



REPUBLIC OF BOTSWANA



Capital and Recurrent integration in the Budget Preparation Process

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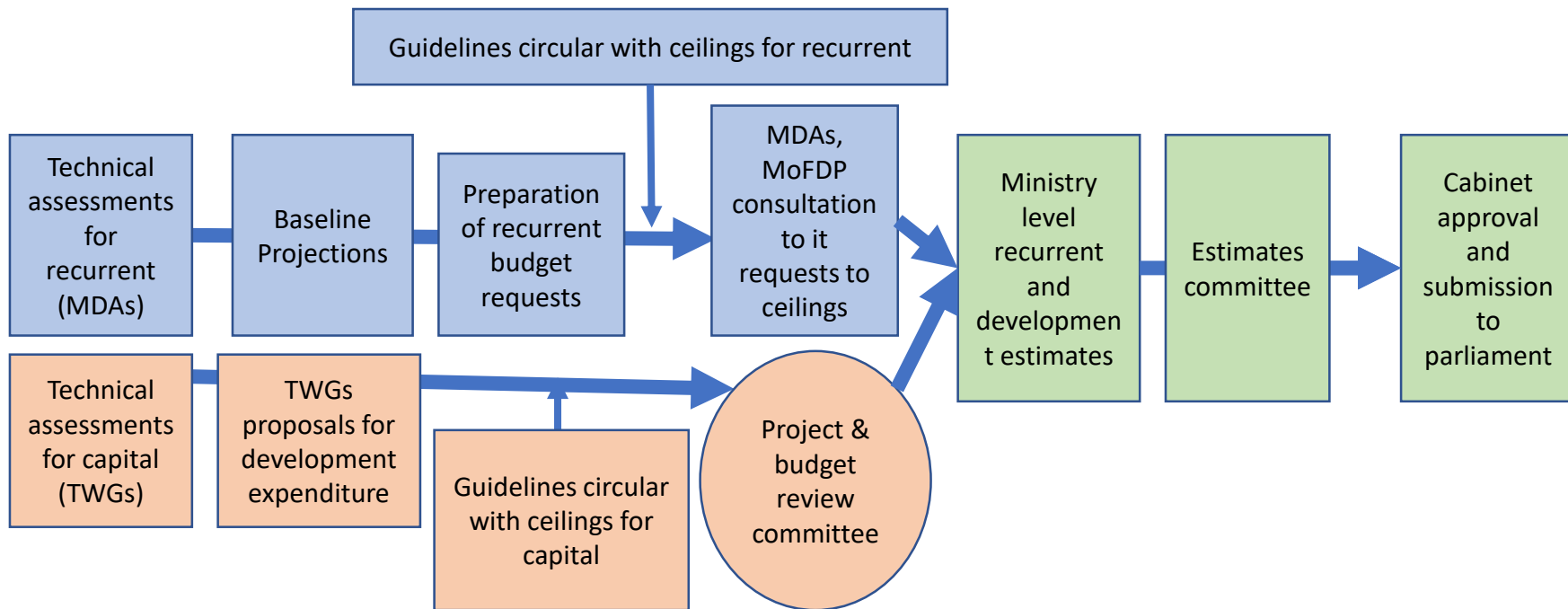
Institutional context for integration

- Planning and budgeting both falls under the MoFED, in the same Division
 - Development & Budget Division takes responsibility for both planning and budgeting
 - There are two Deputy Secretaries; one responsible for Planning (Development Programmes) and the other one Budgeting (Budget Administration). Different staff is involved in planning and budgeting, but in one division
- Capital and recurrent expenditure is managed by the two deputy secretaries
 - The Capital (Development) and Recurrent Expenditure is cascaded from the Secretary to the two Deputy Secretaries to the two Directors.
- Botswana uses the concept of a development budget
 - But, the Development Budget is presented in the “Estimates of the Expenditure from the Consolidated and Development Funds” Book. The Development Budget is allocated to Projects/Programmes to be implemented by Line Ministries/ Departments/Agencies in a given Financial Year.
 - But the book contains both Development and Recurrent Expenditure.
 - The Appropriation Bill/Act also presents both Development and Recurrent in one document.

