

VOTE 09: MINISTRY OF FINANCE

1. INTRODUCTION

The Constitution of Namibia and the financial laws bestow upon the Ministry of Finance the core mandate to: (i) be responsible for managing Public Finances and the State Revenue Fund, (ii) oversee Government assets and liabilities and (iii) oversight over financial regulations, public financial institutions and the financial sector. The ministry is the guardian of macro-economic stability and development.

The Ministry's vision is "to be a dynamic and reputable institution excelling in fiscal and financial management." and its mission is "to develop and administer fiscal policy that ensures macroeconomic stability, sustainable and equitable socioeconomic development".

The core functions of the Ministry of Finance can be summarized into five main areas namely, (i) Fiscal Strategy management and oversight of the financial sector, (ii) Treasury operations and management, (iii) Revenue management, (iv) Central government procurement administration and (v) Risks and resources management.

2. EXECUTIVE SUMMARY

Main achievements and challenges during 2014/15 only:

The Ministry continues to maintain macroeconomic stability through sound fiscal policy as well as the oversight of the financial sector and regulation in another tough year in the global economy. Despite a slowdown in the global economy, during the period under review, Namibia's economy grew by 6.4% higher than the estimated growth of around 5% and stronger than the 5.7% recorded in 2013/14 fiscal year. The average annual inflation for Namibia moderated during the period, improving to 5.4% from 5.6% in 2013. The external position for the country recorded a deficit, which put pressure on the level of reserves. However, the level of reserves remains sufficient to support the peg and other international obligations.

The whole financial system remains sound and well supervised during the fiscal year 2014/15 as reflected by strong and quality capital holdings, low levels of non-performing loans and strong liquidity positions by the banking institutions.

On the fiscal stability front, although Namibia's fiscal policy remained expansionary for the purpose of providing support to economic growth, this was done within the confines of fiscal targets. During the period under review, total central debt stock as a ratio to GDP stood at 24%, representing a marginal increase from the ratio of 23% over the previous financial year but well within the fiscal target of 35%.

During the period under review, various fiscal laws were amended to broaden the tax base and enforce compliance, results of which will be experienced in the subsequent financial years. Various studies were carried out to inform the drafting of the policy aimed at the

establishment of the Revenue Agency for Namibia. At the end of 2014/15, the policy was in a draft form. Another activity carried out during the review period, which was aimed at improving tax administration, was the launch of the Large Taxpayer's Office as well as the commissioning of the development of an Integrated Tax Administration System (ITAS)

On the customs and excise front, the major achievements were the tabling of the Customs Control Bill at the Cabinet Committee on Legislation and drafting of secondary legislations; as well as the roll-out of the ASYCUDA World to 3 major offices (Eros Airport, Hosea Kutako International Airport and Walvis Bay office, a reform that brought about improvements in the management of bonded warehouses.

Public procurement governance and local economic development remains high in the government's economic development agenda, consequently the Public Procurement Bill was tabled first time in the National Assembly in 2014 but was withdrawn for further consultations.

During the period under review, Government continued with its efforts aimed at implementing alternative means of project financing through private investment, Public Private Partnerships arrangements and SOE own financing and/or with a sovereign guarantee backing up their borrowing. One of the milestones achieved during the review period was the establishment of PPP Unit at the Ministry of Finance and issuance of guarantees supporting the borrowing by some SOEs (Namport, Development Bank of Namibia) for infrastructure development.

In her efforts to stimulate and develop domestic markets, Government regularly issued short and long term domestic debt and further diversified its borrowing during the review period. Details of government's debt composition as at 2014/15 are provided further in this report.

The sum of the above mentioned policy achievements are evidenced by the positive ratings by Fitch Credit Rating Agency and Moody Credit Rating Agency, both of whom assigned Namibia an investment grade and a stable outlook (BBB and Baa3, by

Fitch and Moody, respectively).

On the operational front, the Ministry continued to compile bi-annual reports as per the requirement of NDP4 Implementation Plan. The Ministry's Strategic Plan 2013 -2017 and the Annual Plan 2014/15 were successfully implemented during the period under review.

