



**Republic of Botswana**

## **BUDGET SPEECH**

2008

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## I. INTRODUCTION

1. Mr. Speaker, I have the honour this afternoon to present budget proposals for the 2008/2009 financial year to the National Assembly.
2. Mr. Speaker, allow me to begin by paying a special tribute to His Excellency the President, Mr. Festus Gontebanye Mogae, as his term of office will expire during the course of this Parliamentary meeting. As you may recall, Mr. Speaker, President Mogae was among the first citizen officers who joined the planning cadre in the then Ministry of Development Planning in 1968, when the cadre was almost fully staffed by the British and other expatriate personnel. Given his brilliance and hard work, he progressed up the ranks quickly to become the Permanent Secretary in the combined Ministry of Finance and Development Planning in 1975, Executive Director at the International Monetary Fund from 1977 to 1981, and Bank of Botswana Governor from 1981 to 1982, when he was appointed to head the Civil Service. In 1989, after retiring from the Civil Service, he came back to the Ministry as the Minister and subsequently became the Vice President whilst holding the same ministerial portfolio. His Excellency the President is, therefore, one of the veteran architects of our renowned sound economic management systems and policies. During his tenure as the President, the economy has maintained an average real annual growth rate of 6 percent and per capita income has continued to increase to over P40 000 today, while poverty and unemployment rates have fallen. He has presided over a growing economy that has improved living standards for Batswana. As a Nation, we are grateful for his great leadership and contribution to the country's social and economic development, as well as to the consolidation of our multi-party democratic system of government and the rule of law. We should, therefore, rededicate ourselves under the leadership of the incoming President, Lieutenant General Seretse Khama Ian Khama, to continue building on the sound foundation that President Mogae and his predecessors have laid.
3. Mr. Speaker, this Budget Speech marks the last year of the National Development Plan 9 (NDP 9), which integrated the *Long Term Vision for Botswana, Towards Prosperity For All (Vision 2016)*, into the national development planning process. It is now more than 10 years since *Vision 2016* was adopted, leaving only 9 years for us to fully achieve the aspirations of Batswana as articulated in the *Vision*. While during NDP 9 progress was made towards realising both *Vision 2016* targets and the United Nations Millennium Development Goals (MDGs), to which Botswana subscribes, more needs to be done to effectively tackle vexed national development issues. For example, there is need to accelerate poverty reduction, employment creation and economic diversification, as well as to consolidate our social and physical infrastructural achievements. It is in pursuit of the aspirations of *Vision 2016* that the theme for the 2008 Budget Speech is ***“Accelerating Achievement of Vision 2016 through NDP 10”***. This theme, Mr. Speaker, is a challenge to all stakeholders to recommit to the attainment of the *Vision* ideals and the MDGs. Since the objectives of NDP 9 are aligned to the Vision Pillars, it is ideal that as we embark on the preparation of NDP 10, we take along what we learnt during NDP 9 implementation and focus on how to *Accelerate Achievement of Vision 2016 through NDP 10*.
4. Mr. Speaker, as Honourable Members are aware, the process of preparing National Development Plans is extensive and follows a bottom-up approach, which involves widespread consultations with stakeholders, including the communities in general and

public structures, such as the Village Development Committees, Community Based Organisations, and the Local Authorities. In this regard, the preparation of NDP 10 commenced in July 2007, with the drafting of the Keynote Policy Paper by my Ministry. The Paper is a summary of key issues of concern emanating mainly from the current national, as well as local government plans, strategies and policy thrusts. Ministries have since prepared the Sectoral Key Issues Papers, which articulate issues that emerged during NDP 9 implementation and pertain specifically to their respective sectors of the economy. All these documents will culminate in a draft Macroeconomic Outline, which provides an overview of the broad policy framework, strategy and an assessment of the country's resource prospects, such as revenues and manpower for the next Plan period.

5. My Ministry is currently finalising the Macroeconomic Outline for NDP 10, which will be considered by Government in March 2008. The next stage, after approval of the Macroeconomic Outline, is for Ministries to submit to my Ministry their national development programmes and projects consistent with the policy objectives and resource prospects in the Macroeconomic Outline, as inputs for drafting of the Plan. Although Plan preparation is a lengthy process, with a number of key milestones to be achieved, we expect that the draft NDP 10 will be debated in this Honourable House in November 2008, to be ready for implementation from the 1<sup>st</sup> April, 2009. There is, of course, an opportunity for all political leaders to make an input in the preparation of the NDP 10 by participating in the various consultative fora, or to submit their inputs in writing.
6. Mr. Speaker, as it is customary, before I deal with the budget proposals for 2008/2009, I will now brief the Honourable House on the international, domestic and sectoral economic reviews for the past year, since developments in these areas have a bearing on the 2007/2008 revised budget estimates and the 2008/2009 budget estimates, to which I will revert later.

## **II. INTERNATIONAL ECONOMIC REVIEW**

7. Mr. Speaker, according to the World Economic Outlook Update of the International Monetary Fund (IMF), of January 2008, the revised projections indicate that global output expanded by 4.9 percent in 2007 and is expected to decelerate to 4.1 percent in 2008, which is 0.3 percent lower than those published in October 2007. Three countries, namely; China, India and Russia accounted for half of the global growth over the past year. China's economy gained further momentum by registering a robust growth of 11.5 percent in 2007, while India grew by 8.9 percent. Russia was also projected to have registered an average growth rate of 7.0 percent in 2007. Growth also continued in emerging markets and developing countries, including Sub-Saharan Africa. Emerging markets are countries that have undertaken economic development and reform programmes, and have begun to emerge as significant players in the global economy.
8. The IMF estimated the output of advanced economies to have grown by 2.5 percent in 2007, down by 0.4 percent from the previous year and is expected to grow more slowly at 2.2 percent in 2008. Emerging markets and developing countries' economies are expected to have grown at a rate of 8.1 percent in 2007, and are projected to slow down slightly in 2008. Meanwhile, the Sub-Saharan Africa region is forecast to have grown by 6.1 percent

in 2007, up from 5.7 percent in 2006. The region is expected to expand by 6.8 percent in 2008.

9. Inflation has been largely contained and remained at single digits for all the regions of the world, with about 2 percent registered for advanced economies in 2007, and is expected to remain at 2 percent in 2008. Sub-Saharan Africa (excluding Zimbabwe) is expected to have registered an average inflation rate of 7.6 percent in 2007, which is forecast to ease to a lower level of 6.7 percent in 2008. The inflation rate for all emerging and developing countries is forecast to remain below 6 percent during 2008.
10. Economic growth prospects within the Southern African Development Community (SADC) region remain high, with economic growth for the region estimated at 7 percent in 2007, following an average real Gross Domestic Product (GDP) growth of about 5 percent in 2006. This positive development is expected to continue into 2008, driven by improved macroeconomic policies, declining armed conflicts, general political stability, strong demand for commodities, increased capital flows and debt relief. Meanwhile, inflation in the SADC region, excluding Zimbabwe, is estimated to have averaged 7.8 percent during 2007 and it is forecast at 6.6 percent in 2008.
11. Mr. Speaker, there are concerns regarding the sustainability of the positive international economic outlook, such as declining housing prices in the US, that is negatively affecting the financial markets, and high oil prices, that can lead to a global growth slowdown. Growth has been slowing down in the US, which makes up 20 percent of the world economy and imports more than 50 percent of Botswana's diamonds. However, the stimulus arising from the recent US Federal Reserve interest rate cuts and the fiscal stimulus being considered by the US Administration and Congress suggest that a serious prolonged recession, which would materially affect our revenue outlook, is unlikely.
12. Mr. Speaker, Botswana is engaged in a number of projects under, both the New Partnership for Africa's Development (NEPAD) and SADC programmes. These include; the East Africa Submarine Cable System, aimed at facilitating greater and more affordable access to international telecommunications for the region; the Kazungula bridge, a major transit traffic corridor for the sub-region; and the Common Africa Agriculture Development Programme medium term development plan, which includes management and control of migrant pests, Pandamatenga Commercial Arable farms infrastructural development, Improvement of Tsetse Surveillance, Establishment of a Plant Protection Station and Agro-Chemicals Management and Control.
13. Currently, Botswana, together with 22 other countries of Eastern and Southern Africa, are working together to determine appropriate funding arrangements for the Submarine Cable. Meanwhile, the African Development Bank has approved funding for a detailed design study of the Kazungula bridge, which is expected to be completed in April 2009; and the Ministry of Agriculture, in collaboration with NEPAD, has developed proposals for the Common Africa Agriculture Development Programme.

### III. DOMESTIC ECONOMIC REVIEW

#### Economic Growth

14. Mr. Speaker, according to the preliminary estimates from the Central Statistics Office, real GDP is estimated to have grown by 6.2 percent during the 2006/2007 national accounts year, which is from July in one year to June of the following year. For the 2007/2008 financial year, nominal GDP is projected to be P74.98 billion. The budget estimates, which I will present later, are based on a projected GDP of P83.25 billion for the 2008/2009 financial year.
15. The improved real growth in 2006/2007 national accounts year is attributed to both the mining and non-mining sectors, which recorded significant growth rates. The mining sector is estimated to have increased by 5.2 percent after a decline of 3.8 percent recorded in 2005/2006 national accounts year. It remained the largest contributor to GDP at 40.7 percent in 2006/2007 national accounts year, which is, however, slightly lower than 41.1 percent recorded in 2005/2006 national accounts year.
16. On the other hand, the non-mining sectors' growth surged by 6.8 percent in 2006/07, up from 3.9 percent recorded in the previous national accounts year. The good performance of the non-mining sectors augurs well for our economic diversification efforts. The non-mining sectors which recorded significant growth rates are; *transport and communication* at 20.3 percent, followed by *trade, hotels and restaurants* at 16.3 percent, *manufacturing* at 12.0 percent, while *banks, insurance and business services* grew by 6.6 percent. The rest of the non-mining sectors registered real growth rates of less than 2 percent.
17. Mr. Speaker, for the first three years of NDP 9, the economy has registered an average annual real growth rate of 4.7 percent, which is less than the average growth rate of 5.5 percent set out in the Plan. The Mid-Term Review of NDP 9 envisaged, for the last three years of the Plan period, a growth rate of 6.3 percent, conditional on the implementation of a number of reforms, including an increase in the share of the Development Budget and the achievement of a competitive real effective exchange rate. The latest growth estimate of 6.2 percent suggests that these reforms are bearing fruit. However, more reforms will be required, including breaking-down of administrative bottlenecks still facing business, improved performance of parastatals, and scaling up of project implementation capacity in Government departments and the private sector, if we are to achieve the *Vision 2016* target of trebling Botswana's real per capita income from 1996 to 2016. At the current population growth rate, real GDP growth rate must average about 6.8 percent per annum for the next decade. There remains the challenge, Mr. Speaker, therefore, of accelerating implementation of *Vision 2016 through NDP 10* to achieve this target.

