



**Republic of Botswana**

# **People's Guide to the 2017/2018 Budget**

**Ministry of Finance and Economic Development**

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

**February 2017**

## **The Context of 2017/2018 Budget Speech**

1. The 2017/2018 budget is the first of the six budgetary outlays for implementing NDP 11 whose theme is “*Inclusive Growth for Realisation of Employment Creation and Poverty Eradication*”. This budget also advances the aspirations of Botswana’s long-term vision - Vision 2036, and the Sustainable Development Goals (SDGs) agenda, in motion. A significant amount of the 2017/2018 budget will be allocated to national priorities outlined in the NDP 11. These priorities are expected to address the development challenges of unemployment, poverty and income inequality. Addressing these challenges is envisaged to promote inclusive growth in the domestic economy.

## **Positive Outlook for the Domestic Economy**

- *Economic Growth*

2. The domestic economy is expected to grow at a rate of 2.9 percent in 2016 compared to a negative growth of 1.7 percent recorded in 2015. A positive outlook is anticipated to continue in 2017 as indicated by a forecast of 4.2 percent. This optimistic outlook is underpinned by an anticipated recovery in the mining sector and a positive growth for non-mining sectors. However, there are downside risks to 2016 and 2017 growth prospects, such as the slow recovery of the global economy, and weak commodity prices.

- *Inflation & Bank Rate*

3. The inflation rate declined from 3.1 percent in December 2015 to 3.0 percent in December 2016. Inflation outlook remains positive in the medium term, attributable to weak domestic demand and stability in global oil prices.

4. Given the low inflation during 2015 and 2016, and positive outlook for 2017 the Bank Rate was reduced from

6.0 percent in July 2016 to 5.5 percent in August 2016, and has since been maintained at that level. Priority Areas for 2017/2018 Financial Year

### **Priority Areas for 2017/2018 Financial year**

5. The NDP 11 focuses on six priority areas that seek to address development challenges in the medium term. These are: *(i) Development of Diversified Sources of Economic Growth and Revenue; (ii) Human Capital Development; (iii) Social Development; (iv) Sustainable Use of Natural Resources; (v) Consolidation of Good Governance and Strengthening of National Security; and (vi) Monitoring and Evaluation.*

### **Developing Diversified Sources of Economic Growth and Revenue**

#### ***Diversified Sources of Economic Growth***

6. The country continues to be heavily dependent on exports and revenues from diamonds. As at 2015, diamond exports accounted for 83.1 percent of total exports while mineral revenue accounted for 30.4 percent of share of Government revenue. In this regard, NDP 11 identified the provision of basic infrastructure such as ICT, electricity and water supply to diversify sources of economic growth. As an effort to expand the revenue base, Government is looking at several options that include a review of the Tax Acts as well revisiting the levels of some levies and fees.

#### ***Information and Communication Technology (ICT)***

7. An efficient ICT infrastructure platform is critical for research and business mainstreaming within and outside Botswana. Efforts are underway to enhance the national broadband connectivity through installation of major fibre

backbone projects around the country. To date, Botswana Fibre Networks (BoFiNet) has completed the second phase of installation of major fibre backbone projects for Tsabong-Two Rivers, Mohembo-Gudigwa, Kachikau-Parakarungu, Selebi Phikwe-Mathathane. In a mission to enhance universal access to ICT, the Ministry of Transport and Communications will subsidise the Broadband internet services in rural and underserved areas.

#### *Electricity Supply*

**8.** Morupule A power plant is undergoing refurbishment while Morupule B is being extended with units 5 and 6. However, the use of solar energy has been identified as a potential alternative source of electricity supply in Botswana. The uptake has been slow as it is highly capital intensive. To address this challenge, a comprehensive renewable energy strategy aimed at attracting foreign investments is being developed. The Government of Botswana in collaboration with the German Agency for International Cooperation is also undertaking Green Energy Feasibility Study to identify alternative sources of electricity.

#### *Water Supply*

**9.** Following the construction of a parallel pipeline to the existing line under the North-South Water Carrier Scheme, Government will fund the construction of various pipelines such as the ones connecting Thune Dam to Mathathane, Tsetsebye and Moletemane, which is expected to be completed in 2018, and the other connecting Kanye and Molepolole to the North South Carrier. Besides the implementation of emergency water projects throughout the country, other major water projects planned for 2017/2018 financial year include the rehabilitation of Shakawe Water Treatment Plant and its connection to Seronga, Gunotsoga,

Beetsha and Gudigwa villages. All these projects are expected to provide adequate water supply to these villages.

*Land Policy and Servicing*

**10.** The “National Spatial Plan” which is replacing the Botswana National Spatial Development Framework commenced in January 2016 and is expected to be completed in June 2018. The plan seeks to create a balance between economic development the environment.

