

IPPR Briefing Paper No. 32, July 2004

## Have Priorities Changed? Budget Trends Since Independence

Julia Mbai and Robin Sherbourne<sup>1</sup>

**This paper examines trends in budgeted as opposed to actual public expenditure between 1990/91 and 2004/05. It finds four main reasons for changes in the patterns of budgeted public spending during the past 15 national budgets: reclassification of spending, commercialisation of government operations, strategic political motives, and changes in spending priorities. The mid-1990s seemed to mark a turning point in the emphasis of public spending with more being spent on defence, paramilitary security, intelligence, medical aid for public servants, parastatals and public debt and less being spent on education, health, agriculture and housing services for the wider population. The one clear sign that spending is focused on fighting poverty is the increase in the allocation to welfare grants. However, overall there is every sign that public spending is becoming more rather than less inequitable and this should be a cause for concern.**

### National budgets – a reflection of national priorities?

As previous IPPR publications have highlighted, the national budget is an important tool for achieving national development objectives – accelerating growth, increasing employment, and reducing poverty and inequality. In theory, the national budget is shaped by policy-makers – Cabinet, civil servants and advisers – in order to best achieve these objectives. Given that resources are limited by the revenue Government can raise through the tax system, investment income, administrative charges and fees, grants and borrowing, there is inevitably a trade-off between expenditures on different activities. Spending more on one activity means less is available for others. The trick is to strike the balance between spending on different activities in a way that achieves the best overall results. Because this is difficult to do with any certainty and is subject to large differences in interpretation because of ideology, judgement and analysis, the issue of maximising national benefits from the budget process potentially becomes an endless round of debate and change as new priorities are identified, new ways of achieving goals devised and new evidence discovered about what works and what does not.

Within this complex process it also has to be remembered that public spending is not the only means by which governments can achieve their objectives. In addition to the host of measures which can be taken on the revenue side of the budget, legislation, regulations, and spending outside the budget by parastatals, private individuals and organisations as well as donors all have the potential to contribute significantly towards the achievement of national objectives. It is, therefore, unclear the extent to which public spending provides an accurate reflection of national priorities. Nonetheless, most policy-makers and analysts would agree that it is vitally important for Government to keep track of spending patterns to ensure public spending is being allocated effectively.

This paper examines patterns of public spending since 1990/91. Namibian budget documents provide details of budgeted expenditure broken down into administrative categories: votes and main divisions. A vote is a portion of expenditure that has to be separately approved by Parliament before spending can occur. In 2004/05 public spending in Namibia was divided into 30 votes. These generally coincide with

---

<sup>1</sup> Julia Mbai is a final year economics student at the University of Namibia who worked as an intern at the IPPR from June to August 2004. Robin Sherbourne is the Director of Public Policy Analysis at the IPPR. He can be reached on [robin@ippr.org.na](mailto:robin@ippr.org.na).

ministries but a single ministry can encompass more than one vote. For administrative purposes, each vote comprises a number of main divisions. Inevitably over time, government structures are reorganised with ministries, votes and main divisions being created, eliminated or changed. It is, therefore, more useful to examine expenditure by activity rather than administrative unit. Since 1991/92 the Namibian budget document has provided details of expenditure broken down by economic or functional classification. Each category of expenditure is made up of those main divisions which fall into the category. Thus, for example, the Ministry of Health and Social Services is a single vote (Vote 13), currently made up of 11 main divisions. Some of these cover health activities while others cover social services. Classifying expenditure by economic or functional classification means allocating the main divisions associated with health to *Health Affairs and Services*, whilst allocating the main divisions associated with social services to *Social Security and Welfare Affairs and Services* which are separate activities. Table 1 below provides a complete breakdown of each category by vote and main division.

**Table 1: Functional/Economic Classifications broken down into main divisions (MD)**

| <b>Functions</b>  | <b>Vote and Main Division (MD)</b>  |
|---|---|
| <b>1. General Public Services</b>                           |   |
| 1.1.1 Executive and Legislative Organs                      | Vote 01 MD 01 + MD 02<br>Vote 02 MD 01 + MD 02 + MD 04<br>Vote 03 MD 01 + MD 02 + MD 03<br>Vote 04 MD 01 + MD 02 + MD 03<br>Vote 11 MD 01 + MD 02 |
| 1.1.2 Financial and Fiscal Affairs and Services             | Vote 09 MD 01 + MD 02 + MD 03 + MD 04 + MD 05 + MD 06 + MD 09 + MD 10 + MD 11 + MD 12 + MD 13   |
| 1.1.3 External Affairs                                      | Vote 07 MD 01 + MD 02 + MD 03 + MD 04 + MD 05 + MD 06   |
| 1.4.1 General Personnel Services                            | Vote 02 MD 03 + MD 05 + MD 06 + MD 07 + MD 08   |
| 1.4.2 Overall Planning and Statistical Services             | Vote 26 MD 01 + MD 02 + MD 03 + MD 04 + MD 05   |
| 1.4.3 Government Buildings Administration                   | Vote 23 MD 01 + MD 02 + MD 03 + MD 04 + MD 05 + MD 07 + MD 08   |
| 1.5 Other General Public Services                           | Vote 02 MD 09<br>Vote 23 MD 06 + MD 09<br>Vote 28 MD 01 + MD 02   |
| <b>2. Defence Affairs and Services</b>                      |   |
| 2.1 Defence Affairs and Services                            | Vote 08 MD 01 + MD 02 + MD 03 + MD 04 + MD 05 + MD 06 + MD 07 + MD 08 + MD 09   |
| <b>3. Public Order and Safety Affairs</b>                   |   |
| 3.1 Police Duties   | Vote 06 MD 01 + MD 02 + MD 03 + MD 04 + MD 05 + MD 06   |
| 3.2 Law Courts  | Vote 16 MD 01 + MD 02 + MD 03 + MD 04 + MD 05 + MD 06 + MD 07 + MD 08 + MD 09<br>Vote 29 MD 01 + MD 02 + MD 03 + MD 04 + MD 05                    |
| 3.3 Prison Administration and Operation                     | Vote 21 MD 01 + MD 02 + MD 03 + MD 04 + MD 05   |
| 3.4 Other Public Order and Safety Affairs                   | Vote 05 MD 01 + MD 02 + MD 03 + MD 04 + MD 05 + MD 06 + MD 07<br>Vote 06 MD 07  |
| <b>4. Education Affairs and Services</b>                    |   |
| 4.1 Education Policy Formulation and General Administration | Vote 10 MD 01 + MD 02 + MD 03 + MD 09<br>Vote 27 MD 01 + MD 02  |
| 4.2 Pre-Primary and Primary Education Affairs and Services  | Vote 10 MD 04   |
| 4.3 Secondary Education Affairs and Services                | Vote 10 MD 05   |
| 4.4 Tertiary Education Affairs and Services                 | Vote 27 MD 03 + MD 04 + MD 05 + MD 06 + MD 09 + MD 10   |
| 4.5 Non-formal Education Services                           | Vote 10 MD 06 + MD 07   |
| <b>5. Health Affairs and Services</b>                       |   |
| 5.1 Health Policy Formulation and General Services          | Vote 13 MD 01 + MD 02 + MD 09   |
| 5.2 Specialized Hospital Affairs and Services               | Vote 13 MD 03   |