#### Exchange Rates and Balance of Payments

18. Mr. Speaker, during 2007, due to the crawling band exchange rate framework introduced in May 2005, stability of the real effective exchange rate of the Pula has been maintained. The Pula appreciated in nominal terms by a little over half a percent against the US dollar, and depreciated by less than 2 percent against the South African rand. The new exchange rate mechanism is clearly supporting Botswana's international

competitiveness, which is essential for *Accelerating Achievement of Vision 2016 through NDP 10*. It is important to note, nevertheless, that the key to sustained competitiveness lies with improved productivity in line with “*A Prosperous, Productive and Innovative Nation*” Pillar of *Vision 2016*.

19. Preliminary estimates of the balance of payments on the current account show a surplus of about P13.7 billion for 2007, an increase of P2.4 billion over the 2006 surplus. Exports of goods were valued at P33.3 billion, which represents an increase of 26 percent from the 2006 level. The increase was mainly driven by a rise of 19 percent in diamond exports, while those of copper and nickel increased by 50 percent. On the other hand, imports of goods increased by 31 percent from P15.3 billion to P20 billion in 2007, due mainly to significant increases in imports of food and beverages, fuel, machinery and electrical equipment, as well as vehicles and transport equipment. The balance on the capital account also increased from a surplus of P142 million in 2006 to P493 million in 2007, while the balance on financial account recorded a deficit of P2.7 billion. The overall balance of payments is expected, therefore, to show a surplus of about P11.3 billion in 2007, compared to a surplus of P10.3 billion in 2006.
20. Foreign exchange reserves amounted to P59.8 billion as at the end of November 2007, from P48.8 billion in November 2006. In US dollar terms the reserves increased by US\$2.3 billion to US\$10.2 billion over the same period. This is equivalent to SDR6.3 billion from SDR5.3 billion. The reserves represent 28 months cover for 2007 imports of goods and services, a one month decrease from the 2006 cover.

### **Inflation**

21. Mr. Speaker, Botswana’s monetary policy aims at achieving low levels of inflation, which amongst others, ensures the maintenance of international competitiveness. During the first half of 2007, inflation continued a downward trend, reaching 6.4 percent for the twelve months to June. It however, showed an upward trend in the second half of the year, mainly due to a combination of higher world prices of petroleum products and some food products, which have a high weight in the Consumer Price Index basket. Inflation averaged 7.1 percent in 2007, compared to 11.6 percent in 2006.

### **Credit Ratings and Performance Indices**

22. Mr. Speaker, in 2007, Botswana’s sovereign credit ratings by Moody’s Investor Services and Standard and Poor’s remained unchanged at “A” grading for the seventh year running. As I indicated previously, these ratings reflect Botswana’s continued strong financial position, well managed and growing economy, as well as improved prospects for economic diversification coupled with political stability. However, the rating agencies have once again raised caution that, in spite of the improved economic performance, Botswana’s ratings may be constrained by the high dependence on diamonds, a narrow economic base and the fiscal pressures of dealing with the HIV/AIDS epidemic.
23. As mentioned by His Excellency the President in his State of the Nation Address in November 2007, Botswana is still ranked Africa's least corrupt country. In 51<sup>st</sup> place worldwide, Botswana fares well in the World Bank's 2007 Doing Business Report, although

it has dropped 3 notches from the previous year's ranking of 48<sup>th</sup>. Further, the World Economic Forum's 2007/2008 Global Competitiveness report showed that Botswana has slipped down the ranks to position 76 from 72 reported in 2006, out of a total of 131 countries. This is a challenge for Botswana to embrace a culture of hard-work to compete with the best performing countries in the world. Efforts continue to be made on improving the enabling environment for the private sector to thrive. In this connection, the recently launched Botswana Brand initiative will help to address the low levels of awareness and knowledge of Botswana in the international arena, and help to promote increased investment into the country. We need to work even harder in the coming years to increase Botswana's competitiveness in order to *Accelerate the Achievement of Vision 2016 through NDP 10*.

### **Employment**

24. Mr. Speaker, in the last Budget Speech, I briefed the Honourable House on the results of the 2005/2006 Labour Force Survey. That comprehensive survey, which covered both the formal sector and the informal sector, is carried out every ten years. The Survey indicated that from 1995/1996 to 2005/2006 financial years, total employment grew at an annual average rate of 4.7 percent, from 345 405 to 584 594 persons. There is also the annual Formal Sector Employment Survey, which showed that formal sector employment grew by 2.2 percent, from 298 799 to 305 240 people in 2007. This growth rate favourably compares with the formal sector's average annual growth rate of 1.8 percent recorded between 2002 and 2006. It is important to note that formal sector employment surveys only cover the formal sector, excluding traditional agriculture and the informal sector, which are covered by the more comprehensive labour force surveys.
25. Implementation of major planned private and public sector projects, such as the Mmamabula Energy Project, North-South Carrier II Pipeline Project, Morupule B Power Station Project, Zambezi Integrated Agro-Commercial Development Project, tourism development and the construction of major dams, will provide a platform for significant growth and additional employment creation during NDP 10. In addition, Government will review all youth empowerment schemes, with a view to improving their effectiveness in accelerating youth employment.

### **Public Enterprises**

26. Mr. Speaker, the majority of the commercial public enterprises continued to perform satisfactorily during the financial year 2006/2007. The average net profit ratio, which is profit after tax as a percentage of gross sales, of twelve commercial public enterprises was 21 percent, compared to 20 percent for the previous year. The financial performance of these enterprises range from a net loss of P3.5 million, for the Botswana Agricultural Marketing Board, to a net profit of P714.8 million, recorded by the Botswana Development Corporation during the year.
27. Air Botswana, which suffered a net loss of P39 million in the year to March 2007, has since recorded some financial improvement during the past 8 months, up to November 2007, with net profit of P15 million. Government has recently decided to recapitalise Air Botswana to make it a viable national airline. In that regard, P103.1 million has been set



aside, to cover the costs of overhauling the ATR aircrafts, disposal and replacement of the loss making BAE146-100 aircrafts, improving the salaries of pilots and engaging a management contractor. Ultimately, for possible future privatisation, the Airline will seek to engage a strategic equity partner.

28. The restructuring of the BMC, Mr. Speaker, is bearing some fruit with the Commission making profits of P19.8 million in 2005, P34.9 million in 2006 and a provisional profit of P17.1 million recorded up to November 2007. This is as a result of improved throughput and a decrease in average costs. BMC has increased returns to farmers with the average price per animal increasing from P1 309 in 2005 to P2 409 in 2007. The Commission has also introduced new ways of reaching out to educate and encourage cattle producers to adopt better production methods. In this connection, BMC has opened district offices in Molepolole, Mahalapye, Serowe, Tsabong, Letlhakane, Maun and Gantsi.
29. The Motor Vehicle Accident Fund's audited financial results for the year ended 31<sup>st</sup> December 2006 reflected a surplus of P120 million, which was a decline of P16.0 million compared to the end of 2005 figure. Overall, the Fund's assets grew from P1.2 billion in 2005 to P1.6 billion in 2006. Under the Motor Vehicle Accident Fund Act of 2007, and in line with the *Vision 2016 Pillar of a Compassionate, Just and Caring Nation*, compensation will be provided for all victims of motor vehicle accidents, regardless of fault. Since the Fund will now cover a wider range of beneficiaries, there is a possibility that its reserves will be drawn down much faster than before, unless efforts to reduce road accidents are successful.
30. Mr. Speaker, the Public Procurement and Asset Disposal Board (PPADB) has adopted its second Corporate Strategic Plan for the five year period, 2008 through 2012, to further improve efficiency and effectiveness in the public procurement and asset disposal process, thereby helping to *Accelerate the Achievement of Vision 2016 through NDP 10*. In this regard, the financial threshold, which was set at P1 million for the Ministerial Tender Committees, is under review with the view to devolving more powers and setting new financial limits for the Ministerial and District Tender Committees by April 2008. The new limits will take into consideration the different sizes of the procuring entities and assign them different thresholds. The devolution process, which will be coupled with enhanced capacity building by procuring agencies, will allow the PPADB to assume more regulatory and monitoring responsibility to ensure compliance by the procuring entities with the provisions of the Public Procurement and Asset Disposal Act (PPAD Act). In addition, procurement processes of the PPADB continue to be reviewed, and in this regard, a Bill to amend the PPAD Act will be tabled during this or next Parliamentary meeting, in an effort to further enhance project implementation. The main objectives of the Bill are, for example, to relax the restriction on retroactive approvals in case of emergencies, and to make a provision for dealing with poorly performing contractors and service providers.

