

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



BOTSWANA

**COUNTRY DEVELOPMENT
STRATEGY STATEMENT**

FY 83

BEST AVAILABLE

February 1981

**UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
WASHINGTON, D.C. 20523**

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EMBASSY OF THE
UNITED STATES OF AMERICA
Gaborone, Botswana

February 12, 1981

Assistant Administrator
for African Affairs
Agency for International
Development
Washington, D.C. 20520

Dear Mr. Assistant Administrator:

I am pleased to enclose herewith the Country Development Strategy Statement for Botswana for Fiscal Year 1983.

The development assistance which the United States has provided to Botswana over the years is a tangible demonstration of our appreciation for the role that this non-racial, multi-party democracy has played in helping to maintain stability in the southern African region.

Botswana has the potential to become economically viable in a very few years, given its mineral wealth which is beginning to be exploited in a commercially significant way. However, through FY 83 and perhaps beyond, the country will continue to need developmental and technical assistance from the United States in order to maintain its security and to provide its population -- which is still in the main very poor -- with the means to satisfy basic human needs through increasing productive employment.

The country's size, its democratic tradition, and its sensible use of economic assistance provide the United States with an excellent opportunity to demonstrate its support for sound political and economic development in Africa - and, relatively speaking, at low cost.

B O T S W A N A

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USAID/Botswana
Gaborone, Botswana
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ACRONYMS

ALDEP	Arable Lands Development Policy
BMC	Botswana Meat Corporation
FRG	Federal Republic of Germany
GOB	Government of Botswana
IBRD	International Bank for Reconstruction and Development
MFDP	Ministry of Finance and Development Planning
MLGL	Ministry of Local Government and Lands
MOE	Ministry of Education
NDP V	National Development Plan V
OPEX	Operational Expert - U.S.-term for U.S.-citizen employees of GOB, with salary topping-off by USAID
OSAS	U.K. equivalent of OPEX
PCV	Peace Corps Volunteer
RSA	Republic of South Africa
TGLP	Tribal Grazing Lands Policy
UK	United Kingdom
US	United States of America

1 Pula = \$1.32

US \$1.00 = .75 thebe

Part I Overview

A. INTRODUCTION AND SUMMARY

The U.S. assistance program for Botswana enables us to provide tangible support for the security and development of a country which actively practices moderation and pragmatism in an unsettled region in which the United States has significant interests. Occupying a key geopolitical position in southern Africa, Botswana shares the U.S. commitment to non-racialism, multiparty democracy and a free market economy.

While rich in minerals, Botswana is landlocked and extremely dependent on its neighbors for access to transport, food and energy. The country's vulnerability to regional events beyond its borders has made security and stability top priorities. The desire to support Botswana as a stable, moderate democracy has been a decisive factor in U.S. and other western donors' assistance to the country. Its record on development has been another.

The Government of Botswana has proved itself firmly committed to economic development. Its effectiveness in carrying out its development goals and in seeing that foreign assistance benefits those for whom it is intended have earned the country top marks from donor nations. Its performance has been outstanding in terms of the numbers of new schools, hospitals, and roads built, life expectancy increases, etc., and also in terms of building up expertise in development planning. Now, as Botswana moves to a focus on employment creation and rural development, we have the opportunity to continue our support to a country where our assistance can have a real impact.

Given the progress to date, the commitment of the country's leaders to sustained economic development, the virtual absence of corruption, and the assistance of other Western donors, there is in Botswana an opportunity to demonstrate, with limited funds, that the democratic, free market approach to development can work.

The Government of Botswana both confirmed its democratic principles and proved its mettle this past year in the smooth constitutional transition that followed the death of President Khama. Today, President Masire (formerly Vice President and Minister of Development Planning) and his Government

continue to place great emphasis on economic development as a means of ensuring stability and reducing Botswana's vulnerability to the regional uncertainties and possible disruptions on its borders. The government encourages foreign investment and has begun playing a leading role in regional economic cooperation. Masire has stressed his government's goals of providing productive employment for its small, still mostly rural, population and of developing the rural areas to overcome the extensive rural poverty. The Botswana government recognizes, however, that economic development, regional cooperation and increased self-sufficiency cannot be achieved overnight. While highly - and openly - critical of South Africa's racial policies, Botswana recognizes its continued dependence on South African ports, transport links, food and energy supplies, etc.

For strategic reasons, Botswana maintains a fledging defence force (founded in late 1976 when the country was threatened by a spillover of the fighting in Rhodesia). The country has also had to expend scarce resources on strategic projects such as the construction of an international airport, and maintains a relatively high level of foreign exchange reserves in the event of a sudden cutoff of normal supply routes through South Africa. The resulting adjustments to economic development plans have cut deeply into the resources available for job creation and rural development. All the same, Botswana has made great progress.

At Independence in 1966, the country exported little, apart from some beef. A subsidy from the British government was needed to help pay for imports and to cover most of the government's recurrent expenditures and all of its development expenditures. Following the discovery of diamonds and other minerals in the late 1960s, the leadership of what had been a poor, drought-prone, sparsely-populated, cattle-raising country decided on a strategy to achieve large and rapid returns from investment in mining and to re-invest these returns to improve the living standards of the majority of the population. Since independence remarkable progress has been made in providing all citizens with adequate physical and social infrastructure.

The United States and other donors have played a major role in Botswana's progress, working closely with the government to formulate specific plans and projects to upgrade basic facilities and provide needed skilled manpower. From 1966 through September 1980, the U.S. Agency for International Development has provided more than \$98 million to Botswana in grants and loans. AID

has concentrated its efforts in two key areas: human resources development and rural employment creation. Closely related and supportive of these activities, selected projects have been funded to improve transportation links and upgrade urban settlements.

Serious problems continue to plague Botswana. The country still faces the challenges of widespread rural poverty, the need to create jobs for its growing population, and the problem of economic dependence and vulnerability. Botswana continues to have high levels of unemployment and underemployment, little industry, a high birth rate, a high rate of urbanization, a scarcity of water, very high energy costs, and a severe shortage of skilled manpower.

The Government of Botswana's strategy for overcoming its development problems is to shift increasingly away from the provision of physical and social infrastructure to a direct focus on rural development and employment creation. Embodied in the National Development Plan V, the policy calls for agricultural programs and incentives, increased educational programs, and land tenure policies to encourage an increase in productivity. Private foreign investment is to be actively encouraged.

The U.S. AID strategy is to continue its focus on human resources development and rural employment creation through a four-point program of assistance geared to:

1. Creation of income-producing opportunities in the rural areas.
2. Provision of the basic infrastructure to enable the major rural villages to become "poles of development".
3. Reduction of the very high population growth rates.
4. Lowering the dependence on expatriates in government service and the acceleration of "localization" throughout government and the private sector through educational and skills-training programs.

Botswana's need for developmental assistance, and possibly for emergency security assistance, can be expected to remain over the next several years. However, Botswana's government revenues will increase markedly within the next two or three years from expanded diamond production, and we and other donors will be shifting our assistance from grants to loans.

USAID recommends a country level for Botswana for the period FY 1982 through FY 1986 of \$16 million per year. In FY 1983, we would expect new projects

to be loan-financed. In FY 1986, the need for technical assistance will still exist, but could be provided almost entirely on a reimbursable basis.

However, Botswana's security requirements can be expected to remain at a high level and may even have to be increased. These expenditures could compete with funding needs for development. For this reason, the use of security assistance (ESF) funding for a major portion of our assistance program in Botswana gives us the needed flexibility to provide both developmental and security-related assistance.

B. BACKGROUND - POVERTY IN BOTSWANA

The AID emphasis on the rural poor has an excellent opportunity in Botswana - perhaps a unique opportunity - since the majority of Botswana's population, notwithstanding urban growth, notwithstanding mineral wealth, continues to be both rural and poor.

Although wealthy in minerals (diamonds, coal, copper, nickel and gold) and beef production, Botswana today remains largely underdeveloped with an annual GDP per capita of \$550 and with 75-80 percent of the population involved in subsistence agricultural production. Over half the population of 805,000 live below the rural poverty datum line of \$869/household/year, cultivate less than four hectares of land, and own fewer than eight head of cattle. Poverty, however, is not confined to the rural areas although that is where most of the poorest Botswana live. There also are many very poor people in Botswana's towns; if the number of people moving to the towns continues to exceed the growth of formal sector employment, the problem of urban poverty is likely to worsen.

