



REPUBLIC OF NAMIBIA
MINISTRY OF FINANCE



ANNUAL REPORT
2021/2022

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Message from the MINISTER

The Namibian economy fell into a recession in 2017 and recorded the highest decline in economic activity of 8.0 percent in 2020 due to the impact of COVID-19. The Namibian economy has shown a sign of recovery with a growth of 2.7 percent in 2021, after prolonged recessionary period, among others persistent droughts, floods, commodity price crash and COVID-19. However, the recovery is not broad-based due to chiefly the damage caused by the prolonged recession, and more specifically COVID-19 and as such some sectors of the economy remained recessionary.

The impact of COVID-19 pandemic remained evident in both the domestic and global economy. The fiscal policy response measures to mitigate the effect of COVID-19 more specifically the stimulus and relief package left the Government with large debt stocks that will take some time to reverse.

The easing of cross-border travel restrictions and other COVID-19 related regulations provided the much-needed relief for the economy. Economic activities begun rebounding albeit slightly slower than the average global growth rates. The recovery in output was more concentrated in key sectors such as mining, hotels & restaurants, transport, as well as wholesale and retail.

The COVID-19 and subsequent policy response have undone much of the progress Namibia had made regarding fiscal consolidation. The erosion of fiscal space made it difficult for the country to overcome the associated challenges and the situation has worsened, as the country was downgraded again by the credit rating agencies.

The measures implemented to cushion the impact of Covid-19 on the financial sector, kept the sector afloat and able to navigate through the pandemic period. The pandemic led to the deterioration in the of asset quality as reflected in the increased non-performing loans and impairments in the banking sector. By the end of 2021, the insurance subsector was negatively affected by the high death rate that led to a high number of claims and reduced premiums. As such the financial sector did not fully recover from the impact of covid-19 and continued to contract.

Going forward, the fiscal policy objective will be tilted toward the revival of the economy as the impact of COVID-19 gradually diminishes and pave the way to return to the fiscal sustainability trajectory.



.....
Ipumbu Shiimi, MP
MINISTER

“Going forward, the fiscal policy objective will be tilted toward the revival of the economy as the impact of COVID-19 gradually diminishes and pave the way to return to the fiscal sustainability trajectory.”



Message from the **EXECUTIVE DIRECTOR**

The emergency of the COVID-19 pandemic in 2020 created unprecedented challenges for developing countries around the world including Namibia, hurting the poorest and most vulnerable people and communities.

As Namibia and the global economy slowly recover from the impact of the pandemic and the successive waves, there is clear evidence that the recovery is not broad based as there are some effects that have become of a long-term nature. The transport and logistics sectors were heavily devastated by the pandemic and related policy measures and as such, there has been a disruption in supply chains, increased freight costs and limited supply of shipping lines. These factors have led to an increase in inflation as global demand reverts towards pre-pandemic levels which supply remains constraint by these factors.

As the easing of travel restrictions and limited requirements take force, the policy measures – monetary and fiscal – have also come to an end while household real income remains stunted (even declining to some extent). This has led to an uneven recovery in economic activity and some sectors remained depressed. The 2021 recovery is mainly geared towards the extractive and related service sectors. In line with the recovery also came an increase inflation, which also appeared to have dampened the economic recovery.

The fiscal position of the government has worsened with expenditure remaining elevated, even after the initial increase to provide for response measures to COVID-19, as some of the commitments were of a permanent nature. This has led to further deterioration in both the budget deficit and debt stock. Going forward, the fiscal consolidation process will remain challenged amid the expected rising inflation.

Despite tough economic and financial situation, level of international reserves remained adequate to meet Namibia international financial obligations, standing at N\$43.9 billion at the end of the year, representing an import cover of 6.4 months. The strong level of reserves was primarily boosted by higher government foreign receipts during 2021, coupled with net foreign capital inflows of the Rand. Namibia's international investment position recorded a net asset position compared to the previous year as foreign assets rose while the country's foreign liabilities declined.

“Despite tough economic and financial situation, level of international reserves remained adequate to meet Namibia international financial obligations, standing at N\$43.9 billion at the end of the year, representing an import cover of 6.4 months.”



A handwritten signature in black ink, appearing to read 'Ndove'.

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Titus Ndove
Executive Director

Governance Structure of the **MINISTRY OF FINANCE**



Hon. Ipumbu Shimii
Minister



Mr. Titus Ndove
Executive Director



**Hon. Maureen
Hinda-Mbuende**
Deputy Minister



Mr. Justus Mwafongwe
Deputy: Executive
Director



Mr. Franscois Brand
Head: Procurement
Policy Unit



Mr Martin Ashikoto
Director: Cash, Debt
& Asset Management



Mr. Festus Nghifwenwa
Director: Economic
Policy Advisory Services



Ms. Rauna Mukumangeni
Director: Public
Private Partnership



Ms. Ailly Titus
Director:
Administration



Ms. Taina Nankela
Director: Budget
Management and Control



**Mrs. Maxine
Cloete-Hangula**
Director: Government
Internal Audit & Policy
Coordination



Mr. Michael Hamatwi
Deputy Director:
Information
Technology



Mr. Augustinus Nowaseb
Deputy Director:
Internal Audit



Mr. Phineas M Nsudano
Director:
Legal Support &
Compliance:
Procurement Policy Unit



Dr. Jafet Nelongo
Director:
Professionalisation
and Capacity Building:
Procurement
Policy Unit

Overview of the MINISTRY OF FINANCE

The Ministry of Finance is responsible of central government finances, including coordination of the central government budget, macro-fiscal analyses and forecasting, tax policy administration as well as managing central Government budget. The Ministry of Finance also provide oversight of the financial sector.

VISION:

To be a catalyst and adaptive institution that promotes sustainable economic prosperity for all.

STRATEGIC OBJECTIVES:

- Ensure effective regulatory framework & compliance
- Develop and administer fiscal and financial policies for economic growth, macroeconomic stability, suitable and equitable socio-economic development
- Maximize revenue resources
- Promote Public Private Partnerships (PPP)
- Promote trade facilitation and Cooperation with external economies.
- Enhance the efficiency of the Public Procurement system and compliance with the Public Procurement Act
- Enhance Organizational Performance

MISSION:

To ensure prudent public finance management and setting the direction of Namibia's economic and fiscal policy for sustainable, inclusive economic growth and development.

VALUES:

- Integrity – we shall do the right thing even when nobody is looking.
 - Accountability – we shall be accountable for our actions.
- Transparency – we shall be open, consistent and fair to each other and our stakeholders.
 - Value for Money – we shall not waste public resources.
- Courtesy and Helpfulness – we shall treat each other and our stakeholders with respect and care.

STRATEGIC OBJECTIVES AND PROJECTS

Directorates	Strategic Objectives	Projects
Economic Policy Advisory Service (EPAS)	<ul style="list-style-type: none"> • Ensure effective regulatory framework & compliance • Develop and administer fiscal & financial policies for economic growth, macroeconomic stability, and equitable socio-economic development • Promote trade facilitation and cooperation with external economies. 	<ul style="list-style-type: none"> • Financial market development • Fiscal policy and Macroeconomic Framework formulation • Promote and enhance the relationship between Namibia, regional and international Institutions
Expenditure and Financial Management	<ul style="list-style-type: none"> • Ensure effective regulatory framework and compliance • Enhance organizational performance. • Maximize revenue resources 	<ul style="list-style-type: none"> • Regulatory framework reviews and development • Expenditure and Financial Management • Non-tax revenue strategy
Budget Management and Control	<ul style="list-style-type: none"> • Manage Public/Government Financial Resources 	<ul style="list-style-type: none"> • Budget Management & Control
Asset, Cash and Debt Management	<ul style="list-style-type: none"> • Enhance Organisational Performance • Ensure fiscal & financial policies for economic growth, macroeconomic stability and equitable socio-economic development. 	<ul style="list-style-type: none"> • Manage government asset and liabilities • Co-ordinate domestic and foreign borrowings • Manage guidelines on issuing of Government guarantees.
Government Internal Audit	<ul style="list-style-type: none"> • Enhance organizational performance. 	<ul style="list-style-type: none"> • Continual professional development of auditors • Improve institutional arrangement of Internal Auditors • Improve legal framework of Public Sector Internal Auditors
Internal Audit Service	<ul style="list-style-type: none"> • Enhance organizational performance 	<ul style="list-style-type: none"> • Internal Audit Services • We provide: <ul style="list-style-type: none"> • Assurance • Consulting Activities • Advise and Insight • Risk Management Coordination
Information Technology	<ul style="list-style-type: none"> • Enhance organizational performance. 	<ul style="list-style-type: none"> • Develop an ICT strategy that will include cyber security plan, digital automation, hard & soft infrastructure.

