



**Republic of Botswana**

## **2020 BUDGET SPEECH**

**By**  
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## I. INTRODUCTION

**1. Mr. Speaker,** I have the honour this afternoon to present to the National Assembly the **Budget Proposals for the Financial Year 2020/2021.**

**2. Mr. Speaker,** as this is my maiden Speech to this House as the Minister of Finance and Economic Development and as a Member of Parliament for Lobatse, allow me to first pay tribute to my late parents, Mr. Collins Olefile Matsheka and Mrs Patricia Joalane Bellina Matsheka. May their soul rest in eternal peace. Mr. Collins Matsheka worked for the Government of Botswana, as a civil servant in the Ministry of Agriculture, while Mrs Patricia Joalane Bellina Matsheka who was a teacher, had to resign from her teaching post in Mochudi to look after my sisters, and I, for which we will forever be grateful.

**3. Mr. Speaker,** great men have stood here to deliver budget speeches in the same capacity as myself. I would like to acknowledge their contribution to the prudent stewardship of the finances of this country. To them I say, *"thank you for your contribution and the foundation you have laid for all of us to follow"*. To my immediate predecessor, Mr. Kenneth O. Matambo, on behalf of Government and the Ministry, I wish to say *"thank you for your dedicated service to the country, including many years, as a civil servant and public officer"*.

**4. Mr. Speaker,** I wish to further thank the voters who have demonstrated continued confidence in the Botswana Democratic Party (BDP) to lead this country and transform it from the current upper middle income to high income status, as indicated in the BDP Manifesto. **Mr. Speaker,** I wish to congratulate His Excellency The President, Dr. Mokgweetsi Eric Keabetswe Masisi for his victory and leadership, and forming a Government to lead Botswana in the next five years.

**5. Mr. Speaker,** this Government is committed to transforming the economy through, refocusing existing policies, strategies and programmes, such as: service delivery through ICT; creating sustainable jobs; fighting corruption; improving education and training; providing quality health care; and attracting local and international investors, in order to create an inclusive economy with greater citizen participation. The focus, **Mr. Speaker,** is to improve efficiency in Government spending

and delivery of services to promote the growth of the private sector to transform our economy to higher income status.

**6. Mr. Speaker,** the preparation of this budget, which is the fourth in the current National Development Plan (NDP) 11 period, was largely guided by emerging strategic issues from the ongoing review of NDP 11, which report I will be tabling during the current meeting of the National Assembly. **Mr. Speaker,** the annual budget speeches serve as progress reports towards the attainment of the goals and objectives contained in the medium plan, such as the NDP 11, which, in turn, constitutes the building blocks towards the achievement of Vision 2036.

**7. Mr. Speaker,** each year Batswana look forward to hear from all those who have stood at this podium; not only how Government is spending their taxes, but also whether they stand to benefit from the initiatives proposed in these Budget Speeches. I am therefore, consciously subjecting myself to that test **Mr. Speaker.**

**8. Mr. Speaker,** the proposed initiatives in this year's Budget are guided by the country's Vision 2036, which is the primary and guiding document for the future of our nation. This Vision is for a Botswana that achieves a high-income status by the year 2036. **Mr. Speaker,** the Vision sets high and ambitious targets for all stakeholders to move the country forward. It calls for a review of operational plans and strategies for national economic and social development. Hence, the Vision is about a transformed Botswana.

**9.** Transforming Botswana from one status to the other is not new, **Mr. Speaker.** This BDP Government is responsible for transforming the economy from the birth of our democracy and country in 1966, when Botswana was classified as a low-income country, and transformed it to a middle-income economy by the early 1980s. The same Government transformed this economy to an upper middle-income status in the 1990s. This has happened despite the enormous challenges presented by the world economic collapse of 1998 and the global financial and economic crisis of 2008/2009. At present, our major objective is to transform this economy to a high-income status by the year 2036.

**10.** I must add, **Mr. Speaker,** that no other party in this country has the experience to transform the economy, hence, the voters' wisdom to

entrust this important task to this Government. And this Government will not disappoint; but do it again.

**11. Mr. Speaker,** the transformation journey to higher-income status will commence with this 2020/2021 Budget and continue to be perfected in the ongoing preparation of the MTR of NDP 11. Some of the preliminary indications from the review are that; economic performance was in line with the original NDP 11 projections, while economic diversification progressed fairly well during the first half of NDP 11. The share of the non-mining private sector in value added terms rose to 66 percent in 2018, compared to 63 percent in 2015. The sectoral pattern of growth also showed that the services sectors of Transport & Communications, Trade, Hotels & Restaurants, and Finance & Business Services were the fastest growing sectors.

**12. Mr. Speaker,** successful economic diversification requires an economic growth rate that is high enough to generate sufficient jobs to address unemployment, raise household incomes and reduce poverty. This has not yet been achieved and the unemployment rate has remained a cause for concern, at annual rate of 17.6 percent of the labour force in 2015/16, according to data from Statistics Botswana. Therefore, accelerated growth, consistent with Vision 2036, will require a mix of policies that promote export diversification in goods and services to impact unemployment, especially among the youth.

**13. Mr. Speaker,** Statistics Botswana recently released its first ever quarterly labour force survey results for the three months of July to September 2019, which show an unemployment rate of 20.7 percent for that quarter. These results are for one quarter only and are subject to seasonal variations. It is therefore important to note that the unemployment rate of 20.7 percent for the quarter cannot be directly compared with the 17.6 percent annual rate for 2015/2016.

**14. Mr. Speaker,** according to the MTR of NDP 11, the country's fiscal position has experienced large deficits, as Government continued to invest in economic and social infrastructure such as in education and health facilities. However, the outcomes of the sectors remained below expectations. **Mr. Speaker,** the transformation programme requires a fresh look at the economic and social returns to this level of investment, not only in the identified areas, but across the economy.

**15. Mr. Speaker,** the MTR of NDP 11 has identified critical issues that Botswana confronts as we move into the second half of NDP 11. These include: the need for economic transformation; macroeconomic stability; greater socio-economic inclusion; improved quality of public services; the changing world of diamonds; and climate change. In order to align the national policy priorities with the emerging critical issues, four national policy priorities are proposed for the remainder of NDP 11.

**16.** The first priority is ***Promotion of export-led growth.*** The objective is to ensure that the drivers of economic growth in Botswana shift towards export promotion. This, **Mr. Speaker,** will address the balance of payments problem, which has emerged in recent years as a constraint to economic growth. As a result, greater effort is required in implementing the country's Export Strategy, since increased exports of goods and services do not only contribute to growth, improved balance of trade position; but are necessary for replenishing the country's foreign exchange reserves.

**17.** The second is ***Ensuring more efficient government spending and financing.*** **Mr. Speaker,** for the past four years, the economy has experienced a less favourable fiscal position. This is a priority for my Ministry as well as the whole of Government. It requires that we ensure that spending is as efficient as possible in order to return to a sustainable fiscal pathway. The proposed measures to be implemented include: improving appraisal, design, costing and implementation of public sector investment projects; careful scrutiny of subsidy schemes, and termination of those that do not address market failure or assist truly needy Batswana; and, clamping down on corruption and waste. **Mr. Speaker,** it will also include re-prioritisation of approved projects and programmes to align them with emerging transformational needs. It cannot, **Mr. Speaker,** be business as usual.