### **Privatisation**

31. Mr. Speaker, Government has decided to out source the administration of the Government Employees Motor Vehicle and Residential Property Advance Scheme (GEMVAS) to the private sector, preferably to a citizen owned company, to enhance citizen economic empowerment. The out-sourcing of the Scheme should be completed during the

2008/2009 financial year. Meanwhile, the Government Loans Insurance Fund which is currently managed by Aon Botswana (Pty) Ltd will continue to be out sourced, subject to periodic tendering for the management services of the Fund.

32. Mr. Speaker, Government has reached an agreement with the Botswana Building Society (BBS) to transfer Government's indefinite period shares in the BBS to a company known as Privatisation Assets Holdings (Pty) Limited, which is a company limited by guarantee and wholly owned by the Government of Botswana. The company was incorporated for the purpose of warehousing shares and other assets from privatised public entities, in accordance with the commitment in the Privatisation Policy for Botswana, to set up an "Investment Trust Fund" dedicated to citizen economic empowerment. The shares and assets shall be held by the company in the interim to enable a gradual disposition to citizens and citizen companies.
33. As I mentioned in the 2007 Budget Speech, the privatisation process for the National Development Bank (NDB) has been initiated and consultations are ongoing between Public Enterprises Evaluation and Privatisation Agency (PEEPA) and NDB on the development of a privatisation strategy for the Bank.
34. With regard to the privatisation of the Botswana Telecommunications Corporation (BTC), the International Finance Corporation has been appointed to be the transactions advisor for the process. This role will entail an assessment of BTC operations and formulation of a transaction strategy for the privatisation of the Corporation. This exercise is expected to be undertaken in 10 months beginning from February 2008. Meanwhile, a BTC Transition Bill will be tabled in Parliament before the end of this year, to facilitate the privatisation process of the Corporation.

#### **IV. SECTORAL REVIEWS**

##### **Financial Services**

35. Mr. Speaker, the consultancies on the Review of the Citizen Entrepreneurial Development Agency (CEDA) and the Citizen Economic Empowerment (CEE) schemes are expected to be completed by the end of this financial year. The CEDA review is, among others, recommending an increase in the CEDA loan thresholds and repayment period on the basis of high investment capital needed for certain projects. The CEE study advocates for vigorous implementation of measures for *Achievement of Vision 2016*. It also calls for the implementation of the 1998 Industrial Development Policy as a backbone to Botswana's industrial strategy and recommends the establishment of the Botswana Economic Empowerment Fund (BEEF) to provide a more targeted and structured financing approach.
36. Since inception, CEDA approved a total of 1 807 projects valued at P995 million, creating 14 903 job opportunities. The service sector received the largest share of the funding at 40 percent; while the agricultural sector received 19 percent; manufacturing 15 percent; retailing 14 percent; and property development 11 percent, as at the end of December 2007. The CEDA Venture Capital Fund financed projects are expected to generate 956 employment opportunities, while the CEDA Credit Guarantee Scheme has

created 897 jobs, also as at December 2007. The CEDA Young Farmers Fund has approved 42 projects valued at P14.9 million, since it was established in April, 2007.

37. Mr. Speaker, Government has been carrying out periodic reforms of the financial services sector in order to strengthen the financial operating environment. These reforms include the revision of some financial sector laws, financial assistance programmes, and recently the establishment of the Non-Bank Financial Institutions Regulatory Authority. The Authority will ensure soundness, sustainability and global competitiveness of the non-bank financial sector activities that fall under its purview. In that way, it will enhance sustainable economic diversification and help to *Accelerate the Achievement of Vision 2016*. The Board of the Authority was inaugurated in November 2007 and it is in the process of recruiting a Chief Executive Officer and staff for the Authority, which will start operations in April 2008. Meanwhile, the value of the assets of the non-bank financial sector continues to grow and have surpassed those of the banking sector.
38. The joint IMF-World Bank (WB) Financial Sector Assessment of Botswana undertaken in 2007 confirmed that the financial services sector is well poised to play a major facilitative role in economic diversification and efficient use of national savings. Despite this positive outlook, the Assessment has identified key priority areas for attention. These include; establishing a formal financial stability framework for monitoring and responding to system-wide macro-financial risks; and the strengthening of regulation and supervision of the pension sector and other non-bank financial institutions, including capital markets. Implementation of the recommendations of the IMF-WB Financial Sector Assessment report will add impetus to Government's efforts to diversify the economy by further harnessing the financial services sector for *achievement of Vision 2016*.
39. The insurance industry reported total assets of P12.3 billion at the end of December 2006 reflecting an increase of 32 percent since 2005. It should be noted that the industry is still to file returns for the year ending December 2007. Meanwhile, the pension industry has continued to show significant growth, from total assets valued at P29.1 billion at the end of December 2006, to P34.3 billion as at the 31<sup>st</sup> December 2007, reflecting an increase of 17.9 percent. This growth was mainly driven by the healthy investment returns earned on assets of pension funds. The Botswana Public Officers Pension Fund continues to be the largest Fund with assets in excess of P26.6 billion and now constitutes about 78 percent of total pension assets.
40. Mr. Speaker, Government will also continue to support the development of the capital market with a regular bond issuance programme. This will include the introduction of six-month Treasury Bills, and a regular programme of issue and re-issue of bonds to build up and maintain a presence across the yield curve from six months to twelve years. The 5-year bond that will mature in March 2008 will be replaced by a mix of maturities across the yield curve. By generating a benchmark maturity and yield profile, the Government bond issuance programme will guide borrowers who need to access the market for long-term finance. This will also serve to reduce the cost of the Bank of Botswana Certificates, and will facilitate planning for Government's investment in large-scale development projects during NDP 10 that are aimed at accelerating growth for the *Achievement of Vision 2016*. The Bank of Botswana, acting as Government's agent, will be publishing the details of the bond issuance programme shortly.

41. Other efforts to support the development of the capital market include the drafting of a Securities Bill, which will be tabled before this Honourable House in July 2008; and the installation of the Central Securities Depository for electronic registration of share certificates. The Central Securities Depository at the Botswana Stock Exchange will be operational by the end of this month.
42. The Botswana International Financial Services Centre (IFSC) has accredited 39 companies since its inception in 2001/2002, 19 of which are already operational. Further, 9 companies are expected to commence operations during 2008. In July 2007, Government published regulations to underpin the International Insurance Act of 2005, in that way making Botswana an attractive location from which a wide range of insurance services can be provided to non-residents and in currencies other than the Pula. The introduction of these regulations will also allow the Botswana IFSC to attract companies interested in setting up reinsurance or captive insurance business in Botswana.
43. Mr Speaker, Botswana's continued efforts to combat money laundering and the financing of terrorism were acknowledged by the WB Financial Sector Assessment Programme Report of 2007. To consolidate these efforts, Government is drafting a Financial Intelligence Bill, which will deal with money laundering and the financing of terrorism. The Bill is expected to be presented to this House during the course of the next financial year.
44. In order to strengthen the oversight of the accounting and auditing professions and improve the reporting on financial matters of the corporate sector, a Financial Reporting Bill will be tabled in Parliament in June/July, 2008. The Bill will seek to establish a body to regulate and enforce accounting and auditing standards, oversee professional accounting bodies and streamline the regulatory framework in the accounting and auditing professions, to enhance transparency and assist in better identification of weaknesses that may contribute to financial vulnerability. The adoption of the financial reporting regulatory framework should further enhance investor confidence, thereby improving the country's attractiveness for foreign direct investment.

### **Population and Development**

45. Mr. Speaker, prior to the impact of the HIV/AIDS epidemic, investments in social services resulted in positive gains in the well being of Botswana's population, such as increased life expectancy, decline in child and maternal mortality, as well as decline in the population growth rate from 3.5 percent, in the decade to the 1991, to 2.4 percent in the decade to 2001. The advent of HIV/AIDS has posed serious population challenges with the reduction in the general health of the population, decreased life expectancy and increased mortality. As a result, the National Population Policy is now being reviewed to respond to these challenges, as well as to align the Policy with the Millennium Development Goals and *Vision 2016*. A revised draft Policy is being finalised for presentation to this Honourable House during 2008.
46. The revised Population Policy will propose a shift of emphasis to focus on improving the standard of living of the population. This will entail dealing with challenges of ill-

health, poverty, HIV/AIDS, as well as non-demographic variables, such as improved access to social services and employment creation, which in turn should *Accelerate the Achievement of Vision 2016*.

47. Mr. Speaker, there are already improvements in some population variables. The adult literacy rate increased from 69 percent in 1993 to 81 percent in 2003, and the enrolment levels of girls in schools is now at par with that of boys. Meanwhile, preliminary results from the 2006 Demographic Survey indicate a slowing-down of the population growth rate since the 2001 Population and Housing Census. Overall, the Survey indicates an estimated population, in August 2007, of 1 756 700 or about 1.8 million people. The non-Batswana population is estimated at 3 percent of the total population. The age distribution shows that about 35 percent of the population is below the age of 15, while 5 percent is above 65 years. In addition, the data show that teenage fertility has been declining over the years since the late 1980s, with the share of teenage births among all births declining from 23.7 percent in 1988 to 9.7 percent in 2006. The Demographic Survey also estimates the life expectancy at birth to be 54 years, comprising 49 years for males and 60 years for females. The new estimate of life expectancy represent a decline from 55.6 years estimated in 2001. Prior to the HIV/AIDS scourge, the life expectancy increased, reaching 65.3 years in 1991. Government is determined through implementing different policies and programmes to reverse the adverse impact of HIV/AIDS on the population.
48. In terms of the *Vision 2016* Pillar of *A Compassionate, Just and Caring Nation*, there should be no new HIV infections by 2016. In the last few years, there has been progress in accelerating the achievement of this Pillar. As a result, the HIV prevalence rates, both at the national level and for most age groups have dropped. The reduction of the HIV prevalence among pregnant women from 37.4 percent in 2003 to 32.4 percent in 2006 is an indication that there is progress towards fighting the HIV scourge. In addition, the national prevalence rate for the age group of 18 months and above was 17.1 percent, as I indicated last year.
49. Furthermore, it is targeted to enrol 110 000 people for the Anti Retroviral Therapy (ART) by 2009, while 90 543 patients were already enrolled for ART by the end of September 2007. The ART programme has been rolled out to 42 clinics countrywide as a way of increasing access to the therapy. Mr. Speaker, I should, in light of these positive developments, express Batswana's gratitude to all our development partners in the fight against HIV/AIDS. In particular I wish to single out the USA President's Emergency Programme for AIDS Relief (PEPFAR), Africa Comprehensive HIV/AIDS Partnership (ACHAP) and the Global Fund, for their invaluable assistance in the battle against the HIV scourge.
50. Mr. Speaker, one of the aims of *Vision 2016* is to eradicate absolute poverty by 2016. In this context, the implementation of the National Strategy for Poverty Reduction of 2003 is continuing in earnest with: a review of selected programmes to establish their consistency with the overall Strategy goal of reducing poverty; institutionalisation of an improved poverty reporting mechanism and development of core welfare indicators as part of a comprehensive monitoring system that helps to track progress on poverty reduction. There will also be need to ensure that the National Strategy for Poverty Reduction is fully integrated into the National Development Plan 10 objectives, policies and programmes.

