



Republic of Botswana

2019 BUDGET SPEECH

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I. INTRODUCTION

1. **Madam Speaker**, I have the honour this afternoon to present to the National Assembly Budget Proposals for the financial year 2019/2020.

2. These budget proposals are the first under the leadership of His Excellency the President, Dr. Mokgweetsi Eric Keabetswe Masisi, whose roadmap is anchored on the cardinal principles of *good governance* and *respect for the rule of law*. The proposals also fall within the same year as the national general elections, scheduled for October 2019. Indeed, holding of regular general elections every five (5) years demonstrates the commitment of this Government to the rule of law, as this complies with the Constitution of the Republic of Botswana. In addition, holding of regular elections in a constitutional democracy like ours is part of good governance, as it gives the citizens an opportunity to renew their social contract with the political leadership. It is because of this Government's adherence to good governance that the country continues to be ranked among Africa's best performers in various areas such as economic management, political leadership and governance.

3. **Madam Speaker**, as part of the 2019 Budget Speech, I will provide a synopsis of the development path that we have traversed as a country over the past years. Before I do that, I wish to indicate that the global and domestic economic situation underpinning the 2019/2020 budget proposals was covered in detail in the State of the Nation Address (SONA) delivered by His Excellency, the President three (3) months ago in November 2018.

4. The global economy continues to be characterised by sluggish economic activities, due to uncertainty in global markets. As a result, it is projected to grow by 3.5 percent in 2019 and 3.6 percent in 2020, as per the International Monetary Fund's World Economic Outlook, released in January, 2019. The domestic economy, on the other hand, is forecast to grow by 4.5 percent in 2018, 4.2 percent in 2019, and 4.8 percent in 2020. The implication of the projected growth in the domestic economy is that less revenues will be realised, calling for continued expenditure control in order to ensure that the country remains on a path of fiscal sustainability in the medium term. More details on the expected revenues and expenditure for the next financial year will be provided later in the Speech under the section on the Budget Proposals for 2019/2020.

5. **Madam Speaker**, I will now turn briefly to the country's developmental achievements over the years. All indications show that Botswana transformed dramatically over the years from being one of the poorest countries in the world to achieve an upper middle-income status to date, because of the growth-

promoting policies pursued by this Government. This resulted in the significant performance of the domestic economy, expansion of the economic and social infrastructure network, improved social indicators and the general standard of living.

6. Over the years, domestic economic performance, as measured by GDP growth rate, averaged 10 percent per annum between 1966 and 2008, before slowing down due to the financial crisis of 2008/2009. Real per capita income increased manifold from around US\$70 in 1966 to the present level of over US\$7 000. The domestic economy also transformed from predominantly agriculture to mining based; but has since diversified towards the services sector, in response to a mix of macroeconomic policies pursued by this Government.

7. Additionally, the country consolidated its fiscal position, resulting in self-financing of its operating budget in 1972/1973, though it continued to depend on international donors to finance its development budget. To date, however, donor aid has drastically reduced to around one (1) percent of the annual Development Budget. Further, significant strides were achieved with respect to control of inflation and employment creation over the years. Average inflation declined from around 10 percent between 1966 and 2010 to around four (4) percent in the past few years, while formal sector employment grew significantly from 29 000 persons in 1966 to 417 162 in September 2018.

8. These positive macroeconomic developments, in turn, contributed to Government's ability to generate sufficient resources to finance the network of economic and social infrastructure. Public investment in economic infrastructure such as roads network, power stations, dams and telecommunications has contributed to rapid growth experienced by the country over the years. Similarly, there was significant investment on social infrastructure like schools and health facilities over the years, resulting in increased literacy level from 34 percent in 1981 to 87.1 percent in 2016, while life expectancy at birth rose from 55.5 years in 1971 to 68.0 in 2011.

9. **Madam Speaker**, our development experience, as I have just summarised, was not accidental, but rather a result of a determined Government, which pursued appropriate macroeconomic and structural policies amid challenges occasioned by domestic and external shocks to the economy. Despite these developmental achievements, which resulted in the country graduating to the upper middle-income status, Botswana still faces significant development challenges such as: sustaining positive economic growth rates; reducing unemployment; and, eradicating abject poverty. Hence, the focus of this Budget Speech is on *consolidating development gains for further economic transformation*. The transformation of the country from upper middle-income to

high-income status, as envisioned in Vision 2036, would be achieved through the consolidation of our development gains, and continuous reform of our policies and streamlining our processes to encourage innovative approaches to addressing challenges of service delivery throughout the country. These, **Madam Speaker**, are the critical issues that this Government is determined and pledges to continue tackling in the life of the next Parliament.

10. At this point, **Madam Speaker**, I would like to thank all the stakeholders, including Members of Parliament, who attended our Budget *dipitso*, convened as part of the preparation of this budget. My Ministry is grateful for the input received from the different stakeholders consulted, which shaped both the strategic orientation and budgetary allocations of the 2019/2020 budget.

II. CONSOLIDATING DEVELOPMENT GAINS FOR ECONOMIC TRANSFORMATION

11. **Madam Speaker**, I now turn to the review of some of Government's continued efforts to *consolidate developmental gains achieved over the years for further economic transformation*. As I do so, it is important to remind ourselves of the old adage that "*development is a process and not an event*". Achieving development is a process that entails successive implementation of policies and programmes over the years.

12. Botswana has registered impressive development since independence in 1966, culminating in the country graduating to upper middle-income status in 2004, as indicated earlier. However, in accordance with the country's Vision 2036, Botswana aspires to transform to a high-income country during the twenty (20) years of the Vision. Achieving this goal will require the country to consolidate gains achieved in its economic management and address the challenges hindering further economic transformation.

13. As evidenced from our development experience, achieving development goals depends on the country's ability to register sustained economic growth over an extended period. One of the conditions for sustained economic growth is the presence of macroeconomic stability, whose elements include the maintenance of appropriate and supportive fiscal, monetary and exchange rate policies. These elements are necessary for attracting the investment required for growth. Hence, as part of consolidating gains for further economic transformation, Botswana will have to ensure macroeconomic stability going forward, and this Government has demonstrated that it is capable of achieving this objective.