**18.** The third is ***Building human capital.*** **Mr. Speaker,** I have made mention of ensuring value-for-money in education spending. The Government remains committed to improving human capital skills and knowledge as they are critical inputs to private sector development and industrialisation. In addition to availing financial resources towards the building of human capital, more measures will be taken to reform the entire education sector, as part of the transformation agenda.

**19.** The fourth pillar is the *Provision of appropriate infrastructure*. **Mr. Speaker**, the availability of appropriate infrastructure is critical for enhancing efficiency and providing the gateway for private sector participation. To achieve this, Government will, starting with this financial year, prioritise provision of infrastructure that has the highest potential to increase productivity in key economic sectors to drive transformation. The infrastructure provision will recognise the dire need for investment to promote a cluster development approach as approved in the Special Economic Zones Policy.

**20. Mr. Speaker**, the transformation agenda or journey will not spare any institution. It is a call on all stakeholders to live the ideals of Vision 2036 and, each and every institution will have to play its part in contributing positively towards attaining these four priority areas that I have just outlined. By design, these priority areas are premised on a private sector driven economy that will deliver on jobs, equitable income distribution and poverty alleviation.

## **II. ECONOMIC REVIEW AND OUTLOOK**

**21. Mr. Speaker**, the Budget Proposals for the Financial Year 2020/2021 are presented against the backdrop of continued uncertainty in the global economy, with adverse implications on the domestic economy. As a small open economy, the continued tension between the United States of America and China, who are the two major markets for our diamond exports, continues to undermine the country's economic performance in general, and the fiscal position in particular. It also heightens the need for measures to promote diversified exports to reduce the impact of external shocks on the domestic economy.

**22. Mr. Speaker**, the World Economic Outlook report of January 2020 by the International Monetary Fund (IMF) has revised global economic growth to 2.9 percent in 2019, from 3.6 percent in 2018. Such a rate of growth is considered the lowest since the 2009 global financial crisis. **Mr. Speaker**, global growth is expected to be moderate in 2020, with the world economic forecast expected to pick up to 3.3 percent, driven by expected growth in both emerging and developing economies. Growth in advanced economies is projected to remain subdued.

**23. Mr. Speaker,** the domestic economy continues to record positive growth rates, despite the challenges arising from a weak and uncertain global economic environment. The domestic economy is estimated to have grown by 3.6 percent in 2019, and to reach 4.4 percent in 2020, driven by faster growth in the services sector.

**24. Mr. Speaker,** as part of the transformation agenda, Government will be refocusing attention to the agriculture and manufacturing sectors during the MTR of NDP 11, as these sectors have the potential to; boost economic growth, promote exports development, create job opportunities, and reduce poverty. In this connection, a review of programmes and subsidies will be performed to align them with the transformation agenda and ensure that they contribute to greater private sector participation.

**25. Mr. Speaker,** monetary policy remained accommodative during the past year, as inflation was within the Bank of Botswana medium-term objective range of 3 – 6 percent. The outlook for domestic inflation is stable within the Bank's objective range in the medium term, due to moderate domestic demand pressures and modest increase in imported inflation. This, **Mr. Speaker,** requires efficient public spending to spur private-sector led growth, which is fundamental to getting the economy to operate at full potential.

**26. Mr. Speaker,** over the past years, the performance of the Pula exchange rate has been consistent with the country's exchange rate policy objective of maintaining competitiveness of the country's industries in both domestic and international markets. This is achieved through the operation of a basket mechanism, wherein the main variables are currency weights and a rate of crawl.

**27. Mr. Speaker,** the currency basket weights are based on the country's trade pattern (exports and imports), while the annual rate of crawl is based on the projected inflation differentials between Botswana and its major trading (for both exports and imports) partner countries. An annual review of these parameters is, therefore, in line with the policy of maintaining a competitive exchange rate environment to support the transformation agenda; rather than an act of devaluation or revaluation of the exchange rate.



**28. Mr. Speaker,** the preliminary balance of payments for 2019 indicates a deficit of P10 billion, following a lower deficit of P4.2 billion in 2018. The deficit was due to a significant increase in imports, compared to exports. Therefore, more needs to be done to promote the growth and diversification of the country's export base and this will be intensified, focusing on agriculture and manufacturing value chains.

**29.** To this end, **Mr. Speaker,** the transformation programme requires a review of the country's entire ecosystem for promoting exports, including regulatory environment, fiscal incentives, and provision of basic infrastructure. On the other hand, growth in imports has continuously outpaced that of exports in recent years, resulting in trade deficits. To reverse this trend, measures will also be required to reduce on imports through the implementation of a robust import substitution strategy.

**30. Mr. Speaker,** this country imports most of its requirements, including basic products that do not require huge investment to produce locally. Using Government's purchasing power through programmes such as the Economic Diversification Drive (EDD) and citizen empowerment initiatives, additional measures will be put in place to ensure reduction in the country's import bill. It is only through a deliberate and vigorous implementation of the Export Strategy and Import Substitution Strategy that the country can restore its external balance and create the jobs that are required in an inclusive economy, in which Batswana are major players.

**31. Mr. Speaker,** the country's negative external balance in recent years has undermined the growth of the country's foreign exchange reserves. As at the end of November 2019, foreign exchange reserves amounted to P70.6 billion, a decrease from P74.5 billion in November 2018. The foreign exchange reserves are equivalent to 14 months of import cover of goods and services. Of the total amount of foreign exchange reserves recorded in November 2019, Government Investment account stood at P16.3 billion, compared to P26.7 billion in November 2018, indicating the impact of government spending on the foreign exchange reserves. The remainder of the reserves are for the rest of the economy, being the private sector and individuals.

## **Performance of State-Owned Enterprises**

**32. Mr. Speaker,** State Owned Enterprises (SOEs), or parastatal organisations, as they commonly are referred to in this country, are part of Government's delivery system. As such, they are very critical to the transformation agenda. There are currently over 60 SOEs in the country, ranging from regulatory through academic to commercial ones. To transform this country, the role of these SOEs will have to be revisited in order to align them to the transformation agenda.

**33. Mr. Speaker,** when establishing these organisations, Government had specific developmental goals to achieve, which it was felt could be achieved better and much more efficiently through the alternative delivery model of parastatal, instead of the public service. However, the performance of some of these organisations indicate that; either this original assumption was wrong, or there has been some creep in their mandates over time. Whatever the case may be, there is need to revisit most of the mandates and founding statutes of these organisations to address the governance and performance of some of them, and more importantly, align them to the transformation agenda.

**34.** To this end, **Mr. Speaker,** a subcommittee of Cabinet, which I chair, will undertake a comprehensive review of the parastatals' landscape. The terms of reference of this subcommittee are broad to cover the review of the mandates, governance, and performance of these organisations, with a view to proposing specific recommendations to Government on the relevance of some of these organisations and their financial sustainability. It is important that the mandates of these organisations are repositioned to support the transformation journey.

**35.** Regarding the performance of the country's parastatal organisations in 2018/2019; it was rather mixed. Some registered positive results, while others continue to make losses. Among those which performed satisfactorily are: Botswana Telecommunications Corporation Limited (BTCL), Water Utilities Corporation (WUC) and the Botswana Power Corporation; though the latter continues to receive substantial subvention from Government. On the other hand, some parastatal organisations continued to register losses in 2018/2019, which included Air Botswana (AB), Botswana Meat Commission (BMC), National Development Bank (NDB) and Botswana Railways (BR). **Mr. Speaker,** you will notice that the performance is narrowly focused on financial performance, even when

these organisations have not achieved or met the delivery of projects for transformation and high income status.

