



Republic of Botswana

2022 BUDGET SPEECH

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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 2022/2023 Financial Year.

2. Mr. Speaker, the 2022 Budget Speech marks several highlights in our development agenda, as a country. Most importantly, it marks the end of the Eleventh National Development Plan or NDP 11, which is a medium-term plan towards the implementation of the Vision 2036. Naturally, in this Speech I provide a brief overview of the performance of NDP 11. The 2022 Budget Speech also marks two consecutive years under which economic management has been under a cloud of uncertainty caused by the COVID-19 pandemic. While this uncertainty will continue into the next financial year, we need to reflect, through this Speech, as to how, as a country, we can continue to build resilience with our economic policies and strategies.

3. Mr. Speaker, yet another significant highlight of the 2022 Budget Speech is its presenter. Presenting this Budget Speech, as the first female Minister of Finance and Economic Development for Botswana, after five decades of independence, is significant in many respects. As a country, it reflects the difficult path in our societal development values, expressed at times subconsciously, that we have had to transcend in order to attain equality as expressed in the country. I believe that there have been equally competent and deserving female compatriots, and there are many more, who can do this job. As for me personally, I wish to thank His Excellency the President for the opportunity to serve in this office, as part of my long public service career. Most importantly, I hope that this appointment will encourage appointing authorities across a broad spectrum to believe in the leadership qualities of women, especially in the political space; but also inspire young girls and women to have faith in themselves. At the same time, I must appreciate and thank the nine gentlemen who came before me in this position, for the standards they set and the achievements they facilitated.

4. Mr. Speaker, the process of formulating the 2022 Budget followed a well-established tradition of consultation within and outside government, the latter through a series of dialogues with various stakeholders, popularly known as "Budget Pitso". These consultations are part of our efforts to promote openness and inclusivity in the formulation

of the national budget. One of the key messages coming out of the various consultations with stakeholders was that we needed to refocus public spending on national priorities and needs. Traditionally, a large proportion of government spending goes to the recurrent budget, mainly to cover wages and salaries, grants and subventions to local authorities and State-Owned Enterprises (SOEs). Many stakeholders were of the view that this must change, with more budget allocated to development projects and maintenance of social and economic infrastructure. The Ministry has listened carefully and is prepared to make that expenditure switch with a view to achieving a reasonable balance between the recurrent and development budgets. In this regard, I am proposing in this Budget to allocate more money to completion of on-going development projects and maintenance of existing assets. While it would be difficult to change the pattern of spending dramatically in a short period of time, this is a movement in the right direction. I believe that this demonstrates our commitment as Government to re-orient public spending in line with national needs.

5. Another consistent message from stakeholders was the need to continue to save Batswana from the COVID-19 pandemic. Stakeholders acknowledged Government's response to date and agreed with the prioritisation of COVID-19 for funding in the next financial year. Accordingly, one of the largest Ministerial total budget allocation, of over P10 billion, is being proposed for the Ministry of Health and Wellness.

6. Mr. Speaker, let me highlight some of the key initiatives contained in this Budget, which I believe respond constructively to the needs of Batswana. First, as I mentioned we will be focusing on the maintenance of public infrastructure, with a proposed total budget of P3 billion in the coming financial year. Furthermore, we will be reserving the bulk of maintenance projects for citizen-owned companies registered with PPADB. Second, the budget for Constituency Community Projects will be reserved for contractors in the immediate locality, in order to provide a focused fiscal stimulus throughout the entire country. Third, despite fiscal constraints, we have ensured that the budget allocation for social welfare programmes has been maintained or increased, to protect the most vulnerable members of our population. Fourth, we are providing funding for the development of sporting talent, through a new programme with a budget of P24 million. Fifth, additional resources have been allocated to support the digital transition. Finally, the 2022/2023 budget allows for a deficit, illustrating our commitment to providing a sustainable fiscal

stimulus to support the economy and its transformation. However, I must make it clear that with this adequate budget provision for the 2022/2023 Financial Year, the Ministry of Finance and Economic Development will not be inclined to accept any supplementary budget requests during the year.

7. Mr. Speaker, before I get into the detail of my Speech, I must remind the nation that COVID-19 remains with us, and continues to pose challenges for us to deal with personally, socially and economically. Although we had initially anticipated that 2021 would be a year of recovery, the COVID-19 virus continued to spread, especially during the months of June - August 2021, with the country recording a high number of deaths. In this regard, **Mr. Speaker,** I wish to extend sincere condolences to all family members and friends who have lost loved ones to this virus since the start of the pandemic. Let me also recognise and extend my deepest gratitude to the frontline health workers who have borne a disproportionate burden in the fight against the pandemic. Thanks also to the business community at large for their various donations, which went a long way in the fight against COVID-19. I must also thank our development partners who have continued to support the country in these difficult times, as well as the staff of the Ministry of Finance and Economic Development, for their continued focus on the management of the economy, despite the challenges posed by COVID-19 and measures to respond to it. Finally, I must appreciate the exemplary commitment shown by Batswana in terms of following COVID-19 protocols and coming forward in large numbers to be vaccinated.

II. OVERVIEW OF NATIONAL DEVELOPMENT PLAN 11

8. Mr. Speaker, the year 2022/2023 will mark the final year of NDP 11, and it is therefore opportune to provide a quick overview of economic developments during NDP 11 to date.

9. The first half of NDP 11 was, by current standards, "business as usual". As was noted in the Mid-Term Review of NDP 11, GDP growth in the first half of the Plan period was reasonably robust, averaging 4.0 percent a year, in line with projections. However, this was not sufficient to create enough employment opportunities for the growing labour force. Consequently, unemployment rose from 17.5 percent in 2015/16 to 23.2 percent in the first quarter of 2020, which marked the end of the first half of NDP 11. The fiscal balance during the first three years of NDP 11 was marginally worse than projected, with a cumulative deficit outturn of

P22.3 billion, as compared to the projected deficit of P18.4 billion over this period.

10. Mr. Speaker, the second half of NDP 11 has been quite different, and was dominated by the economic impact of COVID-19. This had a dramatic impact on GDP growth, despite a range of measures implemented by Government through the short-term Economic Stabilisation Package in the first half of 2020 and the Economic Recovery and Transformation Plan (ERTP). Economic growth in 2020 was minus 8.5 percent, while robust recovery of 9.7 percent growth is being estimated for 2021. Over the two years, therefore, overall growth was approximately zero. Unemployment rose to 26.0 percent in the fourth quarter of 2021, up from 22.2 percent in the fourth quarter of 2019, before the pandemic. COVID-19 had a huge fiscal impact, resulting in large budget deficits. These are now forecast to total P26.6 billion over the 2020/2021 and 2021/2022 financial years, compared to a surplus of P7.9 billion originally projected in NDP. Inevitably, this had to be funded by a combination of drawdowns from the accumulated savings in the Government Investment Account (GIA), and additional borrowing from domestic and external sources.

11. Mr. Speaker, given the impact of COVID-19 on public finances, on top of longer-term structural trends, it was not unexpected that the country's sovereign credit rating was downgraded one notch by both Moody's and Standard and Poor's ratings agencies during NDP 11. Nevertheless, both agencies have still given Botswana investment grade ratings, the only country in mainland sub-Saharan Africa to have such a rating. Furthermore, both agencies have a stable outlook for Botswana's rating. This outcome reflects our history of prudent management of public finances, and the fact that our debt remains very low by regional and international standards.

12. Mr. Speaker, another problem that we had to contend with during NDP 11 was the grey listing of Botswana by the Financial Action Task Force (FATF) following the mutual evaluation of 2017. This was followed by blacklisting by the European Union. The evaluation had identified a number of deficiencies in Botswana's legal and operational framework with regard to anti-money laundering (AML) and countering the financing of terrorism (CFT), proliferation financing, and a slow response to dealing with these deficiencies. We had to work very hard to address these issues, but eventually the necessary laws, amendments and reforms were

implemented, and the FATF grey listing was lifted in October 2021. I am also pleased to report that the European Commission has determined that Botswana will be removed from the EU blacklist of high-risk third countries with regard to AML/CFT. This painful experience shows the importance of acting pre-emptively to conform with the constantly evolving international landscape of laws and regulations relating to AML, CFT and proliferation financing. Hence, the raft of legislation that Honourable Members have had to consider in recent days, including the overhaul of the Financial Intelligence Act, a new Virtual Assets law, and consequential amendments to 13 other laws.

