BOTSWANA BUDGET BRIEF 2018

Social Protection

Highlights

Botswana's higher levels of social protection spending and greater commitment to universal targeting are associated with larger impacts on poverty reduction. The measures aimed at improving the targeting and effectiveness of existing social protection programmes should not threaten Botswana's achievements and progress on income security for children and their families.

Despite the increasing pressure on the public budget, the Government's decision to opt for a child-sensitive social protection budget is commendable. For example, 'freed' funds from Orphan Care programme have been reallocated in the interests of children to school-feeding programmes. The overall funding of the school feeding programmes increased by quarter in the 2018/19 fiscal year.

The World Bank's recent social protection assessment reports that the cost of school feeding programmes in Botswana is seemingly excessively high when compared to similar programmes in other countries. Therefore, solid evidence is needed to determine the effectiveness of school-based nutrition programmes, mainly Primary School Feeding and Secondary School Feeding, as well as to identify cost saving options and budgeting implications.

Despite the universal coverage of the long-standing Vulnerable Group Feeding Programme, stunting remains relatively constant in the country. An evaluation of the utilization and effectiveness of the products, as well as cost-effectiveness analysis to measure the relationship between allocated resources and achieved results, could inform policy and programme design for maximum outcomes in stunting prevention.

A more in-depth analysis of the MLGRD's wage structure and scale would require detailed data. It can provide opportunities to carry out fiscal simulations on different policy options, regarding the wage bill development, as well as rationalization of the number of Ministry staff.

The Government would benefit from capacity development programmes targeting technical areas such as evidence-based resource allocation and investment decisions.

The budget briefs explore the extent to which the public budget addresses the needs of children under 18 years in Botswana. Their main objectives are to synthesize complex budget information so that stakeholders easily understand it and to put forth key messages to inform financial decision-making processes.

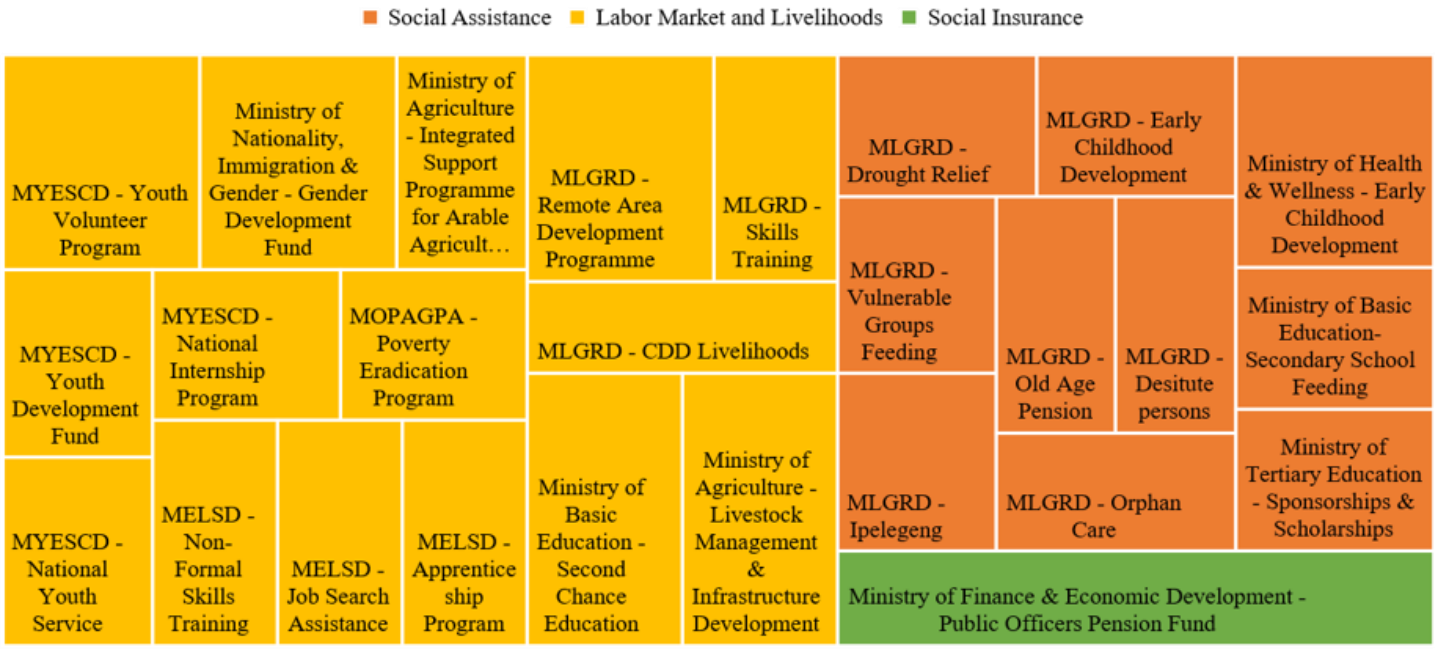
1. Introduction

Social protection is not enshrined in the Constitution of Botswana but is considered as a priority in key strategic development documents and legislative frameworks. The National Development Plan 11 (NDP 11) recognizes the importance of social protection and calls for improved coordination of various programmes, for example, by establishing a social registry. An overarching strategy Vision 2036 promotes a more inclusive approach to social protection that helps to address needs of marginalized population groups. There are various targeted national polices on vulnerable populations (including destitute persons, orphans, people living with HIV/AIDS, etc.) that are broadly consistent with international standards such as the African Union Social Policy Framework and the Aid to Dependent Children Code on Social Security.

Botswana as an upper middle-income country (UMIC) has a mix of universal and targeted but fragmented and overlapping social protection programmes. The social protection system is comprised of four types of support: (i) contributory pensions to insure against drop in income during old age[1]); (ii) social safety net; (iii) active labour market programmes to enhance youth employability and workers skills ; and (iv) scholarships and sponsorship for students in tertiary education. These are implemented by ten government agencies through some 30 programmes (Figure 1). The majority of social assistance programmes fall under MLGRD, while labour market programmes are distributed among several ministries.

