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McNamara Papers

Travel briefs -
Lesotho, Jan

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Travel briefs, Botswana 01

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BOTSWANA

ITINERARY FOR TRIP TO KENYA, TANZANIA, BOTSWANA,
SWAZILAND, LESOTHO, Jan. 15-26, 1980

<u>DATE</u>	<u>TIME</u>	<u>GMT</u>		<u>REMARKS</u>
Jan. 15	1530	2030	Depart Washington--National	NA154
Tues.	1626	2126	Arrive New York--JFK	
	1930	2430	Depart New York--JFK	PA190 B747 Monrovia 0900/1030 Lagos 1340/1505
Jan. 16	2210	1910	Arrive Nairobi--Kenyatta International	Intercontinental Hotel
Jan. 17	1015		Meet RMEA Staff	
Thurs.	1130		Meet Vice President	
	1245		Luncheon hosted by Vice President	
	1430		Visit Urban Site and Service Project (Mathare Valley and Dandora) and discussions w/Kenyans	
	1700		Informal discussions w/private Kenyans	Intercontinental
Jan. 18	0715		Depart Nairobi for Kisumu	via Wilson Airport
Fri.	0830		Arrive Kisumu	Charter plane
	0900		Meet President (Vice President may also be present)	Kisumu State House
	1020		Depart Kisumu for Homa Bay	Charter plane
	1040		Field Visit to Integrated Agricultural Develop- ment Program (meet farmers, cooperative officials) and Rural Access Road Program (con- struction program). Picnic on farm en route	Charter plane
	1600		Depart Kisii. Overfly Baringo Development Project	" "
	1830		Arrive Nairobi	
Jan. 19	0800	0500	Depart Nairobi	via Wilson Airport
Sat.	0900	0600	Arrive Musoma	Charter plane
	0930		Meet w/Minister of Finance	In a hotel
	1030		Depart for Butiama	Car
	1130		Meet w/President Nyerere	
	1300		Official luncheon hosted by President Nyerere	
	1430		Depart for Musoma	Car
	1530		Depart for Tabora	Charter plane
	1730		Arrive Tabora	
	1830		Meet w/Regional Commissioner, Mr. F. Rutakyamirwa	
	1930		Official dinner hosted by Regional Commissioner	
Jan. 20	0700		<i>Breakfast</i> Visit Tabora Regional Integrated Development Proj- ect	Car
Sun.	1300		Lunch	Tabora Hotel
	1430		Depart Tabora	Charter plane
	1630		Arrive Arusha--Kilimanjaro	Hotel Mount Meru
	1930		Start of Tidewater Conference	Arusha Conference Center
			Dinner hosted by Minister of Finance	
Jan. 21			Tidewater Conference	" "
Mon.				

<u>DATE</u>	<u>TIME</u>	<u>GMT</u>		<u>REMARKS</u>
Jan. 22 Tues.	0730	0430	Depart Arusha--Kilimanjaro Airport	Charter plane
	0815	0505	Arrive Nairobi--Kenyatta International	
	0900	0600	Depart Nairobi--Kenyatta International	BA051 B-747 nonstop
	1155	0955	Arrive Johannesburg--Jan Smuts	
	1330		Depart Johannesburg--Jan Smuts	Charter plane Holiday Inn
	1430		Arrive Gabarone, Botswana	
	1530	<i>1500</i>	Meet w/President Seretse Khama and Vice President Masire	
	1630		Visit First Education Project--Ramotswa Junior Secondary School and Brigade Center	
		<i>1900</i>		
		<i>2000</i>	Dinner in Gaborone	
Jan. 23 Wed.	0600		Depart for Francistown, overfly livestock development areas and roads	
	0730		Arrive Francistown, tour sites of First and Second Urban projects	
	0930		Fly to Selebi-Phikwe (121 kilometers)	
	0945		Visit Shashe Mine and infrastructure complex	
	1200		Depart for Manzini, Swaziland (483 kilometers)	Lunch on plane Hotel Mbabane Royal Swazi
	1400		Arrive Manzini	
	1530		Meet w/Prime Minister and Ministers of Finance, Agriculture and Education	
	1630		Drive to Swaziland College of Technology (SCOT)	
	1730		Drive to Lobamba	
		<i>1900</i>	Meet w/the King <i>Mr. J. F. M. M. M.</i>	
Jan. 24 Thurs.	0730		Drive to Northern Rural Development Area (RDA)	
	0915		Visit RDA, meet w/farmers	
	1015		Drive to Pigg's Peak	
	1100		Visit SEDCO industrial estate (small enterprises), meet workers	
	1130		Drive to Manzini	
	1330		Depart for Maseru, Lesotho	Charter--lunch on plane Hotel Maseru Hilton
	1515		Arrive Maseru	
	1600		Meet w/Minister of Finance	
1830		Reception by Finance Minister		
Jan. 25 Fri.	0800		Depart Maseru. Fly over mountain road, solid conservation works, Thaba Tseka, communal grazing areas, etc.	
	1000		Arrive Mokhotlong, sheep-raising center, and meet w/farmers	
	1030		Depart Mokhotlong for Leribe--fly over diamond mine and Highland Water Development Scheme area	
	1200		Arrive Leribe and drive to Kolonhama Ha Rakolo, Prime Minister's village	
	1230		Lunch w/Prime Minister in Kolonyama Ha Rakolo	
	1430		Depart for Teyateya Neng	Car Helicopter
	1500		Depart Teyateya Neng for Ramabanta to visit Labor-Intensive Construction Unit	
	1630	<i>1600 Call on Mr. & Mrs. M. M. M.</i>	Depart Ramabanta for Maseru	Helicopter Charter plane
	1700		Depart Maseru	
	1830		Arrive Johannesburg--Jan Smuts	
2030	1830	Depart Johannesburg--Jan Smuts	SA207 B747 Cape Verde Islands 0215/0315	

<u>DATE</u>	<u>TIME</u>	<u>GMT</u>		<u>REMARKS</u>
n. 26	0645	1145	Arrive New York--JFK	
Sat.	0805	1345	Depart New York--JFK	AA55
	0926	1426	Arrive Washington--Dulles	

CKW
January 11, 1980

64-68	4
69-73	41
74-78	64
79-83	54
78	15
79	0
80	15
81	15

Mr. McNamara's Arrival Statement

BOTSWANA

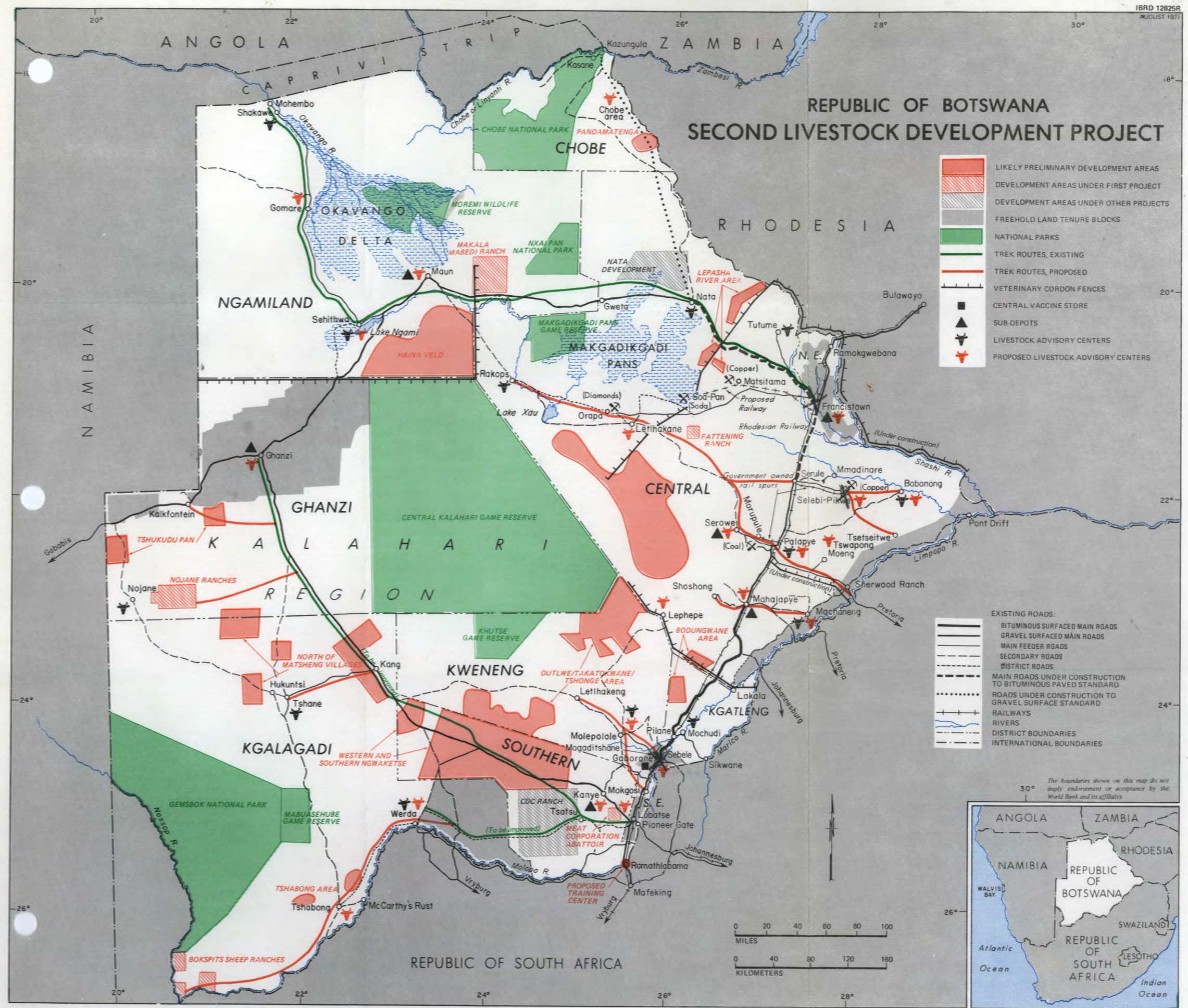
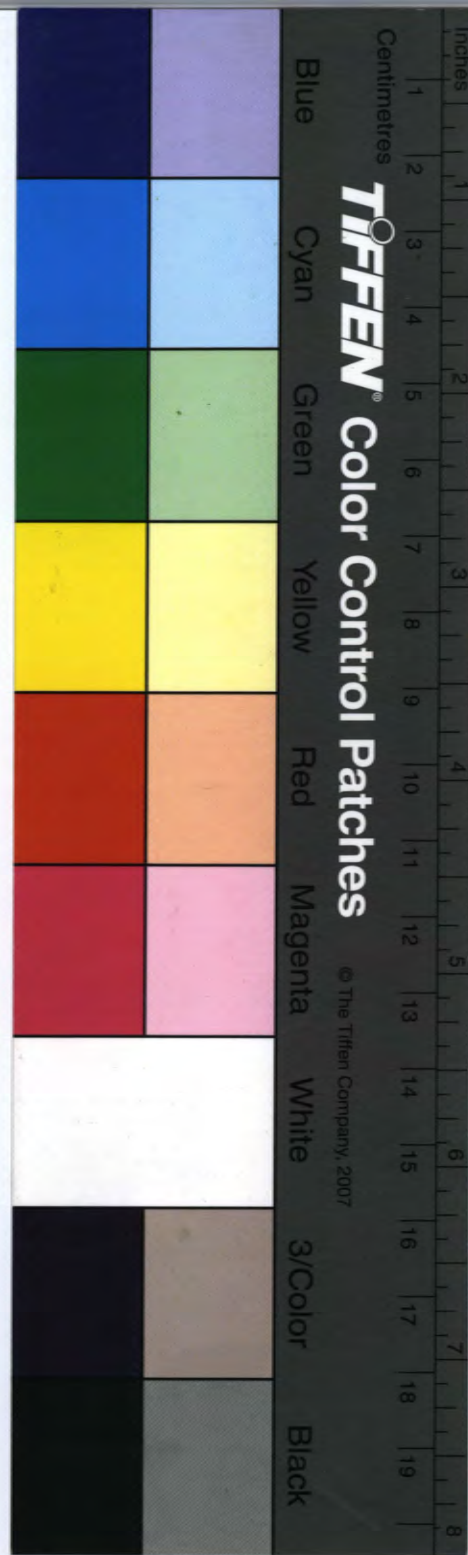
I am delighted to be in Botswana and greatly appreciate the kind invitation to visit your country. I look forward to meeting with President Khama, and discussing with him your country's progress and future plans for economic and social growth.

During my brief stay here, I will visit several development projects, which the World Bank has helped to finance. Among these are projects helping to improve the low-income areas of Francistown, to expand Botswana's educational network and to provide the basic infrastructure for the copper/nickel mining operation at Selebi Phikwe.

The World Bank and its affiliate, the International Development Association have provided ¹⁵14 loans and credits totaling ^{111.6}\$107.2 million to Botswana for various sectors, besides an equity participation of \$362,500 by the Bank's affiliate, the International Finance Corporation in the Botswana Development Corporation. Projects are being assisted in transport, education, urban development, water supply, among others.

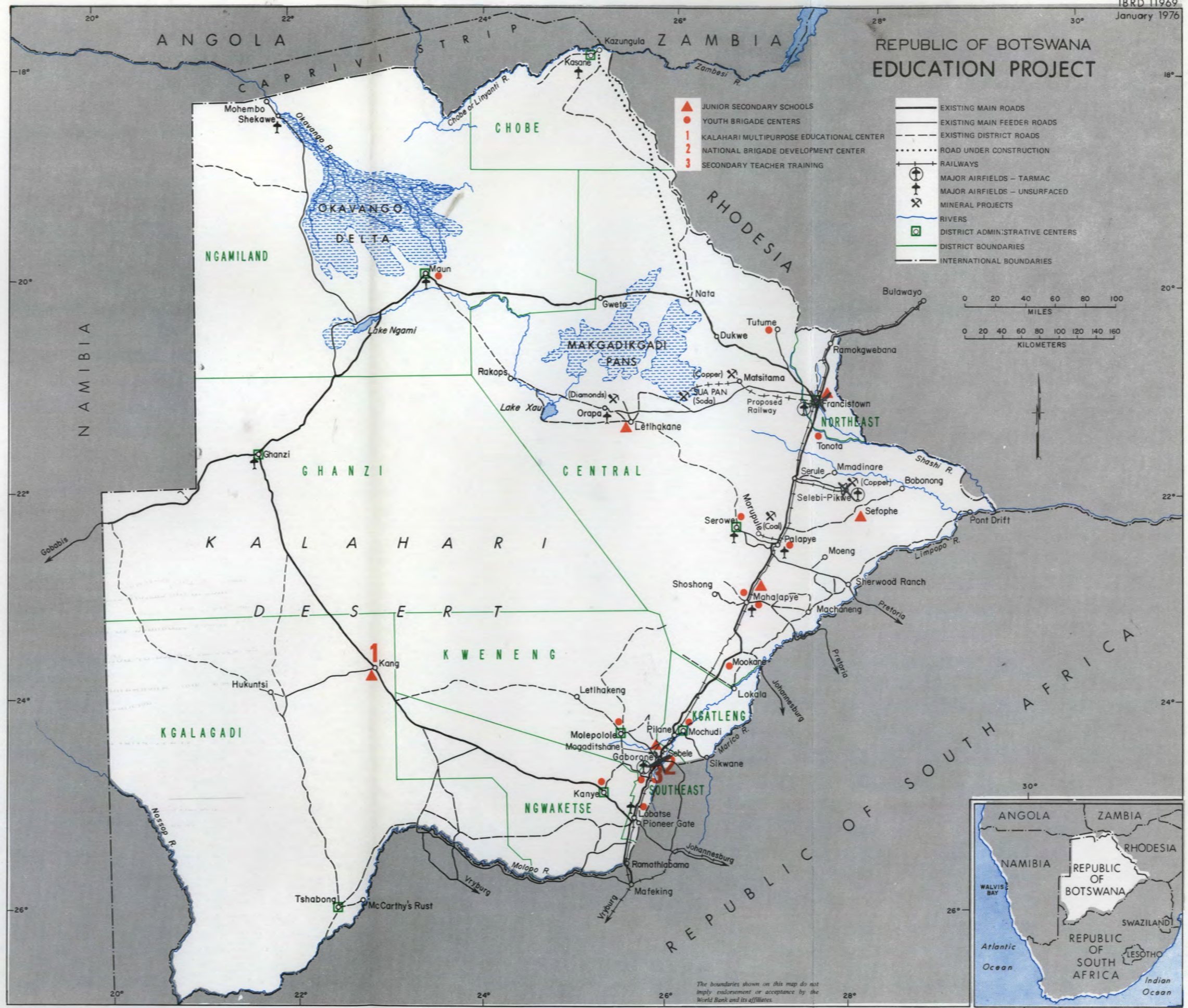
In the future, we plan to assist your country further by helping improve the productivity of your agriculture and industrial sectors, expand your basic infrastructure network, and improve the country's educational facilities.

We wish to help you develop both the human and material foundations of nationhood and to achieve your aims for rapid economic growth, more equitable incomes, equal education and employment opportunities, and diversified economic and trade relations, as these are enunciated in your Fifth National Development Plan. It is my hope that this visit will strengthen our cooperative efforts which are aimed at realizing your economic and social goals.



IBRD 12825P
AUGUST 1977

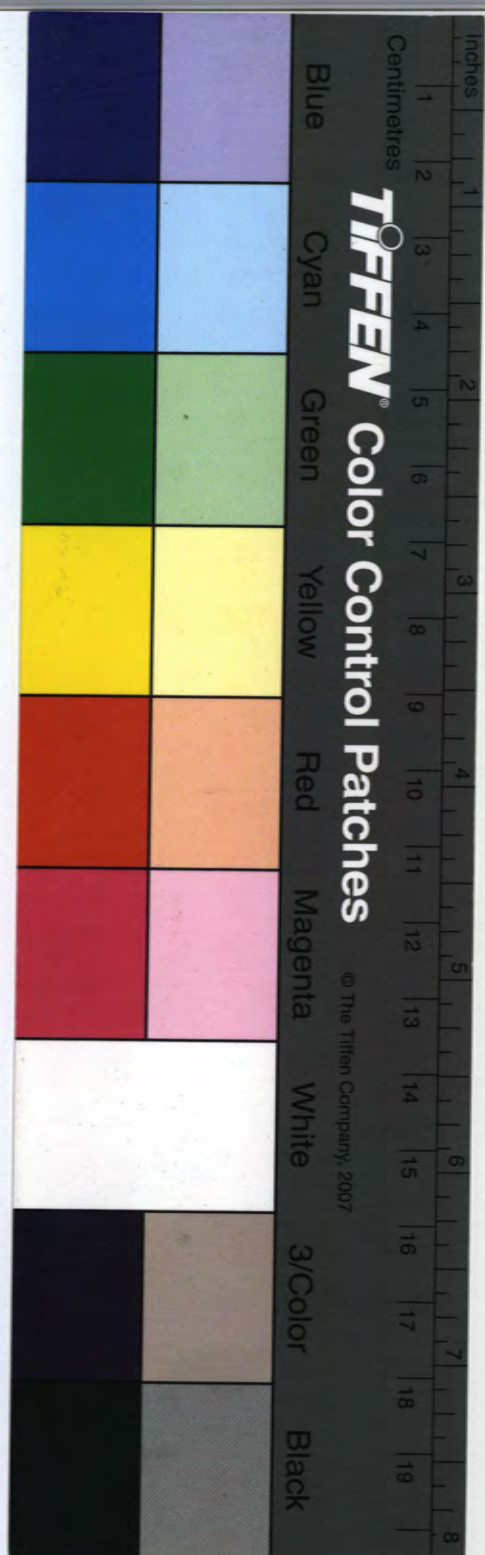
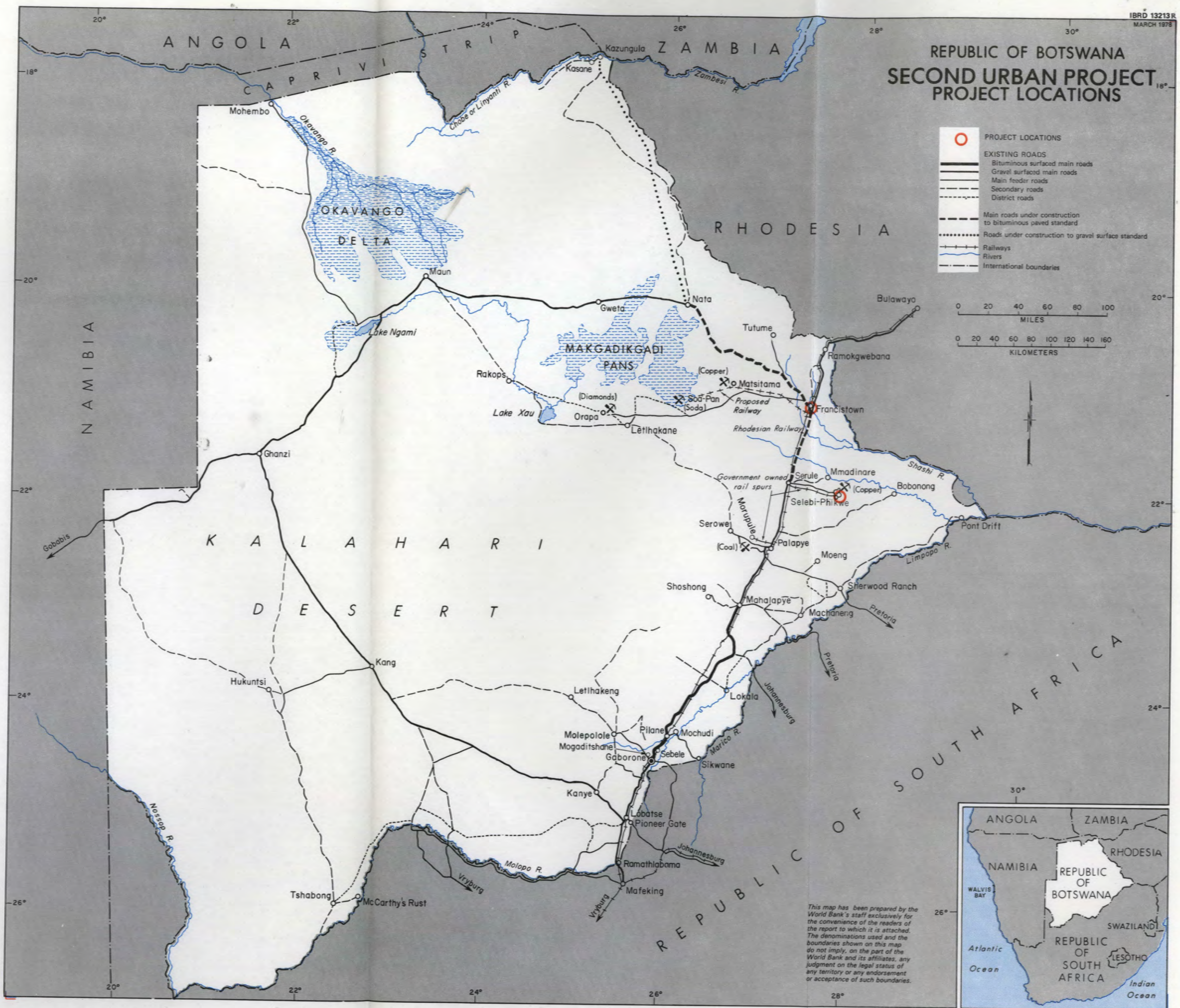
REPUBLIC OF BOTSWANA EDUCATION PROJECT



