YOUTH FOR TAX JUSTICE NETWORK

SUBMISSION ON THE BOTSWANA 2027/28 BUDGET

Strategy Paper

Submitted by: Youth For Tax Justice Network

July 2026

Introduction

YTJN and Botswana Watch welcome the opportunity to provide input to the 2027/28 Budget Strategy Paper. We commend the Ministry for its commitment to fiscal transparency and for inviting stakeholder participation in shaping Botswana's fiscal direction.

This submission builds on our review of the 2026/27 Budget Strategy Paper, using it as a baseline, and incorporates the prevailing economic realities facing Botswana. The evidence before us is deeply concerning and demands urgent, decisive action.

Reference

Input based on the 2026/27 Budget Strategy Paper and prevailing economic conditions

2. The Prevailing Economic Situation: A Nation at a Crossroads

Botswana is facing its most severe economic crisis in decades. The evidence points to a deepening recession accompanied by rising and potentially persistent inflation and significant unemployment. This combination, falling growth colliding with rising costs is structurally difficult to reverse, particularly given the country's narrow export base and high dependence on imports.

2.1 Economic Contraction and Stagflation Risk

The domestic economy is in a precarious position. After contracting by 2.8% in 2024 and a further 0.4% in 2025, the economy is experiencing a sharp loss of momentum. The probability of a prolonged recession, lasting multiple quarters and potentially extending over two years, is now high.

Sonia Gaobolae, Botswana Center For Public Integrity, makes a submission during the Validation Meeting in June 2026

Botswana is edging into a dangerous economic phase, stagflation. This is a condition that constrains policy options and amplifies economic stress: efforts to stimulate growth risk fuelling inflation further, while attempts to control inflation risk deepening the recession. The structural features of the economy intensify this risk. Botswana remains import-dependent, meaning that currency depreciation feeds directly into domestic prices. At the same time, the economy is not sufficiently diversified to offset the decline in mining with growth in other sectors.

Implication for 2027/28:
Without decisive structural reform, Botswana risks entering a period of low growth, high costs, and rising fiscal pressure lasting several years.

2.2 Soaring Inflation

Inflation has risen sharply. The annual inflation forecast for 2026 stands at 8.7%, up sharply from 2.7% in 2025. The Bank of Botswana forecasts inflation to rise from an average of 4.1% in the first quarter to 9.0% in the second quarter, remaining elevated at 11.1% in the third quarter and 10.7% in the final quarter. In May 2026, inflation reached 10.7%. Local research firm Econsult warns that inflation is likely to stay in double digits over the next year.

This sustained high inflation will erode household incomes and hurt sectors reliant on consumer spending, particularly wholesale and retail trade, and financial services. The tourism sector will also suffer, with rising aviation fuel costs expected to reduce international visitor numbers.

Implication for 2027/28:
The 2027/28 Budget Strategy Paper must address the cost-of-living crisis through targeted social protection measures and policies that protect real incomes.

2.3 Unsustainable Fiscal Position

Botswana's fiscal position has deteriorated dramatically. The 2026/27 budget projects a deficit of P26.35 billion, equivalent to 8.9% of GDP. Total expenditure is estimated at P103.58 billion against revenues of P77.22 billion. The budget deficit is projected to hit P25.48 billion in 2025/26, up sharply from P11.8 billion in 2024/25.

Mineral revenues for 2025/26 are expected at P10.3 billion, far below the historical average of P25.3 billion. Total financing requirements are estimated at P22.3 billion, of which P18.6 billion remains unfinanced. The Government Investment Account (GIA) is at critically low levels, and Government deposits held at the Bank of Botswana are at historically low levels, beyond sustainable levels.

