Stanbic Bank Botswana
Economic Review

Quarter 1 **2020**

Stanbic Bank *IT CAN BE*™

Executive Summary

This first issue of the Stanbic Botswana Quarterly Economic Review focuses on the 2020 Budget Speech. The first paper reviews the entire budget. Its key observations are that this budget is prepared as prescribed by the Public Finance Management Act; the priorities it seeks to address are drawn from Vision 2036 and the eleventh national development plan (NDP 11); and its proposed allocations are aligned to the national development objectives.

It supports many of the proposed economic structural reforms and policy initiatives that are intended to put the economy on the path of high-incomes status such as reforming parastatals, developing infrastructure and human capital and curbing wastage. Moreover, it supports the need to restore fiscal sustainability whilst ensuring that the vulnerable groups are not excluded. It urges Government to implement the measures as a matter of urgency whilst ensuring that corruption is decisively dealt with.

The second article examines the transformation agenda that has been rolled out. It argues that the agenda calls for a new set of rules and approaches for it to be realised. It observes that it is unfortunate that the problems currently addressed have long beset our economy. The review urges government to commit to address these problems and, in particular, corruption for Botswana to graduate to high income status. Further, it stresses the need to address the challenges faced by the education and health sectors for a knowledge-based economy to materialise. The development of agriculture is identified as a key priority for addressing the country's socioeconomic problems. It concludes by remarking that while private sector development is key to achieving the transformation agenda, it has been very elusive for decades. Radical measures are needed to ensure that the private sector plays its expected role in transforming the economy.

After addressing conceptual issues of a knowledge economy, the third paper assesses whether the 2020/21 FY budget system is poised to contribute towards a knowledge-based economy. The tentative finding is that it demonstrates the appetite for knowledge economy; there is some evidence of connection between the budget system and economic transformation. It concludes by urging Government to implement the transformation agenda as a matter of urgency. It further urges the Minister of Finance and Economic Development to ensure that this time around, Botswana does not live to its reputation of being good at instituting good strategies that it either not execute them or not well executing them.

The fourth paper was influenced by the fact that Government plans to apply zero-based budgeting to 'other charges' item of the budget in 2020 in order to eliminate wastage. It explains how zero-based budgeting system can reduce wastage.

The last part of the budget commentary provides monitoring and evaluation insights and reflections from the 2020/21 budget speech. The paper is presented against the background that an Orientation Seminar on Budget Analysis for all Members that was held in Selibe Phikwe in January 2020. One of the key topics was "the Role of Parliament in Monitoring and Evaluation (M&E) of the National Budget". The key observation is that while it is generally accepted that M&E is important for assessing the performance of projects and programmes including the National Budget, the budget proposals and estimates of expenditure from the consolidated and development funds seem to only assist parliamentarians to partially monitor the budget at the national level. Much still needs to be done at the project and constituency levels.

Review of the 2020 Botswana Budget

Dr. J. B. Tlhalefang and Mr O. Galebotswe

Department of Economics
University of Botswana

Introduction

The 2020 budget Speech, which was the maiden speech by the Minister of Finance and Economic Development, Dr. Thapelo Matsheka, and the first after the 2019 general elections, was delivered to Parliament on the 4th of February 2020. The Speech has been well received by the labour unions, business community, and the public at large as well as international organisations such as the International Monetary Fund (IMF). It mainly derived its support from key facets including, emphasis on changing the business-as-usual approach to development; outlining the transformation agenda; fiscal reform that minimises the negative impact on economic development and human welfare, competiveness and the decision to implement the 2019 negotiated and agreed public sector salary increments for the FY 2020/2021.

Budget commences transition journey

The budget speech is aligned to, and draws from the Public Finance Management Act, the ongoing review of the eleventh NDP and the country's Vision 2036. It is therefore not surprising that it's most notable feature that is the first of the NDP 11 that commences the transformation journey to higher-income status by 2036. Specifically, it focuses on the need for promotion of private sector-led growth and implementation of strategies for job creation. This focus is also consistent with aspirations of the 2020 Budget Strategy paper released in September 2019.

Slow progress to achieving development objectives

The budget's progress review shows that economic growth was consistent with the NDP 11 projections, with growth of around 4 percent. At this growth rate, the country would neither ascend to a high-income status nor reduce unemployment towards the Vision 2036 target of a single digit. Simple calculations confirm that the economy will need to grow the Vision 2036's target of 6 percent over the next 16 years for per capita income to increase from around USD 8,000.00 to above USD 12,000.00 in current prices. Population will need to grow by only 2 percent per annum.

For this reason, the focal areas for the forthcoming FY's budget include measures to increase economic growth towards an average of 6 percent per annum.

Economic diversification is reportedly progressing fairly well. For example, the share of the non-mining private sector in value added has risen to 66 percent in 2018 from to 63 percent in 2015. The sectoral pattern of growth showed that the performance of services sector (particularly transport & communications, trade, hotels & restaurants, and finance & business services) has been the silver lining and that of mining sector was subdued whilst the utility sector disappointed. The drive towards the service sector of the economy, especially to low-productivity activities (tourism, public administration, wholesaling and retailing) does not bode well for the country's development aspirations.

In the previous versions of this Quarterly Review, it was noted that there is a need for a rethinking of economic diversification. Since the country's domestic market is small, it is inevitable that economic diversification not only focus on broadening the product mix, but also the composition of exports and markets.

This understanding of economic diversification has not been embraced by this year's budget. Consequently, Botswana's exports are still overwhelmingly diamonds, which means that the rest of economic sectors are still highly dependent on foreign-exchange earnings from diamonds. Thus, "the transformation programme requires a review of the country's entire ecosystem".

Projected growth not a transformative one

The budget review of the economic context also depicts that economy with positive medium-term prospects, with growth expected to recover to 4.4 percent in 2020 from the expected growth of 3.6 percent in 2019 largely due to faster growth of services sectors and, thereafter, to slow-down to 4 percent in 2021. These projected growth rates are comparable to those of the IMF staff's baseline scenario of 4.2 percent in 2020 and 4 percent in 2021. Thus, the business-as-usual scenario produces growth rates that are still too low to achieve Botswana's development objectives and create enough jobs to absorb the new entrants into the labour market.

Trade tension between the two major markets for diamond exports, viz., the United States of America and China, is one of the factors that are cited as contributing to, indeed, undermining not only the domestic growth, but also the fiscal position. Another notable downside risk to both global and domestic growth is outbreak of the coronavirus in China around January 2020. This has been declared as a global health emergency. In an attempt to contain the spread of the novel coronavirus pneumonia, the Chinese authorities have ordered city lockdowns and extended holidays, of course, at the expense of near-term economic growth. According to Nomura Holdings Inc. fewer migrant workers returned for work than in previous years and business activities have been slow to pick up. The havoc wreaked by the virus on the world's second largest economy is likely to spill over to the global economy. In fact, it has resulted in a glut in crude oil and, thereby placed oil markets into a contango, i.e., a market structure where near-term prices trade at a discount to future contracts. It also presents significant risks one of Botswana's main drivers of economic growth, diversification and foreign exchange earnings. According to the Financial Times (February 13, 2020), Chinese tourists spent $130 billion overseas in 2018. Regardless of whether the growth materialises, the projected domestic growth rate would not transform the economy to a high-income one.

Progress towards reduction of unemployment, to a target of single digit, and poverty and achieving inclusive growth has also been relatively slow.

Deepening fiscal crisis of the state

The review of progress further reveals that the country's fiscal position is on unsustainable trajectory. The draft Mid-Term Review of NDP 11 reportedly projects cumulative budget deficits over the six-year plan period that is much higher than envisioned during the Plan's preparation. In fact, the 2020 BSP reports a cumulative budget deficit amounting to P16.11 billion. The anticipated budget deficit for FY 2020/21 would be the fourth recorded in four consecutive years.

Is the Budget Deficit a Problem?

An appropriate policy response to the deficit depends on the prognosis of its cause. On the revenue side, the deficit is caused by slower growth of government revenue, largely due to a downward revision in mineral revenues. This is exacerbated by the shareholders' decision to finance Debswana's cut 3 and cut 9 projects through their dividends. The total costs of these projects amount to P24.1 billion over a five year period. Therefore, the revenues would, all other things constant, rise once the projects have been completed. Thus, the government is investing the money in high value projects. On the spending side, the deficit is caused by implementation challenges both at project

preparation and implementation stages as evidenced by delays in completion of projects resulting in cost overruns, poorly constructed projects, etc. For example, Botswana Power Corporation continues to receive substantial subventions for remedial actions of Morupule B Power Plant. Increasing the efficiency of government spending would therefore contribute to reduction of the budget deficit.

