



**REPUBLIC OF BOTSWANA**

**PRESENTATION SPEECH**

**ON**

**DRAFT NATIONAL DEVELOPMENT PLAN 9**

**2003/04 – 2008/09**

***BY***

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## I. INTRODUCTION

1. Mr Speaker, I have the honour this afternoon to present the draft ninth National Development Plan (NDP 9) to this august House. The period covered by the current National Development Plan 8 comes to an end on the 31<sup>st</sup> March 2003. NDP 9 will, thereafter, cover the six year period from 1<sup>st</sup> April 2003 to 31<sup>st</sup> March 2009.
2. Mr Speaker, Botswana's tradition of multi-year economic planning dates back to the time of Independence, with the drawing up of *Botswana's Transitional Plan for Social and Economic Development*. Since then, successive National Development Plans have aimed at guiding the development of Botswana's economy and drawing up programmes of public expenditure on recurrent and development projects, based on projected revenue resources of Government, including expected inflows of external assistance in the form of grants and concessional loans. Botswana and the world have undergone tremendous changes over the three and a half decades since Independence, but our basic approach to national development planning, drawn up in the context of the national principles of *democracy, development, self-reliance, and unity*, has remained largely intact. This is, as it should be, since these principles are as relevant today as they have always been in the past. The only major change effected, pursuant to *Vision 2016*, has been the adoption of an additional principle of '*Botho*', which is engrained in Botswana culture, and refers to a state of being human, courteous and highly disciplined.
3. Adherence to effective planning has contributed to Botswana's transformation from one of the poorest countries at Independence to a middle income country, with a per capita GDP of P17 000 (or US\$3 000). This dramatic transformation has changed Botswana from being essentially a cattle-rearing and rural based economy to one of the consistently fastest growing economies in the world. It is, therefore, important that we recognise the role played by the planning system in the past and future development of this country.
4. Mr Speaker, the NDP 9 preparation process started in June 2001, under the guidance of a multi-sectoral Reference Group, which comprised Government officials from My Ministry, Office of the

President, Ministry of Local Government, representatives of the private sector, trade unions, non-governmental organisations, the Vision 2016 Council, and the Bank of Botswana, among others. The process started with the preparation of the Macroeconomic Outline and Policy Framework for NDP 9, containing the theme for NDP 9, as well as financial and manpower ceilings for the Plan period. The Macroeconomic Outline and Policy Framework for NDP 9 was finalised after consultation with the line Ministries, Local Authorities, the NDP 9 Reference Group, and the all-Party Parliamentary Caucus, and was approved by Cabinet in March 2002. The drafting of other Chapters of NDP 9 started thereafter and went through similar stages of consultation and revision. A national planners' seminar of Local and Central Government Planners was held in June 2002 to discuss issues of common interest, particularly to ensure that Local Authority concerns were incorporated into the National Development Plan, as well as discuss the distribution of national projects amongst the various Local Authorities. Subsequently, a Special National District Development Conference (NDDC) was held in August 2002 to consult further on the draft NDP 9. The NDDC offered another opportunity for stakeholders, such as Local Authorities, the private sector, trade unions and NGOs, to comment further on the draft Plan and ensure that their views were on board NDP 9. The draft Plan was subsequently discussed by the Economic Committee of Cabinet in August and later by Cabinet in October 2002.

5. Mr Speaker, Chapter 1 of the draft Plan is about Botswana and her people, while Chapter 2 is on population characteristics and development prospects. Since these Chapters are for information, I shall skip them in this presentation and start straight away with the review of NDP 8 and prospects for NDP 9, which are covered by Chapter 3.

## **II. ECONOMIC PERFORMANCE AND PROSPECTS**

6. Mr Speaker, Chapter 3 reviews the performance of the economy during NDP 8 and gives a brief outline of the basic forecasts for NDP 9, as well as some of the alternative scenarios the country might face over the next Plan period. The overall performance of the economy during NDP 8 turned out to be significantly better than the initial projections. Real GDP is now expected to grow during the NDP 8

period at an annual average rate of 6.4 %, compared to 5.2 % initially projected at the beginning of the Plan. Growth is expected to be better than anticipated in the *mining; trade, hotels and restaurants; transport and communications; and Government sectors*. The only sector expected to record very low real growth of less than 1 % per annum during the NDP 8 period is *agriculture*, due partly to natural disasters like drought, floods and the outbreak of animal diseases. The *non-mining sectors* as a group are expected to register above average annual growth rate of 7 %, while the *mining sector* is expected to have grown at an average rate of a little over 5 % per annum. The relatively higher average annual growth rate of the non-mining sectors is an indication that some diversification has been achieved during NDP 8. Another factor revealing progress made towards diversification is that the share of mining in total GDP fell from 34.4 % at the beginning of NDP 8 to 31.8 % in the last year of the Plan.

7. Mr Speaker, labour market conditions are expected to have improved substantially during much of NDP 8. The unemployment rate fell from 21.5 % in 1996 to 15.8 % in 2000. In terms of broad sectoral categories, employment in the *private and parastatal sectors* grew rapidly over most of the NDP 8 period, with average annual rates of growth from 1997 to 2002 of 6.0 % for the *private sector* and 6.9 % for *parastatals*. On the other hand, employment in the *Government sector* grew by only 3.1 % per annum over the same period, reflecting budgetary constraints and Government's policy of right-sizing the public service in the interest of greater efficiency. Labour productivity has grown in the formal sector as a whole, as would be clear from the fact that the formal sector employment growth rate is expected to be 4.0 %, while the expected average GDP growth rate is 6.4%.
8. Mr Speaker, with respect to Government's budgetary operations, total revenue for the six years of the Plan is now estimated to be P70.1 billion, which is 22% above original NDP 8 forecasts. Over the same period, total expenditure at P69.0 billion is 35% above the original forecasts. These figures indicate that the overall budget was balanced over the NDP 8 Plan period as surpluses in some years compensated for deficits in other years. A large deficit of about P1.4 billion was recorded in 1998/99 due mainly to the adverse impact of the Asian crisis on the international market for diamonds and, therefore, on Government revenue, and an increase in public sector salaries.