3. THE MAIN OBJECTIVES

- To contribute towards equitable socio economic development.
- To enhance the development and stability of the financial sector
- To optimize public revenue collection.
- To promote optimal outcome from public expenditure and value for money
- To manage public assets and liabilities
- To promote support to the local economy, SME development and empowerment of previously disadvantaged persons through public procurement.
- To ensure effective management of the Ministry's human capital and other resources.

(a) Overall vote actual performance

The total budget provision for the Ministry of Finance for 2014/15 financial year was N\$3.4 billion; of which N\$3.2 billion was allocated to the operational budget and N\$55.7 million comprised the development budget. An amount of N\$3.5 billion was spent, reflecting a budget execution rate of 100.44 % and a budget variance of -N\$15.15 million .With regards to the developmental budget, an amount of N\$52.9 million was spent, reflecting a budget execution rate 96.18% and a budget variance of N\$2,796,635.26.

OVERALL BUDGET ALLOCATION

Year Breakdown	2014/15	
	N\$	
	Estimate	Actual
Operational Budget	3,410,476,000	3,428,427,154
Development Budget	55,752,000	52,955,365
Development Partners	0	0
Total	3,466,228,000	3,481,382,519

OVERVIEW OF THE OF MINISTERIAL TARGETS

Name of the Ministerial Targets	2013/14 Actual	2013/14-2015/16 Target	2014/15 Forecast	2014/2015 Actual
Maintain debt stock as a ratio of GDP within 35% annually	24%	23%	23%	24%
Maintain interest payments as a ratio of revenue within 10% annually	5.00%	5.00%	5.00%	5%
Achieve on average 95% accuracy for revenue forecasting during MTEF period	91%	96%	95%	100%
Maintain the Average budget deficit within 7% of GDP over the MTEF	7%	7%	7%	7%
Maintain the total expenditure levels below 40% of GDP annually	41%	41%	37%	39.9

Target number and name as in corresponding MTEF:

The Ministry had five ministerial fiscal targets whose performance is reported on as follows:

Target #1 Maintain debt stock as a ratio of GDP within 35% annually

The debt stock of the central government was maintained below the target of 35% of GDP during 2014/15 fiscal year. Total debt as a percentage of GDP stood 24%, increasing only slightly by 1% percent from 2013/14. In nominal terms, the total stock of debt increased from N\$30.85 billion to N\$35.95 billion at the end of FY2014/15. As per the Sovereign Debt Management Strategy, the domestic debt is still the dominant component of the government debt stock.

In terms of currency composition, the USD continued to be the dominant currency in the total external debt of government. More than half of the external debt obligation of Government was denominated in USD followed by the EURO about 20% and the ZAR accounted for about 11%.

Target#2 Maintain Government Guarantee stock as a ratio of GDP within 10% annually

In addition to incurring outright debt, the Government avails loan guarantees in terms of Section 36 of State Finance Act, Act No. 31, 1991. These guarantees are mainly offered to SOEs in support of critical development projects. The contingent liabilities were therefore kept below the

sustainability level of 10% of GDP during the review period. Government guaranteed debt stood at 4.3% of GDP, in comparison to 4% in 2013/14. The slight increase resulted mainly from the depreciation of the Namibia Dollar.

Target#3 Maintain interest payment as a ratio of revenue within 10% annually

As a reflection of prudence fiscal management in the level debt of accumulation interest payments were far below the target. As a percentage of total revenue, interest payment remained unchanged at 4% of total revenue from the previous fiscal year. As per the principle of 80:20 in favour of domestic debt, domestic interest payment was also close to 80% of total debt service.

Target#4 Achieve on average 95% accuracy of revenue forecast during MTEF period

Average revenue forecasting accuracy stood at 94 % as compared to the average target of 95%. The observed deviation in forecasting accuracy is attributable to the growth in the domestic economy which was better than projected resulting in improved revenue generation capacity during 2014/15.

Target #4 Maintain the Average budget deficit within 7% of GDP over the MTEF

The total budget deficit stood at fiscal target of 7% of GDP in 2014/15. It is estimated that over the MTEF period the average budget deficit will be lower than 7% because of fiscal consolidation measures adopted for the remaining years of the corresponding MTEF.

