2009 Budget Review

March 2009

The 2009 Budget was delivered in the most challenging economic circumstances that Botswana has faced for many years. The global financial crisis and economic slowdown has already had a dramatic impact on the mining sector, and is likely to negatively affect other sectors of the economy, particularly those dependent upon exports. This, in turn, threatens both internal and external balance: the reduction in diamond (and other) exports is having a major impact on the balance of payments, and is likely to lead to a deficit on the current account, while the reduction in mineral revenues for government will contribute to a budget deficit. Furthermore, the likely cutback in diamond production, and reductions in output in other sectors, will reduce real GDP growth, almost certainly leading to recession (negative growth), and will be accompanied by retrenchments by some employers, and a general reduction in the level of real income.

In these circumstances, the 2009 Budget had to balance two conflicting objectives: using government spending in a counter-cyclical manner, so as to sustain aggregate demand and compensate for reduced growth elsewhere in the economy, while at the same time ensuring that the overall fiscal position remains sustainable in the medium to longer-term. In this note we look at how well this balancing act has been achieved.

On the face of it, Botswana would appear to be in a strong position to use fiscal policy to stimulate the economy, or at the very least not to cut spending in a way that might reinforce negative developments elsewhere in the economy. Unlike most other SADC countries, the Botswana government entered the global recession in a strong net creditor position. Accumulated budget surpluses over the years have enabled the Government to build up substantial credit balances, with government deposits at the Bank of Botswana totalling some P33.8 billion as at November 2008. Against this, government debt amounted to P1.7 billion to foreign creditors[1], and P2.6 billion to domestic creditors. Net government balances therefore amounted to approximately P30 billion, or some 38% of GDP.

The balance of payments also entered the crisis in a strong position. In the year to June 2008, there was a surplus of P13.5 billion on the current account of the balance of payments, and an overall balance of P8.9 billion. Accumulated balance of payments surpluses have enabled the country to build up official foreign exchange reserves of P72.4 billion at the end of November, providing some insulation against the impact of a fall in exports.

The 2009 Budget appears to have taken this comfortable position as a starting point and maintained spending without any major cutbacks – total spending is set to increase by around 5% in nominal terms in 2009/10 to P37.8 billion, although this includes a projected 15.5% reduction in development spending and a 16.4% increase in recurrent spending. At the same time revenues are projected to fall by 17.8% to P24.4 billion, leading to a projected budget deficit of P13.4 billion, up from P6.2 billion in the current (2008/9) financial year. Government is, therefore, providing a major increase in the size of its injection to aggregate demand. The expectation is that this will help to sustain the economy through a difficult period in 2009/10, mitigating the anticipated decline in GDP growth.

What about fiscal sustainability? Here the picture is less encouraging. The projected budget deficit was said to represent a deficit of 14.0% of GDP, up from 7.3% in 2008/09. The dramatic increase in the budget deficit is striking – by comparison, the South African budget released on February 11th anticipates a deficit of 3.8% of GDP in 2009/10, up from 1.0% of GDP in 2008/9.The projected 2009/10 deficit is more than twice the size of the previous largest deficit (excluding 2008/9), which was 5.8% of GDP.

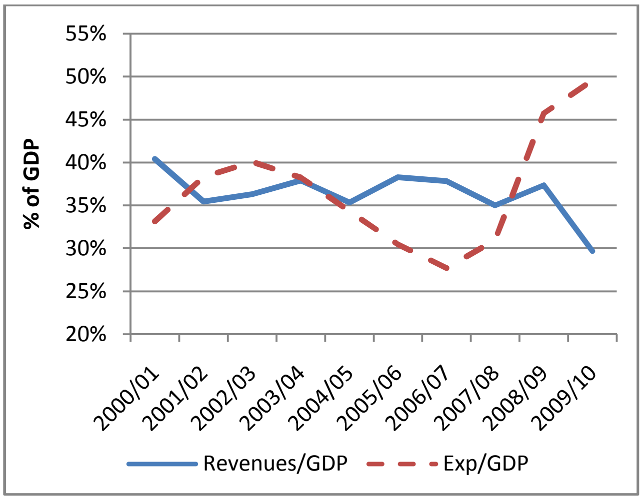
Our own projections, however, show that even this adverse position is too optimistic. More recent projections of diamond sales indicate that they are likely to be lower than anticipated at the time of the budget, leading to both a further reduction in

[1] As at March 2008

revenues, as well as a decline in GDP[2]. As a result our projected deficit for 2009/10 is 19.5% of GDP, not the 14% of GDP suggested in the Budget Speech.

