

UNCLASSIFIED

# Annual Budget Submission

FY 1984

## Botswana

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June 1982



Agency for International Development  
Washington, D.C. 20523

FY 1984

ANNUAL BUDGET SUBMISSION

USAID/BOTSWANA

June, 1982

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USAID/BOTSWANA

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The monetary unit of Botswana is the Pula (P). The official exchange rate between the Pula and the United States dollar is currently 1 US\$ equals 0.9580 Pula.

## ANALYSIS

Botswana has been referred to as a mineral-led economy since the discovery and exploitation of major reserves of diamonds and copper-nickel. The revenues generated from these mineral resources, augmented by receipts from Botswana live-stock industry, have the potential to provide financing for economic diversification and to bolster Botswana's least remunerative economic sector, arable agriculture. Similar to other countries who have gone through periods of mineral-led growth, Botswana has confronted a variety of pressures inherent in such situations and has been frustrated in its attempt to diversify the productive base of the economy.

The precariousness of this narrow base and its dependence on the international market are the perspectives from which this Annual Budget Submission (ABS) is written. This report will: (a) provide a brief description of recent changes in Botswana's economic situation; (b) summarize principal development constraints; (c) discuss the effect of (a) and (b) on the status of the rural poor; and (d) provide the analytical link to the USAID/Botswana (USAID/B) development strategy and the new emphasis.

## CHANGES IN BOTSWANA'S ECONOMY

During the past decade, Botswana has experienced successful economic growth and an improvement in employment opportunities for its population. A rise in the Gross Domestic Product (GDP) from Pula (P) 184.9 million, in 1973 to P309 million in 1981 was accompanied by a growth in formal sector employment of 5.6% per year over this same period.

Since 1981, the momentum of international economic forces and a serious decline in precipitation have slashed at Botswana's narrow economic base. This configuration of natural and socio-economic forces has impeded the country's impressive growth and has disrupted the Government of Botswana's (GOB) planned levels of development assistance to the rural population. The GDP from April 1980 through March 1981 reflects a downward spiral. As a testimonial, 1978/79 to 1979/

80 GDP real growth of 14% can be compared with the estimated real GDP of zero growth for the period of 1979/80 to 1980/81. In addition, Botswana's overall level of exports is declining with imports continuing to grow. The balance of payments has changed from an overall surplus of P94.2 million in 1979 to a deficit of P61 million for 1981. It is projected that the balance of payments will remain in deficit through 1984.

To date, the GOB has financed the negative balance of payments from foreign exchange reserves. These funds are being drawn down by the 1981/ 82 deficits and it is estimated that they will be incapable of covering projected 1982/83 shortfalls. Foreign exchange reserves peaked at P286.3 million in April 1981 and by March 1982 the reserves had decreased to approximately P198 million, sufficient to equal four months of imports. Similarly, government cash balances have dropped from P114 million in April 1981 to nearly P78 million in March 1982, equivalent to two months of projected current expenditures.

Unless the GOB reduces imports and government expenditure levels, its relatively small international indebtedness will increase. Total debt service for 1980 is estimated to be P8 million, or 2% of exports. Total disbursed debt for 1981 is P98.8 million or 12% of GDP. Although the percentages are low, the repayment schedule will substantially increase in the near future.

A decline in the international demand and market price for Botswana's minerals has been the primary cause for the change in domestic economic solvency. Diamonds and copper-nickel matte production are the principal foreign exchange earners in Botswana's economy. In 1979, diamond production was 4,369,000 carats increasing to 5,146,000 in 1980; production dropped to 4,860,000 in 1981. This latter year reflects a depressed world market demand and a diamond glut, caused by excessive production from world diamond pipes. The value of diamond exports for 1979, 1980 and through 1981 were P184 million, P237 million, and P145 million respectively.

While Botswana's 1982 diamond production will increase with the Jwaneng mine becoming operational, diamond exports are not expected to rise above P160 million. The decision to continue production and stockpile the surplus is a conscious effort on the part of the GOB to maintain stable employment. Botswana's diamond mines directly employ approximately 3,000 people.

The Selebi-Phikwe copper-nickel mine began operations in the early 1970's and has an estimated life of 30 years. Production levels were 39,823 metric tons (MT) in 1979 and increased to 40,098 MT in 1980 and 46,566 MT in 1981. Production is predicted to reach levels of 49,000 MT in 1984. Foreign exchange revenues represented P61 million, P81 million, and P79 million for 1979, 1980 and 1981 respectively. An efficient producer of copper-nickel matte, the mine is a direct employer of approximately 4,500 Botswana and an estimated 6,750 additional jobs in complementary and supporting services. The Selebi-Phikwe mine however, is beset with financial problems resulting from a large debt structure, aggravated by the low world prices for copper-nickel matte.

While international trends have shaken Botswana's economic foundations, climatological forces have sent an additional and potentially more damaging tremor through the economy.

Livestock is Botswana's third largest foreign exchange earner. Since Independence in 1966, the cattle industry has had an unprecedented expansion, marred only by periodic droughts and outbreaks of hoof and mouth disease. The Botswana Meat Commission abattoir processed 228,961 cattle in 1979; 140,783 in 1980, a year of disease; and 201,394 in 1981. Foreign exchange revenues from cattle sales were P74 million, P36 million, and an estimated P80 million for the years 1979, 1980 and 1981 respectively.

Botswana's last major drought occurred in 1965/66 and since that time there has been a dramatic expansion of the national herd accompanied by a low offtake

of cattle. The present national herd of 3 million has taxed the environment and has raised serious questions of the adequacy and location of processing facilities. An unprecedented sequence of good rainfall years occurred from 1973/74 to 1977/78. The serious lack of precipitation which occurred this year has caused the GOB to officially declare a drought. More accurately classified as an arable drought, it has primarily affected crop production with some regional overflow reaching livestock. Meteorological statistics document that drought years tend to cluster. If this in fact occurs, a serious livestock drought could eventuate in 1983.

Agriculture in Botswana has long been recognized as insufficiently productive to fully sustain the rural populace. Average sorghum and maize requirements total approximately 120,000 MT per annum. In years of normal precipitation, Botswana's grain production is approximately 55,000 MT, resulting in a dependency upon food imports to cover the deficit. Due to this year's rainfall conditions, crops are estimated at 140,000 hectares, compared to 275,000 hectares planted for 1981. This reduction will result in an estimated 21,00 MT and represents an approximate 99,000 MT food grain deficit.