Target #5 Maintain the total expenditure levels below 40% of GDP annually

One of the critical functions of the ministry is to ensure that public expenditure remains within the appropriated levels. In this regard, expenditure levels for the period under review remained within the target of 40% of GDP. Expenditure outlay for 2014/15 stood at 36.6% of GDP, slightly lower than the set target.

The Ministry has, on overall, excelled in the performance of the set targets and this was done within the resources envelope that was allocated to the Vote.

PROGRAMME ACTIVITIES

*P-number	Programme Name	*A-Code	Activity Name	*MD in Charge	2014/15		
					Estimate	Actual	Execution rate(%)
01	Economic Policy advice	01-01	Fiscal Policy Administration	MD05	7 619 236	8 389 504	110.11
Sub-Total					7 619 236	8 389 504	110
02	Revenue Management	02-01	Inland Revenue Collection Services	MD04	192 910 238	200 734 189	104.06
		02-02	Customs and Excise Management	MD06	284 184 800	277 834 664	97.77
Sub-Total					477 095 038	478 568 853	100.31
03	Government expenditure management	03-01	Budget formulation and execution	MD10	431 214 000	427 480 519	99.13
		03-02	Accounting and Financial Management	MD11	26 046 000	32 705 257	125.57
		03-03	Public Private Partnership Management	MD07	-1 047 000	-80 232	7.66
		03-04	State Asset and liability Management	MD12	488 048 962	488 316 436	100.05
Sub-Total					944 261 962	948 421 979	100.44
04	Public Service Employee Medical Aid Scheme	04-01	Public Service Employee Medical Aid Scheme	MD08	1 801 035 000	1 804 787 855	100.21
Sub-Total					1 801 035 000	1 804 787 855	100.21
05	Government Procurement Management	05-01	Government Procurement Administration	MD09	6 857 000	7 106 544	103.64
Sub-Total					6 857 000	7 106 544	103.64
06	Policy Supervision and Support services	06-01	Policies Supervision	MD01	1 118 000	10 684 299	955.66
		06-02	Coordination and Support Services	MD02	145 052 764	143 855 734	99.17
		06-03	Risk Management	MD03	4 729 000	5 109 261	108.04
		06-04	Acquisition and maintenance of IT equipment and Systems	MD13	78 460 000	84 078 488	107.16
Sub-Total					229 359 764	243 727 781	106.26
Vote-Total					3 466 228 000	3 491 002 516	

PROGRAMME 01: ECONOMIC POLICY ADVICE**The objectives for the programme**

- The main objective of this programme is to advise the Government on economic policies aimed at fostering macro-economic stability, advancing economic development and addressing socio-economic challenges. In this regard, fiscal and financial policies are formulated, reviewed and monitored to ensure efficient distribution of financial resources and value for money.
- During the reporting period, the overall budget variance for this programme stood at 4 percent, and was mainly due to a vacancy position that was only filled towards the end of the financial year.

The main activities

- Fiscal policy Administration
- Macroeconomic Analysis and Projections
- Coordinating regional and international cooperation matters:

The main achievements include the following:

- Formulation and publication of Macroeconomic and Fiscal Policy Frameworks;
- Economic Reports and research outputs,
- Undertaking of Financial literacy initiative (FLI) baseline survey and public financial education campaigns,
- Monitoring and reporting on the implementation of the Annual Sectoral Execution Plans for NDP4, and
- Coordination of regional and international cooperation matters

PROGRAMME 02: REVENUE MANAGEMENT

The objectives for this programme

- To administer the tax laws in an efficient and effective manner in such a way that maximizes State Revenue from internal and external taxation sources.
- To facilitate trade whilst exercising appropriate control, protect the Namibian society with respect to the international movement of goods and people and advance Namibia's interests regionally and internationally in these areas.

The main activities

Activity 1: Inland Revenue Management

The main achievements include the following:

- The suspension of Import VAT accounts for all taxpayers in default, and the strengthened compliance enforcement and investigations and improved tax collection, and resultant reduction in tax evasion.
- Introduction and implementation of withholding tax on services, as part of tax policy reforms.
- Debt recovery initiatives have been initiated, and cases were submitted to the Office of Government Attorney for debt recovery..
- The business process reengineering (BPR) has been finalized, and the development ITAS commenced during the period under review. Both would ensure efficiency in tax administration through reduced turnaround time in assessing taxes and the strengthened tax administration processes.