|  |  |
|--|--|
| 5.3 General Medical Clinics and Public Health Services                     | Vote 13 MD 04  |
| 5.4 Medicaments, Medical Equipment and Appliances Administration           | Vote 13 MD 07  |
| 5.5 Applied Research and Diagnostic Medical Laboratory Services            | Vote 13 MD 05 + MD 10  |
| <b>6. Social Security and Welfare Affairs and Services</b>                 |  |
| 6.1 Social Security and Welfare Affairs and Services                       | Vote 09 MD 07 + MD 08<br>Vote 13 MD 06 + MD 08   |
| <b>7. Housing and Community Amenity Affairs and Services</b>               |  |
| 7.1.1 Housing Affairs and Services   | Vote 10 MD 11<br>Vote 17 MD 05   |
| 7.1.2 Community Development Affairs and Services                           | Vote 12 MD 01 + MD 02 + MD 03 + MD 04 + MD 05 + MD 06<br>Vote 17 MD 01 + MD 02 + MD 03 + MD 04<br>Vote 25 MD 01 + MD 02 + MD 03 + MD 04 + MD 05 + MD 06 + MD 07 + MD 08 + MD 09+ MD 10 + MD 11 + MD 12 + MD 13 |
| 7.2 Water Supply Affairs and Services                                      | Vote 20 MD 11  |
| <b>8. Recreational and Culture Affairs and Services</b>                    |  |
| 8.1 Sporting Affairs and Services  | Vote 10 MD 10  |
| 8.2 Cultural Affairs and Services  | Vote 10 MD 08  |
| 8.3 Broadcasting and Publishing Affairs and Services                       | Vote 30 MD 01 + MD 02 + MD 03 + MD 04  |
| 8.4 Youth Affairs and Services   | Vote 27 MD 07 + MD 08  |
| <b>9. Fuel and Energy Affairs and Services</b>                             |  |
| 9.2 Electricity and other Energy Sources                                   | Vote 15 MD 05  |
| <b>10. Agriculture, Forestry, Fishing and Hunting Affairs and Services</b> |  |
| 10.1 Agriculture Affairs and Services                                      | Vote 20 MD 01 + MD 02 + MD 03 + MD 04 + MD 05 + MD 06 + MD 07 + MD 08 + MD 09 + MD 10  |
| 10.2 Forestry Affairs and Services   | Vote 18 MD 07  |
| 10.3.1 Fisheries Affairs and Services                                      | Vote 22 MD 01 + MD 02 + MD 03 + MD 04 + MD 05 + MD 06  |
| 10.3.2 Wildlife Protection and Preservation Services                       | Vote 18 MD 01 + MD 02 + MD 03 + MD 04 + MD 06  |
| <b>11. Mining and Mineral Resources Affairs and Services</b>               |  |
| 11.1 Mining and Mineral Resources Affairs and Services                     | Vote 15 MD 01 + MD 02 + MD 03 + MD 04 + MD 06  |
| <b>12. Transportation and Communication Affairs and Services</b>           |  |
| 12.1 Road Transport Affairs and Services                                   | Vote 24 MD 01 + MD 02  |
| 12.2 Water Transport Affairs and Services                                  | Vote 24 MD 06  |
| 12.4 Air Transport Affairs and Services                                    | Vote 24 MD 05 + MD 09  |
| 12.7 Communication Transport Affairs and Services                          | Vote 25 MD 01+ MD 02 + MD 03 + MD 04 + MD 05 <sup>2</sup>  |
| <b>13. Other Economic Affairs and Services</b>                             |  |
| 13.2 Tourism Affairs and Services  | Vote 18 MD 05  |
| 13.4 General Economic and Commercial Affairs and Services                  | Vote 19 MD 01 + MD 02 + MD 03 + MD 04 + MD 05 + MD 06<br>Vote 24 MD 03 + MD 04 + MD 07 + MD 08<br>Vote 02 MD 10  |
| 13.5 General Labour Affairs and Services                                   | Vote 14 MD 01 + MD 02 + MD 03 + MD 04 + MD 05  |
| <b>14. Expenditure not Classified by Functions</b>                         |  |
| 14.1 Public Debt transactions  | Vote 09 MD 14  |

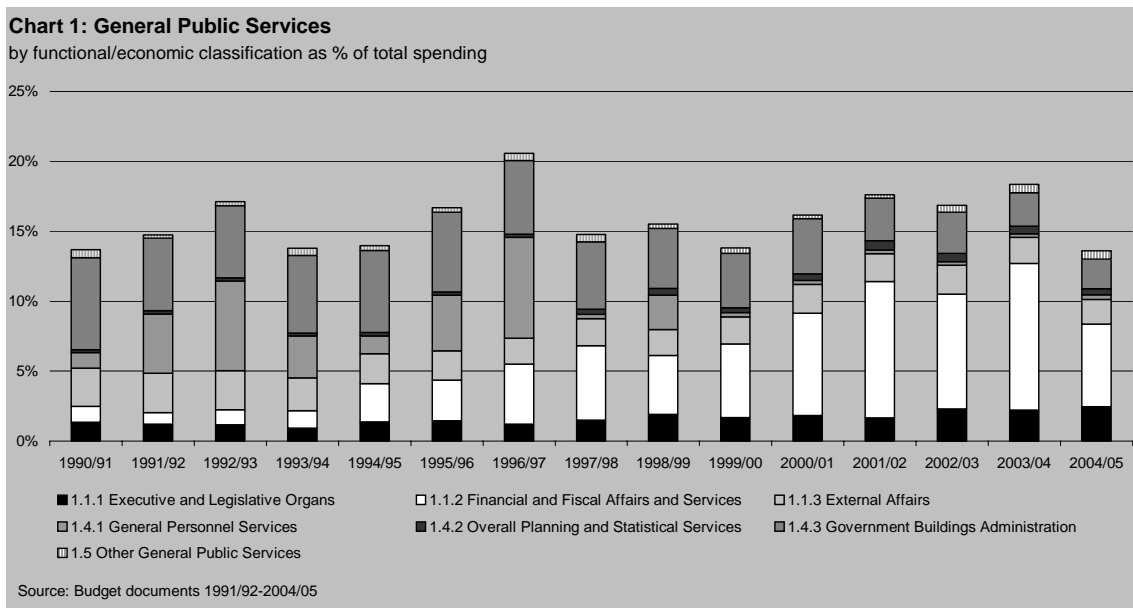
<sup>2</sup> According to 1991/92 budget document



## Trends in budgeted expenditure by functional/economic classification

Namibian budget documents contain spending categories presented in Table 1 but they do not contain actual expenditure according to this classification. As previous IPPR papers have shown (Sherbourne: 2001), actual expenditure can be very different from budgeted expenditure. Ideally, it would have been best to analyse both budgeted and actual spending to obtain a clear comprehensive picture of public spending patterns. Actual spending by activity could have been built up by actual spending by main division. Such an exercise may be done in a future briefing paper but due to limitations of time this paper limits itself to budgeted spending. The following paragraphs examine trends in budgeted expenditure by the functional/economic classifications presented in Table 1 for the fifteen budget years 1990/91 to 2004/05.

### 1. General Public Services – massive growth in payments to parastatals



In the 2004/05 budget *General Public Services* was allocated 13.6% of total expenditure making it the second largest major category of spending after *Education Affairs and Services*. Although the nominal average annual growth rate has been 10.7% between 1990/91 and 2004/05, the chart above shows fluctuating allocations, with the highest in 1996/97 with 20.6% and the lowest in the current budget year with 13.6%. The real average annual growth is only 1%.

