



**REPUBLIC OF NAMIBIA**

**STATEMENT BY**

**HONOURABLE CALLE SCHLETTWEIN (MP)**

**MINISTER OF FINANCE**

**AT THE**

**LAUNCH OF THE 2015 OPEN BUDGET INDEX**

**WINDHOEK, 9 SEPTEMBER 2015**

- **Director of Ceremonies;**
- **Mr Graham Hopwood, IPPR Executive Director;**
- **Esteemed invited Guests;**
- **Members of the Media;**
- **Ladies and Gentlemen;**

## **INTRODUCTION**

I would like to thank IPPR for hosting the launch of the Open Budget Index. This event, incidentally, is taking place worldwide today, as we speak. At today's event, we are also privileged to obtain the results of the 2015 Open Budget Survey.

The **Open Budget Index** can be regarded as a credible indicator of the state of budget transparency, participation, and oversight of countries participating in the survey. I say this, because the Survey does not reflect opinions, but it measures observable facts related to budget transparency, accountability, and participation. In addition, provision is made during the Survey for the Government to review and change responses to the Questionnaire. It, therefore, represents a good tool to show us where improvements can be made to promote public access to budget information and the adoption of accountable budget systems.

Transparency and accountability in the budget cycle are crucial, since the budget is at the core of national development and it is Government's most powerful fiscal policy tool to meet the needs of its people. Transparency and accountability are also indispensable for the efficient functioning of any country and for promoting economic growth and fostering social wellbeing. Transparency is necessary to create realistic expectations of the budget. It streamlines the views of the public and affords civil society unfettered opportunity to assess the remit of budgetary provisions and, thus, making the budget process participatory, responsive and relevant to the bread and butter issues of the day. Accountability, on the other hand, involves requiring someone to give an account or explanation of actions and, where necessary, to suffer the consequences, by either taking the blame or undertaking to remedy the situation if it appears that errors have been made<sup>1</sup>.

Coming back to today's announcement of the results of the 2015 Open Budget Survey. We were informed that Namibia was ranked fourth in the Southern Africa region, after South Africa, Malawi and Botswana, while in 2012 Namibia was placed second, after South Africa. We also noted that Namibia fell from third to ninth position in sub-Saharan Africa. The drop in the ranking does certainly not denote a deterioration in Namibia's budgetary practices, but, as the presenters indicated, countries, such as Malawi, Sierra Leone, Ghana, Kenya, Botswana, and Mali, may have made faster progress in reforming their budget practices than Namibia.

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<sup>1</sup> See Dawn Oliver, *Constitutional Reform in the UK*, Oxford University Press 2003

We have also taken note of the fact that the ratings may have been influenced by changes to the OBI methodology, especially the weighting for certain budget practices. In addition, the 2015 OBI covers what was on the ground in the 2014/15 financial year and not what we have put in place for the 2015/16 financial year.

Be that as it may, we are not distressed or disappointed by the 2015 OBI rankings, since we know that our continuous public finance management reforms are steadily moving us in the right direction. For example, our Citizens' Guide to the National Budget was published this year in six indigenous languages to explain in simple terms how Government collects money from what sources and how the money is spent. The Guide was widely distributed and the feedback obtained is quite encouraging. I believe we also succeeded to reduce the volume of budgetary documents tabled in Parliament by consolidating the Macroeconomic Framework and the Fiscal Policy Framework into a single document entitled the Fiscal Strategy. Further, I took the time to make statements at seven post-budget events in various parts of the country on different policy orientated subjects that could not be covered comprehensively in the main Budget Statement. Apart from that, we followed the Budget debate in the National Assembly with interest and responded exhaustively on all key policy matters raised. These are actions that are not necessarily captured by the Open Budget Survey, but, in my view, they contribute significantly to an improved budget policy debate and understanding.

Going forward, I have already announced that in the current fiscal year, I will table a Mid-Year Budget Review for 2015/16 and a Pre-Budget Statement for 2016/17 in the National Assembly. And, to those that think a Mid-Year Review is synonymous to extra budget allocations, I have bad news. The Mid-Year Budget Review provides an opportunity during October/November to revisit and, if necessary, to review the key macro-economic variables and assumptions on which the main budget framework was based, such as domestic and global economic activity, inflation, exchange and interest rates, commodity prices, etc. Based on this, the Ministry may want or may be compelled to change the revenue forecasts and projected spending for the remainder of the year and even into the MTEF. The Mid-Year Budget Review thus enables the Treasury to review revenue collected and budgeted expenditure spent over the first six months of the fiscal year. It also allows for reallocation of funds from slow spenders to other priorities within the stipulated Vote ceilings. As such, this is an important monitoring and evaluation tool. By assessing revenue collection and budget execution at the half-way point in the fiscal year, the Ministry can better ensure that programmes are being implemented effectively and that public funds are being utilised effectively. Thus, it is possible to identify any emerging problems in the budget – either on the revenue or expenditure side – at an early stage.