14. Madam Speaker, in addition to maintaining macroeconomic stability, Government will continue to pursue a number of structural reforms during the 2019/2020 financial year aimed at promoting growth and creating the much-needed jobs. I have grouped the broad-based policy initiatives to be pursued in the next financial year into three (3) areas of: *economic consolidation; social development; and maintaining governance and security*, and I will, in turn, elaborate on each of them.

Economic Consolidation

15. Madam Speaker, as stated earlier, the domestic economy has sustained a judicious and stable macroeconomic policy environment, with appropriate fiscal and monetary policies during the past years. This environment is characterised by low debt level, stable inflation, and high gross national savings as a percentage of GDP. Through prudent management of resources, Government continues to ensure that the bulk of the mineral revenue is invested in human and physical capital, while the balance is saved for future generations. Creating such a conducive environment for development is a deliberate effort by this Government to promote development of the private sector, which should be the source of economic growth and creation of employment opportunities, especially for the youth.

16. Madam Speaker, in addition to maintaining macroeconomic stability, this Government, has over the years, pursued specific strategies to promote economic growth that has potential to create employment opportunities. These included; pursuing *economic diversification, promoting private sector development, and development of human capital and physical infrastructure network*. While the country has recorded significant achievements in most of these areas, there is need for continued consolidation in some of them in order to transform the economy from its current upper middle-income to high-income status by 2036. Therefore, this Government will continue through the 2019/2020 budget, to implement various programmes and projects aimed at preparing the economy for transformation.

Economic Diversification

17. Madam Speaker, efforts by the Government to diversify the domestic economy continue to yield positive results, as evidenced by the decline in the share of mining sector in the value addition, with a corresponding increase in the contribution of the non-mining sectors. Mining sector's share to the gross domestic product (GDP) declined from 25 percent in 2008 to 18 percent in 2018, while the contribution of non-mining sectors increased from 75 percent to 82 percent over the same period. This is consistent with the Government's efforts to

reduce the dependence of the economy on the mining sector, which is susceptible to external shocks.

18. However, there is need to intensify efforts to diversify the country's exports and government revenue sources. Diamonds exports continue to dominate the trade account, while mineral and customs revenues account for over two-thirds of government revenues. The country's dependency on one commodity for exports, and two major sources of revenues, poses a systemic risk, hence, this Government pledges to continue with efforts to diversify the economy in general, and its exports and government revenues, in particular.

19. Madam Speaker, one of the strategic initiatives identified to promote economic diversification is the Economic Diversification Drive (EDD), which was established in April 2010. The EDD is based on the approach of Government using its purchasing power to support local production of goods and services. To this end, P17.2 billion or 53 percent of the total cumulative amount of P32.5 billion worth of goods and services purchased by Government since the inception of the programme, was from local manufacturers and service providers.

20. In an effort to further enhance economic diversification, the Special Economic Zones (SEZ) policy was adopted in 2011. The main objective of this Policy is to diversify the economic and export base of the country. To date, eight (8) Special Economic Zones have been identified. These include: (i) developing the area around Sir Seretse Khama International Airport (SSKIA) into mixed-use economic zone that will house several organisations, such as the Civil Aviation Authority of Botswana and the Botswana Innovation Hub; (ii) developing Gaborone Fairgrounds into a financial services hub; (iii) Selebi-Phikwe has been identified for base metal beneficiation; (iv) Francistown is to be developed into a mining supplies, services and logistics hub; (v) Palapye is identified for coal beneficiation; (vi) Tuli Block for horticulture; (vii) Pandamatenga for agro-business; and (viii) Lobatse for beef and leather production. The Special Economic Zones will be developed in two Phases, with Phase 1 being Sir Seretse Khama International Airport, Fairgrounds in Gaborone, Lobatse and Pandamatenga. Going forward, there will be alignment of the economic zones taking into account: investment opportunities as mapped out in the National Spatial Plan; the country's natural endowments; and economic activities such as tourism, beef and small stock, just to mention a few.

21. The other initiative to diversify the economy is the implementation of the SPEDU Revitalization Programme. In this connection, the Government has approved a set of incentives for this region, which include 5 percent corporate tax rate for the first 5 years and 10 percent thereafter, for companies setting up in the SPEDU region, under the sectors of tourism, agriculture, and manufacturing.

Twelve (12) companies were assessed and ten (10) of these have been approved. The revitalization programme is expected to stimulate economic activity in the following Sectors: Agri-business; Manufacturing; Infrastructure Development; and Information, Communication and Technology. This Government believes that there is high potential for further economic growth of Selebi-Phikwe region and pledges to intensify its effort to facilitate such growth in the coming years.

22. Another initiative aimed at promoting economic diversification is the implementation of the Cluster Development Initiative. The Initiative aims at improving business productivity, value chains and competitiveness. So far, five (5) sectors have been prioritised for cluster development. These are; Diamond Beneficiation, Tourism, Beef, Mining and Finance and Knowledge Intensive Business Services. Preparatory work is underway to develop business case studies and implementation plans for the first three (3) clusters selected for implementation, namely; tourism, beef and finance and knowledge intensive business services. These detailed studies will include the assessment of capacity building needs for the identified sectors as part of measures to enhance their domestic and global competitiveness.

23. Madam Speaker, in coming up with the cluster development initiative, this Government had realised that as individual entities, a lot of Small, Medium and Micro Enterprises (SMMEs) with potential to grow this economy, lack the capacity to effectively compete with multinational/regional industries. Hence, the cluster development concept being pursued by this Government will assist SMMEs with; infrastructure development such as power distribution, water reticulation, telecommunication and drainage and pollution control and in setting-up common facility centres for balancing or improving production lines such as marketing centres. In this context, not only does the cluster development concept have the potential to grow the private sector, but it also provides great opportunities for employment creation, with spill over effects expected in poverty eradication.