Figure 1 shows how this deficit has come about. While the decline in revenues has played a part, the main reason for the deficit is increased spending – not so much in 2009/10, but in 2008/09, when budgeted spending increased by 45% over the previous year.

Figure 1: Revenue & Spending (% of GDP)



Source: Econsult calculations, based on data from MFDP & CSO

If we consider the two year period from 2007/8 to 2009/10 (i.e. the current and forthcoming fiscal years), revenues are projected to fall from 35% of GDP in 2007/8 to an estimated 30% of GDP in 2009/10, an unwelcome, but not dramatic decline. However, expenditure is set to rise from 31% of GDP to an estimated 49% of GDP in 2009/10. **Clearly, the turnaround from a budget surplus of nearly 5% of GDP in 2007/8 to a deficit estimated at 19% of GDP in 2009/10 is largely due to the increase in spending rather than the reduction in revenues.**

While the projected deficit is very large, it does not pose any immediate financing problems; the cumulative deficits of around P20 billion for 2008/9 and 2009/10 can be financed from Government's accumulated balances of P34 billion at the Bank of Botswana.

The concern is not so much with the immediate deficit, but with the medium-term fiscal prospects that it implies. Unfortunately, there are no medium-term forecasts published along with the Budget – unlike the situation in many other countries[3] - and the delayed publication of NDP 10 (2009-16) has resulted in a major information gap with regard to macroeconomic forecasts. The only information provided in the Budget Speech looking beyond 2009/10 was a commitment to achieve an average budget deficit of 10% of GDP over the next two financial years.

Concern about the medium-term fiscal prospects arises because the impact of the international recession is not likely to be short-lived, but will be felt for many years. Even if there are signs of recovery in world economic growth towards the end of 2009, it is unlikely that there will be a return to robust growth before in 2011. Given that this represents three years (2008-2010) of "lost" growth, it will take even longer for the growth recovery to bring the world economy back to where it would have been without the recession. In other words, real incomes, output and levels of international trade will be below trend well into the medium-term.

This will apply to the diamond market as much as to other commodities and traded goods. The global market for diamonds – especially rough diamonds – has been hit by a collapse in demand leading to both reduced sales volumes and lower prices[4]. Independent forecasts of Botswana's diamond production and sales indicate that while sales volumes should gradually recover over the next five years, prices will remain weak. As a result, revenues will recover much more slowly than production levels. Botswana's total diamond revenues (in US$ terms) are forecast to remain below 2007 levels through to 2013.

[2] Whereas the Budget anticipates continued growth in nominal GDP, our own forecasts suggest that nominal GDP will decline under the influence of reduced diamond production and prices. With lower GDP, the ratio of any given deficit to GDP is higher.

[3] For instance, the South African Budget on February 11th included medium-term forecasts to 2011/12.

[4] While the Budget Speech referred to an expected 15% decline in prices, it will be difficult for de Beers and Debswana to maintain price cuts as small as this given the drop of 40% that has occurred in open-market prices for rough diamonds since August 2008.

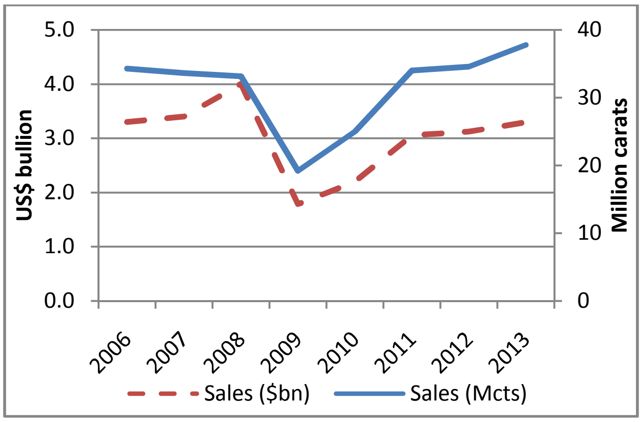
Budget Sustainability

Much of the discussion of what can be afforded in the Budget depends on how "medium-term budget sustainability" is defined. The Government view, as laid out in the mid-term review of NDP 9, is that over an economic cycle, the budget should be balanced, i.e. expenditure should be matched to average revenues so that any surpluses or deficits are cyclical and temporary.