13. Mr. Speaker, it is important to recognise that our economy needs deep structural reforms to achieve growth and transformation. The structural reforms needed to increase the growth rate, boost job creation, improve productivity and reduce poverty and inequality were prioritized for the second half of NDP 11 and beyond. The reform agenda has to some extent been disrupted by COVID-19, but the need to implement these structural reforms remains critical. Our economy continues to have a narrow export base, which must be diversified and expanded. We have an external imbalance, with more imports than exports, resulting in persistent balance of payments deficits. Our fiscal revenue base remains concentrated on external sources, from minerals and SACU, with inadequate domestic revenue mobilisation and high levels of spending, and structural budget deficits. As a result, our economy has “twin deficits” that are of great concern, and which are not sustainable. In addition, there is still weak implementation of programmes and projects. Examples include the lengthy delays with the restructuring and privatisation of Air Botswana and the Botswana Meat Commission, which have long been agreed but the results are unsatisfactory and not much has been achieved. It is, therefore, critical to strengthen accountability within Government for the implementation of agreed policies.

14. Mr. Speaker, notwithstanding the mixed performance of NDP 11, due in part to continued lack of structural reforms, but also to the onset of the COVID-19 pandemic in the second half NDP 11, Vision 2036 remains the “north star” guiding the country. At the end of the coming financial year (2022/2023), the country will be left with exactly 13 years, or two NDPs, to achieve the nation’s aspirations espoused in Vision 2036, especially the transition from upper middle income to high income status. Achieving the goals and aspirations of the nation by 2036 amid the recent development challenges will require bold decisions, accompanied by

serious consequences for non-implementation of programmes, policies, strategies and projects, without valid reasons.

III. NATIONAL PRIORITIES AND STRATEGIC OBJECTIVES FOR 2022/2023

15. Mr. Speaker, the overarching set of national priorities and strategic objectives was laid out in the Mid-Term Review (MTR) of NDP 11, and the accompanying Economic Recovery and Transformation Plan (ERTP). The set of priorities agreed in the MTR and ERTP have been complemented by the Reset Agenda priorities as pronounced by His Excellency, the President of Botswana, which reflects the need to adjust some priorities in light of new and unexpected challenges. New approaches mean finding new and smarter ways of implementing programmes and projects in a timely manner and within approved budgets. In particular, national priorities have shifted towards saving the population from the impact of COVID-19, alongside the priorities already agreed. I wish to highlight some of the actions that are being taken in pursuit of implementing the key strategic priorities.

Saving Botswana's population from COVID-19

16. Mr. Speaker, the pandemic has been with us for almost two years now, and the fight against COVID-19 remains the responsibility of each and every citizen and resident, as well as all sectors of the economy. Government's objective is to continue providing targeted initiatives through implementation of life-saving programmes in the public health sector.

17. In light of the above, our COVID-19 vaccination programme commenced on the 26th March, 2021 in order to reduce severe illnesses, hospitalisations and deaths resulting from COVID-19 infections. The National Deployment and Vaccination Plan (NDVP) was developed with the aim of attaining at least 80 percent vaccination coverage of the eligible population (everyone at the age of 18 years and above) by March, 2022. We are well on track to achieve this target, and indeed have already achieved it with regard to first dose vaccinations. This gives Botswana one of the highest vaccination rates in sub-Saharan Africa. It is expected that the national uptake will rise as vaccination for those aged 12 to 18 intensifies. The rollout of booster jabs has also commenced. In this regard, **Mr. Speaker,** the largest share of the total Ministerial Recurrent

Budget will be proposed for the Ministry of Health and Wellness for their operating expenditure to contain the scourge, among other expenses. This includes P2 billion specifically for COVID-19, including rolling out vaccines for younger people, booster shots for those already vaccinated, and other related expenditures.

18. Mr. Speaker, our efforts to combat COVID-19 also include the establishment of a vaccine manufacturing plant. This will not just produce advanced COVID-19 vaccines, but also vaccines to address other diseases. This will not only enhance our ability to deal with COVID-19 but also provide resilience in the face of possible future pandemics, and as well facilitate the transfer of advanced biotechnology to Botswana. It will help establish Botswana's place in regional pharmaceutical value chains and contribute to export diversification.

Infrastructure Development

19. Mr. Speaker, notwithstanding the impact of COVID-19 and fiscal constraints, there remains a critical need to invest in economic and social infrastructure to underpin future economic growth and improved livelihoods. Infrastructure provision cuts across many areas, including electricity, water and sanitation, ICT, agriculture, and land.

20. With regard to the provision of electricity, an Integrated Resource Plan (IRP), which will guide future power generation options, was approved in late 2020. The IRP will also promote competition in power generation by facilitating the involvement of Independent Power Producers (IPPs). The implementation of the IRP is expected to satisfy local electricity demand from domestic generation facilities in order to be energy secure, as well as to create surplus capacity for export. It will also ensure environmental sustainability through the use of renewable sources of energy. The IRP proposes a number of energy projects to be implemented by 2030 to meet the growing energy demand at least cost, to reduce the electricity demand-supply mismatch and the growth of the country's carbon footprint. These projects include 200 MW of large-scale solar photovoltaic (PV) generation capacity; a total of 35 MW smaller grid-tied solar PV projects; a 300MW coal-fired power station; 100MW of coal bed methane (CBM) gas power plants; a 200MW concentrated solar power (CSP) plant; and 50MW from wind power.

21. Mr. Speaker, procurement for the solar PV, coal and CBM projects has already started, and Botswana Power Corporation (BPC) has signed

three Power Purchase Agreements (PPAs) with Independent Power Producers (IPPs). Two of these are for grid-tied solar PV plants in Shakawe and Bobonong and one is for a 10MW CBM facility at Kodibeleng. Construction at the two solar PV sites is scheduled to commence in February 2022, while commercial operation is anticipated to start in July 2022. Procurement of five more solar PV projects has been successfully completed, and BPC is about to sign PPAs for the first utility scale grid connected 50MW solar PV plant at Selebi-Phikwe, and four more small scale grid-tied solar PV plants for Molepolole, Lobatse, Maun and Ghanzi.

22. Mr. Speaker, regarding other solar PV projects, BPC is retendering for a 50MW solar PV project for Jwaneng and six small scale grid-tied solar PV plants for Tutume, Kasane, Serowe, Tsabong, Kang and Charleshill as no suitable investors were identified for these sites from the original tender process. The eight IPP projects for which three agreements have already been signed and five are being concluded, reflect the progress with Public Private Partnerships (PPPs) in the energy sector.

23. Mr. Speaker, the provision of water resources and sanitation services is a critical underpinning of economic growth and living standards. Government continues to provide significant resources for water and sanitation projects, to address water shortages and sanitation challenges. Several major projects are ongoing, including the Maun water and sanitation upgrade, the Gaborone – Lobatse water pipeline, and the Kanye sanitation project. As will be clear from the ministerial budget allocations, Government continues to give priority and invest in water and sanitation infrastructure and services across the country. While we invest in new infrastructure, it is also critical to ensure that existing infrastructure is maintained so that scarce and costly water is not wasted through leakages.

24. Mr. Speaker, Government recognises that access to serviced land plays a critical role in development, in terms of land for both commercial and residential purposes. Significant resources are being devoted to land servicing projects across the country. Currently, there are 13 ongoing land servicing projects at various stages of implementation, which will go some way to addressing the backlog in the availability of serviced land. The allocation of these serviced plots will reflect priority needs for commercial purposes and genuine residential needs. To expedite land allocation in the face of constraints on the availability of serviced land, unserviced plots will be allocated to Batswana in the coming financial year.

25. Mr. Speaker, Government is working steadily to achieve a digital economy that is catalysed by Information, Communication and Technology (ICT), innovation and an agile policy framework. This will result in advanced electronic services, increased productivity and efficiency, as well as increased job creation, particularly for the youth. ICT is an important tool for innovation and financial inclusion. COVID-19 has been an important driving force behind advancing the digital transition, and this positive development must be appreciated. We must now build on these achievements for the future.

