



Republic of Botswana



People's Guide To The 2016/2017 Budget

Ministry of Finance and Development Planning

Website: www.finance.gov.bw

February 2016

The Context of 2016/2017 Budget Speech

1. In many respects, the 2016/2017 budget is a transitional one from: NDP 10 to NDP 11; Vision 2016 to Vision 2036; and the United Nations Millennium Development Goals (MDGs) to Sustainable Development Goals (SDGs). Therefore, during the preparation of the 2016/2017 budget, efforts were made to ensure that the budget lays a sound foundation and expenditure path for NDP 11, while at the same time aligning its priorities with emerging themes of both Vision 2036 and the SDGs.

Decline in Domestic Economic Performance

2. The growth estimate for 2015 has been revised downwards from 2.6 percent to 1.0 percent, due to the decline in Mining sector and Water and Electricity sector. The Mining sector declined by 14.0 percent, while the Water and Electricity sector registered a decline of 104.0 percent in 2015.

3. A modest recovery in the domestic economy is expected in 2016 and 2017, with growth rates reaching 4.2 percent, and 4.3 percent, respectively, underpinned by recovery in both mining and non-mining sectors.

Key Thematic Areas for 2016/2017 Financial Year

4. The budget allocations for this year address five key thematic areas, namely: *investing in infrastructural development; creating employment opportunities; strengthening human capital; enhancing national security; strengthening local governance.*

Investing in Infrastructural Development

5. Water and electricity are critical inputs into economic activities. However, the drought situation and continued technical problems related to power supply in the country has resulted in water and electricity supply shortages. The limited supply of these utilities

undermines economic activities in other sectors, and thus negatively affects business's *day-to-day* operations. In this regard, all projects for water and electricity will be accorded top priority in the allocation of the budget.

Creating Employment Opportunities

6. Unemployment continues to be a challenge, especially among the youth. Therefore, efforts will be made during 2016/2017 to ensure that Government expenditure contributes to job creation. Some of the economic activities with potential for creating employment opportunities to be undertaken by Government during 2016/17 include: *infrastructure backlog eradication, road networks and maintenance, wildlife and tourism initiatives, continued implementation of EDD initiatives, creation of Special Economic Zones as well as regulatory reforms and improving efficiency.* Efforts to create jobs will also benefit from implementation of a number of projects under the recently introduced Economic Stimulus Programme (ESP).

Strengthening Human Capital

7. Government recognises that education and training is critical in building capacity, citizen economic empowerment, as well as social and economic development. Therefore, Government will continue to channel substantial resources towards education and training, with emphasis on ensuring that the skills and qualifications offered and acquired meet the labour market needs.

8. In addition, investing in health has the potential of raising the standards of living as well as improving productivity of the workforce. Therefore, Government will continue to pursue avenues to improve the standard of health by periodically reviewing the policies and processes of delivering health services to Batswana.

Enhancing National Security

9. Despite the fact that our country continues to be ranked as the least corrupt country in Africa in the Transparency International Corruption Perception Index, Government remains committed to strengthening national security and combating crime. To address this challenge, initiatives are being put in place, through capacity building in investigation, intelligence and forensics in order to have a secure environment.

Strengthening Local Governance

10. In an effort to create employment opportunities and reduce poverty, Government is committed to strengthening Local Authorities. This is in recognition of their important role in the delivery of public service to grass-root communities as well as in promoting local participation in economic activities. It is for this reason that in 2015, Government developed the Local Economic Development (LED) Framework. The Framework is intended to enable communities to: identify their development challenges and needs; understand their resource endowment; mobilise resources; and take action to grow and diversify their local economies. This initiative is expected to have lasting outcomes in creating decent jobs and incomes for the local communities, thereby improving livelihoods for our citizens.

11. Social welfare programmes, on the other hand, have improved over years by combining both cash transfers and income generating micro projects, mainly under the Poverty Eradication Programme. As at August 2015, a total of 207,385 beneficiaries were registered under the temporary relief programmes. In addition, cash allowances were increased effective April 2015 with the: old age pensions allowance increased from P300 to P330; world war veterans' allowance increased from P420 to P450; while destitute persons' allowance was increased from P120 to P150.

The disability cash transfer of P300, targeting people with severe and profound disabilities was also introduced in April, 2015.

