



Republic of Botswana

2009 Budget Speech

“Turning Challenges into Opportunities - Building on the Achievements of NDP 9”

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I. INTRODUCTION

1. Mr. Speaker, I have the honour to present to the National Assembly budget proposals for the 2009/2010 financial year.

2. The budget proposals that I will present shortly mark the beginning of the tenth National Development Plan, or NDP 10. Unlike the previous Plans, NDP 10 will cover a period of seven years, from April 2009 through March 2016. The preparations of NDP 10 started in July 2007 and its draft has already been discussed by a National Stakeholders Conference and comments have been incorporated. Parliamentary discussion of the draft Plan has been delayed to take into account the unfolding global financial crisis and consequent economic slow down. The debate will now take place in July this year. The budget estimates that I will present later, represent, not only the first building block towards NDP 10, but also mark the start of the last lap in the quest for “Prosperity for All” by 2016. The adopted theme for NDP 10 is, rightly, ***Accelerating Vision 2016 Through NDP 10***. Indeed NDP 10 provides another opportunity to accelerate economic growth, reduce poverty, diversify the economic base, and create more and sustainable employment opportunities, all of which are espoused in Vision 2016, *Long Term Vision for Botswana, ‘Towards Prosperity for All’*.

3. NDP 10 will take us to the year 2016, marking 50 years of Independence. So far, Botswana has made considerable progress in economic and social development over the years. Some of the achievements to build on include; reduction in the number of people living in absolute poverty; increased access to education, health facilities and potable drinking water; provision of basic shelter; growth in jobs created; considerable diversification of the economy; sustained economic growth as well as improved investment climate; to name a few. This progress was due to the complementary economic, cultural and socio-political factors, including sound financial management and prudent use of resources. These achievements have also set the stage for future challenges and opportunities.

4. Mr. Speaker, as we start NDP 10, we should build on the achievements of NDP 9 and previous Plans. NDP 9, being the first Plan which incorporated the objectives of Vision 2016 has, therefore, aligned the country’s traditional medium-term development planning to its long term Vision. NDP 10 adopts a broader multi-sectoral long-term approach, which not only considers social and human development issues, but re-emphasises the importance of results and value for money. It is in this light that the adopted theme of this year’s Budget Speech is ***“Turning Challenges into Opportunities – Building on the Achievements of NDP 9”***.

5. As we made notable progress in terms of economic growth, we have also matured as a democracy. In this regard, *we should build on our past achievements* and continue to adopt strategies that will enhance participatory democracy. In this light, the Independent Electoral Commission has stepped up civic education and voter information dissemination in the run-up to the 2009 general elections, the ninth elections to be held over the past 44 years.

6. Mr. Speaker, for the eighth successive year, the country's favourable investment grade sovereign credit ratings by both Moody's Investors Service and Standard and Poor's have been retained at grade "A". This is a worthy achievement in the context of the global credit crisis and economic downturn, which has resulted in ratings for several other countries being downgraded. It demonstrates the benefits of a prudent approach to macroeconomic policy, which has emphasised the need to build up financial resources to alleviate the impact of adverse economic shocks which may arise. Nevertheless, in their reviews, the rating agencies warned that, notwithstanding the stable outlook, there is need to maintain financial discipline and continue to pursue structural reforms aimed at nurturing diversification in order to reduce reliance on diamond mining.

7. The current global financial crisis has evolved into a widespread economic crisis, which has resulted in a sharp decline in private demand especially in major industrial economies. This crisis continues to affect Botswana, mainly through lower mineral exports, and hence reduction in Government revenues. It is going to be crucial for us to find innovative ways of addressing our development needs within the limited expected revenues. There is need for all to exercise even more financial restraint and discipline to smooth the adjustment process necessitated by the decline in mineral revenues. It is for this reason that a number of belt-tightening measures will be adopted for the 2009/2010 financial year and beyond. These measures include minimal growth in fleet expansion as well as zero growth for travelling votes, and manpower establishment, except for a few critical departments such as new primary schools, new and upgraded health facilities, as well as the new Department of Internship Programme. Other measures may be invoked during the year, should the need arise.

8. This year's theme, Mr. Speaker, provides another opportunity to all of us; Government, the private sector, non-governmental organisations, labour unions and other stakeholders to review recent developments, and identify constraints and challenges with a view to turning them into opportunities which we should exploit to achieve economic growth. This includes exploring development opportunities in the regional and international markets, that complement the development agenda of the country. I have no doubt, that if **we build on the achievements of NDP 9**, we can identify points of leverage to reposition Botswana as one of the most competitive and fastest growing economies in the world. In addition, as the 2009/2010 financial year marks the first year of NDP

10, it is imperative to emphasise continued budget sustainability, efficiency and financial discipline.

II. INTERNATIONAL AND REGIONAL ECONOMIC REVIEW

9. Mr. Speaker, the turmoil in the global financial sector has led to falling producer and consumer confidence, which consequently led to the deterioration in global growth prospects. The latest estimates by the International Monetary Fund (IMF), published in January 2009, indicate that global output would have grown by a lower rate of 3.4 percent in 2008, compared to 5.2 percent in the previous year. Due to weakening and exceptionally uncertain economic prospects, world output growth is expected to slow down further to 0.5 percent in 2009. Growth in advanced economies is expected to have slowed down significantly in 2008, but remained positive at 1.0 percent. In 2009, advanced economies are expected to register a negative growth rate of 2.0 percent. Let me also add that the IMF has cautioned that the outlook is highly uncertain and the timing and speed of the recovery depends on strong policy measures.

10. At this juncture, I wish to express my support to the commitment by the G-20 leaders to address the current macroeconomic challenges, using both monetary and fiscal policies. I share their view that fiscal stimulus, which takes into account the interests of the poor and most vulnerable, is essential in restoring growth. The stimulus packages focus on increasing spending, social protection for the poor and targeted tax cuts which are expected to boost demand. As the crisis unfolds, it has become necessary to shift the focus from bailing out failing financial institutions to supporting domestic and global demand. Honourable Members may also be aware that the crisis hit the workers the hardest. For example, in the USA a total of 500 000 jobs were lost in December 2008 alone, while the total number of jobs shed during the year reached 2.6 million, the largest since 1945. Like other countries, the USA is in the process of putting in place measures to boost demand, growth and create more jobs. In this regard, a recovery package worth over \$800 billion is being proposed.

11. Emerging and developing countries are expected to have grown at a lower but robust growth rate of 6.3 percent in 2008, compared to 8.3 percent in 2007. These economies are projected to slow down to 3.3 percent growth in 2009. These rates of growth are led by projected significant expansion of China at 6.7 percent, and India at 5.1 percent in 2009. However, a significant slow down was experienced in China during the last quarter of 2008. Consequently, it is estimated that over 2 million jobs were lost last year. Further, the IMF estimates indicate that activity in African economies will have expanded by over 5 percent in 2008, but will decline to a 3.4 percent growth rate in 2009. Sub-Saharan Africa is estimated to have grown by more than 5 percent in 2008, but will slow down to a growth rate of 3.5 percent in 2009.

12. Mr. Speaker, the Southern African Development Community (SADC) region has shown an improvement in terms of economic growth as most countries have recorded positive growth rates for the past five successive years. The rates reached, however, fall short of the regional target of real Gross Domestic Product (GDP) growth rate set at 7.0 percent for 2008. In 2007, SADC (excluding Zimbabwe) real GDP growth averaged 6.8 percent, compared to 6.4 percent in 2006. The lower economic growth is primarily explained by insufficient investment and the undiversified nature of most Member States' economies. The impact of the global recession is also being felt in the region with countries experiencing even slower growth and a number of factories closing down. In South Africa, for example, the diamond industry alone is expected to shed about 1 200 jobs.

13. The average inflation rate in the region (excluding Zimbabwe) went down from 9.7 percent in 2006 to 8.3 percent in 2007. In 2007, only three Member States had not recorded a single-digit inflation. However, 2008 saw a surge in inflation in most Member States, as a consequence of high international food and fuel prices, and they were not able to reach the regional target of less than 9.5 percent for 2008.

14. Mr. Speaker, the SADC Free Trade Area (FTA) was launched in August 2008 under the theme: *SADC FTA for Growth, Development and Wealth Creation*. Under the FTA, participating Member States removed tariffs on 85 percent of their imports from SADC partners. This is expected to generate benefits, such as wider choice of products for consumers, expanded market and open opportunities for investment. This is one of the first milestones of the SADC Regional Indicative Strategic Development Plan towards regional integration. In addition, further work will be undertaken to consolidate the FTA to address outstanding tariff phase down obligations, rules of origin, tariff lines, and non-tariff barriers.

15. Regarding the next milestone, the SADC Customs Union in 2010, the Ministerial Task Force on Regional Economic Integration established by the Summit has constituted four Technical Working Groups to facilitate the development of frameworks, which will form the basis for Member States' negotiations. Progress on this will be reported at the next SADC Summit in August 2009.