The more conventional definition is that a budget is sustainable as long as the government's net debt position can be serviced, i.e., the government will not default on its obligations, so that the budget balance becomes a function of the level of sustainable debt. This will in turn vary from country to country. The Maastricht criteria for entry to the European Monetary Union specified that public debt should not exceed 60% of GDP, and that budget deficits should not exceed 3% of GDP.

However, Botswana's situation is complicated by the fact that it is a mineral producer. It has long been acknowledged that mineral revenues are derived from the sale of an asset and that the proceeds should be invested in other wealth-preserving or income-generating assets. While these may include real physical assets (such as economic infrastructure) or human capital (skills and education), they should also include financial assets, which can generate an annuity income to (partially) replace mineral revenues once the minerals run out. The level of financial assets that are required to provide an income that will replace mineral revenues varies from country to country and depends on factors such as the anticipated life of mineral deposits as well as expected price trends. But there are two general conclusions of such analysis, which are that (i) a mineral-dependent economy should, over an economic cycle, be running a budget surplus in order to build up a stock of financial assets, and (ii) accumulated surpluses are not just for the purposes of smoothing fluctuations in the economic cycle, but are part of the inheritance of future generations and should not be squandered on short-term needs. Furthermore, the focus of budget sustainability should be on the non-mineral budget balance (i.e., excluding mineral revenues, calculated as a percentage of non-mineral GDP). An exercise undertaken by the IMF in 2007 indicated that the sustainable non-mineral budget balance for Botswana entailed a deficit of between 10% and 19% of non-mineral GDP.

Figure 2: Botswana Diamond Sales Projections



Source: WWW Diamond Forecasts Ltd

These forecasts - combined with assumptions regarding government spending, non-mineral revenues and GDP growth - enable us to project the approximate medium-term fiscal position, in the absence of official government forecasts. Here, the picture is not so rosy, although the outcome depends crucially on the rate of growth of government spending over the four year period from 2010/11 to 2013/14.

Scenario 1: Modest fiscal restraint

Our first scenario takes the 2009/10 budget as its starting point and entails government spending increasing in line with inflation, but with no increase in real terms. In this scenario, Botswana is faced with a prolonged period of budget deficits, reaching a cumulative total of P76 billion over the six year period from 2008/09 to 2013/14. Government net credit balances would decline sharply, requiring new net debt issuance of over P40 billion by 2014[5], and government would come close to breaching the statutory limit on borrowing[6].

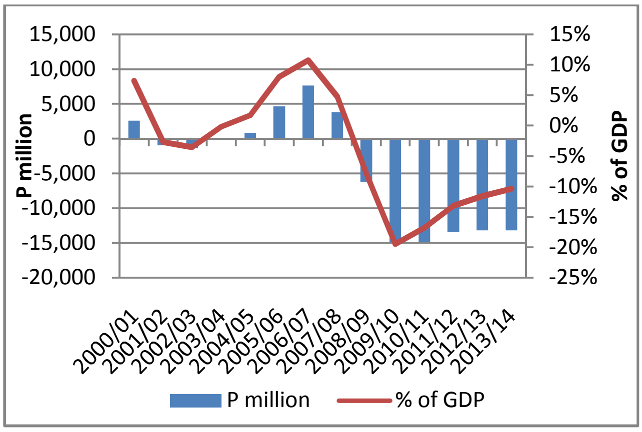
In principle, government uses the surpluses accumulated in good years to finance deficits in bad years, thereby smoothing fluctuations in output and income. However, Figure 3 clearly shows that the

5 This is purely for fiscal purposes; additional debt or guarantees may be needed for specific projects such as BPC's Morupule power station expansion.

6 Government is limited by law to borrowing no more than 20% of GDP in domestic debt and guarantees and a further 20% in foreign debt and guarantees.

magnitude of deficits anticipated over 2008/9 – 2013/14 far outstrips the previously accumulated surpluses. Just about the only positive outcome of this situation is that this would transform the domestic capital markets, although the amount required would exceed the amount that government could legally issue domestically or that domestic investors would be willing or able to absorb. Hence, both foreign (non-resident) investors would be needed[7], and pula-denominated bonds would need to be supplemented by a sovereign international debt issue denominated in foreign currency[8].

