

INVESTIGATING THE FACTORS THAT CONSTRAIN THE  
EFFECTIVENESS OF FISCAL POLICY IN NAMIBIA

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## **Abstract**

This study investigated the factors that constrain the effectiveness of fiscal policy in Namibia. The research primarily aimed at identifying economic, social and political factors that constrain the effectiveness of fiscal policy in Namibia. The study employed a quantitative research approach, of a descriptive design. A structured questionnaire was administered to a sample of 81 respondents purposively selected. In this study, a set of social, political and economic factors were found to highly contribute to the ineffectiveness of fiscal policy in Namibia. On social factors, community participation, demographic characteristics, transparency and accountability, and cultural beliefs were identified as factors that constrain the effectiveness of fiscal policy. The survey results showed that insufficient resources, weakly prioritized expenditures, large debt stock, ineffective institutional framework, and poor capacities of the budgeting process were the most economic factors that constrain fiscal policy effectiveness. Meanwhile, 89% of the total respondents agreed that lack of political will, cabinet size, overlapping roles between institutions and lack of or slow decentralisation were political factors that inhibit the effectiveness of fiscal policy in Namibia. Furthermore, 100% of the respondents emphatically rejected the proposition that fiscal policy is ineffective due to lack of resources. From the results, it was concluded that the continued persistence of fiscal policy ineffectiveness will continue to yield high levels of poverty, unemployment, and regionally unbalanced development and therefore can result in increased concern as to the degree of adherence to sound economic principles in the formulation and implementation of the country's fiscal policy. The research recommended coherence between the central government offices and agencies. This is expected to result in less government bailouts and the revenue which would otherwise have been used for bailouts would now be targeted to national priority areas.

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## **List of Acronyms**

BON - Bank of Namibia

MDG - Millennium Development Goals

M2 - Broad Money Supply

NEPRU - Namibia Economic Policy Research Unit

NDC - Namibia Development Cooperation

NDF - Namibia Development Fund

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## **Dedication**

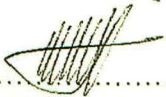
I wish to dedicate this thesis to my beloved parents, Mr. and Mrs. Shifotoka, and to my beloved siblings as well as to my nieces and nephews. Here is another one for us!

**Declarations**

I, Sakaria Malima Shifotoka, hereby declares that this study is my own and is a true reflection of my research and that this work, or any part thereof has not been submitted for a degree at any other institution.

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..... APRIL 2020.....

Sakaria Malima Shifotoka

Date

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Introduce the problem here.

Like many developing countries, Namibia has experienced persistent budget deficits and rising levels of government debt. The 2015/2016 financial year was filled with challenges that threatened global and domestic economic developments for most countries. These challenges included: the financial crisis, increasing uncertainty in the global geopolitical environment, the impact of the commodity price crash, asset market volatility among others (International Monetary Fund, 2016). All these developments negatively impacted revenue performance at the same time affecting other key fiscal indicators such as low growth in most African countries. Low productivity growth and other challenges that emerged from the financial crisis continue to hamper economic growth especially for the developing countries (International Monetary Fund, 2016).

More specifically for Namibia, severe drought effects, depreciation of the South African Rand, the adverse global economic environment, the outbreak of foot and mouth disease, high demand for land from the landless, compounded by skyrocketing prices for land remain as the challenges faced by the government during the 2015-16 financial year. These challenges negatively impacted the estimated revenue collection outturn of N\$19 billion lower than the initial estimate of N\$24 billion (Ministry of Finance, 2018). Liquidity came under pressure due to weak market confidence and consequently a tight cash flow situation causing an increase in expenditure. As a result, economic growth slowed down in 2016 to an estimated 0.1 percent from 6.1 percent in 2015, (Ministry of Finance, 2018).

In Namibia, the focus areas of the budget have been investments in the areas with the potential to induce economic growth and sustainable development, poverty eradication, improvement of the social welfare, progress towards prosperity and improved delivery of timely reliable and affordable services to the public (Price Waterhouse Coopers, 2015).

The government of The Republic of Namibia has prioritised economic and social development to improve the socio-economic status of its citizens. For over two decades, the government has initiated several national intervention programs and policies in order to achieve national objectives. These initiatives and strategies are encompassed in the Namibia Vision 2030 Policy Framework for the long-term national development document as well as in the Namibia National Development Plans (NDP). Overarching goals of these national policy documents include but are not limited to high and sustainable economic growth, employment creation, increased income equality and poverty reduction among others.

Since the beginning of the worldwide economic recession, the Government of the Republic of Namibia (GRN) has started a progression of extensive scale resource buys to expand liquidity in the framework and utilised its accounting report as a device trying to accomplish its mandated objectives of employment and price stability by 2030. The Namibian government started the fiscal improvement bundle in 2017. It started the emergence and settlement of a large stock of outstanding spending arrears representing a temporary setback for the fiscal consolidation program and adversely impacted on the fiscal indicators, with the budget deficit as a ratio of GDP rising from the initial budget estimate of 3.6 percent to the current 5.4 percent, while debt to GDP ratio rose to 43.0 percent (Ministry of Finance, 2018).

According to the Ministry of Finance (2018) fiscal policy performance has produced mixed results in terms of bringing desired economic growth, alleviate poverty and create employment over the years in Namibia. During the financial years 2002 to 2007 of NDP2, for example, although average economic growth for the entire period was recorded at 4.7% and surpassed the targeted growth level of the plan which had been set at 4.3%, employment declined by an average of 2.7 % per year in contrast to the targeted 2.6% annual increase. Similarly, during NDP3 (2007 to 2012), given the increased government spending, economic growth for this period was recorded at an average of 3.6% which was below the targeted growth of 5%. Despite the moderate positive levels of economic growth during the NDP3 period, unemployment and poverty indicators continue to show a worrisome trend (Ministry of Finance, 2018). During the NDP3 period, levels of unemployment and poverty continue to be worrisome.

During the recently ended NDP4 period (2012-2017), an expansionary fiscal policy, with an additional spending towards employment creation and the economic growth promotion initiative, well known as the Targeted Intervention Program for Employment creation and Economic Growth (TIPEEG), average economic growth for the period stood at of 3.8 % This was about 2.2% lower than the targeted growth level for the entire period. However, this economic growth has not reduced unemployment or improved social and economic inequalities to the desired levels. In addition, a reduction in income inequality has been insignificant or non-existent in real terms.

However, challenges continue to persist despite efforts to address challenges such as unemployment and poverty, as well as improving quality of life for the people through increased targeted government spending. This, therefore, raises a question whether

there are factors that prevent the intended purpose of fiscal policy from being realised. This paper intends to investigate factors which undermine the impact of fiscal policy on socio-economic development. It is against the above background that this study investigated the factors that constrain the effectiveness of fiscal policy in Namibia.

## **1.2 Statement of the Problem**

Despite significant efforts from the government through increased expenditure allocations as discussed above, challenges such as high poverty and unemployment rates as well as high and stagnant-income inequality economic growth rates remain low. Namibia's unemployment rate remains high, estimated at about 34 percent in 2016, from 27 percent in 2012.

The Ministry of Finance (2018) further articulates that government's fiscal policy remains grounded on fiscal counter-cyclicity, long-term sustainability of fiscal outcomes and the promotion of inclusive economic growth and social welfare. The fiscal stance for the next Medium-Term Expenditure Framework (MTEF) (2020/21-2022/23) takes into account the expressed policy objective to entrench fiscal sustainability, providing fiscal policy support to the fledgling economic growth outlook and the achievement of socio-economic objectives set out in the Harambee Prosperity Plan, NDP5 and Vision 2030.

The unemployment rate has grown tremendously over the years, for example, an average of 26 percent was recorded between the years 2000 – 2010, before increasing further, averaging 30 percent between the years 2012 – 2016, (NSA, 2016). Income inequality has also remained increasingly high with insignificant reductions. Over the years, income inequality, as measured by the Gini coefficient, was recorded at 0.7 in 1994, 0.6 in 2004, 0.59 in 2009 and 0.56 in 2015, (NSA 2017). Although poverty

levels and the Gini coefficient have also reduced from 28% in 2010 to 18% in 2016 and 0.7 in 1994 to 0.56 in 2015, many Namibians continue to live in relative poverty with limited access to basic needs such as food, clothing, shelter and clean drinking water. This is despite increases in social safety grants and pensions. Efforts to put a significant dent on these socioeconomic challenges are in place, albeit less effective. In fact, the situation seems to be worsening. In recent years, for example, between the 2013/14 and 2016/17 financial years, public expenditure growth has averaged 11.04% per year, surpassing growth in public revenue (National Planning Commission, 2017).

Considering these statistics, could it be implied that fiscal spending is a less effective tool to address these challenges in Namibia? Are there existing factors undermining the effectiveness of fiscal programs in Namibia? Considering the above concerns, this study, therefore, intends to investigate and fill the literature gap on possible factors that seem to undermine the effective roles of government's fiscal policy in redressing these macroeconomic challenges.

### **1.3 Objectives of the Study**

The main objective of this study was to investigate the factors that constrain the effectiveness of fiscal policy in Namibia. The specific objectives were:

- To identify the factors (economic, social and political) that constrain the effectiveness of fiscal policy in Namibia;
- To determine the relationship between the factors (economic, social and political) and the effectiveness of Fiscal policy in Namibia;
- To make recommendations based on the findings on the strategies to be taken to ensure the effectiveness of fiscal policy in Namibia.

#### **1.4 Significance of the study**

Findings from this study will help policy makers in formulating effective and results driven policies that will mitigate the socio-economic challenges in Namibia. This study will provide government an opportunity to identify and address a range of factors that constrains government programs. The study identifies empirical evidence on the factors hampering fiscal policy effectiveness in Namibia. The results of this research should benefit both financial and non-financial institutions. It will provide necessary information on the policy options which the Government Republic of Namibia (GRN) should adopt to make the economy friendly and attractive to foreign investors.

Furthermore, the study is significant to the private sector, foreign investors and as well as the individuals as it will help them to have a better understanding on the macroeconomic conditions of the country. Additionally, the study will help government agencies such as the National Planning Commission as it highlights areas that need attention as they prepare the National Development Plan 6 (NDP6) and reformulate goals towards Vision 2030. Finally, the study will add to the already existing body of knowledge in the field of economics making it a great help to other researchers.

#### **1.5 Limitations of the Study**

The main limitation of this study was the fact that the author lives far from the University campus hence; it was a challenge to have access to high standard journals literature because of lack of access to online materials outside the University library. Secondly, inaccuracy of government statistics, inconsistency in how the data was compiled or there so many different numbers talking the same thing in government publication also posed as a challenge. Furthermore, the hesitation of important

respondents to respond to questions was another factor. The research therefore had to make numerous follow-ups and constant contact with respondents in order for them to respond to the questionnaire. Another limitation was financial constraint as the researcher could not visit all important officials to get face-to-face interviews that will supplement information from questionnaires.

### **1.6 Delimitations of the Study**

For this study, an assumption was made that fiscal policy is less effective in bringing about intended outcomes, given the persisting trends of socio-economic challenges. This assumption is based on the fact that government has been spending a lot of money through the national budget to address socio-economic challenges, however, these challenges remain. The study therefore only outlined factors that constrain the effectiveness of fiscal policy in Namibia.

### **1.7 Chapter Summary**

This chapter introduced the research topic. This was made possible through unbundling the background of the study, statement of the problem, the research objectives, the significance of the study, limitations of the study, delimitations of the study as well as validity and reliability of the study. The following chapter reviews the literature relevant to the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviews the literature of correlated issues of the factors (economic, social and political) that constrain the effectiveness of fiscal policy. It also reviews the literature that has been postulated by different scholars and researchers relating to factors that constrain the effectiveness of fiscal policies across the world, recognising their argument of agreement and disagreement on related issues.

#### **2.2 Defining Fiscal Policy**

Fiscal policy, as it is commonly defined is a government policy used to influence a country's economy through a change in government spending and/or taxes (Corsetti, Meier, & Müller, 2008b). On the one hand, increasing taxes for example would cut down on people's disposable income and slow the economy to control macroeconomic variables such as high inflation (Monacelli & Perotti, 2006; Ravn, Schmitt-Grohé, & Uribe., 2007). On the other hand, lowering taxes can give people more money to spend and thus induce the economy to boom. Increasing government spending can give suppliers an incentive to increase production and thus increase income. On the other hand, the opposite holds, when there is a reduction in government spending. Hence, fiscal policy can either be expansionary or contractionary depending on the state of the economy and the government's objective(s). There are several challenges with fiscal policy, inter alia; budget deficits which may be accompanied by high public debt, trade imbalances and/or fiscal instability. Government policy for example is affected by its spending and when expenditures are greater than revenue, there will be a deficit. When the government is running a deficit, it cannot increase spending to stimulate the economy if there is a need or if it wants to increase its spending while running a deficit.

