



**Republic of Botswana**

**2026 BUDGET SPEECH**

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**Minister of Finance**

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## I. INTRODUCTION

1. **Mr. Speaker**, I am pleased to present to the National Assembly the Budget Proposals for the 2026/2027 financial year.
2. **Mr. Speaker**, when I stood before this Honourable House last year to deliver my first Budget, I spoke candidly about the fragile state of our public finances, the erosion of fiscal buffers, the weaknesses in key Government systems, and the lived realities of our people, particularly the heavy burden of unemployment borne by our youth. That Budget was, by design, a statement of truth, a clear-eyed diagnosis of where we stood as a nation and of the scale of the task before us.
3. **Mr. Speaker**, the 2026/2027 Budget, under the theme **"A New Era of Economic Transformation and Fiscal Prudence,"** builds directly on that foundation. It marks a deliberate transition from diagnosis to delivery, as we advance reforms to restore stability, strengthen institutions, and lay the groundwork for inclusive and sustainable growth. This Budget is not merely an instrument for allocating public resources, **it signals a fundamental shift in how growth will be driven away from dependence on public spending as the primary engine of opportunity, and towards an economy anchored in productivity, private initiative, and disciplined execution.** It is inspired by our National True North of a "high-income Botswana that is digitally enabled, export-driven, and economically diversified, where every citizen is employed, empowered, and fulfilled". It also sharpens our focus on exploiting and nurturing those natural sources of comparative advantage capable of sustaining growth beyond what Government alone can finance.
4. **Mr. Speaker**, this Budget is fully aligned with and gives practical expression to the priorities articulated by President, Advocate Duma Gideon Boko, in the November 2025 State of the Nation Address, delivered under the theme **"The Steady Path: Delivering on Our Promise."** The President called for a decisive transformation of our economy beyond diamonds and central to his message were the values of integrity, citizen empowerment, and job creation. The 2026/2027 Budget translates this national vision into concrete policy choices, resource allocations, and institutional reforms designed to deliver inclusive growth, restore confidence and create sustainable opportunities for all Batswana.
5. **Mr. Speaker**, the 2026/2027 Budget is firmly anchored in, and inaugurates the implementation of the **Twelfth National Development Plan (NDP 12)** and the **Botswana Economic Transformation Programme (BETP)**. These frameworks were developed through an extensive consultative process involving Cabinet, Members of Parliament, district leadership, traditional authorities, the private sector, labour organisations, civil society, and development partners. This inclusive approach strengthens ownership, alignment, and collective responsibility for delivery across institutions. Crucially, the BETP represents a decisive break from an earlier

development approach in which Government identified the problem, designed the solution, and largely financed the reform. In an environment of limited fiscal buffers and a higher cost of inefficiency, that model is no longer sufficient nor sustainable. Under the BETP, Government's role shifts decisively from being the primary driver and financier of economic activity to being the architect of an enabling environment that clears bottlenecks, enforces discipline, aligns policy, and coordinates delivery. This is not Government stepping away but it is Government stepping into its proper strategic role.

6. We are charting this course amid heightened global uncertainty, characterised by geopolitical tensions, trade tariffs, declining commodity prices, and a retreat from multilateralism. These forces further constrain fiscal space and raise the cost of delayed reform. As risks intensify and global trade patterns shift, these realities compel us to deepen regional cooperation, broaden partnerships beyond traditional alliances, and accelerate the transition towards a more resilient, productivity driven economic model.
7. **Mr. Speaker**, as we deliberate on this Budget, we do so fully aware of the realities facing our people. Chief among them is the health crisis that has tested our nation's resilience. In August 2025, the collapse of the medical supply chain compelled Government to declare a State of Public Health Emergency. While that emergency has formally lapsed, the challenge remains, and the recovery continues. To address the underlying challenges and secure lasting stability, Government is now in advanced discussions to conclude a Government-to-Government arrangement with the United Arab Emirates (UAE), which is expected to provide the Ministry of Health with the affordable supplies required to normalise operations and restore confidence in the health system.
8. **Mr. Speaker**, at a time when our nation is already navigating significant economic and social pressures, the outbreak of Foot and Mouth Disease (FMD) in Zone 6b has emerged as a dark cloud over our agricultural sector and rural livelihoods. Foot and Mouth Disease is a devastating animal disease, carrying severe economic consequences through production losses, high containment costs, and prolonged restrictions on access to international markets. Government has and will continue to respond swiftly and decisively. Available resources have been mobilised, and a Joint National Emergency Operations Centre has been established to coordinate a national response aimed at containing the outbreak and preventing its spread to other zones. In the immediate term an amount of **P97 million has been availed for this emergency operation**. This response is specifically designed to avert the risk of cross-border incursion from the Republic of South Africa, while simultaneously preventing further transmission within Botswana.
9. To strengthen frontline containment, ten (10) mini-command centres have been established in districts bordering South Africa and Zimbabwe, ensuring rapid

response, surveillance, and enforcement at critical entry points. The successful eradication of FMD, and the timely prevention of its spread, is not only vital for protecting livestock and rural incomes; it is essential for safeguarding Botswana's continued access to high-value export markets. In particular, it underpins our eligibility to trade under the SADC–European Union Economic Partnership Agreement, which provides duty-free, quota-free access to one of the world's most lucrative markets. **Mr. Speaker**, the resilience of Botswana is well known. The financial and in-kind contributions made by Government, together with the active participation of farmers, communities, and all stakeholders in this national effort, stand as a clear testament that in times of adversity, Botswana come together. United in purpose, we will overcome this challenge and protect the integrity of our agricultural economy and our standing in global markets.

10. **Mr. Speaker**, before finalising the 2026/2027 Budget, we undertook targeted consultations with Local Authority leadership, youth, and general stakeholders. We also received valuable inputs from labour unions, the business community, civil society organisations, and other stakeholders through our national online call, which attracted more than 1,000 responses. I express sincere gratitude to the men and women of our country and institutions who contributed to this process.
11. **Mr. Speaker**, all submissions received matter. They reaffirm that Botswana do not seek to be passive recipients of policy, but active co-authors of our national journey. While not every proposal could be implemented within this Budget cycle, we have already begun adopting those submissions where immediate implementation is feasible, while others are undergoing detailed analysis to inform policy beyond this Budget cycle. I wish to assure all who shared their views that every submission is being taken seriously. We will transparently reflect on these inputs, distil the key themes that emerged, and produce a comprehensive sentiment report to guide our ongoing efforts to transform Botswana in a manner that is inclusive, responsive, and firmly grounded in the aspirations of our people.
12. **Mr. Speaker**, some of the contributions strengthened initiatives already within our planning pipeline, giving us confidence to accelerate execution where consensus is clear, such as the thoughtful policy brief from the Youth Climate Council Botswana on the establishment of a dedicated National Climate Change Authority.
13. Similarly, it emerged that our people hold strong views about the poor condition of public infrastructure including schools, hospitals, clinics, and roads which they rightly regard as unacceptable. Government shares this sentiment fully and agrees that the state of these critical public assets must be urgently addressed. Therefore, it is proposed that for the 2026/2027 financial year, maintenance be allocated **P1.85 billion to rehabilitate and preserve existing Government assets, including schools, health facilities, Government buildings, roads, and wastewater treatment plants**. With disciplined financial management and fair market pricing,

where costs reflect the true value of work delivered rather than being inflated simply because the client is Government, this allocation will be sufficient to restore basic maintenance standards across the public sector in the coming financial year. To ensure the effective utilisation of this investment, it is further **proposed that no virement from maintenance votes be permitted**. This measure will ensure that maintenance funds are applied strictly for their intended purpose and that Government finally breaks the cycle of deferred maintenance and escalating rehabilitation costs.

## **II. BUILDING AN INCLUSIVE AND DEEP ECONOMY**

14. **Mr. Speaker**, in the 2025 Budget Speech, I set out four (4) interlinked strategic foundations to guide our reform and transformation agenda: first, halting the financial haemorrhaging within Government; second, stabilising the economy and preparing it for take-off; third, initiating tangible steps of change and finally, building a New Botswana. These foundations formed a deliberate and sequenced framework designed to transform our economy into one that is deep, resilient, diversified, and inclusive. The 2026/2027 Budget builds directly on this framework, advancing its implementation and reaffirming the continuity and the resolve of our reform journey.

### **Phase 1: Halting the financial haemorrhaging in Government**

15. **Mr. Speaker**, this phase is anchored on three (3) pillars: first, fixing Government systems; second, strengthening oversight institutions to safeguard public resources; and third, mobilising the private sector and society as active partners in restoring efficiency, discipline, and accountability. The 2026/2027 Budget sustains this focus recognising that fiscal sustainability cannot be achieved without disciplined systems, credible oversight, and a whole-of-society commitment to value for money.

#### ***Government Systems***

16. **Mr. Speaker**, I drew attention to the deteriorated state of our public financial management systems, practices, processes and the dysfunctions that has resulted in persistent financial losses. We committed that supplementary budget requests would be considered **strictly** for unforeseen requirements or genuine emergencies. I am pleased to report that over the last two financial years, **2024/25 and 2025/2026, no supplementary budget requests have been approved**. Where line Ministries sought additional funding, they were required to prioritise these needs within their respective approved allocations. This marks a decisive break from past practices, where supplementary budgets had become routine, with damaging consequences for fiscal sustainability.
17. **Mr. Speaker**, our efforts have started bearing fruits. As announced in the 2025 Budget Speech, the strict enforcement of Government Purchase Orders (GPOs) and the discontinuation of commitment letters has been implemented to curb the

accumulation of unfunded obligations. These measures were further reinforced through the temporary centralisation of GPO issuance within the Ministry of Finance from July 2025. This decision has had a demonstrable and material impact on expenditure control. In the three (3) months preceding the decision, Government spending through GPOs averaged approximately P1.14 billion per month, with total commitments amounting to P3.41 billion between April and June 2025. Following the centralisation of GPOs, average monthly spending declined significantly to approximately P584 million between July 2025 and January 2026 or 49 percent reduction in monthly expenditure levels. Cumulatively, this moderation in spending reflects a substantial tightening of commitment controls and confirms that centralised oversight has been effective in curbing non-essential procurement, improving expenditure discipline and reducing fiscal leakages across Government.

18. Further expenditure containment has been achieved through the implementation of a travel moratorium covering both domestic and international travel alongside tighter controls on overtime payments. These measures underscore the tangible impact of disciplined expenditure management.
19. **Mr. Speaker**, these immediate control measures are being complemented by deeper structural reforms to modernise the procurement system. In line with the reform agenda outlined in last year's Budget Speech, Cabinet approved the **National e-Procurement Strategy in June 2025**, providing a clear and sequenced roadmap for transitioning from manual to fully digital procurement. Implementation of the National e-Procurement System is progressing steadily, with the system expected to be fully operational before the end of the 2026/2027 financial year. Once completed, this flagship reform will significantly strengthen governance, restore transparency, integrity, enhance efficiency and value for money across the entire public procurement cycle.
20. **Mr. Speaker**, in the last budget we committed to introducing the **Efficiency in Processes Initiative**, a reform positioned as a cornerstone of our broader fiscal consolidation agenda. We have made limited progress in some aspects of this initiative, particularly integrating our systems to support efficient revenue collection as well as strengthening the institutional and human capacity required to collect revenue effectively. Notwithstanding these challenges, Government remains steadfast in advancing this reform.
21. **Mr. Speaker**, in line with this initiative, extensive consultations were undertaken with nine (9) Ministries during the preparation of the 2026/2027 Budget. These consultations resulted in the revision of existing user fees and service charges, as well as the introduction of new cost-recovery items aligned with the principle of fairness and value for money. As we deepen this reform through technical cooperation, we are confident that the Efficiency in Processes Initiative will play a critical role in strengthening revenue mobilisation, reducing fiscal leakages, and

supporting our broader objective of building a more efficient, disciplined, and fiscally resilient public sector.

