



Republic of Botswana

# **People's Guide to the 2018/2019 Budget**

**Ministry of Finance and Economic Development**

**Website: [www.finance.gov.bw](http://www.finance.gov.bw)**

**February 2018**

## **The Context of 2018/2019 Budget Speech**

1. The 2018/2019 Budget is part of Government's efforts to achieve the goals and aspirations of the Eleventh National Development Plan (NDP 11) and those of Vision 2036. It marks the second year of implementing the National Development Plan (NDP) 11 and the last financial statement delivered under the leadership of His Excellency the President, Lieutenant General Dr. Seretse Khama Ian Khama.

## **Domestic Performance & Outlook**

- *Economic Growth*

2. The domestic economy registered a growth rate of 4.3 percent in 2016, after contracting by 1.7 percent in 2015. A positive outlook is projected, with growth rates of 4.7 percent and 5.3 percent expected in 2017 and 2018, respectively. This is due to the anticipated positive outlook for both the mining sector and non-mining sectors, which supports these growth forecasts. The Mining sector performance is expected to benefit from the strong recovery in the global economy, while that of non-mining sectors reflects the impact of Government's interventions in terms of policies and strategies to diversify the country's sources of growth.

- *Inflation and Bank Rate*

3. The inflation rate declined from 3.1 percent in January 2017 to 2.9 percent in November 2017 and peaked to 3.2 in December 2017. The slight increase in inflation was led by a rise of sub-indices such as food, non-alcoholic beverages and fuel. To stimulate borrowing and investment, the Bank of Botswana maintained an accommodative monetary policy stance during 2017, cutting the Bank Rate in

October 2017 from 5.5 percent to 5.0 percent. This reduction in the Bank Rate is thus expected to contribute to the promotion of investment and result in growth needed for employment opportunities in the country.

## **Strategic Thrust for 2018/2019 Financial Year**

4. The 2018/2019 budget will focus on the following broad-based strategic thrusts of: *promoting growth and economic diversification; investing in human capital for building an inclusive society; and maintaining a sustainable fiscal policy* in order to align the budget with the national priorities.

### **(i) *Promoting Growth and Economic Diversification***

5. In an effort to create a conducive environment for promoting growth and economic diversification, Government will continue to focus on, among others *the ease of doing business, and the development, and maintenance of economic infrastructure.*

- *Ease of doing business*

6. In an effort to improve on the ease of doing business, Government has embarked on several policy and regulatory reforms. Among the major milestones achieved in 2017 was the adoption of Regulatory Impact Assessment Strategy, whose aim, among others, is to reduce the cost of doing business in the economy. Going forward, Government will continue to pursue policies aimed at deregulation of the economy to create space for the private sector to play its role of being the engine of growth in a meaningful way.

***(ii) Development and maintenance of Economic Infrastructure***

7. An amount of P2.23 billion, comprising Development Budget of P1.24 billion and Recurrent Budget of P987.71 million is proposed for allocation during 2018/2019 to cover maintenance of Government facilities throughout the country, including urgent repairs to schools and health facilities.

- ***Energy***

8. Government will continue to invest in power generation, transmission and distribution. An amount of approximately P2.0 billion has been proposed for allocation to this sector. Further, Government has established an independent energy regulator, namely the Botswana Energy Regulatory Authority, which will ensure orderly development of the energy sector by encouraging participation of independent power producers in the generation of power, as well as promoting the goal of energy supply mix.

- ***Water infrastructure***

9. An amount of P2.53 billion has been allocated for water development programmes and projects to cover investment in the improvement of water supply networks, in particular, the transfer of water from dams and well-fields in the northern part of the country to the south. In addition, the Emergency Water Security and Efficiency Project Loan Authorisation Bill was approved in March 2017 to raise P1.5 billion from the World Bank to finance the funding gap in the water sector.

