



Republic of Botswana

THE 2018/19 BUDGET-IN-BRIEF

Ministry of Finance and Economic Development
Website: www.finance.gov.bw

5th February 2018

I. INTRODUCTION

Some of the economic achievements realised over the past decade under the presidency of His Excellency the President, Lieutenant General Dr. Seretse Khama Ian Khama are summarised as follows:

- Economic diversification, characterised by the decreasing share of the mining sector to GDP from 25 percent in 2008 to 20 percent in 2017, with corresponding increase in the share of the non-mining sector to GDP.
- The country's inflation rate declining from 12.6 percent in 2008 to reach a low of 3.3 percent during 2017.
- The rate of unemployment declining from 26.2 percent in 2008 to 17.7 percent in 2016.
- Proportion of people living below the poverty datum declining from 19.3 percent in 2009/2010 to 16.3 percent in 2015/2016.
- Abject poverty, i.e., those individuals earning below US\$1.25 per day, the rate declining from 6.6 percent in 2009/2010 to 3.3 percent in 2015/2016.
- The 2018/2019 budget proposals are part of Government's efforts to achieve the goals and aspirations of the Eleventh National Development Plan (NDP 11) and those of Vision 2036.
- In spite of the positive economic outlook, a budget deficit is projected for the 2018/2019 financial year, and there is need to continue managing the public financial resources judiciously.

II. ECONOMIC REVIEW & OUTLOOK

Global Economy

IMF World Economic Outlook (January 2018)

- Global output is projected to increase from 3.2 percent in 2016 to reach 3.7 percent in 2017 and 3.9 percent in 2018.
- Growth in advanced economies is projected to increase from 1.7 percent in 2016 to 2.3 percent in both 2017 and 2018.
- Emerging market and developing economies will grow at a rate of 4.4 percent in 2016 and 4.7 percent in 2017, and reach 4.9 percent in 2018.
- Sub-Saharan Africa economies growth forecast to increase from 1.4 percent in 2016 to 2.7 percent in 2017, and further to reach 3.3 percent in 2018.

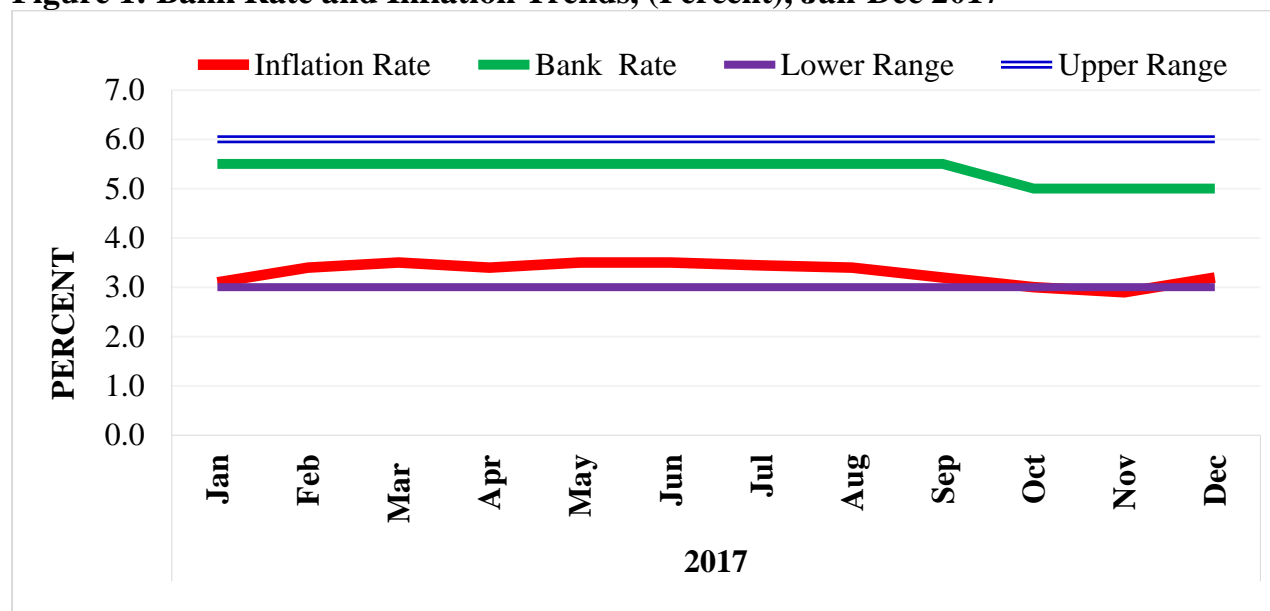
Botswana Economy

- GDP at current prices estimated to be P185.9 billion in 2017/18 and forecast to reach P203.1 billion in 2018/19.
- In real terms, economic outlook remains positive, with growth rates of 4.7 percent and 5.3 percent expected in 2017 and 2018, respectively.

Inflation and Monetary Policy

- Inflation rate averaged 3.3 percent within the Bank of Botswana’s objective range of 3 – 6 percent (Figure 1).
- Bank of Botswana maintained an accommodative monetary policy stance during 2017, cutting the Bank Rate by 50 basis points in October 2017, from 5.5 percent, to 5.0 percent.

