

Director of Ceremonies,

Your Excellencies, Heads of Diplomatic Missions and
International Organizations,

Senior Government Officials,

Chief Executive Officers of Private and Parastatal
Organizations here present,

Distinguished Guests,

Ladies and Gentlemen,

Good Afternoon.

I am happy to be with you today, at this very important
first Economic Forum, to be held in Botswana under the
auspices of Capital Conferences.

Director of Ceremonies, the Botswana Economic Forum
could not have come at a better time than this, taking
into cognizance my participation at the just ended 18th
World Economic Forum on Africa held in Cape Town,
South Africa from the 4th to 6th June, 2008. Throughout
its history, the World Economic Forum has constantly
evolved to better address the challenges and to grasp the
opportunities being presented to the global community.

In the same spirit of the WEF, it is my sincere hope that the discussions at our Botswana Economic Forum would, likewise evolve in the similar direction of the WEF to address the challenges and grasp whatever opportunities are available in Botswana.

For those of you who are visiting Botswana for the first time, we wish you a pleasant stay and a lasting and good impression of the available investment and tourism opportunities in our country. We hope that those who already know what the economy can offer will be enticed and influenced to further develop and strengthen their partnerships with Botswana.

Director of Ceremonies, as you may be aware the Ministry Finance and Development Planning, among other things, is responsible for the Botswana Unified Revenue Services which in turn is responsible for implementation of the tax policy. In that regard, we in Botswana, are doing our best to make sure that we operate a facilitative tax regime.

I am keenly aware that a healthy public finance system has a positive impact on investor confidence, and the real job of my Ministry is not just to act as a super tax-

collector, but to help create an environment in which entrepreneurship can flourish in Botswana, and promote an environment in which people like you are willing to join us in taking some investment risks.

There can be no profit without risk, but before the newcomers amongst you take the first step to investing in Botswana, they will want to know what sort of country they would be putting their money into; and the old hands would not mind an update on why they can continue to trust us enough to invest and develop long partnerships in Botswana. Journeying together is all very well, but we all want to know where we are going as well as the obstacles we are likely to encounter along the way.

So, I have been requested that before I start to talk about tax, I should give you a quick brief on Botswana economy.

From one of the 25 poorest countries in 1966, Botswana has grown to reach upper middle income status with a per capita income of almost US\$6 000 in 2007. At Independence, there was little economic and social infrastructure and most of the population depended on subsistence agriculture for a livelihood.

During the period from Independence, the economy has seen a structural change from one where agriculture accounted for over 40 percent of Gross Domestic Performance (GDP) to one where it contributes less than 3 percent at present. The mining sector accounted for 17 percent in 1975/1976 after the discovery of diamonds.

Director of Ceremonies, the mining sector's contribution has since increased to about 40 percent of GDP. Government was not only the largest employer, but also highly depended on expatriate manpower for most professional, technical and managerial jobs as well. This has changed following Government's heavy investment on infrastructure, health and human resource development.

Botswana continues to do well in terms of international performance indices such as those on global competitiveness, corruption perceptions index and credit rating mainly on account of our sound economic fundamentals with economic policies which are geared toward encouraging development, especially by the private sector.

Our policy of maintaining macroeconomic stability is intended to ensure sustainable economic growth and prudent management of public finances. Importantly, this means keeping expenditure within the limits of our revenue and thus maintaining a balanced budget in the medium term to long term.

We adopted a fiscal rule that limits spending to within 40 percent of gross domestic product, but even before then we ran long periods of budget surpluses with occasional budget deficits. Over the last 10 financial years, including the current budget period, four budgets did, or are expected to, out-turn in deficit. These deficits have largely been within the internationally accepted prudent margin of three percent of GDP. You will recall that in the 2008 Budget Speech I emphasised the need for fiscal prudence by ensuring that we contain annual expenditure budget within 40 percent of GDP.