16. Together with other Southern African Customs Union (SACU) members, Botswana has now concluded trade arrangements with the European Free Trade Association states, and the Common Market of the Southern Cone comprising Argentina, Brazil, Uruguay and Paraguay. Negotiations for a Preferential Trade Agreement with India have just commenced and will continue in 2009. An Interim Economic Partnership Agreement with the European Commission was also concluded in November 2007 and is expected to be signed this month.

Negotiations towards a Full Economic Partnership Agreement (EPA) will continue in 2009 covering the liberalisation of trade in services and a chapter on investment.

III. DOMESTIC ECONOMIC REVIEW

Economic Growth

17. Mr. Speaker, preliminary estimates from the Central Statistics Office indicate that GDP measured in current prices, increased by 12.5 percent from P71.2 billion in 2006/2007 to P80.1 billion in 2007/2008. In constant 1993/1994 prices, output expanded by a slower rate of 3.3 percent in 2007/2008, compared to 5.3 percent in 2006/2007 which was revised downwards from an initial estimate of 6.2 percent growth I reported last year.

18. The slow growth in 2007/2008 is largely attributed to poor performance by the mining sector, which registered a decline of 3.5 percent in real value added, compared to a growth rate of 4.7 percent recorded in 2006/2007. On the other hand, real growth in the non-mining sectors accelerated from an annual increase of 5.7 percent in 2006/2007 to 8.0 percent in 2007/2008. This is encouraging and indicates some success towards economic diversification. The agricultural sector, however, contracted by 4.4 percent in 2007/2008, compared to a growth rate of 11.8 percent registered in the previous year.

19. Mr. Speaker, performance of the services sector was strong during 2007/2008, with transport and communications growing in real terms at 12.7 percent. The construction sector also registered a faster growth rate of 11.6 percent in 2007/2008 from 8.7 percent in 2006/2007. The banks, insurance and business services sector, grew by 11.1 percent, compared to 5.9 percent recorded in the previous year, reflecting improved performance across a range of financial and business services. Output growth in the trade, hotels and restaurants sub-sector increased from 8.1 percent in 2006/2007 to 9.1 percent in 2007/2008, due to the general expansion of commercial activity throughout the economy.

20. The annual average growth rate for the first five years of NDP 9 was 4.4 percent, compared to the average growth of 5.5 percent estimated for the Plan period. A growth rate of 7.5 percent is now required to reach the Vision 2016 targets. To achieve this, Government will continue to undertake reforms aimed at diversifying the economy, increasing productivity and accelerating economic growth. During NDP 9, Government established six Hubs as another effort to accelerate economic diversification and growth as well as create more employment opportunities. This is a new strategy to leverage Botswana's comparative advantage in areas such as diamond mining, innovation, education, health, tourism and transport, which will also enable us to explore regional opportunities and markets to diversify the economy. The Diamond Hub, for

instance, will create jobs and contribute to GDP growth by encouraging value adding processes such as cutting and polishing, jewellery making as well as local trade in rough and polished diamonds. The Agricultural Hub, on the other hand, is intended to commercialise the agricultural sector and diversify it through viable, self sustainable agriculture enterprises and projects.

21. As the success of projects and initiatives is dependent on implementation, Government will continue to adopt measures to address implementation bottlenecks. Some of the measures adopted during NDP 9 include; decentralisation of virements to ministries; increasing the financial limits of the Ministerial Tender Committees to P5 million; establishment of the Government Implementation Coordination Office, and the adoption of Public-Private Partnerships (PPPs) approach as another way of enhancing private sector participation as well as improving efficiency in project implementation.

Economic Outlook

22. Mr. Speaker, the global financial crisis I referred to earlier has started to impact negatively on the real economy. The main risk to the Botswana economy emanating from the financial crisis is on mineral exports, in particular, diamond sales, which started to fall significantly in November 2008. In addition, there has been a sharp decline in commodity prices for other minerals like copper, nickel and to a lesser extent gold. As a result, there will be a slow down in economic growth and decline in government revenues from the end of 2008/2009 probably until 2010/2011.

23. The decline in mineral revenues is expected to adversely affect the government budget balances, which would have to be cushioned by drawing down on Government's reserves and borrowing. In the face of uncertainty as to the duration of the global economic slow down, the cushion provided by Government's reserves may not be sufficient to sustain current rates of expenditure. Growth prospects may also be undermined by the current electricity shortages in the region. Let me also caution that, the crisis is still unfolding even now, and there is still a great deal of uncertainty about what is happening to various economic agents and economies worldwide.

Monetary Policy and Inflation

24. Mr. Speaker, the Bank of Botswana's monetary policy framework was updated in 2008 by abandoning the annual inflation objective, replacing it with the medium-term objective. The medium-term, defined as a three-year time horizon over which inflation is forecast, is considered a reasonable period for monetary policy to take effect. Monetary policy remained tight in 2008, mainly on account of high inflation. As inflation declined towards the end of the year, there was scope for monetary policy easing, hence the reduction of the bank rate

from 15.5 percent to 15 percent in December 2008. A continuing downward trend in inflation will provide further prospects for reduction of interest rates during the year and beyond.

25. From October 2007, inflation traced an upward trend, mainly due to higher prices for food and fuel in world markets, which passed through to the local economy. In turn, there were price increases for several other categories of goods and services arising from the second round effects of the earlier increases in food and fuel prices. Nevertheless, a downward trend of inflation was evident from August 2008. This was interrupted by the one-off increase in the liquor levy in November 2008, but the downward trend resumed in December 2008 as inflationary pressures in the world economy abated. The average year-on-year annual inflation was 12.6 percent in 2008 compared to 7.1 percent in 2007.

Exchange Rate and Balance of Payments

26. Mr. Speaker, during 2008, the Pula appreciated against the South African rand by 10 percent. It depreciated by 18.2 percent against the SDR, while it lost ground by 20.1 percent against the US dollar. Overall, the Pula has remained relatively stable in real terms, reflecting the usefulness of the crawling peg exchange rate mechanism. It should, however, be emphasised that the key to sustained competitiveness and improvements in economic diversification lies in the combination of enhanced factor productivity and a competitive exchange rate, especially in the circumstances where our traditional exports are facing difficult market conditions.

27. The 2008 preliminary estimates of the balance of payments show a surplus on the current account of P9 billion, compared to P14.9 billion in 2007. At P31 billion, merchandise exports are estimated to have been broadly unchanged from 2007, with a strong performance in the first ten months offsetting the downturn in diamond exports at the end of the year. The value of imports increased by 37 percent to P29 billion, reflecting the increased cost of food and fuel, growing imports of machinery and equipment as well as diamonds. The growth of diamond imports since 2007 reflects the increasing importance of the polishing and cutting businesses that have recently established in Botswana. However, as the trade balance narrowed from P9.6 billion to P3.4 billion, the current account was boosted by growth in service exports and SACU receipts. With the deficit on the financial account rising from P2.7 billion to P3.9 billion, the overall balance of payments is projected to have been a surplus of P9.3 billion in 2008, compared to P10.7 billion in 2007.

28. As at the end of November 2008, the foreign exchange reserves amounted to P72.4 billion, up by 23.7 percent from P58.5 billion in December 2007, and equivalent to 28 months of goods and services. In US dollar terms the reserves

fell from US\$9.8 billion to US\$9.2 billion, while in SDR terms the reserves were unchanged at SDR6.1 billion over the same period.

Employment

29. Mr. Speaker, the 2007 Informal Sector Survey estimated the total number of informal businesses at 40 421, of which 27 315 or 67.6 percent were owned by females and 13 106 by males. The number of informal businesses increased by 72.0 percent from the 28 726 businesses estimated by the 1999 Informal Sector Survey. The majority of the informal businesses were in the Wholesale and Retail Trade sector with 40.5 percent, followed by Real Estate at 20.3 percent. About 12.2 percent of the businesses were in the Manufacturing sector while businesses in the Hotels and Restaurants category accounted for 8.8 percent.

30. According to the recent Formal Sector Employment Survey, total formal sector employment increased by 2.2 percent from 301 978 persons employed during March 2007 to 308 617 in March 2008. In absolute terms, 6 639 additional jobs were created during that period. The sectors that experienced the most growth in employment were Financial Intermediaries, followed by other Community Services and Education. There was a decline in employment growth amongst Transport and Communications, Mining and Quarrying, Water and Electricity, as well as Hotels and Restaurants sectors. In light of this, Government will promote the informal sector as another avenue to create additional jobs.

Public Enterprises

31. Mr. Speaker, during the 2007/2008 financial year, a majority of the commercial public enterprises continued to be profitable. The average net profit ratio, which is profit after tax as a percentage of gross sales, of the 11 commercial public enterprises was 16 percent, compared to 21 percent in the previous year. These enterprises recorded profits that range from a net profit of P1 million for Botswana Post, to a net profit of P208 million for Water Utilities Corporation. The Botswana Agricultural Marketing Board showed a significant improvement from a net loss of P3.5 million in 2007, to a net profit of P3.5 million in 2008.