Figure 3: Scenario 1 - Budget Balance Forecasts to 2013/14

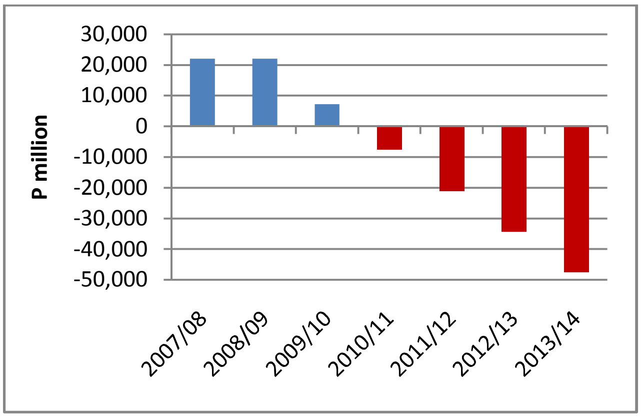


Source: Econsult

[7] International appetite for pula bonds has been negatively affected by the devaluation that was imposed just before the maturity to an earlier bond, and by the existence of a 15% withholding tax for non-residents.

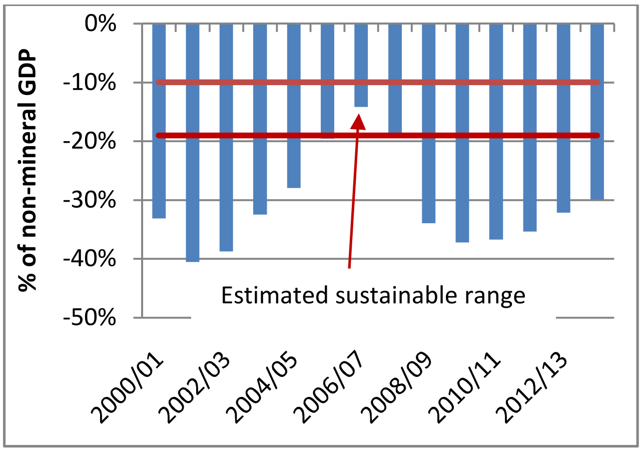
[8] The prospects for an international bond issue are mixed. In favour, Botswana currently has a good sovereign credit rating and has not yet tapped global markets. Against, market conditions have moved sharply against emerging markets with a dramatic rise in risk aversion. Sovereign bonds issued by Ghana and Gabon collapsed during 2008H2, losing almost 50% of their value as spreads have risen, and even South Africa has found issuance conditions much more challenging. Botswana would probably be able to float a sovereign bond in these conditions, but the price paid would be high. While Botswana could wait until market conditions were more favourable, this runs the risk of issuing at a time of a lower credit rating. In any case, a sovereign issue would result in far greater international scrutiny of macroeconomic policy. There is also the likelihood of a credit rating downgrade that would make a foreign debt issue even more expensive.

Figure 4: Government's Net Creditor Position



Source: Econsult

Figure 5: Non-mineral budget balance



Source: Econsult

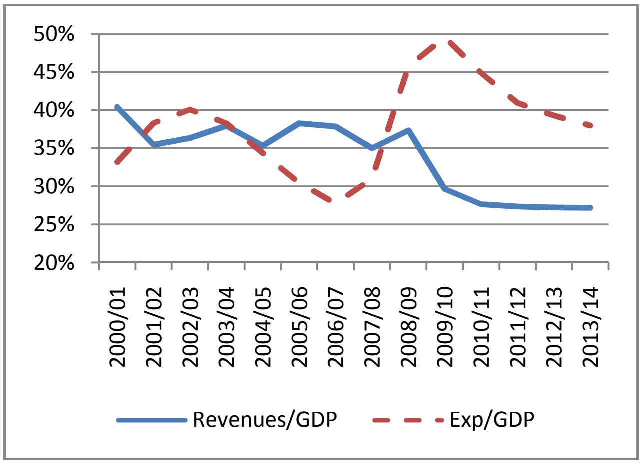
Relative to GDP, the deficit would only decline slowly, and would not be consistent with medium-term budget sustainability by 2013/14. A return to the era of budget surpluses is nowhere in sight. As Figure 5 shows, the non-mineral budget deficit remains well in excess of estimated sustainable levels.

