



Republic of Botswana

PEOPLE'S GUIDE TO THE 2020/2021 BUDGET

Ministry of Finance and Economic Development

3rd February 2020

Introduction

- 1.** The focus of the 2020/2021 Budget, which is the first under the new Minister of Finance and Economic Development, is to improve efficiency in government spending and promote the growth of the private sector, which will in turn transform our economy to high income status. The preparation of this 2020 Budget Speech, was largely guided by the emerging strategic issues from the ongoing review of the National Development Plan 11, the country's Vision 2036, as well as the economic transformation agenda.
- 2.** The National Vision envisions Botswana transformed from the current upper-middle income to a high-income status by 2036. Therefore, the transformation journey will commence with this 2020/2021 Budget and continue to be perfected in the ongoing preparation of the Mid-Term Review of NDP 11.

Global and Domestic Outlook

- 3.** The global economy is projected to grow by 2.9 percent and 3.3 percent in 2019 and 2020, respectively. This is due to the heightened trade tensions and a build-up of risk, which have taken a toll on investment growth amongst most advanced economies, even with prevailing accommodative monetary conditions.
- 4.** The International Monetary Fund (IMF) has revised the growth rate downwards, and it is considered the lowest since the 2009 global financial and economic crisis. The domestic economy, on the other hand, is forecast to grow by 3.6 percent in 2019, 4.4 percent in 2020 and 4.6 percent in 2021, underpinned by the faster growth in services sectors of Transport & Communications, Trade, Hotels & Restaurant, and Finance & Business Services.

Performance of State Owned Enterprises

5. There are currently over 60 State Owned Enterprises (SOEs), or parastatal organisations in the country, ranging from regulatory through academic to commercial. However, the performance of some of these organisations have been unsatisfactory. For instance, National Development Bank and Air Botswana continued to make losses in 2018/2019, while parastatals such as Botswana Telecommunication Corporations and Water Utilities Corporation performed satisfactorily. To transform the country, Government will revisit the role of some of the SOEs in order to align them to the transformation agenda.

STRATEGIC INTERVENTIONS FOR TRANSFORMATION IN 2020/2021

6. The National vision aspires Botswana to be transformed from the current upper-middle income to a higher-income country by the year 2036. This means that, the

domestic economy should grow by an average of, at least 6 percent, per annum. In order to achieve the necessary level of growth, Government will be required to implement policy measures that can be grouped into two (2) groups: *Growing the economy for Job creation*; and, *Social Programme to sustain Livelihoods*.

7. Underlying the implementation of these policy measures are the following principles: *improving on regulatory efficiency to support private sector growth; improving efficiency of government spending; reducing the size of Government in the economy to create space for the private sector; and, improving on human skills to support the transformation agenda*.

(i) Growing the Economy for Job Creation

8. The 2020 budget proposals are aligned to the transformation agenda, which focuses on promotion of private sector led growth and job creation. To

facilitate for this, Government will focus on the following strategies; *investing in economic infrastructure to support transformation; developing human capital to support transformation; developing a vibrant agricultural sector; promoting citizen economic empowerment; investing in vibrant creative industry; and, pursuing an export-led economy by reforming the regulatory business environment for investment.*

- *Investing in economic infrastructure to support transformation*

9. In an effort to enhance productivity and economic growth, there is need for continued investment in appropriate infrastructure. The key infrastructural needs include: electricity/energy, water, rail/roads, and technology.

10. Other interventions include; delivering infrastructure through Public Private Partnership (PPP) model; reviewing the The Public Procurement and Asset Disposal (PPAD) Act to streamline

overall procurement process, proper project implementation, and implementation of Public Asset Management Policy, which will provide guidance on the efficient management of public assets.

- *Developing human capital to support transformation*
- 11.** Availability of human capital skills is a critical factor for economic transformation. Over the years, Botswana has been spending significant amount on human capital. However, the efficiency of the expenditure on human capital development remains a concern. To address this, Government plans to undertake value-for-money audit of expenditure on the educational and health sector.
- 12.** Furthermore, National Human Resource Development Plan will be rolled out to ensure demand driven human resource development to enhance the employability of graduates of tertiary education institutions through emphasises on industry collaboration. In response to the continued high and persistent

unemployment, Government with the assistance of the World Bank, has developed a Draft National Employment Policy (NEP).

13. Among the initiatives proposed in the policy include, introduction of a special programme for low-education and low-skilled youth, change rewards in the labour market to favour the youth with technical and vocational skills.

- *Developing a vibrant agricultural sector*

14. Agriculture remains one of the critical sectors needed for economic transformation. However, there are serious challenges surrounding the performance of the sector, such as, *poor infrastructure, low productivity, low technology uptake, droughts*, to mention a few.

