MACRO/FISCAL INDICATORS OF SUSTAINABLE DEVELOPMENT

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PRESENTATION LAYOUT

- Introduction
- Adjusted Macroeconomic Indicators
- Linkage to Macroeconomic and Fiscal Policy
- Progress to date
- Conclusion

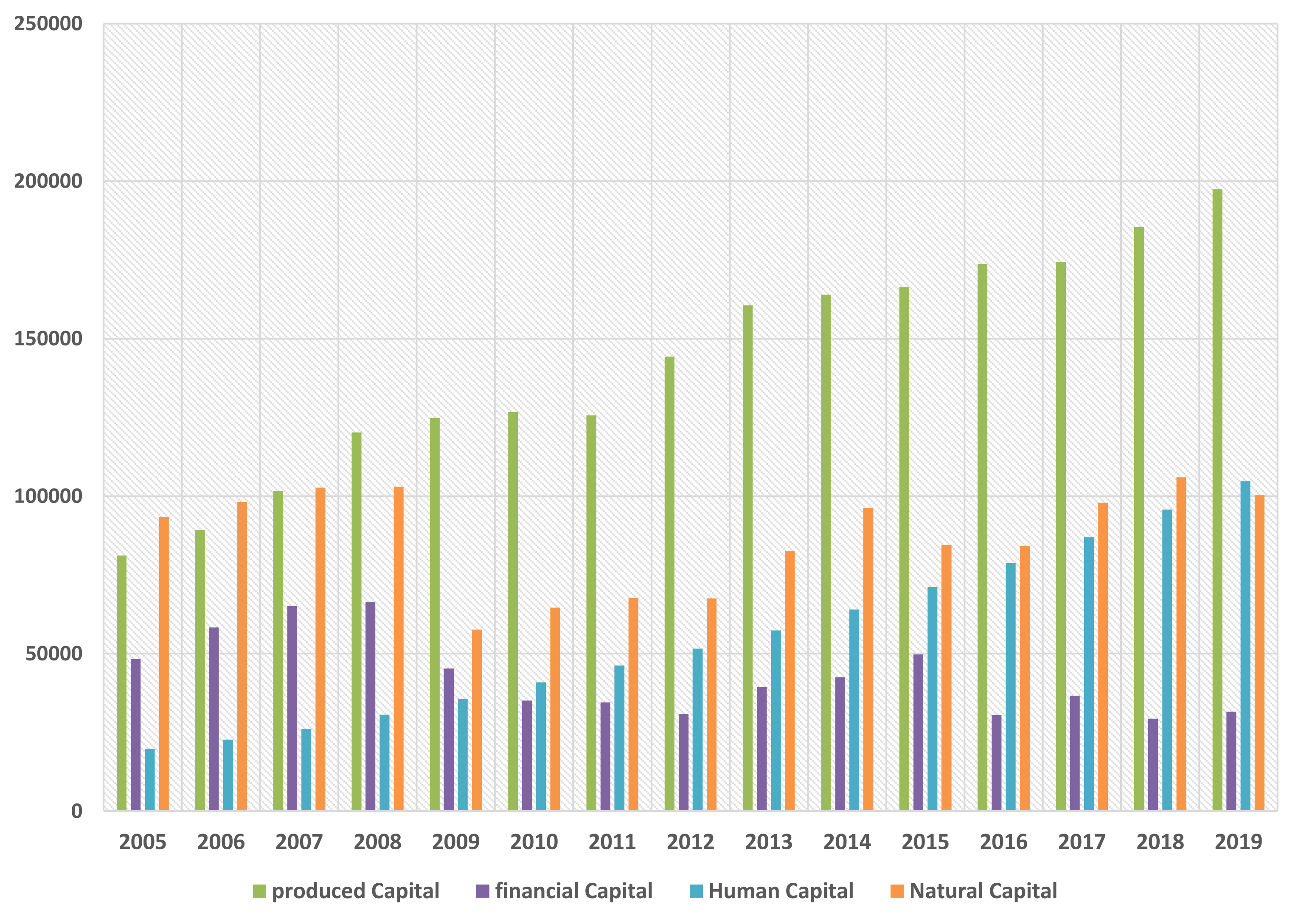
INTRODUCTION

- Macroeconomic Indicators of sustainable development are economic indicators that have been adjusted to take into account the environmental impact of economic activity.
- These impacts include the depletion of natural resources, degradation, pollution and others which are not captured in the System of National Accounts (SNA).
- In order to account for these, the System of Environmental Economic Accounting (SEEA) Framework is used to derive the macroeconomic measures of sustainability.

