



**Republic of Botswana**

**2023 BUDGET SPEECH**

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

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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 2023/2024 Financial Year.
- 2. Mr. Speaker,** the 2023 Budget Speech marks the first year of the two-year Transitional National Development Plan (TNDP), and is a critical point in our transformation journey. The introduction of the second TNDP is of strategic significance and has affirmed our democratic credentials as a country, as it has made it possible to align our national development planning process to the electoral cycle. This will also allow a newly elected administration to set its development agenda on the basis of the promises it has made to the people in its electoral Manifesto. This means that NDP 12 has been deferred to the financial year 2025/2026.
- 3. Mr. Speaker,** the 2023/2024 budget allocations are in line with agreed policies and programmes as well as Vision 2036 and the Reset and Reclaim Agenda priorities. It is the relentless pursuit of these priorities that will deliver broad-based transformation, create new wealth prospects and expand horizons of economic opportunities for all Batswana, through a growth model that leaves no one behind. It is important to recall, however, that transformation is a multi-year journey and cannot be achieved in one budget cycle. Each year's budget, and the Government's policy and legislative programme, marks a step-by-step contribution to achieving that transformation.
- 4. Mr. Speaker,** consistent with our aspiration and determination to become a high-income country by 2036, I would like to emphasise the need to direct our resources to areas that will significantly change the lives of Batswana, and create new, sustainable economic opportunities. Government will continue to invest in programmes geared at sustaining livelihoods, promoting local economic development, enhancing human capital as well as pursuing environmentally sustainable investments by adopting a green transition model of development.
- 5. Mr. Speaker,** we have already made significant progress in building the foundation for continued economic recovery and future resilience. Botswana emerged with one of the fastest recoveries from the impact of the COVID-19 pandemic with an impressive GDP growth rate of 11.8

percent recorded in 2021, the highest in sub-Saharan Africa. Our economic recovery has continued with strong GDP growth of 6.5 percent year-on-year over the first three quarters of 2022. For the full year of 2022, it is estimated that economic growth reached 6.7 percent. On the basis of this estimate, once again, Botswana will be among the fastest-growing economies in sub-Saharan Africa in 2022.

**6. Mr. Speaker,** this growth has translated into tangible results. We saw a small decline in unemployment, falling from the post-COVID peak of 26.0 percent in 2021 to 25.4 percent in the fourth quarter of 2022. In the 2021/2022 financial year, we achieved a broadly balanced budget, in contrast to the substantial deficit that was anticipated. The balance of savings in the Government Investment Account also showed a steady improvement. COVID-19 has become a manageable health issue, and is no longer posing the burden on the health system or costing lives to the extent that it was a year ago. Other notable milestones include, enhanced initiatives to support the empowerment of Botswana economically. For instance, Debswana has been actively developing the capacity of citizen-owned firms in its supply chain. Similarly, Botswana Oil Limited has strengthened its role of developing citizen owned firms in the oil supply value chain.

**7. Mr. Speaker,** notwithstanding these achievements, as we enter the new financial year the external environment is more challenging than it was a year ago. At that point, the world was emerging from the COVID-19 pandemic, with the benefits of the vaccine rollout being experienced globally. Growth was recovering, and in many countries, unemployment was beginning to fall. Over the past year, however, this growth momentum has slowed, due largely to the Russia-Ukraine conflict and its impact on the availability of critical commodities, inflation and interest rates. Global growth prospects for 2023 are now subdued, with recession expected in some major countries. And while most countries have contained COVID-19, the rapid resurgence of the virus in China poses risks of new variants emerging that could be transmitted internationally.

**8. Mr. Speaker,** there are also domestic challenges, which relate mainly to the slow speed of implementation of reforms and initiatives, as well as long-standing issues relating to the quality of projects. Corruption is also increasingly a concern, despite our ranking having improved. Our ratings have improved from a score of 5.5 in the Corruption Perception

Index, being number 45 out of 180 countries, in 2021 which was a slight decline compared to the year before. We have since moved to a score of 6.0 in 2022, being number 35 out of 180 countries internationally, indicating our substantial efforts in fighting corruption in Botswana. Government continues to support all law enforcement agencies in the country to curb this scourge which may be one of the causes of poor project implementation as well as financial losses to Government and society in general. On the economic front, we have made insufficient progress in the critical task of diversifying exports, while unemployment remains relatively high.

**9.** The 2023/2024 Budget, therefore, has to balance our objective of spurring economic activity and achieving higher growth, while managing these and other domestic and international challenges. I will briefly highlight some of the key measures included in this Budget that will help us to achieve these objectives.

**10. Mr. Speaker,** in the 2023/2024 financial year we will significantly increase the development budget as we strive to fill infrastructure gaps and implement projects that are necessary to unlock constraints to economic growth. The budget will continue to address expenditure inefficiencies and weaknesses in revenue collection by strengthening tax audit capabilities, and leveraging on the Public Private Partnership (PPP) and Development Manager Model approaches. Overall development expenditure will be increased by 27.88 percent in the 2023/2024 financial year, compared to the budget for the current year. This significant increase in the development budget may pose another risk of corrupt activities in its execution. Government will therefore continue to put in place risk mitigating measures and also ensure that the law is enforced effectively. I also call upon the Public to be vigilant and in assist in safeguarding our national resources.

**11. Mr. Speaker,** Government's decision to allocate the largest share of the development budget to the implementation of infrastructure projects is influenced by the recognition that infrastructure development is a critical enabler for enhanced productivity and sustainable economic growth. This will also promote the active participation of the private sector, women, youth and citizens more generally, all in pursuit of building resilience, strengthening inclusiveness and increasing growth. **Mr. Speaker,** allow me to reiterate that since Botswana is strategically positioned in Southern

Africa, this presents a great opportunity for us to play a significant role in the development of regional infrastructure projects, as we did with the Kazungula Bridge. It is therefore crucial for all those involved in the delivery of infrastructure projects to ensure that this is done efficiently and effectively.

**12. Mr. Speaker,** provision of electricity remains integral to the imperatives of inclusive and sustained economic growth. As such, the provision and strengthening of electricity network for rural villages will be accelerated. In this regard, it is worth noting that the current power deficit in the region has affected, for the most part, villages along the border which rely on cross-border connectivity. And as I stated in the 2022 Budget Speech, a number of energy projects have therefore been initiated to meet the growing energy demand through alternative energy generating methods, such as solar photovoltaic, coal bed methane gas power, and wind power. The project to connect the Borolong and Kgatleng River Villages which are currently supplied from the Republic of South Africa commenced this financial year and is expected to be completed by March 2024.

**13. Mr. Speaker,** as this Honourable House may recall, the Transfer Duty (Amendment) Act, 2019 introduced payment of transfer duty on tribal land. On the other hand, the re-enacted Tribal Land Act, 2018 and the Deeds Registry (Amendment) Act, 2017 requires that all tribal land grants be registered with the Deeds Registry. The effect of these reforms is that an allocation made by the Land Board, is now a transfer chargeable to duty and thus a valuation certificate is required. This creates a bottle-neck in the access to land by both Batswana and businesses. I therefore wish to confirm that Government has decided to revise the Transfer Duty Act, as a matter of urgency, to address these challenges. I intend to present this Bill to Parliament during the current session.

**14. Mr. Speaker,** Botswana, as well as most countries in the world, has experienced a sharp rise in the cost of living due to high global inflation. To mitigate this, Government temporarily reduced the rate of Value Added Tax (VAT) from 14 percent to 12 percent, which has since been extended to the end of this financial year. Looking ahead, with a view to providing targeted support to sustain livelihoods, the Ministry is currently reviewing the lists of items that are zero rated or exempted for VAT purposes. The lists will be extended to include, among others,

sanitary products and private medical services. Some items that are currently in the lists but are no longer justifiable to maintain, may be removed.

**15. Mr. Speaker,** Government has also introduced a new Wealth Creation programme, which consolidates some of the existing economic empowerment loan and grant programmes. The Wealth Creation programme will continue implementation of micro enterprise projects in agriculture, housing, social protection, women empowerment and education sectors to create employment and improve livelihoods. It encompasses poverty eradication, with a view to enable the sustainability and/or viability of the micro projects for long run purposes. A budget of eighty-five million Pula (P85 million) is therefore, being proposed for the Wealth Creation programme under the development budget. In addition, the Youth Development Fund will continue to be funded at hundred and four million Pula (P104 million) under the recurrent budget.