Botswana's unique situation - rich in minerals, but largely underdeveloped - orients the government's policy toward rural development in order to prevent a widening of the gap between urban and rural living standards. Over the past five years the Government of Botswana (GOB) has made remarkable progress in using its income from mineral resources effectively to provide a better way of life for the country's rural poor. However, rural development in a large country, with a wide-spread population is extremely costly. The GOB's development budget is seriously strained as more funds are needed for basic services and security expenditures. It is within this context that donor funds are the critical ingredient for provision of the extra financing that will provide an incremental acceleration of development activities to

break the grip of poverty in Botswana.

1. Rural Poverty - Eighty percent of the population is located along the eastern side of the country in a narrow band about 50 km each side of the line of rail and trunk highway. This is the most arable land of Botswana but represents only 15 percent of the country's total area. Although most households have access to some land for planting, the poor majority in rural areas are considerably below the subsistence level as food producers. To generate income, they are largely dependent upon local employment (mostly paid in kind), hunting, gathering and migrant labor, either internally or to the mines in South Africa. They are susceptible to severe hardship during food scarcity, and in the case of female-headed households, most often deprived of male labor for plowing.

Although crop production does not rival wage employment and migrant labor, about 75 percent of all rural families do plant some crops in an average year. Some land is titled to individuals, but the majority of farmers cultivate the "lands", which are communally-owned fields, usually within 30 kilometers of their village. Land tenure is in the nature of usufruct right, or of freehold, marketable title. Income from crop production is hampered by low yields/unit of area, drought and the absence of price incentives. Time of planting and rainfall, and access to draft power are critical factors in determining a productive harvest. Approximately 60 percent of farmers with some livestock need to borrow or rent additional cattle in order to plow, and 40 percent own no cattle at all.

The rural family is typically a partial household with certain members dispersed to other sites - the youngest son to the cattle post, males to the mines in South Africa (20,000), domestic mines (6,300), agricultural employment (15,000) or seeking employment in urban areas. There are many females (number unknown) who seek employment as domestics in South Africa or the principal towns and villages of Botswana.

Of special interest is the female-headed household (about one quarter of rural households) who have chosen not to have legalized partnership arrangements or who have rejected the option of marriage. These households are characterized by one or more children, no or very few cattle, smaller fields, fewer crops raised, and lower incomes than male-headed households.

The majority of the rural poor are excluded from obtaining credit by their lack of collateral. Communal land, essentially a free commodity with no value, can not be sold and is not suitable for collateral. If the rural poor are to increase their agricultural productivity, and thus household income, the availability and efficient use of credit and other inputs must be increased, including more effective extension services, workers and draft power. Even with improved agricultural packages, alternative rural employment opportunities must also be explored and developed if the quality of life of the rural poor is to be improved, and rural incomes increased sufficiently to prevent further flight to urban areas.

2. Urban Poverty - Little detailed information is available concerning the 60-70 percent of Botswana's urban population below the urban poverty line (\$1,735), but it is reflected in low wage/income levels, the high cost of living and inflationary pressures. Many of the urban poor are recent migrants who from 1971-75 moved to urban areas (Gaborone, Francistown, Lobatse, Selibi-Pikwe and Orapa) at the rate of 15 percent per year - one of the world's highest sustained rates of urbanization. Rural-urban migration is largely attributable to rural poverty and the expectation of more lucrative employment in the towns. Employment generation in the urban areas has not kept up with migration. Formal sector employment grew at only 6 percent per year between 1976/77 and 1980/81, which has only resulted in 19 percent of the urban work force being employed in the formal sector. The central government has been and continues to be the largest formal sector employer (30 percent of such employees).

The second largest employee group comprises domestic servants (15 percent) who are often unmarried female heads of households. Self-employment is conservatively estimated to constitute more than 10 percent of employment in Botswana but is less pervasive than in many African countries with longer urban histories. Employment opportunities in the formal sector are almost entirely closed to more than 50 percent of the population who are illiterate, with little or no vocational skills. Within government and the formal sector a substantial number of expatriates are needed to provide managerial and technical skills not available in Botswana. Unemployment rates for the urban areas of Gaborone, Francistown and Selebi-Pikwe range from 15-18 percent for males and 35-48 percent for females.

Many urban poor live in squatter housing in Gaborone (27 percent of the town's

population), Lobatse (23 percent), Francistown (60 percent) and Selebi-Phikwe (40 percent). Squatter areas were poorly serviced in the past. For example, Gaborone's major squatter area, Old Naledi, had a population estimated as high as 20,000+. The GOB decided (1974) that government inaction in urban areas would not discourage the rural exodus and is now legitimizing existing squatter areas via squatter upgrading and relocation programs, with donor assistance from USAID, CIDA, ODA and IBRD. Town Councils are also responsible for planning and servicing new site-and-service plots in Gaborone, Francistown, Selebi-Phikwe and Lobatse.

3. Causes of Poverty - Why are the Batswana poor? In a country with such a high national income from mining and cattle raising, why are 75-80 percent of the rural population at the subsistence level or just barely above it? What is the nature of the rural-urban migration pattern? These questions can be answered partially by looking at: a) Natural resources, b) Access to land, c) Access to agricultural resources, and d) Access to formal and non-formal education and training.

a) Natural Resources - Water resources are extremely limited in Botswana with the majority of the rural populace depending on boreholes for themselves and their cattle. The Okavango Swamp offers vast water resources, however the expense of any effort to exploit this water for use remains beyond the reach of Botswana's economy, and the ecological implications are not yet known.

Water is the major development parameter in Botswana and rainfall patterns have been the principle determinant of human settlement and land use. As a result, the majority of the population resides in the eastern corridor of the country where higher rainfall, savanna grasses and somewhat better soils are suitable for livestock and arable farming (although almost all soils would be classified as poor for crop agriculture). Subsistence crops account for great proportions of arable agriculture; however, sparse and erratic rainfall also means that the harvests are extremely vulnerable to climatic fluctuations. The rainfall factor alone accounts for total crop failure in most areas at least one year out of five, and partial failure at least one other year. Even in good years, planted area exceeds harvested area by 15-20 percent, because rains are so variable.

The absence of adequate surface or underground water severely inhibits irrigated agricultural and industrial development. Water for human consumption is a major problem in all areas of the country.

Other natural resources exist - underground - including coal, copper-nickel, diamonds, gold, platinum, and possibly oil and gas. However, for a variety of reasons (see section D.4), lower levels of private investment have been attracted to Botswana than is desired, particularly in labor intensive activities.

b) Access to Land - At the present level of agricultural technology, 2.3 percent of the land area of Botswana is thought to be suitable for arable agriculture. The balance is the Kalahari Desert, suitable only for light grazing.

As will be explained in section D.9, the largest part of the population cultivates less than four hectares per household. The minimum required for subsistence agriculture using traditional methods is ten hectares when the rains are adequate.

During the late 1970s, the GOB initiated the Tribal Grazing Land Policy (TGLP) with the purposes of (1) grazing control, better range management and increased productivity in communal areas and (2) safeguarding the interests of those who own only a few cattle...to have as much land as needed to graze cattle and grow food for their family. Customary tenure is now in the process of being converted into leasehold tenure in commercial zones. Approximately 10-15 percent of the total area of Botswana is zoned commercial.

The TGLP facilitates acquisition of secure leasehold titles of communal land in the Kalahari by large cattle owners. "Groups" of smaller cattle owners are also eligible for ranches, but group formation of small holders has met with minimal success. Increasingly, fenced commercial ranches are gaining access and rights to a disproportionate amount of land. The establishment of commercial ranches and the granting of exclusive leaseholder rights has radical implications for remote area dwellers who traditionally used this land, many of whom own no livestock. A new component of the TGLP is to provide lands and facilities for these displaced persons. Adjudication and compensation procedures, while being established, do not protect adequately these people.

Land use is also a function of access to water. With the introduction of borehole technology in the early part of the 20th century, seasonal movement

of people and cattle has become less frequent. Increasing herd size has put extreme pressure on the land, and boreholes are being drilled on increasingly more marginal areas as owners seek additional grazing.