Promoting Development of the Private Sector

24. Madam Speaker, Government long identified the private sector as key in driving economic growth, diversification and employment creation. In order to promote the principle of private sector participation in economic activities, Government has since come up with several initiatives that include *Public-Private Partnerships (PPPs)*, *Privatisation of State Owned Enterprises (SOEs)*, *as well as reform of the business environment to facilitate the growth of the private sector.* The results have been positive.

25. However, the contribution of the private sector to the development of the domestic economy is still considered to be below its potential. In view of the

critical role of the private sector in the envisioned transformation of the economy from the upper middle-income to high-income status, this Government is committed to implement existing and new initiatives to improve the business environment during 2019/2020 and beyond, to ensure that the private sector becomes the effective future engine of growth for the country.

26. Madam Speaker, the Public-Private Partnerships (PPP) Policy and Implementation Framework was adopted in 2009, as an alternative means of financing public infrastructure projects to accelerate and improve infrastructure development, and create a conducive environment for stronger public and private sector partnerships. Despite a slow start, the implementation of the PPP has since picked up, with a number of projects so far identified and registered for implementation using the PPP approach. Among the major projects identified are; Zambezi Integrated Agro-Commercial Development, Gaborone Waste Water Treatment, Chobe-Zambezi Water Transfer Scheme, and Strategic Oil Reserve at Tshele Hill. Responsible Ministries are currently undertaking feasibility studies of these projects in preparation for the procurement of private sector partners. Government will intensify the implementation of the PPP during the 2019/2020 financial year, as part of the consolidation of the private sector-led development model.

27. The Ministry of Finance and Economic Development, as the coordinating agency for the implementation of PPP, is working closely with the respective Ministries to provide guidance on the planning and procurement of services required to execute the projects. In addition, the Ministry has been undertaking capacity building for the implementation of PPP projects throughout Government, with more than 250 senior Government officials having participated in training workshops since 2016. The private sector has also been sensitised on the PPP funding model for implementation of Government projects.

28. Madam Speaker, regarding privatisation of State-Owned Enterprises, the demutualisation and privatisation process of the Botswana Building Society (BBS), which included the conversion of the Society into a company registered under the Companies Act, was completed in April 2018. The demutualisation of the BBS resulted in many Batswana who held different types of deposit accounts with the Society transforming from being depositors to shareholders of the demutualised entity. The BBS is in the process of applying for a licence from the central bank to operate as a fully-fledged commercial bank, which will be the first indigenous bank in the country. Efforts to restructure the National Development Bank continue. Once fully restructured, the NDB will be commercialised, with the ultimate objective of privatising it. Another significant milestone achieved during 2018 was the demutualisation of the Botswana Stock Exchange, which involved significant changes to its legal status, structure and governance. This

transformation has positioned the Stock Exchange to play a critical role in the development of the domestic capital market.

29. Madam Speaker, there is need for continuous reform in our business environment. Among the areas of concern are work ethic, access to finance, and reports of corruption in the country. These are areas that the country should continue to focus its efforts on, in order to maintain and/or improve its international economic rankings. The Government has already put in place measures to address some of the concerns about doing business in the country. A Doing Business Reforms Roadmap has since been adopted. Among the initiatives in the Roadmap include the review of some laws such as the Trade Act, Customs Act and Companies Act. The Customs Act and Companies Act were passed by Parliament in June 2018, while the review of the Trade Act to facilitate the process of starting a business in Botswana will be prioritised during 2019 as it was identified to be a significant challenge.

30. In addition, Parliament passed several pieces of legislation on doing business reform during 2018. These include: Companies Registration Act; Companies Amendment Act; Registration of Business Names Amendment Act; and Re-Registration of Business Names Act. These pieces of legislation will enable integration of the online business registration systems at the; Companies and Intellectual Property Authority, BURS and PPADB, thereby facilitating information exchange between these institutions and limiting unnecessary physical interactions with the institutions. All these efforts by Government are aimed at promoting domestic investment and attracting foreign direct investment and thus, enhance economic growth and employment creation.

31. Madam Speaker, this Government is keen on promoting its long-standing principle of inclusive growth and equitable distribution of wealth in Botswana. Hence, giving citizens the opportunity to have ownership through privatisation of profit making public enterprises is a positive gesture of empowering Botswana. It is therefore, the objective of this Government to ensure that many Botswana will buy shares when more State Owned Enterprises are privatised as this gives citizens the opportunity to diversify their income generating portfolios.

Infrastructural Development

32. Madam Speaker, the availability of reliable power supply is a critical input to production of goods and services in the economy. Availability of power supply can also contribute to the improved living conditions of all households, especially in the rural areas. In this regard, this Government has continued to invest in power generation and distribution in order to support economic growth, promote employment creation and improve the living standards of the citizens. Among the major ongoing energy projects is the extension of the power

transmission grid to provide power in the North West part of the country, where mining and other investments are suppressed due to lack of electricity. Three (3) contracts for extension of the high voltage transmission grid from Morupule 600MW power station to Maun, Toteng, Samochima and Ghanzi were awarded at the end of 2017, and construction work is ongoing. The commissioning of the grid extension is scheduled for December, 2019.

33. Furthermore, the construction of Rakola and Gaphatshwa Power substations were completed in 2017 and 2018, respectively, and the refurbishment of Morupule A is expected to be completed in 2019. These projects are expected to impact positively on our security of electricity supply, which currently stands at 79 percent against a target of 85 percent.

34. In the meantime, the Government continues to implement the Rural Electrification Programme. The objective of the Programme is to address availability, access and affordability of electricity by our citizens. As stated in the 2018 State of the Nation address, 15 new villages and network extension in 45 villages were connected during 2017/2018. To date, electricity connection has been completed in 402 out of 492 gazetted villages. During 2018/2019 and 2019/2020 financial years, 43 new villages will be electrified while network extension will be done in 72 villages countrywide. This will result in an increase in household access to electricity from the current 58 percent to 65 percent. In order to reduce the burden of the cost of connecting electricity, this Government introduced the National Electricity Standard Cost (NESC) in October 2010 and standardised connection costs to P5, 000 for households. This was also aimed at improving access to electricity services throughout the country.

