



THE 2015/16 BUDGET in BRIEF

Background

- Performance of the global economy continues to be uneven, with recovery remaining fragile in 2014.
- Budget Strategy Paper (<http://www.finance.gov.bw>) discussed with General Stakeholders during the Budget Pitso consultations.
- Government to allocate substantial budget to human capital and physical infrastructure development.
- Implementation of the programmes and projects to be guided by the principles of efficiency, effectiveness and financial discipline.

Economic Review

Global Economy

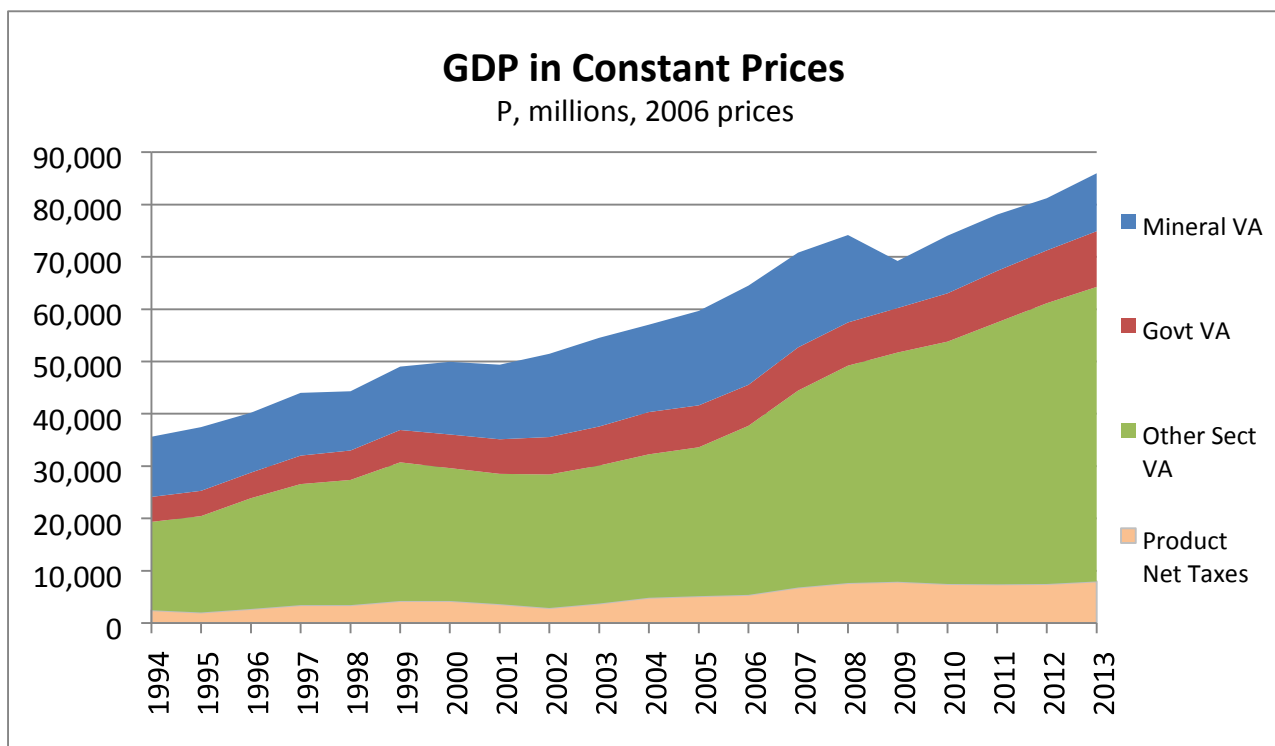
IMF World Economic Outlook:

- reported World growth for 2013 = 3.3%;
- estimated World growth for 2014 = 3.3%; and forecast for 2015 = 3.5%;
- anticipated growth of Major Advanced Economies, on which our diamond exports depend, = 1.8% in 2014 and 2.4% in 2015.
- reported sub-Saharan Africa growth for 2013 = 5.2%;
- estimated sub-Saharan Africa growth for 2014 = 4.8%; and forecast for 2015 = 4.9%.

Botswana Economy

GDP

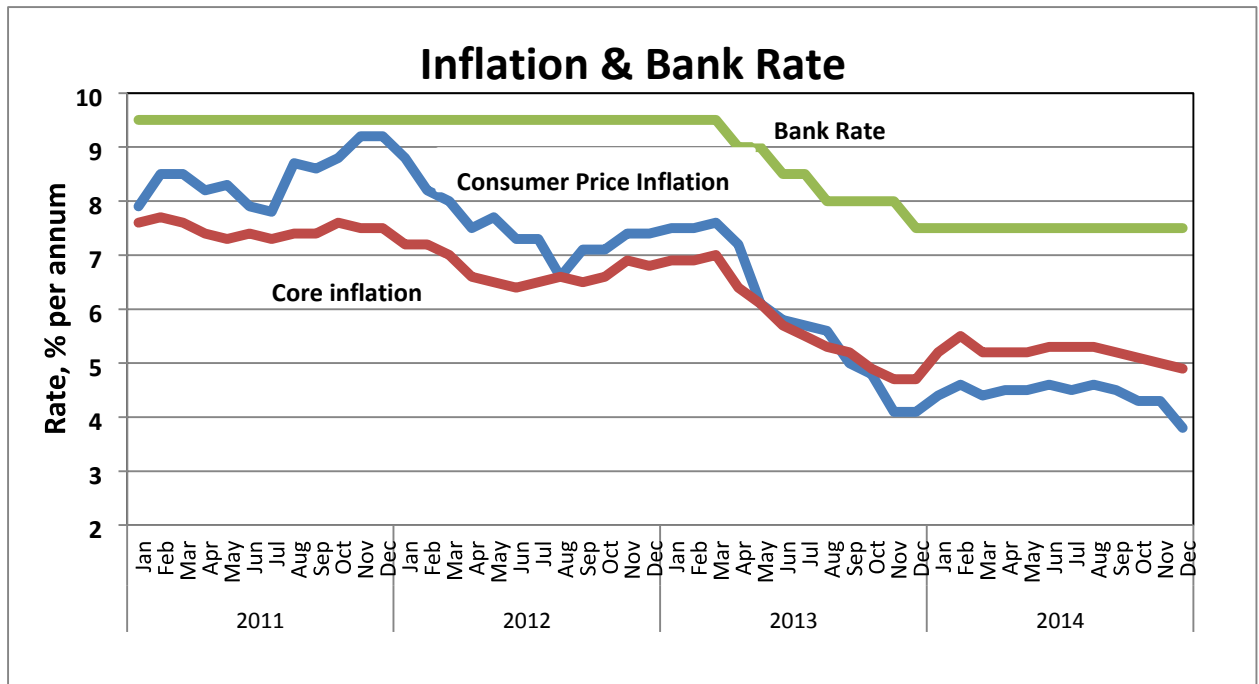
- Real economic growth registered 5.8% in 2013; estimated at 5.2% in 2014 and forecast at 4.9% in 2015.
- Estimated GDP in current prices for FY 2014/15 = P143.7 billion, and projected for FY 2015/16 = P155.7 billion.
- Projected nominal GDP and real growth rates to FY 2015/16 are in Table 1.
- GDP at constant prices by major sectors are sketched in the following chart.



