



REPUBLIC OF BOTSWANA

People's Guide to The 2024/2025 Budget

Ministry of Finance

Website: www.finance.gov.bw

5th February 2024

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I. INTRODUCTION

1. The 2024 Budget Speech emphasizes that the 2024/2025 financial year marks the end of the second Transitional National Development Plan (TNDP), and also paves way for the Twelfth National Development Plan (NDP 12). Further, the 2024/2025 financial year will act as a foundation to deliver on the Vision 2036 goals, Reset and Reclaim Agenda as well as the TNDP theme of "***Towards a High-Income Economy: Transformation Now and Prosperity Tomorrow***".
2. The 2024/2025 budget proposals have been significantly increased by 23.5 percent over the current year's budget. This offers an opportunity to fundamentally reshape the country's development trajectory and transform the lives of Batswana. A substantial provision of **P20.82 billion** has been proposed for **Game-Changing Programmes** and **High-Value Strategic Investments** under both the recurrent and development budgets.
3. To stimulate growth and job creation, focus has been made on sectors with great potential to transform the lives of Batswana. Therefore, significant increases are proposed for sport development (**317 percent**), research and development (**280.9 percent**) creative arts (**58.8 percent**) and infrastructure development (**33.5 percent**). Additional budget increases have also been made under gender mainstreaming, Youth Development Fund, Social Protection Programmes and the Agriculture sector.
4. To increase the potential contribution made by the informal sector and also create employment, the Budget Speech proposes the establishment of a revolving fund named "**Chema Chema Fund**" with an initial capital injection of **P200 million**, aimed at fundamentally transforming the informal sector and creating more employment opportunities. Government will further upgrade the Gaborone road network and peri-urban areas to become an event hub, using 50 percent of the Road Levy Collections Fund proceeds and this model will be replicated in other regions across the country.

II. BUDGET PARTICIPATION AND HIGHLIGHTS OF THE PAST BUDGETS

5. The Budget Speech presents some of the key activities and initiatives, including pieces of legislation and social protection programmes that impacted the lives of Batswana in the last four years. Among the highlights is extending the Budget Pitso consultations beyond Gaborone for the first time in the history of the budget formulation process including hosting of the first National Budget Youth Pitso in Mahalapye. To further improve on budget transparency and participation efforts, the Speech is live broadcasted, leveraging on the SmartBots Village Connectivity Programme.
6. The 2024/2025 Budget Speech takes into account the impact of both COVID-19 pandemic and the Russia-Ukraine war which disrupted socio-economic plans in Botswana, thus resulting in an average of 2.9 percent real GDP growth, lower than the projected 7.6 percent. This led to a cumulative deficit of P27.5 billion with unemployment rate rising from 22.2 percent in the fourth quarter of 2019 to 25.9 percent in the third quarter of 2023.
7. Despite the challenges and setbacks, some significant milestones were achieved during this period, which positively touched the lives of Batswana. These were achieved through increases in total expenditure by 13.3 percent from P65.4 billion in the 2019/2020 financial year to P74.10 billion in the 2022/2023 financial year. Some of these efforts entailed redirecting the budget to cover increased student allowances, re-sponsorship as well as expenses incurred during the COVID-19 pandemic, such as the Industry Support Facility and Wage Subsidy.
8. Significant progress was made in reducing deficits and improving revenue collection. This indicates a reduction by P127.89 in the 2021/2022 financial year while a further significant reduction to almost balanced budget was made in the 2022/2023 financial year. On the revenue front, total revenue collected from non-traditional sources under the revised user fees and service charges increased by P314.56 million to P961.14 million in 2022/2023 financial year compared to the pre-COVID level of P646.58 million. This was a demonstration that implementation of additional revised fees can boost overall revenue in line with the Government's revenue maximisation drive.