**16. Mr. Speaker,** to further support sustainable livelihoods, the allowances paid under various social welfare programmes have been reviewed. The Old Age Pension, Destitute Allowance, Disability Allowance, World War II Veterans Allowance as well as Ipelegeng rate will be increased effective April 2023.

## **II. REVIEW OF NATIONAL DEVELOPMENT PLAN 11**

**17. Mr. Speaker,** I wish to provide a brief review of NDP 11, which comes to an end on 31<sup>st</sup> March 2023.

**18. Mr. Speaker,** it is important to recognise that NDP 11 is the first of the three NDPs that will ensure the successful implementation of the national Vision 2036. The Plan has therefore been critical in setting the strategic foundation of transforming Botswana from an upper-middle income country to a high income country by 2036. As you are aware, the Mid-Term Review of NDP 11 confirmed that the performance of the first half of the plan was better than the second half. The review of the Plan underscored the urgent need to transform the economy and promote faster growth in order to generate job-creating opportunities.

**19.** At this point, allow me to highlight some of the major achievements made during this Plan Period. **Mr. Speaker,** a number of major water

supply projects have been completed. These include; Mahalapye and Palapye Water Treatment Plant, North East and Tutume Sub-District Water Supply Scheme and Lobatse / Mogojogojo Water Supply Scheme. All these projects have improved water supply in and around those areas. In addition, Kazungula and Okavango River (Mohembo) Bridges are some of the major projects which were completed during NDP 11. These two iconic bridges have significantly changed the lives of people in these areas by improving transportation of goods, easing the movement of people and delivery of Government projects which were affected by delays in the transport by ferry.

**20. Mr. Speaker,** other notable achievements include: construction of three (3) road interchanges in Gaborone aimed at improving traffic flow, which are expected to be completed by the end of this financial year; commencement of Botswana Emergency Water Security and Efficiency projects to improve availability of water supply and waste water management; connection of six hundred and sixty-five (665) Government facilities such as schools, Dikgotla, and health facilities through the village connectivity programme whose intended purpose is to improve access to internet; land allocation of forty-one thousand and one hundred and fifteen (41 115) plots by December 2022 to facilitate both social and economic development. Moreover, Government successfully completed the 2022 Population and Housing Census which is expected to guide planning and policy formulation. Further, the recently upgraded eleven (11) subordinate District Councils to fully-fledged District Councils will bring the much needed services closer to the people. The revamped Ipelegeng Programme which encompasses a skills development component and the high COVID-19 vaccination rate of 77.4 percent, are also some of the significant highlights of NDP 11 worth noting.

**21. Mr. Speaker,** the removal of Botswana by the Financial Action Task Force, FATF for short, from the list of countries with strategic deficiencies in their anti-money laundering, counter financing of terrorism and counter proliferation financing regimes, commonly referred to as the grey list, was also a major accomplishment, especially as it led to the delisting of Botswana from the European Union's list of high-risk countries. This involved addressing the specific shortcomings identified by the Eastern and Southern Africa Anti-Money Laundering Group and FATF, as well as strengthening our legal and institutional framework to avoid a recurrence of potential problems in



future. The outcome shows that Botswana's laws, policies and institutions are, to a large extent, compliant with international standards relating to anti-money laundering and countering the financing of terrorism. We will ensure that this compliance is enhanced and sustained.

**22. Mr. Speaker,** in addition, Parliament has passed a number of laws whose effective implementation will improve the lives of an ordinary Motswana. These include amendment of the Value Added Tax Act, which has cushioned households from the high cost of living caused by inflationary pressures and other economic shocks. The Public Procurement Act and the Economic Inclusion Act are expected to increase participation of citizens in the economy and encourage the use of locally produced materials to promote local economic activities. This should translate into improved living standards and create employment opportunities for all Batswana.

**23.** Further, the Retirement Funds Act will enhance the functioning of the pension system by strengthening corporate governance, supervision and allowing deferred pensioners access to their pension funds and thus providing relief to Batswana during times of financial distress. Furthermore, the Income Tax (Superannuation Fund) Regulations, 2022 have also increased withdrawals from pension funds from a maximum of one third to a maximum of fifty (50) percent at retirement. Moreover, the Tribal Land and Deeds Registry Acts will enhance access to land, amongst others. Additionally, the Bank of Botswana Act, and the Credit Information and Movable Property Acts will improve the efficiency and stability of the financial sector as well as access to finance.

**24. Mr. Speaker,** there was underperformance of GDP growth over the Plan period as a whole, due in part to the COVID-19-induced recession in 2020 and impact of the Russia-Ukraine conflict. **Mr. Speaker,** GDP and per capita incomes fell short of projections during the Plan period. NDP 11 projected an average GDP growth of 4.2 percent over the five years from 2017 to 2021. However, the actual growth averaged only 2.7 percent a year over this period. This adds to the challenge of achieving a higher growth rate of 5.7 percent during the Transitional National Development Plan and NDP 12 in order to stay on track towards achieving high income status by 2036, and to reduce unemployment and eradicate abject poverty.

**25. Mr. Speaker,** the unemployment rate has regrettably risen during NDP 11, from 17.5 percent of the labour force in 2015 to 22.2 percent in 2019 and further to 26.0 percent in 2021. The increase is partly attributable to the impact of COVID-19, but even before then, unemployment had been rising. I am pleased to note, however, that according to the preliminary data released by Statistics Botswana in January 2023, unemployment declined slightly to 25.4 percent in the fourth quarter of 2022. While this is a small change, it is encouraging that the unemployment rate is moving in the right direction.

**26. Mr. Speaker,** following the lessons learned from NDP 11, Government will continue to ensure macroeconomic stability and fiscal sustainability, in order to restore financial buffers, which have declined since the 2009 global financial crisis. Furthermore, Government will strengthen measures to manage public sector efficiency in order to ensure quality delivery of public services. These measures will include cost saving measures, rationalisation of services, as well as improved monitoring and evaluation, among others.

### **III. ADVANCING NATIONAL PRIORITIES AND STRATEGIC OBJECTIVES FOR 2023/2024**

**27. Mr. Speaker,** drawing on the national priorities identified in the Transitional National Development Plan, the 2023/2024 budget is guided by six (6) national priorities namely: Digital Transformation; Business Environment Reform; Infrastructure Development; Value Chain Development; Sustaining Livelihoods; and Climate Change.

**28.** These priorities will require human capital development which is a cross-cutting priority. In this regard, the main focus will be on skills development and provision of quality education to address gaps in human capital and provision of resources to support the education system. In this context, a significant amount of this year's budget at seventeen billion, five hundred million Pula (P17.5 billion) is proposed for initiatives, programmes and projects related to human capital development, from both the development and recurrent budgets.

## ***Digital Transformation***

**29. Mr. Speaker,** Botswana's goal of achieving a high-income country status by 2036 rests primarily on the strength of its digital ecosystem, specifically on access to affordable information and telecommunications technology (ICT) infrastructure. Government therefore sees digital transformation as central to our national development agenda.

**30.** Concerted efforts continue to be made towards digital transition by accelerating digital connectivity nationwide to close the connectivity gap, moving Government services online, leveraging smart technologies to address food security, and transforming the education sector. Other digital transformation initiatives include full migration from analogue transmission to digital terrestrial television, ensuring that the country benefits from the digital dividend, high definition broadcast and accessing more broadcast channels; as well as implementation of a digital competency framework aimed at building the digital literacy of the general public and the public service. Further to this, the Village Connectivity Project Phases 2 and 3, targeting 61 villages and 212 public facilities (schools, Dikgotla, health facilities and colleges), will commence in March 2023, while preparations and planning for Phase 4 targeting more than 301 villages will commence in the 2023/2024 financial year.

**31.** To this end, a development budget of two billion, six hundred and twenty million Pula (P2.62 billion) is proposed for projects under this priority area.

## ***Business Environment Reforms***

**32. Mr. Speaker,** a conducive business climate is a prerequisite to achieving inclusive economic diversification, sustainable growth and employment creation. Government regulations will continue to play a decisive role in creating an enabling environment for ease of doing business. In order to accelerate implementation of these reforms, a development budget of four hundred and twenty million, nine hundred thousand Pula (P420.90 million) is proposed for projects under this priority area.

