



## BUSINESSBOTSWANA

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### **PRESS RELEASE**

**TO:** All Media Houses

**FROM:** Business Botswana

**DATE:** 6<sup>th</sup> February 2019

**SUBJECT: BUSINESS BOTSWANA STATEMENT ON THE 2019/20 NATIONAL BUDGET**

### **FOR IMMEDIATE RELEASE**

1. The 2019/2020 budget is positive from a macroeconomic point of view. In a challenging revenue environment, spending increases are modest, and as a result the budget entails a manageable deficit. We do not expect the budget to be inflationary. The deficit also provides an opportunity for the government to issue bonds especially in the current low interest environment. Domestic institutions have funds that are available to invest in government bonds.
2. We also commend government for continuing to allocate money to finance essential infrastructure and social protection. However, we note that the efficiency of infrastructure spending needs to be improved and social protection spending needs to be better targeted on the needy.
3. Business Botswana welcomes the decision to increase public service salaries. We hope that the increase will not lead to an unsustainable impact on public spending. With respect to the private sector salaries increases, it should be appreciated that affordability, profitability and productivity are the key determinants.
4. Business Botswana welcomes plans by government to present the Bill on the declaration of Assets and Liabilities to parliament in July 2019. This initiative will promote transparency, good ethics and integrity in the public service. Business Botswana remains concerned about the decision by government to allow civil servants to run businesses. The declaration of assets and liabilities is an important tool in the fight against corruption.
5. While Business Botswana appreciates the need for the government to review fiscal legislation to expand the tax base, due care should be taken to avoid unintended consequences. The amendments should be preceded by extensive consultations with all interested parties including a transition period. Some of the recent tax changes, which were not subject to a consultative process, will have a potentially serious adverse impact on the

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private sector, and will discourage increased investment. Care must be taken to ensure that fiscal measures do not run counter to other improvements in the business environment.

6. We welcome the review of fees and charges in line with the policy of cost recovery. We should however, be mindful that the collection costs do not outweigh the expected revenue. The review should ensure that all such fees and levies are on-budget, and not managed off-budget to avoid accountability deficiency that currently afflict some levies. In particular, off-budget special funds should be avoided.
7. Going forward, the quality of revenue forecasts needs to be improved to make them more realistic. The fact that non-mineral income tax collection is expected to underperform by 33.3 percent is a case in point.
8. In conclusion, Business Botswana commends plans by government to establishment a Project Management Office (PMO) in 2019/20. The office is expected to promote effective and efficient implementation of infrastructure projects. This needs to be complemented by reducing delays in getting permits for Environmental Impact Assessments (EIAs) and general planning permissions.
9. Business Botswana therefore appreciates the fiscal situation under which the budget was prepared.

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