Source: MFDP, January 2015

Inflation and Monetary Policy

- CPI inflation (year-on-year) decreased from 4.1% in December 2013 to 3.8% in December 2014.
- Core Inflation (excluding Administered Prices) increased marginally from 4.7% in December 2013 to 4.9% in December 2014.

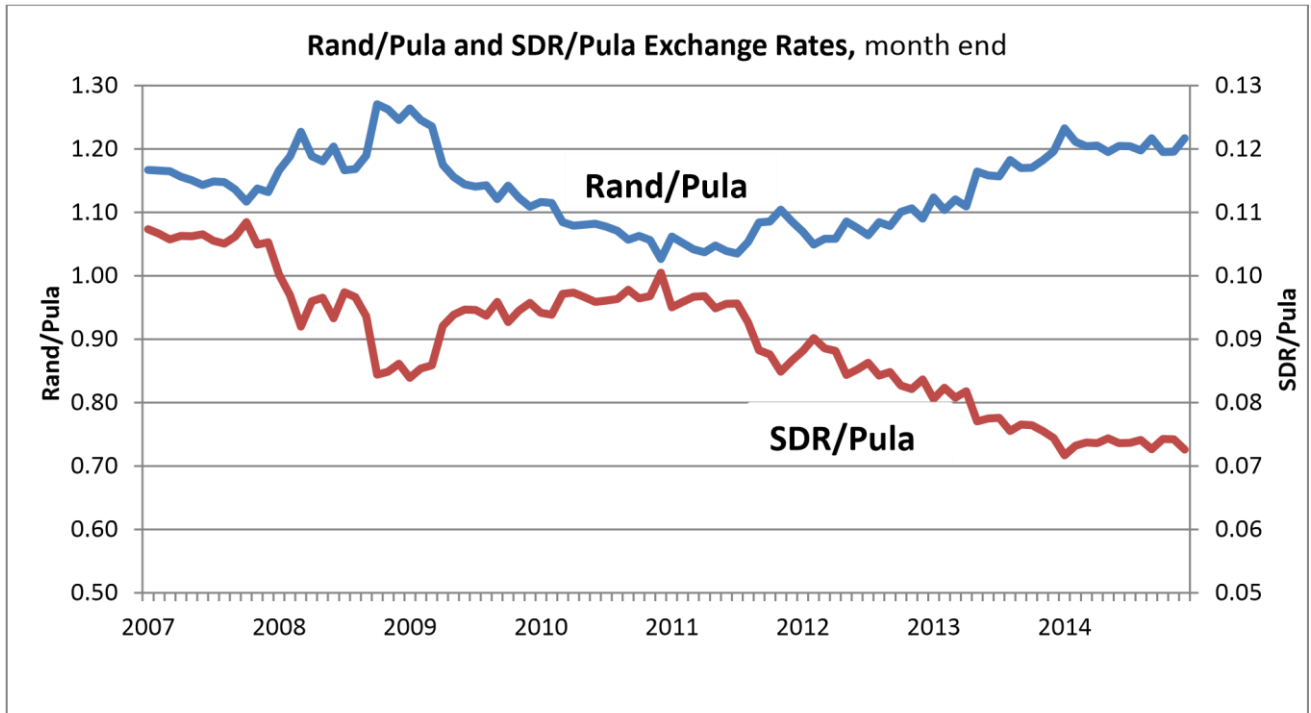


Source: MFDP, January 2015

- Bank Rate set at 7.5% in December 2013, and maintained at 7.5%.
- CPI inflation has remained within the Bank of Botswana medium term inflation objective range of 3 to 6 percent since June 2013.

Exchange Rates

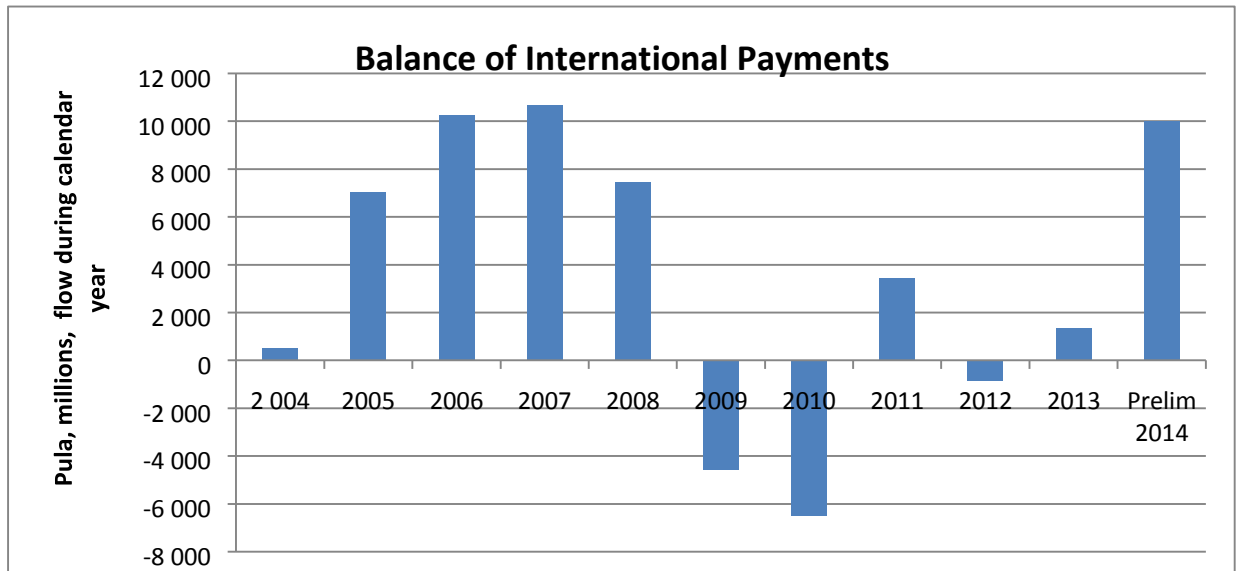
- Pula exchange rate is fixed daily to a basket of currencies comprised of the South African Rand and the IMF's SDR (made up of US\$, €, £, ¥).
- Weights of the currencies in the basket:
 - previously 55% South African Rand; and 45% SDR
 - January 2015 changed to 50% South African Rand; and 50% SDR.
- Rate of crawl against the basket:
 - previously at minus 0.16% per annum because Botswana's expected inflation exceeded that of Trading Partners;
 - January 2015 set = zero because Botswana's expected rate of inflation equals average expected rate of inflation of trading partners.
- Real Effective Exchange Rate expected to remain stable.



