



National Budget 2012/13 Critical Critical Review of Outcomes and Design

Leonard Kamwi

Outline

1. A Glance
2. Macroeconomic Assumptions
3. Fiscal Stance
4. Spatial Picture of Unemployment Numbers
5. How Targeted are the Investments?

Glance

Coming to the details of the budget, **it is not an expansionary budget but simply one that blotted in size**. Size of the budget is N\$40.2 billion against N\$37.1 billion last year. The biggest heads of expenditure are as follows:

Education: N\$9.2 billion or 23.4% of the total outlay

Health: N\$4.0 billion or 9.9%

Defence: N\$3.4 billion or 8.5%

Finance: N\$3.3 billion or 8.2%

Transport: N\$2.5 billion or 6.2%

Police: N\$ 2.4 billion or 5.9%

Interest Payments: N\$2.2 billion or 8.3%

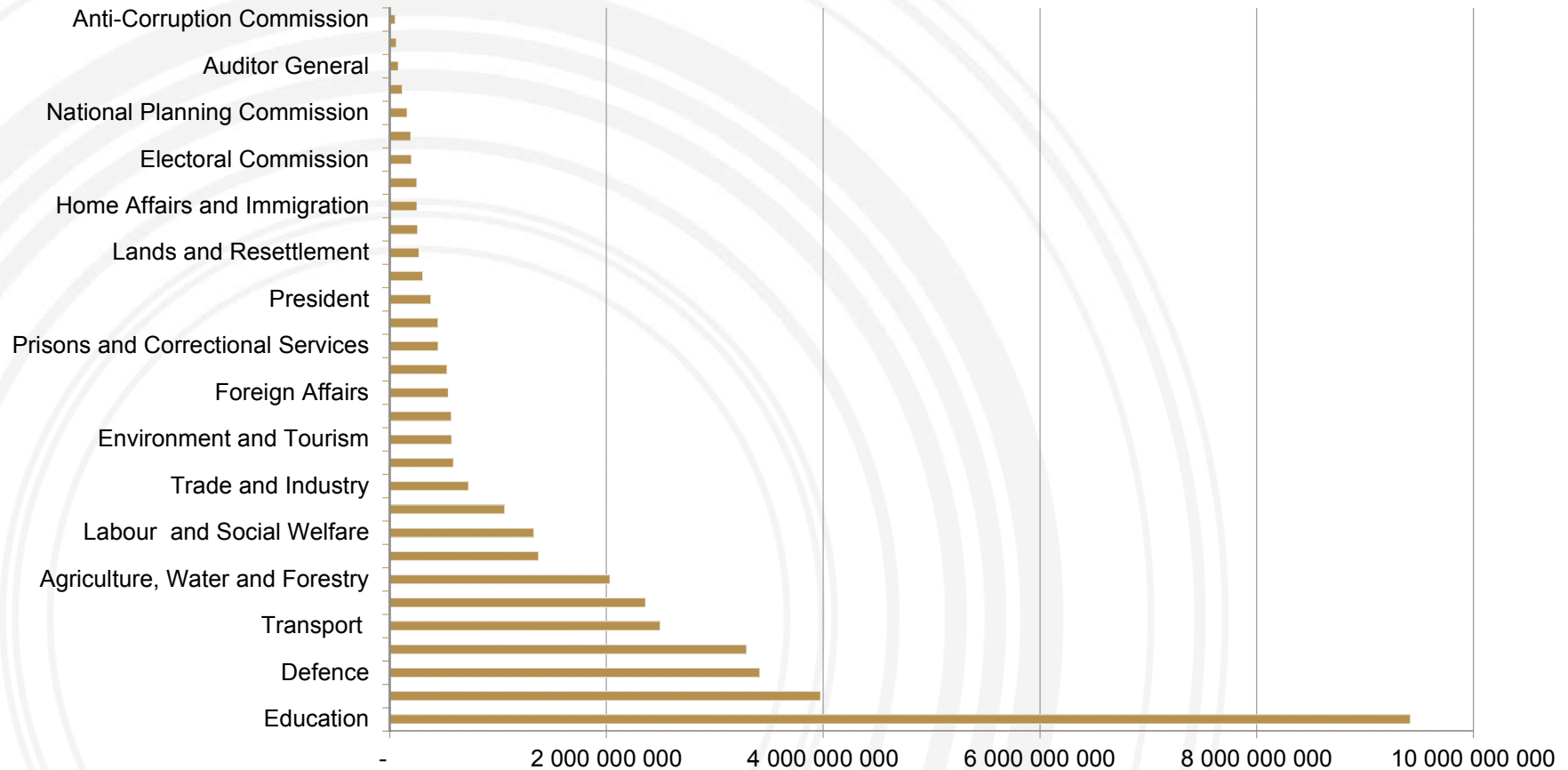
Against a total outlay of N\$40.2 billion, the budget forecasts total revenue at N\$35.4 billion, leaving a fiscal deficit of N\$4.7 billion which is 4.6% of the gross domestic product (GDP). It will be met through Cash Reserves of N\$2.6 billion, net external financing of N\$860 million, domestic borrowing of N\$2.1 billion.

