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# OFFICE MEMORANDUM

For MC information  
Mr. Clausen

E-1227

OPS/MC85-32

DATE: June 21, 1985

TO: The Managing Committee

FROM: Ernest Stern *ES*

EXT.: 72004

SUBJECT: BOTSWANA Country Program Paper

1. Attached for your information is the Botswana CPP which was reviewed by the Operations Policy Sub-Committee on June 7, 1985. The Agenda for that meeting and the Postscript are also attached.

Attachments

cc: Mr. Southworth

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BOTSWANA COUNTRY PROGRAM PAPER

Postscript

68. The Review Meeting was held on June 7, 1985. The discussion centered on concern with Botswana's prospects for medium-term growth (other than in the still lucrative diamond sector), and given the limited scope for diversification, on the feasibility of the proposed investment strategy (an estimated increase in the investment ratio from 30 percent of GDP in 1983 to about 36 percent through 1990-95).

69. The Region noted that the 1983 investment ratio was unusually low compared to levels attained in the recent past. There was some development potential in agriculture, although exploiting this would be difficult in the absence of policy change: the proposed FY88 agriculture project would try to aim at arable agriculture and to stimulate an appropriate policy package. Some growth was also possible in industry and manufacturing, but this would be coming from a very small base, and would not create much employment. Over the medium term, growth will emanate as now mostly from the mining sector; however, it was suggested that future growth in the sector would probably not match the earlier success achieved following the opening of new mines, given the current concern with viable market opportunities for diamonds.

70. In view of the above, as well as Government's own conservative position on expected growth of the economy, the meeting considered the kind of policy advice which the Bank might offer Botswana. Although the Region noted that the proposed high investment rate was largely attributable to heavy infrastructure financing, it was felt that the Government should pursue more moderate investment and growth objectives than projected in the CPP. Any resultant increase in foreign exchange reserves would permit stable investment and growth in case the diamond market turned out to be less robust than projected.

71. The IMF representative noted the concern expressed in the CPP about possible overvaluation of the local currency (pula), and supported the emphasis on maintaining the competitive external value of the pula. However, he felt that the recent devaluation (January 1985), and the overall thrust of Government fiscal and monetary policy prescriptions (particularly for interest rates), gave sufficient assurance that the pula would be maintained in a proper relationship vis-a-vis the South Africa rand. The meeting noted that future discussions of the value of the pula should be left to the IMF, while the Bank would continue to monitor the competitiveness and prospects for Botswana's non-traditional exports and encourage efficient import substitution.

72. It was agreed that the proposed per capita lending levels by the Bank, although relatively high, did not pose much of an issue in view of the country's small population size; the Region should nevertheless keep in mind the increasing IBRD exposure ratio in Botswana. In this respect, some consideration might be given to reducing proposed Bank lending for particular



operations and seeking additional cofinancing, although the meeting noted the already strong record of Bank/donor coordination in project financing.

73. It was agreed that IBRD financing would be limited as at present to the foreign exchange component of project costs, to a maximum of 60 percent of total costs.

74. The next CPP would be scheduled in four years' time, unless major changes in the economic/creditworthiness situation justified preparation of an interim strategy note.

June 21, 1985

# OFFICE MEMORANDUM

DATE: May 29, 1985

TO: Operations Policy Sub-Committee

FROM: Luis de Azcarate, Director, CPD

EXT: 60063

SUBJECT: BOTSWANA CPP: OPSC Review

1. Attached is an agenda and comments on major policy issues identified by CPD and PBD for consideration by the Sub-Committee. Suggested agenda items are:

- a) The implications of the differences between the Bank and the Government regarding projections of growth and investment;
- b) The scope for macro-economic policy measures to promote diversification, especially the exchange rate, wage policy and interest rates;
- c) The scope for Bank assistance through ESW and at the sector-policy level to promote diversification in agriculture and manufacturing; and
- d) The size of the Bank's exposure and the level of Bank lending.

2. Also attached is a note prepared by the Regional Office which describes the implications of the revised 1984 data for Botswana's balance of payment's and debt service prospects.

3. The Review meeting will be held on Friday, June 7, 1985 at 3:30 p.m. in Room E-1208.

## Attachments

cc: Regional Office: Messrs. Kraske  
Wyss  
Gulhati  
Greene  
Messenger  
Durdag  
Morris  
Ducker

Messrs. Ryrrie  
Jansen



## BOTSWANA COUNTRY PROGRAM PAPER

### TOPICS FOR DISCUSSION

#### Recent Performance and Prospects

1. In contrast to nearly all other African countries, Botswana has achieved impressive economic growth for most of the past five years and has also continued to demonstrate an impressive ability to adjust to adverse economic shocks -- the sharp deterioration in the terms of trade between 1979 and 1983, serious drought and livestock disease. However, progress toward diversification in productive activities, needed to reduce the dualism of the economy, has been slow and uncertain.
2. With the levelling off foreseen in mineral production, the Government is forecasting a sharp reduction in the growth rate - from an average of about 10 percent in 1979-84 to one of 4.8 percent during 1985-90. However, the Bank staff and the IMF staff both believe that this relatively low rate of growth would lead to the accumulation of substantial budgetary surpluses and foreign exchange reserves (para. 23). The CPP therefore recommends the Government target a growth rate of around 6 percent, which it estimates would require an increase in the investment rate from 30 percent in 1983 to 36 percent by 1990 (para. 26). It would be useful for the Region to elaborate on the areas where increased investment would have priority and on whether there is a good probability that the return on these investments would equal or exceed the marginal cost of borrowing. It would also be of interest to know what the Government's reaction is to the Bank staff's views on growth and investment.

#### Policies for Diversification

3. The obstacles to diversification are severe: the large comparative advantage of the mining sector, the openness of the economy to competition from South Africa, the well-established vested interests in the traditional livestock sector and the limited potential for arable agriculture. At the same time, the country is fortunate in having ample financial resources, and therefore time, to develop a more diversified base before its income from minerals start to decline. But more rapid progress is essential. The CPP identifies several requirements for accelerating this progress: one is an improved planning process, that would "take a long term and coherent view of the development of key resources and industries". Presumably the Bank's economic and sector work has already made a contribution in this regard. Is there additional action the Bank could take, through its future ESW or lending operations to help improve the planning process in Botswana?
4. Other action to promote diversification is recommended in the area of pricing policy, particularly on the exchange rate, real wages and interest rates. Some elaboration may be useful on several of these points:
  - a) On the exchange rate, during 1984 there was a 40 percent devaluation of the rand relative to the dollar. (This reduced the cost of Botswana's imports from South Africa while exports continued to receive dollar prices). By early 1985 Botswana had



adjusted the exchange rate of the pula to the rand back to its end 1983 position. Is a further downward adjustment of the pula regarded as desirable at this stage?

- b) In a closely related point, the CPP notes that the level of real wages is an important factor in Botswana's ability to compete with South Africa in manufacturing. Is a reduction in real wages (e.g. through a real depreciation of the pula vis-a-vis the rand) required to provide the basis for such development?
- c) On interest rates and financial development, the CPP suggests the Government facilitate the development of an indigenous banking institution which would help advance financial intermediation in rural areas and provide subsidized loans to projects that are justified from the standpoint of national development objectives. Accepting that some form of subsidy may be warranted to promote diversification, are subsidized interest rates likely to be the most effective means?

#### The Bank Assistance Strategy

5. The CPP identifies livestock, arable farming, manufacturing and energy development as the key sectors where increases in productivity, output and employment should be sought. Projects have been or are being developed in all these sectors, as well as in water supply and manpower development. The Government has also asked about the possibility of structural adjustment lending to provide broader support for diversification. But the CPP states (para. 38) that it would be premature to introduce a broad policy reform approach to Botswana in the form of strict conditionalities that might be difficult to meet. Nevertheless, the question remains as to the extent and nature of macro policy reforms the Region regards as essential to support the Bank's assistance strategy.

6. In addition, there remain the specific sectoral policy issues that might be addressed through the Bank's lending operations:

- a) In agriculture, the CPP mentions the existence of price distortions which affect the relative returns on livestock and arable farming. Can specific measures be identified in this area?
- b) Given the crucial role of the livestock sector, is there a case for making the overall size of the Bank lending program to some extent conditional on satisfactory progress on the National Land Management and Livestock Project?
- c) In manufacturing, the CPP notes that there has been a relatively rapid development of this sector. Is there potential for improving its prospects through further improvements in institutional and infrastructure support, or tax incentives?
- d) In education and manpower development, are we satisfied that the quality of rapidly expanding primary education is strong enough to support development of sound skills in secondary, technical



and vocational education (para. 51)? Also, given the rapid expansion of education coverage, are concomitant steps being taken by Government to institutionalize the training capacity and to provide a stable financial system for its continued growth, e.g. through fee or tax systems or involvement of the private sector in skilled worker training?

#### Creditworthiness, Exposure and the Size of the Lending Program

7. On the basis of its record of financial prudence, low debt and outlook for continued strong export growth, Botswana remains highly creditworthy. This assessment is reinforced by the revised projections prepared by the Region and attached to this agenda. Because total external debt is very low, Bank exposure is presently quite high - about 32% of total DOD and 44% of debt service. However, total debt service is currently only 3 percent of exports. The Region forecasts the exposure ratios to drop rapidly over the next few years as capital inflow from other sources increases, with debt service rising to about 9 percent by 1990. While it is an open question whether Botswana will be able to obtain as much capital on concessional terms as projected in the CPP (para. 27), it is also likely on the basis of the revised balance of payments outlook, that the country will need less capital than projected there, at least through 1990. In light of this, the proposed lending program for FY 85-89 seems quite appropriate. However, the high Bank exposure suggests that it may be prudent to hold the increase in the FY86-90 program to something less than the 25 percent recommended in the CPP.

#### Other Items

8. Cost-sharing. The CPP proposes that IBRD financing be limited as at present to the foreign exchange component of project costs, up to a maximum of 60 percent of total costs.

9. Timing of Next CPP. The Region proposes another CPP review in three years' time; unless there are major changes in the situation, a four year interval might be more appropriate.

Annex I compares the lending program for Botswana presented in this CPP with programs previously approved.

Annex II presents a comparison of various country performance indicators.

BOTSWANA

	Actual			Current	Program					Five-Year Totals		
	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89	FY90	FY82-86	FY85-89	FY86-90
<u>Operations Program (No.)</u>												
Approved, November 1981	1	1	1	2	2	..	..	..	..	7	..	..
Proposed, March 1985	-	1	3	2	1	3	1	1	1	7	8	7
<u>Lending Program (No.)</u>												
Approved, November 1981	1	-	1	1	2	..	..	..	..	5	..	..
Std. Table IVa, Nov. 1984	1	1	3	1	-	2	1	2	..	6	6	..
Proposed, March 1985	-	1	3	1	2	2	2	1	1	7	8	8
<u>Lending Program (Cur. \$m)</u>												
Approved, November 1981	20.0	-	30.0	12.0	23.0	..	..	..	..	85.0	..	..
Std. Table IVa, Nov. 1984	20.0	32.5	45.3	18.0	3.0	40.0	18.0	41.0	..	118.8	120.0	..
Proposed, March 1985	-	32.5	45.3	15.0	29.0	35.0	38.0	25.0	13.0	121.8	142.0	140.0
<u>Lending Program (Const. FY85 \$m)</u>												
Approved, November 1981	24.0	-	32.2	12.0	21.5	..	..	..	..	89.7	..	..
Std. Table IVa Nov. 1984	24.0	37.2	48.6	18.0	2.8	35.0	14.8	32.0	..	130.6	102.6	..
Proposed, March 1985	-	37.2	48.6	15.0	27.1	30.6	31.3	19.5	9.6	127.9	123.5	118.1
 Commitment Deflator (FY85=100)	83.2	87.4	93.2	100.0	107.2	114.4	121.4	128.2	134.9			

Note: November 1984 Review Group Decisions: FY85-89: IRRD \$120 million.

PBD/CP  
3/11/85



COMPARATIVE COUNTRY ANALYSIS

	<u>BOTSWANA</u>	<u>LESOTHO</u>	<u>COSTA RICA</u>	<u>PAPUA NEW GUINEA</u>				
<u>Economic Structure</u>								
Population 1983 (millions)	1.0	1.5	2.4	3.2				
GNP Per Capita 1983	970.0	460.0	1020.0	760.0				
% Agriculture in GDP 1983	9.6	23.0	23.0	n.a.				
% Industry in GDP 1983	42.8	22.0	27.0	n.a.				
% Services in GDP 1983	47.6	55.0	50.0	n.a.				
Debt Service Ratio 1983	3.1	2.5	50.6	11.2				
<u>Economic Performance</u>								
Real GDP Growth Rate 1973-83	14.4a/	5.5	2.7	1.0				
Gross Domestic Investment/GDP 1983	29.6	n.a.	21.0	31.0				
Exports GNFS/GDP 1983	69.4	n.a.	35.0	39.0				
Resource Balance/GDP 1983	-10.4	n.a.	-1.0	-18.0				
Gross Domestic Savings/GDP 1983	19.2	n.a.	20.0	12.0				
<u>Recent Social Indicators</u>								
Population Growth Rate	3.4	2.3	2.5	2.1				
% Change in Crude Birth Rate 1960-82	-14.3	n.a.	-36.8	-22.3				
% Change in Crude Death Rate 1960-82	-44.6	-35.8	-51.3	-43.1				
Infant Mortality Rate (per 1,000) 1983	79.9	93.0	16.0	98.0				
Life Expectancy (years) 1983	60.6	53.0	74.0	54.0				
Adjusted Education Enrollment Ratio								
- Primary	102.0	112.0	106.0	65.0				
- Secondary	23.0	20.0	48.0	13.0				
	<u>FY80-84</u>	<u>FY85-89 b/</u>	<u>FY80-84</u>	<u>FY85-89 b/</u>	<u>FY80-84</u>	<u>FY85-89 b/</u>	<u>FY80-84</u>	<u>FY85-89 b/</u>
<u>Lending Program</u>								
Nominal IBRD US\$M	129.2	120.7	0.0	50.0	84.2	300.0	123.4	410.0
Nominal IDA US\$M	0.0	0.0	35.2	23.0	0.0	0.0	45.0	0.0
p.c.p.a. Lending US\$	25.9	24.2	4.9	10.2	7.1	25.2	10.5	25.6
p.c.p.a. IDA Equivalent US\$	6.5	6.0	4.9	4.9	1.8	6.3	4.7	6.4
p.c.p.a. Constant 1985 US\$	29.8	20.6	5.7	8.4	8.6	22.1	12.3	22.0

Sources: Botswana CPP  
1985 Draft World Development Indicators

- a/ 1970-1983  
b/ CPP Proposal and Table IVA  
c/ Table IVa

Country Policy Department  
May 20, 1985

## BOTSWANA

### Review Draft CPP

#### Addenda

1. The Review Draft CPP for Botswana, dated May 7, 1985, presented the projections for the economy (Attachment 3) by using 1983 as the base year. In the text, however, we referred to the exceptionally favorable outcome of the balance of payments in 1984 (para. 13), which is substantially different from that projected in Attachment 3(c). CPD and PAB have asked to see the implications of the 1984 balance of payments outcome reflected in the discussion of economic prospects, particularly external capital requirements. This note attempts to do that.

2. For Botswana 1984 was an unusual year in that its merchandise imports declined by 10 percent in US dollars while increasing 5.2 percent in pula terms and nearly 18 percent in rand terms. The 1984 level of imports was lower than that in 1980 in current dollars. This was mainly due to a 40 percent depreciation in 1984 of the rand vis-a-vis the dollar, as 80 percent of Botswana's imports in that year originated from the Republic of South Africa. Consequently, merchandise imports in 1984 were US\$553 million compared to US\$758 million projected, and the current account had a surplus of US\$54 million instead of a projected deficit of US\$105 million. This gain was partly offset by a significant lower inflow of direct investment than estimated in Attachment 3(c). Taking together other smaller changes, these developments eliminated the projected financing gap of US\$101 million.

3. The sudden improvement in the 1984 balance of payments, resulting from the change in the dollar/rand exchange rate, is likely to be transitory and to disappear as the rand recovers its end-1983 level vis-a-vis the dollar. In fact, part of the said improvement in Botswana's balance of payments must have already disappeared during the first half of 1985 as the dollar/rand rate has stabilized, while inflation in the RSA has been running at about 15 percent per annum. However, we do not have any basis to ascertain meaningfully the future course of the exchange rate between the dollar and the rand, which depends to a large extent on changes in gold prices. In the meantime, it is true that the resulting favorable effect on Botswana's terms of trade will, ceteris paribus, reduce her external capital requirements or will give rise to larger foreign exchange reserves than projected in the CPP.

4. In order to incorporate the 1984 outcome into the medium-term outlook we have re-run the projections, with the following revised assumptions:

- imports in dollar terms would remain below the previously projected levels during 1985-88 and would gradually approach them thereafter;



- direct foreign investment would be somewhat smaller than the earlier projected amounts to reflect the new lower base values; and
- foreign exchange reserves in months of imports would be slightly greater than before, remaining constant at 6 months of imports instead of gradually rising from 5 months in 1985 to 6.3 months in 1995.

The result shows that the external capital requirements would be US\$40 million smaller in total during 1984-90 compared to the Attachment 3(c) projections. The debt service ratio and Bank exposure would differ from the Attachment 3 (including servicing of the gap) as follows:

	1985		1987		1990		1995	
	<u>CPP</u>	<u>Rev.Proj</u>	<u>CPP</u>	<u>Rev.Proj</u>	<u>CPP</u>	<u>Rev.Proj</u>	<u>CPP</u>	<u>Rev.Proj</u>
Debt Service Ratio	4.0	3.0	5.3	4.4	9.5	8.5	8.8	10.6
IBRD DOD/Total DOD	22.0	31.9	16.5	20.6	12.2	14.6	16.9	14.2
IBRD Debt Service/ Total Debt Service	32.9	44.8	33.0	32.9	18.4	21.0	13.9	12.1

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## Country Program Paper

B O T S W A N A

May 7, 1985

Eastern Africa Regional Office

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REVIEW DRAFT

May 7, 1985

COUNTRY PROGRAM PAPERBOTSWANA

		<u>FY80-84</u>	<u>FY85-89</u>	<u>FY86-90</u>
1983 Population: 998,000 <sup>a/</sup>	IBRD (TW)	129.2	120.7	150.0 <sup>b/</sup>
1983 per capita GNP: US\$970	IDA	-	-	-
	Total	129.2	120.7	150.0

Current population  
growth rate: 3.4% p.a.

