

STRATEGIC GOVERNMENT REPORT

UDC Strategic Performance Dashboard

Comprehensive Analysis of Promise Delivery, SOE
Financial Health, and Special Funds Accountability

PREPARED BY

B The Brand Room

STRATEGIC TURNAROUND · FINANCIAL MODELLING · OPERATIONAL CONTROL

UDC Government Achieves 25% Performance Score in First Year Despite Ambitious 176-Promise Agenda

KEY INSIGHT

The UDC government has made measurable progress on over half of its electoral commitments within twelve months, demonstrating political will but facing execution challenges in complex economic reforms.

CRITICAL CONTEXT

The 25% overall performance score reflects the challenge of transforming campaign commitments into implemented policy, particularly in areas requiring significant capital investment and institutional reform.



22 (12.5%)

COMPLETED

75 (42.6%)

NOT STARTED

72 (40.9%)

IN PROGRESS

7 (4.0%)

UNDER REVIEW

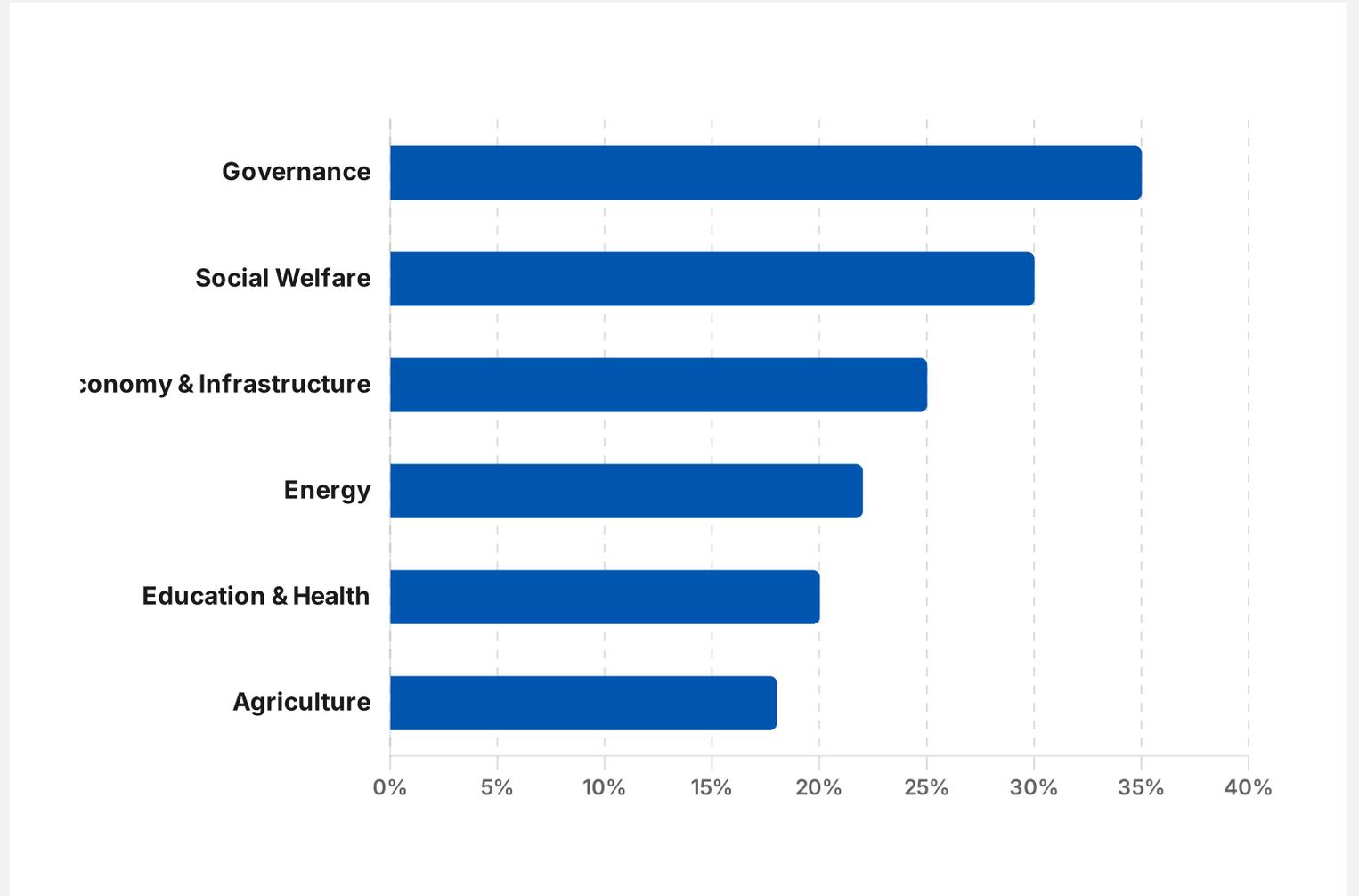
Governance and Social Welfare Lead Progress While Economic Transformation Lags Behind

