

DAILY HANSARD

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THE SECOND MEETING OF THE FIFTH SESSION OF THE ELEVENTH PARLIAMENT

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(Independent Member of Parliament)	
Hon. T. Moremi, MP	Maun West

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Monday 4th February, 2019

THE ASSEMBLY met at 2:00 p.m.

(THE SPEAKER in the Chair)

PRAYERS

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SPEAKER'S ANNOUNCEMENTS

MADAM SPEAKER (MS KOKORWE): Order! Order! Your Excellency, the President, Honourable Members of Parliament, good afternoon to you all. I want to welcome you to the Second Meeting of the 5th Session of the 11th Parliament. The 5th session; five reminds me of something, the last year, it reminds me of elections. I wish you well, all of you; I want to see you back here when I come to say bye-bye in November.

As you are aware Honourable Members, there was a Cabinet reshuffle in December 2018. I have therefore accordingly and in consultation with Honourable Boko and the Leader of the House, rearranged the sitting in terms of Standing Order 14.1.

TABLING OF PAPER

The following paper was tabled:

**DRAFT FINANCIAL STATEMENTS, TABLES
AND ESTIMATES OF THE CONSOLIDATED
AND DEVELOPMENT FUNDS REVENUES
2019/2020.**

(Minister of Finance and Economic Development)

First Reading

**PRESENTATION OF A GOVERNMENT
BILL**

The following Bill was presented and read a first time.

**APPROPRIATION (2019/2020) BILL,
2019 (NO. 1 OF 2019)**

(Minister of Finance and Economic Development)

**APPROPRIATION (2019/2020) BILL, 2019 (NO. 1
OF 2019)**

Second Reading-forthwith

BILL

**APPROPRIATION (2019/2020) BILL,
2019 (NO. 1 OF 2019)**

Second Reading

MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT (MR MATAMBO): Madam Speaker, I have the honour this afternoon to present to the National Assembly budget proposals for the financial year 2019/2020.

These budget proposals are the first under the leadership of His Excellency the President, Dr Mokgweetsi Eric Keabetswe Masisi, whose roadmap is anchored on the cardinal principles of good governance and respect for the rule of law. The proposals also fall within the same year as the national general elections, scheduled for October 2019. Indeed, holding of regular general elections every five years demonstrates the commitment of this Government to the rule of law, as this complies with the Constitution of the Republic of Botswana. In addition, holding of regular elections in a constitutional democracy like ours is part of good governance, as it gives the citizens an opportunity to renew their social contract with the political leadership. It is because of this Government's adherence to good governance that the country continues to be ranked among Africa's best performers in various areas such as economic management, political leadership and governance.

Madam Speaker, as part of the 2019 Budget Speech, I will provide a synopsis of the development path that we have traversed as a country over the past years. Before I do that, I wish to indicate that the global and domestic economic situation underpinning the 2019/2020 budget proposals was covered in detail in the State of the Nation Address (SONA) delivered by His Excellency the President, three months ago in November 2018.

The global economy continues to be characterized by sluggish economic activities, due to uncertainty in global markets. As a result, it is projected to grow by 3.5 per cent in 2019 and 3.6 per cent in 2020, as per the International Monetary Fund's World Economic Outlook, released in January, 2019. The domestic economy, on the other hand, is forecast to grow by 4.5 per cent in 2018, 4.2 per cent in 2019, and 4.8 per cent in 2020. The implication of the projected growth in the domestic economy is that less revenues will be realised, calling for continued expenditure control in order to ensure that the country remains on a path of fiscal sustainability in the medium term.



Madam Speaker, I will now turn briefly to the country's developmental achievements over the years. All indications, and it is appropriate to do this as we are all about to ask our electorates to return us here if possible. All indications Madam Speaker, show that Botswana transformed dramatically from being one of the poorest countries in the world to achieve an upper middle-income status to date, because of the growth promoting policies pursued by this Government, I am emphasising by "this Government". This resulted in the significant performance of the domestic economy, expansion of the economic and social infrastructure network, improved social indicators and indeed improved general standard of living of Botswana.

Over the years, domestic economic performance, as measured by GDP growth rate, averaged 10 per cent per annum between 1966 and 2008, before slowing down due to the financial crisis of 2008/2009. Real per capita income increased manifold from around US\$70 only in 1966 to the present level of over US\$7 000, these are United States Dollars. The domestic economy also transformed from predominantly agriculture to mining based; but has since diversified towards the services sector, and this was in response to a mix of macroeconomic policies pursued by this Government.

Additionally, Madam Speaker, the country consolidated its fiscal position, resulting in self-financing of its operating budget in 1972/1973, though it continued to depend on international donors to finance its development budget. To date, however, donor aid has drastically reduced to around 1 per cent of the annual Development Budget. Further, average inflation declined from around 10 per cent between 1966 and 2010 to around 4 per cent in the past few years, while formal sector employment grew significantly from 29 000 persons in 1966 to 417 162 in September 2018.

These positive macroeconomic developments, in turn, contributed to Government's ability to generate sufficient resources to finance the network of economic and social infrastructure. Public investment in economic infrastructure such as roads network, power stations, dams and telecommunications has contributed to rapid growth experienced by the country over the years. Similarly, there was significant investment on social infrastructure as you all know like schools and health facilities over the years, resulting in increased literacy level from 34 per cent in 1981 to 87.1 per cent in 2016, while life expectancy at birth rose from 55.5 years in 1971 to 68.0 in 2011.

Madam Speaker, our development experience, as I have just summarised, I would like to emphasise, was not accidental, but rather a result of a determined Government, which pursued appropriate macroeconomic and structural policies amid challenges occasioned by domestic and external shocks to the economy, even when we had challenges, we pursued good policies. Despite these developmental achievements, Botswana still faces significant development challenges such as: sustaining positive economic growth rates; reducing unemployment; and, eradicating abject poverty. Hence, the focus of this year's Budget Speech Madam Speaker, is on "consolidating development gains for further economic transformation". You are going to hear this phrase a couple of times as I go around to demonstrate what we are talking about. The transformation of the country from upper middle-income to high-income status, as envisioned in Vision 2036, would be achieved through the consolidation of our development gains, and continuous reform of our policies and streamlining our processes to encourage innovative approaches to addressing challenges of service delivery throughout the country. These, Madam Speaker, are the critical issues that this Government is determined and pledges to continue tackling in the life of the next Parliament.