**36. Mr. Speaker,** Government spends substantial resources on parastatal organisations in the form of subventions or grants. For instance, an amount of P4.9 billion is proposed as subventions to various state owned enterprises for the Financial Year 2020/2021. It is, therefore, important that these resources be used efficiently to contribute to the transformation agenda. In this regard, Government through the Cabinet subcommittee will be interrogating the efficient use of public resources deployed to these organisations and provide value-for-money to the tax payer. In addition, Government will develop standards of benefits across the public sector, including SOEs, in order to curb wastage.

**37. Mr. Speaker,** the subcommittee will review the role of the SOEs in the transformation process along strategic intervention areas such as: (i) **utility supply** (BPC, WUC); (ii) **tourism** (Botswana Tourism Organisation); (iii) **transport** (Botswana Railways, Air Botswana); (iv) **agriculture** (NDB, BMC, BVI, BAMB); (v) **ICT and innovation** (BTC, BOFINET, BIH, BITRI); (vi) **business development** (CEDA, LEA, BDC, BITC); (vii) **regulation** (BOCRA, NBFIRA, BOBS, BERA, CAAB), and (viii) **human capital development** (UB, BUAN, BUIST, HRDC, BQA).

**38. Mr. Speaker,** the reform of parastatals alone will not allow for growth and realisation of the transformation agenda. The parent Ministries, and Government in general, will have to demonstrate reform of their internal processes to support transformation. The transformation requirement is for all institutions of this economy, including the private sector.

**39. Mr. Speaker,** Government will take bold decisions on the reform of the state-owned enterprises during the course of the next financial year, following the recommendations of the Cabinet subcommittee. However, given the depressed state of two of the parastatal organisations; the Botswana Meat commission (BMC) and the National Development Bank (NDB), Government has had to take immediate decisions. The Botswana Meat Commission, which provides a market to cattle farmers, is technically insolvent, despite Government's recent capital injections of close to a billion Pula.

**40. Mr. Speaker,** in order to address these challenges, Government has taken a decision to engage a management company to take over the running of the BMC with effect from April 2020. This measure is intended to protect the interest of all stakeholders, including farmers. More details on the matter will be provided by my colleague the Honourable Minister of Agriculture Development and Food Security in the presentation of his Committee of Supply Speech later to this House.

**41. Mr. Speaker,** Government is proceeding with the conversion of the Botswana Meat Commission (BMC) into a company under the Companies Act, with the approval of the BMC Transition Bill by Parliament in August 2019 and subsequent repeal of the BMC Act. The repeal of the BMC Act eliminates BMC's monopoly on the export of beef and cattle. It also entails the establishment of a meat regulator, which is at an advanced stage, to ensure transparent and fair trade in the industry and create an opportunity for more efficient and capable players contributing meaningfully to the sector. Another aspect of the transition is the ultimate privatization of BMC. The objective of the privatization of BMC is, among others, to engage the private sector in the ownership and management of the BMC to achieve operational efficiency and profitability, as well as reduce Government's future financial commitments in the entity. This would be an important process in the transformation of the beef and cattle sector.

**42. Mr. Speaker,** the other parastatal that requires immediate attention is the National Development Bank. In response to the persistent underperformance by the NDB, my Ministry engaged the African Development Bank in 2018 to undertake a diagnostic analysis of the challenges besetting the Bank. A report has since been submitted by the African Development Bank (AfDB), which contains specific recommendations on turning around the performance of NDB. Government has since tasked the NDB Board with the responsibility to implement the AfDB Report recommendations with immediate effect and with expected tangible results in the next two years.

### **III. STRATEGIC INTERVENTIONS FOR TRANSFORMATION IN 2020/21**

**43. Mr. Speaker,** our national Vision envisages a Botswana transformed from the current upper middle income to high income by 2036. This means that the country's per capita income should exceed USD

12 000, in current prices, by the year 2036; up from the current level of around USD 8 000. With only sixteen (16) years left to reach the year 2036, to achieve this level of per capita income will require that the domestic economy grows by an average of, at least, 6 percent per annum, against the current projected average growth of 4 percent. Growing the economy by 6 percent per annum, over the next sixteen years, will require the implementation of robust policy measures. I repeat, **Mr. Speaker**, it cannot be business as usual.

**44. Mr. Speaker**, these transformation measures are grouped into two categories of: **Growing the Economy for Job Creation; and Social Programmes to Sustain Livelihoods**. 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*.

### **Growing the Economy for Job Creation**

**45. Mr. Speaker**, the **2020 Budget Proposals** are a first deliberate effort to align to the transformation agenda, with a focus on the promotion of private sector-led growth and job creation. Hence, the focus on the following areas: investing in economic infrastructure; developing human capital; developing a vibrant agricultural sector; promoting citizen economic empowerment; investing in the creative industry; and promoting an export-led economy.

#### *Investing in economic infrastructure to support transformation*

**46. Mr. Speaker**, to achieve the level of growth needed to move this country from the current middle-income trap, there is need for continued investment in appropriate infrastructure, which is critical in enhancing productivity and economic growth. In this regard, Government expenditure on infrastructure will target economically viable projects to support private sector-led development. The key infrastructural needs for transformation include; electricity/energy, water, rail/roads and technology.

**47. Mr. Speaker,** as a demonstration of Government's commitment to infrastructural development, and as promised in the ruling party's manifesto, over half of the Development Budget for 2020/2021 is proposed for the following economic sectors: Water allocated P1.372 billion; Transport allocated P1.3 billion; Agriculture allocated P862 million; ICT allocated P823 million; Land Servicing allocated P541.5 million; and Energy allocated P521 million.

**48. Mr. Speaker,** my Ministry will revisit the process of delivering public infrastructure through the Public Private Partnership (PPP) model. Two specific interventions in this regard during the Financial Year 2020/2021 will be; the promulgation of the PPP procurement law, which is at an advanced stage, and the development of a strategy for financing mega projects such as roads, rail and ICT, which will form the basis for mobilising resources from development partners, including the private sector, to accelerate the pace of infrastructure development.

**49. Mr. Speaker,** information communication and technology (ICT) is critical in driving economic transformation. But leveraging on ICT for the digitization of the economy requires its faster adoption. To this end, **Mr. Speaker,** and as part of the efforts to expand access to the broadband internet services, Government, through BOFINET, started rolling out Fibre-To-The-Business and Fibre-To-The-Home this financial year in Gaborone, and will be extended to other parts of Botswana. Government will also capitalise on the demand for digital skills by focusing on implementation of e-services across its delivery models, as part of the fourth industrial revolution.

**50. Mr. Speaker,** Government has engaged the United Nations Conference on Trade and Development (UNCTAD) to develop the National E-Commerce Strategy, which will be in place by June 2020. The overall objective of the Strategy is to promote the diffusion and use of e-commerce throughout Botswana's commercial and public spheres. The Strategy will enhance efficiency and further serve as a framework and guiding tool in facilitating e-commerce across all sectors of the economy.