KEY INSIGHT

Sector-level analysis reveals strategic prioritization of quick-win governance reforms and social welfare programs, while structural economic changes requiring deeper institutional transformation show slower progress.

STRATEGIC IMPLICATION

The government has prioritized politically visible reforms that require limited capital expenditure, while deferring complex economic restructuring that demands sustained technical capacity and financial resources.



Government Holds P28.4 Billion in SOE Investments with Only P9.1 Billion in Positive Equity

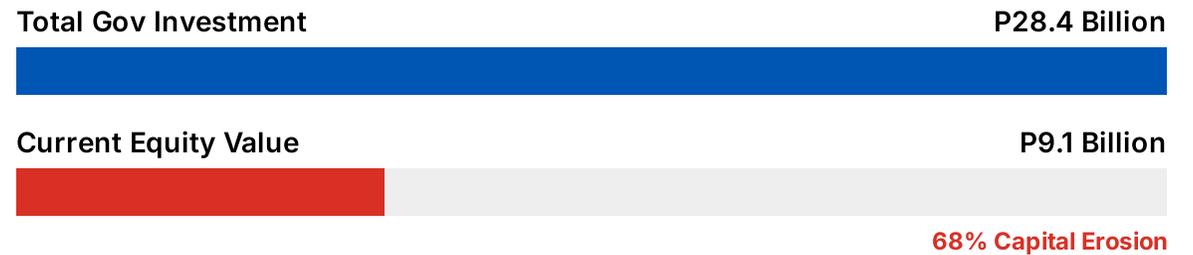
KEY INSIGHT

The SOE portfolio represents a massive fiscal burden, with government investment nearly three times the actual equity value, indicating substantial accumulated losses and poor historical returns on public capital.

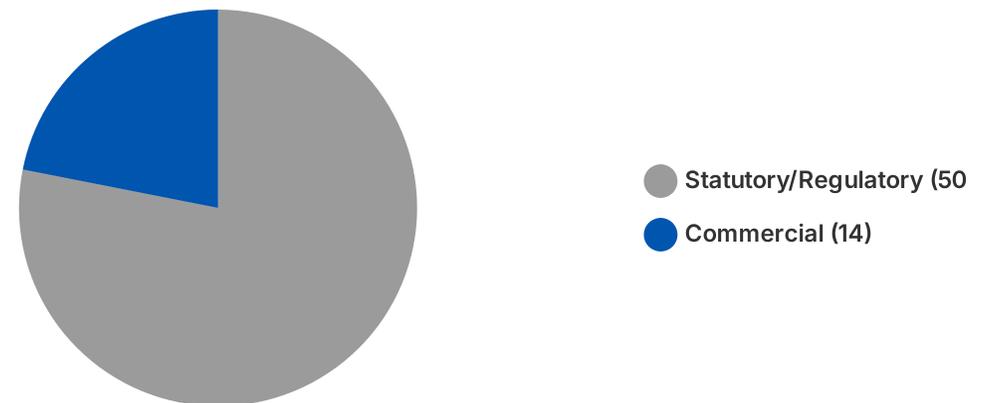
- 64 Total SOEs under government ownership
- 9 Loss-Making SOEs with negative equity
- 35 Profitable SOEs concentrated in resources