Figure 1: Bank Rate and Inflation Trends, (Percent), Jan-Dec 2017

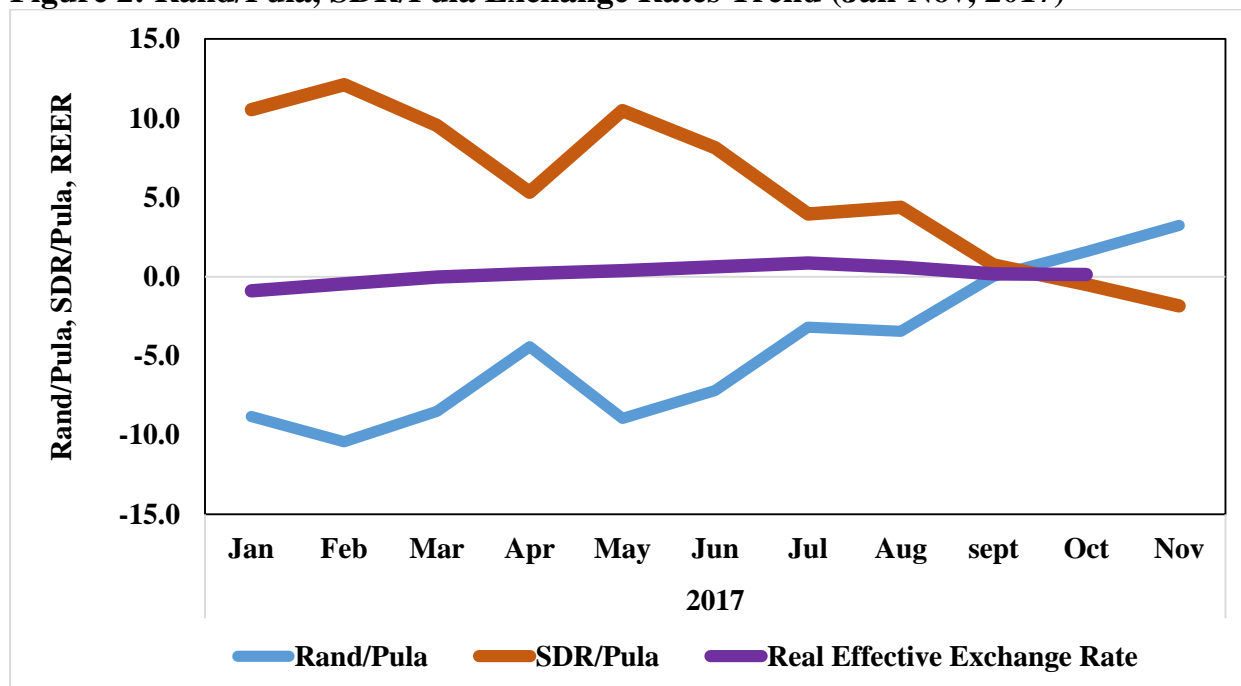


Source: MFED, 2018

Exchange Rates

- The real effective exchange rate was stable, registering a marginal appreciation of 0.1 percent over the twelve months to October 2017.
- In the 12 months to December 2017, the Pula depreciated against the South African rand by 1.8 percent, while appreciating by 2.0 percent against the SDR (Figure 2).

Figure 2: Rand/Pula, SDR/Pula Exchange Rates Trend (Jan-Nov, 2017)

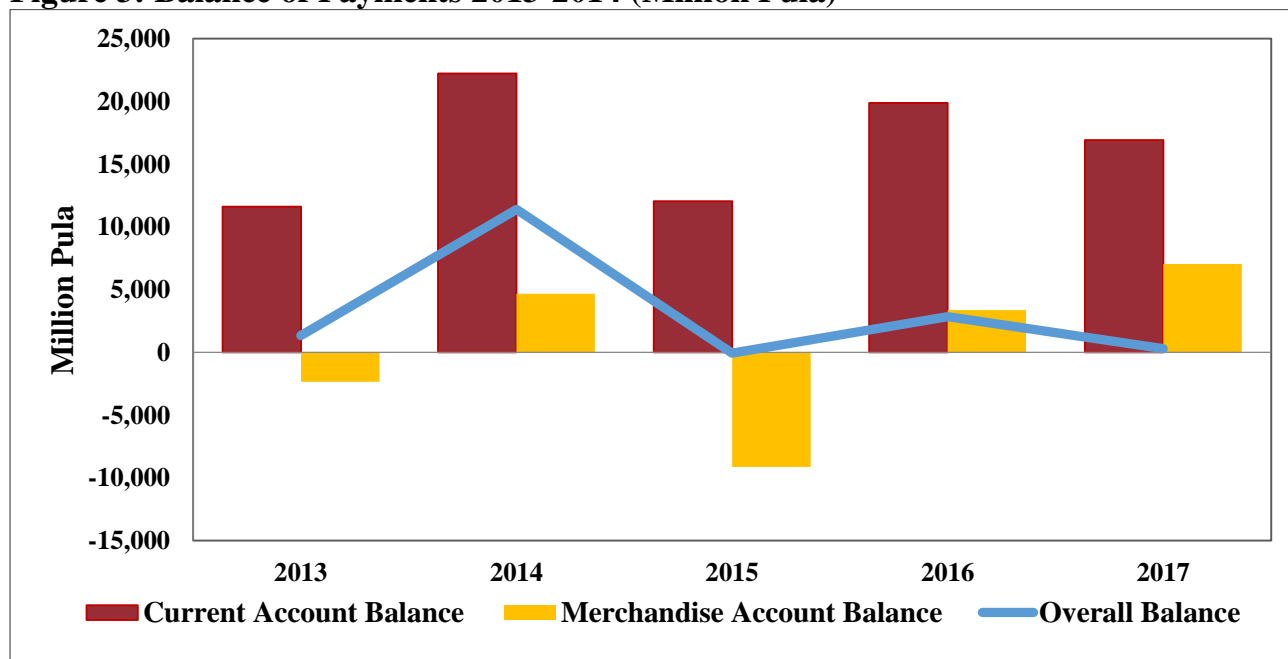


Source: MFED 2018

Balance of Payments and Foreign Exchange Reserves

- A lower surplus of P16.6 billion in the current account is projected in 2017, compared to a revised estimate of P19.9 billion for 2016 (Figure 3).
- The overall balance of payments is forecast to be a surplus of P297 million in 2017 based on November data, compared to a provisional surplus of P2.8 billion for 2016.

