



**Republic of Namibia**

**MINISTRY OF FINANCE**

**BUDGET MOTIVATION**  
**FOR**  
**VOTE 09 OF THE MINISTRY OF FINANCE**  
**ON THE**  
**APPROPRIATION BILL, 2016**

Presented by

**NATANGUE ITHETE, MP**  
**DEPUTY MINISTER OF FINANCE**

23<sup>rd</sup> March 2016

## **INTRODUCTION OF VOTE 9: FINANCE**

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

1. It is a great honour to introduce the budget of Vote 09 of the Ministry of Finance to this august House. I am grateful to the Minister of Finance, Honourable Calle Schlettwein, for delegating me to introduce the budget proposals for Vote 09: Finance for the 2016/17 financial year and the corresponding Medium Term Expenditure Framework (MTEF) period.
2. The Ministry of Finance is responsible for developing and administering fiscal and financial policies for macroeconomic stability and sustainable socio-economic development and plays a dual role as a custodian of public finance management and a steward of the financial services sector, comprising both bank and non-bank financial industries and administers various statutes to fulfill its mandate on public financial management.
3. In performing its mandate, the Ministry aims to achieve the following objectives, namely: To: (a) ensure prudent macro-economic stability and sustained economic growth (b) Review existing legal regime and policies to reform financial sector so that the sector serves the interest of Namibia better to ensure that risks are mitigated and resources are properly managed (c) oversee the implementation of public finance management reforms to ensure effective implementation of public finances (d) ensure that Customer Service Charters for each department/directorate of the Ministry are developed and implemented.

## **INTRODUCTION OF PROGRAMMES AND RELATED BUDGET FOR THE 2016/2017 FINANCIAL YEAR**

**Honourable Chairperson, Honourable Members**

4. The Ministry of Finance is requesting a total allocation of N\$3.29 billion for the 2016/17 financial year, N\$3.55 billion and N\$3.5 billion for 2017/18 and 2018/19 financial years, respectively.
5. Two of the programmes under Vote 09 cut across the Public Service. These are the administration of PSEMAS which is allocated 64.6% and the Contingency provision with 6%. State Owned Enterprises under the Supervision of the Ministry of Finance are allocated 18% and only 11.4% requested for operational activities of the Vote.

6. Estimates for statutory expenditure such as payments for the redemption of our loans, interests on borrowed funds and for guarantees called upon, are not included in the above mentioned allocations, as they are deemed to have been appropriated, consistent with section 10 of the State Finance Act, 1991.
7. The Ministry has six (6) programmes and corresponding activities to allow it achieve its identified objectives. I will now introduce to the House brief details of the programmes and activities for which funds are required for the MTEF period.

### **PROGRAMME 1: ECONOMIC POLICY ADVICE**

#### **Honourable Chairperson, Honourable Members;**

8. 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 international institutions relations.
9. During the last financial year, we made significant progress on the reforms agenda in the financial sector especially on the Financial and Institution Market Bill (FIMBILL) and the NAMFISA Bill. The two Bills are now at an advanced stage of legal certification by the Ministry of Justice.
10. The **Micro-Lending Amendment Bill** is also in the certification process at the Ministry of Justice. It is expected that the certification process for all the above mentioned Bills will be completed in the first half of the 2016/2017 financial year.
11. The following are the planned activities for the next year:
  - the production of the macroeconomic framework and fiscal policy framework;
  - the review of the current macroeconomic framework;
  - the coordination of the regional economic integration agenda
  - the coordination of the implementation of the SADC Finance and Investment Protocol
  - Table amendments to the Banking Institutions Act with the view to improving the supervisory regime, especially in respect of microfinance and second-tier banks, provisions for financial stability as well as promoting Namibian ownership in the sector.

- Loan-to-Value regulations will be introduced in respect of acquisition of secondary residences, as a measure to limit individuals' exposure to credit risk and price escalation especially in the housing market.
12. The programme also spearheads the Financial Literacy Initiative which provides financial education to various targeted groups in different communities. The Financial Literacy Initiative receives support from platform partners and the GIZ. The Ministry is highly indebted to all its supporting partners in respect of this initiative.
  13. The Ministry coordinates Namibia's involvement regional and international bodies such as World Customs Organization (WCO), Southern African Customs Union (SACU), the African Development Bank (AfDB), the International Monetary Fund (IMF), the World Bank and Southern African Development Community (SADC) in the area of Finance and Investment Protocol.
  14. The Ministry is requesting an amount of N\$9.9 million for 2016/17; N\$10.2 million for 2017/18 and N\$10.51Million for 2018/19 financial years.

