The Long Term Impact of Structural Economic Change on Government Spending

By Keith Jefferis

BIDPA Working Paper No. 20
July 1999

1 Botswana Institute for Development Policy Analysis (BIDPA) is an independent trust set up by a Presidential Decree. It started operations in 1995 as a non-government policy research institution
Abstract

Botswana’s current economic objectives centre on diversification away from its historical dependence on diamonds and government. Such diversification will change the structure of the economy, and has important implications for the ability of government to raise revenue through taxation and therefore for its ability to finance its expenditure. This paper explores the likely impact of diversification on government’s revenue raising ability and hence on the magnitude of its overall role in the economy. It uses projections over a 20 year period to simulate possible scenarios for taxation and the size of government. The key point is that any diversification will cause government revenues to fall, in relative terms. The diamond sector is extremely profitable, and those profits are taxed at a very high rate, as the economy diversifies, other sectors will emerge that will be less profitable and less highly taxed. The projections in this paper show that under a variety of different assumptions about sectoral growth rates, and taxation and spending, government will have to significantly reduce its role in the economy. Such a change will have major implications for choices to be made about the allocation of public expenditure.

Keywords

Diversification
Public Finance
Taxation
Public Expenditure
Botswana

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THE LONG TERM IMPACT OF STRUCTURAL ECONOMIC CHANGE ON GOVERNMENT SPENDING

INTRODUCTION
Botswana’s current economic objectives centre on diversification away from its historical dependence on diamonds and government. The primary aim is to ensure economic growth into the future as mineral sector growth slows down. The growth of incomes would address problems of unemployment and poverty through employment creation. Beyond these objectives, diversification will change the structure of the economy and therefore the nature of economic activity. It also has important implications for the ability of government to raise revenue through taxation and therefore for its ability to finance its expenditure.

This brief paper explores the likely impact of diversification on government’s revenue raising ability and hence on the magnitude of its overall role in the economy. It uses projections over a 20 year period to simulate possible scenarios for taxation and the size of government. The key point is that any diversification will cause government revenues to fall, in relative terms. The diamond sector is extremely profitable, and those profits are taxed at a very high rate; as the economy diversifies, other sectors will emerge that will be less profitable and less highly taxed. The projections in this paper show that under a variety of different assumptions about sectoral growth rates, and taxation and spending, government will have to significantly reduce its role in the economy. The base case scenario indicates that revenues will drop from around 40% of GDP at present to 30% over a 20 year period. Such a change will have major implications for choices to be made about the allocation of public expenditure.

DIVERSIFICATION AND SECTORAL GROWTH RATES
As is well known, Botswana’s mining sector has grown rapidly over the past 25 years, and has driven growth in the wider economy. Mineral revenues, primarily derived from diamonds, have provided the major share of government revenues, and these have been used to finance investment in physical and human capital, as well as the general expansion of government itself. Therefore, the development model that has served Botswana in the past has primarily involved the channelling of mineral revenues through government and into a range of public and private sector activities within Botswana. Government revenues and spending have grown extremely fast, and a substantial proportion of private sector activity - especially in sectors such as construction - has been heavily dependent upon public expenditure.

However it has long been recognised that this mineral-led growth cannot continue indefinitely, and that much slower growth rates are likely in the future - if indeed there is any growth at all in the minerals sector once the current expansion of the Orapa diamond mine is completed. The objective of diversification therefore requires the generation of new “engines of growth” in the economy. Given the small size of Botswana’s domestic economy it is
recognised that such diversification will have to be export-led. Thus a central role will have to be played by producers of exportable (tradeable) goods and services, primarily manufactured goods and tradeable services such as tourism. The success of this strategy is dependent upon the ability of firms in Botswana to penetrate export markets both regionally and internationally; for export growth to be capable of leading the economy requires Botswana firms to be efficient and internationally competitive, and also for present and potential export markets themselves to be growing.

