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December 21, 1990

To: Members of the Executive Board
From: The Secretary
Subject: Namibia - Exchange Arrangements

Attached for the information of the Executive Directors is a paper on the exchange arrangements of Namibia.

Mr. Huh (ext. 8525) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

NAMIBIA

Exchange Arrangements

Prepared by the African and Exchange and
Trade Relations Departments

(In Consultation with the Legal and Treasurer's Departments)

Approved by Mamoudou Touré and Jack Boorman

December 21, 1990

Namibia became a member of the Fund on September 25, 1990. In the attached communication dated December 14, 1990, the authorities of Namibia have notified the Fund pursuant to paragraph 7 of the Membership Resolution 1/ of the exchange arrangements that Namibia intends to apply in fulfillment of its obligations under Section 1 of Article IV of the Articles of Agreement.

In the notification, the authorities of Namibia have stated that, in accordance with a bilateral monetary agreement it concluded with South Africa, the South African rand is the currency of Namibia. The U.S. dollar is used by the South African authorities as the principal intervention currency. Margins are not maintained in respect of exchange transactions, but the authorities of South Africa intervene in its exchange market to affect the rates quoted by the commercial banks for the "commercial rand." Namibia has applied for membership in the Common Monetary Area (CMA), and is expected to become a member shortly. When Namibia becomes a member, it is expected to participate in the "financial" rand system of the CMA, under which local sale and redemption proceeds of CMA member country securities and other investments owned by non-CMA residents are transferable among non-CMA residents at a freely negotiated exchange rate (usually at a discount from the "commercial" rand rate) through "financial" rand balances maintained at authorized banks.

Attachment

1/ Board of Governors' Resolution No. 45-9 (approved on September 25, 1990).

Windhoek

The Managing Director
International Monetary Fund
Washington, D.C. 20431

14 December 1990

NOTIFICATION OF EXCHANGE ARRANGEMENTS

Pursuant to Article IV

Namibia has entered into a bilateral monetary agreement with South Africa to establish a joint monetary area between the two countries; accordingly, its currency is the South African rand. The U.S. dollar is used by the South African authorities as the principal intervention currency. Margins are not maintained in respect of exchange transactions, but the authorities of South Africa intervene in its exchange market to affect the rates quoted by the commercial banks for the "commercial" rand. Namibia also expects to participate in the floating "financial" rand system of the Common Monetary Area (CMA), under which local sale and redemption proceeds of CMA securities and other investments owned by non-CMA residents are transferable among non-CMA residents at a freely negotiated exchange rate through "financial" rand balances maintained at authorised banks.

The above information is furnished under the provision of Article IV of the Articles of Agreements of the Fund.

Very truly yours

/s/
O F C HERRIGEL
MINISTER OF FINANCE