CONSOLIDATING DEVELOPMENT GAINS FOR ECONOMIC TRANSFORMATION

Madam Speaker, I now turn to the review of some of Government's continued efforts to consolidate developmental gains achieved over the years for further economic transformation. As I do so, it is important to remind ourselves of the old adage that says "development is a process and not an event". Achieving development is a process that entails successive implementation of good policies and programmes over the years which we have been doing.

As evidenced from our development experience, achieving development goals depends on the country's ability to register sustained economic growth over an extended period. One of the conditions for sustained economic growth is the presence of macroeconomic stability, whose elements include the maintenance of appropriate and supportive fiscal, monetary and exchange rate policies. These elements are necessary for attracting the investment required for growth. Hence, Madam Speaker, as part of consolidating gains for further economic transformation, Botswana will have to ensure macroeconomic stability going forward, and this Government once again to indicate that it has demonstrated that it is capable of achieving this objective.



Madam Speaker, in addition to maintaining macroeconomic stability, Government will continue to pursue a number of structural reforms during the 2019/2020 financial year aimed at promoting growth and creating the much needed jobs including for the youth. I have grouped the broad-based policy initiatives to be pursued in the next financial year into three (3) areas of: economic consolidation; social development; and maintaining governance and security, and I will, in turn, elaborate on each of them starting with economic consolidation.

Economic Consolidation

Madam Speaker, as stated earlier, the domestic economy has sustained a judicious and stable macroeconomic policy environment, with appropriate fiscal and monetary policies during the past years. This environment is characterised by low debt level, stable inflation, and high gross national savings as a percentage of GDP. Through prudent management of resources, Government continues to ensure that the bulk of the mineral revenue is invested in human and physical capital; now listen, while the balance is saved for future generations. Creating such a conducive environment for development is a deliberate effort by this Government to promote development of the private sector, which should be the source of economic growth and creation of employment opportunities, especially for the youth.

Madam Speaker, in addition to maintaining macroeconomic stability, this Government, has over the years, pursued specific strategies to promote economic growth that has potential to create employment opportunities. These included; pursuing economic diversification, promoting private sector development, and development of human capital and physical infrastructure network. While the country has recorded significant achievements in most of these areas, there is need for continued consolidation in some of them in order to transform the economy from its current upper middle-income to high-income status by 2036. Therefore, this Government will continue through the 2019/2020 Budget, to implement various programmes and projects aimed at preparing the economy for transformation.

Economic Diversification

Madam Speaker, efforts by the Government to diversify the domestic economy continue to yield positive results, as evidenced by the decline in the share of mining sector in the value addition, with a corresponding increase

in the contribution of the non-mining sectors. Mining sector's share to the Gross Domestic Product (GDP) declined from 25 per cent in 2008 to 18 per cent in 2018, while the contribution of non-mining sectors increased from 75 per cent to 82 per cent over the same period. This is consistent with the Government's efforts to reduce the dependence of the economy on the mining sector, which is susceptible to external shocks.

However, there is need to intensify efforts to diversify the country's exports and Government revenue sources. Diamonds exports continue to dominate the trade account, while mineral and customs revenues account for over two-thirds of Government revenues. The country's dependency on one commodity for exports, and two major sources of revenues, poses a systemic risk, hence, this Government pledges to continue with efforts to diversify the economy in general, and its exports and Government revenues, in particular.

Madam Speaker, one of the strategic initiatives identified to promote economic diversification is the Economic Diversification Drive (EDD), which was established in April 2010. The EDD is based on the approach of Government using its purchasing power to support local production of goods and services. To this end, P17.2 billion or 53 per cent of the total cumulative amount of P32.5 billion worth of goods and services purchased by Government since the inception of the programme, was from local manufacturers and service providers.

In an effort to further enhance economic diversification, the Special Economic Zones (SEZ)s Policy was adopted in 2011. The main objective of this policy is to diversify the economic and export base of the country. To date, eight Special Economic Zones have been identified. These include: (i) developing the area around Sir Seretse Khama International Airport (SSKIA) into mixed-use economic zone that will house several organisations, such as the Civil Aviation Authority of Botswana and the Botswana Innovation Hub; (ii) developing Gaborone Fairgrounds into a financial services hub; (iii) Selebi Phikwe has been identified for base metal beneficiation; (iv) Francistown is to be developed into a mining supplies, services and logistics hub; (v) Palapye is identified for coal beneficiation; (vi) Tuli Block for horticulture; (vii) Pandamatenga for agrobusiness; and (viii) Lobatse for beef and leather production. The Special Economic Zones will be developed in two phases, with Phase 1 being Sir Seretse Khama International Airport, Fairgrounds in Gaborone, Lobatse and Pandamatenga.



Going forward, there will be alignment of the economic zones taking into account: investment opportunities as mapped out in the National Spatial Plan; the country's natural endowments; and economic activities such as tourism, beef and small stock, just to mention a few.

The other initiative to diversify the economy is the implementation of the SPEDU Revitalization Programme. In this connection, the Government has approved a set of incentives for this region, which include five per cent corporate tax rate for the first five years and 10 per cent thereafter, for companies setting up in the SPEDU region, under the sectors of tourism, agriculture, and manufacturing. 12 companies were assessed and 10 of these have been approved. The revitalization programme is expected to stimulate economic activity in the following sectors: Agribusiness; Manufacturing; Infrastructure Development; and Information, Communication and Technology. This Government believes that there is high potential for further economic growth of Selebi Phikwe region and pledges to intensify its effort to facilitate such growth in the coming years.

Another initiative aimed at promoting economic diversification is the implementation of the Cluster Development Initiative. The initiative aims at improving business productivity, value chains and competitiveness. So far, five sectors have been prioritised for cluster development. These are; Diamond Beneficiation, Tourism, Beef, Mining and Finance and Knowledge Intensive Business Services. Preparatory work is underway to develop business case studies and implementation plans for the first three clusters selected for implementation, namely; tourism, beef and finance and knowledge intensive business services. These detailed studies will include the assessment of capacity building needs for the identified sectors as part of measures to enhance their domestic and global competitiveness.