As Figure 6 shows, revenues are expected to remain weak, even as the world economy recovers. This is partly due to the slow recovery in diamond revenues (with prices remaining weak), but also due to slow growth in SACU revenues (the second largest revenue source)[9]. This will be compounded by reduced income from the Bank of Botswana as Government balances are depleted, and by higher interest costs as borrowing rises. Revenues are

[9] South African Medium-term Budget Forecasts indicate that SACU disbursements to BLNS countries will roughly the same in 2011/12 as in 2009/10, and lower than in 2008/09.

projected to remain well below the 40% of GDP level that is regarded as the long-term average (as in the Fiscal Rule introduced in the Mid-Term Review of NDP 9). This in turn raises the question of whether the Fiscal Rule needs to be changed to reflect a lower level of spending more in line with medium-term revenue trends.

Figure 6: Scenario 1: Revenue & Expenditure Forecasts to 2013/14



Source: Econsult

Overall, this position is probably unsustainable. It is likely that Botswana's credit rating would be downgraded; the current investment grade rating is to a large extent based on the strong public sector financial position, and with the government becoming a substantial net debtor, the rating would be under threat, especially as a decline in government balances would be associated with a decline in the foreign exchange reserves.

Scenario 2: Medium-term Balanced Budget

The above forecasts assume a relatively restrained budget, i.e., no spending increases in real terms, but do not assume any drastic spending cuts. In order to restore medium term fiscal balance - i.e., a balanced budget by 2013/14 – government spending will have to be cut; projections indicate that cutting government spending by 7% a year in real terms over the next four years would be needed to achieve this. Even then, government savings will have been fully depleted and net new debt issuance of P12 billion would be required. The non-mineral budget balance would also return to the sustainable range by 2013.

Assumptions

Mineral sector growth: follows diamond output

Non-mining sector growth: as below

2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
5.0%	3.0%	4.0%	6.0%	7.0%	7.0%

Fiscal revenues: Non-mineral revenues increase in line with nominal non-mineral GDP. SACU revenues follow SA forecasts to 2011/12, then increase as above. Interest income declines as balances are depleted and become negative (i.e. net interest expense) as net government credit falls below zero. Mineral revenues increase in line with mineral export earnings in pula.

Exchange rate (pula vs. USD): depreciates by 5% annually

Inflation: 5% throughout

Spending Scenarios

1. ***Modest Fiscal Restraint:*** Spending increases at the rate of inflation (i.e., zero real growth; 5% a year nominal growth)
2. ***Medium-term balanced budget:*** Spending decreases in real terms (average real spending cut of 7% a year to 2013/14)
3. ***Modest Fiscal Expansion:*** Spending increases at the rate of non-mineral GDP growth (average 6% real annual growth to 2013/14; 11% nominal growth)
4. ***Underspending:*** Development budget underspent by 20% in 2008/09, followed by 3% a year cut in real spending to 2013/14.

Figure 7: Scenario 2 - Budget Balance Forecasts to 2013/14

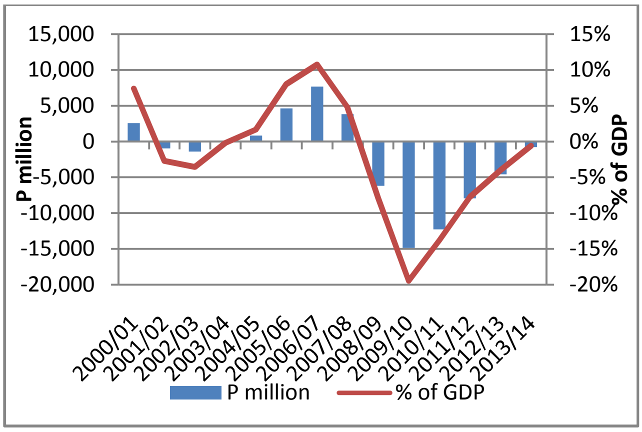
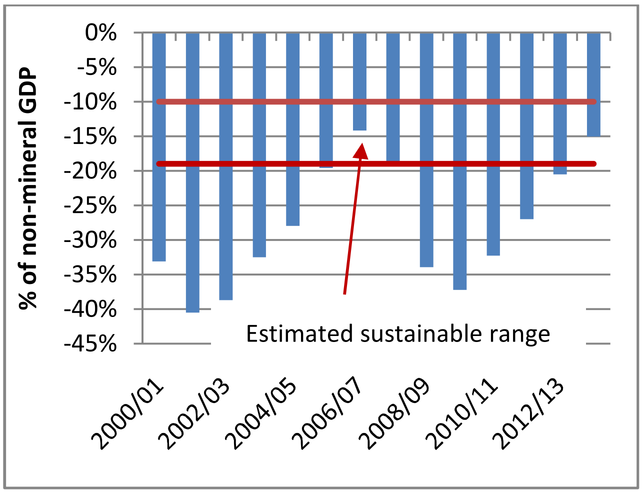