ADJUSTED MACROECONOMIC INDICATORS

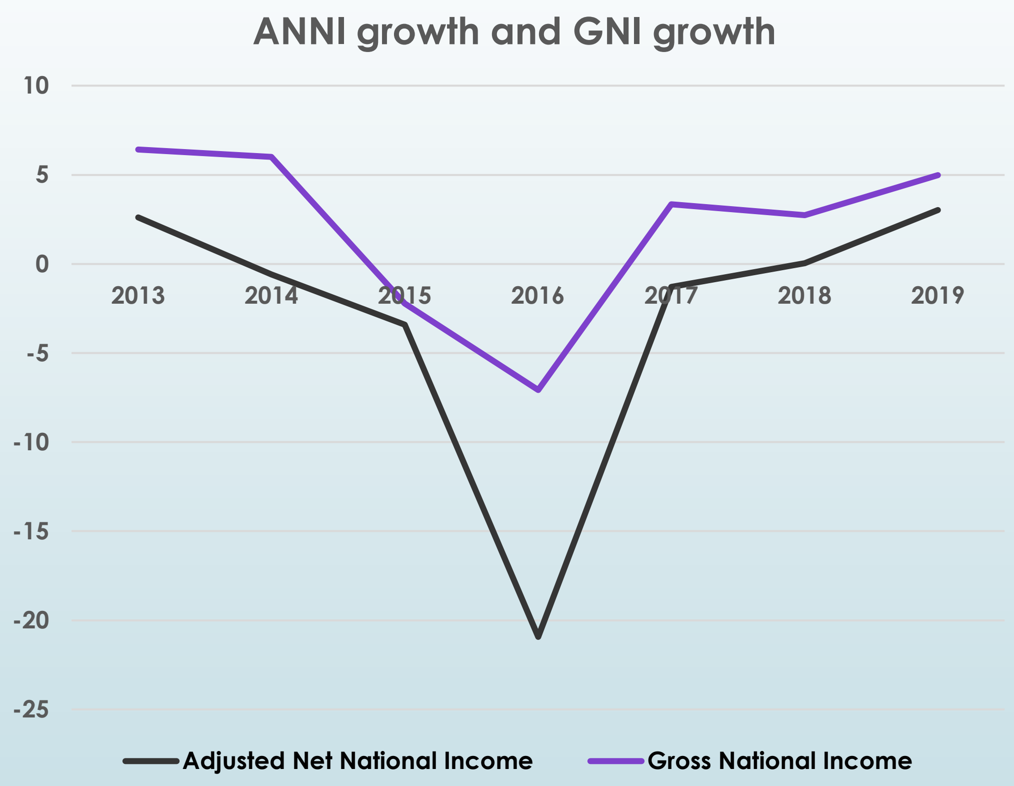
- **Wealth Accounts** – measure of wealth of a particular nation over time. The SEEA recognises diverse assets which contributes to nation's wealth.
- **Adjusted Net National Savings/Genuine Savings** – posits that positive savings show that social welfare is increasing whereas negative savings indicate that an economy is on an unsustainable path.
- **Adjusted Net National Income** - measures the available income in the economy which can be consumed or invested to increase future consumption.

COMPREHENSIVE WEALTH ACCOUNTS



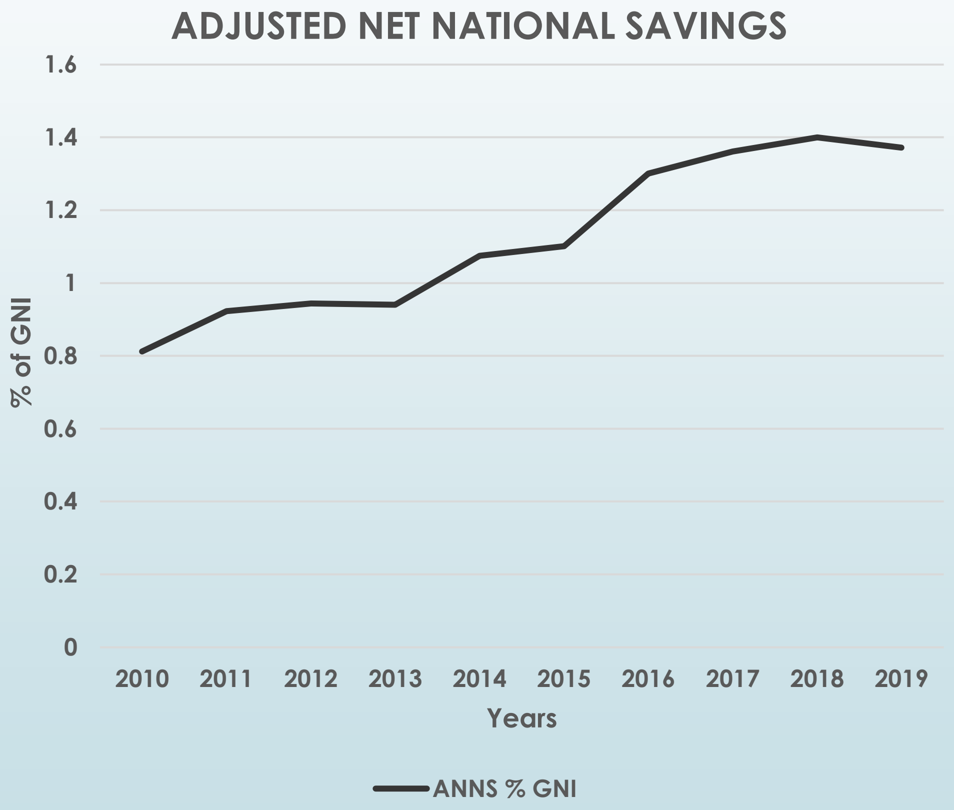
- Comprehensive Wealth shows that the total wealth has been on an upward trend since 2005.
- Natural capital used to be the main contributor to the country's wealth.
- Natural capital was surpassed by produced capital from 2009
- Produced capital accounts for a larger share of total wealth, followed by natural capital.
- Financial capital accounts for a smaller share of total wealth.
- Any depletion of natural capital must be compensated by building up other forms of wealth (produced capital, human capital, financial assets).