TIFFEN Color Control Patches

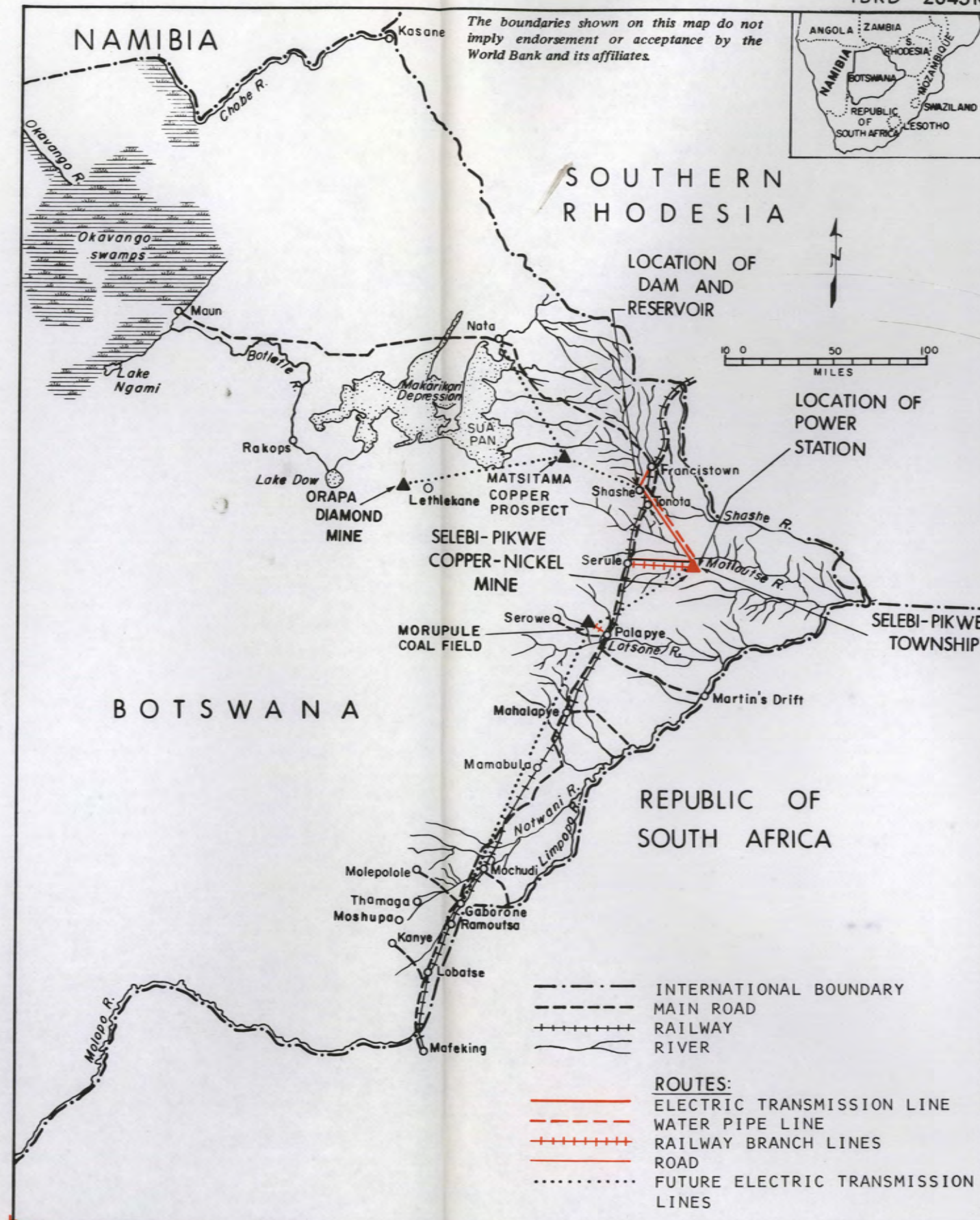
© The Tiffen Company, 2007



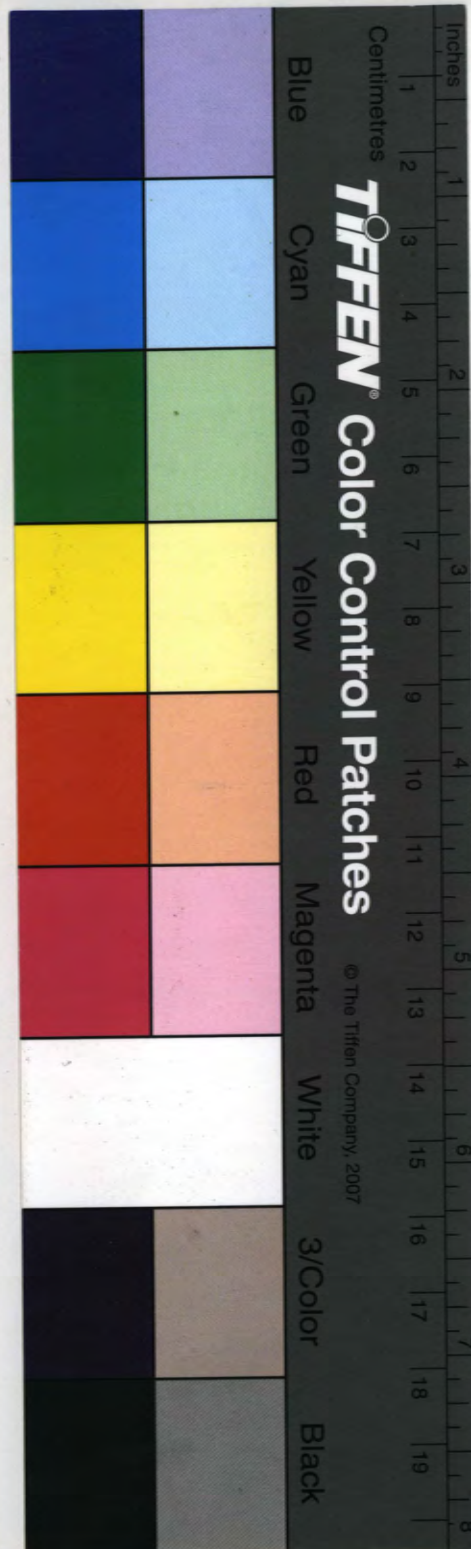


BOTSWANA SHASHE INFRASTRUCTURE PROJECT

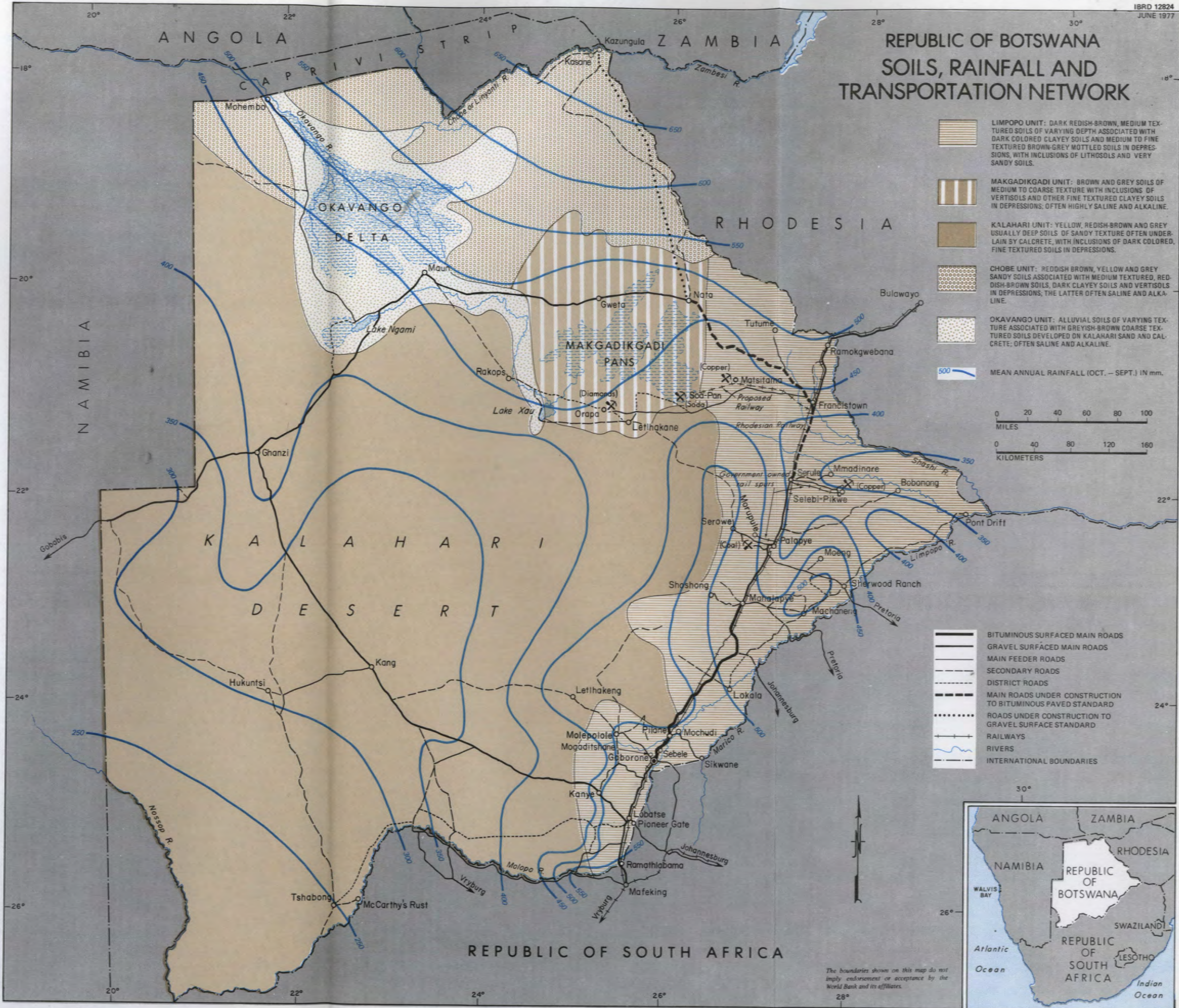
IBRD 2843R3



FEBRUARY 1974



REPUBLIC OF BOTSWANA SOILS, RAINFALL AND TRANSPORTATION NETWORK



Centimetres
Inches

TIPPEN Color Control Patches
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Blue
Cyan
Green
Yellow
Red
Magenta
White
3/Color
Black

background NOTES

Botswana

department of state * july 1977

OFFICIAL NAME: Republic of Botswana

PEOPLE

Most Botswana live in the eastern part of the country. Only 11 towns have populations of more than 10,000. Several large, traditional villages, including Serowe and Kanye, have over 40,000 people.

Many Botswana work in neighboring African countries. According to the 1971 census, the nomad population is estimated at 10,550. Of the resident population, the vast majority are Botswana (who number 704,000),

divided into eight main tribal groups: Bamangwato, Bakwena, Batawana, Bangwaketse, Bakgatla, Bamalete, Barolong, and Batlokwa. There are also small Kalanga, Herero, and Bushman minorities. The rest of the population includes some 3,000 British and 12,000 of other nationalities.

HISTORY

By about 1700 A.D., the ancestors of today's African population were established either as self-sufficient herds-

men and agriculturists or as hunters and gatherers. The first contact with Europeans was through missionaries in the early 19th century at a time when the territory was torn by intertribal warfare. In the last quarter of the century hostilities broke out between the Botswana and Boers from South Africa (Transvaal). Following appeals by the Botswana for assistance, the British Government in 1885 proclaimed the whole of Bechuanaland to be under British protection. The southern part of the territory was first constituted as

PROFILE

People

POPULATION: 719,000 (1976 est.). ANNUAL GROWTH RATE: 3% (1974). DENSITY: 3 per sq. mi. (1 per sq. km.). ETHNIC GROUPS: Botswana, other African groups, white (about 1%). RELIGIONS: Majority animist, Christian 15%. LANGUAGES: English (official), Setswana. LITERACY: 35% (Setswana), 24% (English). LIFE EXPECTANCY: 55 yrs.

Geography

AREA: 220,000 sq. mi. (569,797 sq. km.) about the size of Texas. CAPITAL: Gaborone (pop. 25,000). OTHER CITIES: Francistown (25,000), Lobatse (15,000), Selebi-Pikwi (23,000), Orapa (2,000).

Government

TYPE: Republic, parliamentary democracy. INDEPENDENCE: September 30, 1966. DATE OF CONSTITUTION: March 1965.

BRANCHES: Executive—President (Chief of State and Head of Government), Cabinet. Legislative—unicameral National Assembly. Judicial—High Court, Court of Appeal, local customary courts.

POLITICAL PARTIES: Botswana Democratic Party (BDP), Botswana National Front (BNF), Botswana Independence Party (BIP), Botswana People's Party (BPP). SUFFRAGE: Universal adult. ADMINISTRATIVE SUBDIVISIONS: 4 Town Councils and 9 District Councils. Central District (pop. 257,700), District Council Office: Ghanzi (1,420), Kgalagadi District (17,900), Tsabong (1,530), Kgatleng District (37,200), Mochudi (17,400), Kweneng District (75,200), Molepolole (19,000), North-east District (30,000), Tati town. Southeast District (24,100), Ramotswa (10,500), Southern District (95,500), Kanye (21,600), Northwest District (Ngame, Chobe, Botete) (64,040), Maun (14,270).

FLAG: Blue field divided by horizontal black band with narrow white stripe on either side.

Economy

GDP: \$234.5 million (1974-75). ANNUAL GROWTH RATE: 35%. PER

CAPITA INCOME: \$480. PER CAPITA GROWTH RATE: 10%.

AGRICULTURE: Land 5%. Labor 75%. Products—livestock, sorghum, corn, millet, cowpeas, and beans.

INDUSTRY: Labor 56% (1975). Products—diamonds, copper, nickel, salt, soda ash, potash, coal, frozen beef, tourism.

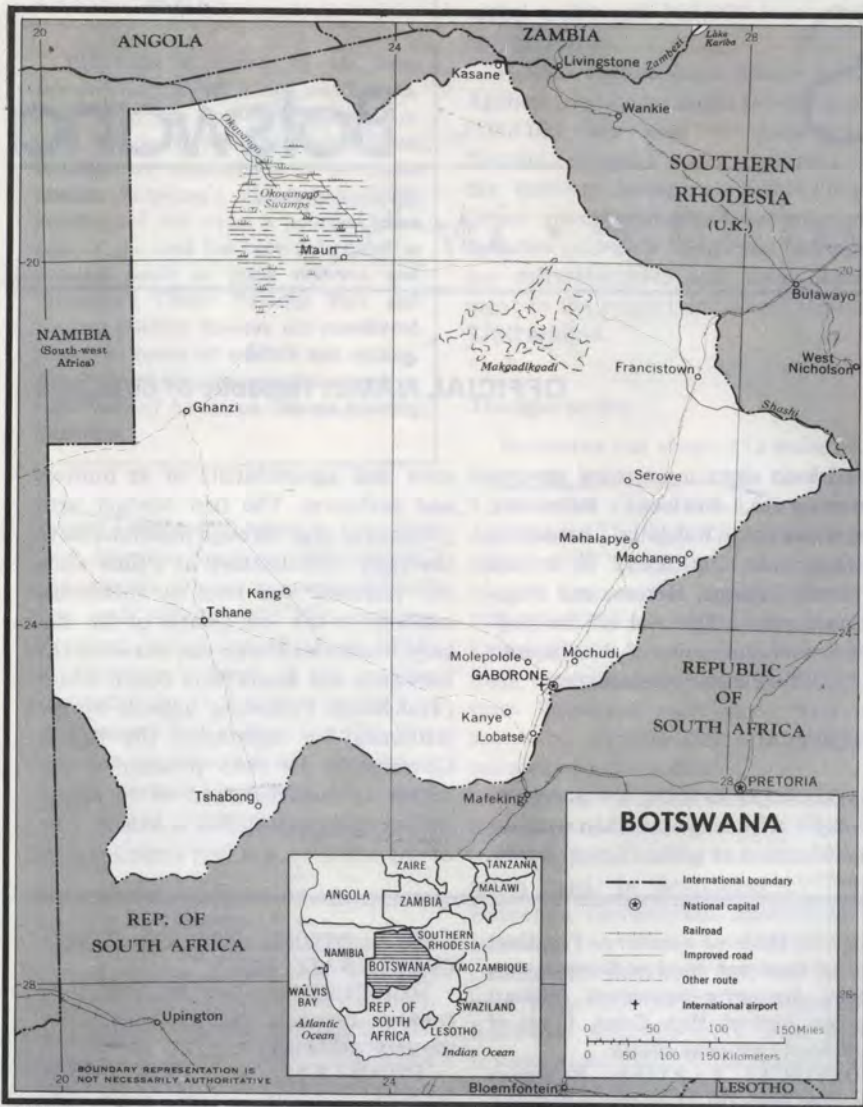
NATURAL RESOURCES: Diamonds, copper, nickel, salt, soda ash, potash, coal.

TRADE: Exports—\$170 million (1976): meat products and diamonds (85%), hides and skins. Partners—UK, South Africa, Zambia, Southern Rhodesia. Imports—\$207 million (1976): machinery, transport equipment, manufactured goods, food, chemicals, mineral fuels. Partners—South Africa, UK, Southern Rhodesia.

OFFICIAL EXCHANGE RATE: 1 pula=US\$1.21.

ECONOMIC AID RECEIVED: Total—\$177.4 million (1969-73). US only—\$38 million (1965-76).

MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS: UN and most of its specialized agencies, Organization of African Unity (OAU), Commonwealth of Nations, Southern African Customs Union, Non-aligned nations, Lomé Convention (ACP-EEC).



a crown colony, later became part of the Cape Colony, and is now part of the Cape Province of the Republic of South Africa. The northern part, known as the Bechuanaland Protectorate, remained under the administration of the British Government.

In 1909, when the Constitution of the Union (now Republic) of South Africa was drawn up, the African inhabitants of Bechuanaland (now Botswana), Basutoland (now Lesotho), and Swaziland asked that they not be included in the proposed Union.

A gradual expansion of a British central authority in the years that followed was accompanied by a steady evolution of local tribal government. In 1934 proclamations were issued that regularized the positions and powers of the chiefs and defined the

constitution and functions of the native courts under the native authority system evolved in other British dependencies. Tribal treasuries were created in 1938.

In 1920 the central authority established two advisory councils representing the African and European inhabitants respectively. In 1951 a Joint Advisory Council was formed consisting of official and nonofficial European and African members. Over the years these advisory bodies were consulted on a constantly expanding range of matters.

In 1958 the Joint Advisory Council passed a resolution that a Legislative Council should be formed. Following study and recommendations of a constitutional committee, a Constitution establishing such a Council became ef-

fective May 2, 1961, and the Council held its first session at Lobatse on June 21.

In April 1963 the Secretary of State for the Colonies announced to the British Parliament Her Majesty's Government's intention to review the Botswana Constitution with a view to further political advance. Her Majesty's Commissioner subsequently met with members of the local political parties and other groups; there was unanimous agreement on the specifics of a constitutional revision; and the conclusions were published in Botswana in November 1963.

In June 1964 the British Government announced its acceptance of proposals for a form of self-government for Botswana which provided for a ministerial system and was designed to lead naturally to independence. These proposals had been agreed upon unanimously during discussions in Botswana between Her Majesty's Commissioner and representatives of the chiefs, political parties, and important minority communities.

In February 1965 the seat of government was moved from Mafeking in the Republic of South Africa to the new capital at Gaborone. The new Constitution came into effect in March 1965, and general elections were held. Botswana became independent on September 30, 1966.

GEOGRAPHY

The Republic of Botswana, situated in southern Africa, is bounded on the south and east by the Republic of South Africa, on the northeast by Southern Rhodesia and Zambia, and on the west and north by Namibia (South West Africa).

Botswana, a vast tableland with a mean altitude of 3,300 feet (1,000 m.), is a natural habitat for most species of African fauna. The rolling sands and extensive grassy areas of the Kalahari Desert cover the southwest. In the northwest and north the Okavango and Chobe Rivers water the land, the former spreading over a great inland delta (6,500 square miles; 16,835 sq. km.) commonly called the Okavango Swamps. In general, the eastern and northern regions have the best agricultural land and the most favorable rainfall.

The climate is generally subtropical, but varies with the latitude and altitude. Average annual rainfall is 18 inches (45.72 cm.) and ranges from 25 inches (63.5 cm.) in the north to 9 inches (23 cm.) or less in the Kalahari Desert. The territory lies in the summer rainbelt, with rains beginning in October and ending in April. May to September are normally completely dry months. Temperatures range from over 100°F (38°C) in summer to below freezing in winter.

GOVERNMENT

Under the Constitution, executive power in Botswana is vested in the President. He is chosen in a national election for a 5-year term. The President selects his Cabinet from the National Assembly; it consists of a Vice President and an unspecified number of Ministers.

The unicameral National Assembly is presently composed of 37 Members (excluding the Speaker)—32 directly elected, 4 specially elected by the Members themselves, and an Attorney General who may speak but not vote.

General elections must be held at least every 5 years. Botswana is divided into 32 single-Member constituencies with approximately equal population per constituency. A voters roll based on universal adult suffrage is maintained for each constituency.

The Constitution also provides for a House of Chiefs, which serves as an advisory body to the government. The chiefs of the eight principal tribes are permanent *ex officio* Members, and four other Members are elected by the subchiefs in the Chobe, Francistown, Ghanzi, and Kgalagadi Districts. The National Assembly is prohibited from proceeding with any bill relating to matters of tribal concern unless a draft has been referred to the House of Chiefs.

Botswana's High Court is the trial-level court with general civil and criminal jurisdiction. The Court of Appeal has appellate jurisdiction. Judges are appointed by the President and may be removed only for cause and after a hearing. Chiefs and Headmen preside over courts (Kgotla) which are constituted according to local custom and enforce traditional law. The Constitution contains a code of fundamental

human rights which is enforced by the courts.

Local government is carried out by nine Districts Councils and four Town Councils. Executive authority is vested in the District Commissioner who is appointed by the central government. He is assisted by the elected and specially nominated District Councilors and District Development Committees.

Principal Government Officials

President—Sir Seretse Khama
Vice President, Minister of Finance and Development Planning—Quett K.J. Masire

Other Ministers

Mineral Resources and Water Affairs—Gaositwe K.T. Chiepe
Agriculture—E.S. Masisi
Works and Communications—James G. Haskins

Local Government and Lands—Lemme Makgekgenene

Education—K.P. Morake

Health—M.P.K. Nwako

Commerce and Industry—Peter S. Mmusi

Minister of External Affairs—A.M. Mogwe

Minister of Public Service and Information—D. Kwelagobe

Asst. Minister of Finance and Development—L.M. Seretse

Asst. Minister of Local Government and Lands—W.M. Seboni

Ambassador to the U.S.—Bias Mookodi

Ambassador to the U.N.—Thomas Tlou

Botswana maintains an Embassy in the United States at 4301 Connecticut Avenue NW., Washington, D.C. 20008 (tel. 202-244-4990). Botswana's Mission to the United Nations is at 866 U.N. Plaza, New York, N.Y. 10017.

POLITICAL CONDITIONS

Botswana's four political parties, the Botswana Democratic Party (BDP), the Botswana National Front (BNF), the Botswana People's Party (BPP), and the Botswana Independence Party (BIP), participated in the October 26, 1974 election, the country's second since independence in 1966. President Seretse Khama was reelected by a large margin. His party,

READING LIST

These titles are provided as a general indication of the material published on this country. The Department of State does not endorse unofficial publications.

Dale, Richard. *Botswana and Its Southern Neighbor*. Athens, Ohio: Ohio University, 1970.

Dale, Richard. *The Racial Component of Botswana's Foreign Policy*. Denver: University of Denver, 1971.

Dale, Richard, and Christian P. Potholm. *Southern Africa in Perspective*. New York: Free Press, 1972.

Halpern, Jack. *South Africa's Hostages: Basutoland, Bechuanaland, and Swaziland*. Baltimore: Penguin, 1965.

the ruling BDP, raised its total of elected seats in the National Assembly by three—to 27. The BNF holds two seats; the BPP, two; and the BIP, one. Botswana's small white minority participates freely in the political process under the government's nonracial policy.

ECONOMY

Botswana has about 3 million head of cattle, and most are sold to the Botswana Meat Commission at Lobatse—said to be the largest meat export company in Africa. The value of exported meat and meat products during 1976 was \$62 million.