Figure 8: Scenario 2 - Non-mineral budget balance

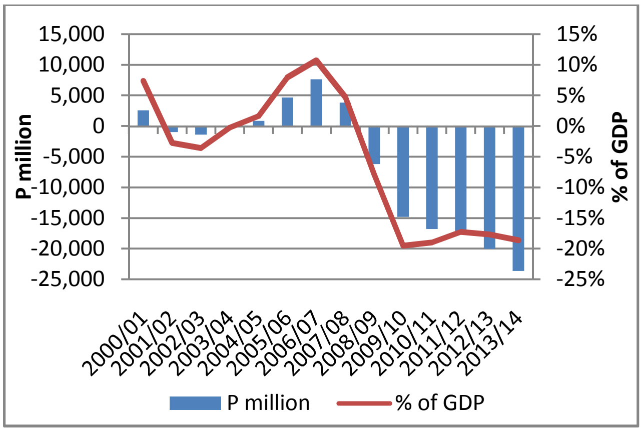


Source: Econsult

Scenario 3: Modest Fiscal Expansion

As an alternative, consider the case in which government increases spending in line with non-mineral GDP growth – i.e., the ratio of government spending to GDP remains roughly constant. With stagnant revenues, the budget deficit remains very high at around 20% of GDP – and government debt balloons to P70 billion, which is way beyond the legally permissible level. This is clearly an unsustainable position.

Figure 9: Scenario 3 - Budget Balance Forecasts to 2013/14



Source: Econsult

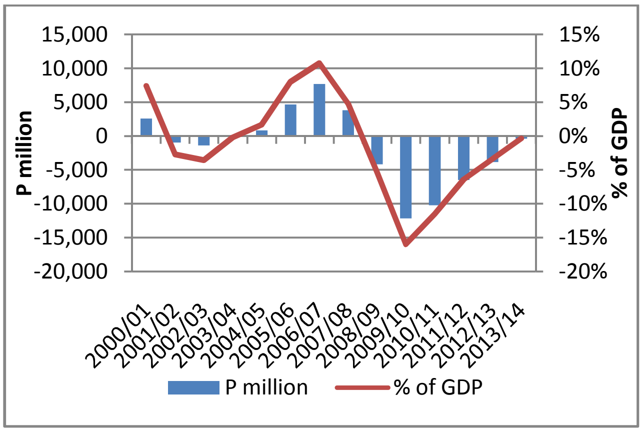
Scenario 4: Underspending

As noted above, the revised estimates of the 2008/09 budget include an estimated 45% increase in total spending, once supplementaries are taken into account. This includes a 91% increase in development spending. It is unlikely that the development budget will be fully spent in 2008/09, even taking account of improved implementation capacity and the exceptional nature of some development spending items (such as the provision of P1.5 billion for the expansion of Morupule power station). Data for government spending for the first nine months of the fiscal year (to December 2008) suggests that if the same pace of spending is maintained for the last quarter, the development budget will be underspent by around P2 billion. This would reduce the 2008/09 deficit to an estimated P4.2 billion (5.4% of GDP). If we also assume that the 2009/10 development budget will be underspent by 20%, and reduce the provision for personal emoluments to a more realistic level[10], this brings the 2009/10 deficit down to P12.2 billion (16.0% of GDP). This is not sufficient to restore fiscal sustainability, however, and real spending cuts of 5% a year are still needed to restore budget balance by 2013/14. Cumulative budget deficits of P37.5 billion between 2008/9 and 2012/13 could, in principle, be financed by drawing down accumulated balances, although in practice it would probably be prudent to finance part of the deficit through debt issues.

10 The Budget projects that total personal emoluments will increase by 20% in 2009/10, even without any increase in nominal wages. We have reduced the increase to 15%.

It should be noted that under none of these scenarios, even the ones that aim for medium-term budget balance, is the stated objective of a budget deficit averaging 10% of GDP over the next two years attainable; this would require much deeper spending cuts than in any of the scenarios envisaged here.