9. The Gender Responsive Public Finance Management Assessment conducted during the 2022/2023 financial year. Results show that there is need to do more in strengthening and coordination of gender equality policies to ensure gender mainstreaming across all sectors.
10. Special Audit of Tertiary Education Financing activities under the Ministry of Education and Skills Development, was completed in May 2023. It revealed a number of internal control deficiencies. As such a detailed, roadmap is being developed to implement firm measures to address serious governance and financial management gaps. Further, Government will strengthen financial management and internal audit capabilities at other Ministries, Departments and Agencies and institute more targeted audits.
11. To address emerging challenges and financial hardships faced by Batswana as well as undertake legislative reforms, Parliament passed several laws, including the Value Added Tax, Transfer Duty, Banking, Retirement Funds, Income Tax. The Botswana Meat Industry Regulatory Authority Act, and Non-Bank Financial Institutions Regulatory Authority Acts.
12. Progress made by Local Authorities in production of financial statements and conducting audits is noted. However, the backlog of eight (8) Local Authorities' books of accounts which are yet to be audited for Financial Years 2020/2021 is an issue of great concern, as it does not only point to corporate governance failure but also compromises accountability for public resources, thereby creating conditions for maladministration and corruption.
13. With regard to the reform of State-Owned Enterprises sector, most Ministries, Departments, and Agencies are lagging behind set targets. However, several situational analyses have been undertaken in some Ministries to inform the process going forward. Worth noting is the draft structure of at least one proposed entity (Merger of BITRI and BDIH).
14. One of the key highlights of the past four years is improvements made in access to electricity across the country through electricity Network Extension and Rural Electrification programme. This connected areas which had water supply and sanitation deficit and improved expansion of some of the road networks through which has improved traffic flows.

15. Another important milestone is the removal of Botswana from the list of countries with deficiencies in Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT). To avoid another greylisting, Government is in the process of establishing a centre that will assist Botswana's compliance with the Anti-Money Laundering, Combating the Financing of Terrorism and Proliferation (AML/CFT/PF) at the University of Botswana. Further, to ensure compliance with the Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) International Standards, a National Risk Assessment that was undertaken and completed in December 2023. Following the assessment an Action Plan is being developed for implementation expected during the 2024/2025 financial year. This is aimed at strengthening strategies associated with reducing both the Money Laundering and the Terrorist Financing risks.
16. Another notable achievement is the agreement between the Botswana Government and the De Beers Group. In addition to accelerating Botswana's economic diversification through the creation of a multi-billion Pula Diamonds for Development Fund, the agreement will increase Botswana's presence in the diamond value chain through Debswana's rough diamonds allocation to the Okavango Diamond Company from 25 percent to 50 percent over 10 years.

III. NATIONAL PRIORITIES AND FOCUS FOR THE FINANCIAL YEAR 2024/2025 BUDGET

17. The 2024/2025 Budget outlines nine major national priorities that will be implemented to guarantee inclusive growth and reform the economy, with a focus on ending extreme poverty and generating sustainable employment. These are *Infrastructure Development and Spatial Planning; Sustaining Livelihoods; Agriculture Development; Supporting the Private Sector through Business Environment Reforms and Value Chain Development; Research and Development; Innovation and Digital Transformation; Green Transition; Education and Human Capital Development and Tourism Development.*

Infrastructure Development and Spatial Planning

18. A significant development budget of **P17.0 billion** is proposed to address a wide range of infrastructure gaps. As part of accelerating the implementation of the National Spatial Planning, land servicing projects will be undertaken at special economic zones, SPEDU industrial land, Kasane, Metsimothabe, Mmopane, Palapye, and Ghanzi areas.
19. Government will continue with efforts to connect villages to the national grid. To increase connectivity by low-income households, ready-made boxes will be provided for free to those not wired.
20. Further, Government will continue leveraging on the Public- Private Partnership (PPP) Model to accelerate the implementation of projects as well as address inefficiencies. To this effect a stand-alone Bill on Public-Private Partnerships will be presented to Parliament before the end of 2024.

Sustaining Livelihoods

21. Government will continue implementation of various Social Protection Programmes including Ipelegeng, Remote Area Development, Old Age Pensioners, Orphans and Vulnerable Children, World War II Veterans, People Living with Disabilities, and Destitute Programme to eliminate absolute poverty, enhance social protection, reduce inequalities and improve the quality of life for all Batswana. In addition, access to healthcare services, education, economic empowerment programmes and job opportunities across different economic sectors will be improved to reduce inequalities and sustain livelihoods. To this end, an overall budgetary provision under this priority is proposed to be increased by 13.8 percent to reach **P6.09 billion**.
22. The 2019 Informal Sector Strategy will be reviewed during the 2024/2025 financial year, with a focus on facilitating decent places of operation for informal businesses, providing capacity building for skills enhancement, improving market access, and integrating the sector into the mainstream economy.