Madam Speaker, in coming up with the cluster development initiative, this Government had realised that as individual entities, a lot of Small, Medium and Micro Enterprises (SMMEs) with potential to grow this economy, lack the capacity to effectively compete with multinational/regional industries. Hence, the cluster development concept being pursued by this Government will assist SMMEs with; infrastructure development such as power distribution, water reticulation, telecommunication and drainage and pollution control

and in setting up common facility centres for balancing or improving production lines such as marketing centres. In this context, not only does the cluster development concept have the potential to grow the private sector, but it also provides great opportunities for employment creation, with spill over effects expected in poverty eradication.

Promoting Development of the Private Sector

Madam Speaker, Government long identified the private sector as key in driving economic growth, diversification and employment creation. In order to promote the principle of private sector participation in economic activities, Government has since come up with several initiatives that include Public Private Partnerships (PPPs), Privatisation of State Owned Enterprises (SOEs), as well as reform of the business environment to facilitate the growth of the private sector. The results have been positive.

However, the contribution of the private sector to the development of the domestic economy is still considered to be below its potential. In view of the critical role of the private sector in the envisioned transformation of the economy from the upper middle-income to high-income status, this Government is committed to implement existing and new initiatives to improve the business environment during 2019/2020 and beyond, to ensure that the private sector becomes the effective future engine of growth for the country.

Madam Speaker, the Public-Private Partnerships (PPP) Policy and Implementation Framework was adopted in 2009, as an alternative means of financing public infrastructure projects to accelerate and improve infrastructure development, and create a conducive environment for stronger public and private sector partnerships. Despite a slow start, the implementation of the PPP has since picked up, with a number of projects so far identified and registered for implementation using the PPP approach. Among the major projects identified are; Zambezi Integrated Agro-Commercial Development, Gaborone Waste Water Treatment, Chobe-Zambezi Water Transfer Scheme, and Strategic Oil Reserve at Tshele Hill. Responsible ministries are currently undertaking feasibility studies of these projects in preparation for the procurement of private sector partners. Government will intensify the implementation of the PPP during the 2019/2020 financial year, as part of the consolidation of the private sector-led development model.



The Ministry of Finance and Economic Development, as the coordinating agency for the implementation of PPP, is working closely with the respective ministries to provide guidance on the planning and procurement of services required to execute the projects. In addition, the ministry has been undertaking capacity building for the implementation of PPP projects throughout Government, with more than 250 senior Government officials having participated in training workshops since 2016. The private sector has also been sensitised on the PPP funding model for implementation of Government projects.

Madam Speaker, regarding privatisation of State-Owned Enterprises, the demutualisation and privatisation process of the Botswana Building Society (BBS), which included the conversion of the society into a company registered under the Companies Act, was completed in April 2018. The demutualisation of the BBS resulted in many Batswana who held different types of deposit accounts with the Society transforming from being depositors to being shareholders of the demutualised entity. The BBS is in the process of applying for a licence from the Central Bank or Bank of Botswana to operate as a fully-fledged commercial bank and I am happy to indicate at this moment, that this will be the first indigenous bank in this country. Efforts to restructure the National Development Bank (NDB) continue. Once fully restructured, the NDB will be commercialised, with the ultimate objective of privatising it. Among other significant milestone achieved during 2018 was the demutualisation of the Botswana Stock Exchange (BSE), which involved significant changes to its legal status, structure and governance. I wish to indicate this transformation has positioned the Stock Exchange to play a critical role in the development of the domestic capital market.

Madam Speaker, there is need for continuous reform in our business environment. Among the areas of concern are work ethic, access to finance and reports of corruption in the country. These are areas that the country should continue to focus its efforts on, in order to maintain and/or improve its international economic rankings. The Government has already put in place measures to address some of the concerns about doing business in the country. A Doing Business Reforms Roadmap has since been adopted. Among the initiatives in the Roadmap include the review of some laws such as the Trade Act, Customs Act and Companies Act. The Customs Act and Companies Act were passed

by Parliament in June 2018, while the review of the Trade Act to facilitate the process of starting a business in Botswana will be prioritised for 2019 since it was identified to be a significant challenge.

In addition, Parliament passed several pieces of legislation on doing business reform during 2018. These include: Companies Registration Act; Companies Amendment Act; Registration of Business Names Amendment Act; and Re-Registration of Business Names Act. These pieces of legislation will enable integration of the online business registration systems at the; Companies and Intellectual Property Authority (CIPA), Botswana Unified Revenue Service (BURS) and *Public Procurement and Asset Disposal Board* (PPADB), thereby facilitating information exchange between these institutions and limiting unnecessary physical interactions with the institutions. All these efforts by Government are aimed at promoting domestic investment and attracting foreign direct investment and thus, enhance economic growth and employment creation.

Madam Speaker, this Government is keen on promoting its long-standing principle of inclusive growth and equitable distribution of wealth in Botswana. Hence, giving citizens the opportunity to have ownership through privatisation of profit making public enterprises is a positive gesture of empowering Batswana. It is therefore, the objective of this Government to ensure that many Batswana will buy shares when more State Owned Enterprises are privatised as this will give citizens the opportunity to diversify their income generating portfolios. I want to assure you more State Owned Enterprises are going to be privatised, such that more Batswana can own shareholding in these companies.

Infrastructural Development

Madam Speaker, the availability of reliable power supply is a critical input to production of goods and services in the economy. Availability of power supply can also contribute to the improved living conditions of all households, especially in the rural areas. In this regard, this Government has continued to invest in power generation and distribution in order to support economic growth, promote employment creation and improve the living standards of our citizens. Among the major ongoing energy projects is the extension of the power transmission grid to provide power to the North West part of the country, where mining and other



investments are currently suppressed due to lack of electricity. Three contracts for extension of high voltage transmission grid from Morupule 600MW power station to Maun, Toteng, Samochima and Ghanzi were awarded at the end of 2017 and construction work is ongoing. I am happy to report the commissioning of the grid extension is scheduled for December, 2019.