Figure 3: Balance of Payments 2013-2014 (Million Pula)

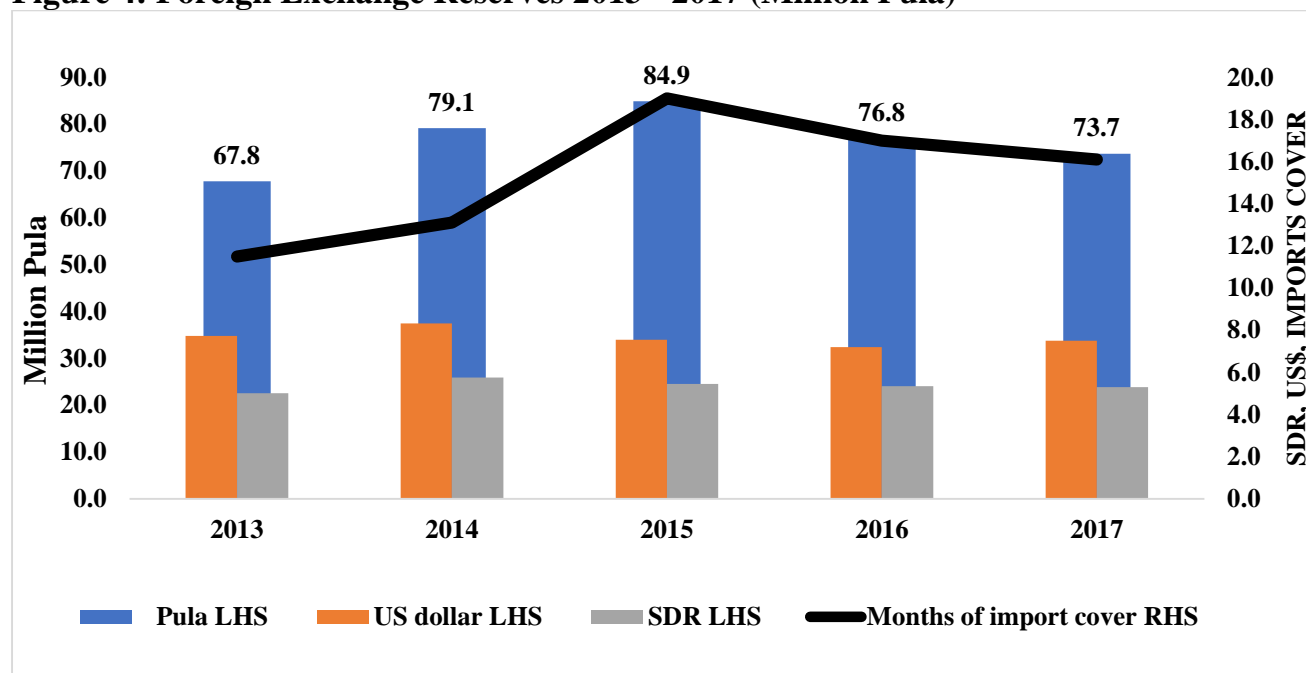


Source: MFED 2018

Foreign Exchange Reserves

- Foreign exchange reserves decreased by 4.0 percent, from P76.8 billion in December 2016 to P73.7 billion in December 2017.
- The foreign exchange reserves were equivalent to 16.1 months of imports of goods and services as at December 2017.
- Measured in terms of US dollar and SDR, foreign exchange reserves stood at USD7.5 billion and SDR5.3 billion, respectively. (Figure 4).

Figure 4: Foreign Exchange Reserves 2013 - 2017 (Million Pula)



Source: MFED 2018

Performance of State-Owned Enterprises

- State-owned enterprises showed some mixed performance during 2016/2017;
 - Botswana Telecommunications Corporation Limited with a net profit of P237.3 million, compared to a net loss of P370.8 million in 2016.
 - Botswana Housing Corporation with a net profit of P48.5 million in 2017, compared to P27.9 million in 2016.
 - Botswana Communications Regulatory Authority with a net profit of P50.8 million in 2017, compared to P43.6 million in 2016.
 - Botswana Savings Bank (BSB) with a net profit of P15.5 million in 2017, compared to P12.8 million in 2016.
 - Botswana Meat Commission with a loss of P229.7 million in 2016, compared to a net profit of P332.6 million in 2015.
 - National Development Bank with a net loss of P168.2 million in 2017, compared to a net loss of P21.2 million in 2016.
 - Botswana Power Corporation with a net loss of P140.2 million in 2017, compared to a net loss of P99.6 million in 2016.
 - Water Utilities Corporation (WUC) recording a net loss of P137.6 million in 2017, from a net profit of P119.4 million in 2016.

III. STRATEGIC THRUST FOR 2018/2019

a) *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.*
- **Energy**- Approximately P2.0 billion has been proposed for allocation to the energy sector. Government has established the Botswana Energy Regulatory Authority, which will ensure the orderly development of the energy sector and promote energy supply mix.
- **Road network** – P1.3 billion from the Road Levy Collections Fund will be spent on construction of roads. An additional amount of nearly P2 billion is proposed for improvement of the country's road network during 2018/2019.
- **Information and communications technology (ICT)** –An amount of P461 million is proposed to improve on the Government ICT infrastructure, including expansion of the Government Data Network and installing ICT Infrastructure in Secondary Schools.

b) *Investing in Human capital*

- **Education** – P15 billion is proposed for education and training in the 2018/2019 budget.
- **Health** – P8.2 billion 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* strategy.
- **Housing** – P250 million is proposed for allocation towards SHHA and Destitute Housing in the 2018/2019 budget.

c) *Maintaining a sustainable fiscal policy*

- Emphasis is on achieving the objective of fiscal sustainability in the medium to long term. Hence, measures continue to be implemented to improve on revenue collection and expenditure control.
- Government is committed to the fiscal rule. Whereas the Government to GDP ratio is 34 percent for 2018/19 (*instead of the objective of 30 percent*), the debt to GDP ratio is 15.6 percent, which is below the 40 percent limit.

IV. BUDGET REVIEWS AND PROPOSALS

a) *2016/2017 Budget Outturn*

- Total Revenues and Grants: P57.40 billion.
- Total Expenditure and Net Lending: P56.27 billion.
- Overall budget surplus: P1.12 billion or 0.6 percent of GDP.