Diversification therefore involves increasing the share of non-mining private sector activities in the economy, and consequently a reduction in the share of mining and government in economy. This process should take place as the growth rates of manufacturing and other exporting sectors come to exceed the growth rates of minerals and government; it does not of course require that the mineral sector declines in size in absolute terms, only relative to other sectors.

Botswana's present economic structure is that mining accounts for approximately 35% of GDP, government for 15%, and the non-mining private sector for about 50%. If diversification is successful, the non-mining private sector will grow to account for more than its current one half share.

The reason that this is important for the present study - besides its implications for the structure of economic activity, employment and exports - is that the mining sector (or at least the diamond mining component of the sector) is exceptionally profitable by normal economic standards. Because of this, and the nature of the agreements negotiated between the government and De Beers, the revenues raised by the government from mining, through taxes, royalties and dividends, account for a very high proportion of the mineral sector's output (value added). Over the past decade, mineral revenues have accounted for around 50% of total government revenues, much higher than its share of GDP. As diversification takes place and the share of mining in the economy falls, mineral revenues will account for a smaller proportion of total government revenues.

The activities that will grow to replace diamonds as diversification takes place are likely to earn more "normal" rates of profit. This is mainly because of the control exerted over the marketing of rough diamonds internationally by a dominant firm - De Beers - whose monopolistic practices work to Botswana's benefit, as a producer. By contrast, most other activities are far more competitive both domestically and internationally. Profits account for a lower proportion of value added in these sectors, and furthermore the tax rate applied to profits in general is much lower than that applied to mining profits. As a

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1 "Normal" in the economic sense, where profits include the cost of capital but no monopoly or "excess profit" element.

2 In addition, it may well be necessary to offer tax concessions (lower tax rates or tax holidays) to attract new inward investment.
result, government’s capacity to raise revenue from these sectors is much lower than its capacity to raise revenues from diamond mining. Even if the non-mining sector partially replaces mining in the economy, government’s capacity to raise revenue will fall relative to the size of the economy - in other words government revenues as a share of GDP will decline.

PROJECTIONS

In this section detailed projections are presented of sectoral growth, output, and taxation over a 20 year period. The base year is 1997/98 (the most recent year for which national accounts data are available), supplemented by information about government revenue and spending in 1998/99 and 1999/2000 from the 1999 Financial Statements and Tables, published by MFDP at the time of the 1999 Budget Speech.

The base year calculations are actually derived from averages over a five year period from 1993/94 to 1997/98 (in order to minimise the impact of year to year fluctuations). Table 1 below shows these 5 year averages for sectoral shares of GDP, tax revenues as a percentage of sectoral GDP, and sectoral contributions to total tax revenue. (The full data for individual years used to derive these averages is shown in Table A1 in the appendix).

<table>
<thead>
<tr>
<th>Sector</th>
<th>Share of GDP</th>
<th>Tax revenue as % of sectoral GDP</th>
<th>% of total tax revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>35.5%</td>
<td>57.3%</td>
<td>49.6%</td>
</tr>
<tr>
<td>Private sector</td>
<td>49.5%</td>
<td>28.0%</td>
<td>33.5%</td>
</tr>
<tr>
<td>Government</td>
<td>14.9%</td>
<td>n/a</td>
<td>16.9%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>41.3%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

As the table above shows, the effective tax rate on the mineral sector (57.3% of value added) is approximately twice that on the non-mineral private sector (28%). Because of this, minerals contribute approximately 50% of total revenues, compared to 33% for the non-mining private sector - an almost exact reversal of their contributions to GDP.

The table shows that at present the government generates some revenue itself, and is not entirely dependent upon the rest of the economy for income. This represents revenue from the Bank of Botswana, derived from earnings on the government’s assets at the Bank, which are in turn the result of accumulated budget surpluses over the past 16 years.