Agriculture Development

23. A development budget of **P2.82 billion** is proposed to drive agriculture development initiatives geared towards food security and self-sufficiency. Government will prioritise supporting infrastructure, including access roads to production centres, to transform the agriculture sector. Further to this, Government will use programmes such as Temo Letlotlo and Thuo Letlotlo to improve food security and enhance the animal production sector. Regarding land utilisation, eight plots are being subdivided for leasing to investors in Molopo Farms, while 14 small stock farms will be subdivided into 57 smaller plots for potential leasing to small stock farmers in different parts of the country.

Supporting the Private Sector through Business Environment Reforms and Value Chain Development

24. A development budget of **P2.11 billion** is proposed under this priority to support the private sector through business environment reform as well as existing opportunities in domestic value chains such as mineral beneficiation, tourism, food processing, agribusiness, cattle, small stock, and indigenous products.
25. Ratification of the African Continental Free Trade Area Agreement (AfCFTA) in February 2023 signifies the country's dedication to this initiative, paving way for the private sector to participate in the growing Continental Free Trade Regime. Further, to provide innovative and tailored financial solutions for the private sector to address the current implementation challenges, emerging issues and gaps that affect businesses at different stages of development, a comprehensive review of business support products and funding models will be undertaken.

Research and Development

26. A development budget of **P1.02 billion** is being proposed for Research and Development programmes which will drive research across strategic intervention categories such as Mining, Minerals Beneficiation, Human Health and Social Sciences, Food and Agriculture, Livestock and Veterinary Research, Water, Environment and Climate Change.

Further, an Intellectual Property (IP) Motshelo Scheme and an Intellectual Property Ideas Incubation Centre will be established to support indigenous research and innovation with a view to empower Batswana to own and protect their Intellectual Property assets.

Innovation and Digital Transformation

27. A development budget of **P1.83 billion** that will be implemented through the Digital Transformation Strategy for Botswana, is being proposed to accelerate innovation and digital transformation initiatives. In addition, implementation of the Village Connectivity programme will continue during 2024/2025 financial year. Regarding online services, a total of 170 services have been launched while an additional 230 services will be completed by the end of 2025/2026 financial year.

Green Transition

28. To augment the existing donor funds, enhance economic resilience and protect livelihoods, a development budget of **P1.37 billion** is proposed with a view to address the effects of climate change. The 2024/2025 budget will also focus on projects and programmes that mitigate climate change shocks and ensure sustainable adaptation to emerging adverse situations.

Education and Human Capital Development

29. To ensure that the Education Sector produces the necessary skills for the economy, the development of an economy-wide integrated digital Labour Market Information System (LMIS) is expected to be completed by September 2024. A combined budget of **P28.60 billion** is proposed for this priority in the 2024/2025 financial year. The LMIS will facilitate, among others, the development of effective policies and programmes that address unemployment, productivity and skills mismatch.
30. Further, Government will continue to direct resources towards transforming and enhancing the delivery of education and training to address the mismatch between available human capital and the requirements of employers and the economy.

To ensure alignment with the Education and Training Sector Strategic Plan, some of the spill-over projects that are aimed at enhancing the alignment between educational qualifications and the evolving demands of the labour force will be implemented. To this end, the General Education Curriculum and the Education and Training Sector Strategic Plan of 2015-2020 will be reviewed to ensure that emerging needs of the economy are addressed.

Tourism Development

31. Government is committed to ensuring that the aspirations of the Tourism Policy (2021) are attained through the implementation of the National Tourism Strategy and Master Plan (2023-2033). Budgetary provisions have been made to continue upgrading infrastructure in the Kasane-Kazungula Tourism areas.