**51. Mr. Speaker,** though a significant amount of the budget is proposed for infrastructure development in the next financial year, the major challenge is project implementation. There is an urgent need to put in place measures to address the problem of delayed project delivery/implementation, if the country is to transform to high-income

status. A situation where the development budget is consistently underspent every year is not acceptable, as it creates a credibility gap for the country's budgeting system. This happens, despite efforts by my Ministry, through the Project Review and Estimates Committee exercises, to align the annual budget requests with the capacity of the implementing Ministries and Departments.

**52.** To address this challenge, **Mr. Speaker**, Government will be implementing a number of initiatives such as enhancing the three-phase project appraisal process, covering; pre-feasibility, feasibility, and independent review. In this regard, the recommended budget for new projects under the Financial Year 2020/2021 caters for pre-feasibility and feasibility studies to enhance project selection, scheduling, costing and monitoring. The ongoing capacity building programmes at Ministry, Department and Agency level are expected to improve project implementation.

**53.** In addition, **Mr. Speaker**, Government is reviewing the PPAD Act to, among others, streamline the overall procurement process, increase the thresholds for procurement devolved to implementing Ministries and independent Government Departments (Procuring Entities) in order to speed up project implementation. The review is expected to be completed in the 2020/2021 Financial Year.

**54. Mr. Speaker**, Government has initiated the review of the Environmental Impact Assessment (EIA) Act to enhance project implementation. The amendment, **Mr. Speaker**, will also promote the ease of doing business in Botswana. Among the proposed amendments are: reduction in the notice period for advertising; processing of application; review of scoping report and terms of reference; and the period for public review notification and canvassing for comments or objections. Furthermore, the revised act will exempt Environmental Impact Management Plans from public review requirements. This is expected to improve on one area that the business community has raised with Government over time. The EIA Amendment Bill is expected to be tabled in Parliament during 2020.

**55. Mr. Speaker**, Government is also developing a Decentralisation Policy, as promised during elections. It is expected that the policy will be finalised during 2020/2021 Financial Year. The Policy will allow for supervision and accountability to be closer to where projects and

programmes are implemented. While this will partially address implementation challenges, it will not completely resolve the issue. Addressing the problem of implementation of programmes and projects will require a rethinking of the public service delivery model, where the private sector, rather than Government, plays a central role. Government will be exploring, in the next financial year, how it can work with the private sector to meaningfully deliver Government programmes and projects at both central and local levels.

**56. Mr. Speaker,** a Public Asset Management Policy was approved by Cabinet in December 2019. The Policy provides guidance on the efficient management of public assets to ensure that assets remain appropriate and fit for effective service delivery. It further promotes effective use and efficient maintenance of existing assets and reduces unnecessary demand for the acquisition of new assets. The implementation of the Policy will commence in April 2020, and is expected to contribute to efficient public spending.

*Developing human capital to support transformation*

**57. Mr. Speaker,** availability of human capital skills, just like economic infrastructure, is a critical factor for economic transformation. Over the years, Botswana has invested significantly in the development of its human capital base. **Mr. Speaker,** this trend continues in the 2020/2021 Financial Year, where over P20 billion is proposed for allocation to the education and health sectors, which clearly demonstrates this Government's commitment to human capital development, as promised to the voters. However, the efficiency of the expenditure on human capital development remains a concern. To address this, Government plans to undertake a value-for-money audit of expenditure on the education and health sectors during the next financial year.

**58.** As part of economic transformation, **Mr. Speaker,** the development model of this country has to change from a resource-based to a knowledge-based approach. While the former model has hitherto served the country well, it is clear that it can no longer be relied upon to deliver this country to a high-income status. In this regard, Government will be rolling out the implementation of the National Human Resource Development Plan during the Financial Year 2020/2021. The implementation of the Plan is expected to ensure demand driven human resource development to enhance the employability of graduates of



tertiary education institutions through an emphasis on industry collaboration.

**59. Mr. Speaker,** Government is also developing an Internship and Apprenticeship Framework and Policy, as well as the Labour Market Information System (LMIS). The LMIS will address, amongst others, challenges occasioned by skills mismatch and unemployment through monitoring labour market patterns and trends, guiding skills development and providing policy advice on issues of employment. The development of the LMIS, which will be completed during the 2020/2021 Financial Year, will provide access to information on labour, education and training from the different sources locally and internationally.

**60. Mr. Speaker,** one of the development challenges facing this country is unemployment, especially among young people. 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). The draft Policy, which is still being processed within Government, proposes strategies to address the supply and demand for labour, specifically to address youth unemployment.

#### *Developing a vibrant agricultural sector*

**61. Mr. Speaker,** agriculture is one of the sectors identified for economic transformation due to its potential for growth, trade, and job creation. However, for the sector to play this role, there is need to seriously address the challenges besetting the sector, such as poor infrastructure, low productivity, low technology uptake, droughts, to mention but a few. Addressing these challenges and others will require a change of Government's approach to the development of the sector. For instance, there is need to make a distinction between subsistence and commercial agriculture and thus tailor-make policies, programmes, and strategies to meet the needs of the two categories. More importantly, the financial resources deployment to these distinct groups should clearly reflect Government's intention to exploit the potential agricultural value chain, trade promotion (export development and import substitution), and employment creation.

**62. Mr. Speaker,** a similar approach would be taken with respect to the reforms and support to the parastatal organisations under the

agriculture sector. These parastatals should be supported not only to the extent that their operations are aligned to the revised approach to the development of agriculture, but also consistent with the agenda of economic transformation.

**63.** The basis of adopting the revised approach to agriculture development in the country is that existing agricultural programmes and schemes have to be revisited, with a view to aligning them to the refocused role of the agriculture sector under the transformation agenda. In this context, **Mr. Speaker**, Government is reviewing agricultural schemes such as ISPAAD, LIMID and other subsidy schemes, to enhance efficiency and effectiveness.

**64.** Meanwhile, Government is providing funding for constructing silos in Pandamatenga in the next financial year, as part of the common facilities to be utilized by commercial farmers operating within the agricultural Special Economic Zone. These modern facilities will enhance both the efficacy and efficiency of grain management. The provision of additional silos will also facilitate the separation for various crops being sorghum, maize, wheat and sunflower, while other produce, such as, millet, groundnuts and cowpeas will be catered for in a warehouse. The silos would be developed within an already serviced piece of land. The tendering process for the project is completed and the anticipated construction period of the project is 16 months.

#### *Promoting citizen economic empowerment*

**65. Mr. Speaker**, one of the promises made by this Government to Batswana during the past elections is its unwavering commitment to citizen economic empowerment. I stand here today to declare that Government is formulating a law on citizen economic empowerment to support the existing Citizen Economic Empowerment (CEE) policy. Over the years, Government has embraced citizen empowerment in its development planning process because of the low citizen participation in economic development in the country. Among the existing initiatives, include citizen reservation, where only 100 percent citizen owned companies are eligible to participate; price preference where citizen owned companies, joint ventures/associations of citizens and non-citizens and local companies are eligible for preference; and mandatory subcontracting to citizen owned companies. Furthermore, CEE Policy

makes it mandatory for non-citizen contractors awarded Government contracts to sub-contract a minimum of 40 percent of works to citizen-owned companies, and transfer skills to sub-contracted citizen-owned companies.

