



**Republic of Namibia
Ministry of Finance**

**BUDGET MOTIVATION
FOR
VOTE 09 -FINANCE
ON THE
APPROPRIATION BILL, 2019**

Presented by

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DEPUTY MINISTER OF FINANCE**

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INTRODUCTION OF VOTE 9: FINANCE

**Honourable Chairperson of the Whole House Committee;
Honourable Members;**

1. I have the honour to present to this August House, the budget of Vote 09: Finance for the financial year 2019/2020 and introduce the expenditure proposals as well as the estimates for the remaining two financial years.
2. The Constitution of the Republic of Namibia and the financial laws bestow upon the Ministry of Finance to carry out the following mandate: **be responsible for managing the State Revenue Fund; oversee the Government assets and liabilities; formulate and oversee the implementation of fiscal and financial policies aimed at promoting macroeconomic stability and sustainable socio-economic development.** The Ministry plays a dual role as a custodian of public finances and a steward of the financial service sector.
3. In performing its mandate, the Ministry aims to achieve various Strategic Objectives that are clearly aligned to Vision 2030, NDP5 and the HPP. These objectives are to:
 - (a) Ensure effective regulatory framework and compliance;
 - (b) Promote Macroeconomic stability
 - (c) Maximize Revenue Resources
 - (d) Monitor effective implementation of Public Private Partnership and Public Procurement Act
 - (e) Oversee the management of State Assets and Liabilities;
 - (f) Enhance Organizational Performance.

Honourable Chairperson of the Whole House Committee,

4. I, would, like to take a few moments to reflect on some of the achievements attained in the previous financial year 2018/19.
5. *On policy formulation,*
 - 5.1 The Appropriation Amendment Bill for 2018/19 2019/20 and corresponding budget documents were finalised and tabled before this August House. The Ministry further produced the Citizen Guide to the Budget. This as a simplified version of the National Budget, interpreted in 7 local languages and it is aimed at educating the citizen, creating awareness and appreciation of the government budget by an ordinary person.

- 5.2 The regulations to operationalise the PPP Act were gazetted, facilitating for the appointment of the Technical Committee in November 2018 that would appraise the PPP projects.
- 5.3 SME Financing Strategy comprising of the Credit Guarantee Scheme, Venture Capital as well as Coaching and Mentorship Programme was approved by Cabinet. These SME Financing Strategy are ready for implementation under the Development Bank of Namibia.
- 5.4 Policy oversight was exercised with respect to the public procurement structures and guidance were provided to bring about improvements on the procurement processes. In order to give driving force to public procurement, a Procurement Directive was issued consistent with the outcome of the 2nd Land Conference Resolution on local sourcing. Work has also started on the outstanding bidding documents and some other regulations.
6. ***On the administrative side***, the Ministry has progressed in implementing operational and institutional reforms, namely:
- 6.1 The Integrated Tax Administration System (ITAS) was launched in January 2019. The system has a portal service that offers 24 hours on-line service to users (taxpayer and or their representative) and has the capability of reducing turnaround time for assessment of tax returns. The number of online users since the launch stands at 36 312. However this number does not include those taxpayers that are represented by their accountants or bookkeepers as online users. With continuous sensitization and education campaign for the system, it is anticipated that the number of users will increase during 2019/20 Financial Year.
- 6.2 The NAMRA Board was appointed during December 2018. As it was previously announced, the D-Day for NAMRA is set for the 01st October 2019. The recruitment contractor has since been procured to assist with the recruitment of NAMRA personnel. The transitional arrangements are now being implemented in consultation with stakeholders.
- 6.3 PSEMAS claims were subjected to a microscope exercise, resulting in some health care service providers, members and the administrator being thoroughly scrutinised. The total amount recovered from Healthcare Service Providers and paid into State Account to date stands at N\$13 062 734.08 and N\$654 425 by pensioners who did not honour their obligations on time.
- 6.4 In addition, Forensic Investigations for Healthcare Service Providers have resulted into 2 cases handed over to NAMPOL for criminal proceedings, 1 case heard by Arbitrator and 1 case currently been investigated by ACC. The PSEMAS screening exercise is ongoing and results will be announced once completed.