Botswana is currently developing a National Social Protection Framework (NSPF), intended to serve as an overarching policy document to guide the transition from a fragmented approach to a systems approach to

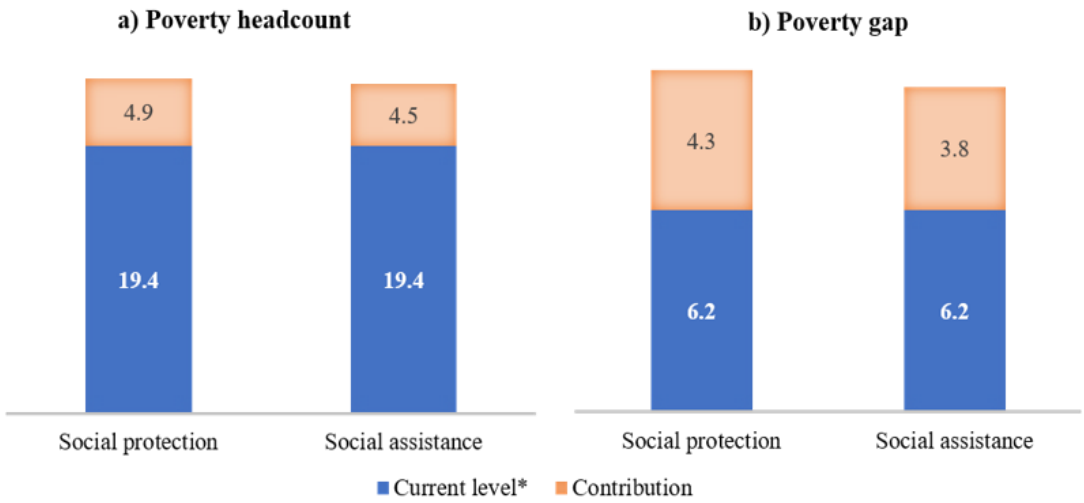
Figure 1: Institutional Organization of Social Protection in Botswana



Notes: MYESCD – Ministry of Youth Empowerment, Sport and Culture Development; MOPAGPA – Presidential Affairs, Governance and Public Administration; MLGRD – Ministry of Local Government and Rural Development; MELSD – Ministry of Employment, Labour Productivity and Skills Development. Source: Draft National Social Protection Framework, January 2018.

[1] Only public employees are required to contribute to the Public Officers Public Fund. The Government, with support of the ILO, is currently evaluating the possibility of establishing a mandatory pension plan.
[2] Implementing institutions include the MLGRD, the Ministry of Employment, Labour Productivity and Skills Development, the Ministry of Youth Empowerment, Sport, and Culture Development, and autonomous bodies such as the Botswana Training Authority (BOTA), and the Tertiary Education Council.

Figure 2: Social protection and poverty reduction in Botswana



Source: Adapted from the World Bank "Botswana Poverty Assessment," March 2015. * Based on the 2009/10 Core Welfare Indicators Survey.

social protection. The World Bank support document defines social protection as "programmes that employ public and private initiatives, guided by state policies, to prevent, address, and reduce the risks of poverty and vulnerability for households and communities in Botswana."[3] The four core national principles that guide social protection are social justice, self-reliance, unity and the values of 'botho' (humanness). Social assistance programmes include a variety of non-contributory programmes, such as cash and in-kind transfers, fee waivers, community-based programmes, and social care services.[4]

Botswana's complex and mature social protection system is fully funded by government, which allocates a substantial amount to social assistance and labour market programmes. The Ministry of Local Government and Rural Development (MLGRD) has the overall responsibility of these programmes, while provisions for some programmes fall under the Ministry of Basic Education (MOBE).[5]

Available evidence suggests Botswana's social protection programmes have substantially contributed to poverty and inequality reduction. The impact of social transfers on both the poverty headcount and poverty gap is significant. According to the World Bank[6], social transfers are associated with substantial poverty reduction (Figure 2). In the absence of all social protection programmes, the poverty headcount and poverty gap are estimated to be higher by 25 and 69 per cent, respectively. Universal cash or in-kind programmes, including school meals and old age pensions, have the largest effect on poverty reduction.

In Botswana, many deprived children live in households that are not covered by social protection programmes. A recent UNICEF-supported study[7] revealed that about 77 per cent of children who are multidimensionally poor[8] and 80 per cent of children who are deprived in any one dimension live in households that do not receive supplementary income in the form of either state pensions or governmental assistance. Cash transfers in various forms are among the most effective ways of providing social protection to individuals and households in order to prevent them from falling into a poverty trap.

[3] MLGRD, Draft National Social Protection Framework, January 2018, p3.
[4] For example, care and protection of children, residential programmes for children and the elderly.
[5] Formerly, the Ministry of Education and Skills Development (MOESD).
[6] The World Bank "Botswana Poverty Assessment," March 2015.
[7] Social Policy Research Institute (SPRI) "Profiling of Social Protection Beneficiaries in Botswana," 2017.
[8] In Multiple Overlapping Deprivation Analysis (MODA) children 0-4 years and 5-17 years are considered as multidimensionally deprived when they are simultaneously deprived at least in two and three dimensions, respectively.

Takeaways:

⇒ Botswana is doing well in terms of prioritising Evidently, higher levels of spending and greater commitment to universal targeting are associated with larger impacts on poverty reduction. The government may also focus on improving the targeting and effectiveness of existing targeted social protection programmes to tackle poverty and deprivations.