Similarly, over the 10 years to 2006, our balance of payments was in surplus for all but one year. In 2004 it slipped to 272 million pula - or 0.5 percent of GDP - in deficit. By 2006 it was back to a 10 billion pula surplus - about 15 percent of GDP.

Director of Ceremonies, over the years we have also managed to contain our debt to manageable limits through an effective debt management system. Our levels of borrowing have been limited given the accumulated reserves which have allowed us the opportunity to insist on concessionary loans or soft loans. The latest figures show that our total debt is equal to four percent of our foreign exchange reserves, less than four percent of our current gross domestic product and eight percent of our principal exports.

Botswana's credit ratings are the same or better than those of many relatively more developed countries. For the seventh year running both Standard and Poors, and Moody's have renewed our 'A' ratings, the best of any African country.

Botswana's balance sheet is in good shape. Our foreign exchange reserves afford us 24 months of import cover, one of the strongest foreign exchange positions in the world. Our balance of payments at the end of 2007 was P11.3 billion; our visible trade balance P13.3 billion. For Botswana, being fundamentally economically sound and competitive is an absolute imperative.

Director of Ceremonies, we are also eager to strongly establish ourselves regionally and globally. Positioned at the centre of the 14-nation Southern African Development Community and the home of its secretariat, we can offer you easy access to many market opportunities.

A Southern Africa Free Trade Area will be launched later this year, and this will enhance deeper integration in the region. Further afield SADC liaises with other regional economic groupings of several countries. Many companies that have already established here use Botswana as a springboard into those areas.

Our all-important mining sector is relatively healthy and remains the largest contributor to gross domestic product, 40 percent by 2006/07. Although our resources and proven mineral reserves are sufficient for many decades to come, we have to accept that all mineral resources are exhaustible assets. In this context, I have to concede that a disappointment to us has been the slowness in diversifying our economy to reduce its dependence on mineral revenues, essentially those generated by our diamond industry.

There is an on-going diversification programme within the diamond sector to effectively extend beyond production of raw diamonds to cutting and polishing. This is facilitated by the activities of the Diamond Trading Company Botswana, a company we own jointly with De Beers.

Director of Ceremonies, although we have over the last three years attracted a number of exploration companies seeking other minerals, of equal interest to us is to attract more investment in the non-mining sectors of our economy. Sub-sectors at the top of our list are services such as tourism and finance, manufacturing, information technology - we will soon have a university of science and technology, and the development of agriculture - we are looking for partners to implement some very innovative plans and proposals in this area.

Over the 2006/2007 financial year, there were encouraging signs that we are on the right track. The performance of our non-mining sector improved dramatically, growing 6.8 percent against only 3.9 percent the previous year. The transport and communication sector grew by 20.3 percent, manufacturing sub-sector improved to 12 percent with

trade, hotels and business services growing by 6.6 percent, which was particularly encouraging.

Businesses about to relocate look at the numbers, individuals also look at the quality of life they are likely to be able to enjoy in the country they may move to. Botswana's low crime rate, its prime housing developments, central location in Southern Africa and access to the world's leading wilderness locations offer a truly rewarding life experience.

Now it's time to revert to tax.

Botswana's fair tax environment.

Director of Ceremonies, we have a long record of strong economic growth whilst maintaining a low taxation regime; and our vision for the future includes a continuation of our current economic policies. This includes keeping taxes at levels which benefit the country and those that invest in it.

Botswana has one of the most attractive tax regimes, not just in the southern African region, but in the developing world. Manufacturing companies and entities classified under our International Financial Services Centre enjoy

preferential taxation at 15 percent - 10 percentage points below the standard company tax rate of 25 percent. The highest rate of personal tax is 25 percent.

Our Value Added Tax rate of 10 percent is the lowest in the region. On the other hand, we strive to increase the number of countries with which we have double taxation avoidance agreements. Such agreements benefit investors because they give them assurance that the income they earn in Botswana, which is taxable in Botswana, will not be subjected to tax again in their home countries.