- 6.5 The Customs Asycuda System and Integrated Financial Management System as well as the Scanning Equipment at the borders continue to perform well and routine maintenance is provided.
- 6.6 Oversight was provided on the performance of the public entities under the jurisdiction of the Ministry of Finance and all have complied with the governance requirements. Namibre, DBN and Bank of Namibia declared dividends during the period under review.
7. *On enhancing organizational culture*, the Ministry has cascaded the Performance Management System to all levels of the organizational structures, as such performance reviews are conducted quarterly and annually.

We also have many officials who graduated from the local Institutions of Higher Learning. One of our Employees, Ms Hambeleleni Iiyambo, a holder of MBA (Finance) Cum Laude, received four awards at the recent UNAM Graduation, including both the Chancellor and the Vice Chancellor awards for best postgraduate student.

8. I would also like to report that two staff Members of the Ministry have assumed leadership roles of the Regional Institutions as follows:
- A Member of the Steering Committee of the IMF AFRITAC South, representing Namibia, Mr. Festus Nghifenwa.
 - A Chairperson of the SADC Macroeconomic Subcommittee, Mr. James Seibeb.

INTRODUCTION OF PROGRAMMES AND RELATED BUDGET FOR THE 2019/2020 FINANCIAL YEAR

Honourable Chairperson of the Whole House Committee, Honourable Members

9. I now turn to the proposed budget allocation for Vote 09 and, in this regard, Hon. Chairperson, allow me from the onset to clarify the composition of Vote 9: Finance expenditure proposals. It comprises of :
- (a) expenditure to be appropriated as part of the 2019/20 Appropriation Bill and
- (b) expenditure that is deemed to have been appropriated as per section 10 (1) (b) (iii) read together with section 10 (2) of the State Finance Act, 1991.

The section makes reference to other charges to the State Revenue Fund under the same deemed provision. It thus suffices to say that the amounts that I am about to introduce for various programs of the Ministry, exclude estimates for debt servicing or commonly known as interest payments totalling N\$6.40 billion for 2019/20, N\$6.71 billion for 2020/21 billion and N\$7.02 billion for 2021/22.

10. Hon Chairperson, The Ministry of Finance is requesting a total allocation of N\$4.40 billion for the 2019/20 financial year, N\$4.39 billion and N\$4.39 billion for 2020/21 and 2021/22 financial years, respectively.
11. The greater part of the Vote's proposed Ceilings for the next three financial years are earmarked for cross cutting programs that are administered by the Ministry of Finance on behalf of the whole Government. This includes PSEMAS, the Contingency Provision, the Political Party funding and the Government's contribution to the pension fund for the Members of Parliament and Political Office Bearers.
12. Honourable Chairperson, the Public Service Medical Aid Scheme is allocated N\$2.44 billion in 2019/20, N\$2.37 billion in 2020/21 and N\$2.58 billion in 2021/22, respectively. On average, that allocation represents 55% of the Vote's ceiling. It is trusted that with PSEMAS reforms, the allocation to this voluntary scheme would take a downward trend.
13. Contingency provision is meant for emergencies that are unforeseen and cannot wait to be budgeted for in the subsequent financial years. It is difficult to predict the materialization of an emergency and, for this reason, a minimal amount of 5% of the Vote's Ceiling is being proposed to be allocated to this program as follows: N\$204 million, N\$205 million and N\$296 million in 2019/20, 2020/21 and 2021/22, respectively. The proposed allocation for 2019/20 is equivalent to 0.2 percent of the estimated total revenue for the Financial Year.
14. Allocation to Political Party funding is set at N\$116 million for 2019/20 and N\$119 million for 2020/21 and N\$123 million for 2021/22 financial years. The specific allocation to political parties will be informed by the results of the 2019 national elections.
15. Honourable members will recall that in 2015, this August House passed the proclamation and as such the government is expected to contribute to the pension fund of Members of Parliament and Political Office Bearers. The Actuaries determined the government's liability to the amount of N\$805 million. To date an amount of N\$205 million has been paid. Leaving a balance of N\$ 350 million to be paid in the financial year 2019/2020 and N\$250 million in 2020/21 financial year.
16. An amount of N\$ 151.4 Million is allocated to some of the Public Enterprises under the supervision of the Ministry of Finance of which N\$50.9 million is for DBN for the SME Financing Strategy and the establishment of the manufacturing database. The DBN allocations are N\$50.9 million and N\$63.4 million respectively for 2020/21 and 2021/22. Agribank is allocated N\$73.4 million for 2019/20 with N\$68.4 million and N\$98.4 million. For 2020/21 and 2021/22, respectively. This proposed allocations are aimed at strengthening Agribank balance sheet and to expedite the implementation of the 2nd Land Conference, to a feasible extent. An amount of N\$26.9 million is allocated to the Financial Intelligence Centre