The Pre-Budget Statement, on the other hand, would improve communication with the public by outlining in general terms the Government's fiscal plans for the forthcoming fiscal year, as well as highlighting any constraints and opportunities which affect the budget process.

This would mean that people would have more realistic expectations of the budget. The Pre-Budget Statement would also help to enhance the quality of the eventual debate of the budget, both in Parliament, as well as by the public and civil society. The Pre-Budget Statement is intended to focus on the detail that accompanies the Budget, while the Budget Statement for the forthcoming MTEF would reflect on high-level policy issues.

To successfully implement these budget reforms, it is necessary to institutionalise the annual **Budget Calendar** by clearly outlining deliverables, tasks, deadlines and responsibilities, which in turn should be captured in the **Budget Circular**. Government's **Fiscal Strategy** should always set the scene for the Budget Cycle, since this will determine the available expenditure envelope and budget ceilings for O/M/As. In the past, we conducted **Budget Hearings**, which typically take place in October, even before the formulation and ratification of the Fiscal Strategy. Clearly, this sequencing should be corrected going forward and more time should be devoted to scrutinising each **Budget Request** to ensure it is aligned to the Strategy and to detect any anomalies and inconsistencies, such as requests for large increases in expenditure compared to actual expenditure in the previous year. The Budget Calendar should be designed in such a way that the Fiscal Strategy, Mid-Year Review and Pre-budget Statement are tabled and considered in October of each year to give way to the tabling of the Appropriation Bill, the MTEF, Estimates of Revenue and Expenditure and other accompanying documents during February each fiscal year.

Other significant public finance management reforms in preparation are legal reforms and ICT advancements. Our current State Finance Act of 1991 is essentially a rules-based piece of legislation and is doing well in explaining the “dos and don’ts” in public finance. In fact, the words “economy”, “policy”, “development” or “growth” do not appear anywhere in the Act. Although the statute has served us well for two-and-a-half decades, there is a need to replace it a contemporary and policy-oriented piece of public finance management act. We are making steady progress to revamp this law. This also presents us with a suitable opportunity to enshrine the current and envisaged budgetary practices into law.

Being cognizant of the importance of reliable, accurately and timely financial information as part of the management function, the reform sequencing commenced with a focus on improving accounting data. These reforms are underpinned by provision of training to government accountants, improving the utilization and control functionalities of Integrated Financial Management System (IFMS) to ensure that the Information System implemented as a tool is optimally set up and utilized to ensure that the accounting process produces reliable, accurate and timely financial information. The financial reporting reforms have also commenced with the development of a codified set of Government Accounting Standards. The Ministry of Finance through consultations with the Office of the Auditor General has revised and enhanced the accounting framework which is planned to be adopted by the Government of Namibia as the basis of Accounting.

The accounting framework planned for formal adoption and implementation from the year ending 31 March 2015 is IPSAS Cash Based Accounting. A roll out time has been mapped out with a piloting of the new reporting format.

We also have the basic building blocks in place and the reform process so far has vastly improved availability and access to information on government spending as well as macro-fiscal planning. We are determined to push this reform further to reach a point where the full benefits of programme budgeting can be reaped.

Already this year, we have proceeded to undertake a Public Expenditure and Financial Accountability (PEFA) self-assessment review with the technical assistance of the African Development Bank (AfDB). As a measure to enhance the quality of expenditure and better targeting of resources, we intend to re-activate the work on Public Expenditure Review on main budget Votes, building on the review work already done for the education sector.

The reform agenda also recognises that there is a need for collective responsibility among key stakeholders as public finance custodians and clarity in definition of roles toward successful implementation of public expenditure reforms agenda. To this end, the Ministry of Finance has implemented various platforms and fora to discuss the challenges as well as solutions to be implemented. These initiatives include the annual Public Finance Management workshop, the monthly Financial Adviser meetings.

These platforms are aimed at ensuring that there is constant communication and coordination between Treasury and Accounting Officers in order to improve the timely financial reporting and consequently information to be used as basis to drive execution of the budget.

**Director of Ceremonies;**

From my interventions this morning it is clear that we are determined to reform and strengthening the overall Public Finance Management function within the Government of Namibia. We are doing this in the recognition that effective Public Finance Management is a catalyst for enhancing transparency and accountability, which create predictability in the Government policy agenda. It also enables Government to allocate limited financial resources for economic development.

**I thank you.**

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