Using these five-year averages as base data, we can make projections of the revenues derived from the mining and non-mining private sectors over a 20 year period. These projections obviously depend upon the economic growth rates of each sector, which can only be “guesstimates”. Therefore, we have
presented results for a variety of scenarios with different sectoral growth rates. However, not only do the results depend upon the growth rates of the mining and non-mining private sectors, they also depend upon the growth rate of government. Ultimately, the growth of government is dependent upon its ability to raise revenues from the rest of the economy (notwithstanding its present ability to generate some revenues itself); if it tries to grow at a faster rate, its existing savings will eventually run down and it will accumulate debt.

Future growth rates are highly uncertain. We therefore use a “base case” derived from NDP 8 and other information available at present, before examining the sensitivity of the outcomes of the base case to differing assumptions. The base case assumptions are as follows:

**Minerals:** an increase in output of 15% in 1999/2000, resulting from the Orapa 2000 expansion (which will double Orapa output in terms of carats). Thereafter, the minerals sector does not grow at all.

**Non-mining private sector:** output increases at 6% a year.

**Tax rates:** effective tax rates remain unchanged at the 1993-1998 averages given above. This means that tax revenues generated by each sector grow at the same rate as output. No allowance is made for lower effective tax rates on minerals due to the imposition of sales quotas that reduce sales below output, and which would therefore reduce the effective mineral sector tax rate (nor of any subsequent sale of stockpiled diamonds, which would raise the effective tax rate. Furthermore no account is taken of the likely declining profitability of diamond mining, as mining costs rise, which would also imply a declining mineral tax rate. Nor is any account taken of any possible further lowering of non-mineral tax rates.

**Government:** revenues raised directly from the Bank of Botswana are calculated at 5% of the value of government deposits (this is the assumed long term real rate of return on the reserves). Government spending grows at 3% in 1999/2000 (as per 1999 budget figures), and thereafter at 2% a year (approximately constant in real per capita terms).