- ***Road network***

10. An amount of nearly P2.0 billion is earmarked for mega road and bridge projects, such as; Kazungula and Mohembo

bridges; construction of three intersections along the KT Motsete Drive in Gaborone; Mogoditshane- Gabane- Mmankodi road; Gaborone – Boatile dualling; Mulambakwena-Tshesebe road; Dibete-Mookane-Machaneng road, as well as the Modernised and Centralised Traffic Control for the Greater Gaborone area. In addition, an amount of P1.5 billion from the Road Levy Collections Fund will be spent on maintenance of roads.

- ***Information and communications technology (ICT)***

11. In recognition of the importance of ICT in promoting growth and economic diversification, an amount of P461.35 million is proposed for allocation in the 2018/2019 budget to improve on the Government ICT infrastructure, including expansion of the Government Data Network and installing of ICT Infrastructure in Secondary Schools.

***(iii) Investing in Human Capital for Building an Inclusive Society***

- ***Human Capital Development***

12. Government has invested significantly in education and skills development over the past decades, with more than 25 percent of the total annual budget allocated to education and training. To this end, an amount of over P12 billion is proposed for education and training in the 2018/2019 budget. The transformation of the Botswana College of Open and Distance Learning into the Botswana Open University in 2017 is expected to increase access to tertiary education and training, which enhances inclusivity of the society.

- *Human Health*

13. Over the years, Government of Botswana has invested substantial amounts of its annual budgets on health as it considers this a basic need. An amount of P8.2billion is proposed for this sector in the 2018/2019 budget to finance various programmes and projects, including the HIV/AIDS approved interventions such as the Treat All Initiative.

- *Provision of Decent Housing and Shelter*

14. During 2018/2019 financial year, Government will continue to implement housing programmes suitable for different segments of the society, since availability of decent shelter is considered a basic human right. An amount of more than P250 million is proposed for allocation towards SHHA and Destitute Housing in the budget.

*(iv) Maintaining a Sustainable Fiscal Policy*

15. The medium-term budget outlook for 2018/2019 remains uncertain. To achieve the objective of fiscal sustainability, there is need for continued judicious management of public resources. In the context of budget preparation and management, more emphasis will be put on: expenditure targeting; prioritizing spending; aligning annual budgetary allocation to existing implementation capacity of executing

Ministries, Departments and Agencies; assessing the readiness of projects for implementation as part of the budgeting to avoid over provision under the development budget; and engaging the MDAs during implementation to ensure the quality of delivery of programmes and projects. These are the measures aimed at ensuring Government achieve fiscal rule as stated in NDP 11.