**33.** Some of the business environment enabling reforms by Government include: the passing of the Credit Information and Movable Property Acts by Parliament to improve access to credit by micro, small and medium enterprises; approval of the Public Procurement Act, to promote citizen participation in the procurement process and support locally manufactured goods; the anticipated merger between the Local Enterprise Authority and Citizen Entrepreneurial Development Agency, so that the merged entity can provide integrated financial and non-financial support to micro, small and medium enterprises; and the merger of Botswana Investment and Trade Centre, the Special Economic Zones Authority and the Botswana Tourism Organisation to become one entity to efficiently redirect efforts towards export and investment promotion.

**34. Mr. Speaker,** one of the important reforms under Special Economic Zones (SEZ) relates to corporate income tax concessions. To this end, SEZ-licensed companies can apply for tax relief certificates giving them a 5 percent corporate tax rate for ten years and 10 percent thereafter. Another important reform I wish to highlight relates to transfer duty. The Transfer Duty (Amendment) Act, 2022 exempts SEZ license holders from paying transfer duty when acquiring immovable property for purposes of operating business in Special Economic Zones.

**35. Mr. Speaker,** Government has prioritised the E-Government initiative which will receive support from, among others, the European Union under the Job Creation and Investment Climate Programme. Some of the areas earmarked to benefit from the Programme include the Botswana One Stop Service Centre in Gaborone which serves to fast track turnaround time on investor applications, the development of the National Single Window, Judiciary, E-Government and promulgation of a new investment law, just to mention a few.

### ***Value Chain Development***

**36. Mr. Speaker,** the value chain approach involves progressively developing linkages between different stages in the production of goods and services, with the aim of carrying out more of those stages within Botswana, thereby creating jobs and improving livelihoods.

**37.** Government remains committed to creating a conducive environment for the private sector to explore value chain opportunities in strategic

sectors such as tourism, minerals, energy, manufacturing and agriculture. In light of this, a development budget of five hundred and forty million, eight hundred and ninety thousand Pula (P540.89 million) is being proposed for this priority area.

**38. Mr. Speaker,** Parliament approved Botswana's Minerals Policy in February 2022. Amongst the objectives of the new policy are to enhance the domestic economic benefit from minerals development through beneficiation and local value addition activities. Consequently, Government is in the process of reviewing the key mining legislation, the Mines and Minerals Act, which deals with granting of licenses for mineral prospecting and exploration as well as for mining operations. The proposed amendments will include provisions for local beneficiation of minerals and meeting local needs for mining products. Several mining, cutting and polishing companies are currently considering beneficiation and value addition in their development plans, leveraging on advanced technology and emerging market opportunities.

**39.** Allow me to single-out new innovative technologies aimed at improving human safety and efficiency by mining companies operating in Botswana. I am informed that unmanned specialist mining equipment has been introduced in underground mining operations to extract mineral resources while minimizing underground environment human exposure, which is key to safety. To further advance these initiatives, a training facility with state of the art simulators has been commissioned in Maun to assist in the skills transfer for local citizen participation in the mining and associated industries.

**40. Mr. Speaker,** in an effort to develop the sunflower oil value chain, Special Economic Zones Authority, in partnership with the Ministry of Agriculture, is identifying gaps in the market and engaging with local farmers to ensure adequate supplies of raw materials as well as investment in production facilities. These developments will enable Botswana to reduce imports of cooking oil and create indirect business and employment opportunities for Botswana. Further, value chain opportunities also exist in the dairy sector, including alternative breeding systems to improve and grow the dairy herd.

**41.** In addition, the favourable market opportunities presented by the African Continental Free Trade Area, the Southern African

Development Community and the Southern African Customs Union free trade agreements have the potential to develop and grow the Botswana economy into an export-led and structurally transformed one through exploitation of value-chains in the region and the Continent. The new SACU Strategic Plan has priority sectors for the development of value chains and these include leather and leather products, meat and meat products, fruits and vegetables, textile and clothing.

### ***Infrastructure Development***

- 42. Mr. Speaker,** Government will continue to devote more resources to infrastructure development to support sustainable growth and improve livelihoods. To this end, a development budget of twelve billion, seven hundred and thirty million Pula (P12.73 billion) is being proposed for implementation of infrastructure development projects.
- 43.** In order to address water supply and sanitation challenges across the country, major projects on water and sanitation will continue to be implemented in the 2023/2024 financial year. These include, among others, rehabilitation of water networks especially areas prone to frequent breakdowns such as Kanye and Molepolole.
- 44. Mr. Speaker,** to enable the country to be a net exporter of electricity, implementation of projects under the Integrated Resource Plan will continue to be fast-tracked to ensure security of electricity supply. The Integrated Resource Plan encompasses mainly green technology projects geared to addressing, amongst others, the issue of climate change whilst reducing the country's high electricity import bill. The current target is to raise the contribution of renewable energy in total power generation from 1 percent to 30 percent by 2030.
- 45.** Furthermore, Government approved the Development Manager Model of project delivery in December 2022 which will be used to implement, among others, road projects, office buildings and staff houses, hospital facilities, schools, storm water drainage, development of the Leather Industry Park as well as the Kasane-Kazungula Redevelopment projects. These are catered for under the second Transitional National Development Plan at a total cost of fifteen billion, two hundred and forty million Pula (P15.24 billion) over 2 years (P5.93 billion in 2023/2024 and P9.31 billion in 2024/2025).

## ***Sustaining Livelihoods***

- 46. Mr. Speaker,** Government recognises the need to promote sustainable livelihoods and build resilience by ensuring all members of society have the opportunity to participate in mainstream economic activities, while also prioritising the needs of vulnerable groups, especially in the rural communities. In order to sustain livelihoods, a development budget of two billion, three hundred and fifty million Pula (P2.35 billion) is being proposed for projects and programmes under this area.
- 47. Mr. Speaker,** the 2021 Pilot National Multidimensional Poverty Index results revealed that 20.8 percent of the population are poor. This index serves to measure poverty across a range of living standards indicators rather than just income. The results also reflected that poverty incidence is higher in rural areas. Hence, Botswana will need to continue to devote sizable resources to social protection to support the most vulnerable. In this context, five billion, three hundred and fifty million Pula (P5.35 billion), from both the development and recurrent budgets, has been allocated for social protection programmes across the economy.
- 48. Mr. Speaker,** various initiatives are under way to improve the efficiency and effectiveness of the social welfare system to make it more sustainable. The Single Social Registry, which will include all beneficiaries of social welfare schemes, has been rolled out to all Districts, and will be operational with effect from April 2023. To improve targeting of social welfare benefits on the most needy individuals and households, a harmonised eligibility system will be developed across all social welfare programmes, based on a consistent set of information collected from households.
- 49. Mr. Speaker,** the revamped Ipelegeng programme has been extended to other sectors such as agriculture, tourism and natural resource management. Meanwhile, Government is reviewing the Botswana National Home-Grown School Feeding Programme across levels of basic education. This is in order to fully implement the Home-Grown School Feeding Programme for all educational levels and at the same time sourcing from local farmers and suppliers in order to enhance market opportunities. Currently five thousand two hundred

and sixty-three farmers (5 263) are supplying eggs, vegetables and fruits across all districts.

**50. Mr. Speaker,** as mentioned earlier, in order to reduce the impact of the higher cost-of-living on vulnerable households, we introduced concessions in the form of a temporary reduction in VAT by two percentage points until the end of the financial year. In addition, the zero-rating of Liquefied Petroleum Gas and cooking oil for six months was undertaken to assist households to absorb the adverse effects of high global prices.

### ***Climate Change***

**51. Mr. Speaker,** Government remains committed to supporting the necessary mitigation and adaptation activities in order to reduce the country's vulnerability to climate change, and protecting the livelihoods of the population.

**52. Mr. Speaker,** the National Climate Change Policy commits to the integration of climate change considerations into infrastructure planning, designing and development processes. To this end, guidelines for incorporating climate change issues into Environmental Impact Assessments will be finalised during the 2023/2024 financial year. Additionally, the International Monetary Fund is providing technical support to Botswana through a Climate Public Investment Management Assessment. The recommendations from this exercise, which are being reviewed by Government, are focused on ensuring that climate change considerations are embedded into sectoral and infrastructure development plans.