CAPITAL EROSION ANALYSIS



SOE CLASSIFICATION



Top Loss-Makers Drain P250 Million Annually with University of Botswana Leading Negative Equity

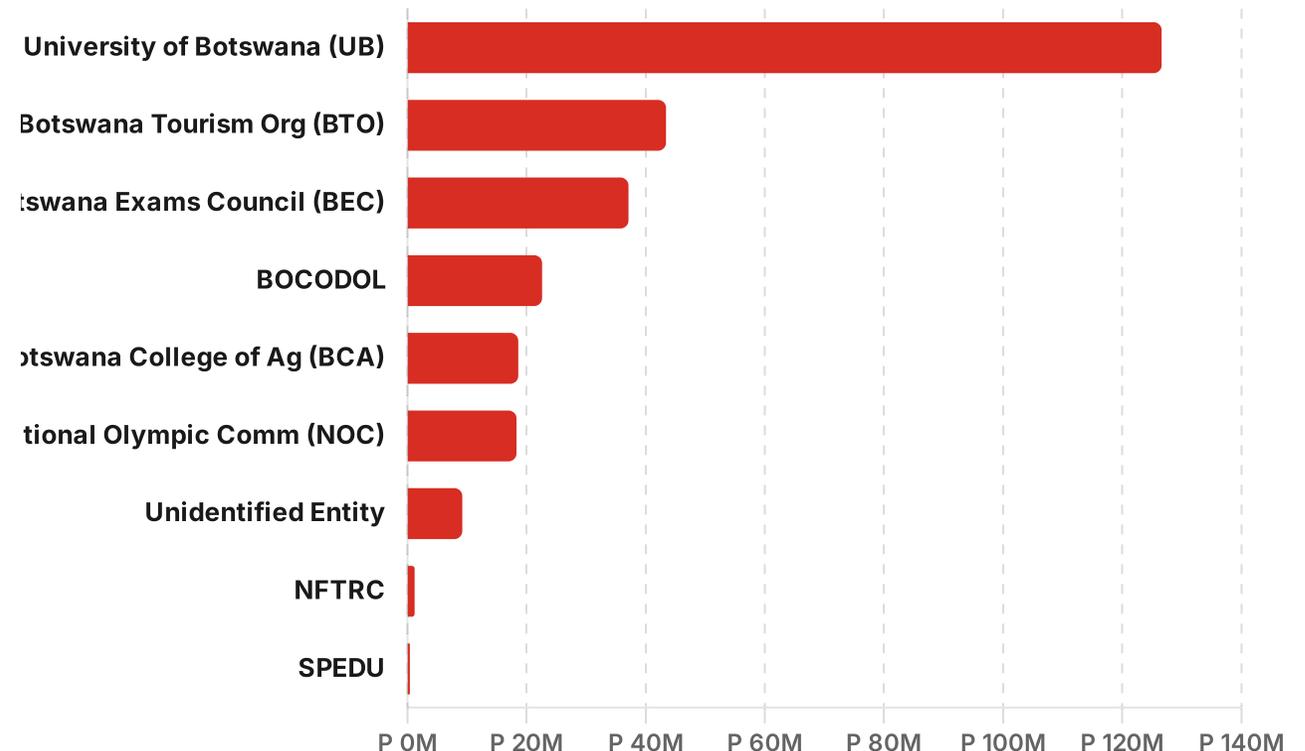
KEY INSIGHT

Nine SOEs operate with negative equity, representing failed business models that require either immediate restructuring, privatization, or explicit recognition as subsidized public services rather than commercial entities.

STRATEGIC IMPLICATION

Many loss-making entities are educational and developmental institutions that should not be evaluated on commercial profitability metrics. The government must clarify which SOEs are expected to be profitable versus those serving public service mandates.

Top 9 SOEs by Negative Equity (Pula Millions)



BPC, WUC, and Air Botswana Show Early Turnaround Progress But Require Sustained Reform



STRATEGIC INSIGHT

The five priority commercial SOEs have initiated governance and operational reforms, but achieving profitability within the promised five-year timeline demands aggressive cost restructuring, tariff adjustments, and private sector partnerships.

