

**STATEMENT BY PRESIDENT DONALD KABERUKA  
AT THE SIGNING OF THE  
ECONOMIC DIVERSIFICATION SUPPORT PROGRAM  
LOAN AGREEMENT  
GABORONE, BOTSWANA, AUGUST 3<sup>rd</sup>, 2009**

**Honourable Acting Minister of Finance and Development Planning,  
Kenneth Matambo**

**Ladies and Gentlemen,**

1. Let me begin by expressing my gratitude on behalf of the African Development Bank Group and on my own behalf, to the Government and People of Botswana for the gracious hospitality accorded to me and my delegation. I am pleased to be here, to see first hand the remarkable progress your country has attained over the last four decades of stability and relative prosperity. The visit also gives me the opportunity in these exceptional circumstances of the global economic crisis, to assess the impact on the Botswana's economy and to determine how best we can provide support to augment your own domestic efforts.

2. As a result of the prudent management of the economy, dedicated leadership, strong institutions, checks and balances and rule of law, Botswana transformed from a low income country with a per capita income of USD 70 at independence into a middle income country with a per capita Gross National Income (GNI) of USD 5,840. Botswana is one of the most stable political environment in Africa, a country that has a well functioning

democracy that respects rules of law, guarantees civil liberties and economic freedom. It is one of the least corrupt countries in Sub-Saharan Africa and ranks 36 internationally according to Transparency International's Corruption Perception Index of 2008. We applaud the above achievements of the Government of Botswana.

3. I am of course also aware that despite Botswana's remarkable performance on both economic and governance fronts, even well before the current crisis, the country was confronted by a number of longer term structural challenges, including high level of poverty, unemployment and inequality as measured by gini-coefficient, which currently stand at 30.2%, 17.6% and 0.61, respectively. Scarce human capital has also adversely affected government efforts at diversifying the economy and developing the private sector. Botswana's economy remains highly concentrated and this is a potentially risky situation given the commodity price fluctuations and the fact that diamonds, the mainstay of the economy is a non renewable resource. Botswana's human development index has fallen from 0.675 in 1990 to 0.565 in 2007 as a result of the HIV/AIDS pandemic. Both the government and businesses have suffered increasing labour costs as morbidity and death reduce productivity.

4. I am also informed that scarcity of domestic energy resource in Botswana has resulted in the country importing 70% of its electricity requirements from South Africa's ESKOM with only 22% of the population having access to electricity. The Bank stands

ready to assist Botswana in addressing some of the above structural challenges as well as the emerging economic crisis.

### **Honourable Minister**

5. Botswana's economy, like all African countries largely dependent on commodity exports, is affected by the global financial economic crisis. Weak global demand and falling prices of minerals have led to lower export receipts and tax revenues. In addition, Government revenue is also anticipated to shrink due to reduction in Botswana share of South Africa Custom Union (SACU) revenue as a result of reduced imports into the SACU area. These external shocks, set against the Government's expenditure plans, have brought about a substantial budget deficit estimated at 13.5% of GDP in 2009/10. Non mineral sectors, including tourism, which are key to economic diversification, have also been affected.

6. The Bank commends the Government of Botswana for the set of measures put in place to respond to the global economic and financial crisis in the form of countercyclical policies focused on infrastructural development program, labour intensive public works and various social welfare programs with improved targeting, effectiveness and efficiency to protect the poor and vulnerable groups.

7. We also acknowledge government's belt tightening measures to adjust and consolidate the fiscal situation. This includes measures such as curtailment in the recurrent and capital

expenditures by 7% and 5% respectively, improvement of revenue mobilization and management, a cost-effective use of public funds, and a commitment to a lower budget deficit for 2009/11.

### **Honourable Minister**

8. The Bank is pleased to respond, I hope we have been able to respond swiftly and flexibly to the request of one of our well performing member countries, Botswana, during these unfavourable circumstances. I take this opportunity to reiterate the Bank Group's willingness to support Botswana as it addresses both the structural challenges as well as those emerging from the ongoing global economic and financial downturn, and the need to diversify the economy to reduce dependence on the extractive industry.

9. The USD 1.5 billion Loan agreement we are signing today is testimony to our determination to support your economic diversification program based on home-grown policy measures to consolidate **Botswana's fiscal position, promote competitiveness, foster private sector development and strengthen the financial sector**. We encourage the Government to continue current efforts towards medium-term fiscal sustainability, enhance labour productivity, and address capacity constraints for better service delivery. We at the African Development Bank are eager to support your Government in this process

## **Honourable Minister,**

10. The partnership between Botswana and the Bank dates back to 1973, maintaining strong engagement through the 1980s, until the country graduated to a Middle Income Country status in 1992. Over the years, the Bank has undertaken several flagship studies such as the joint AfDB and World Bank Report on the Observance of Standards and Codes, the Diversification Study, the Country Governance Profile and the Country Economic Review. In addition, the Bank is contributing to the development of the Capital Market such as the conclusion in December 2005 of a 300 million Botswana Pula bond issue, under the Bank's local currency program.

11. In conclusion, allow me to reiterate my appreciation for the achievement your country has registered and to assure you of our continued support in the coming years as your Government strives to implement a wide range of economic reforms and programs designed to address its long-term structural economic and social challenges as well as the emanation of the crisis.

**Thank you**