The mining industry is rapidly developing, and Botswana is becoming an important exporter of diamonds and other minerals.

Crop agriculture, tourism, and secondary industry are being developed. The Botswana Development Corporation is actively seeking to interest foreign capital in investment opportunities.

Common Customs Union

Botswana is a member of a common customs union with South Africa, Lesotho, and Swaziland. South Africa levies and collects most of the customs, sales, and excise duties for the four countries—paying a share of collections, determined largely by each

TRAVEL NOTES

Botswana is served by air from Johannesburg, South Africa, and Lusaka, Zambia, by Air Botswana, Zambia Airways, and South African Airways. Hotel facilities are comfortable in all major centers. Botswana's climate is basically healthy and the water is potable. Some 16% of the land has been designated as national parks or game reserves, and Botswana's Chobe National Park and Moremi Wildlife Reserve are considered superb in terms of wildlife and setting. The Botswana Government does not require visas of American citizens entering Botswana.

country's level of imports, to the other three. Imports from outside the customs area are subject to common tariff rates and regulations. The customs agreement was renegotiated in 1969, and Botswana's share of the revenue increased from \$1.7 million in 1968 to an estimated \$40 million in 1976. The Botswana Government has established its own central bank and, in August 1976, issued its own currency, the *pula*.

Mining

Two large mining companies, De Beers Botswana Mining and Bamangwato Concession, Ltd. (BCL), both partly owned by the Botswana Government, are actively developing major mineral finds in the eastern and central regions. De Beer's diamond mine at Orapa is being expanded to produce about 4.5 million carats of diamonds per year, mostly of industrial quality. BCL (85 percent owned by Botswana Roan Selection Trust, Ltd. (BRST), of which AMAX and Anglo-American each own 50 percent) developed the copper-nickel complex at Selebi-Pikwe. It is hoped that the complex will soon reach its annual target

production of 46,000 tons of copper-nickel matte and 125,000 tons of elemental sulfur.

A \$6.5 million loan from the U.S. Agency for International Development (USAID) was used to construct a 50-mile (80 km.) water pipeline from the dam at Shashe to Selebi-Pikwe. Other governments and international agencies provided additional financing for infrastructure, and total investment in the project amounted to some \$280 million.

Transportation

Botswana has about 272 miles (438 km.) of gazetted tarred roads and 4,750 miles (7,640 km.) of gravel or dirt roads. The U.S. Government has provided a \$16.6 million long-term loan to finance the construction of a 190-mile (306 km.) road from Nata to Kazungula on the Zambezi River. The road, completed in January 1977, provides Botswana with direct overland access to Zambia and other African countries to the north.

The Cape Town-Bulawayo railroad runs through Botswana for 394 miles (634 km.), paralleling the main north-south road. In September 1974 the Botswana Government announced its intention to study means of purchasing the Botswana portion of this line, presently owned by Rhodesian Railways. Airstrips serve most major towns; Gaborone, Francistown, and Selebi-Pikwe have paved runways.

Budget

The national recurrent budget for the fiscal year ending March 31, 1977, was approximately \$76.5 million. The development budget, financed primarily from international sources, showed an expenditure of \$50 million in the 1976-77 financial year. Prior to 1972, the United Kingdom had pro-

vided grants-in-aid to balance the recurrent budget.

FOREIGN RELATIONS

Botswana makes clear its opposition to neighboring South Africa's policy of separate racial development. But because of its geographic position and relative economic weakness, it maintains a working relationship and close economic ties with South Africa. In recent years Botswana has made a determined effort to broaden and diversify its contacts to include relations with African nations to the north, Eastern European nations, and Arab countries. It follows a nonaligned policy in international forums.

U.S.-BOTSWANA RELATIONS

The United States desires to expand and strengthen its present friendly relations with Botswana. It wishes to encourage the country's progressive political, economic, and social development as a nonracial, democratic, independent nation. The United States provides a Peace Corps program, furnishes development assistance and food aid, and has an investment guarantee agreement with the Botswana Government. Total U.S. assistance from FY 65 to FY 76 amounted to about \$38 million. The United States also seeks to expand the role of American investment and trade in Botswana's program of economic development.

Principal U.S. Officials

Ambassador—Donald R. Norland
Deputy Chief of Mission—Francesco J. Alberti
Public Affairs Officer—C. Don Jones

The U.S. Embassy in Botswana is in Kohinoor House, P.O. Box 90, Gaborone (tel. 2944/7).

DEPARTMENT OF STATE PUBLICATION 8046, Revised July 1977
Office of Media Services, Bureau of Public Affairs

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BOTSWANA

LIST OF CABINET MEMBERS
AND
BIOGRAPHICAL DETAILS

Sir Seretse Khama	President
The Hon. Q.K.J. Masire	Vice-President and Minister of Finance and Development Planning
Mr. W. Meswele	Minister of Agriculture
Mr. M.P.K. Nwako	Minister of Commerce and Industry
Mr. K.P. Morake	Minister of Education
Mr. A.M. Mogwe	Minister of External Affairs
Mr. L.M. Seretse	Minister of Local Government and Lands
Dr. G.K.T. Chiepe (Female)	Minister of Mineral Resources and Water Affairs
Mr. D.K. Kwelagobe	Minister of Public Service and Information
Mrs. K.L. Disele	Minister of Home Affairs
Mr. P. Mmusi	Minister of Works and Communications
Mr. L. Makgekgenene	Minister of Health
Mr. G.U.S. Matlhabaphiri	Assistant Minister of Agriculture
Mr. J.L.T. Mothibamele	Assistant Minister of Finance and Development Planning
Mr. D.K. Kwele	Assistant Minister of Local Government and Lands

Sir Seretse Khama, President of the Republic of Botswana

Born on July 1, 1921 at Serowe, ⁵⁸grandson of Khama III, the great chief of the Bamangwato tribe, he is married to Ruth (nee Williams) of British origin, and has four children. His son, Brigadier Ian Khama, is chief of the Bamangwato tribe and head of the Botswana Defence Force. Sir Seretse has been President of the Republic since 1966.

In 1925, succeeding to the chieftaincy of the Bamangwato tribe, to which more than a third of the population belong, he was put under the tutelage of his uncle, Tshekedi Khama, who became regent and, until 1931, was educated at home. From then onwards, he attended, consecutively, Tiger Kloof, Adams College and Lovedale schools in South Africa. and obtained a B.A. degree in history from Fort Hare University, South Africa. He then attended the University of Witwatersrand, and Balliol College, Oxford, where he pursued studies in law. He was a member of the Middle Temple, London from 1946 to 1948.

He was banished from Botswana to exile in England from 1950 to 1956 in a dispute over his right to the chieftaincy, returning home in October 1956, after having renounced all claims to the chieftainship for himself and his heirs, and thus being allowed to take part in politics as a private person. In October 1957, he was chosen one of the 25 members of the Tribal Council and was leading African delegate to the Legislative and Executive councils from 1961 to 1965. He founded the Bechuanaland Democratic Party and became its President in 1962. He served as the country's first Prime Minister and Minister of Home Affairs from March 1965 to 1966, after his party's victory in the first general elections under universal suffrage. From September 1966, he has been President, during which time (until 1970), he was Chancellor of the University of Botswana, Lesotho and Swaziland.

Sir Seretse was awarded the following honors: Order of the British Empire (1963); Hon. LL.D., Fordham University, N.Y. (1965); Knight of the British Empire (1966); and Honorary Fellow, Balliol College, Oxford (1969).

Sir Seretse Khama prefers to be called President Khama; his wife goes by her English title and is known as Lady Khama.

The Hon. Q.K.J. Masire, Vice President and Minister of Finance and Development Planning

Born on July 23, 1925 at Kanye, on the fringe of the Kalahari, he became Botswana's first Vice President in September 1966. He is the most influential and effective member of the Cabinet. He finished schooling in South Africa and had commenced studies there, which were interrupted by the death of his father. He then worked as a journalist in South Africa. On his return to Botswana, he did pioneering work as an educationalist - founding one of the first secondary schools - and became an excellent commercial farmer when few locals had ventured into non-traditional farming. He entered politics in 1958 and, in 1962, helped to form the Democratic Party, becoming its first General Secretary. He is a personal and trusted friend of President Seretse Khama; and is Governor of the Bank.

Mr. W. Meswele, Minister of Agriculture

Mr. Meswele, during his career as a civil servant, served as Commissioner for the Community Development Department. He retired from the Civil Service in 1974 and entered politics. He is a member of Parliament for the Kgatleng/Tlokweneng constituency and served as a backbencher in the last Parliament.

Mr. Moatlakgola P.K. Nwako, Minister of Commerce and Industry

Born in 1923, Mr. Nwako was educated locally and in South Africa. He became Treasurer of Bakwena and Bamangwato Tribal Authorities and then Secretary and Treasurer of Moeng College from 1954-64. He was a member of the African Advisory Council and Deputy Chairman of the Wages Board. In 1965 he became the member of Parliament for Tswapong North and Minister of Agriculture. He held the position of Minister of State from 1966-69, when he was appointed Minister of Health, Labor and Home Affairs, a position he held until 1974.

Mr. Kebatlamang P. Morake, Minister of Education

Mr. Morake was born in 1930 at Tonota where he received his primary education. He later became Head Teacher at Tonota and then studied education in England and political administration and organization in Germany, Africa and the US. He held the posts of Executive Secretary of the Botswana Democratic Party in 1966 and was the editor of the party newspaper. In 1969 he became a specially elected member of Parliament and Assistant Minister in the President's Office, responsible for Information Services. He was Assistant Minister for Local Government and Lands from 1972-73 and then Minister until October 1974 when he became Minister of Education.

Mr. A.M. Mogwe, Minister of External Affairs

Mr. Mogwe was born in 1921 at Kange and trained as a primary and secondary school teacher. He worked as an Education Officer for the Bechuanaland Government Service from 1957-64 and then as Principal, Ministry of External Affairs from 1966-67, and Permanent Secretary to the President in 1968. From 1969-75 he held three positions concurrently: Secretary to the Cabinet, Secretary for External Affairs, and Head of the Civil Service. He has held his present position since January 1975 and has led the Botswana Delegation at various international conferences.

Mr. L.M. Seretse, Minister of Local Government and Lands

Mr. Seretse entered politics on his retirement from the Local Government Service in 1974. He is a member of Parliament for the Boteti Constituency and has previously held the posts of Minister of Health and Minister of Agriculture.

Dr. Gaositwe Chiepe, Minister of Mineral Resources and Water Affairs

Dr. Chiepe was born in Serowe, where she received her primary education. She studied in South Africa and England (M.A. Bristol University) and became an Education Officer, holding the post of Director of Education from 1965-68. She was appointed as High Commissioner to Nigeria (1970-71) and served as High Commissioner to London (1971-74), accredited also to the EEC and other European countries. On her return to Botswana, she became Minister of Commerce and Industry, a position she held until 1976.

Mr. D.K. Kwelagobe, Minister of Public Service and Information

Born in 1943 at Molepolole, Mr. Kwelagobe attended Moeding College and Gabarone Secondary School. He worked as a national broadcaster in 1968 and was elected as a member of Parliament in October, 1969. From 1970-75 he was Deputy Secretary-General of the Botswana Democratic Party and held the post of Minister of Commerce and Industry from 1973-74. He was appointed Minister of Public Service and Information in October 1974.

Mrs. K.L. Disele, Minister of Home Affairs

Mrs. Disele, who is a specially elected member of Parliament, entered politics in 1974 on her retirement from the Civil Service. She was a back bencher in the last Parliament.

Mr. Mmusi, Minister of Works and Communications

Mr. Mmusi worked in the Civil Service until 1974 as the Commissioner for Labour. He entered politics in 1974 and is the member of Parliament for the Gaborone Constituency. He has held the posts of Assistant Minister, Finance and Development Planning, Minister of Commerce and Industry, and Minister of Home Affairs.

Mr. L. Makgekgenene, Minister of Health

Mr. Makgekgenene who was formerly Minister of Local Government and Lands exchanged ministries with Mr. Seretse at the announcement of the new cabinet in October 1979.

Mr. G.U.S. Matlhabaphiri, Assistant Minister of Agriculture

Mr. Matlhabaphiri is a specially elected member of Parliament. He was youth leader of the ruling party.

Mr. J.L.T. Mothibamele, Assistant Minister of Finance & Development Planning

Mr. Mothibamele retired from the Civil Service in 1979. He is a member of Parliament for the Kgalegadi constituency.

Mr. D.H. Kwele, Assistant Minister of Local Government and Lands

Mr. Kwele was once a leader of the Botswana National Front, the opposition party. He left the party to work for the Local Government as a District Council Secretary and was specially elected during the last Parliament.

BOTSWANA - POLITICAL SITUATION

Background

1. The African population of Botswana, apart from some 29,000 Bushmen (known as the Sarwa), are Batswana (Tswana) of Southern Sotho stock. The Batswana are divided into eight principal tribal groups, each occupying its own separate territory with its own traditional chiefs and retaining an inalienable communal ownership of its tribal lands. The largest tribe is the Ngwato (Bamangwato) which comprises about one third of the population and owns about one fifth of the land; its territory lies to the east and the paramount chiefs normally come from the Khama clan. The next two largest tribes are the Kwena (Bakwena) and the Ngwaketse (Bangwaketse), who live in the southeast near Gaborone.
2. Britain granted Bechuanaland internal self-government in March 1965, following a general election based on universal adult suffrage. In the elections, the Botswana Democratic Party (BDP) led by Seretse Khama, won 28 of the 31 seats in the Legislative Assembly. The Botswana People's Party (BPP), led by Mr. P. G. Matante, won 3 seats; the Botswana Independence Party (BIP), which also contested the elections, failed to win any. The BDP stated in its manifesto its aim of working for independence, which was declared on September 30, 1966; when the Bechuanaland Protectorate became an independent sovereign state, the Republic of Botswana.
3. Executive power lies with the President, who is also Commander-in-Chief of the armed forces. The Vice-President, whose office is ministerial, is appointed by the President, and acts as his deputy in the absence of the President. The Cabinet consists of the President, Vice-President, and eight other ministers appointed by the President. Legislative power is vested in Parliament, consisting of the President and the National Assembly, acting after consultation in certain cases with the House of Chiefs. The National Assembly consists of the Speaker, the Attorney-General, 32 elected members, and four specially elected members. The House of Chiefs has the Chiefs of the eight principal tribes as ex officio members, four members elected by sub-chiefs, and three members elected by the other twelve members of the House.

October 1979 Elections

4. The BDP, headed by President Khama, virtually swamped the opposition in the October 1979 elections. The ruling party now constitutes an overwhelming parliamentary majority with 29 seats, two seats more than those acquired in the 1974 elections. This election was the third since independence in 1966; all have been won by Seretse Khama's BDP party. In all the elections, seats have been contested and Botswana is considered to be a viable democratic state with a vocal, if small, minority opposition. In recent years, a fourth party, the Botswana National Front (BNF), has appeared. Led by Moscow-educated Dr. Kenneth Koma, the BNF wants change in the country's economic and political structure and disengagement from South Africa. The other three parties do not differ substantially on economic issues. All basically ascribe to western-type democracy,

advocating a mixed economy and gradual change. BNF polled the second highest votes in the recent elections, 13 percent (compared to 76 percent for BDP) and won two parliamentary seats. For the most, politics in Botswana is based on the issues and not on intra-tribal relationships.

BOTSWANA

ECONOMIC SITUATION

1. The most recent "Economic Memorandum on Botswana" (Report No. 1832-BT) was distributed to the Executive Directors on April 20, 1978. An updating economic mission to Botswana is scheduled for May 1980.
2. Botswana is a landlocked country in southern Africa sharing borders with the Republic of South Africa, Namibia, Zambia and Rhodesia. The country, although the size of France, has only about 766,000 persons, three-quarters of whom live in a relatively small eastern corridor. The Kalahari Desert (really a savannah) covers about two thirds of the country. Rainfall is highly erratic, and Botswana is subject to frequent droughts.
3. Historically, livestock is the country's principal resource and cattle raising is still the dominant economic activity for almost 80 percent of the population. Starting in 1971, however, the exploitation of Botswana's substantial mineral resources, has spurred economic growth and has significantly reduced the economy's formerly exclusive dependence on livestock. Fueled by diamond, nickel, copper and beef exports real GDP has grown at an average rate of 10 percent annually during the 1970s and is expected to continue to grow at a high level of seven to eight percent over the next decade. GNP per capita, estimated at US\$620 in 1978, has more than doubled in current prices since 1974. Although the economy has suffered in recent years from political turmoil in southern Africa, the outbreak of foot-and-mouth disease, and below average harvests, overall growth has remained strong due to the substantial increases in mineral production. The value of Botswana's diamond production alone has tripled between 1977 and 1979, and diamonds now account for over 50 percent of total exports.
4. Since 1972/73, the Government's financial position has continued to strengthen and the Government has managed to achieve recurrent budget surpluses each year and to remain a net creditor of the banking system. These surpluses have covered about one half of steadily growing capital expenditures, which in earlier years had been fully financed from external sources. With rising income from the Southern African Customs Union, direct taxes and minerals, the Government's recurrent revenues rose from P 29 million in 1972/73 to an estimated P 175 million in 1979/80. Although about one-quarter of the 1978/79 actual expenditures had to be diverted to unexpected contingency projects (related to political events and the cattle disease) the Government's financial position overall has not yet suffered, since revenues grew faster than expected and additional foreign grants were provided by bilateral and multilateral sources. Similar emergency expenditures in 1979/80 were predominantly financed from a special contingency fund to avoid further disruption of the Government's planned development budget. Since 1973, the economy has also shown overall surpluses in its balance of payments, and in June 1979 net international reserves had reached about US\$217 million, equivalent to about seven months of estimated 1979 imports. The remarkable increase in

reserves reflects a rapid rise in exports, sharp increases in government transfer receipts and substantial inflows of private capital related to investment in a new diamond mine. Rising prices for oil, petroleum products and imported food, exacerbated by a small depreciation of the Pula (which is pegged to the US dollar), placed upward pressures on domestic prices in 1979. To moderate inflation the Government revalued the Pula in September 1979 by five percent.

5. The country's rapid growth since independence often has diverted attention from its vulnerability to external developments. The uncertainty stemming from political events in southern Africa has adversely affected not only internal and external security, but also the Government's attempts to diversify sources of revenues, exports earnings and private investment. Moreover, Botswana has no control over an essential part of its transport system. The rail link connecting Botswana with South Africa and Rhodesia, which is crucial to Botswana's livestock and mining sectors, is owned by the Rhodesian Railway Company. In addition, the dominance of livestock and mining makes for considerable openness in the economy and subjects it to sharp swings as prices and accessibility to export markets fluctuate. Finally, periodic droughts and cattle diseases have created personal hardships for a significant number of Botswana's population.

6. Despite significant progress over the past several years, insufficient physical infrastructure and shortages of technical and professional work force still hinder Botswana's development. During the 1970s, about 14 percent of total expenditures were spent to expand and improve the primary and secondary school systems, higher level education, and the vocational and technical training programs. Although some progress has been made as evidenced by the increase in the adult literacy rate from below 20 percent at independence (1966) to about 35 percent in 1978, Botswana's economy remains heavily dependent on expatriates. They account for about 70 percent of employees with university degrees and the demand for skilled expatriates probably will increase further with the economy's expected growth.

7. Like other African countries dominated by livestock or mining, Botswana also faces difficulties in reducing economic and social imbalances that often accompany rapid growth. The traditional pattern of cattle ownership, communal grazing practices and control of watering points have favored a limited number of Batswana. A 1974/75 rural income distribution survey revealed that 45 percent of rural households own no cattle at all, another 20 percent own fewer than 10 head, while five percent own about half the cattle. This inequality in ownership has steadily widened as the size of herds expanded and competition for grazing land and water increased (exacerbated by periodic droughts which have eliminated some small cattle owners). The expansion of herds also increasingly threatens to seriously damage or destroy the grazing lands through overuse and erosion. To alleviate these ills, the Government in July 1975 adopted a new "Tribal Grazing Land Policy" designed to reform the prevailing land tenure system, modernize ranch management and thereby increase productivity. Moreover, the Government recently started to implement an Arable Land Development Program to expand employment opportunities in rural areas, to decrease dependency on food imports and to raise farm incomes and bring them more in line with incomes from urban employment.

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8. Botswana's development strategy aims at rapid economic growth, more equitable income distribution, equal education and employment opportunity and diversification of external economic and trade relations. The Fifth National Development Plan (NDP V), which covers the period 1979-85, will be built around these goals and, while focusing on employment creation, will give priority to increasing productivity in the rural areas, promoting industrial activities, improving the educational system and expanding further the country's physical infrastructure. The core public investment program proposed for NDP V would amount to about US\$425 million in 1979 prices, implying an average annual investment of 10 percent of GDP, excluding expenditures for contingency projects (railway and airport development) and security measures which Botswana may have to carry out over the Plan period. Real GDP growth, projected to average seven percent annually, is likely to remain below the target level in the plan's early years due to the full capacity of the mining industry, the dampening effect of oil price increases, and the uncertain prospects for the livestock industry. However, investment for a large new diamond mine is underway, and once it is operational in 1982, Botswana's average real growth should exceed seven percent for the remaining plan period.

External Assistance and Debt

1. Multilateral and bilateral agencies have extended substantial assistance to Botswana on highly concessional terms. The Bank Group has been the main multilateral source, but the EEC, The African Development Bank and OPEC funds have also been active in Botswana. Bilateral assistance has also been important, but its impact on Botswana's indebtedness has declined since 1978 when almost one-third of Botswana's outstanding debt from bilateral sources was converted into grants. Botswana has also begun to mobilize resources from private banks and in 1978 negotiated a sizable commercial loan (about US\$45 million) from a consortium of private banks. The attached tables indicate the size, sources and cancellation of public lending between 1974 and 1978, and the sectoral distribution of loans.

2. At the end of 1978, Botswana's total external public debt, outstanding and disbursed, amounted to US\$120.7 million. Debt service payments during 1978 were US\$8.2 million implying a debt service ratio of 3.4 percent. Botswana is expected to continue to receive some external assistance on grant or highly concessional terms given its vulnerability to geopolitical developments in southern Africa. But, it is also likely that a rising proportion of Botswana's external financing requirements will come from commercial sources (mainly for further investments in the mining sector) and some hardening in the terms of borrowing is expected. Nevertheless, the country will remain creditworthy for substantial external borrowing. Based on expected export growth, Botswana could borrow an estimated US\$80 million annually through 1985 and still have a debt service ratio of under five percent.

	<u>Public Lending</u>					<u>Cancellations</u>
	1974	1975	1976	1977	1978	1978
ADB	2.6				0.8	
ADF			11.4			
IBRD	9.5	5.8	10.5	26.5	8.0	
IDA	3.0					
Opec Special Fund				1.0		
Canada		6.9				32.5
Denmark					5.4	
Federal Republic			9.0		0.5	11.35
SAFA		5.4				
South Africa			2.2			
UK		0.3	14.1	2.4		36.4
USA				0.2	2.4	
Private Consortium						45.0

SECTORAL DISTRIBUTION OF EXTERNAL FINANCING
(US\$ Million)

Sector/ Donor	Trans- portation	Communication		Construction	Public Adminis- tration	Education	Agri- culture	Urban	DFC	Other including BOP Support
		Water Electricity	Electricity							
ADB	0.8	2.7								
ADF	5.8	0.4			5.2					
IBRD	25.8		5.5 (Shashe)		10.5		6.5	8.0	4.0	
IDA	6.3	5.0					1.7	3.0		
Opec Special Fund	1.0									5.4
SAFA										
Canada			35.0 (Shashe and other)		2.0					5.1
Denmark										0.5
Red. Rep. of Germany			9.0							
South Africa		0.3								
Sweden	2.0						5.0			2.2
UK										50.0
USA	16.6				2.4					6.6
Private Consortium			45.0 (Mining)		2.4					

Southern Africa Customs Union

Under the Customs Union, which was formed in 1910, all customs, excise and sales duties collected in the Customs area are paid into a common revenue pool, administered by South Africa and redistributed yearly to the four Customs Union members (Lesotho, Swaziland, Botswana and the Republic of South Africa). The amount each member receives is determined by that member's share of total imports and its production and consumption of goods which would have been subject to excise and duty if imported. The pro-rata share of the three smaller countries is multiplied by a factor of 1.42, to compensate them for the disadvantages of belonging to a Customs Union with a more developed partner. Further, each of the three countries' share is stabilized so that it will not be less than 17 nor more than 23 percent of the country's imports in that year. Payments are made quarterly, but due to the time lag in obtaining import and customs data, are based on preliminary data for the second previous year. The payments are then adjusted to take into account final figures as they become available.

