

**PUBLIC FISCAL MANAGEMENT & OVERSIGHT IN NAMIBIA: THE NEED FOR PUBLIC PARTICIPATION AND REFORM****PUBLIC FINANCES: THE PUBLIC'S WALLET**

Effective and efficient management of state finances constitutes a crucial duty of any government. A state's money pays for important public services such as education, healthcare, law enforcement, public roads and railways. Without functional public services, society would be severely hampered in its overall economic and social development. In addition, citizens would see little need for or value in contributing to the government's coffers.

State finance plays an important role in national economies, especially in developing countries. Government funds are an important source of financing for public development projects such as roads, hospitals and schools. Such budgetary development expenditure can also be a useful policy tool to stimulate local economic growth, as well as support businesses and job creation. All these factors underscore the need for competent management of public finances. For democratic states in particular, it is important that governance mechanisms are put in place that ensure that public finance is not only managed sensibly, but also in a transparent and accountable manner. After all, state revenue comes from taxpayers, businesses, ordinary citizens (via standard taxes on goods and services), public services and regulatory fees.

**THE ISSUE: MANAGING PUBLIC MONIES**

The practical application of competent fiscal management in the public sphere, is grounded in national legal frameworks and the existence of specific government institutions, such as a public audit office, the Ministry of Finance (MoF) and Parliament, who are tasked with ensuring fiscal management and oversight. Nevertheless, international experience has shown that such mechanisms are oftentimes inadequate in ensuring a high level of transparency and accountability regarding the use of public monies. Even industrialised and mature democratic nations struggle to address wastage and maladministration of public finances, with elected representatives and officials often turning a blind eye to audit recommendations. There is adequate evidence that this issue is also affecting Namibia's public sector.

Partly as a result of this condition, as well as broader governance developments over the past decades, various stakeholders and organisations globally have called for reforms of how states manage and account for their public finances. One example concerns the push to make government budgeting processes more transparent and inclusive – an endeavour promoted by the International Budget Partnership (IBP), a non-profit organisation.<sup>1</sup>



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Citizens and residents want – and have a right – to know what this money is utilised for. Poor management or the outright corrupt handling of public finances should lead to negative consequences for the officials and politicians involved, as well as reforms on public spending. Thus, the transparent and accountable management of public finances should lead to a better use of public monies for all citizens, curb mismanagement and corruption, and result in an overall more effective and responsive public sector.

The drive for fiscal management reform in the public sector has not passed public auditors by, and in response many states have developed and expanded the audit activities conducted by their respective Supreme Audit Institutions (SAIs). SAIs have, for example, focused increased efforts on publicising and communicating their work since the 1990s.<sup>2</sup> The rise and increasing sophistication of performance auditing in the public sector is another development of the fiscal reform agenda.<sup>3</sup>

<sup>1</sup> <https://www.internationalbudget.org/>

<sup>2</sup> Köse Ömer H. and Baimyrzaeva Mahabat. The Role of Supreme Audit Institutions in Improving Citizen Participation in Governance. In *International Public Management Review*. Vol. 15, Iss. 2, 2014. 79.

<sup>3</sup> Daujotait Dalia and Macerinskien Irena. Development of Performance Audit in Public Sector. Conference paper, 5th International Scientific Conference: Business and Management, May 2008. 178. <https://www.researchgate.net/publication/237772531>

A further undertaking to improve transparency and accountability in fiscal matters is the introduction and application of public participation into the operations of SAIs. Engagements with stakeholders as well as the broader public utilise methods such as town-hall meetings, consultations with interest groups and associations, and formal complaint mechanisms. International evidence suggests that public and stakeholder engagement opportunities improve governance outcomes in many areas of public concern.

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## PUBLIC FINANCE & PUBLIC PARTICIPATION

Globally, most SAIs are still at the beginning phase of implementing comprehensive and formal public engagement efforts as part of their operations. Public auditors and institutions face many challenges in implementing such efforts. Nevertheless, there are global examples of individual SAIs integrating novel ways of engaging with stakeholders and the wider public, while still maintaining the institution's independence and mandate. Acknowledging both the relevance of public participation and the challenges in its implementation, international organisations such as the United Nations and the International Organization of Supreme Audit Institutions (INTOSAI) have endorsed the approach, and developed guidance and support programmes for its application in member countries and SAIs. Namibia's Office of the Auditor-General (OAG) as well MoF have undertaken tentative steps in this regard: the former has drafted a stakeholder strategy, while the latter has conducted limited engagements on fiscal matters with stakeholders including on the recent annual budget formulation.