35. Madam Speaker, like in the case of power supply, availability of water is also a critical input in various economic sectors. In this regard, Government has invested substantial resources in the water sector over the past decades in order to improve on water supply throughout the country. Some of the achievements in this regard include: the four (4) multi-purpose dams; Ntimbale, Thune, Lotsane, and Dikgatlong; completion of water scheme projects such as Middlepits-Khawa, Zutshwa-Ngwatle, Lecheng-Matlhakola, Mahalapye-Bonwapitse, and Mmopane-Metsimotlhabe; and completion of groundwater project at Masama East, which augmented the water supply in the Greater Gaborone.

36. Among the major water projects underway are the implementation of the North South Carrier 2 and the Botswana Emergency Water Security and Efficiency projects. These projects will include: construction of strategic reservoirs; bulk water transfer pipelines; groundwater resource development and water supply distribution networks including treatment facilities. Other water projects are the: Selebi Phikwe-Serule Water Transfer Scheme; Boteti Southern

and Central Cluster Villages Water Supply Scheme; North East and Tutume Sub District Water Reticulation Scheme; and Lobatse Wastewater Treatment Works. All these projects will require substantial resources to sustain their continued implementation and maintenance.

37. Madam Speaker, another critical requirement for economic transformation is the availability of well-maintained transport infrastructure such as roads and bridges. Over the years, the Government invested a significant amount of resources in the development of transport-related infrastructure projects to drive economic growth, employment generation and contribute towards poverty alleviation. Among the completed trunk roads over the past decades are the major road loops such as the Trans Kgalagadi highway connecting Botswana with Namibia and the A1 highway-connecting Botswana with its neighbours both in the South and in the North. To further improve access to quality and well-maintained roads, implementation of the following projects will continue: Gaborone-Boatle, which is being upgraded to dual carriageway; Dibete-Mookane-Machaneng; Mosu-Thalamabele and Charleshill-Ncojane roads, which are being upgraded to bitumen standard; and construction of Mohembo and Kazungula Bridges. In order to facilitate the North-South corridor connectivity, the Government is considering construction of two (2) major railway projects being the Mosetse-Kazungula rail line and Mmamabula-Lephalale rail link. Feasibility studies for these rail projects have begun. Further, during 2019/2020 financial year, Government will commence the design of the Palapye-Martin's Drift and Francistown-Maun-Mohembo roads, as they have been severely affected by torrential rains.

Social Development

38. Madam Speaker, one of our development objectives is social justice, which entails achievement of sustainable livelihoods through elimination of poverty in all its forms, and ensuring equal access to quality health care, as well as inclusive social protection. Hence, the country subscribes to the United Nations Sustainable Development Goals (SDGs) adopted in September 2015, which are also consistent with the country's Vision 2036. The SDGs principle of '*leaving no one behind*' inspires this Government to continuously adopt inclusive development pathways.

39. One measure of a country's social development is the Human Development Index developed by the United Nations, which is a summary measure of the long-term progress in three basic dimensions of human development: *a long and healthy life, access to knowledge and a decent standard of living*. Measured against this index, Botswana's Human Development Index rose from 0.565 in the year 2000 to 0.717 in 2017. At this level, Botswana is above the average of 0.537

for countries in Sub-Saharan Africa, though still below the average of 0.757 for developed countries.

Eradication of Abject Poverty

40. Madam Speaker, the commitment of this Government to eradication of abject poverty remains strong. This is validated by a significant decline in overall poverty rate in the past years, in particular, declining from 59.0 percent in 1985/86 to 19.3 percent in 2009/2010, and further to 16.3 percent in 2015/2016. Admittedly, this figure is still high when considered against the upper middle-income status of the country. However, the country has performed relatively well in reducing extreme poverty defined as the ratio of population living below US\$1.90 per day. Against a national target of 3.0 percent, extreme poverty stood at 5.8 percent in 2015/2016, down from 6.4 percent in 2009/2010.

41. Madam Speaker, the war against abject poverty eradication will continue, as evidenced by a number of measures and initiatives planned for the next financial year. In this regard, Government will be scaling-up the interventions to address poverty through cluster gardens, fish farming and egg production, as well as production of commodities such as toilet paper and liquid soap detergents.

42. In an effort to improve the efficacy of the existing poverty eradication measures, Government is working on improving the information management system to address the challenge of double dipping by some beneficiaries of the schemes. Double dipping by beneficiaries in various programmes does not only increase costs to Government, but also defeats the objective of expanding the programmes to reach more people throughout the country. Therefore, the Single Social Registry system developed with the World Bank in 2015 aimed at assisting in the harmonisation and consolidation of social protection programmes and prevent double dipping will be implemented during the 2019/2020 financial year. In addition, Government, with the assistance of the United Nations Development Programme (UNDP), is developing a Poverty Eradication Policy and Strategy in an effort to advance the poverty eradication agenda. This Strategy will incorporate graduation guidelines to ensure efficient and effective implementation of poverty eradication programmes.

Equal Access to Quality Health Care

43. Madam Speaker, access to health services is a pre-requisite to a healthy nation and workforce, and is considered an important element of human development. Hence, Government has continued to invest in the provision of quality health services for all citizens. A major decision towards the improvement of the health outcomes in line with the quest for Universal Health Coverage was the adoption of the Treat-All Strategy in 2018, despite the high costs involved.

The Strategy entails enrolling everybody who tested positive for the HIV virus into the treatment programme, regardless of their CD4 counts.

44. In addition, Government is currently scaling-up the implementation of a multi-sectoral strategy of 2017-2022 to combat the Non-Communicable Diseases (NCDs). For policy thrust and optimal service delivery, NACA's role has been expanded to include health promotion and NCDs. The NCDs have emerged as one of the major causes of mortality in this country in recent years, with negative impact on the quality of life and workforce productivity. It also affect the country's health budget, as more resources are dedicated to addressing chronic diseases such as hypertension, cardio-vascular disease, cancer, kidney diseases and diabetes.

45. In an effort to strengthen service delivery in the country, the Government is currently implementing organisational reforms whereby health districts will have more control over their financial and human resource management. This will address supply chain management deficiencies and result in robust service delivery at community level.