**11.** The challenge of lack of serviced land is being addressed by the Ministry of Land Management, Water and Sanitation Services through the ESP. Priority is given to the: designing and building of waterlines and storm water drainage; upgrading of sewerage water schemes; debushing and grubbing; and gravelling and/or paving. Through Public Private Partnerships, the private sector will also be engaged in order to augment and accelerate land servicing efforts.

*Local Economic Development*

**12.** Lack of employment opportunities in rural areas has resulted in migration to urban areas. In an effort to curb this migration, Government seeks to promote developments in rural and peri-urban areas through the Local Economic Development programme, which commenced in 2015. The Ministry of Local Government and Rural Development is currently drafting regulations on extending property rates to rural areas, and these are expected to be implemented during the 2017/2018 financial year.

**13.** Furthermore, following the provisional closure of the BCL mine in October 2016, Government has developed a strategy to revitalise Selebi Phikwe region, whose main

elements are: agricultural production and related value chains; tourism and related services; and establishing the region as a Special Economic Zone, focusing on renewable energy generation, green technology, and ICT. Meanwhile, short term interventions have been put in place that are already being implemented, which include the establishment of a SPEDU land bank for potential investors. To this end, efforts are being made through the Ministry of Investment, Trade and Industry to attract new investors into Selebi Phikwe.

### ***Diversified Sources of Revenue***

**14.** Mineral and Customs and Excise revenues are the main sources of Government revenue. However, these are by nature vulnerable to external shocks, and have recently proven to be volatile and unreliable. This calls for urgent measures geared towards finding alternative sustainable and reliable sources of revenue. In this regard, the Ministry of Finance and Economic Development is in the process of coming up with ways in which the revenue base can be diversified that will include adjusting various taxes and levies, and reviewing some tax expenditures such as VAT exemptions.

### **Human Capital Development**

**15.** Human capital development is mainly driven by an effective and efficient education system. In an effort to achieve this, the Ministry of Education and Skills Development has been divided into two Ministries, namely; the Ministry of Basic Education, and the Ministry of Tertiary Education, Research, Science and Technology.

**16.** To address the challenge of unemployment among the graduates, the priority in 2017/2018 financial year will be to ensure that there is a link between skills development and the needs of the domestic job market. To date, the Human Resource Development Council has been working on sector plans for agriculture, tourism, mining and health.

### **Social Development**

**17.** The 2017/2018 budget provides for achieving Government's objective of eradicating abject poverty by December 2017. To achieve this objective, additional social protection measures such as Layers project, Fisheries and Aquaculture projects, and the Kgalagadi Sand Building Blocks have been included in the poverty eradication programme. To support People Living with Disabilities, the Government has revised the National Policy on Disability and implemented programmes such as the Disability Cash Transfer programme. Graduates living with disabilities are also assisted with employment opportunities within Government.

### **Sustainable use of Natural Resources**

**18.** The country has been focusing on two broad areas of environmental protection and sustainable management of natural resources. A number of initiatives on these areas were undertaken during NDP 10, and will continue going forward. A notable initiative is the Wealth Accounting and Valuation of Ecosystems Services (WAVES) programme, whose main objective is to take stock of available natural resources and provide economic indicators for their use or depletion.

## **Consolidation of Good Governance and Strengthening of National Security**

**19.** Good governance and observance of the rule of law is a prerequisite for development. In this regard, Government will continue to promote dialogue among citizens, transparency and accountability in the public sector. Furthermore, measures will be taken to capacitate the safety and security agencies in order to combat emerging crimes associated with the development of the economy.

### **Monitoring and Evaluation**

**20.** Government of Botswana in collaboration with the World Bank is developing a National Monitoring and Evaluation System. The System will be implemented during the 2017/2018 financial year. It is expected to assist Government to: strengthen the implementation processes of programmes and policies; track performance of national development goals; and facilitate evidence-based decision making in resource allocations.