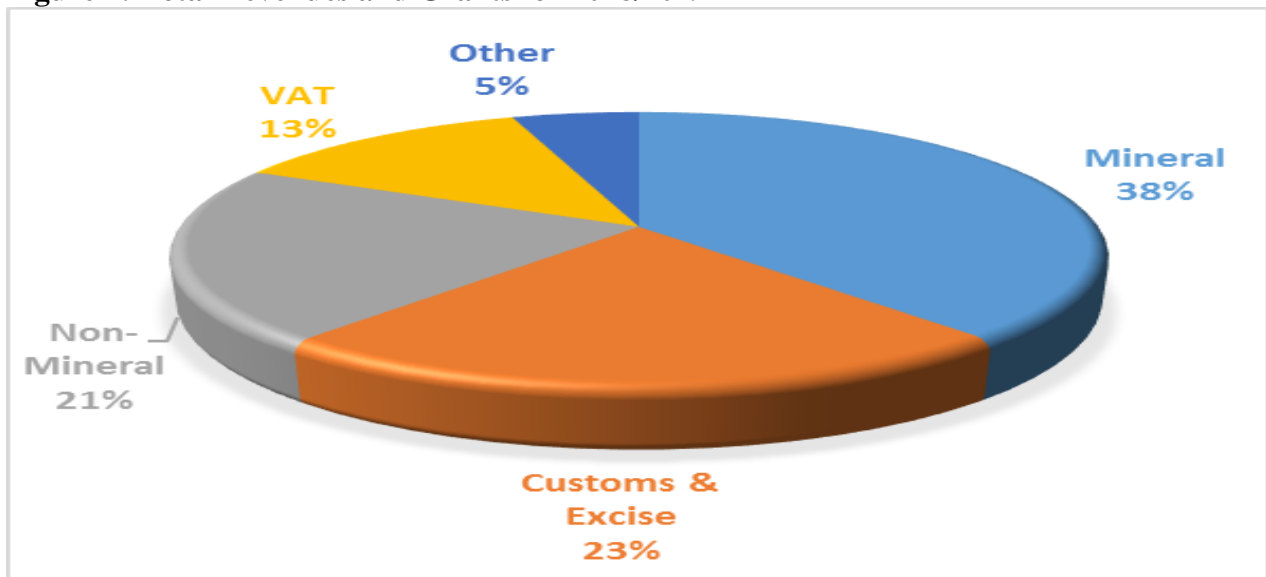
*2018/2019 Budget Proposals*

16. Efforts have been made to align the proposed 2018/2019 budget allocations to the selected strategic thrusts for the year, thereby contributing to the NDP 11 theme of “*Inclusive Growth for the Realisation of Sustainable Employment and Poverty Reduction*”.

**Total Revenues and Grants**

17. The total revenues and grants for 2018/2019 are estimated at P64.28 billion; with Mineral revenue being the largest contributor to revenues at P24.59 billion, or 38.3 percent. Customs and Excise revenue came second at P14.83 billion, or 23.1 percent of the total. Non-mineral income tax revenue is estimated at P13.36 billion, or 20.8 percent of total revenue, while Value Added Tax is estimated at P8.11 billion, or 12.6 percent of the total revenue. The remaining P3.39 billion or 5.2 %, is made of other revenues and grants. In Figure 1 below, is a breakdown of these.

**Figure 1: Total Revenues and Grants for 2018/2019**



*Source: MFED*

### **Ministerial Recurrent Budget**

18. The proposed Ministerial Recurrent Budget amounts to P45.14 billion, showing a growth of P5.46 billion or 13.8 percent over the revised 2017/2018 budget. A detailed breakdown of the allocation is given in Figure 2.

19. The largest share amounting to P7.97 billion or 17.7 percent of the total Ministerial Recurrent Budget, goes to the Ministry of Basic Education for provision of utilities, books, equipment, maintenance of facilities, food supplies in secondary schools, as well as other education-related commitments, including teachers' salaries and allowances. The second largest share of P7.54 billion or 16.7 percent is proposed for allocation to Ministry of Health and Wellness, to cater for drugs, medical specialist fees, ARV therapy and Botswana Public Officers Medical Scheme.

20. An amount of P6.28 billion or 13.9 percent, being the third largest share of the

proposed budget is allocated to the Ministry of Local Government and Rural Development, for the provision of Revenue Support Grants to District and Urban Councils for maintenance of existing infrastructure; food supplies in primary schools; and social grants, mainly under the Orphan Care Programme and the Old Age Pension Scheme.

21. The Ministry of Defence, Justice and Security is proposed to receive the fourth largest share of P5.85 billion or 13.0 percent, mainly to cover operational costs, for the Botswana Defence Force, Botswana Police Service and Department of Prisons and Rehabilitation.