As such, it may need to borrow either internally or externally where borrowing will boost its debt level. Additionally, if the government reduces taxes, people's income increases, and they may tend to import more (this is true when applying the marginal propensity to import which says that a proportionate change in disposable income may cause a proportionate change in imports). Where there is too much importing of goods and services, the economy risks running a trade deficit which in turn have negative impacts that fiscal policy is aimed to address.

### **2.3 Effectiveness of Fiscal Policy**

The field of the effectiveness of fiscal policy was re-highlighted considering the 2008 global financial crisis with the new contemporary drivers such as external debt (Ruščáková, & Semančíková, 2016). Bouakez, Chihi, and Normandin, (2014), stressed that the main question in the literature regarding fiscal policy's effectiveness is whether fiscal policy presents crowding-out and/or crowding-in effects in a country and what its drivers are. In fact, many researchers try to find evidence with the parallel existence of both with mixed conclusions (Ahmed & Miller, 2000; Heutel, 2014; Sen & Kaya, 2014). The effects of fiscal policy on economic growth are driven by many factors such as employment in the economy, the transparency of government, the composition of government expenditure, or even the government size (Kasselaki & Tagkalakis, 2016; Hemming, Kell, & Mahfouz, 2002).

In empirical literature regarding the determinants of fiscal policy's effectiveness, there are, in fact, some studies that consider the role of institutional framework such as the situation regarding corruption, economic freedom and democracy

(Baldacci, Hillman & Kojo, 2004; Martinez-Vazquez, Boex, & Arze del Granado, 2007). Meanwhile, the burdens of external debt on the sustainability of fiscal policy are also of concern. For example, Amato and Tronzano, (2000) found the evidence that the debt maturity and the share of foreign-denominated debt are crucial determinants of exchange rate stability in Italy. Bal and Ruth, (2014) found out that Indian economic growth is impacted by central government debt, total factor productivity growth, and debt-services in the short-run. A recent study by Dogan and Bilgili (2014) established that external borrowing has a negative impact on growth both in regime at zero and regime at one, but the public debt has higher negative effects on economic growth and development, thus they concluded that there is a non-linear relationship between economic development and borrowing variables. However, the literature on fiscal policy is lacking. The studies on the effectiveness of fiscal policy mostly fall under the contributions from political, administration and social fields.

#### **2.4 Fiscal Policy Ineffectiveness: Theoretical Framework.**

The fiscal policy is considered with a wide range of literature, while the effectiveness of fiscal policy is seen under its' impacts on the economic growth and the long-term sustainable development. In the literature of fiscal policy effectiveness, it is natural place to start with the Keynesian theory. In Keynesian model, the sticky price and excess capacity are assumed to be contrary to the classical economics, that aggregate demand determines output and government expenditures have a multiplier effect on aggregate demand and output (Coddington, 1976). This view is also called as the crowding-in effects of fiscal policy, where the government should undertake the expenditure in the recession

time to cover the lack of private consumption and investment (Jahan, Mahmud, & Papageogiou, 2014). However, some of extensions in the line of Keynesian model allow for crowding-out effects of fiscal policy, which means the expansion of government expenditure crowds out the private demand and then influences negatively on output, through the changes in interest rates and exchange rate in the case of an open economy. With the assumption that the private investment is negatively impacted by the increase in interest rate, the expansionary fiscal policy that backed by borrowing leads to the lower private investment due to higher interest rates (Mundell, 1963; Fleming, 1962).

Davis (2006) puts forward that the neo-classical views focus on the determination of goods, outputs, and income distributions in markets through both supply and demand sides by adding the assumption of utility maximization of income-constrained individuals and firms under the boundary of factors in production and available information. In which, the neo-classical economics raise the rational expectations in comparing to the adaptive expectations in Keynesian economics. This brings forward adjustments in economic factors that occur more progressively so that fiscal policy matters in not only long-term but also short-term period. And the permanent fiscal changes can lead to the crowding-out effects since private sectors expect the persistent changes in interest rates and exchange rates in this case (Buiter 1977; Arestis, 1979; Mundell, 1963, Fleming, 1962).

In addition to neo-classical economics, the Ricardian view that is based on Ricardian equivalence theorem which assumes that the individuals are forward-looking in the current activities, which is also in contrasting with the Keynesian economics view as individuals rely on current income (Barro, 1989; McCallum,

1984). In Ricardian view, individuals anticipate a present tax cut as higher government borrowing that turns into the higher taxes in the future so that there is no change in permanent income. This condition according to Barro, (1974), in along with the assumptions of no liquidity constraints and perfect financial markets lead to no change in private consumption in general. Thus, Ricardian view suggests neither crowding-in nor crowding-out effects of fiscal policy (Arestis, 2011; Sen & Keya, 2014). However, if government changes lump-sum taxes for the fiscal policy, the features of progressive taxes will have impacts on permanent income and then the aggregate demand and output. As a result, the effectiveness of fiscal policy most likely depends on how it is paid in the future and the productivity of government expenditures (Hemming et al., 2002).

The above economic views require assumptions to be presence such as no liquidity constraints, perfect financial markets in Ricardian equivalence. However, these assumptions are usually un-existed thus the significance of theories is questioned in both theory and practice (Haque & Montiel, 1989). Furthermore, there are some cases that the effectiveness of fiscal policy is explained by all these views together with the political and social influence. For instance, if government is restricted by the fiscal rules to balance the fiscal budget in the long run, thus individuals may partial adjust their behaviours if they have short-term horizon which presents the presence of both Ricardian and neo-classical views. In the same idea, if the current path of government debt is not sustainable and future tax increases will be required to lower the debt, the Ricardian view may be presence in expansionary fiscal policy seemingly with the Keynesian view which depends on the level of public debt (Sutherland, 1997). Or, if the government expenditure is in line of an upward-trending stochastic process that individuals believe a sharply fall when it

approaches a specific “target point,” there will be a non-linear relationship between private consumption and government expenditure (Bertola & Drazen, 1993).

As Calitz and Siebrits (2008) correctly point out, fiscal policy is one of the tools for pursuing macroeconomic goals such as high and sustainable economic growth, employment creation, a low and stable rate of inflation and a sustainable balance of payments position. They further posit that fiscal policy can also be used as a redistributive tool to address socio-economic imbalances such as poverty and income inequality, therefore, the effectiveness of fiscal policy should be judged on its contribution to achieving these macroeconomic goals, which coincides with the national development objectives.

## **2.5. Fiscal Policy and Economic Growth**

Fiscal policy plays a key role in promoting and maintaining macroeconomic stability which in turn is a prerequisite for high and sustainable economic growth. More specifically, Rademacher (2011) argued that fiscal policy influences economic growth through its impact on the technical know-how, progress in technical production and accumulation of productive resources such as human capital. The amount of resources allocated to the education sector generally reflects investment in skills development and training which determines human capital. The quality of the health care system also influences the productivity of the workforce thus public spending on health care enhances human capital. Other than education and health, public spending devoted to the economic and infrastructure sector enhances the productive potential of the economy to ensure high and sustainable economic growth. On the other hand, technical

progress as determined by Foreign Direct Investment (FDI) is influenced by fiscal policy through tax incentives and increased spending allocation for infrastructure investment and improvement. On the demand side, countercyclical and fiscal stimulus measures such as tax reliefs to individuals and increased public investment spending can boost consumption and investment which stimulate economic growth.

As pointed out earlier, fiscal policy plays a critical role in ensuring equitable resource allocation which can potentially lead to increased income equality and poverty alleviation. According to The World Bank (2014), South Africa has effectively reduced poverty and inequality through progressive taxation and spending. Progressive taxation is achieved through direct taxes such as personal and corporate income taxes where the amount of tax collected increases as income levels increase. Tax relief to individuals and adjustments to personal income tax brackets are common practice, particularly during times of economic downturn, to minimise the tax burden on low-income earners and boost their disposable income. Furthermore, given the fact that poor people have a relatively higher propensity to consume, that is, they consume a large proportion of their disposable income, consumption taxes like Value Added Tax (VAT) are regressive and are known to affect low-income earners the most. Hence the needs for VAT zero-ratings or exemptions for some goods and services, such as staple foods and basic necessities that low-income earners spend most of their income on. Social transfers and grants to vulnerable members of society such as the elderly, the disabled, orphans and vulnerable children is another fiscal policy tool for redistribution of resources. However, as emphasised by The World Bank (2014), social programs and spending should be well designed and targeted if they are to have the intended impact in terms of bridging the income gap and reducing poverty. Other social spending includes expenditure on education and health care services and the

provision of basic and essential services such as water, electricity, housing and sanitation. The literature emphasises that focus on lower level services such as primary education and primary health care through universal primary education and primary health care services are known to have a more significant impact on poor and low-income earners.

## **2.6. Fiscal Policy and Employment Creation**

Fiscal policy's role in employment creation is dependent on the nature of unemployment in the economy, i.e. the type of unemployment. Generally, supply side interventions enhance the productive potential of the economy resulting in increased demand for labour and high output levels (Namibia Statistics Agency, 2015). Demand side oriented fiscal policy focuses on consumption and seems to have limited impact on employment creation rather creating excess demand in the economy which is met by increased imports. Public works programmes are one of the short-term solutions to both unemployment and poverty. Unemployment in many developing countries is exacerbated by the lack of skills in the labour force due to poor quality of education and limited skills development opportunities, resulting in structural unemployment (Namibia Statistics Agency, 2013). Therefore, the allocation of funds to targeted skills and training development programmes can empower those with low skills and unemployed thus enhancing their employability. Promoting an economic environment conducive for self-employment opportunities and for Small and Medium sized Enterprises (SMEs) to function through easier access to finance and other means is also important to address unemployment.

## **2.7 General Factors that Undermines the Effectiveness of Fiscal Policy**

Dornbusch, (1980) noted that the effectiveness of fiscal policy depends on a wide range of factors, many of which cannot be reliably predicted or understood in advance. His views were supported by Rademacher, (2011) who argued that behavioural changes caused by changes in government spending and taxation are among the most significant determinants, since an attempt to increase consumer demand through government spending or decreased taxation, for instance, would be rendered largely ineffective if people simply saved their money instead of spending it. Other factors as put forward by Monacelli and Perotti (2006) affecting how effective fiscal policy is include the time lag between the implementation of a new policy and the realization of effects of that policy, the effects policy changes have on interest rates and other economic concerns, and the actual quality of the policy change.

The effectiveness of fiscal policy is largely dependent on the balance between taxation and spending. Governments tax their citizens in order to fund government projects and to redistribute wealth in order to best suit the needs of all affected individuals. Decreasing taxes for certain groups gives people more money to spend, which can, in some cases, improve a country's economy by increasing consumer demand. Government spending can be combined with reduced taxation in order to stimulate the economy. It is often used to provide jobs and money, with the expectation that people will then spend more money, thereby helping the economy.

## **2.8 Factors that Contribute to Fiscal Policy Effectiveness in General**

The main feature of this recession, namely, the development of extensive borrowing constraints, is a strong argument in favour of fiscal policy. The reason is that the monetary policy transmission becomes weaker and more uncertain when credit markets are dysfunctional. Moreover, as our economies have become more open,

international coordination of fiscal expansions is increasingly necessary to achieve the maximum impact without worsening trade balances.

The researcher put forward two aspects that are crucial for the effectiveness of fiscal policy interventions:

1. The financing mix of a fiscal expansion, and;
2. The stance of monetary policy.

Even though they are fundamental, these points are not receiving enough attention in the academic literature debate

### **2.8.1 Fiscal Stimulus**

According to Corsetti, Meier and Müller (2008a) the effect of a fiscal expansion depends on how the expansion is financed. These arguments were supported by Rademacher (2011) who opined that this applies not only to the short-term debt-tax mix used to finance a current increase in government expenditure, but also, and perhaps even more importantly, to the long-term financing source, i.e., taxes *versus* spending cuts in the future.