Source: MFDP, January 2015

Balance of Payments and Foreign Exchange Reserves

- Balance of international payments surplus of P10.0 billion in 2014 compared P1.3 billion in 2013.

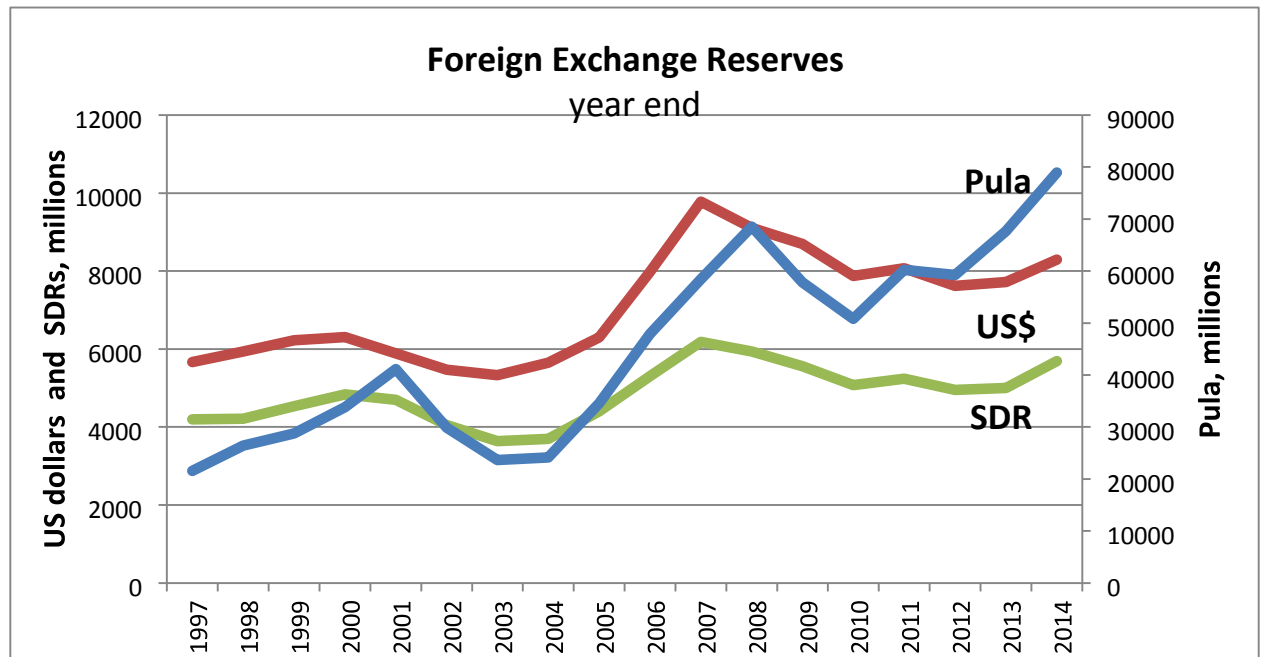


Source: MFDP, January 2015

□

As at the end of December 2014, Foreign exchange reserves stood at P79.0 billion, enough to finance 18 months of goods and services imports.

- Foreign exchange reserves in terms of SDRs and USD were 5.7 billion and 8.3 billion, respectively as at end December 2014.



Source: MFDP, January 2015

Performance of Public Enterprises

- Uneven performance by Public Enterprises for the year 2013; ○ Botswana Telecommunications Corporation: net profit of P273.6 million; ○ National Development Bank: net profit of P45.8 million;
 - Botswana Communications Regulatory Authority: net profit of P40.6 million;
 - Botswana Housing Corporation: net profit of P34.9 million;
 - Botswana Meat Commission: net profit of P25.8 million;
 - Botswana Power Corporation: loss of P1.3 billion; and ○ Water Utilities Corporation: loss of P191.1 million;

Improving efficiency of Public Sector

- Botswana Telecommunications Corporation privatization at an advanced stage.
- Privatization of National Development Bank in progress.

□

- Government continues to outsource non-core services to private companies such as ground maintenance, security guarding and cleaning services.

Implementation of Rationalisation Strategy adopted in 2009 resulted in establishment of new entities such as:

- Botswana Investment and Trade Centre;
- Botswana Institute of Technology Research and Innovation;
- Human Resources Development Council; and ○ Botswana Qualification Authority.

Improving Project Implementation

□ Project implementation remains one of the challenges faced by Government. □ Government continues to take measures to improve project implementation.

- Public Procurement and Asset Disposal Board (PPADB) implementing the Integrated Procurement Management System to enhance procurement management, improve transparency, and reduce lead times in public procurement.
- PPADB also intensified the training of Procuring Entities, Committees of the Board, Ministerial Tender Committees, and District Administration Tender Committees to capacitate them on procurement skills.

Development of the Vision Beyond 2016

- Government embarked on the preparation of the National Vision Beyond 2016.
- Draft framework approved by the Botswana Economic Advisory Council in November 2014.
- Diagnostic studies of the four thematic areas undertaken:
 - Economy and Employment;
 - Social Upliftment;
 - Sustainable Environment; and
 - Governance, Safety and Security.
- New vision expected to be launched in September 2016.
- Meanwhile, NDP 10 extended by 1 year to allow for new vision to be aligned with NDP 11.

Millennium Development Goals

- Botswana among countries that reaffirmed commitment towards the new United Nations Development Framework for the next fifteen years beyond 2015.
- United Nations currently refining the sixteen broad areas identified as forming the foundation of the proposed “Sustainable Development Goals”.



The broad-based areas include: ○ ending poverty in all its forms everywhere; ○ healthy life at all ages for all; ○ quality education and lifelong learning for all; ○ water and sanitation for a sustainable world; and ○ mitigate and adapt to climate change.