No. of Loans/Credits	8	6	7
No. of Loans/Credits per million population	8.02	6.01	7.01

Current Exchange Rate:  
1.78 Pula = US\$1.00

Average Lending Per Capita Per Annum:	Current \$ (Const. FY84 Commitment \$)			
IBRD/IDA	25.9(28.2)	24.2(19.7)	30.1(23.3)	
IDA	0.0 (0.0)	0.0(0.0)	0.0(0.0)	

Status of IBRD Capital Subscriptions  
(As of May 1, 1985)

Resolution No.      Adopted		Shares Allocated <sup>C</sup>				Amounts to be Paid in for Un- subscribed Shares (000s)		Local Currency Unreleased for Shares Sub- scribed \$m.
		Sub- scribed		Unsub- scribed		US\$	Local Currency	
		No.	\$m.	No.	\$m.			
346	01/04/80	38	4.6	-	-	-	-	0.57
347	01/04/80	250	30.2	-	-	-	-	
395	08/30/84	0	0	14	1.7	14.78	133.00	
Total		288	34.8	14	1.7	14.78	133.00	

<sup>a/</sup> World Bank Atlas, 1984.

<sup>b/</sup> The FY85-89 lending program proposed in this CPP compares with the program for the same period approved at the last Bankwide lending program review as revised in the November 1984, reprogramming exercise, as follows:

	<u>FY85-89 Lending Program</u>		<u>Percentage Change</u>
	<u>Approved</u>	<u>Proposed</u>	<u>Proposed/Approved</u>
No. of Loans and Credits	6	6	-
Current \$ million	120.0	120.7	+ 0.6
Constant FY84 Commitment\$	95.6	98.4	+ 2.9
Per capita per annum (Constant FY84 Commitment\$)	19.2	19.7	+ 2.9

<sup>c/</sup> Price per IBRD share = \$120,635.

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### **ATTACHMENTS**

### **MAP**



## I. INTRODUCTION

### Background

1. Management reviewed the last CPP for Botswana on November 17, 1981, and a Postscript was issued on January 11, 1982. An economic mission visited the country in December 1983, and its findings were issued in a green cover draft Country Economic Memorandum (CEM) dated November 21, 1984 and are reflected in this Country Program Paper (CPP). Livestock, manufacturing and energy sector reports and a public sector management review were issued during 1983 and 1984.

2. Botswana's economy has been through a difficult period since the last CPP review as a result of an outbreak of foot-and-mouth disease in 1980-81, the depressed state of world diamond market in 1981-82 and four consecutive years of drought since 1981. The Government has, however, shown the necessary will and ability to implement successfully a stabilization program to cope with suddenly deteriorating export prospects. Real GDP continued growing at high rates, averaging about 11.6 percent per annum over 1979/80-1982/83,<sup>1</sup> but a significant part of this growth came from an increase in diamond production, which has partly been added to stocks and partly sold at declining real prices.

3. Despite considerable increases in GDP since independence in 1966, Botswana's economy is still at an early stage of development. The pattern of production is strongly dominated by primary commodities (beef, diamonds, copper/nickel), and linkages within the economy are exceedingly weak. A high proportion of the population still relies on agriculture -- particularly cattle raising -- and productive employment opportunities in the modern sector have remained scarce. On the other hand, shortages of skilled manpower continue to constrain development, although substantial gains in primary and secondary education have occurred in recent years. Consequently, a dualistic employment structure has evolved over the years, income distribution has worsened, and about half of the population continues to live in absolute poverty. Moreover, the rapid opening-up of the economy has increased the country's dependence on external forces: on international markets and prices for exports, on the Republic of South Africa (RSA) for imports, and on the transportation system of neighboring countries for outlets to the sea and on foreign capital and manpower for the development of domestic resources.

4. For the remainder of this century Botswana's development will be based on resources generated through the exploitation of her rich diamond reserves. The major issue facing the country in this decade will be to translate the nation's mineral wealth into productive investments that will enhance the economy's viability by broadening its production base and by providing employment for the rapidly growing labor force. In this regard, a major focus of the Government's development strategy is on economic

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1 Botswana's national accounting year runs from July 1 to June 30.



diversification, rural development and human resource development to provide the basis for sustainable and more equitable growth and to reduce Botswana's dependence on the powerful South African economy. We concur with the general thrust of the Government's development strategy.

#### Political Situation

5. Botswana is one of the few countries in Africa that enjoys a democratic system of government with universal adult suffrage and a multi-party system. Political stability and a lack of corruption and tribal animosity have been the hallmark of Botswana. The ruling party, the Botswana Democratic Party (BDP), has won more than three-quarters of all the elected seats (34) in the National Assembly in all four elections since Independence, including the last one in October 1984. However, the BDP's recent victory was marked by the defeat of three cabinet ministers, including Mr. Peter Mmusi, the Vice President and Minister of Finance and Development Planning, who retained his ministerial position by remaining in the Parliament as one of the four ex-officio members appointed by the President. Botswana's political probity was demonstrated by the scrupulous fairness in the counting of votes and the unquestioning Government acceptance of the loss of key seats. Of the five opposition parties, the socialist Botswana National Front (BNF) has now established itself as the main opposition force in Botswana by winning four seats in the last election. The BNF's criticism of the Government is particularly acute in regard to the handling of the water situation before and during the current drought, and the perpetuation of inequalities in income and wealth distribution. The most popular charge levelled against the BDP is that it favors large cattle owners at the expense of the rural masses.

6. Botswana is at the center of a sub-region in political turmoil, all its neighboring countries (Angola, Namibia, Zimbabwe and South Africa) being involved in internal or external conflict. The country is strongly anti-apartheid and is one of the active members of the Organization of African Unity (OAU), the United Nations, and the Commonwealth. Of particular significance has been its leadership in the Southern African development Coordination Conference,<sup>2</sup> which was formed to promote regional economic development and, where feasible, to reduce dependence on the Republic of South Africa (RSA). Yet, Botswana is acutely aware of its dependence, especially economic, on the RSA and has consistently pursued a circumspect and pragmatic approach towards its southern neighbor.

7. The South African Government, emboldened by its success in achieving non-aggression accords with Mozambique and Swaziland, put pressure on Botswana to reach a similar agreement, thus expanding the circle of friendly "satellite" states that South Africa has sought for so long. This attempt offended Botswana's sturdy sense of independence, and President Masire appealed to the U.S. and the U.K. to intercede. Botswana and South Africa are currently discussing "a low-profile working arrangement" based on an understanding that South Africa would not make political capital out of it. Botswana's future relationship with South Africa is bound to be marked by ambivalence as it tries to maintain

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<sup>2</sup> The other members of the SADCC are Tanzania, Zambia, Mozambique, Angola, Malawi, Lesotho, Swaziland and Zimbabwe.



beneficial economic ties while reducing dependence where practicable (as in electric power) and expounding the broad aims of the OAU and SADCC. This ambivalence may occasionally result in politically-motivated investment, such as the US\$50.0 million international airport recently opened in Gaborone which will enable air traffic to by-pass Johannesburg. However, Botswana's normal budgetary conservatism will probably prevent excessive expenditures of this kind, and, after exhaustive studies, it recently abandoned a proposal to export coal via a railway across the Kalahari.

## II. THE ECONOMY

### Setting

8. Botswana has a land area of 580,000 sq km, equivalent to that of France or Kenya, and a population of just about one million in mid-1983. The country is mostly arid, as two-thirds of it is the Kalahari Desert, consisting mainly of savannah. Rainfall is erratic, unevenly distributed and very low (250 mm - 650 mm), and droughts occur periodically. Botswana's main resources are extensive grazing lands and rich diamond reserves. Arable land is abundant relative to the small population, but water scarcity is a major constraint on its utilization. Copper and nickel mining has made a significant contribution to development, but the major copper/nickel mine at Shashe is in serious financial straits because of the depressed metal market. The country has large coal reserves, but an economic way of exploiting them for export markets is yet to be found.

9. Botswana's economy is highly vulnerable to factors beyond its control, particularly drought and animal diseases (foot-and-mouth)<sup>3</sup> and adverse developments in international demand for and prices of its main exports -- diamonds, copper-nickel and beef. In addition, the management of the economy is significantly complicated by the heavy dependence of Botswana on the RSA. About 80 percent of Botswana's imports originates from the RSA, and its exports either end up there or are transported elsewhere via the RSA. Botswana is a member of the Southern Africa Customs Union (SACU), dominated by the RSA, and about a third of its public revenue comes from the Customs Union revenue pool (Lesotho and Swaziland are the other members of the SACU). Moreover, remittances from about 35,000 Botswana working in the RSA (compared to about 100,000 employed in the formal sector) constitute a major source of supplementary income for the rural sector.

10. At the time of Independence, Botswana was among the poorest countries in the world, with virtually no infrastructure beyond the line of rail and no skilled manpower. Agriculture, especially cattle raising, was by and large the main source of income and employment. However, with the mining of diamonds and copper-nickel since the early 1970s, the economy has

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3 The threat of an outbreak of a foot-and-mouth epidemic has now been reduced significantly as a result of the Government's successful vaccination program.



experienced rapid growth and major structural changes. Real GDP increased over 10 percent a year during the decade ending 1982, and per capita GNP, in current prices, rose from US\$110 in 1970 to over US\$900 by 1982. Agriculture's share in GDP declined from about 45 percent in the mid-1960s to 8.5 percent in 1982/83 while that of mining rose from less than 2 percent to 33 percent over the same period. Manufacturing remained relatively insignificant in the 1970s (5-7 percent of GDP), but it has, since 1980, steadily grown in importance accounting for 7-10 percent of GDP. The economy has become very dualistic, however, with a small modern sector generating substantial resources through exports of beef, copper-nickel and, most importantly, diamonds and a large rural sector involved in traditional agriculture and cattle raising. The combined under-employment and unemployment in rural areas is estimated to be as high as 40 percent, and incomes of a large proportion, possibly as much as one half, of the rural population would indicate they live in absolute poverty. However, a rapid build-up of physical and social infrastructure, particularly in transportation, health services and education, has helped improve the quality of life of the majority of population and alleviated the adverse effects of poverty and unemployment.

#### Recent Economic Developments

11. Despite severe exogenous shocks (para. 2), Botswana's economy has maintained in recent years its historically high growth performance (growing 11.6 percent p.a. in 1979/80-1982/83). This growth stemmed largely, as in the past, from sharp increases in real value added in the mining sector, which averaged over 28 percent p.a. during 1979/80-1982/83. A major part of real growth in the mining sector has, however, been eroded by declining world prices of copper/nickel and diamonds (the implicit GDP deflator for mining in 1982/83 was 62, taking the 1979/80 mining factor prices as 100), and a considerable part has taken the form of stock increases because of the depressed world demand for diamonds. Starting from a small base, the manufacturing sector has expanded fast, with the support of various government programs and trade agreements with the neighboring countries. The rate of growth in real value added in manufacturing averaged 12.8 percent p.a. during 1979/80-1982/83, but it may not be possible to maintain this growth rate particularly because Zimbabwe, which has a trade agreement with Botswana, has recently been increasing trade restrictions as it encounters growing payments difficulties. The services sector has on average grown about 10 percent a year in real terms since 1979/80 but with substantially disparate performances in different subsectors. While real value added in general government, transportation and communication, household, commercial and social services was continually increasing during 1979/80-1982/83; that in electricity and water was stagnating and in construction, trade, and finance and business services fluctuating during this period.

12. In contrast, real value added in the agricultural sector has been declining every year since 1976/77, and its size in 1982/83 was one-third smaller than that in 1976/77. Recurring incidence of foot-and-mouth disease in some parts of the country and droughts have undoubtedly contributed in a major way to this disappointing result. In addition, the



failure of government policies (e.g. Tribal Grazing Lands Policy, Arable Lands Development Program, agricultural pricing policies) to induce farmers to adopt better herd management methods and improved arable farming practices should be noted as major factors contributing to declining value added in agriculture.

13. Both the balance of payments and budgetary deficits have been kept within manageable bounds over the past few years despite severe economic difficulties as indicated above. Deficits on the combined trade and services accounts over 1978-83 ranged between 15 and 38 percent of GDP per annum; totalling US\$1.1 billion. This has been financed by large receipts of transfers, consisting mainly of Customs Union receipts and official grants and technical assistance, and net capital inflows. In addition, to strengthen the balance of payments, the Government introduced a package of adjustment measures in 1982 which included a 10 percent devaluation of the Pula, a mandatory ceiling on bank lending and a wage freeze. In this context, in early 1982 the Government made its first, and so far only, foreign commercial bank borrowing in the form of a US\$30 million syndicated Euro-dollar loan. As a result of the adjustment measures and inflow of funds, gross official reserves, which fell to US\$226 million in 1981 (equivalent to 3.4 months of imports), gradually recovered reaching US\$460 million by the end of 1983 (about 5.3 months of imports). Improvement in the balance of payments continued with increased strength in 1984 as a result of a 15 percent increase in diamond sales and the weakening of the pula against the U.S. dollar. Preliminary figures show a surplus of US\$110 million on the trade account and over US\$50 million on the current account, with foreign exchange reserves approaching seven months of imports. The Government has acted tactfully to correct the recent appreciation of the pula vis-a-vis the rand, resulting from a precipitous fall in the latter's value in relation to the dollar, by devaluing the pula twice, in June 1984 and January 1985, thus restoring the end-1982 level of real exchange rate between the two currencies.

14. Botswana has been following a prudent fiscal policy. This is reflected in its effective control of public expenditures and in the efficient use of public investment to build up from scratch the necessary infrastructure for economic development. The current surplus of the budget has generally financed most of capital expenditure, the moderate overall deficits being more than made up by external grants and loans since 1979/80. The Government has not made recourse to commercial bank borrowing. In recent years, in fact, it has accumulated deposits with the banking system. There thus appears to be no "fiscal problem" at present in the broad macro sense. There are, however, problems with the structure of revenues and expenditures and with adjusting expenditures to sharply varying levels of receipts. The latter involves maintaining a steadily growing economy through a counter-cyclical fiscal policy in the face of fluctuating export earnings and recurrent droughts, and has recently been receiving a growing emphasis in government budgets. As to the structure of revenues, the heavy dependence on large receipts from mining activities and the Customs Union both limits the use of tax policies for resource allocation and income distribution purposes and renders the budget vulnerable should one or both of these sources weaken as occurred in 1981 and 1982 when the world diamond market suddenly weakened. The IMF has provided



technical assistance to the Government (1981-84) to help improve the effectiveness of the income tax system, but no significant progress has yet been achieved because of political constraints. Nevertheless, in response to a recent request from the Government, the IMF is now prepared to provide further technical assistance for broadening the tax base. We are also pursuing this matter through our proposed project in the livestock sub-sector as well as through our dialogue with the Government on the economy in general.

15. Although the economy continued to evolve favorably during the first half of the 1980s with respect to growth and the balance of payments and budgetary stability, the pattern of growth has broadened the dualism characterizing Botswana's economy. The gulf between the high-productivity, but still small modern sector and the large cattle owners on one hand, and the low-productivity subsistence farmers on the other, has widened appreciably. The concentration of investment and output growth in capital and land-intensive sectors (mining and livestock, respectively) limited the generation of employment opportunities, and traditional agriculture was unable to absorb effectively the large number of residual and added workers. Growing under-employment and unemployment are the result. Moreover, the distribution of income, already highly skewed, probably worsened in recent years, and had it not been for increased Government spending on supplemental food and social services for the poor, supported by external grants, the welfare of most Botswana would have declined.

16. Thus, of the most pressing issues that the Botswana Government has to address is the high level of unemployment. Despite a remarkable increase in formal sector employment (averaging 10 percent per annum over 1971-1981), the unemployment rate has been rising because of the very high rate of population growth (3.4 percent p.a.) and the limited employment creating capacity of the traditional rural sector. Therefore, the Government has been emphasizing policies that would encourage labor-intensive activities and self-employment in manufacturing, construction, services and arable farming. The Government itself has also been a major source of employment, particularly through the expansion of education and other social services, accounting about 40 percent of formal sector employment in 1983. While Botswana has a surplus of unskilled labor, shortages of skilled labor have been a major constraint on development. The Government has, therefore, effectively used expatriate experts while expanding education and training services at a rapid pace. As a result, the literacy rate has almost doubled to 40 percent since independence, and there has been a dramatic upgrading of the general educational level of the labor force.

17. As a result of growing concern over rising unemployment levels, population issues have received increasing attention in Botswana over the past several years. The Government is aware of the socio economic problems caused by a rapidly growing population and is taking the first steps toward developing a comprehensive population policy. The Mid-term Review (August 1983) of National Development Plan V (NDP V) emphasized the need to reduce the rate of population growth in the long run so that the benefits of economic development will not be dissipated. The Government's policy is to



provide advice on all aspects of family planning as an integral part of basic health services, family planning services being offered along with maternal care and child health services. More recently, the Government has been working on a number of new initiatives such as improving accessibility to services, increasing demand for family planning services, focussing health education on family planning issues and targeting special groups.

#### Development Strategy and Policies

18. The Government's development strategy as set out in the Fifth Plan (NDP V, 1979-85) is based on maximizing revenue from mining and using it to develop other sectors in line with the national development objectives of rapid economic growth, social justice, economic independence and sustained development. While the Government's strategy will be to continue building the country's social and economic infrastructure and services and encouraging growth in mining and livestock industries, the most salient feature of the strategy is the particular importance it attaches to employment creation and rural development. The Government's Mid-term Review of the Fifth Plan reaffirmed this strategy for the second half of the plan period as well as for the next plan.

19. While past government policies resulted in well-developed mining and livestock industries, there has been little direct impact on rural employment and poverty. The development of water resources has been aimed at meeting the requirements of the livestock industry and human population, without much concern for the needs of traditional arable farming. The main arteries of transportation and energy have been developed quite well but connecting them to the producers and consumers in the rural areas has only recently become a major concern of the Government. Education has received much government resources mainly for primary and general secondary education, but acute shortages remain in technical skills and trained manpower. Despite the shift in emphasis in the NDP V, the Government's economic policy has continued to be focussed on short-term management of the economy and on the isolated and unbalanced development of certain subsectors and infrastructure. Thus, there seems to be a strong need for a more effective planning as well as for a reorientation of private-sector activities through market mechanism (i.e. changing relative price structure) to facilitate the achievement of national development objectives.

20. The Need for Improved Planning. Development planning in Botswana identifies the national development objectives, main sectoral issues and the required policy directions, and provides macroeconomic projections and a list of desirable projects. It does not, however, contain the necessary framework to ensure consistency and linkages between the macro, sectoral and project planning nor does it have the perspective and annual plans for temporal continuity. To foster integration and diversification in the economy, the Government should take a long-term and coherent view of development of key resources and industries. The Government has already been moving in this direction as evidenced by the ongoing work on National Water Management Plan, National Settlement Policy, National Food Strategy and National Manpower Development Planning. It is, however, essential that



these, as well as other studies on the development of basic resources, be integrated into an improved plan, which would focus on a limited number of key sectors and linkages among them. This work should also be supplemented by strengthening capacity for project appraisal and policy analysis.

21. Stable Development. In order to avoid both the disruption of its development plans and the worsening of existing income inequalities, the Government should smooth out fluctuations in economic growth by allowing in its planning and budgeting for the exogenous reversals that recur in Botswana's circumstances. This can be done by stabilizing Government expenditure over the medium term at a feasible "trend" growth path by accumulating real resources (e.g. foreign exchange and critical commodities like food grains and petroleum) in good years and drawing on them in bad years. The Government recognizes the need for such stabilization and has already been practising it to a limited extent as part of its budgetary strategy, but this policy requires greater emphasis and linking with an improved planning.