22. **Mr. Speaker**, we have undertaken a comprehensive review of the Development Manager (DM) model as part of our broader effort to halt financial haemorrhaging and restore value for money. The DM Model was introduced in 2023 with a clear and noble objective to address long-standing inefficiencies in project delivery, accelerate implementation, and improve coordination across complex infrastructure programmes. Indeed, **Mr. Speaker**, in several jurisdictions internationally, this model has delivered positive outcomes.
23. However, in Botswana's context, a comparative assessment of projects that were to be implemented under the DM model against those delivered through conventional approaches reveals unacceptable cost differentials. Under the DM approach, the construction of new primary schools was approximately 34 percent more expensive. A principal hospital project recorded a cost variance of over 56 percent, amounting to more than P630 million, while road projects were, on average, 11 percent more costly. Following a full review of all DM contracts, only 16 projects were found to be advanced and are currently under implementation while 132 projects have been suspended at conceptual stage.
24. **Mr. Speaker**, the experience with the DM model has exposed systemic **weaknesses** that must now be decisively addressed. These include ad hoc decision-making, inadequate cost-benefit analysis, weak project selection and appraisal processes, poor adherence to established control frameworks, and limited institutional capacity to conceptualise and execute mega-projects. Botswana's history of underperforming mega-projects makes it clear that business as usual is no longer an option.
25. **Mr. Speaker**, Government has adopted a more structured, evidence-based approach to project execution. Through the BETP, a set of strategically significant and transformative government projects underwent rigorous analysis. The process brought together all key stakeholders from Government and the private sector, resulting in a shared consensus on implementation models, risk allocation, and credible cost estimates.
26. **Mr. Speaker**, Government remains firmly committed to ensuring that every strategic project including transformational initiatives such as the Chobe-Zambezi Water Transfer Scheme, rail infrastructure projects, upgrading of A1 and the National digital-ID programme are executed correctly, at the right cost, and in full compliance with the Public Finance Management legal framework. **Mr. Speaker**, this commitment applies equally to projects delivered through Public-Private Partnership (PPP) arrangements. While PPPs do not require upfront capital outlays by Government, they create binding long-term fiscal commitments and contingent

liabilities, as Government is obligated to repay private sector investment over the life of the contract, typically spanning 15 to 30 years. These obligations must be transparently budgeted for and prudently managed. **Fiscal discipline, transparency, and accountability in project selection, structuring, and execution are therefore non-negotiable.**

27. **Mr. Speaker**, the identified transformational and strategic projects in the BETP will serve as the foundation for correcting past failures, institutionalising best practice, and deliberately building a new culture of project delivery in Botswana, a culture anchored on value for money, integrity and results. To all those entrusted with the responsibility of executing these projects; Government officials, implementing agencies, and current and future investors, **I urge you to place the interests of Botswana first.** Reflect on how country-changing and life-changing it will be if these strategic projects are delivered at the right costs, with integrity, and with speed not only for today's citizens, but for future generations of Botswana. I implore you to tap into the same spirit with which our forefathers drove Botswana's early transformation. With limited resources but a profound sense of duty, they built institutions, infrastructure, and trust that laid the foundation of our nation. Over time, we lost elements of that spirit. Let us therefore hold one another accountable and recommit ourselves to a standard of governance worthy of the people we serve.

### **Strengthening Governance and Oversight**

28. **Mr. Speaker**, the First Session of the 13<sup>th</sup> Parliament registered substantial progress through the enactment of twenty-six Bills. This bold legislative agenda aimed at modernising governance, strengthening institutions and positioning Botswana for a more inclusive and resilient future.
29. **Mr. Speaker**, Government has commenced the review of the Public Procurement Act, 2021, to align it with global best practices and strengthen transparency and accountability. The review seeks to improve efficiency, reduce delays, and create a deliberate and structured pathway for previously underrepresented groups, including local manufacturers and other key sectors, to participate meaningfully in public procurement without distorting the economy.
30. **Mr. Speaker**, the review of the Public Finance Management Act, 2011 is at its final stage. It aims to strengthen accountability, oversight, management and control of public funds. Further it aligns the Act with the requirements of the Public Finance Management Reforms and ensure compliance with international best practices, including anti-money laundering and counter-terrorism financing standards.
31. **Mr. Speaker**, the review of the Financial Reporting Act, 2020 which commenced in October 2025 will introduce regulatory measures to promote fair competition between multinational and local audit firms. It will encourage joint audits between

multinational and local audit firms for Public Interest Entities and empower the Botswana Accountancy Oversight Authority with adequate resources to conduct regular inspections of multinational firms. The review of the Public Procurement Act, Public Finance Management Act and the Financial Reporting Act will be tabled during the 2026/2027 financial year.

32. **Mr. Speaker,** Botswana’s transformation journey risks being undermined if we do not act decisively to address declining performance on the global Corruption Perceptions Index. To this end, urgent steps are being taken to operationalise the independence of the Directorate on Corruption and Economic Crime. In parallel, the review and repeal of the Corruption and Economic Crime Law is underway and is expected to be finalised during the 2026/2027 financial year. These reforms will modernise enforcement powers, close legal and procedural gaps, and strengthen deterrence, thereby safeguarding institutional integrity and supporting Botswana’s path to high-income status.
33. **Mr. Speaker,** Government has established the National Coordination Office on Anti-Money Laundering, Combating the Financing of Terrorism, and Proliferation Financing. This important milestone comes at a defining juncture as Botswana intensifies preparations for the Eastern and Southern Africa Anti-Money Laundering Group Mutual Evaluation scheduled for January 2027. The establishment of this Office demonstrates Government’s resolve to adopt a whole-of-government approach to financial crime risk management. The Office serves as the central mechanism for driving national coordination, strengthening inter-agency collaboration, and ensuring that Botswana’s legal, regulatory, and institutional frameworks fully comply with Financial Action Task Force (FATF) requirements.
34. **Mr. Speaker,** the National Risk Assessment and recent mock evaluations points to a scenario that requires our collective and urgent attention. They reveal persistent weaknesses, including inadequate customer due diligence, insufficient verification of beneficial ownership, and cases lost due to evidentiary and procedural shortcomings. While the risks are real, the opportunity to avert them remains firmly within our grasp. With decisive action, strengthened coordination, and the collective commitment of the Government, the private sector, regulators and all relevant stakeholders, Botswana can still turn the tide. By acting now, and acting together, we can safeguard our financial integrity, restore confidence, and ensure that Botswana successfully meets the requirements of the upcoming Mutual Evaluation.

## **Phase 2: Stabilisation and take-off**

35. **Mr. Speaker,** we remain committed to building a forward-looking policy environment that strengthens Government effectiveness, enhances institutional discipline, supports investment, and lays a solid foundation for accelerated growth. In this context, the introduction of the BETP is both timely and transformative,

serving as the anchor policy instrument for the country's take-off phase. The Programme provides coherent policy direction by placing the private sector at the centre of development and driving diversification beyond traditional sectors. It brings together reforms, infrastructure development, skills enhancement, and enterprise support into a unified and purposeful economic transformation agenda.

***State-Owned Enterprises (SOEs)***

36. **Mr. Speaker,** State-Owned Enterprises (SOEs) are central to Botswana's transformation journey, with the potential to drive growth in strategic sectors, create jobs, crowd in private investment, expand infrastructure, and secure essential services for citizens. However, their persistent reliance on Government financing presents substantial fiscal risks, underscoring the urgent need for structural reforms to strengthen governance, improve operational efficiency, and ensure long-term financial sustainability. Recognising their national importance, Government is implementing a comprehensive SOE transformation agenda anchored in a new governance and ownership framework. This framework is designed to formalise oversight, align mandates with national development priorities, and shift SOEs toward disciplined capital allocation, higher productivity, and improved service delivery.
37. **Mr. Speaker,** our determination to stabilise the Botswana Meat Commission (BMC) is beginning to bear fruits. The Commission is undergoing a far-reaching turnaround that is revitalising the beef value chain and restoring confidence among farmers. So far, it has cleared P698 million in arrears, strengthened internal controls, and achieved significant operational gains, including a 22 percent increase in throughput at the Lobatse plant and a 31 percent rise in revenue to P1.04 billion, on a year-on-year basis. Strategic investments such as the Meat Value Addition Plant, the revitalised Tannery, and upcoming multispecies abattoirs in Gaborone and Tsabong will deepen value addition, diversify production, widen market access, and enhance farmer incomes. These developments will generate sustainable jobs, revitalise rural economies, and position BMC as a commercially sustainable, export-oriented enterprise. It is therefore imperative that we resolve the FMD situation urgently, so that we do not lose the hard-earned gains that have the potential to transform our economy.
38. **Mr. Speaker,** consistent with the commitments made in last year's Budget Speech regarding the scaling up of production at the Botswana Vaccine Institute (BVI), the institution continues to serve as a cornerstone of our national animal health system and a key exporter of vaccines across the region. As foreshadowed last year, Government has moved beyond intent to implementation. To address ageing infrastructure and unlock additional capacity, a new Blending and Filling Laboratory is currently under development and is expected to be completed in the 2026/2027 financial year. This investment will significantly increase production capacity, ensure full compliance with Good Manufacturing Practices and enable the diversification of

vaccine products, thereby positioning BVI to strengthen regional supply chains and contribute meaningfully to export-led growth.

39. **Mr. Speaker,** Government is laying a firm foundation for long-term, agriculture-led industrialisation and inclusive job creation, with the National Agricultural Research and Development Institute (NARDI) playing a pivotal role. NARDI is advancing national seed self-sufficiency through the development of locally adapted Open-Pollinated Variety seeds, aimed at addressing persistent shortages of high-quality seed, improving yields for smallholder farmers, and reducing reliance on costly imports. During the 2026/2027 financial year, Government will upgrade NARDI's laboratories towards accreditation, expand testing capabilities, and modernise the seed processing plant. These strategic investments are expected to strengthen the national seed system, generate revenue, and create employment. Complementing these efforts are high-impact, technology-driven initiatives, including organic fertiliser demonstrations and drone-assisted crop nutrition, as well as the expansion of watermelon value chains into juices, jams, and other processed products. Collectively, these interventions underscore a clear national direction of transforming SOEs into disciplined, high-performing institutions; deepening value addition and export competitiveness; and accelerating job creation.

### **Phase 3: Tangible Steps of Change**

#### ***Fostering Economic Diversification***

40. **Mr. Speaker,** Government's sustained efforts to deepen Botswana's integration into global markets are beginning to yield tangible and measurable outcomes. We have successfully secured market access for fresh citrus exports to 17 international destinations, including the European Union, Canada, the United Arab Emirates, South Africa, Russia, and Hong Kong, reflecting the strengthening of our trade relationships and growing confidence in Botswana's agricultural standards and export capacity. This expanded market access has translated into strong export performance, with fresh citrus exports increasing from 2,790.68 tonnes in the 2024 season to 13,711.53 tonnes in 2025. This represents growth of over 390 percent and creates significant income and employment opportunities for local producers.
41. **Mr. Speaker,** Government continues to play a facilitative and strategic role in this process by engaging in targeted trade negotiations with key economies, including South Korea, the United States of America, China, and India, with the objective of unlocking additional export markets. These engagements are not limited to citrus production alone but are intended to broaden access for a wider range of high-potential agricultural products, thereby supporting diversification, enhancing competitiveness, and strengthening the contribution of agriculture to economic growth and food security.

42. **Mr. Speaker,** Government continues to make significant progress in advancing its mining sector diversification agenda, with the Khoemacau Copper Mine expansion launched, supported by secured financing and expected to employ up to 5,500 people at peak construction in the coming financial year. The development of battery-grade manganese is similarly on track, as Menzi Battery Metals has completed key demonstration-level milestones and is nearing completion of the definitive feasibility study. Implementation of the National Mineral Resource Exploration, Exploitation, and Value Chain Development Strategy is underway.
43. **Mr. Speaker,** Government has commissioned a feasibility study to assess the unbundling and corporatisation of power-generation assets currently held by the Botswana Power Corporation (BPC). The study aims to determine the preferred unbundling model, outline the necessary institutional and governance arrangements, and evaluate the legal, regulatory, and financial implications of the proposed restructuring. Once completed, Government will consider the findings and provide policy direction on the most viable model to pursue, guided by the objectives of ensuring energy security, improving electricity affordability and increasing private-sector participation in the power sector.
44. **Mr. Speaker,** Government remains committed to positioning the country as a regional energy hub, both as a reliable exporter of power and as a catalyst for new industries such as data centres that require stable, high-capacity electricity. To advance this ambition, the National Integrated Resource Plan has been revised upward to deliver an additional 1.5 gigawatts of renewable energy between now and the first quarter of 2027. To operationalise this vision, Government is implementing the Power Roadmap outlined in the revised Integrated Resource Plan (IRP 2025). As part of this effort, a number of IPPs have since been engaged to deliver projects covering both renewable energy and coal thermal power generation.
45. Implementation of the 600MW Mmamabula Coal Fired Plant is on track, and the first 150MW is expected by December 2026, and the full 600MW is expected to be delivered by June 2029 as planned. The government has commissioned the 100MW Solar PV plant in Mmadinare and three small grid-tied projects in Bobonong, Shakawe, and Ghanzi. In addition, the 100MW Solar PV plant in Jwaneng is scheduled for commissioning in March 2026, with additional small-scale projects expected within the next 24 months. The Maun 600MW solar project is under procurement, whilst the procurement of Letlhakane 400MW solar PV is still under preparation. Further, the 400MW Isang solar PV project has been moved forward, for implementation in 2026.
46. **Mr. Speaker,** to meet base-load requirements and ensure system reliability, Government will prioritise the rehabilitation of Morupule B Power Station and the development of additional coal-fired generation capacity. These investments will underpin national energy security while creating opportunities for electricity exports

through regional power purchase agreements. All these efforts are expected to stimulate industrialisation, support economic diversification, and position Botswana as a competitive and reliable energy supplier in the region.