Another deficit of P900 million was recorded in 2001/02, following the global economic slowdown.

9. Mr Speaker, the budget sustainability ratio, which is the ratio of non-investment related recurrent expenditure to non-mineral revenue of Government, remained below the critical value of 1 up to the financial year 2000/2001. However, the ratio exceeded the critical value during the 2001/02 financial year, indicating that Government used part of its earnings from minerals to finance non-investment related expenditure. Government's budgetary estimates indicate that the ratio may again exceed 1 during the current year 2002/03, before falling back to below 1 from 2003/04 onwards.
10. The Balance of Payments recorded overall surpluses in all years of NDP 8, although the cumulative total was somewhat below the level projected in the Plan, mainly due to the capital account balance turning out to be below the forecast levels. The level of foreign exchange reserves in Pula terms turned out to be higher than the original Plan projections due mainly to the more than expected depreciation of the Pula against major international currencies. In US Dollar terms, the foreign exchange reserves increased from \$5.7 billion at the end of 1997 to a peak of \$6.5 billion in January 2001, but have since declined to \$5.7 in June 2002. The months of import cover of goods and services are also expected to decline from 33.1 months in 1996/97 to 32.4 months in 2002/03.
11. In all the years of NDP 8, except for 2000, the average rate of inflation was below that forecast in the Plan. The improved inflation performance is a result of continuing low inflation in Botswana's major trading partner countries, including, in particular, the Republic of South Africa. Inflation was also restrained by monetary policy, which restricted credit growth in the economy as well as by lower Government expenditure as a percentage of GDP.
12. Other achievements made during NDP 8 include favourable sovereign credit ratings in the "A" grades for two consecutive years by the Moody's and Standard and Poor's rating agencies. Botswana has also been rated highly in terms of international competitiveness and low corruption.

13. Mr Speaker, I wish to now turn to the macroeconomic projections for the NDP 9 period. The projections relate to what has been called the *Base Case Scenario*, which is the most likely outcome for the NDP 9 period. According to this scenario, real GDP will grow at an average rate of 5.5% per annum, formal sector employment will achieve an average growth rate of 5.6% per annum, and the Government budget and Balance of Payments will be in moderate surpluses throughout the Plan period. Critical to realisation of these results are assumptions underlying the *Base Case Scenario*. These assumptions are:

- (i) The output of diamonds will average 26 million carats, with the output realised being higher during the first half of NDP 9, and expected to taper towards the end of the Plan period
- (ii) Diamond prices in US dollar will increase in line with US inflation of 2% per annum on average from 2002 onwards.
- (iii) Government fiscal policy will be targeted at achieving a balanced and sustainable budget in the medium term.
- (iv) In particular, on the revenue forecasts, it is assumed that the new SACU revenue sharing formula will become operational from the second year of NDP 9 and that there will be substantial collection of revenue from VAT reflecting, among others, the extensive coverage and institutional reforms. Significant amounts of revenue will also be collected through cost recovery, through both better administration of existing measures, and introduction of new ones.
- (v) Possible occurrences of natural disasters such as droughts, floods and outbreak of animal diseases have not been factored into the projections.
- (vi) On average, investment as a percentage of Real GDP will oscillate around 30% during NDP 9, rising from 24 percent in 2000/2001.

- (vii) The annual average inflation over the NDP 9 period will be around 4.5%, falling from 6% in the first year to around 4% by the end of NDP 9.
  - (viii) The real effective exchange rate of the Pula, which is a trade-weighted exchange rate, vis-à-vis currencies of major trading partner countries, adjusted for differences in inflation rates, will remain relatively stable.
14. Mr Speaker, given the growth rate of 5.5% per annum projected for NDP 9, a much higher growth rate will be required during NDP 10 and NDP 11, in order to achieve the Vision target of 8% GDP growth rate per annum and tripling of per capita real income of the nation by 2016. We believe that successful implementation of NDP 9 policies and programmes will prepare the nation for accelerated progress towards achieving these goals of Vision 2016. However, economic projections are subject to many uncertainties, which have been exacerbated by the increased global interdependence of the modern world. Unfolding realities will be taken on board as we go along through the usual reviews of the macroeconomic projections in the annual budgets, as well as during the Mid-Term Review of NDP 9.
15. Let me reiterate to Honourable Members that the *Base Case Scenario* represents what can be achieved if the policies, programmes and projects set out in NDP 9 are fully implemented. The key strategy under this scenario is budgetary sustainability throughout the Plan period, while strong private sector development leads to significant progress with respect to sustainable economic diversification.
16. Mr Speaker, two other scenarios, one optimistic and the other pessimistic, were also considered, based exclusively on assumptions about changes in diamond prices. Specifying alternative assumptions allows the projections to give some indication of the economic impact of the uncertainties Botswana faces. The *Optimistic Scenario* assumes that price of diamonds will increase in US Dollar terms by 2.5 % more than the US inflation rate of 2 % per annum, while the *Pessimistic Scenario* assumes a 2.5 % fall in diamond price per annum relative to US inflation. The former scenario would enable Government to increase spending to take more development projects on board, while maintaining budgetary sustainability. In contrast, the latter scenario

would necessitate adjustments to cut government spending in order to have a sustainable fiscal position by the end of the Plan period.