The impact of higher current expenditure in Namibia for example is strengthened when complemented with a credible plan that ensures it is financed at least in part by future spending cuts. The question however is how this can be achieved.

Ravn et al., (2007) put forward future spending cuts tend to raise current private consumption and investment via their effects on the long-term interest rate. This channel is emphasized by both Keynesian and neoclassical models. Additionally, Ravn, et al., (2007) posit that lower future spending commitments mean that future taxes won't have to rise as much. In other words, such a financing plan, if credible,

will help sustaining the spending plans by firms and households who are currently not credit-constrained, and who therefore immediately respond to long-term fiscal prospects (Ravn, et al., 2007).

Admittedly, a commitment to reduce spending in Namibia in the future may lack credibility, especially in a situation like today, when the uncertainty about the length and the overall fiscal implications of the crisis is enormous (Ministry of Finance, 2015). Even in countries with explicit fiscal rules (like the UK), one may doubt if these provide sufficient commitment devices (World Bank, 2014).

The National Planning Commission, (2012) pointed out that it may nonetheless pay to identify measures which are inherently temporary, i.e., matched by future cuts in government spending. An obvious example that is applicable to the Namibian case as stressed by the National Planning Commission (2014) consists of measures that bring forward in time investment projects that are already planned, thereby raising current spending while simultaneously reducing future spending. This is not a perfect solution to the commitment problem, but however, it may help.

### **2.8.2 Monetary and fiscal policy should work together**

The Ministry of Finance 2015/16 – 2017/18 Fiscal Strategy puts forward that fiscal policy is more effective if monetary policy is accommodative (Ministry of Finance, 2018). For fiscal stimulus to work, central banks should not adhere too narrow-mindedly to their mandate of price stability.

Yet, one could envision a situation in which, even if policy interest rates were brought close to zero, it would still be possible that the overall monetary stance of the Namibian economy remain too tight (Ministry of Finance, 2015). In this situation, as pointed out by Calitz, and Siebrits (2008), the lower bound of zero for nominal interest rates, while providing a rationale for a fiscal expansion, may at the same time limit the effectiveness of any given fiscal intervention.

### **2.8.3 Impact of Social, Political and Economic factors on Fiscal Policy Effectiveness**

In the case of and fiscal policy effectiveness in developing countries, Lledó, Yackovlev, and Gadenne (2009) profiled a set of social, political and economic factors as major contributors to ineffectiveness of fiscal policy in sub-Saharan Africa. Additionally, Lledó et al., (2009) finds government expenditures, cabinet sizes, debt stocks and lack of consultations in fiscal matters to affect fiscal policy outcomes in sub-Saharan Africa than in other developing countries. However, the role of institutions, communities, and resources adequacy and allocation on fiscal performance was unclear because changes in political administrations had no impact on procyclicality. Contrary to these findings, Robinson, Torvik, and Verdier (2010) examined whether the quality of budget institutions, and the capacities of the budgeting process in low-income countries played a role in shaping fiscal policy responses to the recent global crisis. The fiscal accommodation measures considered (for 2009) where real growth in central government expenditures and the change in the primary fiscal balance (a negative sign implies higher fiscal accommodation). They estimate a cross-section Ordinary Least Square (OLS) regression with a parsimonious set of variables to control for cross-country variation and differences in key indicators

at the outset of the crisis. The results of the cross-section estimation show that controlling for initial debt and primary balances, fiscal accommodation in 2009 was higher for countries with stronger budget institutions, indicating that these countries were more likely to implement a countercyclical policy response during the crisis, or at least be less procyclical. Within the context of a micro founded analysis of business cycle stabilisation, Leith and Wren-Lewis (2006) found out that a critical barrier to the use of fiscal instruments may be political economy concerns as a result of unnecessary spending by most governments. In their paper, Akpan and Effiong (2012) analyzed fiscal policy procyclicality in resource-rich countries and modeled political economy problems as the disutility from having a budget surplus. Under an imperfect institutional environment, high resource revenues (or budget surplus) create pressure on the government to increase spending which leads to fiscal policy procyclicality.

## **2.9 Empirical Evidence on Fiscal Policy Ineffectiveness**

Many previous studies have investigated the effects of fiscal policy in many countries, especially in advanced countries such as USA, Japan, and Europe. Afonso and Strauch (2007) found out that the European fiscal policy makes market swap spreads response in mostly around five basis points or less in 2002. Similarly, the study of Kameda (2014a) posits that an increasing of 26-34 basis points in real ten-year interest rates in responding to a percentage point increase in both the projected/current deficit-to-GDP ratio and projected/current primary-deficit-to-GDP ratios in Japan. Kameda (2014b) documents that the diffusion index of the attitudes of financial institutions have a definite impact on fiscal expansion effects. In particular, the government expenditure has non-Keynesian effects under the demand-enhancing effects if the existence of liquidity-constrained households when banks' attitude toward lending is tight and the fiscal

condition is bad. Bhattarai and Trzeciakiewicz (2017) used a Dynamic Stochastic General Equilibrium (DSGE) analysis to examine the fiscal policy in UK. They noted the highest GDP multipliers for government consumption and investment in the short-run, whereas capital income tax and public investment have long-run crowding-out effect on Gross Domestic Product (GDP). Moreover, they emphasize that the fiscal policy presents decreasing effects in a small open-economy scenario.

Besides the presence of plentiful empirical literature in the effectiveness of fiscal policy, this field of study got much less evidence in developing countries, Namibia in Particular due to data deficiencies (Hemming et al., 2002). For instance, Haque and Montiel (1989) found out that the Ricardian equivalence is not supported in the developing countries due to liquidity constraints. Montiel and Haque (1991), went further by using the Mundell-Fleming model with rational expectations and full employment for 31 developing countries, and conclude that the increasing of government expenditures has contractionary short-term and medium-term effects. Previously, Khan and Knight (1981) had found out that positive nominal income elasticities of government expenditures and taxes and they are close to unity in 29 developing countries. Then, other empirical studies such as Easterly, Rodriguez, and Schmidt-Hebbel (1994) document evidences that fiscal policy has crowding-out effects on private investment through the impacts on interest rates in developing countries. Meanwhile, empirical studies such as Masson *et al.*, (1995), Givazzi, Jappelli, and pagano (2000) also provide evidences supporting for partial or/and fully existences of the Ricardian equivalence in developing countries.

However, the economic development in emerging market economies, which is a new definition of the development level of economies and nearly relating to the developing countries definition, boosts their roles in the world economy. A growing interest in investigating the effectiveness of fiscal policy by adding more methods and conditions into model for African countries has been on the rise. For example, Cuadra, Sanchez, and Sapriza (2010), note that emerging market economies typically exhibit a pro-cyclical fiscal policy, where governments increase (decrease) expenditures in economic expansions (recessions) and rise (reduce) tax rates in bad (good) times. This situation is in line with the characteristic of counter-cyclical default risk in their business cycle. They also note that the incomplete markets and sovereign default risk premium have important roles in explaining the pro-cyclicality of public expenditures and tax rates in these economies. Therefore, the assumptions of Ricardian view are not existed that propose for the Keynesian or neo-classical views of fiscal policy.

No surprising that the debate on the role and the effectiveness of fiscal policy are continuous argued broadly in both literature and practice. Recently, Arestis (2011) noticed that the “New Consensus in Macroeconomics,” recent developments in macroeconomics and macroeconomic policy, downgrades fiscal policy’s roles in contrasting with monetary policy due to its ineffectiveness. Through a careful literature review and discussion at recent developments on the fiscal policy literature, he then concludes that fiscal policy does still have significant roles in economic policy through its impact on allocation, distribution and stabilization of resources. However, researchers and authorizers have to carefully consider the assumptions in economic theories of fiscal policy’s effectiveness as Ricardian and non-Ricardian economic existences, liquidity-constraints, and the endogenization

of labour supply and capital accumulation. Meanwhile, other features, (politics, administration and social factors) of the economy should be considered in study the effectiveness of fiscal policy.

The dependence of fiscal policy's effectiveness on institutional aspects is discussed under the literature with two main strands including the inside and outside lags of effects and the political economy considerations Hemming *et al.*, (2002). First, the fiscal policy has inside and outside lags, where the inside lags/administration present the needed time to see that fiscal policy should changes, the outside lags are the function of the political process, the fiscal management and social influence, that is the time for fiscal measures take effects on aggregate demand (Blinder & Solow, 1974). Due to bureaucracy in design, approval, and implementation of fiscal policy, the inside lag may be longer, while the outside lag is more variable depending on the institutional environment. Second, the fiscal policy is impacted by the political considerations such as the fiscal illusion of public and policy-makers, the favour of transferring current fiscal burden to future generations, the limitation of government due to the debt accumulation, the delay of fiscal consolidations due to the political conflicts, and the function of current budget institutions that leads to high spending.

The institution is defined as the social rules of the game (North, 1990), which includes "humanly devised," "the rules of the game" to set "constraints" on human behavior, and the economic incentives (North, 1981; Acemoglu & Robinson, 2008). The better institutions reduce asymmetric information problem, transaction cost, and risk, while they improve the market efficiency, especially efficiency of asset allocation (Cohen, Hawawini, Maier, Schwartz, & Whitcomb, 1983; Ho &

Michaely, 1988; Williamson, 1981). Therefore, the better institutions should have positive associations with the effectiveness of fiscal policy since the lower asymmetric information problem, transaction cost, and higher market efficiency reduce both the inside and outside lags that then increase the efficiency of fiscal policy, especially the short-term effects.

The empirical literature in the field of fiscal policy had considered the role of institutional framework in some manners such as politics, democracy, economic freedom, and corruption in recent decades. Nelson and Singh (1998), for instance, argue that a democratic political system permits active in a voluntary way, at the same time it creates competitive market forces conditions for economic growth. They also emphasize that the ineffective democracy regimes in developing countries detracts the growth. Lockwood, Philippopoulos and Tzavalis (2001) added that the political pressures determine the path of government spending, taxations and borrowing in Greece in the period 1960-1972, which means the fiscal policy may not follow a long-term efficiency for the country. Martinez-Vazquez et al., (2007) noticed that the elimination of corruption is not usually an economic objective for the development, but the frustration with the lack of effectiveness of traditional economic theories and the recognition of the important roles of institutions and good governance practices have led the more attention to the corruption. The impact of higher current expenditure in Namibia for example is strengthened when complemented with a credible plan that ensures it is financed at least in part by future spending cuts. The question however is how this can be achieved.

## 2.9 Chapter Summary

This chapter reviewed the literature of correlated issues of the factors that constrain the effectiveness of fiscal policy, political, administrative and social factors that undermines the effectiveness of fiscal policy in Namibia. It also reviewed the literature that has been postulated by different scholars and researchers relating to factors that constrain the effectiveness of fiscal policies across the world, recognising their argument of agreement and disagreement on related issues. The following chapter discusses the methodology adopted for this study.

### 2.10 Research Design

Yin (2003) noted that, research design is the structure that holds the entire study together and enable the researcher to address research questions in systematic, efficient and effective manner. There are a number of research designs, including: i.e. explanatory, descriptive, causal comparative and correlational designs. This study is therefore, of a descriptive research design.

### 2.11 Research Approach

There are three common research strategies or approaches, namely the qualitative, quantitative, and mixed methods research strategies, along with the various research designs commonly used when conducting research. Creswell (2002) noted that quantitative research is the process of collecting, analyzing, interpreting, and writing up results of a study, while qualitative research is the approach to data collection, analysis, and report writing differing from the traditional, quantitative approaches.

## **CHAPTER THREE**

### **RESEARCH METHODS**

#### **3.1 Introduction**

This chapter presents the methodology used in this study. The chapter presents first the research design; this is then followed by the research philosophy. Under the philosophy, qualitative and quantitative methods are discussed accordingly. Research strategies that were employed are discussed thereafter. Then the target population and sampling are covered. Furthermore, the chapter presents the research instruments, that is, the questionnaires that were used to conduct the study. Discussion of the pilot study is then followed by an explanation of the instruments used. The validity and reliability of the research is followed by a section on ethical considerations.

#### **3.2 The Research Design**

Leedy and Ormrod (2015) noted that, research design is the structure that holds the research together and enable the researcher to address research questions in appropriate, efficient and effective manners. There are a number of research designs, commonly including: explanatory, descriptive, causal comparative and correlational research. This study is, therefore, of a descriptive research design.