#### DEVELOPMENT CONSTRAINTS

Confronted with a troubled economy, the GOB has promptly and efficiently responded and has implemented measures in an attempt to balance the budget. These include: anticipated recurrent expenditure cuts of up to 20%; expected expenditure reductions in the development budget; a 10% devaluation of the Pula; an increase of 1.5% to 14.5% in the prime lending rate; an increase in interest rates on deposits held in commercial banks; and a freeze on wage and salary increases in the public sector. These measures should provide an improved economic base to take advantage of a possible upturn in the mineral market, provided a livestock drought does not occur in 1983.

While responding in an economically rational manner, this pruning of the development budget could retard efforts to confront some basic constraints to development. These include: (1) low agricultural productivity and lack of rural employment opportunities; (2) deficiency of private investment capital; and (3) shortage of skilled labor.

Development is circumscribed to a large extent by Botswana's lack of self-sufficiency in food-stuffs and meager employment opportunities, particularly in rural areas. The consensus is that arable agriculture in Botswana is presently deficit financed; the cost exceeds the returns in almost all households. Part of this can be attributed to the uneven and fluctuating rainfall. However, wage labor migration, which began in 1840 and which siphons off human resources from rural to urban areas, also is associated with the chronically low productivity of Tswana agriculture. The lack of sufficient economic incentives to ensure that labor is induced to remain in the rural areas and to ensure that greater proportions of time and capital are invested in agriculture and rural enterprise than is presently the case, are other contributing factors.

A further check on development is the lack of private investment capital for small-scale farmers and rural enterprises. The National Development Bank (NDB) requested in 1981/82 a P15 million loan from the GOB, its normal source of loan funds. A loan of P10 million was provided; a 33% reduction. For 1982/83 the NDB requested a P20 million loan. As a result of the GOB's economic situation it is expected that a loan of less than P5 million will be approved.

Botswana is heavily dependent on foreign skills and an expatriate labor force. This acute shortage of local skilled labor and an educated workforce is yet another development inhibitor.

#### STATUS OF THE RURAL POOR

The majority of Botswana's population is unable to subsist on rural production alone and is unable to support a family on urban wages due to the cost of living.

Given these circumstances, most families in Botswana have adopted a strategy, using the mechanism of oscillating migration, which combines three sources of income: crop farming, cattle raising and wage employment. The mix between them and contributions of each to the family livelihood are subject to wide variation. This tripartite involvement of most families in the above income generating activities has meant that a change in any one sector will impact upon them and has the potential to upset their livelihood equilibrium.

The National Development Plan V (NDP V) seeks an equitable distribution of the country's wealth and has identified the rural poor as the targeted beneficiary group. At present the rural poor have not experienced any ramifications from the governments deteriorating fiscal and monetary situation. They are however, suffering from an arable drought and are apprehensive that their livestock will be affected next year. USAID/B has responded to the GOB request for relief assistance by providing \$25,000 in immediate disaster relief funds; by assisting in financing the lease/purchase of a Schramm well drilling rig; and by supplying 1000 MT of both powdered skim milk and vegetable oil.

The cut in the GOB's development program expenditures is not expected to affect existing project effectiveness since the GOB has a financial policy to adequately cover all recurrent costs. The inauguration of some projects however, will be delayed. This will impact on the rural poor, particularly in the critical area of employment generation. Opportunities for Batswana employment in Botswana or South Africa are scarce. Botswana must create approximately 11,000 jobs per year to meet the annual demand of 13,000 school leavers, of which approximately 85% will seek jobs in the formal sector. Since 1973 the annual growth of formal sector employment has been averaging 5,000 jobs. Furthermore, availability of jobs in South Africa has declined due to recent South African policies stressing the employment of indigenous peoples.

#### STRATEGY

USAID/B's strategy remains consistent with that of previous years.

Specifically, USAID/B will continue to address two of the previously listed constraints to Botswana's development: (1) the shortage of skilled technicians, professionals and managers in public and private sectors; and (2) the need for employment creation, especially in rural areas. The nature of USAID/B's project portfolio is such however, that indirect benefits will accrue to other areas, such as agriculture. USAID/B is also proposing a new project to partially cover the lack of capital available to small-scale farmers and rural entrepreneurs. The projects, by impacting on agriculture, rural development, education and the private sector, also address the Administration's policy objectives and the Congressional Mandate.

To implement this strategy in the most efficient and effective manner, USAID/B proposes to: (1) postpone initiating reimbursable technical assistance; and (2) accelerate the reduction of the project portfolio. Previously USAID/B suggested that a combination of grants, loans and reimbursable technical assistance be introduced in FY 83. In view of Botswana's economic situation, it is now proposed that loans gradually be introduced in FY 83 and the introduction of reimbursable technical assistance be postponed until the economy returns to the buoyancy experienced in earlier years.

Presently the project portfolio consists of 20 active projects, several of which were introduced prior to the October 1978 establishment of the USAID Mission in Botswana. This number is deemed excessive; for it exceeds levels of efficient management by the relatively small staff at USAID/B. In order to: (1) improve project management and implementation; and (2) concentrate on high impact core projects that explicitly respond to USAID/B's strategy, the portfolio will be decreased to 7 large grant projects and 2 loan projects by October 1, 1984. Within 2 years and 4 months this portfolio will be reduced by 55% and at the minimum, the program will maintain the same dollar level or, as requested, will increase to a

\$15 to \$20 million level.

The projects which will be in place in FY 85 are: Agriculture College Expansion (0074); Rural Sector Grant (0077); Agriculture Technology Improvement (0221); Renewable Energy Technology (0209); Primary Education Improvement (0222); Botswana Workforce Skills Training Project (0231); Development of Major Villages (0230); National Development Bank (FY 83 or 84 loan); and Education Sector Loan (FY 84 or 85). The latter three activities represent new projects. The previously cited active projects and the proposed activities, are consistent with USAID/B's strategy, reflect the Administration's policy objectives and impact favorably on particular development sectors. Projects 0074, 0221 and 0077 increase the quality and quantity of trained professionals and assist in creating employment opportunities while 0074 and 0221 impart the transfer of technology and institutional building. Project 0077 will continue to initiate and support a rural industrial officer cadre, who develop and assist small-scale rural enterprises. Projects 0222 and 0231 specifically alleviate the acute shortage of skilled personnel and contribute to institutional building in the education sector. Project 0209 is active in training programs and disseminates renewable energy technology to rural areas of Botswana. The proposed FY 83 loan to the NDB will focus on private sector activities. In addition to these core projects, USAID/B may occasionally use Private Voluntary Organizations, Accelerated Impact Programs and Improved Rural Technology activities to address immediate and ad hoc development needs of the GOB that conform to the strategy.