Imports into the Customs area on government account are exempt from duties and excises. In addition, there is provision for protecting "infant" industries in the three smaller members. For a maximum of eight years, Botswana, Lesotho or Swaziland may, after appropriate consultations, impose additional duties to protect new industries, but only insofar as these industries produce for their own domestic markets. In addition, the three small countries may specify "industries of major importance" to their economies, in which case South Africa undertakes not to reduce customs duties on competing imports from outside the customs area, or, if necessary, to give "sympathetic

consideration" to proposals by the small countries to increase common duties. In these cases South Africa has undertaken to apply the same norms as are used in considering requests for protection from South African industries. Also under the agreement, the member countries may enter into individual trade agreements with countries outside the Customs area, provided that tariff concessions granted shall apply only to imports used in the member country concerned.

Botswana, Lesotho and Swaziland have not yet availed themselves of the possibility of imposing additional duties to protect infant industries. Because of the small size of their economies, the possibilities for industries producing solely for the domestic market are certainly not great. In fact, the main opportunity which the customs agreement offers to industrial development in the three countries is access to the large market of the area as a whole. In this respect, the customs agreement offers no means that would protect emerging industries in the small countries against competition from well-established, efficient and large-scale production units in South Africa. What is more, existing administrative and cartel arrangements in South Africa have, in spite of the principle of a free flow of goods, acted as a deterrent to the establishment of large-scale industries in the three small countries. In the light of these problems, Botswana, Lesotho and Swaziland need to keep the Customs Union arrangements and South African trading practices under constant scrutiny in order to identify defects and take steps to protect their interests.

July 10, 1979

5. Mueller, Lucas and Chernichovsky/Smith have analyzed time-use patterns and the operation of the rural labor market. The Gaborone seminar, however, raised a number of important issues:

- i) How should we interpret the large proportion of time spent on leisure? Is it all underemployment? Should not an allowance be made for time spent on personal hygiene, eating meals, non-school training of children by parents, etc.?
- ii) How can the views of Chernichovsky/Smith who stress the high opportunity cost of children attending school be reconciled with the position of Mueller and many others at the Gaborone seminar who asserted that non-attendance of school was caused by factors affecting the supply of education?
- iii) Is it worthwhile for Lucas to compare rural and urban labor markets or to stick to the rural focus? I vote for the latter.
- iv) Poverty groups behavior should be discussed separately and compared with middle and upper income groups.

6. Lucas' analysis of agricultural production is systematic and painstaking but it needs further work along the following lines;

- i) The absence of information regarding land quality is worrying. Perhaps, some land capability data can be superimposed on RIDS.
- ii) Baralong villages represent a separate universe and should be so treated in the analysis.
- iii) In retrospect the bifurcation of data between male and female headed households turns out to be unproductive and should be dropped in favor of other classifications.
- iv) Paper should show distribution of land, cattle and small livestock among households classified according to income per adult equivalent and also separately for poverty groups.

7. There is no analysis of livestock production and this is a pity given the key role of cattle in the rural economy. Please explore if this gap can be filled. We will send a separate memorandum on this soon.

Policy Implications

8. The existing papers have shied away from policy analysis. Valuable as RIDS data is, it is not sufficient for deriving policy conclusions. This became very clear during the seminar.

July 10, 1979

9. One solution is for researchers to extend the scope of their work beyond RIDS and look at whatever is relevant and available before outlining policy options. Unless I am much mistaken, your colleagues will not take kindly to this solution. The alternative will be to formally eschew policy work and to leave that job for Government and the Bank's Regional Office.

cc: EAN

Mr. Wapenhans (o/r)

Mr. Adler

Mr. Kraske

Mr. Hendry

Mr. O'Brien (o/r)

Mr. Reese ✓

Mr. Eccles

Ms. Thalwitz

Ms. E. Mueller

Mr. R. Lucas

Mr. C. Colclough

DPS

Mr. Chenery

Mr. B. King

Mr. T. King

Mr. S. Acharya

RG/mo

TOPICS FOR DISCUSSION

BOTSWANA

I. ECONOMIC OVERVIEW, CURRENT TRENDS AND BANK/GOVERNMENT RELATIONSHIP

1. Botswana's economic dualism has been well documented (see CPP, paragraphs 15-22) and continues to be a major focus of the Government's development efforts. The country needs to translate its vast mineral wealth into productive investments which will broaden the economy's base and provide employment opportunities for the growing number of entrants into the modern sector labor force. Constraining the Government's development efforts are the realities of Botswana's economic situation: it is landlocked and therefore dependent on neighboring states (at present South Africa) for external transportation; low rainfall and recurring drought conditions have severely limited the potential for arable agriculture; the small population makes it difficult to establish efficient industrial and manufacturing sectors based on the domestic market; and the scarcity of skilled technicians and experienced managers has limited the public sector's ability to manage the economy and increased dependence on expatriates.

2. The regional political situation has compounded Botswana's economic difficulties. Since independence in 1966, it has been surrounded by countries either in open conflict (Angola and Zimbabwe^{1/}), in guerrilla war (Namibia) or in a state of tension and repression (South Africa). Unlike its less fortunate neighbors, Zambia and Mozambique, Botswana has largely escaped the brunt of these conflicts, although it has been forced to shelter numerous refugees and divert substantial resources to bolster its defense capabilities. Some relief is now in sight on the political front; a peaceful settlement in Rhodesia and an eventual resolution of Namibia's status, which should occur in the next several years, will stabilize a substantial segment of the region. Botswana's transport dependence on South Africa could be eased by using the existing rail routes through Rhodesia and Mozambique or truck and rail routes through Zambia and countries to the North (these routes are now closed due to war) or by establishing a new route through Namibia. Nonetheless, Botswana's present economic dependence on South Africa for transport, for imports of manufactures and industrial goods, and for government revenues through the Southern Africa Customs Union^{2/} will not be broken easily, and it is in South Africa where the last racial battles are shaping up on the African continent. Thus, the keynote of Botswana's development program is self-sufficiency as it tries to distance itself economically from South Africa.

^{1/} We use the term Zimbabwe to describe the British colony of Rhodesia; it will be called Zimbabwe following elections in March 1980. In general, Africans refer to the Country as Zimbabwe.

^{2/} In the Customs Union, formed in 1911, South Africa collects duties on behalf of the four member countries (Botswana, Lesotho, Swaziland and South Africa) and pays them into a common revenue pool. They are distributed among the members with a two year time lag, according to a rather complicated revenue-sharing formula. (See note in reference materials.)

3. The Bank has had a close and important relationship with Botswana since independence. As the country has grown and matured, it has diversified its sources of assistance, tapping the private commercial sectors and its dependence on the Bank both for advice and financial resources has naturally lessened. It still employs large numbers of expatriate personnel in both executive and advisory positions. In recent years, Botswana has sought Bank assistance for large infrastructure projects (railways, roads and an international airport) justified on the political need to diversify its transportation links, thereby reducing its dependency on South Africa. To a significant extent the Government turned to the Bank for assistance in coordinating these projects and, when we declined on grounds of marginal economic justification, obtained assistance from bilateral and regional sources.^{1/} It would be useful in your discussions with the President and Vice President to emphasize once more the Bank's criteria for assistance and the requirements that our lending be economically justified. While the Bank appreciates Botswana's political and strategic objectives, our concern continues to be that the country use its available resources productively. Given the Government's limited absorptive capacity and work force constraints, we feel that preoccupation with political projects has meant some reduction in Botswana's efforts to stimulate the main productive sectors, agriculture and industry.

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4. While we strongly believe the key to Botswana's future economic viability is the broadening of its economic base, the small number of projects in the lending program in the productive sectors (DFC II in FY82; Livestock III in FY84) reflects the constraints we face. Partly this is due to the availability of concessional funds from bilateral sources on terms more favorable than Bank loans. Botswana's democratic government and precarious position in the Southern African scene have made it a target country for several western countries (notable Norway, Sweden, U.K. and U.S.). The Government also has substantial external resources and is a net creditor of the banking system. Consequently, it has the resources to finance a substantial part of its development program, and has chosen to focus its efforts on several sectors, particularly agriculture. We nevertheless expect the Bank to be of substantial assistance to Botswana's future by helping it develop an appropriate strategy and investment program in agriculture and industry. We will set the underpinning for our efforts with surveys in both sectors in 1980; an industrial sector mission comprising specialists in small-scale industry will visit in January/February, and an agricultural sector mission is planned for March/April. These missions will form the basis for our future lending work in agriculture and industry, and therefore it is important they have the Government's support and commitment. In discussing our sector work, the

^{1/} Botswana has been successful in mobilizing substantial funds for these politically oriented projects which include a \$50 million international airport outside Gaborone, a \$20 million railway project to provide for some indigenous operational capability for the segment of the Rhodesian Railway inside Botswana, and about \$40 million in roads projects to provide for the tarring of the infrequently traveled road section from Francistown to the Zambian border.

officials you speak with should realize that Bank assistance in sector analysis and strategy planning does not commit the Government to using only Bank resources for the resulting investment program. As with our previous lending for mining and transport, we are willing to coordinate assistance efforts and help Botswana obtain financing on the most favorable terms that are available.

II. AGRICULTURE SECTOR ISSUES

5. This visit comes at an important juncture in our efforts to assist Botswana's agricultural sector. To date, we have helped finance two live-stock projects, for which details are provided in the reference material. The first project had little success in part due to external factors like the outbreak of foot-and-mouth disease, but also because of administrative and technical problems. The second became effective in May 1979 and has not been active long enough to evaluate progress. At the 1978 Annual Meeting, the Government requested that we drop a proposed rural development project which would have focused on improving crop production, mainly because the Government had just begun its own effort to prepare a comprehensive program for improved agricultural production (known as the Arable Lands Development Program or ALDEP). We believe that other factors were also important in the Government's decision. There was concern over the economic viability of crop production projects given Botswana's relatively poor climatic condition, existing inefficiencies, and the potential need for continuous subsidization. This influenced the Government to secure readily available grant funds for this purpose from bilateral sources rather than borrow on IBRD terms. The Government's decision also coincided with another effort on their part to become eligible again for IDA funds (their last credit was in 1974), and could have reflected their dissatisfaction at being considered eligible only for IBRD loans. In addition, the Government was not enamored with the Bank, since the First Livestock Project was not successful and there are serious questions about the original design, as appraised, as well as about Government shortcomings in execution. Nevertheless, Government has kept us informed about progress it is making on developing ALDEP.

6. In the sector, our efforts to improve livestock production and provide some marginal improvement in the distribution of benefits (economies of livestock production in Botswana favor larger ranchers) will continue until mid-1983 when the second project is complete. Meanwhile we would like to help the Government in its efforts to address the needs of a substantial part of Botswana's population who live in rural areas, do not own cattle, and subsist off traditional agriculture. Whereas in 1978, livestock accounted for 70 percent of agricultural sector output and about 30 percent of both merchandise exports and total GDP, crop agriculture produced only 6 percent of GDP. Yet of the population living in rural areas (about 85 percent of the total), more than 50 percent own no cattle at all. Rural unemployment estimates are as high as 40 percent and incomes for most farm households are extremely low (about 40 percent of rural households receive 12 percent of total rural income, whereas the highest one percent received 13.6 percent).

7. ALDEP is being formulated to meet the needs of these people by developing programs to increase dryland crop production, improve rural incomes and reduce the country's dependence on food imports which come mainly from South Africa. The Ministry of Agriculture's timetable for developing ALDEP calls for a first program of collecting information from coordinating committees established at the district level, followed by program design, including implementation of small pilot programs. A final stage will include preparation of project proposals to be considered by external agencies late in 1980. The Bank's

agriculture sector mission, scheduled for March 1980, will be the Bank's first in-depth examination of the arable sector. We are keen that this mission receives the Government's full support (what is not universally assured), and recommend its importance be stressed in discussions with senior officials.

8. In discussing arable agriculture with senior officials, an important issue is the Government's policy of food self-sufficiency. Botswana is a net importer of cereals, maize and wheat. In the 1978/79 crop year, a disastrous one due to severe droughts, Botswana imported 75,000 metric tons of maize, while producing only 7,000 tons. In better years, it may produce up to one-third of its total food requirements. What knowledge we have of the crop sub-sector raises basic questions whether Botswana's farmers can produce enough food to meet the nation's requirements given known technologies. Thus, while we appreciate Botswana's political desire for food self-sufficiency (and reduced dependence on South Africa), the Government should know the costs and the extent to which it can economically close the gap between food production and consumption. We also envision that Zimbabwe, which has substantial potential for meeting all of Botswana's agricultural needs, could replace South Africa as the country's supplier in the future, removing some of the political desire for food self-sufficiency. The sector mission will also examine this issue, and should be seen by the Government as a disinterested analysis of its initial ALDEP efforts.

9. Our sector work will draw heavily on the results of the Rural Income Distribution Survey (RIDS), a large empirical research project which the Bank has assisted. Encouraged by your speech in Nairobi in 1973, the Botswana Government asked the Bank to help assess various dimensions of rural income distribution in Botswana. Under the RIDS project, data collection went far beyond information on household income; data were also gathered on household composition, time use, fertility, education, and other socioeconomic characteristics, thus providing a unique data base. The Botswana Central Statistical Office published a final report on the survey in 1975, presenting summary data on the size distribution of the rural income. To maximize the usefulness of the available data, the Bank approved a research project in 1977 that attempts to identify the poor by their characteristics. The project, to be completed by mid-1980, will provide special studies on various aspects on household behavior (e.g., time use, fertility, behavior, school attendance) as well as on production, wages, employment, income distribution and poverty in rural Botswana. In June 1979, a seminar was held in Botswana to discuss the interim results of these studies with government officials, field officers, expatriate academics and Bank staff (see memoranda in reference material). There was unanimous agreement that RIDS has become an outstanding research project because of the care with which data have been gathered and the depths with which they have been analyzed. Nothing comparable is available for Africa and very little for other developing countries. It remains to draw policy conclusions from the research's findings, a task which we want to pursue with the Government in our forthcoming agriculture and economic missions. It would be appropriate in your discussions to compliment the Government on the time and effort it has spent on RIDS and to encourage them to consider the policy implications when the have been analyzed and made available.

III. ZIMBABWE AND ISSUES RELATED TO REGIONAL DEVELOPMENT

10. In his discussions with Mr. Wapenhans, held in March 1978, President Khama noted the problems created by the presence of Zimbabwean refugees in Botswana. (See notes on Mr. Wapenhans' visit, para. 2, in the Memorandum of Conversation.) At that time there were only about 6,000 refugees; in October 1979, the numbers had increased to about 20,000. Most of the refugees have been temporarily settled around the Francistown area, creating difficulties for a community already hard pressed to meet the needs of its resident population. The recent Zimbabwean settlement should bring a respite with the repatriation of Patriotic Front refugees to Zimbabwe, but a permanent solution to this problem will not be in hand until a viable, stable government assumes control in Salisbury. Botswana, as one of the five "front-line" states (the others are Tanzania, Zambia, Mozambique and Angola) has had a major interest in resolving the Zimbabwean crisis, and President Khama is likely to stress the importance of ensuring that the Patriotic Front, which the front-line states supported, is given a fair opportunity to make its case heard by all Zimbabweans during the current transitional period.

11. President Khama may enquire about the Bank's intentions towards Zimbabwe. At present we have no ongoing operations, having suspended lending following Ian Smith's Unilateral Declaration of Independence (UDI) in 1965. The few loans made prior to that date were guaranteed by the British Government, which has made the debt service payments since UDI. At present, we do not foresee any activity in Zimbabwe during the current transitional period, for it is unlikely the British Government will have time to focus on anything more than political issues during the brief interim period prior to elections. Once a new government is installed, it will need to initiate procedures to join the IMF and the Bank before we begin any official activity.

12. In the past, the Botswana Government has sought our assistance in its effort to set in motion a contingent plan to ensure that it could operate the section of Rhodesia Railways that passes through Botswana (see Notes on Mr. Wapenhans' visit, para. 6). We did not provide such assistance since it was not a viable proposition, but did offer to help the Government review its regional transport requirements, perhaps under UNDP sponsorship. The Government proceeded without us and drew up a first phase contingency plan to provide a modicum of local control if it had to initiate emergency operations. With the hopeful prospects in Zimbabwe, the Government may be reconsidering its contingency operations, and may desire the Bank to look into a regional program which would both address Zimbabwe's needs and provide Botswana with more autonomy in the operation of its local rail network. While we cannot predict when assistance to Zimbabwe will be forthcoming, we support this approach as it would be more economical than its present course of action.

13. Botswana has been active in regional efforts to promote economic cooperation among southern and eastern African countries, with the objective of reducing the dependence of many of these countries on South Africa. In that connection, the "front-line" states convened the first Southern Africa Development Coordination Conference on July 3-4, 1979 in Arusha. The conference was attended by Ministers from Botswana, Malawi, Angola, Tanzania and Zambia, senior officials of Belgium, Canada, Denmark, Germany, the Netherlands, Norway, Sweden, the U.K. and the U.S., and senior officials of several international organizations (including an observer from the Bank).

14. You were invited to attend the conference by Sir Seretse Khama, President of Botswana, and to respond to his opening address. In your absence, Shridath Ramphal, the Secretary-General of the Commonwealth, made the response.^{1/} The meeting, in our view, was a politically significant event, which called for (i) reducing the dependence of the ten southern Africa countries^{2/} on the Republic of South Africa; (ii) advancing toward regional integration of the ten on an equitable basis; and (iii) mobilizing local and international resources to speed up economic progress in the region. As a first step, the front line states decided to create a Southern Africa Regional Transport and Communications Commission to coordinate the use of existing systems and the planning and financing of additional regional facilities, including initiating rehabilitation programs, planning new projects involving two or more countries (e.g., a new railway from Botswana across Namibia, rehabilitating the railways in Zambia, creating an independent Botswana Railways, coordinating airline schedules, etc.) and mobilizing approximately \$1.5 billion during the 1980s for these purposes. While the Transport and Communications Commission will seek the financing at first, it is proposed, as cooperation progresses, to create a Southern African Development Fund, which initially would be administered by the African Development Bank. To date no concrete work has been done by the proposed Commission, however, you may wish to indicate our willingness to assist its work and to participate in economically feasible projects if the subject is raised.

IV. SHASHE PROJECT

15. The Shashe copper/nickel mining project in Selebi-Phikwe, which will be the last stop on your visit, is the country's largest employer, providing jobs directly and indirectly for some 30,000 people. The mining company has suffered financially since it began operations, and barely avoided bankruptcy at end of December 1979, when the parties to the project agreed on interim financing arrangements to support the company for several more months. The company's continued financial viability to a large extent is outside its control and cannot be assured until resolution of the strike at the refinery which processes the company's copper/nickel matte. A separate brief providing the details of the current crisis and background information on the project is provided in the reference material.

16. Throughout the crisis the Botswana Government has tried to keep the project afloat at all costs. One of the mining company's private shareholders, the AMAX Co., Inc. (USA), has taken an unyielding position that it will not contribute new funds, and this has put pressure on the senior lenders to the project (KfW and IDC) to make significant financial concessions. The Bank's position with regard to our loan repayments remains secure. We have provided the Government with full support during the last year, although we feel they could have taken a more forceful position with AMAX, and the other major shareholder, Anglo-American Corporation (who has refused to make any contri-

^{1/} See report of Conference in reference material.

^{2/} Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia, and Zimbabwe.

butions in excess of AMAX's, although their overall position has been less intransigent). At a minimum, the Government could have at least prepared themselves better legally to take action in case the mining company goes bankrupt. We have urged the Government to obtain suitable legal assistance to help explore various alternatives if BCL is forced into involvency. They have agreed this is desirable but, so far, appear to be doing relatively little in actually studying and planning for such an eventuality.

17. There will be more discussions on a further financial restructuring in the months ahead. If the subject comes up in your meetings, you may want to indicate we intend to participate in future discussions as necessary and will provide the Government with the assistance it may require. We strongly believe, however, that the Government should prepare contingency plans for salvaging the company's operations in case AMAX forces a bankruptcy.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
 THROUGH: Mr. W. A. Wapenhans
 FROM: Ravi Gulhati *RG*

DATE: August 6, 1979

SUBJECT: Southern Africa Development Coordination Conference
 in Arusha, July 3, 4, 1979.

1. You were invited to attend this conference on the future development of Southern Africa by Sir Seretse Khama, President of Botswana and to respond to his opening address. In your absence, the response was made by Shridath Ramphal, the Secretary General of the Commonwealth. The conference was attended by (i) the Finance Ministers of Botswana, Malawi, Angola and Tanzania and the Transport Minister of Zambia, (ii) senior officials of Belgium, Canada, Denmark, Germany, Netherlands, Norway, Sweden, United Kingdom and United States, and (iii) senior representatives of several international organizations. (See attachment 3.) The conference ended with a draft declaration made by the ministers of front line states. (See attachment 1.) This declaration is expected to be ratified by chief executives of front line states at a summit meeting in the near future.

2. The meeting was a politically significant event. By coming together in Arusha, the front line states (Tanzania, Zambia, Botswana, Mozambique and Angola) dramatized their intention to try to tackle together their economic problems, despite diverse ideologies and large differences in material circumstances. They invited Malawi, Lesotho and Swaziland to join in this endeavour. They also looked ahead to the time when liberated Namibia and Zimbabwe can join in the regional development effort. Despite its geographical proximity, the Republic of South Africa (RSA) is excluded from the "region", as defined by the Arusha conference. Instead, RSA is regarded as the dominant power on which the ten countries are overly dependent. The Arusha meeting called for (i) a reduction of this dependence on South Africa, (ii) advance towards regional integration of the ten on an equitable basis, and (iii) mobilization of local and international resources for faster economic progress of Southern Africa.

3. The concept of "dependence" was not explicitly discussed at the meeting. Documents prepared for the meeting suggest that the term was used broadly in the political economy perspective. RSA is, of course, the economy with the largest population, the highest per capita income and a substantial endowment of mineral and other resources in the area. Historically, RSA had attracted large foreign investments and built up a transport and communications network which was far superior to that of neighboring countries and which linked the entire area to the rest of the world. Dependence on RSA is judged to be extremely high in the case of BLS countries and Namibia. A very high proportion of their total imports comes from RSA and a substantial part of their labor force is employed in South African mines. (See attachment 4.) The BLS countries

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are part of a customs union dominated by RSA and a large part of their government revenue derives from this arrangement. The transport and communications network of these landlocked countries depend heavily on those of RSA. Altogether, the physical and financial dominance of RSA seems so strong that it is not easy to visualize a strategy that can change the picture very much. There is much more room for maneuver when it comes to Malawi, Mozambique, Zambia and Zimbabwe, despite strong links that bind these economies today to RSA. Finally, there are Angola and Tanzania who do not share much or depend much on the Republic. The call for reduced dependence can be seen to be both a plea for special efforts to accelerate the tempo of development of economies who have lagged far behind RSA and a recognition that the present disparity between RSA and the others is intolerable for political reasons. Sir Seretse Khama said in his opening address:

"We are gathered here today to try to chart a new course for the future of Southern Africa, or to launch a new type of struggle for liberation--economic liberation. Most of us in this turbulent region have already won our political kingdoms but our colonial past has ensured that we will continue to depend on others for our economic survival. This continued economic dependence has in many ways made our political independence somewhat meaningless, particularly when one takes account of the fact that some of the countries on which some of us depend for our economic survival do not share the human ideals on which our own societies are founded. Unfortunately, we find ourselves at their mercy. We have to deal with them while condemning them for their evil policies."