Increased dependence on boreholes, however, has resulted in de facto control of communal tribal land by those who can afford to drill, equip and operate the wells. Traditionally, since boreholes became technically possible, the only restriction the local chief has imposed upon drilling is that sites be no closer than eight kilometers from one another. Those with small herds, unable to afford their own boreholes, often make arrangements with borehole owners to buy water either for cash or in exchange for food, supplies, or services such as herding. In addition, impoverished tribesmen or Basarwa (Bushmen) frequenting an area are seldom denied domestic water. Nevertheless, the fact remains that one can gain control of approximately 6,400 hectares (64 km²) of communal grazing land merely for the price of a single borehole.

c) Improved Access to Agricultural Productive Resources - In a recent survey of rural households living below the poverty datum lines, the Ministry of Agriculture (MOA) found five important factors affecting income and production of the sample population: (1) 24 percent of the rural households are headed by women who have less access to labor and draft power, have less land, and are less likely to settle at the lands; (2) only 38 percent of those with arable lands live permanently at the lands, primarily because of lack of water; (3) only 8 percent use either commercial fertilizer or manure, and only 3 percent use an insecticide; (4) 43 percent have no ready access to draft power; (5) 66 percent have received no advice from their agricultural extension agent, and 40 percent do not even know him.

No real incentives exist for the farmer with limited access to agricultural production resources. At present, using traditional methods, a farmer can achieve the same gross income from selling one ox per year as he can from farming nearly four hectares of sorghum or nine hectares of maize in a year of good rains.

d) Access to Formal or Non-Formal Education - Until recently the largest number of rural children and adults had no access to formal or non-formal education; functional literacy in Setswana is estimated at more than 40 percent, but most functionally literate individuals appear to have learned

to read as adults.

A major contributing cause to rural and urban poverty is a lack of skills that permit the individual to maximize his/her efforts, or be employable in the modern sector. Non-formal education is extremely limited, and almost no opportunities exist at the village level.

Lack of access to skills training will continue to be an extremely important contributor to rural poverty until there is an increase in the quantity and quality of school leavers who may be trained to work in rural areas.

While almost 80 percent of primary school-age children are in class, for the estimated 21,000 primary school leavers at the end of FY 1981, there will be only 7,000 places in secondary schools. The problem of skill training and formal education will continue to be a constraint to development in the rural society.

C. THE BASIS OF DEMOCRACY IN BOTSWANA

Before the British protectorate was sought by the traditional chieftains as a safeguard against further South African encroachments in the late 19th century, the traditional chieftain had a long history of rule by consensus and the consent of the governed.

At the national level, the parliament meets three times yearly: In the spirit of open debate, all policies of the government are examined, budgets reviewed and approved, personnel ceilings and development priorities established. Performance of ministries is examined, and the ministers and permanent secretaries held accountable for the implementation of their programs, as well as the laws of the land drafted, debated and passed.

Similar to the United States, ministries of the central government are policy making bodies and sources of funding of on-going and developmental activities. With some exceptions, government programs and development projects are the responsibility of the seven district governments.

At the district and the town and village level, the traditional tribal meeting, the kgotla (pronounced ho-tla), or town meeting functions to debate

village issues, and informs the population of developmental activities. An important activity of central government officials, from the President, cabinet members, permanent secretaries, to office directors, is travelling throughout Botswana, appearing at kgotlas, and explaining, and very often defending, the programs of their ministries.

As a further illustration of the importance of the traditional structure of society in Botswana, 80 percent of civil and criminal trials are heard in customary court, the kgotla.

In any instance of suspected corruption by government employees or elected officials, reference to the courts is swift. Recently, the Deputy Permanent Secretary of Agriculture, a prominent member of the largest Tswana tribal group, was sentenced to five years in prison for misuse of a government vehicle. The modern law courts are an independent branch of government with a Chief Justice and two Associate Justices at the High Court heading the system of District Magistrates Courts.

National elections are held every five years. The party founded by the late President Seretse Khama has won large majorities at each election, but three opposition parties field candidates are represented in the current Parliament.

The success of democracy over the past fourteen years in Botswana can be shown through various socio-economic analyses presented below. The GOB's commitment to development, land tenure priorities and economic progress have all added to Botswana's reputation as a "success story" within an increasingly volatile area of the world.

D. SOCIO-ECONOMIC ANALYSES

1. Macro-Economic - Note: GOB statistics converted to dollars using Pula 1.00 = United States \$1.32 per February, 1981.

There is a clear dichotomy in the Botswana economy: the government is growing rich on minerals and beef export income, so that the apparent per capita GDP is over \$550, yet 80-90% of the population are very poor.

- a) Growth and Income Levels - The total Gross Domestic Product in 1977/78

was \$440 million at current prices or three times the 1967/68 figure. With an estimated 1977/78 de jure population of 805,000 this implies an average per capita GDP of only \$550. Per capita GDP has undoubtedly grown - the GDP growth rate since 1967/68 has averaged 13 percent per year in real terms compared with a population growth rate of around 3 percent. These figures, however, overstate the average welfare of Botswana because (1) an under-estimation of school enrollments in the 1971 census implying a larger population, and (2) GDP is a measure of all economic activity within Botswana, and much of this directly benefits non-Botswana. Benefits to Botswana are only about 80 percent of the total GDP figure or about \$450 per capita.

Moreover, there is a great difference between average levels of income and typical levels of income. According to the Rural Income Distribution Survey (RIDS), nearly three quarters of all households earned less than the average. Comparisons are complicated by the need to distinguish between individual and household incomes but it is clear that people in formal employment almost all earn far more than the average. The lowest wage paid by Government, for example, is over \$925 per year, compared with the Botswana per capita income of \$450.

b) Economic Structure - Botswana has relied heavily on capital intensive technology as a means of spurring rapid economic growth. It is the mineral sector that accounts directly or indirectly for most of the growth of the economy over the past decade. Mineral sector value-added rose from 1.6 percent of GDP in 1967 to 16 percent in 1977/78. In addition, the mineral sector was indirectly responsible for much of the growth in government services, in construction activity and in other sectors which have been stimulated by the general expansion of the economy based on mineral development.

The relative importance of agriculture to GDP had diminished from 36 percent in 1973/74 to 24 percent in 1977/78, but is still the largest single sector. The largest contribution to agricultural output came from the cattle industry, which accounted for three quarters of agricultural value added. The dramatic decline in agriculture's share of GDP is partly explained in terms of the rapid growth of the minerals and government sectors. However, provisional constant-price data show a constant in agricultural value added of about 25 percent between 1973/74 and 1977/78. While the volume of cattle production

rose, real prices seem to have fallen; crop production contributes much less to GDP than livestock, but there seems to have been no growth, or even a decline, in value added in the arable sub-sector.

Manufacturing is dominated by the Botswana Meat Commission (BMC), a parastatal body, which kills and processes all Botswana's beef exports. The BMC's value-added accounted for 32 percent of GDP in manufacturing in 1977/78. The manufacturing sector's share of GDP rose from 5.3 percent in 1973/74 to 8.5 percent in 1976/77, then fell back to 6.6 percent in 1977/78. The decline in the latter year was due to the effect of the hoof-and-mouth disease outbreak on the BMC's production. Normally the BMC accounts for about half of manufacturing sector production, but this fell to a third in 1977/78.

c) Foreign Trade and Balance of Payments - Imports included almost the whole range of consumer and capital items; the main exports are beef and related products, diamonds and copper-nickel. Imports have exceeded exports over the last ten years, indicating the importance of financial inflows by foreign investment and aid to cover the deficit in the balance of trade. For a small country, it is not surprising to find that a wide range of goods have to be imported or that export earnings are dependent on a handful of primary products. However, this does mean that the balance of trade can easily be upset by unforeseen events affecting one or more of the main exports. Late in 1979 for example, exports of copper-nickel matte were interrupted due to a strike at Port Nickel in the United States. This has led to large write-offs by foreign investors, who, given continued unprofitability, could decide to divest. If the mine should be closed down, it would leave a town of 20,000 without employment in an already tight job market. A more pronounced example is the disruption of beef exports due to an outbreak of hoof-and-mouth disease in 1977; Botswana's high earnings from beef exports depend heavily on continued access to the European market. In 1977/78 the export sector had apparently doubled its share of GDP, but this is misleading for two reasons: (1) this is the sector to which most indirect taxes are imputed which will inflate its share of GDP at market prices; as the indirect tax burden increases, so does its apparent share of GDP; and (2) there is probably an element of "statistical growth" as the national accounts coverage improves and more of the economy is monetised.