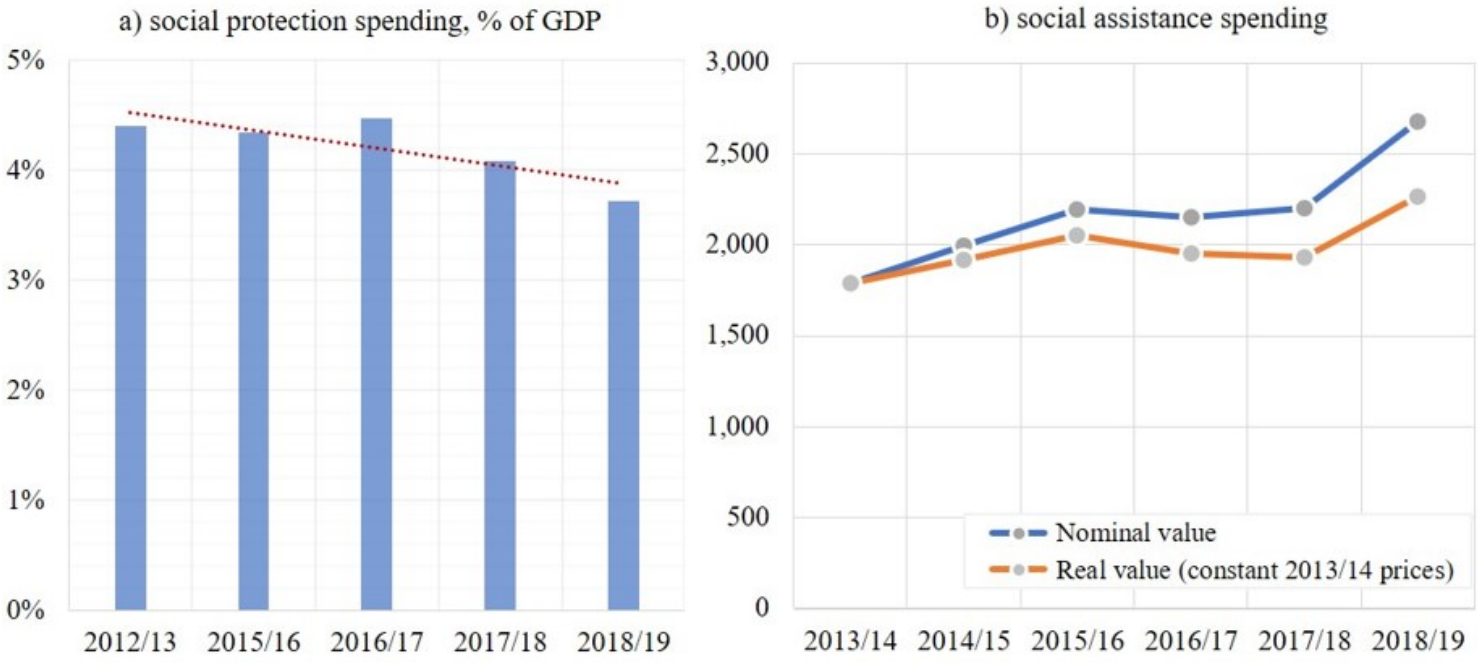
⇒ The NSPF should play an essential role in identifying and addressing the current exclusion and inclusion errors, as well as to provide a more comprehensive safety net to vulnerable children and their families.

⇒ It is essential to make sure that fiscal consolidation plans and other adjustment measures within the NSPF should not threaten Botswana's achievements and progress on income security for children and their families.

2. Social protection spending trends

Over the past years, social protection spending substantially increased in Botswana, which is a clear testimony of the government's commitment to supporting vulnerable populations. Botswana allocated more than P7.4 billion in 2018/19 to the social protection sector, representing a nominal increase of nearly 40 per cent compared to the 2012/13 fiscal year. However, in terms of percentage of GDP, a decline has been observed (Figure 3). For example, during the 2012/13 fiscal year, social protection spending accounted for about 4.4 per cent of GDP, while current budget allocations constitute around 3.7 per cent of GDP[9] . Besides, this is below the government's target to maintain the funding level at 4.4 per cent of GDP[10].

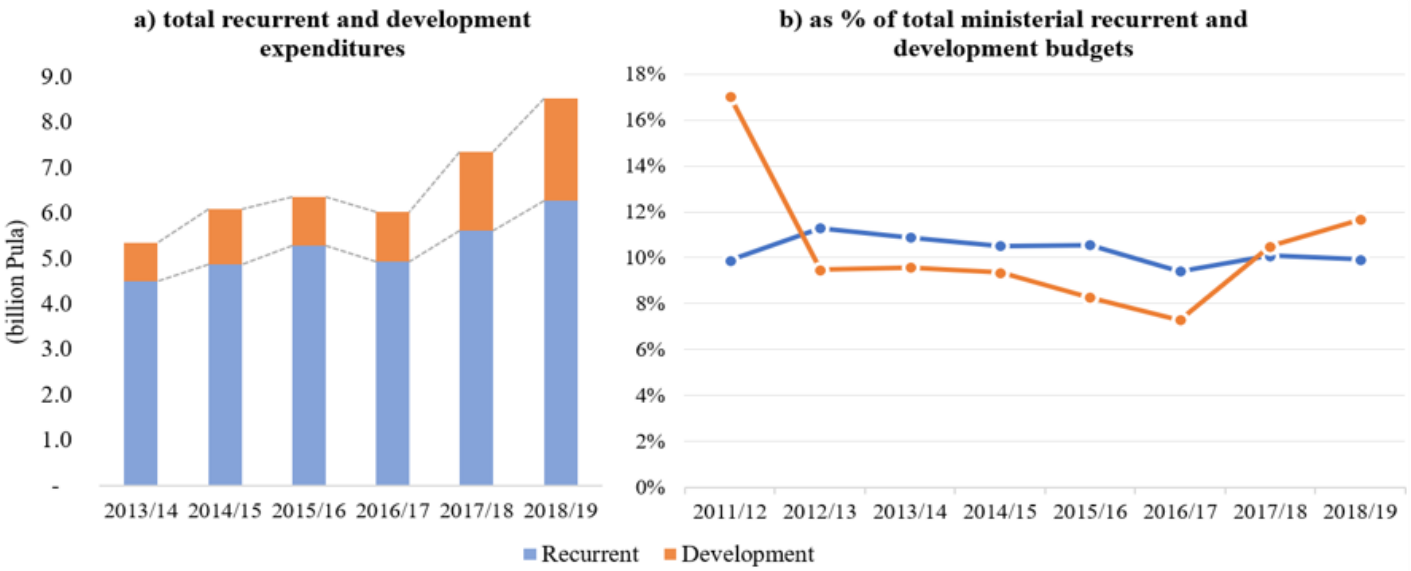
Figure 3: Spending on social protection and social assistance



Note: Social protection spending includes labour market programs. Source: Author's estimates based on the MFED's Financial Statements, Tables and Estimates of Expenditure from the Consolidated and Development Funds for various years. Data for FY2012/13 is taken from The World Bank "Botswana Social Protection Assessment (December 2013).

[9] Author's estimates based on "Draft 2018/19 Estimates of Expenditure from the Consolidated and Development Funds", MFED, 2018.
[10] MLGRD, Draft National Social Protection Framework, January 2018, page 19.

Figure 4: MLGRD recurrent and development expenditures



Source: MFED, Financial Statements, Tables and Estimates of Expenditure from the Consolidated and Development Funds: 2013/14 to 2016/17 (actual), 2017/18 (revised) and 2018/19 (planned).