Air Botswana (AB)

92% On-time performance achieved; Fleet rationalization

25% Progress



Botswana Power Corp (BPC)

New board appointed; Tariff review initiated

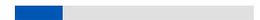
20% Progress



Botswana Railways (BR)

Blue Train revival; Private sector partnership sought

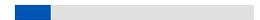
20% Progress



Water Utilities Corp (WUC)

Debt collection drive (P1.6B outstanding)

15% Progress



Botswana Meat Commission

Debt restructuring; Market diversification strategy

15% Progress



Government Manages 51 Special Funds Totaling Billions in Public Resources

KEY INSIGHT

Botswana operates an extensive network of 51 special funds established under the Public Finance Management Act, representing significant public resources that require enhanced transparency and performance tracking.

MAJOR SOVEREIGN FUNDS

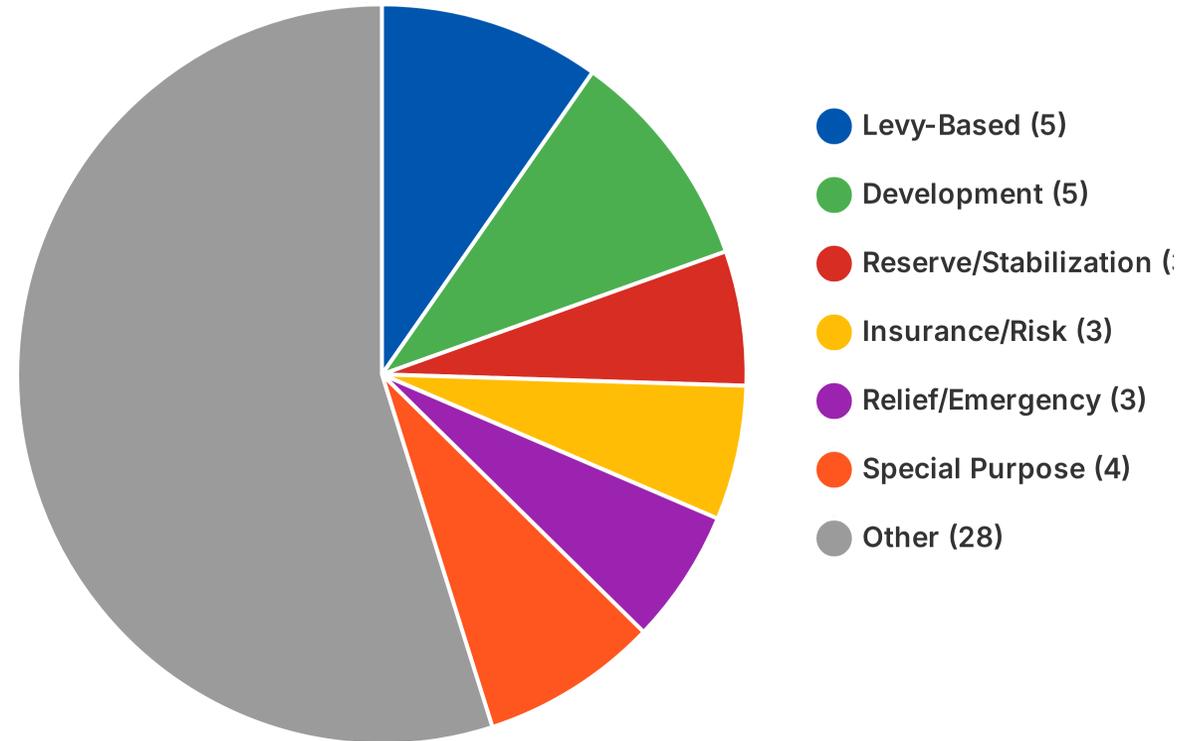
Pula Fund (Est. 1994)

Long-term investment portfolio for diamond revenue preservation and liquidity stabilization.

New Sovereign Wealth Fund (2025)

Recently launched fund focused specifically on economic diversification and job creation.

Classification of 51 Special Funds



Special Funds: The Hidden Fiscal Crisis

50% CASH RESERVE DEPLETION & UNEXPLAINED WITHDRAWALS

Cash Reserve Collapse (2020-2024)

-50%

TOTAL CASH BALANCE DECLINE



CRITICAL: The Guaranteed Loans Insurance Fund has been completely depleted (P0.00 balance), exposing the government to immediate liability for any defaults.