#### **3.3 Research Strategies**

There are three common research strategies or approaches, namely the qualitative, quantitative, and mixed methods research strategies, along with the various research designs commonly used when conducting research. Creswell (2002) noted that quantitative research is the process of collecting, analyzing, interpreting, and writing the results of a study, while qualitative research is the approach to data collection, analysis, and report writing differing from the traditional, quantitative approaches.

This research study adopted the quantitative approach and some common quantitative research strategies include surveys, experimental studies, longitudinal studies, cross-sectional studies and non-experimental studies (Cresswell, 2009). This study used the non-experimental descriptive strategy. Belli (2008) described the descriptive non-experimental research strategy as the one in which the primary focus for the research is to describe some phenomenon or to document its characteristics. The main aim of descriptive research is to provide an accurate and valid representation of (encapsulate) the factors or variables that pertain / are relevant to the research question.

### **3.4 Population**

The targeted population of the study consisted of 102 people from 14 institutions. Employees targeted as a study population were from the Ministry of Finance, Bank of Namibia, and National Planning Commission as well as from other government offices, ministries and agencies (Ministry of Industrialisation, trade and SME development, Ministry of poverty eradication and social welfare, Ministry of industrial relations and employment creation, Ministry of higher education, Ministry of urban and rural development, Office of the Prime minister, Khomas regional council and the private sector (The Namibia chamber of commerce and industry) as some of the formulators and implementers of the fiscal policy and programs thereof, as well from Institute of Public Policy Research, Economic Association of Namibia and IJG Securities as independent policy analysts.

### 3.5 Sample

A sample size of 81 people was drawn using the following formula: Slovine's Sampling Formula		
<b>Sample Size Using 95% Interval</b>		
Formula:	$n = N/(1+N(e^2))$	
Where:	N =	Population
	n =	Sample Size
Confidence level		95%
Margin of error		5%
	N	102
	e	0.0025
<b>Sample Size (n)</b>	=	81

Respondents were selected through non-probability purposive sampling. An expert homogeneous purposive sample was selected. This sampling technique was chosen because the respondents had a shared characteristic or set of characteristics. They were experts in the field of fiscal policy. Black (2010), asserts that purposive sampling is a practical and efficient tool when used properly, and can be just as effective as, and even more efficient than, random sampling. Its major advantage lies in the fact that it gives a great possibility for the participation of those considered very crucial to data collected in each study.

### **3.6 Research Instrument**

The study utilised a questionnaire. A questionnaire is a data collection instrument consistent of a series of questions and other prompts for the purpose of gathering information from respondents (Creswell, 2017). The questionnaire was designed by first, defining the objectives of the study, secondly, by defining the target respondents and methods to reach them. Thirdly, the questionnaire design was done, fourthly, a pilot study testing. A pilot study was done in order to test the reliability of the research instrument using 5 respondents drawn from the same population. The findings of the pilot study showed that there were no errors on the questionnaire to be corrected and respondents had no difficulties in responding to the questions. The questionnaire was then administered-

### **3.7 Procedures**

The questionnaire was handed out to respondents purposively sampled based on their knowledge and expertise on the topic under investigation. They were experts in the field of fiscal policy. Where it was impossible to meet with such officials face-to-face, the questionnaire was made available online. This method yielded specific responses that shed light on some of the key factors that constrain the effectiveness of fiscal policy in Namibia.

### **3.8 Validity and Reliability of the Study**

To enhance validity of results in this study, the questionnaire was piloted and reviewed by experts on the subject matter. Data collection instruments should be reliable to ensure collection of quality information. A reliable instrument is one that produces consistent results when used more than once to collect data from the sample randomly drawn from the population. To ensure reliability a Cronbach's Alpha test was carried

out to measure the consistence of the results from the pilot study. Corrections were made as a means of gathering correct and relevant data required for the study.

### **3.9 Data Analysis**

Data was collected through a questionnaire. Thereafter, responses were thoroughly analysed using Statistical Package for Social Science (SPSS) software using descriptive statistics. The outcomes were then grouped into appropriate factors that were undermining the effectiveness of fiscal policy in Namibia. These factors were then ranked according to their severity in undermining the effectiveness of fiscal policy, as per respondents' opinions.

### **3.10 Research Ethics**

#### **3.10.1 Ensuring participants have given informed consent**

The participants were made aware that they were making an autonomous decision to participate in the study, and they have the right to withdraw at any time. Participants were aware of the nature and details of the research being conducted and were aware that information collected was for academic purposes (Fraenkel & Wallen, 2008).

#### **3.10.2 Ensuring no harm comes to participants**

Privacy and confidentiality ensured that any information gathered during this study is not to be released to outside individuals where it might have embarrassing or damaging physical or emotional consequences (Fraenkel & Wallen, 2008).

#### **3.10.3 Ensuring Confidentiality and Anonymity**

Participants had the choice to withdraw from the study at any time without a penalty and their identities were not exposed. This research did not discriminate amongst individuals in the population but rather inform consent was properly be documented.

#### **3.10.4 Ensuring no harm comes to participants**

Privacy and confidentiality ensured that any information gathered during this study is not released to outside individuals where it might have embarrassing or damaging physical or emotional consequences (Fraenkel and Wallen (2008).

#### **3.10.5 Ensuring that permission is obtained**

Permission was sought through the office of the Ministry of Finance, National Planning Commission, Ministry of Trade and Bank of Namibia. (See attached Appendices A, B, C and D). Once the permission was granted the researcher proceeded with the research.

### **3.11 Chapter Summary**

This chapter presented the methodology and research designs that were adopted in order to successfully complete this research. The following chapter presents the results of the research.

## **CHAPTER FOUR**

### **RESULTS AND DISCUSSIONS**

#### **4.1 Introduction**

This chapter presents results from the analysis of the data collected from the field and the discussion and interpretation of the findings on the factors that constrain the effectiveness of fiscal policy in Namibia. This chapter presents the response rate, the economic factors that constrain effective fiscal policy. The chapter further highlights the social factors that constrain fiscal policy, political factors that constrain fiscal policy and the performance of the Namibian fiscal policy in the last five years.

#### **4.1 Response Rate**

The study targeted employees stationed at the Ministry of Finance, the Namibia Statistics Agency, Bank of Namibia, the Ministry of Trade and Industrialisation, National Planning Commission, Khomas Regional Council, Ministry of Education and Ministry of Poverty Eradication. In total, there were 81 sampled respondents spread in different ministries and institutions. Out of 81 questionnaires administered, a total of 63 questionnaires were returned. This translates to a response rate of 79% which is within Mugenda and Mugenda (2003)'s prescribed response rate for statistical analysis. In their case they established a minimal acceptable value of 50%. This commendable response rate was made possible using convenient research procedures such as the use of emails.

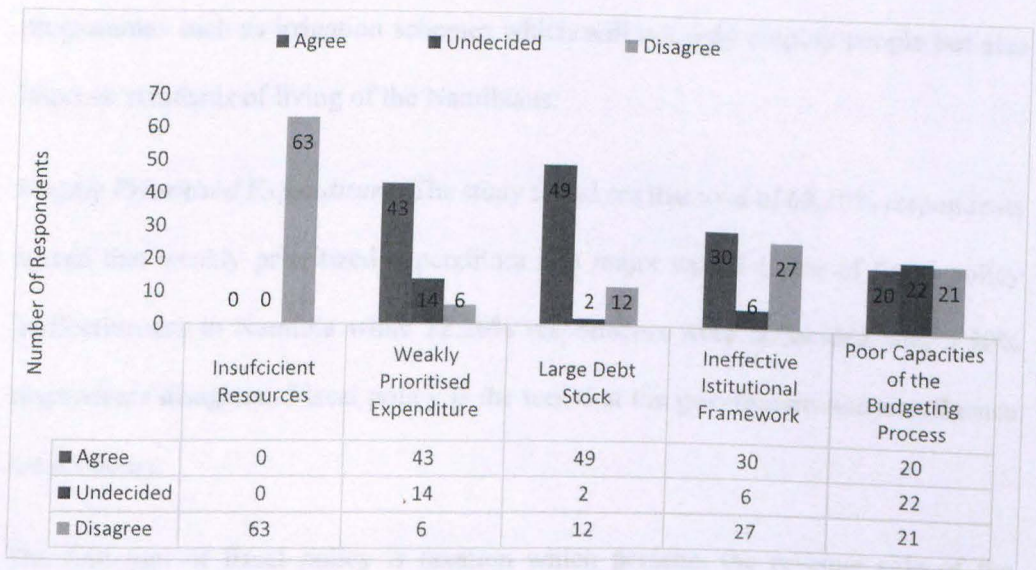
The study made use of frequencies (absolute and relative) for single response questions. For multiple response questions, the study used 3 point Likert scale questions in collecting the data and in the analysis frequencies and percentages were

computed. These were then presented in tables, graphs and charts as appropriate with explanations being given in prose.

#### **4.2 Economic Factors that Constrain the Effectiveness of Fiscal Policy in Namibia**

Economic factors: these are factors that affect the stance of economic performance in Namibia. This study sought to analyse the following economic factors: insufficient resources, weakly prioritised expenditure, large debt stock, ineffective institutional framework and poor capacities of the budgeting process. These results concur with the findings of Baldacci et al., (2004) argued that a slack in the economic factors may influence the effectiveness of the fiscal policy and thus, real Gross Domestic Product (GDP) growth. This study sought to analyse the following economic factors: insufficient resources, weakly prioritised expenditure, large debt stock, ineffective institutional framework and poor capacities of the budgeting process.

Thus, **Figure 4.1** below shows the responses of the sample of 63, on the question of how the respondents would rate the given economic factors that constraints the effectiveness of fiscal policy. The bar charts depict the number of responses on what they deemed as economic factors that constrains fiscal policy effectiveness.



**Figure 4.1: Economic Factors that Constrain Fiscal Policy Effectiveness, n=63**

**Insufficient resources:** From the survey results based on the questionnaire, the study sought to establish which of the economic factors given that respondent agree that it constrain fiscal policy from achieving desired targets in Namibia. Figure 1 show bar graphs above, which indicates that all 63 respondents disagreed with the view that insufficient resources is a constraining economic factor that prohibit the effectiveness of the fiscal policy in Namibia. These findings can be attributed to the fact that there is a high tendency of misappropriation of funds and inefficient resources allocation in Namibia. For example, recently the government through the office of the president embarked on some nationwide town hall meetings.

The resources allocated to this program could have been allocated to other fiscal enhancing programs such as poverty eradication. Additionally, the large amounts of money which are injected in the Food Bank initiative by the government through the Harambee Prosperity Plan is one good example of misplaced expenditure. Through this programme the government is promoting high dependence tendencies on the citizen. The money could have been channelled to sustainable food security

programmes such as irrigation schemes which will not only employ people but also improve standards of living of the Namibians.

***Weakly Prioritised Expenditure:*** The study found out that total of 68.30% respondents agreed that weakly prioritized expenditure is a major casual factor of fiscal policy ineffectiveness in Namibia while 22.20% respondents were undecided, and 9.50% respondents disagreed. Fiscal policy is the tool that the government use to influence the economy.

The first tool of fiscal policy is taxation which presents the revenue side of the government's budget. The second tool of fiscal policy is government spending which presents the expenses side of government's budget. In Namibia in the recent years (2013-2017) government expenditure has been larger than the revenue generated from taxes.

Mostly, these high expenditures were in the form of personal expenditures with 75% tax domestic revenue spend on personal expenditure only. In addition, 5% of the Namibians benefits from these personal expenditures (National Planning Commission, 2017). This has a major impact in the fiscal policy in Namibia. For example, between 2013/14 and 2016/17 financial years' public expenditure growth averaged 11.04% per year, surpassing growth in public revenue (National Planning Commission, 2017).

***Large debt stock:*** These findings shows t that about 77.80% of the respondents were of the opinion that the country has a large debt stock hence fiscal policy effectiveness is hindered, 3.20% were undecided and 19.00% disagreed that the large debt stock the country has hinders the effectiveness of fiscal policy in Namibia. These findings are attributed to the fact that Namibia recorded a government debt equivalent to 45.10% of the country's Gross Domestic Product in 2018 (National Planning Commission,

2018). Government Debt to GDP in Namibia averaged 22.4% from 1993 until 2018, reaching an all-time high of 45.10% in 2018 and a record low of 14.22% in 2010. The increase in debt has been driven mainly by the need to finance the budget deficits, mainly funded domestically (National Planning Commission, 2018).