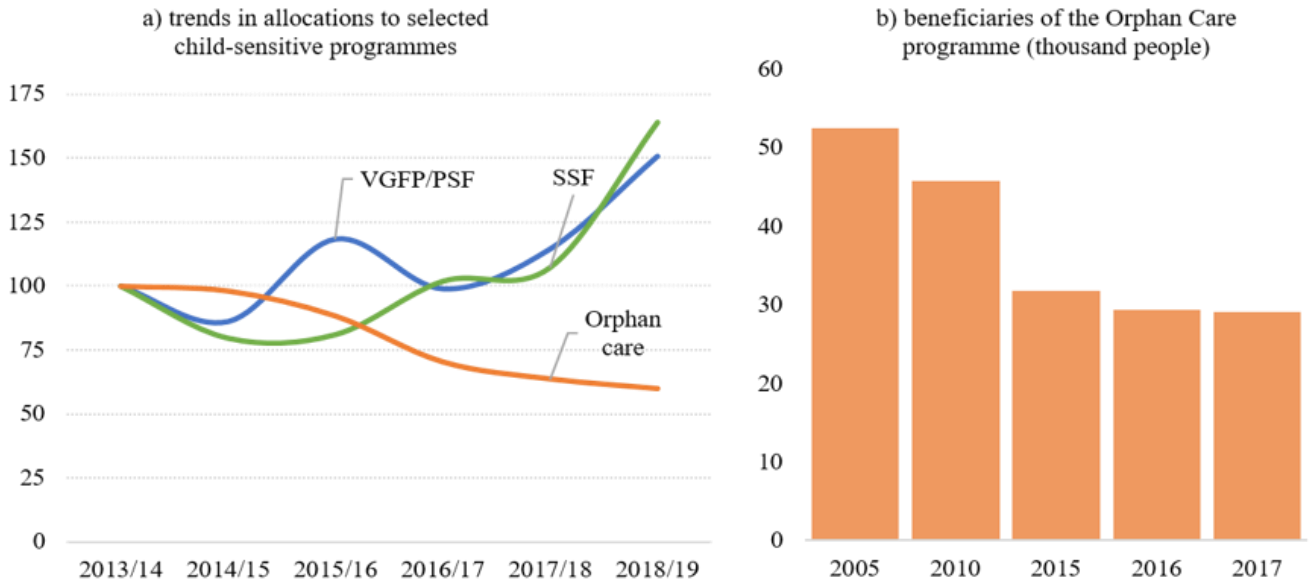
Budget allocations to social assistance have gradually increased in both nominal and real terms, representing annual nominal and real growth of 8.7 and 5.1 per cent, respectively, on average (Figure 3). During two consecutive fiscal years (i.e. 2016/17 and 2017/18), overall social protection spending declined by 6 per cent in real terms. In the 2018/19 budget, this item is expected to increase by over 17 per cent and reach the 2015/16 level. The 5 per cent decline in fiscal year 2016/17 could be explained by adjustment measures taken by the government in response to the fiscal deficit. Public spending on social assistance remained fairly steady over the past six years, accounting for around 1.4 and 4.0 per cent in relation to GDP and total government expenditures, respectively.

Around one-third of total social protection resources has been allocated to programmes implemented by the MLGRD. Historically, MLGRD is among the top receivers of the ministerial budget. Over the past six years, the Ministry's share in total expenditures remained almost constant and was in the range of 10 -11 per cent (or on average P6.6 billion per year). In 2018/19, about 10 per cent of recurrent (P6.28 billion) and 12 per cent (P2.25 billion) of development are allocated to the Ministry (Figure 4).

Out of the proposed ministerial recurrent budget, P3.8 billion (60 per cent) will be provided for revenue support grants to district and urban Councils. It also includes the provision for food supplies in primary schools and social grants in the amount of P2.2 billion or 35 per cent of total recurrent expenditures. The development budget will mainly contribute to implementation of the social protection programmes and village infrastructure projects. Three major programmes include Primary School Backlog Eradication Programme (28 per cent of the Ministry's allocation), Ipelegeng public works (28 per cent) and Community Development programme (25 per cent).

In the 2018/19 fiscal year, nearly 18 per cent of total budgetary allocations to social protection would go to the child-sensitive social assistance programmes. A simple index analysis of public investment in selected child-sensitive programmes shows reallocation of funds from lower priority programme (Orphan Care) to the highest-priority programmes i.e. feeding programmes (Figure 5). Public funds allocated to in-kind transfers, Vulnerable Groups Feeding, Primary and Secondary Feeding Programmes are expected to rise on average by 40 per cent to almost P1.1 billion.

Figure 5: Allocations to selected child-sensitive programmes



Notes: VGFP/PSF - Vulnerable Group Feeding Programme/Primary School Feeding; SSF – Secondary School Feeding Programme. An index that express the relative change in value of public investment compared with a base value. The base is equal 100 (2013/14) and the index number is expressed as 100 times the ratio to the base value. Source: MFED, Financial Statements, Tables and Estimates of Expenditure from the Consolidated and Development Funds for various years.

It is worth noting that despite substantial investments, Botswana has not performed well on addressing malnutrition. The World Bank's recent social protection assessment[11] reports that the cost of school feeding programmes in Botswana is seemingly excessively high when compared to similar programmes in other countries.[12] Spending on Orphan Care[13] continued to decline. In the current fiscal year, it fell by 6 per cent to P220 million. This could be explained by reduction in the number of beneficiaries under the Orphan and Home-Based Care programmes due mainly to the effectiveness of the anti-retroviral programme, and other related interventions.[14]

Takeaways:

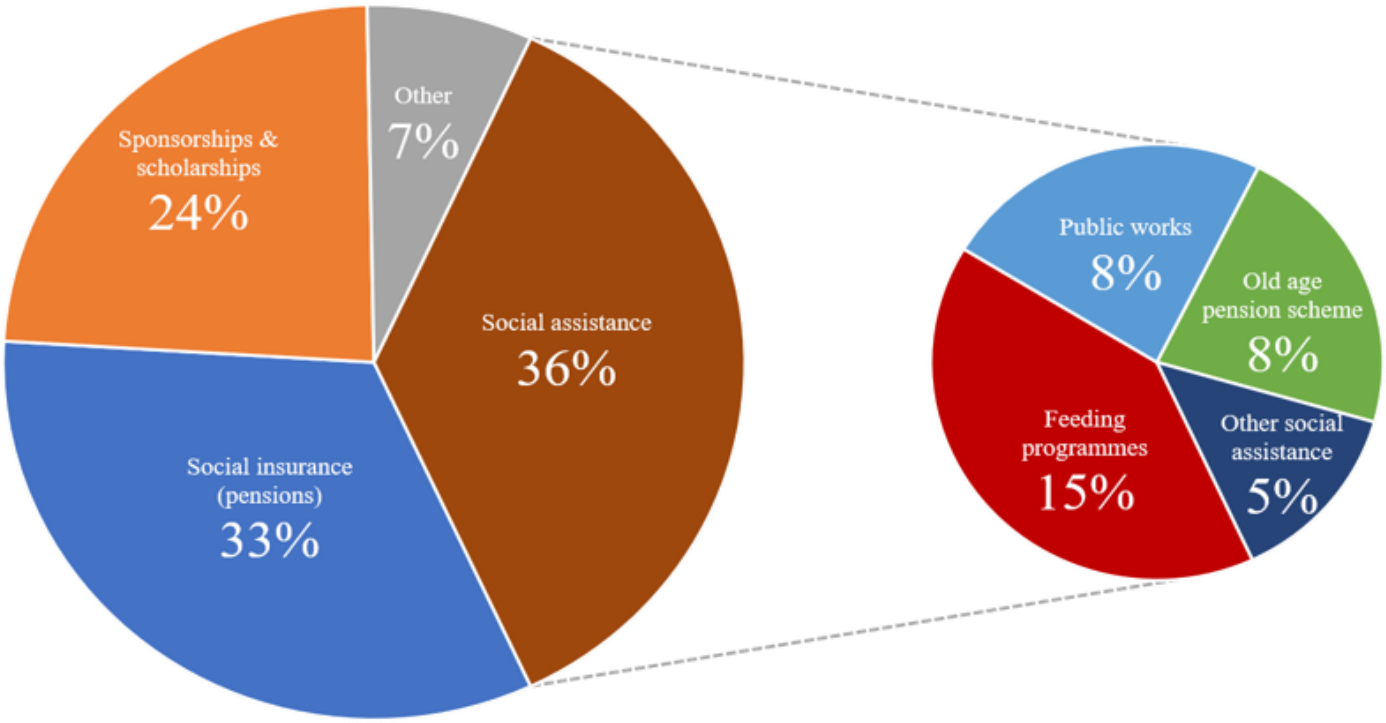
⇒ Despite the increasing pressure on the public budget, it is essential to continue appropriate allocation of public resources for social protection schemes and programmes for children and families. Increased public allocations for enhancing social protection floors could be considered as an integral part of comprehensive social protection systems.

⇒ On the expenditure side, the government opted for a child-sensitive social protection budget for the second consecutive year; for example, in the 2018/19 fiscal year, by reallocating 'freed' funds from Orphan Care programme in the interests of children to school-feeding programmes.

⇒ Solid evidence is needed to determine the effectiveness of school-based nutrition programmes, mainly Primary School Feeding and Secondary School Feeding, as well as to identify cost saving options and budgeting implications.

[11] The World Bank "Botswana Social Protection Assessment, December 2013.
[12] In Botswana, for example, the estimated cost per student per year of the Primary School Feeding Programme in 2012/13 was P829 (or USD109) while in other countries this indicator usually ranges from USD28 to USD63.
[13] Botswana opted for a narrow definition of orphans, which is used in many countries.
[14] Botswana National Development Plan 11 for April 2017 – March 2023.

Figure 6: Composition of social protection spending



Source: MFED, Financial Statements, Tables and Estimates of Expenditure from the Consolidated and Development Funds for various years.

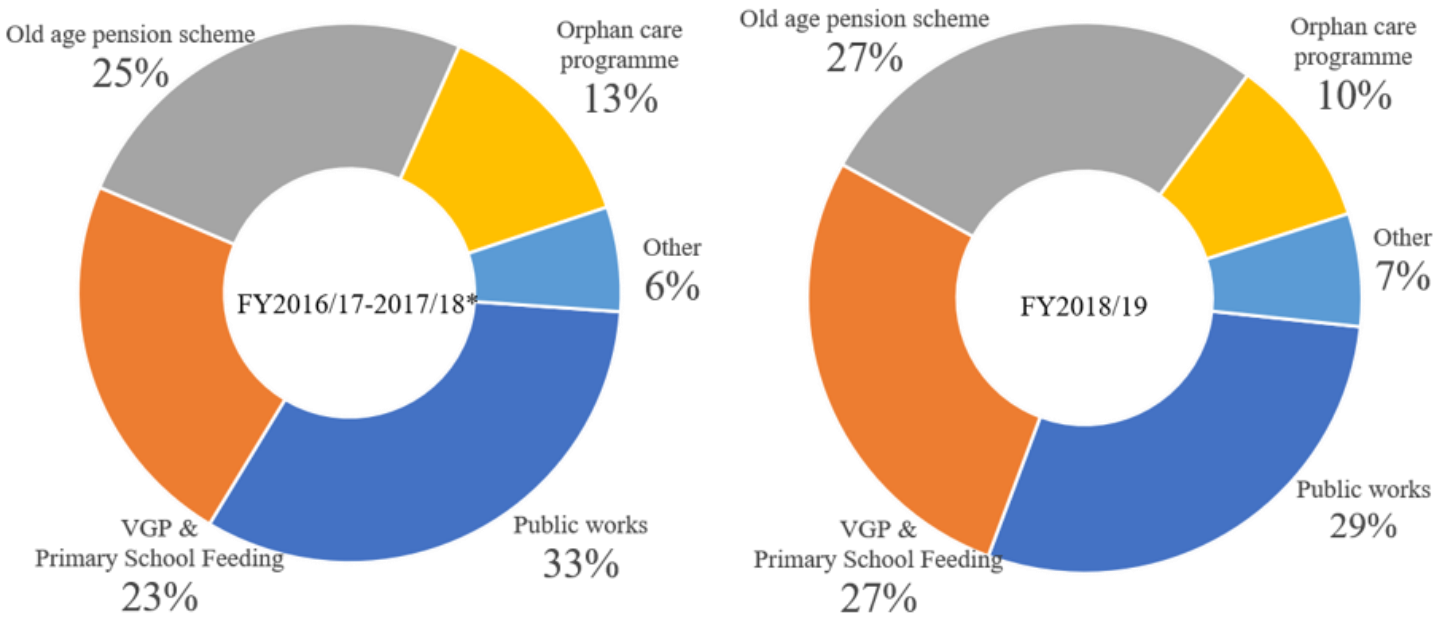
3. Composition of social protection spending

In 2018/19, out of P7.4 billion allocated for social protection, about P2.7 billion (or 1.3 per cent of GDP) will be spent on various social assistance programmes (Figure 6). Sponsorships and scholarships for students in tertiary education accounted for 24 per cent of social protection spending, while social insurance programmes, mainly contributory pensions for public -sector employees received about one-third. Social assistance has continued to receive increasing attention within current budget. In particular, expenditures on Vulnerable Group, Primary School and Secondary School Feeding programmes amounted to about P1.1 billion or 41 per cent of social assistance spending.