22. Pricing Policies. Botswana has a market-oriented economic philosophy. In principle, the Government prefers to stay out of directly productive activities and not to intervene in resource allocation unless there is strong social justification for it. Being a member of the Southern African Customs Union (SACU), Botswana is also an open economy vis-a-vis the South Africa. Under these circumstances, the price structure assumes crucial importance in fostering employment and economic diversification. Yet, the Government does not seem to have a well conceived and coherent price policy, as both factor and commodity price structures (relative prices) are not always consistent with and conducive to the national development objectives. Specifically, there are four types of major price distortions which have hampered the development of the economy and the effectiveness of various government programs. These include the following, which should be high on the Government's agenda for economic policy reform:

- (i) The overvaluation of the pula, based on large foreign exchange receipts from mining exports, discourages domestic production by making it difficult to compete in export markets and with duty-free imports from the RSA. Since the currency overvaluation in Botswana does not lead to balance of payment difficulties, the Government is not under any pressure to take corrective action. However, changing the Botswana economy from being dependent on rents generated by the mining of diamonds to a more productive and diversified economy would be greatly assisted by an exchange rate policy appropriate for the non-mineral sectors of the economy. It is, therefore, recommended that the pula be periodically depreciated in moderate steps with a view to rendering an increasing number of socially beneficial activities privately profitable. The effectiveness of this policy will depend on the success of the Government in controlling inflation, alleviating the regressive impacts of currency adjustments and integrating the exchange rate policy with a bundle of policies, including the pricing, incomes, interest rate and tax/subsidy policies, that affect the relative prices in the economy.



- (ii) While ecological factors are primarily responsible for low returns from arable farming compared to livestock raising, price distortions also contribute to this. The livestock sector enjoys prices higher than those in the world market for its exports to the EEC and the RSA markets, while crop production has to compete with South African grains, generally selling below world market prices. The livestock sector also enjoys generous incentives and well-developed infrastructure, which are either unavailable or irrelevant to crop producers. These circumstances not only produce disincentives to arable farming but, when coupled with the existing land tenure system of communal grazing of tribal land, also contribute strongly to overstocking and overgrazing in the livestock sector. This situation should gradually be corrected through appropriate pricing, incentives and taxation policies and public investment programs.
- (iii) Formal (modern) sector wages in Botswana are keyed to the public sector wages and salaries which are very high relative to average earnings in the traditional sector reflecting the shortage of skilled manpower and the comfortable budgetary situation. This contributes and leads to the rural-urban drift of population. High wages also result in remittances from urban to rural areas which encourage rural workers to shun low paying activities (e.g., arable farming). Moreover, high formal sector wages, coupled with the overvalued pula and low labor productivity, largely account for the lack of competitiveness of Botswana's manufactures in export markets and with imports. It is, therefore, essential that the Government maintain its current policy of wage restraint both for the public and the private sector, while securing a depreciation of the pula.
- (iv) Interest rates in Botswana are linked to those in South Africa so as not to distort trade and capital flows between the two countries.<sup>4</sup> These rates may be appropriate for the RSA, considering its supply of and demand for loanable funds and productivity of capital. However, they tend to be high for Botswana in view of the excess liquidity of its banking system and low returns to capital. In addition, the cost of borrowing in Botswana is aggravated by the fact that the commercial banking system is not geared to providing loans to the small-scale manufacturers and rural producers, with suitable collateral and maturity conditions and ancillary services (e.g., helping with project preparation, marketing, etc.). The Government is trying to alleviate this problem

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4 This link seems to have been severed temporarily as a result of the sharp increases in South African interest rates since early 1984. Despite the interest rate differentials, there has been no significant capital flow from Botswana to South Africa because of the appreciation of the pula against the rand and lower inflation in Botswana.



by providing loans through National Development Bank and grants through the Financial Assistance Policy. A more efficient approach, however, would be the development of an indigenous commercial banking institution that would advance financial intermediation in rural areas and provide subsidized loans to those projects which are justified from the standpoint of national development objectives. On the Government's request, the banking sector will soon be reviewed by an IMF mission, which has expressed to us its full concurrence with our diagnoses and recommendations for the overall economy as well as the financial sector.

#### Economic Prospects and Creditworthiness

23. Botswana's economy has good growth prospects, with GDP being projected to grow on average just over six percent per annum over the next decade. Our growth projection is based on an evaluation of Botswana's sectoral growth potentials and its capacity to mobilize adequate external resources to close the balance of payments gap. The projected growth rate is about the same as envisaged for the period 1983/84-1989/90 by the Government's Mid-Term Review (August 1983) of the Fifth Plan, although the sectoral composition of growth differs significantly between the two versions, with the fastest growing sector being agriculture in the Government projection and mining in the Bank projection. The Government now envisages, however, that the economy would grow at about 4.8 percent p.a. during the Sixth Plan period (1985/86-1989/90), but we and the recent IMF Article IV Consultation Mission (January 1984) believe that at this growth rate the Government will be flooded with budgetary surpluses and accumulating foreign exchange reserves resulting from favorable export developments.

24. We expect that the future growth would, as in the past, emanate mainly from the mining sector, even though no new major project in this sector is envisaged for the foreseeable future. Of the possible future mining projects, the Kgaswe coal export project, which could provide direct employment to 4,500 persons at full capacity production of 10 million tons of washed coal a year, is of doubtful economic viability in view of the depressed projected world price for coal, the heavy cost of developing infrastructure and competition from the existing coal producing countries, especially the RSA. Therefore, the Government and the Shell Coal (Botswana) Ltd., which had signed a joint venture agreement to develop Kgaswe coal reserves, are now considering a much smaller project with yet an unspecified time frame. A soda ash project, which would create employment for 435 Batswana and about \$50 million of foreign exchange earnings a year by 1990, is likely to go ahead, financed mainly by British Petroleum, now that South Africa has abandoned a plan to develop its own synthetic soda complex.

25. The Government's budgetary situation is expected to remain within manageable bounds. Government revenue prospects are encouraging as the world diamond market continues to recover gradually. With the shift of emphasis of development policy from investment in infrastructure to labor-intensive productive projects, the growth of public development expenditure is likely to slow down. As already mentioned, the Government is also determined to check the growth of recurrent expenditure to make



more scarce resources, particularly skilled manpower, available to the private sector. Whether these reductions in Government development and recurrent expenditures will lead to increased private sector investment in productive ventures depends on adoption by the Government of policies that will help domestic products to be competitive with foreign goods.

26. The Bank's growth projection for Botswana shows that the investment ratio would need to be raised from 30 percent of GDP in 1983 to 36 percent in 1990. This level would have to be sustained through 1995. This is considerably below the investment ratio (40-45 percent of GDP) attained during 1978-82, but it appears to be realistic considering that no major mining project is envisaged and that the Government intends to limit real growth of its development budget to only two percent per annum from 1984/85 on (c.f., about 10 percent annual growth over 1978/79-1982/83). To support the projected level of investment, domestic savings will have to grow by about 15 percent per annum during 1985-90 and 11 percent in 1990-95, and the domestic savings ratio rise from 18 percent of GDP at present to 31 percent by the mid-1990s. The savings effort will be assisted by the expected improvements in the terms of trade which would result in gains rising from nearly 5 percent of GDP in 1985 to about 14 percent in 1995 -- taking 1983 as the base year. Nevertheless, the achievement of the indicated savings levels will require encouraging savings and investment through appropriate incentive programs, as well as augmenting the tax effort particularly aimed at the under-taxed segments of the economy.

27. A balance of payments scenario, consistent with a 6.1 percent rate of growth, indicates that Botswana will have only modest trade deficits through the rest of the 1980s and, then, surpluses growing to US\$200 million by 1995. Underlying this projection are assumptions that the total export volume would grow close to five percent per annum; that the overall import elasticity with respect to GDP would decline from 1.2 during 1974-81 to about unity in 1984-85 and to 0.8 thereafter mainly as a result of lower mineral earnings and investment and greater import substitution; and that the terms of trade would gradually improve, providing a 14 percent gain in GDP by 1995. On the other hand, the deficit on services account is envisaged to grow rather rapidly from about US\$200 million in 1984 to over US\$400 million in 1995 (excluding interest payments), mainly due to growth of transport and dividend payments which are hardly possible to check to any significant extent in Botswana's circumstances (e.g. a landlocked country, with substantial amount of foreign capital). With somewhat optimistic projections for the inflow of direct foreign investment and transfers comprising capital grants, technical assistance and compensatory element of Customs Union receipts, there still is a need for substantial amounts of gross borrowing, projected to rise from about US\$100 million in 1985 to US\$215 million in 1990 and then decline to US\$175 million in 1995. These projections of additional financing requirements assume that Botswana will maintain its present pattern of borrowing (about 10 percent from OPEC sources with very soft terms, roughly two-thirds from multilateral and bilateral loans with concessional terms, and one-quarter from financial institutions at or close to the market terms) and a level of foreign exchange reserves equal to between 5 and 6 months' imports, which is about the same as the end-1983 level.



28. Botswana has, at present, good creditworthiness and is rated among the best, with a credit rating of 2(b), by the latest Review of Country Creditworthiness and Bank Loan Portfolio Issues, dated August 3, 1984. Underlying Botswana's creditworthiness are its large foreign exchange earnings from diamonds; sizeable foreign exchange reserves; low debt service ratio, and most importantly, prudent management of its finances:

- (i) Although there is no officially or otherwise disclosed estimates of Botswana's diamond deposits, it is generally agreed that it is too soon to talk of a production constraint in any foreseeable future. On the other hand, the world market prospects for diamond require that Botswana adopt cautious expectations for foreign exchange earnings from this commodity. Its value as a precious stone, as distinct from industrial diamonds, is largely due to an "artificial scarcity" nurtured by the De Beers-led cartel of producers through careful managing of supply and advertising. Maintaining a steadily rising demand for diamonds has, however, been difficult in recent years as industrialized countries, accounting for a major part of the world demand, have experienced economic recession and as high interest rates and strong dollar in the U.S. diverted demand from diamonds. Although the world diamond market recovering from the slump in 1981-82, the lesson as to the fragility of this market will not be forgotten for sometime to come. The sensitivity of the market is further increased by the fact that the cooperation is rather weak between De Beers' Central Selling Organization and the two major producers of diamonds, namely, the USSR and Australia, which are bent to augment their market shares. We envisage, however that all the major producers would, as in the past, find it to their best interest that an orderly market is maintained and that the world demand for diamonds would increase at about the same rate as the expected income growth, in nominal terms, in industrialized countries, that is, about 10 percent p.a. Botswana's diamond exports would probably enjoy a premium in terms of both price and market share because, on the average, they are of the highest quality. In fact, the De Beers Group, which is closing some mines in South Africa, Namibia and Lesotho, has been favoring Botswana's new mine at Jwaneng because it has become the Group's highest yielding mine.
- (ii) In view of its highly open economy and heavy dependence on exports of copper-nickel, beef and particularly diamonds, Botswana maintains a relatively high level of foreign exchange reserves in order to reduce its vulnerability to external shocks. This enhances Botswana's creditworthiness but at the same time raises an important question as to the appropriate level of foreign exchange reserves that the country should keep. The Government envisages that its reserves would rise to nine months' imports by the end of

the current plan period by mid-1985 and even higher during the next plan period (c.f. the actual level of reserves was 5.3 months' imports by end-1983). However, maintaining this high level of reserves would imply greater need for external borrowing and even higher levels of debt service toward the end of the century.

- (iii) Botswana's low debt service ratio, currently below four percent, implies the presence of a significantly unused borrowing capacity. However, the financing of the balance of payments gap associated with a 6.1 percent annual growth would raise the debt service ratio to 10.6 percent in 1992, which would then decline to 8.8 percent in 1995. On the other hand, the IBRD exposure, which became very high after the conversion of most of Botswana's bilateral debt into grant in 1978, is expected to improve substantially with the Bank share in total debt (DOD) and debt service declining from about 39 and 38 percent, respectively, at end-1984 to 18 and 23 percent in 1990.
- (iv) Botswana's good management of the economy (paras. 14 and 15) certainly contributes to the willingness of the donor community to supply more aid to it. Nevertheless, mobilizing the additional financing of projected magnitudes is not an easy task, and Botswana will certainly need every support it can get from the donor countries and agencies. The external financing requirement of the projected growth could be reduced to a more manageable level to the extent that Botswana is successful in blending its future borrowing with more grants and softer loans than assumed here. In order to check worsening of the debt servicing ratio before it reaches a critical level, the Government should now start pursuing policies to encourage export promotion and efficient import substitution, including encouraging domestic food production, developing resource-based manufacturing, substituting coal for petroleum and shifting the emphasis of development policies from capital and import incentive to labor intensive investment.

### III. WORLD BANK'S ROLE AND STRATEGY

#### Progress Towards Prior Years' Goals

29. Past Lending Program (FY80-84). To a large extent, the lending program for the past five years followed an established pattern of helping the Government meet its infrastructure and educational needs, as these had been paramount in a country that achieved Independence with scarcely any development beyond the line of rail. During the latter part of the FY80-84 period, the Bank's lending program was responsive to the Government's evolving needs in other sectors and to the priorities of the Bank's Management, with projects approved for power, health and population and DFC



development, while a project for long-term development of the livestock sector and land tenure reform has been negotiated for FY85. The Government has been responsive in recent years to the Bank's policy advice, notably in the ongoing discussions on the goals of the Tribal Grazing Lands Policy (para. 36); realignment of DFC priorities from property development to the productive sectors; the achievement of full cost recovery for water, power supply and housing; significant expansion of sector-based training programs; and the introduction of a family planning program. Also, the Government has actively sought out the Bank's advice on energy planning and organization, and has recently agreed to a Bank-executed study on irrigation potential.

30. Project Implementation and Disbursement Record. Bank-assisted projects have encountered relatively few complications and there are no problem projects in the portfolio. The Bank's one problem project (Livestock II, Loan 1497-BT for US\$6.5 million, 1978), which was not initially successful in increasing commercial ranching under controlled conditions, finally made acceptable progress after intervention by the Cabinet. In the immediate future, the progress of the recently approved DFC II Project should be monitored to ensure that proposed improvements are made in general and financial management. In several projects, prompt and efficient tendering procedures have significantly reduced costs, which, coupled with the strength of the dollar, are likely to result in cancellation of about US\$17 million in Bank loans. Botswana's annual rate of disbursement averaged 25 percent during FY81-84 compared with a Regional average of 21 percent. As of September 30, 1984 nine loans were being disbursed, actual disbursement being about 30 percent behind the forecast at appraisal. Although disbursement against one recently-approved project, Water Supply III, is unusually rapid, the overall disbursement profile was affected by a delay in effectiveness of the Power Project (FY83) and the Family Health Project (FY84) caused by cofinanciers' delays in completing their arrangements; and by the savings referred to above in roads and education projects (although this latter distortion will be removed as cancellation of surplus funds is made). As regards the status of Botswana's IBRD Capital Subscriptions, the Government needs to subscribe the US\$1.69 million shares allocated under the resolution of September 1984, as well as release P0.57 million of local currency for previously subscribed shares. The Bank has approached the Government on this question.

BOTSWANA: IBRD/IDA Disbursements

	<u>FY81</u>	<u>FY82</u>	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>
1. Undis. balance, July 1 (US\$m)	42.1	53.9	59.2	78.4	102.7
2. Commitments during FY	37.0	0.0	32.5	45.3	18.0
3. Total disbursed during FY	10.8	14.7	11.8	21.0	18.4
4. Disbursement rate (3-1) (100)	25.7	27.3	19.9	26.8	17.9
5. Comparators (%)					
(a) Disb. rate for total of all other countries in Region	16.9	22.3	25.1	20.9	21.2
(b) Bank-wide IBRD/IDA averg. disbursement rate	20.1	21.5	21.9	23.5	23.8
(c) Average disb. rate for 3 comprable countries <sup>1</sup>	24.3	23.6	24.0	19.4	17.4

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1/ The three comparator countries selected are Zimbabwe, Cameroon and Papua New Guinea.

Proposed Country Assistance Strategy

31. Bank's Role and Strategy. The Management Review meeting on the last Botswana CPP (November 17, 1981) highlighted the need to resolve the dualism in the economy and to generate productive employment through greater diversification. Management also recommended that the Bank should establish, through its economic and and sector work program, a basis for making a shift to agriculture and industry by FY86. Our ESW and lending programs have evolved to meet these proposals, while being consistent with the Government's own incipient efforts to shift emphasis. The Bank's strategy is to help generate greater and more equitable economic opportunity outside the mining enclaves; initiate reforms in the use of Botswana's overgrazed rangelands; ensure that the development of manpower and supportive infrastructure is appropriate; and help prevent future economic gain from being dissipated by unrestrained population growth. In pursuit of these goals, the Bank sees its role as a catalytic one, continuing to stimulate substantial cofinancing and institution building.

32. At the sector level, the Bank's country assistance strategy should specifically aim at supporting the following major objectives: (i) reform the livestock sector; (ii) assess and develop arable farming potential, particularly small-scale irrigation and water conservation; (iii) develop labor-intensive small and medium-scale industries; (iv) assess and develop water resources in relationship to regional, industrial, agricultural and residential needs; (v) expand and rationalize manpower development and training programs to help meet labor and management needs; (vi) consolidate the incipient family planning and family education programs; and (vii) carry out structural and institutional reforms in the power sector and promote least-cost, resource-based energy projects with appropriate regional links (see also Attachment 4).



33. In the directly productive sectors, rural incomes would be improved through an arable agriculture project for smallholders, which we expect will emerge from an ongoing program of agricultural research in Botswana and a series of irrigation studies proposed for FY85 and FY86. Employment opportunity is expected to be enhanced by a development finance companies project, which would build on the institutional base being established in a current DFC project, and in particular seek to promote small and medium-sized agro-industrial enterprises, including in Botswana's major villages. Expansion of employment will also be an objective of a technical assistance project to identify productive options for the copper-nickel mining community of Selebi-Phikwe in Eastern Botswana, the future of which is uncertain. In the crucial livestock subsector, a reserve project is included for consideration depending on progress of the proposed National Land Management and Livestock Project (FY85), which seeks to overhaul the present ineffective system of allocation and supervision of the extensive traditional grazing lands, and increase both commercial production and the opportunity for subsistence and medium-sized cattleholders to improve their standards of range and herd management.

34. In the social and infrastructure sectors, the Bank's strategy for narrowing Botswana's skilled-manpower gap is reflected in a major component for vocational training in an FY86 education project, which would also help develop and coordinate a national apprenticeship training plan. A population and health project is proposed to reinforce the comprehensive reorganization of the health-care system and the systematic establishment of a family planning program now being attempted through the Bank's first loan to the sector in Botswana. Infrastructure and other support projects will be limited to meeting high-priority needs, i.e. improving Botswana's security in water supply, linking the growing agricultural community of Maun to the main road system, and supporting a number of initiatives for providing household energy and rural energy.