15. In addressing these challenges, Government is committed to reviewing some of the existing programmes and strategies, with a view of aligning them to the refocused role under

transformation agenda. For instance, making a distinction between the subsistence and commercial agriculture and developing tailor-made policies to meet the needs of the two (2) categories.

- *Promoting citizen economic empowerment*

16. Government is committed towards embracing citizen empowerment in its development planning process, because of the low citizen participation in economic development. However, efforts will be made to strengthen the existing initiatives, such as; citizen reservation, where only 100 percent citizen owned companies are eligible to participate; price preference where citizen owned companies are eligible to participate; joint ventures/associations of citizens and non-citizens and local companies are eligible for preference. Other citizen economic initiatives include; the Economic Diversification Drive Initiative, where procurement has been reserved to local manufacturers and service

providers; Local Procurement Scheme, which facilitates economic development in rural areas using public procurement in line with the Citizen Economic Empowerment Policy.

17. To encourage citizen participation in the tourism sector, Government has decided to reserve certain concessions for allocation to citizens only. Further, a number of market initiatives have been undertaken to facilitate the private sector to sell tourism packages to the world and to create awareness of Botswana as a tourist destination. To ensure effectiveness in application and implementation of the citizen economic empowerment agenda, Government has taken a decision to move the CEE policy to a law.

- *Investing in the creative industry*

18. The creative industry sector has the potential to brand and market Botswana, as well contribute towards job creation. Already, there are ongoing initiatives that are bearing fruits, *such as the*

Presidential initiative, which gave two (2) Batswana youth, an opportunity to demonstrate their talents. For the first time in Africa, Forbes under 30 is coming to Botswana. This is an event organised for the best 600 under 30 years entrepreneurs; 200 world's best; 200 Africa's best; and 200 of Botswana's best, brightest, innovative entrepreneurs.

19. A number of Cultural Agreements with other countries have been signed; and, policies and legislation such as, the *Cinematography Act* and *Entertainment Legislation* are in the process of being reviewed.

- *Reforming the Regulatory Business Environment for Investment*

20. To ensure a focused agenda on reforming and improving the doing business and investment climate, a number of reforms were completed during 2019/20 financial year, such as the Online Business Registration System, which will achieve faster, cheaper and more accurate business registration. Some

pieces of legislation, which include, the Trade Act and the Industrial Development Act were passed. Cabinet approved a comprehensive and internationally competitive incentive package, which Special Economic Zones Authority (SEZA) will use to attract Foreign Direct Investment.

21. The incentives include, among others, five (5) percent corporate tax for the first ten (10) years and 10 percent thereafter; provision of fully serviced land; fast tracking of land allocation; providing single window and streamlined investor facilitation processes; waiver on transfer duty on land and property; property tax exemption for the first five (5) years of operation, *etc.*

(ii) Social Programme to Sustain Livelihoods

22. Government will continue to put great focus on the existing social welfare programmes to ensure that all the citizens are catered for,

despite their age, physical disabilities and other inhabitations.

- *Inclusive Social Protection*

23. In order to harmonise social protection programmes, a National Social Protection Framework will be developed in 2020/2021 financial year. The Consolidated Framework for Empowerment Programmes was also developed to promote graduation of beneficiaries and reduce dependency by beneficiaries on Government assistance over time.

- *Poverty Eradication*

24. Government remains committed to addressing all forms of poverty. In this regard, a Draft National Poverty Eradication Policy has been developed to advocate for a multidimensional approach towards poverty reduction in the country. Existing programmes such as *Ipelegeng*, will be re-oriented to perform productive activities and contribute to the growth of the country. An Exit Strategy also has been developed to guide the interventions for beneficiaries in

order to facilitate graduation from poverty.

- *Health Care Reforms*

25. In an effort to improve on access to health care services, Regional Health Management Teams were established during the 2019/2020 financial year to strengthen service delivery to the respective communities. The Health Financing Strategy developed will enhance efficiency by involving the private sector in the delivery of health services.

- *Local Economic Development (LED) Framework and Implementation Plan for Botswana*

26. Government continues to build capacity of the Districts for effective implementation of the Local Economic Development (LED) Framework and implementation Plan for Botswana. The LED process was piloted since 2014 in four (4) districts of Chobe, Francistown, Kgalagadi and Sowa Town. These pilot districts have embarked on the identification of upstream and downstream

businesses and bankable business plans, including fish farming in Chobe, small stock in Kgalagadi, waste management project in Francistown and eco-tourism project in Sowa Town.

27. During 2020/2021 financial year, the focus will be on upscaling, deepening and rolling out the LED process to other districts to empower local governments to engage the business sector to plug expenditure leaks and retain cash in their localities, thereby creating more job opportunities.