In recent years, social assistance programmes were allocated more than one-third of the MLGRD's expenditures (Figure 7). In 2018/19, four major programmes continue to absorb a major share of the MLGRD's budget for social assistance programmes: Ipelegeng public works programme (29 per cent), Vulnerable Group Feeding and School Feeding combined (27 per cent), Old Age Pension (27 per cent) and Orphan Care (10 per cent). The Destitute Persons programme receives more than 4 per cent of the MLGRD budget, while about 2.5 per cent is allocated to other programmes, including for World War veterans, disability allowances and day care programmes.

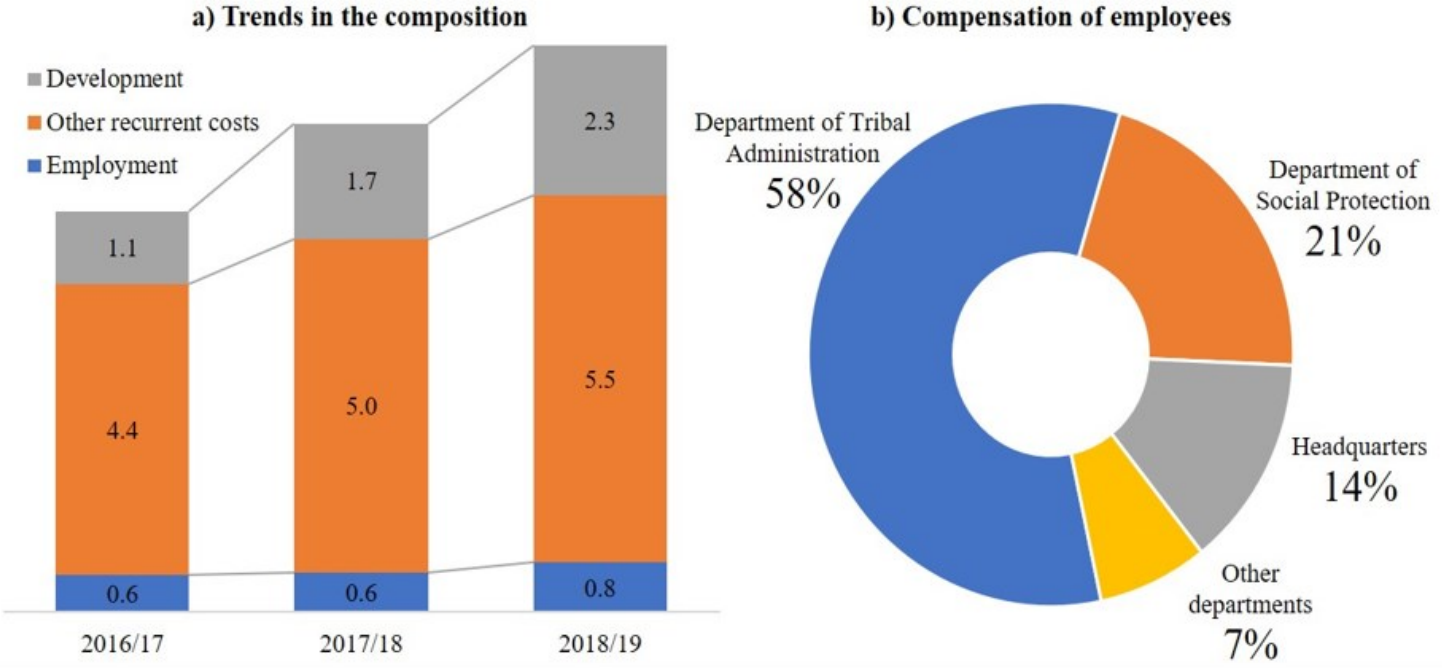
In Botswana, social protection spending refers only to the costs of the welfare programmes and direct administration costs, but the indirect staff costs cannot be separately identified. Nevertheless, employee compensation accounts for approximately 9 per cent of the MLGRD budget (Figure 8). The relative size of the budget for personal emoluments is growing over time; for example, in the 2018/19 fiscal year, it increased by 25 per cent compared to the previous period.

Figure 7: Composition of social assistance spending



Note: * Figures reflect average values based on actual expenditure for 2016/17 - 2017/18. Source: MFED, Financial Statements, Tables and Estimates of Expenditure from the Consolidated and Development Funds.

Figure 8: Trends in the composition of allocations at the MLGRD, billion Pula



Source: MFED, "Financial Statements, Tables and Estimates of Expenditure from the Consolidated and Development Funds". 2016/17 (actual), 2017/18 (revised) and 2018/19 (planned).

A comparison of social protection expenditure for children shows that overall spending in Botswana is higher than the UMIC average. The 2014 ILO report[15] concludes that despite existing social protection programmes, the income security needs of children and families, particularly in low- and middle-income countries, are not sufficiently addressed. In Botswana, about 0.6 per cent of GDP is allocated to child and family benefits, which is higher than the global average of 0.4 per cent (this ranges from 2.2 per cent in Western Europe to 0.2 per cent in Africa, and in Asia and the Pacific). Indeed, this cross-country comparison should be interpreted with caution and may be affected by differences in national definitions of social protection.

Takeaways:

⇒ The government's approach to funding social protection of vulnerable populations is sound and needs to be continued and considered an investment in the well-being/skills of population, beginning from early childhood.

⇒ A more in-depth analysis of the Ministry's wage structure and scale would require detailed data. It can provide opportunities to carry out fiscal simulations on different policy options, regarding the wage bill development, as well as rationalization of the number of Ministry staff.

4. Budget credibility and execution

The latest available data indicate that the average variance in MLGRD recurrent spending was almost one per cent and total overspending of P39 million during 2013/14-2016/17. Over the past five years, MLGRD has managed its recurrent budget well, scoring over 100 per cent on budget credibility (Figure 9). Budget execution rates, however, have not been strong, which is a sign of poor budget planning. In 2013/14-2016/17, the Ministry's overall execution rate was lower than national average with annual underspending of P88 million.