Coming to the Revenue side, realistically speaking, though unfortunately, the taxes to be collected are heavily skewed towards SACU N\$13.8 billion.

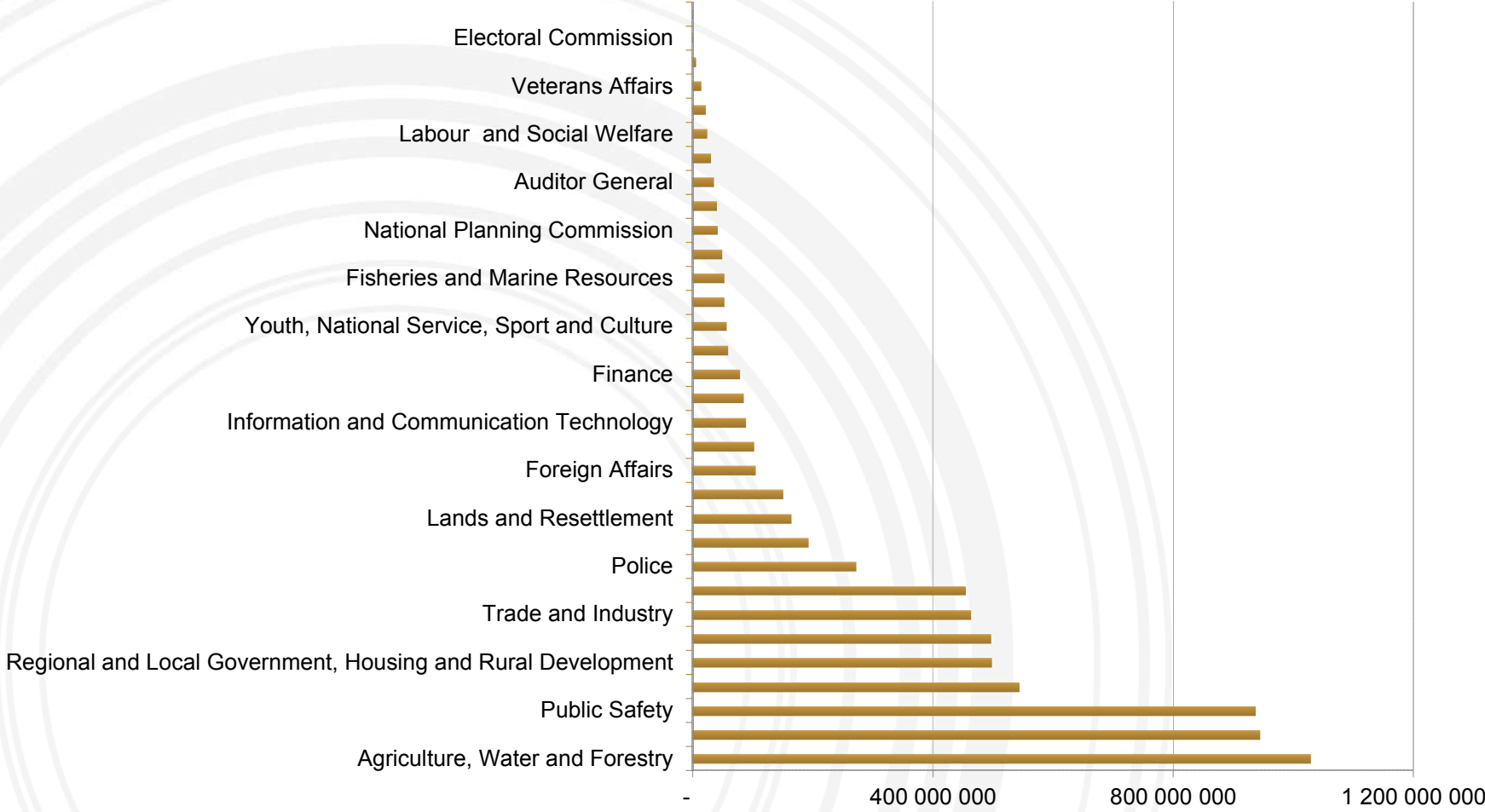
Key Themes

- **“Doing more with less”:**
- **“Fiscal Sustainability”:**
Fiscal rules are redefined and an acknowledgement is made that we are close to the limits.
- **“Gradual withdrawal of significant fiscal expansion”**
- **“Reorienting TIPEEG”**

Expenditure by Vote



Development Budget by Vote



Macroeconomics Assumptions

Staying conventional, for now

GDP Growth & Inflation

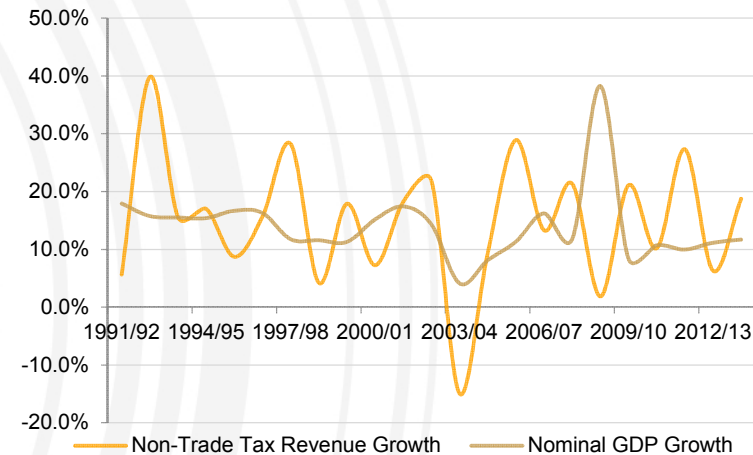
- The other macroeconomic assumption of note in the budget is lower GDP inflation. The nominal GDP projections imply an average GDP inflation of around 6.0% over the MTEF. While this may be conservative, the strong real growth assumption 4.7% average in the budget has implications for monetary policy, with consequence that the authorities may be understating the debt servicing costs.

Real GDP	2012	2013	2014
Growth	4.4%	4.8%	4.90%

Revenue Growth	2012	2013	2014
2.00%	31.6%	-0.5%	12.5%

Realistic!

- All in all the macroeconomic assumptions are realistic. The growth prospects gives a reassuring view of the future of Namibia's public finances than last year's budget with nominal spending capped over the coming three years, progressively smaller deficits and lower overall debt.



Fiscal Stance

Gradual withdrawal of fiscal expansion!

Probably Still expansionary!