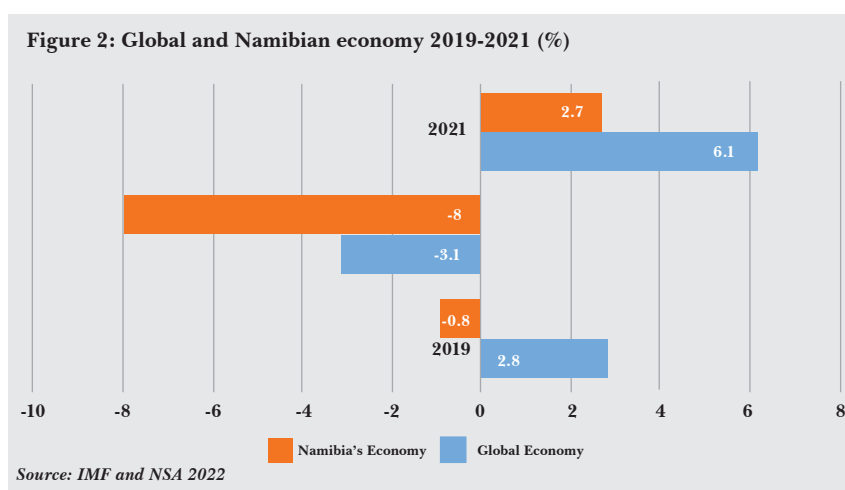
Directorates	Strategic Objectives	Projects
Procurement Policy Unit	<ul style="list-style-type: none"> Enhance efficiency of the Public Procurement system and compliance to the Public Procurement Act. 	<ul style="list-style-type: none"> Public procurement compliance & performance assessment Capacity Building Investigations Amendment to the Public Procurement Act, 2015 Code of Good Practice E-Government Procurement Annual Report Strengthening Health Procurement for Impact (MoHSS)
Public Private Partnerships	<ul style="list-style-type: none"> To promote Public Private Partnerships To create an enabling environment to facilitate private sector investment in PPP projects. 	<ul style="list-style-type: none"> Public Private Partnerships management PPP Capacity Building and outreach Project Preparation Facility
Administration	<ul style="list-style-type: none"> Enhance organizational performance. (PSEMAS) 	<ul style="list-style-type: none"> Financial Management Security Management Risk Management Services Human Resource Management and Development Infrastructure Maintenance Contract Management System Procurement Management EDRMS Filling System Transport management Health care scheme management



OVERVIEW OF MACROECONOMIC DEVELOPMENTS

1. Global Economy

According to the International Monetary Fund (IMF), the global economy rebound and recorded growth of 6.1 percent in 2021 (Figure 1), this growth follows the devastating effects of Covid-19 that affected the global economy to record a contraction of 3.1 percent in 2020. The recovery reflects an upward adjustment from the initial projection of 5.9 percent published in October 2021. The growth is anchored on the recovery of the global economy from the covid-19 outbreak and subsequent lockdown and travel restrictions imposed globally. Growth was driven by recoveries in both advanced economies and emerging economies – although emerging economies were slacking a bit behind, especially on the rate of vaccination and stimulus packages that were implemented to cushion against the impact of Covid-19. The emergence of new virus variants, prolonged uncertainty towards the end of 2021.



2. Domestic Economy

Namibia, like the rest of the world also recorded a recovery in economic activities, albeit at a slower pace due to slow uptake in terms of vaccination, coupled with limited to no fiscal space to implement a fully-fledged fiscal stimulus. The recovery is anchored on the performance in the primary industries driven mainly by mining activities and some activities in the tertiary industries. The 2.7 percent growth follows and upward revision from the initial growth estimate of 2.4 percent as published in the preliminary national accounts of 2021.

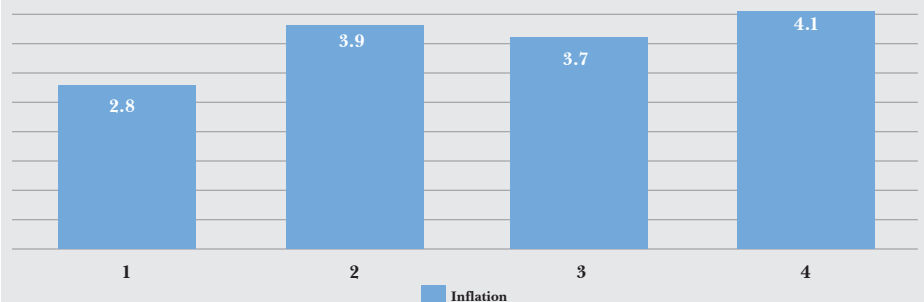
The primary recorded a recovery of 6.2 percent on the back of strong growth in mining (Uranium – 15.3 percent) and a slowdown in agriculture. Tertiary industries recorded growth of 1.9 percent compared a to 5.3 percent contraction in 2020, this recovery can be attributed to growth in wholesale and retail trade (6.1 percent), hotels & restaurants (8.8percent) as well as information communication (6.9percent). The contraction in the secondary industries was mainly observed across all sectors, although Manufacturing recorded improved contraction of 1.4 percent relative to the 17.1 percent contraction in 2020.



i. Inflation

In 2021, the domestic average inflation rose to 3.6 percent compared to 2.2 percent recorded in 2020. The higher average annual inflation was driven mainly by increased inflation for transport; financial services; food and household equipment. While clothing and footwear, hotels, and restaurants, as well communications recorded lower inflation throughout the year. Softer travel restrictions and an accommodative credit environment saw the transport group experience higher price levels across the board in 2021. Consequently, the recovery in oil prices provided additional price pressure for the transport group and other basket items. Additionally, renewed consumer confidence saw the demand for big-ticket items such as vehicles rise as a result, similarly supported by the low interest rate environment. Inflation peaked to 4.5 percent in December 2021 as the emergence of a new, more infectious COVID-19 variant, Omicron factored into the market prices of most goods and services. Given Namibia's high import propensity, a big portion of the domestic inflation is imported inflation.