26. A number of initiatives are under way to fast-track the digital transition under the auspices of the SmartBots project, the objective of which is to accelerate the transition away from a resource-based economy to a knowledge-based economy. There are four flagship projects: accelerated digital connectivity nationwide; moving Government services online; leveraging smart technologies to address food security; and transforming the education sector. The first project is currently targeting village connectivity through the provision of high-speed infrastructure to government facilities (schools, kgotlas, health facilities and colleges). The project is on track to connect facilities in 142 villages by the end of March 2022. The second project is a target of at least 25 Government services online by June 2022, and all services online by 2023/2024. The third is focusing on the Lobu Smallstock Farm Digital Transformation, to produce meat products, dairy and leather, as well as improved breeding stock.

27. The National E-Commerce Strategy, which is envisaged to promote the use of digital technology throughout Botswana's commercial and public spheres, was launched in October 2021. To operationalise the Strategy, an e-portal has been finalised and piloted. In addition, preparation for the development of the supporting legal framework scheduled for completion in June 2022 has commenced.

28. Mr. Speaker, the development of the agricultural sector is central to our economic development efforts, to create employment and incomes, and build resilience. The E RTP provides for investment in agricultural infrastructure, mainly through productive clusters, where farmers in selected localities can benefit from power, roads, storage and marketing facilities.

29. The Lobatse, Tuli Block, and Pandamatenga Special Economic Zones (SEZs) will anchor the creation of major export-oriented agro-industrial products through backward and forward linkages. Linkages of these food production zones with the Francistown SEZ as an envisioned multi-modal logistics platform will help to promote opportunities for investment in the various SEZs and access to export markets.

30. Furthermore, **Mr. Speaker**, the Selebi-Phikwe Citrus project, with an investment value of P500 million, continues to be a flagship project in the SPEDU Region. The project is currently employing 228 workers, with a potential to create 1 000 jobs when fully operational. To date, a total of 222 400 citrus fruit trees have been planted on 310 hectares. The 800ha Phase 1 is expected to be completed by June 2022. The project occupies 1 500ha land of Mannaesi Farm, which belongs to Mmadinare Multipurpose Cooperative Society. Seventy percent of production is targeted for export.

31. Significant ongoing investment is taking place in our roads infrastructure. The Kazungula Bridge was opened during the year and provides a critical link in the sub-continent's north-south transport infrastructure. I will highlight some of the other major road projects that will be undertaken in the coming year as I detail the proposed budget allocations.

Social Programmes

32. Mr. Speaker, Government recognises the importance of social programmes in supporting living standards of those who are unable to support themselves, for reasons of age or infirmity, as well as programmes focused on supporting livelihoods and income generation. The first grouping includes old age pensions, destitutes' allowances, world war two veterans' allowances, and the disabled. I am pleased to announce that the amounts of all of these allowances will be increased with effect from 1st April 2022. The second grouping of programmes includes Ipelegeng, ISPAAD and LIMID, amongst others, which are being restructured to achieve greater effectiveness and reduced dependency on Government.

33. Mr. Speaker, Government continues to implement the National Social Protection Framework, as well as the National Social Protection COVID-19 Recovery Plan aimed at delivering a Social Protection system that is not fragmented and has strong administrative systems to reduce

waste and “double dipping”, and to improve the targeting of social welfare programmes on the most-needy. Development of the Single Social Registry is progressing well, and social protection programmes implemented by Ministry of Local Government and Rural Development have been uploaded, while those implemented by other Ministries will be uploaded by March 2022. With all these initiatives in place, Government will have a social protection system that can effectively and efficiently respond to the varied risks and vulnerabilities faced by Batswana of different age groupings and social background.

34. Mr. Speaker, implementation of the Poverty Eradication Programme has continued during the pandemic, albeit at much reduced levels. Since the start of the programme in 2012/13, a total of 40 641 projects had been funded up to the end of July 2021. Of these, 29 635 are reported to be still operational, employing 34 716 people, either as direct beneficiaries or employed by the projects. Sixty percent of the projects are in agriculture, with the remainder spread across manufacturing, food services, and general services. Unfortunately, many projects have been adversely impacted by reduced activity during the pandemic, which resulted in a number of failures and closures. Over the ten years since the programme started, a total of P1.28 billion has been provided for establishing projects, capacity building and programme management. Going forward, the programme will be strengthened to improve the survival chances of projects through better capacity building, support, monitoring and structuring of projects.

Service Delivery Reforms

35. Mr. Speaker, I have already mentioned that there is a pressing need to implement structural reforms in the economy and the public sector. Let me take this opportunity to outline some of the initiatives that will be implemented during the course of the coming financial year.

36. Mr. Speaker, one of the consequences of the pandemic was to delay the Population and Housing Census, which was originally scheduled for August 2021. For reasons that are well-known, the Census did not take place last year but is now scheduled for March 2022. The results of the Census – which we anticipate will be available very quickly due to the use of electronic means of data collection and analysis – will inform the deliberations of the Delimitation Commission that will start in mid-2022, and report prior to the next national elections. More broadly, the Census will provide information that will be used to guide the provision of public

services and infrastructure, so as to ensure that changes in population distribution and settlement size are taken into consideration.

37. Mr. Speaker, it has been recognised for some time that the current structure of government ministries is not optimal. Proposals for a restructuring of ministries have been approved by Cabinet, for implementation from 1st April 2022. The intention is to rationalise the structure and align to national priorities and the Reset agenda. I should note, however, that the number of ministries will not increase, and no additional expenditures will be required; hence some reallocation of budgets will be required as per the new ministerial structure.

38. Mr. Speaker, previous Budget Speeches have made reference to the development of a strategy to rationalise State-Owned Enterprises (SOEs), under a special Cabinet sub-Committee. I am pleased to inform this Honourable House that the Cabinet sub-Committee has concluded its work and submitted its recommendations. Government is actively considering the sub-Committee's proposals to rationalise the number of SOEs by merging, closing and/or divesting of Government stakes in some SOEs. I am confident that this will result in greater efficiency in the SOE sector, reduced budgetary subventions, and a reduction in the scope of government activity in favour of increased space for the private sector.

39. Meanwhile, Mr. Speaker, Government has taken a decision to establish the Botswana National Public Health Institute (BNPHI), despite the moratorium on the creation of new SOEs, as part of the long-term strategy to deal with future public health pandemics such as COVID-19. The Institute will provide national leadership and expertise in driving the public health function nationwide while linking the country to the global health community in the prevention and control of diseases and epidemics. The BNPHI will be a critical foundation for the public health delivery system and will provide early warning signals of health risks and hazards, compile data to support outbreak investigations, identify the causes of diseases to aid treatment and prevention.

40. Mr. Speaker, as Honourable Members are aware, this Parliament has handled an extensive legislative programme, despite the constraints imposed by COVID-19. It is anticipated that this pace of legislative reform will be maintained throughout the coming financial year. I should emphasise, however, that the legislative review is needed to keep pace with domestic and global developments, and ensure that our laws are "fit

for purpose” to deal with current and emerging challenges, as well as supporting our Reset and Transformation agenda. I am grateful to Honourable Members for having supported the legislative agenda that I have put before you over the past year, but note that many of these Bills and Acts have been critical. The Credit Information Act aims to improve the efficiency of our credit system and ensure the protection of borrowers, while the Public Procurement Act will serve to modernise public procurement and make it more efficient and attuned to development objectives. The amended Motor Vehicle Accident Fund, Collective Investment Undertakings and Securities Acts have introduced important changes to modernise the earlier legislation.

41. Mr. Speaker, Parliament has recently passed the revamped Financial Intelligence Bill, the Movable Assets (Security Interests) Bill and the Virtual Assets Bill. Other key legal reforms still to be presented include amendments to the Retirement Funds Act, the Bank of Botswana and Banking Acts, the NBFIRA Act, and the Public Finance Management (PFM) Act. The review of the PFM Act of 2011 is expected to modernize it to accommodate new changes brought about by reform, and as such requires to be expedited. The review is further anticipated to embed and engender a culture of absolute discipline and re-cultivate accountability. I believe that these legal reforms will help to transform our financial sector, improve financial inclusion and strengthen our public finances, and thereby support broader economic transformation.