## **Trade and Investment Promotion**

51. Mr. Speaker, provisions under the Cotonou Agreement for trade between the EU and ACP Countries came to an end on the 31<sup>st</sup> December 2007. An Interim Agreement was entered into whilst negotiations on Economic Partnership Agreements are extended for another year, during which period, there will be no duty and quota for Botswana's beef exports to the EU. The successful completion of the negotiations will accord ACP countries a favourable trading climate with the EU, and most importantly, ensure continued access of Botswana's beef exports to the EU. Meanwhile, the drafts of the Foreign Direct Investment Strategy, Foreign Direct Investment Law, National Trade Policy and National Export Strategy, which are intended to enhance the levels of foreign direct investment and exports, are being finalized and will be presented to Government during the 2008/2009 financial year.
52. The Southern African Development Community-Free Trade Area (SADC-FTA), will be launched in August 2008 at the next SADC Summit. The FTA will allow free movement of goods and services produced within the region, but each Member State will still have its own external tariff to non-member states of SADC. The FTA will provide a larger SADC market to local producers for goods and services without any tariff wall within the region. However, local producers will face competition from the rest of SADC Member States, which presents a challenge for Botswana producers to be more competitive in the market. The FTA is a first step towards regional integration and will be followed by the SADC Customs Union, which is targeted for 2010. The Customs Union will allow free movements of goods and services in the region, while all Member States will have a common external tariff to third parties.
53. Botswana assumed the Chairmanship of the Southern African Customs Union (SACU) in July 2007. This development is taking place at the time when SACU Member Countries are seized with the implementation of the 2002 SACU Agreement, which envisaged more democratised SACU decision-making institutions, such as SACU Tariff Board, Secretariat, Tribunal, and management of the SACU Common Revenue Pool; as well as adoption of common policies and strategies. While the SACU Secretariat is already operational, other structures are still to be established. SACU also seeks to deepen regional economic integration under the envisaged SADC-FTA and the SADC-EPA Agreement with the EU. In this regard, a number of studies have been commissioned to examine the implications of these initiatives in order for Members States to take informed decisions.
54. Mr Speaker, the Botswana Export Development and Investment Authority (BEDIA) continue to make efforts to attract foreign direct investment. A combined total investment of P148 million in 2006/2007, for both new and expanding businesses was expected to yield 1 134 jobs, which is an investment growth rate of 8 percent over P137.2 million in 2005/2006. In addition, a feasibility study on cargo and logistics facilities is ongoing, whilst two studies on beef and beef-product manufacturing, and glass manufacturing have been completed. The beef-product study recommended the conversion of the current livestock production system to a weaner production system, which has the potential to increase throughput to 600 000 slaughter cattle annually. The glass manufacturing study concluded that Botswana has good quality raw materials, which could produce glass products. In that regard, the Botswana Development Corporation has approved co-financing with a Chinese

company, as a technical partner, to establish a glass manufacturing plant in Palapye. The Corporation will invest P309 million, of which P179 million will be loan financing, P30 million redeemable preference shares, and a corporate guarantee of P100 million. Preliminary design for the plant and ancillary facilities has commenced and construction of the project is expected to commence during 2008.

55. In addition, BEDIA has embarked on an export development programme aimed at improving the capacity of local manufacturers and in that regard, 15 local manufacturers will be trained annually in various aspects of export management. For its part, the Local Enterprise Authority (LEA) has extended its operations by opening 13 branches countrywide. LEA provided training in business management and marketing skills to 1 114 entrepreneurs during 2007, and has undertaken to provide such training to 1 500 small business owners annually.
56. Mr Speaker, to keep pace with international developments and market trends in tourism, the Tourism Policy of 1990 and its related legislation are under review. This is to facilitate growth and investment in the sector whilst protecting the natural resources which form the foundation of the tourism industry. Significant investments were made during 2007 to market Botswana tourism. These include sponsorship of a film based on the popular series of books by Mr. Alexander McCall Smith, about a fictional Motswana character named Mma Ramotswe. Judging from the international popularity of the book series, we believe that the film will draw more tourists to the country.
57. Initiatives are also underway to expand the tourism base to other parts of Botswana and, in this respect, a number of new lodge sites have been identified in the southern and western parts of the country. Some of these sites are at an advanced stage of allocation to investors to develop. As a way of empowering Batswana, Government has decided to lease all the campsites in protected areas currently run by Government to citizen entrepreneurs.
58. A major study conducted by the World Travel and Tourism Council has revealed that Botswana ranks very high in tourism demand, meaning that it is one of the destinations worldwide preferred by tourists. However to capture this demand we have to invest significantly in our airports and tourism accommodation facilities, as well as improve our service standards to rival those of world famous tourism destinations. In this connection, the Sir Seretse Khama International, Kasane, Maun and Francistown airports will be upgraded during NDP10 to facilitate, in particular, the growth of the tourism sector.

## **Agriculture**

59. Mr. Speaker, the agricultural sector remains the mainstay of the majority of rural households. Government will continue to make investments in the sector with a view to improving its productivity, enhancing rural incomes and diversifying the economy, thus *Accelerating Achievement of Vision 2016 through NDP 10*. The setting-up of Production and Training Farms under NAMPAADD at Ramatlabama, Dikabeya, Sunnyside and Glen Valley, has been completed and the projects will be fully operational during 2008/2009. The next phase will be to consolidate the activities of these projects, provide more varied demonstrations and training to farmers, until the programme is completed in 2012. It is

expected that the Ministry of Agriculture will assist farmers to take advantage of this service to improve their production methods.

60. Mr. Speaker, Government has entered into an Agreement with a foreign private investor, to carry out a feasibility study of the Zambezi Integrated Agro-Commercial Development Project in Pandamatenga. The private investor will invest in agro-commercial activities like fisheries, poultry, field crops, vegetables and oil plants; whilst Government investment will be in infrastructure, mainly for water conveyance from the Chobe-Zambezi River system to the project site for irrigation. The project will have a significant impact on the agricultural sector's contribution to GDP, agricultural exports, food security, economic diversification and employment. The use of Chobe-Zambezi River system water will be governed by the Zambezi River Basin Commission Agreement, which has been signed with the other riparian states. In this regard, the Ministry of Minerals, Energy and Water Resources is carrying out an environmental impact assessment and feasibility study on the transfer of water from the Chobe-Zambezi River system.
61. As the Honourable House is aware, the Arable Lands Development Programme (ALDEP) and the Livestock Water Development Programme have been reviewed to enhance agricultural output in the communal agricultural sub-sector. However, these schemes are experiencing inadequate uptake, as a result of increased cost of components and some farmers being unable to raise the necessary down payment to access the schemes. Consequently, the guidelines of the schemes are being reviewed to help address these problems.
62. The report on the Agricultural Infrastructure Development Initiative produced in November 2004 indicated that only 17 percent of farmers have access to power, 22 percent to telecommunications, 45 percent to roads (i.e. primary, tertiary and all weather), and 64 percent to agricultural water. Given this situation, the report has identified these four main services as critical for increasing productivity in the agricultural sector. Therefore, Government is currently preparing a comprehensive strategy for the development of the agricultural infrastructure for implementation during NDP 10.
63. Mr. Speaker, the country was plagued by a severe drought in 2006/2007 financial year due to deficient rainfall. As a result, both the total area planted and the yields were seriously affected. The total area planted during the 2006/2007 cropping season was 69 288 hectares, which was less than half of the 140 326 hectares planted during the 2005/2006 season. While the total cereal requirements for 2006/2007 exceeded 320 643 metric tonnes, total production for the commercial and communal sub-sectors was 33 431 metric tonnes, implying a substantial deficit for domestic consumption, which was met by imports.
64. Government instituted comprehensive drought intervention measures comprising human relief programmes, livestock feeds and seed subsidy, at an estimated cost of P323.8 million. By the end of November 2007, the districts had spent a total of P92.0 million on drought relief projects and the cumulative number of people employed for the five months period between July and November 2007 was 46 035. The total expenditure and employment figures under this programme are, however, expected to increase substantially as the programme continues through to June 2008. Despite the drought condition, the food security situation remained stable, and child malnutrition of the *under fives* declined from



5.2 percent in 2006 to 4.1 percent in 2007. Mr. Speaker, given the good rains we have had this season, I wish to implore Botswana to take crop production seriously to further improve the food situation in Botswana, as well as in the region.