USAID/B has the personnel to develop the proposed NDB project, but will require consultants to assist in preparing the other two proposed projects and a project paper amendment for the Rural Sector Grant.

Project activities can be sustained at the \$10 million level assigned by AID/Washington, but to successfully implement USAID/B's strategy, a 15 million dollar

approved assistance planning level (AAPL) is requested to commence in FY 84. However, if funds become available, USAID/B would prefer to receive this requested level in FY 83 in order to assist the NDB. The budget tables follow the FY 84 ABS guidance, reflect the \$10 million AAPL suggested by AID/Washington, and include an additional line item for a \$5 million loan for NDB. This higher level would complement and strengthen USAID/B's portfolio and long-term investment in Botswana.

#### NEW EMPHASIS

AID's "new emphasis" and the Administration's direction to explore opportunities in the private sector conform to the GOB's development objectives as presented in its NDP V. The GOB has adopted a formal development planning process which is committed to free enterprise and encourages foreign investment; e.g. corporate taxation (about 35%) is favorable and incentives and allowances are offered to investors. The development planning process encourages limited government participation and attempts to avoid subsidizing government parastatals. The general government percentage of the GDP (based on current prices) has fallen from 11.9% in 1974/75 to 10.2% in 1979/80; an impressive accomplishment by a developing country.

President Masire's 1981 Commission on Economic Opportunities, is indicative of the GOB concern that its policies encourage private initiative and investment and enhance economic growth. The task of the Commission is to review the extent of citizen participation in the economic development of Botswana; to review existing laws, regulations, incentives and administrative practices of government; and to assess the extent to which they promote or hinder contributions by citizens and non-citizens to the overall economic development of the country. USAID/B's Director, in a recent meeting with the Minister of Finance and Development Planning, emphasized active and planned USAID/B projects which strengthen the indigenous private sector. These include the rural industrial officers small project fund under the Rural Sector Grant (0077); the proposed OPG with Partnership for

Productivity to finance the Small Enterprise Development Project (0228) which will assist small entrepreneurs in the private sector; the element of the Workforce and Skills Training project (0231) directed to the private sector; and preliminary concepts for an FY 84 Major Village Development Grant. The GOB also expressed an interest in AID's Trade Development Program.

The GOB, in an effort to stimulate employment creation in the private sector, is in the process of reviewing private sector regulations with an intent to reduce and/or liberalize documentation required for new enterprises. The GOB has also recently established a Financial Assistance Policy, which will provide P5 million in financial incentives in FY 82/83 to small-scale business people who initiate new enterprises, create new jobs and train their employees. This innovative approach will assist small-scale businesses and help recharge the lagging economy.

There are however, obstacles to private enterprise. These include acute shortage of skilled labor; difficulties in obtaining industrial land, electricity, water, telephone, housing and work permits; and the lack of investment capital. The recent proposed budget cuts will accentuate this lack of capital and will impact on farmers and small-scale rural and urban entrepreneurs, who rely on the NDB to provide agricultural and business loans. As previously mentioned, the NDB request for a loan in 1981/82 from the GOB was reduced by an estimated 33%.

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TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT (\$ Thousands)

Country/Office BOTSWANA

<u>DEVELOPMENT ASSISTANCE</u>	<u>FY 1982</u>	<u>FY 1983</u>	<u>FY 1984 REQUEST</u>	<u>PLANNING PERIOD</u>		
	<u>EST</u>	<u>EST</u>		<u>1985</u>	<u>1986</u>	<u>1987</u>
<u>Economic Support Fund</u>						
AAPL Grants	10,999	10,000	10,000	10,000	10,000	10,000
Loans	-0-	-0-	5,000*	5,000	5,000	5,000
Total	10,999	10,000	15,000	15,000	15,000	15,000
*Over-programmed (STATE 141198)						
<u>Plus 480, (Non-Add)</u>						
Title II	1,641	-0-	-0-	-0-	-0-	-0-
Housing Guaranty (Non-Add)	-0-	7,000	-0-	-0-	-0-	-0-
Disaster Relief (Drought)	420	-0-	-0-	-0-	-0-	-0-
<u>Total Personnel (workyears)</u>						
Mission Specific (FTE)	12.9	14.4	14.4	14.4	14.4	14.4
I.D.I.	1.4	.2	-0-	-0-	-0-	-0-
Regional (FTE)	.3	1.0	1.0	1.0	1.0	1.0
FSN	9.0	9.0	9.0	9.0	9.0	9.0

TABLE I NARRATIVE

USAID/B has critically reviewed the portfolio to assess the probability of meeting each project's objectives within the time frame of the respective project activity completion dates (PACD). Most of the projects will have successfully met project goals and will be terminated by their respective PACD. By FY 85 the portfolio will consist of nine projects (7 grants and 2 loans), representing a 55% reduction from 20 projects in FY 82. This plan to decrease the number of projects results from a USAID/B management determination to concentrate on a small number of higher value dollar projects which directly conform to the USAID/B strategy.