4. The response to the Botswana President's speech from European delegations was very positive. Scandinavian spokesmen, in particular, accepted without qualification the need to promote regional cooperation and "to oppose the racist regime in South Africa". The EEC delegate said that the Arusha gathering was the "most significant conference in Southern Africa during the last 20 years". Responses from the United States and United Kingdom were also positive but stressed much more the goal of accelerating economic development of Southern Africa and much less the confrontation with RSA.

5. The conference was based on an impressive amount of documentation prepared by a group drawn from IDS, Sussex and the Commonwealth Secretariat. Ten country papers and eight sectoral studies succeeded in large measure in assembling the relevant facts and outlining a series of proposals for action in the fields of transport and communication, production and trade, finance, river basin development, research and training as well as other topics.

From this large menu of proposals put forward by the experts, a number of ideas had been picked up by senior officials and ministers of the front line states. These ideas, presented to the conference on the opening day, were as follows;

- Establishment of a Southern African Regional Transport and Communications Commission in Maputo.
- Establishment of a Southern African Economic Liberation Fund to be administered by the African Development Bank in the first instance and later by a separate development bank.
- Program of studies on trade and exchange of information on energy, mining, industry and agriculture.
- Establishment of a ICRISAT center in Botswana.

6. Spokesmen from donor countries and international agencies supported with enthusiasm the low-key, pragmatic and workman-like approach embodied in these proposals. They pointed to the experience elsewhere regarding regional cooperation efforts and the dangers of overly-ambitious goals. There was general agreement that transport was a key area which had an important regional dimension in Southern Africa. It was best to start collaboration where the need was overwhelmingly clear. Front line states were advised, however, to make a beginning by establishing the Transport Commission and use it to mobilize external finance on a project by project basis. Several delegates said that the establishment of a fund might take a long time and it may take even longer to organize a separate development bank. In the event, the front line states were persuaded that it was best to start with the Transport Commission. Its functions are described fully in the Draft Declaration on page 3 and 4. It will,

- coordinate use of present facilities,
- initiate rehabilitation programs,
- plan new projects involving two or more countries, e.g., expanding Beira, Maputo and Nacala ports, rehabilitating railways in Zambia, Angola and Zimbabwe, creating an independent Botswana railway, building the Trans-Kalahari railway, etc., and
- mobilize funds, approximately \$1.5 billion during the 1980s, on a project by project basis.

7. The Bank/IDA is already involved with some of these projects and if Mozambique and Angola join the World Bank Group, our interests will expand correspondingly. In principle, therefore, we applaud the decision to establish regional machinery to deal with inter-country aspects of operating and planning the transport and communications network in Southern Africa. As far as mobilizing project funds is concerned, the modalities of the Commission's work have not been spelled out. We will need to work

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out with the Commission how our role in cofinancing fits with their activities. The UNDP has promised to support the Commission and this assistance will be crucial in making it operational. We have been working on a number of inter-country transport systems. The Tanzania-Zambia links and related harbor facilities have been studied recently. There is much to be gained by collaborating with the Commission. Although some landlocked countries such as Burundi and Rwanda are not within the Commission's purview, the conference declaration talks about seeking the participation "...of other genuinely independent States in Southern Africa Region". As soon as the Commission is established we should make contact with it and explore areas of cooperation.

Attachments:

1. A Draft Declaration by the Front Line States made at Arusha, 3 July 1979.
2. Resume of Documents (available in the Eastern Africa Information Center).
3. List of Participants.
4. Some Characteristics of Southern Africa.
5. Map of the Region.

cc: Mr. Stern, E.
Mr. Clark, W.
Mr. Chauffournier
Mr. Chenery
Mrs. Boskey
Mr. Merriam
Mr. de Azcarate
Mr. Waide
Mr. Kpognon

Mr. Wapenhans
Mr. Gue
Mr. Kraske
Mr. Adler
Mr. Bronfman
Mr. Hendry
Mr. Tolley
Mr. Barry
Mr. Bickers
Mr. O'Brien
Mr. Maubouche
EA Division Chiefs

RG/mo

Southern Africa Development Coordination Conference

SOUTHERN AFRICA: TOWARD ECONOMIC LIBERATION

(FLS)

A DRAFT DECLARATION BY THE FRONT LINE STATES MADE AT ARUSHA 3 JULY 1979

Dependence in Context

Southern Africa is dependent on the Republic of South Africa as a focus of transport and communications, an exporter of goods and services and as an importer of goods and cheap labour. This dependence is not a natural phenomenon nor is it simply the result of a free market economy. The ten states and occupied territories of Southern Africa (Angola, Mozambique, Botswana, Tanzania, Zambia, Lesotho, Swaziland, Malawi, Zimbabwe and Namibia) were, in varying degrees, deliberately incorporated - by metropolitan powers, colonial rulers and large corporations - into the colonial and sub-colonial structures centering in general on the Republic of South Africa. The development of national economies as balanced units, let alone the welfare of the people of Southern Africa, played no part in the economic integration strategy. Not surprisingly, therefore, Southern Africa is fragmented, grossly exploited by the Republic of South Africa and is subject to economic manipulation by outsiders.

Liberation: Political and Economic

The Front Line States, together with and in support of the Liberation Movements, have struggled to achieve the political liberation of Southern Africa. This task is not yet complete. However, the struggle for genuine political independence has advanced and continues to advance.

Our urgent task is to include economic liberation in the programmes and priorities of the Front Line States. In the interests of the people of our countries it is necessary to liberate our economies from their dependence on the Republic of South Africa, to overcome the imposed economic fragmentation, and to coordinate our efforts toward regional and national economic development. This will be as great for Botswana and Namibia as it is for all the independent states of the region.

Southern Africa is a focal point of conflict. How can it be otherwise when a racist regime holds Namibia under military occupation, bolsters a weak racist regime in Zimbabwe, grossly exploits the people and the economies of the independent states and is a major barrier to our national development? It is not the quest for liberation but the entrenched racism, exploitation and oppression which is the cause of conflict in Southern Africa. The power behind this is in large measure economic. Economic liberation is, therefore, as vital as political freedom.

In this spirit the Front Line States call on governments, international institutions and voluntary agencies to give priority to increasing financial resources to support Southern African efforts toward economic liberation and independent economic development. This, we believe, is the route to genuine interdependence and represents the best hope for a just and cooperative future for the region as a whole.

Development Objectives

The development objectives, which the Front Line States will pursue through coordinated action are:

1. the reduction of economic dependence, particularly on the Republic of South Africa;
2. the forging of links to create a genuine and equitable regional integration;
3. the mobilization of resources to promote national, interstate and regional policies;
4. concerted action to secure international cooperation within the framework of our strategy for economic liberation.

Strategies and Priorities

The Front Line States will identify areas in which, working in harmony, we can gear national development to provide goods and services presently coming from the Republic of South Africa and weave a fabric of regional cooperation and development.

Key to this strategy are transport and communications. The dominance of the Republic of South Africa has been reinforced and strengthened by its transport system. Without the establishment of an adequate regional transport and communications system, other areas of cooperation become impractical. The economic liberation of Zimbabwe and Namibia,

following their attainment of genuine political independence, will require the creation and operation of adequate transport and communication links with their natural partners to replace the artificial ones which currently bind them to the Republic of South Africa.

Therefore, the Front Line States will create a Southern African Regional Transport and Communications Commission to coordinate the use of existing systems and the planning and financing of additional regional facilities. The ports of Mozambique serve four states in the region and with the genuine independence of Zimbabwe will service two more. Zambia uses transport facilities in five regional states. The development of Mozambican, Tanzanian and Angolan ports and the coordination of facilities to meet Zambia's requirements more effectively are necessarily of regional concern.

Transport and Communications will be a major focus of regional action. The coordination of the transport facilities of the Front Line States to meet the needs of Zambia and Botswana is crucial. On the attainment of genuine independence in Zimbabwe it will be equally urgent to restore transport routes linking it to the Indian Ocean through Mozambique. Additional areas in which coordinated action will be needed include major new projects such as a possible railway from Botswana through Namibia to the Atlantic Ocean (thereby creating an alternative route to the sea for Zambia and a genuinely independent Zimbabwe); the coordination of airline schedules so that movement within the region is practicable; the study of existing and proposed micro-wave and ground satellite facilities to identify how they can be interlinked through the Rift Valley station.

The Commission will be located in Maputo and serviced by a small technical unit. It will coordinate transport and communications links among participating states. The Commission will seek participation of other genuinely independent states in the Southern African region.

The Front Line States do not envisage this regional economic coordination as exclusive. The initiative toward economic liberation has flowed from our experience of joint action for political liberation. The Front Line States envisage regional coordination as open to all genuinely independent Southern African States. In addition, in many fields, notably transport, observer status will be open to Liberation Movements wishing to participate in anticipation of genuine independence. Similarly, in manpower development and research, the involvement of Liberation Movements is necessary to amass the knowledge and train the personnel who will be essential once political liberation is achieved.

Regional coordination must be operational; it must result in concrete programmes and projects. This will require both domestic and external finance. For example rough estimates show that approximately US \$1.5 billion will be needed to finance urgent transport and communications projects over the next decade.

The Front Line States emphasize the importance of additional resources being made available to assist efforts to coordinate regional economic development projects. They intend, in the first instance, to use the Regional Transport & Communications Commission for mobilizing finance for urgent projects in priority sectors through ad hoc pledging sessions with existing bilateral and multilateral funding agencies. As economic cooperation develops, a Southern African Development Fund initially to be administered by the African Development Bank, will be created and studies to this end are being initiated. Subsequently its scope would be broadened and it might prove desirable to create a separate regional development bank. The Front Line States urge the friends of Southern Africa to pledge financial support to this Fund.

Concerted Actions

Regional cooperation in the field of transport and communications is seen by the Front Line States as crucial to economic liberation and has therefore been given the greatest attention. In other sectors, similar programmes of concerted action are envisaged. For trade development, adequate bank and customs instruments will be studied. The Mozambique-Tanzania trade agreement, with its annual trade targets and product lists, is a bilateral example which should be developed in order to establish a regional trade system.

A majority of the people of Southern Africa are dependent on farming and animal husbandry. Their future livelihood is threatened by environmental degradation and in particular by desert encroachment as well as recurrent drought cycles. Even today few of the states of the region are self sufficient in staple foods and several are heavily dependent on the Republic of South Africa for grain and dairy products. Both environmental protection and food security are major challenges nationally and regionally.

It is a matter of urgency to identify ways in which coordination of research and training as well as exchange of information can strengthen programmes to protect our environment and to increase food production. In the field of food security the possibility for coordination of national reserve policy and facilitation of interstate exchanges will receive priority attention.

The Front Line States have decided to stimulate the exchange of information aimed at achieving a concerted policy in the fields of mining industry, energy and agriculture. In particular, consultations among the states requiring petroleum products and electricity on the one hand and states with petroleum refining capacity and electricity surpluses on the other, must be undertaken to seek regional solutions.

The Front Line States have further decided to give special attention to training and research matters, and to this end, the following existing facilities will be taken into account:

- the Faculty of Mines and Northern College of Technology in Zambia;
- the rail training centres in Mozambique;
- the Management Institute at Arusha;
- the ECA Mining Bureau at Dodoma;
- the Wildlife College in Tanzania.

In the field of Agriculture, the Front Line States urge that ICRISAT (the International Centre for Research on Agriculture in the Semi Arid Tropics) set up a Southern Africa Regional Centre in Botswana.

Likewise, the Front Line States will undertake concerted projects in order to exploit natural resources, in particular those of common hydrological basins.

The effort for economic development is an essential condition to free the Southern African States from the exploitative migrant labour system imposed by the Republic of South Africa.

External Cooperation

The Front Line States are committed to a strategy of economic liberation. It is a strategy which we believe both needs and deserves international support. Southern African regional development must be designed and implemented by Southern Africans. It will, however, be achieved more rapidly and will be more effective if development takes place within the context of global cooperation.

Therefore, international bodies and states outside Southern Africa are invited to cooperate in implementing programmes towards economic liberation and development in the region. Similarly, individuals from outside Southern Africa have been invited to the Southern Africa Development Coordination Conference in Arusha.

This preliminary identification of aims, strategies and sectors illustrates both the magnitude of the task facing us and some of the broad areas within which outside assistance will be welcomed.

It is envisaged that Southern African Development Coordination meetings of member Southern African States and other invited participants should be held annually. This would provide a mechanism for surveying results, evaluating performance, identifying strengths and weaknesses and agreeing on future plans. Economic liberation and development in Southern Africa cannot be attained either easily or speedily. What is therefore needed is sustained cooperation over two decades.

The Front Line States view this declaration as a statement of commitment and strategy. Underdevelopment, exploitation, crisis and conflict in Southern Africa will be overcome through economic liberation. The welfare of the peoples of Southern Africa and the development of its economies requires coordinated regional action. The Front Line States believe that we in Southern Africa have the right to ask and to receive practical cooperation in our struggle for reconstruction, development and genuine interdependence. However, as with the struggle for political liberation, the fight for economic liberation is neither a slogan for seeking external assistance nor a course of action from which the Front Line States can be deflected by external indifference. The dignity and welfare of the peoples of Southern Africa demand economic liberation and the Front Line States will struggle toward that goal.

RESUME OF DOCUMENTS

The main preparatory materials for the Conference consists of 10 background country papers and 8 consultant's sectoral papers.

The country papers (Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia, Zimbabwe) seek to provide summaries - some relatively brief - of the economic structures, trends, potentials, problems and policies of the Southern African States/Liberation Movements. In several cases they specifically sketch present dependence on South Africa, existing areas of coordination with other Southern African States and possibilities for enhanced development coordination.

The sectoral papers survey main possibilities for fruitful coordination in the light of existing structures, goals and problems. In general they seek to identify areas, approaches, institutional patterns rather than to attempt more formal detailed pre-feasibility studies of projects for pre-charter drafting of institutions. Their aims is to stimulate dialogue towards identifying specific priority projects/programmes and appropriate instrumentalities for implementing/coordinating them.

The eight sectoral studies are:

- SP - 1 First Steps Toward Economic Integration
- SP - 2 Economic Dependency and Regional Coordination
- SP - 3 Transport and Communications
- SP - 4 Financial Institutions and Mechanisms
- SP - 5 Trade
- SP - 6 Energy, Water and Minerals
- SP - 7 Agriculture, Forestry and Fisheries
- SP - 8 Employment and Skills

SOUTHERN AFRICA DEVELOPMENT COORDINATION CONFERENCEARUSHA, JULY 3 - 4, 1979

(S.A.D.C.)

LIST OF PARTICIPANTS

forwarded upon July 4
ANGOLA being to minister's meeting

Min. of Finance

BOTSWANA

Hon. Vice President G MASIRE
Mr. Kenneth MATAISO
Mr. Ben MOTLHALAMME

(Minister of Finance)
(Director of Economic Affairs)
(External Affairs)

MOZAMBIQUE

Hon. Mr. Rui Baltazar SANTOS
Mrs. Janet MONDLANE

Mr. Abdul MAGID
Mr. Subhasandra BHATT
Mr. Rui FONSECA
Mr. Hernando PEREIRO

(Minister of Finance)
(National Director of International
Cooperation)
(National Director of Finance)
(Deputy National Director of Transport)
(Ministry of Transport & Communication)
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Hon. Mr. Edwin MTEI

Mr. Ndewirwa KITOMANI
Mr. Marcel NAMFUA
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(Ministry of Foreign Affairs)
(Director of External Finance)

ZAMBIA

Hon. General Kingsley CHINKULI

Hon. Ben KAKOMA

(Minister of Transport, Power & Com-
munication)
(Minister of State for Finance)

ZAMBIA (cont'd)

Mr. G.R.Z. ZIMBA
Mr. Nedson NYONI
Mr. C.L.M. CHIRWA

(Under Secretary for Foreign Affairs)
(Contingency Planning)
(Ministry of Finance)

AFRICAN DEVELOPMENT BANK

Mr. Iddi SIMBA

ARAB BANK FOR ECONOMIC
DEVELOPMENT OF AFRICA

Mr. Salah KHEIR

(Development Officer)

BELGIUM

H.E. Mr. E. KOBIE

(Ambassador to Tanzania)

Mr. F. ROELANTS

(Deputy Chef de Cabinet to Foreign
Minister)

Mr. P. Van OVERBERGHE

(Counsellor, Ministry of Foreign Affairs)

CANADA

Mr. Noble POWER

(Vice-President CIDA)

Mr. Andrew MCALISTER

(High Commission, Dar es Salaam)

COMMONWEALTH SECRETARIAT

H.E. Mr. S.R. RAMPHAL

(Secretary General)

DENMARK

H.E. Mr. Bjorn OLSEN

(Ambassador to Tanzania)

Mr. Niels LASSEN

(Head, African Division, Ministry of
Foreign Affairs)

Mr. J.A. NIELSEN

(Director, DANIDA)

ECONOMIC COMMISSION FOR AFRICA

Mr. BAX NOMVETE

Mr. Peter MATOKA

EUROPEAN ECONOMIC COMMUNITY

Mr. Maurice FOLEY

(Deputy Director General, DG VIII)

Mr. John SCOTT

(DG VIII)

Mr. Bertil ENGVAL

(DG VIII)

FAC

NETHERLANDS

H.E. Mr. Van Der WILLEGEM

(Ambassador to Tanzania)

Mr. R. HARKEMA

(Development Cooperation, Ministry
of Foreign Affairs)

Mr. Fred BOOS

(Embassy, Lusaka)

NORWAY

Mr. Arne ARNESEN

(Director General, NORAD)

Mr. Rolf HANSEN

(Embassy, Dar es Salaam)

SWEDEN

Mr. Anders P. FORSSE

(Director General, SIDA)

Mr. Henrik SALANDER

(Office for International Development
Cooperation, Foreign Office)

UNITED KINGDOM

Mr. Martin LYNCH

(Under Secretary for Africa, Over-
seas Development Administration)

Dr. Robert STONE

(High Commission, Dar es Salaam)

UNITED NATIONS

Mr. Gordon GOUNDRY

(Assistant Secretary General)

Mr. Doc KINGUE

(Director for Africa, UNDP)

Mr. A.T. KABBAH

(Resident Representative, UNDP)

UNITED STATES

Mr. William C. HARROP

(Deputy Assistant Secretary of State
for African Affairs, State Department)

Mr. W. Haven NORTH

(Deputy Assistant Administrator for
Africa, USAID)

FEDERAL REPUBLIC OF GERMANY

Mr. K. KIRCHHOF

(Head, Southern Africa Department,
Ministry of Economic Cooperation)

Mr. Siegfried BANGERT

(Head, Friedrich Ebert Stiftung)

WORLD BANK

Mr. Ravi GULHATI

(Chief Economist for Africa)

NON-GOVERNMENTAL ORGANISATIONS

Mr. Marc LEMBERS

(Director of Ecumenical Centre Brussels)

Mr. Thom KERSTIENS

(Executive Secretary, CEREMO)

STEERING COMMITTEE

H.E. Mr. Amon NSEKELA

Mr. David ANDERSON

Prof. Reginald E. GREEN

Mr. Tim SHEEHY

M/S Margaret M. FEENY

(Chairman) Tanzanian Ambassador to
Commonwealth, the United Kingdom
Secretariat
IDS/Sussex

(Coordinator)

Some Characteristics of Southern Africa

	<u>Population million '1976</u>	<u>GDP Per Capita US \$ 1976</u>	<u>Exports to South Africa % - 1976</u>	<u>Imports from South Africa % - 1976</u>	<u>Migrant Workers in South Africa as % of Labor Force (Recent Year)</u>
Botswana	0.7	410	15	81	14
Lesotho	1.2	170	90	94	32
Namibia	1.3	470	10	60	-
Swaziland	0.5	470	20	87	14
Malawi	5.2	140	6	29	6
Mozambique	9.5	170	8	15	4
Zambia	5.1	440	-	-	-
Zimbabwe	6.5	550	16	38	1
Angola	5.5	330	-	10	-
Tanzania	15.1	180	-	-	-
South Africa	26.0	1340	-	-	-

MAP OF THE REGION



BOTSWANA LIVESTOCK I AND II PROJECTSI. GENERAL

1. Botswana has an extensive overall land resource (582,000 km²) of which approximately 25,000 km² are potentially arable. The major constraint on agricultural development is the arid to semi-arid climate which limits the total area that can be farmed and is the major determinant of the crops grown and the systems safely practiced. Although livestock accounted for 70 percent of agricultural output in 1978 and 30 percent of merchandise exports and GDP, 50 percent (36,000) of rural households own no cattle. A further 10 percent own less than ten head, the minimum to provide a viable working team for cultivation. Seventy-five percent of rural households practice arable farming as their predominant local activity. The high risk environment leads to the adoption of agricultural systems involving low levels of investment and consequent low yields and returns. Average grain yields are 260 kg per ha and average net farm incomes are P 102 per household.

2. The livestock sector is divided into three clearly defined groups: (a) the freehold ranches mostly owned by families of European descent; (b) large-scale Batswana cattle owners with their own water supply, who use relatives or paid labor to care for herds of up to 1000 animals; and (c) small-scale owners with cattle as an adjunct to their arable farming. The supply of water is the critical constraint in cattle production. Batswana with resources invest in borehole drilling which gives them rights over the land within grazing range of the water point. There is a minimum of additional investment in improved management techniques and, outside the freehold ranches, production systems are of low cost and low output. The Bank's investment in the agriculture sector has been concentrated on assisting the large-scale cattle owners and smallstock owners. In 1975, Parliament approved the Tribal Grazing Lands Policy (TGLP), which was designed to make more grazing land available to owners of smaller cattle herds by allowing consolidation of farmer groups into larger units eligible for communal grazing rights. Under the TGLP, the Bank is providing some assistance under the Second Livestock Project for pilot communal ranches.

II. PROJECT SPECIFICSA. Livestock I. Credit 325; \$1.65 million; June 1972

3. The first Livestock project was intended to achieve three main objectives: (a) increase livestock production; (b) ease the grazing pressure on communal land; and (c) demonstrate the impact of improved management on the rangeland and the grazing animals. Its major components were: (i) the opening of new ranches in the Western Kalahari; (ii) the establishment of finishing ranches where local people could bring their cattle on payment of a grazing fee; (iii) the improvement of stock routes for moving cattle to major markets; and (iv) the upgrading of karakul sheep farms in the driest area in the country.

4. The project is completed as far as IDA involvement is concerned, and investment took place along the lines anticipated. An outbreak of foot-and-mouth disease in 1977 caused severe problems in the livestock sector, curtailing production in general and diverting key agricultural staff from the project to help deal with the crisis. In addition, the project suffered from the following fundamental constraints: (a) the new ranches established in a remote area of the western Kalahari cost much more than was anticipated and the occupants will have serious problems in repaying their loans out of ranch income; (b) the majority of new ranch occupants are non-residents and standards of management are no higher than on the traditional cattle posts; (c) the ranches were sited in an area of high density game population (because of readily available underground water) and the ranches' future viability is in doubt because of the level of game competition; (d) farmers showed little interest in using the finishing ranches when an economic grazing fee was charged; and (e) no new water points were established in the Karakul sheep rearing area so that the project has benefited the wealthiest owners who had private water points, and who have been able to exclude other people's animals from their land by the use of fencing provided by the project. The project beneficiaries now have much better grazing, but the rest of the community suffers severe over-grazing problems in a very fragile ecological environment.

B. Livestock II, Loan 1497; \$6.5 million; December 1977

5. The Second Livestock Project was designed to: (a) increase livestock production; (b) assist with the development of both individual and communal ranches; (c) assist with the improvement of ranch management; and (d) improve livestock marketing infrastructure. Its major components were: (i) the provision of credit for 100 private ranches; (ii) the development of communal grazing units; 1/ (iii) support for the agricultural credit division of the Agricultural Development Bank; (iv) the improvement of trek routes and railway handling facilities; and (v) the establishment of a ranch management training centre.

