



REPUBLIC OF NAMIBIA

STATEMENT BY

**HONOURABLE SAARA KUUGONGELWA-AMADHILA
MINISTER OF FINANCE OF THE REPUBLIC OF NAMIBIA**

**AT THE OFFICIAL OPENING OF THE NATIONAL ACCOUNTABILITY
INSTITUTIONS CONFERENCE**

WINDHOEK, 6 AUGUST 2013

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Minister of Finance,
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Namibia's planning, budgeting and accounting system must become increasingly integrated. Without proper planning, we cannot realise full accountability and transparency, both of which are important elements in our young democracy.

**His Excellency Dr Sam Nujoma,
Founding President and Father of the Namibian Nation, 1995**

Director of Ceremonies

The President of the Republic of Namibia, His Excellency Hifikepunye Pohamba

Honourable Ministers, Deputy Ministers and Members of Parliament

Distinguished invited guests

Members of the Media

Ladies and Gentlemen

It is a great honour having been invited to participate at the Official Opening of the National Accountability Institutions Conference hosted by the Standing Committee on Public Accounts. Through this event, we are bringing together relevant stakeholders to start working towards co-ordinated strategies in strengthening the accountability process in Namibia. Let me, therefore, express my gratitude to the Public Accounts Committee for hosting this important event. I also wish to acknowledge with appreciation the sponsorship by the African Development Bank that made it possible to organise this Conference.

Introduction

In my remarks I will focus specifically on how the public finance management process can enhance budget transparency, participation, and accountability. Naturally, I will not let this opportunity slip by without reflecting on the progress that we have made to improve access to relevant information that will allow citizens and their elected representatives in Parliament to hold Government accountable for the management of public moneys.

Importance of Access to Information

One of the most widespread problems facing anyone trying to analyse a government's budget – particularly in developing countries and emerging democracies – is the lack of accurate budget data and socio-economic statistics. In many countries, some important data are simply non-existent, while problems of timeliness, accuracy, and accessibility also hinder analyses.

The absence of solid data, however, is rarely a good reason to just walk away from the budget. The budget is simply too important to ignore, since it contains programmes aimed at helping poor people, determining the economic future of the country, and, indeed, assisting to shape democracy itself.

In addition, trust between governments and citizens is essential for good governance and participation. In order to build trust, governments need to communicate in a transparent way about past and future decisions and actions. Governments, however, should not only inform but also involve citizens. The ideas and opinions that they put forward in policy-making and implementation processes, provide valuable input for improving the quality of government policies and services.

Fiscal transparency as the cornerstone of good public governance

Transparency is necessary to create realistic expectations of the budget. To achieve this, information should be accessible and available about the government's fiscal policy, sources of revenue, spending priorities, funding of the deficit and the public debt situation. Accountability, on the other hand, involves requiring someone to give an account of actions taken.

In the late 1990s fiscal transparency emerged as a major public policy concern due the role of murky fiscal activities and fiscal risk in the Asian crisis. This interest was spurred by the issuing of the IMF Code on Fiscal Transparency and the OECD Best Practices for Budget Transparency. The circumstances of the Asian crisis served to

underscore the importance of comprehensive, reliable and timely information about governments' fiscal activities for effective markets.

Today, Namibia is benefiting from various regional and global initiatives and advocacies, such as:

- The **Public Expenditure and Financial Accountability (PEFA)** Program that was founded to assess the condition of country public expenditure, procurement and financial accountability systems and develop a practical sequence for reform and capacity-building actions.
- The **Open Budget Initiative** was established by the International Budget Partnership in 1997. The Initiative is a global research and advocacy program to promote public access to budget information and the adoption of accountable budget systems.
- On 21 December 2012, the UN General Assembly adopted a resolution titled "Promoting transparency, participation and accountability in fiscal policies" thus endorsing the **Global Initiative on Fiscal Transparency (GIFT¹)** High Level Principles and encouraging Member States to intensify efforts to enhance transparency, participation and accountability in fiscal policies.
- The Collaborative Africa Budget Reform Initiative (**CABRI**) was established to promote efficient and effective management of public finances, which fosters economic growth and enhances service delivery for the improvement of living standards of African people.

¹ The lead stewards of GIFT are the Brazil Ministry of Planning, Budget and Management, Department of Budget & Management Philippines, World Bank, International Monetary Fund, and International Budget Partnership. The ten principles are attached to this statement.

How transparent is Namibia in terms of its budget process?

Measured on the International Budget Partnership's Open Budget Index (OBI), the level of transparency of Namibia's budget processes is quite high. Out of 93 countries, Namibia was ranked 34th in 2012. On the African continent, Namibia is ranked third out of 29 African countries in 2012. Only South Africa and Uganda have higher OBI rankings. This, however, does not mean that everything is moonshine and roses; there are a number of reforms that are regarded necessary to further enhance the budget process.

Namibia's public finance reform agenda

In 1996, Cabinet took a decision that formed the basis for the move towards programme budgeting. Cabinet resolved that the Office of the Prime Minister should establish a unit within the Cabinet Secretariat to co-ordinate the processes of departmental planning, objective-setting and budgetary management in close co-operation with the Ministry of Finance and the NPC. This kind of co-operation ultimately led to the development and piloting of the Performance and Effectiveness Management Programme (PEMP) in 1999, which aimed to introduce performance-based measures in public policy implementation. Along with the other reforms, such as the introduction of a Medium-Term Expenditure Framework (MTEF), Namibia aimed to "enhance the development impact and efficiency of the National Budget"².