32. The National Development Bank (NDB) performed satisfactorily, with net profit increasing by P11.3 million to reach P33.6 million in 2008. In addition, NDB's borrowing limit was increased from P400 million to P1 billion. Meanwhile, the development of a privatisation strategy for NDB is on-going, with the assistance of advisors who were appointed in September 2008 and are expected to complete their work in April 2009.

33. The performance of Air Botswana improved significantly with the airline recording a net profit ratio of 9 percent in 2008 compared to negative 24 percent

during 2007. Consequently, the airline moved from a net loss of P39.9 million to a net profit of P17.5 million mainly on account of increased passenger revenue. In my 2008 Budget Speech, I indicated that Government would recapitalise Air Botswana to make it a viable entity. An effort was made to engage a management contractor for Air Botswana. Negotiations were ultimately opened with COMAIR, which were unsuccessful. Government started fresh negotiations with International Development Ireland, which have been successfully concluded and it is expected that the management contractor will start by April 2009.

34. Mr. Speaker, the net profit ratio of the Botswana Telecommunications Corporation (BTC) fell from 16 percent in 2007 to 7 percent in 2008. The net profit of the Corporation fell significantly from P117.8 million in 2007 to P58.3 million in 2008. On the other hand, the privatisation process of BTC has gained momentum following the appointment of the International Finance Corporation as transaction advisors in January 2008. The BTC Transition Bill was approved during the November 2008 meeting of Parliament. Advisors have completed the comprehensive due diligence and transaction structure which will be submitted for consideration by Cabinet during the first quarter of 2009. The privatisation transaction of BTC is, therefore, expected to be completed during 2009/2010.

35. Botswana Railways (BR) continues to make operating losses due to, among others, huge infrastructure and rolling stock maintenance expenditure, which is not matched by an increase in revenue. The un-audited accounts for 2007/2008 show an operating loss of P79 million compared to a loss of P10 million in 2006/2007. Given the foregoing, Government took a decision to restructure and recapitalise Botswana Railways. A total investment of P586.5 million will be required. This will be financed from: conversion of P104 million outstanding loans from Government into equity; disposal of locomotive and rolling stock assets that have exceeded their useful economic lives, amounting to P41.7 million; draw down of BR reserves; and Government guaranteed borrowing, on the basis of a debt-equity ratio of 0.6:1. However, before such an investment, freight tariffs will be increased towards cost recovery levels.

36. Mr. Speaker, following the 2008 review of the four windows of CEDA; CEDA Development Fund, Venture Capital Fund, Credit Guarantee Scheme and Young Farmers Fund; the effective limit of loans that the entrepreneurs could benefit from was increased. The upper loan limit of the CEDA loan scheme, has been increased from P2 million to P4 million to take into account the effects of inflation over time, complexity and magnitude of the projects. The repayment period for the CEDA loans has also been increased from 5-7 years to 5-15 years. During the 2008/2009, CEDA approved 177 projects to the tune of P124 million, bringing the total number of projects since inception to 2 229, with a value of P1.269 billion and 12 567 jobs. As at December 2008, 153 projects with a total cost of P53.5 million had been approved under the Young Farmers Fund, and they had employed 339.

37. In another development, the Out of School Youth Grant Programme will be transformed into a Youth Development Fund during 2009/2010 and administered by CEDA. The Fund will run parallel to the existing Young Farmers Fund already being administered by CEDA and will provide complementary funding for non-farming youth projects. The project ceilings under this revised programme have been set at a maximum of P100 000 per project with the funding provided in the form of a 50 percent grant and a 50 percent interest-free loan, except in cases of default where a five percent interest would be chargeable.

38. Mr. Speaker, Botswana Development Corporation (BDC) continued to invest in the property, agri-business and industrial development projects in the past year. BDC, in partnership with citizen owned companies, approved P26.1 million, in 2007/2008, to fund various activities in the hospitality industry, including expansion of hotel accommodation. In addition, work is on-going to refurbish all the hotel properties operated by Cresta Marakanelo at an estimated total cost of P33 million, while an estimated P200 million will be invested in Fairground Phase 2 office development for completion in 2010. At the same time, BDC plans to invest P26 million to construct 10 factory units to be completed in November 2009. The Corporation will invest in the Botswana Innovation Hub, which will create an opportunity for the technology driven industry to establish in Botswana. The project is estimated to cost P800 million and it is expected that the first phase will be completed in December 2010, while the second phase will be completed the following year.

39. In the manufacturing sector, BDC invested P183 million during the past year. An additional P75 million was approved for Can Manufacturing, while Fengyue Glass Manufacturing was established in Palapye through a joint venture with BDC. Pipeline projects, which are already at evaluation stage, include a coffee processing, pharmaceutical and footwear manufacturing projects at a combined investment of P500 million.

Poverty Reduction and Rural Development

40. Mr. Speaker, despite notable achievements in reducing poverty during NDP 9 and previous Plans, poverty still remains a challenge and consequently a priority for Government. In the past, Government addressed poverty through a number of strategies including provision of infrastructure and basic services. As we refine our anti-poverty initiatives, we will now place emphasis on improving the livelihoods of Batswana, and engaging in productive activities. To this end, the National Strategy for Poverty Reduction (NSPR) will be reviewed in 2009 with a view to further develop its policy content. Work is also on-going to develop a poverty data base and information systems, which will provide information for monitoring.

41. The Revised National Policy for Rural Development of 2002 will be reviewed during 2009/2010 financial year. In addition, the Revised National Policy on Destitute Persons is under review in order to make it more targeted and focused. Government will also continue to improve the social safety nets with a view to graduating able-bodied beneficiaries from the programmes. In this regard, starting in 2009/2010, the focus will shift towards psycho-social support and empowerment to prevent people from falling into the poverty trap. Activities under rehabilitation will include income generating projects to empower beneficiaries and counselling to exit welfare programmes. Over a three year period, starting during the last quarter of 2008/2009, 635 basic shelters in 15 Districts will be constructed for the destitute persons without habitable shelters.

42. Mr. Speaker, our efforts to alleviate poverty and destitution require further reflection on the social protection system, with a view to increasing the level of such protection and the coverage of social security benefits. At the same time, efforts to address problems of poverty and destitution through existing programmes and projects by targeting the vulnerable and less fortunate in society like orphans, the elderly, the needy and the war veterans are continuing. Currently 49 852 orphans, 31 300 vulnerable children, 40 525 destitute persons, 3 530 home based care patients, 3 202 World War II Veterans beneficiaries and 89 471 old age pensioners are benefiting from support under the various programmes. The challenge has been to offer services comprehensively and timely. The planned introduction of the use of food coupons under social welfare programmes for the Destitute Persons, Orphans, and Home Based Care patients, effective 2009/2010 is meant to deal with, among others, long queues, and allow for flexibility in issuing times, while introducing variety in the basket.

43. In another effort to create employment and provide income to low-income groups, a continuous Labour Intensive Public Works Programme, formerly Drought Relief Programme, was introduced on a permanent basis in July 2008. The programme aims to provide relief in the form of supplementary income support to the poor and unemployed whilst at the same time carrying out essential development projects covering both urban and rural areas. During 2007/2008, a total of 172 360 people benefited from the programme employment with a total expenditure of P289.7 million. During 2008/2009, a total of P368.5 million has been budgeted for the programme and it is expected that a similar or larger number of people will benefit.

44. At this point, allow me, Mr. Speaker, to urge Batswana to take advantage of existing opportunities and a number of Government initiatives such as labour intensive public works, Young Farmers Fund, and the Integrated Support Programme for Arable Agriculture Development (ISPAAD) to improve their standard of living. These programmes have the potential to create more job

opportunities, improve output in the agricultural sector and enhance national food security. In addition, there are other major planned or on-going national projects which will provide spill over benefits to the communities in which they are located. These include; Morupule B Power Station Expansion, Mmamabula Export Power, North-South Water Carrier II Pipeline, Botswana International University of Science and Technology, University of Botswana expansion, medical school, and Zambezi Integrated Agro-Commercial Development Projects, tourism development and construction of major dams, which are all expected to contribute significantly to economic growth and employment creation.

Public Sector Reforms

45. Mr. Speaker, Government reviewed and merged legislation governing employment in the Public Service into one comprehensive Public Service Bill in order to facilitate unionisation in the Public Service. One of the salient features of the Public Service Act 2008 is the establishment of collective bargaining structures for the Public Service. Meanwhile, the Ministry of Local Government is in the process of developing a comprehensive Decentralisation Policy to be finalised in June 2009. The Policy will inform decisions on overall service delivery and promote a sustainable local level participation through further devolution of Local Authorities' functions to the Sub-District Level. The implementation of the new Local Authority Procurement and Asset Disposal Act commenced in January 2008, with the formation of various committees within each Council to oversee the process.

