

# Response to the National Assembly Budget Proposal

## 2025/2026 BUDGET SPEECH

Delivered by His Honourable Vice President and Minister of  
Finance Ndaba Nkosinathi Gaolathe



**ILES**

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The inaugural budget proposal by the New Administration, delivered to the 13th Parliament of the National Assembly marked a significant transformative pursuit reinforced by prior consultation of stakeholders and a collective responsibility to not only chart a course for the nation's economic recovery but to also restore the trust and faith for Batswana. The budget proposal for the 2025/2026 financial year coincides with the conclusion of the second phase of the Transitional National Development Plan (TNDP), which was intended to span from April 2023 to March 2025. Parliament's decision to extend the TNDP by four (4) months, until the end of July 2025, presents a valuable opportunity for additional consultations on National Development Plan (NDP 12), ensuring that the vision of the New Administration is properly integrated.

His Honourable Vice President and Minister of Finance Ndaba Gaolathe, delivered a budget proposal that projected a significantly different fiscal position in comparison to the previous budget proposals marked by the realities of Government's deteriorating fiscal position, poverty stricken ordinary citizens, persisting unemployment crisis, as well as precarious work under stringent conditions. The budget proposal emphasized on ensuring a strengthened and stable macroeconomic policy that safeguards the needs of future generations and prioritizes to rebuild the economy in the midst of unsustainable fiscal challenges that the government is currently experiencing. A prioritized return on investment resource allocation process in the development and recurrent budget is undoubtedly an emergency for not only maintaining macroeconomic stability in the country, but also to address social and welfare issues that affect the average citizen.

Our specific area of interest would be to investigate labour and employment matters. An evaluation of the extent to which the budget promotes and prioritizes the rights and interests of workers, especially in relation to Decent Work and Social Protection frameworks features in this report. The 2025/2026 budget proposal reflected a comprehensive assessment of the economic landscape and outlined four (4) interlinked strategic phases that will seek to drive towards '**Building a New Botswana**'.

An effective alignment and implementation of these strategic phases aspires to build an economy that provides equal access and opportunities to citizens. An appraisal of the budget allocations indicate that they concede pertinent national challenges and has potential to promote and drive some principles of the Decent Work agenda and Social Protection frameworks. From a labour and employment perspective considerations that were outlined in budget allocation include;

## **EMPLOYMENT CREATION**

Macroeconomic policies that promote job creation, support labour demand and returns on investments need to be prioritized, along with tax, infrastructure and sector- specific policies that enhances productivity. Considering the country's rising unemployment rates<sup>1</sup> particularly among the youth, it is important for employment creation to be prioritized. According to official statistics by Statistics Botswana, youth unemployment rate in the first quarter of 2024 was 38.2%. The 2025/2026 budget proposal posits that employment creation will be facilitated through the following initiatives;

### Transforming the Agricultural, Manufacturing & Tourism Sector

Government's commitment to transformative agricultural strategy that is geared towards optimal land use, labour productivity, food security and high value agriculture driven through the use of technology will encourage domestic and export competitiveness. The Agricultural sector is labour intensive and has potential for employment creation which has been proven by an investment on the Selibe-Phikwe Citrus Project, an initiative by the previous Administration. The project has yielded positive results to agricultural development and employment creation. The project is expected to raise employment levels from the 294 employees to 600 this financial year. The Honourable Vice President and Minister of Finance in his budget proposition highlighted the need for linkages of the Agricultural Sector with other key sectors such as Manufacturing to create value-added opportunities.

<sup>1</sup> Unemployment rate (persons aged 15 years and above) increased by 1.7 percentage points, from 25.9 percent in Q3 of 2023, to 27.6 percent in Q1 2024 according to Statistics Botswana, Quarterly Multi-Topic Survey: Labour Force Module Quarter 1, 2024.