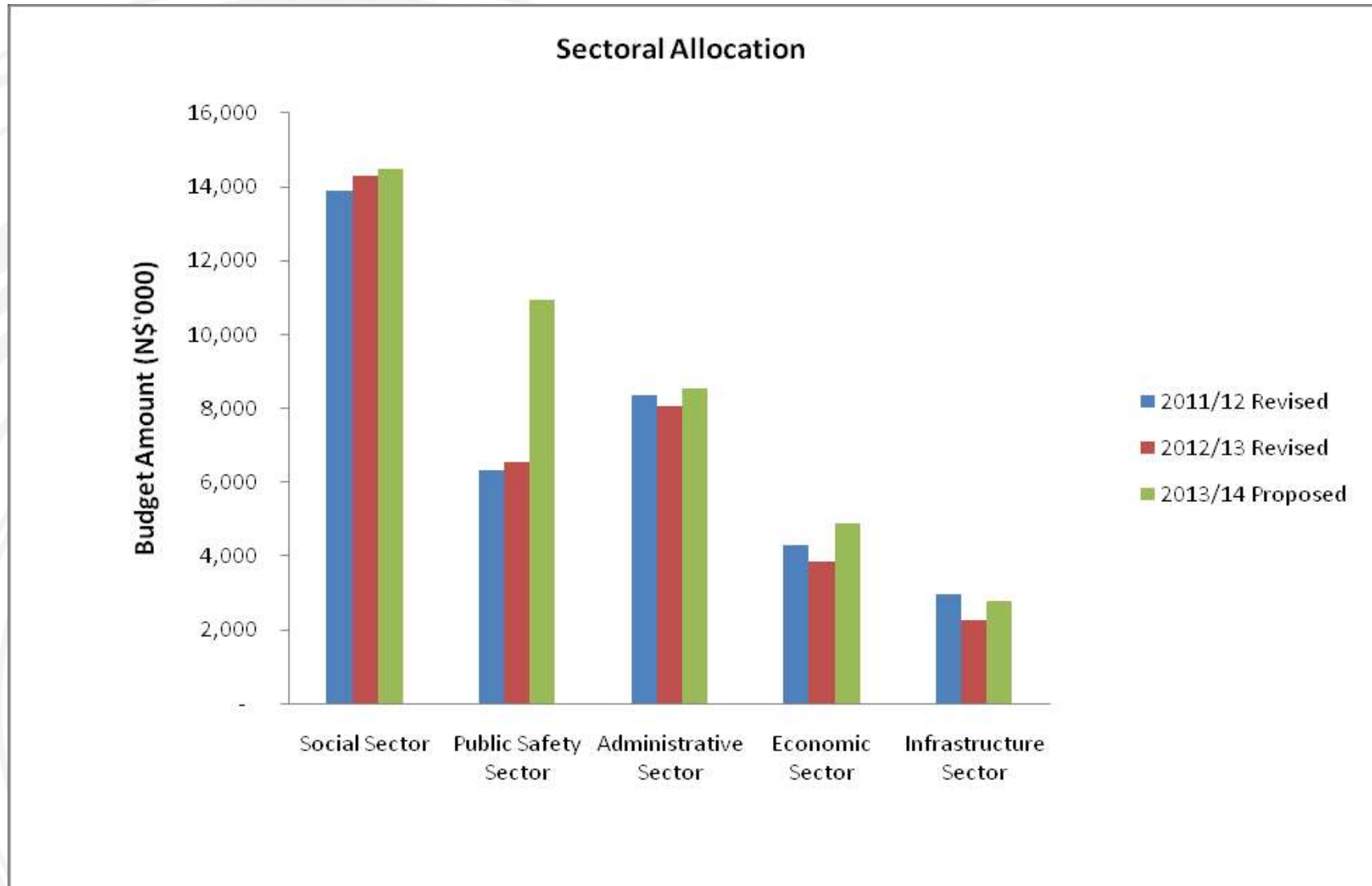
- If the execution rate in 2011/12 comes in at less than 90% or N\$33.4 billion of last year's proposed outlay, then spending of N\$40.2 billion implies a 20.4% growth over the previous. By Any measure that is a huge increase.