Since 2001, the annual budget of Namibia has been presented within a rolling three-year MTEF. The 2001 MTEF budget document also indicated, for the first time, how the Government intended to proceed with its programme budgeting approach. It contained three year expenditure plans, based on a macro-economic forecast and a fiscal policy stance designed to constrain the deficit and level of debt stock. It also sought to explain the policy priorities behind the key expenditure decisions and contained the strategic outcome-based elements of PEMP.

² *Budget Statement*, March 1999

In 2004, Namibia began implementing a system of programme budgeting with the first Medium-Term Plans (MTP) prepared and published as part of the MTEF document in parallel to the Estimates of Revenue and Expenditure. The MTP set-out for each Office, Ministry or Agency (OMA) the priorities for the three years, objectives, programmes and activities, and allocation of funds by programmes and sources of funding. In addition, the MTPs included consolidated financial data on the Operational and Development budgets and on budget contributions to state-owned enterprises (SOEs). Thus, the MTPs formed an important milestone in the programme budgeting reform journey as OMAs were required to prepare their budget submissions in the form of programmes.

One of the final steps in the development phase of Namibia's programme budgeting reform was the introduction in 2005 of the Accountability Reports for OMAs underpinned by a selected set of Ministerial Targets. These targets, which were included in the MTPs for the first time in the 2006 Budget and the Accountability Reports for 2006/07 were a key feature of the 2007 budget hearings and were published for the first time alongside the 2008 Budget documents. By 2008, Namibia had completed the development phase of its programme budgeting system, whereby it had succeeded in putting in place a parallel system of budgeting and reporting on a presentational basis.

Since 2009, the Ministry of Finance has taken some steps in an attempt to entrench the reform. Principally, this has involved modifying the expenditure management and accounting system so that each OMA could start to account and report budget expenditures fully on a programme basis to enable many of the managerial and performance benefits that come from a good programme budgeting system. In addition, a "new approach to programme budgeting" was announced in the 2013 budget circular whereby OMAs would be required to make an explicit, indivisible linkage between administrative units and programme activities.

With the basic building blocks being in place, the next challenge is to consolidate the reform through, for example, accounting system and procedure modifications, and integration with strategic planning and performance monitoring and evaluation processes.

In addition, we are progressing well with the required legal reforms to strengthen our public finance management capacity, through the drafting of a new Public Finance Management Bill and a new Audit Bill. These Bills are aimed at modernising and reinforcing some of the outdated provisions and at empowering the Ministry of Finance and the Office of the Auditor-General to carry out their duties with a view to enhance accountability and transparency.

Conclusion

Let me conclude by stating that good public financial governance is a prerequisite to mobilising domestic revenues effectively, lessening the dependence on aid and providing the public infrastructure, goods and services that are necessary to eradicate poverty, provide opportunity to our citizens and engender development and economic growth.

The Namibian Government is committed towards good public financial governance by upholding responsive, prudent, effective, transparent and accountable management of the country's public financial resources and by building robust tax, budget, financial management, audit and oversight institutions that operate within the rule of law. We believe that sound public finance management contributes to these outcomes through its elements of transparency, participation, responsiveness, oversight, accountability and predictability.

I thank you.

The Global Initiative on Fiscal Transparency: High-Level Principles on Fiscal Transparency, Participation, and Accountability

1. Everyone has the right to seek, receive and impart information on fiscal policies. To help guarantee this right, national legal systems should establish a clear presumption in favour of the public availability of fiscal information without discrimination. Exceptions should be limited in nature, clearly set out in the legal framework, and subject to effective challenge through low-cost, independent and timely review mechanisms.
2. Governments should publish clear and measureable objectives for aggregate fiscal policy, regularly report progress against them, and explain deviations from plans.
3. The public should be presented with high quality financial and non-financial information on past, present, and forecast fiscal activities, performance, fiscal risks, and public assets and liabilities.
4. Governments should communicate the objectives they are pursuing and the outputs they are producing with the resources entrusted to them, and endeavour to assess and disclose the anticipated and actual social, economic and environmental outcomes.
5. All financial transactions of the public sector should have their basis in law. Laws, regulations and administrative procedures regulating public financial management should be available to the public, and their implementation should be subject to independent review.
6. The Government sector should be clearly defined and identified for the purposes of reporting, transparency, and accountability, and government financial relationships with the private sector should be disclosed, conducted in an open manner, and follow clear rules and procedures.
7. Roles and responsibilities for revenue raising, incurring liabilities, consuming resources, investing, and managing public resources should be clearly assigned in legislation between the three branches of government (the legislature, the executive and the judiciary), between national and each sub-national level of government, between the government sector and the rest of the public sector, and within the government sector itself.
8. The authority to raise taxes and incur expenditure on behalf of the public should be vested in the legislature. No government revenue should be raised or expenditure incurred or committed without the approval of the legislature through the budget or other legislation. The legislature should be provided with the authority, resources, and information required to effectively hold the executive to account for the use of public resources.
9. The Supreme Audit Institution should have statutory independence from the executive, and the mandate, access to information, and appropriate resources to audit and report publicly on the use of public funds. It should operate in an independent, accountable and transparent manner.
10. Citizens should have the right and they, and all non-state actors, should have effective opportunities to participate directly in public debate and discussion over the design and implementation of fiscal policies.