ADJUSTED MACROECONOMIC INDICATORS



- The growth in ANNI was lower that GNI growth, implying that growth during this period was partly as a result of resource depletion.

ADJUSTED MACROECONOMIC INDICATORS



- ANNS is positive, implying that the country is accumulating assets and building up its wealth.
- The country is on a sustainable path.

LINKAGE TO MACROECONOMIC AND FISCAL POLICY

How much to invest and how much to consume?
What does the fiscal rule say?

How to divide investment between types of assets
Financial, physical and human capital

How to manage financial assets?
Sovereign Wealth Funds/Pula fund

HAS FISCAL RULE BEEN ACHIEVED?

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/ 20
Total Revenue	55,904	47,420	57,398	56,411	53,470	55,815
Total Non-Mineral Revenue	34,372	32,983	34,903	37,725	35,002	41,260
Total Mineral Revenue	21,532	14,438	22,496	18,686	18,468	14,555
Recurrent Expenditure (excl. rec. health + education)	23,544	24,132	24,445	25,133	27,822	30,442
Development Budget (incl. rec. health + education)	27,111	29,054	31,964	33,176	34,911	34,966
Overall Budget Balance	5,340	-6,991	1,042	-1,982	-8,881	-9,580
Shorttfall of Recurrent Budget needed from Mineral Revenue*	0	0	0	0	0	0
Balance of Non-mineral revenue after financing Recurrent Budget*	10,828	8,851	10,457	12,592	7,180	10,818
Balance of mineral revenue after financing Recurrent Budget*	21,532	14,438	22,496	18,686	18,468	14,555
40% of Mineral Revenue	8,613	5,775	8,998	7,475	7,387	5,822
% of Development Budget financed from Mineral Revenue*	79.4	49.7	70.4	56.3	52.9	41.6
Shorttfall of Development Budget needed from Non-Mineral Revenue*	5,578.8	14,616.6	9,467.7	14,489.3	16,443.0	20,410 .7
Balance of Non-mineral revenue after financing shortfall in Development Budget*	5,249.3	-5,766.0	989.7	-1,897.4	-9,262.7	- 9,592. 9
% Transfer of Mineral Revenue to Intergenerational Savings Fund	-25.9	-101.2	-42.1	-77.5	-89.0	-140.2
% of Recurrent Budget financed from Non-Mineral Rev.*	100.00	100.00	100.00	100.00	100.00	100.00
% of Recurrent Budget to be financed from Mineral Revenue*	0.00	0.00	0.00	0.00	0.00	0.00
Amount of Mineral Revenue transferred to Intergenerational Savings Fund	0	0	0	0	0	0

- Recurrent budget (excluding health and education) should be fully financed (100 percent) by non-mineral revenue.
- Mineral revenue should be used for investment in development expenditure (60 percent both physical and human capital), while 40 percent is saved for future generations.
- Achieving the fiscal rule has been difficult given the limited revenue base.

RECOMMENDATIONS

- Mineral resources are finite, therefore, the economy should continue to invest its mineral revenues in other forms of assets.
- Research on return on investment in those assets should be carried out to assess the effectiveness of those investments.
- Continuous investment in produced capital, particularly, quality infrastructure is key.
- Economic diversification efforts has to be intensified through the promotion of the non-mining sector to continue to cushion the economy during economic downturns.

CONCLUSION

- Efforts to diversify the economy should be intensified.
- Investment in quality infrastructure and education remains key.