**53. Mr. Speaker,** Government will continue to mobilise climate financing through green bonds, participating in carbon credit markets, as well as accessing the Green Climate Fund. To this end, Botswana's portfolio of projects approved through the Green Climate Fund stands at seven (7), amounting to USD 81.0 million which cover both adaption and mitigation objectives. In addition, the European Union is supporting Botswana's Green Transformation initiatives aimed at, among others, improving the country's energy mix and reducing Botswana's vulnerability to climate change, at an amount of Euro 3 million. In addition to these donor funds, a development budget of one billion,



three hundred and sixty million Pula (P1.36 billion) is being proposed under this priority area.

#### **IV. THE CONTEXT FOR THE 2023/2024 FINANCIAL YEAR BUDGET**

##### ***Macroeconomic Outlook and Fiscal Developments***

**54. Mr. Speaker,** I wish to give the context for the 2023/2024 Budget.

The current global operating environment remains challenging, largely due to the conflict between Russia and Ukraine, which has disrupted supply chains throughout the year. Against this backdrop, the January 2023 World Economic Outlook update from the International Monetary Fund estimates global growth to slow down to 3.4 percent in 2022 from 6.2 percent in 2021, before decelerating further to 2.9 percent in 2023. These developments are expected to have significant spill overs to other economies including the Sub-Saharan African region, where growth is expected to drop from 4.7 percent in 2021 to 3.8 percent in both 2022 and 2023. Growth in the Southern African Development Community (SADC) is, on average, expected to slow down from 4.5 percent in 2021 to 3.0 percent and 2.8 percent in 2022 and 2023, respectively.

**55. Mr. Speaker,** the Botswana economy as stated earlier, showed strong resilience as the country emerged with one of the fastest recoveries from the impact of the COVID-19 pandemic. The economy grew by 11.8 percent in 2021, the fastest growth rate in sub-Saharan Africa. It got off to a strong start in 2022, as economic growth averaged 6.5 percent year-on-year, during the first three quarters of the year. This growth is mainly due to better-than-expected performance of both the mining and non-mining sectors – particularly diamond trading, manufacturing, water and electricity, ICT, wholesale and retail, as well as public administration. The domestic economy is estimated to grow by 6.7 percent in 2022. Going forward, growth is projected at 4.0 percent and 5.1 percent in 2023 and 2024, respectively. This growth is expected to be broad-based across most non-mining sectors and the diamond industry. The non-mining sector is estimated to grow, on average by 5.0 percent over the two years, and is expected to generate about thirty-five thousand (35 000) new jobs across both the formal and informal sectors during this period.

**56. Mr. Speaker,** with regard to inflation, domestic prices remained skewed to the upside as prices of basic commodities and manufactured goods escalated during the year. Annual inflation had risen to 14.6 percent by August 2022, which was the highest rate since November 2008. In response to the high inflationary pressures, the Bank of Botswana increased the Monetary Policy Rate from 1.65 percent in April 2022 to 2.65 percent in August 2022 and has maintained it to date. So far, inflation has moderated to 12.4 percent in December 2022 owing in part to the combined effect of the temporary reduction in VAT rate and zero rating of some food commodities, as well as a reduction in global and domestic fuel prices. Despite the increase in interest rates, the overall financial and credit conditions remain supportive of economic activity and are consistent with bringing inflation to within the objective range of 3 – 6 percent in the medium term.

**57.** With respect to the overall balance of payments, a surplus of five billion, two hundred million Pula (P5.2 billion) was recorded in the first half of 2022, a significant improvement from a deficit of four billion, two hundred million Pula (P4.2 billion) during the same period in 2021. The surplus in 2022 was mainly a result of net cash inflows from diamond exports and SACU receipts. This surplus translated into an increase in foreign exchange reserves, which stood at fifty-nine billion, six hundred million Pula (P59.6 billion) as at November 2022. However, at these levels, the reserves remain low by historical standards and were only sufficient to cover 10 months of import cover of non-diamond goods and services. This compares with fifty-seven billion and six hundred million Pula (P57.6 billion) of foreign exchange reserves 12 months earlier.

**58. Mr. Speaker,** despite positive performance in 2022, looking ahead, macro-fiscal risks are elevated. Among these are risks to GDP growth which stem from the likelihood of slowing growth and possible recession in advanced countries. These may adversely affect diamond sales in 2023, with implications for export earnings and Government revenues. This is being compounded by rising COVID-19 infections in China, which has led to severe restrictions on retail activity and slow GDP growth.

**59. Mr. Speaker,** global inflation risks arise from prolonged geopolitical tensions causing further disruption of supply chains and potential increases in international commodity prices. There are also risks arising

from wage-price spirals in countries with tight labour markets. Furthermore, the sharp appreciation of the US dollar, in which most commodities are priced, may contribute to currency depreciations and exert an upward pressure on inflation in many countries. Domestically, these potential increases in imported inflation could be compounded by a rise in administered prices and levies and/or taxes beyond current forecasts. These inflation risks may increase prices that are indexed or closely linked to inflation, such as compensation of employees, procurement of goods and services as well as inputs for some infrastructure projects.

**60. Mr. Speaker,** our current revenue structure, which to some extent is outside the control of Government, is susceptible to external shocks and subject to a high degree of volatility and uncertainty. This revenue risk, combined with rising expenditure commitments, could compromise fiscal consolidation and the long-term objective of restoring fiscal sustainability, resulting in elevated debt risks.

**61.** Other downside risks to our macro-fiscal profile may come from subdued domestic demand as disposable incomes get eroded by the current inflationary environment and the recent interest rate hikes. Furthermore, the outbreaks of Foot and Mouth Disease in the region and the North-East District pose risks to the agriculture sector's output, with potential spill-overs to related sectors such as leather and leather products and exports of beef and live cattle.

**62.** All of these developments could hinder growth by lowering current prospects and limiting the speed at which the economy could recover to its long-term potential, with implications on fiscal balances.

## **V. FISCAL STRATEGY**

**63. Mr. Speaker,** the current global and domestic operating landscape presents fiscal policy challenges and requires us to re-orient our fiscal strategy to achieve an appropriate balance between revenues, expenditure and debt accumulation, to ensure that debt servicing costs are sustainable. In this regard, our fiscal strategy in the 2023/2024 budget and beyond will continue to be strengthened to achieve our objectives of running surpluses and re-building buffers. For medium to long term sustainability, we will explore the possibility of enacting into law the revenue fiscal rule highlighted in NDP 11 in order to restore

sustainability. In the immediate term, we will focus on strengthening fiscal prudence and discipline; enhancing revenue mobilisation; improving the efficiency of public spending, restoring Government's net financial assets and debt sustainability as well as improving budget transparency and participation.

### ***Fiscal Prudence and Discipline***

**64. Mr. Speaker,** fiscal policy shifts as depicted by changes in expenditure, revenue and debt dynamics are part of the country's transformation. In light of this, we will continue to implement prudent fiscal policy in line with international best practice as part of a broader macroeconomic management framework. In this regard, Government remains committed to implementing its fiscal consolidation programme focused on reducing the public sector wage bill, grants and subventions, and introducing widespread State-Owned Enterprise reforms. These efforts are aimed at reducing Government's economic footprint and increasing the space for the private sector. As part of cost containment measures, Government will continue to review subventions and grants to State-Owned Enterprises and Local Authorities with a view to reducing the allocations to the extent possible.

**65. Mr. Speaker,** as pronounced in the last Budget Speech, the Ministry of Finance undertook a special audit of the Tertiary Education Financing activities over a ten-year period, mainly the Tuition Fees budget. The work started in June and officially ended in November 2022 and its report is being internally reviewed by the Ministry and key stakeholders. It is expected that firm decisions will emerge out of the findings and corrective action initiated by the end of this financial year. To ensure accountability, transparency, efficiency and most importantly value-for-money, the Ministry will continue to conduct more audits for various expenditure items, with the next targeting the transport, agriculture and health sectors, to clamp down on inefficiencies, irregularities and cases of mismanagement.

### ***Strengthening Revenue Mobilisation***

**66. Mr. Speaker,** the need to diversify and expand the fiscal revenue base in the face of long-term structural declines in mineral and SACU revenues remains paramount. In this regard, the Ministry, through the

Botswana Unified Revenue Service, continues to put measures in place to improve tax revenue collection.