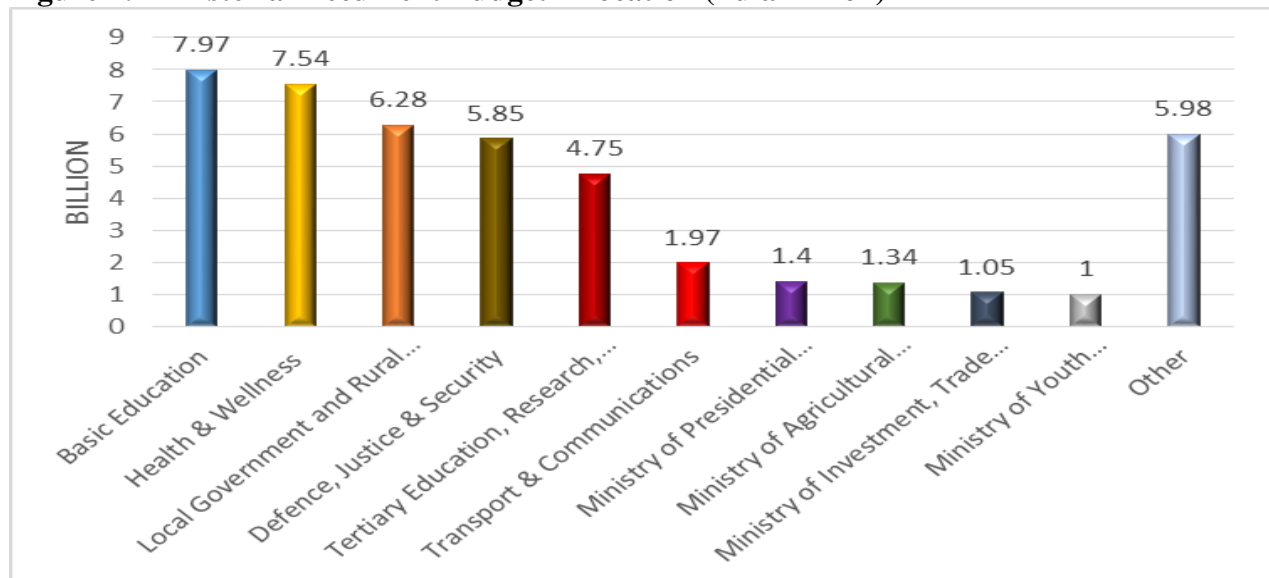
22. The fifth largest share amounting to P4.75 billion or 10.5 percent is proposed to be allocated to the Ministry of Tertiary Education, Research, Science & Technology, to cater for tertiary student scholarships and subventions to University of Botswana and Botswana International University of Science and Technology. An amount of P1.97 billion or 4.4 percent, being the sixth

largest share is proposed for allocation to the Ministry of Transport and Communications for maintenance of roads, buildings, plant and equipment, including ICT infrastructure.

23. Other Ministries allocated significant amounts of the Ministerial Recurrent budget are: Ministry of Presidential Affairs, Governance and Public Administration with P1.40 billion or 3.1 percent; Ministry of

Agricultural Development and Food Security with P1.34 billion or 3.0 percent; Ministry of Investment, Trade and Industry with P1.05 billion or 2.3 percent; and Ministry of Youth Empowerment, Sport and Culture Development with P1.00 billion or 2.2 percent. The rest of the Ministries and Independent Departments share the remaining portion of the Budget amounting to P5.98 billion or 13.3 percent.

**Figure 2: Ministerial Recurrent Budget Allocation (Pula Billion)**



*Source: MFED*

### **Statutory Expenditure**

24. The proposed budget for Statutory Expenditure for the financial year 2018/2019 is P9.08 billion, with a P2.0 billion provision for a re-payment of Government bond (BW005), which matures in the next financial year.

### **Development Budget**

25. The proposed Development Budget for the financial year 2018/2019 is P19.31 billion. An amount of P3.29 billion or 17.0 percent, being the largest share, is proposed for the Ministry of Land Management, Water and Sanitation Services to facilitate availability of water supply, as well as wastewater and sludge management. The

second largest share at P2.78 billion or 14.4 percent is allocated to the Ministry of Defence, Justice and Security, mainly to cater for provision of infrastructure and procurement of air assets, vehicles as well as defence and communication equipment for Botswana Defence Force; refurbishment of Botswana Police Service's facilities and construction of Police Stations at Mmathubudukwane, Maitengwe, Semolale and Block 10 in Gaborone; and rehabilitation of facilities for Department of Prisons and Rehabilitation.