At around 4 percent of GDP, the budget deficit is not large by international standards. In contrast to many other deficit countries, Botswana finances the deficit by among others, drawing down on Government cash balances at the Bank of Botswana and borrowing from the domestic market. As at the end of November 2019, Government Investment account at the Bank of Botswana stood at P16.3 billion down from P26.7 billion in November 2018. The problem, however, is that this has compromised long-term fiscal sustainability and the ability to meet short-term obligations such as regular payment for imports of goods and services as well inter-generational equity.

Strategic Interventions for Transformation in 2021

Numerous intervention measures are proposed for implementation in 2020/21, nearly all of which are drawn from Vision 2036 and 11th NDP 11. The first set of transformation measures are directed to growing the economy for job creation. These are, inter alia: (i) investing in economic infrastructure, particularly, electricity, water, rail/roads and technology; (ii) developing human capital; (iii) developing a vibrant agricultural sector; (iv) promoting citizen economic empowerment; (v) investing in the creative industry; and (vi) reforming the regulatory business environment for investment. And the second set of measures is aimed at developing sustainable livelihood and encompasses social upliftment components. Evidence exists that Botswana's problem is not that of under-investment in economic infrastructure and human capital, but that of efficiency in service delivery. Botswana has had a high public investment spending (PIS) relative to peer countries and emerging market economies (EME), but its efficiency gap, at 37 percent, was higher than for EMEs and the average for all countries. In other words, around one-third of investment spending does not result in the level or quality of infrastructures of countries which manage their resources efficiently. Therefore, the challenge for the Finance Minister is not the lack of availability of funds, but that of increasing efficiency of PIS.

Other Aspects of the Budget

Besides the government's revenue and expenditure estimates, this budget contains policy reforms and fiscal consolidation measures.

Policy Reform

The most notable policy reforms earmarked for implementation during 2020/21 FY are, inter alia:

(i) a review of mandates, governance and performance of state-owned enterprises (SOEs). The objective is to propose specific recommendations to Government regarding their relevance and financial sustainability as well as their re-alignment with the transformation agenda. This is a welcome move because: First, the reasons for their establishment may no longer be valid. Second, it may lead to their improved efficiency and subsequently contribute towards the Government's objective of achieving high-income status by 2036. However, the key question is whether the Government will accept the political decision if, for example, the review recommends cutting the workforce of a SOE. Government should pay heed to the Business Botswana's advice that where the outcome of the review recommends restructuring, those brought in to do so must be allowed to execute the task without any undue interference.

[1] See for details the IMF's Botswana: Technical Assistance Report – Public Investment Management Assessment released in July 2017.

Another key policy reform needed is the formulation of a law on citizen economic empowerment to support the existing citizen economic empowerment policy. Government is advised to ensure that this law becomes neither becomes an enrichment tool nor an instrument for inhibiting export-led and foreign direct investment[1]. Further, Government should implement the 2002/03 budget speech and NDP 9'pronouncement that PPPs would be extensively used as a form of procuring and financing infrastructure projects in the public sector. The starting point in this overdue process is the enactment of the public private partnership (PPP) procurement law and the development of a strategy for financing mega projects such as roads, rail and ICT.

This is expected to form the basis for mobilising resources from development partners to accelerate the pace of infrastructure development. One hopes that this law would: (a) end PPPs procurement using the existing Public Procurement and Asset Disposal (PPAD) Act, albeit this Act has no explicit reference to PPPs projects; (b) would strengthen the oversight role of MFED in assessing and monitoring PPP projects, (c) ensure full involvement of PPP Unit in procurement of PPP projects; and (d) ensure that it applies also to SOEs as this would strengthen the unit's gatekeeping role of public finance and minimise Government exposure to related risks.

That a draft National Employment Policy (NEP) has been developed and is being processed within Government is a welcome development. We are hopeful that the NEP will contain strategies to address the supply and demand for labour, specifically to address youth unemployment.

Fiscal consolidation Measures

A number of measures are to be instituted in order to achieve fiscal sustainability. To some extent, the fiscal consolidation has been calibrated in such a way that its impact on economic growth, competitiveness and the most vulnerable, at the worst, are muted.

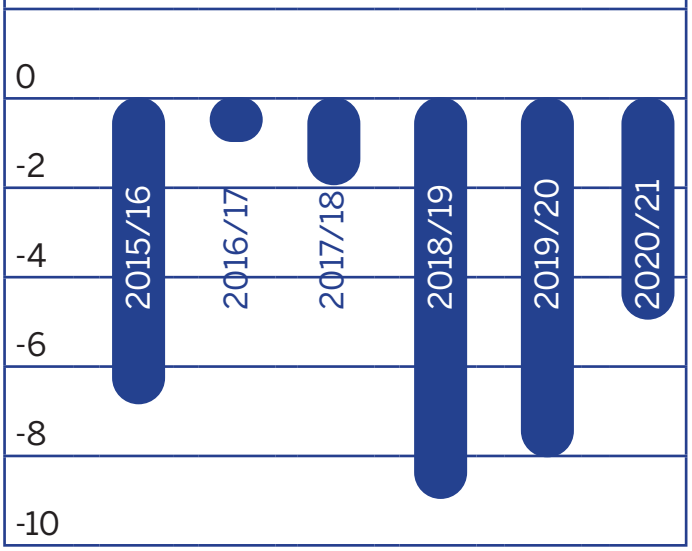
On the revenue side, various fees, levies, and charges of services provided by government are to be increased from 1st April 2020, thereafter on an annual basis. Also, measures will be put in place to implement the cost recovery policy, including collection of tertiary students' loan repayments.

On the expenditure side, the policy objective is to maintain Government's current contribution to GDP at 30 percent and below in order to allow the private sector to contribute the remaining 70%. Moreover, the government spending pattern would be changed in favour of development spending through process and technology adoption across Government in order to effect efficiency in services delivery. Specific expenditure control measures for 2020/2021 include reducing wastage by Zero–based budgeting on "other charges" item of the budget.

A return to fiscal discipline?

Figure 1 suggests that after three years of successive increases in budget deficits, the 2019/20 and 2020/21 Financial Years show steps of a return to financial discipline last recorded in the 2014/15 FY. Extended periods of budget deficits can result in unsustainable debts, which can in turn be a drag on the economy. It is worth noting that the deficit could perhaps have been lower had it not been because of the recently negotiated increase in civil service salaries and allowances that increased the current year's recurrent budget by P1.1 billion.

Figure 2: Surplus / Deflicts



Source: Various Budget Speeches

Just like in the previous financial years, the main sources of revenue are Minerals (P20.02 billion) and Customs and Excise (P15.38 billion). Non-mineral Income Tax and VAT are expected to contribute P14.22 billion and P8.55 billion, respectively. With the main sources of revenue not expected to increase much in the future, there is a need for the Government to improve efficiency in tax administration, diversify to other sources of revenue and also come up with measures to contain expenditures (refer to section on policy reforms).

Decline in government spending

The proposed government expenditure & net lending is P67.62 billion, a decline of 1.8 percent from the current year's revised budget of P68.64 billion. This decrease translates into a reduction in the projected budget deficit from 3.9 percent of GDP in the 2019/20 Financial Year (FY) to 2.4 percent. These reductions in expenditure and deficits could signal a shift towards a "healthier fiscal position", which is a welcome development given the budget deficits recorded in the recent past. However, it is important that the adjustments do not compromise future economic progress.

Government spending can influence the economy either through the demand side, supply side or both. On the demand side, it boosts consumption of goods and services produced by the private sector while on the supply side it provides the physical and social capital necessary for productivity improvements in the economy.

It is therefore a concern that the proposed budget shows a decrease over the revised 2019/20 budget, which suggests that it has limited potential to help the nation to grow the economy for job creation. To further advance this point, we consider its possible expansionary and job creation effects. Specifically, we look at the distribution between recurrent and development allocations as well as the composition of expenditures within each category to determine their likelihood to transform the economy as desired.