47. **Mr. Speaker**, tourism is already demonstrating its capacity to mobilise private investment and create jobs across the country. During the 2025/2026 financial year, Government facilitated the allocation of five (5) tourism sites and concession areas in Ngamiland and the Makgadikgadi National Park, attracting envisaged capital investment of P362 million. These projects are expected to create over 500 jobs and generate rentals for community trusts, directly strengthening local economies. In addition, the fast-tracking of eleven lease renewals covering 27 lodges in Ngamiland has unlocked further investment potential estimated at P800 million, while safeguarding more than 1,500 existing jobs. These developments underscore tourism's growing role as a driver of employment, citizen participation, and private-sector-led economic diversification.
48. Under the BETP, tourism is being repositioned as a catalytic, investment-led sector through a pipeline of twenty-one (21) high-impact projects that diversify products, deepen value chains, and expand employment. Collectively, these projects are designed to increase visitor numbers, raise per-visitor spend, stimulate private capital investment, and create jobs across hospitality, construction, transport, creative industries, and services.

#### **Phase 4: Building a New Botswana**

49. **Mr. Speaker**, as Government drives economic transformation, we recognise that getting land administration right is one of the most powerful levers for change in the lives of our people and the economy at large. It is for this reason that, in the 2026/2027 financial year, Government will commence the modernisation of Botswana's land administration systems through the Geospatial Information Centre. This marks the first phase of a four-year programme to upgrade the Land Information System, strengthen the Integrated Geographic Information System, and enhance governance and project management capacity across the land sector. This transformation directly addresses long-standing challenges, including outdated systems, fragmented data, weak inter-agency coordination, and delays in the issuance of Secure Land Titles and their registration under the Deeds Registry.
50. **Mr. Speaker**, this reform is both people centred and transformation-driven. For citizens, it will mean clearer processes, reduced waiting times, fewer disputes, and timely access to secure land titles enabling families to plan, inherit with certainty, and use land as collateral to access finance. For the economy, it will unlock land as a productive asset, accelerate project approvals, improve investment facilitation, and support the shift towards a more diversified, private-sector-led growth model.

51. **Mr. Speaker**, in the previous budget, we committed to establishing a local commodity trading platform as a key intervention to ensure fair and transparent pricing for agricultural produce. Since that announcement, substantial groundwork has been undertaken to translate this commitment into a viable and credible market institution. In this regard, during the 2026/2027 financial year, Government will launch the Botswana Mercantile Exchange (BMX) as a strategic policy instrument to support economic diversification. The BMX will introduce an organised, market-driven pricing mechanism for commodities such as sorghum and beef, aligning domestic prices with international benchmarks. This is expected to reduce income volatility for local producers and to improve price discovery. Beyond agriculture, the BMX will contribute to reducing Botswana's over-reliance on diamonds by creating new value chains, positioning the country as a regional trading hub, and strengthening integration into global trade networks.

### ***National Fund of Funds and MSME Financing Reform***

52. **Mr. Speaker**, in my maiden Budget Speech, Government committed itself to a fundamental shift in how we support citizen-owned enterprises. We stated clearly that Botswana must move beyond fragmented, loan-heavy interventions towards a more strategic, market-enabling approach to Micro, Small and Medium-sized Enterprises (MSMEs) finance, through the establishment of a **National Fund of Funds** as a cornerstone of a modern financing ecosystem.

53. And indeed, **Mr. Speaker**, in 2025, the World Bank undertook a comprehensive study under the Botswana Financial Sector Development Strategy, focusing specifically on MSME access to finance. The study confirms that our current MSME financing model remains overly reliant on direct lending, collateral-based credit, and administratively heavy, public schemes that unintentionally crowd out entrepreneurs, innovators, disruptors, creatives and other brilliant ideas, including Bomma le Borra dimausu, bomma metshelo, among others. It further concludes that future impact will not come from loans alone, but from well-governed second-tier financing mechanisms, credit enhancement instruments, and patient capital structures that can support innovation, early growth and scale.

54. **Mr. Speaker**, this study provides Government with a strong, evidence-based foundation to design the Fund correctly, from governance and risk-sharing to alignment with international best practice. It affirms that a Fund of Funds model can channel capital through professional and indigenous intermediaries, strengthen non-bank financial institutions, support equity and quasi-equity instruments, and expand access to finance without distorting the market or placing undue fiscal pressure on Government.

55. In parallel, **Mr. Speaker**, Government has already undertaken a benchmarking exercise of international experience. One such case is Georgia, where public policy recognises that young innovators cannot be developed through debt instruments

alone. Instead of pushing early-stage entrepreneurs directly into loans, Government identifies high-potential individuals through competitive processes. These individuals are then placed into structured development programmes, providing mentorship, industry exposure, facilities, and time to refine their ideas. Only after successful incubation, participants who demonstrate commitment, capability and growth potential are supported through grants. This approach has produced viable firms able to later access equity and commercial finance.

56. **Mr. Speaker**, this experience reinforces a simple truth that when we demand collateral from those who have not yet had the opportunity to accumulate assets, we are not managing risk, we are excluding talent. This is not a failure of these aspiring entrepreneurs and creatives but a limitation of our ecosystem. **Mr. Speaker**, in the 2026/2027 financial year, Government has proposed an allocation of **P1.31 billion across various programmes to support MSME financing**.

57. However, this level of funding remains insufficient to fully address the diverse and often complex needs of the MSME sector. To bridge this gap, Government will continue the work of establishing the **National Fund of Funds**, which is expected to be operational in the 2027/2028 financial year.

58. **Mr. Speaker**, the groundwork for the establishment of a fully-fledged Botswana Sovereign Wealth Fund is underway. This process will include the enactment of a comprehensive legislative framework that regulates governance, investment policies, and institutional safeguards in alignment with the Santiago Principles, of which Botswana is one of the original architects. This Fund, which marks a significant milestone in our fiscal and economic reform will serve as a stabilisation buffer during periods of economic volatility, enabling Government to smoothen revenues and safeguard fiscal sustainability. The Fund will also ensure that national wealth is preserved, grown and deployed in a manner that delivers lasting value for current and future generations. It will also serve as a strategic instrument to advance economic diversification and stimulate job creation.

### **III. ADVANCING TOWARDS TRANSFORMATION: OVERVIEW OF THE NATIONAL DEVELOPMENT PLAN AND THE BOTSWANA ECONOMIC TRANSFORMATION PROGRAMME**

#### **Twelfth National Development Plan (NDP12)**

59. **Mr. Speaker**, the Twelfth National Development Plan (NDP 12), approved under the theme "**Building a Diversified and Inclusive Deep Economy for Sustainable Jobs**", marks a decisive turning point in our development and transformative journey. Through this theme, the Plan places the private sector firmly at the centre of economic expansion and recognises that long-term prosperity will not be built on shallow growth or narrow sectors, but on an economy with depth:

stronger value chains, higher productivity, diversified exports, and firms that can compete beyond our borders.

60. **Mr. Speaker**, the focus in this Plan is on improving national service delivery performance to 75 percent by 2036 through the introduction of innovative implementation approaches and the institutionalisation of a robust monitoring and evaluation framework. In this regard, NDP 12 is underpinned by targeted actions aimed at strengthening coordination and accountability across the public sector, centred on enhanced implementation mechanisms, improved data management, and the systematic institutionalisation of the national monitoring and evaluation system.
61. **Mr. Speaker**, we are equally strengthening the architecture for monitoring and evaluation (M&E), to ensure that NDP 12 is guided by evidence, not assumption. A more robust national M&E system is being institutionalised across Ministries, Local Authorities, and State-Owned Enterprises, supported by improved data management, clear performance indicators, and regular evaluation of outcomes. Digital systems will enable timely and reliable information to inform decisions, while governance structures have been sharpened to ensure oversight at the highest level of Government. This means that implementation challenges will no longer linger unresolved, and underperformance will be confronted decisively. In this way, NDP 12 restores credibility to development planning by ensuring that intent, resources, and delivery remain tightly aligned throughout the Plan period.

### **The Botswana Economic Transformation Programme (BETP)**

62. **Mr. Speaker**, BETP is a special programme within the National Development Plan which is focused on accelerating transformation through structured delivery. Through the BETP, we have moved beyond broad aspiration into a phase of disciplined, results-driven execution. The programme applies rigorous project preparation and transparent performance metrics, ensuring objective, evidence-based project selection, clear accountability for delivery, with each of the BETP projects having its own three feet implementation plan and continuous performance monitoring.
63. **Mr. Speaker**, BETP identified 186 projects and initiatives across six (6) economic priorities namely the (Agriculture, Manufacturing, Financial Services & Digitalisation, Infrastructure, Tourism, Energy and Mining) and three (3) social sectors (Healthcare, Education and Social Protection).The programme, which developed a specific true north for each sector, has the potential to unlock BWP 514 billion in cumulative investment, create 512 000 jobs and transition Botswana towards a high-income, export-driven and digitally enabled economy by 2036.
64. The BETP ensures that productivity, competitiveness and innovation are placed at the centre of development, while shifting the growth engine toward a dynamic private sector led economy supported by sound policies, fiscal discipline and efficient

public service delivery. It is therefore designed as a catalyst for a new way of working within Government, one that is intended to drive systemic change across the broader public sector and the nation over time. It serves as a platform for cultural, institutional and operational reforms, allowing Government to **test, refine and embed new approaches that can eventually permeate throughout Ministries Departments and Agencies.**

65. **Mr. Speaker**, while NDP 12 defines national priorities and long-term direction, BETP has translated some of these priorities into 186 bankable, executable projects, supported by enabling reforms and coordinated delivery pathways. To achieve this, the BETP Secretariat goes beyond traditional implementation frameworks. It plays an active role in driving reforms, supporting the projects that require financing by facilitating land and regulatory processes and unblocking constraints to ensure that priority projects move from concept to execution.
66. This new way of working is intentionally ring-fenced to protect its effectiveness. Ring-fencing allows BETP to operate with greater agility, with accountability and with focus, creating the conditions for a new performance-driven culture. With the right safeguards and strong endorsement from the highest political leadership, this culture is expected to be successfully demonstrated within BETP and then progressively diffused across government, enabling both inward and outward flows of reform and learning.
67. **Mr. Speaker**, the BETP represents our resolve to do things differently, faster, smarter and with measurable impact. It is a strategic vehicle for long-term fiscal sustainability and economic resilience. Through targeted interventions and continuous monitoring, the Programme will enable Botswana to scale up new industries that can compete regionally and globally. This marks a deliberate shift from business-as-usual approach to a results-driven approach where implementation is rapid, agile and action-oriented.
68. During the 2025/2026 financial year, significant progress was achieved. This includes: successful completion of the BETP Labs, which convened stakeholders from Government, private sector, academia, and civil society to co-create high-impact sector interventions. The BETP Secretariat, which is ring-fenced within the Ministry of Finance acts as the central delivery engine for BETP projects and reports to the Vice-President and the President. The Secretariat coordinates, actions, monitors, progresses and removes bureaucratic barriers. Furthermore, a public-facing digital portal (**<https://betp.gov.bw>**) which offers real-time access to project information and investment opportunities for the public and stakeholders is in place.
69. By publishing transformative BETP projects on the public digital portal, Government has deliberately opened access for ordinary citizens and project proponents to a global pool of investors. This transparency has enabled locally driven initiatives under

the BETP to be visible beyond national borders, positioning them for private sector financing and partnerships. Since its launch, the platform has attracted strong interest from both domestic and international investors, expanding the funding pipeline for BETP projects and stimulating concrete discussions and commitments. In doing so, the portal has elevated Botswana's development agenda onto the regional and global stage, reinforcing Government's strategic shift toward a private sector-led, export-oriented economy.