### III. PLANNING AND DEVELOPMENT STRATEGY FOR NDP 9

17. Mr Speaker, the theme of NDP 9 is '**Towards Realisation of Vision 2016: Sustainable and Diversified Development through Competitiveness in Global Markets**'. The choice of this theme was guided by the fact that NDP 9 provides the first opportunity for the various Ministries and other stakeholders to integrate Vision 2016 goals and objectives into the national development planning process. The theme also recognises the importance of competitiveness in global markets, which is an essential prerequisite for the sustained high rate of economic growth called for by the Vision.
18. Mr Speaker, by achieving sustainable development through economic diversification, NDP 9 aims at building the pillars of Vision 2016, namely, *an educated and informed nation; a prosperous, productive and innovative nation; a compassionate, just and caring nation; a safe and secure nation; an open, democratic and accountable nation; a moral and tolerant nation; and a united and proud nation*. Given the small size of the Botswana market, global competitiveness and trade remain important for achieving sustainable and diversified development.
19. In this regard, any efforts aimed at enhancing competitiveness within the global economy have to focus on increasing the supply of trained manpower, intensifying research and development, and fostering financial markets. The implementation of the Science and Technology Policy for Botswana of 1998 will be undertaken during NDP 9, with a view to achieving co-ordinated and integrated research and development. Another prerequisite for keeping pace with, and benefiting from, ongoing globalisation, is improving efficiency in the utilisation of domestic resources; that is, labour, capital and natural resources. Further, continued sound macroeconomic policies will be an essential prerequisite for effective engagement in the international market.
20. Mr Speaker, we are embarking on the NDP 9 period at a time when the production of diamonds, the country's main revenue and foreign



exchange earner, is approaching a plateau, and the prospects of recovery in the world, following the recession of 2001/02, are still shrouded in considerable uncertainty. The Government budget plunged into a deficit of P1.4 billion, or 6.5 % of GDP, in 1998/99, after a long stretch of 16 years of successive budget surpluses. Fiscal accounts, which are still being finalised, indicate that the budget moved into deficit again in 2001/2002, to the extent of about P900 million or 2.5 % of GDP. As Honourable Members are aware, the estimates for the current financial year 2002/2003, already indicate a substantial deficit of P1.6 billion or 4.5 % of GDP. As a result of these deficits, and large transfers to the newly established Botswana Public Officers Pension Fund, Government's cash balances are being substantially reduced. The country's foreign exchange reserves are also coming down in foreign currency terms, for example, from US\$6.5 billion in January 2001 to US\$5.8 billion in June 2002, due mainly to recent fall in earnings from diamond exports. Another unwelcome development in the recent past has been the sharp volatility of the international value of the South African Rand, our major trading partner currency, as a consequence of the world recession.

21. Mr Speaker, these adverse developments and uncertainties make it extremely important that we move with caution. One ingredient of this caution is that Government has to resolve to avoid budgetary deficits, so that we maintain budgetary sustainability during the Plan period, as well as ensure that our well deserved reputation for fiscal prudence does not suffer. At the same time, we must go all out in our effort to enhance global competitiveness through raising factor productivity and lowering unit costs, so that the non-mining sectors of the economy can register strong growth despite the increasingly competitive character of international trade and possible slow performance of the world economy.
22. Mr Speaker, in addition to presenting the theme for NDP 9, Chapter 4 outlines the strategies that Government will pursue during the NDP 9 period to address the challenges and opportunities of the seven pillars of Vision 2016 that I have already mentioned.
23. The overall strategy for development was formulated on the basis of the critical issues identified during the Mid-Term Review of NDP 8.

These issues remain relevant for the future, and still need to be addressed during NDP 9. The policy thrust of NDP 9, therefore, includes *economic diversification, employment creation and poverty alleviation; maintaining macroeconomic stability; financial discipline; public sector reforms; environmental protection; rural development; human resource development, including the fight against HIV/AIDS; science and technology development; and disaster management*. These policy strategies are crucial in achieving a sustainable and diversified development through competitiveness in global markets.

24. Mr Speaker, Botswana has made significant progress in diversifying the economy since Independence. Despite this, economic diversification continues to be critical for sustainable development of the economy, as mining, particularly the diamond industry, remains the main contributor to GDP, export earnings and Government revenue. Some of the major economic diversification policies and strategies that will be implemented during NDP 9 include the implementation of the National Master Plan for Arable Agriculture and Dairy Development (NAMPAADD), the establishment of the Tourism Board, the development of an eco-tourism strategy, the implementation of the Privatisation Policy for Botswana, the Revised National Policy for Rural Development, the Science and Technology Policy and creation of the Local Enterprise Agency (LEA), which will be responsible for training of local enterprise and amalgamation of institutions dealing with entrepreneurship development in the country. In addition, Government will continue to support the development of the private sector, in particular citizen entrepreneurship, through schemes such as the Citizen Entrepreneurial Development Agency (CEDA), which offers financial support to citizen owned businesses, as well as providing training, monitoring and mentoring. The Botswana Venture Capital Fund (BVCF) will also be launched during this financial year to provide equity capital to citizens as well as joint ventures between citizens and foreign investors.
25. Mr Speaker, the primary role of Government in the diversification process will be to provide an environment conducive for private sector initiatives and innovations to take effect. To this end, Government will continue to maintain conducive macroeconomic conditions in terms of competitive exchange rates, low tax rates, an environment

- free of exchange controls, access to credit and price stability. The implementation of policies and programmes such as the Privatisation Policy for Botswana; the International Financial Services Centre; and the review of the National Policy on Incomes, Employment, Prices and Profits; among others, will assist Government to achieve these objectives. Successful implementation of these strategies should propel the economy further and help create more jobs in the economy.
26. Mr Speaker, enhanced job creation, coupled with further expansion of education and training, also offers long-term solutions to the problem of poverty. In the short-term, Government will continue to implement and improve the effectiveness of existing programmes aimed at poverty alleviation. To this end, following the completion of a study on poverty in Botswana, Government is formulating a National Strategy for Poverty Reduction. In addition, work has commenced on the 2002/03 Household Incomes and Expenditure Survey, which will update information on the nature and extent of poverty in Botswana.
27. Mr Speaker, one of the areas that will continue to be critical during NDP 9 is that of rural development, which is aimed at improving access to opportunities for the rural population. To this end, Government prepared the Revised National Policy for Rural Development, which was approved by Parliament in 2001. The revised policy aims at maximising the impact of existing and emerging sectoral policies and programmes. The main thrust of rural development initiatives during NDP 9 will be the implementation of the Revised National Policy for Rural Development and its associated strategies, whose implementation has been incorporated into the NDP 9 sectoral policies, programmes and projects.
28. On human resource development, Government has long recognised the importance and significance of human capital as a key element in achieving economic development, and thus reduce levels of unemployment and poverty. During NDP 9, human resource development will involve the creation of a strong human resource base with the right knowledge, skills, attitude and values, which will enhance productivity and competitiveness. It is, therefore, important that manpower planning and development focus on developing appropriately trained labour for the market.