Figure 3: Average Inflation 2021



Source: NSA 2022

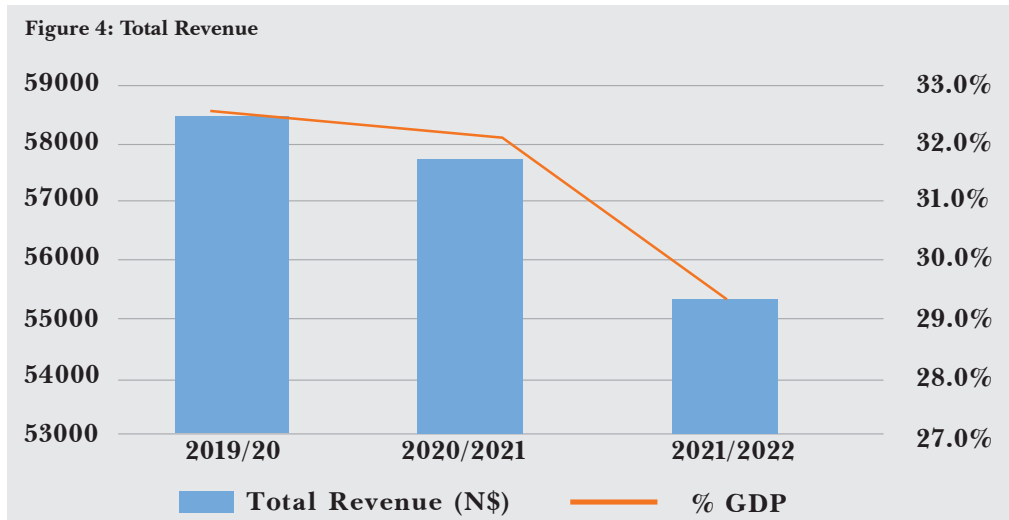
ii. Fiscal Policy Development

The impacts of COVID-19 had spread to 2021/21 with consequential effect on domestic economic activities. Fiscal policy was rendered ineffective due to lack of fiscal space, while debt continue to accumulate. Government expenditure remained elevated at N\$70.3 billion, and revenue declined Further to N\$55.4 billion. As a results, the budget deficit remained high at N\$ 14.9 billion or 7.9% of GDP.



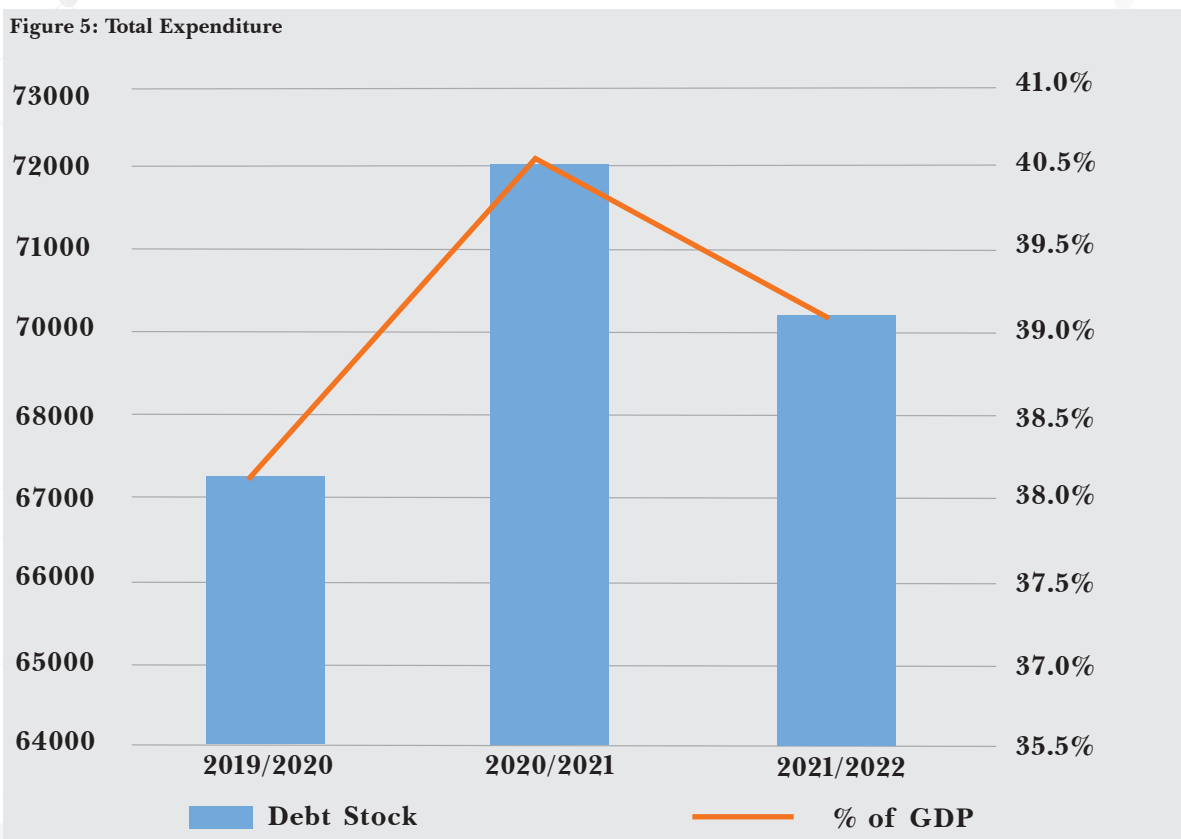
iii. Government Revenue

Total revenue and grants collected in FY2021/22 amounted to N\$55.4 billion (Figure 3), which recorded a decline of 4.3 percent compared to N\$57.8 collected in the previous year. The decline in revenue is resulted from fall in Tax on international Trade (SACU revenue) which declined by 33.7 percent, revenue from diamond mining companies slowed by 31.8 percent, other mining companies' revenue decreased by 12.5 percent and Diamond Royalties decreased by 23.0 percent. However, income tax on individual, VAT and revenue from non-Mining companies increased by 6.3 percent, 37.3 percent and 8.7 percent respectively.



iv. Total Expenditure

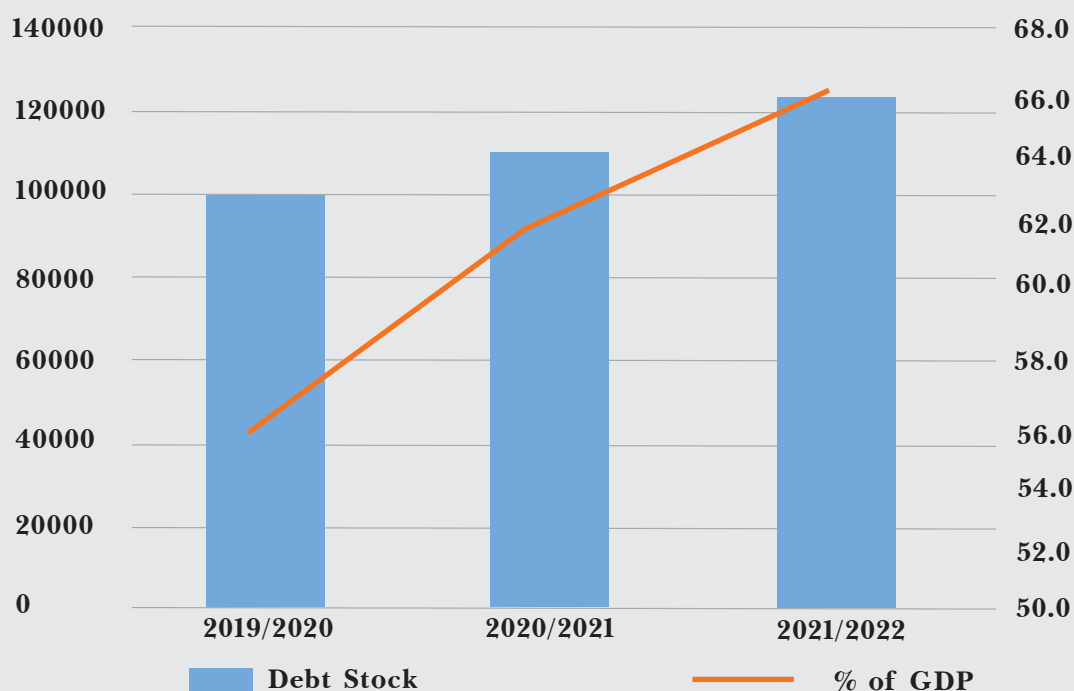
Total expenditure for FY2021/2022 remained high despite recording a decrease of 2.4 percent, from N\$72.0 billion in FY2020/21 to N\$70.3 billion in FY2021/22 (Figure 4). The decrease in expenditure is explained by slowdown on development expenditure, Goods and other services and subsidies and current transfers that fall by 15.1 percent, 6.7 percent and 5.2 percent respectively. Personnel expenditure remained relatively the same, growing only by 2.0 percent.



v. Government Debt Stock

Total Debt stood at N\$126.0 billion at the end of 2021/2022 (Figure 5), an increase of 13.9 percent compared to N\$110.6 billion during the 2020/2021 fiscal year. The domestic debt constitutes about N\$94.9 billion (75.3 percent), while foreign debt amounts to N\$31.2 billion (24.7 percent) the increase in total debt was driven mainly by the growing need to finance the increasing budget deficit owing to the increase in funding needed to fight the spread of COVID-19 and increasing financing need in the social sector.