To successfully implement this decision, an increase in the AAPL is requested for FY 84, although preferable in FY 83 if funds are available. USAID/B's pipeline is reasonable given the amount of forward funding that has been initiated for technical services contracts, for equipment contracts, and for long-term training in the U.S. As a result of the large portfolio of active projects, USAID/B is virtually fully mortgaged for FY 82. Only \$652,000 represents non-mortgaged funds; these are earmarked for the following new activities: the Botswana Workforce and Skills Training project (0231), with a proposed obligation of \$200,000 is the only new major project; and the Small Enterprise Development project, an Operational Program Grant with a Private Voluntary Organization for \$452,000. The Botswana Workforce and Skills Training project will receive an obligation of \$200,000 in FY 82, to ensure that: a contractor starts work in late 1982 (FY 83); that technicians are recruited; and participant training commences by December 1982. The estimated contract signing date will be September/October 1982. Upon receipt of the proposed FY 83 obligation of \$4,372,000, funds will then be available to completely forward fund the contractor for twelve months and initiate implementation of the project. It should be noted that the FY 83 ABS and the Congressional Presentation for FY 83 indicate \$3.3 million for this project in FY 84. The funding increase to \$4,372,000

is necessary to finance approximately 67 person years of participant training that are presently financed from the predecessor project (0069). This will avoid extending project 0069 several years merely to continue funding participants who are in the U.S. but have not completed their long-term training. This action was agreed upon at the April 15, 1982 ECPR for the Botswana Workforce and Skills Training project.

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT  
FY 1982 to FY 1984  
(\$ thousands)

Country/Office Botswana

APPROPRIATION ACCOUNT	FY 1982	FY 1983	FISCAL YEAR 1984
<u>Grants</u>			
633-0067 Agricultural Planning	661	-0-	-0-
633-0069 So. Africa Manpower Dev.	2,693	-0-	-0-
633-0072 Botswana-Zambia Road	508	-0-	-0-
633-0074 Agr. College Exp.	-0-	719	-0-
633-0077 Rural Sector Grant	1,280	1,500	1,500
633-0078 Health Services Development	-0-	-0-	-0-
633-0092 Self Help Housing Dev.	39	-0-	-0-
633-0209 Renewable Energy Technology	1,579	-0-	-0-
633-0221 Agr. Tech. Improvement	2,298	2,049	2,629
633-0222 Primary Education Improvement	1,289	1,360	1,629
633-0228 Small Enterprise Development	452*	-0-	-0-
633-0230 Major Villages	-0-	-0-	1,000*
633-0231 Botswana Workforce and Skills Training	200*	4,372	3,242
AAPL TOTAL GRANT	10,999	10,000	10,000
Of which Mortgage	(10,347)	(10,000)	( 9,000)
*New Starts			
<u>Loans</u>			
633-0240 National Development Bank	-0-	-0-	5,000**
TOTAL GRANTS AND LOANS	10,999	10,000	15,000
**Over-programmed (STATE 141198)			
Housing Investment Guaranty	-0-	7,000	-0-
Public Law 480, Title II	1,641	-0-	-0-
Disaster Relief (Drought)	420	-0-	-0-
GRAND TOTAL	13,060	17,000	15,000

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PROJECT		OBLIGATION DATE		LIFE OF PROJECT COST	COM PIPELINE AS OF 9/30/81	ESTIMATED U.S. DOLLAR COST (\$000)						FY 1983	FY OBLIGATIONS				ITEM #				
		INITIAL	FINAL			AUTH	PLAN	FY 1982	FY 1983	1984	1985		1986	1987	1988	1989		1990			
NUMBER	TITLE	G/L				ORL	EXP	ORL	EXP	ORL	EXP	AAPL	FINDED TO MO/YR	1985	1986	1987	1988	1989	1990		
633-0015	Development Assistance Agric. Rural Dev. and Nutrition																				
	Range Mgmt. & L' Stock Dev. G		1973	1980	413	-0-	213	-0-	200	-0-	200	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	7497
633-0056	Botswana Crop Production G		TQ	1979	196	-0-	100	-0-	98	-0-	98	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	7543
633-0067	Agricultural Planning G		1978	1982	302	-0-	202	-0-	100	-0-	100	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	7506
	Total Agricultural Grants				911	-0-	515	-0-	398	-0-	398	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
	Loans				911	-0-	515	-0-	398	-0-	398	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
	Population Planning & Health				-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
633-0032	Maternal Child Health /FP	G	1972	1978	9	-0-	9	-0-	-0-	-0-	-0-	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	7500
	Total Population Planning & Health Grants				9	-0-	9	-0-	-0-	-0-	-0-	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
	Loans				9	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
633-0034	Health Environmental Sanitation G		1979	1979	354	-0-	160	-0-	194	-0-	194	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	7513
	Total Health Grants				354	-0-	160	-0-	194	-0-	194	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
	Loans				354	-0-	160	-0-	194	-0-	194	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
	Selected Development Activities				-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
633-0006	Botswana-Zambia Road	L	1973	1978	708	-0-	708	-0-	-0-	-0-	-0-	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	7495
	Total Selected Development Grants				708	-0-	708	-0-	-0-	-0-	-0-	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
	Loans				708	-0-	708	-0-	-0-	-0-	-0-	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
	Total Development Assistance Grants				1,482	-0-	992	-0-	590	-0-	590	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
	Loans				1,714	-0-	684	-0-	590	-0-	590	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
	Total Development Assistance Loans				708	-0-	708	-0-	-0-	-0-	-0-	-0-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	