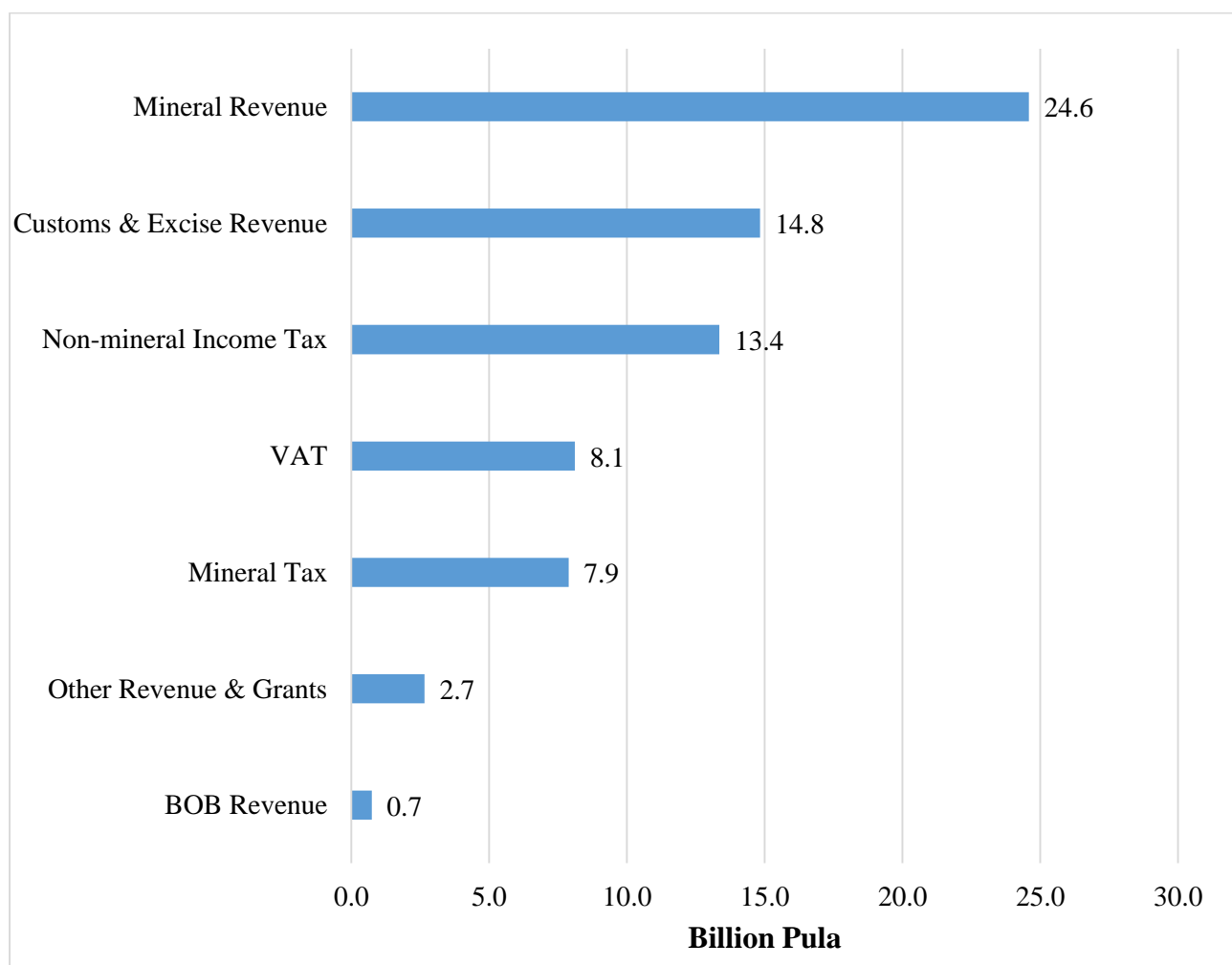
b) 2017/18 Revised Budget Estimates

- Total revenues and grants: P57.19 billion.
- Total expenditure and net lending: P59.61 billion.
- Overall budget deficit: P2.42 billion or -1.3 percent of GDP.

c) Budget Proposals for FY 2018/19

- Estimated Total Revenues and Grants of P64.28 billion: With the distribution as shown in Figure 5.
- Proposed Total Expenditure and Net lending of P67.87 billion.
- Expected Budget deficit of P3.59 billion or -1.8 percent of GDP.

Figure 5: Estimated Revenue by Source (Billion Pula)