35. As it will be difficult in the context of a relatively limited lending program to make a lasting impact on a wide range of objectives merely through projects, the Bank's country assistance strategy should also aim at contributing to the Government's policy and program formulation at the center. Therefore, we have recently initiated a dialogue with the Government on key macro policy issues (paras. 19-23) which we consider to be crucially important to the diversification and development of the economy. We hope to intensify this dialogue and contribute to policy formulation through a study of the Public Expenditure Program and Private Investment Opportunities. This study is expected to help improve resource allocation and policy formulation, as well as to identify resource-base projects with extensive linkage effects.

36. Our country assistance strategy, which has gradually been shifting emphasis from project to sector-based lending, would thus continue evolving towards addressing macro-economic adjustment issues. The Government expressed interest in the last Bank-Fund Annual Meeting in receiving Bank support to its policies aimed at the structural adjustment of the economy (e.g. diversification of production and exports, rural development, and increasing crop production). Botswana certainly has the



expatriates -- and a strong and committed Government to successfully implement a structural adjustment program. But we do not think the Government is fully aware of the requirements of a SAL operation; nor do we think it would be willing to comply with them while not pressed by resource constraint or other crises. Our dialogue with the Government on crucial policy issues has developed gradually, and not without difficulty. We would not wish to jeopardize this progress with the premature introduction of an SAL and the broad policy-reform package this would imply. We have therefore explained to the Government that, depending on the findings of our forthcoming review of the Public Expenditure Program, there can be other types of Bank lending (e.g. sector/subsector loans and sector-based DFC loans) that could support the Government's structural adjustment programs.

37. Size of Lending Program. Overall, the proposed FY86-89 lending program (summarized in Attachment 1(a)) includes five projects in the November 1984 approved regional lending program, which itself reflects our evolving strategy, plus a project in each of the sectors for energy, population and health, and roads. The number of projects for FY86-89 total seven plus one supplementary (for technical assistance). The program envisages total lending of US\$150 million over five years, thus increasing the Bank's average annual per capita lending to Botswana from US\$24.0 in the approved FY85-89 program to US\$30.1 in the proposed FY86-90 program (or from US\$19.2 to US\$23.3 in constant FY84 dollars).

38. Cofinancing and Aid Coordination. The Bank's recent effectiveness as a catalyst for cofinancing in Botswana is borne out by the table below, which shows that the US\$77 million provided by the Bank for four projects in FYs 83 and 84 generated an additional US\$158 million in cofinancing from 15 official sources and several semi-official and private sources. As future projects will generate fewer construction and equipment contracts than in the past, the same large proportion of cofinancing is unlikely to be achieved; but the Bank's ongoing working relationship in Botswana with a large number of donors is likely to result in still impressive cofinancing support in the future, and significant levels of cofinancing seem assured for the proposed roads and water supply projects. Aid coordination is carried out satisfactorily by the Ministry of Finance and Development Planning, whose authority in the Civil Service is well established. Botswana is probably justified in not accepting a UN Round Table; but the Bank's Programs staff propose to deal more regularly with the substantial Botswana-based donor community through the UN Resident Representative because of the increasingly diverse aid effort.



COFINANCING IN LENDING PROGRAM FY83 AND FY84

Project	Total Project Cost	Bank Finance	Local Finance	Co- Finance	Cofinance Source
<u>FY83</u>					
Power	227.6	32.0	66.9	128.2	AfDB, Saudi Fund, Kuwait Fund, *NIB, KfW, ODA, Morgan-Grenfell, BADEA, EIB and CDC
Total FY83 % of Total	226.5 100%	32.0 14%	66.9 29.3%	128.2 56.3%	
<u>FY84</u>					
Water III	50.0	22.0	15.2	12.8	CDC, *OPEC Fund
DFC II	43.2	12.3	22.6	8.3	EIB, AfDB, FMO, DEG (investment and lines of credit)
Family Health	26.7	11.0	7.1	8.6	Norway, USAID and WHO
Total FY84 (\$) % of Total	119.9 100%	45.3 37.7%	44.9 37.4%	29.7 24.7%	
Total FYs 83 & 84 (\$) % of Total	347.5 100%	77.3 22.2%	111.8 32.1%	157.9 45.4%	

\* Administered by Bank.

39. Cost Sharing and Local Cost Financing. Because of Botswana's high per capita income, Bank Group assistance to that country should continue to be limited to IBRD and IFC. In view of Botswana's strong balance of payments position and the favorable forecasts with respect to the budgetary situation, reserves level and debt servicing capacity, IBRD financing should be limited as at present to the foreign exchange component up to a maximum of 60 percent of total project costs.

40. IFC. Given the constraints faced by the country, including shortages of entrepreneurial talent and a small domestic market, IFC's operations in Botswana have been of necessity limited. IFC's only investments in Botswana has been in the share of capital of the Botswana Development Corporation, on whose Board IFC has a seat.

41. Justification. In summary, the lending program proposes to: (i) expand moderately the recently-approved lending program to address the main sectoral priorities identified; and (ii) maintain cofinancing at significant levels. This approach would: (a) enable the Bank, with only a minimal additional real burden on its financial resources, to continue its support for Botswana at a time when the Government is increasingly seeking Bank assistance in key or problematic sectors and is proving more amenable to our advice; and (b) help mobilize other Official Development Assistance for Bank projects in these sectors, and sustain the recent trend in which both the Government and those donors with limited investment-appraisal capabilities are turning to the Bank to take the lead in project financing. The anticipated concessional content of such cofinancing would be important in view of the need to maintain favorable terms for Botswana's external borrowing. The Botswana Government has shown that it can present to the Bank adequate numbers of projects consistent with Bank sectoral priorities, and implement Bank projects satisfactorily.

42. Future Trend. If Botswana continues to show greater responsiveness to Bank policy advice, and to implement Bank projects with the usual competence, further expansion of the lending program may be justified during the next five years - possibly to an annual per capita level of US\$35 or more. The main constraint at present to an expansion in the volume of lending would be the availability of Bank manpower, as our loans to Botswana tend to be small in such priority sectors as agriculture, development finance and population, while the loans are limited in Botswana to 60 percent of project cost (para. 40). However, it may be possible to develop larger sector-wide loans to sustain a higher level of lending without an unacceptably high increase in Bank manpower. The following summary of the various sectors suggest possible linking of urban and village development and housing finance; agriculture and agro-industry; and a number of sources of supply of household and village energy. Such possibilities will be explored.

#### IV. SECTOR ISSUES AND LENDING PRIORITIES

##### Agriculture

43. The agricultural sector in Botswana has significantly greater importance than indicated by its relatively small share (8.5 percent in 1982/83) in GDP because it is a major source of livelihood for about 80 percent of the population. The dominant agricultural activity is cattle farming, which accounts for about 80 percent of the sector's value added and 10 percent of merchandise exports. However, since cattle rearing is not labor-intensive and cattle ownership in Botswana is highly concentrated (five percent of rural households hold half the national herd), the



development of the livestock subsector has so far made only limited contribution to mitigating the problems of rural unemployment and poverty.

44. Livestock. The major issues of the livestock sector are overgrazing and overstocking, low offtake rate, poor herd management, and an inadequate contribution, both directly and indirectly, to the economy. Underlying these issues are, among others, the traditional land tenure system that allows privately-owned herds to be grazed on communal lands, excessive price and tax advantages and other incentives which make the subsector relatively remunerative, and inadequate abattoir capacity discouraging cattle offtake. In 1975, the Government introduced its Tribal Grazing Lands Policy (TGLP), which is essentially a land reform program aiming at increasing commercial ranching (including by groups) while improving the conditions of small herd owners on tribal lands. The TGLP program has, however, departed considerably from the original design, leaving most tribal land under traditional tenure while establishing a limited number of ranches on new lands. TGLP has also been popularly perceived as benefiting a small number of wealthy producers who are fortunate enough to receive the few leases available. The Bank's Livestock Subsector Memorandum on Botswana (September 1983) identified measures needed to implement TGLP successfully and to increase efficiency of the livestock subsector, including improved processing and marketing operations. Further Bank lending to the subsector is conditional upon the Government making significant progress in adopting key policy recommendations. Upon the Government's request, the Bank has prepared and negotiated a National Land Management and Livestock Project (for FY85), which will aim at bringing TGLP's implementation as close to its original design as possible. Discussions with the Government have proceeded favorably, despite considerable political sensitivity and social complexities, on long-term land-use planning, establishment of commercial ranches as originally envisaged by the TGLP, increased abattoir capacity, extension of cattle trek routes, and development of communal grazing areas. The question of taxation of livestock and cost-recovery of the sector requires further clarification and discussion, and the proposed project would help the Government begin to address the issues.

45. Arable agriculture. About three-quarters of rural households, including 40 percent who do not own any cattle, depend for a living partly or solely on arable farming, mainly maize and sorghum production. The yields, however, are very low and unpredictable because of very low rainfall and recurrent droughts, backward technology, lack of adequate draft power, inadequate infrastructure and low output prices. The current Plan (NDP V) emphasizes the need to develop the crop sector in order to maintain the social and political stability of the country; check the rapid growth of unemployment, poverty and urbanization problems, and reduce the country's dependence on food imports. The Plan's intention however, remains a distant hope despite the introduction of the Arable Lands Development Program (ALDEP) in 1980. ALDEP is a multi-faceted program covering all aspects of production and aims at raising smallholder incomes, creating employment in rural areas and preventing rural-urban migration. The program has not made much progress mainly because of the drought, lack of profitable technical packages suitable to Botswana's ecological conditions and lack of adequate determination on the part of the



authorities. We intend to encourage Botswana's emerging concern about crop development, as we did in the current CEM, through the proposed Public Expenditure Review, a Food and Nutrition Sector Review, and a Study of Agricultural Irrigation Potential (details are given in Section VII and Attachment IV). For the lending program, we propose a project for crop development in FY88 that would help the Government either with appropriately-sized irrigation schemes or through implementation of some of the aspects of the Government's promising agricultural research program.

### Manufacturing

46. The manufacturing sector in Botswana is still in its infancy, contributing less than nine percent of GDP in 1982/83. The sector is heavily influenced by meat processing in the Botswana Meat Corporation's abattoirs, which account for about a quarter of the manufacturing value added and one-sixth of the employment. The rest of formal manufacturing sector, comprising units with 10 or more workers, has shown significant growth in recent years, with the number of establishments going up from 100 to 183 and employment almost quadrupling to 8,000 over the period 1978-83. Manufacturing activities in Botswana face severe constraints such as smallness of the domestic market; competition from South African goods; inadequacy and high cost of finance, transportation and other basic services; and the lack of skilled manpower. The Government has tried to mitigate the effects of these constraints by providing a stable, secure investment environment through tax incentives, liberal foreign exchange regulations and the supply of credit and seed capital through the Botswana Development Corporation (BDC), the National Development Bank (NDB) and a number of small agencies formed to assist small-scale enterprises. The Government has recently taken steps to strengthen the Ministry of Commerce and Industry to provide better guidance and services to manufacturers, including the establishment of the Trade and Investment Promotion Agency as a one-stop-service agency for local and foreign investors. Also, it has launched the Financial Assistance Policy (FAP) scheme, which helps new and expanding firms outside the livestock industry and large scale mining and consists of a package of tax holidays, subsidy for unskilled labor, grants for off-the-job training, capital grants and sales subsidies. The FAP emphasizes relief of the individual investor's difficulties rather than tackling the structural problems underlying them, which would endanger survival once government assistance is phased out.

47. The Bank's assistance strategy in the sector should be to provide support to both the Botswana Development Corporation (BDC) and the National Development Bank (NDB) to help achieve the Government's objective of economic diversification and employment creation. BDC is taking a number of initiatives in promoting worthwhile projects in the productive sectors, and NDB is assisting small farmers and other small scale entrepreneurs in the trade, transport and industry sectors. The Bank is endeavoring to achieve improved management and institution building, particularly NDB, in the context of the Second DFC Project approved in FY84. A number of difficulties in NDB's financial management still need to be overcome. Subject to satisfactory progress of the ongoing project, we propose to continue our support to the sector through a third DFC loan in the proposed lending program, maintaining the already established emphasis on sub-



projects in manufacturing and agriculture and particularly seeking to enhance agro-industrial activity based on the livestock industry (e.g. processing of hides). We will also explore the possibility of developing through the project means to assist small enterprises in Botswana's several major, quasi-urban villages.

### Energy

48. Botswana has made good progress in moving from almost total dependence on imported petroleum and imported electric power to meeting most of its energy needs from local coal. The ongoing Bank-financed first Power Project at Morupule, which consists of a 90-MW coal-fired pithead power plant and related transmission facilities, will create an integrated national electric power system for the country. As a lack of foreign exchange does not seem to be a problem in the power subsector in the medium-term, the Bank's strategy should be to concentrate on long-term energy planning for the sector as a whole and identify an energy program for which the Bank could act as financial catalyst. The Bank should in particular assist the power subsector to establish long-term planning. In the immediate future, we should continue to encourage the Botswana Power Corporation (BPC) to adopt realistic load forecasts consistent with postponement of major export projects in coal and copper because of market conditions and to take into account the potential advantage of power imports during peaks and emergencies (e.g. the Gaborone Power Station has been closed throughout most of the current drought) through a possible high-voltage interconnection with Zimbabwe. We would also continue to stress that savings can be achieved by electrifying some 500 or more borehole pumps currently using high-cost imported diesel fuel.

49. To improve long-range energy planning, which the Energy Assessment Mission found to be hindered by institutional fragmentation, the Government has agreed to give priority to developing the capabilities of a newly-created Energy Unit in the Ministry of Mineral Resources and Water Affairs. The UNDP/World Bank ESMAP intends to assist the Government, particularly the Energy Unit, to coordinate and consolidate a number of aid-supported energy planning studies now under way, and to implement a number of pre-feasibility and pre-investment studies especially regarding household energy, energy conservation, and fuel consumption in the public sector. Consistent with this, an unidentified energy project is included in the latter part of the FY85-89 lending program. Such a project could help finance increased household energy supply, pump electrification and possibly an interconnection with Zimbabwe.

### Urban Development

50. The two projects for urban development financed by the Bank have been notably successful in introducing comprehensive urban programs that have addressed such key issues as low-cost replicable housing, elimination of subsidies, improved financing mechanism, cost-recovery and training. This progress has enabled USAID and CDC to prepare projects to help meet Botswana's immediate housing needs during the next two or three years. We propose in the near future to continue to support a national program for the training of local-government officials through a technical assistance



project. The main component of this project would provide technical assistance to determine productive options for the mining town of Selebi-Phikwe. The town's population of some 30,000 people is sustained mainly by the copper-nickel mine, which is efficiently operated but dependent on an ongoing series of financial restructurings made necessary by the chronically depressed copper-nickel market. Moreover, the mine's economically recoverable reserves will be exhausted early next century. Elsewhere in the sector, there seems to be potential for the Bank to help rationalize housing finance. In particular, the Government-owned Botswana Housing Corporation needs to identify new financing mechanisms to move away from its present system of providing subsidized rental housing; and the country's only building society, which confines itself to up market housing, should be encouraged to bring its operations within reach of lower income brackets. Another area deserving Bank attention is development of infrastructure, services and housing in the major villages (e.g. Serowe, Palapye and Mahalapye), where substantial semi-urban communities have developed spontaneously, linked to agriculture, produce marketing and craft industries. It is hoped that a pilot program to be financed by CIDA will develop assistance packages for such settlements. A Bank sector loan that would include the elements of housing finance and village development referred to above is being considered, and a reserve project is proposed for FY89.

#### Education and Manpower Development

51. Botswana lacks people with full secondary and higher education and those with practical training at all levels, a deficiency not adequately addressed by the Government's achievement in expanding universal primary and lower secondary education -- enrollment has reached 83 percent in primary and a satisfactory 22 percent in secondary education. However, the Government is concerned about the growing "mismatch of skills," and intends to give greater emphasis to the expansion of technical, vocational, and senior secondary education. The Bank supports this approach and will encourage the Government to restate its educational goals accordingly. Future Bank education lending in Botswana should be oriented more towards manpower development, although support should continue for the lower levels of education in neglected rural areas, where schools are frequently overcrowded and housed in makeshift quarters. The Bank should provide assistance for strengthening senior secondary, technical and possibly university education, vocational training and higher-level teacher training, and should continue to cooperate with an extensive USAID-financed program for improving the balance between physical infrastructure and qualitative aspects of education. The Bank should also be prepared to provide technical assistance through its projects for strengthening the management and planning capabilities of the Ministry of Education and improving the Ministry's links with Government agencies responsible for manpower planning, coordinate its efforts with these and other agencies and, where possible, help the Government to ensure consistency between the various aid efforts. An education and training project that would address a number of these priorities - notably vocational training and technical assistance for establishing a national apprentice training strategy - is included in the proposed lending program. It would be reinforced by manpower development components in the proposed projects in agriculture and



water supply, and similar major components in our ongoing projects in the health, power, DFC and livestock sectors. Complementary to this strategy, we propose to finance a program for in-service training of local-government officials through a technical assistance project (para. 50). Also, the Government has agreed to our undertaking an assessment of the Public Administration and Management Training Needs as part of a wider study on the subject that will include Lesotho and Swaziland as well.

### Transportation

52. This sector has received more Bank assistance than any other in Botswana, five roads projects having been approved for constructing main highways and secondary roads, improving maintenance and providing technical assistance. Overall, our support for the sector has been very successful, contributing substantially to Botswana's effective highway system and strengthening institutions and maintenance capability. The Government is seeking the Bank assistance for completing the paving of the road from Francistown to the growing agricultural center of Maun, where Botswana's second abattoir was recently commissioned. The feasibility studies suggest that such a project is justified because of the high cost of maintaining the present gravel road with material transported from far away and the wear and tear on vehicles; apart from the expected growth of Maun in the 1990s as a center for livestock marketing and irrigated agriculture. Therefore, we propose a modest loan for this project, which is expected to attract larger amounts of cofinancing from the Saudi Fund and Kuwait Fund. As regards railways, Botswana is preparing to take over from Zimbabwe in 1987 the existing railway system in Botswana, currently operated and maintained by Zimbabwe Railways. The Government is already receiving substantial capital investment and technical assistance from Canada and other donors, and has not asked the Bank to be involved in the transfer. But the Bank has told the Government that it would be prepared to provide staff help and possibly technical assistance during the transfer of operations.