**Other:** all calculations are in real terms.

**Base Case Scenario Results (Scenario 1)**

The base case scenario results are summarised in Table 2 below (and shown in full in Appendix Table A2). This shows that government spending will fall from the current 42% of GDP to 32% of GDP after 20 years. However, because government spending grows relatively slowly (2% a year), the situation is sustainable. After initially running a budget deficit, the government eventually returns to a budget surplus in year 16 (2013). All budget deficits can be financed from the reserves. The reserves fall from current levels, but are not depleted; hence earnings from the reserves continue to provide a significant proportion of overall tax revenues.
<table>
<thead>
<tr>
<th>Table 2: Results Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario 1: Base Case</td>
</tr>
<tr>
<td>Growth rates</td>
</tr>
<tr>
<td>1998 1999 2000-2017</td>
</tr>
<tr>
<td>Mineral 0% 15% 0%</td>
</tr>
<tr>
<td>Private 6% 6% 6%</td>
</tr>
<tr>
<td>Govt 3% 2% 2%</td>
</tr>
<tr>
<td>Outcomes, 2017</td>
</tr>
<tr>
<td>Share of GDP Taxes % GDP</td>
</tr>
<tr>
<td>Mineral 19% 25% 11%</td>
</tr>
<tr>
<td>Private 69% 61% 19%</td>
</tr>
<tr>
<td>Govt 12% 4% 1%</td>
</tr>
<tr>
<td>Total 100% 100% 32%</td>
</tr>
<tr>
<td>Government Budget</td>
</tr>
<tr>
<td>Revenues 11423</td>
</tr>
<tr>
<td>Spending 13254</td>
</tr>
<tr>
<td>Surplus/(deficit) 850</td>
</tr>
<tr>
<td>% GDP 2.0%</td>
</tr>
<tr>
<td>Assets @ BOB 11836</td>
</tr>
<tr>
<td>Scenario 2: High Government Growth</td>
</tr>
<tr>
<td>Growth rates</td>
</tr>
<tr>
<td>1998 1999 2000-2017</td>
</tr>
<tr>
<td>Mineral 0% 15% 0%</td>
</tr>
<tr>
<td>Private 6% 6% 6%</td>
</tr>
<tr>
<td>Govt 3% 3% 3%</td>
</tr>
<tr>
<td>Outcomes, 2017</td>
</tr>
<tr>
<td>Share of GDP Taxes % GDP</td>
</tr>
<tr>
<td>Mineral 19% 36% 11%</td>
</tr>
<tr>
<td>Private 67% 66% 19%</td>
</tr>
<tr>
<td>Govt 14% -5% -1%</td>
</tr>
<tr>
<td>Total 100% 100% 28%</td>
</tr>
<tr>
<td>Government Budget</td>
</tr>
<tr>
<td>Revenues 13193</td>
</tr>
<tr>
<td>Spending 16132</td>
</tr>
<tr>
<td>Surplus/(deficit) -2939</td>
</tr>
<tr>
<td>% GDP 6.3%</td>
</tr>
<tr>
<td>Assets @ BOB -12771</td>
</tr>
<tr>
<td>Scenario 3: Slow Private Sector Growth</td>
</tr>
<tr>
<td>Growth rates</td>
</tr>
<tr>
<td>1998 1999 2000-2017</td>
</tr>
<tr>
<td>Mineral 0% 15% 0%</td>
</tr>
<tr>
<td>Private 6% 4% 3%</td>
</tr>
<tr>
<td>Govt 3% 2% 2%</td>
</tr>
<tr>
<td>Outcomes, 2017</td>
</tr>
<tr>
<td>Share of GDP Taxes % GDP</td>
</tr>
<tr>
<td>Mineral 27% 54% 16%</td>
</tr>
<tr>
<td>Private 56% 55% 16%</td>
</tr>
<tr>
<td>Govt 16% -9% -3%</td>
</tr>
<tr>
<td>Total 100% 100% 29%</td>
</tr>
<tr>
<td>Government Budget</td>
</tr>
<tr>
<td>Revenues 9364</td>
</tr>
<tr>
<td>Spending 13402</td>
</tr>
<tr>
<td>Surplus/(deficit) -4038</td>
</tr>
<tr>
<td>% GDP -12.4%</td>
</tr>
<tr>
<td>Assets @ BOB -16587</td>
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<tr>
<td>Scenario 4: Slow Private Sector and Government Growth</td>
</tr>
<tr>
<td>Growth rates</td>
</tr>
<tr>
<td>1998 1999 2000-2017</td>
</tr>
<tr>
<td>Mineral 0% 15% 0%</td>
</tr>
<tr>
<td>Private 6% 4% 3%</td>
</tr>
<tr>
<td>Govt 3% 2% 2%</td>
</tr>
<tr>
<td>Outcomes, 2017</td>
</tr>
<tr>
<td>Share of GDP Taxes % GDP</td>
</tr>
<tr>
<td>Mineral 28% 48% 16%</td>
</tr>
<tr>
<td>Private 58% 49% 16%</td>
</tr>
<tr>
<td>Govt 16% 3% 1%</td>
</tr>
<tr>
<td>Total 100% 100% 33%</td>
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<tr>
<td>Government Budget</td>
</tr>
<tr>
<td>Revenues 10167</td>
</tr>
<tr>
<td>Spending 11214</td>
</tr>
<tr>
<td>Surplus/(deficit) -470</td>
</tr>
<tr>
<td>% GDP -4.2%</td>
</tr>
<tr>
<td>Assets @ BOB 5477</td>
</tr>
<tr>
<td>Scenario 5: More rapid mineral growth</td>
</tr>
<tr>
<td>Growth rates</td>
</tr>
<tr>
<td>1998 1999 2000-2017</td>
</tr>
<tr>
<td>Mineral 0% 15% 0%</td>
</tr>
<tr>
<td>Private 6% 4% 3%</td>
</tr>
<tr>
<td>Govt 3% 2% 2%</td>
</tr>
<tr>
<td>Outcomes, 2017</td>
</tr>
<tr>
<td>Share of GDP Taxes % GDP</td>
</tr>
<tr>
<td>Mineral 31% 57% 18%</td>
</tr>
<tr>
<td>Private 54% 49% 15%</td>
</tr>
<tr>
<td>Govt 16% -5% -2%</td>
</tr>
<tr>
<td>Total 100% 100% 31%</td>
</tr>
<tr>
<td>Government Budget</td>
</tr>
<tr>
<td>Revenues 18037</td>
</tr>
<tr>
<td>Spending 22081</td>
</tr>
<tr>
<td>Surplus/(deficit) -470</td>
</tr>
<tr>
<td>% GDP 8.2%</td>
</tr>
<tr>
<td>Assets @ BOB -19723</td>
</tr>
</tbody>
</table>
The reason that this scenario is sustainable is that government spending grows at a lower rate than the overall economy, and remains within the constraints of the lower growth rate of revenues imposed by the structural economic shift.