Figure 6: Government Debt Stock



vi. Interest Payment

Interest payment as a percentage of revenue increased from 12.8 percent in FY2020/21 to 14.3 percent in FY2021/22. The level of interest payments exceeded the statutory benchmark of 3.9 percent of GDP and 10.0 percent of the revenue set out in the Debt Management Strategy 2020-2025. The increase in interest payments was due to increased borrowing to fund the budget deficit resulting from increased expenditure due to the outbreak of COVID-19.

vii. Contingent Liabilities

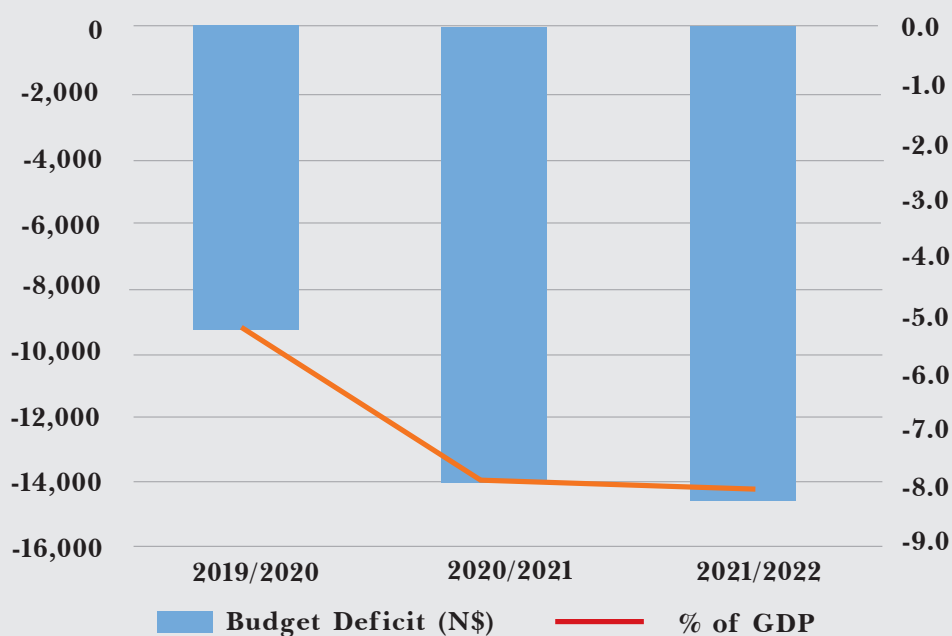
Government Guarantees increased by 1.9 percent from N\$10.1 billion FY2020/21 to N\$10.3 billion in FY2021/22. The increase was a result of new guarantees issued in favour of Road Fund Administration, Namibia Airport Company and Development Bank of Namibia. However, as a percent of GDP total guarantee decreased from 5.7 percent to 5.5 percent during the same period.

viii. Budget Deficit

The total budget deficit for the 2021/2022 fiscal year stood at 7.9 percent of GDP or N\$14.9 billion (Figure 6). This represented a reduction of 0.1 percentage point compared to the previous year. The budget deficit was funded through a combination of the domestic market, foreign market, Development Financial Institution (DFI) as well as cash balances, with the domestic market taking a substantial share of funding.



Figure 7: Budget Deficit



PART B: PROGRAMMES OF THE MINISTRY OF FINANCE

1. Economic Policy Advise

The objective of the programme is to advise the Government on economic policy aimed at fostering macro-economic stability, advancing economic development and addressing socio-economic challenges. Further, the programme designs a user-oriented programme of economic research that support the strategic priorities of the Ministry of Finance.

1.1 Directorate Economic Policy Advisory Services (EPAS)

The mission of the Directorate is to ensure informed planning and policy decisions by advising Government on matters related to maintaining macroeconomic stability, economic growth, regional and global economic integration, and policies to address social and economic challenges.

The key functions of EPAS include the provision of policy advice on macroeconomic developments (domestic, international, and regional economies), coordinating macroeconomic policy and fiscal policy framework, coordinating financial policies and regulatory framework including financial inclusion, providing financial education, and facilitating engagements with international and regional organisations. The Directorate has four Divisions, namely: Macroeconomic Analysis and Projections; Fiscal Monetary Policy and Financial Market Development; Financial Education and Consumer Protection as well as International and Regional studies.

Key achievements during the year under review

During the fiscal year 2021/2022, the directorate recorded some critical achievements, among these include the following:

a) Progress related to regulatory framework and compliance:

- i. Financial Institutions and Market (FIM) Act No. 1 of 2021 gazetted.
- ii. Namibia Financial Institutions Supervisory Authority (NAMFISA) Act, No. 3 of 2021 gazetted.
- iii. Common Monetary Area (CMA) Multilateral Monetary Agreement (MMA) ratified by Parliament.
- iv. Amendments to remove reference to insert FSA in full (FSA) from insert FIMA in full (FIMA) and NAMFISA Act were prepared and approved by Cabinet.
- v. Abolishment of Payment by Cheque Bill finalized and certified by Attorney General (AG).
- vi. Banking Institution Bill cleared by Ministry of Justice (MOJ) and referred to AG.
- vii. Regulation designating the activity not falling within the Meaning of "receiving Funds from Public", under the Banking Institution Act of 1998 certified for gazetting.

b) Statutory reports and publications:

- i. the 2022/2023 Fiscal Strategy for the Budget for the Budget and the 2022/2023-2024/2025 MTEF.
- ii. Citizen Guide to the Budget (CGB) 2022/2023, a simplified version of the National Budget was delivered and translated into 7 local vernacular languages for ease of access and understanding by majority of the population who do not have privilege of speaking and reading English.
- iii. the 2022/2023-2024/2025 Mid-Year Budget Policy Statement, which lays down the roadmap for fiscal policy stance of the following MTEF.
- iv. the 2021/2022 SADC Annual Macroeconomic Convergence Report for Namibia.
- v. Quarterly economic updater reports.
- vi. Southern Africa Customs Union (SACU) Economic Background Paper.
- c) Coordination of the implementation of Small and Medium Enterprises (SMEs) Financing Strategy.
- d) Financial education programs delivered amid challenging environment with strict health regulations in place, using mainly virtual platforms.
- e) Compilation and dissemination of quarterly Central Government Operation (CGO).

Challenges

Effects of the COVID-19 on staff members and more specifically working from home continued exerting pressure on them, thereby delayed delivery of some services.



GOVERNMENT EXPENDITURE MANAGEMENT

The main objective of this programme is to ensure the effective and timely formulation of the national budget and the Medium-Term Expenditure Framework (MTEF), proper budget control, accounting and reporting of financial resources and management of State assets and liabilities and to promote Public Private Partnerships.