### **Minerals**

65. Mr. Speaker, Botswana's minerals sector is flourishing. Exploration for a wide variety of minerals is active and several new mineral projects were launched during NDP 9. The headquarters of the Diamond Trading Company (Botswana) is at an advanced stage of construction, and will be fully functional during this calendar year. At the same time diamond cutting licenses have been issued to 16 companies and the expectation is that, by the end of 2008, a total of 3 000 people will be employed in the diamond manufacturing sector in Botswana. In addition, Messina Copper and DiamonEx (Botswana) have started mining operations, while African Diamonds has submitted an application for a mining licence for the AK 6 diamond deposit.
66. Honourable Members will recall that a tax agreement with the Botswana Metal Refinery (Activox) company was approved by this House in August 2007 as part of Government's efforts to promote beneficiation of minerals produced in the country. Under this project the copper and nickel ore will be processed to finished copper and nickel cathodes. The project is making steady progress, albeit, facing challenges common to similar projects worldwide, such as increasing construction costs, long lead times and shortage of skilled labour. However, on the brighter side, the project has to-date engaged 9 companies, 5 of which are Botswana companies, to undertake its activities. At present, 660 personnel are engaged on the project site, of which 571 are Botswana. It is expected that during the course of this year, when the project activities peak up, over 4 000 people will be employed by the project.
67. Mr. Speaker, the diamond market has become more volatile in recent years. After a substantial increase in production to 34.4 million carats in 2006, Botswana's production is expected to have been lower in 2007, by about 761 000 carats, while other minerals' production showed significant growth in 2007. Gold production at the Mupane mine is expected to have increased from 2 546 kg in 2006 to 2 656 kg in 2007. Soda ash production for 2007 reached 279 625 tonnes from 255 677 tonnes in 2006. Similarly, salt production increased slightly from 151 595 tonnes in 2006 to 165 710 tonnes during 2007.
68. Coal production at Morupule Colliery is expected to have declined from 962 427 tonnes in 2006 to 832 007 tonnes in 2007, mainly due to low customer off-take. In order to address this, a coal washing plant to improve the calorific value of the coal was constructed and commissioned last month. This will provide an opportunity to expand production and exports of coal to neighbouring countries.
69. Mr. Speaker, BCL Ltd is currently experiencing a revival after surviving on Government emergency funding for several years. The Company has been able to accumulate enough financial reserves to meet its operational and project funding requirements, to the extent that it repaid part of the emergency funding to Government in 2006. During 2007, the Company undertook a major refurbishment of the smelter plant and is also undertaking other projects to improve its overall performance. In the meantime, Government has

formulated a strategy for Economic Diversification of Selebi Phikwe and consequently my Ministry is in the process of setting up a fully fledged Unit to steer the implementation of the strategy. A Coordinator of the Unit will be appointed by the end of April, 2008.

## **Energy**

70. Mr. Speaker, reliable and efficient energy sources are a prerequisite for achieving the *Vision 2016* Pillar of a *Prosperous, Productive And Innovative Nation*. In this regard, Government is working around the clock to ensure the successful implementation of the major energy projects. The Mmamabula Energy Project is at a stage where tariff negotiations are ongoing between the project sponsors, CIC Energy Corporation and International Power plc, and the off-takers, being Botswana Power Corporation and Eskom, the South African electricity utility. Eskom is the anchor off-taker and is expected to absorb 75 percent of the production estimated at 2,745 Megawatts (MW), under the first phase of the project, whilst BPC is expected to take the remaining 25 percent of the output.
71. At the same time the development of the initial phase of the Morupule B Power Station Project, which entails the development of a new 600 MW gross capacity coal fired plant is at tender evaluation stage, with an Engineering Procurement and Construction award of the project scheduled for the end of March 2008.
72. Mr. Speaker, electrification is a fundamental conduit for development that will help us realize the aspirations of *Vision 2016*. At the beginning of NDP 9, 15 additional villages were electrified in addition to the 238 that had been electrified in the previous National Development Plans. Government has now embarked on a major programme of electrifying additional 130 villages and the extension of electrification network in 20 villages. Out of the 130 villages, it is expected that the electrification of 60 villages will be completed during the current financial year, while the remaining villages will be completed during 2008/2009 financial year. The electrification network extension work in the 20 villages is scheduled for completion by next month.
73. Mr. Speaker, allow me to touch on the electricity supply situation in the country and the region. Until very recently there was surplus electricity generation capacity in the SADC region. However, demand for electricity has grown considerably faster than was forecast because of increased mining activities in the region. The resulting power deficit was exacerbated, in January 2008, by the difficulties experienced in delivery of coal to some of Eskom power stations, which resulted in the shutting-down of some industries in South Africa, and adversely affected electricity supplies to Botswana.
74. About 75 percent of Botswana's electrical energy requirements are met through imports, mainly from Eskom. The Power Supply Agreement that enabled Botswana Power Corporation (BPC) to import up to 410 MW from Eskom came to an end on the 31<sup>st</sup> December 2007 and a new five year Power Supply Agreement came into effect on the 1<sup>st</sup> January, 2008. Under the new Agreement, BPC is able to import up to 350 MW during 2008 and 2009. The supply will then be reduced to 250 MW in 2010 and 150 MW during 2011 and 2012. Under both the old and the new Power Supply Agreements, any load-shedding by Eskom is shared proportionately between Eskom's domestic customers and its exports to Botswana.

75. BPC is doing all it can to implement short, medium and long term power supply strategies to ensure that Botswana has sufficient power. For example, BPC has entered into power purchase agreements with utilities in Mozambique. In addition, BPC is introducing a wide range of measures to conserve electricity, including shifting load to off-peak periods. For the medium and long term, Government is facilitating the acceleration of the implementation of Morupule B Power Station and Mmamabula Energy Projects, as I have indicated earlier.

### **Water**

76. Mr. Speaker, I am happy to announce that, though the construction of the treatment works and pipeline for Ntimbale dam was one year behind schedule, it is now complete, while the distribution pump station will be ready in April, 2008. Works have started for the proposed major dams, such as Dikgathong, Thune, Lotsane and Mosetse. At the same time the design and construction of the North-South Carrier II Pipeline Project will start during the 2008/2009 financial year. In addition, given the water shortages in some villages Government has embarked on an emergency programme to address this problem in 79 villages, such as Kanye, Thamaga, Moshupa, Serowe, Kasane, Letlhakane, Molepolole, Molapowabojang, Radisele, Ditladi, Sefophe, Serule and Gakhibana. This will involve construction of treatment plants, equipping of boreholes, construction of water pipelines and installation of pumps to be completed at different times between March 2008 and April 2009.

77. As mentioned in the Mid-Term Review of NDP 9, the completion of these major water projects and their operation will most certainly facilitate economic growth and the *Achievement of Vision 2016* Pillars, as well as facilitate full access to safe potable drinking water. In order to optimize the use of water as a scarce resource, water demand management will be a key strategy during NDP10.

### **Transport**

78. Mr. Speaker, transport is a key platform for economic development, trade competitiveness, as well as domestic and regional integration. In addition to the upgrading of major airports, which I referred to earlier, construction of some of the major roads that is ongoing includes; the Tsabong-Middlepits, Middlepits-Bokspits, Dutlwe-Morwamosu and Sekoma-Kokotsha roads, whilst roads like, Francistown-Ramokgwebana, Francistown-Nata and Nata-Kazungula are under design and their construction will commence during 2008/2009. The dualling of the Gaborone-Tlokweng Border Post, Western Bypass-Metsimotlhabe, Tonota-Francistown and Gaborone-Boatle roads, will commence during 2008/2009. During the same year, new road projects like Charleshill-Ncojane, Tsabong-Hukuntsi and Molepolole-Lentsweletau, Boatle-Lobatse and the dualling of Mogoditshane-Gabane, will be designed for construction during NDP10. My Colleague, the Honourable Minister of Works and Transport, will give a full report on the status of these and other road projects, which are in NDP 9, in her Committee of Supply Speech.

## **Information and Communications Technology (ICT)**

79. Mr. Speaker, several ICT initiatives are underway to *Accelerate Achievement* of the *Vision 2016 Pillar* of an *Educated And Informed Nation*. To this end, a piece of land has been acquired near the Sir Seretse Khama International Airport for the construction of the Botswana Innovation Hub. The Hub will act as a catalyst to enhance Botswana's ability to compete globally in the ICT arena. The project is expected to start in 2008 for completion in 2010. Further, Government will sign international ICT connectivity infrastructure agreements, intended to connect Africa to all major worldwide internet traffic routes and destinations. In addition, the national high capacity broadband telecommunications backbone ring infrastructure will be completed once the more than 2000 kilometres TransKalahari fibre-optic project is completed by the end of April 2008. Once all these projects are operational, Botswana will have a fully resilient core ICT backbone connecting to the rest of the world, which matches the best in the world.
80. Mr. Speaker, the implementation of the Radio Botswana and Botswana Television (Btv) Transmission Programme will improve transmission coverage from 80 percent for the Radio and 40 percent for the Btv to 95 percent coverage for both the Radio and Television by the end of the 2008/2009 financial year.
81. Mr. Speaker, telecommunication connectivity is an important vehicle for economic development, which is also in line with the *Maitlamo* Policy of Government. During Nteletsa II, the intention is to connect additional 197 villages. Tenders for Nteletsa II are being evaluated and the implementation programme will start during the current financial year for completion by December 2009.