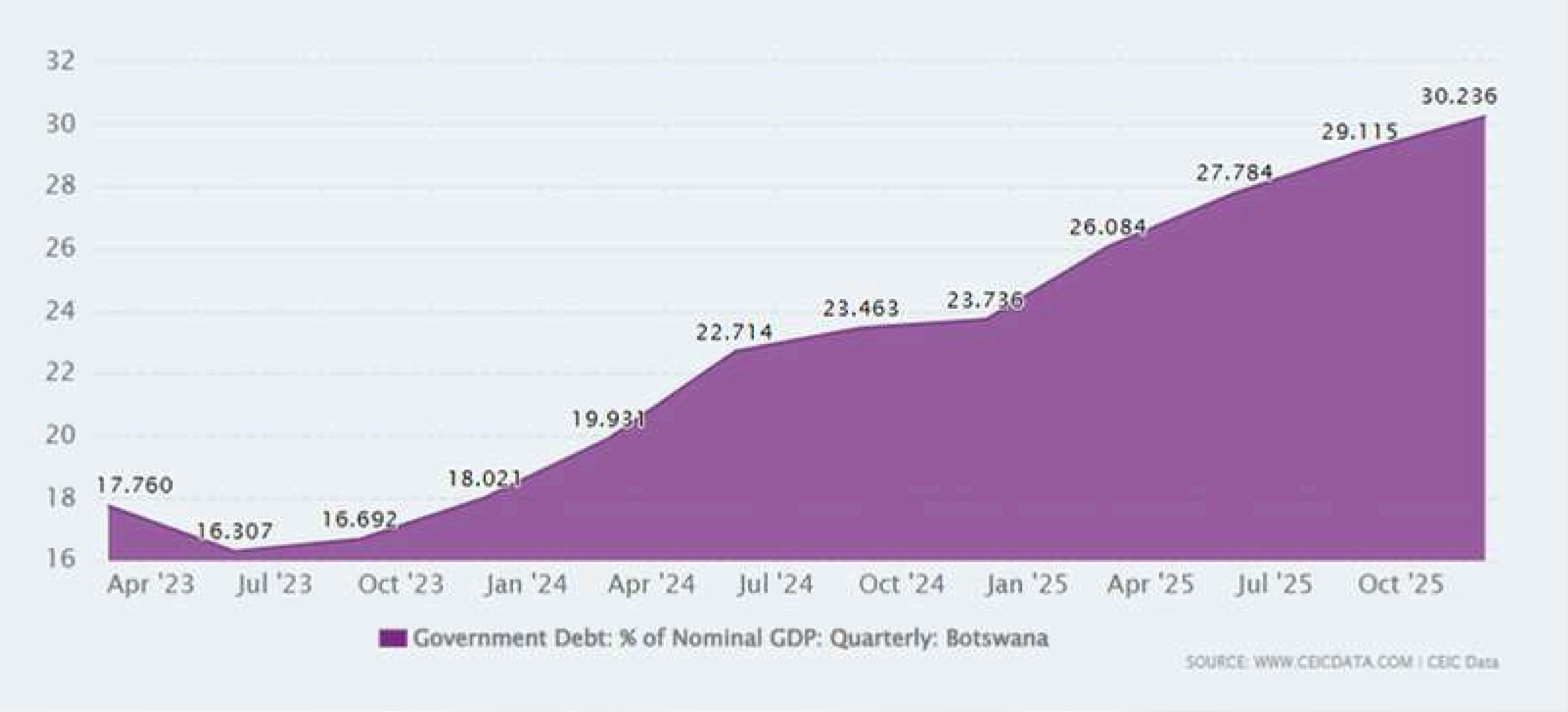
Implication for 2027/28:
The 2027/28 Budget Strategy Paper must present a credible, front-loaded fiscal consolidation plan. Without meaningful restrictions on spending, the Government faces an elevated risk of a debt trap.

2.4 Soaring Public Debt

Public debt has risen sharply. As of December 2025, total public debt amounted to P90.03 billion, of which P55.98 billion was domestic and P34.06 billion external. The debt-to-GDP ratio is estimated to reach 38.77% by March 2026 and is projected to rise to 44.66% by March 2027, breaching the statutory [debt ceiling of 40%].

Domestic debt has risen from just 6% in 2013/14 to 18% in September 2025. Interest payments on government debt are projected to reach P6.3 billion in 2026/27. Without structural fiscal reforms and discipline, public debt is expected to maintain an upward trajectory over the [medium term.]