Until 1976 Botswana was a member of the Rand Monetary Area (RMA) and had no separate currency of its own; this meant that the country could not have balance of payment problems in the usual sense. In August 1976, however, Botswana left the RMA and introduced its own currency, the Pula. As noted above, there has regularly been a sizeable deficit in the balance of trade - imports exceeding exports. The deficit was \$66 million in 1976, \$77 million in 1977 and increased to \$136 million in 1978. This leap was mainly due to imports of capital equipment for the expansion of the mining sector and was offset by inflows of private capital to finance this expansion. Each year, in fact, there were sizeable inflows to offset the trade deficit: these included grants from foreign donors and loans to the Government as well as private capital inflows. This has resulted in a continued balance of payment surplus. The balance of payment forecast for the National Development Plan V shows an overall surplus in each of the six years, in early years because net capital inflows should be more than enough to compensate for current account deficits, and after 1982/83 because the current account should also be in surplus. The Plan calls for a healthy balance of payments position, with foreign exchange reserves building up to a level sufficient to cover seven months' imports by 1984/85. This is based on the basic premise that international demand and prices increase or remain at present levels for Botswana's exports of primary products.

d) Macro-economic Policies - Botswana is a small economy peripheral to, and dominated by, the much larger and more developed economy of South Africa. Botswana's export earnings depend on commodities (beef and minerals) that, as recent experience shows, may be unreliable. Changes in world market prices or in terms on which Botswana gains access to those markets, disturbance to normal communications, or interruption of domestic production due to such unforeseeable hazards as hoof-and-mouth disease outbreak or technical problems at a single mine, can have a major effect on the economy.

Botswana's foreign exchange reserves have risen more rapidly than was forecast in the previous Plan. They reached an estimated \$277 million by the end of 1979, because of an increased volume of exports and higher customs and excise revenue. The level of foreign exchange reserves may appear high, but it should be remembered that Botswana's economy is peculiarly fragile and vulnerable to sudden political and economic disruptions. A small portion of the reserves, corresponding to the cost of three

weeks' imports, is kept in highly liquid form as working balances in Botswana's trading currencies. The remainder, representing the cost of about seven months' imports, is invested in a small number of major currencies, chiefly the US dollar and the West German deutschmark. These funds are kept in reserve against possible disruptive factors mentioned earlier. The GOB has also had to draw on these funds over the past years in order to make up deficits in its development budget due to increased prices from South Africa for materials and services. (South Africa's inflation rate is now running at 16 percent per annum.)

Probably the most serious fact to emerge from the NDP V is that growth of formal employment will be much less than would be required to produce full employment. Population estimates indicate that the labor force will grow by about 14,000 each year during the 1980s. Over the plan period there is also likely to be a decline of 500 to 1,000 jobs per year for Botswana in the South African mines as the policy of giving preference to South Africans takes effect. Thus the economy must create new employment for those young men who previously would have gone to the mines.

Wages over the past two years for the government sector have kept pace relatively with the rate of inflation. The GOB Wage Council has recommended increases in the minimum wage which have not been adhered to by most employers. The evidence is that an increase in the minimum wage over the level of productivity acts as a disincentive for employment. The GOB is addressing this problem with further studies.

The GOB has actively pursued foreign investment in Botswana, concentrated in large capital-intensive projects. Small-scale indigenous industries, however, have been hampered by cheaper prices for goods imported from South Africa. The recent revaluations of the pula have only added to this problem, although they have increased the value of exports.

Recurrent expenditure is planned to rise in real terms at a rate of 10.7 percent annually, so that real 1984/85 spending will be 66 percent above its 1979/80 level. The Government's policy is to combine its resources to encourage production with more direct influence in selected areas. The GOB is committed to active interventionist economic and social policies which is shown through their increased expenditure plans. Nevertheless, rapid economic growth to generate finance for reinvestment is one prerequisite

of satisfactory development and the Government's policies are designed to ensure that such growth will occur.

2. Absorptive Capacity - During the period 1979 to 1985, the GOB plans to spend \$891 million on development projects. Because of capacity constraints, not more than \$568 million is likely to be spent in the plan period. During the same six-year period, estimated GOB recurrent expenditures total \$1,011.8 million. This represents a 9.26 percent per year increase from 1978/79 level of \$120.6 million to a 1984/85 level of \$205.3 million per year. The macro-economic planners have emphasized throughout the NDP V planning process that while the proposed total development expenditure levels are not constrained by the availability of donor financing, the crucial factor is the GOB's capacity to meet the costs of providing additional skilled manpower and meeting the growing recurring expenditure requirements of both past and future development projects. The large possible margin of error in projections of diamond revenues after 1982/83 has also been emphasized.

Planners estimate the cost to Botswana of recruitment of additional skilled expatriate staff (even if paid by donors) is especially crucial. The support cost per expatriate stationed in Gaborone is estimated at \$66,000 per recruit, to cover such items as housing, schools, office accommodation, etc. The NDP V notes that such expenditures "divert resources from some of the very programmes that the expatriates would be hired to help administer."

The recurring cost constraint is expected to be especially severe in 1982/83, when large security-related projects such as the new Gaborone International Airport and the takeover of the segment of the Zimbabwe National Railroad operating in Botswana begin, and when revenues from the new Jwaneng diamond mine will only be starting to trickle in. A 15 percent contingency reserve for unexpected recurring demand is being held back in 1979/85, as noted in the previous section. Given the political and strategic threats posed by continued tension in South Africa and Namibia, this reserve could well prove inadequate in the event that certain events materialize. For example, if the planned gradual takeover of the railway, which is targeted to take place throughout 1979/85, has to be accelerated to cope with a breakdown in administration on the part of the current owners of the Zimbabwe Railway, then the operating losses and economic costs to Botswana would be substantial. Or, should the Botswana Defense Force fail to prevent guerilla-attacks from Botswana territory into South Africa, a blockade or border closure (partial

or complete) would have disastrous effects.

3. Dependence on South Africa - Botswana's economy reflects its historical status as an appendage of the South African economy.

Approximately 53,000 Batswana (15 percent of its potential labor force and 46 percent of its modern sector labor force) work in South Africa, about 20,000 in the mines. A five-fold increase in average mining wages over the past six years has made the lower incomes to be gained from agriculture in Botswana increasingly unattractive to young Batswana and has contributed to pressure on the GOB to raise minimum wages. Ironically, most of these Batswana return to Botswana without skills that are readily applicable to the country's formal sector economic needs.

Participation in the South African Customs Unions Area (SACUA) has provided the country access to inexpensive food, industrial and consumer goods produced by cheap labor in South Africa and has unquestionably contributed to a higher standard of living than found in many parts of Africa. However, Botswana has not been able to take advantage of the opportunity to develop industries to supply the large customs area market, largely because of a range of South African non-tariff barriers. Also, despite an infant industry clause in the SACUA agreement, Botswana has had little success in promoting import substitution industries and, hence, increasing domestic formal sector employment. The tariff policies of SACUA which are geared to the needs of the developed industrial economy of South Africa rather than those of a labor-surplus developing economy have distorted factor pricing in Botswana. To compensate for this obvious distortion and the lack of direct sovereignty over its trade and tariff policy, Botswana receives a substantial subsidy in the form of revenues from the SACUA.

Botswana has considerably decreased South Africa's control over its monetary policy with the recent creation of a Central Bank and a national currency, the Pula. Since Botswana imports most of its essential commodities from the Republic, inflationary pressures are largely dependent upon South African price fluctuations. Recent revaluations of the Pula have been activated as a means of controlling imported inflation, however, this action has only further discouraged investment in Botswana's industrial development.

Like any landlocked country, Botswana is subject to the political and economic

vicissitudes of its neighbors for critical access to the sea. Botswana's problems are even more severe than most since it is nearly totally dependent on South African ports and South African and Zimbabwe controlled transportation systems; the sole exception by land is the road to Zambia via the Kazungula ferry, a USAID-funded project.

4. Investment Climate - Investment undertakings by expatriate capital are, to date, limited to large-scale, joint ventures, with GOB holding a substantial or partial share of the paper. AMEX (US), Anglo-American (UK and South African), the two major banks, the two hotels in Gaborone, the brewery and the Botswana Meat Commission (BMC) are the most important such investments.

The opportunities for private investment are difficult to identify easily because of the high cost of prospecting (possible oil or gas, platinum, chrome) and, exploitation and transportation (copper, gold, coal). On a smaller scale, labor-intensive opportunities are always a possibility (assembly of electronic components, tailoring or shoemaking), but the relatively low cost of labor would probably be off-set by low productivity, high overhead (need for expatriate personnel) and costly borrowing in local banks, as well as the small market size.