70. **Mr. Speaker**, as part of the BETP Lab process, stakeholders undertook a comprehensive review to identify priority legislative and regulatory reforms required to improve Botswana's business environment and unlock private sector investment. These reforms cut across key sectors, including energy, agriculture, financial services, manufacturing, infrastructure, education and healthcare. **Mr. Speaker**, relevant Ministries are actively working on the identified amendments and regulatory changes to remove bottlenecks, improve ease of doing business and enhance competitiveness. Government will provide periodic updates on the progress of these reforms, as they are central to creating a conducive environment for investment, job creation and the successful implementation of the BETP. **Mr. Speaker**, allow me to acknowledge the recent announcement of significant financial sector reforms aimed at improving liquidity, enhancing payments efficiency and expanding financial inclusion which support the broader economic transformation agenda.

#### **IV. NATIONAL PRIORITIES FOR 2026/2027 FINANCIAL YEAR**

##### **Export-Led Growth and Diversified Economy**

71. **Mr. Speaker**, Government is steadfast in its resolve to advance the private sector as a central driver of a diversified, export-oriented economy and sustained economic resilience. This commitment is consistent with deepening private sector participation, enhancing enterprise competitiveness and accelerating the growth of scalable firms with strong export potential.
72. **Mr. Speaker**, Agriculture is being repositioned from subsistence and import dependence to a modern, export-oriented agro-industrial sector built on value chains, agro-processing and regional and global market access. Under the BETP, we are implementing 26 transformative agriculture projects that focus on crop and livestock production and processing, cold-chain and logistics, and market access. Through clustering, processing hubs, and integrated logistics, Botswana aims to convert its land, water and farmer base into competitive exports in meat, horticulture, nutraceuticals and high-value crops. As an example, **Mr. Speaker**, one of the BETP Agriculture-Based Cluster projects is set to make its first confirmed export of moringa to Germany in February 2026. This export represents income for local farmers, validates the effectiveness of the cluster-based approach and demonstrates Botswana's ability to meet stringent international quality and standards.

73. Manufacturing, in turn, is being strengthened as the bridge between primary production and exports. Under BETP, we have prioritised 22 manufacturing projects that are focused on intensive, assembly-based manufacturing, resource based heavy industry as well as clean technologies and precision manufacturing, linking agriculture, mining, and energy into higher-value goods. BETP is expanding industrial processing and manufacturing capabilities into higher-value manufactured goods that retain value within Botswana, deepen supply chains and create skilled employment. This shift moves our economy decisively up the value chain and reduces vulnerability to external shocks.
74. **Mr. Speaker**, substantial progress has been made in land servicing and the construction of four (4) advanced factory units at the Sir Seretse Khama International Airport SEZ, representing a combined investment of P714 million. To further strengthen this momentum, Government is developing a grain dryer and related facilities at the Pandamatenga SEZ, at a total cost of P63 million to support agro-industrial value chains.
75. **Mr. Speaker**, the Revised National Investment Strategy (2025–2030), scheduled for completion by March 2026, will serve as a key instrument for advancing inclusive and geographically balanced economic growth. The Strategy aims to decentralise investment by embedding Local Economic Development approaches, developing district-specific investment profiles, and strengthening competitive value chains. By adopting this context-specific district focus, the Strategy aims to reduce existing growth disparities, accelerate development in historically underdeveloped districts and ensure that all districts advance toward comparable levels of development. Implemented nationwide by Botswana Investment and Trade Centre in partnership with Local Authorities, this approach will enhance private sector participation, strengthen business linkages, unlock investment opportunities beyond major urban centres and accelerate export growth and economic diversification across all districts.
76. **Mr. Speaker**, Government will continue to strengthen investor facilitation through BITC and the Botswana One Stop Service Centre. Ongoing reforms aimed at simplifying permits, licences, approvals, and the direct issuance of investor visas will significantly reduce regulatory bottlenecks, fast-track project implementation and further enhance Botswana’s overall ease of doing business.
77. **Mr. Speaker**, significant progress has been made to enable the private sector to fully leverage the opportunities presented by the African Continental Free Trade Area (AfCFTA) Agreement. A key milestone in this regard is the completion of the National AfCFTA Implementation Strategy for Botswana in July 2025. The Strategy identifies the country’s areas of comparative advantage to support economic diversification, while also outlining priority value chains that can be developed to enhance Botswana’s trade potential within the AfCFTA framework. This milestone strategically positions Botswana to tap into the vast African market of 1.3 billion people, unlocking

opportunities for export diversification, value chain integration and broader economic gains.

## **Human Capital and Social Development**

78. **Mr. Speaker**, strategic focus remains on expanding access to quality education and healthcare, strengthening social protection systems and enhancing opportunities for broad-based participation in economic activity. This commitment supports the development of a capable and adaptable workforce, promotes social inclusion and reinforces national resilience. Under the BETP, this focus is being translated into a coordinated pipeline of high-impact social sector projects that fundamentally reposition human capital as the primary driver of productivity, inclusion and long-term economic resilience. In this regard, BETP is implementing 54 projects and initiatives across education, healthcare and social protection, each designed to strengthen the foundations of a productive and resilient society.

### *Enhancing Education*

79. **Mr. Speaker**, the Government has consistently demonstrated a strong commitment to human capital development through substantial investment in education. Botswana allocates an average of **7.1 percent of GDP** to the sector, among the highest levels for upper middle-income countries in the region. However, education outcomes have not kept pace with this level of investment, resulting in a persistent mismatch between spending and performance. This efficiency gap poses a serious constraint on Botswana's long-term growth trajectory. Weak human capital outcomes suppress labour productivity, limit employability and undermine the country's ability to diversify and shift toward higher-value, knowledge-intensive industries. Closing this gap requires improving the **efficiency and effectiveness** of education spending, ensuring that investments are tightly aligned with labour-market demands and the skills required in a modern, technology-driven economy. Strengthening the impact of education investments is essential to unlocking Botswana's full potential and building a workforce capable of driving sustained economic growth and structural transformation.
80. **Mr. Speaker**, to elevate the standard of Technical and Vocational Education and Training (TVET), we have introduced three (3) pivotal instruments: the Tertiary Education Financing Policy, a new Higher Education Act and a dedicated Technical and Vocational Education and Training Act. This comprehensive legislative and policy framework is designed to modernise governance, enhance quality assurance, expand access and ensure sustainable funding. Together, these measures will forge an equitable, high-quality and forward-looking tertiary system, one that directly fuels Botswana's human capital development and drives our long-term economic transformation.

81. Complementing this policy reform, the BETP Education Transformation Programme aims to deliver system-wide change through flagship initiatives such as the National Education Blueprint, TVET Revitalisation, and the establishment of Multidisciplinary TVET Centres of Excellence. These interventions align curricula with industry demand, embed digital and green skills and reposition TVET as a first-choice pathway into productive employment. By 2030, these reforms are expected to have significantly reduced youth unemployment and the rate for those Not in Employment, Education, or Training (NEET), while supplying industry with job-ready skills critical for economic diversification.
82. Further to this, **Mr. Speaker**, Government is committed to elevating the role of TVET graduates by embedding them in strategic functions such as government facility maintenance and fleet operations, and the manufacture of protective equipment. This will convert training into practical work experience, and demonstrate, through real delivery, the economic value of vocational training. This initiative ensures that technical skills are harnessed effectively, creating pathways for youth employment while enhancing the capacity of public services and demonstrating the strategic value of vocational training in national development.

*Transforming the Healthcare System*

83. **Mr. Speaker**, Government continues to invest substantial resources in the health care system, however, these expenditures have not yet translated into commensurate improvements in disease outcomes. Analysis shows that a significant share of health spending is driven by diseases that are both costly to treat but largely preventable. To address this challenge, Government is shifting health care approach toward a stronger primary health care system. By prioritising early detection, timely intervention and effective prevention, primary health care should curb the progression of disease, reduce avoidable hospitalisations, ease pressure on secondary and tertiary facilities and lower reliance on specialised care. This shift is expected to improve health outcomes while enhancing efficiency and sustainability in health care financing.
84. **Mr. Speaker**, Government has embarked on a comprehensive reform programme aimed at transforming the Central Medical Stores (CMS) into a fully modernised, performance-driven organisation in the next financial year. This reform is expected to reduce government expenditure on medical supplies by 30 to 40 percent within five (5) years through improved procurement efficiency, digital inventory management and strategic sourcing. The transformation of CMS will significantly strengthen medicine availability, reduce wastage and enhance the overall resilience of the health system. The legislative process to modernise and strengthen the governance and operating model of the CMS will commence before the end of this financial year.

85. **Mr. Speaker,** Government's long-term strategy to achieve Universal Health Coverage and ensure that all Batswana have equitable access to quality healthcare services without financial hardship is underway. The introduction of National Health Insurance (NHI) responds to growing pressures on the health system, including rising healthcare costs, changing disease patterns and the need for a more sustainable and predictable health financing model. National policy formulation and extensive stakeholder consultations are ongoing. The resulting National Health Insurance Policy will provide the basis for the National Health Insurance Bill, which is scheduled to be tabled during the current Parliamentary sitting. Overall, the NHI programme will be implemented through a phased approach and is expected to reach full operationalisation within approximately three (3) years from the policy formulation stage.
86. **Mr. Speaker,** these reforms are aligned with our broader vision for the future of healthcare, which lies in digital innovation and data-driven decision-making. To that end, Government has embarked on transformative reform that leverages digital technologies, artificial intelligence (AI), telemedicine and point-of-care tools to strengthen efficiency and access. A key milestone in this regard is the establishment of the National Health Intelligence Centre, scheduled for completion before the end of this financial year. This Centre will serve as the national platform for collecting, processing and analysing real-time health data across all levels of care from community health workers in villages to tertiary referral hospitals. This data will provide Government with a comprehensive real-time picture of Botswana's health landscape, enabling evidence-based planning and policy development. This investment marks a significant step toward a future-proof, people-centred and digitally enabled public health system.

*Enhancing Social Welfare*

87. **Mr. Speaker,** Government is committed to advancing social inclusion by moving beyond welfare dependency and expanding empowerment-focused programmes that foster self-reliance, sustainable livelihoods and meaningful participation in the economy.
88. **Mr. Speaker,** the Ikageng Public Works Programme modernises and upgrades the former Ipelegeng Programme into a skills-focused national public works initiative aimed at generating employment, especially for youth and women, while enhancing community-level productivity. It represents a decisive shift from welfare-based relief to a performance driven public employment model, in which remuneration is linked to productivity, adherence to quality standards and measurable outputs. Strategically aligned with TVET pathways and labour market requirements as well as national productivity objectives, the programme ensures that participants acquire market relevant skills that improve their employability or support their transition into sustainable self-employment. Through extensive nationwide consultations, Ikageng prioritises locally identified and economically productive projects in sectors such as

agriculture, tourism and manufacturing, with significant potential for value addition, job creation and inclusive growth. This focus is further strengthened by the Constituency Community Projects (CCP), which advance empowerment, social inclusion and poverty reduction while supporting local economic development. Together, the Ikageng Public Works Programme and CCP create a coherent and community-driven development pathway that broadens economic opportunities.

### **Integrating Key Infrastructure**

89. **Mr. Speaker**, Government is pursuing coordinated, high-impact infrastructure investments across energy, water and transport. Aligned to the BETP's True North, infrastructure is being delivered as an integrated economic enabler, unlocking private investment, supporting diversification and strengthening Botswana's connectivity to regional and international markets. Under BETP, we have prioritised 26 infrastructure projects that will build seamless connections across economic activities to position Botswana as a regional trade and investment hub.
90. **Mr. Speaker**, to address water supply and sanitation challenges, Government continues to expand and upgrade critical water and wastewater infrastructure. Key projects include the Lobatse Water Master Plan, Kanye Sanitation, upgrades to Mmamashia and Molepolole treatment plants and new water supply schemes in Molepolole, Ramotswa, Letlhakane Cluster, Maitengwe and the Kgalagadi.
91. **Mr. Speaker**, domestic electricity generation currently meets only 63 to 70 percent of national demand, with imports costing approximately P3.4 billion annually. Government will accelerate implementation of the revised Integrated Resource Plan through new generation projects, Independent Power Producers, and expanded transmission infrastructure.
92. **Mr. Speaker**, substantial investment continues in roads and transport infrastructure to improve mobility, trade and access to services. Projects include urban road upgrades in Tlokweng, Mogoditshane and Maun, the Sir Seretse Khama International Airport junction dual carriageway and major road reconstructions such as Mankgodi-Jwaneng and Nata-Gweta.
93. Additionally, **Mr. Speaker**, Government is advancing rail and aviation infrastructure to strengthen regional and international connectivity. Feasibility studies for regional rail links are progressing, alongside planned expansions of Maun International Airport and cargo facilities at Sir Seretse Khama International Airport. These investments position Botswana as a logistics, tourism and trade hub within the region, supporting export growth and economic diversification.