Total Revenues and Grants for 2020/2021

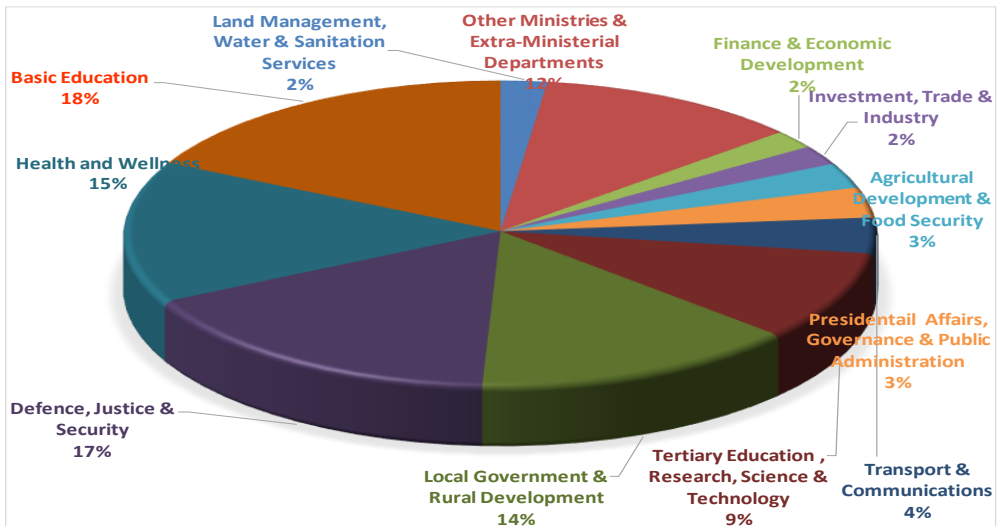
28. The Total revenues and grants for the 2020/2021 financial year amount to P62.39 billion. Mineral revenues remains the highest contributor at P20.02 billion, while Customs & excise revenue came second at P15.38 billion. Non-Mineral income tax is expected to amount P14.22 billion, while VAT is expected at P8.55 billion.

Ministerial Recurrent Budget

29. The recommended Ministerial recurrent expenditure for the 2020/2021 financial year amounted to P51.37 billion, representing an increase of 9.3 percent over the current year's approved budget.
30. Five (5) ministries are proposed to be allocated 60.2 percent of the total Ministerial recurrent budget. These are: Ministry of Basic Education allocated P9.01 billion;

Ministry of Defense, Justice and Security allocated P8.55 billion; Ministry of Health and Wellness with P7.73 billion; Ministry of Local Government and Rural Development allocated P7.15 billion; and, Ministry of Tertiary Education, Research, Science & Technology at P4.89 billion of the Ministerial recurrent budget (See Fig. 1).

Figure 1: Ministerial Recurrent Budget (BWP' billion)



Source: MFED

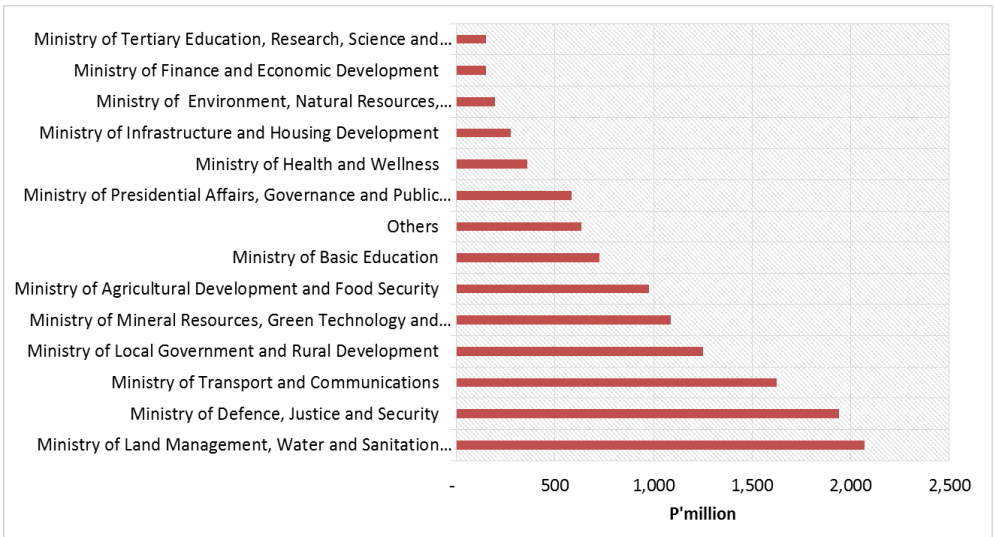
Statutory Expenditure

31. The proposed budget for Statutory Expenditure for the financial year 2020/2021 is P10.59 billion, with a P3.40 billion provision for a repayment of Government bond (BW008), which matures in September 2020.