## NAMIBIA: TROUBLESHOOTING POOR FISCAL MANAGEMENT

Namibia unfortunately, scores poorly on overall fiscal transparency and accountability. The IBP regularly produces an international 'Open Budget Survey' (OBS) which ranks countries according to budget openness. Countries require a minimum score of 61 out of 100 points overall to classify as budget transparent. Namibia, as well as many other countries, does not in the latest OBS survey from 2019. Furthermore, the country performs badly in other sub-categories especially in fiscal oversight by the legislature and public participation (Table 1).<sup>4</sup>

**Table 1: Open Budget Survey 2019 Scores by Category: Namibia<sup>5</sup>**

	Total Average Transparency Score (or open budget index)	Public Participation	Oversight: Legislature & SAI	Oversight: Legislature	Oversight: SAI	Independent Fiscal Institution: (Yes/No)
	51	0	46	31	78	No

It is thus no surprise that many Namibian citizens have lost considerable trust in government institutions and elected representatives, although this is also the result of other issues besides public finances. There is an urgent need for the OAG, MoF and Parliament to improve transparency and accountability with regards to public finances.<sup>6</sup>

Stakeholder engagement opportunities in Namibia on public finance management and oversight are very limited, and primarily consist of basic consultations. Public engagements in general are non-existent apart from occasional public parliament committee meetings questioning representatives of public entities on use of monies. However, the IPPR study has found that there is a clear demand among stakeholders for more and meaningful public engagement opportunities with the state entities that manage public finances, including the MoF, Parliament and the OAG.

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<sup>4</sup> IBP. Open Budget Survey 2019. 24 – 5. <https://www.internationalbudget.org/open-budget-survey/open-budget-survey-2019-0>

<sup>5</sup> Compiled from: IBP. Open Budget Survey 2019, 84.

<sup>6</sup> Survey Warehouse. News Release: Trust in political institutions is on the decline in Namibia, Afrobarometer survey shows. Afrobarometer. March 23, 2020. 1.

Furthermore, stakeholders have identified an overall need for the government to improve transparency and accountability with regards to the management and oversight of public funds. The majority of informants that partook in IPPR's study called for improved oversight measures, with many advocating for legal reforms. There was, however, no clear consensus on where these legal powers should be situated and what they should entail.

In general, among most stakeholders there appears to be great dissatisfaction with the long-standing status quo in public finances, including the failure to prioritise transparency and accountability especially among state-owned entities (SOEs), and a host of public audit recommendations that are never applied. Finally, the study also found a woefully low level of awareness and understanding of the public fiscal realm, among both specific stakeholders and decision-makers, as well as the wider public.

## NAMIBIA: GOOD FOUNDATIONS FOR REFORMS

There are a number of positive factors which can provide the foundation for improving the overall situation regarding public fiscal matters in the country. These can be summarised as follows:

- A well-established, functional OAG with a strong legal mandate anchored in the Constitution.
- An established norm of conducting public and stakeholder engagements around public as well as private sector projects and issues. Some engagements have also been conducted between stakeholders and the government on fiscal matters.
- Key governance institutions, including the Office of the Auditor-General and the Ministry of Finance, have voiced their support of the public participation approach, as part of this study.
- Stakeholders in sectors including financial services and the media have indicated interest in furthering consultation efforts with government entities around fiscal issues.
- A broad consensus among most informants, including parliamentarians, that the current status quo of transparency and accountability in public finances is inadequate and requires urgent and comprehensive reform.
- Regulators are aware of deficits in the accounting practices in the public sector and seek to address these together with private stakeholders, such as the Namibia Institute of Professional Accountants (NIPA) by establishing a dedicated and accredited training regime.
- The Namibian state is party to international treaties which affirm public participation as a pillar of good governance. As a result, international organisations offer a raft of resources including guidance and standards for individual nations seeking to adopt and implement public participation.