**Scenario 2: Higher growth of government spending**

The above scenario shows one way that a sustainable government budget position can be achieved even with declining (in relative terms) mineral revenues (although of course it would require some hard decisions to be made about spending priorities, given the fall in government spending in relation to GDP, and does not allow any real increase, on a per capita basis, in government spending). However, the fragility of this sustainable position is shown by scenario 2, which is the same as the base case scenario except that government spending grows at 3% a year from 1999 onwards, rather than 2%. This apparently small change completely transforms the budget position. The budget deficit grows to over 6% of GDP, and the reserves are depleted by year 16 (2016) (see table 2 above and appendix table A3). In order to finance the deficit, government must borrow, and hence the revenues that it generates itself become negative as it has to pay interest on its debt. In the long term, government revenue (net of interest payments) is lower, at 28% of GDP, than in the base case scenario.

**Scenarios 3 and 4: Slower economic growth**

The above two scenarios both assume a relatively high rate of growth for the non-mining private sector. However, this is by no means assured; given that this will have to be mainly driven by exports (as two of the previous drivers of the private sector - mining and government - will no longer be growing fast), much depends on the growth of regional and international markets. With the current economic stagnation in South Africa (the main market for Botswana’s manufactured exports) and the southern African region more generally, this may be optimistic. Botswana has managed to increase its exports to South Africa in recent years, despite the very slow growth of the South African economy, by increasing its market share; this has been possible because Botswana’s economy is so small relative to that of South Africa, but export growth based on increasing market share cannot be assumed to be possible indefinitely. Scenario 3 assumes that the private sector grows at 6% in 1998, 4% in 1999, and 3% a year thereafter (see table 2 and appendix table A4). Government spending grows, as in the base case scenario, at 2% a year from 1999 onwards.

This scenario gives an outcome that is even worse than scenario 2. With the slow growth of the private sector, and hence in total tax revenues, a government growth rate of 2% becomes unsustainable. Government savings are depleted by year 15 (2012), and the government budget deficit reaches 12% of GDP by year 20 (2017). Government revenue (net of interest) declines to 29% of GDP.

In order for the government budget to become sustainable with slower private sector growth, the growth rate of public spending must be cut from 2% to 1% a
year (Scenario 4, see tables 2 and A5). Although the government does exhaust its reserves, the deficit is contained at a manageable level.

**Scenario 5: Higher mineral growth**

The assumption of no mineral growth after the Orapa expansion may be considered to be unduly restrictive. Even though no major new mineral discoveries have been announced in recent years, there is extensive exploration and prospecting, which might well lead to further exploitable mineral deposits in due course. Scenario 5 (tables 2 and A6) therefore includes modest mineral growth, at 4% a year, from 2000-2017. While this permits a somewhat higher rate of government spending growth, it does not remove the need for a major reduction in the share of GDP accounted for by government spending. A 5% growth rate of government spending still leads to an unsustainable budget deficit, and revenue falls to 31% of GDP. Even this may be optimistic, as it is unlikely that the present mineral tax rate (which mainly derives from diamonds) can be applied to other mineral activities. But even if there is modest mineral growth, it does not change the basic conclusions.