Figure 10: Scenario 4 - Budget Balance Forecasts to 2013/14



Source: Econsult

Risks and Uncertainties

The above scenarios are projections; and although based on the best currently available information, are subject to uncertainties, as events may turn out differently to what is currently expected. The main risks to these projections are as follows:

- The speed of global economic recovery: faster (slower) recovery would make the budget projections more (less) favourable;
- The speed of recovery in the global diamond industry, for both rough and polished stones: at present the market for diamond jewellery is weak, and should generally follow the pace of global recovery, albeit with a lag; the market for rough is additionally affected by reduced availability of credit in the cutting centres; the unblocking of the diamond pipeline depends on the resumption of credit flows and a rebalancing of inventory levels; a faster (slower) recovery in sales, or a smaller (larger) decline in prices, would make the projections more (less) favourable;
- Government's ability to spent budgeted funds; although there have been major implementation capacity problems in the past, these appear to have been overcome. Nevertheless, there are doubts as to whether government spending can really increase in line with the budgeted 45% increase in 2008/09. A failure to spend budgeted amounts in 2008/09 and 2009/10 would be welcome, and provides an opportunity to avoid a serious fiscal imbalance.
- Additional budget items, such as the need to subsidise emergency power generation capacity as Eskom reduces supplies, and before Morupule B comes on stream, would increase the deficit.

These uncertainties may be interpreted as suggesting a need for a cautious response to the deteriorating fiscal position, in the sense of postponing the proposed cuts in spending until the situation in the global economy and the diamond market becomes clearer, perhaps later in 2009. This would, however, be risky, given that the path being pursued at present appears to be heading for a major fiscal crisis. Furthermore, our assessment of the balance of risks is that a more adverse outcome is more likely than a more positive outcome. At the very least, Government should be drawing up contingency plans to respond to different scenarios, so that if events should continue to deteriorate, or the global economic slowdown is more prolonged than currently anticipated, implementation of revised budget plans can take place without further delays and in a logical and coherent manner. It is also essential that mechanisms are put in place for enhanced monitoring of evolving economic, financial and fiscal conditions, in order that appropriate decisions can be made in a timely manner.

Policy Implications

The policy implications of the above analysis are serious and extensive. At a general level, there is a very real danger that the current path of fiscal policy will lead to unsustainable outcomes that will threaten the country's macroeconomic stability. There is also a very real possibility that one of Botswana's major strengths – its national balance sheet and accumulated financial assets – will be fatally undermined such that it can never be recovered. Hence, radical solutions are needed that will return fiscal policy to a sustainable path; *it is essential the government spending is cut in real terms and as a proportion of GDP in order to achieve this*. Total spending needs to be cut by approximately 30% in real terms by 2013/14 if medium-term budget sustainability is to be restored. But this need not necessarily be entirely negative:

the impact of the current global and economic crisis can be to force Botswana to drastically improve the quality of public spending, while reducing its level – a solution that was needed anyway, but which has been avoided while there have been budget surpluses and no immediate pressure to reform. In the present circumstances, *avoiding tough decisions as to where and how to cut government spending will simply store up more serious problems for the future*.

More specific policy implications include the following:

a) NDP 10 will have to focus on fiscal and macroeconomic sustainability as well as achieving Vision 2016 objectives. The fiscal environment is likely to remain unfavourable, at least throughout the first half of the NDP 10 period and possibly beyond, and as a result, *the level of real resources available to finance government programmes and projects will be declining,* and the Plan's objectives must be framed within this context.
b) Medium-term projections indicate that revenue will average around 30% of GDP. This compares with an estimate of 40% of GDP as the average level of revenues that underpins the Fiscal Rule presented in the Mid-term Review of NDP 9. This now appears to be an over-estimate going forward (although it may have been appropriate in the past), and hence the Fiscal Rule needs to be reconsidered, leading to a likely downward revision of the sustainable levels of revenue and government spending. The Fiscal Rule needs to be revised in the context of criteria for budget sustainability, and as well the quality of the economic forecasts on which projected adherence is based needs to be improved.
c) Government needs to make use of alternative financing mechanisms for the provision of infrastructure, such as Public-Private Partnerships (PPPs)[11]. Commercially viable projects (such as the Morupule B power station) can, in principle, be fully funded from private sources and need not be funded by Government. More attention also needs to be paid to the potential for privatisation receipts to be used in the financing of capital investment projects by supplementing tax and other revenues (although in the context of the projected deficits, the contribution from privatisation may be quite small).
d) Government also needs to pay much greater attention to the quality of economic information that it uses itself and in particular that it provides to the public. There are major issues regarding the credibility of some of the information in the Budget speech, such as the projection that nominal GDP will continue to grow, and hence the estimates of the size of the projected deficits and the commitment to follow the fiscal rule are highly questionable. The lack of a medium-term macroeconomic model undermines the quality of the projections, and the almost complete lack of official economic forecasts in the public domain reflects badly on Botswana, and undermines the extent of independent scrutiny of – and confidence in – Government's own figures and commitments; for instance, the commitments to achieve an average budget deficit of 10% of GDP over the next two years, and to adhere to the current fiscal rules, lack credibility.
e) Where spending is cut, efforts should be made to avoid cutting expenditure in areas that are essential for economic growth and diversification, or for core social welfare spending;
f) A fundamental review is needed of government spending on both capital projects and ongoing programmes, and of how decisions on spending are reached; such a review should focus on effectiveness of spending in achieving objectives and securing value for money. There is a need to restore the ability to make rational choices between competing priorities and demands. In particular:
    - Effective project appraisal techniques should be restored, focusing on cost-benefit