Although in theory existing investment codes are generous and do encourage foreign private investment, in practice the investment codes of Zimbabwe, Swaziland, Lesotho and the South African Homelands have attracted foreign capital while almost no new industrial or service investments are presently envisaged in Botswana.

Of special importance, is the conscious GOB policy of continuously revaluating the Pula as a means of reducing imported inflation from South Africa, and maintaining a cheap supply of imported goods, principally food. This, however, has resulted in disincentives for private investment in local industries. The lower South African prices for goods have clouded the investment climate so that local entrepreneurs cannot compete.

5. Development Plan and Commitment

Botswana prepares five-year development plans which are revised every three years. The plans, based on District Development Programs, are coordinated within the Ministry of Finance and Development Planning. Aside from defining

basic government development objectives, the plans indicate ceilings for current expenditures and sectoral targets for development expenditures. The plan also provides an unusually definitive description of proposed public sector investment projects including project phasing and financing.

National Development Plan Five (NDP V) was recently published and indicates a strong commitment to development through budgetary allocations. The government has clearly made good its promise to utilize the proceeds from the production sectors to finance basic social and physical infrastructure.

Botswana seems to be in control of allocating resources to finance all key sectors of its plans, but may have increasing difficulty in obtaining funds in the future for basic infrastructure programs (transport, telecommunications, power) due to the growing preoccupation of major donors with basic human needs strategies.

During the fifteen years of independence, the Government of Botswana has demonstrated a devotion to strict control of development planning, control of project expenditures, and non-deviation from the Plan until it is formally revised. This is unique in the non-socialist world. Until last year, Dr. Masire as Vice president was also Minister of Finance and Development Planning. There is no indication to date that as President, Dr. Masire is likely to permit any loss of management control finance by Finance and Development Planning.

Botswana's Rural/Urban development activities have achieved a rising rate of accomplishments in addressing the needs of the poor. The GOB has made effective use of donor funds, as well as its own resources, in developing a national policy which stresses improving the living standards of its citizens not directly involved in the revenue-producing sectors of the economy.

While the nation's four development planning objectives of rapid economic growth, social justice, economic independence and sustained development have remained unchanged in the fifth National Development Plan (1979-1985), the GOB has adopted the themes of employment creation and rural development to give a sharper definition to its development effort. This Fifth Plan assigns a high priority to the following: (1) to help those involved in agriculture to enjoy adequate and secure livelihoods; to help create more

jobs to meet the demands of a growing labor force for employment within Botswana; to raise national income by increasing the value of agricultural production; and to maintain agricultural land for future generations; (2) to increase educational opportunities, and to contribute to the balanced economic development of Botswana for all sectors, particularly emphasizing the needs of rural development and employment generation; and (3) to increase the opportunities for non-agricultural employment. These areas emphasized in NDP V will be the main concentration of Botswana's development effort. The GOB's strategy has been, and remains, to achieve rapid and large returns from intensive capital investment in mining and to re-invest those returns so as to improve the living standards of those who do not benefit directly from mining sector expansion.

At the same time, Botswana has remained committed unswervingly to parliamentary democracy, to a non-racial state with equal rights to all, to civil liberties under its constitutional guarantees, and to a system of fair judicial practices. Throughout the several years of the Zimbabwe liberation struggle, Botswana housed thousands of refugees - a terrible burden on this small economy. Today, Botswana remains a haven for all political refugees, provided the refugees refrain from political activities and they fill productive jobs for which Botswana are not qualified or they remain in refugee camps.

6. Progress

At the time of Botswana's independence in 1966, there were 20 kilometers of tarred road, one government secondary school, one local doctor and, reputedly, only seven Batswana in key government posts. During the early post-independence period, priority was given to developing both social and physical infrastructure. By 1979, there were 580 kilometers of tarred road, 7,439 kilometers of all-weather roads, and an increase in primary school enrollment of 91%, secondary school enrollment has increased five fold, vocational schools by 71%, as well as health posts now within the reach of most villagers. Still, several major population or potential production areas of the country lack all-weather connections to the markets and the sources of agricultural inputs in eastern Botswana. Further mineral exploration in the Kalahari and development of the Okavango, Tuli Block and Ghanzi areas are dependent upon improved transport.

Since independence, the allocation of resources within the national planning process can be seen as a relatively simple matter from 1966 to 1978 as compared to the 1980/86 situation. From 1966 economic growth increased dramatically through developing the country's two main natural resources, minerals and grazing land, and through an intelligent compromise with the Government of South Africa to obtain more revenues from the Customs Union. Rural development, defined as providing social services and infrastructure throughout the rural areas, was then given first priority. Further visible progress came from providing a high-quality network of main roads and public infrastructure. Public demands for more services led to more jobs in the civil service and in the towns, providing work for all the educated and many unskilled people.

Although income distribution has not improved since independence, the government has made admirable strides in increasing citizen access to basic social services. Primary school enrollments have increased by 100,000 since independence; secondary school enrollment has increased to 16,000 since independence; ninety new clinics and 185 mobile clinics have been constructed since independence and 85% of the total population now lives within 15 kilometers of a health facility. The GOB has also made significant progress towards the goal of providing safe water to all villages by 1985/86.

In line with the government's policy of lessening the income gap between rich and poor, and Accelerated Rural Development Program was launched in 1972. This successful project was aimed at providing improved schooling, health facilities and communications. The rural development effort has recently been expanded with efforts to upgrade primary education, increase secondary education and improve both major and secondary roads. Despite this, employment opportunities have not increased in the same ratio and in 1978 only 20% of those who qualified for a job in the modern sector actually gained employment within the country.

Since 1978, significant signs have appeared which are classical problems of developing countries. Reportedly half of the 1978 junior certificate graduates (three years of secondary school) failed to find jobs within a year of leaving school. Given the scale of educational expansion in the 1970s, this problem will snowball in the 1980s. It also became obvious in 1979 that the Republic of South Africa, having used Botswana migrant workers

for many years, is now dispensing with them, recruiting more labor from the dependent "home lands". Rural entrants to the labor force can no longer look to South Africa for employment in the mines, so the rural society has lost its major source of cash. Such factors clearly point to a need for specific, dynamic and clearly articulated policies for providing the unemployed with work places.

The virtual absence of corruption in the country has contributed significantly to the efficiency and equity of its development efforts. When isolated instances of corruption become public, they invariably are handled through the judicial system. The expressed desire of the top Botswana leadership for the avoidance of corruption, combined with competitive and economically sound government salary structures have helped to create a climate in which corruption is minimized. Another important contributing factor may be the lack of ostentation on the part of the top leadership.

Despite having a record of maintaining human rights and full civil liberties which is second to none in Africa, the GOB is now facing fewer policy options than before. Hard decisions are called for concerning problems created both by its own dynamism since 1966 and by the conflicts which have arisen in Southern Africa in the same period.

7. Other Donors

Donor assistance to Botswana is concentrated in the areas of agriculture, health, education, construction and industry. In addition to multilateral assistance (IBRD, UNDP and UN specialized agencies, EEC, AFDB, UNHCR), Botswana is currently receiving assistance from nine countries. The major donors during FY 80, in descending order of magnitude, were IBRD, UK, FRG, Sweden and the US. The major presence in terms of technical assistance personnel was the UK, with more than 400 persons (mostly OSAS), followed by the US with 162 (of which 116 were PCVs). Netherlands, Denmark, Norway, Sweden, Canada and Germany had large representations, mostly contract and volunteer, averaging 55 each, of which the volunteers represented the major proportion. China has a small irrigated rice project with four technical assistance persons, and is bringing a staff of 8 medical professionals to the Jubilee Hospital in Francistown.

To understand USAID activity in Botswana, it is important to observe the

difference in operational style between the US and other multilateral and bilateral donors. Whereas the technical assistance and capital activities of USAID are closely interwoven, resulting in clearly identifiable USAID activities, most other donors separate their technical assistance from their capital activities. Their technical assistance personnel - volunteers and contract - are assigned against specific personnel positions established within the GOB, and while in Botswana they are considered employees of the GOB even though in fact a part or all of their salaries are paid by their own governments or agency. Their TA services are not linked to capital construction activities or commodities.

One point of crucial importance is the training of counterparts through USAID projects. Most other donor assistance is non-project oriented which fails to provide appropriate training for specific positions. The strengths of the USAID program, therefore, have been the integration of US inputs into specific activities with TA, training and capital activities as specific goals.