IV. MACROECONOMIC PERFORMANCE AND OUTLOOK - CONTEXT FOR THE 2024/2025 FINANCIAL YEAR BUDGET

Global Economy

32. According to the International Monetary Fund, January 2024 World Economic Outlook Update, global economic growth is estimated to remain below the historical average in the short to medium term. Global economic growth is therefore, estimated to slowdown from 3.5 percent in 2022 to 3.1 percent in both 2023 and 2024, largely reflecting weaker growth in major economies. Growth in the Southern African Development Community (SADC) and Southern African Customs Union (SACU) regions is also estimated to have slowed down in 2023, averaging 2.5 percent and 1.2 percent, respectively. However, growth is expected to pick marginally in both regions in 2024 as regional economic conditions improve.

Domestic Economy

33. Growth in the domestic economy is estimated to have slowed down from 3.2 percent from 5.5 percent recorded in 2022. The slowdown is largely due to weak diamond trading and mining activities as well as the effects of global events. In the medium-term the domestic economy is expected to rebound to 4.2 percent and 5.4 percent in 2024 and 2025, respectively, as the world economy recovers.
34. Following the high peaks recorded in 2022, domestic inflation has declined, reaching 3.5 percent in December 2023.

This reflects the fading effects of domestic fuel price increases. In line with the lower inflationary pressures, the Bank of Botswana reduced its Monetary Policy Rate from 2.65 percent to 2.40 percent in 2023, with a view to ensure financial stability and that inflation remains within the Bank's objective range of 3-6 percent.

35. The provisional balance of payments data shows a surplus of P5.10 billion in the first nine months of 2023 compared to P5.40 billion in 2022. Foreign exchange reserves increased from P60.80 billion in 2022 to P64.90 billion in 2023. The latter is equivalent to 9 months of import cover of non-diamond goods and services, compared to 8.4 months in the previous year.

Risks to Macroeconomic Outlook

36. Botswana faces several risks that could reverse macro-fiscal gains, including weak economic activity in major trading economies. These risks could negatively impact the country's ability to accumulate foreign exchange reserves and Government revenue. Geopolitical tensions disrupt global economic prospects, negatively impacting Botswana's growth target of 6 percent needed to transform the country into a high-income country. Combining these risks could widen the fiscal deficit and delay planned fiscal consolidation, further reducing Botswana's ability to respond effectively to future shocks. Several risks to the macro-fiscal profile, include inflation risks, expenditure risks and inadequate capacity to appraise, monitor and evaluate development projects.
37. To mitigate these risks, the Government will focus on improving domestic revenue maximisation, reduce expenditure leakages, monitor development spending and mitigate climate change effects. These measures aim to enhance competitiveness and diversify the economy, ultimately strengthening the Government's ability to provide critical services.

V. FISCAL STRATEGY

38. ***Public Expenditure Reforms***

To address efficiency in spending the Development Manager Model will continue to be implemented. Further, the Zero-Based Budgeting and Budget Options approaches will continue to be enhanced to improve the costing of budgetary requirements by Ministries, Departments and Agencies.

In addition, implementation of the Three-Stage Appraisal Process will be strengthened to ensure thorough screening of projects planned for NDP 12 before inclusion in the Plan and the budget.

Tax Reforms

39. The review of tax laws remains a priority and will consolidate, simplify and modernise the existing Income Tax Act to deal with the evolving nature of the business environment in the global economy. It will further rationalise various concessions under the VAT Act and harmonise the administrative provisions under the Income Tax Act and the VAT Act to pave way for enacting a new Tax Administration Act.

Sustained Revenue Maximisation

40. The Government is enhancing its revenue maximisation efforts through policy and administrative measures, including diversifying the revenue base and improving operational efficiencies. BURS is implementing a solution to digitally mark and track excisable goods, with the digital solution expected to be fully implemented by July 2024. To enhance trade facilitation through adoption of a One-Stop Border model, the Kazungula One-Stop Border Post has been fully operationalised.

Debt Management

41. The Public debt levels remain within the statutory debt ceiling of 40 percent of GDP, with external debt to GDP at 9.5 percent and domestic debt at 10.7 percent. This makes total exposure 20.2 percent of GDP. Debt sustainability measures by Government include the unveiling of a Borrowing Strategy and Issuance Calendar for 2023/2024 which provides a secure basis for investment decisions. In addition, a new three-year Medium-Term Debt Management Strategy, which will align the future borrowing choices with Government's preferred cost and risk levels is planned for implementation during the 2024/2025 financial year.