Increase in recurrent, a fall in development

The proposed expenditure shows that recurrent expenditure will increase by 9.3 percent while development spending will fall by 29 percent over the current year's approved budget. Moreover, much of the increases in recurrent expenditures are attributed to public service salaries and allowances. We note that this distribution between recurrent and development spending has the potential to compromise the economy's future productive capacity. This is because development spending represents investment in the economy's productive capacity while recurrent is for current consumption. This 81:19 allocation between the recurrent and development budget represents a major departure from the 70:30 rule that previous budgets attempted to follow. Admittedly, spending of public service salaries might boost aggregate demand, and hence growth in the short-run. However, the fall in development spending is cause for concern as it might deny the nation the development of the much needed productive capacity – in the process, compromising prospects for long-term growth and economic transformation.

That notwithstanding, we note that certain aspects of recurrent expenditure on education and health have the potential to increase the economy's productive capacity and can as such be regarded as investment in soft infrastructure rather than as consumption.

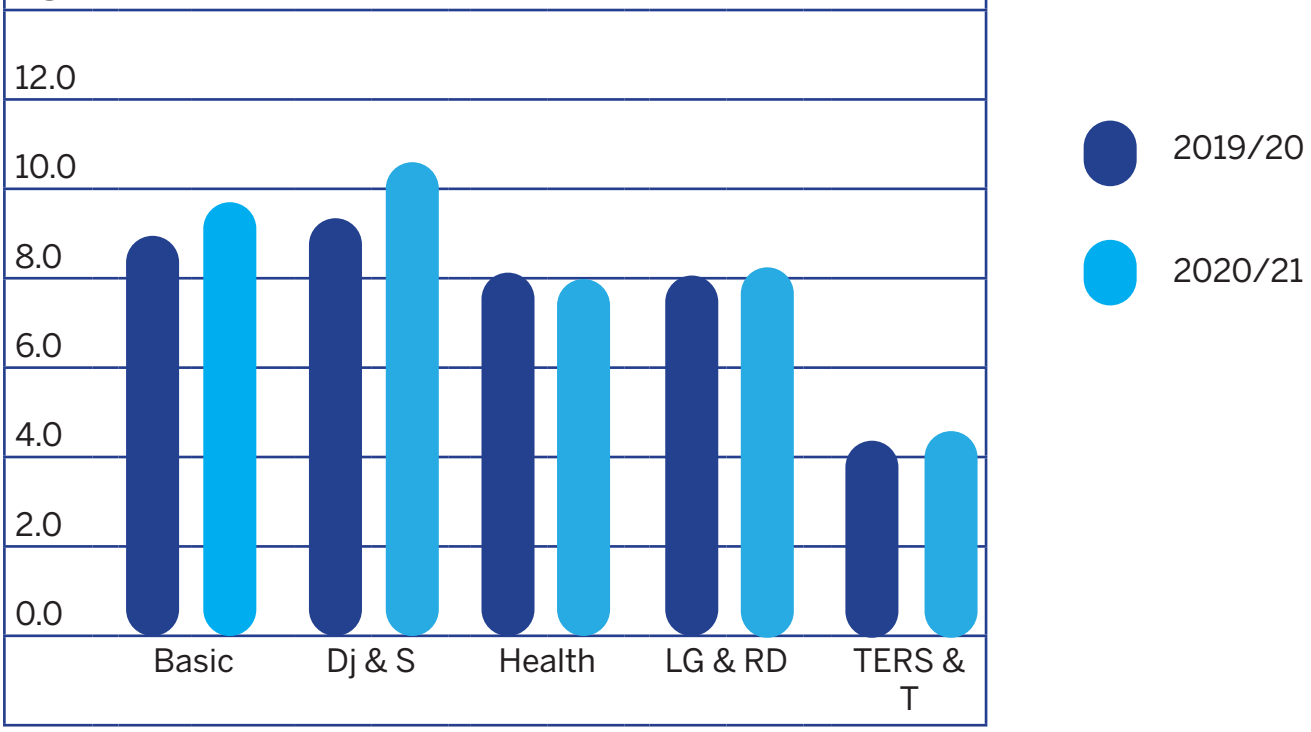
Same spending pattern

The expenditure pattern of the proposed budget does not reflect any significant departures from previous budgets. As Figure 2 shows, as in the 2019/20 FY, the bulk (61.8 percent) of the proposed budget is allocated to the Ministries of Basic Education (Basic), Defence Justice and Security (DJ & S), Health and Wellness (Health), Local Government and Rural Development (LG & RD) and Tertiary Education, Research Science and Technology (TERS & T). Moreover, except for Health and Wellness, the allocations for these Ministries show increases in the revised expenditures for the year, with Defence Justice and Security recording the highest growth of 12.5 percent.

This pattern is mirrored in the Ministerial recurrent expenditure (60.2 percent) allocations, except for the switch between Basic Education and Defence Justice and Security and the relatively larger increases across the five Ministries. Development expenditure allocations follow a similar pattern to that of the 2019/20 FY, except that the Ministries of Local Government and Rural Development and Mineral Resources, Green Technology and Energy Security swap the last two positions of the highest allocations. In fact, the Budget Speech (p. 26) notes that "80 percent of the proposed budget will mainly be for continued implementation of ongoing projects..." However, development expenditure shows a decline across all Ministries except the Ministries of International Affairs and Cooperation, Youth Empowerment, Sport and Culture Development and Employment, Labour Productivity and Skills Development.

Although these unchanged expenditure patterns could be taken as indicating continuity and consistency, they could also suggest a lack of prioritization. The latter seem to have more currency as it is hard to see a link between these allocations and the transformation measure of growing the economy for job

Figure 2: Ministerial Allocations



Source: 2020 Budget Speech

creation or national policy priority of provision of appropriate infrastructure. Projects funded under the development budget are the same from the last FY, albeit with reduced amounts. It is not clear if the reductions are because the projects are nearing their completion and as such not requiring large outlays or the reduction was to cater for increased recurrent military spending.

With Botswana's global competitiveness on the infrastructure pillar dropping from position 61 in 2009 to 108 in 2019, one would have expected to see more resources channelled to closing the infrastructure gap rather than on Defence Justice and Security. Moreover, over half of the Ministry's expenditures are allocated to the Botswana Defence Force (BDF). It is hard to find an economic justification for the continued allocation of large proportion of Defence Justice and Security budget to the BDF.

According to data from the World Bank, Botswana spent 2.8 percent of its GDP on the military in 2018 as compared to 2.41 %, 1.9%, 1.7% and 1.1% for the World, Upper Middle Income, East Asia & Pacific and Sub-Saharan Africa, respectively. These comparisons make it hard to believe those who argue that we need these kinds of expenditures to attract investment. Countries and regions with much lower military spending have attracted more foreign investment than Botswana. Furthermore, military expenditure in Botswana has limited production linkages with the rest of the economy, both on the demand and supply side, and as such cannot be expected to promote growth and job creation. One would have expected to see more of the Ministry's resources allocated to the police given the increasing levels of crime.

The link between allocations to health and education and the priority area of building human capital is very clear and not surprising. Botswana is transitioning from a factor-driven to an efficiency-driven stage of competitiveness. At this stage, growth is based on the development of more efficient production processes and improved product quality rather than on the exploitation of abundant raw materials. This requires healthy, educated and skilled workers to facilitate adoption and diffusion of new technologies and also raise the productivity of all factors of production. For this reason, continued investment in human capital as evidenced by sustained dominance of allocations to health and education is justified.

However, based on the unsatisfactory results of the past Botswana General Certificate of Secondary Education (BGCSE) sitting and the not so impressive health indicators such as the infant and under five mortality rates, it is clear that channelling more funds to these Ministries alone will not deliver the human capital that the country needs for its transformation agenda. Despite consistently getting the largest shares of the budget, poor state of health facilities and schools, lack of books, medical supplies, personnel and general poor working conditions have been reported as some of the contributory factors towards poor performance outcomes in these Ministries.

The Budget Speech rightly points out, although not for the first time, that major reforms are needed to ensure value-for-money not only in these Ministries, but in the entire government. This time around, it is important to walk the talk - especially as there seems to be consensus in ensuring more efficient government spending and financing. As is well known, Botswana has a long history of implementation challenges. This gives credence to the notion that the slow pace of transformation is not a result of lack of financial resources, but rather lack of implementation of planned projects and the efficiency with which the financial resources are used. In addition, the role of corruption and political economy considerations in the slow implementation of projects should not be downplayed.

