

Analysis of 2012 2013 botswana budget speech

[Economics](#), [Budget](#)



UNIVERSITY OF BOTSWANA NAME: MATILDAH TILLY KAUNDA COURSE: MGT 306 LECTURER: DR MAROBELA TOPIC: ANALYSIS OF THE BUDGET SPEECH ?

INTRODUCTION Neo-liberalism is a set of economic policies that have become widespread during the last 25 years or so. Neo-liberalism is the case where the rich grow richer and the poor grow poorer. These are a set of policies that are under the influence exerted by the International Monetary Fund (IMF), the World Bank and the Inter- American Development Bank.

They include frameworks of free market trade and no government intervention as well as elements of privatization. This report explores the theories of Managerialism, New public Management and finally neoliberalism implementation in Botswana, to assess whether such a change is constructive to the development of Botswana and Batswana by referring to the budget speech to evaluate whether Botswana is prepared for such a change Managerialism is the pursuit of goals by managers other than profit maximization.

According to Locke & Spender (2011) Managerialism is what occurs when a special group called managers ensconces itself systematically in an organization and deprives owners and employees in their decision making power including the distribution of emoluments and justifies that takeover on the grounds of the managing group's education and exclusive possession of codified knowledge and know-how necessary to the efficient running of the organization. Application of managerialism to the public sector involves privatization profit motive, incentives for managers and delegation of power.

According to Pollitt & Bonkaert (2011) New Public Management refers to deliberate changes to the structures and processes of public sector

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organization with the objective of getting them to run better. It basically means changes in the way things are done to make them more efficient, more responsive to those who use them; their main focus is on achieving objectives like reduction of poverty. The main emphasis of New Public management is the need to change inefficient, moneylosing state enterprises into competitive, profit making, taxpaying businesses that provide quality goods services to consumers.

This is greatly in line with the words that Honorable Math ambo said in the recent budget speech. He talked of the need for transfer of state owned enterprises to private ones. In the budget Speech Mr Mathambo stated that “ a Privatization Master Plan adopted in 2005 and aimed at identifying all public enterprises suitable for privatization is being revised to among others, identify services and Public Enterprises that are suitable for outsourcing and divestiture during the period 2012 to 2017.

In Botswana as said by the minister a new master plan or NDP 10 set out a prudent strategy for ensuring fiscal sustainability while supporting private sector development. A central feature of the strategy is for Government to reduce its dominance by cutting Government expenditure as a share of GDP from 40 to 30 percent Neoliberalism explains the state of no government intervention, free market trade and privatization.

According to a journal of sociology(2007) this term broadly means the project of economic and social transformation under the sign of the free market and needs which are formerly met by public agencies in communities and families met by companies selling services in the market. Basically the policy recommendations of neoliberalism are concerned mainly with dismantling

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what remains of the regulations welfare state. These recommendations include deregulation of business; privatization of public activities and assets; elimination of, or cutbacks in, social welfare programs; and reduction of taxes on businesses and the investing class.

The theory of neoliberals advocates for no or rather reduced government spending in the economy. Locke, R (2011) stated that International monetary fund which was created to administer the international monetary system is a strong supporter of neoliberalism or rather privatization. According to an article by Victor Baatweeng dated 12 January 2011, The international Monetary fund (IMF) has advised Botswana and other Southern African Customs Union (SACU) member states to slash their expenditure in order to ensure fiscal and debt sustainability.

As a result, the IMF has recommended an appropriate mix of revenue and recurrent expenditure measures, with particular emphasis on reducing the wage bill. The Minister of Finance and Development Planning, Kenneth Matambo announced during his budget speech on Wednesday that the government is concerned that due to its dominance in Economic activities, the public sector wage bill has escalated over time and is high compared to that of other comparable middle income countries and that it needs to be reduced.

According to Matambo, this can be achieved by reducing the size of the public sector, with functions and activities which are better carried out in a commercial environment being provided by the private sector. It looks like finally the government is responding to the pressures of IMF. However this is a drastic move that will only cause social upheavals and throw some people

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into the labor market. This move that can be taken by developed countries rather than developmental states like Botswana.