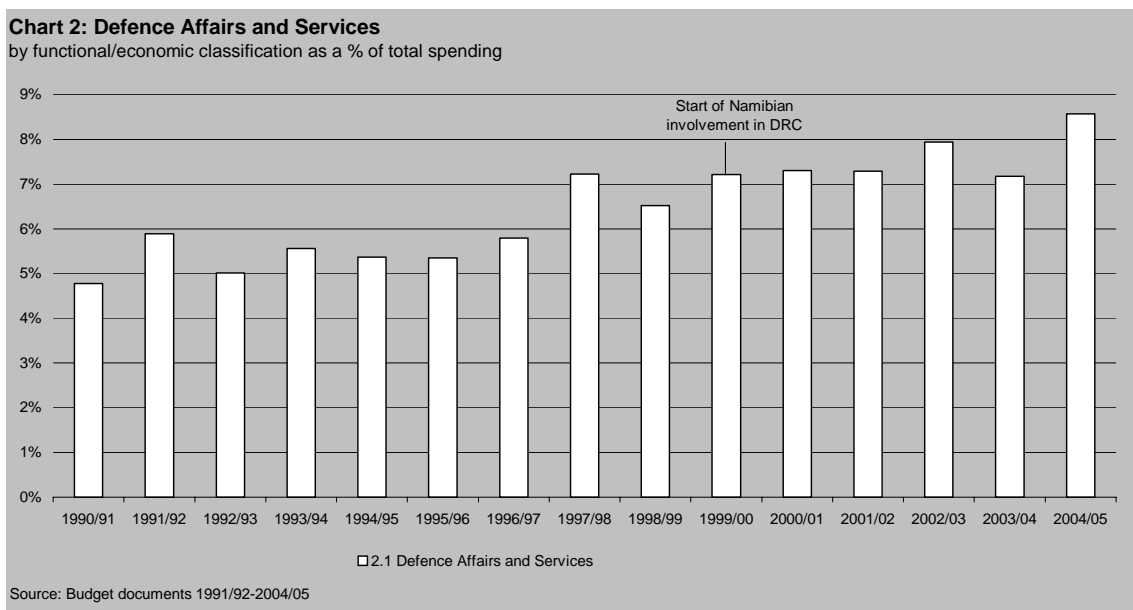
The clearest trend has been the steady and significant increase in expenditure under *Financial and Fiscal Affairs and Services*. This category consists entirely of Ministry of Finance expenditure (Vote 09) minus Main Divisions 07 and 08 (Government pension and medical aid schemes which fall under *Social Security and Welfare Affairs and Services*) and Main Division 14 (public debt which falls under *Expenditure Not Classified by Function*). This growth can be attributed primarily to the massive increase in transfers to parastatal organisations, either as subsidies or equity participation, which has gone hand in hand with the growth in the numbers of these organisations (Motinga: 2004).

The proportion of spending devoted to *Government Buildings Administration*, which consists entirely of Works expenditure (Vote 23) minus Main Divisions 06 and 09 (IT and Stores and Printing), has fallen by two-thirds over the same period. Unless significant improvements in the efficiency of spending have taken place, this reduction suggests that the standard of maintenance of government buildings has declined.

Spending on the National Security Intelligence Service (NSIS) falls under Vote 1 Main Division 02 and is classified as spending on *Executive and Legislative Organs*. Budgeted spending on NSIS almost doubled from N\$24 million in 1997/98 to almost N\$47 million in 2003/04.

There have been major fluctuations in *General Personnel Services*. In 1991/92 4.2% was allocated increasing to 6.4% the following year but dropping massively to 1.3% in 1994/95. It, however, increased to 4.0% in 1995/96 but has since decreased, reaching the current 0.3%. This is due primarily to the removal of government-wide improvements in remuneration from the vote of the Office of the Prime Minister to the respective ministries.

## 2. Defence Affairs and Services – growing two-and-a-half times faster than overall spending



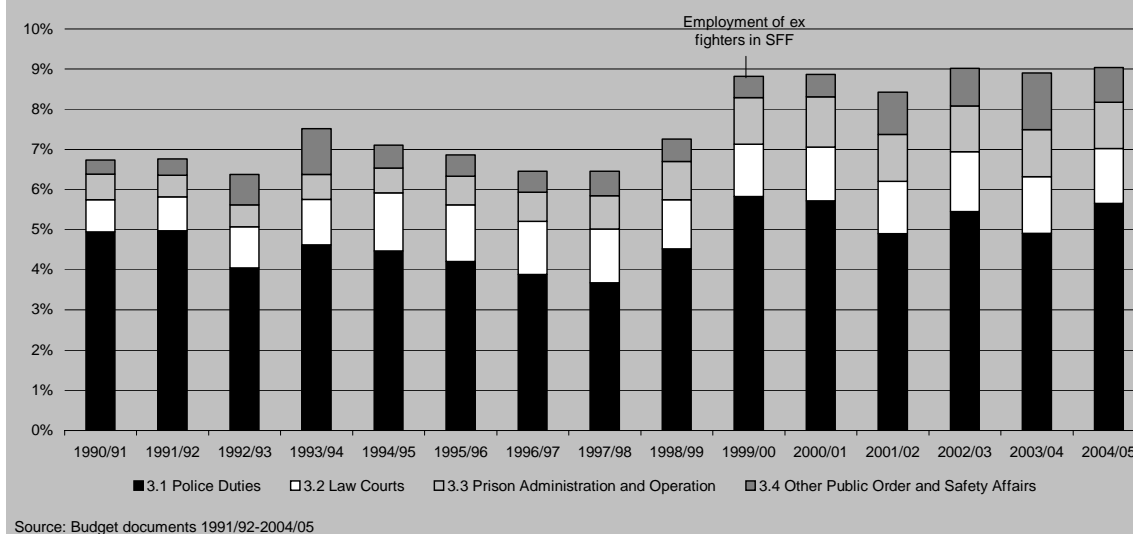
The proportion allocated to *Defence Affairs and Services*, which consists entirely of spending on the Ministry of Defence, has nearly doubled from 4.8% in 1990/91 to 8.6% in 2004/05, the highest allocation during the entire period under review. In the 1999/00 budget the allocation to *Defence Affairs and Services* increased to 7.2% from 6.5% in the previous year because of the war in the Democratic Republic of Congo (DRC) which saw Namibian involvement commence in August 1998. Spending was further boosted by the need to employ ex-PLAN fighters in the military thereafter under Government's so-called Peace Project. *Defence Affairs and Services* as a whole experienced an overall nominal annual average growth of 16.8% and a 5% real annual average growth, the second highest of all spending categories and far faster than the growth of overall spending. The overall nominal average growth is 12.1% and the real average annual growth is 2%.

## 3. Public Order and Safety Affairs – boosted by the employment of ex-PLAN fighters

Spending on *Public Order and Safety Affairs* rose from a low of 6.4% in 1992/93 to 9.0% in 2004/05. The nominal average annual growth rate is 13.9% while the real annual growth rate is 4%. The main shift came about in the late 1990s when spending on *Police Duties* increased from 3.7% in 1997/98 to 5.8% in 1999/00. This rapid increase was due to the massive expansion that took place in the Special Field Force that falls under the Police vote (Vote 06 Main Division 04).