One notable positive from the expenditure side of the budget is the allocations to the Ministry

of Employment, Labour Productivity and Skills Development. The Ministry expenditure are increased by 22 percent. The Department of Skills Development has been allocated over 70 percent of the recurrent budget and the development expenditure has increased by 130 percent. Such favourable allocations are expected to put the country on the path to addressing the skills shortages that have been identified as one of the major impediments to doing business.

In the whole the revenue sources and expenditure patterns do not show any significant departures from those in the previous budget. However, the change in the ratios between recurrent and development budget is a notable concern. The proposed expenditure allocations are skewed towards consumption and this is mainly to cover the increase in civil service salaries and allowances. Interestingly, suggested policy reforms indicate that government expenditure will be adjusted in favour of development spending through process and technology adoption across Government. This suggests that there could be job losses in the civil service arising from technology adoption in the near future. But as argued earlier, neither the quantity or distribution between recurrent and development spending, nor the composition of expenditures show potential of accelerating economic growth or employment creation more than that achieved by the 2019/20 budget. It is therefore safe to posit that accelerated growth can only be achieved through improved efficiency in the use of the allocated funds.

Concluding remarks

Some key observations in this section of the review are that the 2020 budget is consistent with the key tenets of Vision 2036 and NDP 11. Consequently, its proposed allocations are aligned to the national development objectives. Many of the proposed economic structural reforms and policy initiatives, such as reforming parastatals, developing infrastructure, human capital development and curbing wastage can put the economy on the trajectory towards the high-incomes status. However, it implores Government to implement the measures as a matter of urgency whilst ensuring that some of these measures do not turn out to be enrichment instruments.

The Transformative Agenda: Rhetoric or Realism

Prof. B.W. Malema
Department of Economics
University of Botswana

Introduction

While the government has long expressed the desire to transform the economy to a high income status, the Minister of Finance and Economic Development, Dr. Thapelo Matsheka seem to suggest that the process is only taking off with this year's budget. That is, at least as far as the budgeting aspect is concerned. The lethargic take-off of the transformation process may have subsequently delayed the economic diversification process.

It is however encouraging that the minister was unequivocal that successful diversification should be characterised by higher economic growth rate coupled with high employment capacity generation. The high employment rate will achieve the government objectives of reducing unemployment and poverty.

This budget speech has noted that accelerated growth will require a mix of policies that promote export-led diversification. The key to achieving this is creation of competitively robust enterprises which can successfully compete in the highly competitive external market.

On employment matters, the budget speech indicated that unemployment in the third quarter of 2019 stood at 20.7 percent, an increase from 17.6 percent recorded in 2015/16, which is the immediate available data.

The minister emphasised that this is only quarterly and seasonal, and one wonders whether such a season is characterised by high unemployment in which the estimated 20.7 percent may be an overestimation of the real unemployment rate. However, if it is a low unemployment season, it means 20.7 percent is an underestimation of the prevailing unemployment in the country. It could possibly be the case that our unemployment rate is around 20.7 percent particularly in view of the referenced unemployment rate of 201/16. Provision of up to date information is necessary for optimal government interventions.

The Minister also made a pertinent observation regarding the large deficit resulting from heavy investments in economic and social infrastructure in NDP 11, such as in education and health, and lamented the below expected returns from these investments. He therefore calls for a fresh look into such investments and even into the broader economy. The success of realising dividends commensurate with the investment requires that all in government and other stakeholders pull in the same direction. This is a tall order in view of the fact that some of those in the system are used to this underperformance and it might be a challenge for them to depart from this culture of doing business. The under-performance of the economy, in particular education and health sectors, negatively affect the poor and undermines any attempt to drive this economy to high income status. It is common knowledge that health and education are critical partners in building the human capital. Any endeavour to reverse the undesirable education and health outcomes of this country will go a long way in aiding the government's resolve to shift to a knowledge based economy.

On the other hand, failure to reverse these outcomes will render government's exposition of moving towards a knowledge based economy as nothing less than rhetoric and political posturing devoid of any smidgeon of realism. The quest by Dr T. Matsheka to end this undesirability is most well come and we can only hope that it reflects the collective tenacity of the very government which has presided over the collapse of these sectors and many more within our economy.

Policy Interventions

The MTR of NDP 11 has apparently identified critical issues such as the need for economic transformation, socio-economic inclusion, macroeconomic stability, climate change, dynamism in the diamond industry and waning quality of public services. To address these concerns, four priority policy proposals have been identified for the remainder of NDP 11. The first priority of promotion of Export led growth seeks to have the drivers of economic growth shift to export promotion. It is the expectation that the policy will address the balance of payment challenges which according to the minister impede economic growth. Additionally, the policy is expected to replenish the country's foreign exchange reserves. While emphasis is put on delicacies of the success of such a policy, critical steps that lead to its success are omitted. Exportation requires that we produce goods and services that may have to meet the domestic market first before exporting or may be for export only without necessarily having to meet domestic demand. It is interesting that this policy is not necessarily new and could be said to have been there for ages as it followed the one on import substitution. At this stage, a meaningful assessment of the challenges, failures and successes of the initial policy would have been well in order as it would have availed the opportunity to calibrate on its possible success. It is possible that such could have been done and obviously could not have been fully included in the budget. Without introspection of the policy, it will be difficult to look forward to any accelerated growth driven by export-led diversification.

The pursuit by government for efficient government spending and financing as the second policy priority follows on the last four years of unfavourable fiscal position. The minister has outlined a couple of measures that are a possible means to this end. It is waste and corruption as correctly identified by the minister which needs curtailment. Unfortunately, these twin problems have persisted for far too long. Medical Supplies is one area in which wastage has been a challenge, while corruption in government is institutionalised and partly accountable for the near collapse of our parastatals. While corruption is mentioned in various sectors of our economy, it is regrettable that corruption conviction rates remain low. This challenges the custodians of the national coffers to do more to fight corruption, although it is disappointing that some are quite often implicated but never convicted. Unfortunately this questions the officials' resolve to realise the country's memorable, concise and appealing slogan of "zero tolerance for corruption". There is indeed no doubt that if we can reign over corruption, we shall certainly restore our fiscal position to credibility.

The third policy priority of building the human capital is critical for the realisation of a knowledge based economy. This review has earlier lamented the appalling state of both our education and health sectors, in particular the public ones. For government to build the human capital required for significant economic advancement, more than rhetoric is necessary. The Asian economies such as Japan which are not endowed with as much resources as we do have had their prosperity anchored on knowledge. In some of those countries their tertiary enrolment rates are close to 100 percent while ours are way too low. There is more that need to be done to realise the requisite human capital which is a prerequisite to the ultimate transformation to a knowledge based economy.

The fourth and last policy priority is the provision of infrastructure considered instrumental in the promotion of efficiency and private sector participation in the economy. The provision of infrastructure seems to be sector specific and is designed to increase productivity in those sectors which have the potential to drive economic growth. Targeted infrastructural development such as that for special economic zones may indeed prove beneficial on condition that the special economic zones themselves have been well deliberated upon.

Through these four policy priorities it is hoped the private sector will be developed and thereafter play a meaningful role in dealing with the terrible shortcomings entangling our economy. The problems of poverty, unemployment and inequality are a clear sign of a failure on the part of the government to meaningfully and efficiently manage the national resources over time.

Other Economic Issues

On the issue of state owned enterprises, the minister alluded to the Government's pursuit to assess their mandates, performance and governance attributes amongst other concerns, with a view to aligning them to the transformation agenda. With regard to the performance of the parastatals, the results have been defined as mixed. Interestingly, and as has been the trend overtime, the ones which made loses have one way or the other been embroiled in issues of either mismanagement or corruption. I wish to argue here as I have done before, that parastatal profitability is a function of government behaviour.

As argued in the preceding section of this review, the lack of implementation has been and remains a thorny issue to government. Thus, it is imperative that the government thoroughly interrogate the causes of lack of implementation. When good governance practices are frustrated by government, then it becomes almost impossible for government to reign over the product of their own making. The tendering processes are also a thorny issue as they seem to be corruption infested. The process is therefore flawed and not objective and certainly has an inbuilt inefficiency aspect. Projects undertaken under corrupt environment are bound to fail and one of the best ways to address implementation deficiencies in our economy is to root out corruption. It is possible and likely that it might be in the interest of some to perpetuate such a system for it has become their milk cow. In this latter case any attempt to shift for the good of the nation may encounter an internal resistance by a well nit cobweb of those endowed with power and influence, masquerading as custodians of the citizens, including the poor.