Government's Net Financial Asset Position

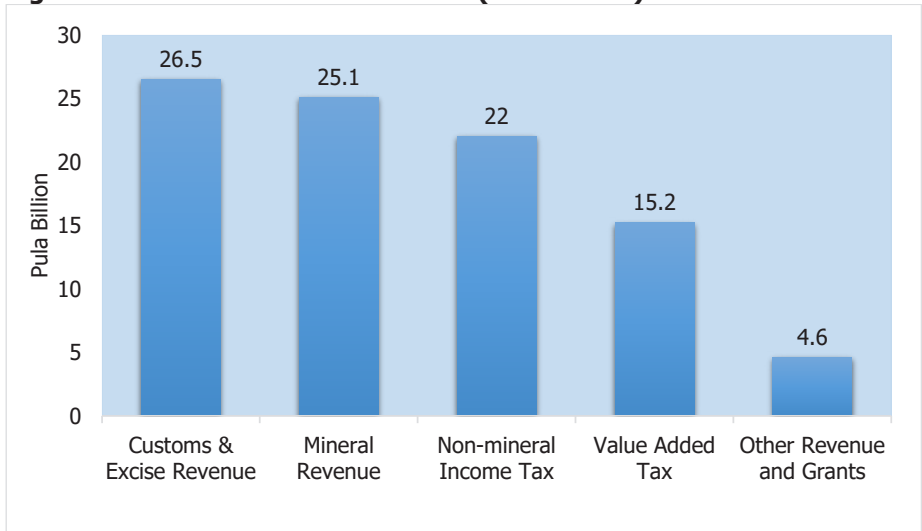
42. At P11.40 billion recorded in November 2023, from P16.80 billion in November 2022, the level of Government Investment Account remains relatively low compared to pre-Covid era. Government therefore, remains committed to its medium-term objective of rebuilding the financial buffers in order to cushion the economy from future shocks.

VI. 2024/2025 FINANCIAL YEAR BUDGET PROPOSALS

Total Revenues and Grants

43. The projected total revenues and grants for the 2024/2025 financial year amount to **P93.58 billion**. Of this amount, the largest contributor is the Customs and Excise receipts which is estimated at P26.46 billion of total revenues. The second largest contributor is Mineral Revenue at P25.05 billion or 26.77 percent of total revenues, while Non-mineral income tax and VAT are estimated to account for P22 billion or 23.5 percent and P15.24 billion or 16.28 percent of total revenues, respectively. Figure 1 below depicts percentage breakdown of these categories.

Figure 1: Total Revenue and Grants (Pula Billion)



Source: Ministry of Finance, 2024

Total Expenditure and Net Lending

44. Total expenditure and net lending for the Financial Year 2024/2025 is projected at **P102.28 billion**. This includes P72.61 billion proposed for the Recurrent Expenditure and P29.77 billion for the Development Budget.

Statutory Expenditure

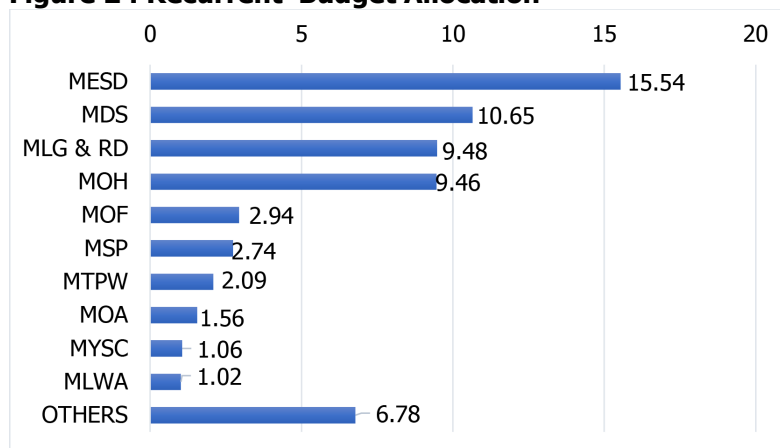
45. The statutory expenditure for the 2024/2025 financial year is estimated at **P24.39 billion**, which is an increase of P3.42 billion or 16.3 percent compared to the 2023/2024 revised budget of P20.97 billion.

