−9.6	−5.8	−7.8	−2.6	−0.6
Including transfers	−6.8	−0.2	2.0	5.8	3.8	7.0	7.3
International reserves (end of period) 3/			80.0	62.3	49.8	133.6	202.9
In months of imports of goods and nonfactor services			0.6	0.5	0.3	1.0	1.5

Source: Bank of Namibia.

1/ Only net debit estimates are available.
2/ Southern African Customs Union.
3/ Gross foreign assets of the Bank of Namibia (established in 1990).

Table 33. Namibia: External Trade Indices, 1988–94

	1988	1989	1990	1991	1992	1993	1994 Prov.
			(Indices in U.S. dollar terms, 1990=100)				
Exports 1/							
Value	98.6	106.0	100.0	112.1	124.0	123.5	128.3
Volume	104.7	107.5	100.0	119.0	133.8	140.0	124.9
Price	94.2	98.6	100.0	94.2	92.7	88.2	102.7
Imports 1/							
Value	80.8	84.8	100.0	108.1	120.2	110.2	110.1
Volume	94.6	95.1	100.0	104.3	108.6	103.0	101.7
Price	85.4	89.2	100.0	103.7	110.7	107.0	108.2
Terms of trade	110.3	110.5	100.0	90.9	83.7	82.5	94.9
			(Annual change in percent)				
Exports 1/							
Value	9.0	7.5	−5.6	12.1	10.6	−0.4	3.9
Volume	−3.9	2.7	−7.0	19.0	12.4	4.6	−10.8
Price	13.3	4.7	1.4	−5.8	−1.7	−4.8	16.5
Imports 1/							
Value	−5.2	5.0	17.9	8.1	11.2	−8.3	−0.1
Volume	−3.5	0.5	5.2	4.3	4.1	−5.2	−1.3
Price	−1.7	4.5	12.1	3.7	6.8	−3.3	1.2
Terms of trade	15.4	0.2	−9.5	−9.1	−7.9	−1.5	15.1

Source: Ministry of Finance.

1/ Including nonfactor services.

Table 34. Namibia: Merchandise Exports by Commodity Group, 1988–94

(In millions of U.S. dollars)

	1988	1989	1990	1991	1992	1993	1994 Prov.
Total exports, f.o.b.	1,085.6	1,135.7	1,086.0	1,215.7	1,342.6	1,291.2	1,322.2
Food and live animals	192.2	178.4	269.8	349.7	395.5	341.6	456.0
Live animals	91.3	95.7	78.1	77.6	94.7	85.5	114.1
Cattle	(65.9)	(59.2)	(39.8)	(38.5)	(38.6)	(42.9)	(59.2)
Sheep and goats	(25.5)	(36.5)	(37.1)	(36.3)	(51.2)	(39.5)	(48.8)
Game	(...)	(...)	(1.2)	(1.1)	(1.4)	(--)	(2.0)
Other	(...)	(...)	(0.0)	(1.8)	(3.5)	(2.5)	(4.2)
Meat and meat preparations	56.3	56.5	67.7	98.7	102.8	90.1	107.1
Meat – cattle	(...)	(...)	(49.1)	(86.3)	(89.8)	(72.9)	(86.5)
Meat – other	(...)	(...)	(8.5)	(4.0)	(4.6)	(3.1)	(4.2)
Meat products	(...)	(...)	(10.1)	(8.3)	(8.4)	(14.1)	(16.3)
Fish, lobsters, and crabs	36.9	19.3	114.0	163.3	187.4	156.9	226.3
Hake	(...)	(...)	(54.5)	(59.9)	(87.7)	(76.9)	(120.9)
Horse mackerel	(...)	(...)	(20.1)	(72.2)	(59.7)	(43.2)	(61.4)
Monk fish	(...)	(...)	(2.7)	(8.0)	(13.7)	(12.3)	(16.6)
Lobsters	(...)	(...)	(12.8)	(9.1)	(3.5)	(3.1)	(2.5)
Crabs	(...)	(...)	(19.7)	(9.8)	(16.5)	(18.7)	(7.0)
Other	(...)	(...)	(4.3)	(4.4)	(6.3)	(2.8)	(17.8)
Other food products	7.7	7.0	10.1	10.2	10.5	9.2	8.5
Hides, skins, and wool	15.3	9.6	15.9	15.2	15.1	16.2	20.9
Karakul pelts and wool	15.3	9.6	6.6	6.2	4.6	2.1	2.8
Other	...	...	9.3	9.1	10.5	14.1	18.0
Mineral products	756.8	852.9	695.1	721.6	733.8	725.0	663.1
Diamonds	358.2	389.3	328.2	443.3	468.1	459.9	414.8
Copper	101.1	93.5	80.4	69.7	77.9	57.6	68.8
Gold	3.1	2.7	19.3	22.1	23.2	22.7	27.1
Silver	23.1	20.0	14.7	12.0	11.6	10.4	14.1
Lead	27.8	30.2	30.2	19.6	16.8	11.9	14.1
Zinc	30.6	39.5	38.3	18.9	21.1	13.5	9.9
Other	212.9	277.7	184.0	136.1	115.1	148.9	114.4
Manufactured products	117.3	91.2	101.3	127.7	188.8	200.4	182.0
Processed fish	85.9	52.4	56.1	79.5	109.1	149.5	143.4
Canned pilchards	(66.2)	(35.0)	(32.9)	(59.9)	(80.0)	(107.9)	(126.2)
Fish meal	(19.6)	(17.4)	(21.6)	(18.9)	(27.0)	(30.9)	(16.6)
Fish oil	(...)	(...)	(1.5)	(0.7)	(2.1)	(10.7)	(0.6)
Other manufactures	31.4	38.8	45.2	48.3	79.7	50.9	38.6
Electricity	4.0	3.6	3.9	1.5	2.1	0.3	0.3
Other	...	...	--	--	7.4	7.7	--

Source: Bank of Namibia.

Table 35. Namibia: Mineral Exports, 1988–94

	1988	1989	1990	1991	1992	1993	1994 Prov.
			(In millions of U.S. dollars)				
Diamonds	358.2	389.3	328.2	443.3	468.1	459.9	414.8
Copper	101.1	93.5	80.4	69.7	77.9	57.6	68.8
Lead	27.8	30.2	30.2	19.6	16.8	11.9	14.1
Zinc	30.6	39.5	38.3	18.9	21.1	13.5	9.9
Silver	23.1	20.0	14.7	12.0	11.6	10.4	14.1
Gold	3.1	2.7	19.3	22.1	23.2	22.7	27.1
Other	212.9	277.7	184.0	136.1	115.1	148.9	114.4
Total	756.8	852.9	695.1	721.6	733.8	725.0	663.1
			(In percent of total)				
Diamonds	47.3	45.7	47.2	61.4	63.8	63.4	62.6
Copper	13.4	11.0	11.6	9.7	10.6	7.9	10.4
Lead	3.7	3.5	4.3	2.7	2.3	1.6	2.1
Zinc	4.0	4.6	5.5	2.6	2.9	1.9	1.5
Silver	3.1	2.3	2.1	1.7	1.6	1.4	2.1
Gold	0.4	0.3	2.8	3.1	3.2	3.1	4.1
Other	28.1	32.6	26.5	18.9	15.7	20.5	17.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bank of Namibia.