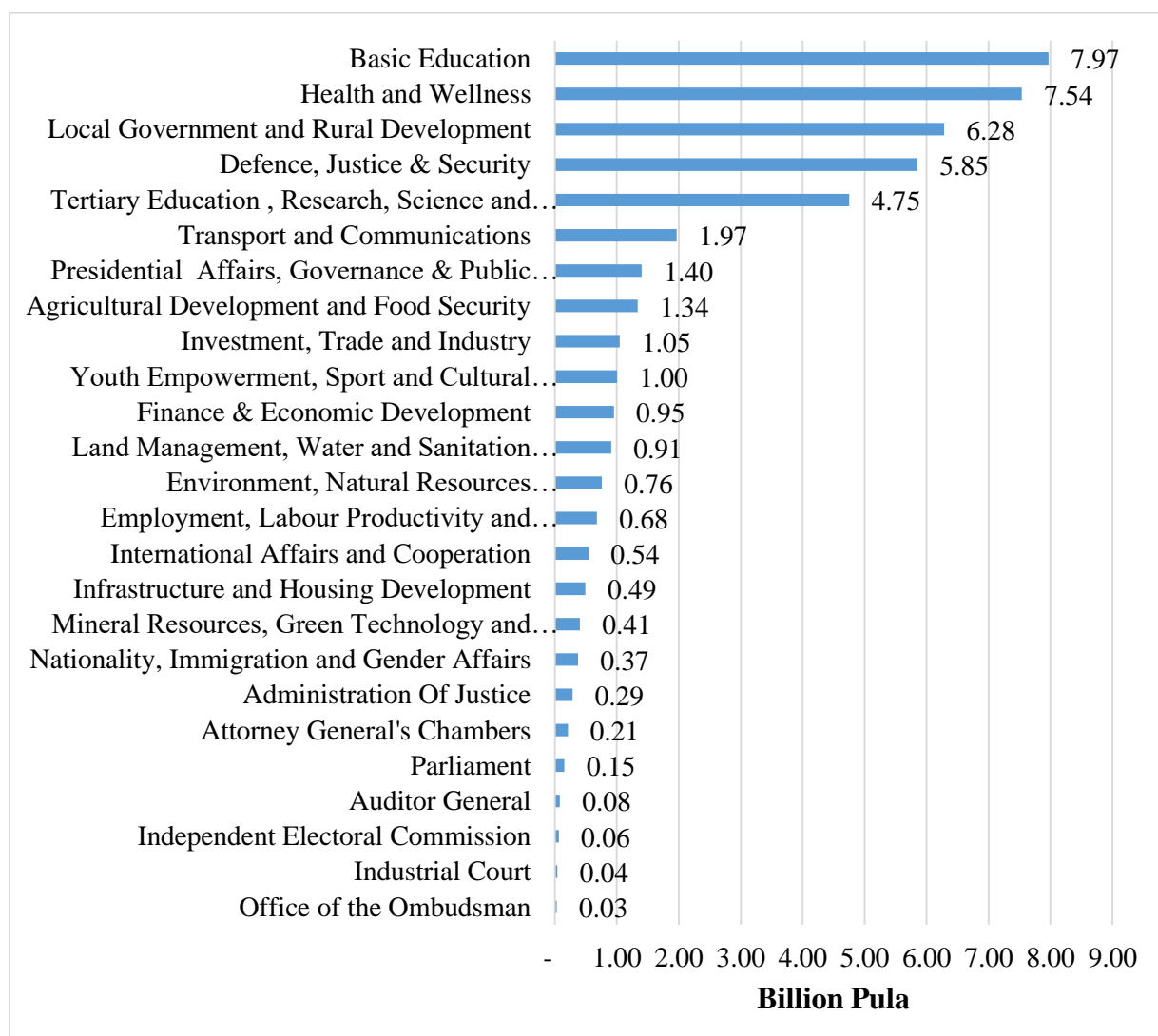
Source: MFED 2018

Ministerial Recurrent Budget (Figure 6)

- Out of the proposed Ministerial Recurrent Budget of P45.14 billion for the 2018/2019 financial year, P32.40 billion or 71.8 percent is proposed to be allocated to five Ministries of: Basic Education; Health and Wellness; Local Government and Rural Development; Defence, Justice and Security; and, Tertiary Education Research, Science and Technology.

- The largest share of P7.97 billion or 17.7 percent of the total Ministerial Recurrent Budget, is proposed for allocation to the Ministry of Basic Education.
- Other Ministries that are 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.

Figure 6: Ministerial Recurrent Budget 2018/19 (P45.14 billion)



Source: MFED 2018

Proposed Allocation of Development Budget (Figure 7)

Ministry of Land Management, Water and Sanitation Services (P3.29 billion)

- The main projects implemented are the North South Carrier 2 from Palapye – Mmamashia – Gaborone, which are meant to provide adequate water to the southern part of Botswana.
- The proposal include Botswana Emergency Water Security and Efficiency projects financed with the loan from World Bank.

Ministry of Defence, Justice and Security (P2.78 billion)

- 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.
- Rehabilitation of facilities for Department of Prisons and Rehabilitation.

Ministry of Transport and Communications (P2.66 billion)

- To cover the construction and maintenance of transport related infrastructure such as roads, rail, and airports.
- Provision for mega road and bridge projects including Kazungula and Mohebo bridges.
- Construction of three intersections along the KT Motsete Drive; Mogoditshane-Gabane- Mmankgodi roads; Gaborone – Boatle dualling; Mulambakwena-Tshesebe; Dibete- Mookane-Machaneng roads.
- The Modernisation and Centralised Traffic Control for the Greater Gaborone area.

Ministry of Mineral Resources, Green Technology and Energy Security (P2.52 billion)

- P863.34 million is proposed for implementation of the North West Electricity Transmission Grid, Morupule A Power Station rehabilitation.
- In addition, Botswana Power Corporation allocated a total of P1.10 billion to cover its operational expenses and also to meet its debt service obligation for the Morupule B Power Station project.

Ministry of Local Government and Rural Development (P2.25 billion)

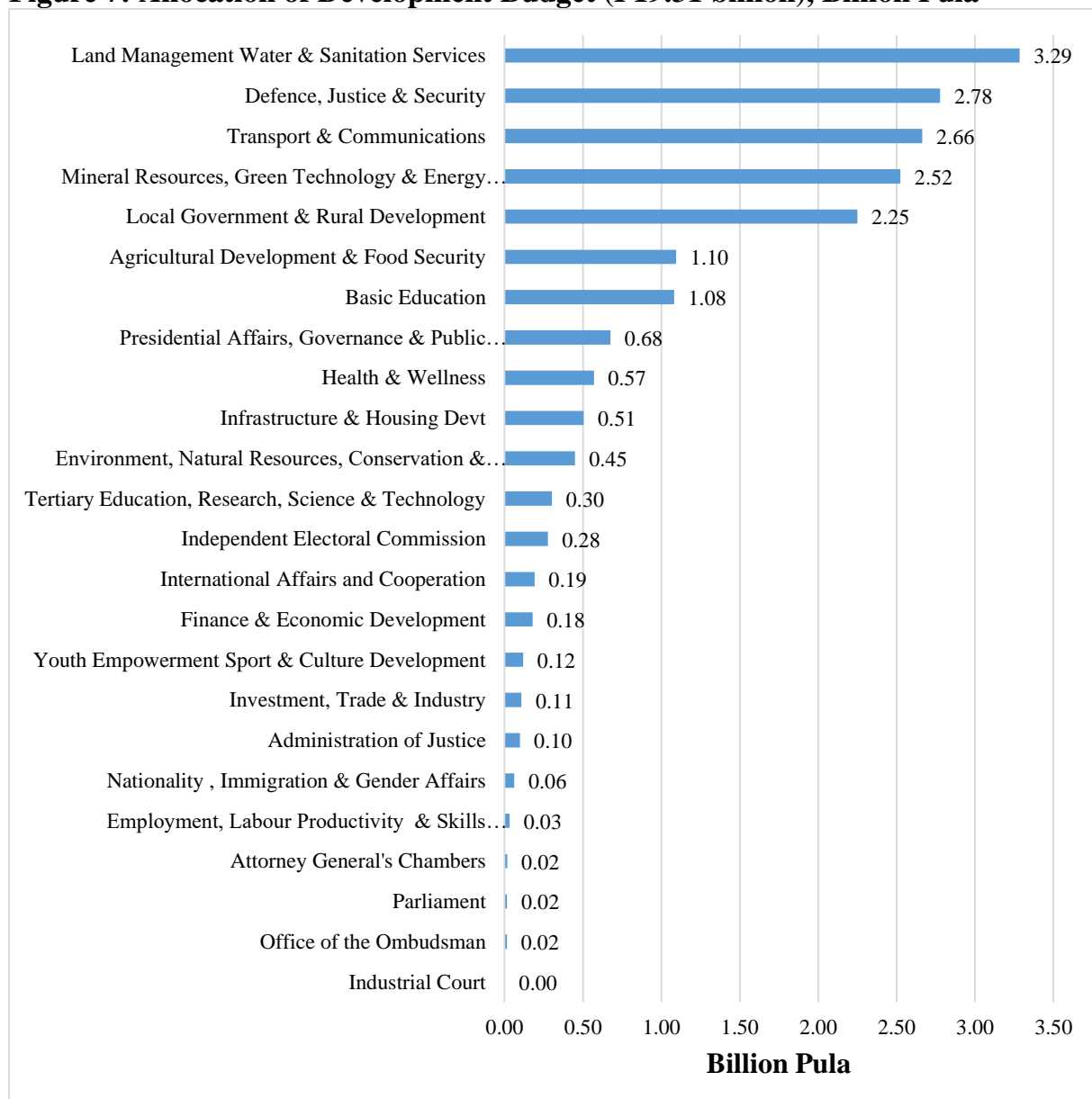
- The budget caters for Ipelegeng programme at P635.00 million or 28.2 percent and Community Development programme, which has a budgetary provision of P570 million or 25.3 percent of the Ministry’s development budget.
- Primary School Backlog Eradication Programme at P634.27 million.