46. During NDP 9, there was a realisation that lack of appropriate knowledge, skills and values are the main causes of inefficiency in public service delivery. To this end, the Botswana Institute of Administration and Commerce will be transformed into a modern "Botswana Civil Service College". The College is intended to fill the competency gap by providing public officers with appropriate leadership and public administration skills and competencies as well as to enhance the capacity of the public service. In another effort, a Competency Assessment and Development Centre has been established for selection and development of employees across all levels of the Public Service. A similar Centre will be established for the Local Authorities. In the meantime, the Public Service is making some headway in re-engineering its business processes and setting performance standards.

47. The Statistics Bill 2008 which seeks to transform the CSO into an autonomous organisation will be brought to Parliament in 2009. The organisation will have the authority to sanction publication of official statistical information for national and international use. The establishment of the organisation is in line with the re-organisation of my Ministry. This is in recognition of the transformation and complexity of the economy, resulting in increased demand for

various forms of statistics for decision-making as well as for monitoring and evaluation of policies and programmes. The Office will be strengthened to meet these data demands.

48. Mr. Speaker, Government continues to improve the business environment so that the private sector can operate more efficiently and competitively, thereby enhancing Botswana's attractiveness as a destination for local and foreign direct investment. By implementing reforms in the justice system, Government contributes to reducing the cost of doing business. One of the challenges our justice system is faced with is that many laws and regulations are outdated, while some are inconsistent with the requirements of a modern economy. In this regard, the Attorney General's Chambers has commissioned a study to look into the establishment of an appropriate law reform structure for Botswana. The study is currently on-going and is scheduled for completion before March 2009. The judiciary has adopted a case management system whose implementation so far is showing a promising impact on the speedier disposal of cases.

49. In order to improve service delivery and accessibility, Government has commenced the computerisation of the issuance of residence permits, visas, citizenship as well as investigations and repatriation processes. In addition, the computerisation of border control systems and e-passports will commence in 2009 and will be operational by 2010 when the first batch of machine readable passports will be issued. These systems will go a long way in improving security in the issuance of passports, and service delivery.

IV. SECTORAL REVIEW

50. Mr. Speaker, allow me to give some highlights of the sectoral developments and policy reviews during the 2008/2009 financial year.

Financial Sector

51. Mr. Speaker, the financial sector recorded significant growth during NDP 9, including increase in the range of institutions, infrastructure and services, as well as the establishment of a National Clearance and Settlement System. The value of total pension fund assets amounted to P30.3 billion in October 2008, compared to P32.2 billion in October 2007, a decline of P1.9 billion. This decline is on account of the impact of the global financial crisis on offshore investment, which currently represents 60 percent of total investment. For example, investments in offshore investments such as offshore equities fell from P16.7 billion to P13.7 billion during the period. The growth in pension fund and insurance assets in the last few years poses increased regulatory and supervisory challenges. It is in this light that, the Non-Bank Financial Institutions Regulatory Authority (NBFIRA), which started operations in April 2008, is preparing proposals to revamp some of the subsidiary legislation to align it with the current

market conditions. These include the revisions to the Insurance Industry Act, the Pensions and Provident Fund Act and the Botswana Stock Exchange Act which are to be undertaken during the 2009/2010 financial year.

52. The global financial crisis of 2008 which was spurred by sub-prime mortgage lending and subsequent credit crunch in the United States of America and Europe, have impacted negatively on the economy in general. The lack of available credit and long term investment funds has slowed down consumer spending, reduced employment and incomes, as well as causing capital losses on personal savings and other assets. To minimise the impact of this crisis, our pension funds and foreign exchange reserves have continued to invest according to sound investment guidelines, including well diversified portfolios.

53. The Botswana International Financial Services Centre (IFSC) continues to promote Botswana as a regional and international financial services centre in order to contribute to sustainable economic diversification, employment creation, skills development and revenue generation. During 2008, the IFSC licensed the Multi Commodities Exchange of Africa, a commodities exchange which will be based in Botswana, serving markets across Africa. It is expected to attract an initial capital investment of US\$75 million, mainly to Botswana and create 75 job opportunities during its initial phase. During the past year, a total of seven companies were certified, an indication of a growing interest by international investors in the International Financial Services Centre. The IFSC is working with NBFIRA and Bank of Botswana on streamlining the licensing processes with a view to improving the IFSC turn around time on new applications. Further, work is on-going on proposals to promulgate a legislative framework intended to position Botswana as the medium to long term preferred offshore financial services centre for Sub-Saharan Africa.

Health

54. Mr. Speaker, the Health sector **made progress in a number of areas during NDP 9**. These include: upgrading and construction of a number of health facilities; Warehouse Management System to improve the procurement and distribution of drugs; blood management system; Integrated Patient Management System; introduction of telemedicine; and strengthened management of the response to HIV/AIDS. Due to intensive efforts aimed at addressing the scourge of HIV/AIDS, the prevalence rate has started to decline. For example, in 2007 the prevalence of HIV/AIDS among expectant women aged 15–49 years was 33.7 percent, down from 37.4 percent in 2003. Initiatives to address the scourge include the provision of Anti-Retroviral Therapy (ARV), which is currently being provided to 114 406 AIDS patients. Notwithstanding, access is still a challenge and the plan is to increase the roll out of ARV services from the current 79 clinics to all clinics during NDP 10.

55. Tuberculosis, or TB, continues to be a major public health problem in the country, despite a notable decline of 10 percent in the notification rates since 2002. Accordingly, the Botswana National Tuberculosis Control Programme will be implemented aggressively to fight TB especially Multi and Extremely Drug Resistant TB cases. Government will continue to enhance public health security against the spread of communicable diseases and other practices that threaten public health.

56. Mr. Speaker, human resource development remains the health sector's top priority. Staff shortages continue to hamper the delivery of effective and efficient health care services. In order to address this challenge, Government is fast-tracking the outsourcing of several services. In addition, Government has appointed hospital managers in order to improve health service delivery and institutional efficiency, the first batch of which reported for duty in November 2008. Other avenues to address health workforce shortages will include: the acceleration of training of health professionals, through the School of Medicine at the University of Botswana (UB) and increased capacity of local health training institutions; planned opening of the Medical Teaching Hospital; and introduction of a new Bachelor of Science degree programme in Medical Laboratory Science at UB.

Trade and Investment Promotion

57. Mr. Speaker, we have registered achievements during NDP 9 in the areas of competitiveness, as well as business and investment climate as indicated by improvements in rankings such as the World Bank 2009 Doing Business Report and the World Economic Forum most improved competitor. **Building on these achievements**, Government will undertake a number of comprehensive reviews and development of new policies, legislation and regulations with a view to enhancing competitiveness in the business and investment environment. In that light, the draft Trade Policy was completed during the 2008/2009 financial year and will be presented to the National Assembly during the July 2009 meeting. The purpose of the Policy is to facilitate smooth integration into the Multilateral Trading System. The review of the Industrial Development Policy will commence during the first quarter of 2009/2010 financial year. The review will identify achievements, challenges and opportunities posed by globalisation in line with the Policy objectives.

58. The implementation of the Industrial Development Act, 2006, and its regulations began in April 2008. Under the Act, processing of licensing activities for small and medium scale manufacturing enterprises was decentralised to 29 District Councils. The amendment of the Act has facilitated the harmonisation of the Industrial Development Act, the Trade Act and Liquor Act, 2003. Guidelines to assist in the registration of micro enterprises falling below licensing requirements will be finalised in March 2009. In another development,

Government is finalising the National Export Strategy to be completed in March 2009. Government is also reviewing the Trade Act, 2003, and the Liquor Act, 2003, to improve the processes and procedures for obtaining business licenses. In another effort by Government to curb the abuse of alcohol consumption, the Traditional Beer Regulations are being drafted. This will bring regulation of traditional beer under the ambit of the Liquor Act.

59. Mr. Speaker, following the launch of the Copyright and Neighbouring Rights Act in June 2008, a copyright Office was established to monitor the implementation of the Act and the Copyright Society of Botswana was registered as a company limited by guarantee in June 2008. The Company started the sale of the security device or hologram in August 2008 in an endeavour to stop copyright infringements. Government is also developing a Competition Law which will help curb unfair and restrictive business practices. With respect to the Gaming Industry, the preparation of the Gaming and Gambling Bill and the establishment of a self-financing autonomous Gambling Authority will be finalised during the 2009/2010 financial year.

60. The Botswana Export Development and Investment Authority's (BEDIA) strategy to focus on green field investment and encourage expansions is yielding results. Over the last five years, a total of 9 363 jobs were generated with a corresponding level of capital investment of P971 million from both green field investments and expansions. Out of this total investment, P323.4 million was attracted between April and December 2008, creating 2 071 jobs. Starting in NDP 9, BEDIA adopted a new approach which focuses on investor targeting, selling of identified opportunities, emphasising product differentiation and market streamlining. Further, BEDIA has completed feasibility studies for the establishment of a cargo and logistics hub in Botswana, as well as a study that assesses the viability of establishing Botswana as a tertiary education hub. The envisaged investment would bring about skills development that will have a ripple effect on other sectors of the economy.