**67.** In the 2023/2024 financial year, Botswana Unified Revenue Service will complete a number of initiatives, including introduction of electronic billing/invoicing platforms to improve VAT compliance; introduction of a digital marking and tracking solution for excisable goods to ensure that legitimate duties and taxes are paid on imported and manufactured products; enhanced capacity in the use of non-intrusive equipment (scanners) to curb cases of non-compliance by importers at ports of entry; implementation of the Debt Recovery Strategy and strengthening of the Tax Audit function and the capacity of the Large Taxpayers Unit. All these efforts are geared towards improving taxpayer compliance and border security, thereby reducing revenue leakages and enhancing collection as well as strengthening trade facilitation. Other areas that we will focus on in the next financial year include enhancing the revenue-raising capacity of Councils and Landboards.

### ***Improving the Efficiency of Public Expenditure***

**68. Mr. Speaker,** during November 2022, the Ministry, supported by the International Monetary Fund carried out a second Public Investment Management Assessment. The preliminary results demonstrate that although Botswana has performed well in the area of Institutional Framework, this does not translate to performance on the ground, in part because agreed institutional processes are not fully adhered to in practice. For instance, we have a high-quality Planning Officers' Manual detailing how public investment projects should be evaluated and prioritised, but in practice, the procedures specified in this Manual are not used effectively.

**69.** The results conclude that there is a gap of 31 percent between Botswana's public investment efficiency and that of the most efficient country with a comparable level of public capital stock. The result means that Botswana is comparable to the average for Emerging Market Economies such as China, Mexico, India, Saudi Arabia and Brazil. While the methodology is not exactly the same, the latest review results are more favourable than the efficiency gap of 37 percent revealed by the previous assessment conducted in 2017.

**70.** In addition, to narrow the identified efficiency gap, the Ministry of Finance will ensure that PFM reforms are enforced, including through issuance of statutory instruments to improve implementation. Further, a number of reforms are being implemented to address the challenges of poor project implementation, including enhancement of the Development Project Monitoring System, which is expected to be completed by December 2023.

**71.** Further, **Mr. Speaker**, as part of the improvements to the national budgeting process, the zero based budgeting approach has improved the costing of budgetary requirements for Ministries, Departments and Agencies. MDAs' submissions included detailed costing of goods and services they will need in the coming year. The revenue maximization and cost containment initiatives that are part of this approach continue to gain traction as some Ministries, Departments and Agencies are beginning to come up with realistic and informed estimation of their budgetary requirements as well as streamlining internal operational processes to contain costs and to improve efficiency in public spending.

### ***Government's Net Financial Asset Position***

**72. Mr. Speaker**, I am pleased to report that the Government Investment Account (GIA) has shown some recovery over the past year, reaching seventeen billion, eight hundred million Pula (P17.8 billion) in October 2022 compared to nine billion, eight hundred million Pula (P9.8 billion) a year earlier. However, it is important to note that part of the GIA is accounted for by Special Funds and Deposit Accounts, which have designated uses or are held on behalf of third parties and hence may not be automatically available for budgetary purposes. Low GIA levels limit the extent to which Government can draw on its reserves to finance future budget deficits, leaving borrowing as the main financing option.

**73. Mr. Speaker**, notwithstanding this recovery in the GIA, taking a long-term view of our fiscal position, it is evident that we need to address some worrying trends. Back in 2008, Government's net financial assets – broadly speaking equal to accumulated savings minus public debt – were equivalent to 40 percent of GDP. By 2021, after many years of budget deficits, net financial assets were equivalent to minus 20 percent of GDP, as the GIA was substantially drawn down and borrowing increased. At the very least we would like to restore

Government's net financial assets to positive territory, with savings at least sufficient to balance our debt. **Mr. Speaker**, no effort will therefore be spared to return our fiscal balances to a favourable position.

### ***Debt Sustainability***

**74. Mr. Speaker**, historically Botswana's debt levels have been relatively low and debt servicing has never been a challenge. Government and Government-guaranteed debt is expected to remain below 25 percent of GDP by the end of NDP 11 in March 2023, which is a sustainable level and well below the statutory limit of 40 percent of GDP. However, with limited room to draw down from Government's savings, any further budget deficits will result in increased borrowing. This trend, coupled with rising interest rates, means that we must pay attention to our growing debt service obligations. We have carefully assessed the medium-term debt risk, distress or burden and our capacity to repay. And **Mr. Speaker**, I am convinced that our envisaged fiscal strategy will restore fiscal sustainability before we are forced into a fiscal/debt crisis. Ideally, however, we should be running budget surpluses so as to rebuild our financial buffers to provide resilience in the event of shocks as well as to minimise further debt accumulation.

### ***Budget Transparency and Participation***

**75. Mr. Speaker**, the Ministry of Finance will continue to ensure an open and transparent budget process with the intention of making it inclusive, responsive and impactful. The International Budget Partnership, in collaboration with Botswana Watch, conducted an Open Budget Survey in 2021. The purpose of the survey was to assess availability of information and disclosure of Government's budget decisions to the citizenry. The survey also assessed our budgeting process in terms of transparency, public participation and budget oversight. The findings of the survey have indicated that Botswana obtained an Open Budget Index score of 34 percent in 2021 which is 4 percentage points below the 2019 index of 38 percent.

**76.** In this regard, the Ministry has made efforts to improve budget transparency and public participation during the 2022 Budget preparation by engaging diverse stakeholders such as students, people living with disabilities and also the use of social media platforms.

Further to this, the possibility of conducting the budget consultations outside Gaborone to encourage more participation of Batswana will be explored. The Ministry will continue to plan other ways to address transparency gaps through timely and more frequent publication of budget reports as well as public education before the next Open Budget Survey in July 2023.

## **VI. 2021/2022 BUDGET OUTTURN**

**77. Mr. Speaker,** the 2021/2022 final budget outturn pointed to a small deficit of one hundred and twenty-seven million, eight hundred and ninety thousand Pula (P127.89 million) or 0.1 percent of GDP, which points to a more or less balanced budget when compared to a deficit of sixteen billion, four hundred million Pula (P16.40 billion) or 9.5 percent of GDP in the 2020/2021 financial year. The deficit is also lower than the ten billion, one hundred and sixty million Pula (P10.16 billion) deficit that was projected in the revised budget estimates in February 2022, reflecting to a large extent higher-than-expected total revenue and grants, from mineral revenue collections and revenues from the Bank of Botswana, as well as significant underspending on the development budget. Total revenues and grants were sixty-eight billion, five hundred and seventy million Pula (P68.57 billion), compared to sixty-three billion, four hundred million Pula (P63.40 billion) in the revised budget, while total expenditure was sixty-eight billion, six hundred and seventy million Pula (P68.67 billion) compared to seventy-three billion, five hundred and seventy million Pula (P73.57 billion) in the revised budget. Development spending amounted to eleven billion, eight hundred and sixty million Pula (P11.86 billion), compared to fourteen billion, six hundred and seventy million Pula (P14.67 billion) that was initially allocated.

## **VII. 2022/2023 REVISED BUDGET ESTIMATES**

**78. Mr. Speaker,** for the Financial Year 2022/2023, total revenues and grants are projected to increase by three billion, six hundred and sixty million Pula (P3.66 billion) to seventy-one billion, five hundred and thirty million Pula (P71.53 billion) in the revised budget, while total expenditure and net lending amount to seventy-six billion, four hundred and ten million Pula (P76.41 billion), resulting in a projected deficit of four billion, eight hundred and eighty million Pula (P4.88 billion), or 2.13 percent of GDP. This compares with the original budget



total revenues and grants of sixty-seven billion, eight hundred and seventy million Pula (P67.87 billion) and total expenditure of seventy-four billion, eight hundred and forty million Pula (P74.84 billion), which indicated a deficit of six billion, nine hundred and eighty million Pula (P6.98 billion) or 3.05 percent of GDP. The higher than budgeted revenues largely show improved performance of mineral revenues.

**79.** The deficit reflects the increase in salaries of public officers as well as the “cushioning” measures aimed at relieving the population on the effects of rising commodity prices, as well as the need to use part of the revenue from the fuel levy to replenish the National Petroleum Fund (NPF). The NPF had been depleted as fuel prices were held below cost-recovery levels for some time, also as part of the effort to protect households from the full impact of rising global fuel prices.