Key Thematic Areas in 2015/16 Budget:

- Growing the economy;
- Promoting Inclusive Growth;
- Enhancing the business environment to promote and foster diversification; and
- Strengthening the Judicial System and Combating Crime and Corruption;

Budget for FY 2013/14 & 2014/15 (Tables 2 and 4)

2013/14 Budget Outturn

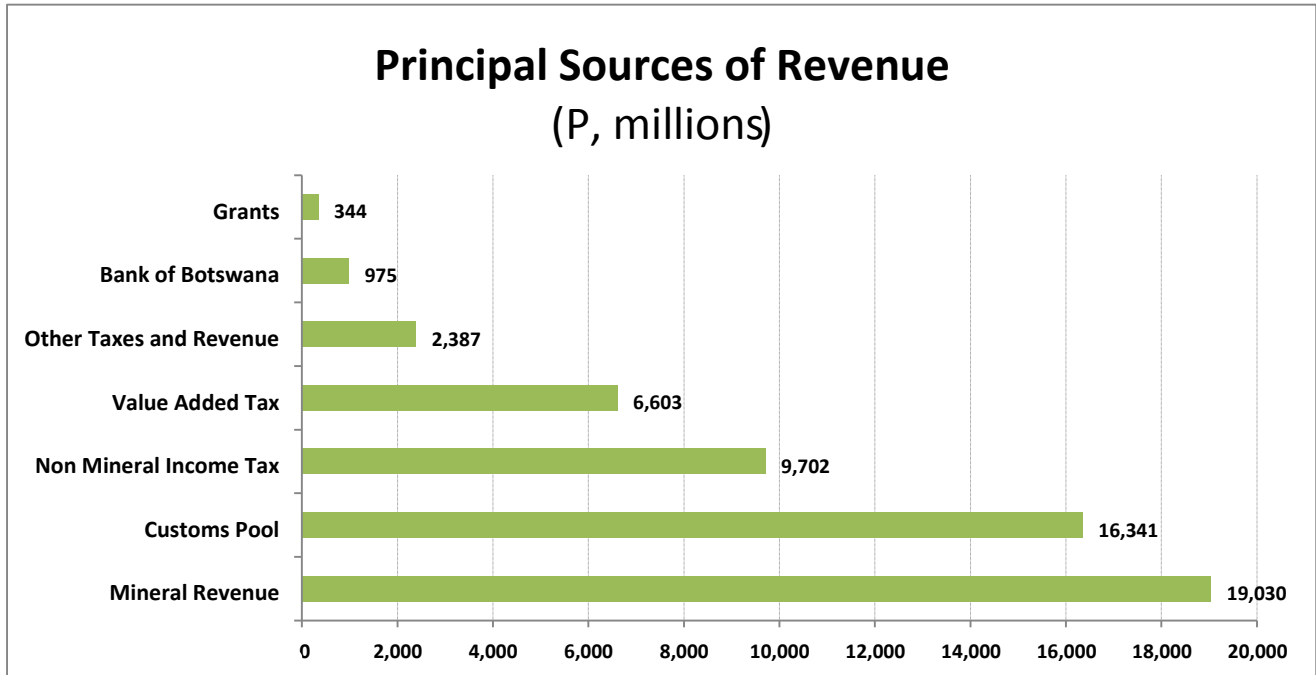
- Total Revenues and Grants for FY 2013/14 = P48.95 billion.
- Total Expenditure and Net Lending = P41.73 billion.
- Overall balance = + P7.22 billion compared, to a surplus of P3.47 billion in the revised budget.

2014/15 Revised Budget Estimates

- Revenues & Grants = P51.54 billion.
- Total Expenditure and Net Lending = P51.26 billion.
- Budget surplus = P280.8 million (vs. surplus of P1.326 billion estimated in February 2014).