29. Mr Speaker, HIV/AIDS has become one of the major challenges facing the country, given that it mostly affects the skilled and productive sections of the population. Its impact is manifested in increased mortality rates and reduced life expectancy, posing a major threat to future economic growth, unless appropriate measures are put in place to contain the situation. Government will, during NDP 9, continue to promote the multi-sectoral response to the pandemic, with the full participation of all stakeholders; Ministries, districts and communities, civil society, including people living with HIV/AIDS, and the private sector. The National AIDS Coordinating Agency (NACA) will continue to be the focal point in terms of facilitating and coordinating the various HIV/AIDS interventions in the country. Specific interventions include the provision of the Anti-Retroviral (ARV) therapy, which will be expanded in scope; continued support to orphans; research and testing of HIV/AIDS drugs; and the continuation of the home-based care programme.
30. The importance of developing science and technology is paramount, if the country is to transform itself into a knowledge economy and gain global competitiveness. During NDP 9, a comprehensive research, science and technology plan will be put in place and implemented, after a thorough review and re-organisation of existing institutions relating to research, science and technology in the country.
31. Mr Speaker, it is important to continue to maintain macroeconomic stability and financial discipline. Government will, therefore, continue to monitor expenditure to ensure budget sustainability. In addition, Government will constantly review the tax structure to ensure that it is well suited to the country's development needs. In order to make the tax administration more effective, legislation will be enacted for merging the Departments of Taxes, and Customs and Excise into a unified revenue service. A substantial amount of revenue will be expected to be raised through cost recovery measures, following the implementation of the Cost Recovery Policy after consultation with all stakeholders.
32. Mr Speaker, the principal objective of monetary policy is to achieve sustained low inflation, which helps to maintain competitiveness through the maintenance of a relatively stable real exchange rate. The main tool of monetary policy used to achieve the inflation objective is

the level of interest rates. In using this instrument, the Bank of Botswana will be mindful of the fact that there is need to have a balance between the needs of savers and investors. This will be achieved by keeping real interest rates high enough to provide a positive return to savers, while not allowing them to be so high that they significantly discourage private sector borrowing to finance viable investment projects. The exchange rate policy will be monitored to ensure that it responds to changing circumstances. In this regard, Government will review implications for monetary and exchange rate policies of the various planned developments during NDP 9.

33. Mr Speaker, a number of public sector reforms were initiated during NDP 8 and their implementation is ongoing. The aim of these reforms is to increase overall economic efficiency and effectiveness in the Public Service. One of these reforms is the Performance Management System (PMS), whose full implementation across all Ministries and Departments will be achieved during the course of NDP 9. Other reforms include the computerisation and decentralisation of personnel management in Government, and privatisation. Privatisation, which will start in earnest during the NDP 9 period, is expected to increase the participation of the private sector in the economy and to transform Government from the role of a provider and regulator to that of a facilitator. In this regard, the Public Enterprise Evaluation and Privatisation Agency (PEEPA) will focus on the overall privatisation implementation strategy and specific strategies for reforming public enterprises and Government Departments. To achieve this, PEEPA will finalise the Privatisation Master Plan during the first half of 2003. In addition to ongoing hiving-off of some activities to the private sector, it is envisaged that at least two major public enterprises will be privatised during NDP 9.

34. Mr Speaker, economic growth is not sustainable without a healthy environment. During NDP 8, a number of initiatives were undertaken in an effort to incorporate the issues of environment into the development planning process. These include conducting environmental impact assessments on selected projects and environmental awareness campaigns. This approach will be taken a step further during NDP 9 by fully integrating environmental issues into development policies, programmes and projects. This will be

supported by development of appropriate legislative framework and the necessary institutional reform to monitor and enforce such legislation. The challenge is to raise productivity of natural resources and to reduce wastage. It is, therefore, important that all policies and projects in NDP 9 recognise the need to use natural resources efficiently, fairly and in a sustainable manner.

35. Botswana is prone to a number of disasters, which can disrupt development. Government has, therefore, identified the need to integrate disaster management into development planning and to ensure that it is consistent with its development objectives. To achieve this, Government has put in place a disaster management policy, which encompasses elements of preparedness, response, mitigation, recovery and development. This policy is consistent with other policies and strategies and will be reviewed continuously to ensure harmony and consistency. Successful implementation of the policy will depend on the cooperation of all stakeholders, which include Government, non-governmental organisations, the private sector and communities.

#### **IV. PUBLIC SECTOR EXPENDITURE AND MANPOWER CEILINGS**

36. Mr Speaker, at the beginning of NDP 8, the Total Estimated Cost (TEC) of the development programme was P11.8 billion. This increased to a revised TEC of P25.9 billion by the end of the Plan period. Most of the TEC revisions were due to delays in starting projects, extensions of projects' completion dates, expansion of the scope of projects and, in some cases, exchange rate fluctuations. In addition, there were natural calamities, such as drought and outbreak of animal diseases, for which additional financial resources had to be provided in order to alleviate their impact.
37. At the same time, recurrent expenditure growth has averaged 20.2 % per annum over the NDP 8 period; almost 4 times as fast as the average 5.1 % per annum growth envisaged in the Plan. This was, among others, due to the recurrent implications of an expanded development programme; provision of additional funding for the then new Ministry of Lands, Housing and Environment and Departments such as the Independent Electoral Commission (IEC) and the National

AIDS Coordinating Agency (NACA); and substantial salary increases, following the 1998 Salaries Review Commission and the 2001 Tsa Badiri Consultancy.