6. The Project became effective at the end of 1978 after eight months' delay. The trek route work is advancing well and the ranch management training center is already operating. The Agricultural Development Bank has been strengthened and is ready to process loan applications. Actual ranch development has slowed down for two major reasons: (a) the registration of both individual ranches and grazing associations is a new development resulting from recent legislation and delays have occurred in granting leases and surveying ranches; and (b) the performance of the ranches developed under Livestock I has brought into question the viability of high levels of investment, especially fencing. The Agricultural Development Bank is, therefore, paying very close attention to this issue which may reduce the lending program.

1/ The communal ranches were to be developed as experimental models under the supervision of the Animal Production Research Unit to try to identify a viable ranching system.

III. ISSUES

7. (a) It is proving difficult to design investment projects in the livestock sector that would have an impact on more than just the small group of the most privileged owners.
- (b) Livestock I and II are intended to improve the management of both livestock and the range itself. In the first project it was expected that this would be achieved by the strict enforcement of management regulations. This has proved politically impossible and is unlikely to become any more feasible in the future. Without substantially improved standards of management there is the real likelihood that investment in ranch development will prove uneconomic, and the new ranches will suffer from the same problems of range degradation as the "cattle posts."

BOTSWANA URBAN I AND II PROJECTSI. GENERAL

1. Botswana has five towns, each oriented toward modern sector industry, government or commerce, and two of which, Gaborone and Lobatse, are in the south-east. Gaborone (population 33,000), the country's largest and fastest growing town, was established in the 1960s as the nation's capital and Lobatse (population 15,000), is the headquarters of the Botswana Meat Commission. Botswana's remaining three towns are in the northern region and have participated in the rapid expansion of its mining industry. Francistown (population 23,000) has long served as a center of communications and trade. Selebi Phikwe (population 21,000) and Orapa (population 2,000) were established to serve the new copper-nickel and diamond mines, respectively. Although the combined urban population remains small, about 94,000, Botswana's rate of urban growth has been one of the highest in the world (12 percent per annum). Prompted by rural poverty and the expectation of higher earnings in the towns, the urban population more than quadrupled between 1964 and 1975, and by 1986, the urban population may double. The pace of urbanization is straining the towns' capacity to provide jobs, infrastructure, and housing for residents. Unemployment is already high in urban areas: an estimated 18 percent of the male and 55 percent of the female periurban area labor force are without work. Further, in comparison with many other developing countries, the informal sector is small--less than 10 percent of the urban population engages in informal activity. High rates of unemployment are accompanied by inequalities in incomes within urban areas. Rapid economic growth has depended almost entirely on good beef prices and the exploitation of mineral wealth; consequently cattle owners, miners, and other employees in the formal sector have benefited most, leading to large and increasing household income disparities.

2. Since independence, the Government has tried to promote industrialization by providing a legal and institutional framework, serviced industrial land and other incentives. The establishment of the Botswana Development Corporation as the Government's main channel for productive investment has been a part of this effort. More recently, the Government has emphasized the promotion of small-scale enterprises. The self-help housing program forms an important part of the Government's policy of promoting balanced development.

II. PROJECT SPECIFICSA. Urban I. Credit 471-BT; \$3.0 Million; May 9, 1974

3. The project addresses Francistown's urgent need for shelter and commercial development, and comprises: preparation of about 800 sites and service plots and 1,000 traditional plots, servicing of 25 plots for high cost houses; upgrading of squatter areas affecting about 1,000 households; construction of community facilities; preparation and servicing of 16 ha of land for industrial and commercial development; provision of

sewerage and water reticulation; and improvement of electrical distribution and sinking of boreholes. Implementation on the whole has been very satisfactory excepting low-cost sanitation. In September 1975 a surplus of about US\$600,000 (P 500,000) was created due to devaluation of the Rand. Following amendment to the Credit Agreement these funds have been used for additional upgrading of services, especially in the squatter areas and provision of an additional 146 site and service plots. The project is physically complete and the loan account was closed on December 31, 1979. Project completion report is under preparation by the Ministry of Local Government and Lands.

4. The project successfully demonstrates that the Bank's approach of squatter upgrading and site and services can result in acceptable dwellings, utilities and other services which are affordable by most of the urban poor. This approach is also used in other major towns of Botswana (Lobatse and Gaborone) and the Second Urban Project in Francistown and Selebi Phikwe. It also demonstrates that if people are given security of tenure, building material loans and technical assistance, they can construct more than adequate shelter at costs well below the contractor built low-cost housing programs. The project has assisted in the development of small-scale enterprises in the building trade, improved the quality of workmanship considerably and has enabled the Self-Help Housing Agency to gain valuable experience and manage its affairs efficiently without expatriate technical assistance.

5. Provision of low-cost sanitation in urban areas of Botswana is a serious problem. Aqua privies were to be provided based on the design produced under an ODM project but proved to be neither satisfactory nor socially acceptable and hence were eventually discarded; and some beneficiaries built pit latrines instead. The Government with the assistance of the International Development Research Center (Canada) (IDRC) set up a "low cost sanitation" research project, which resulted in policy recommendations to the Government and in the construction of a number of pilot installations. However, several basic issues remain unresolved. Cost recovery is another serious problem. The arrears have steadily worsened and, as of July 1979, 59 percent of the beneficiaries were in default. Although the beneficiaries can afford to pay charges, they do not do so mainly because of lack of senior staff to monitor and supervise collection; and the belief that collections will not be enforced. To rectify the situation, the Government promised to appoint a new treasurer to the Council, increase accounting staff, and amend existing regulations to the Township Act to allow action against defaulters. Unless collections are enforced, the Council will not be able to meet its debt service and maintenance costs.

B. Urban II. Loan 1584 ; \$8.0 Million; May 9, 1978

6. This project is designed to increase the participation of low-income people in the economic growth centered in the urban areas of northeast Botswana, by reinforcing and expanding the institutional arrangements of the Francistown project, and extending low-cost residential development and upgrading to a second town, Selebi Phikwe. As a result of experience gained from Urban I, several important changes have been

introduced: (a) cost recovery of all allocable investment; (b) concentration on existing squatter areas; (c) provision of settlement plots rather than the more expensive site and services plots; (d) extension of home improvement loans (building materials and sanitation units) to upgrading and settlement areas; (e) stimulation of the use and development of indigenous home construction techniques and materials; (f) fuller town council and community participation in planning and implementation; and (h) assistance to small-scale enterprises to generate jobs. The project comprises about 2,000 upgraded and 1,000 settlement plots for Francistown and about 2,000 upgraded and 1,500 settlement and 300 sewer plots for Selebi Phikwe and home improvement loans. It will provide necessary on-site and off-site infrastructure and community facilities; low-cost and conventional industrial and commercial sites in Francistown and commercial facilities in Selebi Phikwe. In conjunction with the project, the Botswana Development Corporation will provide through the Commercial Banks US\$1.0 million of the existing World Bank loan (Loan 1019-BT) to provide a 50 percent credit risk guarantee to stimulate lending to small-scale enterprises which are expected to generate approximately 375 jobs.

7. The project was not declared effective until June 1979 because of the Government's delay in meeting various conditions. Since then, progress on the physical components has been generally satisfactory. Preparation of detailed design and contract documents for most civil works is nearing completion and construction should start at the end of next year. Detailed designs of the community facilities (except schools) are being completed by the councils. Designs on primary schools is complete and construction should start early next year.

III. ISSUES

8. (a) Regarding the low cost-sanitation component (para. 5), the issues remaining unresolved are: development of designs suitable for self-help construction by low-income householders, and the means for providing them with the necessary technical assistance; proper maintenance by municipal authorities; and avoidance of pollution of Botswana's valuable groundwater resources. A UNDP project on low-cost sanitation which is being executed by the Bank has been studying these problems and has had difficulty in getting suitable technical staff but expects to provide an expatriate engineer to join the Ministry of Local Government and Lands in early 1980 to advise on both the urban and rural sanitation program. Lessons learned from this program will not only be useful for Botswana but also for the neighboring countries.
- (b) The Government has developed a realistic national policy on urban development (e.g., full cost recovery, reduction of infrastructure standards) and is trying to implement it and therefore should be congratulated. It is trying to do all it can on the very difficult problem of cost recovery and we certainly support the actions it is taking.

OFFICE MEMORANDUM

TO: Mr. Ernest Stern

DATE: December 14, 1979

FROM: J. Kraske, Acting Vice President, EAN

SUBJECT: BOTSWANA - Shashe Project
Loans 776-BT and 776-2-BT
Proposed Temporary Waiver of the Trust Deed

1. I attach for your consideration a draft memorandum to the Executive Directors requesting their approval, on a no-objection basis, to a temporary waiver of certain provisions in the Trust Deed for the Shashe Project. The waiver would permit implementation of emergency interim financing measures for the associated BCL copper/nickel mining venture which is threatened with financial collapse due essentially to a prolonged strike at AMAX Nickel's refinery at Port Nickel, Louisiana.
2. If at all possible we would like to distribute the memorandum to the Executive Directors by c.o.b. Friday, December 14, 1979, setting c.o.b. Tuesday, December 18, 1979, as the deadline for objections. While I realize this is less than the normal time given to the Board for consideration of these matters, we have been asked to approve them by December 19 to enable the documents to be finalized by the end of the year. If this timing is not met, BCL's insolvency appears imminent.
3. The history of BCL's financial crisis was described in Mr. Adler's memorandum to you of November 5, 1979 (Attachment 2) and you accepted our recommended course of action, as modified by Mr. Nurick's memorandum of November 8, 1979 (Attachment 3). Since then, we have met with the Government, the shareholders, and the project's senior lenders twice, most recently in Washington on November 29 and 30, 1979, to resolve the many outstanding points and reach a consensus on measures to inject interim financing into BCL and defer payments on senior debt which come due on December 31, 1979. The negotiations have been made exceedingly difficult because AMAX Inc., one of the project's shareholders, has adopted an unyielding position that it will not increase the value of its liabilities, with regard to the project, beyond those which it has already incurred during the project's troubled life. Since KfW has made its loan (about DM 110 million outstanding) to BCL and does not have a shareholder guarantee (although its loan is guaranteed by the German Government), it has tried to negotiate arrangements as favorable to the project as possible, in order to provide maximum insurance that its loan would be repaid.
4. Our role has been largely one of working with the Government to ensure its interests were protected and of trying to help negotiate a solution that was fair and equitable to all parties. Financially, the Bank's position is well-protected, as our loans (about US\$32.9 million outstanding) are to the Government and are guaranteed by

AMAX and Anglo. Because when the first loan was made in 1971, Botswana was not creditworthy, a Trust, as part of an enclave arrangement, was created whereby the Trustee collects the proceeds from the sale of matte and services much of the project's contracted debt, including the Bank loans. Due mainly to the subsequent discovery and exploitation of diamond deposits, Botswana has since become creditworthy for commercial borrowing. GNP per capita has increased to US\$620 in 1978, foreign exchange reserves have risen to US\$230 million (about 7 months of imports) and the Government is a net creditor (about US\$50 million) of the banking system. Thus, the Government could service our Shashe loan (and has indicated it would do so), were there any interruptions in the flow of funds to the trust.

5. We had hoped to reach agreement before the end of the year on proposals for emergency interim financing to carry BCL through its current illiquidity as well as a permanent financial restructuring. The complexity of the issues, however, have frustrated these efforts and left us at the eleventh hour without the comprehensive agreement we sought. Instead, we have a proposal which will provide for about P 14.1 million in interim financing, plus a one time deferral of the principal payments due to KfW and IDC on December 31, 1979 and the interest and principal payments due AMAX and Anglo on their senior debt, also due December 31, 1979. In early 1980, the remaining details of BCL's financial restructuring would be worked out and agreements finalized on the Deed of Deferral.

6. To implement the interim financing arrangement, the Bank has to agree to a waiver of the trust arrangements so that the sales proceeds from copper/nickel matte, after the Port Nickel strike ends, can be used to repay the interim financing without passing through the Trust. This arrangement, for which we are seeking the Board's approval, would be temporary, lasting only as long as there is any interim financing outstanding. Once agreement is reached on BCL's financial restructuring we will ask the Board to approve the proposed changes. We will also request authority to amend our Guarantee Agreement to provide for an exchange of guarantors, following upon the request we received earlier this year from the Anglo-American Corp. (refer to Adler's memorandum of November 5, 1979).

7. I should make clear that the proposal being sent to the Board is strictly an interim measure and in no way insures that BCL will survive its present financial difficulties. Major problems yet to be resolved include the strike at AMAX Nickel's refinery, where BCL's copper/nickel matte is processed, and outstanding issues on the second restructuring proposals. Resolution of the strike, which began in August 1979, is (except for AMAX, of course) outside the control or influence of the other parties to the Shashe project. We understand that serious issues

December 14, 1979

divide management and labor and that AMAX Nickel is continuing to run the plant at 70 percent capacity with management personnel. If the strike continues through February 1980, additional financing, beyond the amounts specifically agreed upon at this time, will be required. The issues still facing the financial restructuring mainly revolve around the terms on which excess funding would be provided; further negotiations will be needed in January.

8. The interim financing proposals reflect the final offer of AMAX and Anglo. The Government has agreed to them in principle, but they have not yet been approved by KfW or IDC. While we feel IDC will concur, KfW has objected in the past to several of the provisions, notably that the interim financing would be on a demand basis, and that it would be paid off immediately following the strike which raises the possibility BCL would face a liquidity crisis. KfW has submitted the latest proposals to the German Government, which has guaranteed its loan to the project. We do not expect we will know KfW's position until close to the December 19, 1979 deadline presented by the shareholders. In fact there may be some last minute negotiations, but it is unlikely the proposals will change substantially as the project's shareholders have presented them as a "take-it-or-leave-it" proposition. Given the limited time left in which to reach agreement among all parties, we propose to seek the Board's approval now to the proposals as they stand, although we would not enter into any agreements unless all parties had agreed and the proposals conformed substantially to those presented to the Board. We have requested the major shareholders to submit draft instructions to give effect to the Trust waiver proposal. If they are available in satisfactory form in time, we would propose to attach them to the Board memorandum.

9. The departments concerned have cleared the attached document. Please give any comments you have to Mr. Sullivan (Ext. 74025).

Attachments

cw & cc: Messrs. Asser (LEG), Reese (EALDB), Cash (IPD),
Poncia (LEG), Boehm (IPD)

cc: Messrs. Wapenhans (EANVP), Fuchs (IPD), Nurick (VPG),
Southall (LEG), Wiratunga (CTR), Adler (EAPDR)

OFFICE MEMORANDUM

TO: FILES

DATE: October 30, 1979

FROM: Joost Polak, Loan Officer, EALDB

SUBJECT: Regional Meeting with the Botswana Delegation

1. The meeting with the Botswana delegation to the Annual Meetings in Belgrade was held October 2, 1979. Present were Messrs. L. Mottibatsla, Senior Planning Officer, B. Gaolathe, Permanent Secretary, and P.T. Mteta, Director of Financial Affairs, all of the Ministry of Finance and Development Planning. Messrs. Kraske, Polak and Nxumalo were present from the Bank.
2. Mr. Kraske raised the question of the Anglo-American Corp.'s request for a change of guarantors for the Shashe mining project, noting that no decision not acceptable to Botswana would be taken. Mr. Gaolathe said Botswana would welcome a stonger guarantor, but that the country felt that the decision on this matter should rest with the Bank.
3. Mr. Kraske said the Bank hoped to develop a better understanding of Botswana's agricultural sector so as to be able to channel more assistance to its rural areas. Mr. Gaolathe said the upcoming Fifth Development Plan (1979-85) would concentrate more on arable agriculture, though without neglecting the important livestock sector. The Plan, expected to be presented to Parliament at the end of 1979, would include thumbnail sketches of projects to be taken up for the next three years, after which it would be updated.
4. Mr. Gaolathe said the plan was expected to include a number of agriculture-related development schemes for which funding from various sources would be sought. He said Botswana felt that Bank financing was not particularly cheap, and its place in the program was still being decided, although things should become clearer in the first half of 1980. A roads project (Highways V; US\$15 million, FY81) that would open up areas of good agricultural potential was already in the program for Bank financing by the Bank, perhaps in combination with other donors. He also felt there might be scope for further Bank involvement in the livestock subsector, if the Bank were willing; the Bank was known to favor coursing aid directly to those needing help and livestock improvements helped everyone.
5. Mr. Kraske mentioned the problems encountered under the First Livestock Project, including overgrazing at the Nojane ranches and a shortage of extension workers, and asked what action was being taken. Mr. Gaolathe said that these problems were being ironed out, and that the Nojane ranches would be relocated.

6. Mr. Kraske said that Project Implementation Reviews had proven helpful to both the Bank and member governments; noting that Botswana sometimes had difficulty coping with its heavy flow of development agency visitors, he said he hoped the PIR could be arranged to parallel the Government's own semi-annual review of projects. Mr. Gaolathe said that he would check on the most appropriate timing for this review after returning to Botswana and inform the Bank.

7. Mr. Kraske noted that the Water Supply II and Education II projects would soon be submitted to the Executive Directors, and that the next contemplated project would be Highways V. Mr. Gaolathe said Botswana would like the Bank to finance feasibility studies for further road projects, which might then be financed by the Bank and/or other donors.

8. Mr. Kraske asked whether rising oil prices were expected to cause severe economic problems in Botswana. Mr. Gaolathe said rising prices were being met by pruning expenditures although improved diamond mining revenues were expected to help, and that Botswana was more concerned with assuring long-term supplies than their cost. Mr. Mteta said that Botswana's oil bill was running about 10 percent of the total import bill.

9. Mr. Gaolathe added that liquidity problems would become more severe if problems with the American Metal Climax Co. regarding the Shashe project were not soon solved. Meetings with the company in London had only led to agreements in principle so far, though these were being continued and it was hoped that an agreement, perhaps involving contingency financing could be found.

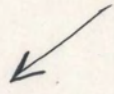
10. Regarding the proposed Power I project (\$15 million, FY82[R]), Mr. Gaolathe said that the pre-feasibility study had been completed and that consultants were being engaged to study the feasibility of a coal-based centralized generation system that would allow the present generating capacity to be used only for standby purposes. Botswana would provide part of the financing for this multi-million pula project itself, and hoped the Bank would both contribute significantly and take the lead in assembling a package involving such other donors as EIB. Mr. Kraske said the Bank was interested in the project, but that it was still on reserve status because of uncertainty as to its timing, and that the Bank would wish to review the economic justification for the entire project at appraisal.

11. In response to a question from Mr. Gaolathe, Mr. Kraske explained that the Executive Directors had decided to extend the disbursement scheme (half dollars, half hard currencies) being used for DFC's that passed foreign exchange risks on to their clients. He noted that the small scale industry component under the Botswana Development Corporation Project (Loan No. 1010-BT) was, informally, being disbursed in dollars only. The 50/50 scheme would not, however, apply to parastatals being supplied funds by BDC when the exchange risk was taken by Government. He noted that these arrangements had been drawn up as the best compromise between borrowers' needs for soft currencies and the Bank's need to maintain its net income so that monies would be available, inter alia, for transfer to IDA.

FILES

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October 30, 1979

12. In response to a question from Mr. Gaolathe, Mr. Kraske said Botswana could expect about \$15 million a year in lending from the Bank. 

To be Cleared with and cc: Mr. J. Kraske

JPolak:ms

Population : 0.7 (mid 1976)
 GNP Per Capita : \$410
 Area : 600,370 km
 Literacy Rate : 25% Adult Population

BOTSWANA: ACTUAL AND PROPOSED PROGRAM OF LENDING OPERATIONS THROUGH FY83
 (\$ million)

	Through FY74		Actual		Current		Program				Reserve Projects				
	FY74	FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83		FY84	FY74-78	Total FY79-83	FY80-84
Investment I Investment II Investment III	1.7				6.5				18.0						
Education I Education II Education III			10.5 (3.5)				10.0			12.0					
Water Supply I Water Supply II Water Supply III		3.0					4.0				10.0				
Roads I Roads II Roads III Roads IV Roads V		3.6 2.0	5.8	20.0 ^{a/}				15.0							
DFC I DFC II		4.0						6.0							
Shashe Engineering Shashe Infrastructure Shashe Infrastructure (Supp)		2.5 32.0 5.5													15.0 (FY82) 8.0 (FY83)
Power Telecommunications															
Urban I Urban II		3.0			8.0										
LENDING PROGRAM		41.5	16.3 (3.3)	20.0	14.5		14.0	15.0	6.0	18.0	22.0	60.3	53.0	75.0	
IDA		15.8	16.3	20.0	14.5		14.0	15.0	6.0	18.0	22.0	3.0	53.0	75.0	
Total Number		9	2	1	2		2	1	1	1	2	8	5	7	
(of which IDA)		(6)										(4)			

^{a/} Norway is participating in this loan with \$10.0 million equivalent.

FUTURE OPERATIONS IN BOTSWANA

FY80

Water Supply II (US\$4.1 million loan)

Negotiations for the project are scheduled for September 10, 1979. No major issues outstanding. Project would improve the water supply system in Francistown. The loan may be increased to US\$4.4 million if new estimate of project foreign costs are agreed at negotiations.

Education II (proposed US\$10.0 million loan)

The project would provide for 7 new and 11 upgraded junior secondary schools, seven new Youth Brigade Centers and nine new agricultural brigades, and assistance to the Botswana Training Center. Project costs are estimated at US\$15.0 million (US\$9.6 million foreign). The main issues affecting the project are: (i) site locations for the junior secondary schools; (ii) adequacy of qualified teachers to staff new institutions, particularly in mathematics and science.

FY81

Highways V (US\$15.0 million loan)

The project would (i) construct to bitumen standard the Dumela-Ramokwebana road; (ii) improve high priority roads in the Tuli Block area; (iii) finance detailed engineering for the Nata-Maun road; and (iv) provide technical assistance and training for road maintenance. Total costs are estimated at about US\$20.0 million, of which the foreign exchange component would be US\$15.0 million. Appraisal is scheduled for March 1980.

FY82

DFC II (US\$6.0 million loan)

The timing of this project has been delayed due to the difficulty the Botswana Development Corporation (BDC) has had in committing the first line of credit. BDC has access to concessional loan funds from bilateral sources and recently raised US\$750,000 in new equity from several development institutions, including the IFC. The exact timing of this loan will depend on the commitment of the existing line of credit.

FY82(R)

Power I (US\$15.0 million)

The Government has requested the Bank to coordinate the financing for a large, coal-fired power plant, initially 60 or 90 MW, but designed to permit planting up as demand requires. The plant would be located at Morupule, the site of an existing small coal mine which would probably be expanded to meet the plant's coal requirements. Project costs are estimated at between US\$125-150 million (excluding mine development). Feasibility studies have just begun and, along with design work, should take 15 months.

FY83

Livestock III (US\$18.0 million loan)

The project would finance several of the major investment projects to be identified under the Tribal Grazing Lands Policy study now in progress. Emphasis would be placed on communal ranches and efforts to bring the benefits of livestock production to the majority of rural households who do not own cattle at present.

FY83R

Telecommunications (US\$8.0 million loan)

The project will be identified following the sector mission scheduled for January 1980.

FY84

Education III (US\$12.0 million)

The project would follow-on Education II.

Water Supply III (US\$10.0 million)

The project would provide for Gaborone and Lobatse's water supply requirements by enlarging the Gaborone Dam. Funds to study the feasibility of raising the dam are included in the Second Water Supply Project (FY80).