## **Innovation and Digital Transformation**

94. **Mr. Speaker**, the Villages Connectivity Programme across the country, expansion of the optic fibre infrastructure to villages located far from commercial backbone networks and fast-growing settlements are being accelerated. The expansion will not only improve speed and reliability but make it affordable for households, schools, clinics and local businesses.
95. **Mr. Speaker**, Government remains steadfast in its commitment to making public services simpler, faster and accessible. Accordingly, we continue to accelerate the migration of key services onto the integrated e-services Platform Project – the 1Gov1Citizen Platform. To date, 52 e-Services are available online to the public, while a further 179 public-facing e-Services have been developed and are undergoing integration testing, which is expected to be completed by the end of the financial year. These advancements will reduce queues, shorten processing times, improve service delivery and create an enabling environment that supports enterprise activity, broad-based participation and sustained economic expansion.
96. **Mr. Speaker**, Government will expedite the Botswana’s National Digital Identification System which is a secure, interoperable digital ID platform. This will enable trusted authentication across public and private services. This reform will improve efficiency, reduce duplication and strengthen the integrity of public systems by enhancing identity verification, combating fraud and supporting data-driven service delivery. Importantly, the Digital ID will underpin broader e-government initiatives supporting digital payments, social service targeting and financial inclusion. Overall, this initiative represents a foundational investment in digital infrastructure that will strengthen governance, improve service delivery and position Botswana to fully participate in the regional and global digital landscape.

## **V. MACROECONOMIC PERFORMANCE AND OUTLOOK**

### **Global Economic Outlook**

97. **Mr. Speaker**, global economic conditions remain fragile amid persistent geopolitical tensions, tightening financial conditions, elevated public debt, climate related disruptions and sluggish growth. The International Monetary Fund’s January 2026 World Economic Outlook Update (WEO) projects global growth to remain unchanged at 3.3 percent in both 2025 and 2026. Advanced Economies are projected to grow by 1.8 percent in 2026 from 1.7 percent in 2025. Much of this growth is expected to be driven by economic performance in the United States which is expected to grow at 2.4 percent in 2026 compared to 2.1 percent in 2025.

98. The World Economic Outlook projects growth in Emerging Market and Developing Economies to moderate from 4.4 percent in 2025 to 4.2 percent in 2026, reflecting slower momentum in key economies such as China and India. Growth in China is expected to ease from 5.0 percent in 2025 to 4.5 percent in 2026, while India's growth is projected to slow from 7.3 percent to 6.4 percent over the same period. In the sub-Saharan African region, economic activity is projected to strengthen, with growth rising from 4.4 percent in 2025 to 4.6 percent in 2026, supported by continued macroeconomic stabilisation and reform efforts in major economies, including Nigeria and South Africa. Growth prospects across the Southern African Development Community (SADC) and the Southern African Customs Union (SACU) are anticipated to improve modestly during the same period. The SADC region is projected to grow from 2.9 percent in 2025 to 3.0 percent in 2026, while the SACU region is expected to follow a similar trajectory, with output growth increasing from an estimated 1.2 percent in 2025 to 1.3 percent in 2026.

## **Domestic Economic Developments**

### *Economic Growth and Outlook*

99. **Mr. Speaker**, the domestic economy is estimated to have contracted by 2.8 percent in 2024, largely due to a sharp slowdown in diamond-related activities, compounded by limited economic diversification. This contraction is expected to persist into 2025, with growth projected at -0.4 percent. The latest estimates from Statistics Botswana indicate that economy remained sluggish after averaging 0.9 percent in the first three (3) quarters of 2025. The non-mining sector provided limited support, as key industries such as manufacturing, transport and storage, and construction slowed reflecting the economy's strong dependence on diamond-financed government spending. **Mr. Speaker**, the domestic economy is estimated to rebound to 3.1 percent in 2026. However, in the absence of decisive structural reforms, growth is likely to remain below potential in the short to medium term. These developments underscore the urgent need to accelerate economic diversification and strengthen non-mining sources of growth as outlined in the BETP.

### *Total Factor Productivity*

100. **Mr. Speaker**, a key concern for Botswana's economic outlook is the persistent weakness in Total Factor Productivity (TFP), particularly in the non-mining private sector. TFP growth in 2024 was -1.0 percent down from 0.3 percent in 2023, reflecting inefficiencies in the use of capital and labour, slowing capital accumulation and weak employment growth. Prior to this, TFP growth had recorded modest gains between 2021 and 2022, largely driven by post-COVID base effects. Inadequate infrastructure maintenance has reduced the overall return on capital. Government remains steadfast in tackling these structural challenges by reducing its footprint in the economy and accelerating private-sector-led growth through the implementation of the BETP coupled with prioritisation of infrastructure maintenance, strengthening

skills development, streamlining regulation and enhancing productivity across the value chains, providing time-bound pathway to economic diversification.

*Inflation, Monetary Policy Rate and the Financial Sector*

101. **Mr. Speaker**, Inflation remained relatively subdued in 2025. As of December 2025, annual inflation stood at 3.9 percent, compared to 1.7 percent in December 2024. The increase was driven primarily by higher utility tariffs, adjustments to fuel pump prices, and the July 2025 revision of exchange rate parameters, which raised the cost of imported goods. Looking ahead, inflation is expected to rise in 2026, temporarily breaching the upper limit of the 3–6 percent objective range by mid-year then moderate back within the band in the latter part of the year. In response to the low inflationary environment, the Bank of Botswana kept the Monetary Policy Rate unchanged at 3.5 percent in December 2025, following its earlier increase from 1.9 percent to 3.5 percent in October 2025. This policy stance was aimed at strengthening monetary policy transmission, particularly through the effective use of monetary operations tools and the management of market liquidity.

102. **Mr. Speaker**, according to the Financial Stability Council’s report released in November 2025, the domestic financial system remains resilient and continues to provide financial services to households and businesses without significant constraints. However, the Council noted the persistence of macro-financial risks, including subdued economic activity, liquidity distribution challenges, climate-related vulnerabilities and sector-specific weaknesses. The Council emphasised that these risks require continued vigilance and, in some cases, proactive policy interventions. In this regard, Government, will in the near term continue to implement measures to enhance liquidity and strengthen market functioning, both of which are critical to supporting credit conditions and safeguarding financial stability. At the same time, we will address growing household indebtedness and its associated risks by fostering a robust culture of savings and long-term investment among citizens. This will be further supported by measures to strengthen financial literacy from an early age, thereby equipping future generations with the knowledge and skills necessary for sound economic decision-making.

*External Sector and Foreign Exchange Reserves*

103. **Mr. Speaker**, the external sector remained under significant pressure in 2025, with the merchandise trade account recording a cumulative deficit of P15.32 billion between January and November 2025. This deterioration was a major contributor to the widening current account deficit, driven primarily by weak export earnings alongside elevated import demand for essential commodities such as fuel and food. The overall outlook for 2025 suggests a persistence of external imbalances, reflecting subdued diamond export receipts and continued demand for critical imports. Consequently, conditions in the foreign exchange market have tightened. Official foreign exchange reserves declined from P48.1 billion in December 2024 (six months of import cover) to P47.4 billion in December 2025 (five months of import cover).

This trajectory is increasingly unsustainable and poses mounting risks to macroeconomic stability.

104. To address these vulnerabilities and safeguard reserve adequacy, the exchange rate policy framework was recalibrated in July 2025 and January 2026. These measures were also designed to deepen the interbank foreign exchange market and support the sustainability of external balances. Their impact has been clearly positive, as reflected by a reduction in the Bank of Botswana's foreign exchange sales to commercial banks from a monthly average of over P4 billion to about P3 billion. This development is consistent with our objective of safeguarding foreign exchange reserves and indicates a more efficient and market-responsive foreign exchange environment. The interbank trading activity has also strengthened, with transactions rising to P3.2 billion in the third quarter of 2025, up from P2.4 billion in the previous quarter, signalling improved market depth and liquidity following the policy adjustments. **Mr. Speaker**, without these interventions, projections showed that the pace of reserve depletion would have exhausted our foreign exchange holdings by the first half of 2026.
105. Further adjustments in January 2026 included reducing the Bank of Botswana's foreign exchange buy rate from 7.5 percent to 3 percent relative to central parity, while maintaining the sell rate at minus 7.5 percent. The introduction of asymmetric trading margins strengthens export competitiveness by enabling exporters to receive more Pula per unit of foreign currency and support foreign exchange reserve accumulation. The downward crawl rate was maintained at 2.76 percent, and the Pula currency basket weights remained unchanged at 50 percent for the South African rand and 50 percent for the Special Drawing Rights. Overall, these adjustments are expected to continue supporting external sustainability, preserve official reserves and reinforce the resilience of the exchange rate regime while maintaining policy flexibility.

#### *Net Financial Asset Position*

106. **Mr. Speaker**, persistent budget deficits in recent years have increased Government's financing needs and led to a substantial depletion of the Government Investment Account (GIA), leaving limited room for further drawdowns. Combined with the sharp decline in revenue inflows, this has reduced the GIA to historically low and unsustainable levels. As at November 2025, the GIA stood at P2.91 billion, far below the historical peak of P37.2 billion recorded in 2014 severely constraining Government's ability to rely on reserves to finance future deficits. The Government's Net Financial Asset (NFA) position has deteriorated significantly over the past two decades. In 2008, NFA stood at roughly 40 percent of GDP, but by 2024 had shifted to a negative 30.1 percent of GDP, reflecting a substantial drawdown of fiscal buffers and increased reliance on debt financing. This underscores the need for sustained fiscal consolidation through strengthening revenue mobilisation and prudent expenditure containment. Restoring a positive net asset position would not only

enhance macro-fiscal stability but would also support sovereign creditworthiness. In this regard, Government will continue to implement its fiscal strategy focused on rebuilding financial buffers, enhancing the economy's capacity to absorb shocks, and ensuring long-term fiscal and debt sustainability. These measures will be implemented in a disciplined and gradual manner to ensure that public debt, and debt-service risks are within prudent and sustainable thresholds.

### **Medium Term Fiscal Outlook**

107. **Mr. Speaker**, given the current global and domestic economic conditions, the medium-term fiscal outlook has been revised downward, underscoring the urgency of strengthening fiscal and external buffers and maintaining policy credibility. The macro-fiscal environment remains challenging, with declining mineral revenues, rising expenditure pressures and growing requirements for social and economic support, placing strain on the fiscal position. Government remains committed to a coordinated fiscal consolidation strategy aimed at restoring fiscal sustainability, rebuilding fiscal buffers and safeguarding macroeconomic stability. Key consolidation measures include expenditure prioritisation, enhancing the efficiency of public spending, strengthening domestic revenue mobilisation and advancing SOE reforms. These efforts will be implemented in a balanced and growth-supportive manner, ensuring the protection of essential social spending and safeguarding of critical investments that drive economic transformation.

### **Risks to the Macro-Fiscal Outlook**

108. **Mr. Speaker**, the medium-term outlook for Botswana is subject to significant macro-fiscal risks. Externally, slower global growth, continued weaknesses in the diamond market, volatile commodity prices, heightened geopolitical tensions and climate-related shocks could prolong the recovery, could widen both the fiscal and current account deficits and undermine efforts to rebuild fiscal and external buffers.
109. Domestically, risks to growth remain skewed to the downside, with economic growth likely to stay below potential if the diamond market does not recover. While the non-diamond sector may continue to cushion the economy from a deeper contraction, its stabilising effect is inherently limited. In addition, delays in containing the FMD disease outbreak could result in severe production losses, higher livestock mortality, adversely affecting smallholder farmers, reducing beef export receipts and posing risks to national food security. A slower-than-anticipated implementation of the BETP would further hinder progress on economic diversification and the transformation agenda.
110. On the fiscal front, revenue risks are mounting as mineral earnings are projected to remain well below long-term averages, with only modest upside from potential price adjustments. This persistent shortfall is widening fiscal gaps and intensifying

financing pressures. Expenditure risks also remain elevated, as both recurrent and capital spending continue to outpace revenue growth. Without credible fiscal consolidation, structural deficits are likely to persist, increasing reliance on borrowing. Consequently, debt vulnerabilities are becoming more pronounced, with rising financing needs are placing public debt on a steeper trajectory. Although debt levels remain within statutory limits, sustained fiscal slippage could undermine debt sustainability and heighten the economy's exposure to future shocks. Other risks to the outlook include rising inflation pressures, climate-related disruptions, SoE fiscal risks and vulnerabilities arising from weak implementation of PPP projects, supply-chain disruptions, cyber-security threats and shocks to food and energy prices. All these could further weaken growth prospects and strain fiscal and external balances.