Investment in the Tourism and Manufacturing Sectors, which are labour intensive should be a priority, and has a potential to narrow the export base and curb the balance of payments deficits at the same time creating employment as well as opportunities for decent work. In addition to, indicated intentions to diversify into high-potential and untapped sub-sectors such as Industrial Hemp production. It is important to note that in Botswana, “Economic diversification has, however, not progressed as fast as anticipated. It is therefore necessary to emphasize and support investment projects that are more labour intensive and have relatively strong links with the rest of the economy”<sup>2</sup>.

#### Diversification of the Mining and Energy sectors

The expansion of the Khoemacau Copper mine and exploration of battery grade manganese at Kgwakgwe Hills is anticipated to create employment with projections of 2000 and 300 employees respectively, a strategy that will drive diversification of the Mining sector from heavy reliance on diamond exploration to other mineral deposits. Intentions to shift towards a solar energy industry in the long run will position Botswana as a major regional electricity exporter and strengthen the country’s economic resilience. Substitution to solar energy has potential to reduce the country’s energy costs, making energy more accessible and affordable for all including Small, Medium and Micro Enterprises (SMME’s). Reduced operational costs will afford firms to employ more human capital and create employment for Botswana. “SMME’s are the world’s job creators, accounting for at least two-thirds of all jobs worldwide”.<sup>3</sup> Small businesses need to be supported in the coming years as labour markets transform and entrepreneurial activity strengthens. Policies should reflect and respond to the diversity of new companies, in terms of size, structure and sector. Execution of Mega Projects Stringent accountability of projects to enhance returns on investments, will boost job creation and improve productivity.

<sup>2</sup> Friedrich Ebert Stiftung. (2023). *Employment Creation Potential in Manufacturing, Agriculture & Tourism Sectors and Youth Labour Force Skills Audit: A Botswana Case Study*.

<sup>3</sup> International Labour Organization. (2015). *Decent Work and the 2030 Agenda for Sustainable Development*.

The Honourable Vice President and Minister of Finance indicated that the New Administration intends to intensify efforts to bridge Botswana's critical infrastructure gaps and execute mega projects such as rail, road networks, power and water and Information and Communication Technology (ICT) infrastructure. These projects include the Chobe-Zambezi Water Transfer Scheme, which has the potential to enhance water security, agricultural expansion, food security, job creation and industrial growth. A rail corridor linking Namibia and Botswana's Western Copper-belt region through Gantsi is amongst the mega projects. Implementation of other development projects will utilize the Public-Private Partnership (PPP) model<sup>4</sup>, with stringent accountability contribute towards employment creation for Botswana. The proposed national development budget<sup>5</sup> for the financial year amounts to P23.75 billion.

### Creative industry and Policy Reforms

Recognition and inclusion of the Creative industry in budget allocations is an admirable initiative by the New Administration. Intentions to fully unlock this industry which has the ability to generate employment and foster innovation. Furthermore, intentions to invest and prioritize policies that focus on human capital development will empower citizens and ready them for futuristic employment and diversification. A robust Technical and Vocational Education and Training (TVET) Policy reform is underway as stated. According to research TVET skills are the most demanded by Botswana's labour market, this reform and more focus on TVET skills will help reduce unemployment and skill mismatches<sup>6</sup>. The Labour Market Observatory (LMO) hosted by Human Resource Development Council (HRDC) a national initiative aimed at enhancing the collection, analysis, and dissemination of labour market data is critical for making informed policy decisions in the country. It is therefore critical for the labour market information system to be fully functional in order to provide accurate occupational data and match the supply of labour by job seekers and skills they possess to the demand of skills required by employers. Additionally, the budget proposal did not include detailed strategies with clear targets, timelines, and measurable outcomes to address youth unemployment and skill mismatches in the labour market.

<sup>4</sup> A collaborative framework in which the public sector (government) and the private sector (businesses) work together to deliver public services, infrastructure, or development projects. In this model, both sectors share the risks, responsibilities, and rewards involved in the project.

<sup>5</sup> The national development budget across priority areas comprises: P11.54 billion for Modernizing and Transforming Infrastructure; P9.81 billion for Improving Quality of Life; P1.47 billion for Innovation and Digital Transformation; and P0.93 billion for Supporting Private Sector Led Growth.