TABLE 3A
BOTSWANA - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOUSAND SQ. KM.)	BOTSWANA			REFERENCE GROUPS (ADJUSTED AVERAGES - MOST RECENT ESTIMATE) /a		
	MOST RECENT			SAME	SAME	NEXT HIGHER
	1960 /b	1970 /b	ESTIMATE /b	GEOGRAPHIC REGION /c	INCOME GROUP /d	INCOME GROUP /e
TOTAL	500.4					
AGRICULTURAL	453.4					
GNP PER CAPITA (US\$)	70.0	140.0	620.0	306.1	467.5	1097.7
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	..	..	..	80.6	262.1	730.7
POPULATION AND VITAL STATISTICS						
POPULATION, MID-YEAR (MILLIONS)	0.52	0.63	0.76	..	..	..
URBAN POPULATION (PERCENT OF TOTAL)	2.4	7.6	12.9	17.1	24.6	49.0
POPULATION PROJECTIONS						
POPULATION IN YEAR 2000 (MILLIONS)			..	..	..	..
STATIONARY POPULATION (MILLIONS)			..	..	..	..
YEAR STATIONARY POPULATION IS REACHED			..	..	..	..
POPULATION DENSITY						
PER SQ. KM.	0.8	1.0	1.2	18.4	45.3	44.6
PER SQ. KM. AGRICULTURAL LAND	1.2	1.4	1.6	50.8	149.0	140.7
POPULATION AGE STRUCTURE (PERCENT)						
0-14 YRS.	41.7	47.5	46.0	44.1	45.2	41.3
15-64 YRS.	55.5	46.9	50.0	52.9	51.9	55.3
65 YRS. AND ABOVE	2.8	5.6	4.0	2.8	2.8	3.5
POPULATION GROWTH RATE (PERCENT)						
TOTAL	1.7	1.9	2.3	2.7	2.7	2.4
URBAN	9.1	14.4	11.9	5.7	4.3	4.5
CRUDE BIRTH RATE (PER THOUSAND)	..	51.0	52.0	46.3	39.4	31.1
CRUDE DEATH RATE (PER THOUSAND)	..	20.0	19.0	17.2	11.7	9.2
GROSS REPRODUCTION RATE	..	2.9	3.2	3.1	2.7	2.2
FAMILY PLANNING						
ACCEPTORS, ANNUAL (THOUSANDS)	..	..	11.4	..	..	..
USERS (PERCENT OF MARRIED WOMEN)	..	..	..	..	13.2	34.7
FOOD AND NUTRITION						
INDEX OF FOOD PRODUCTION PER CAPITA (1969-71=100)	84.3	93.0	108.0	94.3	99.6	104.4
PER CAPITA SUPPLY OF						
CALORIES (PERCENT OF REQUIREMENTS)	85.0	90.0	85.0	89.5	94.7	105.0
PROTEINS (GRAMS PER DAY)	64.0	65.0	..	55.8	54.3	64.4
OF WHICH ANIMAL AND PULSE	..	33.0	..	17.9	17.4	23.5
CHILD (AGES 1-4) MORTALITY RATE	36.0	29.0	23.0	22.3	11.4	8.6
HEALTH						
LIFE EXPECTANCY AT BIRTH (YEARS)	35.9	45.0	48.0	47.0	54.7	60.2
INFANT MORTALITY RATE (PER THOUSAND)	..	97.0	..	..	68.1	46.7
ACCESS TO SAFE WATER (PERCENT OF POPULATION)						
TOTAL	..	29.0	45.0	20.3	34.4	60.8
URBAN	..	71.0	95.0	53.9	57.9	75.7
RURAL	..	26.0	39.0	10.1	21.2	40.0
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)						
TOTAL	..	..	..	22.5	40.8	46.0
URBAN	..	..	..	62.5	71.3	46.0
RURAL	..	..	..	13.9	27.7	22.5
POPULATION PER PHYSICIAN	20870.0/£	15460.0	9600.0	17424.7	6799.4	2262.4
POPULATION PER NURSING PERSON	2380.0/£	1250.0	1270.0	2506.6	1522.1	1195.4
POPULATION PER HOSPITAL BED						
TOTAL	430.0/£	370.0	340.0	502.3	726.5	453.4
URBAN	..	..	40.0	201.4	272.7	253.1
RURAL	..	..	2970.0	1403.6	1404.4	2732.4
ADMISSIONS PER HOSPITAL BED	..	15.3	27.0	23.4	27.5	22.1
HOUSING						
AVERAGE SIZE OF HOUSEHOLD						
TOTAL	..	..	5.0	4.9	5.4	5.3
URBAN	..	..	4.8	4.9	5.1	5.2
RURAL	..	..	5.0	5.5	5.5	5.4
AVERAGE NUMBER OF PERSONS PER ROOM						
TOTAL	..	..	..	..	..	1.9
URBAN	..	..	..	..	..	1.6
RURAL	..	..	..	..	..	2.5
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)						
TOTAL	..	9.0	..	..	28.1	50.0
URBAN	..	..	..	..	45.1	71.7
RURAL	..	..	..	..	9.9	17.3

TABLE 3A
BOTSWANA - SOCIAL INDICATORS DATA SHEET

	BOTSWANA			REFERENCE GROUPS (ADJUSTED AVERAGES - MOST RECENT ESTIMATE) /a			
	1960 /b	MOST RECENT ESTIMATE /b		GEOGRAPHIC REGION /c	SAME INCOME GROUP /d	NEXT HIGHER INCOME GROUP /e	
		1970					
EDUCATION							
ADJUSTED ENROLLMENT RATIOS							
PRIMARY:	TOTAL	42.0	65.0	80.0	59.0	82.7	102.5
	MALE	35.0	62.0	84.0	64.2	87.3	108.6
	FEMALE	48.0	67.0	99.0	44.2	75.8	97.1
SECONDARY:	TOTAL	1.0	8.0	20.0	9.0	21.4	33.5
	MALE	1.0	9.0	17.0	12.0	33.0	38.4
	FEMALE	1.0	7.0	19.0	4.4	15.5	30.7
VOCATIONAL ENROL. (% OF SECONDARY)		4.0	19.0	12.0	7.0	9.8	11.5
PUPIL-TEACHER RATIO							
PRIMARY		31.0	36.0	31.0	42.2	34.1	35.8
SECONDARY		12.0	15.0	22.0	22.9	23.4	22.9
ADULT LITERACY RATE (PERCENT)		20.0/g	..	35.0	20.8	54.0	64.0
CONSUMPTION							
PASSENGER CARS PER THOUSAND POPULATION		2.0	3.0	6.0	4.0	9.3	13.5
RADIO RECEIVERS PER THOUSAND POPULATION		6.0	34.0	82.0	44.3	76.9	122.7
TV RECEIVERS PER THOUSAND POPULATION		..	..	..	2.9	13.5	38.3
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION		..	20.0	20.0	5.6	18.3	40.0
CINEMA ANNUAL ATTENDANCE PER CAPITA		..	0.1	..	0.4	2.5	3.7
LABOR FORCE							
TOTAL LABOR FORCE (THOUSANDS)		250.0/h,i	300.0	384.0	..	..	..
FEMALE (PERCENT)		48.6	52.9	52.1	31.9	29.2	25.0
AGRICULTURE (PERCENT)		92.0	86.7	83.0	77.6	62.7	43.5
INDUSTRY (PERCENT)		2.7	3.7	..	7.9	11.9	21.5
PARTICIPATION RATE (PERCENT)							
TOTAL		54.6	48.2	47.7	40.8	37.1	33.5
MALE		57.9	49.8	49.5	53.9	48.8	48.0
FEMALE		51.4	46.8	46.2	25.6	20.4	16.8
ECONOMIC DEPENDENCY RATIO		1.0	1.1	1.0	1.2	1.4	1.4
INCOME DISTRIBUTION							
PERCENT OF PRIVATE INCOME RECEIVED BY							
HIGHEST 5 PERCENT OF HOUSEHOLDS		..	28.1/1	..	..	15.2	20.8
HIGHEST 20 PERCENT OF HOUSEHOLDS		..	60.3/1	..	..	48.2	52.1
LOWEST 20 PERCENT OF HOUSEHOLDS		..	1.6/1	..	..	6.3	3.9
LOWEST 40 PERCENT OF HOUSEHOLDS		..	7.6/1	..	..	16.3	12.6
POVERTY TARGET GROUPS							
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)							
URBAN		..	..	235.0	187.6	241.3	270.0
RURAL		..	..	113.0	96.8	136.6	183.3
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)							
URBAN		..	..	..	138.4	179.7	282.5
RURAL		..	..	179.0	71.0	103.7	248.9
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)							
URBAN		..	..	40.0	34.5	24.8	20.5
RURAL		..	..	30.0	48.7	37.5	35.3

.. Not available
. Not applicable.

NOTES

/a The adjusted group averages for each indicator are population-weighted geometric means, excluding the extreme values of the indicator and the most populated country in each group. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1974 and 1977.

/c Africa South of Sahara; /d Lower Middle Income (\$281-550 per capita, 1976); /e Intermediate Middle Income (\$551-1135 per capita, 1976); /f 1962; /g Prior to 1965; /h 1964; /i Economically active population age 10 years and over; /1 1971-1972 economically active population.

Most Recent Estimate of GNP per capita is for 1978.

August, 1979

ECONOMIC INDICATORS

GROSS NATIONAL PRODUCT IN 1976/77

	US\$ Mln.	%	1976/77
GNP at Market Prices	374.5	100.0	4.7
Gross Domestic Investment	109.5	29.2	-24.0
Gross National Saving	123.1	32.9	18.0
Current Account Balance	13.6	3.6	
Exports of Goods, NFS	179.2	47.9	5.2
Imports of Goods, NFS	238.5	63.7	7.5

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1976/77

	Value Added		Labor Force ^{1/}		V. A. Per Worker	
	US\$ Mln.	%	Mln.	%	US \$	%
Agriculture	73.8	23.6	0.283	80.4	260.00	29.0
Industry	96.8	31.0	0.027	7.7	3,585.00	404.0
Services	141.4	45.3	0.042	11.9	3,367.00	379.0
Unallocated						
Total/Average	312.0	99.9	0.352	100.0	387.00	100.0

GOVERNMENT FINANCE

	(Mln) US\$ 1976/77	Central Government	
		1976/77	1974/75-1976/77
Current Receipts	71.5	23.9	27.5
Current Expenditure	68.0	22.7	19.6
Current Surplus	3.5	1.2	7.4
Capital Expenditures	37.6	12.6	14.3
External Assistance (net)	21.1	7.6	7.3

MONEY, CREDIT and PRICES

	1974	1975	1976	1977	1978
		(Million	outstanding	end period)	
Money and Quasi Money	..	..	61.6	74.9	104.8
Bank credit to Public Sector ^{2/}	1.5	2.9	3.1	2.6	1.9
Bank Credit to Private Sector	37.0	53.3	65.3	69.5	74.3

(Percentages or Index Numbers)

Money and Quasi Money as % of GDP		22.3	25.0	
General Price Index (1974 = 100)	100.0	112.3	126.3	143.6
Annual percentage changes in:				
General Price Index		12.3	12.5	13.7
Bank credit to Public Sector		93.3	6.9	-16.2
Bank credit to Private Sector		44.1	22.5	6.4

NOTE: All conversions to dollars in this table are at the average exchange rate prevailing during the period covered.

1/ Labor force is defined as persons of 10 years and over engaged either in family agriculture or in cash employment. Migrant workers in South Africa are excluded.

2/ Excludes parastatals.

.. not available
• not applicable

TRADE PAYMENTS AND CAPITAL FLOWS

<u>BALANCE OF PAYMENTS</u>					<u>MERCHANDISE EXPORTS (AVERAGE 197 -7)</u>		
	<u>1976</u>	<u>1977</u>	<u>1978^{1/}</u>		<u>US\$ Mn.</u>	<u>%</u>	
	<u>(Millions US\$)</u>						
Exports of Goods	169.7	190.7	223.9	Meat and meat products	46.2	26.5	
Imports of Goods	214.5	-248.9	-310.2	Diamonds	59.8	34.3	
Balance of Trade (deficit = -)	-44.8	-58.2	-86.3	Copper/nickel	50.1	28.7	
Non-factor Services (net)	-23.5	-34.0	-46.2	All other commodities	18.3	10.5	
Factor Services (net)	+11.7	+25.3	+7.0	Total	174.4	100.0	
Net Transfers	+57.8	+92.9	+100.4				
Balance on Current Account	+ 1.2	+26.0	-25.1				
Direct Foreign Investment	15.9	17.9	53.5	<u>EXTERNAL DEBT, DECEMBER 31, 1978</u>			
Net MLT Borrowing	-11.7	--39.7	-26.6		<u>US\$ Mn.</u>		
Disbursements				Public Debt, incl. guaranteed		120.7	
Amortization				Non-Guaranteed Private Debt			
Subtotal	-11.7	-39.7	-26.6	Total outstanding & disbursed		120.7	
Capital Grants							
Other Capital (net)				<u>DEBT SERVICE RATIO for 1978^{2/}</u>			
Other Items n.e.i	13.9	15.9	48.5		<u>%</u>		
Increase in Reserves (-)	-19.3	-20.1	-50.3	Public Debt, incl. guaranteed		3.4	
Gross Reserves (end year)	74.9	101.4	149.4	Non-Guaranteed Private Debt		..	
				Total outstanding & disbursed		..	
Fuel and Related Materials							
Imports	214.5	248.9	310.2	<u>IBRD/IDA LENDING, (OCTOBER 31, 1979) (Million US\$)</u>			
of which: Petroleum	22.1	29.9	..		<u>IBRD</u>	<u>IDA</u>	
Exports	169.7	190.7	223.9	Outstanding & disbursed	46.3	14.5	
of which: Petroleum				Undisbursed	42.7	0.2	
				Outstanding incl. undisbursed	89.0	14.7	
<u>RATE OF EXCHANGE^{3/}</u>							
	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>		
US\$1.00 = P	0.679	0.732	0.870	0.845	0.833		
P 1.00 = US\$	1.472	1.366	1.150	1.183	1.20		

1/ Preliminary.

2/ Ratio of Debt Service to Exports of goods and Non-factor Services.

3/ Annual averages.

.. not available

. not applicable

November 1979
EALDB

STATUS OF BANK GROUP OPERATIONS IN BOTSWANA

A. STATEMENT OF BANK LOANS AND IDA CREDITS

(October 31, 1979)

<u>No.</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount (less cancellations)</u>		
				<u>Bank</u>	<u>IDA</u>	<u>Undisbursed</u>
Two loans and four credits fully disbursed				37.5	10.2	
325	1972	Botswana	Livestock Development Project		1.7	0.1
471	1974	Botswana	Francistown Urban Development Project		3.0	0.1
1019	1974	Botswana Development Corporation	Development Finance Company Project	4.0		1.5
1174	1975	Botswana	Third Road Project	5.8		2.0
1274) 1275T)	1976	Botswana	Education	10.5		5.7
1408	1977	Botswana	Fourth Road Project	20.0		14.7
1497	1977	Botswana	Second Livestock Project	6.5		6.4
1584	1978	Botswana	Second Urban Project	8.0		8.0
<u>2/</u>	1979	Botswana	Second Water Supply Project	<u>4.4</u>		<u>4.4</u>
Total				96.7	14.9	
of which has been repaid				<u>7.7</u>	<u>0.2</u>	
Total now outstanding				89.0	14.7	
Amounts sold				10.0		
of which has been repaid				<u>3.2</u>	<u>6.8</u>	<u>-</u>
Total now held by Bank/IDA <u>1/</u>				<u>82.2</u>	<u>14.7</u>	
of which is undisbursed				<u>42.7</u>	<u>0.2</u>	<u>42.9</u>

1/ Prior to exchange adjustments.

2/ Not yet signed.

B. STATEMENT OF IFC INVESTMENTS
(October 31, 1979)

<u>Investment</u> <u>No.</u>	<u>Year</u>	<u>Type of Business</u>	<u>US\$ million equivalent</u>		
			<u>Loan</u>	<u>Equity</u>	<u>Total</u>
448-BT	1979	Botswana Development Finance Development Company Corporation	-	0.36	0.36
		Total gross commitments	-	0.36	0.36
		Less cancellations, terminations, repayment and sales	-	-	-
		Total now held by IFC	-	<u>0.36</u>	<u>0.36</u>
		Total undisbursed	-	<u>0.36</u>	<u>0.36</u>

BOTSWANA

C. STATUS OF PROJECTS IN EXECUTION AS OF OCTOBER 31, 1979

AGRICULTURAL SECTOR

Credit No. 325: Livestock Development Project; US\$1.65 Million
Credit of June 30, 1972; Effectiveness Date: April 10, 1973;
Closing Date: April 30, 1980

The project is completed as far as IDA involvement is concerned, and investment took place along the lines anticipated. An outbreak of foot-and-mouth disease in 1977 caused severe problems in the livestock sector, curtailing production in general and diverting key agricultural staff from the project to help deal with the crisis. In addition, the project suffered from the following fundamental constraints: (a) the new ranches established in the western Kalahari cost much more than was anticipated and the occupants will have serious problems in repaying their loans out of ranch income; (b) the majority of new ranch occupants are non-residents and standards of management are no higher than on the traditional cattle posts; (c) the ranches were sited in an area of high density game population (because of readily available underground water) and the ranches' future viability is in doubt because of the level of game competition; (d) farmers showed little interest in using the finishing ranches when an economic grazing fee was charged; and (e) no new water points were established in the Karakul sheep rearing area so that the project has benefited the wealthiest owners who had private water points, and who have been able to exclude other people's animals from their land by the use of fencing provided by the project. The project beneficiaries now have much better grazing, but the rest of the community suffers severe over-grazing problems in a very fragile ecological environment.

Loan No. 1497: Second Livestock Project; US\$6.5 Million Loan of
December 30, 1977; Effectiveness Date: November 27, 1978; Closing
Date: June 30, 1983

The Project became effective at the end of 1978 after eight months' delay. The trek route work is advancing well and the ranch management training center is already operating. The Agricultural Development Bank has been strengthened and is ready to process loan applications. Actual ranch development has slowed down for two major reasons: (a) the registration of both individual ranches and grazing associations is a new development resulting from recent legislation and delays have occurred in granting leases and surveying ranches; and (b) the performance of the ranches developed under Livestock I has brought into question the viability of high levels of investment, especially fencing. The Agricultural Development Bank is, therefore, paying very close attention to this issue which may reduce the lending program.

URBAN SECTOR

Credit No. 471: Francistown Urban Development Project; US\$3.0 Million Credit of May 9, 1974; Effectiveness Date: October 1, 1974; Closing Date: December 31, 1979

The project addresses Francistown's urgent need for shelter and commercial development, and comprises: preparation of about 800 sites and service plots and 1,000 traditional plots, servicing of 25 plots for high cost houses; upgrading of squatter areas affecting about 1,000 households; construction of community facilities; preparation and servicing of 16 ha. of land for industrial and commercial development; provision of sewerage and water reticulation; and improvement of electrical distribution and sinking of boreholes. Implementation on the whole has been very satisfactory excepting low-cost sanitation. In September 1975 a surplus of about US\$600,000 (P 500,000) was created due to devaluation of the Rand. Following amendment to the Credit Agreement these funds have been used for additional upgrading of services, especially in the squatter areas and provision of an additional 146 site and service plots. The project is physically complete and the loan account was closed on December 31, 1979. Project completion report is under preparation by the Ministry of Local Government and Lands.

Loan No. 1584: Sound Urban Project; US\$8.0 Million Loan of May 10, 1978; Effectiveness Date: June 20, 1979; Closing Date: December 31, 1982

The project was not declared effective until June 1979 because of the Government's delay in meeting various conditions. Since then, progress on the physical components has been generally satisfactory. Preparation of detailed design and contract documents for most civil works is nearing completion and construction should start at the end of next year. Detailed designs of the community facilities (except schools) are being completed by the councils. Designs on primary schools is complete and construction should start early next year.

DFC

Loan No. 1019: Botswana Development Corporation Project; US\$4.0 Million Loan of June 27, 1974; Effectiveness Date: December 9, 1974; Closing Date: December 31, 1981

Medium- and large-scale industrial investment activity in Botswana remains depressed due to political uncertainties in southern Africa and limited investment opportunities in Botswana. The small-scale enterprise program is jointly being implemented by Barclays Bank and BDC. Due to the slow commitment of the loan, the subproject submission and closing dates have recently been extended at BDC's request to December 31, 1979 and December 31, 1981, respectively.

TRANSPORT

Loan No. 1174: Third Road Project; US\$5.8 Million Loan of November 21, 1975; Effectiveness Date: January 12, 1976; Closing Date: December 31, 1980

Project implementation is about 1-1/2 years behind schedule, due to the unusually heavy demands on an understaffed Roads Department, delays over the approval of tender documents, and contractor problems, but progress in all components is now improving. The construction of Molepolole-Gaborone road was completed in May 1979. Detailed engineering of the Mahalapye-Serule road, the Highway Maintenance Pilot Study are now being finalized and the study should begin shortly. The Loan Agreement was amended in November 1978 to include a feasibility study and detailed engineering for a 77 km road and purchase of traffic counters. These additional components were financed out of savings estimated at US\$1.2 million on the road construction component of the project.

Loan No. 1408: Fourth Road Project; US\$20.0 Million Loan of April 21, 1977; Effectiveness Date: August 18, 1977; Closing Date: December 31, 1981

Progress is satisfactory. Implementation of the Road Maintenance Program has been delayed by about one year because of delays in finalizing the maintenance study report and decisions on equipment procurement. The Loan Agreement was amended in August 1978 to include construction of 17 km of road, a feasibility study and detailed engineering of roads in the Tuli Block area and technical assistance for the Roads Department. The additional components were financed out of savings estimated at US\$5.5 million on the road construction component of the project.

EDUCATION SECTOR

Loans No. 1274 and 1275T: Education Project; US\$10.5 Million (US\$7.0 Million IBRD and US\$3.5 Million Third Window) of May 28, 1976; Effectiveness Date: September 10, 1976; Closing Date: March 31, 1982

Implementation is satisfactory and the project is expected to be completed with full disbursement of the loan proceeds by March 31, 1982, the loan Closing Date. Latest cost estimates indicate about a six percent increase in total project cost. Disbursement is lagging due basically to the lack of urgency in preparing the necessary documentation. This documentation is currently under preparation.

WATER SUPPLY AND SEWERAGE SECTOR

Loan (Not yet signed): Second Water Supply Project; US\$4.4 Million of _____; Estimated Effectiveness Date: February 1980; Closing Date: December 31, 1982

The loan is expected to become effective on time in February 1980. Initial project implementation is satisfactory.

TRANSPORT

Loan No. 1174: Third Road Project; US\$5.8 Million Loan of November 21, 1975; Effectiveness Date: January 12, 1976; Closing Date: December 31, 1980

Project implementation is about 1-1/2 years behind schedule, due to the unusually heavy demands on an understaffed Roads Department, delays over the approval of tender documents, and contractor problems, but progress in all components is now improving. The construction of Molepolole-Gaborone road was completed in May 1979. Detailed engineering of the Mahalapye-Serule road, the Highway Maintenance Pilot Study are now being finalized and the study should begin shortly. The Loan Agreement was amended in November 1978 to include a feasibility study and detailed engineering for a 77 km road and purchase of traffic counters. These additional components were financed out of savings estimated at US\$1.2 million on the road construction component of the project.

Loan No. 1408: Fourth Road Project; US\$20.0 Million Loan of April 21, 1977; Effectiveness Date: August 18, 1977; Closing Date: December 31, 1981

Progress is satisfactory. Implementation of the Road Maintenance Program has been delayed by about one year because of delays in finalizing the maintenance study report and decisions on equipment procurement. The Loan Agreement was amended in August 1978 to include construction of 17 km of road, a feasibility study and detailed engineering of roads in the Tuli Block area and technical assistance for the Roads Department. The additional components were financed out of savings estimated at US\$5.5 million on the road construction component of the project.

EDUCATION SECTOR

Loans No. 1274 and 1275T: Education Project; US\$10.5 Million (US\$7.0 Million IBRD and US\$3.5 Million Third Window) of May 28, 1976; Effectiveness Date: September 10, 1976; Closing Date: March 31, 1982

Implementation is satisfactory and the project is expected to be completed with full disbursement of the loan proceeds by March 31, 1982, the loan Closing Date. Latest cost estimates indicate about a six percent increase in total project cost. Disbursement is lagging due basically to the lack of urgency in preparing the necessary documentation. This documentation is currently under preparation.