Furthermore, the construction of Rakola and Gaphatshwa Power substations were completed in 2017 and 2018, respectively, and the refurbishment of Morupule A is expected to be completed in 2019. These projects are expected to impact positively on the security of electricity supply, which currently stands at 79 per cent against a target of 85 per cent.

In the meantime, the Government continues to implement the Rural Electrification Programme. The objective of the Programme is to address availability, access and affordability of electricity by our citizens. As stated in the 2018 State of the Nation Address, 15 new villages and network extension in 45 villages were connected during 2017/2018. To date, electricity connection has been completed in 402 out of 492 gazetted villages. During 2018/2019 and 2019/2020 financial years, 43 new villages will be electrified while network extension will be done in 72 villages across the country. This will result in an increase in household access to electricity from the current 58 per cent to 65 per cent. In order to reduce the burden of the cost of connecting electricity, this Government introduced the National Electricity Standard Cost (NESC) in October 2010 and standardised connection costs to P5, 000 for households. This was also aimed at improving access to electricity services throughout the country.

Madam Speaker, like in the case of power supply, availability of water is also a critical input in various economic sectors. In this regard, Government has invested substantial resources in the water sector over the past decades in order to improve on water supply throughout the country. Some of the achievements in this regard include: the four multi-purpose dams; Ntimbale, Thune, Lotsane, and Dikgatlhong; completion of water scheme projects such as Middlepits-Khawa, Zutshwa-Ngwatle, Lecheng-Matlhakola, Mahalapye-Bonwapitse, and Mmopane-Metsimotlhabe; and completion of groundwater project at Masama East, which augmented the water supply in the Greater Gaborone.

Among the major water projects underway are the implementation of the North South Carrier 2 and the Botswana Emergency Water Security and Efficiency projects. These projects will include: construction

of strategic reservoirs; bulk water transfer pipelines; groundwater resource development and water supply distribution networks including treatment facilities. Other water projects are the: Selebi Phikwe-Serule Water Transfer Scheme; Boteti Southern and Central Cluster Villages Water Supply Scheme; North East and Tutume Sub-District Water Reticulation Scheme; and Lobatse Wastewater Treatment Works. All these projects will require substantial resources to sustain their continued implementation and maintenance.

Madam Speaker, another critical requirement for economic transformation is the availability of well-maintained transport infrastructure such as roads and bridges.

HONOURABLE MEMBERS: ...(Laughter!)...

MR MATAMBO: As you know Madam Speaker, there is another stage in the processing of the budget, and that is the Committee Stage, it is not my intention therefore to mention everything that the Government is doing because additional information will be presented at the Committee Stage.

HONOURABLE MEMBERS: ...(Laughter!)...

MR MATAMBO: Over the years, the Government has invested significant amount of resources in the development of transport-related infrastructure projects to drive economic growth, employment generation and contribute towards poverty alleviation. Among the completed trunk roads over the past decades are the major road loops such as the Trans Kgalagadi highway connecting Botswana with Namibia and the A1 highway-connecting Botswana with its neighbours both in the South and in the North. To further improve access to quality and well-maintained roads, implementation of the following projects will continue, and I will continue mentioning these projects to the annoyance of the Opposition, I will continue. Gaborone-Boatle, which is being upgraded to dual carriageway; Dibete-Mookane-Machaneng; Mosu-Thalamabele and Charleshill-Ncojane roads, which are being upgraded to bitumen standard; and the construction of Mohembo and Kazungula Bridges. In order to facilitate the North-South corridor connectivity, the Government is considering construction of two major railway projects, being the Mosetse-Kazungula rail line and Mmamabula and Lephalale rail link. Feasibility studies for these rail projects, which are new, have never been mentioned before. Feasibility studies for these rail projects have



begun. Further, during the 2019/2020 financial year, Government will commence the design of the Palapye-Martin's Drift road and Francistown-Maun-Mohembo roads, as they have been severely affected by torrential rains.

Social Development

Madam Speaker, one of our development objectives is social justice, which entails achievement of sustainable livelihoods through elimination of poverty in all its forms, and ensuring equal access to quality health care, as well as inclusive social protection. Hence, the country subscribes to the United Nations Sustainable Development Goals (SDGs) adopted in September 2015, which are also consistent with the country's Vision 2036. The SDG principle of 'leaving no one behind' inspires this Government, I will repeat this, the SDG principle of 'leaving no one behind' inspires this Government to continuously adopt inclusive development pathways, I do not know if it does to the other people.

One measure of the country's social development is Human Development Index, developed by the United Nations, which is a summary measure of the long-term progress in three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living. Measured against this index, Botswana's Human Development Index rose, it does not go down, rose from 0.565 in the year 2000 to 0.717 in 2017. At this level, Botswana is above the average of 0.537 for countries in Sub-Saharan Africa, all countries in Sub-Saharan Africa, though still below the average of 0.757 for developed countries.

Eradication of Abject Poverty

Madam Speaker, the commitment of this Government to eradication of abject poverty remains strong. This is validated by a significant decline in overall poverty rate in the past years, in particular, declining from 59 per cent in 1985/1986 to 19.3 per cent in 2009/2010, and further to 16.3 per cent in 2015/2016, closer to us. Admittedly, this figure is still high when considered against the upper middle income status of the country. However, the country has performed relatively well in reducing extreme poverty defined as the ratio of population living below US\$1.90 per day. Against a national target of 3 per cent, extreme poverty stood at 5.8 per cent in 2015/2016, down from 6.4 per cent in 2009/2010.

Madam Speaker, the war against abject poverty eradication will continue, as evidenced by a number of measures and initiatives planned for the next financial year. In this regard, Government will be scaling-up the interventions to address poverty through cluster gardens, fish farming and egg production, as well as production of commodities such as toilet paper and liquid soap detergents.