38. The financial resources that funded these expenditures came from both the domestic development fund and external funding agencies. Honourable Members would be aware that part of the domestic financial resources used in funding our expenditures is income from the investment of our foreign exchange reserves in high income earning portfolios abroad. The continued use of our reserves for revenue generation purposes will prove very critical in future, given that external funding has been on a declining trend for some time now, and other domestic revenue sources are subject to high volatility due to external shocks. It is, therefore, important that these foreign exchange reserves continue to be invested in high yielding investments, since they represent the nation's hard earned savings and a precautionary balance to help the nation overcome the impact of outbreaks of diseases and natural disasters.

39. Mr Speaker, the principles of public sector resource allocation for NDP 9 are based on the lessons learnt during NDP 8 and the overall Government strategy for the next Plan period. In setting the expenditure targets, Government will take into account:

- (i) Anticipated levels of Government revenues.
- (ii) The need to ensure consistency between recurrent expenditure and recurrent revenue growth, so that the fiscal position is sustainable in the medium to long term.
- (iii) The recurrent cost implications of the development budget.
- (iv) The effects of Government expenditure on the growth of the private sector.
- (v) The need to have adequate financial reserves to cushion the country from exogenous shocks, such as international market fluctuations for diamonds, drought and outbreak

of animal diseases and support to a liberal outward oriented trade and exchange rate regime.

- (vi) The requirements for human resource development aimed at alleviating critical manpower shortages and expanding opportunities for citizens to fully participate meaningfully in national development.
- (vii) The need to win the fight against poverty and diseases, especially HIV/AIDS.
- (viii) The need to avoid budget deficits.

40. Government's fiscal strategy for NDP 9 also takes into account implementation capacity constraints, with a view to avoiding the substantial cost overruns that were incurred on many projects during NDP 8. It will further be important to continue to give adequate attention to the recurrent costs of development projects, including manpower, operating and maintenance costs. In this regard, priority will be given to maintenance of existing infrastructure before making provision for new facilities.

41. Mr Speaker, the proposed development projects in NDP 9 incorporate carefully worked-out project implementation schedules, to be strictly adhered to at the implementation stage. The preparation of project implementation schedules was approved by Parliament, as part of the Mid-Term Review of NDP 8, with a view to ensuring an orderly implementation of projects and avoiding unnecessary delays, with associated cost overruns.

42. The proposed public sector expenditure figures contained in Tables 5.9, 5.10, 5.11 in the draft Plan are based on the forecasts indicated earlier and show total annual Government expenditure rising gradually from P17.1 billion in 2003/04 to P25.5 billion in 2008/09, or a cumulative figure of about P129 billion for the six years. Of this amount, P35.72 billion is the total estimated cost (TEC) in current prices for the NDP 9 development programme. If the projected revenues turn out to be less than what is estimated, it will be necessary to scale down the proposed development programme to ensure budget sustainability. The total manpower establishment in the public service,



including Local Authorities, is targeted to increase from 102 001 in 2002/03 to 113 465 in 2008/09. This is an increase of 11 464 posts for the NDP 9 period. Although the resources projected fall short of the submissions by Line Ministries, it is still a lot if used effectively. For instance, this implies an annual average development expenditure of about P6 billion during NDP 9, compared to an average of about P3.5 billion per annum for NDP 8.

## **V. FINANCE AND BANKING**

43. Mr Speaker, the Finance and Banking sector provides the necessary fuel and lubricant to the economic machine by facilitating orderly financial transactions. Therefore, the standard of performance of the financial system has a substantial impact on the overall productive capacity of the economy.
44. During NDP 8, the activities of the banking system have expanded with a substantial growth in credit and considerable growth in the range of banking outlets during NDP 8; including branches, sub-branches, encashment points and Automated Teller Machines. Among the major projects undertaken during NDP 8 were the registration of the first captive insurer and specialist credit insurer and the first local insurer to offer agricultural insurance cover.
45. The Botswana Stock Exchange (BSE) has an important role to play in providing an alternative channel linking savers and investors. During NDP 8, BSE grew rapidly with the total number of listed domestic companies growing to reach 18, while the market capitalisation rose from about P1.5 billion at the beginning of the Plan period to around P10 billion. Other developments on the financial scene during NDP 8 include the abolition of all exchange controls on both current and capital account transactions in 1999, as well as the replacement of the Collective Investment Undertakings Act of 1996 by the more modern Collective Investment Undertakings Act of 1999, which came into effect in 2001.
46. The financial sector strategy for NDP 9 emphasises efficiency, service quality and innovation, and advances in technology. These will be achieved through improvement in the supervision and regulation of financial markets. Work will also be undertaken towards improving

the efficiency and quality of services offered by the banking system, including making banking services widely available, as well as developing guidelines for handling offshore banking activities. Other reforms will include amendment of the Insurance Industry Act, legislation to govern the National Payment and Settlement System, Bills of Exchange Act, the Criminal Procedures and Evidence Act, the Companies Act and the Insolvency Act. Legislation will also be introduced to establish a Central Securities Depository in an effort to increase transparency and instil investor confidence in the securities market, and improve efficiency and depth in the financial system. Furthermore, institutional arrangements and a legal basis for consumer protection will be explored during NDP 9.

## **VI. SOME OF THE SECTORAL HIGHLIGHTS**

47. Mr Speaker, I now turn to the sectoral chapters, to highlight some salient points. The details of the sectoral development programmes will be presented by the respective Ministers during the presentation and discussion of the sectoral Chapters.