WATER SUPPLY AND SEWERAGE SECTOR

Loan (Not yet signed): Second Water Supply Project; US\$4.4 Million of _____; Estimated Effectiveness Date: February 1980; Closing Date: December 31, 1982

The loan is expected to become effective on time in February 1980. Initial project implementation is satisfactory.

- 4 -

D. EXISTING IFC INVESTMENTS

Botswana Development Corporation, 448-BT, DFC

IFC has agreed to purchase shares in the Botswana Development Corporation (BDC) and will provide technical assistance to its management by being represented on BDC's Board of Directors

BOTSWANA - PROSPECTIVE OPERATIONS

FY80

Education II (proposed US\$10.0 million loan)

The project will expand and improve the network of junior secondary schools, increase rural vocational training and provide training for civil servants and public sector personnel. Major components include: (a) providing of classrooms, science facilities, offices and site work for 11 community junior secondary schools, (b) constructing about 7 new community junior secondary schools, (c) establishing 7 new youth brigade centers and 9 new agriculture brigades, (d) expanding the facilities at the Botswana Training Center and the Institute of Development Management, and (e) providing technical assistance for specialist services in the Project Implementation Unit. The project will help Botswana meet its future work force requirements by expanding enrollments at the junior secondary level and in institutions providing vocational civil service and management training. The project's risks involve the adequate provision of junior secondary school teachers, particularly in mathematics and sciences, and possible difficulties in the formation and operation of the agricultural brigades.

The total project cost is estimated at US\$15.0 million equivalent, including duties and taxes amounting to about US\$0.4 million equivalent. About US\$9.6 million equivalent, or 65 percent of project cost, will be for expenditures on goods and services outside Botswana. The proposed Bank loan of US\$10.0 million equivalent will cover approximately all foreign expenditures with the balance financed by the Government. Negotiations are scheduled for February 4, 1980.

FY81

Highways V (US\$15.0 million loan)

The project would (i) construct to bitumen standard the Dumela-Ramokwebana road; (ii) improve high priority roads in the Tuli Block area; (iii) finance detailed engineering for the Nata-Maun road; and (iv) provide technical assistance and training for road maintenance. Total costs are estimated at about US\$20.0 million, of which the foreign exchange component would be US\$15.0 million. Appraisal is scheduled for March 1980.

FY82

DFC II (US\$6.0 million loan)

The timing of this project has been delayed due to the difficulty the Botswana Development Corporation (BDC) has had in committing the first line of credit. BDC has access to concessional loan funds from bilateral sources and recently raised US\$750,000 in new equity from several development institutions, including the IFC. The exact timing of this loan will depend on the commitment of the existing line of credit.

FY83

Education III (US\$12.0 million)

The project would follow-on Education II.

FY83 (R)

Power I (US\$20.0 million)

The Government has requested the Bank to coordinate the financing for a large, coal-fired power plant, initially 60 or 90 MW, but designed to permit planting up as demand requires. The plant would be located at Morupule, the site of an existing small coal mine which would probably be expanded to meet the plant's coal requirements. Project costs are estimated at between US\$125-150 million (excluding mine development). Feasibility studies have just begun and, along with design work, should take 15 months.

Urban III (US\$10.0 million)

The project would continue assistance for low-cost housing schemes in Francistown, and may extend to Gaborone and Lobatse.

FY84

Livestock III (US\$18.0 million loan)

The project would finance several of the major investment projects to be identified under the Tribal Grazing Lands Policy study now in progress. Emphasis would be placed on communal ranches and efforts to bring the benefits of livestock production to the majority of rural households who do not own cattle at present.

Water Supply III (US\$10.0 million)

The project would provide for Gaborone and Lobatse's water supply requirements by enlarging the Gaborone Dam. Funds to study the feasibility of raising the dam are included in the Second Water Supply Project (FY80).

OFFICE MEMORANDUM

TO: FILES

DATE: April 28, 1978

FROM: Deane N. Jordan, Loan Officer, EAIDB

SUBJECT: BOTSWANA - Visit of Mr. W. A. Wapenhans, RVP, EAN
March 29 - April 1, 1978

1. Mr. Wapenhans visited Botswana from March 29 to April 1 accompanied by Mr. Y. S. Abdulai, Executive Director's office, and myself. He was welcomed by the Vice President and Minister of Finance and Development Planning, Dr. Q. K. J. Masire, and met personally with the President of Botswana, Sir Seretse Khama. Separate discussions were held with officials in the Ministries of Finance and Development Planning, Works and Communications, Agriculture, Education, Local Government and Lands, and in the Bank of Botswana and the Botswana Development Corporation. In a field trip, he visited the Urban Development Project in Francistown and the Shashe copper/nickel mining complex at Selebi Phikwe. A copy of the itinerary is attached. This note summarizes the major issues discussed.

Meeting with the President

2. In an hour-long meeting, the President, who was joined by his Permanent Secretary, Mr. P. Steenkamp, welcomed Mr. Wapenhans to Botswana and shared with him some of his key concerns. The President discussed the rapid influx of refugees from Rhodesia, noting that 350 young students from a Rhodesian school had entered Botswana on the day of the meeting alone. He stressed the overcrowding of the refugee camps which now held about 6,000 people, and the difficulties Zambia was having in providing financing for the airlifts of refugees to that country. He referred briefly to the political situation in Rhodesia, particularly to his unhappiness with aspects of the proposed "internal settlement", and hinted at the importance to Botswana of taking over control of the Botswana section of the Rhodesia Railway.

3. Mr. Wapenhans recalled his first visit to Botswana in 1961 and his meeting with the President at that time when Sir Seretse was then on the executive committee of the Botswana Democratic Party. He drew attention to the high level of Bank lending to Botswana, at which the President seem pleased, and reviewed some of the challenges the World Bank is facing at this time (e.g., IDA V and prospects for a general capital increase).

Ministry of Education

4. Mr. Wapenhans met with the Permanent Secretary, Mr. David Finlay, and his Chief Educational Planner, Mr. Lars Lockhart. Mr. Finlay began by referring to the good progress being made in the implementation of the first project, and then referred to the Government's strategy in the education sector. He said the Government was giving immediate priority to qualitative improvements, total access, and consolidation of the

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primary school subsector, with large-scale intermediate school expansion to take place at a much later date, perhaps by the mid-1980s. Mr. Wapenhans posed the question of what will be done to absorb the large number of primary school leavers who will be entering the job market over the next few years. Mr. Finlay responded that this was a difficult problem for which no full solution was readily apparent. He noted that a small number would be absorbed by the Brigades and rural industries, but for most the alternative was the agriculture sector (primarily subsistence) which was not considered by the school leavers to be at all attractive. Mr. Wapenhans also drew attention to the shortage of highly skilled Batswana in the economy versus the abundance of unskilled or semi-skilled labor, and questioned whether further investments in the intermediate school subsector should be delayed until the mid-1980s. The Permanent Secretary mentioned that some investments may be made to improve private secondary schools (which are managed and sponsored by local communities), but, if more than this were done, the effects on the budget would be too heavy. Education already receives 22 percent of the Government budget, and expenditures have been growing at about 16 percent annually -- faster than the growth of the economy. (At a later meeting in the Ministry of Finance, this issue was discussed further (para. 13).)

5. The proposed second education project was also discussed. Possible components include expansion of the Brigades program, intermediate school teacher training, assistance to private secondary schools, and other smaller items. Mr. Wapenhans enquired about the dual system of secondary education (private and public). The officials replied that this was in line with the Government's desire to encourage communities to play a more direct role in the provision of education. Nevertheless, the Government was planning to gradually bring these schools (about 16 in total) into the public system over a number of years. Mr. Wapenhans pointed out that the Bank would have to satisfy itself on the criteria for subsidization of private schools and the efficiency of the dual system. He suggested that the officials should give further thought to the objectives and criteria for private school subsidization prior to the arrival of the preappraisal mission. The officials concurred with the suggested scheduling of a pre-appraisal mission around September 1978 and appraisal in the first part of 1979.

Ministry of Works and Communications

6. Mr. Wapenhans met with Mr. P. H. K. Kedikilwe, Permanent Secretary, Mr. G. McKenzie, Deputy Permanent Secretary, and Mr. S. Solberg, Planning Officer. Mr. Kedikilwe opened the meeting with a discussion of the Government's plans to take over the Botswana section of the Rhodesia Railway, and their desire for the Bank to play a coordinating role in a railway project for this purpose. He stressed the political and strategic importance of such a move, and added that cost considerations were only of secondary importance. He referred to the first report of a Joint Working Committee (of the Botswana Government and Rhodesia Railways) for the planning of the takeover, which recommends a gradual, long-term phased takeover, and said his Ministry concurs with the Committee, subject to the preparation of an emergency contingency sub-plan (by Botswana alone) that could be activated in the event service from Rhodesia is disrupted. He added that the USA and Germany, in particular, were making their assistance for a railway project contingent upon the participation of the Bank.

7. Mr. Wapenhans said that he appreciated the situation Botswana finds itself in, but for the Bank to participate in a project comprising such a takeover, the project must have a sound economic base. At present, he could not see any economic justification for Bank financing of such a project. He said he understood that the railway is presently functioning very well, possibly even with a subsidy from Rhodesia, and that taking over the railway could place a severe financial and skilled manpower burden on Botswana. He noted the additional cost, estimated at roughly 25 percent, of developing and maintaining the railway over the next decade under a separate Botswana railway organization. Aside from the additional cost, Botswana also would assume risks associated with the transit traffic (about 82 percent of the total), which appears vital to maintain the financial viability of the railway. If this traffic were to be lost, Botswana would find itself stuck with a lot of costly and unused assets. The Government might be well advised to keep this in mind as it proceeds with its deliberation towards a takeover. In the meantime, however, Botswana appears to need, most of all, a contingency plan (which might form the first element of a long-term takeover plan) to act as a form of insurance against the risk of a sudden deterioration in railway service. While the Bank would not be able to finance such "insurance", it is willing to do what it can to help the Government obtain resources from bilateral sources to meet what is essentially a political contingency; it may also consider some form of non-financial participation. (Further discussions on this subject were held with the Ministry of Finance (para. 13).)

Ministry of Agriculture

8. Mr. Wapenhans met with Mr. M. Sekgoma, Acting Permanent Secretary, and Mr. V. Amman, Chief Agricultural Economist. The meeting opened with a discussion of the Government's planned Arable Lands Policy, which will have as its objectives the provision of much-needed employment opportunities, increased incomes in the rural areas, reduced dependence on South African foodstuffs, and reduced rural/urban migration. Messrs. Sekgoma and Amman said it will likely take another two years to formulate the policy. In the meantime, the Government has obtained assistance, primarily from the United Kingdom and the United States, for various research programs on food production techniques (e.g., dryland farming, seed multiplication, soil conservation, and agricultural implements). They hoped that a major project could get underway about 1982.

9. Mr. Wapenhans enquired about the long-term viability of an Arable Lands Policy in Botswana. He noted that Botswana's agricultural pricing policies are constrained by the policies of South Africa. While producer prices in the two countries are about equal, South African farmers can make a reasonable return because of their additional advantages of better soils, weather, and technology. At the same time, the return per unit on input in Botswana appears to be much greater for cattle farming than for crop farming. As a result, crop earnings would probably be converted into cattle over the long-run unless the Government decides to prop-up agricultural producer prices through subsidies which, in turn, could lead to a number of unwanted problems and heavy economic costs. Further, even with higher producer prices, it is questionable whether the incentive for

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people to migrate to urban areas would be lessened. On net, therefore, it would seem at first glance that the proposed Arable Lands Policy would need to be interrelated with the Government's Tribal Grazing Lands Policy in such a way that greater encouragement is given to crop production at the margin. (Further discussions on this subject were held with the Ministry of Finance (para. 13).)

Ministry of Local Government and Lands

10. Mr. Wapenhans met with Mr. P. Bagwasi, Acting Permanent Secretary. The meeting took place following his field trip to the Francistown Urban Project, and Mr. Wapenhans began by noting the excellent progress that has been made on the project. Nevertheless, he expressed concern at the high level of arrears in both the site and service, and upgrading areas, and noted that this problem would need to be discussed in detail during the forthcoming negotiations for the proposed second urban project. Mr. Bagwasi noted that various measures were being considered for improving collection, including a proposal to form groups of households in the areas to which responsibility for collections would be allocated.

Bank of Botswana

11. Mr. Wapenhans met with Mr. Brenton Leavitt, Acting Governor, and his officials, Messrs. P. Gore, C. Harvey and D. Hudson. Mr. Leavitt raised two issues of concern to the Bank of Botswana. Firstly, he noted that Botswana was receiving, in his opinion, an undue proportion of the stronger currencies (e.g., Swiss Francs and Japanese Yen) in disbursements on Bank loans, and that this was becoming a burden to Botswana's small economy. Mr. Wapenhans explained the Bank's borrowing and disbursement procedures in some detail, but indicated that he would discuss the impact of these procedures on small countries such as Botswana with the Bank's Treasurer. Mr. Leavitt also registered a complaint about the delay his auditors experienced in obtaining verifications of account balances with the World Bank. Mr. Wapenhans also agreed to review this matter upon his return to Washington.

Botswana Development Corporation

12. Mr. Wapenhans met with Mr. Paul Hinchey, Managing Director. Mr. Hinchey reviewed BDC's operations, noting some of the problems encountered with the Prinz Brau brewery sub-project and the Selebi Phikwe hotel sub-project. He mentioned that BDC's repayment schedule for the Bank loan (1014-BT) has been a cause of some headaches and disagreements over amounts due, since it is based on the aggregate of the amortization schedules for sub-loans which has been subject to frequent change recently. He indicated a preference for a fixed repayment schedule (say, over 10 years), but noted that this could lead to some roll-over financing. Mr. Wapenhans said the Bank has permitted, on occasion, fixed repayment schedules for small DFCs (like Botswana). He said he would refer the matter to his projects staff upon his return to Washington with a view to assessing the option for a different approach at the time of a new line of credit.

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Ministry of Finance and Development Planning

13. Apart from a welcoming meeting with the Vice President and Minister of Finance, at which the Minister raised issues which were subsequently discussed in more detail by his officials, Mr. Wapenhans met twice with the Ministry. Mr. B. Gaolathe, Permanent Secretary, Mr. M. Stevens, Director of Economic Affairs, and a number of planning officers including Messrs. Matambo, Mothibatsela and Tumela attended the meetings. The following topics were discussed.

- (i) Railway. Mr. Wapenhans reviewed his meeting with the Ministry of Works and Communications. Further, he explained his desire to find a way to justify the Bank's presence in a railway project, but at present there was no economic evidence for this. He questioned whether Bank involvement without finance would be sufficient for the other interested bilateral agencies to participate. The officials replied that they were not certain; the countries primarily interested in having Bank financial participation as well as its expertise were Germany and the USA. Mr. Wapenhans suggested that it might be possible to encourage UNDP to fund a regional transport planning and coordination project for which the Bank could be the executing agency. There appears to be a need for an analysis of the long-range transport situation in southern Africa, and perhaps for some form of cooperation (particularly among the land-locked countries). He understood that UNDP had set aside some funds for a regional project, and thought UNDP could be mobilized fairly quickly. If the Government agreed, the Bank could pursue this matter with UNDP officials at a high level. The officials replied that the proposal had merit, but would like to review it internally before any further steps are taken.
- (ii) Agriculture and Rural Development. The officials referred to the proposed rural development project in the Bank's FY81 program, and asked that this project be deleted. They were not certain at this time whether a large scale project would materialize by the early 1980s and, in any event, would want to use bilateral funds for such a project in view of the availability of such funds and the interests of various agencies. Further, they did not believe the Ministry of Agriculture was capable of handling two large Bank projects (a rural development project together with Livestock II) simultaneously. Mr. Wapenhans questioned whether Bank projects entail an excessive administration burden and, if so, could it be alleviated. The officials replied that the Bank is very thorough, which is not always necessary, and that speed may be more important in some cases. Mr. Wapenhans agreed to delete the proposed project from the lending program, but added that, in order to justify the high level of Bank lending in other sectors, the Bank would still need to satisfy itself in the course of its economic work that Botswana was giving adequate priority to rural development.

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Mr. Wapenhans also followed up on his discussions with the Ministry of Agriculture, noting that the Government should look closely at the interrelationships between the Tribal Grazing Lands Policy (TGLP) and the proposed Arable Lands Policy (ALP). He suggested that the present workings in the rural sector, where spare earnings are channeled into cattle and arable farming is left to women and children, may well be efficient given present opportunities. Alternatives such as those contemplated by the Ministry of Agriculture may require substantial fiscal support. He referred also to the severely skewed pattern of cattle ownership and asked whether a fiscal review was necessary to determine whether cattle owners were paying adequate taxes for the services and benefits they receive and whether modifications to the tax structure could be used to promote income redistribution. The officials replied that it is doubtful the cattle owners pay anywhere near enough to cover their share of services, and that tax evasion is prevalent. However, a Government committee was looking at this problem, and hoped to have a report ready by next year. Nevertheless, the emphasis of their study mainly is to determine how to increase tax collections rather than income redistribution. The latter would be attacked primarily through the proposed ALP program. Mr. Wapenhans added that the Bank's country economist will want to discuss the prospects for a fiscal review and terms of reference therefor during his forthcoming mission scheduled for May 1978.

- (iii) Customs Union. Mr. Wapenhans asked if the emergence of "independent" homelands in South Africa is expected to have any serious implications for the Customs Union. The officials replied that it would be a major problem if South Africa requests a restructuring of the Customs Union to incorporate the homelands. While this would have little impact on the revenues Botswana would receive if the present formula is retained, implicitly it would entail diplomatic recognition by Botswana and the other members of the Union. At the present time, South Africa is exerting only gentle pressure on Botswana to recognize these new "countries" and, in any event, South Africa would have to give at least one year's notice of its intention to withdraw from the Union for the purposes of such a restructuring.

At present, Botswana does not have a contingency plan, nor has it examined in detail the cost to the economy of leaving the Union or when such a move might be advantageous. Nevertheless, rough estimates put the cost in the neighborhood of US\$24 million annually. Certainly, the advantages to remaining in the Union far outweigh the disadvantages, such as less control over the domestic price structure and less incentive for industry to locate in Botswana versus South Africa.

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- (iv) Education. Mr. Wapenhans recalled his meeting with the Ministry of Education and noted the high rate of growth of education expenditures (16 percent annually) and their high absolute proportion of the Government budget (22 percent). Further, he noted that part of the cost of teachers (now about two-thirds of expenditures) is probably hidden because of financing by donor agencies, and questioned whether expenditures were being made as efficiently as possible. The officials replied that the growth rate is likely to fall over the next few years but that, given the manpower needs of the economy and the need to channel at least some of the primary school leavers into other forms of education, the level of education expenditures was justified. Nevertheless, education expenditures were probably skewed too much in favor of formal education versus technical and vocational training programs. The limited implementation capacity of the Ministry of Education also is a constraint on the effectiveness of education expenditures.
- (v) Human Rights. The officials expressed their concern over the intention of the United States to have its Executive Director impart human rights questions into its consideration of project proposals, particularly since, in view of the heavy weight of the United States' voting power in the Board, this places the validity of the representation system in the Bank in question. They therefore asked how the Bank intends to handle this matter. Mr. Wapenhans replied that the U.S. position posed a problem for the Bank but that there was little the management could do. If human rights issues were recognized by an acceptable international forum and there were accepted criteria for their consideration, the Bank probably could not ignore them. But, at present, neither such a forum nor appropriate criteria exist. As a consequence, this situation makes the Bank's adherence to its Articles and insistence on using economic, non-political criteria alone more important than ever before. The issue has not had, as yet, any impact on the present and projected growth of the Bank's operations, but the possibility that it may have implications for the future could not be dismissed. He also referred to Mr. McNamara's response to the African Caucus memorandum which had raised the question of non-economic considerations in Board decisions.

Attachment

Cleared with & cc: Mr. Wapenhans

cc: Messrs. Adler, Bickers, Boucher, Bronfman, Eccles, Erkmen, Gulhati, Hendry, Nouvel, O'Brien, Pennisi, Reese, Reid, H. Singh, Strombom, Wiehen

RMEA

DNJ:lp

ITINERARY

Wednesday, March 29, 1978

- 1600 Arrive Gaborone by charter
- 1630 Meeting with Vice President and Minister of Finance and Development Planning

Thursday, March 30, 1978

- 0830 Meeting with Ministry of Finance and Development Planning
- 1030 Meeting with Ministry of Education
- 1130 Meeting with Bank of Botswana
- 1245 Official Luncheon
- 1400 Meeting with Ministry of Works and Communications
- 1515 Meeting with His Excellency, the President
- 1630 Depart by charter to Francistown
- 1800 Arrive Francistown
- 1900 Official Dinner with Francistown Town Council

Friday, March 31, 1978

- 0800 Tour of Francistown Urban Project
- 0900 Depart by charter to Selebi Phikwe
- 0930 Arrive Selebi Phikwe and visit Shashe copper/nickel mining complex
- 1300 Depart by charter to Gaborone
- 1430 Arrive Gaborone
- 1500 Meeting with Ministry of Agriculture
- 1600 Meeting with Ministry of Local Government and Lands

Saturday, April 1, 1978

- 0830 Meeting with Botswana Development Corporation
- 0930 Round-up meeting with Ministry of Finance and Development Planning
- 1330 Depart Gaborone

BOTSWANA

UNDP

The UNDP planning figure for Botswana in the period 1978-82 is about US\$10 million. Most of these funds will be used to support about fifty experts assigned to a number of development projects including agriculture and rural development, communication, development of manpower resources and economic infrastructure. The UNDP also handles special contributions to Botswana from the Special Measures Fund for least Developed Countries (\$0.3 million in 1978). Attached is a table showing the source of financing for externally financed technical cooperation in Botswana in 1978.

SUMMARY

Externally Financed Technical Co-operation in Botswana: 1978

	Source of Financing									
	UNDP		UN System Other than UNDP		Other Multilateral Organizations		Other		Total	
	\$000	%	\$ 000	%	%000	%	\$000	%	\$000	%
Agriculture, Forestry and Fisheries	456	29	181	2	-	-	3,916	16	4,553	13
Culture and Social and Human Sciences	-	-	-	18	-	-	74	NS	74	NS
Education	225	15	1,381	-	-	-	6,124	25	7,730	23
General Economic and Social Policy Planning	74	5	-	-	-	-	4,210	17	4,284	13
Health	132	8	534	7	52	100	3,206	13	3,924	12
Industry	187	12	-	-	-	-	1,483	6	1,670	5
International Trade	-	-	50	NS	-	-	-	-	50	NS
Labour, Management and Employment	43	3	-	-	-	-	72	NS	115	NS
Natural Resources	75	5	22	NS	-	-	1,657	7	1,754	5
Relief Activities	-	-	4,655	59	-	-	13	NS	4,668	14
Science and Technology	52	3	-	-	-	-	-	-	52	NS
Social Security and Other Social Services	110	7	1,068	14	-	-	1,092	5	2,270	7
Transport and Communication	200	13	-	-	-	-	2,662	11	2,862	8
TOTAL	1,554	100	7,891	100	52	100	24,509	100	34,006	100

BOTSWANA

MEDIA BACKGROUND

Press

The Government's Information Department publishes the Botswana Daily News in the country's two official languages, English and Setswana in Gaborone, the capital city (circulation 9,000 in English, 4,500 in Setswana). Two other non-dailies are also published (circulation 9,000 in total for both). A third non-daily, bilingual is printed in Mafeking, South Africa.

About 50 periodicals (of which 33 are yearly publications) almost all in English are published as well, dealing principally with law, economics and political science.

Radio

Radio Botswana is Government-owned and it broadcasts in English and Setswana reaching about 90 percent of the population. Its programs include news broadcasts (including BBC news relays), educational programs for schools, cultural and scientific programs and entertainment. The radio broadcasts for about 100 hours a week. As of 1976, about 12,000 radio sets were in use in the country. A license fee is paid by the owners of radio sets.

There is no television in Botswana.