61. Mr. Speaker, the development of local entrepreneurship will continue through services offered by institutions such as the Local Enterprise Authority. In an effort to develop skills and enhance capacity of our entrepreneurs, LEA conducts a number of business management, marketing and technical training courses. Since inception, 2 771 entrepreneurs have been trained, with 1 548 entrepreneurs in 2007/2008 and 1 223 in the 2008/2009 financial year. To date, 8 371 entrepreneurs have applied for the Local Enterprise Authority (LEA) services of which 68 percent (5 725), have passed the screening process and enrolled for LEA services. Out of these entrepreneurs, 51 percent are in the agricultural sector, followed by manufacturing sector which accounts for about a quarter (24 percent) of LEA clients, with the remaining under the services (15 percent) and tourism sectors (10 percent).

62. Following a study on economic diversification of Selebi - Phikwe in 2006, a detailed six-year Medium Term Strategy and financing plan was developed. The Strategy contains a series of actions and projects in and around Selebi - Phikwe aimed at ensuring the viability of the town beyond the life expectancy of the mine in 2013. One of the key elements of the Strategy is the establishment of the Selebi - Phikwe Economic Diversification Unit (SPEDU) to spearhead the implementation of the regeneration programme. A senior official was seconded from my Ministry to set up the Unit and kick-start the process. Meanwhile, efforts are on-going to recruit a Coordinator for the Unit, and it is expected that the officer will be appointed by April 2009, while the project will be launched in early 2009.

Agriculture

63. Mr. Speaker, over the years, the arable sub-sector's contribution to total output in the economy has been declining, mainly due to low rainfall, poor technology adoption by the farming community, particularly the small scale farmers whose production per unit area has been less than expected. In this regard, the National Agricultural Master Plan for Arable Agriculture and Dairy Development (NAMPAADD) was established to provide training on rain-fed, irrigated and dairy farming to demonstrate the economic viability and profitability of farming under Botswana's environment, through Pilot Training Farms. In order to improve farm efficiency, some technologies are promoted at the farms with the participation of farmers. Mr. Speaker, the onus is now upon farmers to seek financing through either banks or financing windows of Government like CEDA to adopt and use the technologies on their own farms. The focus of NAMPAADD during the next five years will be to assist investors to adopt and utilise technologies that would improve their farm efficiency and productivity.

64. The Arable Lands Development Programme (ALDEP) has been replaced by the Integrated Support Programme for Arable Agriculture Development or ISPAAD, to improve agriculture productivity through provision of subsidised inputs and services such as seeds, fertilizers, potable water, facilitation of access to credit as well as establishment of Agricultural Services Centres. The Programme is intended to increase grain production, promote food security at household and national levels, commercialise agriculture through mechanisation and improve extension outreach. Meanwhile, the feasibility study of the Zambezi Integrated Agro-Commercial Development Project is on-going and is scheduled for completion in May 2010.

Minerals

65. Mr. Speaker, the performance of the minerals sector was impressive during NDP 9, until the impact of the global financial crisis hit the industry. Diamond

production for 2008 was 32.6 million carats compared to 33.8 million carats in 2007. However, total sales volume for 2008 is estimated at 28.9 million carats, which is 17 percent lower than that of 2007. This is mainly due to diamonds not sold during November as planned owing to the depressed market. The diamond market performed exceptionally well during the first three quarters of 2008 which saw prices increasing by about 20 percent. However, the ensuing global financial crisis led to a sharp decline in commodity prices during the last quarter of 2008.

66. Diamond sales revenue is expected to decline by about 50 percent as prices are estimated to decrease by 15 percent, while production is expected to reduce by 35 percent. The new companies like DiamonEx and Messina Copper, which recently commissioned their operations, are most vulnerable to the crisis since they still have to service their debts and have no cash reserves.

67. A Diamond Hub was established in April 2008. The Hub has identified four major areas of concentration which include promotion and active facilitation of the diamond cutting and polishing sector; establishment of a rough and polished diamond trading facility; development of diamond jewellery manufacturing; and attraction of support industries. Already, 15 of the 16 licence holders are actively operating, while the sixteenth licence holder is preparing to start. The level of employment for these companies currently stands at 3 108 workers, which represents a 29 percent increase from February 2008.

68. Mr. Speaker, soda ash output for 2008 is estimated at 280 000 tonnes while salt production is estimated at 128 790 tonnes. Estimated salt sales for 2008 are 221 940 tonnes compared to 215 366 tonnes for 2007. Nickel, copper and cobalt total metal production for 2008 is estimated at 55 000 tonnes compared to 53 947 tonnes in 2007. The 2008 average prices as at December were \$9.57/lb for nickel and \$3.15/lb for copper, compared to \$16.25/lb for nickel and \$3.23/lb for copper in 2007.

69. Coal production at Morupule Colliery increased to 909 511 tonnes in 2008 compared to 828 164 tonnes in 2007. Coal production is mainly dependent on the major customer off-take like BPC, BCL and Botash. Similarly, Mupane Gold production increased to 3 176 kg, or 112 030 ounces, in 2008 compared to a production of 2 722 kg in 2007.

Energy

70. Mr. Speaker, electricity demand for the country is continuously increasing and currently the maximum demand is 530 MW. During 2008, electricity was in short supply due to reduction of 60 MW supply from South Africa. Morupule Power Station contributes 120MW and the balance is imported mainly from South Africa and Mozambique. However, there are still shortages of power resulting in load shedding on various occasions and locations. It is expected that

this situation will improve upon completion of Morupule “B” Power Station Expansion Project in 2012. In addition, a substantial private sector energy project, which would use some of the extensive reserves of the Mmamabula coal field to generate power for both export to the South African market and for domestic supply, has been reconfigured by the project sponsors CIC Energy. The development now envisions a 1 200 megawatt power station, a nearby open cast coal mine, and coal washing facilities to provide clean-burning coal. This would assist in meeting the regional power requirement, provide greater energy security to Botswana, and further diversify our economy.

71. Government will continue to pursue the rural electrification programme given its potential impact on improving the economic and social lives of Batswana in the rural areas. By mid-November 2008, a total of 270 villages had been electrified. By the end of October 2008, 52.4 percent of households were connected to the national grid. Batswana are therefore urged to take advantage of the Rural Electrification Collective Scheme which offers Relaxed Repayment Terms.

72. The challenge of electricity shortage has given more prominence to energy saving. To bridge the gap between demand for and supply of electricity, Government has initiated various activities to implement the energy saving strategy. These include energy saving campaigns and use of more energy efficient lamps. For the medium to long term power supply solutions, Government intends to invest in photovoltaic power generation, bio-diesel production and installation of solar home systems for lighting in rural villages.

73. Energy efficiency is also given due consideration in the new building regulations by including a separate chapter on energy efficiency. During 2009/2010, more focus will be given to reduction of energy consumption in the industrial sector through energy audit and taking appropriate measures based on that audit. Measures will be taken to reduce electricity consumption in government buildings, such as replacement of inefficient lights by energy efficient ones. Due to the volatility in prices of petroleum products, Government has started to explore other possible alternative energy generation measures as a long term strategy. As such, an investigation was carried out to consider the possibility of producing and using bio-fuels in Botswana. This investigation revealed potential in bio-ethanol and bio-diesel. During NDP 10, Government will engage in projects geared towards the production and the use of these bio-fuels.

Water

74. Mr. Speaker, while it was planned to construct four dams during NDP 9, a fifth was added during the Plan period. Other than Ntimbale dam, the construction of other major dams is still on-going and it is expected that upon

their completion, the combined volume of dams will go up to 948 million cubic metres while their combined yield per annum will reach 147.9 million cubic metres. In an effort to provide and improve water supply, Government will continue to: undertake negotiations on shared water resources; use treated effluent; undertake institutional reforms; rehabilitate and upgrade pipe work distribution systems; and undertake research on appropriate technologies to improve water quality. The strategy on the conjunctive use of groundwater and surface water has been developed in the North-East through the Maitengwe Wellfield and Ntimbale Dam water scheme, which was commissioned in October, 2008. Thune Dam is still under design and its construction activities are expected to start in May 2009. Mosetse Dam is currently at design stage with construction expected to start in June 2009, while the Lower Notwane Dam is at its initial stages of implementation. Meanwhile, the Village Networks Project Rehabilitation, which will ensure that water losses are minimised and more plots and customers are connected in the major villages, is currently at design stage, with construction expected to commence mid-2009.

75. Water and sanitation reforms are being undertaken to address administrative and structural bottlenecks associated with multiple water authorities with a view to improving service delivery throughout the country. Government is also working on the modalities of implementing the recommendations of the National Water Master Plan Review, with particular emphasis on the separation of water distribution from water planning and development.