Doing more with less?

- The outlays are not less than anything seen before, the increase is just less than last year.

Although there is a notable change in the fiscal priorities as highlighted in the speech, there is no commensurate change in the direction of spending. Spending is still heavily directed towards the social sectors. The strategy appears to be, to give the economy a big push in 2012/13 then retrace a little in year two, perhaps to gather momentum, then increase spending by a huge margin again in year three. Although the rationale for this is not clear, it is indeed the same pattern we observed in the prior MTEF. The only other thing we have observed is that, when the second year finally arrives, the allocations get revised upwards again such that an exponential trend is created.

Figure : Sectoral Allocations



Source: Ministry of Finance



How Targeted are the expenditures and Investments ?

Some Stylized Facts

Unemployment: 51.2% ranks 192

- › Highest in predominantly communal areas of Ohangwena, Omusati, Oshikoto, Kavango & Caprivi
- › Unemployment is also highest among women, the youth and unskilled or trained

GDP - composition by sector:

- › agriculture: 9.6%
- › industry: 34.2%
- › services: 56.2% (2010 est.)

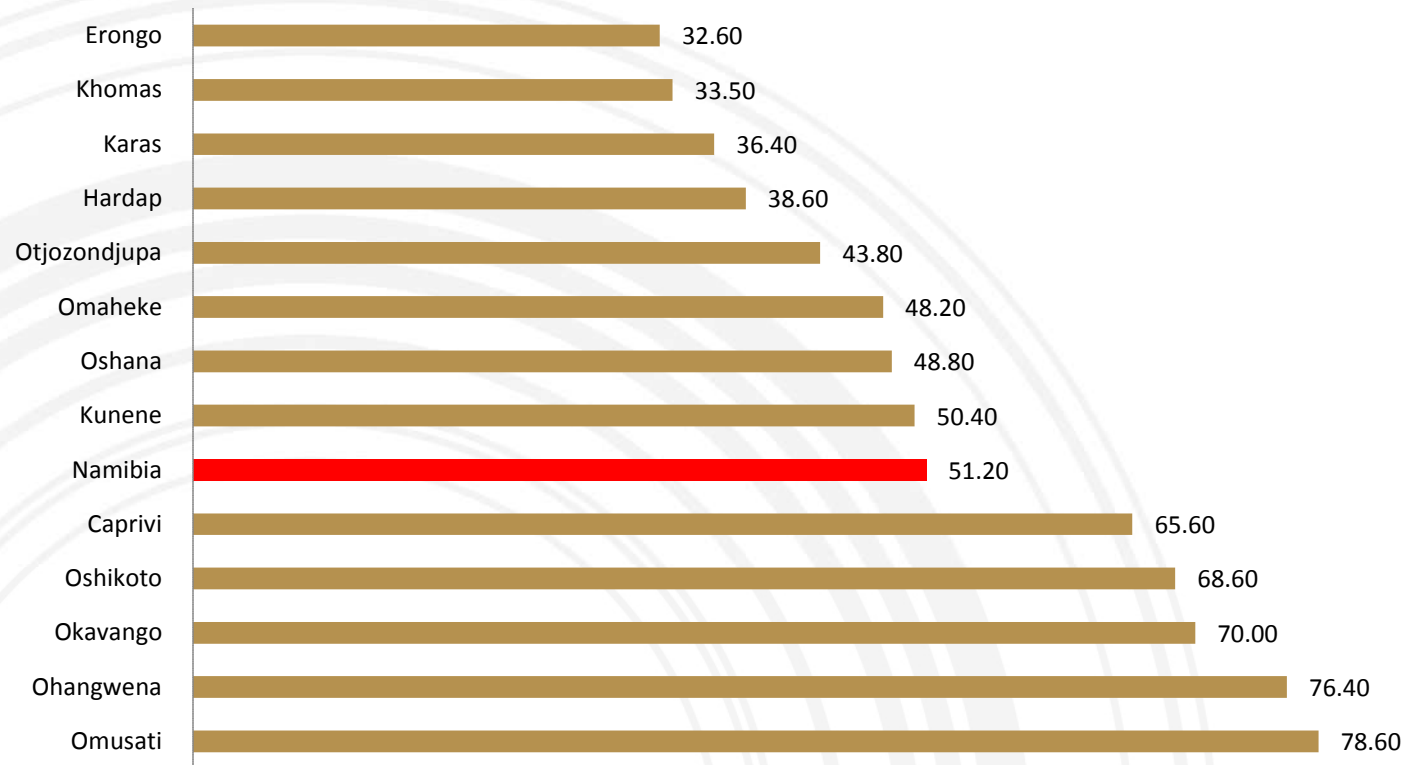
Labor force - by occupation:

- › agriculture: 16.3%
- › industry: 22.4%
- › services: 61.3% (2008 est.)

Unemployment Spell: 70% of unemployed in 2008 were searching for 2 yrs or more. In 2004, the rate was 48.7%



Unemployment by Region



Predominantly communal areas have highest unemployment. Observation is consistent with declining employment from communal agriculture

Participation rate by region? Oshana has a slightly high urban population compared to other "O" regions

EMPLOYMENT Cont.

Employment status

- › Employees **269,602 (81.3%)**
- › Other own account workers (without paid employees) **34,402 (10.4%)**
- › Other employers (with paid employees) **10,965 (3.3%)**
- › Subsistence farmers (without paid employees) **6,824 (2.1%)**
- › Subsistence farmers (with paid employee) **4,541 (1.4%)**
- › Unpaid family workers (subsistence/communal farms) **3,211 (1.0%)**

Some Constraints

- › **Skills Mismatch** due to Low Education Attainment or high school drop out rates. This decreases probability of being Employed even by self but also leads to a lack of Innovation and entrepreneurship. Educational system Reform is Key. Poor Entrepreneurship!!!
- › **Size of Domestic Market:** 2 m people of which 55% survive on less than US\$2 per day. The need to focus on Labour Intensive export oriented sectors (Agriculture, Construction) vs Capital Intensive Export oriented sectors (Mining, Manufacturing)