COVID-19 Withdrawal Accounting Gap

Total Withdrawals Reported	P 5.0 Billion
Documented Allocation	P 2.0 Billion
Unexplained / Unclear Allocation	P 3.0 Billion

Top Fund Depletions

Roads Levy Collections	- P435 Million
Human Resources Dev. Fund	- P625 Million
Guaranteed Loans Insurance	- P220 Million
Tobacco & Products Fund	- P155 Million

Fiscal Transparency & Debt Impact

ASSESSING THE HIDDEN RISKS OF OFF-BUDGET OPERATIONS

FISCAL TRANSPARENCY RATING

LOW

Significant off-budget operations and unaudited funds undermine the credibility of official fiscal statistics.

Key Driver: P3 Billion in unexplained special fund withdrawals.

1. HIDDEN DEBT LIABILITIES

Official national debt statistics exclude contingent liabilities from special funds. The **P900 million** undocumented loan to BCL liquidator and the depleted Guaranteed Loans Insurance Fund represent immediate fiscal risks not captured in the 19% debt-to-GDP projection.

2. OFF-BUDGET OPERATIONS

The Confiscated Assets Trust Fund holds **P110.6 million** outside the government accounting system. This precedent allows for significant fiscal activity to occur without parliamentary oversight or inclusion in the national budget.

3. AUDIT ACCOUNTABILITY GAP

Multiple major funds, including the Alcohol Levy Fund (>P2B), have gone unaudited for 5+ years. This systemic failure prevents the Auditor General from verifying the true state of public finances.

"Contingent liabilities are listed as 0.0 in IMF debt tables despite substantial SOE losses and special fund depletion." — IMF Article IV Report Analysis (2025)

Fiscal vs Non-Fiscal Fund Classification Reveals Transparency Gaps

The distinction between fiscal budget funds (receiving parliamentary appropriations) and non-fiscal funds (self-sustaining through levies) creates accountability challenges, as non-fiscal funds operate with less parliamentary oversight.

FISCAL BUDGET FUNDS

- **Source:** Direct parliamentary appropriations
- **Oversight:** Subject to annual budget debate and approval
- **Examples:** Tertiary Education Fund, Housing Fund, National Disaster Relief Fund

TRANSPARENCY: HIGH

NON-FISCAL BUDGET FUNDS

- **Source:** Self-sustaining (levies, fines, fees)
- **Oversight:** Not typically included in annual fiscal budget
- **Examples:** Road Levy Fund, Gambling Levy Fund, Pula Fund

TRANSPARENCY: MEDIUM

KEY CONCERN: DISCRETIONARY POWER

The Minister of Finance has statutory power to withdraw funds from any special fund "if considered expedient" under the Public Finance Management Act 2011, creating potential for discretionary fund transfers without full transparency.



Post-Election Policy Shifts Include Tax Increases and Digital Transformation

KEY INSIGHT

The UDC government has introduced new policy commitments beyond the original manifesto, including tax increases and digital revenue collection systems, reflecting fiscal pressures and modernization priorities.

STRATEGIC IMPLICATION

The introduction of tax increases contradicts campaign messaging and reflects the fiscal constraints facing the new government, requiring careful communication to maintain public trust.

Tax Reforms

01

- Company tax increased: 22% → 23.5%
- Individual marginal tax: 25% → 26.5%
- Rationale: Revenue enhancement

IMPLEMENTED

Digital Transformation

02

- VAT on digital transactions (Sept 2025)
- E-billing for VAT (Mar 2026)
- Track & trace for excisable goods

IN PROGRESS

Deficit Reduction

03

- Target: Reduce P24B deficit to P22B
- Strategy: Expenditure controls
- Focus: Revenue enhancement

IN PROGRESS

New Sovereign Fund

04

- Launched September 2025
- Focus: Economic diversification
- Distinct from Pula Fund

LAUNCHED

FORENSIC INVESTIGATION

The P3 Billion Unexplained Gap

Source: Auditor General's Report (2021) & Business Weekly

The Discrepancy

While **P5 Billion** was withdrawn from Special Funds for COVID-19 relief, the Auditor General's Report (Table 6) only accounts for **P2 Billion** sourced from 11 specific funds.