Inclusive Social Protection

46. Madam Speaker, as part of inclusive development, the Government will continue to implement social welfare programmes to assist vulnerable persons with services and cushion them from the effects of hardships. The current suite of social welfare programmes under implementation includes; Old Age Pensioners, World War II Veterans, Destitute Persons, Community Home Based Care patients, People living with Disabilities, Orphans and Vulnerable Children, and the Supplementary Feeding to primary school children and vulnerable Groups at Health Facilities countrywide. The latter also contributes to the regular school attendance and concentration of learners during lessons, and curb hunger and malnutrition among the under-fives, pregnant women, lactating mothers, and TB outpatients. In an effort to improve the efficacy of these social welfare programmes, Government will implement National Social Protection Framework (NSPF), which was adopted in 2017. This Framework is an overarching policy document that will consolidate and guide all social protection programs in Botswana.

Inclusive Labour Relations

47. Madam speaker, Government aims to facilitate employment, provide industry-focused skills, and promote workplace health and safety, as well as productivity and work ethic in the economy and also manage industrial relations in an inclusive manner. The labour laws are currently being reviewed to ensure compliance to the ratified International Labour Organisation Conventions. To date, a tripartite arrangement has been put in place to spearhead the review of the

laws, with the International Labour Office technical assistance. As part of the strategies going forward, the Labour Market Information Management System is expected to be implemented in the financial year 2019/2020. This information system collects, analyses, monitors and captures labour market information for policy-making decisions geared towards effective human resource planning and implementation.

Maintaining Governance and Security

48. Madam Speaker, good governance is one of the prerequisites for economic growth and development. Botswana's democratic governance, which involves transparency, consultation, accountability, decentralised decision-making structures, and low level of corruption, has been a critical contributor to the country's development success to date. The Mo Ibrahim index measures the quality of governance based on safety and security, rule of law, transparency and corruption, and human rights development. In terms of this index, Botswana ranked third-best governed country in Sub-Saharan Africa in 2017. It is important that the country maintain its positive record on good governance, as it embarks on the road to transform from upper middle-income to high-income status. As such, Government continues to promote Botswana's participation at regional and international fora, the purpose of which is to promote multilateralism, contribute to the global rule of law and order, and promote the country as a destination for trade and investment. With *good governance* and *respect for the rule of law*, as some of the priority elements of His Excellency, the President Dr. Mokgweetsi Masisi's roadmap, it is expected that the country's ranking will be improved and sustained in the future.

Public Safety, Protection and Crime reduction

49. Madam Speaker, Government continues to improve national security structures and frameworks, in order to deal with emerging security threats. As part of the implementation of the Anti-Human Trafficking Act, 2014, the Government continues to undertake comprehensive campaigns geared towards the prohibition, prevention, combating and investigation of human trafficking. In addition, the Anti-Human Trafficking Action Plan has been put in place, which will ensure effectiveness and efficiency of initiatives implemented going forward.

50. The increasing intensity of distribution and use of illicit drugs and escalating rape, murder and robbery cases are a major concern in the country. In this regard, the Botswana Police Service has been committed in fighting these crimes. In addition, a capacity-building project known as the "Safer City" is ongoing, the primary goal of which is to enhance efficiency of the Botswana Police Service in providing world class policing and a better public safety and security services to members of the public. The Botswana Police Service has also intensified nation-wide efforts against stock theft through the Kgomo-Khumo

campaign. The campaign has started yielding positive results in apprehending perpetrators, and this will continue to be intensified.

51. Furthermore, **Madam Speaker**, national defence remains a key area in addressing issues related to public safety and protection. Through the NDP 11, Government is committed to capacitating the Botswana Defence Force to address emerging threats to public safety. Hence, resources will continue to be availed to the national army in the 2019/2020 financial year, for capacity building, human resource development and infrastructure development, including maintenance and upgrading of existing equipment.

Participatory Democracy

52. **Madam Speaker**, citizen participation in the democratic process is an integral part of good governance. In this regard, the National Assembly continues to facilitate public participation through education and outreach programmes. One of the initiatives is “*taking Parliament to the people*”, which involves the Honourable Speaker of the National Assembly disseminating information on the operations of the Parliament. During the 2017/2018 financial year, the Honourable Speaker visited twelve (12) constituencies across the country. Meanwhile, Government will continue to strengthen dissemination of information on Parliament and its operations to a wider audience during 2019/2020 and beyond, in an effort to promote participation in democratic processes.

53. To prepare for the national general elections expected later this year, the Independent Electoral Commission undertook the initial registration from September to November 2018, which registered 750 965 people, or 47.2 percent of 1 592 350 people who are eligible to vote. Supplementary registration, which started on the 17th December 2018, is ongoing until end of March 2019. The Commission continues to engage selected sectors of the society through targeted workshops, including People with Disabilities, the Faith Sector, Women, Media, Trade Unions and others.

Transparency and Accountability

54. **Madam Speaker**, in an effort to promote transparency and accountability, Parliamentary Committees continue to play a pivotal role in executing oversight on implementation of Government programmes and projects. On an annual basis, the Public Accounts Committee examines Government books of accounts to ensure accountability, transparency and integrity of Government spending. Furthermore, Statutory Bodies and State Enterprises Committee of Parliament held examinations meetings to ensure compliance with relevant laws and corporate governance standards. To demonstrate commitment to the principles of transparency and accountability, reports of these parliamentary committees must

be tabled and discussed in Parliament. Further to our continued efforts to intensify the fight against corruption, the Government also plans to present the Bill on the Declaration of Assets and Liabilities to Parliament at its July/August meeting. Once adopted, the law will require certain categories of public employees to declare their assets and liabilities. This will ensure transparency as well as promote integrity in the public service.

III. BUDGET REVIEWS AND PROPOSALS

2017/2018 Budget Outturn

55. Madam Speaker, total revenues and grants for 2017/2018 financial year were at P56.41 billion, while total expenditure and net lending amounted to P58.39 billion, resulting in the overall deficit of P1.98 billion, or -1.1 percent of GDP. This negative budget outturn was due to the lower tax collections during the year. Efforts will therefore, be intensified to ensure efficiency in the collection of tax revenues by the Botswana Unified Revenue Service through the continuous review of tax laws and leveraging on the use of ICT to enhance compliance.