17. With regards to the Other Statutory bodies' allocation, N\$3 million for each of the three financial years is allocated to the Public Procurement Review Panel and N\$25 million each for the first two years and N\$15 million for the 2021/22 financial year to the Central Procurement Board.
18. The Namibia Revenue Authority is allocated N\$141 million for 2019/20, with N\$411.6 million and N\$303.2 million for the 2020/21 and 2021/22 respectively. As top-up allocations for the operations of the Agency.
19. The Ministry hosts the Financial Literacy Programme that is co-sponsored by various agencies. Government through the Ministry of Finance allocated an annual amount of N\$2 million annually up to 2021/22.
20. I will now introduce to the House brief details of the other six programmes of the Ministry and activities for which funds are required:

Programme 1: Economic Policy Advice

Honourable Chairperson of the Whole House Committee, Honourable Members;

21. Under this programme, the Ministry formulates macroeconomic policy and fiscal policy framework for the budget, coordinates the formulation of the financial sector policies and coordination of Regional and International collaboration. The programme further coordinates the financial sector targets under NDP5 and HPP. The following are the specific planned activities for the next year:
 - 21.1 Undertaking annual Industrial Economic Survey, producing Mid-Year Budget Policy Statement for 2020/2021 by monitoring the implementation of government's fiscal policy stance during the first 6 months into the Financial Year 2019/2020 and, producing the Medium-Term Policy Statement that will lay down the roadmap for fiscal policy stance over the period of three financial years ahead, as well as an updated Fiscal Strategy for the next MTEF.
 - 21.2 Citizen Education on Budget and Financial Wellness: The Ministry will continue to educate the Namibian citizens on the content of the National Budget and its Socio-Economic impact. and further equipping them with knowledge and behavioural change towards financial services and products. The main aim of the programme is to advance knowledge and stimulate the culture of entrepreneurship as articulated in the Namibia Financial Sector Strategy.
 - 21.3 Produce terminal NDP5 and HPP progress reports for Financial Intermediation Sector under the coordination of the Ministry of Finance.

For this Programme, the Ministry is requesting an amount of N\$9.1 million for 2019/20; N\$9.4 million for 2020/21 and N\$9.7 Million for 2021/22 financial years.