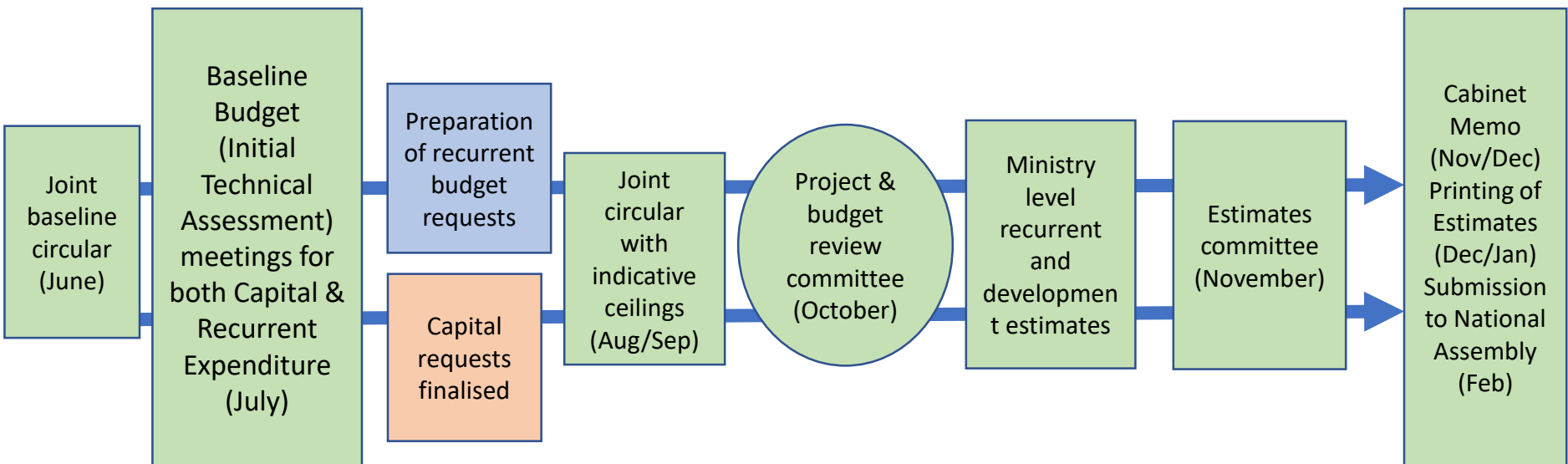
Challenges to coordinate capital and recurrent cost

- In Botswana issue was not over-integration, but rather under-integration
 - Capital decisions risked being made in isolation from recurrent prioritisation and vice versa
- Also, the recurrent costs of capital projects are not always provided for in time, on budget
 - For example, some years back it was discovered that some classrooms in some primary schools were almost dilapidated due to inadequate maintenance plan, hence the Government embarked on a massive backlog Maintenance exercise project
 - Also, there have been isolated 'white elephants' where projects are physically complete, but without the necessary equipment, for example a pump station for one of the dams delayed the supply of water to consumers
- In 2016 MoFED undertook budget process reforms to improve the integration of the development and recurrent budget

Budget Preparation Process (capital and recurrent) before 2016



Budget Preparation Process (capital and recurrent) from 2016



Key mechanisms to integrate capital expenditure

- Since 2016 for the 2017 budget process, Botswana has introduced key reforms to integrate recurrent and capital expenditure better:
 - A single Call Circular Savingram
 - A new Joint Technical meetings (July)
 - The existing combined Project Review and Estimates Committee meetings
- The Cabinet Memorandum is also key integration mechanism
- The Botswana system has always required that recurrent budget requirement should be calculated for capital projects at development stage
 - But, as medium term framework still being developed, the annual budget meant that this costing was not included in recurrent budgets, as projects still in development phase
 - Recurrent costs included when projects get to operational stage – dependent on line ministry processes

Key mechanisms to appropriately separate capital expenditure

- Botswana has robust capital expenditure planning institutions in place
 - The adoption of the Public Investment Programme (PIP) in presenting Development Programmes/Projects;
 - MDAs are required to submit Project Memorandums for all capital project requests
 - The 1996 Planners' Manual is being reviewed to align it with the current (more integrated) environment
- A number of MoFED structures support this process
 - Baseline Budget (Initial Technical Assessment is done by the sub-division development planning and discussed with MDAs in the technical committee jointly with recurrent);
 - Project Review exercise-October;
 - Estimates Committee exercise – November;
- Remaining challenge is that the appraisal and ultimate approval of the Project Memorandum (PM) hardly involve the Finance Officers (responsible for Recurrent Expenditure).

Lessons learnt and future steps

- Even though the integration of the Capital and Recurrent has been integrated, there is room for further integration.
- Two officers (notably at Deputy Director level) at Ministry Headquarters should be tasked with the coordination and implementation of full integration of the Capital & Recurrent Budget. Furthermore, the Ministry should seek legal advice to ascertain that the full integration will upset any Financial provision of the Republic.

Thank you