**66.** The other existing citizen economic initiatives include: the Economic Diversification Drive (EDD), where procurement is reserved for local manufacturers and service providers regardless of citizenship; Local Procurement Scheme (LPS), which facilitates economic development in rural areas using public procurement in line with the CEE Policy. The objective is to empower women, youth and people living with disability in general, and specifically in the rural areas in line with Section 66(3) of the PPAD Act. The Scheme also introduces preference in tenders within the District Administration Tender Committees (DATC) threshold, whether administered by the DATC or Ministerial Tender Committees (MTC). The Scheme requires that a 20 percent target quota be reserved for the target groups in all tenders above the micro procurement financial threshold, but within the DATC financial threshold at all districts country wide.

**67. Mr. Speaker,** Government is concerned that, despite the efforts to empower Batswana through procurement, the price charged by the private sector for purchase of goods and services by Government is substantially higher than the market price. This means that Government does not get value for money. Therefore, the private sector needs to appreciate that by so doing, they are depriving the public of essential services that are expected to be provided by Government.

**68.** With regards to participation of citizens in the tourism sector, **Mr. Speaker,** Government reserves some licenses for citizen operators only. To further enhance meaningful participation of citizens in the tourism sector, Government has reserved certain concessions for allocation to citizens only. Furthermore, a number of marketing 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. Meanwhile, **Mr. Speaker,** Government will prioritise upgrading of infrastructure, both physical and ICT, to tourism areas, and the private sector will be expected to also contribute resources in this regard.

**69. Mr. Speaker,** despite the existence of these schemes, effective citizen participation in some sectors of our economy has not been satisfactory, hence the decision to move from policy to a law to ensure

effectiveness in application and implementation of the citizen economic empowerment agenda. The law will address the inequalities of the past by transferring the country's wealth to disadvantaged Batswana, thereby allowing for more participation of citizens in the economy.

**70.** In addition, **Mr. Speaker**, Government has developed a Consolidated Framework for Empowerment Programmes. A key feature of this Framework is the proposal to separate economic empowerment programmes and social upliftment schemes, which will be critical in promoting entrepreneurship development and enterprise development. The Framework acknowledges the relevance and importance of social upliftment towards developing sustainable livelihood. However, this model puts more emphasis on entrepreneurship to address unemployment, economic growth, poverty eradication and economic diversification.

#### *Investing in the creative industry*

**71. Mr. Speaker**, the creative industry sector can and has the potential to brand and market Botswana, as well as contribute towards job creation and economic diversification. Furthermore, the creative industry can harness the demographic dividend by opening opportunities for exploring talents.

**72. Mr. Speaker**, Forbes under 30 is coming to Botswana and I must add that for the first time, an African country and in Sub-Saharan Africa is hosting it. **Mr. Speaker**, this President's Initiative is a Public-Private Partnership, which has previously been hosted in the USA, Hong Kong, Netherlands and Israel. It is an event 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 will be here **Mr. Speaker**.

**73. Mr. Speaker**, Government is promoting the growth and preservation of the arts and culture. To this end, Government has signed a number of Cultural Agreements with other countries as a way of availing opportunities at regional, continental and international levels for our arts and culture practitioners. A number of policies and legislation such as the Cinematography Act and Entertainment Legislation are also being reviewed in order to create comparative advantage within the arts and cultural sector. These policy initiatives will be implemented with expediency to allow the sector to grow and lure partners for its

development. I must add, **Mr. Speaker** that, these policies will come to nothing if not implemented in partnership with the private sector.

*Reforming the Regulatory Business Environment for Investment*

**74. Mr. Speaker,** Botswana has not been doing well in the area of business regulation, as measured by the World Bank's Doing Business index. In the 2020 Doing Business Report, the country ranked 87 out of 190 economies around the world, compared to 86 in the 2019 Report. In this regard, Government has, since 2014, been implementing a set of doing business reforms. The objective is to ensure a focused agenda on reforming and improving the doing business and investment climate through enhancement of both the administrative and regulatory framework.

**75. Mr. Speaker,** a number of reforms were completed during the 2019/20 Financial Year. This include the Online Business Registration System (OBRS), which was launched in June 2019, with the key objective being to achieve faster, cheaper and more accurate business registration. As part of this reform, the Companies and Intellectual Property Authority (CIPA) has integrated with the Department of National and Civil Registration and efforts are ongoing to finalise the integration with the Botswana Unified Revenue Service (BURS), as well as the PPADB systems. The integration process is expected to be completed by the end of March 2020. Furthermore, the e-VISA portal will be developed during the 2020/2021 Financial Year to enable online application and issuance of VISA. All these measures, **Mr. Speaker,** are to facilitate movement of persons and aide investment into this country, thereby promoting the creation of jobs for Batswana.

**76.** The 11<sup>th</sup> Session of Parliament also passed pieces of legislation aimed at improving the business environment and these include: the Trade Act and the Industrial Development Act. The two (2) Acts will allow the issuance of licenses and registration certificates over the counter. The Export Credit Reinsurance Act of 1997, is being reviewed, to, among others, expand the Botswana Export Credit Insurance (BECI) products to include the Outward Investment Insurance and the Medium and Long Term Export Credit Insurance. These products will enable companies that are registered in Botswana to invest in projects outside Botswana and facilitate export of capital goods.

**77. Mr. Speaker,** in July 2019, Cabinet approved a comprehensive and internationally competitive incentive package, which the Special Economic Zone Authority (SEZA) will use to attract Foreign Direct Investment. These incentives include, among others, 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; and property tax exemption for the first five (5) years of operation. The SEZs model is, therefore, export-oriented, thus aligned to the national priority of promotion of export-led growth. **Mr. Speaker,** the benefits of SEZs can only be realised through implementation.

**78.** Before I leave the topic on reforming of the country's business regulatory environment, I wish to mention, **Mr. Speaker,** that our continued efforts in this regards have recently been acknowledged by the French Republic as it decided to remove Botswana from the list of non-cooperative states and territories in tax matters. This follows Botswana's signing of the amendment of the bilateral tax treaty in July 2017, allowing the exchange of tax information as per the latest standards of the Organisation for Economic Cooperation and development (OECD).

### **Social Programmes to Sustain Livelihoods**

**79. Mr. Speaker,** the quest to move this country to a high income status will ensure that those within our society, who, for various reasons, cannot meaningfully participate in mainstream economic activities, are not left behind. In this regard, Government will continue to implement social welfare programmes, as promised in its election manifesto to ensure that we achieve inclusive growth.

**80. Mr. Speaker,** as part of the transformation and efficient use of public funds, great focus will be put on the efficiency and effectiveness of these programmes. A situation where the cost of delivering some of these programmes far exceed the value of the programmes cannot be allowed to continue in this era of budgetary constraints. Furthermore, the design and implementation of social welfare programmes will be revisited to ensure maximum benefit to the targeted beneficiaries

## *Inclusive Social Protection*

**81. Mr. Speaker,** the main goal of social protection programmes is to provide support to the vulnerable groups in our society. Hence, Government continues to implement various social protection programmes to provide services to destitute persons, people living with disabilities, Community Home Based Care patients, Old Age Pensioners, World War II Veterans, populations severely affected by drought, as well as Orphans and Vulnerable Children. The amount of resources proposed for these programmes in the 2020/2021 budget bears testimony to Government's commitment to ensure that these vulnerable groups are catered for.

**82. Mr. Speaker,** in order to harmonise social protection programmes as a means of boosting efficiencies, a National Social Protection Framework (NSPF) will be developed in 2020/2021 Financial Year. As part of the development of NSPF, the Proxy Means Testing (PMT) and Single Social Registry (SSR) are being piloted and will be rolled out to other Districts. PMT is expected to improve efficiencies by reducing errors (including subjectivity) and turnaround time on assessments while the SSR, a central registry of all beneficiaries, will be instrumental in streamlining the eligibility criteria to minimise multiple dipping.