### Population, Health and Nutrition

53. Botswana's population has been growing at an estimated 3.4 percent a year, with urban population almost tripling during the 1970s. The growth rate may increase further as the crude death rate declines from a level that is already among the lowest in Sub-Saharan Africa. The total fertility rate has remained around 7, which is high compared with the (1981) average of 4.5 for low-income and middle-income countries, but below that in a number of Eastern Africa countries (e.g., 8.0 in Kenya and Zimbabwe, and 7.8 in Malawi). Projections show that Botswana's 1983 population of about one million could in the next 30 years reach levels ranging from 3.5 million (if fertility remains constant) to 2.0 million (if there is a significant decline in fertility). The latter can only be achieved if an effective population program is introduced in the present decade. The success of such a program would significantly affect all aspects of social and economic development (e.g., a future school population of some 740,000 under the high-growth scenario would be achieved if an effective population program would significantly affect all



aspects of social and economic development (e.g. a future school population of some 740,000 under the high-growth scenario would be contained at about 290,000 if the lower growth rate were achieved). The Bank's strategy in this sector is based on its sector review of May 1982. The review's main recommendations are embodied in the Family Health Project (approved in May 1984), which is supporting comprehensive reforms in the organization, management and strategy of the health sector so that health and family planning services will be more accessible, better focused on Botswana's needs and more cost-effective. Through the project's assistance for demographic research and evaluation, a sound base is likely to be established for a population project in the latter part of the Bank's FY85-89 lending program. It is proposed also to carry out, at the Government's request, a Food and Nutrition Sector review in FY87 (para. 37). It is estimated that between a quarter and a third of pre-school children suffer from malnutrition or under-nutrition to some degree, a situation worsened by droughts. It will be important for the findings of the nutrition review to be reflected in the proposed project for crop development (para. 37).

#### Water Supply

54. The continuing drought has prompted the Government to take a more strategic view of water supply. The Government believes that the present water shortage in large areas of the country is partly the result of lack of foresight in planning for recurrent major failure of the rains. A comprehensive study of water requirements and potential supply in the eastern (most-populated) half of the country has recently been completed and its findings submitted in draft to the Cabinet. With the consolidation of its findings of this and other related studies (e.g. an FY86 Bank irrigation study, and intensive ongoing studies of groundwater potential) the question of location of development is likely to be focused on by the authorities, which have taken only ad hoc steps to encourage growth in centers best supplied with water. The Bank, which has a long-standing involvement in urban and industrial water supply and related institution building, considers it important to remain active in the sector because of its crucial bearing on the course of development in general. The Bank has agreed in principle to help finance (with CDC) a project to augment water supply to the Gaborone-Lobatse area, subject to current studies that will determine: (a) the potential for conjunctive use of surface-water and ground-water; and (b) the financial implications of the investment. We have told the Government that we would expect a comprehensive master-plan for water supply investment to be formulated within the framework of such a project.

### V. ECONOMIC AND SECTOR WORK (ESW)

#### Past Work

55. Our ESW has evolved to address more effectively Botswana's need for economic diversification, employment generation, more equal distribution of income and improved social services. The manufacturing (1980) and



agricultural (1981/82) sector reports attempted to identify the major factors which limited the growth of output and employment in these sectors. The education (1981) and Health/Population (1982) sector reports addressed human resources development issues. Wage policies and recent trends in income distribution were major themes in the last CEM (1982). There was a heavy concentration of ESW in FY84: A Livestock Sub-Sector Memorandum (September 1983) made a comprehensive assessment of the sector, and it is now serving as the basis for our dialogue with the Government in the context of the proposed National Land Management and Livestock Project. In order to provide the necessary background for the Second DFC Project, a Manufacturing Sector Report (January 1984) updated our knowledge of the sector, particularly its employment creating potential and the related Government policies. A notable contribution to the Government's development programs is now being made by the Bank/UNDP Energy Assessment Report (Blue Cover, September 1984). A Bank Study for Botswana's Public Sector Management has recently been issued, with Government approval, as a Staff Working Paper (No. 709). We hope that some of its proposals, especially concerning deficiencies in Botswana's localization program (replacing expatriate experts with qualified Batswana), will be reflected in the proposed education and manpower development project.

#### Priority Areas for Bank ESW

56. The proposed ESW program represents a continuation of our efforts to assist the Government in identifying viable options towards its objectives. The recent sector work on Botswana has addressed most priority areas. Therefore, the proposed program for FY85-87, which on annual average remains below the norm in terms of staffweeks, aims at filling the gaps in our sector knowledge and preparing the ground for increasing Bank assistance to directly productive areas (Attachment IV).

57. We have identified some key macro policy issues (paras. 19-23) that hamper the effectiveness of Government programs aimed at economic diversification and employment generation. We had an intensive dialogue with the Government on these issues during the discussion of the CEM in March 1985 and will follow them up with a study of Public Expenditure Program and Private Investment Opportunities in FY86. In addition we would support our macroeconomic policy dialogue with several sector studies aimed at facilitating the Government's shift of development policy emphasis towards directly productive sectors.

58. The achievement of the Government's rural development objective depends to a large extent on increasing the availability and efficient use of scarce water resources for arable farming. Yet, this is the most neglected area in the Government's programs. The proposed Study of Agricultural Irrigation Potential (FY86) is expected to fill this crucial gap in our knowledge by identifying the potential for supplementary small-scale irrigation and water conservation schemes. We hope that this study would also make a significant contribution to the preparation of the National Water Management Plan for which the Government has already requested Bank advice and expertise. The Food and Nutrition Sector Review in FY87 will focus on the wide-spread nutrition deficiencies as well as on the identification of options to overcome constraints in food production.



We expect that these two studies will help us identify a crop development project for FY88 to assist the Government either through appropriately-sized irrigation schemes or through the implementation for some aspects of the Government's agricultural research program.

59. The lack of adequate skilled manpower is a crucial bottleneck, and there is a pressing need for the expansion and rationalization of manpower development and training programs. We are, therefore, proposing a substantial manpower development emphasis in the Fourth Education Project, and will also assess Public Administration and Management Training Needs as part of a regional study (para. 51).

60. Botswana has made good progress in meeting most of its energy needs from local coal. The Bank's strategy is to support Government efforts towards development of least-cost and mainly resource-based power generation and planning. To this effect we are planning to follow up our Energy Assessment Report (FY85) with a series of studies comprising the power sub-sector review (FY86), a pump electrification study (FY85/FY86), a review of existing policy for electricity service connections for residential consumers (FY85/FY86), energy use surveys and audits of selected public institutions (FY85/FY86) and an Energy Assessment Status Report (FY86).

61. In order to prepare for a transition of Selebi-Phikwe from mining to other activities when copper-nickel reserves are eventually depleted, we are now appraising a T.A. project which will support various studies to assess agricultural and industrial development prospects of the region.

62. During the past decade, the high demand for civil works has led to the creation of a domestic construction industry in Botswana. This is one of the few industries which seems to have a reasonably good development potential with promising employment, income and production linkages with the rest of the economy. We, therefore, propose to undertake a study of the construction industry in Botswana to determine its efficiency with respect to the management, labor and capital use and to identify policy constraints which, if mitigated, could induce further expansion of the sector.

#### Government Receptivity

63. Despite an active program of economic and sector work, we have not until recently reached the stage where we were able to assist the Government in designing programs to encourage investments in the productive sectors. This points to the difficulty of formulating a development strategy, relevant policy options and specific viable project proposals in a country which, despite a good growth record, has formidable handicaps. Also, in the past, the Government did not want the Bank to raise politically sensitive policy issues (e.g., reform of the livestock sector). However, the Government has recently become receptive to the Bank's project-based policy advice (para. 47). Moreover, at the recent Bank-Fund Annual Meeting, the Botswana delegation expressed interest in receiving Bank support to its policies aimed at the structural adjustment of the economy (para. 37). We have explained that the Bank would require a



wide range of conditions to be fulfilled before extending an SAL to Botswana but there can be other types of lending that could support the Government's structural adjustment policies. Finally, in the recent discussions of the draft CEM, we have found the Government willing to give serious consideration to Bank advice while designing its development policies. Based on this encouraging progress, we now hope to intensify our dialogue with the Government on macro-economic policies and translate it into specific policy formulations through a study of Public Expenditure Program and Private Investment Opportunities in FY86.

## VI. CONCLUSIONS AND RECOMMENDATIONS

64. Although Botswana's economic prospects for the current decade are reasonably good in view of an expected strong budgetary, balance of payments and creditworthiness position, they are clouded by rising unemployment and worsening income distribution. Above all, if unabated, these developments may constitute a real threat to Botswana's democratic and, so far, very stable political system, as a growing portion of the population may find itself excluded from the participation in the benefits of Botswana's substantial mineral wealth.

65. Economic diversification is, therefore, the key to the Government's development program, but at present, the chances for much needed rapid progress in agriculture and manufacturing are limited. Unfavorable ecological conditions for arable production; the country's geographical location, landlocked and surrounded by countries of uncertain political stability; the shortage of natural resources other than a few minerals and grazing lands; the dearth of skilled manpower; and the shortcomings of existing macro-economic and sectoral policies, particularly in agriculture, have not favored investments and production increases in these sectors. Part of the prevailing constraints, however, can and must be overcome through improved investment programs and economic management and policies; and for this the Government will continue to require external capital and technical assistance in the years to come.

66. We propose that the Bank's assistance strategy for Botswana should be to help generate greater and more equitable economic opportunity outside the mining enclaves; ensure that the development of manpower and supportive infrastructure is appropriate; and prevent future economic gains from being dissipated by unrestrained population growth. To this end, we suggest the following major policy and planning recommendations:

- Our lending and ESW programs should emphasize diversification in the productive sectors, with greater opportunity for small and medium-scale industrial and commercial enterprises, expansion of commercial ranching with improved range-management, and a more focused effort to deal with the problem of the marginal arable farmers and traditional stockholders.

- In infrastructure, help the Government develop strategic long-range plans for least-cost investment in water supply and energy.
- Gradually reorient our lending and sector assistance for education developing manpower training capacities.
- Expand assistance to the Government's promising population program.
- In support of the above strategy, total commitments over the five-year period (FY86-90) would total US\$150 million for eight projects, including a supplementary (technical assistance) project in FY86 but excluding reserve projects for livestock and urban development.
- Efforts would be made to achieve cofinancing close to those obtained in recent years.
- Bank financing should be limited to the foreign exchange component only, up to a maximum of 60 percent of total project costs.

67. We propose that the next CPP for Botswana be scheduled three years hence and a Strategy Paper in between.



Population : 998,000 (mid-1983)  
 GNP per capita: US\$970 (1983)  
 Area : 600.4 (thousand sq. km)  
 Literacy Rate : 35.0% (1981)

Attachment la

BOTSWANA: ACTUAL AND PROPOSED PROGRAM OF LENDING OPERATIONS THROUGH FY90  
 (US\$ Million)

		THROUGH FY79	ACTUAL					CURRENT FY85	PROGRAM					TOTAL				Reserve Projects
			FY80	FY81	FY82	FY83	FY84		FY86	FY87	FY88	FY89	FY90	FY75-79	FY80-84	FY85-89	FY86-90	
Agric. I	IDA	1.7																
Agriculture II Unid.	IBRD																	
Livestock II	IBRD	6.5																
Land Manag. & Livestock	IBRD							10.7						6.5		20.0	20.0	
Livestock IV	IBRD															10.7		20.0
Education I	IBRD	10.5												10.5				
Education II	IBRD		10.0												10.0			
Education III	IBRD			20.0											20.0			
Education IV	IBRD								25.0							25.0	25.0	
Power I	IBRD					32.5												
Energy Unid.	IBRD											*27.0			32.5		27.0	
Water I	IDA	2.9																
Water II	IBRD		4.4												4.4			
Water III	IBRD					22.0									22.0			
Water Supply Unid.	IBRD								32.0							32.0	32.0	
Roads I	IDA	3.6																
Roads II	IDA	2.0																
Roads III	IBRD	5.8												5.8				
Roads IV	IBRD	20.0												20.0				
Roads V	IBRD		17.0												17.0			
Roads VI	IBRD								10.0							10.0	10.0	
DFC I	IBRD	4.0																
DFC II	IBRD					12.3									12.3			
DFC III	IBRD										*20.0					*20.0	20.0	
Urban I	IDA	3.0																
Urban II	IBRD	8.0												8.0				15.0
Urban III	IBRD																	
Family Health	IBRD					11.0												
Population & Health	IBRD											13.0					13.0	
Selebi-Phikwe TA	IBRD								3.0 <sup>a</sup>							3.0	3.0	
LENDING PROGRAM	IBRD	54.8	14.4	37.0	0.0	32.5	45.3	10.7	28.0	42.0	20.0	20.0	40.0	50.8	129.2	120.7	150.0	
	IDA	13.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	Total	68.0	14.4	37.0	0.0	32.5	45.3	10.7	28.0	42.0	20.0	20.0	40.0	50.8	129.2	120.7	150.0	
	Number	11	2	2	0	1	3	1	1	2	1	1	2	5	8	8	8	
	(o/w IDA)	(5)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	
Lending Program in Constant FY84 Commitment \$			16.8	42.7	0.0	34.7	45.3	10.0	24.3	34.2	15.4	14.5	27.6	70.8	141.9	98.4	116.0	
Commitment Deflator (FY84=100)			79.8	80.7	83.2	87.4	93.2	100.0	107.2	114.4	121.4	128.2	134.9					
Standby Projects	IBRD											20.0	27.0					
	IDA											0.0	0.0					
	Total											20.0	27.0					
	Number											1	1					

a Supplemental.

\* Standby.

April 1985

Population: 998,000 (mid-1983)  
GNP Per Capita: US\$970 (1983)

Attachment 1b

BOTSWANA: SUMMARY OF BANK GROUP AND OTHER OFFICIAL LENDING

	Through FY79	FY80	FY81	FY82	FY83	FY84	Current FY85	FY86	FY87	FY88	FY89	FY90	Total FY75-79	Total FY80-84	Total FY85-89	Total FY86-90
<b>SECTORAL DISTRIBUTION OF BANK GROUP COMMITMENTS (%)</b>																
Agric. & Rural Development	7.6						100.0			100.0			12.8		25.4	13.3
Industry	2.4					27.2					100.0			9.5	16.6	13.3
Mining	37.4															
Power/Energy					100.0							67.5		25.2		18.0
Transportation	29.8		46.0						23.8				50.8	13.2	8.3	6.7
Education	9.7	69.4	54.0					87.7					20.7	23.2	20.7	16.7
Urban Development	10.2												15.7			
Water Supply	2.9	30.6				48.5			76.2					20.4	26.5	21.3
Population, Health, Nutrition						24.3						32.5		8.5		8.7
Other								10.7							2.5	2.0
Total	100.0	100.0	100.0	0.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>BANK GROUP DISBURSEMENTS (US\$m)</b>																
IBRD o/s <sup>a</sup> includ. undisbursed	85.2	100.4	109.6	123.1	151.4	187.7	203.4	229.5	262.6	269.6	275.1	298.4				
excl. undisbursed	52.8	58.3	55.7	63.9	73.0	85.0	109.0	122.8	135.8	144.5	153.2	164.1				
IBRD Gross Disbursements	50.5	7.6	10.8	14.7	11.8	21.0	22.4	20.6	21.9	21.7	23.2	27.7	50.5	65.9	109.8	115.1
less: Amortization	6.3	4.3	4.8	2.0	2.5	3.7	4.3	6.8	9.0	13.0	14.5	16.7	6.3	17.3	47.6	60.0
equals: Net disbursements	44.2	3.3	6.0	12.7	9.3	17.3	18.1	13.8	12.9	8.7	8.7	11.0	44.2	48.6	62.2	55.1
less: Interest charges	17.8	4.1	4.5	4.5	5.5	7.1	8.3	10.8	12.3	13.5	14.5	15.6	17.8	25.7	59.4	66.7
equals: Net transfer	26.4	-0.8	1.5	8.2	3.8	10.5	9.8	3.0	-0.6	-4.8	-5.8	-4.6	26.4	24.8	2.8	-11.6
IBRD/IDA Gross Disbursements	65.3	7.7	10.8	14.7	11.8	21.0	22.4	20.6	21.9	21.7	23.2	27.7	65.3	66.0	109.8	115.1
less: Amortization	6.5	4.4	4.9	2.1	2.6	3.8	4.5	7.0	9.2	13.2	14.7	16.9	6.5	17.8	48.6	61.0
equals: Net disbursements	58.8	3.3	5.9	12.6	9.2	17.2	17.9	13.6	12.7	8.5	8.5	12.8	58.8	48.2	61.2	56.1
less: interest charges	18.6	4.2	4.6	4.7	5.6	7.5	8.4	10.9	12.4	13.6	14.6	15.7	18.6	26.6	59.9	67.2
equals: net transfers	40.2	-0.9	1.3	7.9	3.6	9.7	9.5	2.7	-0.3	-5.1	-6.1	-2.9	40.2	23.4	1.3	-11.1
	CY	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990				
<b>IBRD EXPOSURE (%)</b>																
IBRD Disbursements/Total Gross Disbursements		36.1	47.2	24.0	50.1	33.7	21.7	17.1	13.3	12.3	10.9	9.2				
IBRD DOD/Total DOD		31.2	34.8	32.3	35.9	34.7	30.6	26.4	23.4	21.1	19.3	18.1				
IBRD Debt Service/Total Debt Service		77.0	66.3	57.5	38.1	28.6	47.3	43.5	34.6	28.5	24.6	21.2				
<b>COMMITMENTS FROM OFFICIAL SOURCES (US\$m)</b>																
Grants		36.0	45.0	45.0	45.0	50.0	50.0	50.0	75.0	75.0	75.0	75.0				
UNDP																
United States																
United Kingdom																
Other																
Concessional Loans		28.1	3.9	13.0	3.4	4.0	4.3	4.6	4.9	5.2	5.4	5.7				
Total Bilateral		18.4	3.9	10.0	-	-	-	-	-	-	-	-				
Kuwait		7.4	3.9	-	-	-	-	-	-	-	-	-				
Saudi Arabia		11.0	-	10.0	-	-	-	-	-	-	-	-				
Other		-	-	-	-	-	-	-	-	-	-	-				
Total Multilateral		9.7	-	3.0	3.4	4.0	4.3	4.6	4.9	5.2	5.4	5.7				
IDA		-	-	-	-	-	-	-	-	-	-	-				
BADEA		7.2	-	-	-	-	-	-	-	-	-	-				
ADB		-	-	-	3.4	-	-	-	-	-	-	-				
Other		2.5	-	3.0	-	4.0	4.3	4.6	4.9	5.2	5.4	5.7				
Non-concessional Loans		41.3	41.1	73.7	103.4	101.2	88.7	64.5	111.6	106.6	125.4	99.1				
Total Bilateral		12.0	0.5	-	24.0	-	-	-	-	-	-	-				
United Kingdom		12.0	-	-	23.0	-	-	-	-	-	-	-				
United States		-	0.5	-	0.5	-	-	-	-	-	-	-				
Germany (Federal Republic)		-	-	-	0.5	-	-	-	-	-	-	-				
Other		-	-	-	-	-	-	-	-	-	-	-				
Total Multilateral		29.3	40.6	73.7	79.4	-	-	-	-	-	-	-				
IBRD		14.4	17.0	20.0	54.5	28.0	19.4	35.0	31.0	20.0	30.0	30.0				
ADB		10.4	23.6	46.3	21.4	-	-	-	-	-	-	-				
Other		4.5	0.0	7.4	3.5	-	-	-	-	-	-	-				
TOTAL COMMITMENTS (excluding grants)		69.3	45.0	105.6	148.4	133.2	112.4	104.1	147.5	131.8	160.8	135.8				

a As of the end of the fiscal year. Includes exchange rate adjustment.