2.1 Directorate Budget Management and Control

The Directorate is entrusted with the responsibility of coordinating the preparation, compilation, managing and controlling of the National Budget as well as the maintenance of an efficient payment system for the government.

The scope of responsibility entails coordinating the budget proposals from Offices, Ministries and Agencies (O/M/As), budget analysis, budget hearings, proposing preliminary budget ceilings, formulating the budget documents, distributing the budget documents to OMAs and the public after the Appropriation Bill is tabled in Parliament, loading the Appropriation Act in the Government financial system, release funds to OMAs monthly and thereafter, coordinating the execution of the budget.

The Directorate comprised two Divisions, namely Budget Control and Budget Management.

Key achievements

The following achievements were recorded by the Directorate during the review period:

i. The 2022/23 Annual plan was developed and implemented.

- ii. Mid-Term Budget Review Report was successfully delivered.
- iii. Budget preparation documents were fully finalized & compiled on time.
- iv. National Budget Appropriation Bill was tabled in the National Assembly on 24 February 2022, a month before end of the financial year (FY), in compliance with the National Assembly Standing Rule.
- v. Successfully issued daily Treasury Authorizations as requested by OMAs, enabling timely implementation and execution of their programmes.
- vi. Produced both the 2021/22 mid-term budget review (MTBR) and the 2022/23 main budget documents.
- vii. Produced estimates of expenditure books aligned to the Government Finance Statistic Manual 2014 (GFSM 2014).
- viii. Extra-Budgetary Units were classified as per the GFSM 2014.
- xi. Timely payment to beneficiaries and suppliers.
- x. Cumulative monthly funds totalling to N\$61.4 billion were timely released to O/M/As for spending.
- xi. All daily captured Payroll, Supplier and Daily Subsistence Allowance payments by OMAs were processed on time, within 30 days period to the Government Suppliers and beneficiaries.
- xii. The Directorate's budget was timely executed as per the Operational Plan.



EXPENDITURE AND FINANCIAL MANAGEMENT

The objective of the Directorate is to enhance effectiveness and efficiency in the payment system and to ensure that public expenditure delivers results and value for money, through the provision of financial and accounting services, including financial reporting. The Directorate operates through two Divisions, namely: Accounting and Financial Control as well as Financial Directives.

During the review period, the Directorate recorded some achievements while dealing with challenges as highlighted below.

Key achievements

- Successfully hosted consultative sessions with 32 Votes to assist with reconciliation of suspense accounts.
- Organised a workshop where the layman draft Public Finance Management (PFM) Bill was reviewed and discussed.

- Assisted OMAs with the implementation of audit recommendations.
- Processed manual bank transfers within 7 days.
- Processed EFT payments within 24 hours.

Challenges and opportunities experienced

- i. Slow progress on the drafting process of the Public Finance Management (PFM) Bill.
- ii. Delayed development of the non-tax revenue strategy.
- iii. Automation of manual bank transfers is an opportunity that can be embraced.
- iv. Automation of reconciliation of Ministerial bank account is an opportunity to be explored, that has the potential to eliminate the cumbersome manual reconciliation process presently in use.



ASSET, CASH AND DEBT MANAGEMENT

The key functions of the Directorate include ensuring sound management and control of State Assets, coordinating domestic and foreign borrowing and its associated costs as well as managing the issuance of government guarantees.

The Directorate has two divisions, namely, Asset Management and Cash and Debt Management

Key achievements

During the fiscal year 2021/2022, the Directorate recorded some critical achievements, among these include the following:

Asset Register finalised

- Physical verification of government fixed assets was done on three regions (Hardap, Khomas and Oshana).
- Updated the fixed public asset register with new acquisitions and disposals.
- Approvals of stock taking report, donation and disposal of asset done.
- Alienated 640 government houses to the sitting tenants countrywide at value of N\$232 158 773.54, as per Cabinet decision.

Fiscal Stability maintained

Funding strategy for 2021/22 FY's budget deficit developed and implemented.

Swap Agreement with GIPF was completed and implemented successfully.

Debt instrument in the domestic market issued in accordance with borrowing strategy.

Interest payment and loan repayment of the outstanding debt executed.

Loans negotiation with African Development Bank (AfDB) and International Monetary Fund (IMF) concluded.

New guarantees issued to state owned enterprises (SOEs) in line with guaranteed guidelines.

Issued new 584 housing collaterals above the target of 500.

Over N\$2 billion worth of Air Namibia guaranteed settled.

Debt Redemption Strategy and Positive Cash balance on State Account

- The annual cash flow framework was developed.
- Monthly cash flow meetings were held regularly.
- State account balance maintained at an average of N\$1 billion.
- ZAR Sinking Fund balance maintained at N\$1.8 billion to provide policy certainty on the government's loan agreements.

Subsidies Agreement with SOEs finalized

- i. Timely transfer of subsidies to SOEs on quarterly basis. Financial statements of SOEs analyzed, with appropriate recommendations submitted to Cabinet and tabled in parliament.

e) Gradual Leveraging of Public Assets report submitted to Cabinet

- iii. The listing of Mobile Telecommunication Company (MTC) shares was completed successfully and raised about N\$2.5 billion.