Transport

76. Mr. Speaker, to address the need to expand the capacity of our airports, a number of infrastructural developments were initiated during NDP 9. These include major airport development and expansion projects at Sir Seretse Khama, Maun, Francistown, Kasane, Serowe/Palapye, Hukuntsi, Tsabong and Tsodilo, as well as the improved navigational aids at several airports, which are expected to improve the air transportation system and enhance competitiveness. The establishment of the Civil Aviation Authority of Botswana as a regulator of the air transport services will further enhance the transport system. The Authority will take over all civil aviation activities, except the accident investigation function, from the Department of Civil Aviation following the approval of the Civil Aviation Authority (Amendment) Bill in November 2008. The objective is to establish a civil aviation structure that is efficient, effective and responsive to the dynamics of the aviation industry, the social and economic development as well as to the need for promoting trade and tourism.

77. NDP 9 planned road and bridge projects are at various stages of implementation. Completed projects include; Mopipi-Rakops, Letlhakeng-Dutlwe, Nelson Mandela and Lemmenyane drives, Dibete-Mahalapye,

Mahalapye-Kalamare, Thamaga and Tlokweng bridges, among others. On-going road projects include Dutlwe-Morwamosu, Sekoma-Kokotsha, Tsabong-Middlepits, Middlepits-Bokspits, Gaborone-Tlokweng Border Post, Western Bypass-Metsimotlhabe, Moshupa bridge and Lotlhakane Bridge. Construction of Nata-Kazungula, Francistown-Ramokgwebana, Kang-Hukuntsi, Ngoma-Kachikau roads are expected to start during the last quarter of 2008/2009.

Information and Communications Technology

78. Mr. Speaker, initiatives and projects during NDP 10 will be guided by the Maitlamo ICT Policy which was approved during NDP 9. In addition, the Botswana Innovation Hub is being set up as another strategy to facilitate the country's transformation into a knowledge economy. When fully operational during NDP10, the Hub will provide a platform where technology-driven and knowledge-intensive industry, researchers, higher education institutions and public sector would work together to foster innovation and new businesses.

79. To further augment and extend the reach of our existing national connectivity, the implementation of Nteletsa II Programme, under the Rural Telecommunications Development Strategy, has started with 103 villages out of a total of 197 villages in the programme. The roll-out of the services to these villages will be completed by December 2010. Contract negotiations are ongoing for the remaining 94 villages and the implementation will start by April 2009 and end by December 2010.

80. Government has started the implementation of the e-Government project that will integrate all the current and future information technology systems to be able to achieve a collaborative approach to service delivery. The project is divided into two phases; e-Information which will provide one entry gateway for communication with Government stakeholders, and the e-services which will provide an electronic platform for enhanced and automated service delivery. The two above mentioned phases will be delivered through a Government web-portal. The Government Portal and the e-services will start in 2009/2010, and the whole project is estimated to be completed by the end of the tenth National Development Plan.

Education and Skills Development

81. Mr. Speaker, Government has developed a National Human Resources Development Strategy. The Strategy calls for a holistic and integrated approach to human resource capabilities and opportunities. During the next financial year, a National Human Resource Development Plan (NHRDP), which will guide training and match skills development with labour market needs as well as strategic national development directions, will be developed. The NHRDP will be implemented through sector Committees which will include representatives of

all stakeholders. Other notable achievements during NDP 9 include increased access to tertiary education with student enrolment rising from just over 20 000 in 2003/2004 to 31 129 in 2007/2008, introduction and implementation of Early Childhood Care and Education Policy Guidelines in all urban and district councils, as well as refocusing of academic programmes in response to new needs and market demand. In this regard, a curriculum framework for pre-primary education has been developed and that for primary education has been overhauled to emphasise mathematics, science, and entrepreneurship, among others. In addition, the examination system is being redesigned to emphasise higher order thinking skills to ensure that learning is outcome based and that learners acquire the right competencies at all levels of education.

82. A Vocational Training Fund, which is aimed at encouraging training at the workplace, was established in 2008. The Fund will improve cost sharing in the provision of vocational training and help close the demand-supply gap for skills in the economy. A Labour Market Observatory Unit will also be established for the purpose of ensuring the availability of labour market information to guide planning and skills development. The Unit is currently being set up in my Ministry and will be operational during 2009.

83. Mr. Speaker, the Education sector seeks to contribute towards the diversification of the economy by providing quality education, training and research in areas such as science and technology, mining, hospitality and tourism, and business management. Government will, therefore, continue to improve access, quality and relevance throughout all levels of the education system. In order to increase equity and access to education for learners with special needs, construction of a Centre for children with severe or multiple disabilities is in progress in Maun.

84. The establishment of a senior secondary school in Goodhope resulted in increased access to secondary school education which will be further increased upon the completion of the construction of four senior secondary schools at Mmadinare, Mogoditshane, Nata and Shakawe. The tenders for the construction work will be awarded before the end of this month and it is expected that the works will be completed in July 2010. When the new senior secondary schools come on stream, they will provide an additional 4 800 form four places and raise the transition rate to senior secondary education to 70 percent.

85. At tertiary level, Oodi College of Applied Arts and Technology is expected to start operating in July 2009 with an initial student intake of 250. Construction of the founding structures of Botswana International University of Science and Technology, and the University of Botswana expansion are also underway. Designs for Selebi-Phikwe College of Applied Arts and Technology are ongoing. The Tertiary Education Policy approved by the National Assembly in April 2008 outlines strategies that will be adopted for the next 20 years to address

challenges relating to access, quality, and relevance. The Policy aims to ensure that our tertiary institutions produce valuable and relevant research results to support industry and overall development. Implementation of the Policy has already started with the setting up of a High Level Multi-Stakeholder Team.

Environment, Wildlife and Tourism

86. Mr. Speaker, during NDP 9, the Environmental Impact Assessment Act of 2005 and the Community Based Natural Resource Management Policy of 2007 were approved, while a number of Acts and Policies were initiated and reviewed. Effective management of the environment will continue to be a priority during NDP 10 and beyond, as was the case in NDP 9. To facilitate this, a draft Environmental Management Act is being publicised to rationalise and harmonise the legislative instruments, and a draft bill will be tabled in Parliament during 2009/2010 financial year. In a related development, the Wildlife Conservation and National Parks Act of 1992 is being reviewed to take into account the scope and complexity of wildlife conservation and management. To address the emerging challenges of waste management in the country, the Waste Management Act of 1998 and the Atmospheric Pollution Prevention Act of 1971 will be reviewed to provide legal guidance in waste management, abatement and mitigation. The reviews are expected to be completed during the 2009/2010 financial year.

87. The tourism sector provides an opportunity to contribute to economic growth and diversification. Developments in the sector are guided by the Tourism Policy whose review started in February 2008 and will be completed during the next financial year. Construction of the Kgalagadi Transfrontier Park joint entrance gate between Botswana and South Africa is expected to be completed by the end of February 2009. This is a welcome development as tourists will now be served from one centre. In addition, 11 new lodge sites were awarded; in Kgalagadi Transfrontier Park, Central Kalahari Game Reserve, Makgadikgadi/Nxai Pans National Park and Chobe National Park. In a deliberate effort to promote the tourism industry, the Botswana Tourism Board has established an office in the United Kingdom, at the Botswana Embassy, while satellite and information offices are being opened in major centres in Botswana.

Lands and Housing

88. Mr. Speaker, during NDP 9, availability of serviced land has been cited as a major constraint in areas such as tourism, residential, as well as commercial development. This is due mainly to limited private sector involvement in land delivery, unavailability of land to be serviced around urban areas such as Lobatse and Gaborone, substantial increase in the cost of development over the years, and encroachment of other uses into agricultural land. In order to deal with these constraints, various strategies to make land readily available for development will

be employed. These strategies include acquisition of freehold farms and creation of a land bank starting next financial year. In addition, land policing will be effected to avert illegal occupation and development of land. To operationalise this during 2009/2010, structures for monitoring compliance with existing laws will be set up, while regulations and procedures will also be developed. Guidelines will be reviewed to facilitate land servicing and extend the programme to rural centres. Further, to eliminate lengthy allocation processes for potential investors and ensuring best use of land, the strategy will entail reserving identified pieces of land for specific uses by the user Departments and Ministries. Already, 414 hectares have been reserved for the Ministry of Trade and Industry, while a total of 49 hectares were reserved for the Ministry of Agriculture during this financial year. Meanwhile, two Land Tribunals were established in Gaborone and Palapye to deal with land related disputes.

89. Through continuous Legislative and Policy Review, Government will harmonise land related Acts to: guide land administration; increase access to land; close the identified gaps; as well as to create an enabling environment for land use and development. In this light, the Tribal Land Act, Town and Country Planning Act, Land Survey Act, State Land Act and the Deeds Registry Act are under review. It is expected that the Bills will be tabled in Parliament during 2009/2010 financial year.