Chart 1 shows the different paths of budget deficit projections under the five scenarios. This shows that the sustainable scenarios are 1 and 4; the others involve budget deficits that are too high, or unstable, or both.

**Implications**

The above analysis has a number of implications for public finance policy. First, government spending will have to increase at much slower rates than in the past. Over the last 15 years, real spending has increased at an average annual rate of nearly 10%. This kind of growth rate is obviously unsustainable into the future. Second, whether or not the government budget is sustainable is highly sensitive to relatively small changes in the growth rate of government spending - what appears to be a small difference in spending growth rates can lead, when compounded over a long period of time, to very different outcomes.

However, a sustainable level of government spending in relation to GDP is not necessarily unachievable. Although the proportion of GDP accounted for by government spending is at present relatively high (over 40%), it has been much lower in the recent past: in 1994/95, for instance, the ratio was only 34%, and this had been reduced from 43% in 1991/92. However, what is needed though is a change in the underlying trend of government spending; over the past 15 years the trend has been for government spending to increase as a percentage of GDP (see chart 2). From now on, it is clear that the long term trend will have to be downwards. In considering whether this can be achieved, it is important to recall that the almost total colonial neglect of Botswana required a prolonged period of high government spending to catch up, but that this catch up period is now over. Second, a period of more than 30 years of high rates of increase of government spending, with no financial constraint, must mean that there is considerable scope for increasing efficiency - increasing the real output of government services without increasing their cost - through initiatives such as privatisation and reform of government departments and ministries.
Finally, the need to reduce government spending in relative terms will give rise to the need for some hard decisions over the allocation of spending. In the future there will be a need for increases in health spending (due to AIDS), welfare spending (AIDS orphans etc.), and education (to address skills shortages). Other areas of spending will need to be cut if these increases are to be financed.
Table A1: Source Data

1A. Sectoral GDP (current prices)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>3922</td>
<td>4075</td>
<td>4846</td>
<td>6469</td>
<td>7682</td>
</tr>
<tr>
<td>Private</td>
<td>5344</td>
<td>6297</td>
<td>7239</td>
<td>8543</td>
<td>9777</td>
</tr>
<tr>
<td>Govt</td>
<td>1707</td>
<td>1880</td>
<td>2117</td>
<td>2490</td>
<td>2970</td>
</tr>
<tr>
<td>Total</td>
<td>10972</td>
<td>12252</td>
<td>14202</td>
<td>17503</td>
<td>20428</td>
</tr>
</tbody>
</table>

Source: MFDP Annual Economic Report, 1999

1B. Shares of GDP

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>35.7%</td>
<td>33.3%</td>
<td>34.1%</td>
<td>37.0%</td>
<td>37.6%</td>
<td>35.5%</td>
</tr>
<tr>
<td>Private</td>
<td>48.7%</td>
<td>51.4%</td>
<td>51.0%</td>
<td>48.8%</td>
<td>47.9%</td>
<td>49.5%</td>
</tr>
<tr>
<td>Government</td>
<td>15.6%</td>
<td>15.3%</td>
<td>14.9%</td>
<td>14.2%</td>
<td>14.5%</td>
<td>14.9%</td>
</tr>
</tbody>
</table>

