



**Republic of Namibia**

# **BUDGET MOTIVATION**

**FOR**

**VOTE 09 - MINISTRY OF FINANCE**

**ON THE**

**APPROPRIATION BILL, 2014**

Presented by

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MINISTER OF FINANCE**

28 March 2014

## **1) INTRODUCTION**

Hon Chairperson of the Whole House Committee

Hon Members,

1. It is with great pleasure that I motivate before this august House the proposed budget for Vote 09: Finance for the 2014/15 financial year. The functions of the Ministry are organised in four main themes namely; (1) financial sector administration, (2) treasury operations and management; (3) revenue management; (4) central government procurement administration.

## **2) PROGRAMMES AND ACTIVITIES**

Hon Chairperson of the Whole House Committee

Hon Members,

2. The Ministry is requesting a total allocation of N\$3.5 billion (N\$3,466,228,000) for 2014/15. Of the above-mentioned amount, the operational budget makes up N\$3.4 billion (N\$3,436,977,000), and the development budget amounts to N\$29.3 million (N\$29,251,000).
3. We have clustered our activities into six programmes.

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

4. The programme entails the formulation of the macroeconomic and fiscal policy framework, general fiscal policy advice and the coordination of the financial sector.

5. As part of the formulation of the Macroeconomic and Fiscal Policy Framework, industrial surveys are undertaken together with stakeholders to assess the performance of the different sectors and make projections of the sectors performance in the medium term. Currently a new macroeconomic forecasting model is being developed to better enable Government to project the performance of the economy.
6. As part of the Financial Sector Strategy implementation, the Ministry launched the Financial Literacy Initiative (FLI) in March 2012, which aims at providing financial education to the public. During the next financial year, the Ministry will engage in road shows and street theatres to Kunene Region, having covered all the other Regions already. The Ministry will also continue with the production of the literacy materials for distribution we shall further continue to coordinate the implementation of the financial Sector Development Strategy and the Financial Sector Charter to promote financial inclusion, and improved development and regulations of the financial sector.
7. As a member of SADC, Namibia acceded to the SADC Finance Investment Protocol which is aimed to achieve compatibility among economic policies of Member States and to eliminate obstacles to the free movement of goods and services of the Member States, amongst others.
8. The Ministry plays a coordinating role by ensuring all stakeholders submit their reports on implementation of Namibia's commitment in their respective sectors, in line with our commitments under SADC.
9. The Ministry is requesting an amount of N\$9.5 million (N\$4,487,000) for this programme for 2014/15.

## **PROGRAMME 2: REVENUE MANAGEMENT**

Hon Chairperson of the Whole House Committee

Hon Members,

10. Under this programme, the Ministry manages revenue collection from both domestic (Inland) sources and from international trade through customs and excise duties.
11. The Ministry will continue with tax reforms to enhance efficiency, broaden and deepen the revenue base and improve the competitiveness of the tax regime.
12. Activities planned for next year include continuation of tax awareness campaigns across the country. I encourage members of the public to actively participate in these activities in order to get better informed.
13. The Ministry will also continue to strengthen compliance enforcement through legislative reviews, strengthening of the audit function and deployment of appropriate equipment such as scanners to curb the entry of illegal and illicit products and facilitate trade.
14. In July 2013, the Ministry commenced with the development of the new integrated tax administration system (ITAS). As part of the on-going efforts to enhance the efficiency of tax services.
15. The new ITAs system will modernise the administration of tax by automating the tax processes including electronic tax filing and integration

of tax administration system. Further to this, the business process reengineering has been initiated to redesign the flow of tax processing in order to improve efficiency in tax administration.

16. The Ministry will invest in a new version of customs clearance system. The new upgrade offers enhanced system security and will also offer full support to e-customs, which will enable customs and excise office to go in the direction of paper less customs.
  
17. Further, the Ministry is rolling out its services through the opening of new offices around the country. In this regard, a new regional office in Katima Mulilo and satellite offices were opened in at Outapi, Tsumeb, Oranjemund and Mariental. The Ministry will open new satellite offices at Gobabis, Swakopmund, Omaruru, Eenhana, Omuthiya, Khorixas and Luderitz next year. These efforts are aimed at bringing services closer to the taxpayers. The satellite offices will be responsible for taxpayer returns submission and the assessment will be done at regional offices. Consistent with growth in outreach, additional staff members would be recruited. The Ministry will also invest in staff accommodation and other infrastructures at Omahenene, Trans Kalahari, Ariamsvlei and Noordower.
  
18. We have faced binding constraints to attract necessary skills in accounting, auditing and law. To overcome this challenge, as announced, the Ministry is engaged with the establishment of a semi-autonomous revenue agency for Namibia.
  
19. In conformity with international trend of trade facilitation, the Ministry is at an advance stage to open a One-Stop Border Post at Trans Kalahari/Mamuno Border post with Botswana. This will mean that, travellers and

traders will only have one stop at either of the Border where they will be attended by both Namibian and Botswana officials on immigration, customs and other border controls. The Ministry of Finance is, on behalf of the Namibian Government, leading an engagement with the Botswana counterparts on the finalisation of the Bilateral Agreement on the matter, and to ensure that the facilities at the border post are aligned to the new function. This will require funds for infrastructure development and additional equipment.

20. In order to find alternative sources of revenue and to incentivize value addition for our raw materials and products, as well as to encourage the use of environmental friendly products, the Ministry have finalised the draft legislation for the export levy and environmental taxes, after extensive consultation with stakeholders. The bills are now being subjected to the legal review. Under the export levy, a levy of between 0 and 2 per cent is proposed on the export of raw materials and unprocessed natural resources. The environmental tax will be charged on selected products, as agreed through stakeholders' consultations. Consultations will continue on further items to be considered in the future.