## **VIII. 2023/2024 BUDGET PROPOSALS**

### ***Total Revenues and Grants Estimates***

**80. Mr. Speaker,** the projected total revenues and grants for the 2023/2024 financial year amount to seventy-nine billion, seven hundred and ninety million Pula (P79.79 billion). Of this amount, Customs and Excise receipts are the largest contributor at twenty-four billion, nine hundred and thirty million Pula (P24.93 billion) or 31.2 percent of total revenues. Mineral revenue, estimated at twenty three billion, three hundred and forty million Pula (P23.34 billion) or 29.3 percent of total revenues, accounts for the second largest contribution. Non-mineral income tax is the third largest contributor and it is estimated at fourteen billion, seven hundred and seventy million Pula (P14.77 billion); while VAT is projected at thirteen billion, three hundred million Pula (P13.30 billion). The balance is accounted for by other sundry revenue items.

### ***Expenditure and Net Lending***

**81. Mr. Speaker,** total expenditure and net lending for the 2023/2024 financial year is projected at eighty-seven billion, three hundred and eighty million Pula (P87.38 billion). Of this, sixty-six billion, five hundred and ten million Pula (P66.51 billion) is allocated to the recurrent expenditure, while twenty-one billion and ten million Pula (P21.01 billion) is proposed for the development budget as well as Net

Lending of minus one hundred and forty-one million Pula (P141 million).

### ***Statutory Expenditure***

**82. Mr. Speaker,** statutory expenditure for the 2023/2024 financial year is estimated at twenty billion, nine hundred and seventy million Pula (P20.97) billion, which is an increase of seven billion, two hundred and ninety million Pula (P7.29 billion) or 53.3 percent compared to the 2022/23 approved budget. The proposed Statutory Expenditure estimates will, among others, cater for public debt servicing obligations, and Government's pension contributions for civil servants to the Botswana Public Officers' Pension Fund. The growth recorded in the public debt estimates is partly attributed to the increase in interest rates. A large part of the external debt portfolio charges variable interest rates, specifically the 6 month LIBOR (London Interbank Offer Rate, an international reference rate), which has substantially increased from 0.65 percent in February 2022 to a high of 5.17 percent in November 2022. Furthermore, the increase in provision for public debt is also attributed to the impending maturity of bond BOTSGB0623 valued at three billion and ten million Pula (P3.01 billion) in June 2023.

### ***Ministerial Recurrent Budget***

**83. Mr. Speaker,** the recurrent budget is the principal vehicle for delivery of effective public services to the people. The 2023/2024 budget is also meant to facilitate the ongoing rationalisation of ministerial portfolio responsibilities, in alignment with the Reset and Reclaim Agenda. The proposed allocations are aimed at re-focussing existing policies, strategies and programmes following re-organization of Ministries and Departments. These allocations are further expected to contribute to improvements in education and training; the level of efficiency and effectiveness in delivery of social services; and provision of quality health care. Furthermore, the proposed funding will assist in sustaining livelihoods and boosting economic growth. With the establishment of the Ministry of Entrepreneurship, the proposed budget allocations will also facilitate wealth creation through creation of sustainable jobs with greater citizen participation and empowerment initiatives; attract local and international investors as well as improve service delivery through ICT, among others. This is an effort to ensure

that Botswana is on the right path to attain high-income status by 2036.

**84. Mr. Speaker,** the total proposed budget for Ministerial Recurrent expenditure is estimated at sixty billion and three hundred million Pula (P60.30 billion), which is an overall growth of 13 percent over the current year's approved budget. The growth is necessitated by the obligation to pay five (5) percent adjustment of salaries and allowances of three billion, seven hundred and seventy million Pula (P3.77 billion), to Government employees; payment of salary arrears arising from a Court of Appeal Judgement on Multiple Graded C-Band positions at one billion, four hundred and ten million Pula (P1.41 billion); increase in the Revenue Support Grant for Councils and Land Boards at four hundred and seven million, four hundred and sixty thousand Pula (P407.46 million); additional costs of upgrading sub-District Councils and sub-Land Boards to fully-fledged Councils and Land Boards at three hundred and nineteen million, two hundred and sixty thousand Pula (P319.26 million); Tertiary Education Financing at two hundred and sixty-three million, five hundred and forty thousand Pula (P263.54 million); increase in student allowances and other items at seven hundred and seventy-three million, one hundred and forty thousand Pula (P773.14 million).

**85. Mr. Speaker,** the largest share amounting to fifteen billion and forty million Pula (P15.04 billion), which is 24.9 percent of the proposed Recurrent Budget, is allocated to the newly re-structured **Ministry of Education and Skills Development**. This amount is an increase of three billion and twenty million Pula (P3.02 billion) over the approved budget for the current financial year amounting to twelve billion and twenty million Pula (P12.02 billion). Consistent with national priorities, the substantial allocation under this Ministry demonstrates Government's commitment to strengthening Human Capital and Skills Development that is required in the quest to transform Botswana into a knowledge-based economy. The proposed budget mainly covers teachers' salaries and allowances, operational costs for State Owned Enterprises in the education sector, tertiary students' allowances, food and books for students. In addition, the increase is also proposed to cover invigilation costs under Botswana Examinations Council, the review of Junior Secondary Schools syllabi as well as operationalization of Maun Centre for Special Education which has the capacity to absorb 100 learners with profound intellectual and multiple disabilities.

**86. Mr. Speaker,** the second largest share of 17.1 percent of the proposed Ministerial Recurrent Budget, amounting to ten billion, three hundred and ten million Pula (P10.31 billion), is allocated to the **Ministry of Health**. The amount represents a growth of 3 percent over the current year's approved budget of ten billion and ten million Pula (P10.01 billion). The recommended budget will enable the Ministry to provide sustainable preventative, curative and rehabilitative health services to the nation. The proposed budgetary provision also caters for personal emoluments, drugs, medical specialists' fees, utilities and health care supplies. In addition, the provision also caters for Government's ongoing response to the COVID-19 pandemic including mitigation of the risks of new infections and the spread or resurgence of the disease in line with the objective of saving Botswana from COVID-19. The proposed funds will also cover procurement of drugs and operationalization of Sir Ketumile Masire Teaching Hospital to full capacity.

**87. Mr. Speaker,** the **Ministry of Defence and Security** is allocated the third largest share of the proposed Ministerial Recurrent Budget amounting to nine billion, eight hundred and forty million Pula (P9.84 billion), an increase of 15.4 percent over the current year's approved budget of eight billion, five hundred and thirty million Pula (P8.53 billion). The budget will address security issues that affect Botswana's sovereignty and territorial integrity. The major cost drivers include operational costs for Botswana Defence Force, Botswana Police Service and Botswana Prisons and Rehabilitation Services. The budget will also cover costs associated with operations by the Botswana contingent under the SADC Mission in Mozambique and replacement of vehicles.

**88. Mr. Speaker,** the fourth largest share of the proposed Ministerial Recurrent Budget amounting to eight billion, two hundred and twenty million Pula (P8.22 billion) goes to the **Ministry of Local Government and Rural Development**. The budget will support among others, initiatives aimed at improving local governance and strengthening social and community driven economic development. The proposed allocation represents a growth of 15 percent over the current year's approved budget. The major budgetary provision goes to Revenue Support Grants to District and Urban Councils, which accounts for 50 percent of the Ministry's proposed Recurrent Budget. The budget is also driven by the upgrading of some sub-districts to

fully fledged district councils in order to achieve administrative expediency and to enhance the Local Authorities service delivery to the citizens. Furthermore, the budget will also cater for payments to different social benefits and for procurement of food supplies for primary schools and health facilities, which will be procured from local farmers in line with the Reset and Reclaim Agenda priority of value chain development.

**89. Mr. Speaker,** in line with our priority to protect the most vulnerable groups of society and sustain livelihoods, Government will increase Old Age Pension Allowance by P100 per month per beneficiary, while other social welfare allowances will be increased by P50 per month per beneficiary effective April 2023. It is envisaged that all these efforts will, in the medium to long-term, contribute to the Vision 2036 pillar of Human and Social Development.