Country/Office  
BOTSWANA

TABLE IV PROJECT BUDGET DATA

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE IV PROJECT BUDGET DATA										Country/Office							
										BOTSWANA							
PROJECT NUMBER	PROJECT TITLE	G/L	OBLIGATION DATE		LIFE OF PROJECT COST		CUM PIPELINE AS OF 9/30/81	ESTIMATED U.S. DOLLAR COST (\$000)				ITEM #					
			INITIAL	FINAL	AUTH	PLAN		FY 1982	FY 1983	1984 AAPL	FUNDED TO MO/YR		1985	1986	1987	POTENTIAL YEAR	
633-0015	Economic Support Fund Range Mgmt. & Livestock Dev.	G	1973	1980	1,572	1,572	453	-0-	253	-0-	200	-0-	-	-0-	-0-	-0-	7496
633-0030	So. Afr. Dev. Personnel and Training	G	1973	1977	1,103	1,103	288	-0-	188	-0-	100	-0-	-	-0-	-0-	-0-	7499
633-0032	Maternal Child Health/FP	G	1972	1979	374	374	32	-0-	32	-0-	-	-0-	-	-0-	-0-	-0-	7501
633-0056	Botswana Crop Prod.	G	TQ	1979	975	975	153	-0-	100	-0-	53	-0-	-	-0-	-0-	-0-	7502
633-0067	Agricultural Planning	G	1978	1982	4,148	4,148	1,747	661	800	-0-	800	-0-	7/84	-0-	-0-	-0-	7505
633-0069	So. Afr. Manpower Dev.	G	1978	1982	9,970	9,970	4,149	2,693	3,000	-0-	3,842	-0-	9/83	-0-	-0-	-0-	7507
633-0072	Botswana-Zambia Road	G	1977	1982	2,008	2,008	1,167	508	600	-0-	767	-0-	9/84	-0-	-0-	-0-	7508
633-0073	Transport Sector I	G	1979	1979	6,000	6,000	2,510	-0-	2,100	-0-	410	-0-	9/83	-0-	-0-	-0-	7509
633-0074	Agric. College Exp.	G	1978	1983	9,149	9,149	4,287	-0-	2,500	719	1,000	-0-	1/86	-0-	-0-	-0-	7510
633-0077	Rural Sector Grant (PC)	G	1980	1986	3,780	10,780	1,908	1,280	1,600	1,500	1,200	1,500	12/84	2,000	2,000	-0-	7511
633-0078	Health Services Dev.	G	1978	1986	5,530	5,530	3,421	-0-	400	-0-	1,200	-0-	6/86	-0-	443	-0-	7512
633-0092	Self-Help Housing Dev. (PV0/U/R) (PC)	G	1977	1982	1,133	1,133	609	39	539	-0-	109	-0-	-	-0-	-0-	-0-	7514
633-0095	Nat'l Migration Study	G	1977	1980	700	700	287	-0-	200	-0-	87	-0-	-	-0-	-0-	-0-	7516
633-0102	UNHCR Trust Fund for Student Refugees	G	1977	1977	6,000	6,000	600	-0-	600	-0-	-	-0-	-	-0-	-0-	-0-	7517
633-0209	Renewable Energy Tech. (PC)	G	1980	1982	3,304	3,304	1,655	1,579	750	-0-	1,200	-0-	9/85	-0-	-0-	-0-	7520
633-0212	Rural Enterprise Ext. Serv. (PV0/I/R)	G	1978	1978	499	499	83	-0-	83	-0-	-	-0-	-	-0-	-0-	-0-	7521
633-0215	Horticultural Dev. (PV0/U/R)	G	1978	1981	461	461	278	-0-	200	-0-	78	-0-	-	-0-	-0-	-0-	7522
633-0221	Agricultural Tech. Imp.	G	1981	1985	9,180	9,180	761	2,298	100	2,049	1,200	2,629	9/85	1,443	-0-	-0-	7523

FY 1984 ANNUAL BUDGET SUBMISSION

PROJECT		OBLIGATION DATE		LIFE OF PROJECT COST		CUM PIPELINE AS OF 9/30/81	FY 1982		FY 1983		ESTIMATED L.I.R. UNILAR COST (\$000)				ITEM #		
NUMBER	TITLE	G/L	INITIAL	FINAL	AUTH		PLAN	ORL	EXP	ORL	EXP	1984 AAPL	FINDED TO MO/YR	1985		1986	1987
633-0222	Primary Educ. Improve.	G	1981	1985	7,293	7,293	1,289	1,200	1,360	1,800	1,629	9/85	1,181	-0-	-0-	-0-	7524
633-0228	Small Enterprise Dev. (PVO/I/R) (PC)	G	1982	1982	452	452	452	50	-0-	150	-0-	-	-0-	-0-	-0-	-0-	-0-
633-0230	Major Villages	G	1984	1989	10,000	10,000	-0-	-0-	-0-	-0-	1,000	9/85	1,447	2,557	2,500	2,496	7526
633-0231	Bots. Workforce & Skills Training	G	1982	1986	14,558	14,558	200	-0-	4,372	1,200	3,242	9/85	3,929	2,815	-0-	-0-	7527
633-0240	National Development Bank	L	1984	1984	5,000	5,000	-0-	-0-	-0-	-0-	5,000	12/87	-0-	-0-	-0-	-0-	-0-
	New Project Starts-Grant																
	New Project Starts-Loan																
	Total Econ. Supp. Fund Grants, AAPL Level Loans				103,189	10,189	10,999	15,295	10,000	15,396	15,000	-	15,000	15,000	15,000	15,000	2,496
	Total Dev. Asst. and ESF Grant Loan				98,189	105,189	10,999	15,295	10,000	15,396	10,000	-	10,000	10,000	10,000	10,000	2,496
					5,000	5,000	-0-	-0-	-0-	-0-	5,000	-	5,000	5,000	5,000	5,000	
					174,366	31,366	10,999	16,187	10,000	15,986	15,000	-	15,000	15,000	15,000	15,000	
					102,766	109,766	10,999	15,979	10,000	15,986	10,000	-	10,000	10,000	10,000	10,000	
					21,600	21,600	-0-	208	-0-	-0-	5,000	-	5,000	5,000	5,000	5,000	
	Public Law 480 Title II Emergency Drought Assistance Grant Total	G					1,641	1,641	-0-	-0-	-0-	-	-0-	-0-	-0-	-0-	
	Disaster Assistance Drought Relief Grant Total	G					470	470	-0-	-0-	-0-	-	-0-	-0-	-0-	-0-	

Country/Office  
BOTSWANA

TABLE IV PROJECT BUDGET DATA



FY 1984 ANNUAL BUDGET SUBMISSION

TABLE V - FY 1984 PROPOSED PROGRAM RANKING

RANK	PROGRAM ACTIVITY DESCRIPTION	ONGOING/ NEW	LOAN/ GRANT	APPROP. ACCT.	Country/Office BOTSWANA	
					INCR	CUM
1.	633-0231 Botswana Workforce and Skills Training	0	G	ESF	3,242	3,242
2.	633-0077 Rural Sector Grant	0	G	ESF	1,500	4,742
3.	633-0222 Primary Ed. Improvement	0	G	ESF	1,629	6,371
4.	633-0221 Agr. Tech. Improvement	0	G	ESF	2,629	9,000
5.	633-0230 Major Villages	N	G	ESF	1,000	10,000
	AAPL Total Grant				10,000	10,000
6.	633-0240* National Development Bank	N	L		5,000**	5,000**
	Total Loan				5,000	5,000
	Total Grant and Loan				15,000	15,000

\*\*Over-programmed (STATE 141198)

TABLE V NARRATIVE

USAID's strategy in Botswana is to address the complementary goals of employment generation and workforce training. To attain these goals, USAID/B has four specific and preliminary objectives: (1) create income-producing opportunities in rural areas; (2) decrease the reliance on expatriates in the government service and the private sector through extensive skills training programs; (3) strengthen indigenous institutions; and (4) provide the basic infrastructure to permit the major villages to become "poles-of-development" USAID/B has ranked the proposed FY 84 program in order of importance to the espoused strategy.