<sup>6</sup> "Vocational skills training needs effective policy interventions to address the identified skills mismatches to match labour demands". Friedrich Ebert Stiftung. (2023). Employment Creation Potential in Manufacturing, Agriculture & Tourism Sectors and Youth Labour Force Skills Audit: A Botswana Case Study.

## **RIGHTS AT WORK**

Creating new employment opportunities is as important as retaining current and functional jobs. Botswana's labour market is already confronted with overarching structural inefficiencies and precarious jobs, characterized by high rates of underemployment<sup>7</sup> of people mostly working in the Public Administration. The New administration has already commenced work to revitalize State Owned Enterprises (SOE's). Job losses are inevitable due to restructuring of these enterprises. Mechanisms and strategies that will cushion workers in the event of job losses due to restructuring need to be put in place. In addition, newly introduced tax reforms, have a negative bearing to employment. Job losses are imminent especially in the Private sector due to a comprehensive review of tax legislation. A proposed 1.5% increase for both the corporate tax and the last bracket of the personal income tax (top earners), will have a negative effect not only to the Private sector but also to the purchasing power for ordinary citizens.

This calls for a consideration for universal social security coverage of all employees in SOE's and the Private sector, particularly those who are in vulnerable and in unstable economic sectors such as Retail and Trade, Construction, Private Security Services and Manufacturing. This can be in the form of a contributory social security scheme between Government and the Private sector employers. A commendable initiative that is pertinent to rights at work, is a budget allocation of P1.02 billion allocated to the Ministry of Justice and Correctional Services to provide judicial and legal services, dispose civil and criminal cases, protection and promotion of human rights, promoting alternative dispute resolution as well as correctional services.

## **SOCIAL DIALOGUE**

Social dialogue involves the participation of Governments, Employers, and Workers in negotiations to develop policies and practices that promote decent work. In order to have harmonious industrial labour relations in labour market, it is important to maintain social dialogue among the Social Partners in the labour and employment space.

<sup>7</sup>

Under employed people by Industry and Sex data, indicate that 78.1% of the underemployed were working in Public Administration, followed by those who were working in Education and Wholesale & Retail Trade with 9.6 and 2.7% respectively, according to Statistics Botswana, Quarterly Multi-Topic Survey: Labour Force Module Quarter 1, 2024.

The proposed ministerial recurrent expenditure for the Financial Year 2025/2026 increased by 3.5% compared to current year's approved budget. The budget increase included cost allocations for the resuscitation of the Public Service Bargaining Council (PSBC). The restoration of the PSBC will be mutually beneficial to all Social Partners in the labour and employment space. It will revive the spirit of social dialogue and most importantly deepen Botswana's long held democratic values. Therefore, it is indeed a milestone for the New Administration to expedite the process of restoring the PSBC.

## **SOCIAL PROTECTION**

People-centred policies that reduce inequalities must be implemented, that includes protection of the disadvantaged groups to ensure that citizens maintain a basic standard of living, particularly in situations like illness, unemployment, old age, or disability. Social protection systems are often designed to provide safety nets to citizens and promote social inclusion and economic stability. Policies need to be put in place that enhance female labour force participation<sup>8</sup> in the country and enable benefits of fair maternity protection and work family balanced policies. The Honourable Vice President and Minister of Finance acknowledged that the public sector continues to fund victims of road accidents, medical care, pensions and social services that cater for people living with disabilities, which has been inefficient and ineffective due to lack of accountability. However, The 2025/2026 budget proposal posits that some social protection services will be facilitated through the following initiatives:

- An increase of the Old Age Pension from P830.00 to P1400.00 effective 1st April 2025.
- A targeted monthly allowance of P300.00 for newborn babies until they turn one (1) year old.
- National health insurance.
- Provision off sanitary pads to female students.
- Social Protection and Disaster Preparedness Fund as well as NAHPA Programmes.
- A dedicated Ministry of Youth and Gender Affairs, in part to ensure a response to gender inequalities that prevail in our society hindering inclusive socio-economic development and the full enjoyment of Human Rights.