At this point in time, the development of the agricultural sector holds the keys in the short to medium term as a betterment elixir to the socio-economic problems bedevilling the economy. Its development if well managed may be the fastest way towards building a robust agricultural sector capable of creating employment, reducing poverty and inequalities and boosting economic growth. The near collapse and consistent underutilization of the NAPRO plant in Selibe Phikwe is indicative of government suspect commitment in addressing the challenges faced by the sector. The market for horticultural products is substantial but farmers struggle to exploit it due in part to retailers' behaviours.

Conclusion

The transformation agenda has been rolled out and it calls for a new set of rules and approaches for it to be realised. Unfortunately, we are still dealing with problems that have for long beset our economy. The government should commit to address these problems and, in particular, corruption for us to graduate to high income economy. There is also a need to address the issues of education and health in order for us to have a knowledge - based economy. The development of agriculture should be prioritised to immediately address the socioeconomic problems. The private sector development has been very elusive for decades and to think it holds the keys to the transformation of our economy in the absence of any radical measures is not realistic.

[2] For more on this refer to "Public Enterprises' Performance is a Significant Function of Government's Behaviour" on Stanbic Bank Quarterly Economic Review, First Issue 2014.

Budgeting for a Knowledge Economy: Reflections on the 2020-21 National Budget

Dr. L. Sekwati and Dr. J. B. Tlhalefang
Department of Economics
University of Botswana

Introduction

Botswana achieved upper-middle-income status in the mid-1990s. Almost three decades on, the country is yet to transition to high income status. As a result, there are fears that the country is at risk of being caught up in the so-called middle-income trap. Consequently, top of the country's agenda is to migrate from upper-middle-income to high-income status, driven by driven by innovation and application of technologies.

It is against this background that the Vision 2036 clearly articulates Botswana's intentions of becoming a knowledge economy. The production and use of knowledge is placed at the core of the process of moving the economy to high-income status. This underlines the need for deliberate and focused investment in the critical elements of the knowledge economy.

The national budget is an opportunity for government to demonstrate commitment to investing in these elements. The purpose of this part of the review is to reflect on the extent to which the 2020-21 budget demonstrates this commitment. We begin with a description of the main features of a knowledge economy, followed by an assessment of Botswana's position in the knowledge economy space. We then present an appraisal of the extent to which the budget demonstrates commitment transitioning towards a knowledge based economy

The KBE: Conceptual Issues

What is a Knowledge Economy?

While it is not certain who originated the term *knowledge-based-economy* (KBE) or knowledge-economy (K-Economy), the creation and utilization of knowledge is at the heart of the development process in a knowledge-based-economy. In this context, sustained economic growth is dependent on successful strategies that involve continuous generation and use of knowledge.

Characteristics of a Knowledge Economy

The World Bank Group identifies four key elements of a knowledge economy, a conducive economic and institutional regime; an educated and skilled labour force; an effective innovation system; and an adequate information infrastructure. These elements are collectively referred to as 'pillars of the knowledge economy'.

Conducive Economic & Institutional Regime

A knowledge economy requires an *economic and institutional regime* that creates incentives for creation and efficient use of knowledge. It is characterized by robust and transparent macroeconomic, competition and regulatory policies. This means, the economy should be open to international trade and be free from protectionist policies; run sustainable budgeting process; stable and low inflation; domestic prices should be free from controls; and the financial system should be efficient in the allocation of resources to investment opportunities.

A *knowledge-conducive-institutional-regime* is characterised by an effective, accountable and corrupt-free government; and a legal system that supports and enforces the basic rules of commerce and property rights, including protection of intellectual property rights. Protection of intellectual property rights is particularly important for creating incentives for the production and dissemination of new technological knowledge.

[3] https://knoema.com/aomssce/knowledge-economy-index
[3] See OECD, 2017.

An Educated and Skilled Labour Force

A well-educated and skilled population is essential to efficient creation, acquisition, dissemination and utilization of knowledge. Different levels of education and skills play different roles in a knowledge economy. Basic education is necessary to increase people's capacity to use information. Technical and higher education, especially in the engineering and scientific areas, is essential for technological innovation. It is especially critical in the production of new knowledge. In the industrialized countries for example, university research accounts for a large share of domestic research and development . It is also essential for monitoring of technological trends, assessing what is relevant, and assimilating the new technologies to a particular economic setting.

An Effective Innovation System

Technical progress is a major source of productivity growth. An effective innovation system is fundamental for technical advancement. An innovative system is a network of institutions (i.e. universities, research centres, non-governmental organizations and governments), rules, and procedures that influence the way an economy acquires, creates, disseminates and uses knowledge.

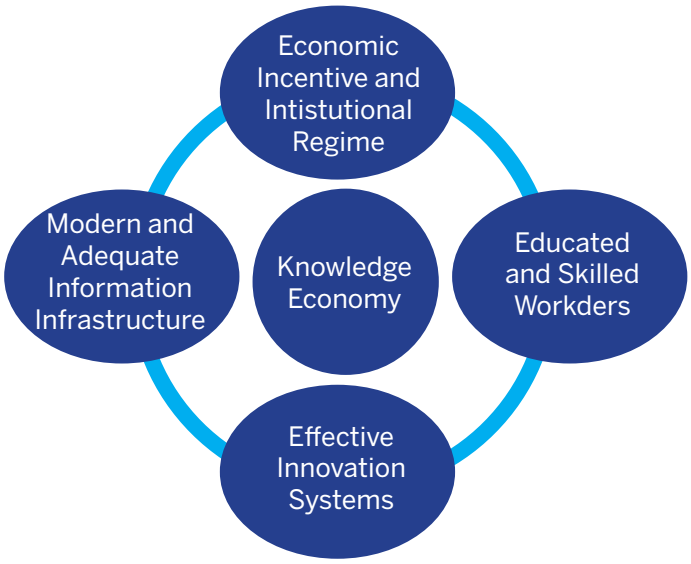
An effective innovation system provides an environment that nurtures research and development (R&D), a major source of technical advancement. It is perhaps important to highlight that the majority of technical knowledge is produced in the developed world . A key element of strategy for developing countries should be to tap into this wealth of global knowledge and find the best ways of using it given domestic R&D capability.

An Adequate Information Infrastructure

Information and Communications Technologies (ICTs) are the backbone of a knowledge economy. The World Bank Group defines ICTs to consist of hardware, software, networks and media for collection, storage, processing, transmission and presentation of information in the form of voice, data, text and images . With relatively low usage costs and the ability to overcome distance, ICTs have revolutionized the transfer of information and knowledge around the world. The use of ICTs allows information to be transmitted relatively cheaply and efficiently. This reduces uncertainty and transaction costs of participants in economic transactions. This in turn increases the volume of transactions, leading to higher productivity and output.

ICTs also make it possible for production processes to be outsourced, leading to further global efficiency gains. A number of empirical studies in the past two decades have indeed shown that ICTs production and usage have contributed to economic growth. It is thus unsurprising that ICTs infrastructure - accessibility, reliability and efficiency of ICTs - is considered critical in a knowledge economy.

Figure 3: Pillars of the Knowledge Economy



Expectedly, the transition to a knowledge economy requires long term strategies that focus on developing these four pillars. This means, any country that wishes to transform to knowledge based economy needs to

[5] The Knowledge Assessment Methodology (KAM) is a tool that produces the Knowledge Economy Index (KEI) – an aggregate index representing a country's overall preparedness to compete in the Knowledge Economy. The KEI is based on an average of four sub-indexes, which represent the four pillars of the knowledge economy. The variables are normalized to values between 0 (weakest) and 10 (strongest).

understand its strengths and weaknesses, and develop appropriate policies and investments to give direction to their ambitions. This should involve design of mechanisms to monitor progress against set goals.
In countries with lower levels of development (characterized by lower levels of science and technology capability), such as Botswana, development strategies should involve tapping existing global knowledge and adoption of such technologies to local conditions in order to enhance domestic productivity . For countries at higher levels of development (characterized by higher levels of science and technology capability), development strategies should be anchored on domestic innovative effort, which underlies the move to higher value added products and services.