8. Women in Development

Women in Botswana have equitable access to education and employment in the modern sector although they are mainly represented in areas that are traditionally considered female (primary school teachers, nurses, social services and shop assistants). Women are employed in all levels of the GOB and those qualified have opportunities for advancement (two women are ministers). Women enjoy equal status with men under civil law but cannot inherit cattle under customary law, although they can acquire land. More girls attend primary and secondary schools than boys, and women have a higher literacy rate than men.

Due to male migration to the RSA and other areas as well as changing marital patterns, about 25% of all households are permanently headed by women and probably an equal percentage are temporarily headed by women most of the year. The households permanently headed by women are the most economically disadvantaged and represent a large proportion of Botswana's rural poor and increasing numbers of the urban poor.

The MOA has found that these rural households are more likely not to hold cattle and the women not only lack animals for ploughing but also male

assistance in these tasks. In addition, work in rural areas to provide cash income is seldom available to the women because most such tasks are considered male work.

Single women households, because of their poverty, contribute heavily to infant mortality and high fertility. The fertility rate for single women (4.6 children) is only slightly less than that for married women (6.0 children). These children are more likely to be malnourished and they have less access to education beyond the primary level. Young girls from these households, because they lack education and employment opportunities, begin fertility early and perpetuate the poverty cycle.

The GOB has not regarded the problems of poor women as distinct from those of the poor in general and has shown little interest in special programs for women. Health, agriculture and education extension programs in rural areas directed toward women generally concentrate on areas such as child care, nutrition, gardening and hygiene, which can help to improve women's lives but do little to improve their economic situation.

9. Land Tenure

One mechanism underlying Botswana political thought is that every tribesman has the traditional birth-right to enough land to graze his cattle and grow food for his family. Prior to 1968, each tribal chief allocated land to each household according to need. Land in the central village was designated as residences, and surrounding agricultural lands were allocated to each village household for farming. These lands could then be passed down to future generations, as long as they were used. This created a tribal sense of security on the land. The lands surrounding the farms area were designated as communal grazing lands, on which each household could graze their livestock. This allowed those individuals with the largest cattle herds to utilize the largest areas of grazing land.

In 1968, Tribal Land Boards were established for each tribe and are now responsible for all land allocations. In 1976, citing the discrepancies in land allocation, a Tribal Grazing Land Policy (TGLP) was established. The purpose is to encourage large cattle owners to move out of the heavily overgrazed communal areas and establish leasehold tenure on tribal-owned lands in outlying areas. Tribal land converted to leasehold status is

classified as commercial zone, with each area encompassing a radius of 8 kilometers from a central water source (borehole). This action has somewhat relieved the burden of overgrazing on communal lands and development priority by TGLP has now been given to small cattle owners by trying to upgrade their range management.

Because land tenure issues in Botswana are so complex, and because the land resource base is so vulnerable to environmental degradation, increased capabilities for land use planning and land management are now recognized as critical to the success of the TGLP and other rural development programs. The Ministry of Local Government and Lands has identified local institution-building (specifically the Tribal Land Boards) and support to local land use planning initiatives as the focal points in its strategy for the NDP V. The concept of Communal Area Planning and Development has been proposed as a framework within which equity considerations can be integrated into the land tenure process.

10. Regional Development

The GOB has taken the lead among the nine majority-ruled countries of Southern Africa in structuring a program for the development of a regional strategy for both institutional and infrastructure development. The University of Botswana and Swaziland, the Institute of Development Management, and the National Health Institute have students not only from the three independent Southern African countries, but attract students from many of the other Front Line States and other East and West African Anglo-phone countries.

Botswana, presently dependent on the Zimbabwe National Railway line to Johannesburg, Durban and Cape Town in the Republic of South Africa, is eager for an alternative route. Botswana actively supports the development of a regional surface transportation network (rail and road) and is constructing a new international airport in Gaborone that will permit jet aircraft to serve the country. This airport will sever Botswana's almost absolute dependence on South Africa for international airline service.

Botswana supports regional cooperation in health, agriculture (livestock diseases and semi-arid crop research), surface water exploitation (Okavango Basin, Zambesi, Chobe and Limpopo) and trade. President Masire and Minister of Finance Mmusi have been the spear-heads of organizing the Southern

African Development Coordination Conferences which culminated in the Maputo meeting with donors late in 1980.

The US role in regional development should be supportive with additional funds, as a matter of policy, however, the President of Botswana has made it clear that he gives higher priority to bilateral assistance from AID than a diversion of AID resources to regional programs.

PART II: CONSTRAINTS TO DEVELOPMENT: STRATEGY

A. OVERALL STRATEGY

The USAID strategy for the FY 1983 - FY 1987 planning period is to concentrate on helping the GOB to solve the twin problems of employment generation and workforce training with a four-point program:

1. Create income-producing opportunities in rural areas
2. Provide the basic infrastructure to permit the major villages to become "poles of development"
3. Reduce population growth rate
4. Lower dependence on expatriates in the government service and accelerate localization through skills training.

This should be supportive of the GOB, which has committed itself in NDP V to a strategy of development which will increase productive employment for its population and ensure the country's stability. The plan's overall goals are rural development and employment creation, with emphasis on the 85 percent of the population engaged in agriculture.

USAID/Botswana has made sustained efforts over the past 2 years to focus its program on new projects in the areas of employment generation and workforce development. This has meant informally discouraging some Ministries from sending USAID requests for financing or giving negative responses to official requests at a time when USAID is seen by the various GOB Ministries as an increasingly efficient and attractive donor. During this period, USAID has turned back requests for assistance in the transport sector (major road and airport construction, transport studies) the education sector (University College of Botswana) the health sector (construction of village water supplies, hospital and clinic construction) the mineral sector (geological studies, exploration of Kalahari basins, technical assistance from USGS) and certain agricultural sector programs (animal health, support for TGLP commercial ranches).

By FY 1983, a large number of the early projects will have been completed, and the USAID program will have a narrower approach: attacking the two major problems of development in Botswana, which are employment creation and workforce training. The mass employment problem is one of insufficient number of productive jobs for the unskilled; this co-exists with an acute shortage of qualified persons for the skilled jobs that are available. To some extent, the second reinforces the first, the shortage of skilled personnel is a constraint

on the expansion of activities which require unskilled or semi-skilled workers.

The present extent of poverty, particularly in rural areas of Botswana, is the result of the high degree of existing under-employment; the increasing size of the labor force intensifies the need for increased rural incomes and for the creation of employment opportunities to absorb an estimated 14,000 new entrants to the employment market annually between 1978-1984.

In agriculture, the livestock sector is not a likely source of increased employment and, indeed, employment in livestock production may have peaked. Therefore, it makes sense to concentrate more heavily on programs to increase crop production and expand the small-scale commercial farming segment of the agricultural sector. Beginning in FY 1980, GOB's Arable Lands Development Program (ALDEP) is addressing this development objective on a pilot basis and requires considerable donor support both for the program itself, as well as for complementary activities. While it is unlikely that in the short-to-medium run the agriculture sector will provide job opportunities or income production to absorb the burgeoning work force, some progress can be made. As the size of the commercial agricultural sector increases, however, it will generate a demand for production and marketing of goods and services which can be met from local industries to serve agriculture.

The four-point program for USAID's intervention was selected because it met the criteria of (i) strengthening those institutions--through basic technical assistance (educational, technical and social)--that are needed to support the long-term development program of Botswana; and thereby (ii) impacting most directly on the target group, the disadvantaged rural population. This will be done by preparing Botswana as teachers and trainers, administrators and planners with the skills and techniques needed for a multiplier effect as their trainees or students move to rural areas to serve as extension workers in health, agriculture or primary education.

1. Objectives--FY 83-87

Since October 1, 1978, when USAID became a mission, the long-term objectives have been to reduce the number of projects, and to focus its projects more sharply on the key issue of development in Botswana--rural

development and skills training--and in support of development and accelerated localization.

By FY 1983, USAID (and the GOB) will have a repertoire of information specific to Botswana's development. At the national institution level, USAID assistance to the Botswana Agricultural College and the National Health Institute will be approaching the final phase of activities, and annually new graduates will be ready to begin their professional careers; others will be completing their professional probationary period and will be preparing for additional training in Botswana or abroad.

There will be a sufficient body of information that Botswana should be prepared to enter a major district-by-district development effort based on the replicability of experience gained during preceding years.

