

2020 Budget Speech by Dr. Thapelo Matsheka, Minister of Finance and Economic Development

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GOALS FOR 2020

5. This Government is committed to transforming the economy through, refocusing existing policies, strategies and programmes...in order to create an inclusive economy with greater citizen participation.
16. The first priority is ***Promotion of export-led growth.***
17. The second is: ***Ensuring more efficient government spending and financing.***
18. The third is ***Building human capital.***
19. The fourth pillar is the ***Provision of appropriate infrastructure***

WHEARE ARE WE NOW?

21. As a small open economy, the continued tension between the United States of America and China, who are the two major markets for our diamond exports, continues to undermine the country's economic performance
28. The preliminary balance of payments for 2019 indicates a deficit of P10 billion, following a lower deficit of P4.2 billion in 2018.

25. Inflation was within the Bank of Botswana medium-term objective range of 3 – 6 percent. The outlook for domestic inflation is stable

31. As at the end of November 2019, foreign exchange reserves amounted to P70.6 billion, a decrease from P74.5 billion in November 2018.

WHAT ARE WE DOING IN AND FROM 2020?

24. Government will be refocusing attention to the agriculture and manufacturing sectors...

29. The transformation programme requires a review of the country's entire ecosystem for promoting exports, including regulatory environment, fiscal incentives, and provision of basic infrastructure.

34. A subcommittee of Cabinet, which I chair, will undertake a comprehensive review of the parastatals' landscape.....It is important that the mandates of these organisations are repositioned to support the transformation journey.

39. Government will take bold decisions on the reform of the state-owned enterprises during the course of the next financial year.

48. My ministry will revisit the process of delivering public infrastructure through the Public Private Partnership (PPP) model

50. Government has engaged the United Nations Conference on Trade and Development (UNCTAD) to develop the National E-Commerce Strategy, which will be in place by June 2020.

53. Government is reviewing the PPADB Act.

54. Government has initiated the review of the EIA Act to enhance project implementation.

55. Government is also developing a Decentralisation Policy (to involve private sector)

57. A value-for-money audit of expenditure on the education and health sectors.

59. Government is also developing an Internship and Apprenticeship Framework

60. Draft National Employment Policy (NEP) is in process

64. Government is providing funding for constructing silos in Pandamatenga to be utilized by commercial farmers operating within the agricultural Special Economic zone

- 65. Government is formulating a law on citizen economic empowerment to support the existing Citizen Economic Empowerment (CEE) policy.
- 72. Forbes under 30 is coming to Botswana
- 76. The Trade Act and the Industrial Development Act will allow the issuance of licenses and registration certificates over the counter....
- 77. In July 2019, Cabinet approved a comprehensive and internationally competitive incentive package, which the Special Economic Zone Authority (SEZA) will use to attract Foreign Direct Investment. These incentives include, among others, 5 percent corporate tax for the first ten (10) years and 10 percent thereafter; provision of fully serviced land; fast tracking of land allocation; providing single window and streamlined investor facilitation processes; waiver on transfer duty on land and property; and property tax exemption for the first five (5) years of operation.

WHAT WE ARE NOT DOING?

- 27. An annual review of these parameters (exchange rate and crawl rate) is, therefore, in line with the policy of maintaining a competitive exchange raterather than an act of devaluation or revaluation of the exchange rate.

BUDGET PROPOSALS - SUMMARY

- 92. The overall fiscal balance for the 2018/2019 Financial Year is a deficit of 4.6 percent of GDP. Total revenues and grants amount to P53.47 billion, while total expenditure and net lending, on the other hand, is P62.35 billion.
- 93. The revised fiscal balance for the 2019/2020 Financial Year is a deficit of 3.9 percent of GDP. Total revenues and grants - P60.71 billion. The main revenue items revised are as follows: Mineral revenue at P18.43 billion; Customs and Excise at P13.79 billion; and VAT at P7.92 billion. The revised total expenditure and net lending - P68.64 billion.
- 95. Total revenues and grants for the 2020/2021 Financial Year amount to P62.39 billion, of which, Mineral revenue is estimated at P20.02 billion. Customs and Excise revenue is expected to be P15.38 billion, with Non-Mineral Income Tax estimated at P14.22 billion, while VAT is expected to amount to P8.55 billion.
- 126. The country fiscal's path is unsustainable.
- 127. To build budgets surpluses in the last two years of NDP 11....