The most relevant project in USAID/B's portfolio is the Botswana Workforce and Skills Training (BFAST) project (0231), the successor to Manpower Development Training (0069). BFAST, will confront the problem of acute shortages of skilled personnel by providing both short and long-term training to Botswana to enable them to upgrade their present position or fill vacant positions in the public and private sectors. During the training period the project will recruit and finance U.S. technicians and professionals to occupy the Botswana positions.

The second ranked project is the Rural Sector Grant project (RSG) (0077). Among several diverse activities, the RSG is: (1) increasing rural productive employment opportunities through the successful establishment of a cadre of rural industrial officers who are promoting small-scale projects; and (2) responding to village-level initiatives involving small-scale agriculture infrastructure and production activities. This latter sub-activity of the RSG is administered by the Ministry of Agriculture's Department of Field Services and is designed to assist groups engaged in agricultural (non-livestock related) inputs and production. These activities include the establishment of vegetable gardens, poultry development, woodlots, construction of storage facilities and building fences to separate

croplands from grazing lands. Both direct and indirect links can be established between these activities and the generation of employment and increased incomes in project specific rural areas.

Projects Primary Education Improvement (0222) and Agricultural Technology Improvement (0221), ranked third and fourth respectively, implement USAID/B's strategy through transferring technology, strengthening local institutions and increasing skills of incumbent Batswana by providing them with long-term training in the U.S. Both projects are a response to the need for increasing the skills and knowledge of professional Batswana.

The Major Villages Development project is the only new project in FY 84 and is ranked fifth. Detailed planning and design will commence in early FY 83. The objectives of this project are to enable villages to become "poles-of-development" by improving employment opportunities through encouraging investments in public and private sectors. It is expected that this will lessen the disparity between rural and urban living standards and encourage the population to remain in rural areas.

Finally, the proposed FY 84 loan to the National Development Bank (NDB) is an overprogrammed amount of \$5 million. If funds are available, USAID/B considers this a high priority project since it will immediately provide funds to NDB for relending to small-scale farmers and rural enterprises. This activity will assist in generating employment opportunities and increasing private sector activities, both of which are USAID/B objectives.

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE VIII

	FY 1984 PROPOSED			
	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS
U.S. DIRECT HIRE	1,068.7	-	690.2	14.4
F.N. DIRECT HIRE	193.8	-	-	9.0
CONTRACT PERSONNEL	72.4	-	-	XXXXX
HOUSING EXPENSES	292.1	-	-	5.0
OFFICE OPERATIONS	900.8	-	76.8	XXXXX
TOTAL	2,527.8	-	767.0	XXXXX
RECONCILIATION	767.0	XXXXX	XXXXX	XXXXX
MISSION ALLOWANCE	1,760.8	XXXXX	XXXXX	XXXXX

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE VIII

	FY 1984 MINIMUM			FY 1984 CURRENT			
	TOTAL	TRUST FUNDS	AID/W FUNDED	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS
U.S. DIRECT HIRE	1,068.7	-	690.2	1,068.7	-	690.2	14.4
F.N. DIRECT HIRE	193.8	-	-	193.8	-	-	9.0
CONTRACT PERSONNEL	72.4	-	-	72.4	-	-	XXXXX <sup>3</sup>
HOUSING EXPENSES	229.1	-	-	292.1	-	-	5.0
OFFICE OPERATIONS	733.8	-	76.8	900.8	-	76.8	XXXXX
TOTAL	2,297.8	-	767.0	2,527.8	-	767.0	XXXXX
RECONCILIATION	767.0	-	767.0	767.0	-	767.0	XXXXX
MISSION ALLOWANCE	1,530.8	-	-	1,760.8	-	-	XXXXX

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE VIII

	FY 1982				FY 1983			
	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS
U.S. DIRECT HIRE	911.6	-	607.7	12.9	1,154.7	-	678.0	14.4
F.N. DIRECT HIRE	172.5	-	-	9.0	169.9	-	-	9.0
CONTRACT PERSONNEL	75.4	-	-	XXXXXX	64.0	-	-	XXXXXX
HOUSING EXPENSES	286.2	-	-	5.0	239.6	-	-	5.0
OFFICE OPERATIONS	665.2	-	53.2	XXXXXX	612.3	-	64.0	XXXXXX
TOTAL	2,110.9	-	660.9	XXXXXX	2,240.5	-	742.0	XXXXXX
RECONCILIATION	660.9	-	660.9	XXXXXX	742.0	-	742.0	XXXXXX
MISSION ALLOWANCE	1,450.0	-	-	XXXXXX	1,498.5	-	-	XXXXXX

TABLE VIII NARRATIVE

USAID/B's proposed U.S. direct hire work force for FY 83 through FY 85 is 14.4 person years. This total consists of the following composition:

	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>
Direct Hire	10.8	11.0	11.0
IDI	.2	-	-
Regional	1.0	1.0	1.0
Part-time	<u>2.4</u>	<u>2.4</u>	<u>2.4</u>
Person Years	14.4	14.4	14.4

The required 13.4 person years (excluding the regional slot) represents the optimum staff to efficiently manage a portfolio that includes projects in sectors of agriculture, rural development, education, transportation and activities associated with human resource development, participant training and private sector initiatives. USAID/B U.S. direct hire personnel include, Director, Deputy Director, Program Officer, IDI/Program, Controller, Executive Officer, Project Manager, Agricultural Development Officer, Executive Assistant, Human Resource Development Officer, General Engineering Officer, Assistant Agricultural Officer (position will be dropped 7/82) and three part-time personnel. In addition there is a Regional Project Development Officer based in Botswana.