### **(i). Industrial and Commercial Development**

48. Mr Speaker, development policies in the commerce and industry sector are very crucial for sustainable and diversified growth of the economy and for our efforts to achieve competitiveness in global markets. In this regard, a number of strategies and programmes will be pursued during NDP 9. These include:

- (a) **Export Orientation and Competitiveness:** The private sector will need to enhance its ability to exploit existing market opportunities through increased productivity and adoption of more efficient information systems, among others. On its part, Government will develop a database on Botswana's manufacturing and *export* capacity, as well as put in place structures for benchmarking and monitoring Botswana's international competitiveness, with a view to formulating an export development strategy. The Botswana Export Development and Investment Authority (BEDIA) will play an increased role in marketing Botswana products and attracting investment into the country.

- (b) **Foreign Trade and International Trade Relations:** To provide additional market access for Botswana goods and services, Government will continue to participate in negotiations of a number of trade agreements, such as the ACP-EU arrangements under the auspices of the Cotonou Agreement, the EU/SACU Free Trade Agreement, the USA/SACU Free Trade Agreement, as well as participating in the implementation of the new SACU Agreement.
- (c) **Investment Policy and Related Issues:** BEDIA will actively promote investment flows into the country and a strategy for attracting Foreign Direct Investment (FDI) will be developed. Manufacturing activities that can utilise the country's raw materials such as leather, jewellery, glass and beef by-products, as well as service industries, like information technology and tourism, will be promoted more vigorously.
- (d) **Promotion of SMMEs and Rural Industrial Development:** Policies and programmes will continue to be refined to support small and micro enterprises. Information on locally available supplies will be packaged to enable large corporations and firms to procure their requirements locally. Exploitation of linkages between various sectors of the economy will also be pursued. Training and mentoring support to citizen and local enterprises will be consolidated within the proposed Local Enterprise Agency (LEA).
- (e) **Improvement of Product Quality and Standards:** The quality improvement programme, which covered only two industrial sectors of garment and concrete products manufacturing, will be expanded during NDP 9 to cover all industrial sectors, with the objective of assisting entrepreneurs to produce quality products that can be competitive in international markets.
- (f) **Internal Trade:** The Trade and Liquor Act will be separated into two Acts, with a view to improving its administration. The composition of Licensing Authorities will be reviewed to include business people and business activities not previously regulated. A Competition Authority will also be established and

a monitoring section will be created to regulate activities of business enterprises.

- (g) **Reactivation of Consumer Groups:** Strategies for establishing sustainable consumer groups will be put in place, with the objective of eventually establishing a National Consumer Forum to spearhead consumer concerns nationally.

**(ii). Works Transport and Communications**

49. Mr Speaker, the main policy strategies for NDP 9 in the works, transport and communications sector are cost recovery, human resource development, universal access to services, privatisation and public sector reforms, including restructuring of some Departments into autonomous organisations. These strategies will be pursued in line with the principle of improving service delivery and improving efficiency. The activities of the Departments of Architectural and Building Services (DABS) and Electrical and Mechanical Services (DEMS) will be rationalised and dedicated teams to carry out projects for individual Ministries will be set up under the new structure. In line with the policy of cost recovery, a number of Departments will introduce user fees and privatisation activities that started in NDP 8 will continue during NDP 9. These include privatisation of activities of the Central Transport Organisation (CTO), privatisation of Air Botswana and Botswana Telecommunications Corporation.

50. Government's support for some services, which have proven not to be cost effective but would improve the welfare of beneficiaries, especially in the rural areas, will continue. These are in areas such as rural telecommunications and postal services. The Ministry of Works and Transport has been allocated P4.4 billion, while the Ministry of Communications, Science and Technology is allocated P1.1 billion for implementation of development programmes and projects during NDP 9.

**(iii). Energy**

51. Mr Speaker, the strategy for the energy sector in NDP 9 emphasises provision of affordable, environmentally friendly and sustainable energy sources and optimal energy mix. This will require public

education, improvement in the institutional framework, as well as continuation of some projects and initiatives, which were started during NDP 8.

52. During NDP 9, rural electrification will continue and power supplies will be provided, as appropriate, through grid extension, photovoltaic (PV) or diesel electric power generation. In order to improve the institutional framework of the energy sector, the Energy Affairs Division of the Ministry of Minerals, Energy and Water Resources will be restructured and a national energy management plan developed during NDP 9. Government will also continue to promote coal utilisation during NDP 9 through construction of more coal depots, improving coal quality, and provision of advisory services to coal users.

**(iv). Agriculture**

53. Mr Speaker, one of the major concerns in the Agriculture sector has been low productivity of the sector and its relatively declining contribution to GDP. Productivity improvement in this sector is, therefore, critical in order to achieve the objective of economic diversification. The agriculture sector's strategy for NDP 9 emphasises the provision of basic infrastructure such as roads, electricity and telecommunications, strengthening of the extension service, diversification of agricultural base, review of agricultural subsidies and gazetting of agricultural land. The review of agricultural subsidy schemes, such as the Arable Land Development Programme (ALDEP) and Services to Livestock Owners in Communal Areas (SLOCA) will be completed during NDP 9 to determine their impact and to retarget them better. The strategy for development of arable, irrigated agriculture and dairy production as outlined in NAMPAADD is expected to help the sector to improve diversification, create more employment opportunities, boost productivity and increase agricultural output. Another initiative is provision of agricultural insurance and credit to minimize farmer risks resulting from annual and seasonal climatic variability and natural disasters. This will also facilitate investments in agriculture. In addition, human resource development, financial assistance, research, technology development and dissemination will be pursued during NDP 9. The Ministry of Agriculture has been allocated about P1.1 billion to carry out its

development programme, including some projects under NAMPAADD.