***Ineffective institutional framework:*** The findings show that ineffective institutional framework is a major cause of fiscal policy ineffectiveness in Namibia. About 47.60% respondents agreed, while 9.50% of the respondents were undecided and 42.70% respondents disagreed that ineffective framework is a major cause of fiscal policy in Namibia. Typically, Institutions and institutional qualities have been known to provide an ostensibly veritable platform for evaluating public sector choices on how governance is run and how growth and development outcomes are achieved. These findings are evidence that in Namibia Fiscal institutions (Government Ministries, Agencies and Public Enterprises) surrounding the budget preparation seem to be weakened by persistent political institutional influences. Successful budget preparation within the MTEF has often been intensely challenged due to pressures from political actors involved within the fiscal space. This have resulted in ineffective institutional frameworks.

***Poor Capacities of the Budgeting Process:*** On whether poor capacities of the budgeting process are a factor that constrains fiscal policy effectiveness in Namibia, 31.80% respondents agreed, 36.7% respondents were undecided while 33.30% respondents disagreed. These findings suggest that there are mixed feelings with regards to the capacities of those involved in the budgeting process. The budgeting process has evolved over the years and those involved in the process should be able to embrace these changes otherwise the process will not be effective. To this end, it is useful to distinguish between three types of innovation: macro-budgetary, distributive,

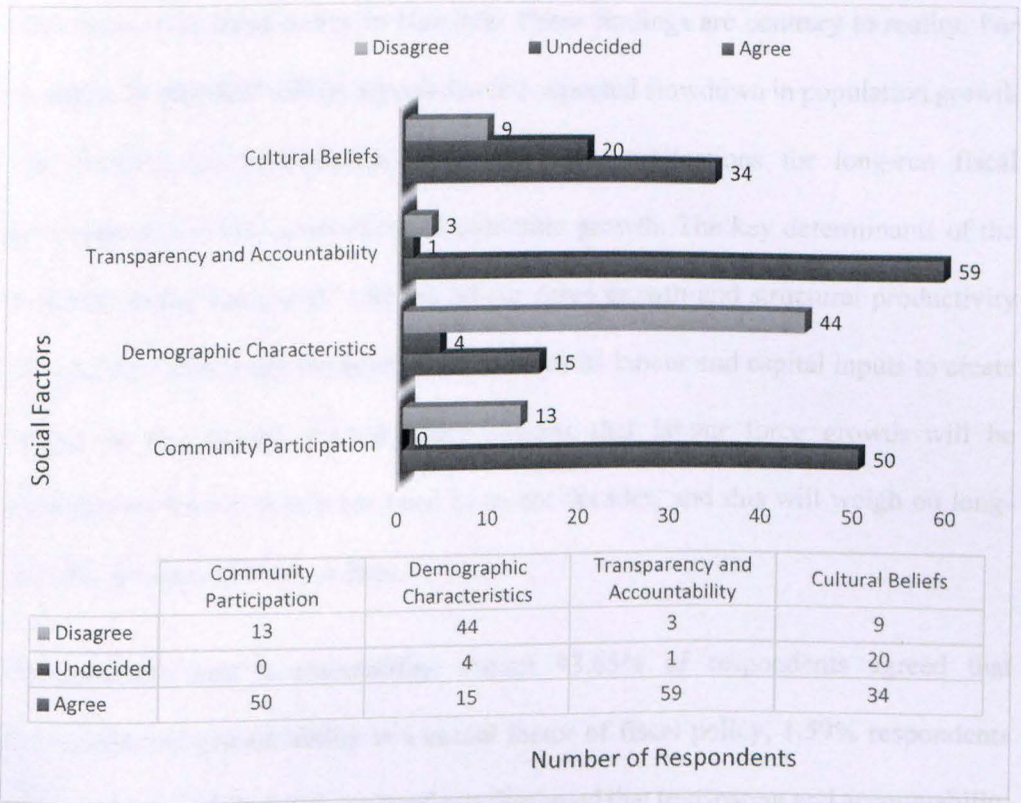
and micro-budgetary reform. Macro-budgeting deals with the budget aggregates and with the maintenance of fiscal discipline; distributional issues pertain to the allocation of costs and benefits through budget decisions; micro-budgeting is concerned with the operation of government programs, ministries and agencies.

The results in Figure 4.1 show that, insufficient resources are not the main reason why government fiscal spending is not effective, rather economic factors such as large debt stocks, insufficient resources, weakly prioritised expenditure, ineffective institutional framework and poor capacities of budgeting process were deemed to be the main culprit to fiscal policy spending in Namibia. In Namibia, embracing the Keynesian doctrine that fiscal policy should aim to stabilize the economy, even if the short-run effect was to destabilize the budget will help deal with these factors that constrain fiscal policy effectiveness.

#### **4.3 Social Factors that Constrain the Effectiveness of Fiscal Policy in Namibia**

Social factors are those that capture the behaviour of the society toward formulated fiscal programs and projects. These factors include the willingness to participate in the policy as implementer or the public trust and confidence in the formulated policies.

**Figure 4.2** below explains fiscal policy effectiveness and social factors.



**Figure 4.2: Social factors that Constrain Fiscal Policy Effectiveness, n=63**

**Community Participation:** The study found out that among other social factors, community participation is the major cause of fiscal policy ineffectiveness in Namibia. 79.37% of the respondents agreed, none (0%) indicated they were undecided while 20.63% disagreed on the same. These findings are a true reflection on how lack of community participation can hinder fiscal policy effectiveness. These findings were consistent with the findings of Brinkerhoff (2003) who argued that getting community participation in macroeconomic policymaking bring about multiple improvements, although not all of them are fully compatible.

**Demographic Characteristics:** The study established that 69.84% of the respondents disagreed, 6.35% respondents were undecided, and 23.81% respondents agreed. These findings prove that demographic characteristics have less influence on the

effectiveness of fiscal policy in Namibia. These findings are contrary to reality. For example, Brinkerhoff (2003) argued that the expected slowdown in population growth and labour force participation rates will have implications for long-run fiscal performance and the composition of economic growth. The key determinants of the economy's long-run growth rate are labour force growth and structural productivity growth, how effectively the economy combines its labour and capital inputs to create output. In this regard, demographics suggest that labour force growth will be considerably slower than it has been in recent decades, and this will weigh on long-run effectiveness of fiscal policy.

**Transparency and Accountability:** About 93.65% of respondents agreed that transparent and accountability is a casual factor of fiscal policy, 1.59% respondents were undecided while 4.76% respondents disagreed that transparent and accountability are casual factors of fiscal policy ineffectiveness in Namibia. These findings allude to the increasing importance of transparency and accountability in achieving better pro-poor budgeting, sound public finances and economic success.

The availability of good information on budgets is important for better government. Such information enables public debate which may improve resource allocation; it is a prerequisite for accountability, leading to better decision-making and reduced corruption; and it may enhance social consensus on difficult trade-offs in the context of limited resources and multiple demands. Moreover, in a modern democracy the right of citizens to information on government's activities underpins fiscal transparency.

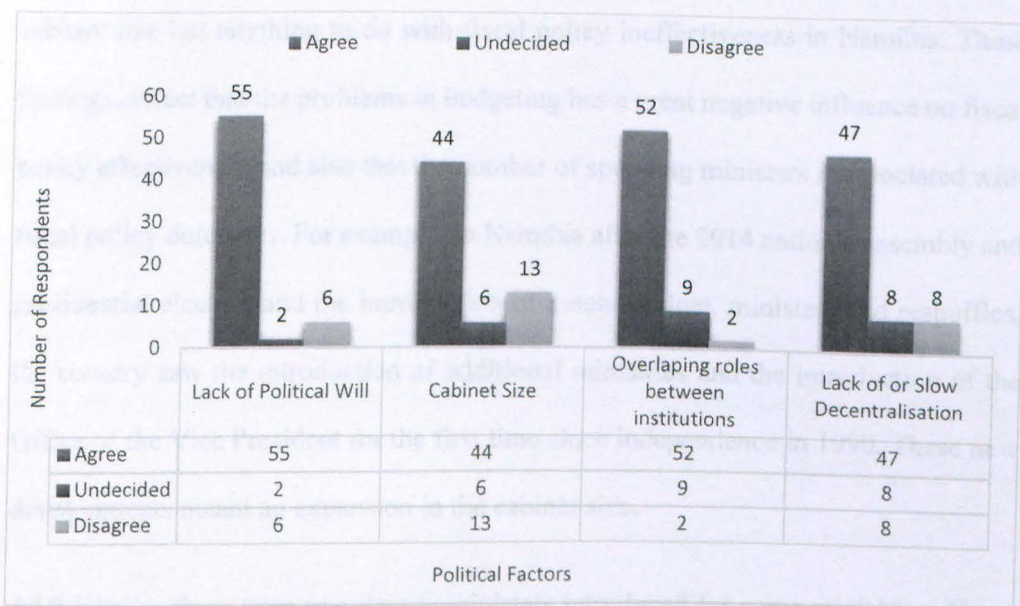
**Cultural Beliefs:** On whether cultural beliefs is among the social casual factors of fiscal policy ineffectiveness in Namibia, 53.97% respondents agreed, 31.75% respondents were undecided and 14.29% of the respondents disagreed. These findings

are a true reflection on Namibian societies today. Naturally, parents have a natural tendency to teach their children what they have learned from their own parents, without a full reassessment of the current optimality of those beliefs. This norm and cultural belief and the findings on this question demonstrate considerable evidence to suggest that people in the Namibia, are wired to favour the rewards of the present over the future. They crave instant gratification, whether in entertainment or material goods, and find it difficult to put aside money for difficult times. This leaves them with high dependence tendencies, as alluded to earlier, on the government in difficult time resulting in increased government expenditure of social welfare.

These results show that indeed community participation, transparency and accountability and cultural beliefs are the major social casual factors of fiscal policy ineffectiveness in Namibia. As this research on factors that constrain fiscal effectiveness expands, it raises an exciting set of questions. How does culture emerge and how does it persist? What determines the persistence of the cultural traits? What is the interaction between culture and formal fiscal institutions in Namibia? Importing cultural elements will make economic discourse richer, better able to capture the nuances of the real world, and ultimately more useful.

#### **4.4 Political Factors that Constrain the Effectiveness of Fiscal Policy in Namibia**

The study sought to establish the political factors that constrain fiscal policy from being effective in reducing social indicators such as inequality and unemployment etc. The results of these findings are shown in Figure 4.3 below.



**Figure 4.3: Political Factors that Constrain Fiscal Policy Effectiveness, n=63.**

**Lack of Political Will:** The study established that 87.30% agreed that indeed the capability of political leaders to see that a policy they publicly advocate for actually gets implemented and outcomes are achieved is very less. Of the same political will, the study established that 3.17% of the respondents were undecided while 9.53% disagreed that political will had an influence in the effectiveness of fiscal policy in Namibia. These findings are a reflection that fiscal policy is explained to a large extent by such variables as the characteristics of electoral and political systems and the lack of political constraints. Political leaders should in this regard ensure that institutional arrangements are in place to allow Namibia to achieve higher rates of fiscal effectiveness, economic growth and reduce macroeconomic instability.

**Cabinet Size:** On whether cabinet size has an effect on the effectiveness of fiscal policy in Namibia, the study found out that 69.84% of the respondents agreed that too many law makers cause administrative debates to impact outcomes of fiscal policy. About 9.52% of respondents were undecided while 20.63% respondents disagreed that

cabinet size has anything to do with fiscal policy ineffectiveness in Namibia. These findings reflect that the problems in budgeting has a great negative influence on fiscal policy effectiveness and also that the number of spending ministers is associated with fiscal policy outcomes. For example, in Namibia after the 2014 national assembly and presidential election and the introduction of a new cabinet, ministers and reshuffles, the country saw the introduction of additional ministries and the introduction of the Office of the Vice President for the first time since independence in 1990. These new developments meant an expansion in the cabinet size.

Additionally, there were two deputy ministers introduced for some ministries. These changes affected the budgets in the country. Further, Wehner (2010) argued that an addition to the cabinet size leads to a deterioration of the budget balance, thus, influence the effectiveness of fiscal policy. More precisely, it appears that the ruling political part induce their spending ministers to internalize more of the cost of their actions. As a result, the effects of the number of spending ministers on deficits and spending are increasing in the partisan fragmentation of the government. These results confirm the findings that the structure of cabinet is an essential determinant of fiscal policy outcomes.

