



REPUBLIC OF NAMIBIA
MINISTRY OF FINANCE

Statement to Parliament
2013/14 Motivation Speech
for
Vote 09: Ministry of Finance

Presented by
Saara Kuugongelwa-Amadhila, MP
Minister of Finance

05 April, 2013

**VOTE 09: MINISTRY OF FINANCE
MOTIVATION FOR THE 2013/14 BUDGET AND 2013/14-2015/16 MTEF**

Hon Speaker

Hon Members

1. I rise to present a motivation for the allocation to Vote 09 of the Ministry of Finance for the 2013/14 to 2015/16 MTEF period. This allows me an opportunity to provide a summary account on the utilisation of the allocated resources.

Overview

2. The Ministry of Finance is responsible for administering fiscal and financial policies aimed at:-
 - a. contributing to equitable socio-economic development;
 - b. optimising public revenue collection;
 - c. promoting optimal outcome from public expenditure and value for money;
 - d. improved management of public assets and liabilities; and
 - e. enhancing the development and stability of the financial sector.
3. The Ministry had adopted the following performance targets for the preceding MTEF:-
 - a. To achieve, on average, 95% accuracy of revenue forecast during MTEF period

- b. To maintain total expenditure levels below 40% of GDP annually.
- c. To maintain the average budget deficit within 7 percent of GDP over the MTEF.
- d. To maintain debt stock as a ratio of GDP within 35 percent, annually;
- e. To maintain interest rate payments as a ratio of revenue within 10 percent annually; and;
- f. To maintain contingent liability below the target of 10 percent of GDP annually.

Hon Speaker,
Hon Members,

Performance and Outcomes

- 4. Revenue outturn for 2011/12 was 6.4% better than projected. This amounts to an accuracy rate of 95.1%. For 2012/13, the preliminary outturn amounts to 97.8% of the budget estimate.
- 5. Government expenditure outturn as a % of GDP for amounts to 39.1% in 2011/12. This level of expenditure outturn, amounted to 34.7%. The preliminary expenditure outturn for 2012/13 amounts to 31.5% of GDP.
- 6. The preliminary budget deficit for 2012/13 is estimated at 2.8% of GDP, while debt stock for the same period is estimated at 26.3 % of GDP. Contingent liabilities, as percentage of GDP is estimated at 2.6% at end of 2012/13. Therefore, the ministerial fiscal targets set for 2009/10-2011/12 MTEF were achieved.

Overview of Ministry's Performance for 2012/13

7. Before, I explain the respective allocations; allow me to briefly update you on the brief performance of the Ministry during 2012/13.

Tax Policy and Administration Reforms

8. The Ministry has commenced with the implementation of the adopted tax reforms. In this regard, the Ministry upgraded its Inland Revenue structure in order to improve its capacity. A new Directorate to deal with Large Taxpayers is created, and a dedicated mining tax office is being established under that Directorate
9. A project office to coordinate and drive the tax reform programme is being set up with the process of staff recruitment already commenced. After years of vacancy in the office of the Commissioner of Inland Revenue Office, a new Commissioner will commence duties in April 2013.
10. The Ministry introduced a process of legislative review last year through which amendment bills were approved by this house to strengthen compliance, enforcement, improve tax administration and introduce new revenue sources.
11. The tender for development of the Integrated Tax Administration System (ITAS) has been awarded in 2012 and the implementation will commence in 2013/14.

12. After wider consultations with various stakeholders, the Ministry has finalised proposals for an export levy on raw materials and environmental levies. Both legislations will be tabled in Parliament this year. A draft transfer duty amendment bill, imposing transfer duty on sale of shares in companies holding properties and mineral rights, has been finalised and is being reviewed by legal drafters.

13. The Ministry undertook investigations on the proposed presumptive taxation for the small and medium businesses, options for strengthening voluntary VAT registration and the double taxation agreement frameworks. With regards to VAT import account, a public notice has been issued, and measures are taken to deal with the VIA with arrears. As at March 2013, all taxpayers with outstanding payments have 90 days to settle such arrears, after which no deferment will be allowed. These will pave way for the implementation of the reforms proposed under the tax reform programme.

14. A special initiative has been set up to address tax arrears with a dedicated taskforce established to develop guidelines and procedures to deal with arrears.