**90. Mr. Speaker,** the proposed budget allocation for the **Ministry of Finance** amounts to two billion, five hundred and sixty million Pula (P2.56 billion) to enable the Ministry to drive its mandate of ensuring fiscal sustainability and support to financial sector reforms and development. The amount has grown by 7.1 percent over the current year's approved budget of two billion, three hundred and ninety million Pula (P2.39 billion). The major cost driver of the budget is Tertiary Education Tuition Fees which has increased to one billion, five hundred and ten million Pula (P1.51 billion) from one billion, four hundred and forty million Pula (P1.44 billion) in the current year's approved budget. The remaining 44 percent covers operational costs, grants, subventions and transfers to parastatals and other organisations under the Ministry as well as provision for activities of Eastern and Southern Africa Anti-Money Laundering Group. In addition, the proposed budget will cater for setting up of Public Procurement Tribunal to address appeals from bidders; following enactment of the Public Procurement Act.

**91. Mr. Speaker,** the proposed budget allocation for the **Ministry for State President** is two billion, three hundred and ten Million Pula (P2.31 billion). This represents an increase of 46.2 percent from the current year's approved budget. The proposed budget will support the Ministry's mandate of organizing and coordinating Government business as well as to safeguard and promote good governance, consistent with the Reset and Reclaim Agenda's objective of aligning

Government Machinery to the Presidential Agenda. For the 2023/2024 financial year, it will focus on, among others, re-organisation of Government portfolio responsibilities which includes establishment of the National Planning Commission and creation of Transformation Offices across Ministries as well as signal distribution of both radio and television services.

**92. Mr. Speaker,** the proposed budget allocation for the **Ministry of Transport and Public Works** for the 2023/2024 financial year amounts to two billion and ten million Pula (P2.01 billion). This represents an increase of 37.7 percent from the current year's approved budget. The increase is due to rationalization of Government portfolio responsibilities in line with the Reset Agenda and Reclaim Agenda of aligning Government machinery to the Presidential Agenda, which increased the Ministry's departments by incorporating Transport and Safety, Roads and Central Transport Organisation. The budget will also support the Ministry's mandate to develop policies, strategies and standards on matters relating to transport, appropriate infrastructure and maintenance in support of the Transitional National Development Plan priority of infrastructure development.

**93. Mr. Speaker,** the proposed budget allocation for the **Ministry of Agriculture** amounts to one billion, four hundred and fifty million Pula (P1.45 billion), which is an increase of 2.8 percent over the current year's budget. The budget is intended to support Government's priority to exploit agricultural value chains, export development and import substitution, as well as employment creation. The allocation also envisages improved domestic food production to achieve a higher degree of self-sufficiency in agricultural products. It will also cover subventions to the National Agricultural Research and Development Institute, also known as NARDI, establishment of Meat Industry Regulatory Authority to provide the basis for appropriate regulation of the meat industry, costs of Foot and Mouth Disease vaccinations and computer systems such as the Botswana Animal Information and Traceability System.

**94. Mr. Speaker,** the proposed budget allocation for the **Ministry of Lands and Water Affairs** amounts to one billion and eighty million Pula (P1.08 billion). This represents an increase of 18.7 percent over the current year's budget to enable the Ministry to deliver on infrastructure development and spatial planning in line with the

Transitional National Development Plan. The increase is intended to cover operational costs following completion of the Land Information Centre as well as costs associated with land and water administration. Funds are also intended to cover personal emoluments following upgrading of sub-landboards to fully-ledged landboards.

**95. Mr. Speaker,** the remainder of the total Ministerial recurrent budget allocation of seven billion, four hundred and eighty million Pula (P7.48 billion) or 12.2 percent will be shared among the remaining Ministries and Extra-Ministerial Departments.

### ***Development Budget***

**96. Mr. Speaker,** the proposed development budget for 2023/2024 is twenty one billion and ten million Pula (P21.01 billion) which is an increase of 27.88 percent over the 2022/2023 budget. Government will, through this proposed budget, invest in economic and social infrastructure necessary to support economic activities in order to stay on track to achieving high-income status by 2036, as well as sustaining livelihoods for the most vulnerable groups of the society.

**97. Mr. Speaker,** the largest share of the proposed Development Budget goes to the **Ministry of Lands and Water Affairs** amounting to six billion and seventy million Pula (P6.07 billion), or 28.89 percent. The funds are for implementation of major water projects including the North South Carrier 2.2 project which consists of a potable water pipeline from Palapye through to Mmamashia, with associated water works, to transfer water from the north to supply the densely populated southern part of the country. The budget will also finance among others, the implementation of the ongoing Goodhope Phase 2.2 Water Supply Scheme, Molepolole – NSC (Gamononyane) Water Supply Scheme, Maun Water and Sanitation, commencement of Molepolole Water and Sanitation, Kanye Network Rehabilitation and Boteti South Central Water Supply Scheme.

**98.** A small proportion of the budget will also be spent on completion of projects such as the North South Carrier 2.3 (Mmamashia – Gaborone Water Supply Scheme), Lobatse Water Master Plan, Moshupa Sanitation, Selebi Phikwe -Serule Water Works, and Kasane-Kazungula Water Networks. The proposed budget will also cater for land servicing projects at Ghanzi, Palapye Extension 10, Maun CBD, Mmopane Block

1, Kasane Plateau, Morwa, Pilane, Ntshinoge, Boseja, Letlhakane, Sowa Block 3 and Metsimothabe.

**99. Mr. Speaker,** the **Ministry of Transport and Public Works** has been allocated the second largest share of the proposed Development Budget amounting to three billion, one hundred and seventy million Pula (P3.17 billion) or 15.09 percent. The budget will cater for the following on-going major roads projects; Output and Performance Road Based Contract of Mmankgodi-Jwaneng and Rakhuna-Mabule; Mulambakwena-Tshesebe; completion of upgrading of 3 Grades Intersections of the KT Motsete Drive at Btv, Rainbow and Game-City circles; as well as final payments for Gaborone-Boatle dual road.

**100. Mr. Speaker,** the proposed budget allocation will also cater for the construction of the following roads through either the conventional method or the Development Manager Model: Mmandunyane-Shashemooke-Borolong-Chadibe-Mathangwane; Mogoditshane Gabane-Mmankgodi; Boatle-Lobatse; Palapye-Martins Drift; Nata-Kasane; Makalamabedi-Motopi; Nata-Maun Reconstruction; Francistown-Nata Reconstruction; Maun-Mohembo Reconstruction; and Mmathethe-Bray-Werda. Further, the construction of Rasesa-Artesia and Palapye-Tonota roads will be undertaken through the PPP model in place of the Francistown-Nata and Maun-Mohembo roads. The proposed budget also covers new projects namely Goodhope-Kgoro-Gathwane; Molepolole Bypass; Medie-Lentsweletau and Modipane-Mabalane. **Mr. Speaker,** in addition, other projects to be undertaken will include Airport Maintenance and Improvements of Surveillance of Botswana Airspace as well as Martins Drift Bridge, Optimization of the Dry Port in Walvis Bay and Development of Inland Dry Ports. Further, bankable feasibility studies will be conducted for Mmamabula-Lephalale and Mosetse-Kazungula Railway Lines.

**101. Mr. Speaker,** the third largest share of the proposed Development Budget at two billion, three hundred and forty million Pula (P2.34 billion) or 11.14 percent is for the **Ministry of Local Government and Rural Development** for implementation of Social Protection Programmes including the revamped Ipelegeng and Remote Area Development. The monthly wages for the Ipelegeng Programme will be increased by fifty Pula (P50) from six hundred and fifty-one Pula (P651) to seven hundred and one Pula (P701) for supervisors and from five hundred and sixty-seven Pula (P567) to six hundred and seventeen



Pula (P617) for labourers. Other projects to be implemented are construction and maintenance of primary schools countrywide, upgrading and electrification of customary courts and upgrading of internal roads to bitumen standard at Tlokweng, Mogoditshane, Molepolole, Kanye, Serowe, Maun, Palapye, Ramotswa, Letlhakane, Mabutsane and Mmadinare. Additionally, funding for Constituency Community Projects will cater for the construction of internal roads using interlocking bricks.

**102. Mr. Speaker,** the fourth largest share of the proposed Development Budget at one billion, eight hundred and seventy million Pula (P1.87 billion) or 8.90 percent is allocated to the **Ministry of Defence and Security**. The funds are primarily for provision of infrastructure, defence and communication equipment for the Botswana Defence Force, Botswana Police Service and the Botswana Prisons and Rehabilitation Service.