Other Ministries and Independent Departments (P5.80 billion)

Major projects covered by this amount include:

- Construction of staff houses, as well as expansion and maintenance of public facilities.
- Integrated Support Programme for Arable Agriculture Development (ISPAAD) and Livestock Management and Infrastructure Development (LIMID).
- Upgrading of health facilities, housing schemes such as Self Help Housing Agency (SHHA), and poverty eradication scheme and destitute housing for the low income groups.

Figure 7: Allocation of Development Budget (P19.31 billion), Billion Pula

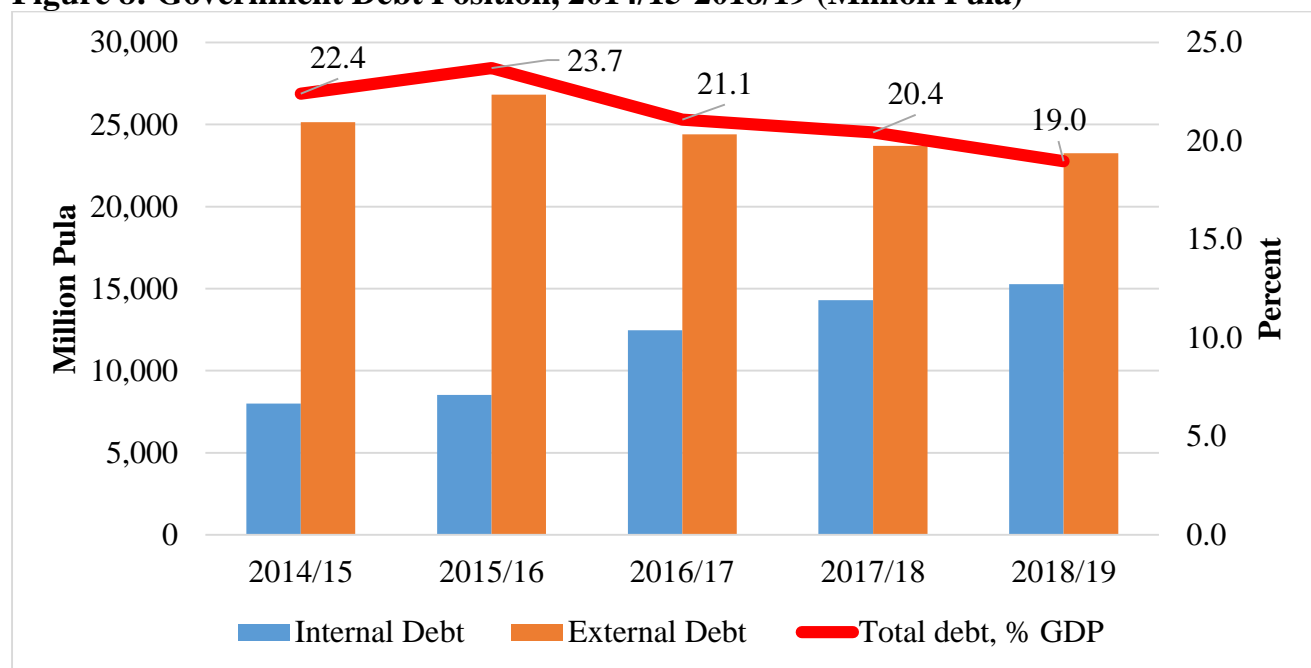


Source: MFED 2018

Public Debt

Figure 8 shows the country's debt position, with debt to GDP ratio expected to reach 19 percent in 2018/19 which is less than the 40 percent statutory limit. This demonstrates Government's continued commitment to maintaining fiscal sustainability in the medium term.

Figure 8: Government Debt Position, 2014/15-2018/19 (Million Pula)



Source: MFED 2018

CONCLUSION

- Despite the positive domestic economic outlook, the country's fiscal position remains tight.
- This calls for continued efforts to mobilize domestic revenues and judicious management of our expenditure in order to achieve the objective of fiscal sustainability.
- Requires continuous exercise of utmost due care in line with the requirements of the country's financial legislations and the Constitution of Botswana.
- Going forward, Government shall be stepping-up the enforcement of the financial rules and regulations to ensure accountability in the use of the public resources.

