

BUDGET HIGHLIGHTS 2012

The Budget Speech was read by the Hon Matambo, Minister of Finance.

He stated that the Budget this year has been drafted amid great uncertainty regarding the state of the world economy.

Countries have all posted revised lower growth forecasts.

Instead of the cautious optimism of a few months ago, when it seemed that the world might be coming out of the recession, there are fears that the major world economies may slide back into recession, the dreaded “double dip” recession.

As a result of the over indebtedness of the USA, its growth forecast is very modest.

Similarly, the Euro zone has posted weak economic growth forecasts.

The effects of these fears were felt here in Botswana last year as the gross revenue in Dollar terms, from the sale of diamonds, fell by a large percentage.

Diamonds are the mainstay of the economy here in Botswana as we know and the Minister, in his speech emphasised the commitment of the Botswana Government to diversify the economy.

He highlighted some aspects of the local business conditions that are worrisome. One aspect amongst these is that Internet Connectivity is slow. A 50 Million Pula investment is to be made in securing more bandwidth to increase internet speed in Botswana. Recruiting is listed as a concern as well as the costs of making staff redundant. Also the costs that are associated with export and import of goods is high.

Non Mineral dependent income enhancement in Botswana is a key concern of the Ministry of Finance and a number of initiatives are already in place to stimulate such income streams.

The Minister touched upon privatisation and said that the Government should be less directly involved in the business scene. He spoke of the Government “making space” for business.

In line with this thinking and also in light of the uncertainty surrounding the economic prospects of Botswana during this coming year, the Minister stated that each Ministry has a target to reduce its salary cost by 5%.

There is hope, however, that if an economic crises in the US and elsewhere is averted and Diamond sales are good, that the prospect of a budget surplus is a sound one.

The Minister stated that instead of raising taxes or borrowing money or even selling assets of the government in order to fund development costs, the government would rather live within its means.

Projects that will generate revenue will enjoy priority and projects that are already in progress will be finalised.

Existing assets will be maintained under a constrained budget.

Water and electricity connections to various rural villages and towns will be carried out and in an effort to alleviate the current high unemployment rate, especially of the youth, programs will be put in place to match the skills being taught at secondary schools with the requirements of the job market. In this connection computer laboratories in various secondary schools are being set up.

Most important highlights

In a nutshell, here are the most important highlights of the Minister's Speech:

1. The top rates of tax remain unchanged.
2. High revenue generating projects will receive priority in government spending
3. Ministries to reduce staffing and to operate effectively
4. Youth employment is a priority
5. Emphasis on privatisation and making space for business
6. Attention will be focussed on business in that certain negative aspects, such as slow internet speed, will be addressed.
7. Fear of a possible "double dip" recession causes uncertainty and has resulted in a cautious budget being proposed.
8. Botswana's rating by top investment rating firms is "stable" and this is a positive thing
9. If this is indeed a good year, then Botswana will post a Budget surplus.
10. The need for diversification of the economy away from minerals, which are finite, is becoming ever more urgent.

My conclusion:

World rating agencies are sure to be impressed with this budget. If all the world economies actually faced up to economic realities and followed the Botswana example, the world economy would be in a much better state than it is.

It is time for innovation in Botswana, to reduce the dependency on Diamonds and finite mineral resources. Ideas such as fuel from coal, (although also a mineral resource) the establishment of a sport aviation industry and the revolutionising of farming are the sort of ideas that will assist in making Botswana resistant to shocks when Diamond sales are under threat.

It was encouraging to hear concerns regarding staff hiring and redundancy costs. We understand that for us as entrepreneurs these have been critical issues for over twenty years. Let us hope that something will be done to lower the costs associated with these issues.

The Country requires entrepreneurs with imagination to fully exploit the potential that Botswana has at this time.

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