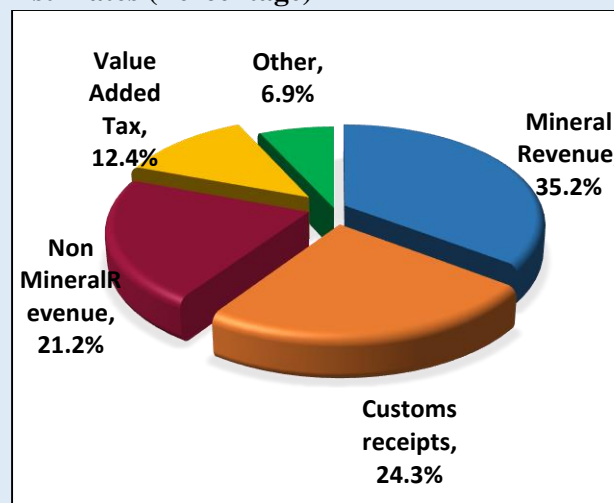
2016/2017 Budget Proposals

12. The proposed 2016/2017 budget allocations were informed by the need to stimulate economic growth and create job opportunities in line with the ESP objectives. In this context, the implementation of the ESP will be done prudently to ensure continued fiscal sustainability.

Revenues and Grants

13. Total revenues and grants for 2016/2017 are estimated at P48.40 billion, with Mineral revenue contributing 35.2 percent of the total, and followed by Customs and Excise at 24.3 percent. Non-Mineral Income Tax and Value Added Tax come third and fourth at 21.2 percent and 12.4 percent, respectively. A percentage breakdown of these is given in Figure 1.

Figure 1: Total Revenues and Grants Estimates (Percentage)



Source: MFDP

Recurrent Budget Allocation

14. The proposed Ministerial Recurrent Budget for 2016/2017 financial year amounts to P36.99 billion compared to the current year's

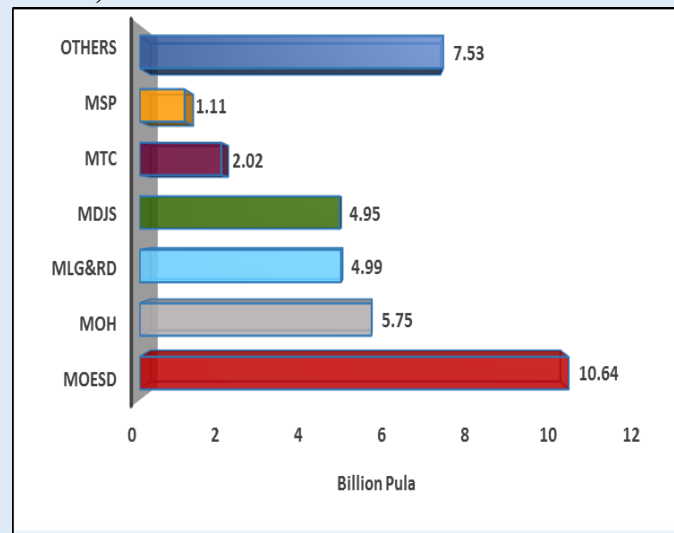
original budget of P36.70 billion. A detailed breakdown of Ministerial allocation is given in Figure 2.

15. The Ministry Education and Skills Development receives the largest share of the Ministerial Recurrent Budget, with a proposed budget of P10.64 billion or 28.8 percent of the total. This is followed by the Ministry of Health with the second largest share of Ministerial Recurrent Budget amounting to P5.75 billion or 15.5 percent. An amount of P4.99 billion or 13.5 percent of the total is proposed for the Ministry of Local Government and Rural Development, which is the third largest share.

16. The fourth largest share is proposed for allocation to the Ministry of Defence, Justice and Security at P4.95 billion or 13.4 percent, while Ministry of Transport and Communications receives the fifth largest share of P2.02 billion or 5.5 percent. The sixth largest share of P1.11 billion or 3.0 percent of the total, is proposed for allocation to the Ministry of State President.

17. The balance of P7.53 billion or 20.4 percent of the total is proposed for allocation to the remaining Ministries and Departments. Among these, the largest share of the balance is proposed for the Ministry of Agriculture at P1.09 billion. The second largest share of the balance amounting to P908.53 million is recommended for the Ministry of Trade and Industry. Figure 2 presents the allocation of the Ministerial Recurrent Budget.

Figure 2: Recurrent Budget Allocation (Pula billion)



Source: MFDP

Statutory Expenditure

18. The proposed Statutory Expenditure for 2016/2017 financial year amounts to P6.91 billion, a decrease of 12.9 percent compared to P7.93 billion allocated for the 2015/2016 financial year.