**Chart 3: Public Order and Safety Affairs**

by functional/economic classification as % of total spending

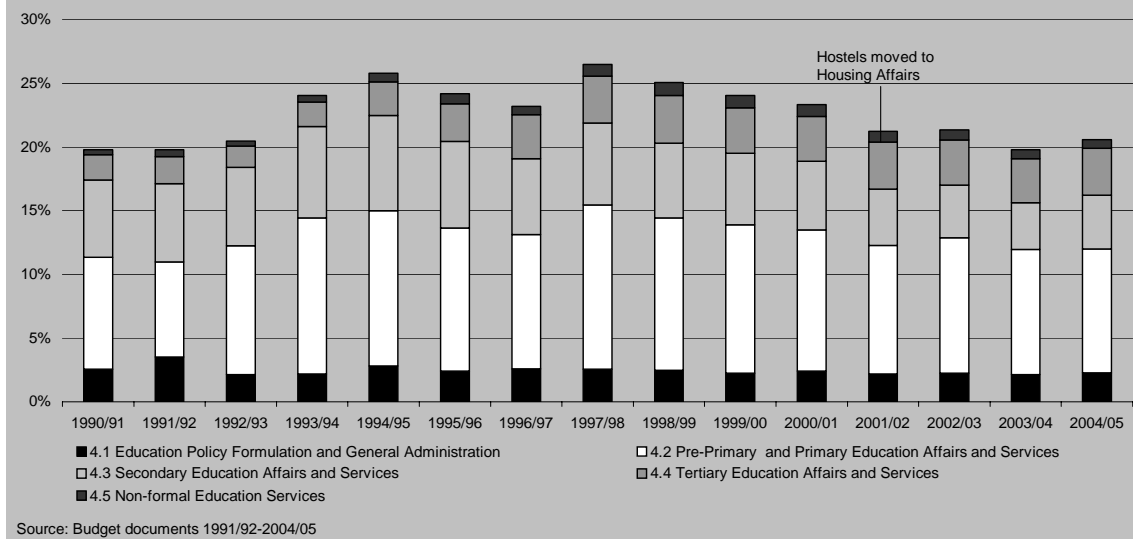


#### 4. Education Affairs and Services – seven years of steady relative decline

For the entire period under review *Education Affairs and Services* has consistently received the highest allocation from the national budget out of all major economic/functional classifications. However, while spending rose in the early 1990s from under 20% of the budget, education spending peaked at 26.5% in 1997/98 since when it has declined to around 20%. This peak was mainly due to the remuneration settlement for teachers and civil servants which followed the report of the Wages and Salaries Commission (WASCOM) in 1997. In real terms, growth in education spending has been 2% a year or about the same as the growth in overall spending. A significant factor in the decline in education spending since the end of the 1990s was the creation of a separate main division for hostels in 2001/02 (Main Division 11) which was then classified as spending on *Housing Affairs and Services*. However, education spending had already been in decline for three financial years. Spending on *Secondary Education Affairs and Services* has fallen year on year until 2004/05 in the period since 1994/95 and was further reduced by the reclassification of hostels under housing.

**Chart 4: Education Affairs and Services**

by functional/economic classification as % of total spending



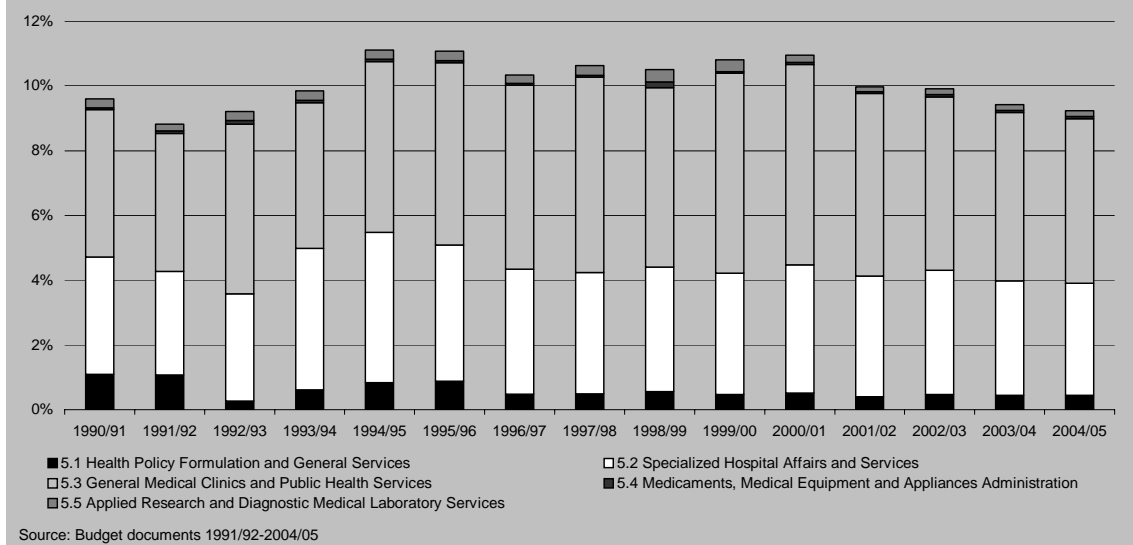


## 5. Health Affairs and Services – steady relative decline despite HIV/AIDS

In 1990/91, *Health Affairs and Services* was allocated 9.6% of state spending, rising to a peak of 11.1% in 1994/95. Since 2000/01 health spending has been in steady decline to reach 9.2% in the current year. The nominal average annual growth has been 11.8%, compared to the real average annual growth of a 2%. There has been a tremendous decrease in *Health Policy Formulation and General Services*. In 1991/92 budget year 1.1% of spending was allocated to *Health Policy Formulation and General Services*, dropping to 0.3% in 1992/93 and is at present 0.4%. The highest allocation beside the 1.1% in 1991/92 was in 1995/96 with a 0.9%. For *Applied Research and Diagnostic Medical Laboratory Services* the allocation of 0.2% in 1991/92 remained the same after 14 years. It is interesting to note from the chart that allocation to *Health Affairs and Services* has declined at the same time as the country is starting to face the full costs associated with the HIV/AIDS crisis.