In December 1982 (FY 83) USAID/B requires a new position for an IDI/program backstop who will complete his IDI training and will assume an Assistant Program Officer position at USAID/B. This position is included in the 13.4 person years. A SPAR is being prepared and will be pouched to AFR/EMS and AFR/SA. USAID/B request AID/W approval of this essential staff level for the years FY 83 through FY 85.

Foreign National direct hire allocation of nine positions is acceptable to USAID/B.

Proposed New FY 84 Project

- I. PROJECT: National Development Bank (633-0240)
- II. FUNDING: \$5 Million Loan in FY 84
- III. PROJECT PURPOSE: The project purpose is to increase agricultural production; to increase revenues of rural enterprises; to develop employment opportunities in rural areas; and to increase incomes of the rural population.
- IV. PROBLEM: Rural development, which includes increased agricultural production and private sector initiatives, has been constrained by the absence of reliable credit for the majority of small-scale productive rural dwellers. Historically, the small-scale farmer and rural enterprises have not reaped the benefits of Botswana's growth at a comparable level to that of the urban population. This situation continues and results partially from a paucity of available credit.

Many farmers work their small parcels of land without the benefit of modern agricultural methods or short-term credit. As a result, farming practices remain unchanged, yields per acre are constant or even decrease and the small-scale farmer produces at a subsistence or below subsistence level. Experience has indicated that farmers are receptive to new farming practices and interested in borrowing funds to purchase agricultural inputs to increase crop yields.

Similarly, rural entrepreneurs are in a static business position due to acute shortages of cash and lack of substantial assets to offer as collateral to a bank to qualify for loans. Without short-term cash it is virtually impossible for a rural business to increase its inventory, expand physical facilities or develop a wider market.

Equally disquieting is the paucity of long-term credit for potential entrepreneurs, albeit unproven, to start a new enterprise.

The lack of credit available to small, somewhat risky, rural entrepreneurs and small-scale farmers will probably be aggravated over the short-term because of the adverse economic situation in Botswana. The GOB in an attempt to minimize the budget deficit, is reducing its contribution to the development budget and decreasing loans to parastatals, such as the National Development Bank (NDB). This local financial institution is the main lender to small-scale borrowers. The NDB requested P15 million for 1981/82 but received an allocation of P10 million, a 33% reduction. The 1982/83 proposed loan from the GOB is expected to be less than allocated this year. Obviously, this will seriously curtail the NDB's lending activity during the next few years. The NDB, in efforts to ease this situation, has requested financial assistance from USAID.

- V. PROPOSED PROCEDURES TO ADDRESS THE PROBLEM: The NDB was established on May 1, 1964 and has matured into an efficient financial institution which provides agricultural and commercial credit. The demand for agricultural loans has nearly quadrupled from 1979 to 1981. In 1979 NDB made 1,092 agricultural loans for a total of P1,048,810, representing an average loan of P961. The number of loans in 1981 increased to 4048 for a total of P8,218,479, with an average loan value of P2030. Commercial and industrial loans increased from 84 in 1979 (P235,170) to 325 in 1981 (P3,960,535). The NDB is responding to this growing demand by increasing its borrowing and through developing five regional offices. Additional NDB expansion is planned, with District Credit Officers being assigned to areas of high loan activity.

In coordination with the GOB and the NDB, USAID/B proposes that a \$5 million concessionary loan be provided to the GOB, Ministry of Finance and Development Planning for relending to the NDB at an interest rate and terms that approximate lending practices previously used between the GOB and the NDB. The revenue derived from the difference in interest rates between the AID to GOB loan and the higher relending rate to the NDB by the GOB will be used by the NDB to: compensate for delinquent loans; and cover the excessive administrative/overhead costs of supplying small amounts of credit to farmers and rural entrepreneurs. Measures will be developed to ensure that loans made with AID funds will only be available to small-scale farmers and rural businesses who are identified as the rural poor. Interest rates and terms will represent market rates and conditions. Loans at a subsidized rate will be discouraged. The NDB will be the implementing agency.

VI. SOME ISSUES THAT WILL BE ADDRESSED DURING PROJECT DEVELOPMENT ARE:

1. determine level of funding needed to provide rural borrowers with adequate credit over a three year period;
2. evaluate the administrative and management capability of NDB, specifically its ability to deliver timely and efficient credit service to rural borrowers;
3. determine the financial rate of return to the NDB and the economic rate of return to Botswana's economy that would result from the proposed loan.

VII. CONCLUSION: This proposed project addresses the Administration directives to engage in private sector activities and strengthen indigenous institutions. It fills a void created by the GOB's reduction of loan funds to the NDB and it will complement and support USAID's long-term investment in the agricultural and rural development sectors of Botswana.

ANNEX A AID/W funded, non-bilateral projects in Botswana\*  
(Thousands of U.S. Dollars)

<u>No. &amp; Project Title</u>	<u>Date Started</u>	<u>Terminal Date</u>	<u>AID/W Office Responsible</u>	<u>LOP Cost</u>	<u>Priority</u>	<u>Remarks</u>
	<u>ON-GOING</u>					
698-0393.1	5/77	5/83	AFR/RA	\$ 100**	High	
698-0433	5/82	9/86	AFR/RA	100**	High	
698-0206	10/81	9/82	AFR/DR	65	High	
698-0407						
			AFR/RA			
698-0407.08	5/80	8/82	AFR/RA	44	High	
698-0407.14	8/80	8/82	AFR/RA	50	High	
698-0407.34	5/82	11/83	AFR/RA	100	High	
698-0414	3/79	2/83	AFR/RA	n.a.	High	Consultancies & Training
698-0424	9/82	9/86	S&T/EY	n.a.	High	"
698-0427	10/80	9/84	AFR/RA	n.a.	High	"
936-5000			S&T/FNP	n.a.	High	"
	12/81	9/82	S&T/POP	15	High	

203	Family Planning International Assistance	5/82	9/82	S&T/POP	15	High
	Drought Relief Asst.	5/81	5/81	DFDA	25	High
	Botswana Drought Relief Assistance - Drill Rig.	5/82	11/82	OFDA	420	High
	<u>PLANNED</u>					
	Attitudes Toward Family Size and Fertility	7/82	12/84	S&T/POP	450	High
	Structuring Non-Formal Ed. Resources	9/83	10/83	S&T/ED	100	High
	Non-Formal Ed. Field Technology	3/82	3/83	S&T/ED	n.a.	High
	Kanye Hospital Sewerage	3/82	3/83	ASHA	60	High
193	Maru-a-Pula School			ASHA	n.a.	High
TDP 1	Sua Pan Feasibility Study			TDP	n.a.	High
TDP 2	Coals for Chemicals and Town Gas Studies			TDP	n.a.	High
TDP 3	Glass Bottle/Brick Plant			TDP	n.a.	High

\*See also "Development Assistance Programs of U.S. Non-Project Organizations - Botswana". American Councils Voluntary Agencies for Foreign Service, Inc., Technical Assistance Clearing House, for more detailed description of project and non-project related PVO activities.