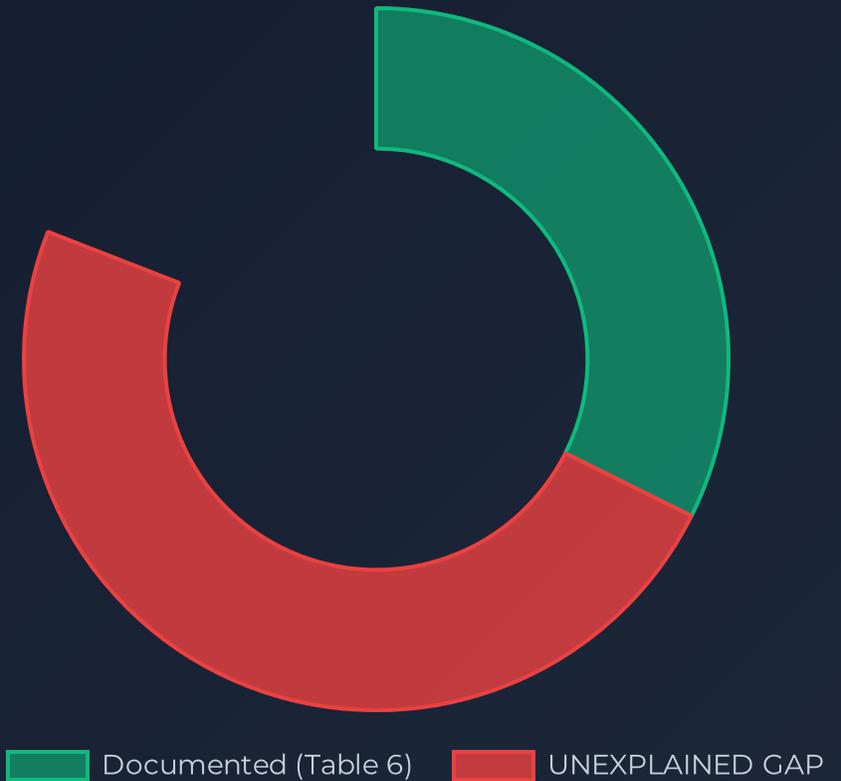
Key Findings

- **P3 Billion Unaccounted:** No public record exists identifying which funds contributed this balance or how it was spent.
- **Documentation Failure:** Allocation of the extra P3B remains unclear (Business Weekly, Aug 2024).
- **Oversight Gap:** Potential violation of PFMA Section 22 regarding unauthorized withdrawals.

Responsible Entities for Audit

PRIMARY CUSTODIAN
Ministry of Finance

FUND MANAGER
Accountant General



60% of Total Withdrawals are Unexplained

This represents approx. 1.5% of 2020 GDP

FINANCIAL ANALYSIS

Special Funds Review

Data Source: Auditor General Reports (2019-2021)

TOTAL FUNDS ANALYZED

51 Funds

100% Excluded from Fiscal Budget

CASH RESERVES DEPLETION

-50%

P10 Billion (2020) → P5 Billion (2024)

AUDIT STATUS

Critical Gaps

Major funds unaudited for 5+ years

FUND NAME	INCOME / OPENING	EXPENDITURE	CLOSING BALANCE	STATUS
Guardians Fund	P2,452,893,668	P1,577,989,677	P874,903,991	Active
Alcohol Levy Fund	-	-	P690,434,887	Unaudited
Road Levy Fund	-	P649,473,907	P935,349	Depleted
Govt Liquidity Fund	-	P1,041,450,983	P500,000,000	Declining
Revenue Stabilization	-	-	P42,375,754	Critical
Guaranteed Loans Fund	P220,000,000*	P220,000,000	P0	Empty

* Contribution to COVID-19 Fund. Note: "-" indicates data not explicitly detailed in summary statements.