**Chart 5: Health Affairs and Services**

by functional/economic classification as % of total spending

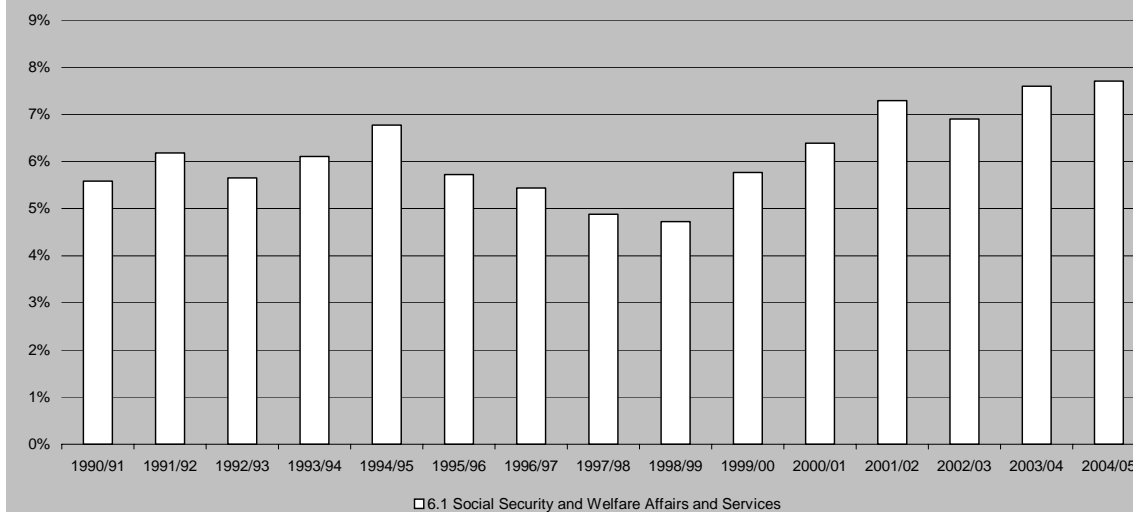


## 6. Social Security and Welfare Affairs and Services – rapid increase due to Government medical aid

*Social Security and Welfare Affairs and Services* started out with 5.6% in 1990/91 and fell to 4.7% in 1998/99. Since then its allocation has risen to reach 7.7% in 2004/05. The nominal average annual growth has been 13.3% while the real average annual growth has been 4%. The dramatic increase in this category of spending since 1998/99 has come about due to the phenomenal growth in the allocation to the Government medical aid scheme (Vote 09 Main Division 08 which has grown almost eight-fold from N\$56 million in 1997/98 to N\$425 million in 2004/05) and the allocation to social services (Vote 13 Main Division 06 which grew two-and-a-half times from N\$199 million in 1998/99 to N\$511 million in 2004/05). Social pensions and other grants have risen from a low of 2.4% of total spending in 1998/99 to 3.6% in 2004/05 – still short of the 4.9% budgeted in the first year of independence. For the past three financial years Government has budgeted almost the same amount for medical aid for civil servants as for social pensions for the elderly. It is important to note that child welfare grants administered by the Ministry of Women's Affairs and Child Welfare (Vote 12 Main Division 06) are excluded from this category of spending and are instead allocated to *Community Development Affairs and Services*.

**Chart 6: Social Security and Welfare Affairs**

by functional/economic classification as % of total spending

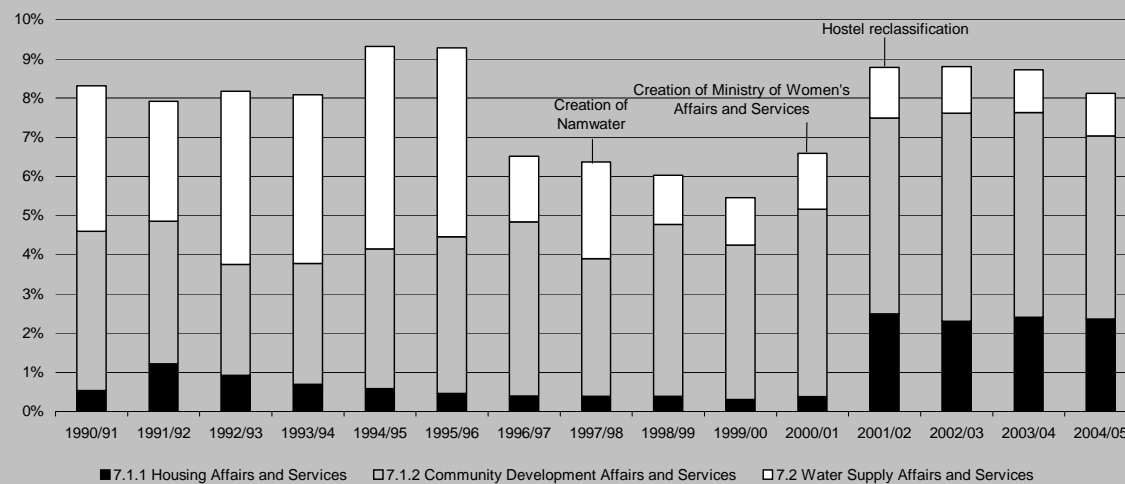


Source: Budget documents 1991/92-2004/05

**7. Housing and Community Amenity Affairs and Services – includes hostels and excludes bulk water supply**

**Chart 7: Housing and Community Amenity Affairs and Services**

by functional/economic classification as % of total spending



Source: Budget documents 1991/92-2004/05

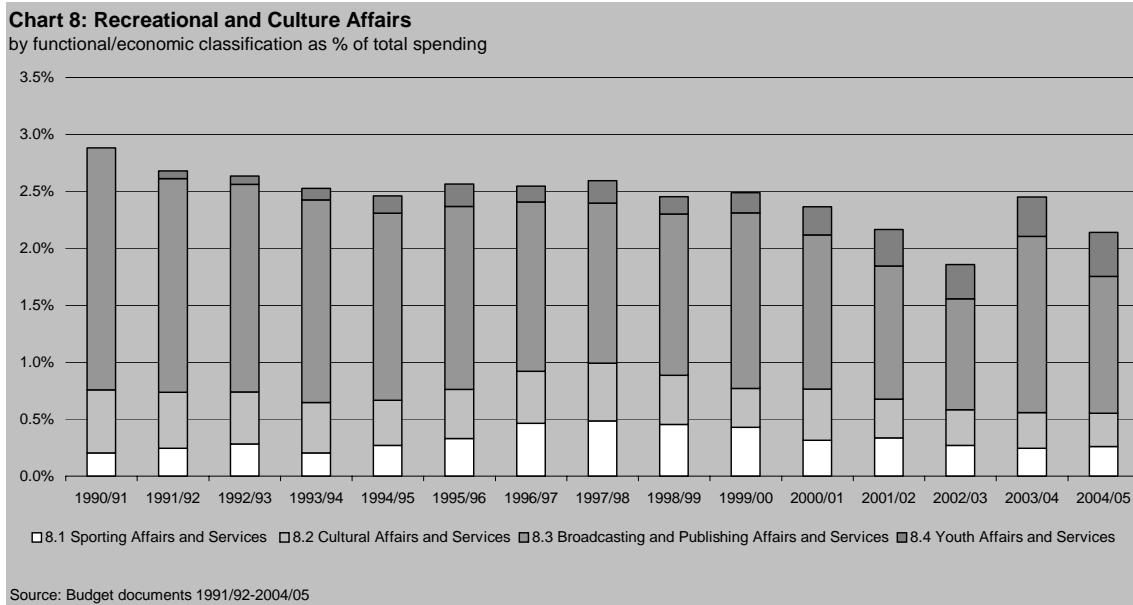
State spending on *Housing and Community Amenity Affairs and Services* was budgeted at 7.9% in 1991/92, increasing to 9.3% in 1995/96, dropping to 5.5% in 1999/00 and it increased to 8.1% in 2004/05. Three trends are clearly apparent. The first is that *Housing Affairs and Services* increased dramatically from 2001/02. Spending on *Housing Affairs and Services* was 1.2% in 1991/92 but increased to 2.5% in 2001/2002 and is at present 2.4%. The increase is due to the removal of expenditure on hostels from *Education Affairs and Services* to *Housing Affairs and Services* as mentioned above. Spending on housing had been in steady decline prior to that. The second is the significant increase in *Community Affairs and Services* in 1996/97 and then in 2000/01. The creation of the Ministry of Women’s Affairs and Child Welfare in March 2000, after it had been a directorate in the office of the President between 1994/95 and 1999/00 (Vote 01 Main Division 03), saw to it that spending on *Housing and Community Affairs and Services* increased to 8.8% in 2001/02. This category also includes all expenditure on the Ministry of Lands, Resettlement and Rehabilitation which has expanded steadily over the years. The third trend is the