BOTSWANA	- SOCIAL INDICATORS DATA SHEET				
	BOTSWANA		REFERENCE GROUPS (WEIGHTED AVERAGES) /a		
	1960/b	1970/b	MOST RECENT ESTIMATE/b	(MOST RECENT ESTIMATE) /b	
				MIDDLE INCOME AFRICA S. OF SAHARA	MIDDLE INCOME N. AFRICA & MID EAST
<b>AREA (THOUSAND SQ. KM)</b>					
TOTAL	600.4	600.4	600.4	.	.
AGRICULTURAL	424.7	439.7	453.6	.	.
<b>GDP PER CAPITA (US\$)</b>	100.0	190.0	970.0	1112.9	1149.6
<b>ENERGY CONSUMPTION PER CAPITA</b> (KILOGRAMS OF OIL EQUIVALENT)	157.0	251.0	337.0	529.0	622.1
<b>POPULATION AND VITAL STATISTICS</b>					
POPULATION, MID-YEAR (THOUSANDS)	445.0	577.0	998.0	.	.
URBAN POPULATION (% OF TOTAL)	1.7	9.5	21.7	29.7	48.2
<b>POPULATION PROJECTIONS</b>					
POPULATION IN YEAR 2000 (MILL)			1.8	.	.
STATIONARY POPULATION (MILL)			5.6	.	.
POPULATION MOMENTUM			1.9	.	.
<b>POPULATION DENSITY</b>					
PER SQ. KM.	0.7	1.0	1.6	55.8	36.3
PER SQ. KM. AGRI. LAND	1.0	1.3	2.1	111.5	461.7
<b>POPULATION AGE STRUCTURE (%)</b>					
0-14 YRS	45.9	48.7	50.1	45.4	43.6
15-64 YRS	51.4	48.5	46.7	51.7	53.1
65 AND ABOVE	2.7	2.8	2.5	2.9	3.3
<b>POPULATION GROWTH RATE (%)</b>					
TOTAL	2.1	2.6	4.3	2.8	2.8
URBAN	18.1	19.8	11.2	5.2	4.5
<b>CRUDE BIRTH RATE (PER THOUS)</b>	51.7	52.2	44.3	47.0	40.4
<b>CRUDE DEATH RATE (PER THOUS)</b>	20.4	16.9	11.3	15.2	11.5
<b>GROSS REPRODUCTION RATE</b>	3.1	3.2	3.2	3.2	2.8
<b>FAMILY PLANNING</b>					
ACCEPTORS, ANNUAL (THOUS)	..	..	11.3 /c	.	.
USERS (% OF MARRIED WOMEN)	..	..	..	..	22.2
<b>FOOD AND NUTRITION</b>					
INDEX OF FOOD PROD. PER CAPITA (1969-71=100)	91.0	96.0	73.0	91.6	97.3
<b>PER CAPITA SUPPLY OF</b>					
CALORIES (% OF REQUIREMENTS)	100.0	94.0	85.0	98.2	110.8
PROTEINS (GRAMS PER DAY)	82.0	76.0	64.0	56.7	70.1
OF WHICH ANIMAL AND PULSE	40.0	37.0	34.0 /c	17.0	17.8
<b>CHILD (AGES 1-4) DEATH RATE</b>	22.6	18.7	13.3	18.7	14.6
<b>HEALTH</b>					
LIFE EXPECT. AT BIRTH (YEARS)	51.5	55.5	60.6	51.7	57.5
INFANT MORT. RATE (PER THOUS)	114.6	100.1	79.9	102.7	101.5
<b>ACCESS TO SAFE WATER (%POP)</b>					
TOTAL	..	29.0	45.0 /d	35.6	59.7
URBAN	..	71.0	95.0 /d	54.1	84.5
RURAL	..	26.0	39.0 /d	27.3	38.4
<b>ACCESS TO EXCRETA DISPOSAL</b> (% OF POPULATION)					
TOTAL	..	..	..	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..
<b>POPULATION PER PHYSICIAN</b>	22250.0	14070.0	9480.0 /d	11948.3	4345.1
<b>POP. PER NURSING PERSON</b>	4790.0 /e	1140.0	1250.0 /d	2248.9	1831.1
<b>POP. PER HOSPITAL BED</b>					
TOTAL	440.0	350.0	340.0 /f	986.9	632.9
URBAN	..	..	60.0 /f	368.7	545.5
RURAL	..	..	4230.0 /f	4012.1	2513.5
<b>ADMISSIONS PER HOSPITAL BED</b>	..	15.3	27.0 /d	..	26.2
<b>HOUSING</b>					
<b>AVERAGE SIZE OF HOUSEHOLD</b>					
TOTAL	..	..	5.0 /g	..	..
URBAN	..	..	4.8 /g	..	..
RURAL	..	..	5.0 /g	..	..
<b>AVERAGE NO. OF PERSONS/ROOM</b>					
TOTAL	..	..	..	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..
<b>ACCESS TO ELECT. (% OF DWELLINGS)</b>					
TOTAL	..	..	..	..	46.2
URBAN	..	..	..	..	77.7
RURAL	..	..	..	..	16.1

BOTSWANA		- SOCIAL INDICATORS DATA SHEET				
BOTSWANA		REFERENCE GROUPS (WEIGHTED AVERAGES) /a				
		MOST RECENT ESTIMATE /b		(MOST RECENT ESTIMATE) /b		
				MIDDLE INCOME		MIDDLE INCOME
				AFRICA S. OF SAHARA	N. AFRICA & MID EAST	
		1960/b	1970/b			
<b>EDUCATION</b>						
ADJUSTED ENROLLMENT RATIOS						
PRIMARY: TOTAL		42.0	69.0	102.0	91.0	88.3
MALE		35.0	65.0	94.0	90.5	102.5
FEMALE		48.0	73.0	110.0	73.6	73.6
SECONDARY: TOTAL		1.0	7.0	23.0	17.4	43.0
MALE		1.0	8.0	21.0	23.7	52.3
FEMALE		1.0	7.0	25.0	14.8	33.0
VOCATIONAL (% OF SECONDARY)		4.2	19.4	7.8	5.3	10.3
PUPIL-TEACHER RATIO						
PRIMARY		31.0	36.0	30.0	38.6	30.3
SECONDARY		12.0	15.0	16.0	24.3	23.1
ADULT LITERACY RATE (%)		20.0 /h	..	35.0	35.6	43.5
<b>CONSUMPTION</b>						
PASSENGER CARS/THOUSAND POP		2.9	3.1	8.7	20.7	17.8
RADIO RECEIVERS/THOUSAND POP		4.7	34.7	75.0	100.8	138.8
TV RECEIVERS/THOUSAND POP		..	..	..	18.5	46.1
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION		..	22.5	19.9 /i	17.2	31.2
CINEMA ANNUAL ATTENDANCE/CAPITA		..	0.2	0.1 /d	0.3	1.7
<b>LABOR FORCE</b>						
TOTAL LABOR FORCE (THOUS)		227.0	270.0	404.0	.	.
FEMALE (PERCENT)		49.8	52.6	51.1	33.8	10.8
AGRICULTURE (PERCENT)		92.0	87.0	78.3	57.1	42.4
INDUSTRY (PERCENT)		3.0	4.0	7.7	17.4	27.9
PARTICIPATION RATE (PERCENT)						
TOTAL		50.9	46.7	41.8	36.3	26.2
MALE		53.2	47.7	43.3	47.6	46.4
FEMALE		48.9	45.9	40.4	25.1	5.8
ECONOMIC DEPENDENCY RATIO		1.0	1.1	1.3	1.4	1.8
<b>INCOME DISTRIBUTION</b>						
PERCENT OF PRIVATE INCOME RECEIVED BY						
HIGHEST 5% OF HOUSEHOLDS		..	28.1 /i	..	..	..
HIGHEST 20% OF HOUSEHOLDS		..	60.3 /i	..	..	..
LOWEST 20% OF HOUSEHOLDS		..	1.6 /i	..	..	..
LOWEST 40% OF HOUSEHOLDS		..	7.6 /i	..	..	..
<b>POVERTY TARGET GROUPS</b>						
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
URBAN		..	..	284.0	525.3	274.8
RURAL		..	..	154.0	249.0	177.2
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
URBAN		..	..	303.0	477.4	402.6
RURAL		..	..	303.0	186.0	284.9
ESTIMATED POP. BELOW ABSOLUTE POVERTY INCOME LEVEL (%)						
URBAN		..	..	40.0 /i	..	..
RURAL		..	..	55.0 /i	..	..
..	NOT AVAILABLE					
.	NOT APPLICABLE					

## NOTES

/a The group averages for each indicator are population-weighted arithmetic means. 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; "Data for 1970" between 1969 and 1971; and data for "Most Recent Estimate" between 1980 and 1982.

/c 1977; /d 1975; /e 1962; /f 1976; /g 1978; /h Prior to 1965; /i 1971-72; economically active population.

JUNE, 1984



## DEFINITIONS OF SOCIAL INDICATORS

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country (except for "High Income Oil Exporters" group where "Middle Income North Africa" is chosen because of stronger socio-cultural affinities). In the reference group data the averages are population weighted arithmetic means for each indicator and shown only when majority of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time against the country and

## AREA (thousand sq.km.)

**Total** - Total surface area comprising land area and inland waters; 1960, 1970 and 1981 data.

**Agricultural** - Enclave of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow; 1960, 1970 and 1981 data.

**GNP PER CAPITA (US\$)** - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1980-82 basis); 1960, 1970, and 1982 data.

**ENERGY CONSUMPTION PER CAPITA** - Annual apparent consumption of commercial primary energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of oil equivalent per capita; 1960, 1970, and 1981 data.

## POPULATION AND VITAL STATISTICS

**Total Population, Mid-Year (thousands)** - As of July 1; 1960, 1970, and 1982 data.

**Urban Population (percent of total)** - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1982 data.

## Population Projections

**Population in year 2000** - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes. **Stationary population** - Is one in which age- and sex-specific mortality rates have not changed over a long period, while age-specific fertility rates have simultaneously remained at replacement level (net reproduction rate=1). In such a population, the birth rate is constant and equal to the death rate, the age structure is also constant, and the growth rate is zero. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level. **Population Momentum** - Is the tendency for population growth to continue beyond the time that replacement-level fertility has been achieved; that is, even after the net reproduction rate has reached unity. The momentum of a population in the year  $t$  is measured as a ratio of the ultimate stationary population to the population in the year  $t$ , given the assumption that fertility remains at replacement level from year  $t$  onward, 1980 data.

## Population Density

**Per sq. km.** - Mid-year population per square kilometer (100 hectares) of total area; 1960, 1970, and 1981 data.

**Per sq. km. Agricultural land** - Computed as above for agricultural land only; 1960, 1970 and 1981 data.

**Population Age Structure (percent)** - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentage of mid-year population; 1960, 1970, and 1982 data.

**Population Growth Rate (percent)** - Total - Annual growth rates of total mid-year population for 1950-60, 1960-70, and 1970-82.

**Population Growth Rate (percent) - urban** - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-82.

**Crude Birth Rate (per thousand)** - Annual live births per thousand of mid-year population; 1960, 1970, and 1982 data.

**Crude Death Rate (per thousand)** - Annual deaths per thousand of mid-year population; 1960, 1970, and 1982 data.

**Gross Reproduction Rate** - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1982.

**Family Planning - Acceptors, Annual (thousands)** - Annual number of acceptors of birth-control devices under auspices of national family planning program.

**Family Planning - Users (percent of married women)** - Percentage of married women of child-bearing age who are practicing or whose husbands are practicing any form of contraception to all married women. Women of child-bearing age are generally women aged 15-49, although for some countries contraceptive usage is measured for other age groups.

## FOOD AND NUTRITION

**Index of Food Production per Capita (1969-71=100)** - Index of per capita annual production of all food commodities. Production excludes seed and feed and is on constant year basis. Commodities cover primary food (e.g., sugarcane instead of sugar) which are edible and contain nutrients (e.g., coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights; 1961-65, 1970, and 1982 data.

**Per capita supply of calories (percent of requirements)** - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970 and 1980 data.

**Per capita supply of protein (grams per day)** - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for minimum allowances of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Supply; 1961-65, 1970 and 1980 data.

**Per Capita protein supply from animal and pulse** - Protein supply of food derived from animals and pulses in grams per day; 1961-65, 1970 and 1977 data.

**Child (ages 1-4) Death Rate (per thousand)** - Annual deaths per thousand in age group 1-4 years, to children in this age group; for most developing countries data derived from life tables; 1960, 1970 and 1981 data.

## HEALTH

**Life Expectancy at Birth (years)** - Average number of years of life remaining at birth; 1960, 1970 and 1982 data.

**Infant Mortality Rate (per thousand)** - Annual deaths of infants under one year of age per thousand live births; 1960, 1970 and 1981 data.

**Access of Safe Water (percent of population)** - total, urban, and rural - Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.

**Access to Excreta Disposal (percent of population)** - total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of pit privies and similar installations.

**Population per Physician** - Population divided by number of practicing physicians qualified from a medical school at university level.

**Population per Nursing Person** - Population divided by number of practicing male and female graduate nurses, assistant nurses, practical nurses and nursing auxiliaries.

**Population per Hospital Bed** - total, urban, and rural - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities.

**Admissions per Hospital Bed** - Total number of admissions to or discharges from hospitals divided by the number of beds.

## HOUSING

**Average Size of Household (persons per household)** - total, urban, and rural - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.

**Average number of persons per room** - total, urban, and rural - average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.

**Access to Electricity (percent of dwellings)** - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

## EDUCATION

## Adjusted Enrollment Ratio

**Primary school** - total, male and female - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations; normally includes children aged 5-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.

**Secondary school** - total, male and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.

**Vocational enrollment (percent of secondary)** - Vocational institutions. Include technical, industrial, or other programs which operate independently or as departments of secondary institutions.

**Pupil-teacher ratio** - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.

**Adult literacy rate (percent)** - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

## CONSUMPTION

**Passenger Cars (per thousand population)** - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses, and military vehicles.

**Radio Receivers (per thousand population)** - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

**TV Receivers (per thousand population)** - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.

**Newspaper Circulation (per thousand population)** - Shows the average circulation of "daily general interest newspaper," defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.

**Cinema Annual Attendance per Capita per Year** - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

## LABOR FORCE

**Total Labor Force (thousands)** - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc., covering population of all ages. Definitions in various countries are not comparable; 1960, 1970 and 1982 data.

**Female (percent)** - Female labor force as percentage of total labor force.

**Agriculture (percent)** - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1981 data.

**Industry (percent)** - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1981 data.

**Participation Rate (percent)** - total, male, and female - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970, and 1981 data. These are based on ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.

**Economic Dependency Ratio** - Ratio of population under 15 and 65 and over to the working age population (those aged 15-64).

## INCOME DISTRIBUTION

**Percentage of Private Income (both in cash and kind)** - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

## POVERTY TARGET GROUPS

The following estimates are very approximate measures of poverty levels, and should be interpreted with considerable caution.

**Estimated Absolute Poverty Income Level (US\$ per capita)** - urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.

**Estimated Relative Poverty Income Level (US\$ per capita)** - urban and rural - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.

**Estimated Population Below Absolute Poverty Income Level (percent)** - urban and rural - Percent of population (urban and rural) who are "absolute poor."



Population : 998,000 (mid-1983)  
GDP per Capita: US\$970 (1983)

Attachment 3a

BOTSWANA — ECONOMIC INDICATORS

	Amount (million US\$ at current prices) 1983	Annual Growth Rates (%) at Constant Prices									
		Actual					Projected				
		1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
<b>NATIONAL ACCOUNTS <sup>a</sup></b>											
Gross domestic product <sup>b</sup>	893.1	11.2	14.6	11.4	1.5	16.1	5.3	6.0	6.1	6.1	6.1
Agriculture	86.0	-4.6	-9.1	-9.8	4.6	-11.5	0.0	2.0	3.0	3.0	3.0
Industry	382.4	5.8	17.3	24.0	2.5	28.2	5.0	6.0	6.0	6.0	6.0
Services	424.7	23.8	19.3	4.6	-0.3	8.2	7.0	7.0	7.0	7.0	7.0
Consumption	720.9	12.4	9.5	4.5	7.4	-0.9	13.6	8.5	5.8	5.0	5.2
Gross investment	264.8	22.3	32.1	1.5	9.2	-26.0	16.8	8.3	7.9	7.4	7.4
Exports of GNFS	619.8	15.5	16.6	25.7	-10.2	52.9	12.0	3.5	4.3	4.9	4.9
Imports of GNFS	712.4	22.4	19.6	7.0	2.0	22.4	23.3	6.9	5.0	4.6	4.8
Gross National Savings	237.7	106.7	46.5	-57.8	-79.8	1,255.7	-	-	-	-	-
<b>PRICES</b>											
GDP deflator		83.8	100.0	99.2	94.5	108.0	-	-	-	-	-
Exchange rate (US\$ per Pula)		1.2276	1.2871	1.2004	.9788	.9122	-	-	-	-	-
Share of GDP at Market Prices (%) (at current prices)						Average Annual Increase (%) (at constant year prices)					
Gross domestic product		100.0	100.0	100.0	100.0	100.0	19.5	12.4	3.2	6.1	
Agriculture		33.1	29.4	10.9	8.8	7.6	18.6	-3.0	-2.2	3.0	
Industry		27.5	29.0	43.3	42.7	42.4	19.6	17.3	4.2	6.0	
Services		39.4	41.6	45.8	48.5	50.0	20.0	14.2	6.7	7.0	
Consumption		98.3	79.2	69.6	87.3	83.8	13.2	10.4	13.2	5.2	
Gross investment		42.2	48.8	43.2	33.6	35.9	17.6	9.6	2.4	7.5	
Export GNFS		22.7	44.8	63.3	77.7	72.9	30.9	19.1	11.7	4.8	
Import GNFS		63.3	72.8	76.1	98.6	92.6	15.4	13.4	15.6	4.8	
Gross national savings		-0.5	12.8	30.2	22.4	28.2	-	-	-	-	



Population : 998,000 (mid-1983)  
GNP Per Capita: US\$970 (1983)