## **PROGRAMME 2: REVENUE MANAGEMENT**

### **Honourable Chairperson, Honourable Members;**

15. Under this programme, the Ministry undertakes revenue collection from both domestic sources and Inland sources and from international trade through customs and excise duties.
16. The Ministry will also undertake the following activities aimed at promoting the efficiency of the tax administration:
  - enhancing compliance with and enforcement of tax laws;
  - public tax education campaigns and awareness and promotion of voluntary tax compliance;
17. The following were the programme's achievements during the last financial year;
  - The Customs and Excise Amendment Bill, has been approved by Cabinet and Cabinet Committee on Legislation in July 2015. The Layman's Draft Bill has been submitted to the Ministry of Justice for drafting.
  - The Ministry continued with the development of Integrated Tax

Administration System (ITAS) of which the functional specifications development of ITAS have been completed during the financial year 2015/2016. The testing of this system commenced and it is anticipated that the system will be fully operational within the next twelve months.

- In our continued efforts to bring services closer to the people, the Ministry decided to establish new satellite tax offices that will be opened during the course of this financial year in the following towns: Ondangwa, Omuthiya, Nkurenkuru, Opuwo, Khorixas and Omaruru.
18. The expected outputs out of the programme included increased voluntary tax compliance, optimal revenue collection, enhanced efficiency in tax administration through adopted reforms streamlined customs framework and trade facilitation at borders.
  19. In its quest to optimise revenue collection, the Ministry will continue to enhance tax audits and investigations and intensify the tax education campaigns in order to promote the voluntary compliance to tax laws.
  20. For the execution of this programme, the Ministry requests amounts N\$506 million in 2016/17. For the other MTEF years, the indicative amounts are N\$514.36 million for 2017/18 and N\$525.3 million for 2018/19 financial years.

### **PROGRAMME 3: GOVERNMENT EXPENDITURE MANAGEMENT**

#### **Honourable Chairperson, Honourable Members;**

- 21 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.
22. The Public Private Partnership (PPP) unit has been established which creates the required institutional capacity to support and manage the PPP projects. Work has been initiated on several potential projects, with a project proposal for developing affordable housing units at an advanced stage.
23. We intend to roll-out the Public Expenditure Reviews, especially in the social and welfare-related sectors to, among other things, support the formulation and targeting of interventions for poverty eradication and social protection.

24. The Ministry of Finance is working closely with the Office of the Attorney General, Ministry of Justice and Law Reform and Development Commission on the drafting of a new Public Finance Management Bill, which will amend and modernize the present day State Finance Act.
25. In addition, the programme is responsible for managing costs and risks related to the government debts. The Ministry has reviewed the Sovereign Debt Management Strategy which is expected to be presented to Cabinet in the next Financial Year.
26. Allocation of funds to SOEs under the Ministry of Finance responsible for economic and social developments, promotion of welfare of the Namibian people have been prioritized in the budget for 2016/17. Agricultural Bank of Namibia, Development Bank of Namibia and Financial Intelligence Centre were allocated 18 percent of the total budget allocation during 2016/17 financial year in comparison with only 9% in the 2015/2016.
27. Government will also develop proposals for the partial listing of some of the Public Enterprises on the Namibian Stock Exchange (NSX) and assessing the feasibility of listing an infrastructure bond on NSX.
28. The Public Private Partnership legislation is due for tabling in this House, once the legal certification process is finalized.
29. The Ministry is requesting an amount of N\$437.63 million for 2016/17 which includes an amount of N\$200 million for the Contingency provision. For 2017/18 and 2018/19, the proposed allocations are N\$496.7 million and N\$431.88 million respectively.