Development Budget

32. The proposed development Budget for 2020/2021 financial year is P12.03 billion (Fig.2). Priority will be given to the programmes and projects with the highest transformational impact. Further, other more efficient project funding options such as the procurement of private sector partners for priority projects under the Public Private Partnership (PPP).

Figure 2: Development Fund Ministerial Budget (BWP' million)



Source: *MFED*

- 33.** In terms of the pillars, the Economy and Employment Thematic Working Group (TWG) has been allocated P6.93 billion, which is the largest share of the Development Budget ceiling; P2.53 billion to *Social Upliftment* TWG; P2.40 billion to *Governance, Peace and Security* TWG; and, Sustainable Environment TWG is allocated P164.57 million.
- 34.** With regards to the ministerial allocations, the Ministry of Land Management, Water and Sanitation Services takes the largest share, with a proposed allocation of P2.07 billion or 17.21 percent, mainly to improve water supply and management in the country. The second largest share at P1.94 billion or 16.14 percent is allocated to the Ministry of Defence, Justice and Security mainly to cater for provision of air assets, vehicles, as well as construction of police stations.
- 35.** An amount of P1.62 billion or 13.51 percent, being the third largest share, is proposed for the Ministry of Transport and Communications mainly for major roads and bridge projects, including Mohembo bridge; construction of three (3) intersections along the KT Motsete Drive; Mogoditshane-Gabane-Mmankgodi road, *etc.*
- 36.** The Ministry of Local Government and Rural Development takes the fourth largest share at P1.25 billion or 10.41 percent, in order to continue with implementation of social protection programmes and village infrastructure projects.
- 37.** The fifth largest share of P1.09 billion or 9.05 percent is proposed to be allocated to the Ministry of Minerals Resources, Green Technology and Energy, to cater for the ongoing North-West Transmission Grid Connection, Rural Electrification, Morupule B Remedial Works and Transmission Backbone for Mochudi, Government Enclave and Gaborone Central.
- 38.** The Ministry of Agricultural Development and Food Security

is proposed to be allocated the sixth largest share of P976.17 million or 8.12 percent, to cover the major projects such as ISPAAD, LIMID, refurbishment of Botswana University of Agriculture and Natural Resources and BMC support.

- 39.** The remaining balance of P3.07 billion or 25.55 percent will be shared by other Ministries and Departments. Major programmes and projects to be funded under this balance include: refurbishment of brigades; staff houses and maintenance of primary schools; Poverty Eradication Programme; construction and upgrading of health facilities such as Tutume, Moshupa, Shakawe, and Letlhakeng Hospitals; housing schemes such as Self Help Housing Agency (SHHA), poverty alleviation scheme and destitute housing for the low income groups.

Overall Balance

- 40.** The estimated overall balance for 2020/2021 financial year is a

budget deficit of P5.22 billion or 2.4 percent of GDP. Government is committed to achieve a balance budget during the 2020/2021 financial year, as part to rebuild the country's financial buffers.

FISCAL MEASURES TO RESTORE FISCAL BALANCE

- 41.** Since the inception of NDP 11, the country have experienced successive budget deficits which have placed the country on an unsuitable fiscal trajectory. Therefore, as part of rebuilding the country's financial buffers, a number of measures will be put in place, on the revenue and expenditure sides, both in the short and long term.
- 42.** In the short term, BURS will redeploy resources to following key operational areas to enhance revenue collection: increase the number of inspections on imported goods to curb instances of non-compliance by imported at ports of entry; enhance the debt reduction efforts already in place.

43. Efforts will continue to be made in the 2020/2021 financial year to expand the scope and depth of the domestic tax base by bringing more sectors, including some in the informal sector in the tax net.
44. On the expenditure side, Government will be reviewing the Public Finance Management Act to enhance the legal and regulatory framework for the control and management of public finances in line with the international best practise.
45. Government will be undertaking a comprehensive review of the fees, levies and charges, which have not been adjusted for some time, with a view to determine their potential to contribute to total Government revenues.

PUBLIC SERVICE SALARIES

46. Government will continue implementing the agreed salary increments of awarding 10 percent to A and B salary bands; 6 percent to the C and D bands; and 4 percent to the E and above salary bands.

CONCLUSION

47. The 2020/2021 Budget proposals lay the foundation of a knowledge and technology based economy, which will see Botswana transform from an upper-middle income to a high-income country by 2036. To achieve that, Government remains committed to bringing all the relevant players towards economic transformation.

**To know more about the Ministry of Finance and Economic
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Gaborone