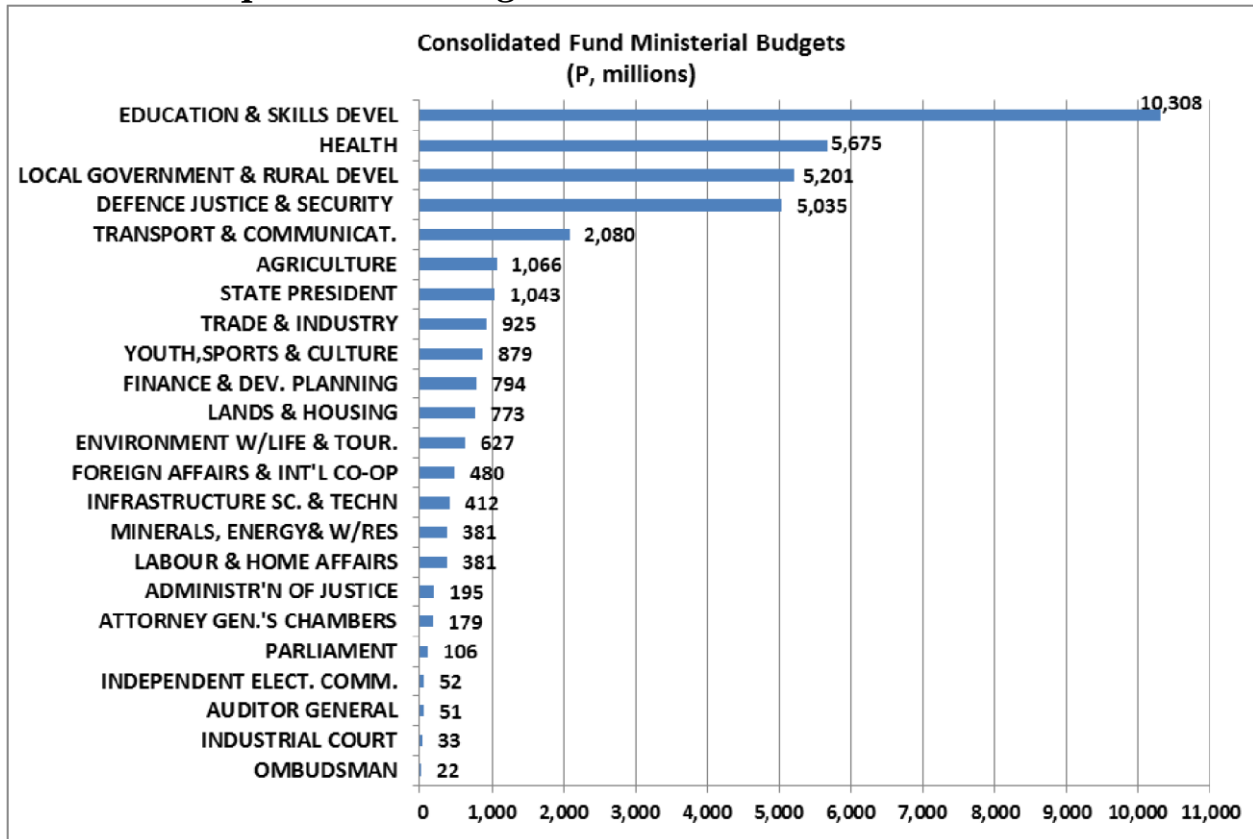
Budget Proposals for FY 2015/16

Revenues and Grants



Source: MFDP, January 2015

Ministerial Expenditure Budgets

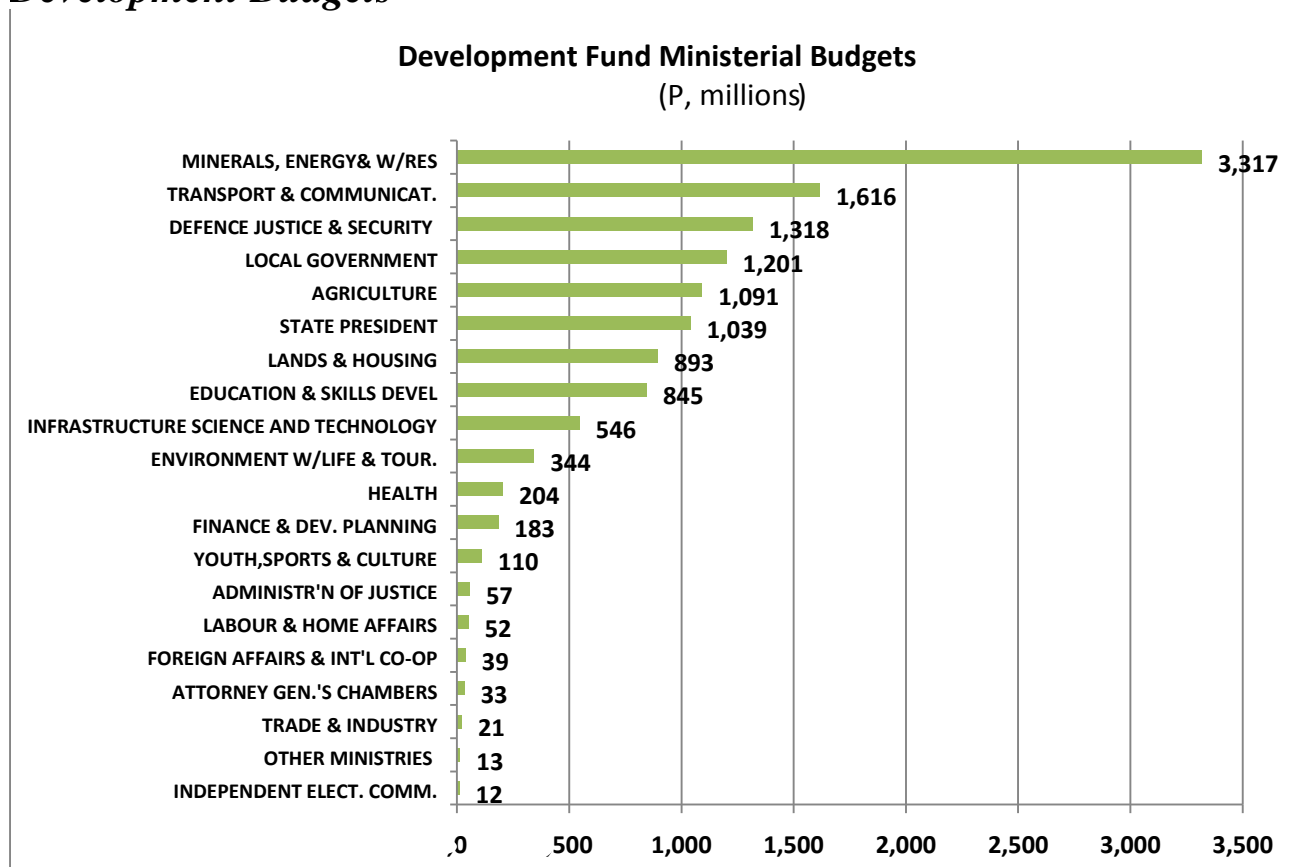


Source: MFDP, January 2015

Expenditure Priorities:

- Human capital development;
- Fight against HIV/AIDS including elimination of mother-to-child transmission of HIV;
- Poverty eradication;
- Water and power supply;
- Employment creation; and
- Maintenance of existing infrastructure.

Development Budgets



Source: MFDP, January 2015

Major Projects included:

- Ministry of Minerals, Energy and Water Resources (P3.32 billion):

Projects aimed at Water situation improvements include; ○

North-South Water Carrier (P500 million);

○ Kanye-Molepolole connection to North South Water Carrier (P150 million);

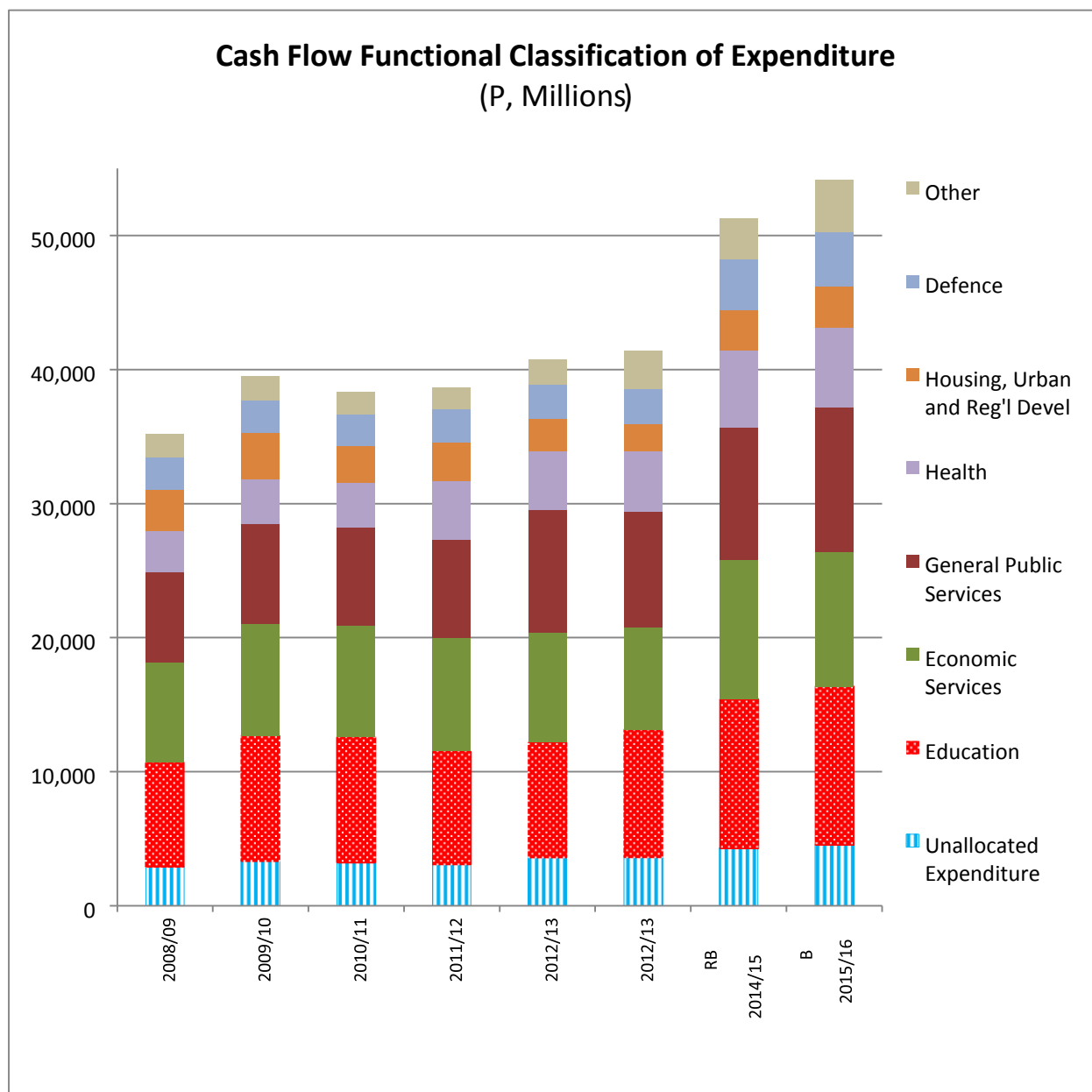
○ Mahalapy-Palapye Water Network Extension (P100 million) and ○ Maun Water and Sanitation (P89 million)