\*\*Approximate

## ANNEX B

According to 81 State 305231, Botswana, which is listed under Category IV, is to provide a post strategy statement. A supplementary strategy statement to that found in the main body of the ABS is included below. However, since USAID/B is not required to prepare an entire CDSS until FY 85, some preliminary and non-specific comments are made on the issues raised in 81 State 104826.

### POST'S STRATEGY - 81 State 305231

As discussed in the ABS, USAID/B has been, and will continue to address two primary constraints to Botswana's development: (1) the shortages of skilled individuals in all levels of Botswana's workforce; and (2) the need for employment generation, particularly in rural areas.

Botswana's population growth rate is estimated at 3.5% per annum. At present, the inability of the modern sector to absorb the large supply of unskilled labor is giving rise to inequalities in access to income earning opportunities. There is a continuing flow of individuals to major population centers in search of employment. This mobility is contributing to rural poverty, to the decline of the agricultural economy and to rapid urban growth with its attendant social problems.

The decision to migrate to urban centers must be interpreted as a rational economic response to available opportunities. For Botswana of all levels of education, movement from rural areas to towns greatly improves the chance of securing a regular income through wage employment. However, there are acute employment difficulties faced by individuals with only a primary education. The move towards universal access to junior secondary education may create similar difficulties for individuals with this level of education in the near future. While a Junior Certificate qualification marks the threshold for secure

employment in the Public Service, given current predictions on job creation in the formal sector (see the ABS, p. 6), it is unlikely that sufficient openings can be provided to absorb the present supply.

While a dramatic increase in jobs is clearly needed to absorb the labor supply, it is apparent that of more direct relevance are the types of jobs to be provided, the levels of skills and training required and the location of these jobs. Clearly the challenge is to modify current migration patterns among the labor force and ensure that employment and training opportunities are more equally balanced between rural and urban areas.

USAID/B development approach is to generate employment, particularly in rural areas and to provide needed training for Batswana. The ABS (p. 8) details USAID/B's project activities which directly address these issues.

#### FY 83 BOTSWANA CDSS REVIEW

##### Macro-Conditions Related to Productive Employment (81 State 104826)

The above telegram questioned if seasonality of labor was a possible constraint to productive employment generation. Extensive data is available from the USAID/B funded National Migration Study which details migration flows, sizes, directions and composition. In Botswana, migration includes: rural to rural (movement to the lands from December to February and to cattle posts from March to June); rural to urban (movement to the major towns of Gaborone, Lobatse, Francistown, Selebi-Phikwe and Orapa) and international (movement to the Republic of South Africa (RSA); total Batswana immigrants in RSA estimated at 41000, 54% of which are employed in the mines). The relationship between these labor flows, macro-economic forces and employment potential must be interpreted and linked to the micro-economic structure of the Tswana household and the manner in which individual family members are deployed into the interstices of the economy. The adaptive strategies developed by the Tswana house-

hold were alluded to in the ABS (p. 5-6). The FY 85 CDSS will detail the relationship between the household structure, labor flows and economic conditions. Attention will also be directed to the effects of absenteeism on agricultural production.

Botswana's geographic position and its consequence socio-economic relationship with RSA is complex and extends beyond the issue raised in 81 State 104826, that of the competitive advantage of South African goods. Botswana is linked to RSA in a larger and more intricate economic fashion. The relationship between the two countries also raises the question of Botswana as a "labor reserve" for RSA. The political issues are equally complex, i.e., is it to Botswana's benefit to make efforts to maintain the levels of recruitment of Botswana by the South African mines. The space of an annex does not permit that these issues be elaborated. The FY 85 CDSS will be structured from the perspective of Botswana's position in the regional political and economic matrix of Southern Africa.

#### Agriculture Sector

(para 3A of 81 State 104826)

The Arable Lands Development Program (ALDP), a \$20 million program financed by International Fund for Agricultural Development, African Development Bank, African Development Institute, has as its goals to increase arable agriculture by 4 to 6% per year and ultimately to reduce Botswana's grain deficit; to optimize rural income distribution by concentrating on small holder development; to reduce the rural and urban migration; and to raise income for arable farmers. The GOB is addressing the problem of effective utilization of donor funds in support of ALDP and is establishing an evaluation and monitoring system to track progress. Assessments of this year's ALDEP progress however, will be distorted by the drought conditions.

(para 3B of 81 State 104826)

Erratic rainfall, the lack of effective irrigation and the consequent risks involved with new and high value crops have resulted in limited experimentation with exotic and plantation crops.

(para 3C of 81 State 104826)

A recent USAID/B supported consultancy, which was to assist the Ministry of Agriculture develop a comprehensive agricultural sector assessment, had a mixed GOB reaction. It did emphasize however, the need for the Ministry of Agriculture to inventory its resources, analyze its potential and organize more effective programs that will lead to increased productivity.

#### Development of Major Villages

The Major Village Development project is in the inception phase. As suggested in para 4 of 81 State 104826 a strategy will be devised which takes into consideration macro-level issues. A realistic appraisal will be made of the competitive advantages of certain Botswana products. Entrepreneurs who are promoting such product and/or whose skills and businesses fill a void in the rural area will be favored. Stimulating informal job creation, will be carefully planned and monitored. Informal beer brewing, a proposed activity, is a principal source of income for rural women. The formalization of this will be weighted against potential competition and opposition from the National Brewery of Botswana. Furthermore it will be necessary to make provisions to ensure that women remain the principal beneficiaries after formalization.

Other activities intended under the Major Village Development project, such as improving basic water supply, feeder roads to agricultural areas and agricultural marketing services will be evaluated against macro-level considerations as appropriate.