***Overlapping Roles between Institutions:*** The study further established the challenges with regard to undefined, conflicting or overlapping institutional roles between different responsible government units is a contributing factor to fiscal policy ineffectiveness in Namibia. About 82.54% of the respondents agreed, 14.29% respondents were undecided, and 3.17% respondents disagreed that overlapping roles between institutions has any impact of fiscal policy performance in Namibia. The current situation in Namibia indeed has a lot of institutions with roles overlapping. For

example, the introduction of Ministry of Poverty Eradication to primarily deal with eradication of poverty in Namibia, while there is a directorate of disaster risk management under the Office of the Prime Minister is evidence that roles would overlap.

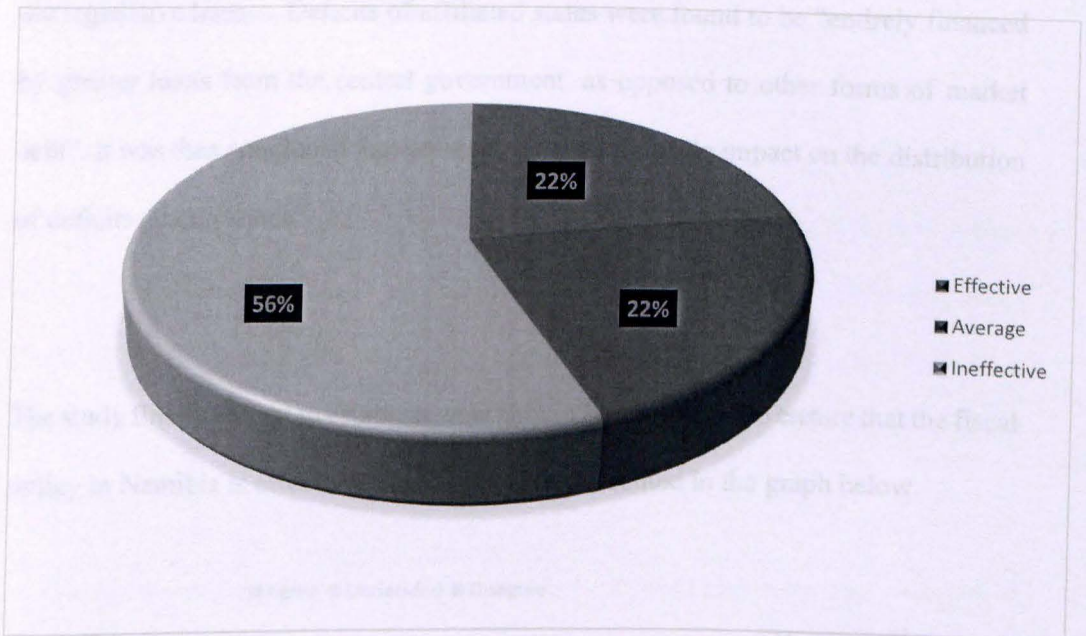
***Lack of or Slow Decentralisation:*** The study also sought to find out if lack of or slow decentralisation process has any impact on fiscal policy effectiveness in Namibia. The study established that 74.63% of the respondents agreed, 12.67% were undecided and 12.67% disagreed that decision that concerns of resource allocation which are taken at central level of administration has any impact on the performance of fiscal policy in Namibia.

Namibia is among many countries in the world that are currently decentralising despite the efforts being slow. Under the right circumstances, for example, where government actions are transparent and civil society is permitted to operate freely, devolution should increase the accountability of government officials and discourage most forms of corruption. The advocates of decentralisation, moreover, argue that decentralising the service delivery improves the allocation of resources, cost recovery, and accountability, and reduces corruption in service delivery and ultimately positively impacts on the fiscal outcomes (Wehner, 2010).

These results confirm that indeed the identified political factors (political will, cabinet size, overlapping roles between institutions and lack of or slow decentralisation) indeed impact the effectiveness of fiscal policy in Namibia.

#### 4.5 The Performance of Namibian Fiscal Policy in the Last Five Years

The study sought how effective the Namibian fiscal policy has been in the last five years. The findings are presented in the chart below.



*Figure 4.4: Fiscal Policy Effectiveness in Namibia, n=63.*

The study established that 22% of the respondents viewed the Namibian fiscal policy in the last five years as to be effective, 22% of the respondents viewed it as being average while 56% viewed the fiscal policy as being ineffective in the last five years. These confirms that a combination both factors (economic, political and social factors) contributed largely to this ineffectiveness. However, it is vital noting that the economic and the political factors are large contributors of fiscal policy ineffectiveness in Namibia.

Elsewhere, the impact of the political dominance exerted by a particular party on the capacity to implement fiscal deficits was examined by Khemani (2002). The study found that in India, states whose leadership was in the same party as the ruling party

maintained higher fiscal deficits. Deficits were found to be 10% larger in states affiliated to the party at the centre than in non-affiliated states. Deficits were observed to be larger in affiliated states where the ruling party had a small number of seats at the legislative houses. Deficits of affiliated states were found to be “entirely financed by greater loans from the central government, as opposed to other forms of market debt”. It was thus concluded that political considerations do impact on the distribution of deficits among states.

The study finally sought to establish what should be considered to ensure that the fiscal policy in Namibia is effective. The findings are presented in the graph below.

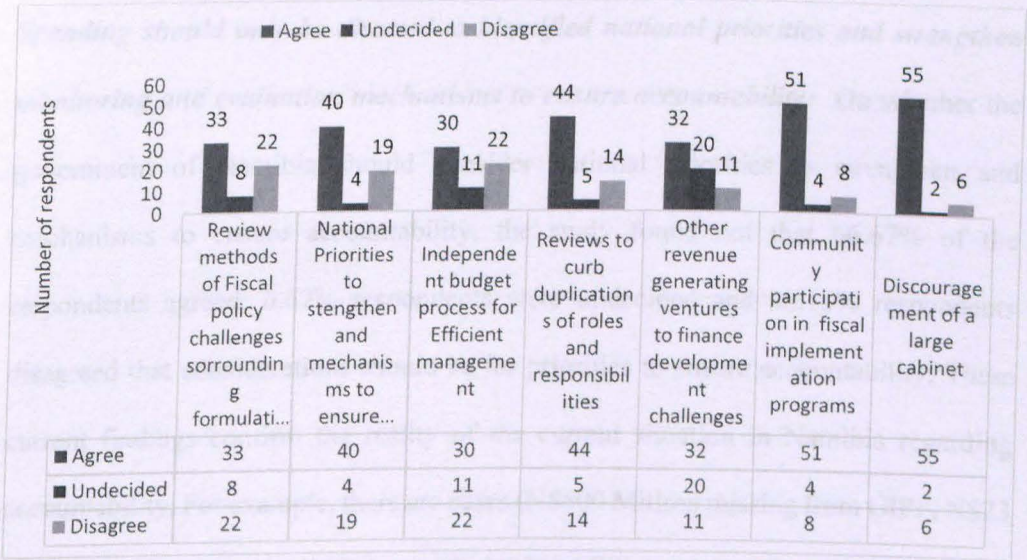


Figure 4.5: Considerations to make fiscal policy effective, n=63.

**Review methods of fiscal policy to address challenges surrounding formulation processes and adoptions:** The above diagram presents the findings on what the government of Namibia should consider ensuring fiscal policy effectiveness. The results show that 52.4% of the respondents agreed while 12.7% were undecided and

34,9% disagreed that the government should consider review methods of fiscal policy challenges surrounding formulation processes and adaptations. These findings affirm that there is great need to assess and review the current methods of fiscal policy formulation. Currently, the budgeting process, for example, is done through a process whereby ministries and government agencies submit their budget to Ministry of Finance which then combine these submissions into one national budget. The challenge with this is that there is less involved of the people who are affected by these budgets. For example, there is less participation from the communities, and ultimately the budgets do not serve the need of the communities hence it being ineffective. A review of the process to encourage nationwide participation will yield positive outcome.

***Spending should only be directed to identified national priorities and strengthen monitoring and evaluation mechanisms to ensure accountability:*** On whether the government of Namibia should consider national priorities to strengthen and mechanisms to ensure accountability, the study found out that 66.67% of the respondents agreed, 6.67% respondents were undecided and 30.16% respondents disagreed that considerations should be for priorities to ensure accountability. These current findings confirm the reality of the current situation in Namibia regarding accountability. For example, there are cases (N\$600 Million missing from GIPF, N\$23 Million missing from the KORA awards, N\$200 Million missing from SME Bank and N\$30 Million from Social Security Commission) currently under the courts in Namibia. In all these cases, there is no one is accountable. The challenge is there are no mechanisms in place that ensure effective and efficient monitoring of public funds to ensure accountability.

***Strengthen and ensure independent budget processes for efficient management of available resources:*** The study further sought to find out if the respondents see it fit for the government to consider an independent budget process for the efficient management of financial resources to ensure fiscal policy effectiveness in Namibia. About 47.62% of respondents agreed, 17.46% were undecided and 34.92% disagreed that the effectiveness of fiscal policy in Namibia has nothing to do with the budgeting process. These findings suggest that prioritization is among the main casual factors of fiscal policy ineffectiveness in Namibia. Additionally, these findings, affirm the finding on the question of economic factors that hinders fiscal policy effectiveness in Namibia. The study found that 68.25% respondents agreed that weakly prioritized expenditure is a major casual factor of fiscal policy ineffectiveness in Namibia. Indeed, resources are there however the issue of prioritising remains a major challenge.

***Review regulatory and institutional frameworks to curb duplications of roles and scattered implementation responsibilities:*** The results further show that 69.84% of the respondents agreed, 7.94% respondents were undecided, and 22.22% respondents disagreed that there is need to carry out reviews to curb duplications of roles and responsibilities. There is need to amend the role encroachment of government ministries and agencies. A proper review to get rid of those institutions that are serving the same purpose as some ministries should be done. A starting point would be to review the mandate of the Namibia Housing Enterprise, Ministry of Poverty Eradication, and Ministry of Public Enterprises. These can all be put under the Ministry of Urban and Rural Development, Office of the Prime Minister and Ministry of Trade and SME Development respectively. This move will lower yield spending on the government and the resources can be channelled to other development initiatives.

***Expand and create other revenue generating ventures to finance development challenges:*** The study encourages the government to consider other revenues generating initiatives, 50.80% of the respondents agreed, 31.75% respondents were undecided and 17.46% respondents disagreed that the government should consider other revenue generating initiatives to finance development programs as a way to ensure fiscal policy effectiveness in Namibia. This would be a good initiative that will reduce strain on the budget. Other income generating initiatives the government could look at considering can include increase the volumes of exports, encourage foreign direct investments and expand the manufacturing industry.

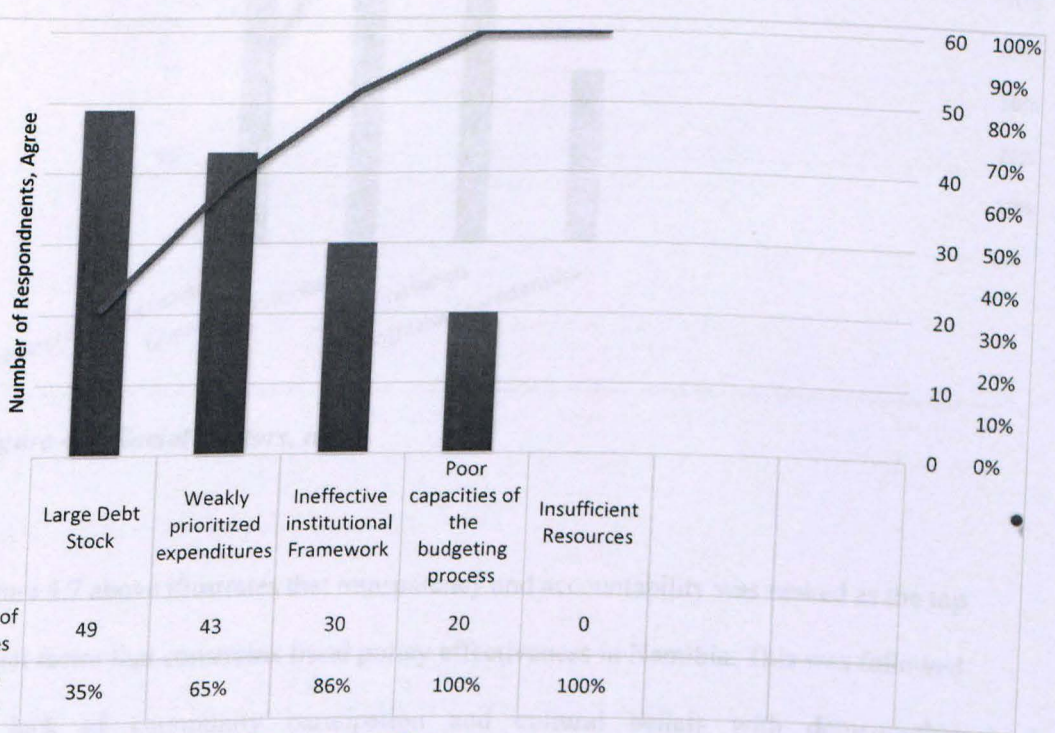
***Create incentives and attraction for community participation in the implementation of fiscal programs:*** The study established that indeed there is need for the government to consider full community participation in fiscal policy programs to ensure its effectiveness. The participation, as one participant accounts, should be from grassroots level, from village level to national level. About 80.95% of the respondents agreed, 6.35% respondents were undecided while 12.70% respondents disagreed that the government should consider community participation in fiscal policy programs. Incentives such as lunches at public gatherings are a proven good method of attracting crowds in Namibia. When the government goes into regions consulting on the budget process and they can offer people lunch this might increase participation.