### **2017/2018 Budget Proposals**

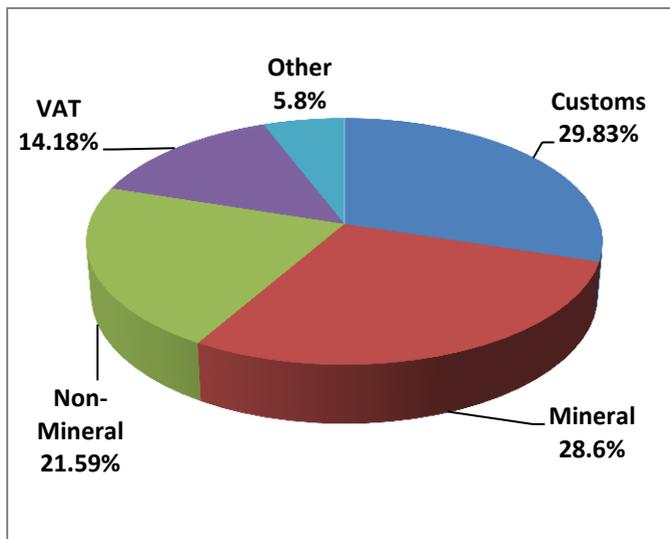
**21.** The proposed 2017/2018 budget marks the beginning of the NDP 11. As such this year's budget is allocated according to the strategies and priorities identified in the NDP 11.

### ***Revenues and Grants***

**22.** Total revenues and grants for 2017/2018 are estimated at P57.19 billion, with Customs and Excise contributing P17.06 billion or 29.83 percent of the total, followed by Mineral revenue at P16.33 billion or 28.6 percent. Non-Mineral Income Tax and Value Added Tax come third and fourth at P12.35 billion or 21.59 percent and

P8.11 billion or 14.18 percent, respectively, while the remaining P3.34 billion or 5.8 percent is made up of other revenues and grants. A breakdown of these is given in Figure 1.

**Figure 1: Composition of Revenues and Grants  
Estimates for 2017/2018**



**Source: MFED**

### ***Recurrent Budget Allocation***

**23.** The proposed Ministerial Recurrent Budget for 2017/2018 financial year amounts to P39.66 billion, representing an increase of P2.32 billion or 6.2 percent over the 2016/2017 revised budget. A detailed breakdown of Ministerial allocation is given in Figure 2.

**24.** The Ministry of Basic Education is allocated the largest share of the Ministerial Recurrent Budget, with a

proposed budget of P6.80 billion at 17.2 percent of the total. This is in line with the commitment made by Government to improve education through the implementation of the Education and Training Sector Strategic Plan (ETSSP). This is followed by the Ministry of Health and Wellness, with the second largest share amounting to P6.59 billion or 16.6 percent; of which the bulk of it will go towards the provision of drugs, dressings, vaccines, anti-retroviral therapy, medical equipment replacement, and implementation of the Treat All Strategy for HIV/AIDS.

**25.** The Ministry of Local Government and Rural Development receives the third largest share of P5.62 billion or 14.2 percent. This is mainly to cater for; provision for Revenue Support Grants to Urban and District Councils, maintenance of the existing infrastructure, provision for food supplies and the Old Age Pension Scheme.

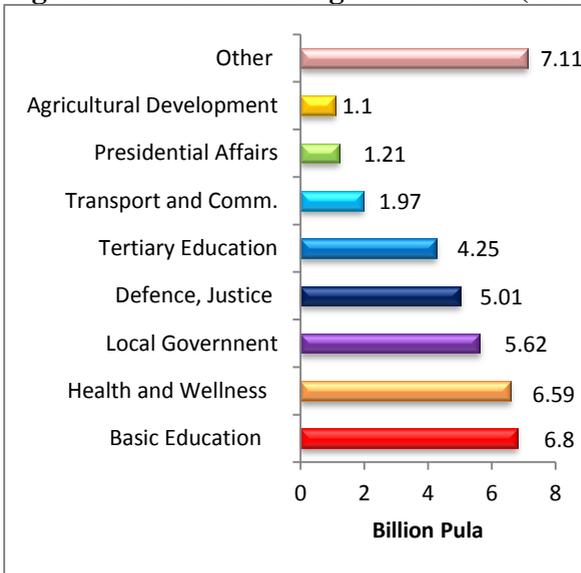
**26.** The fourth largest share is proposed for allocation to the Ministry of Defence, Justice and Security at P5.01 billion or 12.6 percent, while Ministry of Tertiary Education, Research, Science and Technology receives the fifth largest share of P4.25 billion or 10.7 percent. This allocation primarily comprises of provision for student financing in both public and private tertiary institutions.

**27.** An amount of P1.97 billion or 5 percent, being the sixth largest share is proposed for allocation to the Ministry of Transport and Communications.

**28.** The Ministry of Presidential Affairs, Governance and Public Administration is allocated the seventh largest share of the recurrent budget at P1.21 billion or 3.0 percent. The eighth largest share amounting to P1.1 billion or 2.8

percent is proposed for the Ministry of Agricultural Development and Food Security. The rest of the Ministries and Independent Departments share the remaining P7.11 billion or 17.9 percent of the Ministerial recurrent budget.