**83. Mr. Speaker,** the Consolidated Framework for Empowerment Programmes that I alluded to earlier on in this Speech, will also provide a sharp focus on the social upliftment component aimed at developing sustainable livelihood. This approach promotes the graduation of beneficiaries and reduce dependency on government assistance over time.

## *Poverty Eradication*

**84. Mr. Speaker,** Government remains committed to addressing all forms of poverty. In this regard, a Draft National Poverty Eradication Policy has been developed. The Policy is aimed at providing a coordinated and multidimensional approach towards poverty reduction in the country. **Mr. Speaker,** one programme that is an integral part of poverty reduction is Ipelegeng. This is a temporary relief initiative used by Government to reach all segments of communities in Botswana. This programme, **Mr. Speaker,** will be re-oriented to perform productive activities and mobilise communities to enhance their participation in local development.

## *Health Care Reforms*

**85. Mr. Speaker,** as part of the effort to improve access to health care services, guidelines for the standardisation and strengthening of the delivery of a minimum health care package are being developed. These guidelines will be delivered through Regional Health Management Teams, which were established during the 2019/2020 Financial Year. When fully operational, the Regional Health Management Teams are expected to strengthen service delivery to the respective communities.

**86. Mr. Speaker,** as part of the reforms, the Health Financing Strategy developed during the second quarter of 2019, will, amongst others, enhance efficiency by involving the private sector in the delivery of health services at full cost recovery rates to ensure financial sustainability. The Strategy, **Mr. Speaker,** will increase revenue streams and sustain long-term expenditures within the health sector. It is worth noting that the Strategy is undergoing the process of approval, which is expected to be completed during the first half of 2020.

**87. Mr. Speaker,** an e-Health Strategy was developed that guides the provision of better healthcare by transforming health systems and business practices through the effective use of ICT in order to increase quality, safety, timeliness and efficiency of health services. All public referral, district and primary hospitals have been connected to the network.

## *Local Economic Development Framework and Implementation Plan for Botswana*

**88. Mr. Speaker,** Government continues to build capacity of the districts to effectively implement the Local Economic Development (LED) Framework and Implementation Plan for Botswana. The LED process was piloted in four administrative districts of Chobe, Francistown, Kgalagadi and Sowa Town since 2014. These pilot districts 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. During the coming 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 avoid expenditure leaks and retain cash in their localities, thereby creating more job opportunities.



**89.** Consequently, **Mr. Speaker**, Government will review the National Policy for Rural Development of 2002. The revised policy will seek to identify rural development challenges and articulate how Botswana's rural areas can be equipped to mitigate development challenges and harness emerging economic opportunities. This is critical in guiding the prioritisation of projects/programmes to the rural areas in order to ensure that only those that yield the highest outcome/impact are selected and funded.

#### **IV. BUDGET REVIEWS AND PROPOSALS**

**90. Mr. Speaker**, the actual budget outturn for the first three (3) years of NDP 11 recorded budget deficits. Therefore, it is imperative that, while the 2020/2021 Budget Proposals were prepared in line with the economic transformation agenda, Government is conscious of its commitment to fiscal discipline and maintenance of long-term fiscal sustainability.

**91.** In putting together the 2020/2021 Budget Proposals, we have therefore, been guided by the philosophy that the Government budget should support the country's economic transformation agenda, while preserving fiscal sustainability. The underlying strategic intent is to see all Botswana benefiting from the economic prosperity of this country.

##### **2018/2019 Budget Outturn**

**92. Mr. Speaker**, the overall fiscal balance for the 2018/2019 Financial Year is a deficit of 4.6 percent of GDP. Total revenues and grants amount to P53.47 billion, while total expenditure and net lending, on the other hand, is P62.35 billion.

##### **2019/2020 Revised Budget Estimates**

**93. Mr. Speaker**, the revised fiscal balance for the 2019/2020 Financial Year is a deficit of 3.9 percent of GDP. Total revenues and grants for the 2019/2020 Financial Year are revised to P60.71 billion. The main revenue items revised are as follows: Mineral revenue at P18.43 billion; Customs and Excise at P13.79 billion; and VAT at P7.92 billion. The revised total expenditure and net lending for 2019/2020 amount to P68.64 billion. The revision is mainly because of the supplementary budget under the recurrent budget amounting to P1.1 billion, approved by Parliament in December, 2019.

## **2020/2021 Budget Proposals**

**94. Mr. Speaker,** the 2020/2021 Proposed Budget responds to the need to transform the economy to a high-income status in line with the Transformation Agenda of the new Government. This is supported by significant proposed budget allocations to programmes and initiatives that are aimed at; growing the economy in terms of infrastructure development, human capital skills development, social inclusion and provision of the required national peace and security. The proposed allocations, **Mr. Speaker,** take into account the constrained fiscal space and Government's commitment to restoring budget balance. This calls for rigorous fiscal consolidation measures, which Government will institute in 2020/2021 Financial Year. These measures include sustained efforts to intensify revenue optimization, enhancing collection efficiencies, cost containment, developing effective strategies to minimize and ultimately eliminate waste, as well as concerted efforts to re-build a culture of high performance in the economy. I will elaborate later in the Speech on the specific measures to be instituted.

## **Total Revenues and Grants**

**95. Mr. Speaker,** total revenues and grants for the 2020/2021 Financial Year amount to P62.39 billion, of which, Mineral revenue is estimated at P20.02 billion. Customs and Excise revenue is expected to be P15.38 billion, with Non-Mineral Income Tax estimated at P14.22 billion, while VAT is expected to amount to P8.55 billion.

**96.** My Ministry is working with Ministries on the review of user fees and service charges across Government. So far, the Ministries of Agricultural Development and Food Security; Environment, Natural Resources Conservation and Tourism; Land Management, Water and Sanitation Services; Transport and Communications; as well as Defence, Justice and Security; are undertaking fee charges review. It is expected that additional annual revenue in excess of P500 million will be collected upon implementation of the revised fees and charges.

## **Total Expenditure and Net Lending**

**97. Mr. Speaker,** the budget process and preparations for the 2020/2021 Financial Year involved budgeting through Thematic Working Groups, and thus, providing a more explicit linkage between National Development Plan (NDP) priorities and allowing allocation of spending to high priority areas to meet Government's national development goals.

**98. Mr. Speaker,** the total expenditure and net lending for the financial year 2020/2021 is estimated at P67.62 billion. This results in a deficit of P5.22 billion, or 2.4 percent of GDP, which is less than the projected deficit of 3.9 percent in the 2019/2020 Financial Year. This represents the first step towards a healthier fiscal position.

### **Ministerial Recurrent Budget**

**99. Mr. Speaker,** the recommended Ministerial recurrent expenditure for the 2020/2021 Financial Year amounts to P51.37 billion, representing an increase of 9.3 percent over the current year's approved budget.

**100.** The bulk of this increase is mainly attributed to the budgetary provisions for the previously negotiated and agreed public service salary and associated allowances by 10 percent and 6 percent, including increases for the Executive, Members of Parliament, Judges, Dikgosi, Councillors and social security allowances.