Programme 2: Revenue Management

Honourable Chairperson of the Whole House Committee, Honourable Members;

22. Under this programme, the Ministry aims to maximise revenue collection through domestic resource mobilisation. The programme comprises of inland taxes, customs and excise.
- 22.1 The Ministry will also undertake the following activities aimed at promoting the efficiency of the tax administration: Work on the proposed tax amendments and levies; enhancing compliance with and enforcement of tax laws; conduct life style audits; public tax education campaigns and awareness and promotion of voluntary tax compliance.
- 22.2 With the launch of the Integrated Tax Administration System (ITAS), the Ministry will continue to champion for increased registration and leverage the technological innovations of all the system to streamline business processes thereby improving the provision of taxpayers' services and the ease of paying tax.
- 22.3 Review and Develop Customs Legal Frameworks: Amendment of Environmental Levy under Schedule No. 1 of the Customs & Excise Act, 1998 to include more goods that are harmful to the environment; Amendment of the Customs & Excise Act No. 20 of 1998 to align it with regional legal framework and to enable smooth Customs operations and facilitation of trade; Increment of Fuel Levy rates, and Amendment of Export Levy Act No. 2 of 2016 aimed at encouraging domestic value addition and optimization of revenue collection.
- 22.4 Upgrading the Customs ASYCUDA system to the latest version to enhance system capability and to interface with other pertinent systems and the National Single Window.

For the execution of this programme, the Ministry requests N\$590.1 million in 2019/20. For the other MTEF years, the indicative amounts are N\$506.6 million for 2020/21 and N\$522.9 million for 2021/22.

Programme 3: Government Expenditure Management

Honourable Chairperson of the Whole House Committee, Honourable Members;

23. Under this programme, the Ministry undertakes the formulation of the budget, the control over the budget execution and the accounting for the State expenditure and management of the State Account.
- 23.1 The programme intends to work on the following major reform activities, namely; the new Chart of Accounts to provide for the requirements of GSF2014, draft Public Finance Management bill, review of non-tax revenue in collaboration with line O/M/As with aim

to increase its share of contribution to total State Revenue as well as finalise business processes to implement an enhanced and more up to date technology platform for the Integrated financial Management Information System (IFMS).

- 23.2 Finalise the guidelines for the allocation and transfers to Public Enterprises and Statutory Bodies.
- 23.3 The PPP Unit will continue to work collaboratively with O/M/As on developing a number of PPP initiatives. A number of relevant and innovative projects are under consideration. These are for instance, in the renewable electricity generation, health and housing sectors. The detailed project concept and execution approach for affordable housing unit has been approved by Cabinet.
- 23.4 Further, the PPP Unit together with the Ministry of Health and Social Services have engaged the International Finance Corporation to assist with the option analysis studies on the build-operate and transfer of the two projects, namely: the Paediatric Intensive Care Unit at Windhoek Central Hospital and the operation of three dialysis facilities at Windhoek State Hospital, Oshakati State Hospital and Rundu State Hospital.
- 23.5 The study was completed in November 2018. To move forward, project preparation works for selection of Consulting Services for the provision of transaction advisory services for these PPP projects is to follow.

The Ministry is requesting an amount of N\$566.2 million for 2019/20 For 2020/21 and 2021/22 Financial Years, the proposed allocations are N\$561.8 million and N\$701.0 million respectively.

Programme4: Government Procurement Management

Honourable Chairperson of the Whole House Committee, Honourable Members;

24. Public procurement is at the centre stage of improving and promoting growth across all fields of the economy and is pivotal in infrastructure development, local sourcing and empowerment of local companies.
25. Amongst the functions of the Policy Unit in the Ministry of Finance is the development of tools required to conduct performance and impact assessment, investigations guidelines, capacity building strategy, e-procurement implementation tool and website development will be prioritized. The Policy Unit is currently working on possible amendments of the Act and regulations, hence will require consultations with all relevant stakeholders.
- 25.1 During the financial year 2019/20 the Policy Unit further intends to conduct country wide training/workshops in the further attempts to build capacity amongst public officials and the business community at large. Where non-compliance is envisaged, the Policy Unit will conduct investigations and draft reports with recommendations. As required by Section

7(1) (e) of the Public Procurement Act, an annual report will be prepared and tabled in the National Assembly.