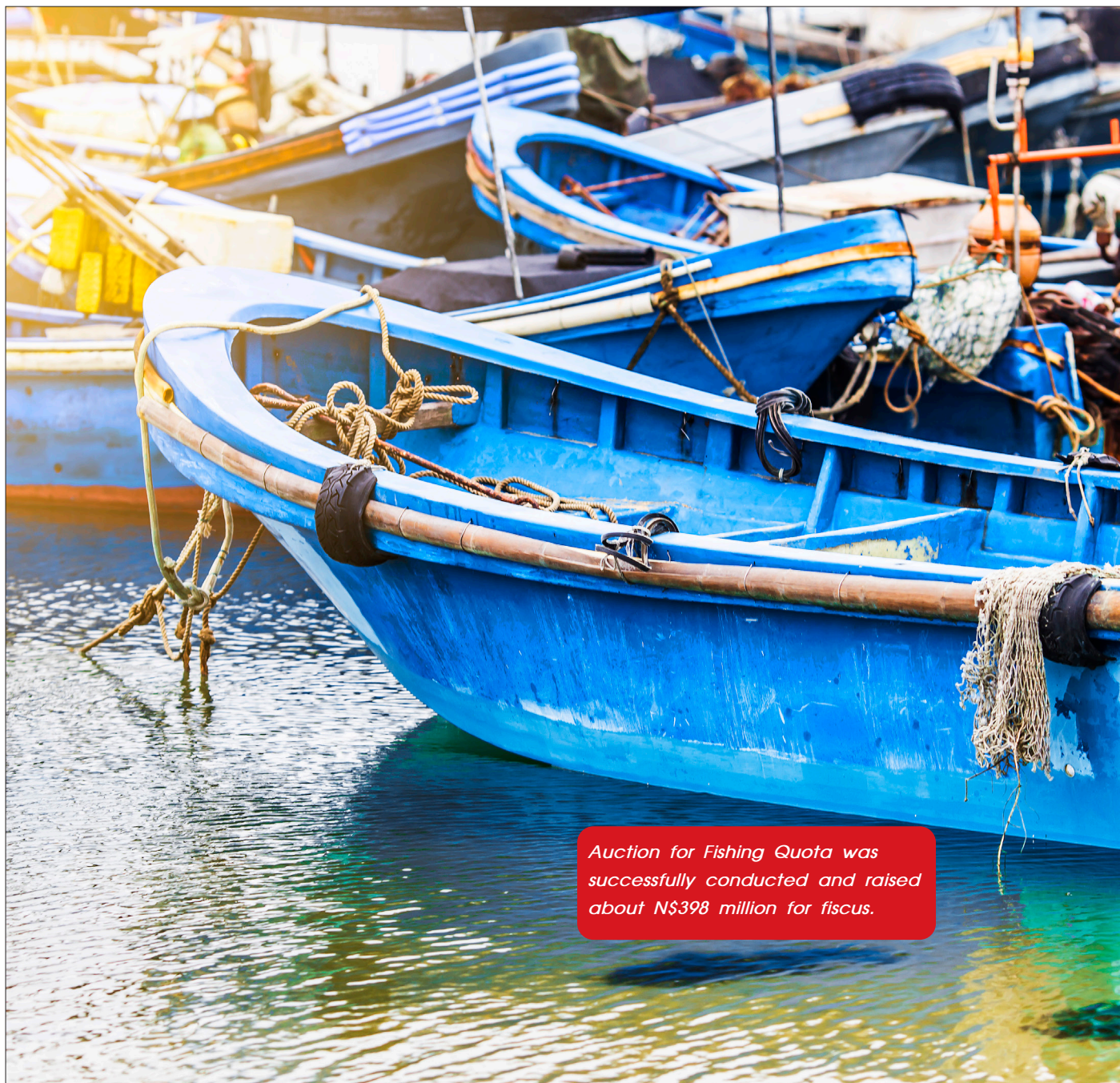


f) Fishing Quota auctioned

- i. Auction for Fishing Quota was successfully conducted and raised about N\$398 million for fiscus.

Challenges

- i. COVID -19 pandemic- prevented asset verification process.
- ii. Suspension of GRN auctions due to Covid-19 regulations and restrictions.
- iii. Insufficient resources to provide training to staff members.
- iv. Limited size of the domestic market to fund the elevated borrowing requirements.
- v. Elevated debt servicing cost.
- vi. Settlement of long outstanding refund to former Homeowners Scheme for Staff Members (HOSSM) beneficiaries.
- vii. Increased government spending remained a great challenge to stabilise debt growth.



Auction for Fishing Quota was successfully conducted and raised about N\$398 million for fiscus.

The objective is Public Private Partnerships Directorate ('PPP Unit') to carry out the core mandate of facilitating private sector investment and management expertise for development of Public Private Partnership (PPP) projects. The PPP Unit is responsible for providing guidance to public entities in preparation to take to the market credible PPP projects and subsequent conclusion of public private partnership agreements as well as capacity building in PPPs.

Strategic objectives for 2021/22:

To create an enabling environment to facilitate private sector investment and management expertise for development of Public Private Partnerships projects.

Key achievements

The PPP project preparation activities include facilitating the pre-feasibility and feasibility studies for identified candidate PPP projects and review of project documentation submitted by various government offices / ministries / agencies for transaction approvals at key stages of a PPP project development.

The following achievements were recorded during the review period:

- i. The Unit facilitated the Project Screening Framework and screened more than 5 potential PPP projects and together with Public Entities, facilitated 5 PPP project concepts.
- ii. The Unit successfully facilitated Transaction Approval 2A for the City of Windhoek's 25MW Solar PV PPP Project, from the PPP Committee.
- iii. PPP foundations trainings were successfully conducted and more than 150 individuals from both the public and private sector were trained.
- iv. About 17 outreach and capacity building engagements were held.
- v. The 6th PPP Conference was successfully held on the 16-17 June 2021. The official Project pipeline of screened and potential PPP projects was announced. The prioritized projects are in the sectors of water, housing accommodation, renewable energy and agriculture.
- vi. The Unit has worked closely with PEs particularly the Ministry of Higher Education, Technology and Information (MHETI), City of Windhoek and Namwater on the preparation of their PPP Projects.

Supported by the African Development Bank (AfDB), the Ministry through the PPP Unit competitively procured the consultancy services of Dr. Rajeev Mehta, a PPP Advisor to work closely with the Unit to develop Guidelines for Unsolicited Proposal Framework

(USF); develop guidelines for Assessing and Monitoring Fiscal Commitments and Contingent Liabilities (FCCL) from PPP Projects, work on the operationalization of the Project Preparation Facility (PPF) and to assist the Unit in the day to day activities. The deliverables are expected to be finalised within the 2022/23 financial year.

Challenges

- i. No flow of marketable projects, resulting in no single project transaction to date, thus delaying the practical learning experience of the Unit and Nation at large.
- ii. Limited capacity – specialized skills at the Unit and PPP Committee level.
- iii. No commitment from Public Entities to progress with procurement of their projects through PPP framework.
- iv. The Unit a high staff turnover and the lack of adequate workforce exert pressure on remaining staff hampering the smooth and efficient day-to-day operations of the Directorate.
- v. The current organizational structure is lean and thus no sufficient skillset to effectively carry out the mandate of the Unit.

Remedial actions undertaken to overcome challenges

- i. Enhance engagement with Public Entities and continue to popularise the PPP framework.
- ii. To reduce limited capacity, one additional staff member at the level of a Senior Economist was recruited. The Unit was also supported by a student intern for a period of 6 months.
- iii. Additionally, a concept note on the restructuring of the PPP Unit was presented to both the Top Management and PPP Committee and approved accordingly. The complete process baptised with the OPM approval is expected to be finalised in the 2023/24 financial year.



The main objective of the programme is to facilitate the implementation of the Public Procurement Act, 2015 (Act 15 of 2015) and to promote integrity, accountability, transparency, competitive supply and value for money in the procurement of assets, works and services. More specifically, the programme administers the Act and formulate guidelines related to the management of public procurement. The activities under the programme include implementation of the Public Procurement Act, Act 15 of 2015, conducting compliance monitoring by all Public Entities through the Procurement Policy Unit, creation of Standard Bidding Documents and other implementation tools and to review the procurement system.

3.1 Department Procurement Policy Unit

In terms of section 7(1) (e) of the Public Procurement Act, 2015, the Procurement Policy Unit (PPU) is mandated to monitor and report on the performance of the public procurement systems in Namibia, including the preparation of an annual report to be tabled in the National Assembly within six months after the end of each financial year and advise on desirable changes.

New Standard Bidding documents finalised.

Key achievements

- i. Key achievements recorded during the review period include the following: Significant progress made on the amendment to the Public Procurement Act, 2015- the Bill is at the last stages before enactment.
- ii. The e-Government Procurement (e-GP) Portal (Phase 1)- database and website developed and piloted in 2021/22. A total of 95 public entities trained
- iii. E-GP National Strategy finalised.
- iv. New Standard Bidding documents finalised.
- v. Code of Good Practice finalised and gazetted.
- vi. Procurement process for the services of the development of the Investigation Tools finalised.
- vii. Training Materials Development.
- viii. A Consultant was appointed to develop the M&E Framework.

Challenges

- COVID-19 pandemic affected compliance audit schedules and training.
- Non-compliance with sections of the law (e.g. widespread non-compliance on production and publishing of annual and individual procurement plans) delayed the processing of procurement approvals and procurement bids. Some public entities did not have the required appropriate internal organizational procurement structures.



The objective of the programme to ensure effective coordination and management of the Public Service Employees Medical Aid Scheme (PSEMAS) through the registration of members and coordination of members' services as well as timely payment of Health Services Providers claims.

Division Medical Aid Scheme

The functions of the Division include capture new members and application forms, health care scheme management, to audit and process claims submitted to the scheme, ensure operationalization of the Biometric Identification System, to conduct compliance and forensic Audit on fund administrators.