Projects aimed at Power situation improvements include;

- Botswana Power Cooperation (P1.5 billion);
- Construction of Oil Storage project (P150 million);
- Morupule A refurbishment (P100 million);
- Electrification of villages (P100 million);
- North West Transmission Grid (P50 million);
- Rakola Power Substation (P50 million); and
- ZIZABONA (P33 million).

- Ministry of Transport and Communications (P1.62 billion):
 - Road infrastructure (P320 million);
 - Upgrading of existing ICT infrastructure (P300 million);
 - Kazungula, Thamalakane and Mohebo bridges (P280 million); and
 - Air infrastructure (P265 million);
- Ministry of Defence, Justice and Security (P1.32 billion):
- Ministry of Local Government and Rural Development (P1.2 billion)
 - Ipelegeng (P635.6 million);
 - Primary School maintenance backlog eradication (P341.2 million); and
 - Village Infrastructure (P151.4 million);
- Other Ministries (P5.47 billion):
 - ISPAAD and LIMID (P730 million);
 - Construction of Junior schools (P340 million);
 - Land Servicing (P250 million);
 - Self Help Housing Agency (P214.7 million);
 - Construction of Nursing Staff Houses (P203.8 million)
 - HIV/AIDS (P194.8 million);
 - Poverty Eradication initiatives at (P160 million);
 - Construction of Teachers Houses (P100 million); and
 - Special Economic Zones infrastructure (P82.1 million);