Fiscal Deprivation & PFMA Breaches

FISCAL TRANSPARENCY RATING
LOW / CRITICAL

Fiscal Deprivation

TOTAL FISCAL BUFFER DEPLETION

P5.0 Billion

~2.5% of GDP (2020)

Massive withdrawal from special funds has significantly reduced the government's fiscal resilience and emergency response capacity.

OFF-BUDGET OPERATIONS

100%

of 51 Special Funds

Complete exclusion from the main fiscal budget limits parliamentary oversight and obscures the true national debt position.

Identified PFMA Breaches

SECTION 22 CRITICAL

Unauthorized Withdrawals

Withdrawal of P3 Billion from special funds without clear documentation or specific parliamentary approval as required for special fund usage.

SECTION 23 CRITICAL

Failure to Maintain Records

Absence of comprehensive accounting records for the P3 Billion gap, violating the requirement for proper books of accounts.

SECTION 45 HIGH

Irregular Expenditure

Emergency procurement conducted without proper procedures; retrospective Government Purchase Orders (GPOs) issued after service delivery.

SECTION 46 MEDIUM

Fruitless & Wasteful Exp.

Payments made for services not rendered (e.g., hotel facilities) and double-booking of facilities without proper reconciliation.

 **Recommendation**
Immediate forensic audit required to determine liability and recover misappropriated funds.

Procurement Reform: Centralization Strategy

MINISTRY OF FINANCE ASSUMES FULL CONTROL (DECEMBER 2025)

DE FACTO TREASURY UNIT

PREVIOUS DECENTRALIZED MODEL

- ✘ Procurement handled by individual line ministries
- ✘ Fragmented oversight and inconsistent standards
- ✘ High vulnerability to waste and inefficiency
- ✘ Limited visibility into total government spending

NEW CENTRALIZED MODEL

- ✓ **Full Control:** Ministry of Finance assumes all procurement duties
- ✓ **Unified Portal:** Single digital platform for all tenders
- ✓ **Enhanced Oversight:** Direct integration with Accountant General
- ✓ **Strategic Alignment:** Spending tied directly to fiscal priorities

1.2% GDP

ESTIMATED ANNUAL SAVINGS

Strategic Recommendations for Accelerating Promise Delivery and SOE Turnaround

1. SOE TURNAROUND STRATEGY

- › Establish clear profitability timelines with quarterly reviews
- › Strategic privatization or PPPs for chronic loss-makers
- › Separate public service mandates from commercial ops
- › Implement cost-reflective tariffs for BPC and WUC

3. SPECIAL FUNDS TRANSPARENCY

- › Mandate annual public reporting with audited statements
- › Consolidate small, overlapping funds to reduce admin costs
- › Establish clear criteria for ministerial withdrawals
- › Create public dashboard tracking fund deployment

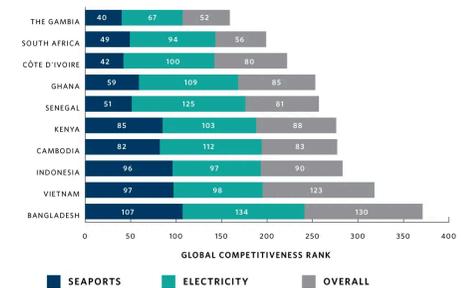
2. PROMISE DELIVERY ACCELERATION

- › Establish centralized Promise Delivery Unit in OP
- › Focus resources on high-impact, high-feasibility projects
- › Publish quarterly progress reports for accountability
- › Defer capital-intensive promises exceeding fiscal capacity

4. FISCAL SUSTAINABILITY

- › Accelerate revenue diversification beyond diamonds
- › Implement strict expenditure controls on non-priority spending
- › Enhance tax collection efficiency through digital systems
- › Develop medium-term debt strategy for infrastructure

Infrastructure Rankings for Select African and Asian Countries



Source: World Economic Forum, "Global Competitiveness Report," 2011. https://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2010-11.pdf.