15. An additional regional office was established to cover the Caprivi Region, while 8 new satellite offices have been established in different parts of the country in order to improve the Department outreach.

16. The tax education campaigns have been launched in this august House during the previous financial year. This campaign is on-going, and serves to enhance the understanding of all taxpayers on tax issues.

Customs and Trade Facilitation

17. The Ministry continued to improve infrastructure for customs offices and staff accommodation at various border posts. Coupled with this, Namibia commenced engagement with Botswana to establish a One Stop Border Post at TransKalahari Border Posts in order to enhance the efficiency in cross border trade.

18. The installation of scanner equipment progressed well with a total of 7 scanners have been deployed at 7 entry points. This enhances the law enforcement, and several successful operations on illicit goods have been recorded. The programme will be concluded in 2013/14 with four sites to be provided with equipment.

Financial Sector Development

19. The 10-year strategy for the development of the financial sector and its corresponding action plan has been launched. As part of the strategy, a financial literacy programme was launched and is being rolled out to all the regions.

20. A review of the Financial Institutions and Markets regulatory framework was undertaken and the proposed new bills were presented to Parliamentarians earlier this year. The new bills will be reviewed by legal drafters and thereafter tabled in Parliament. This year, regulations and guidelines will be drafted to facilitate for the operationalization of the Act. Regulations 15 and 28 have been reviewed and a new regulation 29 has

been drafted and will be gazetted soon. These reforms will improve the administration of the financial sector and help reverse the outflow of our capital.

21. In the area of regional integration, the Finance and Investment Protocol is now in force and as a Ministry we have aligned ourselves to ensure compliance to that Protocol and all its Annexures.
22. On SACU front, the Ministry coordinated our country's participation in the on-going SACU reforms including the review of the revenue sharing arrangement and the implementation of the SACU vision and its strategy.

Public Finance Management

23. Under this programme, the program budget has been successfully rolled out to all O/M/As, and our charts of accounts have now been aligned to allow for reporting on program basis.
24. In order to enhance public finance management, the review of the State Finance Act and the drafting of the Auditor General Bill has been completed and will be subjected to legal review and thereafter tabled in Parliament this year.
25. In order to enhance public finance management and expenditure management and control, Treasury introduced measures to improve expenditure controls so as to keep spending within allocations.

Debt Management

26. Following the issuance of a debut US\$500 million Eurobond in 2011/12, an R850 million JSE listed bond was successfully issued in 2012/13.
27. Government intended to introduce a retail bond last year, to encourage participation of small savers in government securities. However, proposal received for the execution of this activity involved high costs which would make the pricing of the retail bonds non-competitive. As a result, this bond has been deferred until a more feasible solution to implement it is found.
28. The country also secured a new investment grade rating from Moody's Investor Services of Baa3 and reaffirmation of the Fitch rating of BBB- (triple B minus).

Procurement

29. With regards to public procurement, the draft public procurement bill is finalized, and would be tabled in Parliament this year. Public education campaign on procurement is underway, and regional workshops have been held in Karas, Hardap and Kunene regions. Various workshops are also arranged for line Ministries.
30. Alongside that, the regulations under the existing Tender Board Act have been reviewed. The review of the regulations is the first step in the enhancement of the system to ensure that it is responsive to our

empowerment needs, our desire to optimize local sourcing and the requirement for national standards in public procurement.

31. Procurement reform project has been set up and staff recruitment is ongoing. The project will coordinate the implementation of the new procurement legislation.

Ministry of Finance Budget Execution

32. In respect of the Ministry, the budget provision for 2011/12 financial year was N\$3.7 billion, of which N\$3.6 billion is for operational and N\$84.0 million for development. The delays in recruitment of staff, and delays in execution of head office construction due to supply shortages. The execution rate for 2011/12 was 87.2, of which the operational budget was 86.67 per cent, while the development budget registered a lower rate of execution of 68.5 per cent.

33. A combination of factors accounts for the Vote under-expenditure. The under spending is mainly attributed to the late delivery of office furniture and uniforms for staff, lengthy procedures for the filling of vacant positions, such as the delayed approval of the Inland Revenue Department revised structure and problems encountered in the implementation of some capital projects.