Considering the fact that unemployment as mentioned in the recent budget speech continues to be high, and the government planning to cut wage bill and freeze posts, this initiative will solve nothing but rather lead the country into a downhill. Also the introduction of privatization will cause people who were employed by the government to lose their jobs when the private companies take over. The reason for this is that cost cutting has become the main strategy companies adopt in response to the liberalization of markets.

These companies will come with short term contracts, part time positions, minimum wages and no job security. Instead of finding ways to curb the issue the government plans to add fuel to the fire. H0 This move to privatization and outsourcing of services most importantly essential services like water and electricity will only have a negative impact on the poor . According to Steger and Roy (2010), there should be state ownership of crucial national enterprises like energy and railroads.

They further stated that Keynes in particular advocates for massive government spending in time of economic crises to create new jobs and lift consumer spending. The paramount objective of the capitalist's economy is to make profit rather than enhancing wellbeing in economically efficient ways. Prices in the private sector tend to be high unlike in the public sector where they are subsidized to cater for those below the poverty line. In the budget speech the Minister stated that individuals below Botswana Poverty Datum Line declined from 30. 6% of population in 2002/03 to 20. % in 2009/10 but taking this initiative of privatization will negatively affect those

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living below poverty datum line and may even end up increasing their number. State intervention is important as well as crucial to the economy as well as to the welfare of its citizens. It ensures social efficiency and fair and just allocation of resources and prevents market failure. According to monopolistic competition economy is a further reason for intervention by the government because it has the potential for the misallocation of resources through fixing wrong prices and making the customers worse off.

Hughes(2003)' s view on privatization was that market systems does not necessarily bring high employment , price stability and the socially desired rate of economic growth and thus the essentiality of public policy to secure such objectives. There are a number of reasons for the need of neoliberalism and why less state intervention in a state may be appropriate and viable. According to a journal by Wendy Lerner" Liberalization is essentially about the introduction of competition. The main argument for avocation of liberalization is that competition forces alternative providers to improve productivity and service quality. She further stated that though there is reduction of employment as a consequence of liberalization and privatization, in many cases, lower staff levels result in work intensification. According to Locke (2001) Private sector practices and technologies are superior to those used in the public sector, thus there is high efficiency and effectiveness. He further stated that this idea has a long tradition that can be traced back to 1868. Privatization comes with competition and thus considered a viable strategy for improving performance of public bureaucracies because it lowers costs and increases efficiency.

A further argument for privatization is to reduce cross subsidies and charges for services in accordance with their true cost. The argument is that subsidies are economically undesirable as true costs and inefficiencies are can be hidden. There are other mechanisms preferable like direct funding from the budget or giving cash to those to be given assistance. Neoliberalisation also reduces government borrowing. The government should only borrow for long term assets such as power stations. A lower government borrowing has lower interest rates and thus helping the economy. Hughes (2003 pg 104). CONCLUSION Government intervention in the market is mainly aimed at reducing injustices and inequalities. While state intervention should be reduced to a minimum to promote efficiency, government should always keep an eye out for situations that only government intervention will regulate in everyone's best interest against the interest of just a firm. It is difficult to choose a stance between state interventions in the economy because it comes with both advantages and disadvantages for the country.

However for a developmental state like Botswana I believe that it is advisable not to undergo this change as it is not well developed and the welfare of Botswana depends on it. REFERENCES Baatweng, V. (2011, January 12). IMF SLASHES WAGE BILL. Larner W, Neo-liberalism: policy, ideology Governmentality. studies in political economy . Journal of Sociology © 2009 the Australian Sociological Association, Volume 45(4): 331-338 Locke, R. R. (2011). confronting managerialism. New York: Zed Book Ltd. Kotz M (2002). Globalisation and Neoliberalism. Rethinking Marxism, Volume 12, Number 2, Summer 2002, pp. 64-79. , 64-79.

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