Attachment 3b

BOTSWANA — EXTERNAL TRADE

Indicator	Amount (million US\$ at current prices) 1983	Annual Growth rate (%) (at constant prices)									
		Actual					Projected				
		1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
<b>EXTERNAL TRADE</b>											
Merchandise exports	635.8	37.6	7.3	-12.4	47.2	26.1	3.0	3.2	4.2	4.9	4.9
Primary	-	-	-	-	-	-	-	-	-	-	-
Manufactures	-	-	-	-	-	-	-	-	-	-	-
Merchandise imports											
(c.i.f., duty incl.)	740.1	22.2	2.4	8.1	-4.2	11.0	14.6	7.4	5.0	4.5	4.7
Food	145.3	13.5	-4.4	-2.9	11.2	32.2	15.3	8.3	3.8	3.0	3.4
Petroleum	93.0	20.8	8.6	12.0	1.6	-0.8	5.3	6.0	4.9	4.9	4.9
Machinery and equipment	179.2	-6.6	-22.0	18.8	-14.6	5.3	15.4	8.1	7.1	6.7	6.7
Others	322.6	14.7	3.9	11.4	-5.0	10.3	10.3	7.0	4.3	3.7	4.0
<b>PRICES</b>											
Export price index		91.7	93.7	91.3	87.0	100.0	100.1	109.2	116.2	128.5	142.1
Import price index		66.1	81.5	93.3	103.3	100.0	97.3	101.5	108.2	117.0	126.4
Terms of trade index		138.7	115.0	97.8	84.2	100.0	102.9	107.6	107.4	109.9	112.4
Composition of Merchandise Trade (%) (at current prices)						Average Annual Increase (%) (at constant prices)					
						1974-75	1975-80	1980-85	1985-90		
Exports	100.0	100.0	100.0	100.0	100.0	25.1	17.4	11.6	4.8		
Primary	-	-	-	-	-	-	-	-	-		
Manufactures	-	-	-	-	-	-	-	-	-		
Imports (c.i.f., duty incl.)	100.0	100.0	100.0	100.0	100.0	3.3	16.6	3.9	4.8		
Food	14.5	18.2	15.7	20.1	18.8	15.7	13.1	9.0	3.4		
Petroleum	15.2	10.5	13.1	12.5	12.6	-13.7	16.1	6.6	4.9		
Machinery equipment	32.0	24.0	28.2	26.4	29.1	-10.3	22.2	2.6	6.8		
Others	38.3	47.3	43.0	41.0	39.5	14.5	21.2	5.6	4.0		
Share of Trade with Industrial Countries (%)						Share of Trade with Developing Countries (%)					
						1975	1980	1983	1975	1980	1983
<b>DIRECTION OF TRADE</b>											
Exports		71.0	84.4	82.1		29.0	15.6	17.9			
Primary		-	-	-		-	-	-			
Manufacturers		-	-	-		-	-	-			
Imports		7.0	5.4	7.5		93.0	94.6	92.5			

Population : 998,000 (mid-1983)  
GNP Per Capita: US\$970 (1983)

Attachment 3c

**BOTSWANA — BALANCE OF PAYMENTS, EXTERNAL CAPITAL AND DEBT**  
(millions US\$ at current prices)

	Actual					Projected				
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1990
<b>BALANCE OF PAYMENTS</b>										
Exports of goods and services	575.5	747.8	607.2	635.4	831.8	869.6	977.9	1,081.9	1,242.5	1,874.3
of which merchandise fob	442.4	544.7	403.1	464.2	640.7	690.3	778.2	862.5	1,000.0	1,540.5
Imports of goods and services	667.7	954.4	952.3	812.7	955.1	1,103.8	1,224.8	1,367.6	1,539.6	2,205.1
of which merchandise fob	442.3	602.8	690.0	584.3	615.6	758.4	197.3	951.8	1,075.7	1,563.4
Net transfers	128.9	127.8	139.6	120.0	125.3	130.0	140.0	150.0	165.0	230.0
Current account balance	+36.9	-78.8	-205.5	-57.3	1.9	-104.6	-106.9	-135.7	-132.1	-100.9
Private direct investment	111.5	125.1	112.6	65.6	74.7	81.0	88.0	97.0	105.0	135.0
MLT loans (net)	12.1	18.4	22.6	40.7	17.9	-	-	-	-	-
Official	10.4	18.4	22.6	40.7	17.9	137.4	61.8	85.3	83.2	69.1
Private	1.7	-	-	-	-	-5.0	17.7	24.9	30.0	20.9
Other capital	26.1	21.9	9.2	-0.9	3.5	-	-	-	-	-
Change in reserves	-112.8	-86.6	+61.1	-46.9	-98.0	-108.9	-60.5	-71.4	-86.0	-124.1
International reserves	258.8	328.2	271.1	304.9	419.2	452.8	513.3	589.7	670.7	1,003.5
Of which: gold	-	-	-	-	-	-	-	-	-	-
Reserves as months imports	4.6	4.1	3.4	4.5	5.3	4.9	5.0	5.1	5.2	5.5
<b>EXTERNAL CAPITAL AND DEBT</b>										
Gross disbursement	15.6	24.4	24.6	56.6	36.2	156.5	103.0	139.1	150.3	216.0
Official grants <sup>a</sup>	-	-	-	-	-	-	-	-	-	-
Concessional loans	4.5	8.5	4.2	9.1	12.7	15.7	7.5	5.5	5.4	5.4
DAC	2.7	2.7	0.5	-	0.5	0.3	-	-	-	-
OPEC	-	-	-	6.2	8.4	12.2	4.7	4.8	4.9	5.3
IDA	0.2	0.0	-	-	-	-	-	-	-	-
Other	1.6	5.8	3.7	2.9	3.8	101.2	26.9	41.5	44.5	79.0
Non-concessional loans	11.1	16.0	20.4	47.5	23.5	42.8	71.4	92.8	100.9	131.8
Official export credits	1.0	6.3	4.7	0.1	0.1	2.2	13.5	21.0	26.3	33.8
IBRD	7.3	8.8	11.6	13.6	10.4	14.3	19.6	20.7	20.4	24.2
Other multilateral	1.1	0.9	4.1	3.8	13.0	16.2	20.5	26.2	24.1	32.5
Private	1.7	-	-	30.0	-	10.1	17.8	25.0	30.1	41.3
External Debt										
Debt outstanding and disbursed	134.3	151.7	164.6	210.6	230.2	356.4	337.8	434.6	520.3	746.6
Official	129.6	146.8	160.2	176.4	199.3	341.9	305.7	377.6	433.3	586.9
Private	4.7	4.9	4.4	34.2	30.9	14.5	32.1	57.0	87.0	159.7
Undisbursed debt	84.8	128.9	145.1	173.0	272.1	211.2	244.8	250.6	291.8	335.3
Debt service										
Total service payments	9.3	12.6	8.7	13.4	23.9	37.1	28.4	36.6	47.5	145.0
Interest	5.8	6.6	6.7	9.7	12.8	13.0	26.3	34.5	46.2	84.2
Payments as % exports	1.6	1.7	1.4	2.1	3.1	4.3	3.0	3.5	4.1	6.9
Average interest rate on new loans (%)	9.8	6.0	7.5	8.5	8.6	9.8	9.3	9.6	9.4	9.7
Official	-	-	-	-	-	-	-	-	-	-
Private	-	-	-	-	-	-	-	-	-	-
Average maturity on new loans (years)	32.9	18.4	18.2	22.7	16.8	12.2	13.0	12.1	13.1	11.9
Official	-	-	-	-	-	-	-	-	-	-
Private	-	-	-	-	-	-	-	-	-	-

As % of Debt Outstanding  
at End of Most Recent  
Year (1983)

Maturity structure of debt outstanding  
Principal due within 5 years  
Principal due within 10 years

27.1  
59.8

Interest structure of debt outstanding  
Interest due within first year

3.7

<sup>a</sup> Included in net transfers in the current account.



BOTSWANA  
Statement of Objectives and Agenda of ESW  
FY85-87

Statement of Objectives

The Government reaffirmed in its Mid-term Review (August 1983) of the Fifth National Development Plan and at the recent Bank-Fund Annual Meeting (October 1984) that it will continue pursuing the broad strategy of shifting economic policy emphasis from the development of infrastructure and social services to increasing production and employment opportunities in rural areas and diversifying the structure of the economy. This strategy is to be the basis of the Sixth Plan, which will become effective by mid-1985. The Bank would support the Government strategy by providing assistance to the realization of the following major objectives.

<u>Statement of Objectives</u>	<u>Indicators of Progress</u>
(a) Support the livestock sector with main objectives of reducing overstocking and improving offtake and, in general, increasing contribution of the sector to the economy. To this end, the original aims of the Tribal Grazing Lands Program (TGLP) should be pursued by expanding commercial ranching on tribal lands and protecting and improving communally grazed areas.	(1) Reemphasize process of reform through proposed Land Management and Livestock Project. (Negotiated 4/85).  (2) Discuss taxation issues through CEM and in context of above project. (CEM discussions were held in 3/85).
(b) Support Government policies and programs to create employment opportunities through development of labor-intensive, resource-based, small- and medium-scaled industries and improved practices of arable farming. In particular, linkages should be developed between the agricultural sector and the manufacturing and processing subsectors.	(1) Support local entrepreneurs through ongoing DFC II Project.  (2) Help Government develop arable agriculture: Bank/UNDP irrigation study scheduled FY86, and yet unidentified arable agriculture project scheduled FY88.  (3) Review public sector expenditure program and private investment opportunities in FY86 with a view to formulating specific action programs in line with CEM's policy recommendations and identifying potential productive areas for possible Bank/IFC and other financing.

- (4) Identify, through a Food and Nutrition Sector Review (FY87), deficiencies in food consumption and options to overcome constraints in food production.
- (c) Assess and develop water resources in relationship to industrial, agricultural and residential needs and in view of drought.
- (1) Propose Bank assistance for drafting a master program for investment in water-sector development (discussed with Government during EAPWU mission in 11/84).
- (2) Study agricultural irrigation potential (see b(2) above).
- (d) Expand and rationalize manpower development and training programs to pave way for achieving significant advance of Botswana in managerial and technical positions from the late 1980s.
- (1) Emphasise technical, managerial and vocational education and training in proposed Fourth Education Project (IPB 12/84).
- (2) Finance proposed national program for training of local government officials through a TA project (Preappraisal 4/85).
- (3) Assess Public Administration and Management training needs as part of a regional (BLS) study of training needs (FY85-86).
- (e) Consolidate promising start in establishing family planning program and reorganizing health sector planning.
- Prepare grounds for further expansion of family planning program through organizational and demographic reforms of ongoing Family Health Project. A population project is scheduled for FY89.
- (f) Carry out structural and institutional reforms in the power sector, including linkages with Zimbabwe.
- (1) Focus on least-cost energy development and explore Zimbabwe linkage for inclusion in proposed power project (FY89).
- (2) Support institutional reforms through Bank's energy sector management program and various studies as follow-up to Energy Sector Assessment Report (FY85) to be undertaken by EAPEG and EGYEA in FY85 and FY86.



Agenda of Studies

FY85

(1) Country Economic Memorandum (completion)

In addition to reviewing recent economic developments, this CEM focuses on the diversification of the economy, rural development and employment creation as these are the main objectives of the Government. A macro-economic policy package, indicating directions of required policy changes, is suggested in the CEM which has recently been discussed with the Government.

(Audience: Bank/Govt.; Staffing: EAISA - 40, EDS - 7).

(2) BOTSWANA-LESOTHO-SWAZILAND Public Administration and Management Training Needs (Completion FY86)

This study will: (a) assess the training needs of the BLS countries for administrative and managerial manpower; (b) evaluate the capacity of existing training institutions; (c) delineate areas where the efficiency of training efforts could be increased; (d) evaluate the existing public administration systems; and (e) make recommendations on possible areas of Bank assistance.

(Audience: BLS Govts./Bank; Staffing: EAPED - 10, Cons. - 10)

(3) Energy Sector Assessment (COPD, Completion)

An energy assessment mission visited Botswana in August 1983 and its report "Botswana: Issues and Options in the Energy Sector" (Report No. 4998-BT) was issued in September 1984. The assessment was done under the "Small-Country Assessment Program" financed by the Swedish Government through the UNDP. The report built upon and integrated previous energy studies, and focussed on the following areas: (i) developing projections on future energy supply and demand in Botswana; (ii) reviewing available information and making recommendations on specific sub-sector issues and options that have not yet been adequately covered by previous teams; and (iii) reviewing and making recommendations on institutional arrangements and technical assistance requirements for more effective management, planning and coordination of energy sector programs.

(Audience: Bank/Govt.; Staffing: EIS - 41, Cons. - 20)

(4) Public Management and Economic Planning (COPD, Completion)

Botswana is regarded as one of the most efficiently managed countries in Sub-Saharan Africa. The above study reviewed Botswana's planning, budgetary and economic management system with a view to finding out what features within the system make it successful. A mission for this task visited the country in August 1983, and its report will soon be issued as a Bank Staff Working Paper. The report focusses on: (i) planning and

budgeting systems, including policy planning and intersectoral coordination; (ii) utilization of expatriates and of technical assistance for strengthening the management of the public sector; and (iii) management training and career development for Botswana, particularly at senior levels in the public sector and in the parastatals.

(Audience: Bank/Govt.; Staffing: PPD - 39)

FY86

(5) Review of Public Expenditure Program and Private Investment Opportunities

The broad policy recommendations of the CEM are expected to be transformed into specific measures and action programs through this study. It could also address the Government's recently expressed interest in Bank assistance for structural adjustment by identifying appropriate areas and means for such assistance. The Government has expressed interest in using the findings of this study in its mid-term evaluation of the next plan (1985-90).

(Audience: Bank/Gov't.: Staffing: EAlSA - 30 SW and Cons. - 10;  
EAPSA - 10; EAPID - 10.

(6) Study of Agricultural Irrigation Potential (COPD)

Given the limited opportunities for productive investment in Botswana, arable farming is viewed as a possible source of employment and income opportunities to alleviate rural poverty and unemployment. But water scarcity is a major constraint on the development of crop production. On the other hand, the Government is actively considering to develop large scale irrigation schemes, mainly to address the food self-sufficiency (food security) objective. The proposed study, which is expected to be financed by the Netherlands, will systematically review and assess the investment opportunities in the irrigation field in Botswana -- mostly on the basis of existing information -- and estimate its irrigation potential, assess the costs, benefits and constraints associated with the main options available, and discuss investment priorities.

(Audience: Bank/Govt.; Staffing: EAlSA - 1, EAPSA - 2; AGREP - 2,  
Cons. - 44)

(7) Energy Assessment Follow-up Studies (mainly COPD)

Energy Assessment Report (FY85) will be followed up with a series of studies aimed at improving long-range planning in the energy sector and leading to the identification of an energy project in FY89. These studies will include:



- (i) A review of the power subsector (EAPEG);
  - (ii) Pump Electrification Study to establish the economic viability and investment requirements to electrify pumps at waterwells that are located close to the electricity grid (FY85/FY86).
  - (iii) Institutional/Policy Support to the Ministry of Mineral Resources and Water Affairs (Energy and Planning Units) for a review of existing policy for electricity service connections for residential consumers (FY85/FY86).
  - (iv) Institutional/Policy Support to the MMRWA and the Department of Electrical Engineering to undertake energy use surveys and audits of selected public institutions with the objective of identifying measures to conserve energy use and to substitute coal for petroleum or power use.
  - (v) Preparation of Energy Assessment Status Report to review developments in energy sector since completion of Energy Assessment Report, Government actions to implement recommendations in that report, and ongoing and proposed energy technical assistance activities.
- (Audience: Bank/Govt.; Staffing: EAISA - 1; EAPEG - 8; EGYEA - 60 (of which Cons. - 42)).

(8) Food and Nutrition Study (COPD)

The Government of Botswana has expressed a strong interest in a broad based food and nutrition study. This study will provide a follow-up to the population and health sector study in FY82 and to the subsequent work done in connection with the appraisal of a Family Health Project in FY84. Recurrent drought conditions and poverty and lack of adequate food production in rural areas give rise to wide-spread malnutrition in Botswana. The study would focus on the extent, nature and causes of malnutrition and identify the possible courses to remedy it gradually.

(Audience: Bank/Govt.; Staffing: EAISA - 1; EAPSA - 15, PHND1 - 2, Cons. - 13)

FY87

(9) Updating Country Note

This is to maintain the currentness of our evaluation of recent economic developments in Botswana.

(Audience: Bank, Staffing: EAISA - 5)

(10) Construction Industry Review

During the past decade, the high demand for civil works by both the public and the private sectors has induced the creation of a domestic construction industry in Botswana. This is one of the few areas where there seems to be a reasonably good development potential with promising employment, income and production linkages with the rest of the economy while the small domestic market and the limited resource base of the country constrain effectively the development of most other industries. But little is known today about the actual size of the sector and its contribution to value added and employment. The study would assess the relative importance of the sector in Botswana's economy, determine the industry's efficiency with respect to the management, to the development of labor force and of capital resources, to the supply of construction materials, and choice of technology; and would identify policy constraints which, if mitigated, could induce further expansion of the sector.

(Audience: Gov't/Bank; Staffing: EAlSA - 2 SW and Cons. - 13)).

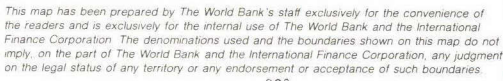


BOTSWANA  
SUMMARY OF PROPOSED STUDIES, FY85-87  
(Staffweeks)

Study/Report Title	Indicative Statement FY85	Program Objective	FY85	FY86	FY87	Total	FY of Completion	Code for Functional Class
<b><u>ECONOMIC REPORTS (ERA)</u></b>								
(1) CEM	-	a-f	10	0	0	10	85	1.0
(2) Public. Expen. Review*	-	a-f	-	60	0	60	86	6.5
(9) Updating Country Note	5.0	a-f	-	-	5	5	87	1.0
(10) Const. Industry Review	20.0	b	-	-	15	15	87	15.0
<b><u>SECTOR REPORTS (SRA)</u></b>								
<b><u>(a) Regional</u></b>								
(3) Assess. of Trng. Needs**	-	d	10	11	0	21	86	18.0
(7) Rev. of Power Subsect.**	-	f	-	9	-	9	86	17.0
<b><u>(b) COPD</u></b>								
(4) Energy Sector Assess.	-	f	8	-	-	8	85	17.0
(5) Pub. Sector Manag.	-	d	1	-	-	1	85	6.0
(8) Food and Nutr. Study	-	b	-	11	20	31	86	13.0
CPP	10.0	a-f	10	-	-	10	85	2.0
Strategy Paper	-	a-f	-	-	10	10	87	2.0
<b>TOTAL</b>	<b>35.0</b>		<b>39</b>	<b>91</b>	<b>50</b>	<b>180</b>		
Other Relevant Studies	Source of Finance	Program Objective						Func/ Class
Selebi-Phikwe Regional Dev.	T/A	b,c,d						
(6) Study of Agric. Irrig.	Nether- lands	b,c		49				
(7) Energy Assess. F/U Studies	Sweden/ UNDP	f		60				

\* Core program.

\*\* These studies may be postponed or cut in size should there be need to reduce the total staffweeks.





# OFFICE MEMORANDUM

DATE: May 7, 1984

TO: Mr. A. W. Clausen  
THROUGH Ernest Stern  
FROM: Willi A. Wapenhans

EXTENSION: 73940

SUBJECT: Briefing Material for Your Meeting with President Masire

Attached is a briefing note and some biographical information for your meeting with Dr. Quett Masire, President of Botswana, at 2:45 pm Tuesday May 8. I and Mr. Jochen Kraske will accompany you to the meeting at the Vista Hotel.