Implication for 2027/28:
The 2027/28 Budget Strategy Paper must commit to parliamentary approval for all public borrowing and publish comprehensive debt sustainability analyses.



Botswana's Government Debt: % of GDP from Jun 2014 to Dec 2025 in the chart

2.5 Depleted Foreign Exchange Reserves

Foreign exchange reserves have weakened sharply. They fell from 84.9 billion pula (18.3 months of import cover) in 2015 to an estimated 47.4 billion pula (six months of import cover) in December 2025. S&P put reserves at $3.8 billion at the end of 2025, down from $7.5 billion in 2017. The central bank has said weaker diamond export receipts and still-elevated import requirements have become a key vulnerability for [Botswana's exchange rate framework].

Implication for 2027/28:
The 2027/28 Budget Strategy Paper must prioritise export diversification and domestic resource mobilisation to rebuild foreign exchange reserves.

2.6 Youth Unemployment Crisis

Youth unemployment stands at 38.2%, a crisis that Vice President and Minister of Finance, Mr. Ndaba Gaolathe, has described as "unacceptable" and incompatible with Botswana's development aspirations. The proportion of young people not in education, employment or training (NEET) has reached 41.2%. Unemployment has surged from 25.9% in 2023 to 27.6% in 2024.

The ILO has noted that youth in Botswana are facing twin labour market challenges: inadequate job creation, demonstrated by a relatively high unemployment rate of nearly 40%, as well as poor quality of the jobs that are created, demonstrated by a high informal employment rate of over 75%.

Implication for 2027/28:
The 2027/28 Budget Strategy Paper must ring-fence funding for youth employment programmes, link TVET funding to labour market outcomes, and prioritise digital skills for youth.

2.7 Sovereign Credit Rating Downgrades

Botswana's sovereign credit standing has progressively deteriorated. S&P Global Ratings lowered the country's long-term sovereign rating to BBB- from BBB and its short-term rating to A-3 from A-2, while keeping a negative outlook. This leaves Botswana at the lowest investment-grade level. Moody's has also downgraded the country. The persistence of a negative outlook signals concerns regarding the pace and credibility of fiscal consolidation.

Implication for 2027/28:
Further rating deterioration would translate into higher borrowing costs through increased risk premia, reduced access to international capital markets, and weakened investor confidence. The 2027/28 Budget Strategy Paper must demonstrate a credible path to fiscal sustainability.

2.8 Diamond Sector Crisis

Diamonds account for about 70% of Botswana's exports, roughly one-third of government revenue, and about one-quarter of GDP. However, the sector is in deep crisis. Debswana cut output by 27% to 17.9 million carats in 2024, then to 15.1 million carats in 2025. The national diamond stockpile rose to 12 million carats by the end of 2025, almost double the allowable inventory level of 6.5 million carats. S&P said weak global demand for natural diamonds is likely to persist longer than previously expected. Lab-grown diamonds now command approximately 20% of the global market.

Implication for 2027/28:
The 2027/28 Budget Strategy Paper must accelerate economic diversification and reduce dependence on diamonds. As the Vice President stated: "We cannot continue to do the same things and expect different results".

Botswana Youth demonstrate against unmployment. Photo: IMF

3. Recommendations for the 2027/28 Budget Strategy Paper

3.1 Public Participation and Fiscal Transparency

Recognition: The 2026/27 BSP states its aim "to improve fiscal transparency by ensuring meaningful budget discussions" (para. 2). However, the Open Budget Survey 2025 gives Botswana a public participation score of 13/100 – reflecting that citizens have almost no formal opportunities to engage in the budget process.

RECOMMENDATIONS

Institutionalize public participation in the budget cycle

The 2027/28 BSP should commit to embedding the principles of the **SADC Model Law on Public Finance Management** into the budget process. As Hon. Saleshando has noted, the Model Law calls for "mandatory public participation at every stage of the budget cycle".