## WHAT CAN BE DONE? RECOMMENDATIONS:

- 1 Government institutions and relevant stakeholders should implement the public participation approach in a deliberate and formal manner with regards to public fiscal management.
- 2 Key public entities tasked with fiscal management and oversight in the public sector, including the MoF, OAG and Parliament, should be more proactive in communicating and raising awareness among the broader public about the importance of transparent and accountable fiscal management in the public sphere.
- 3 In the medium--to long-term, regulators should consider revising and strengthening the legislation governing the management and administration of public finances. Legislators should consider mechanisms which could compel public entities to improve fiscal management and controls. In the same vein, the Audit Bill should be revised.
- 4 Any envisioned reform of fiscal regulations must go hand-in-hand with the provision of adequate human and financial resources for the relevant public entities tasked with their application. Measures could also include capacity building and requesting specific technical assistance around fiscal oversight from donors.
- 5 Civil society, professional associations, media and other interest groups should actively support and encourage key government regulators in addressing fiscal management and oversight issues. Crucially, these stakeholders should aim to improve overall transparency and accountability in the public sector. These efforts could be subsumed under a broad coalition among stakeholders for improved coordination and impact.
- 6 There is a need to address issues within the broad working culture of the public service and elected representatives pertaining to transparency, accountability and public presence. Many citizens lack trust in government institutions and performance, specifically with regards to maladministration and corruption. This leads to various negative consequences for governance outcomes and the country's democratic development. An overall focus on raising competence levels, accountability and ethical conduct within the public service should be a national priority.

# PRACTICAL EXAMPLES OF PUBLIC AND STAKEHOLDER PARTICIPATION



Public institutions, including SAIs, have access to a broad range of international guidance, tools and supporting literature to plan for and implement public and stakeholder participation efforts. Public participation requires resources, time and skilled staff. Therefore, it is important that such efforts are planned out properly prior to implementation. In this regard, it has become standard practice worldwide for both the public and private sectors to establish various stakeholder engagement plans or strategies.

## 1. Complaint mechanisms

It appears that such mechanisms are one of the preferred ways for SAIs to engage with the public – for example, most SAIs in South America have established such a channel.<sup>7</sup> A complaints mechanism in the form of a dedicated email address or hotline can be a valuable tool for SAIs. This mechanism, if properly formalised, advertised and promoted, can channel citizens' ideas and concern to SAIs.

## 2. Use of social media

Social media is an excellent tool to raise awareness and share information with large segments of the public. However, it needs to be monitored carefully to avoid misuse or irrelevance.

## 3. Public and stakeholder surveys, and focus groups

Surveys and focus groups are a good way for SAIs to extract specific information from stakeholders, both about their shortcomings and success. They can also lead to deeper and stable relationships with stakeholders. Focus groups can also be utilised to identify areas of improvement by the SAI.<sup>8</sup> The design and implementation of such tools have the advantage that they can be controlled and tailor-made to serve individual SAI's needs.

## 4. Formal discussion forum for external stakeholders

Formal discussions with stakeholders take engagement further, because they create space for more in-depth and critical dialogue. Having regular forums and sharing the proceedings with the general public could be a valuable method of sharing information. Public auditors could, for example, use such a forum to deliberate on performance issues in the public sector with civil society and business representatives.

## 5. Citizens' advisory committees

Forming advisory committees of members of civil society and professional audit institutions would give SAIs access to a dedicated, diverse and well-informed group of stakeholders. In this way, a few individuals can represent a much wider group of people and stakeholders, and limited the administrative burden on SAIs.<sup>9</sup>

**The complete study: *Keep Your Eyes On The Money - Public Fiscal Management & Oversight in Namibia: The Need For Public Participation and Reform*; can be found on IPPR's website.**



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<sup>7</sup> OLACEFS. Diagnosis of the implementation of impact indicators of good practices of citizen engagement of the members of the CTPC of OLACEFS 2017. June 28, 2017. 27.

<sup>8</sup> INTOSAI. Guidance on Supreme Audit Institutions' engagement with Stakeholders. 66. <https://www.idi.no/elibrary/well-governed-sais/sais-engaging-with-stakeholders/697-idi-sais-engaging-with-stakeholders-guide/file>

<sup>9</sup> <https://www.epa.gov/international-cooperation/public-participation-guide-citizen-advisory-boards>