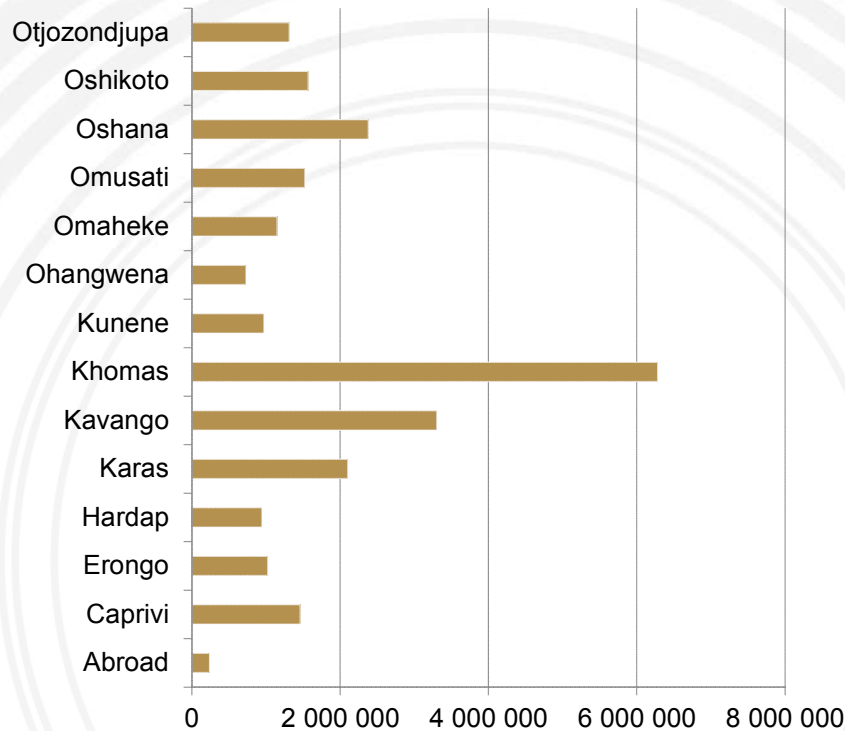
Employment in some occupations

- › Elementary occupation **77,571 (23.4%)**
- › Service, shops & market sales workers **61,144 (18.4%)**
- › Craft & Trade workers **52,617 (15.9%)**
- › Skilled agricultural & fishery workers **29,185 (8.8%)**
- › Professionals **28,692 (8.7%)**
- › Clerks **22,877 (6.9%)**
- › Technicians & Associate professionals **21,639 (6.5%)**

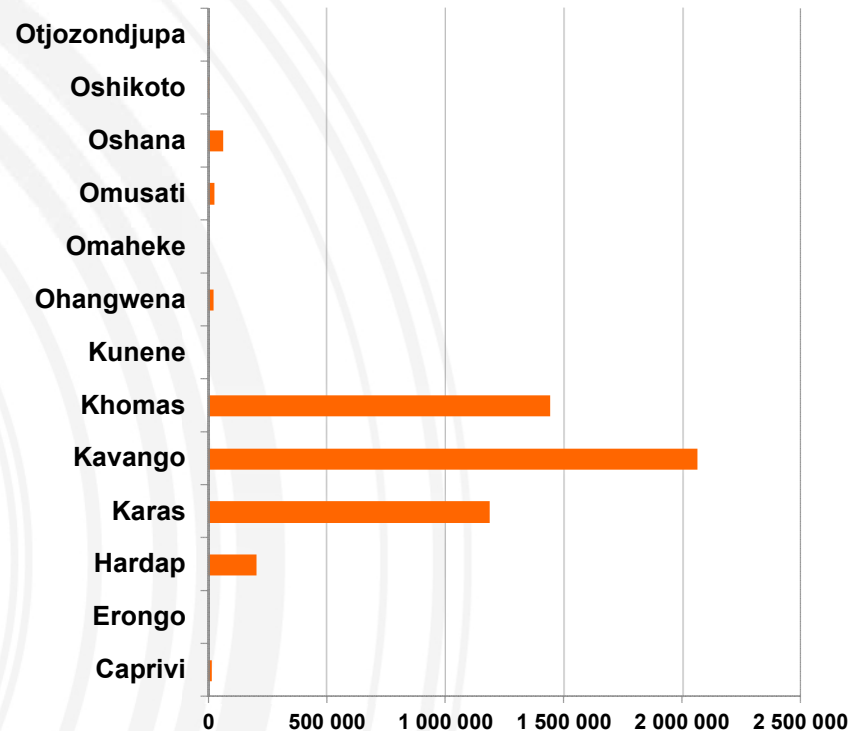
- › **Structure of the Economy:** Growth emanates from Capital Intensive Sectors. GDP is produced by machines not much by people. New Growth Path that is Labor Absorptive requires a focus on manufacturing, infrastructure development, rural development and agro-processing, and the "green" economy.
- › **Low productivity in Agriculture** (People still use ox and donkeys to plough). Invest in machines

To what extent does allocation resemble region poverty / unemployment profile?