Establish a Parliamentary Budget Office

A BIDPA study found that Parliament's Finance and Estimates Committee and Public Accounts Committee lack the powers, resources and operating frameworks required by international best practice. The 2027/28 BSP should include a commitment to establish an independent Parliamentary Budget Office.

Release a pre-budget statement

The 2026/27 BSP acknowledges that "no pre-budget statement is released to the legislature or to the public" (para. 2). The 2027/28 BSP should commit to publishing a pre-budget statement at least **30 days before the budget is tabled**.

Publish a simplified "People's Budget

The 2027/28 BSP should commit to producing and widely disseminating a simplified version of the budget in local languages and accessible formats, as required by the SADC Model Law.

3.2 Youth Employment and Human Capital Development

Recognition: The crisis is acute. With youth unemployment at 38.2% and NEET at 41.2%, the 2027/28 BSP must treat youth employment as a national emergency. The Vice President himself has described youth unemployment approaching 40% as "unacceptable" and incompatible with Botswana's development aspirations.

Recommendations

Ring-fence and increase funding for youth employment programmes

The development budget for the former Ministry of Youth, Gender, Sport and Culture was cut by 72.6% in 2024/25. This must not be repeated. The 2027/28 BSP should explicitly protect budget allocations for youth-focused initiatives.

Link TVET funding to labour market outcomes

While the 2026/27 BSP notes the need to "align learning outcomes with the demands of a digital and innovation-driven economy" (para. 59), the 2027/28 BSP should commit to tying TVET funding to measurable employment outcomes and graduate tracking.

Prioritize digital skills for youth

With internet penetration at 81.4% but e-government adoption at only 8.5%, the 2027/28 BSP should commit to targeted investment in digital literacy programmes for out-of-school youth, particularly young women (63% of whom lack marketable skills).

Support the National Youth Employment Strategy (YES)

The ILO has supported Botswana in finalizing the YES. The 2027/28 BSP should commit to full implementation of the YES, including dedicated budget allocations.

3.3 Tax Justice and Domestic Resource Mobilization

Recognition: Botswana's tax-to-GDP ratio is approximately 13.4% – below the African average (16.1%) and significantly below the SACU average (20.5%). The Minister of Finance has stated that "improving revenue performance was not solely about increasing tax rates, but deploying smarter systems and building institutional capacity for effective revenue mobilization".

Recommendations

Prioritize collection efficiency over rate increases

The 2027/28 BSP should commit to closing tax leaks and improving compliance before raising tax rates. The digitization of revenue collection systems and integration of government databases would significantly reduce leakages.

Rationalize tax expenditures

The 2027/28 BSP should include a commitment to full disclosure of tax expenditures (exemptions, incentives) with rigorous cost-benefit analysis and sunset clauses.

Address illicit financial flows (IFFs)

Botswana lost US$31.5 billion to IFFs between 1980 and 2018. The 2027/28 BSP should commit to:

a. Establishing a specific legal framework to combat IFFs
b. Strengthening inter-agency collaboration between anti-corruption agencies, law enforcement, and revenue authorities
c. Publishing an annual statement on IFFs as part of the budget documents (as required by Article 67 of the SADC Model Law)

Support the UN Framework Convention on International Tax Cooperation

The 2027/28 BSP should commit Botswana to actively participating in the UN negotiations for a Framework Convention on International Tax Cooperation and supporting the Africa Group's proposals.

3.4 Debt Sustainability and Fiscal Discipline

Recognition: Public debt is projected to reach 44.66% of GDP by March 2027, breaching the statutory debt ceiling of 40%. Interest payments are projected to reach P6.3 billion in 2026/27. The Vice President has warned that "without meaningful restrictions on spending, Government faces an elevated risk of a debt trap".

Recommendations

01

Require parliamentary approval for all public debt

The 2027/28 BSP should commit to amending the PFMA to require parliamentary approval for all public borrowing above a defined threshold, as provided for in the SADC Model Law.