In an effort to improve the efficacy of the existing poverty eradication measures, Government is working on improving the information management system to address the challenge of double dipping by some beneficiaries of the schemes. Double dipping by beneficiaries in various programmes does not only increase costs to Government, but also defeats the objective of expanding the programmes to reach more people throughout the country. Therefore, the Single Social Registry system developed with the World Bank in 2015 aimed at assisting in the harmonisation and consolidation of social protection programmes and prevent double dipping will be implemented during the 2019/2020 financial year. In addition, Government, with the assistance of the United Nations Development Programme (UNDP), is developing a Poverty Eradication Policy and Strategy in an effort to advance the poverty eradication agenda. This Strategy will incorporate graduation guidelines to ensure efficient and effective implementation of poverty eradication programmes.

Equal Access to Quality Health Care

Madam Speaker, access to health services is a prerequisite to a healthy nation and workforce, and is considered an important element of human development. Hence, Government has continued to invest in the provision of quality health services for all citizens. A major decision towards the improvement of the health outcomes in line with the quest for Universal Health Coverage was the adoption of the Treat-All Strategy in 2018, despite the high costs involved. The Strategy entails enrolling everybody who tested positive for the HIV virus into the treatment programme, regardless of their CD4 counts.

In addition, Government is currently scaling-up the implementation of a multi-sectoral strategy of 2017-2022 to combat the Non-Communicable Diseases (NCDs). For policy thrust and optimal service delivery, NACA's role has been expanded to include health promotion and NCDs. The NCDs have emerged as one of the major



causes of mortality in this country in recent years, with negative impact on the quality of life and workforce productivity. It also affects the country's health budget, as more resources are dedicated to addressing chronic diseases such as hypertension, cardio-vascular disease, cancer, kidney diseases and diabetes.

In an effort to strengthen service delivery in the country, the Government is currently implementing organisational reforms whereby health districts will have more control over their financial and human resource management. This will address supply chain management deficiencies and result in robust service delivery at community level.

Inclusive Social Protection

Madam Speaker, as part of inclusive development, Government will continue to implement social welfare programmes to assist vulnerable persons with services and cushion them from the effects of hardships. The current suite of social welfare programmes under implementation, as we all know them, are; Old Age Pensioners, World War II Veterans, Destitute Persons, Community Home Based Care patients, People living with Disabilities, Orphans and Vulnerable Children, and the Supplementary Feeding to primary school children and vulnerable groups at health facilities countrywide. To this Government, I want to emphasize that these groups of our population are important, and we undertake to improve their condition through annual budgets. This must be emphasized.

The latter also contributes to the regular school attendance and concentration of learners during lessons, and curb hunger and malnutrition among the under-fives, pregnant women, lactating mothers, and TB outpatients. In an effort to improve the efficacy of these social welfare programmes, Government will implement National Social Protection Framework (NSPF), which was adopted in 2017. This Framework is an overarching policy document that will consolidate and guide all social protection programs in Botswana.

Inclusive Labour Relations

Madam Speaker, Government aims to facilitate employment, provide industry-focused skills, and promote workplace health and safety, as well as productivity and work ethic in the economy and also manage industrial relations in an inclusive manner. The labour laws are currently being reviewed to

ensure compliance with the ratified International Labour Organisation Conventions. To date, a tripartite arrangement has been put in place, I am happy to say, to spearhead this review of laws, with the International Labour Office technical assistance. As part of the strategies going forward, the Labour Market Information Management System is expected to be implemented in the financial year 2019/2020. This information system collects, analyses, monitors and captures labour market information for policy-making decisions geared towards effective human resource planning and implementation.

Maintaining Governance and Security

Madam Speaker, good governance is one of the prerequisites for economic growth and development. This Government acknowledges publicly that good governance is one of the prerequisites for economic growth and development. Botswana's democratic governance, which involves transparency, consultation, accountability, decentralised decision making structures, and low level of corruption, has been a critical contributor to the country's development success to date. The Mo Ibrahim index measures the quality of governance based on safety and security, rule of law, transparency and corruption, and human rights development. In terms of this index, Botswana ranked third-best governed country in Sub-Saharan Africa in 2017. It is important that the country maintains its positive record on good governance, If it is being tainted right now I emphasize it is important for the country to maintain its positive record on good governance, as it embarks on the road to transform from upper middle-income to high-income status. As such, Government continues to promote Botswana's participation at the regional and international fora, the purpose of which is to promote multilateralism, contribute to the global rule of law and order, and to promote the country as a destination for trade and investment. With good governance and respect for the rule of law, as some of the priority elements of His Excellency, the President Dr Mokgweetsi Masisi's roadmap, it is expected that the country's ranking will be improved and sustained in the future.

Transparency and Accountability

These are all important tributes in terms of the way we are going to transform this country and its economy from middle income status to high income status.



Madam Speaker, in an effort to promote transparency and accountability, Parliamentary Committees continue to play a pivotal role in executing oversight on implementation of Government programmes and projects. On an annual basis, the Public Accounts Committee examines Government books of accounts to ensure accountability, transparency and integrity of Government spending. If you have doubt about the committees of which you are a member, then I have a problem. Yes, these are committees in which you sit.

HONOURABLE MEMBERS: ...(Murmurs)...

MR MATAMBO: Yes! Yourself. ...(Laughter!)...

Furthermore, Statutory Bodies and State Enterprises Committee of Parliament held meetings with a number of parastatal bodies to ensure compliance with relevant laws and cooperate government standards. To demonstrate commitment to the principles of transparency and accountability; reports of these Parliamentary committees must be tabled and discussed in Parliament. Further, to our continued efforts to intensify the fight against corruption, the Government also plans to present a Bill on the Declaration of Assets and Liabilities to Parliament at its July/August meeting. Once adopted, the law will require certain categories of public employees to declare their assets and liabilities. This will ensure transparency, promoting integrity in the public service and reduce corruption.

BUDGET REVIEWS AND PROPOSALS

2017/2018 Budget Outturn

Now I am coming to the Budget. I was still doing the introduction.

HONOURABLE MEMBERS: ...(Laughter!)...

HONOURABLE MEMBERS: ...(Murmurs)...

MADAM SPEAKER: Order! Order Honourable Boko!