#### **PROGRAMME 4: PUBLIC SERVICE EMPLOYEE MEDICAL AID SCHEME**

##### **Honourable Chairperson, Honourable Members;**

30. 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 269 850 members' inclusive dependents.
31. The Ministry envisages to increase the contributions of members during the next financial year to be in line with the 2010 Joint Agreement on the contributions towards the Public Service Employee Medical Aid Scheme

- (PSEMAS), which was that members will contribute 20% of the actual expenditure of the PSEMAS cost and the Government will cover the 80%.
32. 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.
  33. In an effort to manage and control the cost of health care, the Ministry of Finance plans to implement a Medical Claims Management System (MCMS) that will make use of biometric smart card for effective management and administration of PSEMAS. This card will ensure that beneficiaries are positively identified; proof of presence is assured and medical expenditure is authorized in accordance with scheme rules and benefits. We are hopeful that the introduction of the biometric system will reduce expenditure related to healthcare.
  34. In addition to the introduction of the smartcard, the Ministry also envisages to review the current service provider contract and strengthen the audit capacity of PSEMAS that will look into irregular claiming patterns, while current contracts will be honored.
  35. For this programme, the Ministry is requesting N\$2.1billion for 2016/17 financial year; N\$2.3billion for 2017/18 financial year and N\$2.3 billion for 2018/19 financial year.

## **PROGRAMME 5: PUBLIC PROCUREMENT**

### **Honourable Chairperson, Honourable Members;**

36. Public procurement is at the centre stage of improving and promoting growth across all spheres of the economy and is very pivotal in infrastructure development, local sourcing and empowerment of local companies.
37. As mentioned under the achievements, the Public Procurement Act mandates the Ministry to establish three bodies that will assist in the implementation of the law.
38. These bodies are: (i) The Central Procurement Board which will be responsible for procurement of high value goods, works and services, or disposal of assets and to direct as well as supervise accounting officers in managing the implementation of procurement contracts awarded by the

Board. ; (ii) Procurement Policy Unit, that is responsible for advising the Minister on any procurement or disposal of State Assets including monitoring, reviewing, auditing and recommending improvements on any aspect which relates to implementation of Government policies. It is also required to assist the Minister in preparing and issuing mandatory documents, guidelines and directives for use by public entities; and the (iii) Review Panel which shall be charged with the review of awards and actions by public entities.

39. To enable the implementation of the Act, the Ministry of Finance is currently drafting regulations which are envisaged for gazetting by next month.
40. The training on procurement processes is envisaged to continue in the next MTEF.
41. For the implementation of the programme, the Ministry is requesting an amount of N\$10.4 million for the Financial year 2016/17; N\$10.68 million for the 2017/18 financial year and N\$10.99 million for the 2018/19 financial year.

## **PROGRAMME 6: POLICY SUPERVISION AND SUPPORT SERVICES**

**Honourable Chairperson, Honourable Members,**

42. This programme involves policy supervision, general administration, 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 policies of Government, and that Government objectives are met. This activity entails regular policy guidance and coordination of the Ministry's activities at other levels of Government.
43. IT Governance continue to implement Best Practices in Governance as well as IT Service Management. During the 2016/2017 financial year, the Ministry plans to implement a Service Desk and create a single service window. It further envisages to develop an IT Asset register for all IT equipment in the Ministry of Finance including regional offices. It is expected that all directorates will be centralized and aligned to best practices.
44. As part of the Public Service Reform initiatives and in an effort to improve performance in the Ministry, the Ministry have started with the drafting of

its annual plans. These plans will lay the foundation for the development clearly specified performance agreements for all levels of staff in the Ministry.

45. The Customer Charters for Directorates within the Ministry have been drafted and will be launched during the new financial year.
46. 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\$200.7 million for the 2016/17 financial year; N\$219.6 million for the 2017/18 and N\$ 226.23 million for the 2018/19 financial year.

## **CONCLUSION**

Honourable Chairperson, Honourable Members,

47. Let me extend my sincere appreciation for the financial and technical support we continue to receive from our development partners. I will remiss in my duty if I do not thank the Minister of Finance, the Permanent Secretary and her staff who tirelessly worked to make the finalization of the national budget and the budget for Vote 09 a reality.
48. I appeal to the Members to support the allocation for Vote 09.
49. I now move, Honourable Chairperson of the Whole House Committee and Honourable Members, and request this August House to consider and approve a budget of N\$ 3.29 billion for Vote 09, Ministry of Finance for 2016/17 financial year, and estimates of N3.55billion and N\$3.49 billion for 2017/2018 and 2018/2019 and appeal to the fellow Members to support the allocation for Vote 09: Finance.

I thank you.