[11] PPPs can reduce government spending in the short-term, by spreading the costs of infrastructure provision over a period of time. However, they may or may not save money in the longer-term. By involving the private sector in the provision of infrastructure and related services, government incurs increased costs to the extent that the private sector requires a greater return on capital than the public sector, but this can be offset if the private sector is more efficient in service provision than the public sector. PPPs may also be associated with improved/innovative revenue generating mechanisms that can reduce the net costs to government.

analysis and ensuring that public spending is justified in terms of the economic or social returns that it is likely to generate (there is much evidence that money is being spent with little or no quantification of anticipated benefits in relation to costs); spending cannot be justified on the basis of claims that "there is a need"; this applies to the Hubs and BIUST as well as other major projects;
- Public money should only be spent on projects or programmes that can justify themselves in terms of long-term economic benefits (and not short-term economic impact such as construction activity) or social benefits that can be achieved in a cost-effective manner, relative to the number of people benefitting;
- Particular attention should be paid to avoiding "white elephant" projects, such as where buildings or infrastructure is provided far in excess of demand or the ability to use it effectively[12];
- Parastatals and government agencies should be rationalised, especially where there are overlapping or unproductive functions;
- Care should be taken when justifying "economic" programmes in terms of anticipated social benefits; if the objectives are essentially related to enhancing social welfare, it is in principle better to do this through designing effective social welfare programmes (this point applies particularly, but not only, to agricultural support programmes);
- Given the high cost of providing infrastructure in some rural areas, the Rural Development Policy and National Settlement Policy need to be reviewed and revised to make them more sustainable and economically rational; there needs to be a more effective recognition that it is not feasible to provide the same level of public services and infrastructure to all locations, and that Batswana should not expect that services and infrastructure will be provided to all, regardless of cost; more attention should be paid to alternative methods of providing rural infrastructure and services[13];
- Ongoing recurrent expenditure programmes need to be reviewed, especially those that have been in place for a long time, to ensure that they are justified in terms of benefits achieved relative to needs and costs;
- Infrastructure spending should be reviewed with the objective of providing more resources for maintenance, with less focus on building new infrastructure;
- Where development projects run the risk of overloading the construction sector and causing cost escalation (e.g. building many senior secondary schools at the same time), expenditure should be cut back or spread over a longer period;
- All government ministries need to prioritise their spending, so that when spending has to be cut back, they can do so in a rational manner and ensure that available resources are devoted to the highest priorities;
- There should be a renewed focus on cost recovery where public services are provided above "basic needs" levels;
- Public spending decisions should be opened up for greater public scrutiny – not just through the NDP process, but by making the documentary basis for spending choices and decisions available.

A renewed focus on eliminating waste, improving efficiency, getting rid of unproductive programmes and projects may appear to be politically unpopular. However, because such unproductive spending has limited social or economic benefits (by definition), it should be possible to terminate such spending without incurring any significant adverse economic or social effects. In the long-term, the country is better served by improving the efficiency and effectiveness of public spending, in an environment of a sustainable fiscal policy.

Keith Jefferis

Econsult Botswana (Pty) Ltd *March 19, 2009*

[12] Examples of such white elephants include the BoBS building, the BTV building, and numerous hospitals around the country, all of which have substantially under-used capacity, for a variety of reasons. There are also a number of government agencies that might be considered to be white elephants.

[13] E.g. using solar panels for electricity rather than grid power, or using the cellphone network for rural telephony rather than providing landlines.