111. **Mr. Speaker**, to mitigate these risks, Government will, amongst others, strengthen fiscal risk management, enhance policy coordination and accelerate economic diversification and private-sector-led growth to support a more resilient, diversified and sustainable economy. Advancing diversification, deepening private-sector participation, and boosting productivity remain central to mitigating emerging risks and securing long-term fiscal and economic sustainability. Sustained medium-term growth will require the accelerated implementation economy-wide reforms across key sectors given their potentially catalytic impact on productivity and competitiveness. In addition, expenditure measures aimed at containing the public wage bill, simplifying and better targeting social benefits and improving the governance and operational efficiency of SOEs are warranted to deepen fiscal discipline and strengthen the overall macro-fiscal framework as well as a better cost-effective execution of large Government infrastructure projects.

## **VI. FISCAL STRATEGY**

112. **Mr. Speaker**, the 2026/2027 fiscal strategy, places fiscal consolidation, discipline and the rebuilding of buffers at the centre of our policy approach. We will broaden our revenue base, enhance compliance and improve the efficiency of tax administration, while ensuring that public spending is firmly aligned with national priorities, anchored on value for money, accountability and results. Together, these reforms will strengthen debt sustainability, restore fiscal resilience and advance economic transformation in a manner that is both inclusive and sustainable.

### **Strengthening Domestic Revenue Mobilisation**

113. **Mr. Speaker**, every nation needs adequate revenue to provide services effectively, and everyone has a responsibility to contribute their fair share. Taxation is a not form of punishment. It is a collective investment in our shared development. **Mr. Speaker**, improving revenue performance is not simply about raising tax rates. It is primarily about deploying smarter systems and building the institutional capacity

required for effective revenue mobilisation. Government remains committed to maintaining relatively low tax rates but will act pragmatically when circumstances demand. In this context, a well-designed tax policy becomes fundamental to sustaining a healthy and competitive economy. In Botswana, the need for comprehensive tax reform has never been more urgent. According to the 2025 Organisation for Economic Co-operation and Development Report, Botswana's tax to GDP ratio declined by 0.4 percentage points from 13.8 percent in 2022 to 13.4 percent in 2023, remaining below the African average of 16.1 percent and significantly lower than the SACU average of 20.5 percent. These comparatively low levels of domestic revenue mobilisation highlight the necessity of modernising our core tax systems to improve efficiency, address under-taxed activities, improve revenue collection efficiency, strengthen compliance and broaden our tax base. International experience further demonstrates what is achievable; for example, Morocco has realised substantial gains in its tax to GDP ratio, reaching 28.5 percent in 2023 through sustained reforms aimed at strengthening tax administration and compliance, broadening the tax base, rationalising tax exemptions and digitising tax declarations.

114. **Mr. Speaker**, Botswana has already embarked on a similar reform trajectory. The Value Added Tax (Amendment) Act of 2025 represents a major step in enhancing revenue mobilisation and modernising the tax framework. The Act introduces VAT on remote services and mandates electronic invoicing, thereby aligning Botswana with international best practice. Implementation is progressing well, supported by extensive stakeholder consultations and ongoing system upgrades to facilitate the registration and compliance of remote service providers. The rollout of electronic invoicing, which is anticipated in April 2026 will enable real time transaction monitoring, strengthen compliance, reduce leakages and significantly enhance revenue assurance as part of the broader digital transformation of tax administration.
115. Furthermore, the Government is advancing a comprehensive multi-year legislative and operational reform agenda. During this February sitting of Parliament, four (4) key pieces of legislation will be presented to this Honourable House, namely the Value Added Tax Bill (2025), the Income Tax Bill (2025), the Customs Amendment Bill (2025), and the new Tax Administration Bill (2025). This holistic review seeks to modernise and harmonise the tax framework, simplify procedural and administrative provisions and ensure full alignment with the new Tax Administration Act.
116. **Mr. Speaker**, in the 2025 Budget Speech, Government proposed a 1.5 percent increase in corporate income tax and in the last bracket of the personal income tax. Following this announcement, we received extensive feedback from stakeholders, particularly regarding the definition and perceived fairness of the top-earner threshold. Government took this feedback seriously and therefore paused implementation of the measures to allow for deeper reflection, refinement and further consultation. As a result, the revised top-earner threshold is now proposed at

P400,001 and above per annum, which will attract an additional 2.5 percent tax. Additional proposals include increasing the corporate income tax rate by 3 percent and reducing the zero-rated list to raise the effective VAT rate. Detailed provisions of each Bill will be elaborated during the forthcoming parliamentary debates.

117. **Mr. Speaker**, we remain firmly committed to deepening and broadening consultation. As part of this effort, Government will convene a **Tax Pitso** bringing together businesses, labour, civil society, technical experts and the general public, to deliberately gather practical insights, lived experiences and technical perspectives that may extend beyond what is immediately visible to us as policymakers. This inclusive engagement will support the design of a more effective, growth friendly tax laws and operational infrastructure that minimise economic distortions, strengthen efficiency and build public confidence.

### **Public Expenditure Efficiency**

118. **Mr. Speaker**, closing efficiency gaps can raise long-term output in emerging and developing economies by up to 7½ percent, while countries that act decisively on these reforms typically secure 30 to 40 percent more value for money through stronger public expenditure management. The solution is not a blanket spending cut. International experience shows that across-the-board reductions can disrupt essential services, undermine efficiency and choke economic growth. Instead, building on reforms reaffirmed in the 2025 Mid-Term Budget Review, Government will pursue a more strategic and targeted approach, one that identifies and eliminates inefficiencies, reallocates resources where conditions allow and ensures that every Pula delivers measurable economic and social returns. To support this shift, service delivery will be strengthened through expanded use of digital tools that streamline public finance operations, enhance cash management practices and modernise procurement systems.
119. **Mr. Speaker**, combating corruption remains fundamental to improving spending efficiency. These efforts will be anchored in a strengthened Medium-Term Fiscal Framework that supports a credible fiscal consolidation path. In addition, MDAs and local authorities will be required to align their financial practices with enhanced oversight and control frameworks. This includes strict compliance with financial regulations, transparent and competitive procurement practices, prudent management of public resources and robust internal controls.

### **Public Finance Management Reforms**

120. **Mr. Speaker**, I wish to share with you the progress on key areas of accounting and reporting, public procurement, public investment management and national budgeting, which I highlighted in my previous speech.

121. **Mr. Speaker**, while progress has been slower than anticipated, we are focused on completing the transition from cash to accrual accounting. The adoption of full accrual accounting will enable the preparation of Government's first balance sheet, strengthening fiscal transparency, improving asset and liability management and positioning Botswana to mobilise financing more efficiently in support of sustainable economic growth. As I had already indicated, **Mr. Speaker**, the rollout of a national e-Procurement system represents a major step forward. The system will standardise and digitise procurement processes across Central Government, Local Authorities and SOEs, reducing cycle times and improving competition and compliance.
122. **Mr. Speaker**, over the years, while the country has invested significantly in infrastructure and development projects, gaps remain in how public investments are planned, appraised, implemented, and monitored. Weaknesses in project selection, delays in execution and cost overruns have limited the overall impact of public spending on growth and service delivery. Waste as a result of these deficiencies is significant. We will therefore leverage on the Public Investment Management (PIM) Reform to improve the appraisal, selection, and execution of capital projects through rigorous cost-benefit analysis. Further to this, we have also begun the Mid-Year Spending Reviews, now integrated into the budget process, to identify spending inefficiencies, assess the effectiveness of public programmes and guide informed budget reallocation decisions.

## **VII. BUDGET PERFORMANCE**

### **2024/2025 Financial Year Budget Outturn**

123. **Mr. Speaker**, there has not been much change in the 2024/2025 financial year budget outturn since I delivered the 2025 Mid-Year Budget Review statement. Preliminary estimates indicate that 2024/2025 financial year, point to a lower fiscal deficit of P19.01 billion which is 7.25 percent of GDP compared to a projected deficit of P24.73 billion or 9.0 percent of GDP.
124. **Mr. Speaker**, total revenues and Grants for the 2024/2025 financial year amounted to P69.61 billion, compared to P68.69 billion in the revised budget. Total expenditure and net lending is estimated at P88.62 billion, which is lower than the revised budget of P93.42 billion due to cost saving interventions implemented during the year.

## **VIII. 2025/2026 FINANCIAL YEAR REVISED BUDGET ESTIMATES**

125. **Mr. Speaker**, since the Mid-Year Budget Review, updated information indicates that the fiscal position for the 2025/2026 financial year is broadly expected to remain unchanged, with the deficit estimated at P25.48 billion. Total revenue and grants have been revised downward to P71.22 billion from P75.49 billion in the original budget. This revision primarily reflects a decline in mineral revenue, which has

decreased from P15.75 billion to P12.06 billion. **Mr. Speaker**, SACU revenue has been revised upwards by P631.1 million, from P24.36 billion in the original budget to P24.99 billion, while VAT revenue has increased by P1.62 billion, from P12.10 billion to P13.71 billion. Non-mineral income tax has been revised downward by P2.69 billion, from P19.01 billion in the original budget to P16.32 billion. Profits from Bank of Botswana, if any, will be communicated at the appropriate time. Should such profits materialise, they would provide an important additional revenue stream, helping to ease fiscal pressures and narrow the fiscal deficit. **Mr. Speaker**, total expenditure and net lending have been revised downward to P96.70 billion from the original budget of P97.61 billion. Of this amount, recurrent expenditure estimates are maintained at their original budget levels, while development expenditure estimates have been revised downward by P903.32 million to P22.85 billion.

## **IX. 2026/2027 FINANCIAL YEAR BUDGET PROPOSALS**

126. **Mr. Speaker**, I will now present the second budget proposals for the 13<sup>th</sup> Parliament, that is, the 2026/2027 financial year budget proposals.

### **Total Revenue and Grants**

127. **Mr. Speaker**, total revenues and grants for the Financial Year 2026/2027 are projected at **seventy-seven billion, two hundred and twenty million Pula (P77.22 billion)**. SACU receipts are expected to remain the largest revenue source at twenty-six billion, seven hundred and ninety million Pula (P26.79 billion) followed by non-mineral income tax which is forecast at nineteen billion, seven hundred and sixty million Pula (P19.76 billion). VAT collections are expected to be the third largest contributor at fifteen billion, one hundred million Pula (P15.10 billion). Mineral Revenue is projected to broadly remain the same at twelve billion, two hundred and ten million Pula (P12.21 billion). The remaining three billion, three hundred and sixty million Pula (P3.36 billion) is expected to come from other revenues and grants.

### **Total Expenditure and Net Lending**

128. **Mr. Speaker**, total expenditure and net lending is projected at one hundred and three billion, five hundred and eighty million Pula (P103.58 billion) for the Financial Year 2026/2027. Of this amount, total recurrent expenditure is expected to reach eighty billion, three hundred and twenty million Pula (P80.32 billion) reflecting the Government's ongoing commitment to operations and service delivery. Development expenditure is estimated at twenty-three billion, three hundred and eighty million Pula (P23.38 billion) while net lending is minus one hundred and twenty-one million, nine hundred and ninety-two thousand Pula (P121.92 million).