02

Publish a comprehensive debt sustainability analysis

The 2027/28 BSP should include a commitment to publishing a detailed debt sustainability analysis alongside the budget, including scenarios for different economic outcomes.

03

Strengthen the Public Accounts Committee (PAC)

The 2027/28 BSP should commit to empowering the PAC with powers to compel witnesses, initiate inquiries, and enforce audit recommendations – a key provision of the SADC Model Law.

3.5 Governance and Oversight

Recognition: The 2026/27 BSP acknowledges the need for "strengthening oversight mechanisms" (para. 99). Audit reports have not been released in three years. The Access to Information Act No. 16 of 2024 exists but is not being fully complied with.

Recommendations

01

Make audit recommendations binding

The 2027/28 BSP should commit to ensuring that recommendations from the Auditor-General and the Public Accounts Committee are legally binding and enforceable. Currently, they are recommendations only.

02

Extend oversight to local authorities and SOEs

The 2027/28 BSP should commit to extending oversight mechanisms to local authorities and state-owned enterprises, which manage significant public resources.

03

Publish audit reports promptly

The 2027/28 BSP should commit to the timely publication of all audit reports and executive responses.

04

Implement the Access to Information Act

The 2027/28 BSP should commit to full implementation of the Access to Information Act No. 16 of 2024, which would significantly improve budget transparency.

3.6 Addressing the Stagflation Risk

Recognition: Botswana is edging into a dangerous economic phase where falling growth collides with rising costs. Without decisive structural reform, Botswana risks entering a period of low growth, high costs, and rising fiscal pressure lasting several years.

Recommendations

Accelerate economic diversification

The 2027/28 BSP must prioritize implementation of the BETP and NDP 12. As the Vice President stated: "We cannot continue to do the same things and expect different results".

Protect real incomes

With inflation expected to stay in double digits, the 2027/28 BSP should include targeted social protection measures to protect vulnerable households.

Reduce import dependence

The 2027/28 BSP should prioritize policies that promote domestic production and reduce reliance on imports, particularly for food and energy.

Leverage the AfCFTA

The Vice President has identified the African Continental Free Trade Area as a critical opportunity for Botswana to expand domestic production, reduce import dependence and access regional markets. The 2027/28 BSP should commit to concrete actions to operationalize this opportunity.

4. Conclusion

The 2027/28 Budget Strategy Paper must be framed against the backdrop of Botswana's most severe economic crisis in decades. The evidence is clear:

- The economy is in recession
- Inflation is soaring (10.7% in May 2026)
- The budget deficit is unsustainable (P26.35bn, 8.9% of GDP)
- Public debt is breaching the statutory ceiling (44.66% of GDP)
- Youth unemployment is a crisis (38.2%)
- Foreign reserves are depleted (down from $7.5bn to $3.8bn)

Particiapnts in a 2026 Budget Consultative Meeting enjoy a photo moment with Hon Dumelang Saleshando

Botswana is at a critical juncture. The pathway out of stagflation is narrow but navigable. Without reform, Botswana risks a prolonged period of economic stagnation, social instability, and fiscal crisis. The time for bold, decisive action is now.

We urge the Ministry to ensure that the 2027/28 Budget Strategy Paper:

1. **Commits to domesticating the SADC Model Law on PFM** through the ongoing PFMA review
2. **Institutionalizes public participation** at every stage of the budget cycle
3. **Strengthens parliamentary oversigh**t by empowering the PAC and establishing a Parliamentary Budget Office
4. **Prioritizes tax justice** by closing leaks and rationalizing tax expenditures before raising rates
5. **Addresses IFFs** through specific legal frameworks and inter-agency collaboration
6. **Sets clear medium-term fiscal targets** with parliamentary oversight
7. **Accelerates economic diversification** to reduce dependence on diamonds and build resilience

By taking these steps, the 2027/28 Budget Strategy Paper can move beyond diagnosis to delivery – building a fiscal framework that is transparent, accountable, and truly responsive to the needs of all Batswana, especially the youth.

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Submission On The Botswana 2027/28 Budget Strategy Paper

THANK YOU!!

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