MR MATAMBO: ...(Laughter!)... Madam Speaker, total revenues and grants for 2017/2018 financial year were P56.41 billion while total expenditure and net lending amounted to P58.39 billion, resulting in the overall deficit of P1.98 billion, or -1.1 per cent of GDP.

2018/2019 Revised Budget

The revised budget forecast for the 2018/2019 is a deficit P6.96 billion, or -3.5 per cent of GDP, compared to the original budget deficit of P3.59 billion. Total revenue and

grants have been revised downwards by 12.6 per cent to P58.23 billion, due to forecast underperformance of the mineral and non-mineral income tax revenues. Mineral revenue has been revised downwards by 17.5 per cent in light of the decision by Debswana to commence the implementation of Cut 9 project at Jwaneng and Cut 3 project at Orapa during this financial year, financed through forfeited dividends.

The non-mineral income tax, on the other hand, will underperform by 33.3 per cent, against the original budget of P13.36 billion, reflecting lower collections by the revenue authority. Meanwhile, total expenditure and net lending for 2018/2019 shows a decrease of P2.68 billion from the original budget of P67.87 billion to P65.19 billion, due to the continued underperformance of the development budget. The development budget for 2018/2019 is revised from the original figure of P19.31 billion to P16.62 billion, to reflect the implementation capacity of both the public and private sectors to execute projects.

Madam Speaker, I must hasten to say that lack of implementation or slow implementation within both the Government and the private sector, continues to be worrisome. Therefore, in the coming financial year, emphasis will be put on effective and efficient implementation of the Government programmes by ensuring adequate planning for such programmes, including timely acquisition of land and undertaking all other activities that are necessary to prepare for actual implementation. In addition, the Government will be rolling-out the implementation of the National Monitoring and Evaluation System approved in 2018, to ensure that the resources are used to deliver on their intended outputs and outcomes. Furthermore, Government has taken a decision to set up a Project Management Office during the 2019/2020 financial year to ensure effective implementation of projects.

2019/2020 Budget Proposals

Madam Speaker, I now present the 2019/2020 budget proposals. I must emphasise that these budget proposals are informed by the need to consolidate the country's gains in various areas of development and address the challenges to achieve sustained economic growth, to support employment creation and poverty reduction. Therefore, the focus will be placed on high impact



infrastructure development, human capital development especially technical and vocational education and national ICT backbone. In addition, Government will continue to implement social welfare programmes as part of its efforts to address poverty among the most vulnerable groups of the society.

Total revenue and grants are estimated at P60.20 billion. Mineral revenue remains the highest contributor at P21.09 billion or 35.62 per cent of total revenue and grants, while customs and excise revenue is estimated at P14.02 billion. Non-mineral income tax is estimated at P11.55 billion while VAT is expected at P9.12 billion. However, there are downside risks to these revenue estimates, arising mainly from the continued high volatility of the mineral and customs and excise revenues. Total expenditure and net lending for the financial year 2019/2020, on the other hand, is estimated at P67.54 billion, resulting in a budget deficit of P7.34 billion or -3.5 per cent of GDP.

Ministerial Recurrent Budget

Madam Speaker, the proposed Ministerial Recurrent Budget amounts to P46.99 billion, an increase of 4.1 per cent over the revised budget for financial year 2018/2019. The increase in the proposed recurrent budget for 2019/2020 is primarily due to adjustment of salaries and allowances by 3.0 per cent in 2018, as well as provision of funding for the Sir Ketumile Masire Teaching Hospital, which is scheduled to start operating in 2019.

Five ministries are proposed to be allocated P33.69 billion or 71.7 per cent of the total Ministerial Recurrent Budget. These are: Ministry of Basic Education with an allocation of P8.24 billion or 17.5 per cent, Ministry of Health and Wellness at P7.63 billion or 16.2 per cent, Ministry of Defence, Justice and Security is allocated P6.86 billion or 14.6 per cent, Ministry of Local Government and Rural Development at P6.43 billion or 13.7 per cent and Ministry of Tertiary Education, Research, Science and Technology is allocated P4.54 billion or 9.7 per cent. The balance of P13.30 billion or 28.3 per cent goes to the remaining Ministries and Independent Departments.

Madam Speaker, I now wish to deal with the Development Expenditure; 2019/2020. I shall present the suspect of the Budget in some detail; Development Expenditure because that is the vehicle through which we fight unemployment and we do our best to create employment.

Development Expenditure

Madam Speaker, the proposed Development Budget for 2019/2020 financial year is P17.03 billion. The Ministry of Land Management, Water and Sanitation Services with a proposed allocation of P3.37 billion or 19.78 per cent, takes the largest share mainly to improve water supply and management in the country. It is a pity Honourable Khan has left because this is relevant to Molepolole as well.

HONOURABLE MEMBER: Point of order Mr Speaker.

MADAM SPEAKER: Please read your Standing Orders. There is no point of order. Proceed Honourable Minister.

MR MATAMBO: Thank you very much indeed Madam Speaker. Among the major water projects under implementation include the North-South Carrier 2 from Palapye – Mmamashia - Gaborone, meant to provide water to the southern part of Botswana and various components of the Emergency Water Security and Efficiency project funded through a loan from the World Bank. Specific components of the Emergency Water Security and Efficiency project planned for implementation during the financial year include: Selebi Phikwe-Serule Water Transfer Scheme; Ghanzi Township Water Supply Expansion; Rehabilitation of the Mambo Water Treatment Plant in Francistown and de-sludging of Lobatse Water Treatment Ponds.

The proposed Development Budget for the ministry will also cover the funding for the Clean Water and Sanitation Programme. Among the major projects planned for implementation during the 2019/2020 financial year under this programme are: Maun Water Sanitation Phase II allocated P400 million; Moshupa sanitation - P80 million; Kanye sanitation - P60 million; and Molepolole sanitation - P50 million.

The Ministry of Defence, Justice and Security is allocated the second largest share of P2.50 billion or 14.67 per cent. The allocation caters for provision of various physical infrastructure such as offices and staff houses, communication equipment, vehicles and aircraft maintenance for Botswana Defence Force and Botswana Police Service.