Ministerial Recurrent Budget

46. The total proposed budget for Ministerial Recurrent expenditure is estimated at **P63.74 billion**, which is an overall growth of 5.7 percent over the current year's approved budget.
47. The largest share amounting to P15.54 billion, which is 24.4 percent of the proposed recurrent budget, is allocated to the **Ministry of Education and Skills Development**. The **Ministry of Defence and Security** is allocated the second largest share of the proposed Ministerial Recurrent Budget amounting to P10.65 billion, an increase of 8.4 percent while the **Ministry of Local Government and Rural Development** is the third largest with a proposed Budget of P9.48 billion.
48. The fourth largest share is allocated to the **Ministry of Health** with a proposed Ministerial Recurrent Budget amounting to P9.46 billion while the fifth share is allocated to the **Ministry of Finance** amounting to P2.94 billion. The sixth largest share of the proposed budget amounting to P2.74 billion is allocated to the **Ministry of State President**.
49. The proposed budget allocation for the **Ministry of Transport and Public Works** for the 2024/2025 financial year amounts to P2.09 billion while for the **Ministry of Agriculture** it is P1.56 billion.
50. The proposed budget allocation for the **Ministry of Youth, Gender, Sport and Culture** amounts to P1.06 billion while the **Ministry of Lands and Water Affairs** is allocated P1.02 billion.

The remainder of the total Ministerial recurrent budget allocation of P6.78 billion or 10.6 percent will be shared among the remaining Ministries and Extra-Ministerial Departments. Figure 2 below represents a breakdown of the allocations of the recurrent budget to Ministries.

Figure 2 : Recurrent Budget Allocation



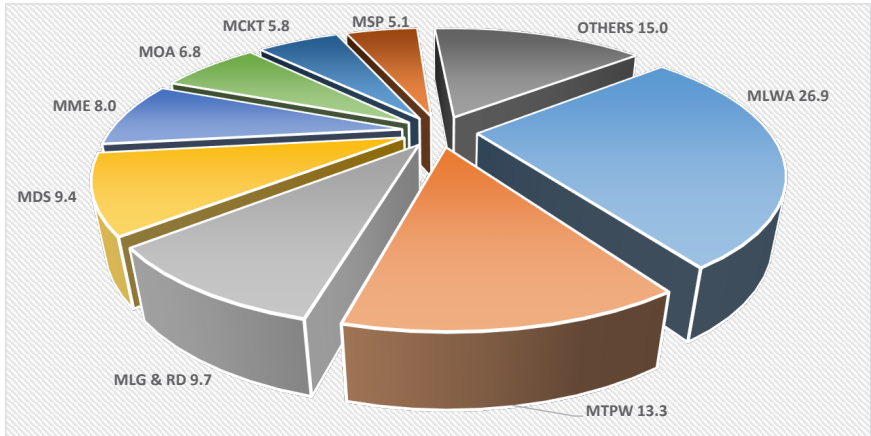
Source: Ministry of Finance, 2024

Development Budget

51. The proposed development budget for 2024/2025 financial year is **P29.77 billion** reflecting an increase of P8.76 billion or 41.69 percent over the 2023/2024 approved budget. Government aims to accelerate the implementation of projects to unlock opportunities for sustainable jobs, improve the quality of life, reduce poverty, eliminate gross inequalities and ultimately achieve high-income status.
52. The largest share of the proposed development budget goes to the **Ministry of Lands and Water Affairs** amounting to P8.01 billion, or 26.9 percent. The budget will cover various projects including the Goodhope Water Supply Scheme Phase 2.2, Kgalagadi North Water Supply, Kanye Network Rehabilitation and land servicing projects.