90. Mr. Speaker, despite a number of efforts to deliver housing accommodation and promote home ownership, decent quality shelter still remains a challenge. These efforts include housing delivery through such programmes as Self-Help Housing Agency (SHHA), Turnkey, Integrated Poverty Alleviation and Housing Scheme, Public Officer's Housing Scheme and the Botswana Housing Corporation (BHC) Programmes. For example, a total of 928 housing units have been constructed under the District Housing Programme while BHC has completed 2 957 houses against their target of 3 400 for NDP 9. Further, BHC in its home ownership promotion sold 3 494 houses, during NDP 9. The total number of beneficiaries under housing programmes was 1 684 in urban areas and 7 188 in rural areas, at a total cost of P169.7 billion. Government will continue to create opportunities for the promotion of home ownership and foster the creation of a conducive policy implementation environment to address issues of affordability, delivery and coverage of different social-income groups targeted by the housing programmes. This will involve the development of administrative, institutional and legislative frameworks to harmonise different pieces of legislation that impact on housing delivery. The process aims to create synergies with other actors such as financiers, developers and construction companies. Adequate research on available indigenous building materials will be undertaken with a view to encouraging their use. Some research on Kgalagadi

sand is currently being undertaken by Botswana Technology Centre and will continue into NDP 10.

V. 2007/2008 BUDGET OUTTURN

91. Mr. Speaker, the budget outturn for the 2007/2008 financial year was an overall surplus of P3.81 billion, compared to the estimated surplus of P787 million in the revised budget estimates. This substantial budget surplus was due to a combination of more than anticipated revenue earnings and significant under-spending of the total budget.

92. Total revenue and grants amounted to P28.63 billion, which was higher than the estimated P27.18 billion in the revised estimates, representing an increase of P1.45 billion or 5.35 percent. Mineral revenue, which comprised mineral tax and royalties and dividends recorded P12.33 billion which was 43.08 percent of total revenue and grants. This represented an increase of P1.44 billion or 13 percent increase compared to the revised estimate. The 9 percent increase in diamond prices above budget and 3 percent increase in the volume of diamonds sold contributed positively to this increase. VAT also recorded 13.2 percent increase over the revised budget attributable to an increase in collection of taxable goods and services due to enhanced growth of the economy and BURS performance. Customs and Excise recorded an increase of P436.47 million or 5.9 percent over the revised budget due to a positive adjustment received during the financial year.

93. Mr. Speaker, total expenditure and net lending amounted to P24.82 billion compared to P26.39 billion in the revised budget representing an under spending of P1.57 billion or about 5.95 percent. Out of this total, recurrent expenditure amounted to P18.58 billion compared to P18.73 billion in the revised estimates representing an under spending of P153.14 million.

94. Development expenditure recorded P6.55 billion which was an under expenditure of P1.17 billion or 15.19 percent below P7.72 billion in the revised estimates.

VI. 2008/2009 REVISED BUDGET ESTIMATES

95. Mr. Speaker, the original estimates for 2008/2009 showed a small deficit of P331.19 million whilst the revised budget estimates shows a substantial budget deficit of P6.20 billion. The deficit is mainly due to the increases in the recurrent budget by P1.66 billion and the development budget by P3.99 billion with decrease in total revenue by P207.61 million.

96. These additional expenditures were approved by Parliament in December 2008 through Financial Paper No.1 of 2008/2009. The largest additions to the

recurrent budget were P915 million for the Ministry of Education and Skills Development to augment the vote for Post Secondary Schools Bursaries, P196 million for the Ministry of Works and Transport to accommodate increase in petrol and oil prices, and P191 million for the Ministry of Local Government mainly to cover the increase in personal emoluments due to the 15 percent salary increase effective from April 2008. An additional P140 million was approved under the Ministry of Finance and Development Planning to accommodate the increase in CEDA lending and restructuring arising from the 2008 review.

97. The development budget realised an increase of P4 billion over the original budget for the year. The largest additions were P1.85 billion to the Ministry of Minerals, Energy and Water Resources of which P1.5 billion was for the expansion of Morupule Power Station while the balance was for the Emergency Water Supply projects to address the water crisis in 76 villages, P464.8 million to the Ministry of Agriculture of which P190.8 million was for the Integrated Support Programme for Rainfed Arable Agriculture Development (ISPAAD), P224 million to implement measures aimed at mitigating the looming food crisis arising from increase in food prices and P50 million to address the outbreak of the Foot and Mouth Disease in some parts of the country; and P905 million to the Ministry of Local Government for the maintenance of Local Authority Infrastructure and Labour Intensive Public Works Programme to provide income support to the highly vulnerable groups of the society.

98. The revised total expenditure and net lending for 2008/2009 is estimated at P35.88 billion, with the revised development budget of P12.49 billion, recurrent budget of P23.50 billion and net lending of negative P116.51 million.

VII. 2009/2010 BUDGET PROPOSALS

99. Mr. Speaker, preparation of the 2009/2010 budget began in September 2008 as the international financial crisis was starting to unfold. Those preparations followed the Fiscal Rule, approved in the Mid Term Review of NDP 9. In order to maintain a sustainable fiscal position, the Rule requires Government expenditure not to exceed 40 percent of forecast GDP. The MTR further set out to divide Government expenditure between the recurrent budget and development budget at 70 percent and 30 percent of the total budget by the end of NDP 9.

100. The forecast GDP in current prices that was used for the proposed budget anticipated a growth rate of 13 percent from 2008/2009 to P96 billion for the 2009/2010 financial year. The expenditure estimates almost achieved the 70:30 target division between the recurrent and development budgets, with 72.15 percent allocated to the recurrent budget and 27.85 percent to the development budget for 2009/2010.

Revenues and Grants

101. Mr. Speaker, total revenue and grants are estimated at P24.39 billion, with Customs and Excise revenue being the largest contributor at 28.97 percent. The second largest source is mineral revenue at 28.02 percent due to reduced diamond revenues for 2009, which are expected to be lower than in 2008. Diamond prices are also expected to be 15 percent lower than the 2008 price book. Therefore, the overall Debswana revenue is expected to decline by about 50 percent as a result of reduced production and low diamond prices due to the global financial and economic crisis. Bank of Botswana revenue for 2009/2010 is based on the assumption that the expected rate of return for the Pula Fund is 3.38 percent in terms of SDR and that the level of the Pula Fund will remain unchanged for the year.

Recurrent Budget

102. Mr. Speaker, the 2009/2010 recommended Recurrent Budget is P27.36 billion. This budget represents an increase of P3.9 billion or 16.4 percent over the 2008/2009 revised budget of P23.5 billion. The largest increase over the revised budget for the previous year was for the Ministries of Education and Skills Development (with P1.14 billion), Local Government (with P701 million), Health (with P366 million) and State President (with P422.55 million). Of the total Recurrent Budget, 93.1 percent is for Ministerial Budget, while 6.9 percent is for Statutory Expenditure. Add Back Items have the largest share of 38 percent, followed by Personal Emoluments with 35 percent and Other Charges at 21 percent of the total Recurrent Budget. Add Backs 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.

103. The budget estimate for Statutory Expenditure is P1.92 billion. The major items under this category of expenditure are Public Debt Servicing at P506.7 million (i.e., repayment of loans and interest payments), Government contribution to the Public Officers Pension Fund at P834.68 million, Pensions and Gratuities at P302.65 million and miscellaneous statutory commitments, such as refunds of Income Tax, and annual subscriptions to international organisations at P252 million.

104. Mr. Speaker, provisions for the Ministries of Education and Skills Development (P7.57 billion or 29.4 percent); Local Government (P4.47 billion or 17.4 percent); State President (P3.38 billion or 13.2 percent) and Health (P2.20 billion or 8.6 percent), account for 68.6 percent of the total recommended Ministerial Recurrent Budget of P25.73 billion. Three Ministries of: Works and

Transport (P1.54 billion or 6 percent); Agriculture (P913.1 million or 3.6 percent); and Finance and Development Planning (P1.17 billion or 4.6 percent) account for 14.2 percent. Eight Ministries of: Minerals, Energy and Water Resources (P609.2 million or 2.4 percent); Communications, Science and Technology (P640.8 million or 2.5 percent); Lands and Housing (P643 million or 2.5 percent); Labour and Home Affairs (P625.2 million or 2.4 percent); Environment, Wildlife and Tourism (P443.5 million or 1.7 percent); Trade and Industry (P426.8 million or 1.7 percent); Foreign Affairs and International Cooperation (P332.7 million or 1.3 percent); Youth, Sports and Culture (P297.4 million or 1.2 percent) account for 15.7 percent, while the other seven Ministries share the remaining 1.4 percent of the total recommended Ministerial Budget.

105. For the 2009/2010 financial year, the manpower establishment for Government, excluding the BDF and the Local Authorities, is expected to grow by 1 610 new posts or 1.61 percent, at a cost of P135.4 million to reach the total recommended establishment of 101 780 posts. This represents a lower growth rate compared to the NDP 9 forecast of 1.9 percent. The major beneficiaries of this growth in manpower are Ministry of Education and Skills Development (733 new posts) mainly for new primary schools and to cater for the double shift programme, Ministry of Health (701 new posts) for new and upgraded health facilities and Ministry of Labour and Home Affairs (119 new posts) mainly for the new Department of National Internship Programme and Department of Immigration and Citizenship.