Botswana: Towards a Knowledge Economy

An assessment of Botswana's position on the knowledge economy spectrum using the World Bank's KAM methodology is illustrated in Figures 3 and 4. Figure 3 shows the knowledge economy index (KEI) for Botswana, including the sub-indexes for the different pillars of the knowledge economy. Figure 4 shows Botswana's performance overtime. An examination of Figure 3 shows Botswana scores less than 50% (4.31) on the aggregate index. On the individual pillars (sub-indexes), Botswana scores the lowest in ICT (3.23) and highest on economic incentive regime (5.82). Figure 4 shows the pattern has remained relatively consistent through time.

The economic incentive regime score is not surprising considering the country is often lauded for stable macroeconomic policies. The institutional regime remains a concern as has also been highlighted in several World Bank ease of doing business reports. In the 2020 ease of doing business report for example, Botswana ranked 87th out of a total of 190 countries. The worst performance was recorded in enforcement of contracts, with the country ranked 137th.

Relative to other countries in Africa, Botswana is ranked in the highest category of performers, along with Algeria, Egypt, Ghana, Kenya, Mauritius, Morocco, Namibia, South Africa, Swaziland, and Tunisia. While the ranking looks impressive on the surface (Botswana ranks 4th in this category), the ranking could be misleading. It should be noted that the highest performer in this category is Mauritius with a KEI score of 5.52, still far off from the upper bound. Mauritius is followed by South Africa with a score of 5.21.

Figure 3: KEI for Botswana
Figure 3 and 4 are particularly revealing of where policy focus should be.

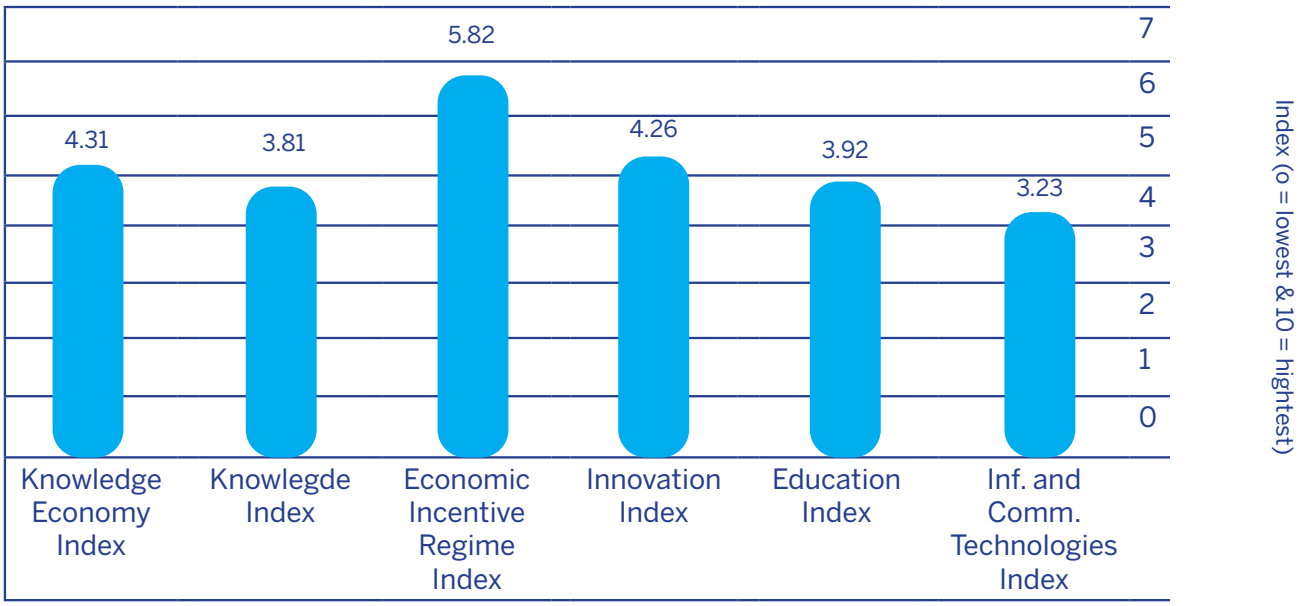
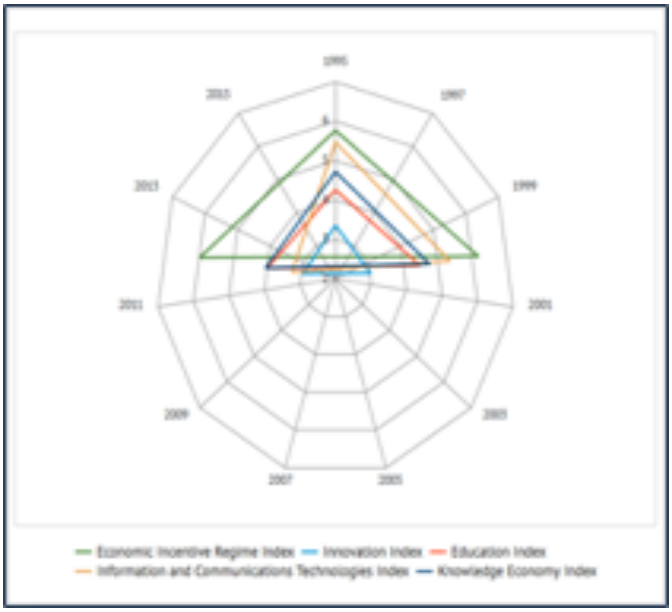


Figure 4: KEI for Botswana (1995-2015)



In light of the above discussion, we assess whether this year's budget demonstrates the appetite for a knowledge economy or is designed to transition the country to knowledge-based economy.

Indeed there are mixed indications that the country is committed towards becoming a knowledge economy. This is demonstrated by the fact that while some official government pronouncements are explicit on the commitment towards a K – economy, as shall become clear in the foregoing, the budget speech is less zealous. For example, in his 2nd state of the nation address (18th November, 2019), the President of the Republic of Botswana, His Excellency, Dr Mokgweetsi Masisi spoke about the need to prepare to transition to a knowledge economy. This budget comes a few months after he clearly pronounced this direction for the economy.

It is however important that this is demonstrated through the budget process. Specifically, a realignment of a country's budget system, i.e., the budget allocations, development strategies and policy reforms, is a critical ingredient to achieving a K-economy. It should promote K-intensive sectors since they produce spill-over effects and high-skill and high wage employment, re-align the mandates of SOEs that promote innovation, that engage in research & development that address the needs of K-intensive industries, devise concrete plans to improve education outcomes and develop skills in labour force supporting development of K-intensive sectors; and, forge strategic partnerships with companies in K-economies, such as the USA as well as build apprenticeship systems in such economies. In a knowledge economy, the budget allocations are channelled to: (i) soft infrastructure (e.g., computers) and highly-skilled labour relative to hard infrastructure (e.g., roads) and graduates-oriented to low-productivity industries; (ii) education and ministries producing soft infrastructure, R&; (iii) to industrial attachment and placement of science and technology graduates in firms in mature K-economies. Finally, the budgeting system tilts incentives structure towards K-intensive industries.

A good starting point in assessing how the 2020/21 budget fares in Botswana's journey to a K-economy by 2036 is consideration of whether it is intentionally designed for this purpose. The assessment points to the conclusion that the budget is not explicitly designed to achieve a K-economy. It categorically states that 'our major objective is to transform this economy to a high-income status by the year 2036'. It further states that "the transformation journey to higher-income status will commence with this 2020/2021 Budget and continue to be perfected in the on-going preparation of the MTR of NDP 11". Lastly, it mentions K-based economy only once.

A review of the policy reforms and strategic interventions suggests that the budget is unintentionally geared towards achieving this aspiration. The budget recognizes the need to reform and improve the business and investment climate through reforms of both the administrative and regulatory framework. One of the reforms highlighted in the budget is the integration of the Companies and Intellectual Property Authority (CIPA), with the

Department of National and Civil Registration, the Botswana Unified Revenue Services (BURS) and PPADB systems, expected to be completed in March 2020 to promote faster and cheaper business registration. The e-Visa portal, whose objective is to facilitate movement of persons and aid investment, will also be developed during the 2020/21 FY.

As mentioned in the first article, the mandates of state-owned enterprises including those engaged in developing human capital, R&D as well as innovation will be reviewed. The object of their review is to realign their mandates to K-economy.

ICT Infrastructure and Innovation System.