***Discourage a large cabinet and policy makers size for efficient planning and achievement of national goal:*** On whether the government should consider resizing the cabinet, 87.31% of the respondents agreed, 3.17% respondents were undecided while 9.52% of the respondents disagreed that resizing the cabinet should be considered. Indeed, the cabinet in Namibia is too big for a nation of just two and half

million people. The call to reduce the cabinet size in Namibia is one that has attracted attention not only from political analyst but opposition political party leaders also.

## 4.6 Discussions

### 4.6.1 Classification of economic factors by order of impact of constrain on fiscal policy effectiveness



**Figure 4.6: Economic Factors, n=63**

The findings show that a total large debt stock was the top economic factor that constrain fiscal policy effectiveness. This was followed by weakly prioritised expenditures, then ineffective institutional framework. Poor capacities of the budgeting process and insufficient resources were found to be the second least and least economic factors that contribute to fiscal policy effectiveness in Namibia.

#### 4.6.2 Classification of Social Factors by order of impact of constrain on fiscal policy effectiveness

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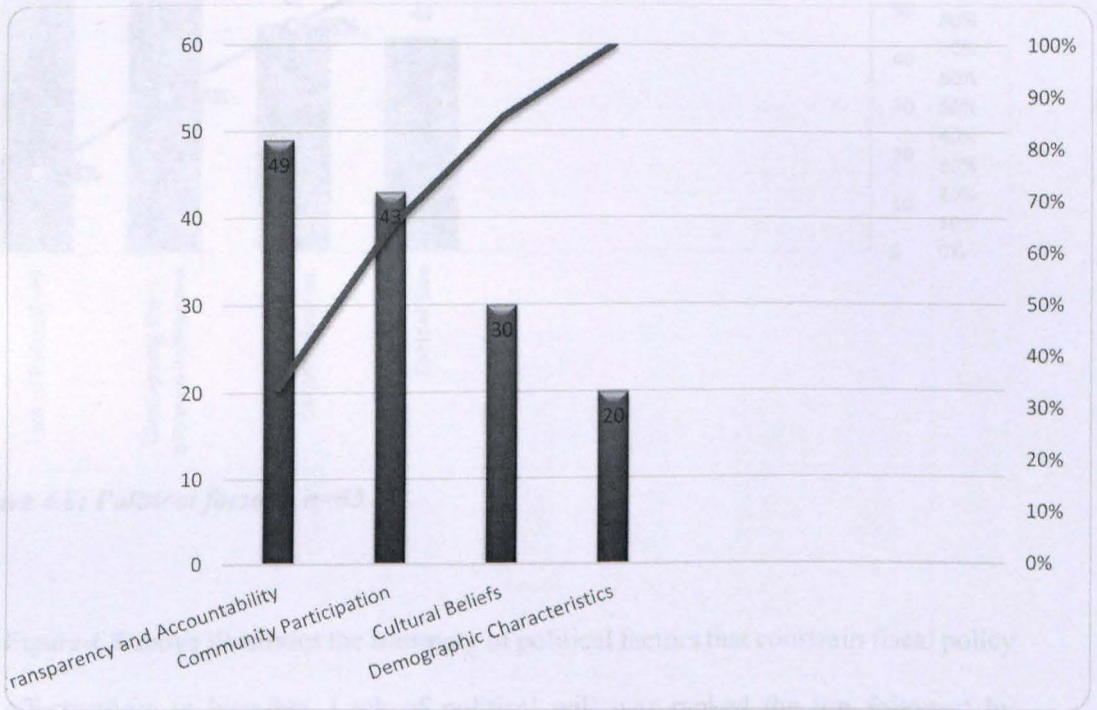


Figure 4.7: Social Factors, n=63

Figure 4.7 above illustrates that transparency and accountability was ranked as the top social factor that constrains fiscal policy effectiveness in Namibia. This was followed by lack of community participation and cultural beliefs with demographic characteristics being the least social factor that constrain fiscal policy effectiveness in Namibia.

### 4.6.3 Classification of political factors by order of impact of constrain on fiscal policy effectiveness

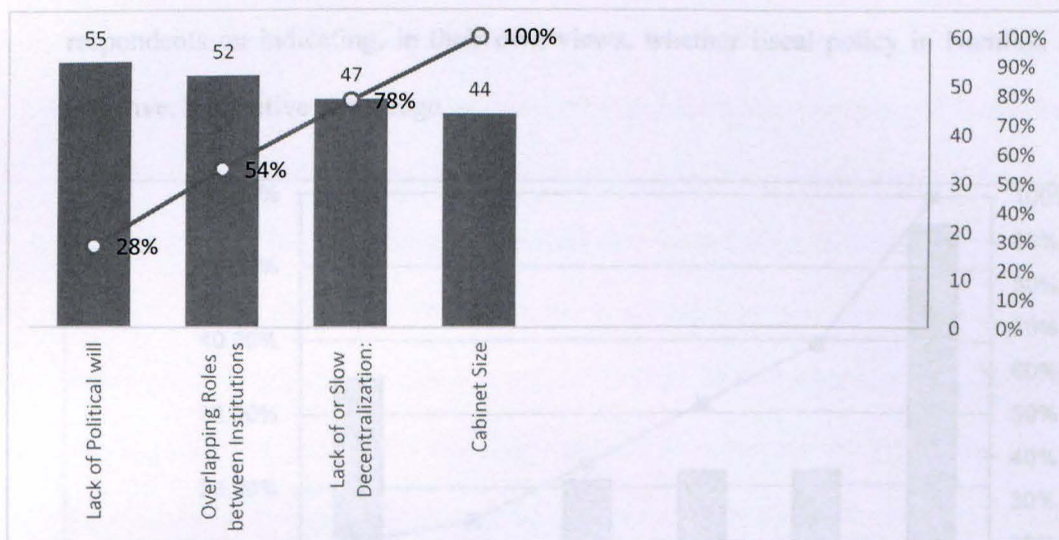


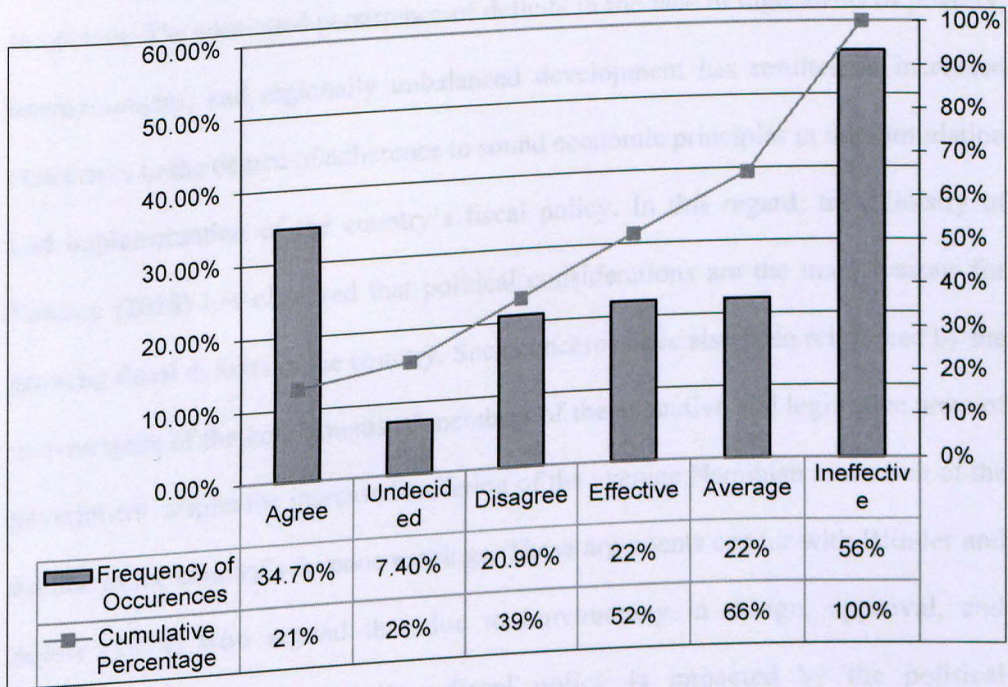
Figure 4.8: Political factors, n=63

Figure 4.8 above illustrates the summary of political factors that constrain fiscal policy effectiveness in Namibia. Lack of political will was ranked the top followed by overlapping roles between institutions. The two least political factors were lack of or slow decentralization and cabinet size.

### 4.6.4 Summary of Findings on Respondents' view on the Economic, Social and Political factors that constrain fiscal policy effectiveness in Namibia

Figure 4.9 below depicts a summary of respondent's responses on the administered questionnaire. It shows the total percentages of those who agreed, disagreed or those who were undecided with the factors constraining fiscal policy effectiveness. The researcher takes this as a way to establish whether the factors chosen to constrain fiscal policy are relevant even from the end user's point of view. Given that most respondents

agreed with the factors rather than undecided, it shows that the factors are relevant for the Namibian context. The figure also shows a summary of total percentages of respondents on indicating, in their own views, whether fiscal policy in Namibia is effective, ineffective or average.



**Figure 4.9: Summary of responses, n=63**

The literature reviewed in Chapter Two and the findings presented in Chapter Four of this research solidly anchored on the economic, social, political and implementation capacity realities of Namibia in terms of fiscal policy programs and their effectiveness. With a view to ensuring that the government's financial resources are used lawfully, efficiently and effectively and with transparency and accountability, it would be necessary to acknowledge that in Namibia, public expenditure is not efficiently managed. This is in agreement with the results of this research. Figure 4.9 above reflects that about 34.7% of the total 63 respondents agreed that indeed a combination of economic, political and social factors affect fiscal effectiveness in Namibia. The

increased involvement of the role of central government and the politicians in general in the economic sphere and less recognition of the private sector as 'an engine for economic growth' has meant that government has a new vital role in creating an effective legal and regulatory framework in which the private sector will be enabled to operate. The continued persistence of deficits in the face of high levels of poverty, unemployment, and regionally unbalanced development has resulted in increased concern as to the degree of adherence to sound economic principles in the formulation and implementation of the country's fiscal policy. In this regard, the Ministry of Finance (2018) has observed that political considerations are the main reasons for growing fiscal deficits in the country. Such concerns have also been reinforced by the non-variance of the emoluments of members of the executive and legislative arms of government despite the increased suffering of the average Namibian as a result of the decline in the country's revenue earnings. These arguments concur with Blinder and Solow (1974) who argued that due to bureaucracy in design, approval, and implementation of fiscal policy, fiscal policy is impacted by the political considerations such as the fiscal misconception of public and policy-makers, the favour of transferring current fiscal burden to future generations, the limitation of government due to debt accumulation, the delay in fiscal consolidations due to the political conflicts, and the function of current budget institutions that leads to high spending.