## **Education**

82. Mr. Speaker, in pursuit of the *Vision 2016 Pillar of An Educated And Informed Nation*, the Education sector has continued focus on improving access to quality education and training, with a view to providing competent human resources necessary for scaling up the nation's economic growth, and thereby *Accelerating the Achievement of Vision 2016*. The transition rate from junior to senior secondary schools has steadily increased from 49 percent at the beginning of NDP 9 to 67 percent in 2008. The target is to increase the transition rate to 70 percent by the end of NDP 9, with the coming on stream of the new Senior Secondary Schools in Goodhope, Nata, Shakawe, Mogoditshane and Mmadinare. Meanwhile, the target transition rate from junior to senior secondary schools and technical colleges (including brigades) will be 83 percent by the end of NDP 9.
83. Mr. Speaker, total enrolment for undergraduate students at the University of Botswana increased from 10 872 at the beginning of the NDP 9 period to 13 189 by 2007. Although the enrolment is lower than the planned target of 15 000, access to tertiary education has improved through placement of 35 000 students in other colleges and tertiary institutions locally and internationally. Total enrolment at University of Botswana, including both undergraduate and post graduate students stood at 14 590 during 2007. In order to achieve the planned enrolment target, the UB Expansion Programme has started, with the construction of Site Infrastructure, Multidisciplinary Academic Buildings and the Student

Service Centre. In addition, the design of the Faculty of Engineering is being finalized, with tenders for construction expected to be opened in May 2008.

84. Further, the setting-up of a medical education programme at the University of Botswana continued in 2007, with the commencement of work on a new Faculty of Health Sciences facility. The contract for clearing of site, compacting and sewerage works was awarded in November 2007 and will be completed by the end of the current financial year. The tender for actual construction of the Faculty will be issued in April 2008, with construction expected to start in June 2008. In addition, major hospitals like Nyangabgwe and Princess Marina will be upgraded to support the medical education programme.
85. Mr. Speaker, the Botswana International University of Science and Technology (BIUST) is being established to increase access to tertiary education and to facilitate development of Botswana's human resources in skills and competencies that will promote research and innovation. BIUST will seek to partner with industry, as well as local and international institutions to facilitate exchange programmes and work attachments to ensure relevance to the world of work for both staff and students. Government has decided to construct the University on a *Design, Build, Finance and Operate* concept, and the tender for this method of procurement is expected to be published in April 2008. Honourable Members will appreciate that this is a large and complex project, and therefore, will be implemented in a phased manner. The initial intake of the University is expected during the 2009/2010 financial year.
86. Mr. Speaker, Government is continuing efforts to expand tertiary education in the country. In addition to the expansion of UB and other public tertiary institutions, and the development of the Botswana International University of Science and Technology, Government has encouraged the creation of a number of private tertiary institutions by establishing a licensing and oversight body, the Tertiary Education Council, and offering sponsorship to Botswana students in the licensed private institutions. In this regard, I wish to recognise the rapid emergence of various tertiary institutions, which are already offering diploma or degree programmes, including: Limkokwing University of Creative Technology, with headquarters in Malaysia and a branch in Gaborone; NIIT, based in India, with branches in Gaborone and Francistown; ABM University College in Francistown; and Ba Isago University College with branches in Gaborone and Francistown.

### **Law, Justice and Security**

87. Mr. Speaker, in pursuit of the *Vision 2016 Pillar of A Safe And Secure Nation*, a number of strategies and policies will continue to be introduced in order to improve security, protect rights and property of the nation. In this connection, various projects falling under the Botswana Police Service, Directorate on Corruption and Economic Crime (DCEC), the newly established Directorate of Intelligence and Security (DIS), Administration of Justice (AOJ), the Industrial Court and the Botswana Defence Force (BDF) will be implemented.
88. The major projects to be undertaken by AOJ during 2008/2009 will be the establishment of a High Court Division in Gaborone, the construction of the Lobatse Magistrate Court and the extension of the Broadhurst Magistrate Court. To improve litigation and reduce backlog of cases, in addition to provision of physical infrastructure for the Courts, the AOJ has

embarked on a number of reforms. These include; the installation of a computerized Court Record Management System; the adoption of a new system of Judicial Case Management, under which Judges will control the pace of litigation instead of the lawyers as it is the practice now; a new system of Court Annexed Mediation, which will allow a Judge to refer a case to mediators; amendment of the Rules of Courts to improve efficiency; the introduction of Small Claims Courts to relieve Magistrates of the workload by allowing these Courts to hear cases of a claim of up to P 7 000; and the establishment of Traffic and Maintenance Courts in Gaborone and Francistown, which have proved very effective in dealing with case loads in those specialized areas.

89. Mr. Speaker, a number of existing Police Stations will be expanded and new ones established at different locations around the country to curb crime. Construction of new police facilities is ongoing, with some almost complete at places, such as Kachikau, Dibete, Sehitwa and Machaneng. Additional Police Stations and related facilities will be established in Mahalapye, Palapye, Mmathubudukwane, Maitengwe and Mmashoro. In addition, the Botswana Police Service will start an air wing by the end of NDP 9, with three helicopters being procured and sixteen pilot trainees in South Africa and the United States of America.
90. The major programme for the BDF will entail provision of housing and logistic support for the soldiers. While, the DCEC will open offices in Francistown and Maun to effectively deliver on its mandate. In addition, the Directorate will review its anti-corruption strategy and carry out a study of trends of money laundering and financial crimes in Botswana. The DIS, which will be operational in 2008, will be resourced to start work in 2008/2009. The Industrial Court building in Gaborone will be completed during 2008/2009, whilst circuit courts continue to be held around the country in places like Francistown, Maun and Selebi-Phikwe. The Industrial Court has started to address the case backlog, which currently stands at 1 522 cases. During NDP 10 there will be a legislative review to provide for procedures, which will empower the Industrial Court to deal with caseload more effectively and efficiently.
91. Mr. Speaker, the Customary Court system is a fundamental part of the judicial system in Botswana, as it is easily accessible to the populace. It is, therefore, imperative for Government to provide the necessary resources and infrastructure for this system to function effectively. The major focus during NDP 9 was to eradicate the backlog of provision of customary courts infrastructure and to provide transport and communication facilities for new customary court facilities. Out of 146 customary courts planned for NDP 9, 46 have been completed, whilst 40 are ongoing. The construction of the remaining 60 courts will start during 2008/2009.

## **V. 2006/2007 BUDGET OUTTURN**

92. Mr. Speaker, the budget outturn for the 2006/2007 financial year was an overall surplus of P7.66 billion, compared to the anticipated surplus of P4.39 billion in the revised budget estimates. This substantial budget surplus outturn was due to a combination of the slightly more than anticipated revenue earnings and significant under-spending of the total budget. The under-spending was mainly attributable to inadequate capacity in the implementing departments. I will expand on this matter later.

93. Actual total revenue and grants for 2006/07 amounted to P27.40 billion, which was higher than the estimated P26.80 billion in the revised estimates, and represents a net increase of 2.2 percent. Mineral revenue had the highest increase of P1.74 billion, accounted for mainly by the 6 percent increase in diamond sales. Bank of Botswana revenue increased by P19.05 million, which was 3.3 percent over the revised budget due mainly to better returns on investments. VAT also recorded an increase of P56.66 million over the revised estimate of P2.19 billion, due to improved collection by the Botswana Unified Revenue Service. However, other revenue items recorded decreases from the revised budget estimates. Customs and Excise accounted for the highest decrease of P751.42 million, due largely to a shift in the timing of an adjustment owing to SACU Member States from the Revenue Pool. The adjustment of P2.06 billion had originally been expected in the financial year 2006/07, but was paid only in part during 2006/07, with the remainder paid in 2007/08. Non-Mineral Income Tax collections grew more slowly than anticipated, resulting in a shortfall of P243.26 million.
94. Mr. Speaker, actual total expenditure and net lending in 2006/2007 amounted to P19.74 billion compared to P22.41 billion in the revised budget, representing an under spending of P2.67 billion or about 13.5 percent. The Recurrent expenditure amounted to P15.95 billion, compared to P16.86 billion in the revised estimates or about 5.7 percent below the revised estimate. The Ministries of Education with P235 million; Minerals, Energy and Water Resources with P112 million; Health with P100 million; and Finance and Development Planning with P109 million, accounted for 71 percent of the total under-expenditure under the Recurrent Budget.
95. The Development expenditure recorded P4.06 billion in 2006/2007, which was under-expenditure by P1.54 billion or 28 percent below P5.60 billion in the revised estimates. Compared with the original budget estimate of P5.80 billion, the Development expenditure represented an under-expenditure of P1.74 billion, or 30 percent. In absolute terms, the major contributors of the Development Budget under-expenditure were the Ministries of: State President with P424 million; Education with P254 million; Health with P208 million; Local Government with P204 million; and Works and Transport with P151 million. These Ministries accounted for 73 percent of the total under-expenditure of the Development Budget.

## **VI. 2007/2008 REVISED BUDGET ESTIMATES**

96. Mr. Speaker, turning to the current financial year, the original total budget expenditure estimate of P25.91 billion for 2007/2008 represented a budget surplus of P1.27 billion, whilst the revised budget shows a reduced budget surplus of P786.51 million. The revised total Revenue and Grants is estimated at P27.18 billion. In this regard, I wish to recognise the efforts being made by the Botswana Unified Revenue Service to increase tax collection through increased reconciliation of accounts on a monthly basis, and improved follow-ups to collect and reduce tax arrears.
97. The revised total expenditure and net lending for 2007/2008 is estimated at P26.39 billion. The revised recurrent expenditure estimate is P18.73 billion, which is slightly higher than the original budget estimate of P18.72 billion, while the revised Development Budget is P7.72 billion, compared to P7.26 billion in the original budget estimates. The

marginal increase of P463.58 million or 6 percent in the revised Development expenditure is in anticipation of some improvements in the implementation capacity as a result of the measures I previously announced to deal with implementation bottlenecks.

98. With regard to recurrent expenditure, the revised budget is P18.73 billion, which is P15.29 million more than the original estimate due to a supplementary budget to cater for the then newly created Ministry of Youth, Sports and Culture and the Public Sector salary increment of 6 percent announced in the 2007 Budget Speech.
99. I am pleased to note that the revised total budget for the 2007/08 financial year is in line with the Mid Term Review of NDP 9 target, with the Development Budget amounting to 29.3 percent of total revised expenditure and net lending.