2018/2019 Revised Budget

56. The revised budget forecast for the 2018/2019 is a deficit P6.96 billion, or -3.5 percent of GDP, compared to the original budget deficit of P3.59 billion. Total revenue and grants have been revised downwards by 12.6 percent to P58.23 billion, due to forecast underperformance of the mineral and non-mineral income tax revenue items. Mineral revenue has been revised downwards by 17.5 percent in light of the decision by Debswana to commence the implementation of Cut 9 project at Jwaneng and Cut 3 project at Orapa during this financial year, financed through forfeited dividends.

57. The non-mineral income tax, on the other hand, will underperform by 33.3 percent, against the original budget of P13.36 billion, reflecting lower collections by the revenue authority. Meanwhile, total expenditure and net lending for 2018/2019 shows a decrease of P2.68 billion from the original budget of P67.87 billion to P65.19 billion, due to the continued underperformance of the development budget. The development budget for 2018/2019 is revised from the original figure of P19.31 billion to P16.62 billion, to reflect the implementation capacity of both the public and private sectors to execute projects.

58. Madam Speaker, I must hasten to say that lack of implementation or slow implementation within both the Government and the private sector, continues to be worrisome. Therefore, in the coming financial year, emphasis will be put on effective and efficient implementation of the Government programmes by ensuring adequate planning for such programmes, including timely acquisition of

land, and all other activities that are necessary to prepare for actual implementation. In addition, the Government will be rolling-out the implementation of the National Monitoring and Evaluation System approved in 2018, to ensure that the resources are used to deliver on their intended outputs and outcomes. Furthermore, Government has taken a decision to set up a Project Management Office during the 2019/2020 financial year to ensure effective implementation of projects.

2019/2020 Budget Proposals

59. Madam Speaker, I now present the 2019/2020 budget proposals. I must emphasise that these budget proposals are informed by the need to *consolidate the country's gains in various areas of development and address the challenges* to achieve sustained economic growth to support employment creation and poverty alleviation. Therefore, the focus will be placed on high impact infrastructure development; human capital development, especially technical and vocational education; and national ICT backbone. In addition, Government will continue to implement social welfare programmes, as part of its efforts to address poverty among the most vulnerable groups of the society.

60. Total revenue and grants are estimated at P60.20 billion. Mineral revenue remains the highest contributor at P21.09 billion or 35.62 percent of total revenue and grants, while customs and excise revenue is estimated at P14.02 billion. Non-mineral income tax is estimated at P11.55 billion, while VAT is expected at P9.12 billion. However, there are downside risks to these revenue estimates, arising mainly from the continued high volatility of the mineral and customs and excise revenues. Total expenditure and net lending for the financial year 2019/2020, on the other hand, is estimated at P67.54 billion, resulting in a budget deficit of P7.34 billion or minus 3.5 percent of GDP.

Ministerial Recurrent Budget

61. Madam Speaker, the proposed Ministerial Recurrent Budget amounts to P46.99 billion, an increase of 4.1 percent over the revised budget for financial year 2018/2019. The increase in the proposed recurrent budget for 2019/2020 is primarily due to adjustment of salaries and allowances by 3.0 percent in 2018, as well as provision of funding for the Sir Ketumile Masire Teaching Hospital, which is scheduled to start operating in 2019.

62. Five Ministries are proposed to be allocated P33.69 billion or 71.7 percent of the total Ministerial Recurrent Budget. These are: Ministry of Basic Education with an allocation of P8.24 billion or 17.5 percent; Ministry of Health and Wellness at P7.63 billion or 16.2 percent; Ministry of Defence, Justice and

Security is allocated P6.86 billion or 14.6 percent; Ministry of Local Government and Rural Development at P6.43 billion or 13.7 percent and Ministry of Tertiary Education, Research, Science & Technology is allocated P4.54 billion or 9.7 percent. The balance of P13.30 billion or 28.3 percent goes to the remaining Ministries and Independent Departments.

63. The largest share amounting to P8.24 billion or 17.5 percent of the total Ministerial Recurrent Budget, is proposed for allocation to the Ministry of Basic Education. This will cater for the ongoing investment in human capital development with expenditure items covering payment of teachers' salaries and allowances, maintenance of existing facilities, provision for textbooks, food supplies, stationery, payment of utilities and replacement of furniture and equipment in schools.

64. The second largest share of P7.63 billion or 16.2 percent is proposed for allocation to the Ministry of Health and Wellness, to cater primarily for the provision of drugs, dressings and vaccines, replacement of medical and surgical equipment, anti-retro-viral therapy including the Treat-All Strategy and running costs of Sir Ketumile Masire Teaching Hospital.

65. Madam Speaker, the Ministry of Defense, Justice and Security is proposed to be allocated the third largest share of P6.86 billion, or 14.6 percent. This is mainly to cover running costs of the Botswana Defense Force, Botswana Police and Prisons and Rehabilitation Services, and the new positions required to augment capacity at the Ministry's Headquarters to counter money-laundering threats.

66. An amount of P6.43 billion or 13.7 percent, being the fourth largest share of the proposed recurrent budget is allocated to the Ministry of Local Government and Rural Development. This will cater for budget transfers in the form of Revenue Support Grants to District and Urban Councils, gratuities for Councilors whose term of office will be coming to an end in the next financial year, maintenance of infrastructure, social welfare schemes for the needy and the elderly.

67. The Ministry of Tertiary Education, Research, Science & Technology is proposed to be allocated the fifth largest share amounting to P4.54 billion or 9.7 percent. This will mainly cater for tertiary student bursaries and subventions to Government Tertiary institutions mainly the University of Botswana, the Botswana International University of Science and Technology and Botswana Open University.

68. A sum of P1.95 billion or 4.2 percent, representing the sixth largest share of the Ministerial recurrent budget is proposed for allocation to the Ministry of Transport and Communications. This is primarily intended to cater for maintenance of roads and buildings, provision for petrol, oil and lubricants, maintenance of plant and equipment, including ICT infrastructure and subventions to Civil Aviation Authority of Botswana and Botswana Post.