Activity 2: Customs and Excise Management

The main achievements include the following:

- Collection and accounting of revenue and trade data..
- Trade facilitation was enhanced through the introduction of facilitative tools such as the establishment of, Joint inspections and controls, systems integration and connectivity, strengthening national and international cooperation and oversight supervisory visits to revenue offices.
- Training and deployment of detector dogs and supports the effective operation of Non- Intrusive Inspection equipment (e.g. scanners) as well as protection of society in respect of restricted and prohibited goods. The 8 scanners equipment have been installed at various ports of entries, and 14 detector dogs have been procured.
- Detection and interception of smuggled/illicit goods and narcotics (dagga/marijuana).

PROGRAMME 03: GOVERNMENT EXPENDITURE MANAGEMENT

The objectives for this programme

- To formulate the budget and to control the execution thereof;
- To ensure the accounting of the financial transactions of the government and provide related financial services and provide legislative guidance over the utilization of State finances.

The main activities:

Activity 2: Budget Formulation and Expenditure Control

The main achievements include the following:

- The budget was prepared and tabled in the record period during February 2014;
- The budget documents have been published, and availed to the stakeholders;
- ;The PPP Bill drafting was initiated during the year.
- The management of the budget, including the contingency provision.

Activity 2: Accounting and Financial Management

The main achievements include the following:

- Timeous preparation and submission of Financial Statements and reports to OAG in line with the State Finance Act, 1991 13 (3);
- The reduction of reconciliation backlog from 3 months the previous year to one month during 2014/15 FY

- Treasury reduced the number of commercial bank accounts held by OMAs by 31 during the 2014/15 FY

PROGRAM 4: STATE ASSETS AND LIABILITY MANAGEMENT

The objectives for this programme

- The purpose of the program is to manage risks associated with short and long term Government borrowing and manage the government assets in terms of the State Finance Act 1991.

The main activities

Activity 01: Asset, Cash and Debt Management

The main achievements include the following:

- The Ministry enhanced the roll-out and implementation of the assets register to 23 O/M/As.
- The raising of the borrowing to fund the shortfall in the budget in line with the borrowing strategy;
- Prudent management State cash to match government expenditure plans.
- The fiscal targets of debt (<35% of GDP), debt servicing (<10% of revenue) and guarantees (<10% of GDP) have been kept within the set limits.
- The Ministry, in collaboration with the Financial Intelligence Centre (FIC) at the Bank of Namibia, offered training on enforcement of FIC law, and provided guidance relating to combating of money laundering and financing of terrorist activities and

Activity 2: Public Service Employees Medical Aid Scheme Administration:

The main achievements include the following:

- The Ministry continued to administer the PSEMAS and related services for members. This includes processing, verification and auditing of medical aid claims. It further entails timely medical aid claims payment and monitoring of the expenditure pattern and ensuring that PSEMAS rules and regulations are complied with at all times. This activity is therefore aimed at ensuring full compliance by the health professionals and the administrator.
- The Ministry introduced the two-option system, namely the Standard and High Options for members. Such options were rolled to all the members during the year.

PROGRAMME 05: GOVERNMENT PROCUREMENT MANAGEMENT

The objectives for this programme

The programme entails the provision of administrative support to the Tender Board in the performance of its functions with regard to the procurement of goods and services for the Government under the Tender Board of Namibia Act.

The main activities

The main achievements include the following:

- A database management system has been developed and relevant information is being processed into the system from past records.
- A Reforms Team appointed to work on the reforms of the current procurement system has reviewed the proposed Public Procurement Bill to replace the Tender Board of Namibia Act and has worked out the draft regulations, standard bidding documents, procedures and other implementation instruments.
- Training activities on tendering were initiated and rolled across the country.

PROGRAMME 06: POLICY SUPERVISION AND SUPPORT SERVICES

The main purpose of this programme is to provide a conducive and result orientated environment with adequate human and other resources.