34. The budget allocation for Vote 09 for the financial year 2012/13 totals N\$3.3 billion. Of this amount, N\$3.2 billion was earmarked for operational expenditure, while N\$79.3 million is for development. The preliminary budget execution for 2012/13 stands at 92.6%.

MTEF PROGRAMMES

Honourable Speaker,

Honourable members,

35. The overall budget request for the Ministry of Finance for the next MTEF amounts to N\$9.9 billion, of which N\$144.0 million is for the development programmes, while operational programmes is allocated N\$9.7 billion.

36. The breakdown of the proposed allocation per financial year is as follows:

	2013/14	2014/15	2015/16
Operational Budget	3 181 261	3 239 733	3 298 205
Development Budget	80 000	29 251	34 736
TOTAL BUDGET FOR VOTE 09	3 261 261	3 268 984	3 332 941

37. The details of the Vote 09 Programmes is as follows:-

Programme 1: Economic Policy Advice [N\$6.5m; N\$6.8m N\$6.9m]

38. Activities under this programme will include the development of Macroeconomic Framework and the Fiscal Policy Framework, in co-operation with the National Planning Commission and the Bank of Namibia.

39. The programme also includes the implementation of the financial sector development strategies.

40. Further, the revised model for macro-economic and revenue projection will be developed.

Programme 2: Revenue Management [N\$493.4m; N\$537.6m; N\$568. m]

41. The Ministry will continue to operationalize the new upgraded structure and to strengthen staff capacity. Installation of the new integrated tax system will go into full swing and will be concluded in three years.

42. Tax education campaigns will be rolled out to improve tax compliance and risk management systems and tax debt collection strategies will be enhanced.

Programme 3: Government Expenditure Management [N\$303.1m; N\$303.9m; N\$254.1m]

43. Following a successful review of the expenditure for Vote 10, we will roll out the reviews to other Votes during this fiscal year.

44. We will undertake necessary reforms in our IFMS, to make it more responsive to growing needs of OMAs, and also to align its reporting capability to international best practices. The Ministry will finalize an audit of the payment cycle in order to improve payment system.

45. The Ministry will continue with capacity building programmes for financial management in different O/M/A's. In addition, the Treasury Department will be strengthened to perform treasury audits at O/M/A's.

46. The Ministry will enforce the legal provisions with regards to the ministerial accounts balances at year end.

47. A provision of N\$250 million has been made for contingency during the current financial year to cater for emergency circumstances including the imminent drought.

Programme 4: State Asset and Liability Management [N\$2.2b; N\$2.2b; N\$2.2b].

48. The development of the asset register is at an advance stage, and an asset management policy will be developed during this MTEF.

49. Regarding SOE management, the Ministry has signed subsidy agreements with all its SOEs who have received budgetary assistance. During this financial year, we shall conclude governance and performance agreements with SOEs under the Ministry.

50. Another activity under this programme is the administration of the Public Servants Employees' Medical Aid Scheme (PSEMAS).

51. Following a negotiation with workers representatives, contribution rates of members has been reviewed, and an optional hospitalisation plan has been introduced effective 01 April 2013. As a result of the new plan and due to membership increases, the expenditure for this programme is projected to rise to N\$1.7 billion by 2013/14.

Programme 5: Support to Public Procurement Administration [N\$14.9m; N\$15.7m; N\$16.7m].

52. Tender Board is in a process of developing a database system which is expected to be launched before the end of this year as part of enhancement of the tendering process. This will enable us to advertise and submit tenders on-line.

53. Other activities under this programme include the finalisation of regulations for the new procurement legislation as well as the operationalization of the new procurement legislation.

Programme 6: Support Services [N\$264.3m; N\$241.2m; N\$259.1m]

54. The programme provides administrative support to the Ministry's programmes.

55. As part of this programme will entail acquisition and installation of IT systems for the Ministry.

56. It will entail coordinating both formal and in-service training initiative for its staff members, in an effort to enhance efficiency and service delivery.

Concluding Remarks

57. With these remarks, I now move that this Honourable House considers and approves an amount of N\$3,261,261,000 (N\$3.3 billion) for Vote 09, Ministry of Finance for the 2013/14 fiscal year.

I thank you.