53. The **Ministry of Transport and Public Works** has been allocated the second largest share of the proposed development budget amounting to P3.95 billion or 13.3 percent. The budget will cover ongoing road infrastructure projects such as Traffic Signal Modernisation and Centralised Traffic Control for Greater Gaborone. The allocation will also cover upcoming road projects, which will be executed using the Development Manager model.
54. The **Ministry of Local Government and Rural Development**, with a proposed budget of P2.89 billion or 9.7 percent, takes the third largest share. The budget will be used to boost Local Government Infrastructure as well as implementation of Social Welfare Programmes.
55. The fourth largest share of the proposed Development Budget of P2.78 billion or 9.3 percent is allocated to **the Ministry of Defence and Security**. The funds are mainly for the provision of infrastructure, defence and communication equipment to strengthen the security and rehabilitation capabilities of the Botswana Defence Force, Botswana Police Services and Botswana Prisons Service. The fifth-largest share of the proposed Development Budget goes to the **Ministry of Minerals and Energy** at P2.39 billion or 8.0 percent. The proposed budget will cover power importation as well as implementation of the Network Reinforcement and Northwest Electricity Grid projects among others.
56. The proposed budget allocation for the **Ministry of Agriculture** amounts to P2.02 billion, or 6.8 percent of the development budget. The budget will cater for the Temo Letlotlo Programme and cluster development projects while the **Ministry of Communications, Knowledge and Technology** proposed budget amounting to P1.73 billion or 5.8 percent will cover ICT Projects such as Online Services Implementation, Government Data Network Expansion. The **Ministry for State President** proposed budget is P1.52 billion or 5.1 percent of the development budget.
57. The remaining Ministries/Departments share the balance of the proposed budget of P4.48 billion or 15.0 percent.

Figure 3: Development Budget Allocation (percentage share)



Source: Ministry of Finance, 2024

Overall Balance and Financing

58. A budget deficit of P8.69 billion, or 2.8 percent of GDP is projected for 2024/2025 financial year. As part of financing the budget, drawing on the Government Investment Account will be moderated. Government will also mobilise additional resources including using part of the fiscal savings, special funds proceeds and domestic borrowing.

VII. SUMMARY AND CONCLUSION

59. The proposed 2024/2025 budget sets a strategic tone and foundation to provide a stable macroeconomic environment necessary to deliver on the Vision 2036 goals, Second Transitional National Development Plan as well as the Reset and Reclaim Agenda. Although this is an expansionary budget with an overall balance in deficit, Government will strengthen fiscal sustainability measures by maximising domestic revenue collection as well as curb expenditure growth and leakages. The 2024/2025 financial year, proposed a stimulus budget that will create opportunities for all to play a meaningful role and contribute towards transforming our economy to be more inclusive, innovative and knowledge based.

Table 1: Summary of 2024/2025 Budget Allocations

Ministerial Recurrent Budget Allocation = P63.74 billion

- Ministry of Education and Skills Development = P15.54 billion
- Ministry of Defence and Security = P10.65 billion.
- Ministry of Local Government and Rural Development = P9.48 billion
- Ministry of Health = P9.46 billion
- Ministry of Finance = P2.94 billion
- Ministry of State President = P2.74 billion
- Ministry of Transport and Public Works = P2.09 billion
- Ministry of Agriculture = P1.56 billion
- Ministry of Youth, Gender, Sport and Culture = P1.06 billion
- Ministry of Lands and Water Affairs = P1.02 billion
- Other Ministries and Departments = P6.78 billion

Statutory Expenditure = P24.39 billion

Development Budget Allocation = P29.77 billion

- Ministry of Lands and Water Affairs = P8.01 billion
- Ministry of Transport and Public Works = P3.95 billion
- Ministry of Local Government and Rural Development = P2.89 billion
- Ministry of Defence and Security = P2.78 billion
- Ministry of Minerals and Energy = P2.39 billion
- Ministry of Agriculture = P2.02 billion
- Ministry of Communications, Knowledge and Technology = P1.73 billion
- Ministry of State President = P1.52 billion
- Other Ministries and Departments = P4.48 billion

Total Revenues and Grants = P93.58 billion

Total Expenditure and Net Lending = P102.28 billion

Overall Balance = Deficit of P8.69 billion

Source: *Ministry of Finance, 2024*

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