69. Other Ministries with significant proposed budget allocations are: Ministry of Presidential Affairs, Governance and Public Administration with P1.52 billion or 3.2 percent; Ministry of Agricultural Development and Food Security with P1.34 billion or 2.8 percent and the Ministry of Investment, Trade and Industry with P1.05 billion or 2.2 percent. The rest of the Ministries and Independent Departments share the remaining portion of the Ministerial Recurrent Budget amounting to P7.44 billion or 15.8 percent.

Statutory Expenditure

70. Madam Speaker, the proposed budget for Statutory Expenditure for the financial year 2019/2020 is P7.19 billion. This represents a substantial decline of P1.89 billion or 20.9 percent over the current year's budget, due mainly to the repayment of Bond BW005, which matured in September 2018. The proposed budget caters for Public Debt Service requirements, Pensions, Gratuities and Compensations, as well as Salaries and Allowances for Judges and other Specified Officers.

Development Expenditure

71. Madam Speaker, the proposed Development Budget for 2019/2020 financial year is P17.03 billion. The Ministry of Land Management, Water and Sanitation Services, with a proposed allocation of P3.37 billion or 19.78 percent, takes the largest share, mainly to *improve water supply and management* in the country. Among the major water projects under implementation include the North-South Carrier 2 from Palapye – Mmamashia - Gaborone, meant to provide water to the southern part of Botswana, and various components of the Emergency Water Security and Efficiency project funded through a loan from the World Bank. Specific components of the Emergency Water Security and Efficiency project planned for implementation during the financial year include: Selibe-Phikwe-Serule Water Transfer Scheme; Ghanzi Township Water Supply Expansion; Rehabilitation of the Mambo Water Treatment Plant in Francistown; and de-sludging of Lobatse Water Treatment Ponds.

72. The proposed development budget for the Ministry will also cover the funding for the *Clean Water and Sanitation Programme*. Among the major

projects planned for implementation during the 2019/2020 financial year under this programme are: Maun Water Sanitation Phase II allocated P400 million; Moshupa sanitation - P80 million; Kanye sanitation - P60 million; and Molepolole sanitation - P50 million.

73. The Ministry of Defence, Justice and Security is allocated the second largest share of P2.50 billion or 14.67 percent. The allocation caters for provision of various physical infrastructure such as offices and staff houses, communication equipment, vehicles and aircraft maintenance for Botswana Defence Force and Botswana Police Service.

74. Madam Speaker, the Ministry of Mineral Resources, Green Technology and Energy Security with the proposed allocation of P1.97 billion or 11.57 percent, takes the third largest share. The allocation caters for the ongoing North–West Transmission Grid Connection, Electrification of 111 Villages under the Rural Electrification Project, Transmission Line from Morupule B to Isang sub-station (400kv Line), Remedial Works at Morupule B, and Transmission Backbone for the Southern part of Gaborone, Mochudi, Ramotswa, and Tlokweng villages.

75. An amount of P1.85 billion or 10.86 percent of the total development budget is proposed for allocation to the Ministry of Transport and Communications. The allocation will cater for ongoing roads, bridges and ICT projects. These include ongoing road projects of Rakhuna-Mabule; Mmankgodi-Jwaneng; Gaborone–Boatle dualling; Mulambakwena-Tshesebe; and Dibete-Mookane-Machaneng. The proposed budget will also finance projects which have been awarded as “design and build” and these are construction of three (3) intersections along the KT Motsete Drive, as well as Modernisation and Centralised Traffic Control for the Greater Gaborone Area. The budget provision also includes projects at tender stage which are Mogoditshane–Gabane-Mmankgodi and Mmandunyane-Shashe Mooke – Chadibe – Mathangwane roads. Other projects to be funded under this provision are the ongoing Kazungula and Mohembo bridges. Furthermore, the budget will finance planned ICT projects such as the Government Data Network upgrading, National Backbone networks, Government Data Centre and Local Access Network.

76. Madam Speaker, the fifth largest share of the proposed development budget of P1.77 billion or 10.39 percent, is proposed for allocation to the Ministry of Local Government and Rural Development in order to continue implementation of social protection programmes and village infrastructure projects. Over two-thirds of the development budget for the Ministry goes to Ipelegeng programme, with an allocation of P635 million and Community Development project, with an allocation of P570 million. The balance will fund

ongoing programmes and projects, mainly the Primary School Backlog Eradication Programme; Tutume Internal Roads and Bus rank; Gabane and Kang Infrastructure Development; and Maintenance of Primary School Facilities.

77. The remaining balance of P5.46 billion or 32.0 percent will be shared by other Ministries and Departments. Major programmes and projects to be funded under this balance include: ISPAAD (P564 million) and LIMID (P100 million); staff houses and maintenance of secondary schools (P677 million); construction and upgrading of health facilities (P516 million); Poverty Eradication Programme (P185 million); housing schemes such as Self Help Housing Agency (SHHA) (P77.5 million); and poverty alleviation scheme and destitute housing for the low income groups (P97.6 million).

IV. FISCAL LEGISLATION

78. Madam Speaker, for Government to achieve its development goals, it is necessary to mobilise domestic resources. To this end, efforts will continue to be made to expand our tax base through review of tax legislation and regulations, to enable the revenue authority to effectively discharge its mandate. It is for this reason that focusing on simplifying the tax legislation continues to be a priority as a way of enhancing tax compliance, while at the same time, reducing the cost of tax administration.

79. In an effort to comply with international standards, and remove any perception that Botswana could be a tax haven, Government has since reviewed the Botswana International Financial Services Centre tax regime which led to the amendment of the Income Tax Act by Parliament in December last year. The amended regime has since been assessed by the Organisation for Economic Co-operation and Development (OECD) in January 2019, which declared it not to be harmful. The amendment to the Income Tax Act also introduced Transfer Pricing Rules and Thin Capitalisation provisions. Transfer Pricing Rules guard against attempts by multi-national corporations to minimise their tax liability by transferring profits to low tax jurisdictions in order to pay less tax or where costs are charged to a company in a high tax jurisdiction to reduce profits and thereby pay less tax. Thin Capitalisation is when a company is financed through a high level of debt compared to equity. The Thin Capitalisation provisions seek to restrict the amount of interest on debt, which would reduce a company's profits and thereby reduce its tax payable.