Madam Speaker, the Ministry of Mineral Resources, Green Technology and Energy Security with proposed allocation of P1.97 billion or 11.57 per cent, takes



the third largest share. The allocation caters for the ongoing North–West Transmission Grid connection, electrification of 111 villages under the Rural Electrification Project, Transmission Line from Morupule B to Isang substation (400kv Line), remedial works at Morupule B and transmission backbone for the southern part of Gaborone, Mochudi, Ramotswa and Tlokweng villages.

An amount of P1.85 billion or 10.86 per cent of the total Development Budget is proposed for allocation to the Ministry of Transport and Communications. The allocation will cater for ongoing roads, bridges and ICT projects. These include the ongoing road projects of Rakhuna-Mabule, Mmankgodi-Jwaneng, Gaborone–Boatle dualling, Mulambakwena-Tshesebe and Dibete-Mookane-Machaneng. The proposed budget will also finance projects which have been awarded as “design and build”. These are construction of three intersections along the KT Motsete Drive in Gaborone; implementation has not started. Therefore, I provide a budget for them again as well as Modernisation and Centralised Traffic Control for the Greater Gaborone Area. The budget provision also includes projects at tender stage which are Mogoditshane-Gabane-Mmankgodi and Mmandunyane-Shashe Mooke-Chadibe-Mathangwane roads.

HONOURABLE MEMBERS: ...(Applause!)...

MR MATAMBO: Other projects to be funded under this provision are the ongoing Kazungula and Mohebo bridges. Furthermore, the Budget will finance planned Information and Communication Technology (ICT) projects such as the Government Data Network upgrading, National Backbone Networks, Government Data Centre and Local Access Network.

Madam Speaker, the fifth largest share of the proposed Development Budget of P1.77 billion or 10.39 per cent is proposed for allocation to the Ministry of Local Government and Rural Development, in order to continue implementation of social protection programmes and village infrastructure projects. Over two-thirds of the Development Budget for the ministry goes to Ipelegeng programme; with an allocation of P635 million and Community Development project with an allocation of P570 million. The balance will fund ongoing programmes and projects mainly the Primary School Backlog Eradication Programme; Tutume internal roads and bus rank; Gabane and Kang infrastructure development and maintenance of primary school facilities.

The remaining balance of P5.46 billion or 32.0 per cent will be shared by other ministries and departments. I must indicate that major programmes and projects to be funded under this balance include: Integrated Support Programme for Arable Agriculture Development (ISPAAD) (P564 million) and Livestock Management and Infrastructure Development (LIMID) (P100 million). At least people in this country are waiting for allocations to these projects because they benefit them. I will announce for them to know that the budget allocations have been made to benefit from staff houses and maintenance of secondary schools (P677 million), construction and upgrading of health facilities (P516 million); Poverty Eradication Programme (P185 million), housing schemes such as Self Help Housing Agency (SHHA) (P77.5 million) and Poverty Alleviation Scheme and destitute housing for the low income groups (P97.6 million).

Development is a process because somebody was not here when I started saying that. You do not provide for it in the Budget for one year; you provide for it for successive years hence you will hear the Minister of Finance and Economic Development next year talking about health and school facilities programme and so forth. I think this is important.

Fiscal legislation

Madam Speaker, for Government to achieve its development goals, it is necessary to mobilise domestic resources. To this end, efforts will continue to be made to expand our tax base through review of tax legislation and regulations, to enable the revenue authority to effectively discharge its mandate. It is for this reason that focusing on simplifying the tax legislation continues to be a priority as a way of enhancing tax compliance, while at the same time, reducing the cost of tax administration.

In an effort to comply with international standards and remove any perception that Botswana could be a tax haven, Government has since reviewed the Botswana International Financial Services Centre tax regime which led to the amendment of the Income Tax Act by Parliament in December 2018. The amended regime has since been assessed by the Organisation for Economic Cooperation and Development (OECD) in January 2019, which declared it not to be harmful. The amendment to the Income Tax Act also introduced Transfer Pricing Rules and Thin Capitalisation provisions. Transfer Pricing Rules guard against attempts by multi-



national corporations to minimise their tax liability by transferring profits to low tax jurisdictions in order to pay less tax, or where costs are charged to a company in a high tax jurisdiction to reduce profits and thereby pay less tax. Thin capitalisation is when a company is financed through a high level of debt compared to equity. The thin capitalisation provisions seek to restrict the amount of interest on debt, which would reduce a company's profits and thereby reduce its tax payable.

A Bill seeking to amend the existing Transfer Duty Act was published in November 2018, following consultations with relevant stakeholders. I want to indicate that I intend to present the Bill to Parliament in March this year, following consultations with relevant stakeholders. Save to say that the Bill proposes significant changes to the current Act in an effort to modernise and close any gaps in the existing law. One of the significant changes is the exemption of citizens from paying transfer duty under certain circumstances, such as where a citizen acquires residential property for the first time to be used as their own home. The amendment also increases the exemption threshold from P200 000 to P500 000 for purposes of computing duty payable upon transfer of property. This should be good for those who want to acquire property and we encourage them, including the youth to take advantage of this improvement. The latter changes should encourage home ownership, especially by the young families and people starting their lives.

During the course of 2019/2020 financial year, I will also be seeking amendment to the Capital Transfer Tax Act to align it with the Transfer Duty Act. These amendments, among others, will include: removing the ceiling of P15 000, for exemption of transfer of property such as household goods and personal belongings to heirs; increasing the value of gifts that are exempted from being taxed from P5 000 to P25 000; and the transfer of immovable property which is currently exempted under the Transfer Duty Act will also be exempted under the Capital Transfer Act. The PPAD Act is also being reviewed in order to address gaps and challenges that were experienced during the implementation of the Act. The review is meant to align it with global trends within the procurement landscape and this is expected to improve efficiency and effectiveness in the management and regulation of public procurement and asset disposal processes.