The objectives for this programme:

- i) Policy Supervision
- ii) Auxiliary and Logistics Services
- iii) Asset and Fleet Management
- iv) Human Resource Planning and Development
- v) Financial Services

The main activities that fall under the programme are:

- To provide policy supervision and administrative and support services to the functional units of the Ministry;
- To provide required updated ICT equipment to enable the Ministry to perform its functions efficiently.
- Development of customer service standards and monitoring the extent to which these are achieved;
- Performance ethics and culture have improved as more staff members have improved

- their skills and abilities through networking and training programmes;
- ☐☐ Effective management of Ministerial assets that saw a reduction in damaged vehicles.
- Maintenance of ☐IT systems (IFMS, IRD and ASYCUDA) and the implementation of the Unified IT Management System;
- ☐☐ Maintenance of Network infrastructure of all MOF regional offices and border posts;

Policy supervision

This activity entails provision of leadership and management directives at all levels in the organization for effective and efficient delivery of service to the customers as well as the attainment of the vision and mission of the ministry. One of the achievements are the regular management meetings and staff meetings held as well as visits to regional offices during the period under review to assess performance and exchange views for improved service delivery.

Coordination and support services

- This activity is to provide administrative support to the Vote's programmes and to ensure proper financial management, human sources management, and optimal deployment of all other resources as well as the facilitation of training and capacity building programmes.
- This activity also ensures adherence to governance issues related to filling of vacancies, development of strategic plans and production of reports.
- The activity focuses on the general administration of the ministry and provision of adequate infrastructure and conducive working environment for all staff members.

Risk management

The main achievements include the following

Audit function: Various systems of the ministry were subjected to internal audits and the findings helped the :managers to address the identified shortcomings.

Acquisition of IT equipment and systems

- This activity deals with the acquisition and maintenance of IT equipment and systems of the Ministry, and the provision of IT support and the installation of systems to all in the Ministry. It also involves monitoring of infrastructure that supports the availability of all systems to all end users.

EXPENDITURE FROM CONTINGENCY 2014/15

None

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EXPENDITURE BY STANDARD ITEMS

Breakdown \ Year	2014/15	
	Estimate	Actual
Personnel Expenditure	399,820,841	423,620,168
Goods and Other Services	319,636,784	325,790,013
Subsidies and Other Current Transfers	2,645,822,456	2,634,391,429
Acquisition of Capital Assets(Operational)	27,978,197	27,409,672
Capital Transfers (Operational)	17,217,722	17,215,872
Operational Budget	3,410,476,000	3,428,427,154
Operational Capital		
Acquisition of Capital Assets (Development)	55,752,000	52,955,365
Capital Transfers (Development)		
Development Budget	55,752,000	52,955,365
Total State Revenue Fund Appropriation	3,466,228,000	3,481,382,519
Development Partners		
Grand Total	3,466,228,000	3,481,382,519

4. NON-TAX REVENUE

Revenue Source \ Year	2014/15		
	Estimate	Actual	Variance %
Auction Sales	23,519	0	
Warehouse Rent	105,652	199,138	
Special Attendance	714,340	794,693	
Export Levy	7,043,924	8,595,444	
Additional Duty	8,075,545	2,032,404	
Licence Fees	22,957	13,100	
Total	15,985,937	11,634,779	0

Auction Sales

The auction sales collections depend on the number of detained goods and the price value upon auction. In the financial year under review, no auctions took place due to the fact that most of the detained goods' legal status are under investigation.

Warehouse Rent

This revenue is collected on goods transferred to State warehouses after not being declared/claimed by importers on time. The number of detained goods vary as they are dependent on how many goods are detained and for how long. Hence accuracy in estimation is a challenge therefore the estimated amount was overshoot by 88%.

Special Attendance

Revenue under this item is mainly collected from duties performed outside official working hours for customs clearance purposes. The revenue depends on the number of call outs, number of officers allocated and hours of attendance to customs to conduct supervision at owners' premises. The more the call outs the more revenue being collected. Therefore an over collection (+11%) was realised due to the challenge of not knowing what need of the traders would be in a particular financial year, i.e. financial year 2014/15.

Export Levy

An export levy was introduced to discourage the exportation of some specified locally produced commodities for the purpose of promoting value addition. Increase in demand due to hides and skins exported to the overseas market and there is significant increase in the demand for the

Namibian hides and skins. Thus, the actual revenue collected during the year under review exceeded the estimated revenue with 22%.