Key achievements

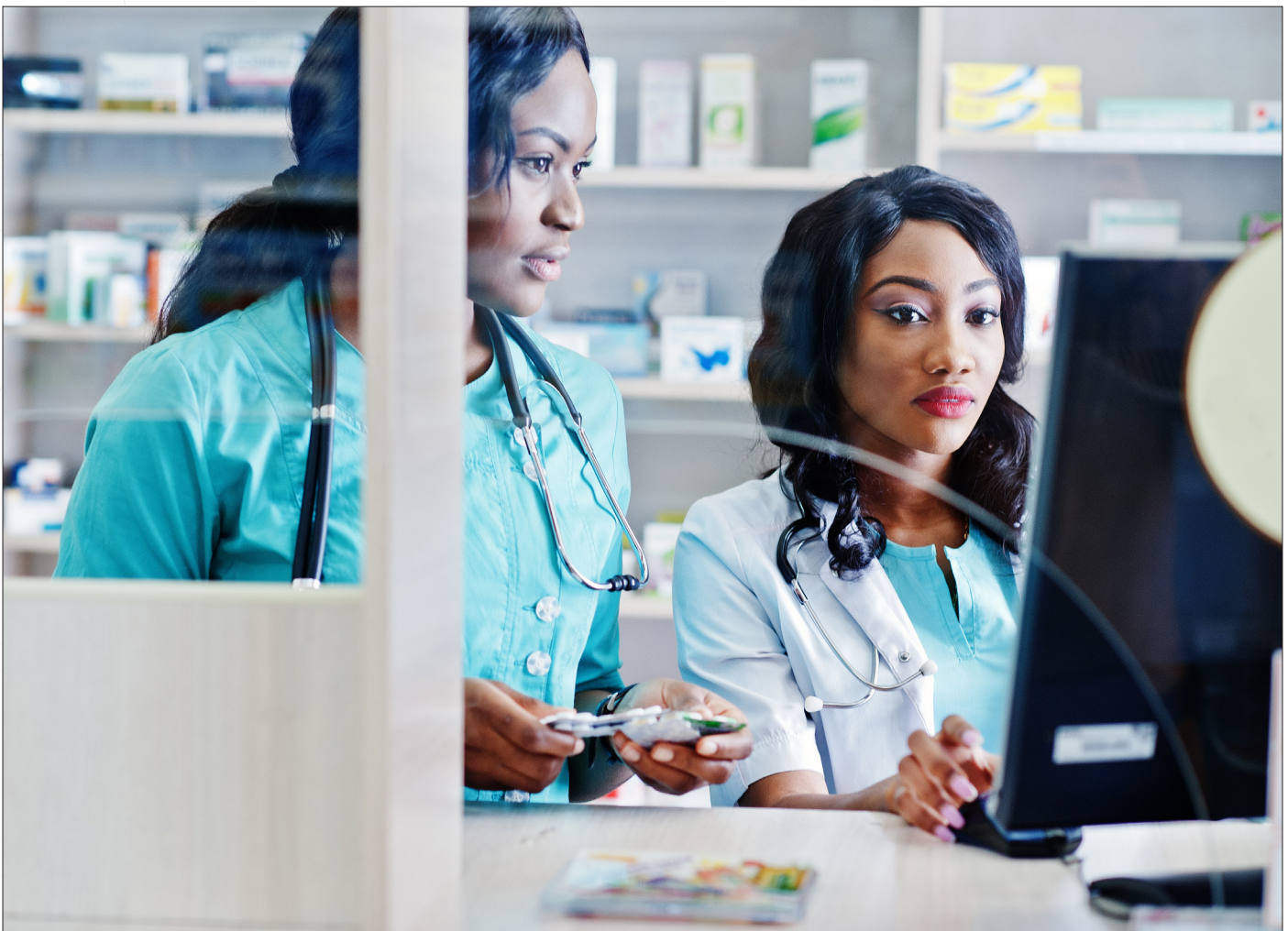
Concluded phases 1 and 2 of the re-registration process, which was piloted with the Office of Prime Minister, i. Anti-Corruption Commission (ACC) and Electoral Commission and 14 Regional Councils. The main activities were the extraction of membership data from the IFMS

Medical Aid System, scrutinizing such data and engaging stakeholders to facilitate the registration process of PSEMAS members.

- ii. PSEMAS contract claims were processed and paid within the stipulated time frame of 60 days after receipt of the claims, as per the set terms and conditions of the PSEMAS Contract for the Provision of Healthcare and Other Related Services.
- iii. Short-term PSEMAS reviews such as the re-registration of members and the collection of arrear medical aid contributions were identified to curb some system inefficiencies.

Challenges

The challenges included the impact of Covid-19 on both physical and emotional side of the Division's staff and being a customer-centric office dealing with a huge number of walk-in clients daily.



The objective of the programme is to oversee government policies and operations related to fiscal and financial affairs of government, and to ensure that objectives are achieved, and policies are properly implemented. Furthermore, the programme is responsible for policy reviews and approvals.

Directorate Government Internal Audit

The responsibilities of the Directorate include among others, oversee the effective implementation of the Public Sector Internal Audit Standards (PSIAS) as well as coordination and harmonisation of the Government Internal Audit function.

Key achievements

Among the achievements recorded during the review period, include the following:

- i. Implementation of sitting allowance for Audit Committee members in the public & private sector.
- ii. Professional Internal Auditor (PIA) Training program on training modules 1, 2 and 3, 26 successfully completed, attended by 9 from Ministry of Finance (MOF) and 17 from OMAs.

- iii. Criteria for the establishment of Audit Committee completed and delivered to all OMAs and created a data base for audit committees established.
- iv. The reports on investigation conducted on OMAs finalised and shared with relevant authorities.
- v. Developed report writing training program and shared with relevant authorities.
- vi. Technical committee was established and functioning effectively.

Challenges

The Directorate experienced some challenges, including the following:

- Lack of understanding of the activities of the Directorate by various stakeholders who expected it to function like any traditional internal audit unit.
- Delays in special assignments due to COVID-19 rotational leave at Auditees.
- Lack of budgetary provision for special assignments.



INTERNAL AUDIT

The objectives of the Internal Audit of the Ministry include the provision of assurance to the Accounting Officer on the adequacy of controls within all financial and operating systems.

The Division also provides management with relevant reliable and objective information on the effectiveness of systems and practices in place that will ensure the achievement of the operational objectives.

Internal Auditors evaluate risks relating to the:

- i. Information system environment.
- ii. Reliability and integrity of financial and operating information.
- iii. Effectiveness and efficiency of operations.
- iv. Safeguarding of assets.
- v. Compliance with laws, regulations, and contracts.
- vi. Assessing and Evaluating the Risk Management process of the Ministry of Finance.

Key achievements

The achievements recorded by the Division during the review period include the following:

- i. Integration of Risk Management Coordination function, in the absence dedicated risk management coordination.
- ii. Conducted Enterprise Risk Management (ERM) consultation with various business units.
- iii. Cure rate reports issued for management consideration. Follow-up audit was conducted to establish the level of implementation of prior audit recommendations and their subsequent management action plans.

Challenges

- The institutional risk register was not updated to give an indication as to which areas are of high priority to be included in the risk based internal audit plan.
- Lack of coordination with External Auditors to combine efforts.



INFORMATION TECHNOLOGY

The Division is responsible to ensure the overall management of Information Technology (IT) of the Ministry of Finance, through the acquisition and maintenance of IT equipment and systems of the Ministry; the provision of IT support and the installation of systems to all and monitoring of infrastructure that supports the availability of all systems to all end users.

IT division further strengthened the governance of ICT and achieved better collaboration and greater economies of scale as more ICT resources were shared.

Critical at the time of working from home, the help desk was capacitated to ensure offsite assistance.

IT increased its computing capacity fourfold and initiated an upgrade of its wide area network links.

Steps were taken to further increase the maturity of the Ministry 'business continuity capability and disaster recovery.

Key Achievements

- i. Successful IFMS hardware upgrade.
- ii. Successful IFMS disaster recovery setup.
- iii. Successful network moves and bandwidth upgrades.
- iv. 78% IT staff attended various IT trainings.