**101. Mr. Speaker,** five Ministries, viz: Basic Education, Defence Justice and Security, Health and Wellness, Local Government and Rural Development and Tertiary Education Research Science and Technology, account for 60.2 percent of the total Ministerial recurrent budget.

**102.** The Ministry of Basic Education is allocated the largest share of the proposed Ministerial recurrent budget amounting to P9.01 billion. The significant budget allocation demonstrates Government's commitment to deliver on the human capital development priority, which is a prerequisite for the transition to a knowledge-based economy.

**103.** The second largest share of P8.56 billion is allocated to the Ministry of Defence, Justice and Security. Expenditure on security should be viewed as a national insurance. Provision of adequate national security and maintaining the rule of law are critical for national development and doing business, hence the sizeable allocation.

**104.** The proposed Ministerial recurrent budget for the Ministry of Health and Wellness is P7.73 billion, making it the third largest recommended Ministerial Recurrent Budget allocation. This allocation is consistent with Government's commitment to invest adequately in health care as an integral part of human capital development, which is necessary for economic growth. The budget mainly covers the cost for the provision of drugs, dressings and vaccines and anti-retroviral therapy.

**105.** The fourth largest share of the proposed budget amounting to P7.15 billion is allocated to the Ministry of Local Government and Rural Development. The budget is intended to, among others, drive initiatives aimed at improving local governance, strengthening social development and promoting local economic development. It therefore, covers transfers to District and Urban Councils, which accounts for 56.4 percent of this Ministry's proposed recurrent budget.

**106.** The recommended budget allocation for the Ministry of Tertiary Education, Research, Science and Technology is P4.89 billion, which represents the fifth largest share of the proposed Ministerial Recurrent Budget. The main items on the recommended budget include the costs of tertiary students' bursaries, as well as subventions to Government tertiary institutions.

**107.** Other Ministries with substantial budget allocation are Ministry of Transport and Communications (P1.93 billion); Ministry of Presidential Affairs, Governance and Public Administration (P1.65 billion); Ministry of Agricultural Development and Food Security (P1.39 billion); Ministry of Investment, Trade and Industry (P1.07 billion); Ministry of Land Management, Water and Sanitation Services (P1.04 billion) and Ministry of Finance and Economic Development (P1.00 billion). The remaining recommended Ministerial Recurrent budget of P5.95 billion is shared among other Ministries including Extra-Ministerial Departments.

### **Development Budget**

**108. Mr. Speaker,** the proposed Development Budget for 2020/2021 Financial Year is P12.03 billion. The proposed Development Budget takes into account the capacity constraints in the economy, which has affected implementation of projects. The position of Government is that after completion of ongoing projects, only new programmes and projects that support transformation will be prioritised and funded, going forward. As a result, over 80 percent of the proposed development budget will mainly be for continued implementation of ongoing projects, such as in the Water, Energy, Roads and ICT sectors as the key economic drivers, which support the transformation agenda.

**109. Mr. Speaker,** in order to enhance implementation of projects, training on project management, including risk assessment, emotional intelligence and change management, is ongoing to build the requisite

capacity across Government. To this end, I wish to implore the private sector, as one of our key stakeholders in project implementation, to up-scale their commitment to cost-effective, timely, as well as good quality project implementation.

**110. Mr. Speaker**, in the coming financial year, the Ministry of Land Management, Water and Sanitation Services will engage the private sector in the implementation of the Reclamation and Treatment of the Gaborone Wastewater. The Ministry of Mineral Resources, Green Technology and Energy Security will also engage a private sector developer for the coal to liquid project. The feasibility studies for the above two projects have been finalised and are under consideration by Government.

**111. Mr. Speaker**, a number of activities to prepare some projects for private sector participation through PPPs will be undertaken during the coming Financial Year. In this regard, my Ministry will review the delivery model for PPP projects with a view to coordinating their effective delivery.

**112. Mr. Speaker**, you may recall that during NDP 10, Government established Thematic Working Groups (TWGs), covering four thematic areas or pillars in order to improve coordination and effectiveness in the planning and budgeting system. The four TWGs are *Economy and Employment; Social Upliftment; Governance, Peace and Security; and Sustainable Environment*.

**113. Mr. Speaker**, in terms of the pillars, the *Economy and Employment* TWG gets the largest share of the Development Budget. This indicates that Government is committed to improving services that will make the country more competitive, as well as facilitating the ease of doing business by focusing on economic diversification initiatives, tourism development, land management, e-services and agriculture. The main aim of the Economy and Employment thematic area is to promote inclusive economic growth and competitiveness through diversification of the economy, competitive human resources and creation of sustainable jobs. In this regard, the Economy and Employment Thematic Working Group (TWG) has been allocated the largest share of the Development Budget ceiling at **P6.93 billion**.

**114.** The *Social Upliftment* TWG's overall goal is to achieve a dignified life for all citizens through the delivery of programmes and projects that

ensure the upliftment of economically marginalised and socially vulnerable groups. The proposed budget for this TWG is **P2.53 billion**.

**115. Mr. Speaker**, the *Governance, Peace and Security* TWG gets P2.40 billion. This entails good governance, observance of the rule of law, and a stable security environment. It has been identified as key developmental priorities to be pursued in NDP 11 in order to contribute towards the achievement of the Vision 2036 pillar of governance, peace and security.

**116.** The Sustainable Environment TWG is allocated P164.57 million. Government will ensure that implementation of programmes and projects across all sectors will mitigate and support the country to adapt to climate change. Botswana has always underscored the need for the country to pursue its economic development without unduly sacrificing the environment.

**117. Mr. Speaker**, turning to the specific Ministerial allocations, the Ministry of Land Management, Water and Sanitation Services is allocated the largest share of the proposed Development Budget at P2.07 billion or 17.21 percent, mainly to support initiatives geared towards improvement of water supply and management in the country. The water projects account for P1.90 billion or 83.0 percent of the Ministry's allocation. These include the North-South Carrier 2 from Palapye – Mmamashia - Gaborone, which is meant to provide water to the southern part of Botswana; Kanye NSC Connection, Moshupa sanitation project, Land servicing at Mochudi, Selibe Phikwe, Mabutsane, Gantsi and Moshupa as well as the Botswana Emergency Water Security and Efficiency project partly funded through the World Bank.

**118.** The Ministry of Defence, Justice and Security is allocated the second largest share at P1.94 billion or 16.14 percent. The bulk of the proposed budget will go to the Botswana Defence Force for air assets, vehicles, as well as defence and communication equipment. The balance will be shared between the Botswana Police Service to cater for the construction of police stations and staff houses and the Department of Prisons and Rehabilitation Services for provision of prison infrastructure, equipment and storage facilities.

**119.** The third largest share of the proposed Development Budget is allocated to the Ministry of Transport and Communications at P1.62 billion or 13.51 percent. The proposed budget is mainly for major roads and

bridge projects, including Mohembo bridge; construction of three intersections along the KT Motsete Drive; Mogoditshane–Gabane-Mmankgodi road; Gaborone–Boatle dualling; Mulambakwena-Tshesebe; Dibete-Mookane-Machaneng; Mmandunyane-Shashe Mooke-Mathagwane; Makalamabedi-Matopi bitumen roads, as well as Traffic Control Modernisation and Centralised Traffic Control for the Greater Gaborone Area. The budget also caters for the following ICT projects; Government Data Network upgrading, National Backbone networks, Government Data Centre and Local Access Network.

