Hon: S. Kuukongelwa.

Contribution to the motion by Hon. U Maamberua.

Honourable Speaker,

Honourable Members!

I rise to contribute to the debate on the motion moved by Hon. Usutuaije Maamberua on 20 February 2013.

Honourable Maamberua called in the said motion for the establishment of a budget Committee and for a Mid-year Budget performance status report to be tabled by the Minister of Finance starting the coming financial year. The Honourable member motivated his motion, on amongst others, the basis that a local daily had reported on 18 February 2013 that government had run out of cash.

The Honourable member argued that the institution of such reports will ensure that parliament will not have to hear about performance of the budget through the media.

He proposed that the midterm report should amongst others, examine cost increases and propose measures to deal with them, arguing that this will be in line with Article 126 of the Constitution.

Article 126 deals with the tabling of the budget. Section (1) of article 126 requires the Minister of Finance to present for the consideration the National Assembly estimates of Revenue, Expenditure and Income for the prospective year.

Section (2) of the said article requires the National Assembly to consider such estimates and pass pursuant there to such appropriation Act(s) as are necessary to meet the financial requirements of the state.

The details of the financial Management Policies are contained in the State Finance Act.

In terms of section 27(1), of the State Finance Act, the Auditor General shall, after the end of the financial year but not later than the end of the following year transmit a report on the accounts of government to the minister who in turn shall cause it to be laid on the table of parliament within thirty days.

Our laws, therefore, adequately provide for the allocation of state resources and the accounting there of with specific tasks assigned to specific institutions of the state and appropriate target dates set for the carrying out of such tasks.

In terms of (the constitution, the estimates of revenue, expenditure and income are drawn up by the executive (the Minister of Finance).

The estimates are considered by the National Assembly which then passes an appropriation(s) Act on the basis thereof.

The determination of the form in which estimates of expenditure and revenue shall be presented to the National Assembly is done by the Executive (Minister of Finance).

The controls over and management of the utilization of appropriated funds is done by the executive (treasury with the assistance of Accounting Officer), while the Auditor General is to perform the watch dog function of monitoring and reporting on the use of the appropriated funds to the National Assembly after year end.

Significant progress has been made to improve the timeliness of the Auditor General's reports to the National Assembly with the report on the accounts of central government being submitted on time, while the backlog on reports of Regional and Local Authorities has been significantly reduced.

Further, in terms of section 5 of the State Finance Act which empowers the minister to determine the form in which estimates of revenue expenditure and income shall be presented to the National Assembly, additional information is provided to the National Assembly at the time of budget tabling which considerably improves Financial Management transparency and accountability.

These include, the Medium Term Expenditure Framework which outlines in great detail government estimates of revenue, income and expenditure over a three year's period. They also include a government accountability report on the use of appropriated funds and the results there from. This report also indicates challenges encountered in meeting the set objectives and measures adopted to overcome them. Government has also recently adopted a performance audit as a supplement to the financial audits in order to enhance transparency and accountability for public funds.

I must highlight that in terms of the Medium Term Expenditure Framework, Namibia is more advanced than many of its peers who are still on a single year framework for the budget. In Namibia's case, the financial plans are unveiled two years prior to the tabling of the appropriation bill. Further, the expenditure plans are based on detailed Medium Term Plans contained in the MTEF and the National Development Plans. This means that government's priorities and the proposed allocations of public resources to address them are determined well in advance of the budget tabling, and is done in a very inclusive manner, with sectoral planning boards and development committees existing in all regions. The National Planning Commission itself as a coordinator of National Development is constituted on the basis of the Public Private Partnership principle with its members drawn from across the wide spectrum of society.

In regard to the proposal to require the minister to submit a Mid Term Review Report from next year, I have outlined in my budget statements the efforts that are being made to enhance public finance management including transparency and accountability both in terms of the use of public funds and the outcomes achieved from their use. The reform that we are undertaking will also culminate in more robust performance monitoring systems including regular reporting to parliament and Cabinet on the implementation of the budget and its outcomes. This includes a midterm review in the future. Submission of such progress reports should, however, not be used to re-introduce supplementary budgets as we have consciously moved away from that as a way to improve financial management. We must live within the means of our states as determined by expenditure limits set under the main appropriation. Further, the financial systems make adequate provisions for dealing with urgent needs. It is, therefore, not necessary to approach Parliament any time a ministry cannot live within the expenditure limits set under its vote as treasury is adequately empowered to deal with this only where a situation cannot be dealt with in terms of the provisions that are available will parliament be approached. However, even in this case, we cannot avoid that there are media reports on this before parliament in briefed as we live in an open society.