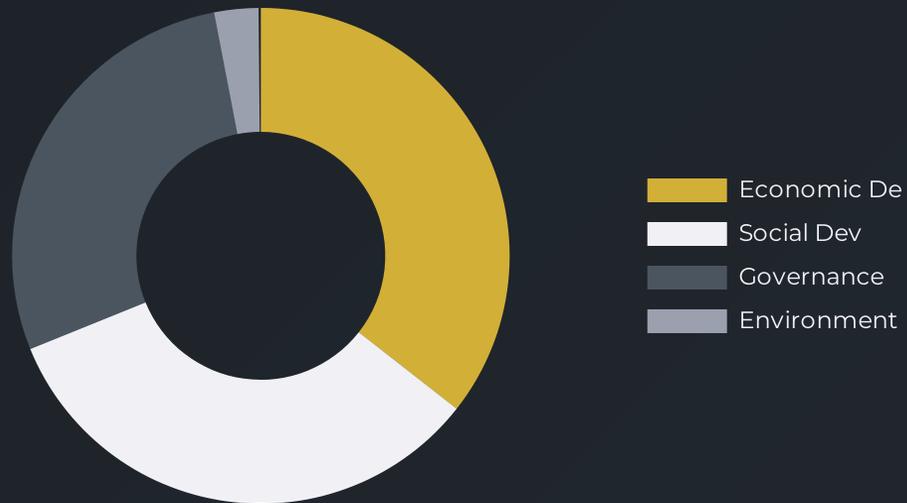
FINAL VERDICT

The UDC government has demonstrated political commitment to reform, but translating promises into results requires sustained focus, difficult trade-offs, and enhanced execution capacity across the public sector.

Strategic Alignment

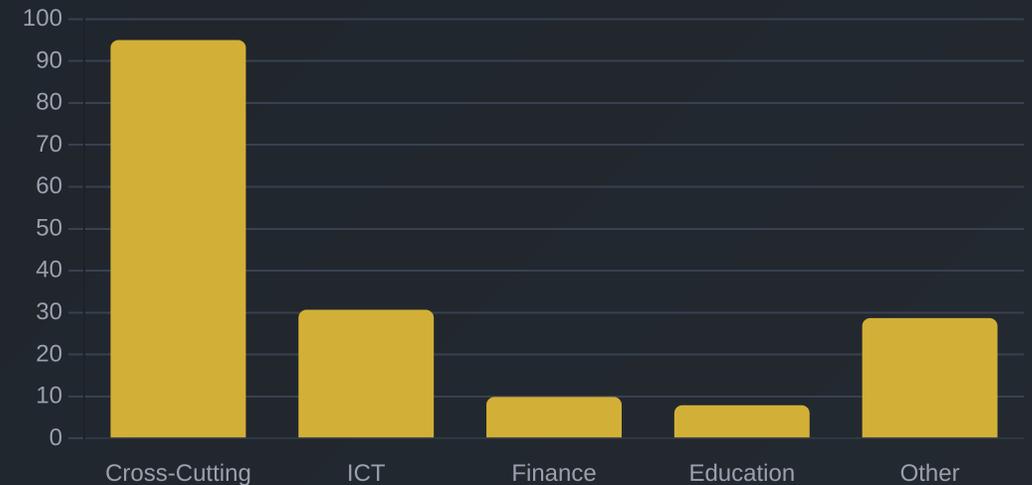
Mapping the 174 Promises to National Frameworks

NDP 12 Alignment



Key Insight: Strong focus on **Economic Development (36%)** and **Social Development (33%)**.

BETP Sector Alignment



Key Insight: High concentration in **Cross-Cutting (55%)** and **ICT (18%)** sectors.

2026/2027 Budget Outlook

Fiscal Consolidation & Strategic Prioritization

Strategic Priorities

- 01** Focus on high-impact **Infrastructure Projects** to drive long-term growth.
- 02** Implementation of **Key National Projects** aligned with NDP12.
- 03** Protection of critical social safety nets amidst cuts.

Austerity Measures

- 01** Drastic reduction in **Recurrent Expenditure** growth.
- 02** Strict efficiency controls on public sector spending.
- 03** Review of subventions to State-Owned Enterprises (SOEs).

Delivery Risk

166

Promises Not Yet Prioritized

The majority of the 174 promises face implementation risks due to fiscal constraints and lack of explicit budget allocation.

PROJECTED DEFICIT (2026)

-6.7% of GDP

The Brand Room

Strategic Turnaround & Financial Modelling