1. Background

The Public Finance Management (PFM) Reform Programme for Botswana is a response to the current socio-economic challenges that require prudent management of public finances. The overarching goal of Botswana's PFM Reform Programme is to ensure optimal utilization of public resources for long-term sustainable development.

The PFM Reform Programme is aimed at strengthening financial management systems in order to support fiscal discipline, strategic allocation of resources, effective and efficient service delivery and accountability. Further, the PFM reform agenda will serve as a useful tool for dialogue between Government and cooperating partners about the provision of harmonized support to the Government’s PFM reform efforts. The 2009 Public Expenditure and Financial Accountability (PEFA) assessment, financed by European Union assisted in identifying areas for reform.

The PFM Reform is housed in the Ministry of Finance and Development Planning. A Task Force was established within the Ministry to define the PFM reform priorities, subsequent reform activities and sequencing of the implementation process. The reform agenda is scheduled to run concurrently with the implementation period of the NDP 10, Vision 2016 and beyond.

The main actors/partners involved in this programme include the Ministry of Finance and Development Planning (MFDP) as the driver of the reform process, and all line Ministries and departments. Other actors include oversight bodies such as Auditor General and other development partners comprising mainly of donor agencies such as EU, SIDA, MEFMI, Common Wealth Secretariat, IMF, World Bank and SADC, some of which provide budget support loans and grants to sustain the country’s resource envelope.
2. **Structure of the PFM Reform Programme**
The program is defined by five major components: 1) Legal and Institutional Framework for PFM, 2) Budget Planning and Formulation, 3) Budget Execution, 4) Budget Control and Oversight and 5) Revenue Management.

2.1 **Legal and Institutional Framework for PFM**
The programme leans on the ongoing revision of the Finance and Audit Act which provide a consistent and comprehensive legal framework for PFM. The review of the act is aimed at providing a consistent and comprehensive legal framework for public finance management, aligned to the new developments and challenges. The proposed legislation, Public Finance Management Act is at an advanced stage of drafting and is expected to be passed into law by March 2012. A layman’s draft of the Public Finance Management Bill (Revised Finance and Audit Act) was finalized in April 2010 and circulated to major stakeholders. Drafting instructions have been prepared and submitted to MFDP authorities in August 2010 for review before submission to Attorney General’s Chambers for legal drafting of the Bill.

The Botswana Accountants Bill and Financial Reporting Bill were debated during the July 2010 Parliament session. The Financial Reporting Bill establishes the Botswana Accounting Oversight Authority which will require submission of financial statements by parastatals six months after the end of financial year. The expected implementation of this act is first quarter of 2012.

A management structure will be instituted to facilitate a coordinated approach to PFM reforms. The Cash Flow Unit in the Division of Development and Budget Administration within the Ministry will be assigned as the coordinating body for the PFM Reform Programme. Given the considerable reforms already started and the identified need for greater coordination and monitoring (integrated and comprehensive approach), the immediate designation of a coordinator is required.

2.2 **Budget Planning and Formulation**
One key feature of this component is the Medium Term Expenditure Framework (MTEF). Botswana has committed to a three year medium term outlook which was released with the 2010/2011 budget. This initiative was geared to restoring sustainability in public finances over the medium term, hence reducing the and eventually eliminate the budget deficit by financial year 2012/2013. In order to guide the preparation of realistic resource envelope projections, a medium term macro-economic forecasting framework will be developed for Financial Year
2011/2012 leading to full adoption of a three year estimate of fiscal aggregates or Medium Term Fiscal Framework (MTFF) by Financial Year 2013/2014. Therefore budget preparation will be based on this three year rolling estimates. This will lay a foundation for finally moving towards a Medium Term Expenditure Framework (MTEF) by 2016.

2.3 Budget Execution
This component is aimed at better predictability for spending units, improved commitment control, increased efficiency throughout the public sector, and to maintain sustainable debt levels. One of the sub-components, Procurement, is aimed at strengthening procurement planning, management, control and oversight in order to enhance efficiency in the implementation of Government policies as follows:

- The Board will review devolved authority in view of limiting the powers to authorise less competitive methods by its committees.
- In order to streamline procurement processes within government, PPADB will also develop and implement an integrated public procurement management system as well as e-procurement system to enhance competitive bidding for smaller procurement. This system will facilitate data collection and analysis as well as improve and render monitoring more effective.
- The Procurement Planning Module of the system is due to go live in the third quarter of 2010.
- As required by the Act arrangements are underway to publish the ICRC decisions on complaints resolutions through existing accessible media (print media and PPADB website). This reform will entail a shift of PPADB responsibilities from tender adjudication to enforcement of procurement rules.

2.4 Budget control and oversight
The objective of this component is to ensure sound and prudent financial management through the provision of accurate and timely financial information on the budget implementation. This comprises Migration to Accrual Accounting as one of the major sub-components. Though migration to accrual accounting poses a challenge, GABS has in place some elements that will facilitate the shift because it accommodates both cash and accrual set of accounts. In this context, the
Government is committed to determining the practicality of migrating from cash basis to accrual basis of accounting.

To date GABS has been rolled out to 48 new departments in the districts. This year GABS will be rolled out to an estimated 54 departments in Francistown, 24 of which are completed to date. GABS also has a number of interfaces with other Government systems in order to have better control of Government expenditure and revenue.

2.5 Revenue Management

Revenue management focuses on improved revenue forecasts and collection to support a credible budgetary process as well as identify the need to streamline the existing revenue functions within MFDP to ensure realistic revenue forecasts as well as opportunities for cost recovery/sharing. This component also entails closer collaboration between development partners and Government to improve external resources management and integration with the budget preparation in order to enhance predictability and sustainability of external resources.

The following are other reforms undertaken by BURS since August 2009:

- BURS procured E-Views software mainly to be used to come up with a revenue estimates model. This initiative came as a result of the concerns raised from the 2008 PEFA report that indicated that BURS under-estimates revenue forecasts.

- BURS partnered with commercial banks in order to promote revenue collections through electronic fund transfer so as to reduce loss of revenue from returned cheques (some taxpayers used to issue cheques to BURS even though they were aware that they had no funds at the bank)

- Partnership with Zimbabwean Revenue Authority (ZIMRA) was an initiative to establish BURS training Institution to build capacity. Curriculums and Modules have already been drawn, and implementation has been scheduled for September 2010.
Furthermore the programme incorporates information and dissemination component to ensure that the objectives, activities and progress of the Botswana PFM Reform Programme are disseminated in a timely manner to the public and private sector and to the general public.