ANNEX

Table A1: GDP and Summary Government Budget 2014/15-2018/19 (Million Pula)

FY		2014/15	2015/16	2016/17	2017/18	2018/19
						Projections
GDP	Nominal GDP	147,920	149,112	174,836	185,931	203,175
	Nominal Growth rate (%)	12.7	0.8	17.3	6.3	9.3W
	Real GDP Growth rate (%)	4.0	-1.8	5.1	4.7	5.3
Budget					Revised Budget	Proposed Budget
	Revenues & Grants	55,904	47,420	57,398	57,187	64,277
	Total Expenditure & Net Lending	50,564	54,411	56,275	59,606	67,867
	Budget Balance	5,340	-6,991	1,124	-2,419	-3,589
Share to GDP (%)	Revenues & Grants	37.8	31.8	32.8	30.8	31.6
	Total Expenditure & Net Lending	34.2	36.5	32.2	32.1	33.4
	Budget Balance	3.6	-4.7	0.6	-1.3	-1.8

Source: MFED, January 2018

Table A2: Government Net Financial Assets, end Financial Year, 2014/15-2018/19 (Million Pula)

Financial Year	Govt Investment Acc	Internal & External Debt	Debt Guarantees	Total Debt & Guarantees	Loans by Govt Outstanding	Net Debt	Net Financial Assets	GIA as % of GDP	Net Fin. Assets as % of GDP	Total Debt as % of GDP
	(1)	(2)	(3)	(4)=(2)+(3)	(5)	(6)=(4)-(5)	(7)=(1)-(6)	(8)	(9)	(10)
2014/15	41,680	25,450	7,681	33,131	1,230	31,901	9,779	28.2	6.6	22.4
2015/16	33,915	26,162	9,180	35,342	2,454	32,888	1,027	22.7	0.7	23.7
2016/17	30,451	26,990	9,874	36,864	2,403	34,461	-4,010	17.4	-2.3	21.1
2017/18	30,596	28,126	9,874	38,000	2,355	35,645	-5,049	16.5	-2.7	20.4
2018/19	30,596	28,665	9,874	38,539	2,279	36,260	-5,664	15.1	-2.8	19.0

Source: MFED, January 2018

Table A3: Stock of Debt and Guarantees, end Financial Year, 2014/15-2018/19 (Million Pula)

Financial Year	2014/2015	2015/16	2016/17	2017/18	2018/19
		Actual		Projections	
External					
External Debt	17,981	18,345	16,659	15,962	15,522
External Guarantees	7,160	8,482	7,738	7,738	7,738
Total External	25,141	26,827	24,397	23,700	23,260
Internal					
Internal Debt	7,468	7,817	10,330	12,164	13,143
Internal Guarantees	521	698	2,136	2,136	2,136
Total Internal	7,989	8,515	12,467	14,300	15,279
Grand Total	33,130	35,342	36,864	38,000	38,539
GDP for FY	147,920	149,112	174,836	185,931	203,175
External Debt & G. / GDP (%)	17%	18%	14%	13%	11%
Internal Debt & G. / GDP (%)	5%	6%	7%	8%	8%
Total Debt & G. / GDP (%)	22.4%	23.7%	21.1%	20.4%	19.0%

Source: MFED, January 2018

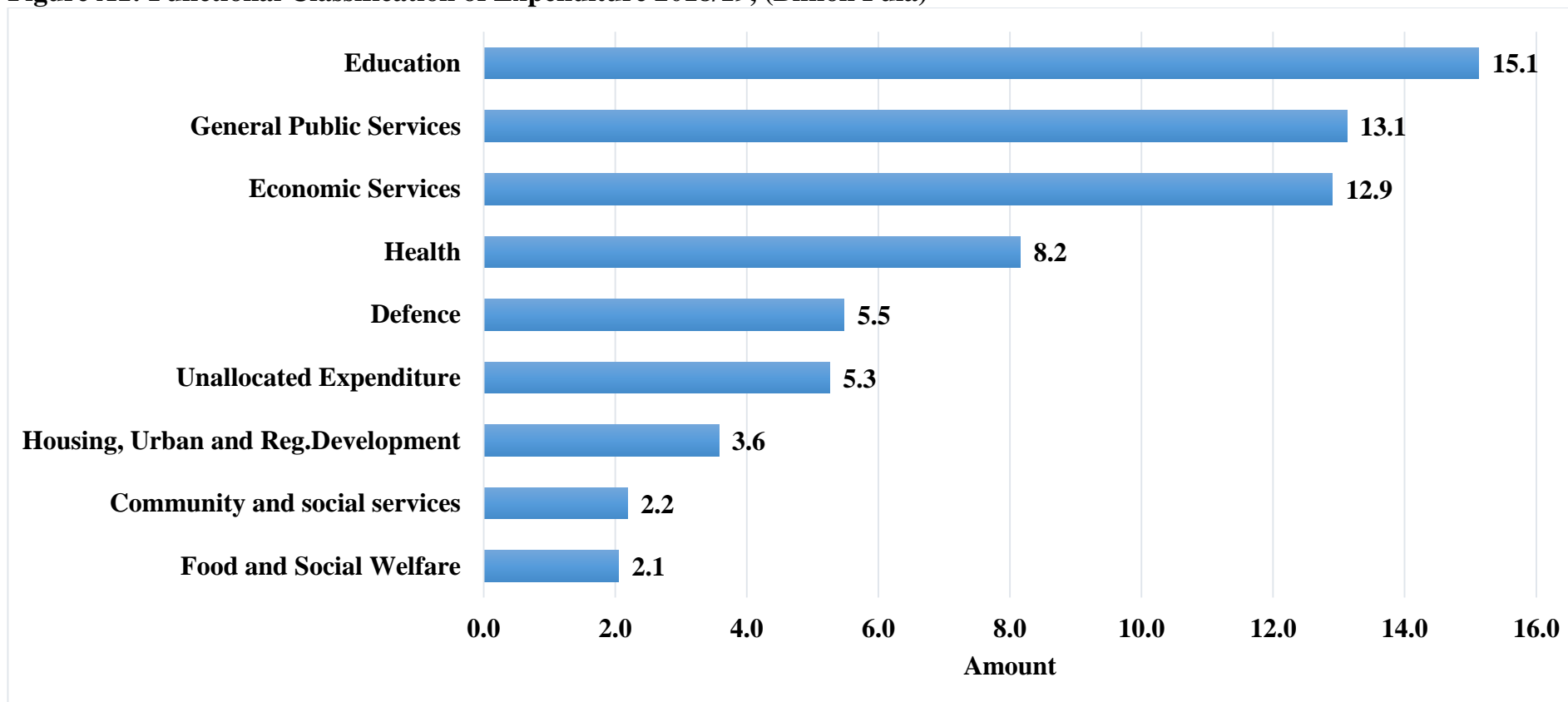
Table A4: Medium-Term Fiscal Framework Summary, 2014/15-2020/21 (Million Pula)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20*	2020/21*
				Projections			
Total Revenue and Grants	55,904	47,420	57,398	57,187	64,277	67,940	72,127
Mineral Revenue	21,532	14,438	22,496	16,334	24,592	25,780	26,664
Mineral Tax	7,498	4,456	7,213	3,690	7,885	8,265	8,549
Mineral Royalties and Dividends	14,034	9,982	15,283	12,644	16,708	17,515	18,115
Customs & Excise Revenue	15,691	15,818	11,773	17,060	14,828	14,667	15,876
Non-mineral Income Tax	8,384	8,691	9,572	12,348	13,358	14,455	15,648
VAT	5,710	5,548	6,643	8,106	8,106	8,772	9,496
BOB Revenue	2,448	1,133	2,842	708	740	1,356	1,411
Other Revenue & Grants	2,139	1,794	4,072	2,631	2,653	2,911	3,032
Total Expenditures and Net Lending	50,564	54,411	56,275	59,606	67,867	64,828	67,471
Recurrent Expenditure	37,583	40,413	41,166	43,091	48,637	48,357	50,102
Personal emoluments & pensions	16,589	18,544	19,224	21,451	21,168	21,937	22,733
Other Charges	9,696	9,774	9,740	8,242	11,634	10,550	10,980
Grants & Subventions	10,597	11,269	11,324	12,496	14,864	14,809	15,374
Interest payments	702	827	878	903	969	1,061	1,015
Development Expenditure	13,072	12,773	15,161	16,562	19,306	16,547	17,445
Net Lending	-91	1,225	-52	-47	-76	-76	-76
Overall surplus/ deficit (-)	5,340	-6,991	1,124	-2,419	-3,589	3,112	4,656
<i>as % of GDP</i>	<i>3.6%</i>	<i>-4.7%</i>	<i>0.6%</i>	<i>-1.3%</i>	<i>-1.8%</i>	<i>1.4%</i>	<i>2.0%</i>