Source: MFDP Annual Economic Report, 1999

1C. Tax Revenues

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral</td>
<td>2279</td>
<td>2349</td>
<td>2591</td>
<td>3640</td>
<td>4681</td>
</tr>
<tr>
<td>Private</td>
<td>1974</td>
<td>1672</td>
<td>1822</td>
<td>2054</td>
<td>2653</td>
</tr>
<tr>
<td>BOB profits</td>
<td>1107</td>
<td>451</td>
<td>1051</td>
<td>1700</td>
<td>947</td>
</tr>
<tr>
<td>Total</td>
<td>5359</td>
<td>4473</td>
<td>5464</td>
<td>7395</td>
<td>8281</td>
</tr>
</tbody>
</table>

Source: MFDP Financial Statements and Tables, 1999

1D. Tax Revenues as % of sector GDP

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral</td>
<td>58%</td>
<td>58%</td>
<td>53%</td>
<td>56%</td>
<td>61%</td>
</tr>
<tr>
<td>Private</td>
<td>37%</td>
<td>27%</td>
<td>25%</td>
<td>24%</td>
<td>27%</td>
</tr>
<tr>
<td>Govt</td>
<td>65%</td>
<td>24%</td>
<td>50%</td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td>Total</td>
<td>49%</td>
<td>37%</td>
<td>38%</td>
<td>42%</td>
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Source: calculations based on MFDP Financial Statements and Tables, 1999

1E. Tax Revenues % of total revenues

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Source: calculations based on MFDP Financial Statements and Tables, 1999
### Table A2: Base Case

#### Scenario: 1999-2001

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<td>Expenditure</td>
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Note: 1999-2001 figures to 1999/2000 financial year (April-March) and calendar year (July-June)

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Note: 1999-2001 figures to 1999/2000 financial year (April-March) and calendar year (July-June)
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**Notes:**
- TP: Target Performance
- Budget: Actual Government Budget

**Table:**

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<thead>
<tr>
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<th>2001 to 2005</th>
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<td>2010</td>
<td>21%</td>
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</tr>
</tbody>
</table>

**Total GDP Increase:**

- 2000 to 2005: 42% increase
- 2005 to 2010: 42% increase

**Government Revenue as % of GDP:**

- 2000: 21.1%
- 2005: 22.7%
- 2010: 24.0%
- 2015: 25.3%

**Tax Revenue as % of GDP:**

- 2000: 12.2%
- 2005: 13.9%
- 2010: 15.7%
- 2015: 18.3%

**GDP (1990/91 Prices):**

- 2000: $625.5 billion
- 2005: $839.5 billion
- 2010: $953.5 billion
- 2015: $1,088.5 billion
### Table: 1999-2000 Financial Year and Fiscal Year (July-June)

<table>
<thead>
<tr>
<th>Year</th>
<th>Tax Revenue 9% of GDP</th>
<th>Revenue from Federal Government</th>
<th>Revenue from State Government</th>
<th>Revenue from Local Government</th>
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</thead>
<tbody>
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<td>1999-2000</td>
<td>1016</td>
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<td>273.5</td>
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<td>273.5</td>
<td>115</td>
</tr>
</tbody>
</table>

### Notes
- Tax revenue as % of GDP
- Revenue from Federal Government
- Revenue from State Government
- Revenue from Local Government
- Yearly data for 1999-2000 financial year
- Graphs and charts not shown

---

### Diagram: Projected Real Growth Rates

- Year: 1999-2000
- Data: Show Projected Growth
- Time: 0-20 years
- Growth rate: 1% to 10%
- Graph showing projected growth rates over the years.
<table>
<thead>
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<th>Year</th>
<th>GDP Growth Rate</th>
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<th>Government</th>
<th>Total</th>
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Note: GDP growth rate data for the year 2000 to 2004 (January-December) and seasonally adjusted year-end (April-June).
<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth Rate</th>
<th>Government Spending</th>
<th>Tax Revenue, % of GDP</th>
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<tbody>
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</table>

Note: GDP Growth Rate refers to the percentage change in nominal GDP from one period to the next. Government Spending refers to the amount spent by the government as a percentage of GDP. Tax Revenue, % of GDP, refers to the percentage of GDP collected as tax revenue.
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