## Statutory Expenditure

129. **Mr. Speaker**, total statutory expenditure for the Financial Year 2026/2027 is estimated at twenty-seven billion, two hundred and sixty million Pula (P27.26 billion), representing a 20 percent increase from the revised allocation of twenty-two billion, seven hundred million Pula (P22.70 billion) in the 2025/2026 financial year. This provision covers Government Statutory obligations, including public debt servicing, pension contribution for civil servants and other statutory commitments. The allocation towards pensions, gratuities and compensations is primarily driven by the recalculated transfer value of five billion Pula (P5 billion) for members of the Botswana Defence Force (BDF); an amount of six hundred and seventy three million, six hundred thousand Pula (P673.60 million) required to rectify transactions related to the Government's capital injection into De Beers, an obligation initially settled directly through Bank of Botswana in 2019; as well as the anticipated pension contribution arrears of five million Pula (P5 million) for C-Band employees arising from a Court of Appeal Judgement on Multiple Grading of the positions.

## Ministerial Recurrent Expenditure

130. **Mr. Speaker**, the proposed Ministerial Recurrent budget for the Financial Year 2026/2027 amounts to P67.78 billion, representing an increase of P1.82 billion or 2.8 percent over the approved budget of P65.95 billion for the 2025/2026 financial year. The growth is primarily driven by an additional budgetary provision including P802.82 million for tuition fees for new and continuing students as well as re-sponsorships; P560.62 million for salary incremental creep; and P542 million to accommodate housing and upkeep allowances for public service employees at the level of A3 to D1 in line with the Collective Labour Agreement between Government and the Unions. Further allocations include P337.17 million for termination allowances and P154.89 million for staff costs for temporary teachers; the establishment of key national initiatives, namely for the NHI at P77.81 million and P35.75 million for the Mineral Exploration Company. Furthermore, P57.47 million has been allocated to address funding shortfalls in the Department of Correctional Services, while P15.85 million has been provided for the absorption of Special Constables.
131. **Mr. Speaker**, the largest share of the proposed Ministerial Recurrent Budget is allocated to the Ministry for State President, Defence and Security. This represents **P13.05 billion**, an increase of **P502.77 million** or **4.01 percent** over this year's approved budget. The allocation largely covers operational requirements of the BDF and the Botswana Police Service (BPS), reflecting Government's continued commitment to safeguarding national security. The proposed budget will also finance the absorption of Special Constables into Regular Constable Cadre as well as procurement of their uniforms. In addition, provisions have been made for Termination Allowances; Service Charges and Static Plant under the Directorate on Corruption and Economic Crime (DCEC). The National Aids and Health Promotion

Agency (NAHPA) has been transferred back to the Ministry of Health following the rescission of the earlier decision to transfer it to the Ministry for State President, Defence and Security.

132. **Mr. Speaker**, the second largest share of the proposed Ministerial Recurrent Budget is allocated to the **Ministry of Local Government and Traditional Affairs**, amounting to **P12.99 billion**. This represents an increase of **P1.71 billion** or **15.2 percent**, compared to the allocation for the previous financial year budget. The substantial allocation underscores Government's commitment to strengthening social development and enhancing service delivery within local government structures and traditional affairs. The allocation is intended to improve the Ministry's operational capacity, ensuring effective functionality and sustained provisions of essential services to communities across the country. The significant growth is primarily attributable to the transfer of funding from the Ministry of Health to support the Primary Health Care function, which was reassigned to the Ministry of Local Government and Traditional Affairs as part of the 2024 rationalisation of Ministerial portfolios.
133. Further, a substantial portion of the budget is also allocated to the social welfare programmes, which continue to experience significant growth. These include, Destitute Allowances, Old Age Pension Scheme, Orphan Care Programme and the newly introduced Sanitary Ware Support Initiative for mothers and babies, scheduled for rollout in the budget year. To safeguard the integrity of these programmes and ensure that resources reach the most deserving beneficiaries, it is recommended that the Ministry should conduct a proxy means testing within the Social Protection Framework. This will improve the identification of eligible recipients and minimise instances of double-dipping. The Revenue Support Grant (RSG) will likewise continue to receive increased subvention in response to rising demands. However, to mitigate escalating pressure on the RSG, Local Authorities are urged to expedite the review and valuation of properties in districts such as Gamalete and Palapye. This initiative is expected to broaden the revenue base, strengthen local revenue mobilisation and reduce over-reliance on Government funding.
134. **Mr. Speaker**, the third largest share of the proposed budget is allocated to the **Ministry of Child Welfare and Basic Education**, amounting to **P11.83 billion**. This is an increase of **P147.85 million** or **1.3 percent**, over the current year's approved budget. The proposed allocation will cover teachers' salaries and allowances, the development and implementation of Child Welfare Policies and Programmes, the payment of Service Charges in schools, and operational costs for SOEs under the Ministry. It also provides for temporary teaching staff necessitated by the expansion of schools. The Ministry is encouraged to consider absorbing the temporary teachers to ensure continuity and stability in the affected schools. The budget will also cater for service charges for the Department of Secondary Education as well as funding to pilot the Project Bula Buka. This initiative, undertaken jointly

with the Botswana Open University College and Open Schooling and Youth Empowerment Education Trust, aims to expand educational access, provide skills training, build character among out-of-school Junior Certificate leavers and offer remediation opportunities to Botswana General Certificate of Secondary Education leavers.

135. **Mr. Speaker**, the **Ministry of Health** has been allocated the fourth-largest share of the proposed budget amounting to **P7.51 billion**, representing a **16.4 percent** decline over the current year's approved budget. The decline in the Ministry's budget is mainly attributed to the transfer of personnel-related funds to the Ministry of Local Government and Traditional Affairs, following the reassignment of the Primary Health Care function during the 2024 rationalisation of Ministerial portfolios. The proposed budget will cover essential health sector requirements, including the procurement of drugs, vaccines, laboratory supplies and equipment as well as medical and surgical equipment. It will also cover Public Officers' Medical Aid Scheme and fees for medical specialists. The proposed budget further includes funding for NAHPA and provision for the establishment of the NHI.
136. The fifth largest share of the proposed budget is allocated to the **Ministry of Higher Education** with a total of **P7.37 billion** representing an increase of **P2.70 billion** or **58 percent** over the current year's budget allocation. The bulk of the budget covers Tuition Fees, now transferred from the Ministry of Finance alongside student allowances, food and book provisions and operational costs for SOEs under this Ministry. The significant growth in the allocation is primarily due to increased provisions for tuition fees to accommodate the rising number of new tertiary students. The budget also includes funding transferred from Ministry of Child Welfare and Basic Education to support the running costs of services relocated during ministerial restructuring. A key issue for consideration is the administration of the tuition fees vote, which was temporarily assigned to the Ministry of Finance in the 2022/2023 financial year, as a spending-containment measure. The Ministry of Higher Education has now confirmed its readiness to resume management of this vote, hence the proposal to transfer back to the Ministry. The Ministry has also highlighted persistent challenges in the recovery tertiary education student loans, particularly due to difficulties in accessing employment data for graduates, especially those in the private sector.
137. The **Ministry of Lands and Agriculture** has been allocated the sixth largest share of the proposed budget amounting to **P2.41 billion**, representing a decline of **P28.34 million** or **1.2 percent** compared to the current year's approved budget. The reduction is primarily due to scaling down of subventions to SOEs under the Ministry. Despite this modest decline, the proposed budget remains strategically aligned to national priorities aimed at enhancing food security through support for agricultural production, promoting self-reliance by empowering farmers, strengthening extension services, and investing in climate-resilient farming practices.

The allocation further supports initiatives to expand employment opportunities across the agricultural value chain. In addition, the proposed budget provides for the continued formulation, implementation, monitoring and management of land policies to ensure equitable access to land, enhance productivity and promote sustainable land use.

138. **Mr. Speaker, the Ministry of Transport and Infrastructure** has been allocated the seventh largest share of the proposed budget amounting to **P1.93 billion**. This represents a decrease of **P7.98 million** or **0.4 percent**, compared to the current year's approved budget. The bulk of the allocation will cater for the procurement of petrol, oil and lubricants required to operate the entire Central Government vehicle fleet. The budget also provides for subscription to the International Maritime Organization and subvention to SOEs with the Civil Aviation Authority receiving the largest share of the Ministry's subvention envelope. Other major cost drivers include salaries, allowances, rental and service charges. The provision further covers agency fees paid to the Botswana Unified Revenue Services for the collection of transport permit levies at border posts, charged at 12 percent as well as fees payable to Botswana Post for the collection of road license fees.
139. **Mr. Speaker, the Ministry of Trade and Entrepreneurship** is allocated the eighth largest share of the proposed ministerial recurrent budget amounting to **P1.20 billion**. This represents an increase of **P30.35 million** or **3 percent** increase over the current year's budget. The proposed budget mainly covers operational costs for SOEs under the Ministry.
140. **Mr. Speaker, the Ministry of Finance** has been allocated the ninth largest share of proposed budget with an allocation amounting to **P1.14 billion**. This reflects a significant decline of **P1.92 billion**, or **62.68 percent** compared to the current year's approved budget, largely due to the transfer of the tuition fees vote back to the Ministry of Higher Education. The major cost drivers within the recommended budget include-transfers to SOEs and maintenance obligations. The proposed budget also provides for the establishment of a National Coordination Office to strengthen national efforts in combating Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) in alignment with international standards. This office will play a key role in facilitating Botswana's participation in the third round of Mutual Evaluation, scheduled for 2027. Furthermore, the allocation includes provisions for the establishment of the Banking Tribunal in accordance with the new Banking Act and its accompanying Regulations, which came into effect in August 2025.
141. **Mr. Speaker, the remaining share of the Ministerial Recurrent Budget allocation of P8.12 billion** or **12 percent** has been recommended to be shared among other Ministries and Extra-Ministerial Departments.

## Development Budget

142. **Mr. Speaker**, the proposed development expenditure for the Financial Year 2026/2027, amounts to **P23.38 billion**, which is **P0.37 billion** or **1.57 percent** lower than the approved budget of **P23.75 billion** for the 2025/2026 financial year. The development budget continues to prioritise the maintenance and consolidation of existing infrastructure, with emphasis placed on projects that offer high return on investment.
143. **Mr. Speaker**, the largest share of the proposed Ministerial Development Budget amounting to **P5.23 billion** or **22.36 percent** of the total budget is recommended for the **Ministry of Minerals and Energy**. The provision is intended to cover several critical allocations, including P2.270 billion for BPC power imports, P730 million to meet the loan obligations to the Industrial and Commercial Bank of China; P200 million for the Cross-Border Electricity Supply Project; and P100 million for the Power Distribution Network Reinforcement. These allocations reflect the Ministry's strategic focus on stabilising electricity supply, honouring national commitments linked to Morupule B Power Plant and strengthening the resilience of the national grid amid rising demand and regional supply constraints.
144. Among the major projects for 2026/2027 is the North-West Transmission Grid Phase II, budgeted at P1.37 billion. This strategic transmission backbone will connect the Chobe District, enable electricity exports into the ZIZABONA market. The Ministry also prioritises Rural Village Electrification and Network Extension, aimed at expanding access to electricity in underserved communities, as well as the Integrated Resource Plan (IRP), which targets achieving a 50 percent renewable energy contribution by 2030. In addition, to safeguard the security of petroleum product supply, which is critical for sustaining economic growth and national stability, the Government is implementing two (2) projects, namely, the expansion of Francistown and Ghanzi Petroleum Depots, both scheduled for commissioning in April and August 2026 respectively.
145. The second largest share of the proposed development budget amounting to **P3.86 billion** or **16.52 percent** is proposed to be allocated to the **Ministry of Transport and Infrastructure**. This allocation supports Government's commitment of transforming Botswana into a regional transport hub, by improving the national roads network and advancing the development of strategic alternative railway lines, the Mmamabula-Lephalale Railway Line and the Moseitse-Kazungula-Livingstone line as part of SADC's Strategic Plan of the North-South Corridor (NSC).
146. A total of **P3.02 billion** is earmarked for the following ongoing roads projects; Output and Performance-based Roads Contract (OPRC) Monitoring Consultancy, the Traffic Signal Modernisation and Centralised Traffic Control for Greater Gaborone-Botswana Integrated Transport Project (BITP), Package 1 (OPRC) Mankgodi-

Jwaneng (BITP), Package 2 (OPRC) Rakhuna-Mabule (BITP) including Goodhope-Kgoro-Gathwane road, Revision of Botswana Road Design Manual (BRDM) and Standard, Mmandunyane-Mathangwane, Motopi-Makalamabedi, New Xade Junction to New Xade Road (110km), Radisele Pilikwe (23km), Thamaga - Kubung (21.5km ), Moshupa -Manyana (23km).