We also offer internationally competitive taxation of the mining industry. Mining Companies are allowed to write off their capital expenditure as and when. Deductions allowed in ascertaining chargeable income of any person from mining operations include those for expenditure wholly, exclusively and necessarily incurred in or outside Botswana by that person or an associated person in the production of such income; by that person on prospecting operations carried out and any assessed losses incurred on prospecting operations prior to the commencement of mining operations; and any royalties payable under either the Mines and Minerals Act or the

Petroleum (Exploration and Production) Act, which arose during the tax year.

Botswana has been classified among the countries offering the most friendly environment for investment in mineral development.

Given that tax is a cost to business, companies will, other things being equal, prefer a low tax environment over a high tax one. An attractive tax regime may actually influence the decision to locate a business in one jurisdiction over another.

Director of Ceremonies, when it comes to choosing where to locate your business, there is little doubt that, within the increasingly economically integrated area of southern Africa, tax and the minimum of exchange controls will become important factors in determining the residence of new businesses and the continued domicile of existing ones. In this latter respect Botswana is well ahead as exchange controls were abolished about 10 years ago.

Much the same arguments apply to the decisions that individuals make regarding their residence. Our taxation system for individuals is on a source basis, as opposed to

the more common global basis. Capital gains made outside of Botswana, or income generated outside of Botswana, does not, for foreign investors, fall into the Botswana tax net.

Personal income taxes and tax on capital gains have a major impact on where highly skilled professionals choose to become resident. The non-domiciled regime for expatriates in the United Kingdom is one reason why London is successful as a financial centre. Our tax system for wealthy individuals choosing to reside in Botswana is similar to that of London.

The latest World Bank Doing Business index ranks Botswana 51 out of 178 countries, well ahead of most middle income and developing nations. To put that in a context closer to home: Botswana was placed number four in sub-Saharan Africa; after Mauritius, South Africa and Namibia.

Director of Ceremonies, maintaining Botswana as a good place to do business means we must have tax regimes for business and individuals that are competitive, fair and simple. We will continue to do all we can to achieve that, but, we will stick to our principles.

These are the cornerstones of our economic policy and your assurance that your investments in Botswana are safe. Our budget surpluses, positive balance of payments and trade balances, are not only points of pride to us. We know that if we faced crippling debt and soaring inflation, and we did not have money in the bank, this room might well be empty.

My Ministry has endeavoured to maintain a simple and low tax regime in line with the guidelines of affordability; leaving wealth within the community when resources permit.

I also understand that it is not only how much tax businesses and individuals have to pay that counts, but also how the tax system works. Botswana wants to have a business-friendly taxation environment that will provide for the fiscal certainty and predictability for the businesses that operate here and the people that live here.

We strive to make our tax administration transparent and consistent. We do not want it to be confrontational, but to present a cooperative approach. We know that

there can be special cases, new operations do not start up overnight, some need help, while some need time to catch up.

Development Approval Orders are granted to vary taxation for qualifying enterprises. These may have an element of a tax holiday, in which enterprises are not charged tax for some time. In Botswana, knowledgeable officials will talk to you about your business and personal tax affairs as frankly as I am speaking to you now.

Businessmen and women are busy, your being here today is a significant time commitment on your part. In return, I make a commitment to you. Botswana's door will always be open for business. I see the process that is starting today by your being here as the beginning of a journey we can undertake together.

I hope you will collect enough information to bring you back to Botswana time and time gain, and for many of you to establish a business and/or personal domicile here. It is my belief that once you investigate our potential for economic, political and social development

you will realise that Botswana is an ideal location in which to base your operations.

Director of Ceremonies, we believe we have proved our credentials; we do not want to dwell on the past, but to take you forward with us into a profitable and rewarding future.

In Conclusion, let me once more thank all of you for being with us here today and, most importantly to share with us your insightful ideas and assist us in promoting Botswana as a number 1 investment and tourism destination.

PULA!