DETAILED BUDGET PROPOSALS

96. My Ministry is working with Ministries on the review of user fees and service charges across Government.It is expected that additional annual revenue in excess of P500 million will be collected upon implementation of the revised fees and charges.

98. The total expenditure and net lending for the financial year 2020/2021 is estimated at P67.62 billion. This results in a deficit of P5.22 billion, or 2.4 percent of GDP,,,,,

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

47. Water allocated P1.372 billion; Transport allocated P1.3 billion; Agriculture allocated P862 million; ICT allocated P823 million; Land Servicing allocated P541.5 million; and Energy allocated P521 million.

101. Five Ministries, viz: Basic Education (P 9.01 billion), Defence Justice and Security (P 8.56 billion), Health and Wellness (P 7.73 billion), Local Government and Rural Development (P7.15 billion) and Tertiary Education Research Science and Technology (P 4.89 billion), account for 60.2 percent of the total Ministerial recurrent budget.

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

108. The proposed Development Budget for 2020/2021 Financial Year is P12.03 billion. The proposed Development Budget takes into account the capacity constraints in the economyAs a result, over 80 percent of the proposed development budget will mainly be for continued implementation of ongoing projects, such as in the Water, Energy, Roads and ICT sectors as the key economic drivers, which support the transformation agenda.

113. The *Economy and Employment* TWG (Thematic Working Group) gets the largest share of the Development Budget.....ceiling at **P6.93 billion**.

114. The *Social Upliftment* TWG's overall goal is to achieve a dignified life for all citizens.....The proposed budget for this TWG is **P2.53 billion**.

115. The *Governance, Peace and Security* TWG gets **P2.40 billion**.

116. The Sustainable Environment TWG is allocated **P164.57 million**.

DETAILS OF PROJECTS

117. **(Projects)** North-South Carrier 2 from Palapye – Mmamashia - Gaborone, which is meant to provide water to the southern part of Botswana; Kanye NSC Connection, Moshupa sanitation project, Land servicing at Mochudi, Selibe Phikwe, Mabutsane, Gantsi and Moshupa as well as the Botswana Emergency Water Security and Efficiency project partly funded through the World Bank.

118. **(Projects)** Construction of police stations and staff houses and the Department of Prisons and Rehabilitation Services for provision of prison infrastructure, equipment and storage facilities.

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

120. **(Projects)** Primary School Backlog Eradication Programme; community development projects, internal roads and tribal administration infrastructure development.

121. **(Projects)** North–West Transmission Grid Connection, Rural Electrification, Morupule B Remedial Works and Transmission Backbone for Mochudi, Government Enclave and Gaborone Central.

122. **(Projects)** ISPAAD, LIMID, and refurbishment of the Botswana University of Agriculture and Natural Resources. As indicated earlier, Government will reorient all programmes, including agricultural programmes, to improve productivity in their delivery and impact on the beneficiaries.

123. **(Projects)** staff houses and maintenance of primary schools; Poverty Eradication Programme; construction and upgrading of health facilities such as Tutume, Moshupa, Shakawe, and Letlhakeng Hospitals; housing schemes, such

as the Self Help Housing Agency (SHHA), poverty alleviation scheme and destitute housing for the low income groups. The budget also caters for refurbishment of brigades...

STATUTORY EXPENDITURE

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

SALARY INCREMENTS

133. The negotiated and agreed increments were a 10 percent salary increment awarded to the A and B salary bands; and a 6 percent increment to the C and D bands for the 2019/2020 and 2020/2021 Financial Years.