Madam Speaker, one of the fiscal areas that Government will be focusing on going forward will be cost recovery and user fees. With the downside risks associated with the main revenue sources of mineral, customs and excise, and income tax, it is important that Government undertakes a comprehensive review of the fees, levies and charges, with a view to determining their potential to contribute to total Government revenues. These revenue items, which are commonly referred to as "Other revenues" in the budget, currently contribute around 4 per cent of total revenues. My ministry intends to work with other ministries and departments during the next financial year to review fees and charges in line with the policy of cost recovery, while increasing their contribution to Government budget.

PUBLIC SERVICE SALARIES

Madam Speaker, this Government is fully aware of the effects of inflation in eroding individuals' disposable incomes.

In this regard, this is updating a paragraph which will be in the speech that will be distributed later because it is now outdated that particular paragraph. In this respect Madam Speaker, I would like to take this opportunity to congratulate and commend Public Service Unions. I repeat commend Public Service Unions and Government negotiating team for the successful conclusion of the salary negotiations for public service employees for the fiscal years, not one year, for the fiscal years; 2019/2020 and 2020/2021. A first. Is it not?

HONOURABLE MEMBERS: ... (Applause!) ...

MR MATAMBO: It is a first.

HONOURABLE MEMBERS: ... (Applause!) ...

MR MATAMBO: I am informed that the negotiations were conducted in atmosphere of good faith and mutual respect. This is what we support. It is Government's hope and wish that the manner in which these negotiations were conducted should form the foundation for good and harmonious employment relations going forward. That was with regard to public service salaries.

With regard to the review of Salaries, Conditions of Service and Other Entitlements of the political leadership, Justices and Members of Ntlo Ya Dikgosi, the Report of the Presidential Commission has been submitted to His Excellency, the President and is being considered. I am happy to tell you that it is being considered.



CONCLUSION

Madam Speaker, the 2019/2020 budget proposals are presented against the backdrop of the roadmap of His Excellency President Dr. Mokgweetsi Masisi to transform the economy, which requires concerted efforts to achieve the high income status that Botswana aspires in Vision 2036. A summary of the development journey over the past years shows that the country, under the capable leadership of this Government, has achieved impressive growth and development, as indicated by positive economic and social indicators. However, there is need to consolidate these gains and address persistent development challenges facing the country such as unemployment, poverty and income inequality in order to transform the economy to a high-income status.

The 2019/2020 budget proposals therefore support this consolidation in terms of proposing or emphasising specific policies, strategies and programmes for implementation in the next financial year. To this end, the 2019 budget provides for budgetary allocations to programmes and projects aimed at promoting economic growth, as it is a necessary condition for achieving development results. These programmes include continued major investments in the key sectors of energy, water, roads network and information, communication and technology. At the same time, Government will continue to avail resources in the 2019/2020 budget to fund social welfare programmes as they have proved vital in mitigating against the effects of the development challenges of unemployment, poverty and income inequality in the short-term.

Madam Speaker, it would be remiss of me to conclude this Budget Speech without highlighting the fiscal constraints facing this country. As indicated under the budget review and proposals sections, the projected deficits for 2018/2019 and 2019/2020 of 3.5 per cent of GDP for each year, are close to the set limit of 4.0 per cent of GDP. These deficits exclude any additional expenditures that may arise from Government decisions during the course of the year, or emergency spending occasioned by natural disasters such as drought and outbreak of animal diseases. I must indicate that the budget deficits experienced in the first three years of NDP 11, were a deliberate effort by this Government to respond to the national needs of: increasing economic activity to create employment opportunities; eradicating extreme poverty and equitable income distribution. The

Government is otherwise committed to maintaining fiscal sustainability by achieving moderate surpluses in the last three years of NDP 11. In line with this commitment, I therefore urge for continued prudent management of expenditure by all ministries and departments, while scaling-up resource mobilisation efforts through enhanced collections of taxes and user charges, as well as improving on productivity at all levels.

Madam Speaker, as I conclude, I wish to underscore the point that this Budget is about job creation, as the Government continues to leverage on its purchasing power to stimulate the growth of the private sector, which, in turn, should create sustainable jobs. Of the total P67.5 billion expenditure planned for the 2019/2020 financial year, P22.4 billion, or one-third is for paying salaries and allowances for those employed in the public service, while the balance of P45.1 billion or 66 per cent of this budget will be available for Government procurement of goods and services from the private sector. This is the money being pushed into the economy to the private sector to invest in the economy and produce jobs. This is a significant amount availed by Government to spur growth of the economy, and create employment opportunities.

In conclusion, I wish to extend our gratitude to the development partners that continue to support this country to implement its development agenda. As we embark on the transformation of the economy, to enable Botswana to achieve a high-income status as per our aspiration in the Vision 2036, we hope that we can continue to count on the support of our development partners for knowledge sharing and technical assistance.

Madam Speaker, I now move that the Appropriation (2019/2020) Bill, 2019, No. 1 of 2019 be read for the second time. I thank you for your attention.

HONOURABLE MEMBERS: ... (Applause!) ...

HONOURABLE MEMBERS: ... (Murmurs) ...

MADAM SPEAKER: Order!

HONOURABLE MEMBERS: ... (Murmurs) ...

MADAM SPEAKER: Order! Thank you very much Honourable Minister of Finance and Economic Development. One hour, 18 minutes, that is great. Honourable Members, the question is that the Appropriation (2019/2020) Bill, 2019 (No. 1 of 2019)



be read a second time. Order! In accordance with Standing Order 86.2, after the Motion of reading the Appropriation Bill has been proposed and the debate thereon shall not commence until one clear day has elapsed, and thereafter not more than ten days shall be allocated for the Second Reading of the Bill. The debate on the Second Reading will therefore commence on Wednesday 6th February, 2019. I have obtained copies of the Budget Speech for immediate distribution to all Honourable Members and invited guests as you leave the Chamber. Honourable Members and all our guests up there, you are all invited for refreshments at the Parliament gardens.

MOTION

ADJOURNMENT

LEADER OF THE HOUSE (MR TSOGWANE):

Thank you Madam Speaker, we thank you for having recovered and back to work and on that note I move that this House do now adjourn.

Question put and **agreed to.**

The Assembly accordingly adjourned at 3:24 p.m. until Tuesday 5th February, 2019 at 2:00 p.m.



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