Challenges

- i. Specialised skills gap.
- ii. Cyber-security threat.
- iii. Lack of capacity for programming / software development.
- iv. Alignment of business processes.



IT division further strengthened the governance of ICT and achieved better collaboration and greater economies of scale as more ICT resources were shared.

ADMINISTRATION

The objective of the Directorate is to ensure effective leadership strategic management and administrative support to the Ministry through continuous refinement of organisational strategy and structure in line with appropriate legislation and best practice.

The Directorate comprises of six Divisions, namely Human Resource, Training and Development; Financial Services; Medical Aid, General Services, Review Panel as well as Security and Risk Management.

Financial Services

The mandate of Financial Services Division is to ensure the provision of prudent financial management within the Ministry of Finance which includes amongst others the preparation of the Ministry of Finance's budget and budget execution in line with applicable laws and regulations governing state finances.

Main responsibilities:

- Processing and payment of claims and invoices
- Payroll Administration
- Reconciliation of Suspense Accounts
- Budget preparation
- Preparation of Financial Statements

Key achievements:

- A total amount of N\$1 559 808 871 of non-tax revenue was collected against a projected target of N\$1 126 360 637. Coordinated the Ministry's programmes consolidated execution report for the period under review.

Challenges

- i. Shortage of human resources to cope to handle additional workload when O/M/As exhausting their annual allocation before the end of the Financial Year and payments are brought to the Ministry of Finance for payment through the Contingency Fund.

Human Resources Management

Seven (7) misconduct cases were finalised as planned. Quarterly performance review facilitated, and annual performance report produced on a quarterly basis.

Affirmative Action report for the 2021 produced and submitted to Office of the Prime Minister (OPM).

A new department (Economic Policy Department) with the Tax Policy Unit was created on the Ministry's establishment.

Challenges

- i. Prolonged process to finalise misconduct cases due to various reasons such as long investigations, seeking legal advice, postponement due to unavailability of Committee members or accused staff member.
- iii. Limited understanding of Performance Management System (PMS)
- iv. Non-compliance to PMS deadlines.

General Service

- i. Prepared consolidated Annual Procurement Plan for the public entity.
- ii. Implemented Annual Procurement Plan.
- iii. Staff Members trained on Contract Management.
- iv. Contract Management System implemented.
- v. Spreadsheet developed to monitor the Bidding process.

Challenges

- i. Inadequate skills on drawing up of specifications.
- ii. Vague specifications from user departments lead to unresponsive bids and prolong the procurement process.
- iii. Non-adherence to mandatory requirements by bidders.
- iv. Reliance on stakeholders for maintenance specifications.

Security Management

- i. Security Policy finalised and approved.
- ii. Vetting process reviewed.
- iii. Digitalized Access and Movements Controlling System within Head Office (new building) where staff member passport IDs have been obtained and uploaded on the Access Control system.
- iv. Improved Security Management Services CCTV, Security Contract.
- v. Security investigations conducted on reported and registered cases, security breaches and security issues affecting the Ministry over the year.

Challenges

- Delay on procurement to overhaul fire system.
- Clear separation of functions between MoF and Namibia Revenue Agency (NamRA).

Review Panel (Secretariat)

- i. All review applications were recorded as and when received.
- ii. Ensured that the register was updated, and all cases were provided serial/case numbers.
- iii. Ensured that draft orders were issued, signed and distributed within the timeframe of the Act.
- iv. Ensured that sitting allowance and retainer fees were paid timely and tax certificates is issued timely to Panel Members.

Challenges

- Delay in creation of the Review Panel Secretariat structure.

PSEMAS reforms

- i. Produced final report and recommendations for the final drafting of the white paper on PSEMAS reform.
- ii. Clinical Governance Services Namibia was appointed in October 2021, to perform an actuarial assessment of PSEMAS and to make recommendation. First Technical Review Report produced and presented to stakeholders (PSEMAS Coordinating Committee PCC, and Prime Minister and Ministers of Finance and Health as well as Health Care Service Providers).
- iii. Re-registration of PSEMAS members in Offices, Ministries and Agencies under phase 3 & 4 commenced.

Integration of membership systems

- i. Extraction of main member & dependent file data received from (Silnam) and submitted to Methealth Administrators for reconciliation of the data.
- ii. The exception reports for both main members & dependent data were produced and shared with Silnam for reconciliation of data.
- iii. The daily data dump could not commence as planned on the 1 December 2021. It was established that there were some discrepancies on the IFMS and Methealth system.

Challenges

- i. Slow process of re-admission of members of PSEMAS who were kicked out of the system.
- ii. The integration of PSEMAS membership systems could not be completed
- iii. PSEMAS reforms delayed by COVID-19.



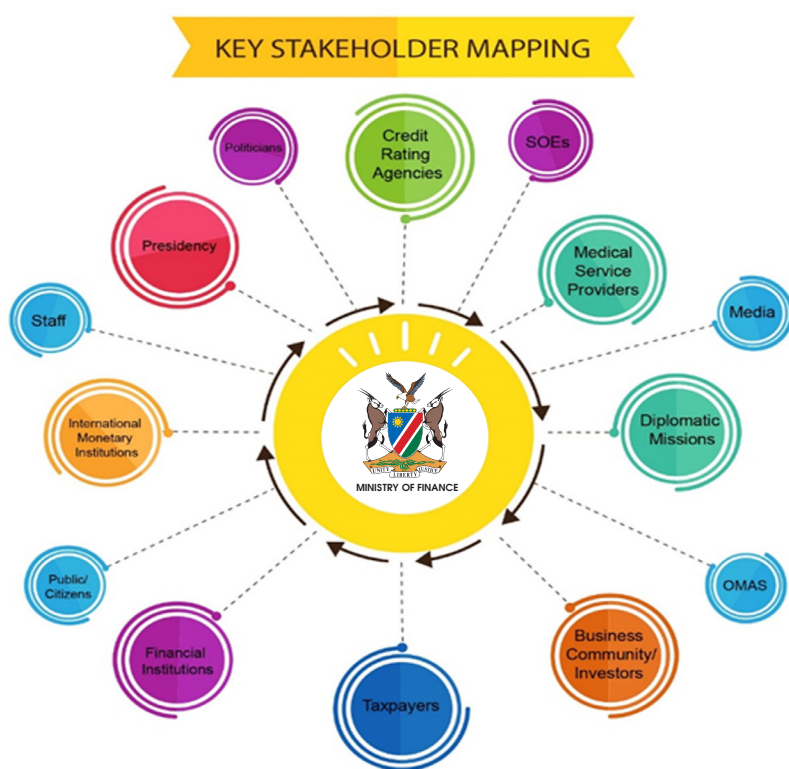
STAKEHOLDERS ENGAGEMENT

The Ministry value the importance of positive engagement and collaboration with all the stakeholders to support government operations throughout the country. As the Ministry of Finance is mandated to formulate economic and fiscal policies that seek to manage public finances to promote socio-economic development and sustainable economic growth.

The Ministry further manage the State Revenue Fund, assets, and liabilities as well as to promote ultimate oversight of the financial sector. As part of the stakeholder engagement, which is central to the budget preparation process, the Ministry undertakes annual public engagements through elected political office bearers, the youth representative, the business community,

organized labour representatives, professional bodies, civil society, academia and regional government, among others.

The defining conversation during engagements centered on highlighting government investment priorities and gathering views on potential policy propositions for the forthcoming annual budget. The Ministry highlights national priorities as outlined in the national development plan and other strategies, outline key areas of national focus and importance as reflected in the budget, highlight the macroeconomic developments in the domestic and international markets as well as implications on the national resource envelope.





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