The MLGRD's development budget continued to deviate considerably from the approved budget, which is characterized by chronic underspending (Figure 10). The total development expenditure deviated by more than 8 per cent from the planned total on average during 2013/14-2017/18, which amounts to P108 million annually, on average. In terms of budget execution, MLGRD is doing relatively well compared to other social sector ministries. This brief analysis, however, cannot pinpoint specific factors that affect budget performance, which can be captured, for example, with more elaborate research on diagnosis of the credibility issue.

When considering the high prevalence of malnutrition and stunting among children, the high level of underspending on supplementary feeding to vulnerable groups at primary schools and health facilities is a concern. The actual implementation of budgeted expenditure at the individual programme levels suggests some useful observations. In the 2017/18 fiscal year, out of P456 million (22 per cent of the total social assistance budget) allocated funds to Vulnerable Group Feeding Programme/Primary School Feeding (VGFP/PSF), almost P62 million was not disbursed (or 13.5 per cent).

Moreover, the VGFP/PSF budget execution gap has continued to widen, while the use of planned expenditure in other programmes (Destitute Allowance, Day Care and World War Veterans) constantly improved. As discussed earlier, non-credibility of allocations to the Orphan Care programme is most likely associated with the effectiveness of the anti-retroviral programme and other related interventions.

Takeaways:

⇒ Over the past five years, MLGRD manages its recurrent budget well. However, considerable deviations between MLGRD's planned and actual spending at the sub-vote (both department and programme) level suggest the relevance of building an internal capacity and developing incentives for realistic resource projections.

⇒ The Government may consider conducting a value-for-money evaluation of the VGFP, which is a long-standing nutrition-sensitive social protection programme in the country.

[15] World Social Protection Report "Building Economic Recovery, Inclusive Development and Social Justice," ILO 2014.

Figure 9: MLGRD recurrent budget utilization trends

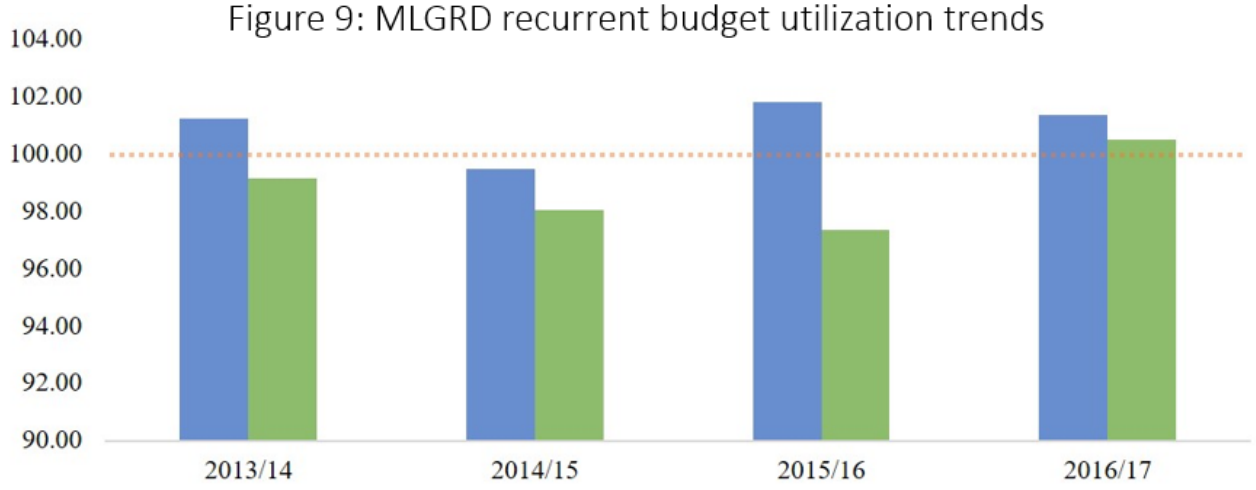
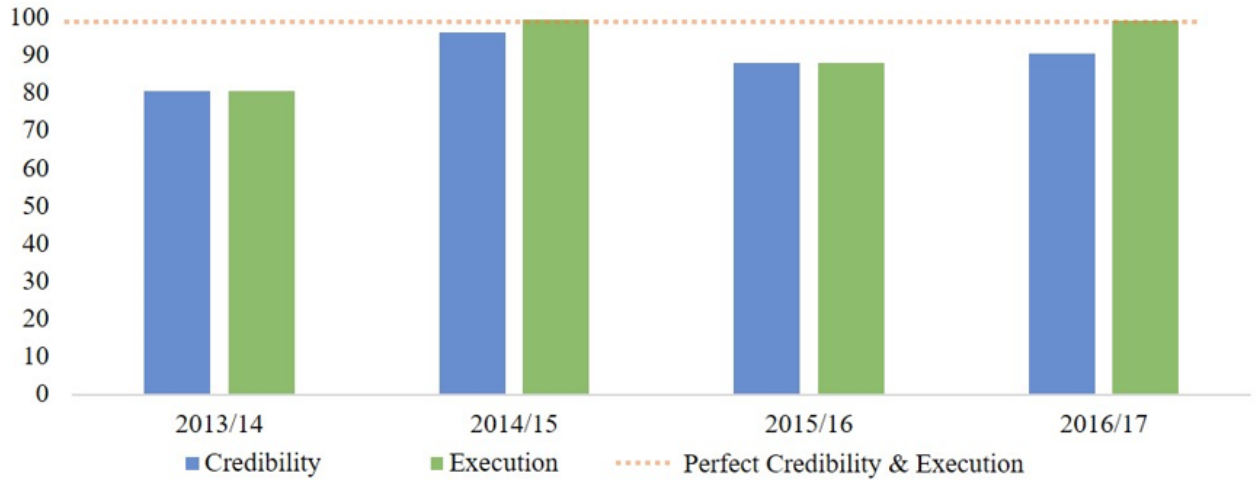