42. Mr. Speaker, as I have mentioned, there are weaknesses in policy and project implementation that have held us back and which need to be urgently addressed. Several key changes can therefore be expected in the coming year. First, the Government Implementation and Co-ordination Office (GICO) will introduce the Development Manager approach to project delivery, a concept where major public projects are packaged and their implementation outsourced to private companies. Smaller projects will be selected for implementation on a turnkey basis, where a contractor is appointed to handle the entirety of design, management, and construction and is paid on handover to Government. Second, the management and maintenance of selected government-owned buildings will be outsourced to the private sector through facilities management contracts. These initiatives will facilitate a quantum shift in the implementation of public sector projects.

43. Mr. Speaker, I must, however, mention that for these initiatives to be successful, we must address the “elephant in the room”. We will fail to improve service delivery unless we confront the problem of corruption, which has been spreading like a cancer in our society, both in the public sector and outside of it. Some past decisions may have had unintended consequences of engendering corruption, despite being made in good faith, such as allowing public officers to venture into business while still in government employment. Not only does this encourage corruption, but it also undermines productivity. It is essential that we root out corruption, and punish harshly those who are guilty, whether in the public sector or the private sector.

44. Mr. Speaker, on a more positive note, Government continues to make progress with utilising the PPP model for financing and implementation of projects. Contracts have been signed, or are about to be signed, for eight power generation projects that will be implemented during 2022 using a PPP model involving Independent Power Producers. Several other potential projects have been identified, of which the Reclamation and Treatment of Gaborone Wastewater for Potable Use is the most advanced. In addition, some major road projects will be implemented as PPPs, including the Sehitwa-Shakawe and Francistown-Nata roads. This may also involve the tolling of some sections of the A1. Major cross-border railway projects to South Africa and Zambia are also being structured for implementation on a PPP basis. PPPs will be used for the construction of student accommodation and teacher’s housing. Further, my Ministry will issue guidelines to local authorities to enable them to implement projects on a Public Private Partnership (PPP) basis.

45. Mr. Speaker, while progress may appear to be slow with the implementation of PPPs, it is essential for Government to fully evaluate the fiscal commitments and risks that may be entailed in long-term PPP contracts. It is important to bear in mind that many PPPs still involve costs to the budget, but these are long-term recurrent costs rather than immediate capital costs. PPP contracts must be structured to ensure that risks are appropriately shared with the private sector partner, and are not all taken by government.

46. Government is also pursuing the decentralisation agenda, involving the decentralisation of key public services to Local Authorities (LAs). This is expected to enhance ownership and accountability within LAs, as well as bring services closer to the people. In addition to decentralizing public

service to LAs, certain functions carried out by central Ministries will be moved to implementing Ministries and Departments. This includes devolving some powers to Accounting Officers as it is expected to enhance their ability to make rapid decisions, and in turn improving their effectiveness and accountability. To create a conducive environment for this reform, Government will review existing policies, rules, systems and processes to remove any barriers during the 2022/2023 financial year.

47. Mr. Speaker, in line with the National Payment System (NPS) Vision and Strategy 2020 – 2024 and the shift towards the use of Electronic Fund Transfers (EFTs) and Point of Sale (POS) transactions, the use of cheques in Botswana will be discontinued, effective 1st January 2024. In order to ensure that this change is implemented seamlessly, the Bank of Botswana, in collaboration with the Bankers Association of Botswana, will implement a programme for consultations with stakeholders and the issuance of public notifications.

IV. THE MACROECONOMIC AND FISCAL BASIS FOR THE 2022/2023 BUDGET

48. Mr. Speaker, the formulation of the annual Budget is on the basis of a particular macroeconomic environment, both domestic and international. The recent economic environment has, of course, been extremely challenging. Nevertheless, even though the COVID-19 pandemic is still with us, there are signs of optimism both globally and domestically. While the global economy contracted by 3.1 percent in 2020, it is estimated to have rebounded to 5.9 percent growth in 2021 before moderating to 4.4 percent growth in 2022, according to the latest IMF World Economic Outlook, in January 2022. Global economic recovery is being driven by the continued vaccine rollout, as well as normalisation of economic activity as restrictions are rolled back and travel resumes. However, the pattern of economic recovery may be uneven, as new waves of COVID-19 infections emerge. Global recovery is also being held back by delays in the recovery of international trade, with shipping delays and rising costs.

49. Mr. Speaker, the economic activity in the Southern African Development Community (SADC) region contracted by 4.8 percent in 2020. Looking ahead, the SADC economy is projected to grow by 4.2 percent in 2021 and 3.2 percent in 2022, with downside risks from slow vaccine distribution and slow uptake in some countries. Several SADC

Member States are also constrained due to weak fiscal positions and high levels of public debt, with concerns about debt sustainability.

50. Signs of recovery from the impact of the pandemic are apparent for the domestic economy. During the first three quarters of 2021, economic activity grew by 13.5 percent year-on-year, compared to negative growth of 10.1 percent in the same period in 2020. The recovery was felt across most sectors of the economy, reflecting the impact of easing of travelling restrictions on demand, tourism activity, and resumption of global trade in diamonds, as well as the implementation of major infrastructural projects that had been delayed as a result of COVID-related containment measures.

51. Mr. Speaker, the outlook for the domestic economy is positive, with a growth rate of 9.7 percent projected for 2021 and 4.3 percent in 2022. Our successful vaccination programme will help to underpin this growth. Nevertheless, there are considerable risks to economic growth projections, given that the pandemic remains unpredictable, as we have seen recently with the emergence of new COVID variants. Such developments will have an impact on the speed at which the domestic economy can recover, especially the recovery in international travel and tourism.

52. Mr. Speaker, economic recovery has, unfortunately, been accompanied by rising inflation, which reached 8.7 percent in December 2021. This is the highest inflation rate in a decade, and is mainly driven by higher global fuel prices and administered prices. Global economic recovery from the COVID-19 recession in 2020 has caused demand for many goods and services to rise sharply in 2021, pushing up commodity prices and freight costs. As a result, most countries are experiencing higher inflation. The good news is that this is expected to be a short-term phenomenon, and inflation should normalise during 2022. Despite the increase in annual inflation, the Bank of Botswana maintained the Bank Rate at 3.75 percent, reaffirming a monetary policy stance that supports economic recovery. The Bank forecasts that domestic inflation will fall throughout 2022 and return to the 3 – 6 percent objective range in the medium term.

53. With respect to the country's external account, or the balance of payments, a deficit of P20.1 billion (or 11.6 percent of GDP) was recorded in 2020, compared to a deficit of P12.0 billion (6.7 percent of GDP) in

2019. During the first half of 2021, the balance of payments deficit has continued, but at the lower rate of 4.4 percent of GDP. The deficit in external account reflects net foreign exchange outflows associated with payments for imports, Government's foreign currency payment obligations, and offshore investments by pension funds and other institutional investors, in excess of revenues and inflows from exports, transfers and foreign investment.

54. Despite the balance of payments deficits up to the middle of the year, the foreign exchange reserves experienced a modest recovery to P60.0 billion in October 2021, an increase of 4.3 percent from P57.5 billion in October 2020. The Government Investment Account portion of the reserves was P9.9 billion as at October 2021, compared to P6.5 billion in October 2020, representing a 52.0 percent increase over the year. Much of the increase in the reserves and the GIA reflected the drawdown of a budget support loan in October 2021. The level of foreign exchange reserves in October 2021 was equivalent to 11.3 months of imports of non-diamond goods and services. Based on internationally accepted norms, this level of foreign exchange reserves is assessed to be sufficient to meet the country's international obligations and make external payments for goods and services, as well as for the conduct of sound macroeconomic policies, and providing a buffer against external shocks. The major concern, however, relates to the long-term downward trend in the level of the foreign exchange reserves, which pre-dates COVID-19. To address this, and to begin to rebuild the reserves, it is critical to intensify transformation efforts aimed at achieving diversified, export-led growth.