21. For the Revenue Management programme, the Ministry has requested an amount of N\$544.8 million (N\$544,828,000) for 2014/15.

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

Hon Chairperson of the Whole House Committee

Hon Members,

22. With respect to this programme, the Ministry undertakes the formulation of the budget, the control over the budget execution and the consolidated reporting of the State revenue and expenditure.
23. The Ministry will continue to undertake public finance management reforms to address remaining shortcomings. The Ministry has introduced annual PFM workshops where it engage the key stakeholders in PFM on their respective roles, and challenges to be addressed and promote capacity building for public finance management
24. The Ministry will roll out a training programme targeting the Accounting personnel on the basics of government accounting. The current practice of deferring reconciliations to end of financial year will also see an end, as the Ministry is compelling OMAs to implement monthly closure of accounts.
25. One of the pillars of public finance management strategy is to ensure that public expenditure delivers value for money. The Ministry will roll out public expenditure reviews. We shall further carry out a self assessment of public expenditure and financial accountability, using some available international assessment tools. The aim is to have an updated assessment of PFM systems, processes and institutions.
26. The Ministry is implementing the International Public Sector Accounting Standards as an accounting framework for government. This framework is standard for public sector entities worldwide, and compels the uniform preparation and presentation of the annual financial statements of the Government. The maintenance of this framework requires advanced skills in Accounting at Treasury, and which will be nurtured effective 2014/15.

27. The internal audit function is also being streamlined in line with the State Finance Act, in order to allow Treasury to deploy internal auditors who will monitor the compliance by OMAs to Treasury directives and regulations. Another activity related to this is the development of a framework that will guide Internal Auditors in carrying out their functions.
28. While the IFMS has been in operation since 2006, it requires upgrading in many of its modules. The Ministry will invest in the strengthening of this system during the 2014/15 financial year. This includes enhancements of the budget control module.
29. We have decided to redraft the Public Finance Management Bill in order to take advantage of new developments in financial management. We shall pursue the finalisation of the new bill during the course of the year.
30. The Ministry is requesting an amount of N\$370.1 million (N\$370,088,000) for this programme for 2014/15. In a country that is exposed to effects of climate change, the Contingency Provision amounting to N\$300 million is, therefore, budgeted for under this programme.

#### **PROGRAMME 4: STATE ASSETS AND LIABILITY MANAGEMENT**

Hon Chairperson of the Whole House Committee

Hon Members,

31. This programme caters for the coordination of all State assets management and, the management of government debt and contingent liabilities.



32. One of the activities in this programme for next financial year is the continued development of the automated Government asset register. The Ministry will further develop an asset management policy to guide the utilisation, management and disposal of the State assets.
33. With regards to PSEMAS, government adopted a new benefits structure in 2013/14. The cost of PSEMAS claims amounts to N\$1.5 billion in 2012/13 and preliminary figures for 2013/14 amount to N\$1.6 billion. For next year, the allocation for this scheme amounts to N\$1.8 million.
34. For this programme, the Ministry is requesting an amount of N\$2.3 billion (N\$2,267,704,000) for 2014/15. Support to SOEs is provided for under this programme, amounting to N\$420.3 million (N\$420,300,000) for capitalisation of DBN and Agribank and for the operations of the Financial Intelligence Centre

#### **PROGRAMME 5: PUBLIC PROCUREMENT**

35. This programme covers the administration of the procurement system. Parallel with the finalisation of the procurement legislative framework which will be re-tabled in this august House this year, the Ministry is developing regulations, standard bidding documents, procurement guidelines and mechanisms for performance monitoring.
36. We have developed the database to profile suppliers and to facilitate the monitoring of compliance with empowerment provisions that we introduced. We will develop mechanisms for the e-procurement. This process will commence in 2014/15 with the development of a system.

Training is also planned for procurement staff members in all OMAs. This is to ensure that we develop procurement cadres in the public service.

37. The allocation to this programme amount to N\$9.2 million (N\$9,178,000) for 2014/15.

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

38. This programme deals with the ministerial oversight and general support services. As part of capacity building, the Ministry will continue to support training and education for staff members to upgrade their capacity and improve efficiency in service delivery.
39. The construction of the additional office for the Ministry has unfortunately been very slow since its commencement in 2009/10 due to technical hiccups in the constructions works. We have however received assurance that works on this project will be completed in the next financial year.
40. The Ministry has commenced with the drafting of the supporting legislation to form the basis for the implementation of PPP. A PPP Unit is being set up, and the recruitment and training of personnel for the Unit will be made during the next financial year.
41. The IT services continue to be critical for the Ministry. This activity will oversee the implementation and maintenance of all IT systems in the Ministry. In this regard, additional personnel will be recruited to ensure optimal skills for all IT systems. An IT monitoring system will be implemented to track the performance of critical IT systems and offer

immediate response. This is important for effective Public Finance Management.

42. The Ministry is requesting an amount of N\$264.9 million (N\$264,943,000) for this programme for 2014/15.

### **3) CONCLUSION**

Hon Chairperson of the Whole House Committee  
Hon Members,

43. The details of the programmes and activities of the Ministry of Finance are reflected pages 82 to 91 of the MTEF budget document.

44. I now move, Hon Chairperson of the Whole House Committee and Hon Members, that this august House approve a budget of N\$3.5 billion (N\$3,466,228,000) for Vote 09, Ministry of Finance.

I thank you.