Figure 10: MLGRD development budget utilization trends



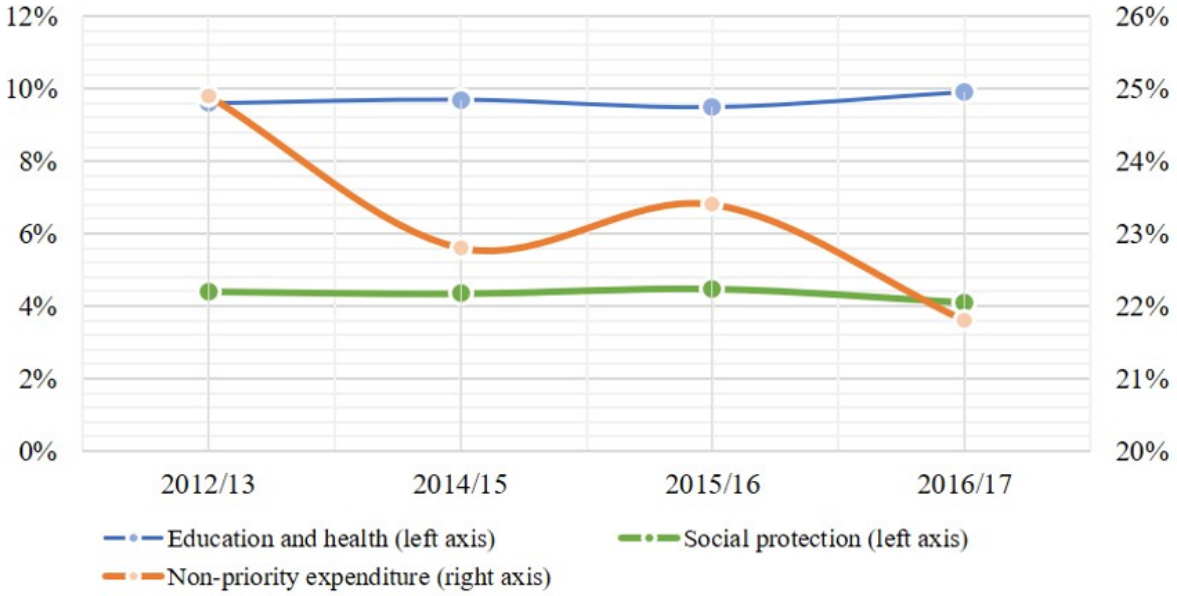
Source: MFED, "Financial Statements, Tables and Estimates of Expenditure from the Consolidated and Development Funds." Budget credibility – difference between planned and actual expenditure. Budget execution – difference between authorized and actual expenditure.

5. Financing the social protection sector

Botswana's social protection sector is fully funded by government, mainly from tax and non-tax revenue. The government has adopted a conservative fiscal stance, which minimises the use of external debt. New debt averaged 0.2 per cent of GDP in 2016/17 (Figure 11). Spending on social protection remains range-bound between 4.1 and 4.5 per cent of GDP in recent years with a declining trend (see Figure 3). It is influenced by the introduction of new programmes and adjustments made to the value of grant payments and benefits. As a rule, the burden of the spending cuts has fallen more on non-priority spending than on priority spending.

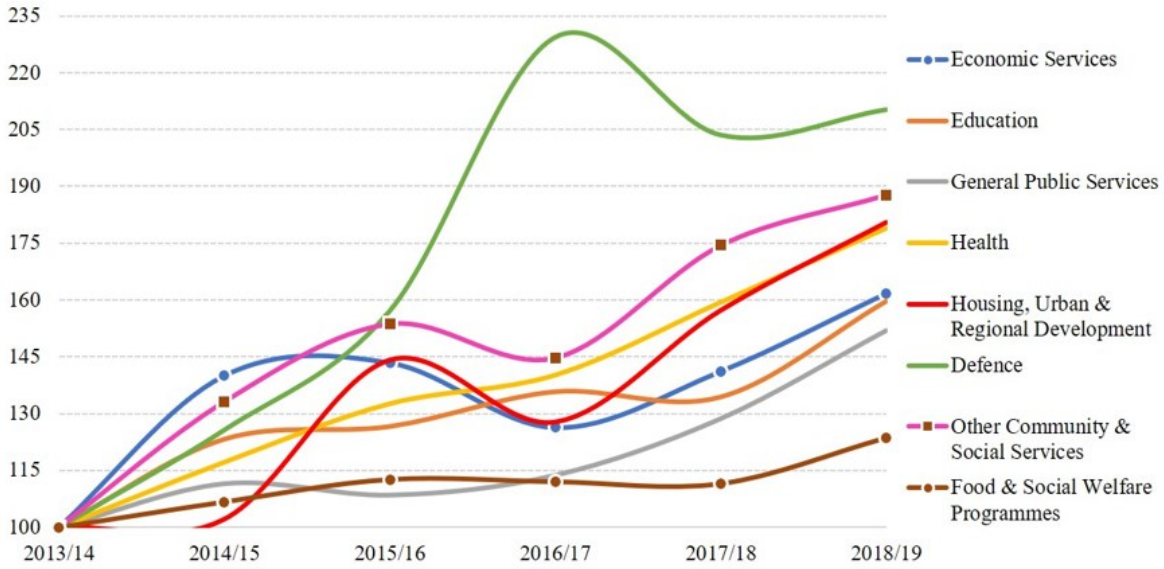
The functional classification of the 2018/19 national expenditure and net lending shows that budget allocation follows national priorities defined within NDP 11. The 2018/19 fiscal year is the second in the implementation of Vision 2036 and NDP 11. Overall social sector spending significantly increased in the 2018/19 budget (16 per cent). It is worth noting that the social protection-related areas such as housing, regional development, community and social services received almost 9 per cent of total budget resources allocated for 2018/19, which is a 39 percent increase compared to the 2013/14-2016/17 period average. However, as Figure 12 shows that since 2015/16, there has been a shift back towards defence spending, which seems likely to continue during NDP11.

Figure 11: Priority vs non-priority spending as % of GDP



Note: Priority expenditure refers to expenditure categories regarded as beneficial to children, including education, health and social protection. Source: Author's estimates.

Figure 12: Priority within the overall budget



Note: An index that express the relative change in value of public investment compared with a base value. The base is equal 100 (2013/14) and the index number is expressed as 100 times the ratio to the base value. Source: Ministry of Finance and Economic Development, Financial Statements, Tables and Estimates of Expenditure from the Consolidated and Development Funds for various years.

Takeaways:

⇒ Essentially, social sector spending (including education, health and social protection) has been largely maintained in the face of diminishing fiscal resources.

⇒ The government would benefit from capacity development programmes targeting technical areas such as evidence-based resource allocation and investment decisions.

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