2020/2021 Budget Outturn

55. Mr. Speaker, turning now to our fiscal position, in 2020/2021 total revenues and grants stood at P49.37 billion, representing an increase of P1.04 billion, or 2.15 percent, from the revised budget of P48.33 billion. On the other hand, the total expenditure and net lending amounted to P65.79 billion, or 5.1 percent lower than the revised budget estimate of P69.36 billion. Recurrent expenditure was P1.57 billion lower than the revised budget, indicating the effectiveness of the cash saving and cost containment measures put in place by Government towards the end of 2020, while development expenditure showed an underspending of P2.0 billion. Overall, the deficit for the 2020/2021 financial year was P16.41 billion, or 9.4 percent of GDP.

2021/2022 Revised Budget Estimates

56. Mr. Speaker, estimated total revenues and grants for 2021/2022 are projected to decrease by P1.18 billion from P64.58 billion in the original budget to P63.40 billion in the revised budget. Total expenditure and net lending, on the other hand, has been revised upwards to P73.57 billion, reflecting a projected deficit of P10.16 billion, or 5.09 percent of GDP.

57. Mr. Speaker, Government has over the years provided significant budget allocation for development programmes and projects to stimulate the economy. However, the allocated funding has not always been fully utilised. Between 2016/2017 and 2020/2021, average development budget expenditure was 88 percent of allocated amounts. In the current financial year, as at 31 December 2021, development expenditure stood at 58.7 percent of the budgeted total, with three months left to the end of the financial year. Hence, implementing ministries need to significantly increase the pace of project implementation to ensure that the funding that has been provided for development initiatives is used as intended, and cost-effectively.

V. MEASURES TO RESTORE FISCAL SUSTAINABILITY

58. Mr. Speaker, before I present the Budget Proposals for the 2022/2023 financial year, it is important to be reminded that our fiscal position has deteriorated in recent years, with substantial budget deficits. These are partly related to the impact of the COVID-19 pandemic, but also reflect long-term structural trends and weaknesses that need to be addressed. The long-term trends show a progressive decline in fiscal revenues relative to the size of the economy, largely reflecting lower mineral revenues as the diamond industry has matured and the costs of mining have increased, combined with the volatility of revenues from the Southern African Customs Union. These two sources have historically accounted for almost two thirds of total revenues, and domestic revenue generation from taxes, fees and charges has been relatively low. The result of lower mineral revenues has been a structural change in the budget. Historically, budget deficits were infrequent, and would be balanced by subsequent surpluses. Now, budget deficits are persistent and structural, a situation that would eventually lead to an unsustainable level of public debt. This cannot be sustained, and requires that both domestic revenue mobilisation and expenditure levels are addressed.

Hence, a variety of measures will be implemented to restore fiscal balance and underpin long-term fiscal stability.

Revenue Mobilisation

59. Mr. Speaker, the first challenge is to broaden the domestic revenue base by extending the tax net, and improving the efficiency of revenue collection. Implementation of these measures gained momentum in the 2021/2022 financial year, and include revision of user fees and services charges across Government. These will continue to be implemented in the 2022/2023 financial year. Attention will also be paid to ensuring that those who should pay taxes, do so. Planned activities include a review of taxation laws to enhance efficiency and collections; use of ICT to improve collection efficiency; increased tax audits and inspections; and enhanced public education for taxpayers to achieve better compliance.

Managing Fiscal Expenditure

60. Mr. Speaker, the expenditure budget will always face demands that are greater than the available fiscal resources. Public spending is essential for stimulating the economy, providing public services, and financing investment that will provide public goods to support future growth and efficiency. The challenge is not just to manage the overall level of spending, but to ensure that spending is focused on productive and prioritised activities, and that spending on programmes and projects is carried out efficiently. Waste must be reduced, much more attention paid to achieving value for money, and accountability strengthened.

61. With respect to the recurrent budget, there is a pressing need to reduce spending so that more resources can be provided to the development budget for the financing of development projects. In this regard, the following measures will be put in place this coming financial year.

Reduce and effectively manage the Government wage bill

62. This will be implemented through the Workforce Planning System which is being developed by the Directorate of Public Service Management (DPSM), through the Botswana Public Service Workforce Strategy and Workforce Plans Project that started in July 2021. The key objectives of this project are to manage the Government wage bill, promote workforce flexibility and improve productivity in the public sector. It will help to

identify where public sector employment can be restructured, and hence identify possible savings in the wage and salary bill. This will directly address the problem of the ever-growing wage bill, which was estimated at over 16 percent of GDP in 2020/2021, compared to the acceptable 10 percent recorded by comparator nations. The benefits of this initiative will start to be realised in the coming financial year. However, since the DPSM is taking a long-term approach to this initiative, and given the transitions required, the project is envisaged to run over a period of three years for effective implementation.

Reducing subventions to commercial SOEs

63. In addition to the ongoing process of rationalisation and restructuring of SOEs, we will reduce the size of subventions to commercial SOEs. The approved subventions to SOEs from the Recurrent Budget for the current 2021/2022 financial year amounts to P4.08 billion, or 2.05 percent of projected GDP. The proposed provision for the next financial year is marginally lower at P4.02 billion, which amounts to 1.85 percent of GDP. Subventions will be further reduced in the coming years, through a combination of requiring commercial SOEs to cover their own costs, improved efficiencies across the SOE sector, and SOE rationalisation.

Reducing Revenue Support Grants to Local Authorities

64. Total provision for Local Authorities (LAs) amounts to P4.34 billion or 8.57 percent of the approved Ministerial Recurrent Budget for the financial year 2021/2022, and P4.17 billion or 7.81 percent of the proposed budget for 2022/2023. These constitute 2.18 percent and 1.92 percent of GDP for 2021/2022 and 2022/2023, respectively. Gradually, the revenue support grant will be reduced, particularly to urban councils, to incentivise them to generate their own revenues to fund their programmes.

Cost containment

65. Mr. Speaker, various initiatives have already been introduced to contain costs, and a further set of measures will be introduced in the coming financial year. These will target expenditure that can be reduced without compromising on service delivery, and requiring the beneficiaries of some public services to share in the costs of provision where they can afford to do so. Particular attention is being paid to the amount of money spent on scarce skills allowances in the public service, much of which may no longer be justified in terms of the need to recruit and retain employees.

Similarly, the amount spent on overtime allowances appears to be excessive, and will be cut back. Government also spends large amounts on tuition fees and maintenance allowances for students in tertiary education. This is an area of possible cost-sharing with parents, where they have the ability to pay. In line with the practice and commitments of the BDP Government, extensive consultations will take place before any major changes are introduced.

66. Mr. Speaker, we are aware that the rapid scaling-up of spending needed to fight the pandemic may have led to some inefficiencies in procurement. In this regard, the Office of the Auditor General subsequently undertook an audit of COVID-related procurement. The report has been tabled, and its recommendations are being acted upon. It is also worth noting that, while some problems were identified, we were in a situation where there were global shortages of critical supplies, and extraordinary measures had to be taken to protect Botswana from the scourge of COVID-19.

Improved preparation and prioritisation of development projects

67. Mr. Speaker, with regard to the development budget, we are aware of weaknesses in project implementation that have contributed to inefficiencies in expenditure. This reflects challenges such as slow implementation and under-expenditure against budgets, cost overruns, and a lack of project prioritization. To address these issues, the Ministry of Finance and Economic Development is in the process of strengthening the process for project preparation, prioritization, and value for money assessment for development projects proposed for inclusion in National Development Plan 12. The new process entails implementation of a three-phase appraisal process: (i) Confirmation of concept; (ii) Pre-feasibility study; and (iii) Full Feasibility study. At each stage, only projects that meet the required selection criteria will proceed to the next stage, and hence weaker projects and those that are not ready for implementation will be weeded out. **In addition, there will be more rigorous and detailed audits of development projects, to address waste and corruption.**

68. Mr. Speaker, there have been references to the statement made in last year's Budget Speech regarding inefficiency of 37 percent in our development budget. I wish to clarify several aspects of this. First, this figure comes from a study carried out by the IMF in 2017, in the form of a Public Investment Management Assessment (PIMA) for Botswana,

following similar exercises in other countries. Second, the figure refers to an “Efficiency Gap” in the implementation of the investment spending part of the development budget. The result essentially means that considering the actual stock of social and economic public infrastructure, public investment spending to date could have resulted in 37 percent more infrastructure in the country, if it had been spent in line with the most efficient systems in the world, compared with an average efficiency gap of 27 percent across the world. There are many reasons for this efficiency gap, including poor project appraisal and selection, spending money on projects that generate low returns and not prioritising high return projects, as well as poor project management and implementation. As I have mentioned earlier, measures are being put in place to address this efficiency gap, including stronger accountability mechanisms, better project management, and a comprehensive three-stage appraisal, prioritisation and selection process for projects being considered for inclusion in the public investment programme.