Development Budget by Region

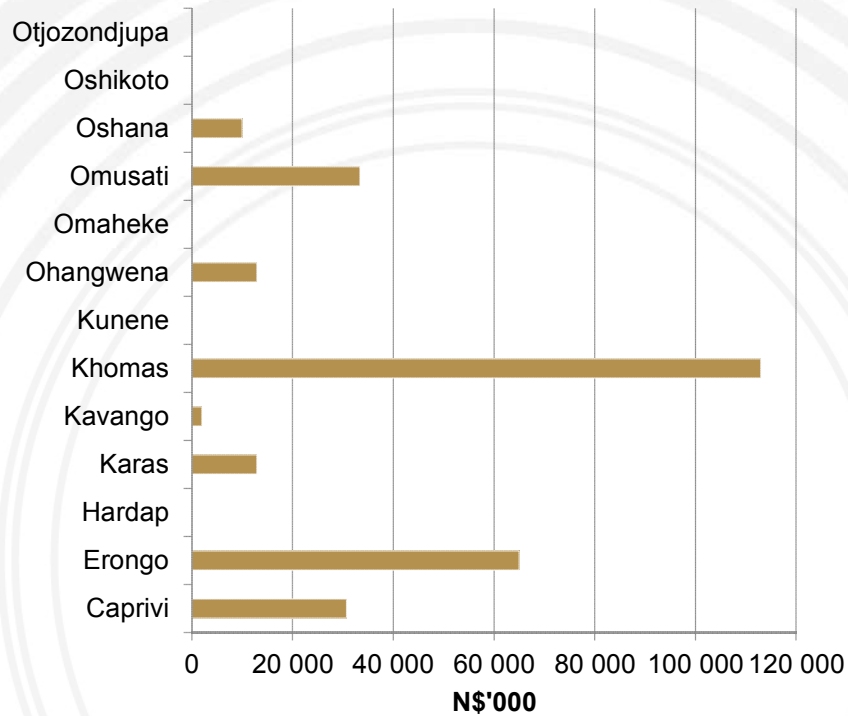


Agric Development Budget by Region

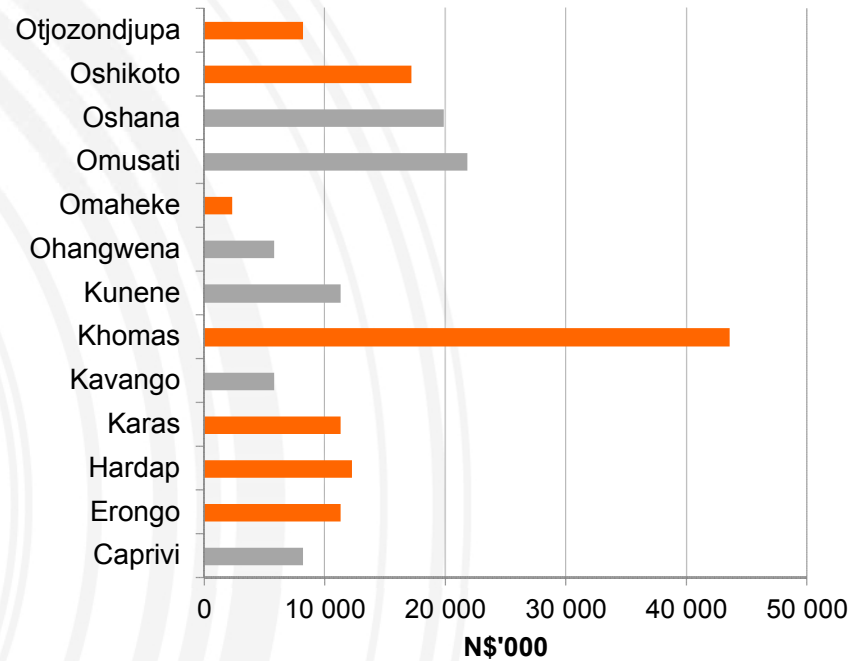


To what extent does allocation resemble region poverty / unemployment profile?

Transport Development Budget by Region



Enviro & Tourism Development Budget by Region



Questions and Discussions