#### **4.6.5 The effects of Fiscal policy ineffectiveness**

The effectiveness of Fiscal policy in creating jobs, reducing poverty and generally reinforcing the social protection system has been assessed in many countries, including Botswana and South Africa. The World Bank (2014) reported that a socio-economic impact study of a labour-based road maintenance demonstration project in Botswana

reported that the introduction of fiscal policy in Botswana was intended to contribute to the national development objectives of employment creation, poverty reduction and economic growth because the governments may have had political motives to overstate fiscal stimulation packages through double-counting. A more accurate measure of the fiscal stance may be total government expenditures, as calculated by the national income accounts (aggregating government consumption and investment, as well as inventory data). This study established that lack of resources in Namibia has no daunting effects on fiscal policy effectiveness. In a related strand of literature, Rademacher (2011) in his study entitled: *Fiscal Policy and Growth: Boosting employment and competitiveness in Namibia*, found that socially effective fiscal policy has a large effect on poverty reduction and that the effects are particularly positive for the poorest of the poor. Specifically, he found that social grants reduce the number of 'poor' individuals by 10 per cent and the number of 'very poor' individuals by 22 per cent. With the latter holding true even after controlling for other factors such as household structure and educational level of the head of the household. They also established that, fiscal policy, if implemented and monitored effectively, tends to reduce inequality, albeit to a much lesser degree when compared to the poverty reduction effects. These positive effects can only be realised if there is participation by all stakeholders in fiscal policy programmes. This current study found out that there is lack of community participation and duplication of roles in fiscal policy programmes hence its ineffectiveness (see Figure 4.2 and Figure 4.5).

#### **4.6.6 Fiscal Policy Performance in Namibia**

Fiscal policy performance has produced mixed results over the years. During the NDP2, for example, although average economic growth for the entire period, recorded

at 4.7% surpassed the targeted growth level of the plan, set at 4.3%, employment declined by an average of 2.7% per year in contrast with the targeted 2.6% annual increase. Similarly, during NDP3, given increased government spending, economic growth for this period, recorded at an average of 3.6% grew below the targeted growth of 5%. Despite the moderate positive levels of economic growth during the NDP3 period, levels of unemployment and poverty continued to be worrisome. This study revealed that 37.7% of the respondents agreed that the identified economic (Insufficient Resources, Weakly prioritized expenditures, Large Debt Stock, Ineffective institutional Framework, and Poor capacities of the budgeting process) social (Community participation, Demographic characteristics, Transparency and accountability, and Cultural beliefs) and political (lack of political will, Cabinet size, overlapping roles between institution and Lack of or slow decentralisation) factors agreed that fiscal policy in Namibia has not been effective. The findings on social factors concur with Wehner (2010) who established that an addition to the cabinet size leads to a deterioration of the budget balance, thus, influences the effectiveness of fiscal policy.

## CHAPTER FIVE

### CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

The study aimed to identify the political, administrative and social factors that undermined the effectiveness of fiscal policy in Namibia; determining the effects of these factors on the effectiveness of Fiscal policy in Namibia, evaluating the performance of fiscal policy in Namibia over the years and to make recommendations based on the findings on strategies to be taken to ensure the effectiveness of fiscal policy in Namibia. Chapter Five gives the discussion of the main findings from the research and where applicable, links the literature to the research outcomes.

#### 5.2 Conclusions Based on Research Objectives

This study investigated the factors that constrain the effectiveness of fiscal policy in Namibia. Using data and information from a survey conducted among participants in government ministries, offices and agencies in Namibia, it is established that fiscal policy, while having no effect on the employment status of the general citizens in Namibia, does have a positive effect on the socio-economic situation of the communities. Specifically, fiscal policy has one major immediate benefit: increased spending power as a result of the wages received (those that are benefitting from government programmes such as the Food Bank, temporary employment during national elections and drought relief programs). This would suggest that either the skills or experience gained from the fiscal policy programmes does not enhance the future employment prospects of those who participate in such programmes, probably because these are at variance with what the market demands, or that there are simply no alternative wage employment opportunities as a result of these fiscal policy

initiatives. This continuously widens the inequality gap and the issues of poverty eradication are not solved in the economy, rendering fiscal policy ineffective.

The study concludes that a set of economic, political and social factors constrain to fiscal policy ineffectiveness in Namibia. On social factors, community participation, demographic characteristics, transparency and accountability, and cultural beliefs were identified as factors that constrain the effectiveness of fiscal policy. Next, the survey results show that insufficient resources, weakly prioritised expenditures, large debt stock, ineffective institutional framework, and poor capacities of the budgeting process are the most economic factors that constrains fiscal policy effectiveness.

Meanwhile, 89% of the total respondents agreed that lack of political will, cabinet size, overlapping roles between institutions and lack of or slow decentralisation are political factors that inhibit the effectiveness of fiscal policy in Namibia. Further, 100% of the respondents emphatically rejected the proposition that fiscal policy is ineffective due to lack of resources.

The study further concludes that the continued persistence of fiscal policy ineffectiveness will continue to yield high levels of poverty, unemployment, and regionally unbalanced development and therefore can result in increased concern as to the degree of adherence to sound economic principles in the formulation and implementation of the country's fiscal policy.

The ideal should be concluding based on research objectives and supported by results or findings.

### **5.3 Recommendations**

- There is a need to constantly review, in consultation with private-sector actors/implementers, the level of participation, and whether the community and stakeholder engagements are prevailing and observed in fiscal policy programmes. This will achieve the twin objectives of full employment of resources and increasing priority and awareness on national priority areas.
- There is also a need to ensure, from both policy and practice standpoints, that the fiscal policy programs have an inbuilt mechanism for the transfer from principality to reality (Accountability) to enable the stakeholders to understand what is expected of them and to avoid role duplications.
- It is also necessary for the government to design complementary policies and programmes that promote long-term investments, especially by the private sector, to tap into and utilise the reservoir of skills through employment opportunities in rural areas.

### **5.4 Recommendations for future Research**

This study concentrated on investigating the factors that constrain fiscal policy effectiveness in Namibia. The focus of the study was government ministries, offices and agencies in one town, Windhoek. To facilitate the generalisation of the findings, this study recommends that further studies should also look into how the identified factors constrain economic growth and how budget deficits can affect other fiscal performance measures with an aim to close the gaps that exists in the fiscal performance sector literature.

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**APPENDIX 1**  
**QUESTIONNAIRE**

My Name is Sakaria M. Shifotoka. I am studying at the University of Namibia: Namibia Business School. I am conducting a research titled “*An investigation of the factors that constrain the effectiveness of fiscal policy in Namibia*”. This research aims to examine factors that undermine the effectiveness of fiscal policy in Namibia. Fiscal policy here is concentrated on government spending toward the achievement of macroeconomic objectives: employment creation, poverty alleviation, infrastructure, public security, health care and Education among others. The government of Namibia has prioritised improvement in the socio-economic status of its citizens through overarching goals such as high and sustainable economic growth, employment creation, increased income equality and poverty reduction among others. Despite this significant role by government, these macroeconomic objectives still remain as challenges.

Dear respondent, with this background, you have been selected to participate in this study. I will be most grateful if you would take a few minutes to complete this questionnaire and by answering every question to the best of your ability. Your responses will remain anonymous and will only be used to achieve the objectives of this study.

Should you have any queries, please contact me Sakaria Shifotoka at +264 81 381 3618 or email at [sakaria.malima@gmail.com](mailto:sakaria.malima@gmail.com). **Please provide your responses before 20 June 2019.**

**Questionnaire**

1. Namibia is faced with challenges such as limited fiscal stance. In your own view, please rate how you would agree that the following economic factors constrain the effectiveness of fiscal policy in Namibia.

Scale 1 to 3: 1 = Agree; 2 = Undecided; 3 = Disagree;

*(Please tick appropriate rate for you: one tick per factor)*

	1	2	3
<b>Insufficient Resources:</b> No enough resources to fund challenges			
<b>Weakly prioritized expenditures:</b> Resource allocation not according to national priorities and are therefore mismanaged.			
<b>Large Debt Stock:</b> International obligations to stay within thresholds limit expenditures.			
<b>Ineffective institutional Framework:</b> the enabling environment in which all efforts are harmonized to reach fiscal policy goals			
<b>Poor capacities of the budgeting process:</b> How programs are planned, implemented and monitored and evaluated to ensure that intended resources are utilized for intended purposes			

Other than the factors listed above, what would you say are some of the economic factors that constrain the effectiveness of fiscal policy in Namibia? *Please explain*

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2. Collaboration between law makers and society is important for bringing about desired national outcomes. In your own view, please rate how you would agree that the following social factors constrain the effectiveness of fiscal policy in Namibia.

Scale 1 to 3: 1 = Agree; 2 = Undecided; 3 = Disagree;

*(Please tick appropriate rate for you: one tick per factor)*

	1	2	3
<b>Community participation:</b> Lack of community's participation in various government programs such as: Volunteer, Literacy, etc			

<b>Demographic characteristics:</b> characteristics of the population: Namibia has a large population of young and the youth therefore do not identify themselves within fiscal programs			
<b>Transparency and accountability:</b> leaders/managers are not held accountable for lack of achievement in designated roles			
<b>Cultural beliefs:</b> some pockets of the population do not believe in modernization which makes it hard to plan for and bring about change in such communities			

Other than the factors listed above, what would you say are some of the social factors that constrain the effectiveness of fiscal policy in Namibia? *Please explain*

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3. Political dynamics is believed to play a major role in an economy and affects fiscal policy outcomes in return. In your own view, please rate how you would agree that the following factors constrain the effectiveness of fiscal policy.

Scale 1 to 3: 1 = Agree; 2 = Undecided; 3 = Disagree;

*(Please tick appropriate rate for you: one tick per factor)*

	1	2	3
<b>Political will:</b> willingness or capability of political leaders to see that a policy they publicly advocated actually gets implemented, and outcomes achieved			
<b>Cabinet size:</b> too many law makers and therefore administrative debates impact outcome of fiscal policy			
<b>Overlapping roles between institution:</b> challenges with regard to undefined, conflicting or overlapping institutional roles between different responsible government units			
<b>Lack of or slow decentralization:</b> decision made at central levels as opposed to regional leaders having a say in resources allocation			

Other than the factors listed above, what would you say are some of the political factors that constrain the effectiveness of fiscal policy in Namibia?

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4. Below are the statistics depicting government expenditures and outcomes.

	2011/12	2012/13	2013/14	2014/15	2015/16
Social	44.3	58.1	52.9	35.3	33.0
Economic & Infrastructure	36.4	-6.2	52.3	21.2	6.3
Public Safety & Order	4.4	21.5	32.0	33.5	13.6
Administrative	15.0	26.6	-37.2	10.1	47.1
<b>Total Expenditure</b>	<b>28.4</b>	<b>8.2</b>	<b>12.9</b>	<b>27</b>	<b>16.5</b>
Unemployment Rate	27.4	29.6	28.3	30.8	34
Income Inequality	0.60 (2004)	0.59 (2009)	0.57 (2015)		
Poverty Rate	37.5 (2004)	28.8 (2009)	17.4 (2015)		

Source: MoF Estimates of Revenue and Expenditure, NSA labour force survey

Based on the statistics provided in the table above, how would rate the performance of the Namibian Fiscal policy in the last five years. **Please tick appropriate box for you**

Effective	Average	Ineffective

Please provide reason for your chosen answer

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5. Despite the impressive economic growth in the recent past, averaging 5 per cent per annum between 2002 and 2017, the rate of unemployment, income inequality and poverty rates remains high. In your perspective, how would you agree that the government should consider the statements in the table below to ensure effectiveness of fiscal policy?

Scale 1 to 3: 1 = Agree; 2 = Undecided; 3 = Disagree;

*(Please tick appropriate rate for you: one tick per factor)*

	1	2	3
Review methods of fiscal policy to address challenges surrounding formulation processes and adoptions			
Spending should only be directed to identified national priorities and strengthen monitoring and evaluation mechanisms to ensure accountability			
Strengthen and ensure independent budget processes for efficient management of available resources			
Review regulatory and institutional frameworks to curb duplications of roles and scattered implementation responsibilities			
Expand and create other revenue generating ventures to finance development challenges			
Create incentives and attraction for community participation in the implementation of fiscal programs			
Discourage a large cabinet and policy makers size for efficient planning and achievement of national goals			

In your opinion, what other recommendations should the government consider in ensuring fiscal policy effectiveness in addressing socio economic challenges experienced in Namibia?

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**Thank you for your time**