25.2 Further, the Standard Bidding Documents/guidelines and operational manuals are due for revision and finally the E-procurement pre-implementation phase will commence during this financial year.

25.3 The following activities will be carried out under this programme:

- Investigations of reports;
- Development of the Procurement Performance Assessment System
- Internal Structures operationalized;
- Annual Procurement Plan report will be tabled in National Assembly;
- Capacity Building Strategy will be implemented;
- Public Procurement Act, 2015 will be amended and Regulations will be developed.

For the implementation of the programme, the Ministry is requesting an amount of N\$30.3 million for the Financial year 2019/20; N\$10.6 million for the 2020/21 financial year and N\$10.8 million for the 2021/22 financial year.

Programme 5: Civil Servant Managed Health Care (PSEMAS)

26. One of the overall government cross cutting programme coordinated by the Ministry is the administration of the Public Service Medical Aid Scheme (PSEMAS). This is a voluntary scheme with membership currently standing at 296 637 members' inclusive of dependents.

26.1 The specific roles of the Ministry of Finance are to ensure the effective coordination and management of PSEMAS through the registration of members and the coordinating of member's services and administration of the benefits.

26.2 During this financial year the Ministry has started with a PSEMAS reform project to enhance effective management and administration of PSEMAS. The Ministry will implement a Biometric identification system. The aim of the Biometric system is to drastically curb and minimize fraud.

26.3 During this process, PSEMAS members and dependants will be re-registered physically and issued with a biometric smart card that are imbedded with member identification features. This is to ensure that beneficiaries are positively identified; proof of presence is assured and medical expenditure is authorized in accordance with scheme rules and benefits. The introduction of the biometric system is expected to strengthen control for this expenditure item.

26.4 In addition to the introduction of the smartcard, the Ministry also envisages to review the current piloted service provider contract and strengthening the audit capacity of PSEMAS.

For this programme, the Ministry is requesting N\$2.44 billion for 2019/20 financial year; N\$2.37 billion for 2020/21 financial year and N\$2.58 billion for 2021/22 financial year.

Programme 6: Policy Coordination and Support Services

27. This programme involves policy supervision, general administration, the risk and security management function, the internal audit function, and IT Management. This programme includes the responsibility to ensure that the activities of the Ministry are executed in accordance with relevant policy targets of Government.

28. This activity entails policy oversight of the financial sector, formulation of policies and administration of applicable laws. It further provides regular policy guidance and coordination of the Ministry's activities at other levels of Government and with the private sector.

28.1 The Ministry will safeguard the continuous functioning of the IT systems by enhancing Network capacity and ensure the complete interface with IFMS, ASYCUDA and relevant systems. Further the Ministry will consistently update ITAS Web portal as well as Maintain and support ITAS Information System "

28.2 The Ministerial and Functional Customer Service Charters will be reviewed and published during this financial year. This programme is responsible for ensuring that the Performance Management System reform is being implemented.

In order for the Ministry to effectively manage and supervise the attainment of its strategic plans and corresponding annual plans, the Ministry is requesting an amount of N\$771.03 million for the 2019/20 financial year; N\$935.85 million for the 2020/21 and N\$571.05 million for the 2021/22 financial year.

Honourable Chairperson, Honourable Members,

29. In conclusion, let me extend my sincere appreciation to the Minister of Finance, Executive Director, Management team and all the staff of the Ministry who tirelessly worked to make the finalization of the National Budget and the budget for Vote 09 a reality.

30. I now move, Honourable Chairperson of the Whole House Committee and Honourable Members, and request this August House to consider and approve the requested budget of N\$ 4.40 billion for Vote 09: (Finance) for 2019/20 financial year, and estimates of N\$4.39 billion and N\$4.39 billion for 2020/2021 and 2021/2022 respectively. I appeal to you Honourable members for your support for the allocation of Vote 09: Finance.

I thank you!