**(v). Mineral Development**

54. Mr Speaker, the overall mineral policy objective of maximising economic benefits for the nation from development of mineral resources while allowing investors to earn competitive returns will remain unchanged. NDP 9 policy objectives for the mineral sector will focus on encouraging prospecting and new mine developments; creating opportunities for generating linkages with the rest of the economy and increasing local value added; conserving and protecting the environment; and identifying and developing appropriate strategies for dealing with challenges facing the mineral sector.

**(vi). Water Resources**

55. Mr Speaker, key elements in the water resources' strategies in NDP 9 include increased efficiency through institutional reform; water demand database development; and development of new sources of water supply. In addition, Government will carry out public education campaigns on water conservation; and investigate and introduce technologies, which conserve water. It will also develop effective network and partnerships with Non-Governmental Organisations (NGOs), Local Authorities and other stakeholders to promote water conservation. A substantial part of the P4.6 billion allocated for the Ministry of Minerals, Energy and Water Resources' development programme will be towards the development of water resources throughout the country.

**(vii). Wildlife, National Parks and Tourism**

56. Mr Speaker, the major thrust of the strategy for NDP 9 in the Wildlife, National Parks and Tourism sector will be to conserve wildlife populations, while avoiding cases of overpopulation; to diversify tourist source markets; and to reduce land use conflicts relating to people and wildlife. This strategy is in line with the Vision 2016 statement that "the challenge of preserving the environment and resource base of Botswana is crucial to its survival and prosperity" and calls for the involvement of local, national and international

stakeholders in the management of the wildlife resources of the country. The target is to facilitate the development, diversification and promotion of tourism products and position Botswana among the top preferred tourist destinations in the world.

57. Mr Speaker, Vision 2016 poses a challenge “to further develop the tourism potential of the wildlife, the Okavango Delta and historical and cultural sites”. Government undertakes to increase the contribution of tourism to GDP through development and implementation of strategies for sustainable tourism and the diversification of the tourism product. To this end, eco-tourism, which is a programme by which the tourism product will be diversified, facilitating meaningful participation of local communities and ensuring environmental sustainability, will be implemented during NDP 9. In addition, a number of policies in this sector will be reviewed and/or formulated in an effort to improve efficiency and keep abreast with developments in the sector, during NDP 9, including the review of the Wildlife Conservation Policy of 1986.

**(viii). Environmental Conservation and Land Use**

58. Mr Speaker, the implementation of the Environmental Impact Assessment (EIA) law will be facilitated through the use of EIA manuals, which will be prepared during NDP 9. In addition, the ‘polluter pays’ and the ‘user pays’ principles will be implemented, initially applying to commercial resource use.

59. The draft Wetland Policy and Strategy document is undergoing consultation within Government. Moreover, Botswana ratified the Convention on Wetlands of International Importance (Ramsar) in 1997 and listed the Okavango Delta as a Ramsar site. The development of a management plan for the Makgadikgadi Pans system has already begun and will be concluded during NDP 9. Management plans for other internationally important wetlands such as the Linyanti-Chobe system will be initiated during the Plan period. In addition, community-based natural resource management activities will be intensified and resource monitoring strengthened during NDP 9. The Ministry of Environment, Wildlife and Tourism has been allocated about P1.5 billion to undertake a number of development programmes and projects during the Plan period.

**(ix). Education and Training**

60. Mr Speaker, Government will continue with the implementation of the Revised National Policy on Education, in line with the commitment of Vision 2016 of “*an educated and informed nation*”. Cost sharing will be introduced in the provision of education, as Government can no longer sustain the increasing level of expenditure on education alone. However, Government will have safety nets to ensure that children who come from needy backgrounds are not denied education.
61. The tertiary education will further be expanded with the increase in the University of Botswana student enrolment from 10 000 to 15 000 students. Furthermore, a second university is planned for NDP 9, to offer programmes for which presently many students are placed externally. The establishment of a medical school will also commence during NDP 9. The development programme for the Ministry of Education is expected to cost about P3.7 billion over the NDP 9 Plan period.

**(x). Health**

62. Mr Speaker, the health care system will continue to be based on the principle of Primary Health Care in line with the National Health Policy approved in 1995. Health remains an integral part of the pillars of Vision 2016, whose overall goal is to have a healthy nation that is fully involved and can contribute to the country’s development. The Vision 2016 pillars of “a compassionate and caring society” forms the basis for the Ministry of Health’s corporate Strategic Plan. In addition to health service delivery, Government will continue the role of providing direction and leadership in the health sector, working in partnership with NGO’s and the private sector. During the NDP 9 period, a number of health facilities will be improved and new hospitals constructed. These facilities will assist in addressing the problem of congestion, which has been exacerbated by the HIV/AIDS pandemic. However, sustainability of health service provision will be the key concern, hence cost effectiveness, improved efficiency and implementation of cost containment initiatives, including equitable and sustainable methods of cost recovery will be priority issues in the health sector. The various development programmes and projects



under the Ministry of Health are expected to be implemented at a cost of about P3.3 billion over the NDP 9 period.

**(xi). Housing and Settlement**

63. Mr Speaker, several initiatives have been taken to meet the challenges of land administration and management. During NDP 9, consideration will be given to broadening the scope of the Land Tribunal by extending its jurisdiction to appeals emanating from the Town and Country Planning Boards and Land Boards. Full implementation of both the State and Tribal Land Management Information Systems will be undertaken during NDP 9. Compensation guidelines for land acquired under customary law will be updated to guide payments for such land. Government will also strengthen its land management system by, among others, reviewing the operations of the Land Boards and improving their capacity.

64. Implementation of the fencing component of the National Policy on Agriculture Development has progressed well during NDP 8. Water point survey and ground water resource assessment studies will be continued in NDP 9. Integrated Land Use Plans for the remaining districts will be prepared. Reviews of past land use plans will also be undertaken. In addition, Phase II of the demarcation of ranches will be implemented. The Ministry of Lands and Housing will implement its development programmes and projects amounting to about P2.0 billion during NDP 9.