Additional Rate of Duty

Additional Duty is levied on some specified items such as (Pasta) for the protection of the local infant industry. The ban of some Additional Duties on some items such as milk reduced the total revenue collected from the original estimate by 75%.

Licence Fees

Licences for operating clearing agencies are renewable every calendar year. The license fees (N\$100 per year) collections are depended on the number of Clearing Agents that are re-registering and also by new entrants to this industry. The year under review experienced fewer renewals, hence the under collection by 43%.

HUMAN RESOURCES CAPACITY

No of Staff	2014/15
Approved	2,365
Funded	1,904

SUMMARY OF MOVABLE ASSETS**Furniture and equipment**

worn and damages						
	Description	Quantity	Average estimated market unit value (N\$)	Total Value (N\$) BIXCI	Quantity available to date	% of items not take for to auction(current stock level of individual items)
	A	B	C	D	E	
1	e.g Teleph Head Siemens	120	180	21,600	40	0.2
2	Calculators	3	50	150	783	522.0
3	CPU	40	1500	60,000	1140	1.9
4	Cell phones	2	2000	4,000	45	1.1
5	Chair typist	2	350	700	86	12.3
6	Chair Oak with arm rest	5	450	2,250	118	5.2
7	Chair high back leather	17	1000	17,000	1300	7.6
8	Computer stand oak	1	500	500	49	9.8
9	Desk oak no drawers	8	1200	9,600	482	5.0
10	Fax machine	2	850	1,700	130	7.6
11	Printers	41	1500	61,500	1094	1.8
12	Monitors	30	2000	60,000	1077	1.8
13	Key Boards	21	350	7,350	1442	19.6
14	Scanner	6	1450	8,700	92	1.1
15	Telephone Instruments	29	250	7,250	1008	13.9
16	Computer Speakers	9	150	1,350	607	45.0
17	Board Notice	2	250	500	135	27.0
18	Trolley	3	450	1,350	66	4.9
19	Bin Waste Paper	2	45	90	1035	1,150.0
20	Aircon Portable	1	500	500	33	6.6
21	Portraits President	2	550	1,100	324	29.5

Furniture and equipment

Obsolete and redudant					
Description	Quantity	Average estimated market unit value (N\$)	Toal Value (N\$) BiXCi	Quantity available to date	% of items not take for to auction(current stock level of individual items)
A	B	C	D	E	
Desk oak no draw ers	2	1200	2,400	482	20.1
Desk oak 2 drawers	2	1350	2,700	74	2.7
Desk oak 3 drawers	9	1500	13,500	219	1.6
Table Telephone	1	750	750	121	16.1
Link Extension oak	2	200	400	165	41.3
Bookcase open shelves	3	2500	7,500	42	0.6
Air-condition Portable	7	1750	12,250	33	0.3
Telephone Instrument	2	120	240	1008	420.0
Chair typist	1	350	350	86	24.6
			0		0.0
			0		0.0
			0		0.0
			0		0.0
			0		0.0

Vehicles

Obsolete and redudant						
	Description	Quantity	Average estimated market unit value (N\$)	Toal Value (N\$) BiXCi	Quantity available to date	% of items not take for to auction(current stock level of individual items)
	A	B	C	D	E	
1	Passenger Vehicle	2	65000	130,000	40	0.0
2	2WD Station wagons,Combis Busses MPVs	60	100	6,000	10	0.2
3	2WD Pick-ups Panel vans with carrying capacity up to 1t	4	65000	260,000	110	0.0
4	4WD Station wagons Combis Busses SUVs	6	80000	480,000	15	0.0
5	4WD Pick-ups Panel vans with carrying capacity up to 1t	2	45000	90,000	44	0.0
6	Boats	1	150000	150,000	2	0.0
7				0		0.0

Challenges during 2014/15

During the period under review, the economy registered its first annual deficit in the overall balance of payments since 2009. However, measures have been put in place to address this challenge.

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Ongoing capacity building programmes were identified for the ministry and across all OMAs aimed at improving the financial accountability and fiscal discipline, in general.