I will urge parliament to support the efforts that we are making rather than making adhoc decisions that may not only not yield the desired outcomes but may divert us from progress that we are making.

Now, I wish to comment on the allegations that government run out of cash and that resources earmarked for capital expenditure will now have to be diverted to finance the additional funding requirements for Old Age grants and the 8% salary increase.

First on the issue of government having supposedly run out of cash.
The Ministry has received a request from the Ministry of Labour for an additional N$216 million for Old Age and disability grants.
This came about because the line ministry took on board additional beneficiaries for which no appropriation has been made, following an intensified campaign to roll out the pension benefits to qualifying citizens.

As the ministry had not made provision on the budget for these funds, they had to be raised from other sources. This does not mean that government has run out of cash. In terms of the State Finance Act, any anticipated unutilized balances may be used to meet anticipated shortfalls others.

The required funds were, therefore, raised by virementation of funds as provided for under the State Finance Act and its treasury instructions.

With regards to the funding for the 8% salary increase, O/M/A's have been requested to use anticipated unutilized balances on the budget to meet the obligations related to this increase. This is because the salary increase was agreed upon after the budget was approved already and there was thus no provision for it made on the budget. Following a review of the expenditure of O/M/A's, it was found that most of them can meet the cost of the increase from approved budgets as there are anticipated unutilized balances. Given this, Cabinet decided that such balances be used to meet the salary increase payments.

There has, however, not been a directive to suspend or delay any planned capital projects in order to realise savings to pay for the salary increase.

Further, Cabinet is aware that the situation of funds remaining unutilized at year end is undesirable. I have already indicated some of the measures being pursued to address this situation which include strengthening the engineering capacity through the recruitment of additional staff at MOWT,
delegation by O/M/A's of some projects' implementation to the regions and stream lining of projects planning including discontinuing budgeting for multiple phases of projects
(i.e feasibility studies and designs phase vis-a-vis construction phase).

Further, under the reformed procurement regime which will apply once the new bill is enacted, adjudication of smaller tenders will be done by O/M/A's with some to be delegated to regions and local authorities. The central tender board will only approve the award of large tenders.

While it is agreed that these funds are better spent for what they were initially appropriated, for now while efforts are ongoing to address the bottlenecks to full utilization of appropriated funds, Cabinet has decided to utilize these balances to address the funding requirements for the salary increase for civil servants in order to avoid having to borrow additionally for this at a cost, whereas there are funds that have already been borrowed, also at a cost.

For the future, the correct way is to make provisions for all planned expenditure in the budget and to take on only that expenditure for which appropriate provision has been made in the budget. If the requirements changes that has to be dealt with in terms of the standing procedures. The concerned ministry has reiterated its commitment to ensure that this is the case. With regards to the salary increase, government and the labour unions were able to agree to implement the regarding only after provision is made for it in the next year's budget. I believe that with continuous engagement the two parties would cooperate to avoid the challenges that we faced this year.

We should as a country persist with the progress that we are making to reform our Public Finance Management. Expenditure and Revenue forecasting is an important aspect of Public Finance Management.
We have achieved much over the years. Over expenditure, although it is still experienced in some O/M/A's has reduced.
This means we are now better able to live within what we have committed ourselves to under the budget. This is important for fiscal sustainability especially under the current conditions of economic slowdown. We cannot want to go back to having additional budgets just because it is possible the law. We should move forward and build further on the successes that we have already realized.

Finally, n the contingency provision and whether it should have covered these additional expenditures. The contingency provision was allocated to cover, urgent unanticipated emergencies. Normal foreseen expenditures ought to be provided for under the budget. We should agree that this should remain so and that the amount for contingency provision should remain limited. For now, to deal with this issues we utilized savings on the Medical Aid provision which was then viremented to the contingency provision paid out from there to the cater for the shortfall.

With this, I appeal to parliament that we do not proceed as proposed under the motion and rather support our ongoing public finance reform. The outcome of our public finance reforms will yield the same improved management of our public finances and enhanced public transparency and accountability that we all desire.