**(xii). Culture and Social Services**

65. Mr Speaker, Government is committed to facilitating attainment of Vision 2016 pillars through various activities. Due to the unprecedented increase in the number of orphans as a result of AIDS, Government will extend and improve provision of welfare and support to orphans and their caregivers, as well as the disadvantaged members of our society.

66. The theme for sport during NDP 9 will be *“Sport for National Development: Maintaining the Momentum Towards 2016”*. Sport facilities will be constructed in several areas across the country. The

Junior Sport Programme will be implemented and will assist in the upliftment of the standards of sport in schools.

67. With regard to gender and development, the primary focus will be on the implementation of the National Gender Programme, which outlines strategic programmes and required actions in the critical areas of concern. Support to women's economic empowerment projects, trade fairs, expositions and exchange programmes, and extended gender mainstreaming to the private sector, parastatals and civil society will be increased during NDP 9. This includes mainstreaming gender issues into HIV/AIDS interventions, as well as other Government policies and programmes. The various development activities under the Ministry of Labour and Home Affairs are expected to be undertaken during NDP 9 at an estimated cost of P1.2 billion.

**(xiii). Public Sector Management**

68. Mr Speaker, public sector management covers issues such as productivity improvement, as well as management of human, financial and other resources. During NDP 9, the focus of PMS will shift to the delivery of the strategic plan goals by Ministries and Departments. Emphasis will be placed on progress and performance on annual performance plans (APPs) by each Ministry. This system will be supported by the introduction of performance contracts for public officers and continued decentralisation of human resource management functions to Ministries. A review and evaluation of the current job evaluation system will also be undertaken during NDP 9 to determine its continued appropriateness.

**(xiv). Local Authority Administration and Finance**

69. Mr Speaker, during NDP 9, Local Authorities will endeavour to become customer-focused and centres of excellence in social service delivery, development co-ordination, community mobilisation and capacity building. To assist the achievement of this objective effectively and efficiently, Government has embarked on comprehensive local authority reforms, largely based on the recommendations of the second Local Government Structure Commission and the Performance Management System (PMS).

70. The decentralisation of responsibilities to the Local Authorities and communities will be continued. However, effective decentralisation requires that the transfer of responsibilities be accompanied by a commensurate transfer of resources, as well as improved revenue generating capacity. It also requires the development of appropriate enabling legal framework for the generation and management of these resources.

71. Besides their traditional role of providing services in the form of portable water, health, education, sanitation etc., Local Authorities are well placed to identify economic activities to be undertaken in their respective areas. They will, therefore, be assisted to develop guidelines for promoting local economic development and reviewing existing procedures and regulations, which could help create a more conducive and enabling environment for promotion of local economic development. The Ministry of Local Government has been allocated about P7 billion for its development programme during NDP 9, including those of Local Authorities.

**(xv). Law, Justice and Security**

72. Mr Speaker, the respect for the rule of law, justice and security are critical to the development of the economy, since it enhances our ability to attract foreign direct investment. Challenges to a 'safe and secure nation' that emerged during NDP 8 included the need to develop human resources of the different Departments, implementation of public sector reforms, including computerisation of different functions, inadequate infrastructure in terms of equipment, office accommodation and housing, as well the need to improve efficiency and accessibility of services to the public. These issues will continue to be addressed during NDP 9. The role of the Ministry of Foreign Affairs and International Cooperation in promoting Botswana's interests abroad will also be enhanced through the opening of new missions in Australia, Africa, Europe and Asia. The Ministry will also be expected to give particular attention to the areas of bilateral cooperation, regional integration, promotion of international peace and security, and trade, to ensure that the country derives maximum benefits from its interaction with the international community. The Ministries of State President and Foreign Affairs and International Cooperation have been allocated P4.4 billion for their

NDP 9 development programmes.

## VII. CONCLUSION

73. Mr Speaker, in conclusion, I would like to reiterate the need to take into account the key issues and strategies outlined in the macro Chapters in the discussion of the draft NDP 9 in order to ensure successful implementation of the Plan, as well as the achievement of its goals and objectives. Mr Speaker, let me also take this opportunity to urge stakeholders across all sectors to redouble their efforts and ensure that we achieve the NDP 9 objective of moving “*towards realisation of Vision 2016*” and achieving “*sustainable and diversified development through competitiveness in global markets*”. The nation needs commitment from everybody, including Members of Parliament, the private sector, the trade unions, Non-Governmental Organisations (NGOs), communities and individuals, as well as from our international development cooperating partners, to achieve improved and sustained prosperity.
74. All proposals from the deliberations of this House would be mostly welcome to enhance implementation of the policies, programmes and projects. In this connection, I would like to caution that the inclusion of a project in the Plan is only a conditional approval, subject to availability of resources and more importantly, subject to projects passing the ‘*litmus test*’ of the standard project appraisal process. It is also important that we continue the sound economic management and financial discipline that we have maintained in the past to ensure that future growth and prosperity for the country is not compromised. It is in this connection that the principle of avoiding budget deficits needs to be strictly observed. I must reiterate, however, that the development programme of P35.7 billion is quite substantial and will certainly pose a challenge to our implementation capacity, given the experience of NDP 8. I trust that implementation bottlenecks will be tackled timeously to avoid cost overruns and ensure the attainment of the NDP 9 targets.
75. Mr Speaker, allow me to thank our development cooperating partners, on behalf of Government and the people of Botswana, for their continued support to our development endeavours. This support, which has contributed immensely to the development of this country,

is highly appreciated. We trust that their support will continue in the future, particularly in tackling the problems of unemployment, poverty and the HIV/AIDS pandemic.

76. Mr Speaker, I therefore move that the draft “ninth National Development Plan (NDP 9) for the period 2003/2004 to 2008/2009” be approved.