Development Budget

106. Mr. Speaker, the proposed development budget for 2009/2010 is P10.56 billion. The Ministry of State President, with a budget of P2.09 billion, takes the largest share (of 19.83 percent) of the proposed development budget, mainly accounted for by: the HIV/AIDS Programme at P838.8 million; the Botswana Defence Force at P500 million; and Police Facilities at P195 million; and by the Directorate of Intelligence and Security at P200 million. These four projects account for 83 percent of the Ministry of State President's budget.

107. The Ministry of Local Government, with a proposed budget of P1.45 billion, takes the second largest share (of 13.69 percent). Seven projects, namely, Village Infrastructure (with P242.3 million), District and Urban Roads (with P181.7 million), Infrastructure Maintenance (with P144.4 million), Primary Schools (with P200 million), Primary Health Facilities (with P125.2 million), Village Water Supply and Sewerage (with P120.6 million), and Municipal Services (with P88.2 million), account for 68 percent of the total Ministry's budget.

108. The third largest proposed allocation is for the Ministry of Works and Transport at P1.257 billion which is 11.90 percent of the overall proposed

budget. The Airports Infrastructure project takes the largest share at P477 million, followed by Bitumen and Trunk Roads Improvements project at P345 million and Secondary Roads Construction project at P143 million. These three projects constitute 77 percent of the Ministry's allocation.

109. Mr. Speaker, the Ministry with the fourth largest proposed allocation is the Ministry of Minerals, Energy and Water Resources at P965.7 million (or 9.15 percent). Within the Ministry, the Water Planning & Development Project is the largest programme, at P501.98 million, followed by Major Villages Water & Sanitation Projects at P224 million. These two projects account for 75 percent of the Ministry's budget. In particular, the allocation under the Water Planning & Development Project is to cover the Thune and Dikgatlhong dams and the North South Carrier II as well as some emergency works.

110. The Ministry with the fifth largest proposed allocation is the Ministry of Education at P890.5 million (or 8.43 percent). Within the Ministry, Secondary Schools is the largest programme, at P556.5 million, followed by Colleges of Education at P145.3 million. These two projects account for 79 percent of the Ministry's budget. The allocation for the Secondary Schools project is to cover the construction of the four senior secondary schools at Mogoditshane, Nata, Mmadinare and Shakawe. The other fourteen Ministries/Departments share the remaining 37.0 percent of the development budget.

111. During 2009/2010, a total of P25.1 million will be spent on the procurement of 119 new Government vehicles under the development budget, while the running cost of the new vehicles is estimated at P3.42 million.

VIII. PUBLIC SERVICE SALARIES

112. Mr. Speaker, the National, Employment, Manpower and Incomes Council met on 26th January 2009 to consider a cost of living adjustment for the public sector. In light of the tight budgetary outlook arising from the unfolding global financial crisis and economic slow down, as well as the need for long-term sustainability and maintenance of employment, the Council recommended, and Government has agreed, that there be no public sector cost of living adjustment during the 2009/2010 financial year.

IX. OVERALL BALANCE

113. Mr. Speaker, preparation of this budget has been made extraordinarily difficult by the rapidly evolving international financial and economic crisis. The expenditure and net lending for 2009/2010 in the Estimates document is P37.79 billion, which is an increase of 5.3 percent over the current year's revised estimate of P35.88 billion and is a little less than 40 percent of the GDP forecast used for the coming financial year, in keeping with the Fiscal Rule. Since our

GDP and Government revenue will both be adversely affected by the deteriorating world economy, we must now anticipate that both GDP and Government revenues will be substantially lower. Yet, because the situation is still evolving, it is by no means clear just how big these effects will be. The revenue picture in the Estimates document reflects the latest available information as of January 2009. If we permit total expenditure of the magnitude outlined in the Estimates document, the net result would be a budget deficit amounting to P13.4 billion.

114. Mr. Speaker, while under normal conditions a deficit of that magnitude would not be prudent, at the same time, we must recognise that in the extraordinary circumstances such as these, a fiscal stimulus to boost growth and employment in the economy is appropriate. This is in line with Government policy of balancing its budget over the medium term and accumulating surpluses during good years to assist during lean times. It is clear that in these circumstances we must be prepared to run a deficit to help stabilise the domestic economy, while recognising there must be a limit. Consequently, over the coming months we will continue to evaluate our situation and adjust Government spending accordingly. In so doing, all Government projects and programmes as well as recurrent expenditure will be reviewed to ensure cost-effective use of public funds. Further, we will seek to limit total Government expenditure in light of the evolving situation to a deficit of no more than 10 percent of GDP averaged over the two financial years 2009/2010 and 2010/2011. The deficit will be financed largely by drawing from our savings, and where favourable financing is available, by borrowing.

X. FISCAL LEGISLATION

115. Mr. Speaker, in the 2008 Budget Speech, I announced that Government would undertake a comprehensive review of the Income Tax Act and Value Added Tax Act with the objective of simplifying the law, improving an enabling environment for investors and enhancing tax compliance. Since the Income Tax Act was consolidated in 1995, the Act has been amended regularly in line with the development of the economy. While these amendments were made in order to keep pace with the development of the economy and to further simplify the structure of the tax system, gaps may have been created. To address these deficiencies, both our Income Tax Act and the Value Added Tax Act were reviewed with the assistance of a consultant and the Taxation Review Committee. The report of the study is currently being studied by stakeholders and the resulting recommendations will be submitted to Cabinet and Parliament for approval later in the year.

116. During NDP 9, a number of developments including the devolution of certain authority from the Ministry of Finance and Development Planning to line Ministries, such as allowing Ministries to approve their project memoranda up to

a threshold of P10 million, were undertaken. Significant benefits in terms of financial control, access to management information, expediting of processes and statutory financial reporting were partly due to the implementation of the Government Accounting and Budgeting System, commonly known as GABS, which was introduced in 2005. These developments necessitated the review of the Finance and Audit Act, which is at an advanced stage. Meanwhile, a Draft Financial Reporting Bill 2008 which is intended to repeal and replace the Botswana Institute of Accountants Act of 1988 is to be presented to the National Assembly during 2009. The Bill will facilitate establishment of the Botswana Accounting Oversight Board as an independent regulatory body to oversee the accounting and auditing profession, with focus on the reporting of financial matters of Public Interest Entities. Meanwhile, the threshold for Ministerial Tender Committees will be increased from P5 million to P10 million during the 2009/2010 financial year.

XI. CONCLUSION

117. Mr. Speaker, the proposed budget for 2009/2010 is relatively ambitious with the intention to catalyse economic growth which would lead to more employment opportunities and improved conditions of living for Batswana. I must hasten to add that, in the circumstances facing the nation today, it is even more critical for us to emphasise financial discipline and budget sustainability. It is for these reasons that during 2009/2010 and beyond there will be belt-tightening measures in Government, all aimed at improving efficiency in spending. This will go hand in hand with vigilant planning, prioritisation and the financing of carefully thought-out sustainable development projects and programmes.

118. The budget deficit will be financed by drawing down part of Government's reserves that have been built up over the years, but especially during the recent boom period and by borrowing both domestically and internationally. This is in keeping with Government's role of stabilising the economy. In boom times we do not spend all our income so that in recessions we are able to draw on our savings. Government will also finance some projects by borrowing. Let me add a word of caution, however. All projects and programmes, whether financed by current revenues or from our savings or by borrowing, must ensure cost-effective use of public funds. If we fail to use our resources productively, the stabilisation will be short-lived. Our savings will have been used up without adding to future income, and our ability to borrow at reasonable rates to finance projects in the future will be limited. The size of Government expenditure would then have to be curtailed dramatically. At this stage, we should undertake whatever reforms are necessary, with all deliberate speed, and avoid abrupt and painful externally imposed adjustment in the future.

119. Mr. Speaker, as the theme of this Budget Speech suggests, we must strive to turn the challenges that we face as a nation, into opportunities by **building on the achievements of NDP 9** and previous Plans. The achievements made thus far in areas such as education, health, investment promotion, employment creation, poverty reduction, provide a solid foundation to build on. I am calling for productive use of funds by Government and other stakeholders; increasing productivity; finding innovative ways of doing business; business processes re-engineering; increased private sector participation; increased global competitiveness; as well as for regional and international cooperation.

120. At this juncture, Mr. Speaker, let me take this opportunity to express the appreciation on behalf of Government and all Batswana for the technical and financial support we receive from our development partners, bilateral and multilateral, as well as private foundations. Their support towards our efforts to achieve the Vision 2016 aspirations will continue to be essential.

121. Mr. Speaker, I conclude by moving that the **Appropriation (2009/2010) Bill**, No. 2 of 2009 be read for the second time.

122. I thank you, Mr. Speaker.