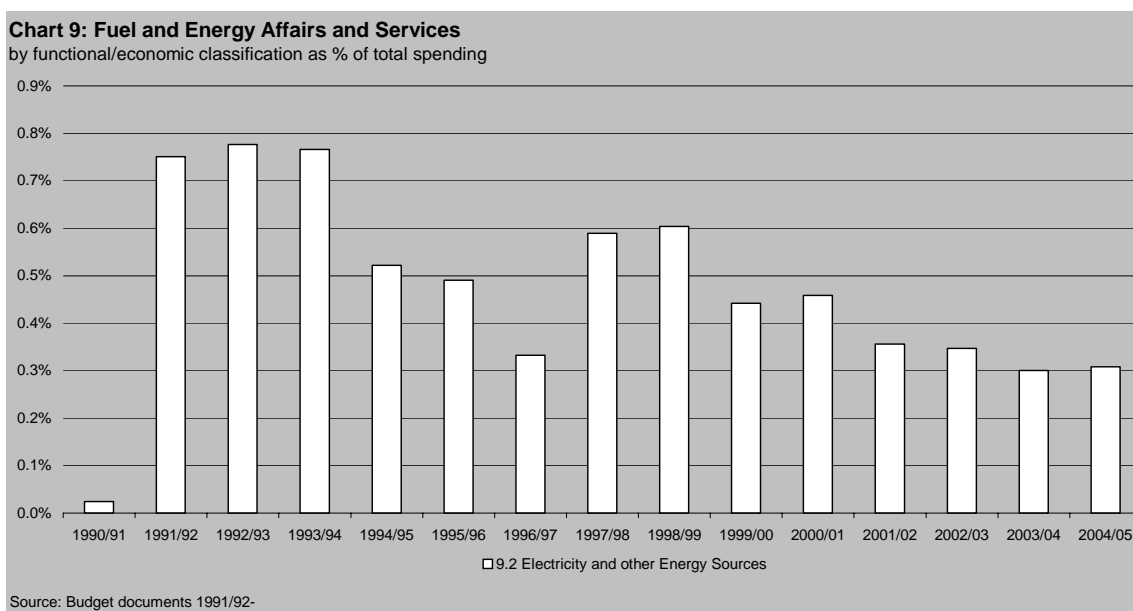
tremendous fall in spending on *Water Supply Affairs and Services* in 1996/97 to 1.7% from 4.8% in the previous budget year. This fall was due to the creation of Namwater which took over the supply of bulk water from the Department of Water Affairs when it was registered as a company in 1997.

## 8. Recreational and Culture Affairs and Services – a gradually smaller share



Spending on *Recreational and Culture Affairs and Services* has never reached the level of 2.9% of total spending in the first post-Independence budget. Spending has fluctuated over the years, decreasing to 1.9%, the lowest, in 2002/03 and rising to 2.1% in 2004/05. While the nominal annual average growth is indicated to be 9.5%, the real average annual growth is a tiny 0.04%. The main component of *Recreational and Culture Affairs and Services* is *Broadcasting and Publishing Affairs and Services* which has declined steadily ever since 1991/92. It started out with 1.9%, decreased from there on reaching the lowest level of 1.0% in 2002/03 and is 1.2% at present. Spending on *Youth Affairs and Services* has, however, grown from 0.1% in 1991/92 to 0.4% in 2004/05.

## 9. Fuel and Energy Affairs and Services – steady decline as rural electrification is completed



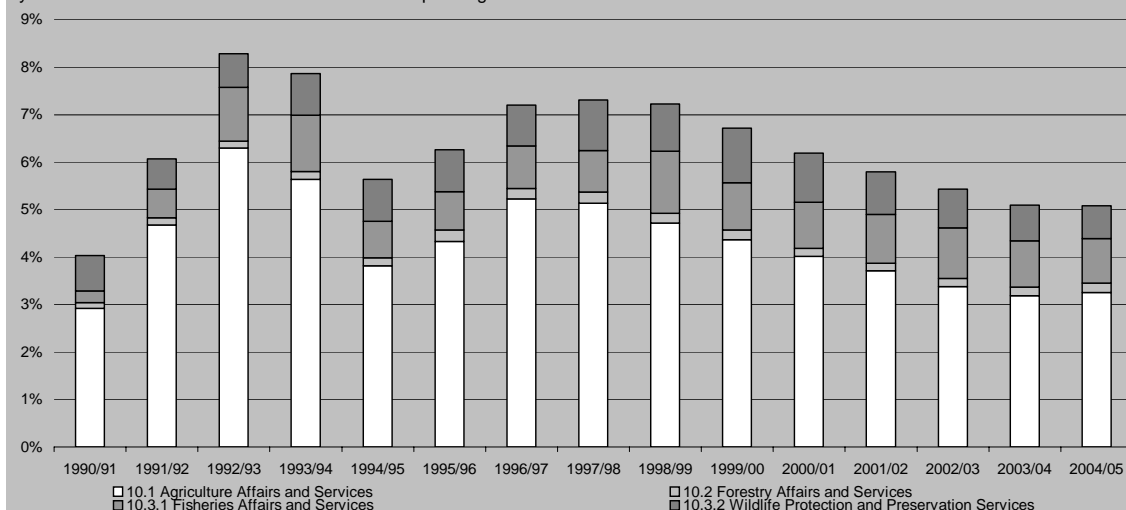
Spending on *Fuel and Energy Affairs and Services* has always been a tiny proportion of total spending but has nevertheless reduced to 0.3% of total spending in 2004/05 from 0.8% in 1991/92. There has been a major reduction in spending on *Electricity and Other Energy Sources* in 1994/95 from 0.8% in the previous year to 0.5%. A further cut of 0.3% was experienced in 1996/97 and, although it increased in the following budget year to 0.6%, overall spending went down. The nominal average annual growth has been 4%, but the real average annual growth has been –5%. This trend has mainly been due to the steady real decline in infrastructure spending on rural electrification which was boosted shortly after independence, especially in Kavango and former Ovamboland, by transfers to the then power company SWAWEC which was renamed Nampower in 1996.

## 10. Agriculture, Forestry, Fishing and Hunting Affairs and Services – a steadily smaller proportion on agriculture

Spending on *Agriculture, Forestry, Fishing and Hunting Affairs and Services* was 6.1% in 1991/92, increased to 8.3% in 1992/93, but has since fluctuated reaching the lowest level in 2003/04 of 5.1%. The allocation remained unchanged in 2004/05-budget year at 5.1%. Spending on *Agriculture Affairs and Services* was 4.7% in 1991/92 and, although it increased to 6.3% in 1992/93, it has dropped continuously since 1996/97. The current allocation is now 3.3%. While the nominal average annual growth is 3%, the real average annual growth is barely positive at 0.4%.