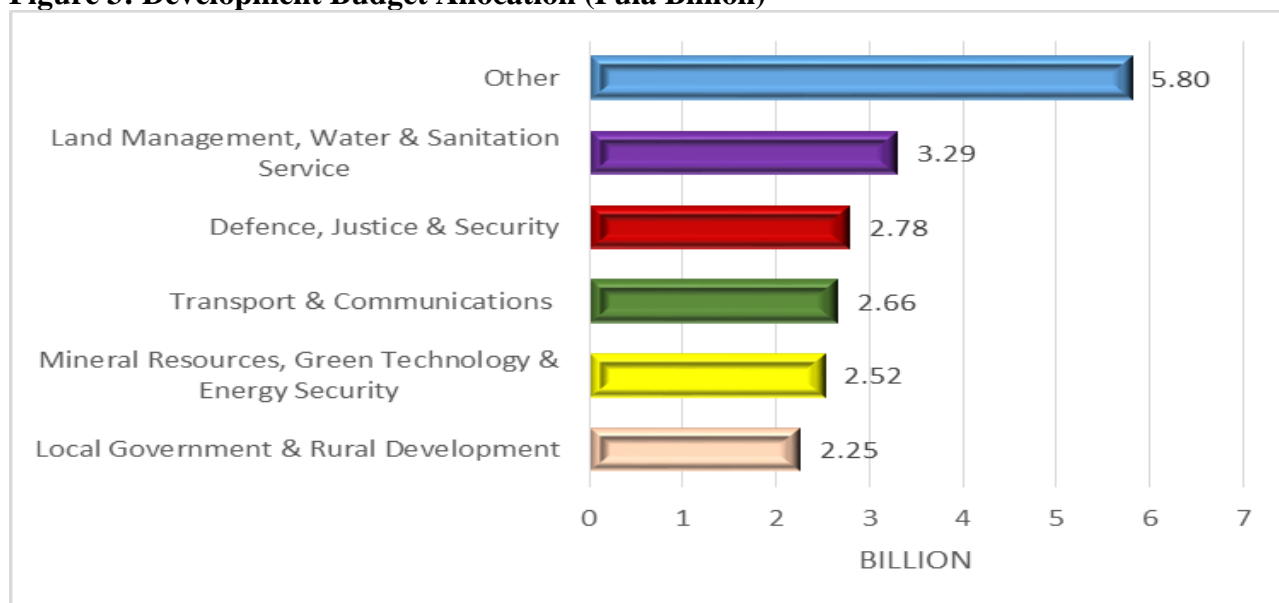
26. The Ministry of Transport and Communications is proposed to be allocated the third largest share of P2.66 billion or

13.8 percent, to cover the construction and maintenance of mega road and bridge projects. The fourth largest share is proposed for the Ministry of Mineral Resources, Green Technology and Energy Security at P2.52 billion or 13.1 percent. The major projects are construction of the North West Electricity Transmission Grid, as well as, completion of Morupule A Power Station rehabilitation. The Ministry of Local Government and Rural Development, being the fifth largest share, is recommended an amount of P2.25 billion or 11.7 percent, in order to continue implementation of social

protection programme and village infrastructure projects.

27. The rest of the Ministries and Independent Departments take the balance of the proposed development budget at P5.80 billion or 30.1 percent. This covers, among others, Integrated Support Programme for Arable Agriculture Development (ISPAAD) and Livestock Management and Infrastructure Development (LIMID). A breakdown of development budget allocation is given in Figure 3 below.

**Figure 3: Development Budget Allocation (Pula Billion)**



*Source: MFED*

### Overall Budget Balance

28. The estimated overall budget balance for the 2018/2019 is a budget deficit of P3.59 billion or 1.8 percent of GDP. This will be financed through a combination of drawing down on existing loans, as well as on Government cash balances in accordance with the Medium Term Debt Management Strategy (2017/2018 – 2019/2020).

### FISCAL LEGISLATION

29. Government is working on the simplification of the country's tax administration by developing a Tax Administration Act and the review of the Income Tax Act to introduce Transfer Pricing Rules, which will strengthen the country's tax administration and improve on the efficiency of tax revenue collection.

## **CONCLUSION**

30. A budget deficit of P3.59 billion or 1.8 percent of GDP is expected, despite the positive domestic economic outlook. This calls for continued efforts to mobilize domestic revenues and judicious management of the country's expenditure in order to achieve the objective of fiscal sustainability. In order to avoid the country from running budget deficits for extended period, concerted efforts will continue to enforce financial rules and regulations to ensure accountability in the use of the public resources.