Rebuilding Fiscal Buffers

69. Mr. Speaker, the primary task with regard to fiscal sustainability is to improve revenue collection and contain expenditure so as to prevent the emergence of growing and unsustainable fiscal deficits. Ideally, however, we should return to a position of budget surpluses in order to rebuild fiscal buffers. The Government Investment Account (GIA) is a critical financial buffer that is needed to smooth out cash flow fluctuations, given that Government revenues are susceptible to economic shocks, and are hence volatile. The GIA’s average monthly balance was approximately P4.5 billion during the first six months of the 2021/2022 financial year. This is a significant decline from earlier years, which is the result of the continuous drawdowns from the GIA over the past few financial years, to finance budget deficits. The objective is to restore the GIA to its pre-COVID-19-crisis levels, to rebuild this fiscal buffer. This underscores the need to contain expenditures in order to manage the fiscal deficit, which is the main driver of the declining GIA.

VI. 2022/2023 BUDGET PROPOSALS

70. Mr. Speaker, I now present the Budget Proposals for financial year 2022/2023. The budget proposals have largely been framed around the imperatives of economic recovery and transformation, while at the same time seeking to support and sustain livelihoods. The proposed allocations

have also been formulated to provide a response to several challenges including remnants of developmental issues that have seen the economy struggle to grow at rates required to make the necessary transition from an upper middle income to a high-income country.

71. Mr. Speaker, the 2022 Budget Strategy Paper published in September 2021 showed how overall budgeted spending in the 2021/22 financial year was spread across six priority areas derived from the Reset Agenda and the ERTP. Applying the same categorisation to the proposed 2022/23 Budget, the shares of total spending allocated to the Digital Transition, Infrastructure and Saving Batswana have been increased compared to the previous year. While there has been a reduction in the share allocated to Human Capital Development, this still remains the largest priority area in terms of funds allocated. There has also been a reduction in the share allocated to “other” spending, being the general running costs of Government outside of the main priority areas.

Total Revenues and Grants

72. Total revenues and grants for the 2022/2023 financial year is expected to amount to P67.87 billion. Of this amount, mineral revenue accounts for P24.08 billion, or 35.5 percent. Non-mineral income tax is the second major source of revenue projected at P14.26 billion or 21.0 percent, customs and excise revenue is expected to amount to P13.94 billion or 20.5 percent, while VAT is estimated to amount to P11.97 billion or 17.6 percent of total revenues and grants. Most revenue sources are projected to generate higher revenues in 2022/2023 than in the current year. The exception is customs and excise revenue, which is set to decrease by P405 million compared to the previous year, due to the expected adjustments to SACU receipts following previous over-payments.

Total Expenditure and Net Lending

73. Total expenditure and net lending is projected at P74.84 billion. Of this total, recurrent expenditure account for P58.51 billion, while development expenditure accounts for P16.43 billion and net lending of minus P95.50 million.

Statutory Expenditure

74. The proposed amount for statutory expenditure is P13.67 billion, which is an increase of P3.08 billion or 29.1 percent compared to the 2021/2022 approved budget of P10.59 billion. The proposed allocation is

meant to cater for normal public debt servicing obligations, Government's pension contribution for civil servants to the Botswana Public Officers' Pension Fund (BPOPF) and other statutory commitments which include Judges and other Specified Officers' personnel emoluments.

Ministerial Recurrent Budget

75. Mr. Speaker, the total proposed allocation for Ministerial Recurrent expenditure stands at P53.36 billion, which is an overall growth of P2.71 billion or 5.3 percent over the current year's approved budget of P50.66 billion. The share of the proposed budget is as follows:

76. Mr. Speaker, the **Ministry of Health and Wellness** exists to promote and provide comprehensive health care services to the nation, including the key priority of *Saving Batswana from COVID-19 pandemic*. It is for this reason that the Ministry has been allocated the largest share of 18.7 percent of the proposed Ministerial Recurrent Budget, amounting to P10.01 billion. This represents a significant growth of P2.11 billion or 26.7 percent over the current year's approved budget. Government's continued response to the pandemic will entail the procurement of more personal protective equipment, oxygen equipment, and vaccines, including booster vaccines, as well as logistics and ancillary supplies. The budget allocation also provides for medical aid cover to public service employees under the Botswana Public Officers Medical Aid Scheme (BPOMAS).

77. Mr. Speaker, the **Ministry of Basic Education** will be allocated the second largest share of the proposed Ministerial Recurrent Budget of 18.5 percent, amounting to P9.87 billion. The proposed allocations are intended to help drive the Ministry's key mandate of striving to educate students to become self-sufficient, life-long learners and empower them to be competent, productive and responsible caring citizens. The above represents growth of P343.66 million or 3.6 percent over the current year's approved budget. The major cost drivers of the proposed budget include teachers' salaries, which includes provision for new teacher positions to absorb 3 509 temporary teachers on a full-time basis, as well as allowances, operational costs for Botswana Examination Council, food and books for students, service charges and other costs associated with learners such as materials for practical subjects. Maintenance of existing facilities continues to be a priority under the Ministry.

78. Mr. Speaker, the third largest share of the proposed Ministerial Recurrent Budget amounting to P8.53 billion, or 16.0 percent goes to the **Ministry of Defence, Justice and Security**. The proposed budget entails an increase of P135.02 million, or 1.6 percent, over the 2021/2022 approved budget. It includes budgetary provision for operational costs, mainly for Botswana Defence Force, Botswana Police Service and Prisons and Rehabilitation Services. The funding will be utilized to drive the following policy objectives: provide safety and protection to citizens; promote human rights and the rule of law, professional policing service in partnership with the community, provide legal advice, legal representation and public education on legal matters to the underprivileged and vulnerable sections of the population, provide safe custodial care and correction to offenders through effective rehabilitation and integration programmes for social protection of the society.

79. Mr. Speaker, the proposed budget allocation for the **Ministry of Local Government and Rural Development** is P7.15 billion, or 13.4 percent, representing the fourth largest share of the Ministerial Recurrent Budget. The growth over the 2021/2022 approved budget is P15.63 million or 0.2 percent. The proposed budgetary provision will cater for the promotion of effective local governance structures, implementation of strategies for sustainable livelihoods as well as to ensure availability of resources for local authorities to meet their statutory responsibilities. The major budgetary provision amounting to P3.66 billion goes to Revenue Support Grants (RSG) to District and Urban Councils, which accounts for 51.2 percent of the proposed Ministerial Recurrent Budget. It will also cater for food supplies at primary schools, psycho-social support services to the general public in response to the effects of COVID-19 pandemic, mainly the rising number of Gender Based Violence cases against women and children, as well as payment of social benefits. In regard to the latter, P1.29 billion is provided for four social protection schemes whose allocations are increased by between 15 and 38 percent. These include the Old Age Pension, which will be increased by P100 from P530 to P630 a month, and the Destitution Allowance, Disability Allowance and World War II Veterans Allowance, all of which will be increased by P100 per month. VDC allowances will also be increased by P100. The increases signify Government's commitment to care for and support the elderly and vulnerable segments of the population.

80. Mr. Speaker, as noted in the 2021 Budget Speech, there is still insufficient attention with regards to maximising the potential for revenue

collection. This is evidenced especially by the accumulation of unacceptably high levels of property rate arrears for Urban Councils. The Ministry of Local Government and Rural Development is pursuing improved collection of rates income, and the performance of all local authorities will be monitored. Furthermore, District Councils have been empowered to collect property rates, and they will be required to do so. In due course, the intention is that funding mechanisms for local authorities will be reformed to incentivise the generation of their own sources of revenues, which is consistent with the broader decentralisation agenda.