## **VII. 2008/2009 BUDGET ESTIMATES**

100. Mr. Speaker, project implementation continues to be a challenge. During the 2006 Budget Speech, I advised Ministries and all implementing agencies to take advantage of new measures introduced to improve project implementation, such as undertaking pre-contract services after the draft Estimates had been approved by Cabinet and direct appointment through a roster system for consultancy services to a maximum project value of P25 million. In addition, Ministries are allowed to approve their project memoranda up to a threshold of P10 million; the requirement for Environmental Impact Assessments is waived on a case by case basis; and some technical implementing departments were strengthened with additional resources to improve their implementation capacity. Furthermore, Mr. Speaker, as I mentioned earlier, the financial thresholds will be increased for the Ministerial and District Tender Committees in April, 2008. In addition, the revised Public Procurement and Asset Disposal Act will be tabled during this Parliamentary meeting. In this way the procurement process will be streamlined and improved further to enhance project implementation.
101. The biggest problem bedeviling project implementation is inadequate capacity in technical departments, as well as contractors and service providers. In this regard, let me reiterate what I said in the 2006 Budget Speech that, "I wish to call on the private sector also to improve implementation of Government projects. I regret to say, some of the work done by some of our contractors leaves a lot to be desired". Professionals in the technical departments are in high demand the world-over and therefore, it is very difficult to recruit and retain them. In our region the situation has been worsened by the construction boom in South Africa, mainly on account of the 2010 World Cup preparations.
102. Mr. Speaker, the proposed 2008/2009 total expenditure and net lending budget of P30.22 billion, with the Recurrent Budget accounting for P21.84 billion and the Development Budget of P8.50 billion, is very substantial and the highest Government has ever proposed. To spend this money in a manner that will *Accelerate Achievement of Vision 2016*, as a nation we must strengthen capacity both within Government's technical units and within the private sector to deliver projects on time and in a cost-effective manner. Consideration should also be given to employing highly reputable international companies, which are well resourced, to help us implement projects. Ministries should also be realistic as to amount of funds they can reasonably spend, to avoid over-budgeting, considering



capacity constraints. I should further urge Honourable Members of Parliament and Councillors to take keen interest in the implementation of projects in their areas, and the preparation of NDP 10, to ensure that they are consulted and have input at all stages of the Plan preparation process.

### **Revenues and Grants**

103. Mr. Speaker, total revenues and grants for the 2008/2009 financial year are estimated at P29.89 billion. The largest single revenue source, mineral revenue, is estimated at P10.56 billion, which is 35.3 percent of the estimated total revenues and grants, compared with an average of 49 percent of the estimated total revenues and grants in the first three years of NDP 9. For 2008 Debswana has planned a substantial increase in capital expenditure, and expects a reduction in diamond production by 1.5 percent. These factors will likely reduce Debswana profit distribution after capital expenditures below the 2007 level. Consequently, the expected revenues from all minerals for 2008/09 are lower than the 2007/08 revised estimate by P332 million. Indeed, looking towards NDP 10, we must plan for a gradual increase in the share of non-mineral revenues to finance Government programmes and activities.

104. Customs and Excise revenue is expected to grow by 10.5 percent to reach P8.18 billion, which is about 27.4 percent of total Revenues and Grants, reflecting buoyant imports into the SACU region as a whole. Bank of Botswana revenue for 2008/2009 is fixed at P1.302 billion, which is 4.4 percent of total Revenues and Grants, on the assumption that the expected rate of return on the Pula Fund will be 4.75 percent in terms of SDRs and that the level of the Pula Fund will remain unchanged for the year. The other substantial amounts are from Non-Mineral Income Taxes, which accounts for 16.6 percent or P4.96 billion; and Value Added Tax, which is expected to contribute 9.5 percent or P2.85 billion. The remaining 6.4 percent of total revenue and grants comprise other smaller components of revenue.

105. Mr. Speaker, the contribution of mineral revenue to total revenue is projected to stagnate or may decrease slightly due to the decline in diamond revenues, unless we discover other profitable mineral deposits. Further, the continued high dependence on mineral exports and revenues makes the economy susceptible to a significant decline in the price and profitability of diamonds and other minerals. If growth in industrialised countries and major emerging markets like China and India should decline, diamond revenues may not reach the target, which will have negative effects on Botswana's fiscal and current account balances. It will be critical in going forward into NDP 10 that we maintain fiscal discipline over the medium term, to avoid sharp swings in the fiscal policy stance. Emphasis should be put on improving the quality of capital spending and diversification to accelerate non-mineral revenue growth, which is essential to generate sustainable employment.

### **Recurrent Expenditure**

106. Mr. Speaker, the 2008/2009 recommended Recurrent Expenditure Budget is P22.04 billion and it does not include any salary increments or adjustments, which I will take up later. Of the total Recurrent Expenditure Budget, 93.3 percent is for Ministerial Budget, while 6.7 percent is for Statutory Expenditure. Add Back Items have the largest share of 36

percent, followed by Personal Emoluments with 35 percent and Other Charges at 22 percent, of the total Recurrent Budget. Add Back are items of expenditure which do not grow at departmental growth rates and/or generate offsetting revenue, such as pensions and gratuities, subventions to institutional organisations, as well as petrol, oil lubricants and vehicle hire charges, which are revenue to the Central Transport Organisation, but expenditure to other departments.

107. The budget estimate for the Statutory Expenditure is P1.49 billion. The major items under this category of expenditure are Public Debt Servicing at P323.52 million (i.e., repayment of loans and interest payments), Government contribution to the Public Officers Pension Fund at P774 million, Pensions and Gratuities at P224 million and miscellaneous statutory commitments, such as refunds of Income Tax, and annual subscriptions to international organizations at P151.53 million.

108. Mr. Speaker, provisions for the Ministries of Education (P5.51 billion or 26.8 percent); Local Government (P3.58 billion or 17.4 percent); State President (P2.96 billion or 14.4 percent) and Health (P1.77 billion or 8.6 percent), account for 67.3 percent of the total recommended Ministerial Budget of P20.56 billion. Three Ministries of: Works and Transport (P1.47 billion or 7.1 percent); Agriculture (P801.05 million or 3.9 percent); and Finance and Development Planning (P745.06 million or 3.62 percent) account for 14.7 percent. Eight Ministries of: Minerals, Energy and Water Resources (P554.58 million or 2.7 percent); Communications, Science and Technology (P560.88 million or 2.7 percent); Lands and Housing (P560.29 million or 2.7 percent); Labour and Home Affairs (P444.81 million or 2.2 percent); Environment, Wildlife and Tourism (P352.42 million or 1.7 percent); Trade and Industry (P347.53 million or 1.7 percent); Foreign Affairs and International Cooperation (P258.63 million or 1.3 percent); Youth, Sports and Culture (P237.95 million or 1.2 percent) account for 16.1 percent, while the other seven Ministries share the remaining P401.90 million or about 2 percent of total recommended Ministerial Budget.

109. For the 2008/2009 financial year, the manpower establishment for Government, excluding the BDF and the Local Authorities, is expected to grow by 5,332 new posts or 5.69 percent, to reach 99 111, at a total cost of P376.4 million. This means that the average manpower growth rate for the whole of NDP 9 will be 4.36 percent compared with the NDP 9 target growth rate of 1.9 percent. The main reasons for allowing growth above the NDP 9 manpower ceiling was because some Ministries and Departments had projects and programmes that were not anticipated when finalising NDP 9. These include the establishment of new Ministries, the takeover of Community Junior Secondary Schools by Government, establishment of new detention centres for illegal immigrants, introduction of double shift in some senior secondary schools, and Government decision to allocate additional manpower to the Ministry of Health to cater for the expanded hospitals, the needs for which were under estimated at the beginning of NDP 9.

110. During 2008/2009, a total of P91.5 million will be spent on the procurement of new Government vehicles under the development budget, while the running cost of the new vehicles is estimated at P23.7 million, which has been included under the internal travelling votes of the concerned Ministries and Departments.

## **Development Expenditure**

111. Mr. Speaker, I recommend a total Development Budget of P8.5 billion for the 2008/2009 financial year. This budget will be funded from the Domestic Development Fund to the tune of P7.926 billion and Donor funds (being loans and grants) amounting to P574 million. All projects planned for NDP 9, submitted by Ministries and Departments have been included in the Budget. Individual Ministries and Departments will have the flexibility to move funds from slow moving projects to faster moving ones in light of the actual experience during the course of the financial year. However, those projects which would not be implemented during NDP 9, on account of implementation bottlenecks, will be carried over into NDP 10.
112. Mr. Speaker, in terms of allocations of the Development Budget, the Ministry of State President, with P1.918 billion, takes the highest share of 22.6 percent of the proposed Budget, mainly accounted for by the HIV/AIDS Programme at P838.4 million, BDF at P477 million and Police Facilities at P132 million. These three projects account for 75 percent of the Ministry of State President's Budget, whilst HIV/AIDS alone accounts for about 43 percent of the Ministry's allocation. The Development Budget of the Ministry of State President includes provision for the newly established Government Implementation Coordinating Unit and the Directorate of Intelligence and Security.
113. The Ministry of Local Government, with a proposed Development Budget of P1.326 billion, takes the second largest share of 15.6 percent. Seven projects, namely; Primary Schools with P320 million, Village Water Supply and Sewerage with P151 million, Local Authorities Infrastructure Maintenance with P122 million, Urban Land Servicing with P120 million, District and Urban Roads with P115 million, Village Infrastructure with P100 million and Primary Health Facilities with P90 million, account for 77 percent of the total Budget of Ministry of Local Government. The scope of the Local Authorities Infrastructure Maintenance project has been expanded to include clearing of the backlog of installation and connection of electricity and telephones in all public institutions in the Districts.
114. Mr. Speaker, the Ministry of Education takes the third largest share of the Development Budget with the proposed allocation at P1.038 billion or 12.2 percent. Within the Ministry, Secondary Schools project is the largest at P723.7 million, followed by Colleges of Education project at P171.9 million. These two projects account for 86 percent of the Ministry of Education's development estimate. The allocation for the Secondary Schools project is to facilitate the fast tracking of the construction of four new senior schools in Mogoditshane, Nata, Mmadinare and Shakawe.
115. The Ministry of Works and Transport is allocated P989 million, which is 11.6 percent of the proposed Budget. The Airports Infrastructure project takes the largest share at P245.7 million, followed by Secondary Roads Construction project at P162 million and Bitumen and Trunk Roads Improvements project at P169 million. These three projects constitute 58 percent of the Ministry of Works and Transport's development allocation.
116. The Ministry of Minerals, Energy and Water Resources is allocated P653.9 million, which is 7.7 percent of the proposed Development Budget. The Major Village Water Supply project takes the largest share of P269 million, followed by Water Planning and

Development project with P178 million and Renewable Energy and Power project with P116 million. These three projects constitute 86 percent of the Ministry's development allocation. The allocation for the Ministry of Minerals, Energy and Water Resources include the cost of construction of dams at Dikgathong, Thune and Lotsane and the supply of water to villages that have experienced water shortages, such as Serowe and Molepolole.