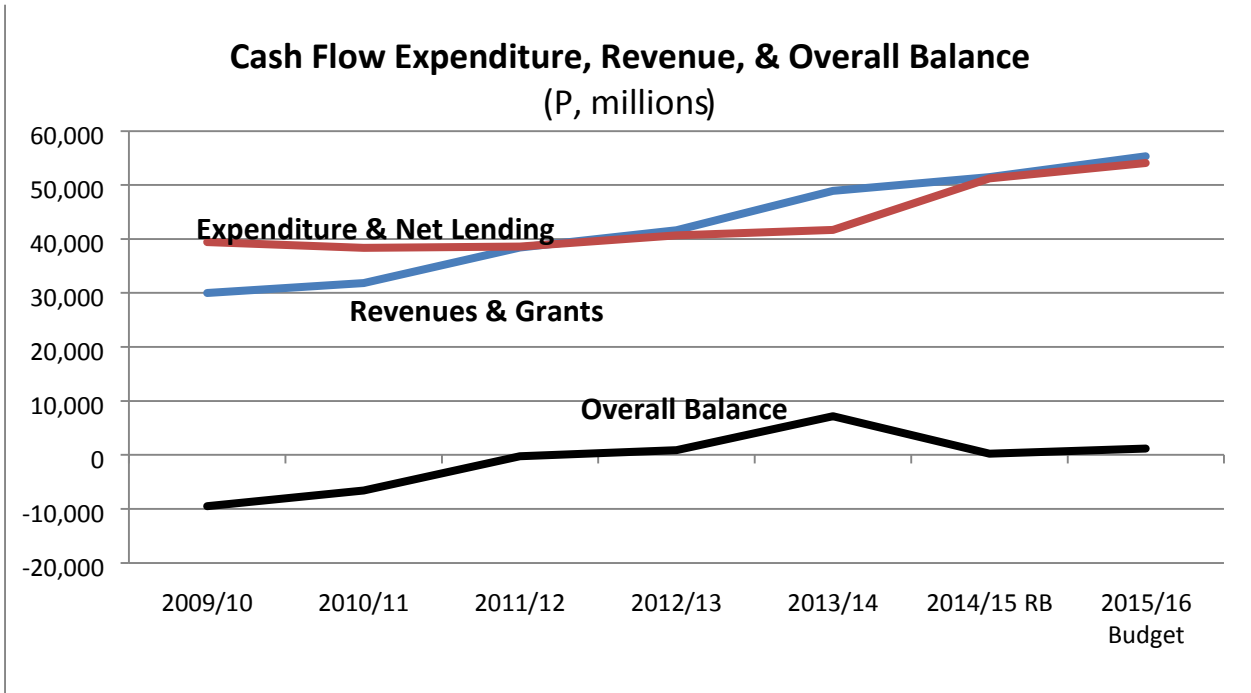
Expenditure by Function



Source: MFDP, January 2015

Overall Cash Flow Balance

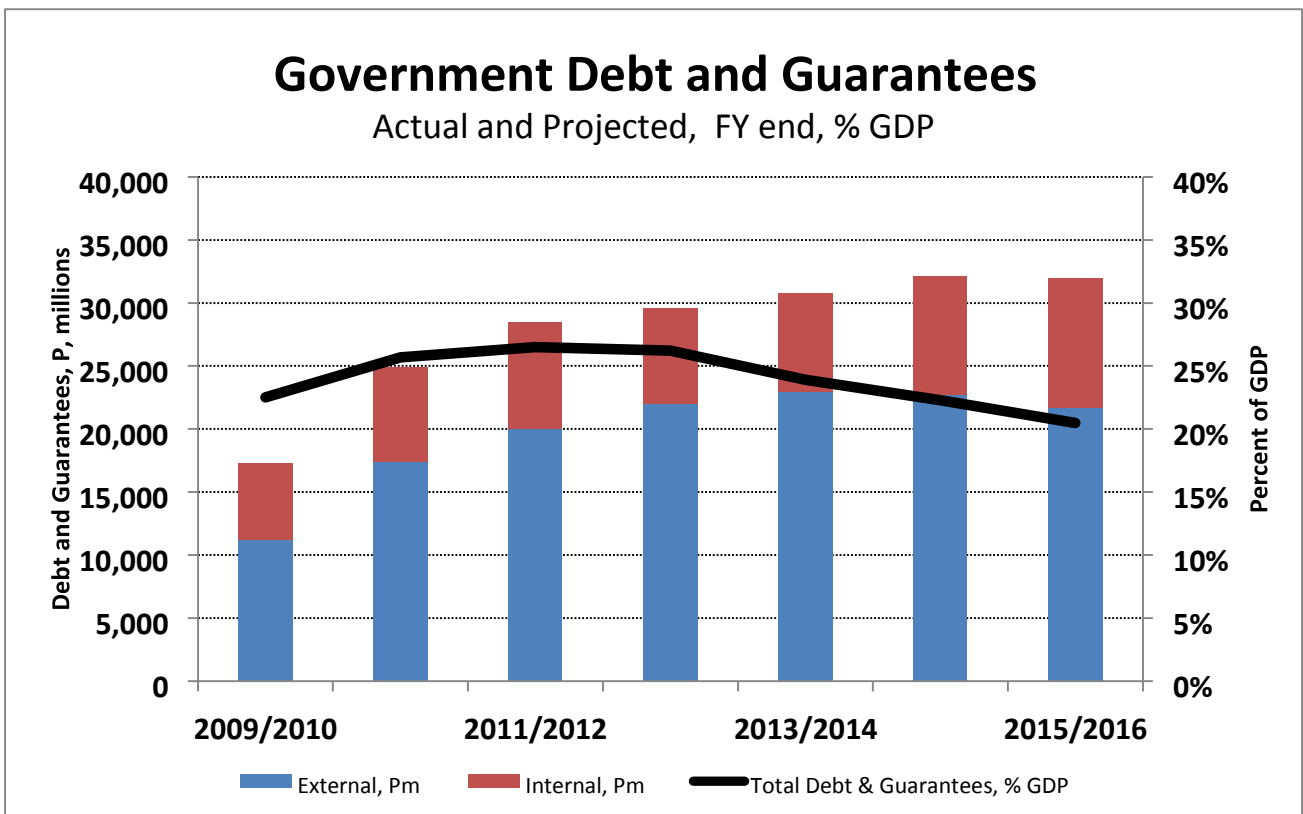
Total Revenues and Grants for FY 2015/16 are forecast at P55.38 billion. Total Expenditure and Net Lending are proposed at P54.15 billion. The net result is a budget surplus amounting to P1.23 billion.



Source: MFDP, January 2015

Total revenues, expenditures, and budget balances for the past several years are shown graphically above, and numerically in Tables 1 and 4.

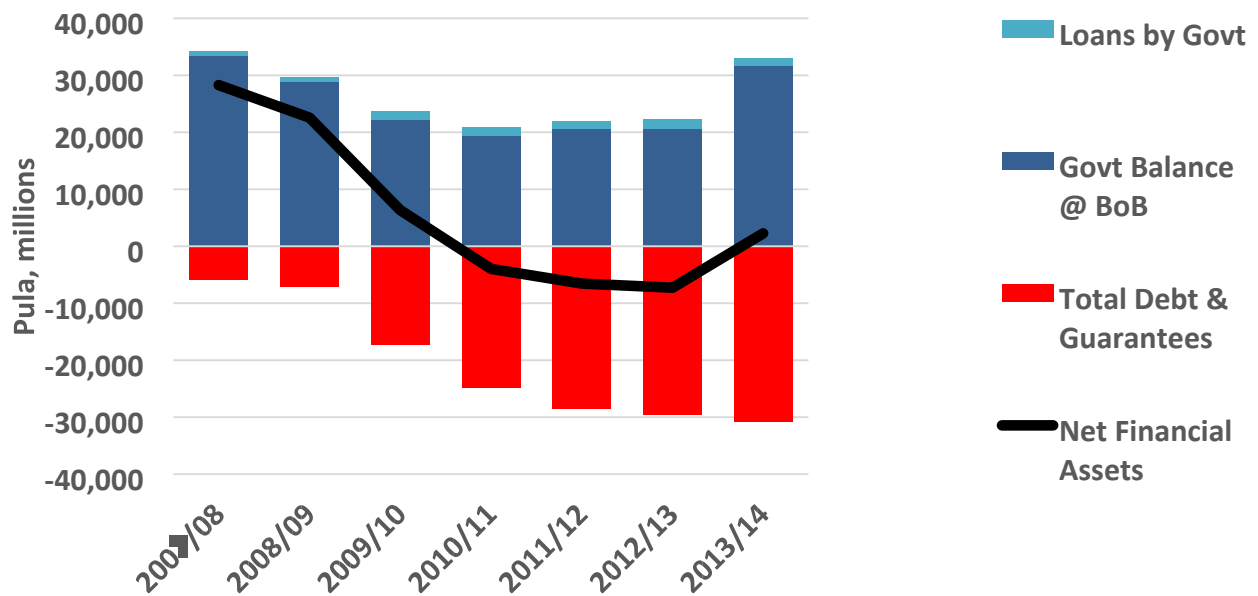
Debt



Source: MFDP, January 2015

Government Balances, Debt, & Net Financial Assets

end FY



Source: MFDP, January 2015

Conclusion

- Improved budgetary situation is expected for the FY 2015/2016, despite domestic downside risks associated with slow recovery in global economy.
- High impact mega projects aimed at creating a conducive environment for private sector development to be implemented;
- Financial discipline has been key for the country's public finance management;
- Country continues to face development challenges such as
 - Unemployment
 - Poverty
- To address these challenges, Government will continue to undertake measures to promote economic growth and diversification such as:
 - maintaining stable macroeconomic environment for private sector development;
 - continue review of legislation to improve conditions for doing business in the country; and
 - invest in selected infrastructural projects, with potential for high impact on economic growth and employment creation.

Table 1: GDP and Summary Government Budget

(P, millions, current prices and %, FY 2010/11 to 2015/16)

GDP	FY	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
							Projections
	GDP, current prices, FY	96,660	107,306	112,730	128,502	143,712	155,735
	growth rate GDP at current prices	25.9%	11.0%	5.1%	14.0%	11.8%	8.4%
	growth rate GDP at constant prices	7.4%	6.1%	4.1%	5.8%	6.2%	3.9%

Budget						Revised Budget	Budget
		Revenues & Grants	31,909	38,486	41,658	48,951	51,544
	Total Expenditure & Net Lending	38,417 -	38,667 -	40,736	41,730	51,263	54,153
	Balance	6,508	181	922	7,222	281	1,229

Share of GDP	Revenues & Grants	33.0%	35.9%	37.0%	38.1%	35.9%	35.6%
	Total Expenditure & Net Lending	39.7%	36.0%	36.1%	32.5%	35.7%	34.8%
	Balance	-6.7%	-0.2%	0.8%	5.6%	0.2%	0.8%

Source: MFDP, January 2015

GDP Projections are based on:

□ latest Statistics Botswana GDP estimates (through Q3 2014, released December 2014); □ information gathered about major sectors through December 2014; and □ trend forecasts, where sectorial information is limited.