**120.** The Ministry of Local Government and Rural Development takes the fourth largest share of the proposed Development Budget at P1.25 billion or 10.41 percent in order to continue implementation of social protection programmes and village infrastructure projects. The proposed programmes and projects under the Ministry include Primary School Backlog Eradication Programme; community development projects, internal roads and tribal administration infrastructure development.

**121. Mr. Speaker,** the fifth largest share of P1.09 billion or 9.05 percent is 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.

**122.** The Ministry of Agricultural Development and Food Security takes the sixth largest share of the proposed Development Budget at P976.17 million or 8.12 percent. This amount covers major projects such as ISPAAD, LIMID, and refurbishment of the Botswana University of Agriculture and Natural Resources. As indicated earlier, Government will reorient all programmes, including agricultural programmes, to improve productivity in their delivery and impact on the beneficiaries.

**123. Mr. Speaker,** the remaining Ministries/Departments share the balance of P3.07 billion or 25.55 percent, to cater for major projects including: 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 the Self Help Housing Agency (SHHA), poverty alleviation scheme and destitute housing for the low income groups. The

budget also caters for refurbishment of brigades, which is part of the youth empowerment initiative.

### ***Statutory Expenditure***

**124. Mr. Speaker,** statutory expenditure takes precedence over the recurrent and development expenditures. The budget for Statutory Expenditure for the 2020/2021 Financial Year is P10.59 billion. Major items under this category of expenditure include Public Debt servicing, Pensions, Gratuities and Compensation. The increase of P3.40 billion over the 2019/2020 approved budget is mainly attributed to the expected repayment for Bond (BW008), which matures in September 2020.

### **Overall Balance**

**125. Mr. Speaker,** with total revenues and grants estimated at P62.39 billion, and total expenditure and net lending forecast at P67.62 billion, a budget deficit of P5.22 billion or 2.4 percent of GDP is projected for the 2020/2021 Financial Year. Despite the projected budget deficit, Government remains committed to achieve a fiscal sustainability in the medium term. This is in line with the commitment to restore fiscal balance and rebuild the government cash reserves. Some of the measures planned during the course of the coming financial year are discussed in the following section.

## **V. FISCAL MEASURES TO RESTORE FISCAL BALANCE**

**126. Mr. Speaker,** the country fiscal's path is unsustainable. Whereas the NDP 11 had envisioned a moderate cumulative budget surplus over the six year period, the latest forecasts contained in the draft Mid-Term Review of NDP 11 projects significant cumulative budget deficits over the six year plan period. A budget deficit of P5.22 billion is forecast for the 2020/2021 Financial Year, which is 2.4 percent of GDP. Such projected budget deficits appear amid expected huge investments in economic infrastructure to support the transformation agenda.

**127. Mr. Speaker,** despite the foregoing situation, my Ministry is determined to restore fiscal sustainability in the medium term, and start to build budgets surpluses in the last two years of NDP 11, as part of the efforts to rebuild the country's financial buffers that were seriously eroded over the past few years. A number of measures will be undertaken on the revenue and expenditure sides, both in the short term and in the long term, in order to achieve the stated objectives.



**128.** On the revenue side, there are various fees, charges and levies, which have not been adjusted for some time. Some of these fees, charges and levies were last adjusted a decade ago. As part of the efforts to address the budget deficit, all fees, charges and levies will be adjusted with effect from 1<sup>st</sup> April 2020, thereafter on an annual basis. Measures will also be put in place to implement the cost recover policy, including collection of tertiary students' loan repayments.

**129. Mr. Speaker,** BURS will also redeploy resources in key operational areas to enhance revenue collection. Specifically, intensifying debt-reduction efforts and increasing inspections on imported goods to curb instances of non-compliance by importers at ports of entry. **Mr. Speaker,** while there is scope to adjust the tax rates, considering their levels relative to the region, priority would, in the interim, be on improving efficiency in the collection of existing taxes, rather than adjust tax rates.

**130.** On the expenditure side, **Mr. Speaker,** the policy objective is to maintain Government's current contribution to 30 percent of GDP and below in order to give space to the private sector. In addition, the composition of the Government budget will have to be changed in favour of more development. Recurrent budget represents consumption, as it comprises mainly of salaries and running costs, while development budget is investment, which is necessary for the growth of the economy. To achieve transformation, therefore, requires more investment in capital projects than spending on consumption. This balance will be altered through process and technology adoption across Government. It is about efficient delivery of services, **Mr. Speaker.**

**131.** Among the specific expenditure control measures for 2020/2021, my Ministry will be working with selected pilot ministries to deal with wastage, focusing on "other charges" item of the budget. In particular, the pilot exercise will involve subjecting "other charges" in the selected ministries to the zero-based budgeting principle for the next financial year. Depending on the outcome of the pilot exercise, the application of the zero-based budgeting approach to "other charges" will be extended to the rest of the ministries in NDP 12. The ultimate objective is to move from incremental budgeting to zero based budgeting in the medium term, which is the most effective way to control expenditure waste.

**132. Mr. Speaker,** my Ministry is reviewing the Public Finance Management Act. The objective of the review is to enhance the legal and regulatory framework for the control and management of public finances in line with international best practice. The review covers, among others, the devolution of some financial responsibilities and powers to Accounting Officers to improve the effectiveness and efficiency of Ministries in the provision of better public services.

## **V. PUBLIC SERVICE SALARIES**

**133. Mr. Speaker,** in maintaining cordial industrial relations between Government and Public Sector Unions, Government will continue implementation of the agreed salary increments from the 2019 negotiations. The negotiated and agreed increments were a 10 percent salary increment awarded to the A and B salary bands; and a 6 percent increment to the C and D bands for the 2019/2020 and 2020/2021 Financial Years. **Mr. Speaker,** the engagement with public sector unions has also to be about transformation and improvements on the delivery of services for the economy. The reform and transformation programme should start with Government and the Union leadership.

## **VI. CONCLUSION**

**134. Mr. Speaker,** the 2020/2021 Budget, as stated, provides the first major step by Government towards economic transformation anchored on private sector export-led growth. The main objective is to transform the economy and lay the foundation for a knowledge and technology based economy and graduate from an upper middle income to a high-income country.

**135. Mr. Speaker,** despite the positive domestic economic outlook, the country's fiscal position remains tight. However, Government remains determined, as I demonstrated earlier on in this speech, to restore the country's fiscal balance. To this end, my Ministry will be undertaking measures to increase revenue and control expenditure during the coming Financial Year, in order to provide more resources to fund a robust and ambitious infrastructure programme to support the transition to high income status.

**136. Mr. Speaker,** the goal is to strike a balance between optimal funding of projects and programmes necessary for driving economic transformation, without setting the country into an unsustainable fiscal trajectory. As a result, Government will control the growth of the recurrent expenditure through, for instance, the adoption of appropriate technology, thereby releasing more funds for capital expenditure.

**137. Mr. Speaker,** as I conclude, I wish to take this opportunity to thank our development partners, both bilateral and multilateral organisations for continued support in many ways to our development endeavours, ranging from grants, loans and technical assistance, among others. We look forward to their continued cooperation, as the country embarks on the transformation journey towards the year 2036 and beyond.

**138. Mr. Speaker,** I now move that the **Appropriation (2020/2021) Bill, No. 1 of 2020** be read for the second time.

**139.** I thank you, **Mr. Speaker.**