The principal obstacle to progress will be, still, the acute shortage of skilled personnel to supervise planning, training and field work of rural development personnel.

USAID strategy during FY 83-87 will be to increase sharply its program to an annual level of \$16.0 million to permit a larger number of OPEX positions than at present in both rural training and operating positions. Thus, by FY 87, the number of localized positions will increase more rapidly than is now possible at present rates of training.

Based on specific needs as identified by the first-step manpower localization study, planned for completion in mid-FY 81, key positions critical to field implementation of the rural development projects will be identified, and OPEX personnel will be recruited to fill them.

Although most of the OPEX positions will be in Gaborone, a substantial number will be in the district training centers and in district offices.

At the present level of (1) intervention by donors; (2) secondary-and university-level school leavers; and (3) population growth, it is unlikely that localization can ever become a reality of Botswana's development objectives achieved unless Botswana has access to a sharply increased number of donor

technical assistance personnel.

The following is an analysis of the four components of the USAID strategy and USAID's proposed method of implementation.

a. Create income-producing opportunities in rural areas

Agriculture is the predominant form of economic activity in Botswana. More than 85% of the population still live in rural areas and are dependent on some form of agricultural activity. However, the contribution of this sector to nominal GDP has fallen from 36% in 1973/74 to 24% in 1976/77, and is estimated to have declined substantially further in subsequent years, following the emergence of mineral production as the most dynamic sector of the economy.

The major agricultural activities in Botswana are livestock production and the cultivation of staple food crops: sorghum and maize. Livestock production, mainly cattle, accounts for more than 85% of the total value added in the agricultural sector.

Currently the total labor force is estimated at over 360,000, of which 110,000 are in the modern and informal sector (including wage laborers on free-hold farms and ranches and 6,300 in the copper and diamond mines, or 2% of the labor force.)

Traditionally, male rural Batswana have gone to the mines and farms of South Africa to seek employment to earn money to purchase cattle and acquire enough cash to permit them to marry. At the present time there are about 53,000 Batswana in South Africa, of whom about 20,000 are in the mines. This source of employment is diminishing by an estimated 500-1,000 annually, particularly the mines.

The nature and geography of copper and diamond mining in Botswana excludes labor-intensive methods. Labor-intensive public works may create some employment but it would have to be seasonal because of the basic agricultural disposition of the population. Using a population growth rate of 3.5% (officially estimated at 3.0%), the labor force in Botswana is currently increasing by about 14,000 per year and with the compounding of growth rates,

that number increases by 1,000 every two years. The projected annual growth of new entrants to the labor market between 1980 and 2000 will be 19,000.

Through 1985, formal sector (including free-hold agriculture employment) and informal sector (small-scale artisans, petty traders and domestic servants) employment opportunities will be able to absorb about 60% of the increment to the labor force, i.e. plus or minus 7,800 new entrants to the labor market annually, with no opportunities in the South African mines to absorb up to the former 4,000 new entrants annually. Using the baseline number of 14,000 new entrants to the labor force annually, and excluding Botswana currently employed in South Africa (a dubious assumption), this leaves at least 6,200 new jobs that must be created. Conservatively estimated, the agricultural sector will be able to absorb only about 25%, or about 1,550 persons per year of the new entrants to the labor force; thus a critical issue recognized by the government is creation of employment opportunities in the rural areas to absorb 4,650 persons into non-agricultural activities. Given rising expectation levels resulting from increased education, to induce new labor force entrants to work in agriculture will require agriculture income potentials equivalent to non-farm opportunities. While there are some opportunities to reduce under-employment (and increase income) in agriculture by modifying technology and increasing labor productivity, it is unlikely that many new jobs will be created unless a major effort is made to expand the small-scale commercial agriculture sector.

Livestock Production

The savanna-type vegetation covering large parts of the country is highly suitable for animal husbandry, providing grazing lands are protected. The bulk of cattle production is for export, and in recent years exports of meat and meat products have accounted for about 21% of the country's total exports. The prime export market is the EEC, whose subsidies raise the price of Botswana beef to 24-30% above world market levels. In addition to cattle, there is small-scale stock raising of sheep and goats. These form an important source of milk and meat for subsistence farmers, although some small stock are also marketed for urban consumption or exports.

Livestock holdings was the traditional indicator of wealth in Botswana, and the cattle industry was a main pillar of growth in the rural economy. Much

of the investment and growth recorded in the non-mineral parts of the economy since 1965 consists of increases in the cattle herd, which grew from 1.2 million in 1965 to 2.4 million (estimated) in 1980. For a variety of economic and social reasons, Botswana producers are reluctant to turn their cattle into cash, resulting in an annual offtake rate of about 8%. Heavy pressure on range forage in communal areas, especially around water sources, has resulted in moderate to severe degradation of the natural range. The extensive nature of livestock grazing and the communal nature of grazing land tenure are not conducive to management practices that enhance range conditions. Several other donors are heavily engaged in livestock sector activities.

USAID strategy will concentrate our efforts in the livestock sector on improved range management, group organization, and training extension workers in the communal areas.

Arable Agriculture

Arable agricultural activity in Botswana consists of production of major staple food crops: sorghum and maize, as well as millet, beans, cowpeas, and sunflowers. Most of the production is for subsistence consumption. The output in a good year of staple crops amounts to no more than 50% of domestic requirements (of 180,000 tons per year); the rest is purchased in South Africa.

It is estimated that about 2.3% of the land area (equivalent to 13,400 square kilometers) is used for cultivation, but no more than 15% of this area is planted in any one year. Generally, yields are extremely low, and annual variations can reach 300%, reflecting the low rainfall and its erratic nature. In addition to uncertain weather conditions, crop production is hampered by the shortage of a stable rural population. Migration of male labor in search of more attractive employment opportunities reduces the availability of labor and stable management in the agricultural sector.

The consensus of the informed observers of Botswana is (1) it is technically possible, using comparatively labor intensive techniques, to attain much higher yields given Botswana's climatic circumstances, even in years of poor rainfall; (2) many poor farmers in Botswana lack adequate means of production; and (3) the income potential of the rural population will have to increase sharply if new labor force entrants are to be induced to work in agriculture.

An agricultural activity usually ignored is hunting and gathering. It is estimated that these activities may represent as much as ten percent of agricultural products and that 25 percent of the income of all small village households comes from hunting and gathering.

For a variety of reasons, including male migration and the absence of suitable and timely draft power, there is a marked trend for the area under cultivation to decrease. The rural population is mostly outside formal sector employment opportunities, and is not fully sharing in the benefits of a developing society. Consequently, Botswana's dependence on RSA grains is becoming greater, at an increasing cost to the economy.

The USAID strategy is to assist the GOB to increase agricultural productivity, and thereby improve the income of the farmer.

Strategy to increase employment opportunities

The 10-year targets of our strategy of assistance to increase employment opportunities in rural areas and agricultural productivity, and the incomes of the rural segment of the economy include:

- agricultural prices: farm-gate prices sufficiently high to hold at least 25 percent of the increments to the labor force on the land;
- every family has access to draft power for plowing at the optimum times;
- farm families have access to productive resources necessary to agriculture (adapted seeds, appropriate fertilizer, production credit);
- where possible, alternative water supplies will be developed for use during drought;
- reasonable access to markets through improved feeder or secondary road network.

The Batswana, male and female, have a tradition of subsistence arable agriculture but animal husbandry is the preferred activity. The young men have traditionally gone to South Africa to work in the mines or on the farms, an option no longer very available. As noted in the SADAP report, and the CDSS FY 82, the USAID strategy must proceed with the point of view of increasing agricultural production. While existing USAID projects address the production problems-technical assistance, seeds, credit, other productive resources, these efforts must be accelerated substantially if they are to have the desired effect of encouraging farmers to increase areas planted and must assist the farmer to minimize risk. Success

stories are needed to encourage agricultural youth to become cultivators and to decelerate the rural to-urban drift.

Applied agricultural research is needed to provide basic information to enable farmers to utilize their resources more productively and to reduce risks inherent in farming under Botswana's uncertain weather conditions and poor soils. More effective extension activities will provide better knowledge and widespread adoption of production techniques which have been perfected through research. The situation of women as a major element in agriculture production necessitate that USAID strategy will emphasize the importance the MOA must give to strengthening the Women's Extension Services.

USAID interventions in increasing agricultural productivity will continue to include support for adaptive farming-systems research, development of more effective farm-inputs distribution, furnishing professional and technical manpower (see Section A.1.d. following). By FY 83, primary emphasis will be on loan projects, and by FY 86 on fully reimbursable TA.