Table 2: Government Net Financial Assets, end Financial Year

(Pula, millions and percentages, FY 2007/08 to 2013/14)

Financial Year	Govt Balance @ BoB	Internal & External Debt	Debt Guarantees	Total Debt & Guarantees	Loans by Government Outstanding	Net Debt	Net Financial Assets	GDP FY	Govt Bal @ BoB as % of GDP	Net Fin. Assets as % of GDP
	1	2	3	4 = 2 + 3	5	6 = 4 - 5	7 = 1 - 6	8	=1/8	=7/8
2007/08	33,397	4,674	1,181	5,855	774	5,081	28,316	69,207	48.3%	40.9%
2008/09	28,768	6,029	973	7,002	826	6,176	22,592	74,495	38.6%	30.3%
2009/10	22,136	14,235	3,053	17,288	1,531	15,757	6,379	76,753	28.8%	8.3%
2010/11	19,387	19,024	5,826	24,850	1,508	23,342	-3,955	96,660	20.1%	-4.1%
2011/12	20,553	20,672	7,793	28,465	1,368	27,097	-6,544	107,306	19.2%	-6.1%
2012/13	20,611	21,902	7,683	29,585	1,718	27,868	-7,257	112,730	18.3%	-6.4%
2013/14	31,745	23,593	7,176	30,769	1,321	29,448	2,297	128,502	24.7%	1.8%

Source: MFDP, January 2015

Table 3: Stock of Debt and Guarantees, end Financial Year, 2010/11 through 2015/16

(Pula, millions and percent)

Financial Year	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015 Projected	2015/2016 Projected
External							
External Debt	9,585	12,807	14,188	15,544	16,575	16,365	15,444

External Guarantees	1,621	4,565	5,804	6,475	6,401	6,327	6,254
Total External	11,206	17,372	19,992	22,019	22,975	22,692	21,698
Internal							
Internal Debt	4,650	6,217	6,484	6,358	7,018	7,601	8,487
Internal Guarantees	1,432	1,261	1,989	1,208	775	1,771	1,747
Total Internal	6,082	7,478	8,473	7,566	7,794	9,372	10,234
Grand Total							
	17,288	2,850	28,464	29,585	30,769	32,064	31,931
GDP for FY							
	76,753	96,660	107,306	112,730	128,502	143,712	155,735
a. External Debt & G. / GDP (%)	14.6%	18.0%	18.6%	19.5%	17.9%	15.8%	13.9%
b. Internal Debt & G. / GDP (%)	7.9%	7.7%	7.9%	6.7%	6.1%	6.5%	6.6%
c. Total Debt & G. / GDP (%)	22.5%	25.7%	26.5%	26.2%	23.9%	22.3%	20.5%

Source: MFDP, January 2015

Table 4: Government Revenue and Expenditure, Financial Years, 2010/11 through 2015/16

(Pula, millions)

	2010/11	2011/12	2012/13	2013/14	2014/15 Revised	2015/16 Budget

Revenue and Grants	31,909	38,486	41,658	48,951	51,544	55,382
Revenue	31,580	37,953	41,151	48,626	51,141	55,037
Tax Revenue	20,505	24,846	29,792	32,053	35,467	37,141
Mineral Tax	2,949	5,136	3,262	6,190	4149	4149
Customs Pool	6,207	8,424	14,216	13,170	15973	16341
Non-Mineral Income Tax	6,413	6,113	6,725	7,471	8979	9702
Other Tax Revenue	531	525	523	550	530	554
Value Added Tax	4,638	4,851	5,283	4,885	6050	6603
Non Tax Revenue	11,076	13,107	11,359	16,573	15,674	17,897
Mineral Royalties and Dividends	9,111	10,687	8,814	12,253	13,094	14,881
Interest of which	37	59	39	1,266	27	43
BOB revenue	700	864	1,490	1,900	700	975
Other Non-Tax Revenue	1,304	1,512	1,097	1,277	1,872	1,999
Grants	329	533	507	326	403	344
Recurrent	210	118	1	125	229	166
Development	119	415	506	201	174	178
Expenditures and Net Lending	38,417	38,667	40,736	41,730	51,263	54,153
Recurrent	27,089	28,836	32,106	33,220	37,861	41,296
Personal Emoluments	11,899	12,941	14,548	15,338	16,377	16,057
Grants & Subventions	8,411	8,290	8,088	8,331	9,930	10,864
Other Charges	6,256	7,019	8,798	8,863	10,647	13,296
External Debt Interest	134	145	203	177	317	429
Domestic Debt Interest	389	442	468	510	590	650

Development Expenditure	11,372	9,956	8,280	8,909	13,478	12,933
PDSF Loans	66	63	402	324	0	0
Repayment of Loans, of which	-110	-188	-52	-723	-76	-76
Overall Surplus/Deficit (-)	-6,508	-181	922	7,222	281	1,229

Source: MFDP, January 2015

Addendum: Medium Term Budget Projections

(Pula, millions, and Percent, FY)

	2010/11	2011/12	2012/13	2013/14	2014/15 Revised B	2015/16 Budget	2016/17 Projections	2018/19
Total Revenue and Grants	31,909	38,486	41,658	48,951	51,544	55,382	62,099	64,074
Mineral Revenue	12,060	15,823	12,076	18,443	17,243	19,030	24,894	25,447
Customs Pool	6,207	8,424	14,216	13,170	15,973	16,341	17,444	17,211
Non-mineral Income Tax	6,413	6,113	6,725	7,471	8,979	9,702	10,726	11,666
VAT	4,638	4,851	5,283	4,885	6,050	6,603	5,249	5,766
Other Revenue & Grants	2,592	3,275	3,358	4,982	3,300	3,706	3,785	3,982
Total Expenditures and Net Lending	38,417	38,667	40,736	41,730	51,263	54,153	55,784	58,629
Recurrent Expenditure	27,089	28,836	32,106	33,220	37,861	41,296	42,592	44,904
Development Expenditure	11,372	9,956	8,280	8,909	13,478	12,933	13,415	13,955
Net Lending	-110	-188	-52	-723	-76	-76	-223	-230
Overall surplus/ deficit (-)	-6,508	-181	922	7,222	281	1,229	6,315	5,445
as % of GDP	-6.8%	-0.2%	0.8%	5.6%	0.2%	0.8%	3.7%	2.9%
					Projections			
GDP in Current Prices	96,411	107,306	112,730	128,502	143,712	155,735	170,889	185,090

Source: MFDP, January 2015

Note: Overall surplus projected for FY2014/15 and FY 2015/16 corrected.

Budget Projections are from the Medium Term Fiscal Framework (MTFF) developed under the Public Financial Management Reform Programme. MTFF takes into account the impact of changes in government policy on fiscal aggregates, as set out in the National Development Plan and other policy documents.