Attachment

AWMorris/ja

## Briefing Note for Meeting

### With President Masire of Botswana

on May 8, 1984

#### Background

1. Dr. Quett Masire (pronounced Mah-zee-ray), President of Botswana, is visiting the United States from May 7 to 10, 1984. A meeting with you has been scheduled at 2.45 p.m. Tuesday, May 8 at the Presidential Suite of the Vista Hotel, 1400 M Street N.W. Messrs. Wapenhans and Kraske will accompany you. President Masire's party is likely to include: Messrs. A. M. (Archie) Mogwe, Minister of External Affairs; D.K. Kwelagobe, Minister of Public Service and Information; and Festus Mogae (formerly of the IMF), Secretary to the Cabinet. In Washington, Dr. Masire is meeting with President Reagan, Secretary of State Schultz, Congressional leaders and USAID. He is arriving from an official visit to Sweden.

#### Economic Situation

2. Botswana is a large (570,000 sq km) country in Southern Africa with a population of only about one million. Two thirds of the drought-prone country is covered by the Kalahari Desert. Most people live in the more fertile East, along the line of rail between South Africa and Zimbabwe. The per capita income of just over US\$1,000 is high by African standards, but is inequitably distributed. Botswana's economy expanded rapidly over the past decade led by heavy investment and output growth in mining (primarily diamonds and, to a much smaller extent, copper/nickel) and strong increases in commercial and services activities. On average, real GDP rose by 10 percent p.a. during this period. Commendable progress has been made in the provision of basic and social infrastructure, including health and education. However, in the agricultural sector, where about 85 percent of the population earn their living, there has been some development only in the livestock subsector, with very limited impact on rural poverty and unemployment because of the highly skewed distribution of cattle ownership. Arable farming suffers from difficult ecological conditions and neglect under previous economic policies, resulting in a considerable degree of poverty (close to half the population receive food rations from the WFP), under- and unemployment (nearly 40 percent of the rural labor force) and heavy dependence on food imports from the Republic of South Africa.

3. The Fifth National Development Plan (1979/80-1984/85) aimed at shifting the emphasis from infrastructure and livestock to increasing employment and income opportunities in the rural sector. But the progress has been hindered by the depressed state of the world diamond market (1981-82), an outbreak of foot-and-mouth disease (1980-81) and three consecutive years of drought, which all served to expose the vulnerability of Botswana's economy to unexpected shocks. The Government, however, has a sound economic program and is determined to diversify exports and



production, while diamond sales have fared better than in other producing countries because of the remarkably high quality of the kimberlite at the new mine at Jwaneng. The country enjoys an outspoken parliamentary democracy.

#### Matters to Raise

##### Botswana's Good Performance Record

4. You should congratulate Dr. Masire on the high reputation that Botswana enjoys for the quality of its economic planning and management and the effectiveness of its project implementation, which are among the best in the Eastern Africa Region.

##### Continuation of Drought

5. You should ask Dr. Masire about the impact of the current serious drought, as it now seems inevitable that the rains are failing for the third successive year. It is feared that about a quarter of Botswana's herd of nearly three million cattle may perish as a result of the drought, and most of this season's crops have been lost. Exceptionally prompt action by the Government, personally coordinated by Dr. Masire, has prevented loss of human life. Many donors have responded to the emergency program. The Bank is helping in the medium-term through the ongoing Third Water Supply Project, which will secure water supply to the capital of Gaborone into the 1990s, and the proposed Third Livestock Project, which would alleviate overgrazing and range degradation (see para. 7 below).

#### Matters Dr. Masire May Raise

##### Bank Lending Program

6. The Government has frequently been critical of what it believes to be the inadequate level of Bank lending to Botswana, particularly in view of Botswana's ability to prepare and implement projects successfully. You should reiterate our position, viz that by any criteria, the Bank's lending program in Botswana is impressive. The level of lending per capita is one of the highest among the Bank's membership. Also we are concerned about our exposure in Botswana, as the Bank Group's share of external debt in 1983 was about 36 percent, and its share of debt service about 30 percent. In recent years, the Bank has responded promptly to Government development priorities, with the result that four projects will have been approved during fiscal years 1983 and 84.

7. Our lending to Botswana can only continue on the basis of the Government squarely facing the need to diversify the economy away from its dependence on minerals and creating more employment. Given Botswana's drought-prone climate, and other constraints, livestock must carry much of the burden of contributing more to the budget and to the economy. However, further opportunities for expanding crop production should be explored. We

are now working with the Government to prepare a Third Livestock Project and are willing to consider an arable land project. We have made progress in securing Government commitment to livestock policy reform. You should make it clear that unless a meaningful program is developed we cannot justify continuing to hold such a large proportion of Botswana's debt. It is in this context that the Bank has recently declined to finance projects in well-established sectors such as urban development and highways while supporting the Government's initiatives in the more important productive sectors.

#### Other Issues

##### Future of Shashe Copper/Nickel Mine

8. Dr. Masire may possibly refer to the Government's serious concern for the future of the Shashe Copper/Nickel mine at Selebi-Phikwe in Eastern Botswana, for which the Bank helped finance the infrastructure in the 1970s. Although the mine is technically one of the most efficiently operated in the world, it has experienced a prolonged financial crisis because of depressed metal prices and has been operating at a significant loss. This has resulted in three financial restructurings of the mining company, BCL Limited (owned by the Anglo-American Corporation of South Africa, AMAX Incorporated of the United States and the Botswana Government). The latest restructuring was approved by the Bank's Executive Directors in June 1982. Emergency funding by the three owners of the mine is continuing on an ad hoc basis. A meeting of all the participants in the restructuring may be called this Fall to discuss what can be done in the light of the continued depressed state of the metal market.

9. The Bank has made a commitment to provide technical assistance to study future productive options for the mining community of some 30,000 people at Selebi-Phikwe; because, apart from the financial problems, it is estimated that the mine's economically-recoverable ores will be exhausted in the first decade of the next century. Preparation of a technical assistance project is expected to begin this year.

##### Coal Development/Trans-Kalahari Railway

10. The Government is currently at a crucial stage of deciding on the scope of development of the vast coal reserves near Serowe and the possibility of shipping these through South Africa or Mozambique and, in the longer-term, to the Atlantic Coast of Namibia by a railway across the Kalahari Desert (assuming that Namibia becomes Independent). There are growing reservations by the Government and Shell, its partners in the coal enterprise, about the potential for coal exports because of the depressed market and high cost of transportation. An energy assessment study by the Bank/UNDP, the draft of which is in the mail to the Government, shares these reservations, but strongly supports the Government's plans to promote greater local use of the coal. The Bank has said it is willing to assist, if asked, in reviewing the various feasibility studies being carried out for the mining and transportation proposals.



Dr. Masire's Role in SADCC

11. Dr. Masire or members of his party may allude to the Southern African Development Coordination (SADCC), a grouping of nine countries (Angola, Botswana, Lesotho, Malawi, Mazambique, Swaziland, Tanzania, Zambia and Zimbabwe) formed in Gaborone, Botswana in 1979 to promote regional harmonization and reduce external dependence. Dr. Masire was probably the leading force in the creation of SADCC, which has proved to be a political success and serves as an apparently effective aid-raising consultative group on a regional basis.

#### BIOGRAPHICAL NOTE

##### Dr. Q. K. J. Masire, President of Botswana

Dr. Masire became President of Botswana in July 1980 on the death of the country's first President, Sir Seretse Khama. Formerly he was Vice President and Minister for Finance and Development Planning (and thus a Governor of the World Bank). Born in 1925 at Kanye, on the fringe of the Kalahari, he finished schooling in South Africa, and worked there as a journalist. Back in what was then the British protectorate of Bechuanaland, he did pioneering work in education, and became one of the first Batswana people to take up cattle-ranching on a commercial scale. He is now a major stockholder. He entered politics several years before Botswana's Independence in 1966, and helped form the Democratic Party, which has since overwhelmingly won all Botswana's fairly-conducted Parliamentary elections. In 1967, he was awarded an honorary Doctorate of Law by the University of St. John, New York. Dr. Masire played a leading part in the creation in 1979 of the Southern African Development Coordination Conference (see. para. 11 of Briefing Note).

1  
S A DCC




May 2, 1983

Mr. A. W. Clausen

Re: Botswana - Botswana Development  
Corporation

With regard to your query I can confirm that, in the past, where no significant policy issues arise, additional IFC equity investments in portfolio companies have been done regularly on a 'no objection' basis.

If there had been any particular issues concerning this proposal, I would have proposed a Board discussion of the project; but in the absence of such issues, I am proceeding on a 'no objection' basis.



Hans A. Wuttke

/vtf

4.29.83

MR WITKE -

Hans - Can  
this <sup>REALLY</sup> be submitted  
on a "no obligation"  
basis?

☆

~~☆~~  
5.5.83  
OK  
①

~~5.3.83  
Wynne -  
attach w/  
memorandum  
Report  
when  
T,  
comes.~~





# Record Removal Notice



<b>File Title</b> Country Files: Botswana - Correspondence 01		<b>Barcode No.</b>  1774600		
<b>Document Date</b> May 4, 1983	<b>Document Type</b> IFC Board paper			
<b>Correspondents / Participants</b> The President to Director and Alternates, etc				
<b>Subject / Title</b> IFC/R83-47 Proposed Second Preference Share Investment in Botswana Corporation Limited - Botswana				
<b>Exception(s)</b> Information Provided by Member Countries or Third Parties in Confidence				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b> Sherrine M. Thompson</td><td><b>Date</b> Mar 7, 2013</td></tr></table>	<b>Withdrawn by</b> Sherrine M. Thompson	<b>Date</b> Mar 7, 2013
<b>Withdrawn by</b> Sherrine M. Thompson	<b>Date</b> Mar 7, 2013			

4.29.83

MR WUTKE -

Hans - Can  
this <sup>REALLY</sup> be submitted  
on a "no obligation"  
basis?

☆



# OFFICE MEMORANDUM

DATE April 29, 1983  
TO Mr. A.W. Clausen  
FROM Hans A. Wuttke  
EXTENSION 60381  
SUBJECT Approval of Board Report for Circulation to the Board

*4.29.83*

BOTSWANA: Botswana Development Corporation (BDC)

The proposed IFC investment is the subscription of 500,000 redeemable preference shares of BDC of par value P1.0 per share amounting to P500,000 (US\$481,000 equivalent). BDC would have the option to give notice of redemption of repayment after five years. IFC would have the option to give notice of redemption after ten years, with repayment to be made over five years. The shares would carry a fixed cumulative dividend of 12% per annum.

This investment would be IFC's second investment in Botswana and BDC. The first investment, amounting to P300,000 (US\$367,275 equivalent) carried a cumulative dividend rate of 8.5% per annum but in other respects was very similar to the present investment. IFC has received regular dividends on its first investment.

IFC's investment is essential in order to secure the participation in the preferred share capital increase of the other foreign shareholders, namely FMO and DEG.

PLR:kg



December 1, 1981

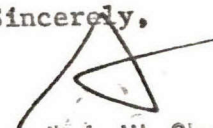
Dear President Masire:

Your kind invitation to visit Botswana awaited my return from East Africa and I thank you for it. As your Finance Minister, The Honorable Peter S. Mmusi, has already told you, unfortunately it was not possible to include Botswana in my recent trip. I hope, however, to have the opportunity to return to East Africa and would be happy to accept your invitation.

I am pleased with your comments about the helpful role which The World Bank has played in Botswana. We stand ready to continue our support and to assist your Government in addressing the difficult problems of employment generation which lie ahead. I am very much aware of the important contribution which Botswana and you personally, Mr. President, as Chairman of the Southern African Development Coordination Conference, have made to the development of the Southern African Region. As you know, we have actively participated in the meetings of the SADCC and we are giving emphasis to the aspect of regional integration in the design of the projects which we are supporting in the countries forming part of the region.

I look forward to an early opportunity of meeting you.

Sincerely,

  
(Signed) A. W. Clausen

His Excellency  
Q.K.J. Masire  
President of the  
Republic of Botswana  
State House  
Gaborone  
Botswana

cc: Messrs. Stern, Lafourcade(2), Reese, Gebhart

JKraske:AWC/bli





State House  
Gaborone  
Botswana

S.H. 14/4 I (23)

21st October, 1981

Dear Mr. Clausen,

My Minister of Finance and Development Planning, the Hon. Peter S. Mmusi, has informed me of his conversation with you in Washington at the time of the World Bank annual meeting. He indicated that you will be travelling to Malawi in November. I understand that Minister Mmusi extended an invitation to you to visit Botswana while you were in the region.

I should like to add my own invitation to that of Minister Mmusi: we would be most pleased and honoured if you would visit Botswana so that you can see for yourself the development efforts we are making, and the contributions the World Bank is making towards their success. The World Bank has been of substantial assistance to Botswana for many years and in many fields, and I would welcome the opportunity to have you visit Botswana.

Perhaps I might also mention that the Southern African Development Coordination Conference, of which I am Chairman, and of which Minister Mmusi is current Chairman of the Council of Ministers, has received encouragement from the World Bank, and we are hopeful that the Bank will support some of the important priority projects which SADCC has put to international donor agencies. Since Botswana has played a leading role in the establishment of SADCC, and since the secretariat of SADCC will be located in Botswana, this provides another reason for hoping that you can include Botswana in your itinerary.

Botswana is most grateful for the support of the World Bank over our 15 years of Independence, and we look forward to long years of cooperation. I hope that you will be able to visit us during this first year of your own term of office at the World Bank.

Yours sincerely,

Q.K.J. Masire  
PRESIDENT OF THE REPUBLIC OF BOTSWANA

Mr. A.W. Clausen  
President  
The World Bank  
1818 H Street, N.W.  
WASHINGTON, D.C. 20433  
UNITED STATES OF AMERICA

OFFICE OF THE PRESIDENT

1981 NOV 18 PM 8:30

RECEIVED

DEPT. OF STATE  
WASHINGTON, D.C. 20522  
TELETYPE UNIT  
THE WORLD BANK  
PRESIDENT  
MR. M. M. C. JENSEN

RECEIVED

1981 NOV 18 AM 8:36

OFFICE OF THE PRESIDENT

MEMORANDUM FOR THE SECRETARY OF STATE  
FROM: M. M. C. JENSEN

Yours sincerely,

office of the World Bank.  
to state as clearly this letter that of your own kind of  
to your needs of cooperation. I hope that you will be able  
bank only on the basis of independence, and we look forward  
Bosmans is most grateful for the support of the World

include Bosmans in your efforts.  
this provides another reason for hoping that you can  
since the secretary of EYDCC will be located in Bosmans,  
Bosmans is leading role in the establishment of EYDCC, and  
but to international donor agencies. Since Bosmans has  
some of the important international projects under EYDCC has  
World Bank, and we are hoping that the bank will provide  
Council of Ministers, but we are not sure of the  
and of other ministers, and is currently chairman of the  
development coordination conference, of which I am chairman.  
Perhaps I should also mention that the country which

measures the opportunity to have you visit Bosmans.  
Bosmans for many years and in many places, and I would  
the World Bank has been of significant assistance to  
from the World Bank is making towards their success.  
the development efforts we are making, and the country-  
you would visit Bosmans so that you can see for yourself  
ministers. We would be most pleased and honored if  
I should like to add my own invitation to that of

made in the letter.  
extended an invitation to you to visit Bosmans while you  
visit in November. I understand that Minister Winit  
meeting. He indicated that you will be traveling to  
with you in Washington at the time of the World Bank annual  
hon. Peter S. Winit, has informed me of his conversation  
my Minister of Finance and Development Planning, the  
best Mr. Jensen.

S. H. Jensen (1)

John G. Roberts, Jr.



11/18/81  
11/18/81  
11/18/81



subject

THE WORLD BANK  
Washington, D.C. 20433  
U.S.A.

Office of the President

AUG 24 1981

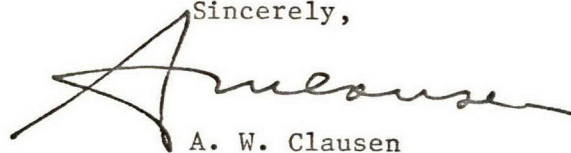
Dear Mr. Mmusi:

Thank you very much for your cordial letter of July 22 welcoming me to the Presidency of the World Bank. I look forward to the continuing support you and other Governors have shown for the World Bank.

The issues raised in your letter, including greater attention to the emergent African states, establishment of the proposed energy affiliate, and program lending are of great importance in the Bank's pursuit of its task of development assistance and ones to which we are giving careful consideration. Completion recently of the Bank's report entitled Accelerated Development of Sub-Saharan Africa: An Agenda for Action, of which you have been sent a copy, is an important step forward in furthering the support for Sub-Sahara Africa. We are looking forward to hearing the views of the African Governors on this Report at the September 25 meeting to which you have already been invited. As you note, our initiatives in these areas are closely linked to the Bank Group's being able to mobilize additional financial resources; your support in this regard is greatly appreciated.

I thank you, also, for your invitation to visit Botswana; I hope to be able to do so in the near future.

Sincerely,



A. W. Clausen

Hon. P. S. Mmusi  
Minister of Finance & Dev. Planning  
Ministry of Finance & Dev. Planning  
Private Bag 008  
Gaborone, Botswana

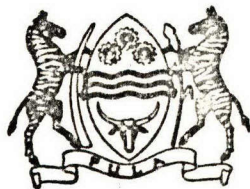
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TELEGRAMS: FINANCE

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REPUBLIC OF BOTSWANA

MINISTRY OF FINANCE & DEVELOPMENT PLANNING

PRIVATE BAG 008

GABORONE

BOTSWANA

22nd July, 1981.

A. W. Clausen Esq.,  
President,  
The World Bank,  
1818 H Street N.W.,  
WASHINGTON DC 20433,  
United States of America.

Dear Mr. Clausen,

It is with great pleasure that I write on behalf of my Government and myself to welcome you to the Presidency of the World Bank which you took up on 1st July, 1981. I am confident that you will be a worthy successor to Mr. Mc Namara and we shall be pleased if you can visit Botswana when your new duties permit.

It is, of course, of importance to us that the World Bank will continue and even strengthen its attention towards the development of the emergent African States. Program lending and the Sub Sahara special action project are two of the studies which we hope will continue to receive the Bank's special attention. Three other matters which we consider should be pursued are the establishment of an Energy Affiliate, the Capitalisation programme of the Bank, and the question of IDA replenishment. I am sure that all such thoughts will be in the forefront of your mind and you will understand my re-emphasis of their importance.

We are grateful for the help and advice we have received from the Bank in past years and we look forward to future assistance in the solution of problems relating to the improvement of economic and social conditions in Botswana and in the Third World generally.

With my best regards and an invitation to visit Botswana.

I am,

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'P. S. Mmusi'.

P. S. Mmusi

MINISTER OF FINANCE AND DEVELOPMENT PLANNING