

PEOPLE'S GUIDE TO THE BUDGET



REPUBLIC OF BOTSWANA

2015/2016



The 2015/16 Budget Speech Approach

The 2015/16 Budget Speech focuses on interventions aimed at promoting economic growth and diversification in the country as they are critical in addressing the persistent challenges of unemployment, income inequality and poverty. Therefore, in this financial year's budget, Government will continue to allocate significant budgetary resources to human capital and physical infrastructure development. This is in recognition of their importance in improving factor productivity and competitiveness, and ultimately increasing economic growth and diversification.

Important to note is that the role of Government in promoting growth in the country is a facilitatory one through the provision of a conducive environment for efficient operations of the private sector; which should be the engine of growth. Hence, the private sector is encouraged to take initiatives for increasing production and sales, both domestically and internationally.

Domestic Economic Performance Improves

The performance of the domestic economy improved slightly in 2013, due to the moderate recovery in the global economy. Real GDP registered a growth rate of 5.8 percent in 2013 compared to 4.3 percent in 2012. This growth was driven by the good performance in both the mining and non-mining sectors. The mining sector registered a significant growth rate of 10.6 percent in 2013, as a result of strong demand in the global economy for our diamonds, especially in the emerging economies of China and India.

The non-mining sectors also registered a positive growth rate of 5.0 percent in 2013, with Trade, Hotels & Restaurants growing at 6.3 percent; Social and Personal Services at 6.0 percent; while General Government and Finance & Business Services grew by 5.5 percent each. However, the Water and Electricity sector recorded a

negative growth rate of 27.2 percent in 2013. The continued underperformance of the Water and Electricity sector is of major concern, given the importance of water and power in the economy. To address the challenges facing this sector, Government continues to undertake regulatory reforms and has allocated the sector a substantial share of the development budget in this year.

The outlook for the domestic economy remains positive, with real GDP forecast estimated to have grown by 5.3 percent in 2014, and forecast to grow by 4.9 percent in 2015. This positive growth will mainly again be driven by the non-mining sectors of Trade, Hotels & Restaurants, Finance and Banking, and Social & Personal Services.

Key Thematic Areas for 2015/2016 Financial Year

This year's Budget Speech has identified four key thematic areas, which are considered critical to our development agenda. These are; *Growing the economy; Promoting inclusive growth; Enhancing business environment to promote investment and foster diversification; and Strengthening the judicial system and combating crime and corruption.*

Growing the Economy

To address challenges of poverty, and unemployment, we need economic growth. In recent years, economic growth has however been hampered by the declining total factor productivity, especially labour productivity. Therefore, Government will continue to put in place measures to promote productivity such as; reforming the country's education and training system, improving work ethics through training of the workforce, as well as reviewing labour legislation. To further improve on total factor productivity, Government is implementing public sector reforms, enhancing research and development as well as developing appropriate skills.