147. Other projects include: Mmokolodi Access (6km), Digawana-Molapowabojang-Kgomokasitwa-Magotlhwane-Ntlhantlhe (60km), Borobadilepe – Hebron - Mokatako with access road to Logagane, Pihetswane and Maletse (52km), Kagcae access road (12km), Mabule - Sekhutlane (20km), Mohembo Bridge, Charleshill–Ncojane, Nata-Maun Reconstruction-Nata Gweta section (100Km), Francistown-Nata Reconstruction (200Km), Reconstruction of Nata-Ngwasha Gate Section (50km) and (14km) section to Pandamatenga, Construction of Mogoditshane-Gabane-Mmankgodi Road (27KM), Design, Construction and Supervision of Modipane-Mabalane Road, Design of Block 8 and Airport Junction Inter changes, Supervision and Construction of Block 8 Junction, Palapye-Martins Drift Reconstruction (111KM).
148. Funds will also cover road projects at design stage such as Access to CBD, and those at pre-contract such as A1 Dualling road (BETP-PPP) and Medie-Lentsweletau. The budget will also cover new road infrastructure projects such as Mobile Weighbridge, Establishment of National Road Agency, Martin's Drift Bridge, Reconstruction of Kokotsha-Tsabong McCarthy's Rust (211km) and Reconstruction of Dikabeya-Lerala (102km) under BETP.
149. The budget will also finance a range of Built Infrastructure projects including the refurbishment of Tonota College of Education, Molepolole College of Education, Department of Building Maintenance Area Offices in Gaborone West, Department of Building Maintenance Area Offices in Broadhurst, DRTS Serowe office and refurbishment of Old Supplies in Gaborone. In addition, part of the Ministry's allocation will support the implementation of Rail and Aviation Infrastructure, ICT projects and Air Botswana Finances Projects.
150. The **Ministry of Water and Human Settlement** has been allocated the third largest share of the development budget amounting to **P3.62 billion** or **15.50 percent** of the Development Budget. The Ministry's budget allocation prioritises ongoing projects and completion of major water supply and sanitation projects, including the North-South Carrier (NSC) pipeline, Mmamashia Water Treatment Plant, Molepolole–Gamononyane NSC connection, Lobatse Water Supply Master Plan and Kanye Sanitation. These projects are in their final stages and require settlement for final accounts to ensure their timely closure. The Ministry also places emphasis on Water and Sanitation Network projects such as the urgent refurbishment and expansion of the Mambo Wastewater Treatment Plant in Francistown, Maun Water and Sanitation Phase II, together with new Water Supply pipeline projects, namely; Kgalagadi North Water Supply, Molepolole Water Supply and Distribution, which are

critical for expanding access and improving service delivery across communities. In addition, P702.96 million is earmarked for Social Housing projects, including the Bonno Turnkey Development Scheme, Bonno Home Improvement Scheme and Bonno D4 and Below Public Officers Housing Scheme.

151. The fourth largest share of the proposed development budget of **P2.86 billion** or **12.22 percent** has been allocated to the **Ministry of Local Government and Traditional Affairs**. This allocation will support the implementation of the Social Welfare Programmes, Local Government Infrastructure, the development of Primary Education Services, Tribal Administration Infrastructure Development programme and Primary Health Care Services. The Social Welfare Programmes, accounting for 69.9 percent of the total Ministry budget such as the Ikageng programme, Constituency Community projects (CCP), Destitute Programme, Remote Area Development and the BETP Khoena Empowerment Programme will also be catered for. To enhance efficiency and reduce duplication across interventions, there is an urgent need to accelerate the rollout of the Single Social Registry (SSR), Proxy Means Testing as a targeting tool. The SSR project will be supported by the World Bank, which will undertake an assessment to identify bottlenecks, improve system performance and enhance citizen experience. The Local Government Infrastructure component will mainly cover projects such as the Construction of the 9km road from Mmopane to Block 8 in Gaborone, supported through a grant from the Chinese Government. Other projects to be implemented include maintenance of internal roads and the Construction of a Bus Terminal for Molepolole.
152. The fifth largest share of the development budget is allocated to the **Ministry for State President, Defence and Security** with an amount of **P1.99 billion** or **8.55 percent** of the total. The bulk of this allocation, i.e., 56.2 percent is directed towards the country's security organs. The budget also provides P60 million for the establishment of rehabilitation centres at Maun and Lobatse under the Drug Enforcement Agency. Other major projects to be funded under this allocation include P266 million for facilitation of Creative Industry as well as P250 million for new Air Support project.
153. The **Ministry of Lands and Agriculture** is proposed to be allocated the sixth largest budget allocation of **P1.77 billion**, representing **7.59 percent** of the development budget. The budget is intended for projects and programmes aimed at enhancing agricultural productivity, strengthening food security, and promoting sustainable farming practices that ensure long-term prosperity for Botswana. The bulk of the budget will mainly support the ongoing land management projects such as the Metsimotlhabe Block 4, Ghanzi Expansion Block 1-7, Sir Seretse Khama International Airport SEZ, as well as the Tloaneng- Mmmankgodi Road, which was transferred from the Ministry of Transport and Infrastructure. The budget will also provide for emerging national priorities and pronouncements including Cannabis Production and Regulatory Framework. In addition, the budget also provides for the

Ministry's SOEs including the Botswana Agricultural Marketing Board (BAMB), Botswana Vaccine Institute and BMC.

154. In addition, Government continues to support the country's food security and agricultural export efforts through the Livestock Subsidy and the Input Subsidy programmes. In light of increasing climatic shocks, priority is being placed on investing in agricultural value chains and advancing the commercialisation of both arable and livestock production. To this end, the adoption of modern farming technologies, development of agro-industries and expansion of green-energy solutions have become critical to enhancing the sector productivity. As part of broader efforts to diversify the economy through agriculture, Government is implementing a policy shift intended to enable regulated cultivation and use of industrial hemp and medicinal cannabis. This initiative will be implemented in phases, beginning with trials at the Botswana University of Agriculture and Natural Resources, and progressively expanding to Botswana farmers who demonstrate interest and capacity to participate in these emerging value chains.
155. **Mr. Speaker**, the **P4.05 billion**, representing **17.32 percent** of the development budget is allocated across the rest of the Ministries and Departments. This provision will cater for, among others, construction and refurbishment of education, health and other Government facilities country-wide; investment in Innovation, Research and Development; National Retail Payment Switch and the Massachusetts Technology Institute (MIT) Regional Entrepreneurship Acceleration Programme. It will also support the refurbishment of Chancery Buildings in Addis Ababa, Ethiopia, New York, Japan and Belgium; preparations for the National Referendum on the Constitutional Court; and rollout of the Electronic Identification System (Biometric Omang). Additional allocations will fund the Kasane-Kazungula redevelopment project, implementation of the National Tourism Strategy and Master Plan, refurbishment of Wildlife Camps, and the establishment and operationalisation of the Department of Community Based Natural Resources Management (CBNRM).

## **X. OVERALL BUDGET AND FINANCING**

156. **Mr. Speaker**, the fiscal outlook for the Financial Year 2026/2027 anticipates an overall budget deficit of twenty-six billion, three hundred and fifty million (**P26.35 billion**), equivalent to 8.9 percent of GDP. The financing strategy for this deficit is expected to draw on a mix of domestic and external borrowing. However, external resource mobilisation has become increasingly constrained, resulting in a greater reliance on domestic debt instruments and leaving a significant financing gap. Total financing requirements are estimated at P22.3 billion, of which P18.6 billion (6.3 percent of GDP) remains unfinanced. **Mr. Speaker**, this reflects a structurally overstretched fiscal framework, in which expenditure commitments persistently exceed available and realistic realisable resources. Such misalignment is fiscally unsustainable over the medium to long term and underscores the urgent need for

more credible, disciplined and prudent fiscal planning. Failure to secure the required financing affordability will inevitably lead to the accumulation of arrears, an adjustment mechanism defer rather than resolve underlying fiscal obligations. Either outcome would increase the public debt burden, raise debt-service costs and intensify pressure on the fiscus.

## **Public Debt Management**

157. **Mr. Speaker**, during the 2025/2026 financial year, the budget was largely financed through the domestic market. In this regard, as at December 2025, total public debt, including sovereign guarantees, amounted to P90.03 billion. This comprised P55.98 billion in domestic debt (P51.89 billion in Government borrowing and P4.09 billion in publicly guaranteed debt) and P34.06 billion in external debt (P29.47 billion in Government loans and P4.59 billion in publicly guaranteed debt). Total public debt as a proportion of GDP is estimated at 33.02 percent, with external at 12.49 percent and domestic having reached its threshold of 20 percent of GDP. The debt to GDP ratio is estimated to reach 38.77 percent of GDP by March 2026.
158. With the GIA at critically low levels, debt levels are expected to increase significantly in order to finance the projected deficit. This additional financing would raise total public debt, including guarantees, to an estimated 44.66 percent of GDP by the end of the 2026/2027 financial year, thereby requiring a recalibration of the statutory debt ceiling currently set at 40 percent of GDP. While such an increase may generate short term credibility concerns, these are outweighed by the significantly greater economic risks that would arise from the sharp fiscal consolidation needed to stay within the existing ceiling. In this context, a well-defined increase in the statutory debt limit, anchored to a credible consolidation plan and supported by structural reforms will be necessary to balance fiscal sustainability with economic growth. This approach would create sufficient space for a gradual and orderly fiscal adjustment, while preserving the flexibility required to respond effectively to adverse shocks.

## **XI. CONCLUSION**

159. **Mr. Speaker**, the 2026/2027 Budget is a statement of faith in Botswana and in the ability of her people to renew, rebuild and rise. It recognises our challenges honestly, confronts our weaknesses directly, and yet affirms without hesitation that our best days are still within reach. Anchored in the Twelfth National Development Plan and the Botswana Economic Transformation Programme, this Budget signals a new chapter defined not by fear of scarcity, but by ushering in a **New Era of Economic Transformation and Fiscal Prudence**.
160. **Mr. Speaker**, this Budget tells our people that the difficulties we face are not a verdict on our future, but a call to responsibility and resolve. Fiscal prudence is not austerity for its own sake. It is a deliberate choice to secure the basics that define

dignity and stability in everyday life such as schools that function, clinics that have medicines and roads that are safe and maintained. At the same time, we refuse to allow present constraints to trap us in stagnation. Even as we protect and restore these essentials, this Budget is intentionally designed to be reform driven and forward-looking so that, alongside fixing what must work, we actively transform our economy, unlock new industries, create jobs and build a more resilient and prosperous Botswana for the future.

161. **Mr. Speaker**, allow me to speak plainly against corruption. Every Pula stolen from the public purse is a clinic not built, a school left to decay, a road that becomes a grave, medicine that never reaches a patient. When resources meant to save lives are diverted for personal enrichment, the consequences are measured not only in lost opportunities, but in lost lives. **Mr. Speaker**, Botswana will not, and must not, be held hostage by corruption, greed or indifference.
162. **Mr. Speaker**, this Government chooses integrity, we choose accountability and we choose transparency. The reforms outlined in this Budget, strengthened oversight institutions, modernised procurement, tighter financial controls and zero tolerance for abuse are deliberate. To those entrusted with public office, public resources and public trust it is demanded that you serve with honour, that we all serve with honour.
163. **Mr. Speaker**, I would like to extend sincere appreciation to our development partners, bilateral and multilateral institutions and private sector collaborators who continue to walk this journey with us. Your partnership strengthens our resolve, complements our efforts and reinforces Botswana's standing as a credible, principled and forward-looking nation.
164. **Mr. Speaker**, I would also like to pay tribute to the men and women of the public service, your work sustains the machinery of Government and underpins the credibility of our reforms. The nation is grateful.
165. This nation will emerge from the troubled waters. We will rise as a people. We will build a nation in which every citizen in every hamlet, in every valley, in every village and every town will have a fair chance, an opportunity to find and live a life that is empowering, that is fulfilling, and that brings out the best in who we are.
166. This should be the solemn commitment of all of us, citizens. It is the commitment of this Government led by President Advocate Duma Gideon Boko. It is certainly my solemn commitment, my promise, that I will work tirelessly, fairly, and tenaciously, and will not rob you of a single coin or note from your coffers and will be guided by the word in James 3:17; "**But the wisdom from above is first pure, then peaceable, gentle, open to reason, full of mercy and good fruits, impartial and sincere.**"

167. **Mr. Speaker**, I now move that the Appropriation (2026/2027) Bill, 2026 (Bill No. 1 of 2026), be read a second time.

168. I thank you, **Mr. Speaker**.