80. A bill seeking to amend the existing Transfer Duty Act was published in November 2018. I shall be presenting the Bill to Parliament in March this year. Save to say that the Bill proposes significant changes to the current Act in an

effort to modernise and close any gaps in the existing law. One of the significant changes is the exemption of citizens from paying transfer duty under certain circumstances, such as where a citizen acquires residential property for the first time to be used as own home. The amendment also increases the exemption threshold from P200 000 to P500 000 for purposes of computing duty payable upon transfer of property. The latter changes should encourage home ownership, especially by the young families and people starting their lives.

81. During the course of 2019/2020 financial year, I will also be seeking amendment to the Capital Transfer Tax Act to align it with the Transfer Duty Act. These amendments, among others, will include: removing the ceiling of P15 000, for exemption of transfer of property such as household goods and personal belongings to heirs; increasing the value of gifts that are exempted from being taxed from P5 000 to P25 000; and the transfer of immovable property which is currently exempted under the Transfer Duty Act will also be exempted under the Capital Transfer Act. The PPAD Act is also being reviewed in order to address gaps and challenges that were experienced during the implementation of the Act. The review is meant to align it with global trends within the procurement landscape and this is expected to improve efficiency and effectiveness in the management and regulation of public procurement and asset disposal processes.

82. Madam Speaker, one of the fiscal areas that Government will be focusing on going forward will be cost recovery and user fees. With the downside risks associated with the main revenue sources of mineral, customs and excise, and income tax, it is important that Government undertake a comprehensive review of the fees, levies and charges, with a view to determining their potential to contribute to total Government revenues. These revenue items, which are commonly referred to as “Other revenues” in the budget, currently contribute around 4 percent of total revenues. My Ministry intends to work with other Ministries and Departments during the next financial year to review fees and charges in line with the policy of cost recovery, while increasing their contribution to Government budget.

V. PUBLIC SERVICE SALARIES

83. Madam Speaker, this Government is fully aware of the effects of inflation in eroding individuals’ disposable incomes. With respect to Civil Servants, negotiations are ongoing between Government and Public Sector Unions. I have been advised that while negotiations are ongoing, I cannot, on behalf of Government make any announcement as to what the Government has determined to be an appropriate salary increase for Civil Servants in 2019/2020. I trust however, that an agreement between the negotiating parties will be reached soon to enable the Government to effect payment without delay.

84. With regard to the review of Salaries, Conditions of Service and Other Entitlements of the Political Leadership, Justices and Members of Ntlo Ya Dikgosi, the Report of the Presidential Commission has been submitted to His Excellency, the President and is being considered.

VI. CONCLUSION

85. Madam Speaker, the 2019/2020 budget proposals are presented against the backdrop of the roadmap of His Excellency President Dr. Mokgweetsi Masisi to transform the economy, which requires concerted efforts to achieve the high-income status that Botswana aspires in Vision 2036. A summary of the development journey over the past years shows that the country, under the capable leadership of this Government, has achieved impressive growth and development, as indicated by positive economic and social indicators. However, there is need to consolidate these gains and address persistent development challenges facing the country such as unemployment, poverty and income inequality in order to transform the economy to a high-income status.

86. The 2019/2020 budget proposals therefore support this consolidation in terms of proposing, or emphasising specific policies, strategies and programmes for implementation in the next financial year. To this end, the 2019 budget provides for budgetary allocations to programmes and projects aimed at promoting economic growth, as it is a necessary condition for achieving development results. These programmes include continued major investments in the key sectors of energy, water, roads network and information, communication and technology. At the same time, Government will continue to avail resources in the 2019/2020 budget to fund social welfare programmes as they have proved vital in mitigating against the effects of the development challenges of unemployment, poverty and income inequality in the short-term.

87. Madam Speaker, it would be remiss of me to conclude this Budget Speech without highlighting the fiscal constraints facing this country. As indicated under the budget review and proposals sections, the projected deficits for 2018/2019 and 2019/2020 of 3.5 percent of GDP for each year, are close to the set limit of 4.0 percent of GDP. These deficits exclude any additional expenditures that may arise from Government decisions during the course of the year, or emergency spending occasioned by natural disasters such as drought and outbreak of animal diseases. I must indicate that the budget deficits experienced in the first three years of NDP 11, were a deliberate effort by this Government to respond to the national needs of: increasing economic activity to create employment opportunities; eradicating extreme poverty and equitable income distribution. The Government is otherwise committed to maintaining fiscal sustainability by achieving moderate surpluses in the last three years of NDP 11. In line with this commitment, I therefore urge for continued prudent management of expenditure

by all Ministries and Departments, while scaling-up resource mobilisation efforts through enhanced collections of taxes and user charges, as well as improving on productivity at all levels.

88. Madam Speaker, as I conclude, I wish to underscore the point that this budget is about job creation, as the Government continues to leverage on its purchasing power to stimulate the growth of the private sector, which, in turn, should create sustainable jobs. Of the total P67.5 billion expenditure planned for the 2019/2020 financial year, P22.4 billion, or one-third is for paying salaries and allowances for those employed in the public service, while the balance of P45.1 billion or 66 percent will be available for government procurement of goods and services from the private sector. This is a significant amount availed by government to spur growth of the economy, and create employment opportunities.

89. In conclusion, I wish to extend our gratitude to the development partners that continue to support this country to implement its development agenda. As we embark on the transformation of the economy, to enable Botswana to achieve a high-income status as per our aspiration in the Vision 2036, we hope that we can continue to count on the support of our development partners for knowledge sharing and technical assistance.

90. Madam Speaker, I now move that the **Appropriation (2019/2020) Bill, 2019, No. 1 of 2019** be read for the second time.

91. I thank you, **Madam Speaker**.