117. The Ministry of Health is allocated P575.5 million, which is 6.8 percent of the proposed Development Budget. The Improvements to Hospitals project takes the largest share of P361 million, followed by Institute of Health Sciences project with P179 million. These two projects constitute 94 percent of the Ministry of Health's allocation, which will cover the completion and upgrading of hospitals, such as Mahalapye, Athlone, Scottish Livingstone, Selebi Phikwe, Palapye, Gumare and Kasane; and completion of the upgrading of the Institute of Health Sciences in Molepolole, Serowe, Gaborone and Francistown.
118. The Ministry of Communication, Science and Technology is allocated P315.7 million, which is 3.7 percent of the proposed Development Budget. The Development of Department of Information and Broadcasting project takes the largest share of P101 million, followed by Botswana Telecommunications Corporation Finances project with P98 million and Science and Technology Research Institutions project with P59 million. These three projects constitute 82 percent of the Ministry's allocation. Some of the major projects include Phase II Radio and TV Transmitter Expansion, Nteletsa II and International Connectivity.
119. The Ministry of Youth, Sports and Culture is allocated P301.4 million, which is 3.5 percent of the proposed Development Budget. The Sports and Recreation project takes the largest share at P170 million, followed by National Library Services project at P98 million and Ministry of Youth, Sports and Culture Facilities project at P25 million. These three projects constitute 97 percent of the Ministry's allocation. Some of the major projects include the construction and upgrading of libraries in Jwaneng, Molepolole, Ramotswa, Mochudi; Multipurpose Youth Centres in Letlhakane, Francistown and Mahalapye; and construction and upgrading of stadia in Francistown, Lobatse and Gaborone.
120. Mr. Speaker, the other ten Ministries and Departments share the remaining 16.3 percent of the Development Budget. The recommended Development Expenditure Budget includes provision for two proposed projects, which are construction of houses for Ministers under the Ministry of Lands and Housing and the recapitalisation of Air Botswana under the Ministry of Works and Transport.

## **VIII. PUBLIC SERVICE SALARIES**

121. Mr. Speaker, last year His Excellency the President appointed two Salaries Review Commissions: one for the Public Service, another for the Political Leadership and Members of Ntlo ya Dikgosi.
122. The Public Service Salaries Review Commission was to consider conditions of service, including salary scales, allowances and fringe benefits, in order to facilitate attraction, motivation and retention of manpower with critical skills needed for an effective and efficient Public Service, including the Judicial Service, the Botswana Police Service, the

Botswana Defence Force, the Local Government Service, the Teaching Service, the Land Board Service, Botswana Prison Service, Botswana Local Police, the Industrial Employees, Tribal Administration, Dikgosi and Dikgosana.

123. With regard to the Commission on Salaries, Conditions of Service and Other Entitlements for the Political Leadership and Members of Ntlo ya Dikgosi, consideration was to be given to the need to review the existing pay scales and conditions of service, including allowances and terminal benefits and make appropriate recommendations that reflect their level of responsibility and accountability.

124. Mr. Speaker, the two Commissions submitted their reports to His Excellency the President towards the end of last year. Given the wide range of issues that the Commissions covered, which include salaries, pay structures, conditions of service, as well as affordability, Government is still actively considering the Commissions' reports. Therefore, Mr. Speaker, Government's decisions on the recommendations of the two reports will be communicated at a later date.

## **IX. OVERALL BALANCE**

125. The total Consolidated Fund revenue forecast amounts to P29.662 billion, from which Parliament approval is sought to fund Consolidated Fund expenditure estimated at P22.045 billion, and appropriation of P7.617 billion to the Domestic Development Fund to fund part of the proposed Development Expenditure of P8.50 billion. The shortfall of about P883 million for the development expenditure, will be met from donor funding at P574 million and Government balances of P309 million.

126. Mr. Speaker, the total expenditure estimate of P30.34 billion for 2008/2009, which is the final year of NDP 9, nearly achieved the MTR of NDP 9 target division of 70:30 between the recurrent and development budget, with 72 percent or P21.84 billion allocated to the Recurrent Budget and 28 percent or P8.50 billion earmarked for the Development Budget.

127. Mr. Speaker, total revenues and grants for the financial year 2008/2009 are forecast at P29.889 billion, whilst total expenditure and net lending is forecast at P30.220 billion. The net result is an almost balanced budget with a small deficit of P331 million or 0.4 percent of the forecast 2008/2009 GDP of P83.25 billion. However, these figures do not include the cost of any public sector salary increment for 2008/2009.

128. Given the external and internal economic conditions I alluded to earlier, and the need to scale up implementation of approved projects, it would not be prudent to cater for any salary increases or other contingencies by reducing the budget allocations I have already recommended. Nor would it be prudent to allow any additional increase in the total budget expenditure which would result in a budget deficit of more than P2.522 billion. A deficit beyond this limit would offend our Fiscal Rule of containing the annual expenditure budget within 40 percent of GDP. It would also result in a deficit exceeding 3 percent of GDP, which is frequently cited internationally as a limit which should not be exceeded. At the same time, it should also be recognised that over the first five years of NDP 9, on average the budget has been in surplus. Thus, the funds to cover any public sector salary increase

would be drawn from Government's cash balances pursuant to Government's policy of balancing the budget over the medium term, as restated in the NDP 9 Mid-Term Review.

## X. FISCAL LEGISLATION

129. Mr. Speaker, during NDP 9, Government embarked on tax reviews almost on annual basis. In 2006 I proposed a number of changes to the tax system. All the changes have been completed with exception of the Tax Administration Bill, the drafting of which will be completed by June, 2008.

130. I intend to embark on a comprehensive review of the tax regime in the next financial year, in order to further improve the investment climate and competitiveness of the economy. Mr. Speaker, the process of reforming the tax system will be done on a gradual basis to ensure that the improvement of an enabling environment does not lead to loss of revenue to the detriment of other Government priority programmes. As I mentioned earlier, mineral revenue is expected to stagnate or even decline in future, while substantial resources will be needed to *Accelerate the Achievement of Vision 2016 through NDP 10*.

## XI. CONCLUSION

131. Mr. Speaker, as we start the last year of NDP 9, we need to take stock of our performance in light of the *Vision 2016* Pillars and the MDGs. In the coming year we should use the lessons from NDP 9 to ensure that strategies and policies are in place which will achieve a successful NDP 10, hence the theme for this Budget Speech of "***Accelerating Achievement of Vision 2016 through NDP 10***". Although there has been considerable progress in various areas of the *Vision 2016* Pillars and the MDGs, more still needs to be done. For instance, Botswana has achieved the targets of universal access to 10 years basic education, access to safe drinking water, and has begun to reverse the spread of HIV/AIDS, whilst showing slow progress in other areas, such as reduction in maternal and infant mortality.

132. The major challenge today, Mr. Speaker, is to sustain the high growth that Botswana has achieved since Independence. *Vision 2016* calls for the trebling of Botswana's real per capita income over the twenty year period from 1996, and a more equitable distribution of that income. Continued rapid growth is clearly necessary if we are to realise the *Vision* targets. While this is a tall order, it is achievable if all stakeholders rededicate themselves to the pursuit of excellence through hard work and discipline.

133. Mr. Speaker, the challenge of achieving *Vision 2016* targets is not for Government alone, but for everyone in the public and the private sectors. This is particularly so in view of the proposed unprecedented Development Budget allocation, amounting to P8.5 billion for the 2008/2009 financial year, which is an increase of more than 10 percent over the revised Development Budget for 2007/2008. Since much of this expenditure will rely on the public sector to initiate cost-effective projects, and the private sector to carry out projects on time and within budget, it is imperative that both the public and private sectors dedicate appropriately skilled workers to project implementation. In this way, the investment will promote growth and employment, which will, thus *Accelerate the Achievement of Vision 2016 through NDP 10*.

134. Mr. Speaker, before concluding, I wish to reiterate my tribute to His Excellency the President. As he exits the stage, he is leaving for us a firm foundation for sustained growth. This is the legacy that we inherit. To achieve *Vision 2016*'s ambition of Prosperity for All, we must build on this legacy *through NDP 10*.
135. I wish also to acknowledge, Mr. Speaker, on behalf of the Government of Botswana, the generous assistance we have received over the years from our Development Partners and express this Nation's gratitude for their support, especially with respect to the war against the HIV/AIDS epidemic. We look forward to their continued support as we set the pace for *Accelerating Achievement of the Long Term Vision for Botswana, Towards Prosperity for All, through NDP 10*.
136. Mr. Speaker, that concludes my presentation of the Budget Speech for 2008/2009. I now move that the Appropriation (2008/2009) Bill, 2008 be read for the second time.
137. I thank you and may God bless you all.