**Chart 10: Agriculture, Forestry, Fishing and Hunting Affairs and Services**

by functional/economic classification as % of total spending



Source: Budget documents 1991/92-2004/05

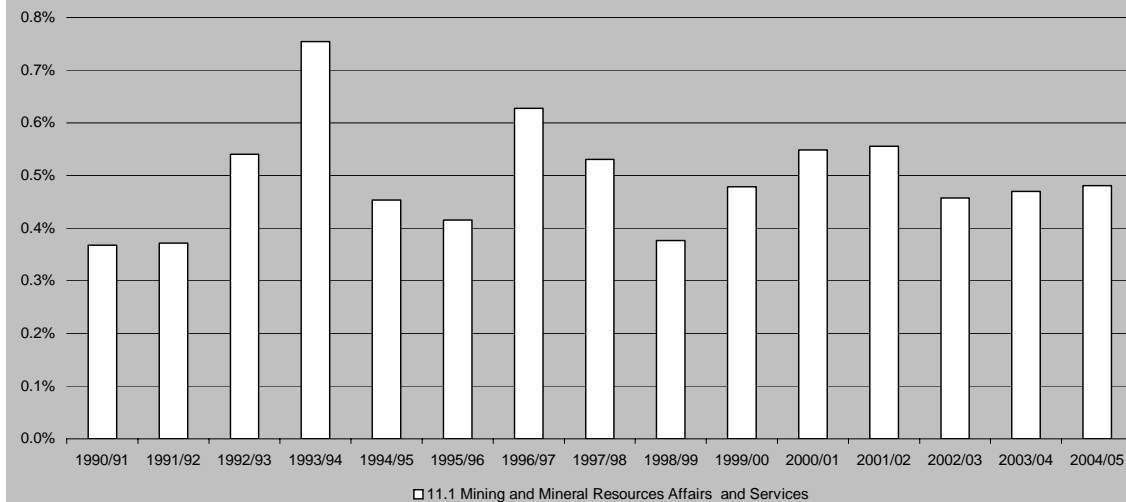
## 11. Mining and Mineral Resources Affairs and Services – steady allocation

Except for the 0.8% allocation in 1993/94, spending on *Mining and Mineral Resource Affairs and Services* has fluctuated between 0.4% and 0.6% through the years. This category of spending consists entirely of spending on the Ministry of Mines and Energy excluding Main Division 05 which falls under *Fuel and Energy Affairs and Services*. In 1991/92 spending was 0.4% and is currently 0.5%, thus showing that spending on this classification has increased a little.



**Chart 11: Mining and Mineral Resources Affairs and Services**

by functional/economic classification as % of total spending



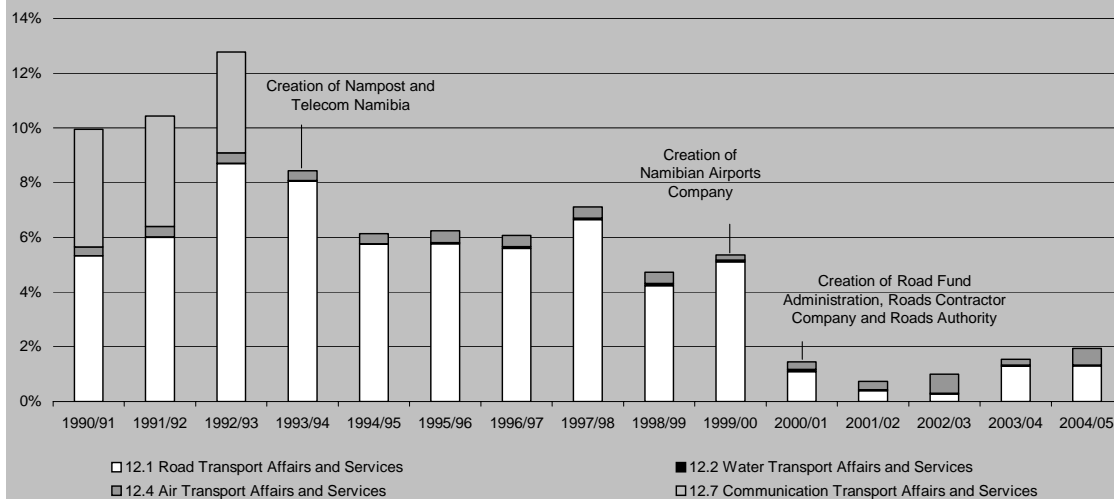
Source: Budget documents 1991/92-2004/05

## 12. Transportation and Communication Affairs and Services – commercialised out of existence

With the elimination of sub-heading *Communication Transport Affairs and Services* in 1993/94, the current spending on this classification has fallen to 1.9%, compared to 10.4% in 1991/92, which explains the –2% nominal annual growth rate or the –11% real average annual growth in spending. That is due to the creation of Telecom Namibia and Nampost in 1993, the Namibian Airport Company in 1999 and the Road Fund Administration, the Roads Contractor Company and the Roads Authority in 2000 under the Ministry of Works, Transport and Communication (MWTC) 2000 commercialisation process.

**Chart 12: Transportation and Communication Affairs and Services**

by functional/economic classification as % of total spending



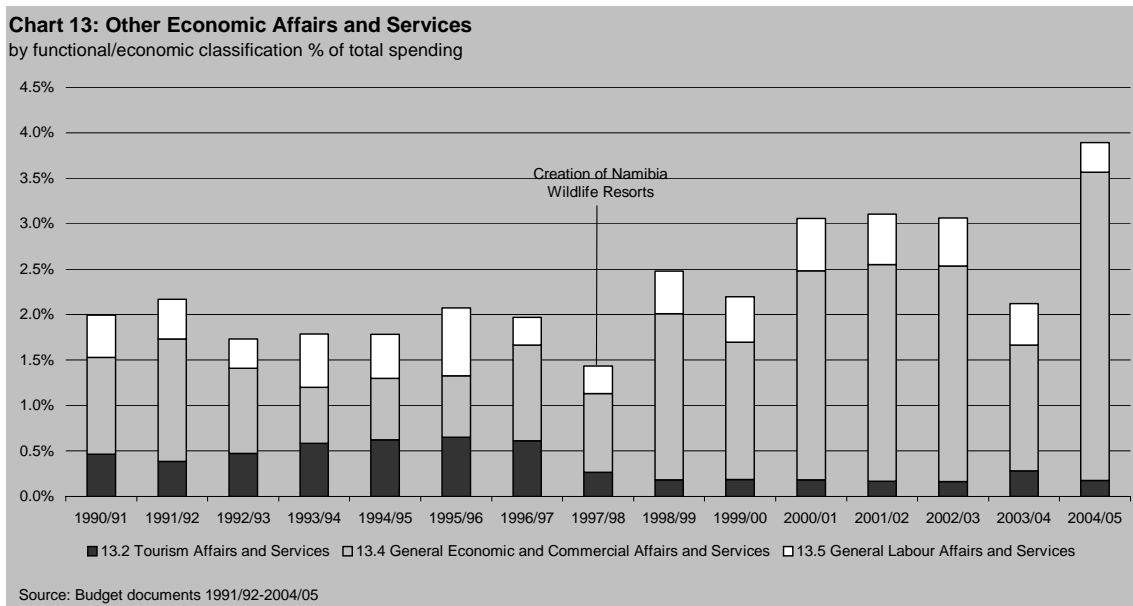
Source: Budget documents 1991/92-2004/05