Under the key development priority of investing in economic infrastructure to support transformation, there is clear acknowledgement of the critical role played by ICT in shaping a K-economy and that leveraging on ICT for the digitization of the economy requires its faster adoption. To this end, Government, through BOFINET, has pledged to continue to invest in ICT infrastructure and expand access to the broadband internet services. In fact, the Fibre-To-The-Business and Fibre-To-The-Home that was rolled out in Gaborone during 2019/2020 financial year will be extended to other parts of Botswana, will implement e-services across its delivery models and will initiate, with technical assistance of the United Nations Conference on Trade and Development, the development of the National E-Commerce Strategy by June 2020 the overall objective of which is to promote the diffusion and use of e-commerce throughout Botswana's commercial and public spheres. Lastly, P823 million is proposed for allocation to ICT.

While the budget highlights the intention to invest in ICT infrastructure, there is very little said about investing in innovation. It is true that enhanced ICT infrastructure could facilitate innovation. However, one would have expected one of two: (i) a modest allocation towards institutions producing knowledge; (ii) innovation enhancing policy and institutional reforms.

Investment in Human Capital

One of the key priorities of this budget is developing the human capital to support transformation. To this end, a substantial share of the proposed budget has been channelled to the education sector. Actually, Botswana generally performs better than its peers in terms of spending in this area and access to schools. The first article explicated the link between budget allocations to education and the priority area of building human capital. However, evidence abound indicating that allocating more funds to the education sector alone will not deliver the human capital that the country needs for its transformation agenda. Instead, it is the quality of the education that matters. In spite of consistently getting the largest shares of the budget, poor state of health facilities and schools, lack of books, medical supplies, personnel and general poor working conditions have been reported as some of the contributory factors towards poor performance outcomes..

Concluding remarks

There is evidence that the coming year'' budget demonstrates the appetite for K-economy. There is some evidence of connection between the budget and economic transformation. If implemented, as a matter of urgency and in an effective and efficient manner, the budget system for 2020/21 FY is posed to contribute towards a K-economy. We are hopefully that the Minister will ensure that this time around transformation agenda is executed.

Some Notes on Zero-Based Budgeting

Dr B. Moffat
Department of Economics
University of Botswana

Introduction

Although an improvement from the last budget, the 2020/2021 budget is on an unsustainable fiscal path for the country. This is evidenced by a P5.22 billion budget deficit forecast for the 2020/2021 financial year. Among the expenditure components is one indicated as 'other charges'. This item takes a proportion of the expenditure component in the budget which cannot be ignored. For instance, in 2017/18, 2018/19 and 2019/20 'other charges' item, as a percentage of total expenditure, was 15.9%, 15.8% and 15.1% respectively and is projected to be 16.3% in the financial year 2020/21. These are very huge amounts of funds that, when minimised, could significantly reduce the country's deficit position. Also, this item may be susceptible to abuse as it does not really define the expenditure involved. In the speech, the minister is equally worried and he has, therefore, proposed some expenditure control measures to focus on this 'other charges' item of the budget. In particular, a pilot exercise on 'other charges' in some selected ministries will be subjected to zero-based budgeting. Depending on the outcome, the approach will be rolled to other ministries in NDP 12. According to the speech, Botswana will eventually go for zero-based budgeting system in the medium term.

Zero-based budgeting is the system whereby the previous year's budget is not the starting point of analysis of the current year's budget. Under this system, all programs and projects are reviewed as if nothing ever existed before. That is, as if there is no base for funding – hence the term zero-based budgeting. The purpose of this short note is to briefly highlight the advantages and disadvantages of zero-based system of budgeting.

Zero-based budgeting has advantages

The main advantage of zero-based budgeting is that it avoids incremental budgeting. This is because zero-based budgeting does not accept last year's budget as the starting point of analysis of this year's budget. In other words, zero-based budgeting assumes that there are no balances to be carried forward or there are no expenses that are pre-committed.

Zero-based budgeting makes every department re-look each and every item of the cash flow and compute their operational costs. This is unlike other regular methods of budgeting that involves making arbitrary changes to the previous year's budget. Hence, zero-based budgeting is more accurate and efficient than other methods.

Another advantage of zero-based budgeting is that it leads to the identification of opportunities and more cost effective ways of doing things by removing all the unproductive or redundant activities. This could also help avoid over-laps among government programs. Since every line item is to be justified, zero-based budget overcome the weakness of incremental budgeting of budget inflation. In other words, it helps in efficient allocation of resources as it does not look at the historical numbers but looks at the actual numbers.

It also improves coordination and communication within government agencies and motivates employees by involving them in decision making.

Zero-based budgeting has disadvantages

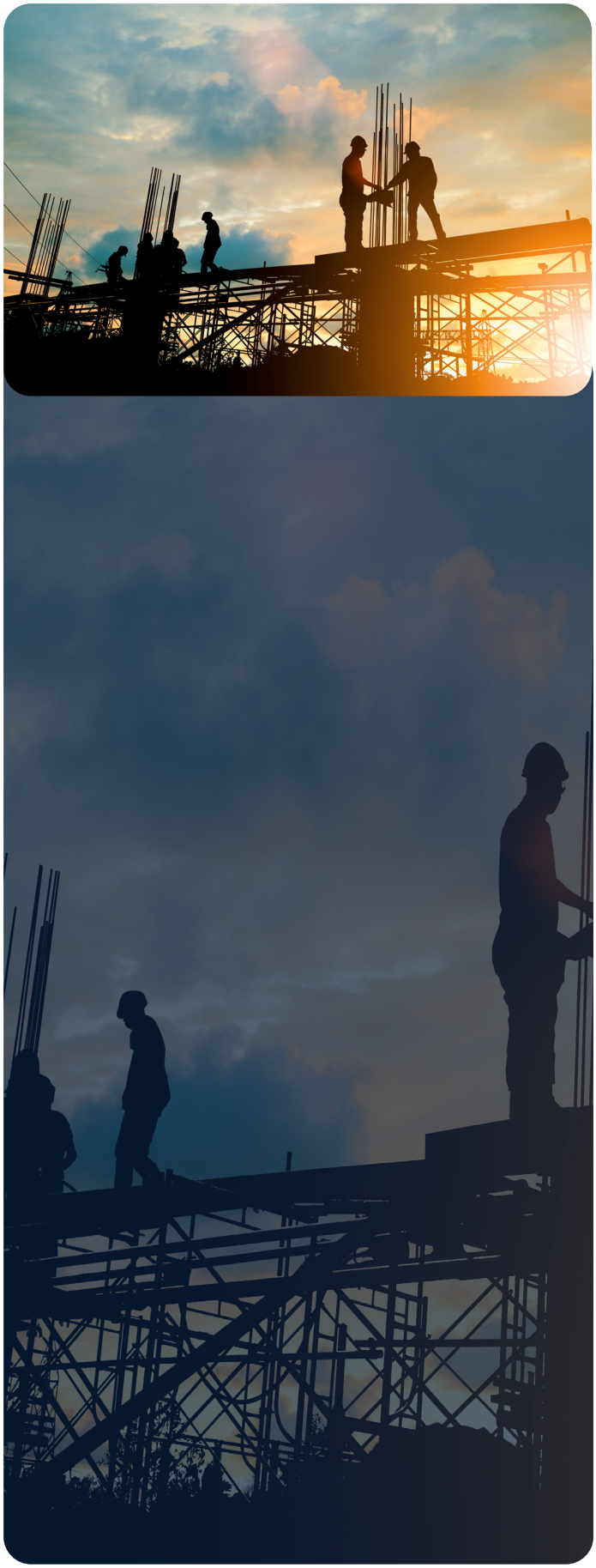
Although zero-based budgeting merits make it look like a lucrative method, it is important to know its disadvantages.

The main one is that there is a risk of seeking too many fundamental changes at one time. When this happens, there will be no continuity

and stability in government programs.

Zero-based budgeting is a very time consuming exercise for government entities to do every year as against incremental budgeting, which is a far easier method. It may also require relatively longer budget cycle in order to compete a review process.

Making an entire budget from the scratch may require the involvement of a large number of employees. Many departments may not have adequate time and human resource for the same. Also, explaining every line item and every cost is a difficult task and requires training of staff involved.