81. Mr. Speaker, the Ministry of Tertiary Education, Research, Science and Technology, constitutes the fifth largest share of the proposed Ministerial Recurrent Budget. The budget allocation for this Ministry is P3.26 billion, which is a decline of P1.34 billion or 29.2 percent over the current year's approved budget. This is a result of the Cabinet decision to transfer the Tuition Fees vote from the Department of Tertiary Education Financing (DTEF) to the Ministry of Finance and Economic Development. The budget includes allowances for Government-sponsored tertiary students and other related costs, which continue to be the main cost drivers of this Ministry. The proposed budget also covers staff and operational costs for tertiary institutions and parastatals under the Ministry. The 2022/2023 proposed budget allocation drives the Human Capital Development priority that emphasizes the need to provide and build knowledge and innovation through implementation of policy on tertiary education, research, science and technology to transform Botswana into a more diversified, employment-intensive, knowledge-intensive and competitive-based economy.

82. Mr. Speaker, the proposed budget for the **Ministry of Finance and Economic Development** is P2.39 billion. The amount has grown by P1.42 billion or 147.2 percent over the current year's approved budget. The substantial increase is accounted for by the transfer of tuition fees vote, as part of the measures undertaken to reform the Tertiary Education Financing Grant/Loan scheme. The transfer is aimed at ensuring that this vote is managed prudently for long-term sustainability. Furthermore, MFED has contracted an accounting firm to undertake a special audit on the Tertiary Education Financing activities for the last ten financial years. The work entails an in-depth examination of management of the tertiary education financing, awarding of sponsorships, reasonability of tuition fee levels charged by tertiary institutions, allocation of students to tertiary

institutions and examination of issues around payment of tuition fees and allowances, and will be submitted by July 2022. The proposed budget allocation also covers operational costs for the Ministry as well as grants, subventions and transfers to parastatals and other organizations that fall under the Ministry.

83. Mr. Speaker, out of the total allocation for the Ministerial Recurrent Expenditure for the Financial Year 2022/2023, the **Ministry of Transport and Communications** is allocated P1.82 billion, 3.4 percent of the total. The proposed budget shows a decline of P4.22 million or 0.2 percent from the 2021/2022 approved budget. The operational costs of the Ministry are driven by the core mandate, mainly, the development and utilization of Information Communication and Technology (ICT) and integrated transport services. These include provision of timely, reliable and smart transport and communication services anchored on world class infrastructure platforms. The budget also covers subventions to Civil Aviation Authority of Botswana (CAAB) to cover the operational costs of the entity. The Ministry also funds Botswana Post, which provides Universal Service Obligations country wide. Other major items include fuel for government vehicles, road maintenance, computer systems consumables and maintenance.

84. Mr. Speaker, the proposed allocation for the **Ministry of Presidential Affairs, Governance and Public Administration** is P1.58 billion, a decline of 0.8 percent from the current year's approved budget. The budget allocation is intended to support the Ministry's mandate which is to safeguard and promote good governance, as well as, to guide sustainable socio-economic growth and development for the benefit of all citizens. The budget will mainly cover the Ministry's core mandate, which is spread across its departments and parastatals. It also includes provision for the Botswana National Strategic Framework for HIV and AIDS 2019-2023.

85. Mr. Speaker, a sizable allocation of the proposed Ministerial recurrent Budget goes to the **Ministry of Agricultural Development and Food Security**. The proposed allocation to this Ministry is P1.44 billion, which is an increase of P51.30 million or 3.7 percent over the current year's approved budget. The proposed budget will support the agricultural sector in pursuit of improved domestic food production to achieve a higher degree of self-sufficiency in agricultural products. The proposed budget principally consists of subventions to Botswana

University of Agriculture and Natural Resources (BUAN) and National Agricultural Research and Development Institute (NARDI). It will also cover the costs of Foot and Mouth Disease vaccinations, operational costs for BMC Maun and maintenance of existing facilities, including camps, plant and equipment and computer systems such as the Botswana Animal Information and Traceability System (BAITS).

86. Mr. Speaker, the remainder of the total Ministerial recurrent expenditure, that is P7.32 billion, is shared among the rest of the Ministries and extra-Ministerial departments.

Development Budget

87. Mr. Speaker, the proposed development budget for 2022/2023 financial year is P16.43 billion, an increase of P1.76 billion or 12 percent over the 2021/2022 budget. Priority was given to on-going projects, refurbishment and maintenance of existing facilities and strategic projects geared towards economic recovery and growth as well as, sustainable employment. The proposed development budget is aligned to the Reset Agenda, as well as the E RTP. A total of P3.93 billion is proposed to fund E RTP projects; P1.13 billion is for the Digital Transition; P2.01 billion for Saving Botswana's Population from COVID-19; and P664.24 million for Value Chain Development. P1.52 billion is proposed for Human Capital Development, and P8.70 billion is to cover other development projects across sectors.

88. Mr. Speaker, out of the proposed P16.43 billion, a sum of P13.42 billion or 81.69 percent is for ongoing programmes and projects; P516.20 million or 3.14 percent is to cover projects at feasibility and design stage; P1.63 billion or 9.94 percent caters for projects at pre-contract stage, and P859.06 or 5.23 percent is for new and emerging projects. Despite the tight budgetary situation, budget allocations for Social Protection programmes that fall under the development budget, such as Ipelegeng, Poverty Eradication, Self Help Housing Scheme, Destitute Housing, Livestock Management and Infrastructure Development (LIMID) and Constituency Community Projects (CCP), have been maintained. The CCP is area-specific and is meant to stimulate the local economy. Therefore, enterprises in the locality will be prioritised in the award of contracts for Constituency Community Projects. In that regard, all procurement should benefit people in the local area.

89. Mr. Speaker, Government has made commitments to improve supply and management of water in the country. To this end, the largest share of the proposed 2022/2023 Development Budget has been allocated to the **Ministry of Land Management, Water and Sanitation Services**, at P5.06 billion or 30.83 percent. Water supply projects account for P4.02 billion or 79.44 percent of the Ministry's Budget allocation. Major water development and sanitation infrastructure projects include Maun Phase 2 - Contract 3: Construction of Treatment Plant and Transmission Pipeline, Maun Phase 2 -Contract 4: Waste Water Treatment Plants and Connection of Satellite Villages; Molepolole Water Supply and Sanitation Scheme - Design, tendering and construction; NSC 2.2 Palapye - Mmamashia Water Pipeline; and continuation of the on-going projects, including the construction of Maun Water Scheme; NSC Connection to Molepolole, Kopong, Thebephatshwa and other neighbouring villages; NSC 2.2 Palapye - Mmamashia Water Pipeline; Lobatse Water Masterplan Implementation in Lobatse and the Borolong area in the southern part of the country.

90. Mr. Speaker, the other major development projects include: the on-going Moshupa Sanitation; North-South Carrier 2.3 (NSC 2.3); Kasane Kazungula Water Networks; Chobe Zambezi Water Transfer Scheme; connection of Tswapong South villages to the North South Carrier; the on-going Water Treatment Plant in Kasane; and the North East / Tutume Water Supply project.

91. The **Ministry of Local Government and Rural Development** has been allocated the second largest share of the proposed Development Budget at P2.0 billion or 12.25 percent. This is for the continued implementation of social protection programmes, procurement of tablets for Primary Schools, construction and maintenance of Primary Schools, Primary Schools Facilities Backlog Eradication Project, development of Reception Classes, and village infrastructure projects, including the Mmopane-Block 8 Road, Logolo Road and Tlokweng and Mogoditshane internal roads, and Constituency Community Projects. With regard to the latter, priority will be given to the construction of internal roads, for which projects will be reserved for citizen contractors in the locality, including the youth.