## 13. Other Economic Affairs and Services – increases in infrastructure

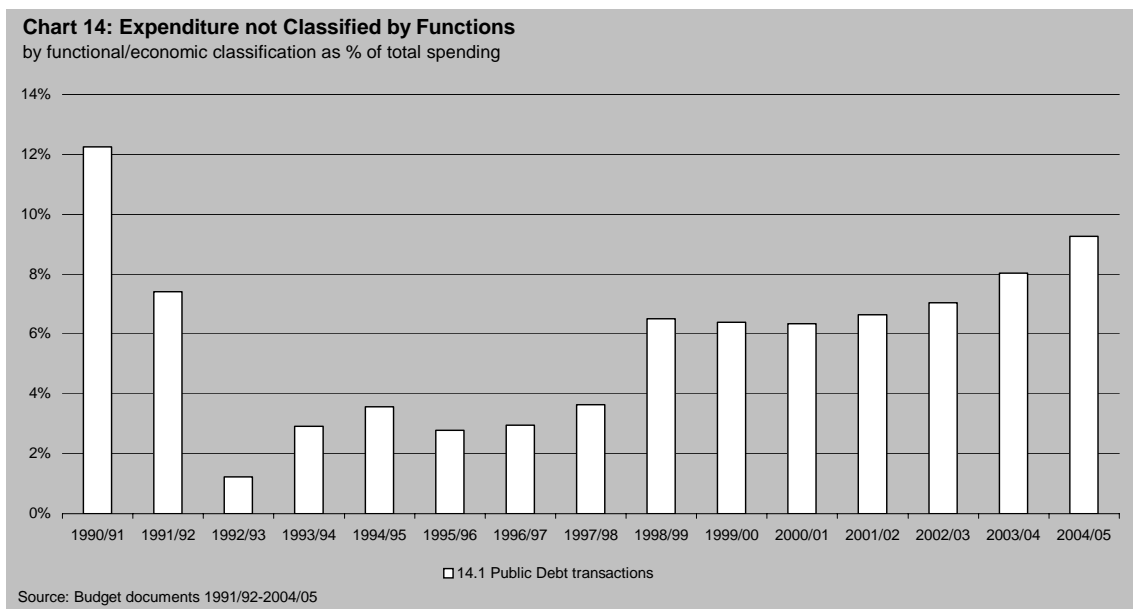
The current 3.9% spending on *Other Economic Affairs and Services* is the highest ever experienced in the 15 post-independence budgets. At the start of the period in 1990/91, 2.0% was spent and the lowest was 1.4% in 1997/98. However, during the whole period the nominal annual growth rate has been 16.5%, the highest growth compared to all other major classifications. This classification is comprised of *Tourism Affairs and Services*, *General Economic and Commercial Affairs and Services* and *General Labour Affairs*



and Services. Two main trends are apparent. The first is the steep decline in spending on *Tourism Affairs and Services* in 1997/98 which was the result of the creation of Namibia Wildlife Resorts (NWR) in 1998. The second is the sharp rise in spending on *General Economic and Commercial Affairs and Services* in 1998/99 which came about because of significant allocations to public infrastructure projects such as the northern railway extension which are not included under *Transportation and Communication Affairs and Services*.



#### 14. Expenditure not Classified by Functions – steady and significant rise in debt servicing



The final category of spending is *Expenditure not Classified by Functions* which consists entirely of *Public Debt Transactions* under Vote 09 Main Division 14. This category has been rising rapidly since 1992/93 to a stage where Public Debt Transaction now receives the third highest allocation of 9.3% in 2004/05. This has come about because Government has accumulated debt by running a budget deficit every year since 1990.



---

## Conclusions

This short paper has examined trends in budgeted rather than actual expenditure by functional or economic classification rather than by ministry or vote from independence up to the present financial year, a period which includes 15 national budgets. It is clear that spending priorities have changed over the years and, from the above analysis, four factors stand out which explain changes in budget allocations according to functional/economic classification:

**The creation and elimination of main divisions** – during the last 15 budgets new main divisions have been created and existing main divisions have been eliminated. This has led to a certain amount of reclassification of expenditure without necessarily bringing about any change in the underlying resource allocation to the activity itself.

**The creation of parastatal organisations or “commercialisation”** – since 1990/91 Government has pursued a far-reaching policy of commercialization, turning government departments into arms-length government-owned companies and institutions whose financial operations have generally been divorced from the national budget process. This has generally involved the disappearance of a certain amount of departmental spending from the national budget (as well as any revenues associated with the activity). Because spending and revenue are no longer contained in the budget document it is difficult to assess how these activities have changed over time, especially since many of the new organisations do not publish detailed and regular annual reports. Thus, it is not possible to make statements such as “Government is investing less in infrastructure than before” unless parastatal investment is taken into account and this is not easy to do.

**Spending motivated by wider political concerns** – major changes in spending allocations have taken place which are not motivated directly by the desire to meet national development objectives but by wider political considerations. The most important of these have been the Peace Project (the employment of ex-PLAN fighters in the army, police and other parts of the public service), the involvement in the war in the DRC and possibly the construction of the new State House.

**Changes in emphasis** – setting aside the above reasons for changes in spending patterns by functional/economic classification, several important changes in resource allocation have taken place. Defence, security and intelligence spending, spending on the Government medical aid scheme and spending on welfare transfers has risen in importance within the national budget as has spending on parastatal subsidies and servicing public debt. Spending on education, health, housing and agriculture has all declined since the mid-1990s which appeared to mark the high water mark of spending on precisely those areas marked out in Government’s Transitional National Development Plan of 1991/92–1993/94 for special attention (TNDP: page v). Of special concern is the alarming trend of declining health spending during a period when the costs of the HIV/AIDS pandemic are starting to really hit home. It is possible that this relative decline is being offset by expenditures outside the budget by donors and others. Whatever the case, the allocation should be contrasted with the benefits available to those employed in the public service where the health bill has increased dramatically. Government now budgets N\$425 million for its medical aid scheme compared to N\$439 million for *Specialised Hospital Affairs and Services* and N\$645 million for *General Medical Clinics and Public Health Services* for the entire population. Government now budgets approximately the same proportion of spending each on defence, public order, health and debt servicing – about 9% of the budget.

In summary, the analysis of the past 15 budgets presented above gives little reason to believe that public spending is becoming more equitable and more focused on the poor. It is possible that more effective ways are being found to spread the lower relative levels of spending on key public services to larger numbers of people in the population. In a budget system that is increasingly attempting to focus on outcomes rather than inputs and budgeted spending, it is possible that outcomes are being achieved more effectively than before. This paper has not attempted to assess whether this is the case or not. However, the very limited analysis it contains gives rise to a strong suspicion that public spending is increasingly being channeled to more privileged groups in society employed in activities that bring little in the way of returns through higher



---

economic growth such as in defence, para-military security, intelligence and poorly performing parastatals. It may, therefore, be considered hardly surprising that the Namibian economy has barely managed to notch up positive increases in average incomes since the early 1990s, falling far short of what is required to achieve the ambition of becoming a high-income country in the space of a generation as set out in Vision 2030. Due to the fact that the economy has failed to create jobs for the unskilled, a fact documented in another IPPR briefing paper (see Sheefeni, Humavindu and Sherbourne: 2003), it is quite possible that poverty and inequality have worsened and that the national budget has done little to offset this trend. This should be of serious concern to both policy-makers and the general public.

## References

Motinga, D. (2004) More Openness Plus Accountability: The Missing Calculus of Financial Sustainability Within Namibian Parastatals, IPPR Briefing Paper No. 30, Windhoek, Namibia

National Planning Commission (1993) Transitional National Development Plan 1991/92-1993/94, Windhoek, Namibia

Republic of Namibia (1990/91–2004/05) Estimate of Revenue and Expenditure for the Financial Year, Ministry of Finance, Windhoek, Namibia

Sheefeni, P. Humavindu, J. and Sherbourne R. (2003) Less than 30,000 Jobs in Ten Years? Employment Trends in Namibia since 1991, IPPR Briefing Paper No. 24, Windhoek, Namibia

Sherbourne, R. (2001) How Well Does the Government Budget? IPPR Briefing Paper No. 4, Windhoek, Namibia