Source: MFED, January 2018

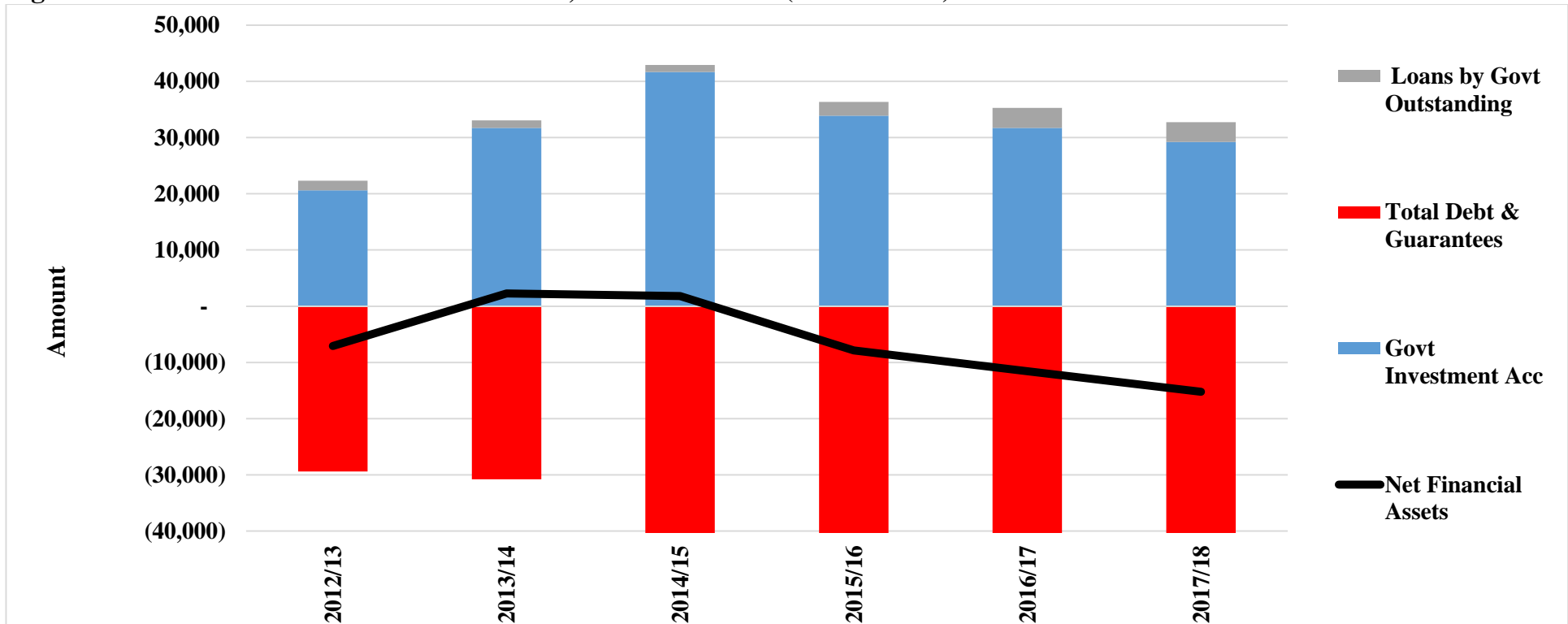
*The 2019/20 and 2020/21 projected budget figures are subject to annual review.

Figure A1: Functional Classification of Expenditure 2018/19, (Billion Pula)



Source: MFED, January 2018

Figure A2: Government Net Financial Position, 2012/13-2017/18 (Million Pula)



Source: MFED, January 2018

For more information
 Ministry of Finance and Economic Development
 Tel: 3950100, Toll Free: 0800 600 773
www.finance.gov.bw
 Gaborone