92. Mr. Speaker, in order to align with the implementation of the Economic Recovery Transformation Plan initiatives, the third largest share at P1.87 billion or 11.40 percent is allocated to the **Ministry of**

Transport and Communications. This budget provision has been made for the continuation of the implementation of major roads projects, including Mmandunyane-Shashemooke-Borolong-Chadibe-Mathangwane (65Km), Thalamabele-Mosu (28km); Mogoditshane-Gabane-Mmankgodi Junction (Dualling) (27km), and several projects included in the E RTP, notably the Makalamabedi-Motopi, Nata-Kasane, Mmathethe-Bray-Werda, Palapye-Martin's Drift and Nata-Maun roads. As mentioned earlier, two major road projects – Francistown-Nata and Sehitwa-Mohembo – will be implemented as PPP projects. In the meantime, there are extensive repairs taking place on the Sehitwa – Mohembo road to address pressing needs. Other road infrastructure projects include the on-going Traffic Control Modernisation and Centralised Traffic Control for the Greater Gaborone Area. The budget also caters for feasibility studies for the Moseitse-Kazungula, Mmamabula-Lephalale and Trans-Kalahari railway lines. Part of the budget will go into Information and Communications Technology (ICT) projects such as the Government Data Network and Data Centre upgrading, the National Backbone Network, and Local Access Networks.

93. Mr. Speaker, as part of the E RTP, the A1 road from Ramatlabama to Ramokgwebana will be progressively reconstructed and converted to dual carriageway. The project will be implemented in phases with the first phase covering road sections that have reached the design life and are currently experiencing failure due to development of potholes. These include 134km from Palapye to Tonota, 42 km from Artesia to Rasesa and 46 km from Boatle to Lobatse. Funds have been availed for relocation of services, land acquisition and Impact Assessment Studies for these roads.

94. The **Ministry of Defence, Justice and Security** takes the fourth largest allocation at P1.68 billion or 10.21 percent for provision of infrastructure, vehicles and defence and communication equipment for Botswana Defence Force, Botswana Police Service and the Department of Prisons and Rehabilitation Services.

95. Mr. Speaker, the fifth largest share of the proposed Development Budget of P997.22 million or 6.07 percent goes to the **Ministry of Presidential Affairs, Governance and Public Administration,** for provision of infrastructure required for, among others, the entertainment industry, the Orapa House Technology Park and ICT projects undertaken by SmartBots. The funds also cater for Poverty Eradication and HIV/AIDS Programmes.

96. The **Ministry of Agricultural Development and Food Security** takes the sixth largest share of the proposed Development Budget, at P959 million or 5.84 percent. The proposed budget caters for the revamped Integrated Support Programme for Arable Agriculture Development (ISPAAD) which has been re-designed to be a more efficient and sustainable programme. The budget will also continue to support projects such as small stock, piggeries, poultry and dairy production, beekeeping, horticulture and fish-farming under the Livestock Management and Infrastructure Development II (LIMID) Programme to facilitate value chains. The funds will also be used to provide essential services and basic infrastructure to selected agricultural production areas such as roads, telecommunications, electricity and water reticulation in line with the E RTP.

97. Mr. Speaker, the seventh largest share of the proposed Development Budget is proposed for the **Ministry of Basic Education** at P936.84 million or 5.70 percent, to cater for School Digitization initiatives in order to drive the transformation of Botswana into a Knowledge Based Economy. The funds will be used for procurement of devices for ICT-based learning for all learners and teachers from Standard 5 to Form 5; roll-out of functional connectivity to all schools; development and sourcing of e-Content for schools; training of teachers and school managers on basic ICT skills and use of technology on teaching and learning. In implementing School Digitisation initiatives, priority shall be given to capable and competitive local companies.

98. Mr. Speaker, the remaining Ministries/Departments share the remaining balance of the proposed Development Budget of P2.69 billion or 17.70 percent. The major projects are maintenance of infrastructure facilities, staff housing, housing schemes like Self Help Housing Agency (SHHA), destitute housing for the low-income groups and poverty alleviation scheme. The budget also caters for completion of sports stadia in Moshupa and Mmadinare, community stadia in Tonota, Rakops, Tsabong and Kanye, as well as a feasibility study on the possible hosting of the 2027 African Cup of Nations (AFCON) football tournament.

99. Other projects under this budget are Rural Village Electrification and Network Extension for 107 rural villages. The budget will also finance the Innovation Fund and Research Fund, and Research Capacity Building, as

well as e-Services Resuscitation (e-Gov) in order to support digitization for effective service delivery and business facilitation.

Overall Balance and Financing

100. The overall balance for the 2022/2023 Financial Year is a deficit projected to amount to **P6.98 billion**, or 3.2 percent of GDP. This budget deficit will be financed through a combination of issuance of domestic Government securities in the form of bonds and Treasury bills, and external borrowing. Measures will be taken during the coming year to improve the functioning of the domestic debt market, to ensure that Government can raise funds locally to meet part of its borrowing needs. Externally, the process of negotiating loans with multilateral institutions and other official lenders will continue, with the emphasis on raising loans on attractive terms. **Mr. Speaker**, this will require more loan authorisation bills to be presented for approval to Parliament during the coming year. However, I can assure Honourable Members that our borrowing will remain not only sustainable, and well within the legal limits set by the relevant legislation, but also responsible and channelled to national priorities to reach our national development objectives. Debt levels will, therefore, remain within the statutory limit of 40 percent of GDP. Government is in the process of preparing a new Medium-Term Debt Management Strategy, which will include enhanced debt monitoring instruments.

VII. SUMMARY AND CONCLUSION

101. Mr. Speaker, the coming 2022/2023 financial year represents the final year of NDP 11. While some progress has been made, the country still remains far from achieving the objectives laid out in Vision 2036, partly because of COVID-19 but also reflecting the continued need for structural reforms. The national priorities laid out in Vision 2036, the Mid-Term Review of NDP 11, the ERTF and the Reset Agenda remain relevant. This Budget supports the pursuit of those priorities and Government's efforts to achieve the objectives laid out in Vision 2036, while dealing with COVID-19. Hence, the Budget reflects a delicate balancing act.

102. Nevertheless, **Mr. Speaker**, I am pleased to be able to present a Budget that entails a somewhat improved fiscal position. The fiscal impact of the COVID-19 pandemic has been to some extent contained, although at the cost of running down the Government Investment Account and modestly increasing public debt. However, the projected improvement in

revenues in 2022/23 has provided some fiscal space, which we are proposing to use to increase development spending. This enables us to implement projects that are aimed at fulfilling the commitments made in the ERTF, support the Reset Agenda, boost future growth prospects and maintain social safety nets.

103. Having said that, **Mr. Speaker**, we are still running a budget deficit, and borrowing is therefore needed to finance part of our spending. Hence the need to contain spending growth while identifying new sources of revenue, alongside sustained cost containment measures. It is also necessary to ensure that spending is well directed to meet national development priorities, and to do so efficiently.

104. Mr. Speaker, the preparation of NDP 12 has started and will be conducted through a consultative process based around Thematic Working Groups, as usual. NDP 12 will be a crucial transition Plan in the achievement of Vision 2036 objectives. As we go into NDP 12, we will need to restore financial buffers by running budget surpluses. Economic shocks, such as the Global Financial Crisis and COVID-19, can appear unexpectedly, and we need those reserves to be able to respond quickly to shocks, as we have done with the current pandemic.

105. Most importantly, however, it remains necessary to undertake economic and institutional reforms that will underpin the improvements in productivity necessary for our journey to high-income status, as laid out in Vision 2036. Improving productivity is not, however, a task for government alone, but will require contributions from all of us as we travel this road together.

106. In conclusion, **Mr. Speaker**, Botswana's economic growth and future is dependent on our collective efforts to re-build and reposition ourselves around the opportunities presented by the COVID-19 pandemic. Though this pandemic challenged our health care system and the economy, it has also become a testament to the solidarity of Botswana. It is with that unity that we can now focus on building on our achievements as a nation. Botswana, we must take comfort in the fact that though we have endured in isolation, we can now heal and embrace the return of better days together. Let us carry with us that hope and look forward to a more inclusive, resilient, and sustainable economy.

107. Mr. Speaker, I now move that the **Appropriation (2022/2023) Bill, 2022 (Bill No. 2 of 2022)**, be read a second time.

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