**Figure 2: Recurrent Budget Allocation (Pula billion)**



**Source: MFED**

### **Statutory Expenditure**

**29.** The Statutory Expenditure is allocated P6.98 billion of the 2017/2018 proposed budget. The amount will cover: the servicing of debt obligations; pensions and gratuities and Salaries for Specified Officers.

### ***Development Budget Allocation***

**30.** The proposed total development budget for the 2017/2018 financial year is P16.52 billion. The largest share of the budget is proposed for allocation to the Ministry of Minerals, Resources, Green Technology and Energy Security at P2.94 billion or 17.8 percent. The major projects under this Ministry include; North West Transmission grid, Morupule A power Plant Rehabilitation, and construction of Rakola substation. It is further proposed that the Ministry of Land Management, Water and Sanitation Services be allocated the second largest share of the budget at P2.80 billion or 17.0 percent, to cater for land servicing and implementation of Land Administration, Procedure, Capacity and Systems (LAPCAS), among others.

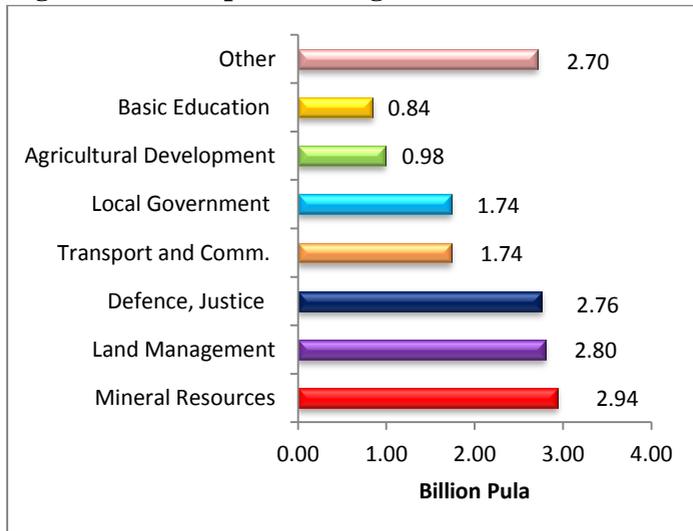
**31.** An amount of P2.76 billion or 16.7 percent is proposed for allocation to the Ministry of Defence, Justice and Security, which represents the third largest share of the total development budget. This is proposed to complete ongoing construction of new Police stations and housing, refurbishment of prison facilities and improvements to infrastructure, purchase of vehicles and upgrading of equipment for the BDF, to enhance security capabilities.

**32.** The fourth largest share of the budget amounting to P1.74 billion or 10.5 percent is received by the Ministry of Transport and Communications, to cater for data networks, school connectivity project, and bridge and road constructions. The proposed development budget for allocation to the Ministry of Local Government and Rural Development of P1.74 billion or 10.5 percent, is also the fourth largest and equal to that of the Ministry of Transport and Communications. This amount is expected to address requirements for social protection, construction of primary schools, village infrastructure in various locations, as well as

implementation of Community development projects in each of the 57 Parliamentary Constituencies.

**33.** The fifth and sixth largest share of the budget is proposed for allocation to the Ministry of Agricultural Development and Food Security and the Ministry of Basic Education at P983.71 million (5.9 percent) and P844.94 million (5.1 percent), respectively. A large proportion of the proposed budget for the Ministry of Basic Education budget, amounting to P731.95 million, is proposed for the Secondary School Programme to cater for ICT facilities and construction of staff houses among others. The remaining Ministries and Independent Departments share the balance of P2.70 billion or 16.3 percent of the total development budget. A breakdown of development budget allocation is given in Figure 3.

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



**Source: MFED**

### ***Overall Budget Balance***

**34.** The estimated overall balance for 2017/2018 is a budget deficit of P2.35 billion or 1.43 percent of GDP. The deficit is mainly attributed to the budgetary provision of power and water projects as well as the implementation of the Economic Stimulus Programme (ESP) that largely comprises education and health care services.

### **Conclusion**

**35.** The budget proposals point to a deficit of about P2.35 billion or 1.43 percent of GDP, due to weak performance in the global economy, as well as the need to undertake critical priority projects for diversifying growth in the domestic economy.

**36.** In this regard, it is imperative that, the country broadens its domestic revenue base and reduces its reliance on diamond and customs revenues for growth. Both these revenue sources are susceptible to global economic shocks, and are thus, volatile and unreliable.

**37.** Concerted efforts will therefore continue during the 2017/2018 financial year to implement policies, strategies and programmes aimed at developing diversified sources of economic growth, broaden the revenue base and contain expenditure. It is envisaged that all these initiatives will result in fiscal sustainability now and in the medium to long term.

**For more information about Ministry of  
Finance and Economic Development visit:**

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