**103. Mr. Speaker,** the fifth largest share of the proposed Development Budget goes to the **Ministry of Minerals and Energy** at one billion, one hundred and ninety million Pula (P1.19 billion) or 5.66 percent. The bulk of the funds, amounting to five hundred million Pula (P500 million), goes to Botswana Power Corporation with the view to cushion the losses emanating from the lack of cost reflective electricity tariffs. Other projects include: expansion of Francistown Fuel Depot; construction of a new Fuel Depot in Ghanzi; Cross Border Power Supply Project for villages close to the borders with South Africa, Zambia and Namibia; Rural Village Electrification and completion of Network Extension Transmission Backbone (Gaborone, Ramotswa, Tlokweng, Mochudi); provision of services for Power Supply Build Programme such as Coal Bed Methane and Thermal Power Station.

**104. Mr. Speaker,** the sixth largest share of the proposed budget goes to the **Ministry of Agriculture**, amounting to one billion and ninety million (P1.09 billion) or 5.19 percent. The bulk of the budget will cater for the final phase of the Integrated Support Programme for Arable Agriculture Development (ISPAAD) as well as the preparatory activities of the successor programme Temo-Letlotlo which has been designed to promote national self-sufficiency in food production.

**105. Mr. Speaker,** the **Ministry for State President** is allocated one billion and ten million pula (P1.01 billion) or 4.81 percent of the budget.

This provision will fund the following programmes and projects: facilitation of creative industry, with the objective to broaden content to help monetise and optimise the content value chain; Infrastructure Development for Radio and TV Broadcasting; Village Connectivity to facilitate digital transformation across the economy; HIV/AIDS Prevention Activities; Office of the President Facilitation and Support; Strengthening of DIS Programme as well as refurbishment of Orapa House.

**106. Mr. Speaker, the Ministry of Communications, Knowledge and Technology** is allocated eight hundred and seventy-six million, two hundred thousand Pula (P876.20 million) or 4.17 percent. The budget will cover on-going ICT infrastructure projects such as GDN Expansion; E-Services; Local Access Network as well as National ICT Backbone. The budget will also cover on-going research and innovation projects such as the Innovation Fund; the Research and Development Fund; Research Capacity Building; Implementation of Research, Science, Technology and Innovation projects; Climate Change Research Projects; Natural Resources and Materials Research Studies; ICT and Electronics Research Studies; Energy Research Studies and Building Materials Research Studies.

**107. Mr. Speaker,** the remaining Ministries and Departments share the balance of three billion, three hundred and ninety million pula (P3.39 billion) or 16.15 percent. The main projects covered by this amount are: Kasane-Kazungula re-development project, which aims at optimizing the area as a prime tourism destination for the diversification of the economy and creation of jobs in the tourism sector; implementation of schools digitization initiatives in order to drive the transformation of Botswana into a knowledge-based economy; expansion and maintenance of education facilities to increase and improve instructional space and upgrading of health posts and clinics at Maunatlala, Semitwe, Kgwatlheng in Kanye, Zwenshambe, Moseitse, Kazungula, Modipane, Ghanzi, Boatlaname, Kudumatse, Mogorosi, Makgaba, Borolong-Francistown, Lentsweletau, Kopong, Ncojane, Takatokwane, Mabule, Mokubilo, Mogojogojo, Mathangwane and Pilikwe. It will also cover construction of hospitals and staff houses at Letlhakeng, Gumare, Tutume, Kasane, Palapye, Kanye, Selebi-Phikwe, Tsabong, Tonota, Shoshong, Lerala and a community health centre in Mogoditshane. The proposed budget will also go to the Wealth Creation Programme for funding of business

models, monitoring and capacity building for entrepreneurs and enterprises.

**108.** As Honourable Members are aware, the total cost of the Public Investment Programme (PIP) in the Transitional National Development Plan is sixty-four billion and seventy million Pula (P64.07 billion) over two years, including twenty-nine billion, nine hundred and seventy million Pula (P29.97 billion) in the first year of the Plan, 2023/2024, which is substantially more than the development budget presented here today. **Mr. Speaker,** if it were feasible, including all of the Transitional National Development Plan projects in the Budget, would require an additional eight billion, nine hundred and sixty million Pula (P8.96 billion) of borrowing in the coming financial year. Such a sharp increase would require Government to pay higher interest rates on its borrowing, further threatening fiscal and debt sustainability.

**109.** In addition, while we have provided for all the projects in the TNDP, we could not however provide for the quantum stated in Public Investment Programme. **Mr. Speaker,** we need to be conscious of project readiness, and only include projects in the budget only when they are ready for implementation. Projects will continue to be screened and assessed on an annual basis in order to determine their readiness for funding. Furthermore, it is expected that the private sector will be willing to take up the funding gap of bankable projects in the Public Investment Programme.

### ***Overall Balance and Financing***

**110. Mr. Speaker,** the total revenue and grants for the financial year 2023/2024 are estimated at seventy-nine billion, seven hundred and ninety million Pula (P79.79 billion), compared to total expenditure and net lending of eighty-seven billion, three hundred and eighty million Pula (P87.38 billion). This results in a budget deficit of seven billion, five hundred and ninety million Pula (P7.59 billion), or 3.06 percent of GDP. It is anticipated that this budget deficit will be financed through a combination of financing options. The issuance of domestic Government securities, in the form of bonds and Treasury Bills, is anticipated to provide P3.0 billion. Net external financing, from official multilateral and bilateral lenders, is projected at two billion, seven hundred million Pula (P2.70 billion). As a result, a total of two billion,

two hundred million Pula (P2.20 billion) is expected to be drawn from the Government Investment Account.

## **IX. SUMMARY AND CONCLUSION**

**111. Mr. Speaker,** the 2023/2024 financial year represents the first year of the Second Transitional National Development Plan whose theme is "Towards a High-Income Economy: Transformation Now, Prosperity Tomorrow". This Budget, supports priorities identified in the Transitional National Development Plan and the ongoing reforms espoused in the Reset and Reclaim Agenda and will go a long way in contributing to the attainment of Vision 2036 goals. As I have already stated, this Budget aims to provide targeted economic stimulus within the framework of a fiscal policy based on long-term sustainability. Most importantly, we will maintain our focus on achieving a medium-term GDP growth rate of 5.7 percent, which is required to achieve high income status by 2036.

**112. Mr. Speaker,** while we have a positive economic outlook for the coming year, there are heightened global risks that could have a negative macroeconomic and fiscal impact on our economy. It is therefore critical that we continue to build resilience and maintain the capacity to cushion the economy against potential shocks. In this regard, Government will continue to actively monitor global and domestic developments in order to respond timely and appropriately to changing economic conditions.

**113. Mr. Speaker,** as I have already indicated, a large share of the budget will focus on investment in infrastructure. In this regard, Ministries are reminded to ensure that projects are awarded to citizen-owned companies as well as to reserve Constituency Community Projects for contractors in the immediate locality, so as to distribute the impact of the fiscal stimulus throughout the country.

**114. Mr. Speaker,** I wish to encourage all stakeholders to play their part in ensuring the successful implementation of this budget. May I remind all Batswana that our successful development journey to date has been based on the commitment and efforts of our people and communities across the breadth and width of this country. Going forward, I must emphasise the central role that our public service employees play in driving implementation and service delivery. We can all agree that

improvements are needed in our approach to service delivery and our willingness to reset and embrace transformation. I therefore, wish to urge all stakeholders, be they within or outside Government, to put customers at the forefront of service delivery and meet or exceed their expectations. On this note, all MDAs are further directed to efficiently utilise the 2023/2024 budget to ensure positive returns on public investment and prosperity for all.

**115. Mr. Speaker,** I wish to extend my sincere appreciation to our development partners for their continued support and commitment to the development of our country. Their contributions play a significant role in accelerating the transformation agenda, and will be important in the implementation of the Transitional National Development Plan.

**116. Mr. Speaker,** as I conclude, I wish to once again reaffirm our commitment, as the BDP-led Government, to macroeconomic and fiscal stability. The stable macroeconomic policies, good governance, adherence to the rule of law and a conducive business environment will continue to position Botswana as a highly competitive economy and an investment destination of choice. With plenty of opportunities available in sectors such as tourism, agriculture, infrastructure, services and manufacturing, we commit to uphold our attributes so as to promote integration into the global economy and be a leading trade and investment hub. This concludes my presentation.

**117. Mr. Speaker,** I now move that the **Appropriation (2023/2024) Bill, 2023 - Bill No.4 of 2023**, be read a second time.

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