Development Budget Allocation

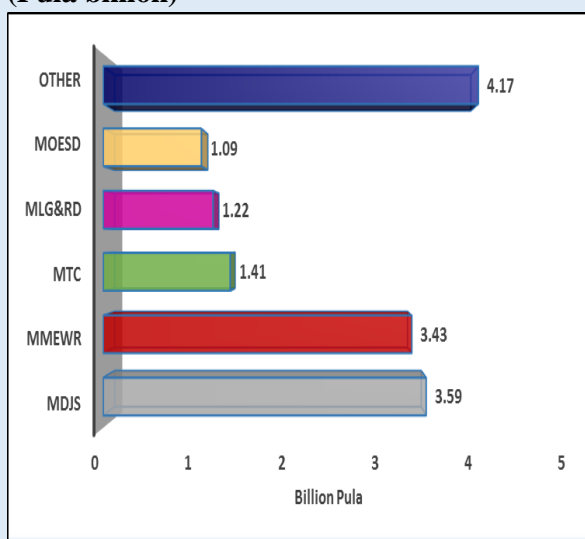
19. A total development budget of P14.82 billion is proposed for the financial year 2016/2017. The Ministry of Defence, Justice and Security, with a proposed allocation of P3.59 billion or 24.2 percent, takes the largest share of the proposed budget. The second largest share of P3.43 billion or 23.1 percent is proposed for the Ministry of Minerals, Energy and Water Resources. The Ministry of Transport and Communications, with a proposed budget of P1.41 billion or 9.4 percent, takes the third largest share.

20. The fourth largest share is proposed for the Ministry of Local Government and Rural Development at P1.22 billion or 8.25 percent. Part of the Ministry's budget is for ESP projects at P315.04 million for backlog eradication of classroom blocks and construction of

customary courts. The Ministry of Education and Skills Development with a proposed budget of P1.09 billion or 7.4 percent gets the fifth largest share, out of which, a sum of P440.35 million is for the construction of teachers' houses, classrooms and laboratories under ESP.

21. Other Ministries and Departments share the remaining balance of the proposed Development Budget of P4.17 billion. A breakdown of development budget allocation is given in Figure 2.

Figure 3: Development Budget Allocation (Pula billion)



Source: MFDP

Overall Budget Balance

22. The estimated overall balance for 2016/2017 is a budget deficit of P6.05 billion or 3.70 percent of GDP. Financing of this deficit and any other future budget deficits, will be restricted to a ratio up to 4 percent of GDP to avoid the country sliding into an unsustainable fiscal path.

Conclusion

23. The Medium term fiscal outlook is a cause for concern given the modest growth prospects for the domestic economy. Ministries should therefore exercise restraint in requesting

for additional funding through supplementary budgets during the year. It must also be emphasised that, while Government continues to show visionary leadership by adopting policies and programmes aimed at inclusive growth, it is the responsibility of the public service and the private sector to deliver on these programmes and associated projects. It is therefore incumbent upon those charged with project implementation in Government to: avoid deficiencies in project designs; provide accurate initial estimates of the costs of projects; reengineer the tendering and adjudication processes to ensure speedy delivery of projects; and ensure adequate supervision of contractors to avoid cost overruns and unnecessary delays in project delivery to the general public.

Summary of 2016/2017 Budget Allocations

Ministerial Recurrent Budget Ministries = P36.99 billion

- Ministry of Education and Skills Development = P10.64 billion
- Ministry of Health = P5.75 billion.
- Ministry of Local Government and Rural Development = P4.99 billion
- Ministry of Defence, Justice and Security = P4.95 billion.
- Ministry of Transport and Communication = P2.02 billion
- Ministry of State President = P1.11 billion
- Other Ministries = P7.53 billion.

Statutory Expenditure = P6.91 billion

Development Budget Allocation = P14.82 billion :

- Ministry of Defence, Justice and Security = P3.59 billion
- Ministry of Minerals, Energy and Water Resources = P3.43 billion.
- Ministry of Transport and Communications = P1.41 billion.
- Ministry of Local Government and Rural Development = P1.22 billion.
- Ministry of Education and Skills Development = P1.09 billion
- Other Ministries and Departments = P4.17 billion.

Total Revenues and Grants for 2016/2017 = P48.40 billion

Total Expenditure and Net Lending = P54.44 billion

Overall Balance= deficit of P6.05 billion

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