Conclusion

Zero-based budgeting aims at reflecting true expenses to be incurred by a state (in particular, ministries). Although it is time consuming, for now this is a more appropriate way of budgeting especially for Botswana as it will take care of expenditure wastage when some items are lumped under 'other charges'. Also the problems of implementation and unused funds that are returned every year could be minimised. It is, therefore, a government's call to invest time and manpower in the budgeting exercise to provide more accurate numbers and to further infuse the functions of budgeting.

In recommending, the government could also beef up the zero-based budgeting by adopting it together with some elements of program budgeting which presents the broad goals of government expenditure. In this way, the budget would relate ends to means in a more comprehensive manner.
of government expenditure. In this way, the budget would relate ends to means in a more comprehensive manner.

The Role of Parliament in Monitoring and Evaluation of the National Budget: Reflections from the 2020/21 Budget Speech

Dr M. Monnane
Department of Economics
University of Botswana

Introduction

Unlike any of the past four years, the budget proposals for the Financial Year 2020/2021 were presented to the National Assembly (Parliament) on the backdrop of the 23rd October 2019 General elections. Consequently, the National Assembly held an Orientation Seminar on Budget Analysis for all Members of the 12th Parliament from 27th to 31st January 2020 in Selibe Phikwe. Among the many topics discussed was "the Role of Parliament in Monitoring and Evaluation (M&E) of the National Budget". It is against this background that this part of the budget commentary provides monitoring and evaluation insights and reflections from the 2020/21 budget speech.

The Importance of M&E

The importance of (M&E) in the budget process cannot be overstated. This, among others is because M&E is globally used to assess the performance of projects, institutions and programmes set up by the Government including the National Budget.

The nature of work of Parliamentarians and huge responsibilities bestowed on them makes it inevitable for them to have a thorough understanding of the M&E process. Such responsibilities are at the national and constituency level – putting into perspective the reality that after accounting at the national level, they still have to account to their constituents.

In fact, it appears there is a strong case to argue that their responsibilities are more pronounced at the constituency level. Constituents facilitates their passage to Parliament, albeit with expectations to improve their wellbeing. At the national level, parliamentarians' responsibilities include but are not limited to:

(i) Approval/allocation of resources for the implementation of key Government policies and programmes such as Vision 2036 and National Development Plans (NDPs) as well national budget proposals;

(ii) Monitoring and evaluating progress of these development programmes;

(iii) Enacting laws; and

(iv) Membership of different parliamentary committees which review effective use of funds by public institutions.

In order for them to be effective in executing these responsibilities, Parliamentarians need up-to-date information about the various programmes to aid their monitoring capabilities and ensure that resources are wisely invested in the country.

That is, without access to relevant data and information, it will be difficult for parliamentarians to, among others, effectively monitor programme/project implementation, undertake evidence based legislation and effectively engage and raise pertinent issues during discussions at the various parliamentary committees. This will in turn limit their effectiveness in Parliament.

At the local level, it has to be appreciated that Parliamentarians have specific constituencies to which they are accountable. As at the national level, they need data and information to monitor project performance at constituency level. They should be able to demonstrate to their constituents that projects at constituency level are adding value to their lives. This means being able to show positive impacts of such projects. For example, quantifying the number of permanent and seasonal jobs created by poverty alleviation

programmes, the completion rate of development and recurrent/maintenance projects such as schools and clinics and project expenditure against the approved budgets. In order for them to do so, they need project/programme data at constituency level. Simply put, parliamentarians need evidence to track project performance and to show results of their achievements and challenges. This will help them develop effective remedial measures that would in turn assist in effective project execution.

Parliament and Moniroting of the National Budget

As discussed above, it is widely accepted that Parliamentarians play an important role in monitoring the performance of national programmes including the national budget. The key question that arises, however, is whether the budget proposals and accompanying expenditure estimates provide adequate information for them to effectively monitor and evaluate the national budget, both at national and constituency level.

In an attempt to address this question, a brief analysis of the 2017/2018 to 2020/21 budgets is undertaken below. The results points to: (i) Information availability to help Parliamentarians partially undertake M&E at the national level and (ii) Serious shortcomings of data and information to help them undertake M&E at the project and constituency levels.

Table 1 below shows that actual budget outturns for 2017/2018 and 2018/2019 have recorded budget deficits of P1.98 bn and P8.80 bn respectively. 2019/2020 and 2020/2021 are also projected to record deficits, although the latter is of a lower magnitude of P5.23 bn compared to the P 7.90 bn recorded in 2019/20. The data used for computing these outcomes is readily available and was obtained from the various budget speeches, which is commendable as it allows Parliamentarians to easily monitor budget implementation at the national level.

Unfortunately, it only goes as far as allowing them to assess whether the budget is in surplus or deficit. It does little to provide information on specific project performance at both the national level and constituency levels. Instead, at project level, the budget simply provides budget allocations at Ministerial level, albeit, without providing the means to track the performance of the pervious ministerial allocations. For example, the 2020/2021 budget speech indicates that the Ministry of Land Management, Water and Sanitation Services is allocated the largest share of the proposed Development Budget at P2.07 billion or 17.21 percent, mainly to support initiatives geared towards improvement of water supply and management in the country.

The water projects identified include, but are not limited to the North-South Carrier 2 from Palapye – Mmamashia - Gaborone, which is meant to provide water to the southern part of Botswana as well as the Botswana Emergency Water Security and Efficiency project partly funded through the World Bank.

Interestingly, in the 2019/2020 budget, the same ministry also got the largest share of the development budget of P3.37 billion or 19.78 percent – with the same objective of improving water supply and management in the country. Among the major water projects that were mentioned then was the same North-South Carrier 2 from Palapye – Mmamashia – Gaborone project. In the 2021 budget, one would have expected Parliament to be appraised on the completion rate of this project against the allocated budget. Unfortunately, this is not the case, which leaves them with little information on the performance of such large projects. This makes it almost impossible for them to effectively monitor the performance of large infrastructure projects.

Table 1
Budget Outcomes 2017/2018 – 2020/2021

Year	Total revenues and grants (P bn)	Total expenditure and net lending (P bn)	Budget Balance (P bn)
2017/2018 (Outturn)	56.41	58.39	- 1.98
2018/2019 (Outturn)	53.47	62.35	- 8.80
2019/2020 (Revised)	60.71	68.64	- 7.90
2020/2021 (Proposals)	62.39	67.62	- 5.23

Source: Various Budget Speeches

The Ministry of Mineral Resources, Green Technology and Energy Security had the third largest allocation in the 2019/2020 budget (P1.97 billion or 11.57 percent) and specific projects budgeted for included the ongoing North–West Transmission Grid Connection, Electrification of 111 Villages under the Rural Electrification Project, Transmission Line from Morupule B to Isang sub-station (400kv Line), Remedial Works at Morupule B, and Transmission Backbone for the Southern part of Gaborone, Mochudi, Ramotswa, and Tlokweng villages.

In the 20/21 budget, the ministry has been allocated the fifth largest share and the identified projects are the ongoing North–West Transmission Grid Connection, Rural Electrification, Morupule B Remedial Works and Transmission Backbone for Mochudi, Government Enclave and Gaborone Central. Essentially, the projects that are budgeted for in 2020/2021 were budgeted for in 2019/2020. Unfortunately, no update on financial utilization of the budgeted funds in 2019/20 is given, nor the completion rates against the planned budget. Again, this is most likely going to make it difficult for Parliamentarians to monitor progress made in implementing these projects.

At the constituency level, it is difficult to tell how Parliamentarians are assisted with data and information through the budget monitoring frameworks in order for them to effectively monitor progress at constituency level. Neither the budget speech nor the estimates of expenditure from the consolidated and development funds break down the data to facilitate progress monitoring at the constituency level. In other words, parliamentarians may not be able to measure project impact such as jobs created by specific projects and maintenance completion rate at their constituencies.

Concluding remarks

While it is generally accepted that M&E is important for assessing the performance projects and programmes including the National Budget, it seems plausible to argue that the budget proposals only partially assist parliamentarians to monitor the budget at the national level. Much still needs to be done at the project and constituency levels. It is however important to throw in a caveat. In the likelihood that the project performance data is available at the constituency level, such data and information should be shared with parliamentarians to allow them to effectively monitor the performance of the budget at their constituencies.

Stanbic Bank Botswana Quarterly Economic Review

Edited by Dr. J.B. Tlhalefang (Chairperson), Mr. O. Galebotswe, Dr. M.M. Monnane, Prof. B.W Malema and Dr. L. Sekwati

NOTES

NOTES

Stanbic
Bank