As noted earlier, under the best of conditions, agriculture can absorb only about 25 percent of new entrants to the labor market. In addition to creating employment opportunities in agriculture, USAID strategy also is to concentrate a major portion of its activities in the major villages in order that they may become centers of development.

- b. Provide the basic infrastructure to permit the major villages to become "poles of development"

Along with a long-term work force development program, USAID strategy includes a long-term roll-over program to increase employment opportunities in the rural areas in the formal and informal sector. Unlike most developing countries, Botswana can anticipate sustained, and growing, revenues; however, diamond mining and beef raising are capital not labor, intensive, so redistribution of government wealth through productive employment rather than a dole for a growing population remains a challenge for long-term planning.

Conservatively estimated, the principal urban areas of Botswana (Gaborone, Francistown, Selebi-Phikwe, Lobatse, Orapa and Jwaneng) had a total population of 120,000 in 1978; the rate of growth was estimated at 15 percent. By 1981, the rate of growth is projected to increase to 18 percent; by 1984, it will jump to

21 percent.

The major villages -- Serowe (45,000), Mochudi (25,000), Molepolole (35,000), Kanye (40,000), Mahalapye (15,000), Maun (15,000) and Nata (2,000) -- cover vast areas and have virtually none of the physical amenities necessary to provide a healthy human environment or stimulate the development of small enterprises -- electricity, water, sanitation and shelter programs. These major villages attract the rural unemployed; the rate of growth is not now known, but the government anticipates that the major villages may be growing at rates nearly equal to that of the towns. Many huts in these villages are occupied only part of the year as the residents move to the lands, the cattle posts, or urban areas searching for income.

At present, the major villages have no physical infrastructure to support their population, to provide potable water, or to support the development of small-to-medium size enterprises that could be a principle source of employment.

The development of major villages as poles for development through appropriate infrastructure could slow village-to-town migration, create employment opportunities at village level and, at the same time, provide skills training during the construction period.

USAID proposes to take the lead among donors in supporting the GOB in major village development especially in the areas of identification of employment opportunities (small enterprises and infrastructure development) using labor intensive methods and of developing shelter sector plans.

USAID has also identified opportunities for the Trade and Development Program (IDP) to assist the GOB in the development of projects that should generate employment in rural areas and the major villages, and possibly attract domestic and foreign investment, or reimbursable assistance activities.

As a first step, Botswana needs to examine carefully its foreign investment codes, fiscal and monetary policies, and resource availabilities to identify possible areas for foreign or domestic investment that will generate employment opportunities, for which specialized training for Botswana may be justified and that will support the development of the major villages as poles for development.

USAID implementation of the foregoing will be essentially high-level policy approaches to the GOB, followed by short-term or long term (OPEX) Technical Assistance to the Ministry of Commerce and Industry, the Botswana Development Bank, as well as appropriate training for Botswana in the US.

Shelter sector

By 1982, 70 percent of new urban inhabitants will have to look to the SHHAs of the towns and major villages for assistance.

USAID has been actively involved in the shelter sector since 1976 through the Housing Guaranty program and Operational Program Grants. The central purpose of these efforts in the shelter sector has been to affect GOB policy so that new institutions are created, e.g. the Gaborone Self-Help Housing Agency (SHHA) or existing ones, e.g. the Ministry of Local Government and Lands, adapted to mobilize and to apply resources in increasing proportions to the shelter problems of low income households. The record to date is outstanding: the recently completed first Housing Guaranty project provided \$2.4 million to the Gaborone SHHA for the construction of infrastructure - low cost sanitation substructure, roads and drainage - for some 1,300 plots, building materials loans available to allottees of 1,855 plots, and capital equipment for the Gaborone SHHA. The program has been described as a "model shelter project for developing countries." The GOB considered the OPG so successful that it requested that it be expanded to provide additional long-term TA to the Ministry of Local Government and Lands and to other Town Councils which are in formative stages of development and are carrying out limited low income shelter programs.

USAID housing strategy in Botswana in the years following FY 1983, is to provide further assistance to GOB in strengthening its capacity to carry out shelter programs, and especially to aid Gaborone Town Council's SHHA. Mission program plans include: (1) the development of a large-scale shelter and community development program in Gaborone West and major villages financed through the HG program in FY 81, (2) continued support of the SHHAs through appropriate levels of OPG funding, including establishment of SHHAs in major villages, and (3) expansion of the role of training for a wide range of lower- and middle level technicians for all aspects of the shelter sector.

Transportation

During the fourteen year period of rapid expansion of the transport sector, the

road network has been substantially improved.

By 1983 the main south-north road from Ramatlabama to Francistown will be completely paved, as will a road stretching west, then north, from Francistown to the Zambian border at Kazungula. Relatively short (50-100 km) roads branching west of the N-S axis to major traditional centers such as Serowe, Molepolole, Mochudi and Kanye will also be paved, as will the Kanye-Jwaneng road. However, completion of a nationwide network of paved roads, especially in the west, is made difficult by long distances involved, low traffic volumes and, hence, marginal economic justification. Given Botswana's small population and limited road traffic, it seems certain that few additional roads will warrant paving beyond the 1982/1983 construction program, unless major traffic flows change from north-south to east-west with Namibian independence.

Roads linking the eastern corridor of the country to the western reach - Ghanzi, Tsaabong, Maun - are still seasonably impassable to other than 4-wheel drive vehicles. Roads into the eastern region of the country with considerable agricultural potential (the so-called Tuli Block) are very seasonal in nature. Farm-to-market "roads" are basically seasonal tracks, frequently impassable during the rainy cropping season. Connections to South Africa are easier to travel than those to the major population centers of Botswana.

Increased agricultural production is constrained by the large portion of the nation's road network which is unpaved and poorly maintained. Proper maintenance has been difficult because major roads have received priority for the available maintenance equipment and the poor alignments, drainage structures and river crossings of secondary roads make regular maintenance unreasonably expensive. Completion of the paving program for major roads and a USAID transport sector project to improve and modernize the maintenance department will make more equipment available for maintenance of secondary roads. In addition, a new rural roads program is making initial progress in improving heretofore rudimentary tracks to smaller villages and agricultural areas. Provision is also needed for terminal facilities to encourage small entrepreneurs to develop truck and bus services.

The major villages are the natural hubs of the secondary, unpaved road network.

If there are goods and services available for the rural populations in the major villages, improved transport facilities will be essential.

Strategy

If the major villages are to become poles of development, several important activities must be defined - principally identification and creation of employment opportunities.

A Shelter Sector Assessment up-date will take place during FY 81 to focus on the infrastructure, self-help housing and employment needs for the major villages and housing finance sector. This will be both a planning document for GOB and preparatory to a follow-on HIG program. An extended OPG will continue to provide policy and technical management support at the national and local levels, respectively. During the Shelter Sector Assessment, an analysis will be made to evaluate whether an Integrated Improvement Program for the Urban Poor (IPUP) activity would be the appropriate technique to approach the problem of major villages development.

Building on USAID's Transport Sector I, the central government and districts must undertake to develop an aggressive road development and maintenance program to serve the major villages in order that, logically, they become a hub to the region they serve.

Ten Year Goals in major villages:

- Have completed labor intensive infrastructure development programs (roads, sanitation, water, power, industrial site development);
- Have in-place Self-Help Housing Administration, with staff and supporting services;
- District governments have aggressive road maintenance program supported by village, labor intensive road maintenance teams; and
- 1 - GOB has aggressive private enterprise development program for major villages.

Five-Year Goals for major villages:

- Have detailed programs prepared (IPUP, OPG) for development, training programs for village and District councils;
- Have nucleus SHHA in place;
- Have first-phase draft road development program completed, labor intensive village maintenance teams concept field tested; and
- Have industrial sites prepared; NDB has investment program and staff.

c. Reduce population growth rate

In the FY 1982 CDSS background paper on population, the constraints to lowering

fertility were discussed in detail. Essentially these constraints are a lack of awareness among Batswana about the advantages and methods of modern contraception and the relatively weak leadership provided by central planners and policy makers on population matters. Some elaboration on each of these two constraints is necessary in order to explain the strategy we have developed to assist Botswana overcome these problems. However, population programs cannot be looked at without good supporting health and nutrition services, which give the patients reasonable assurance of the survival of their off-spring.

Health

The national average life expectancy at birth is 56 years. The lives of the poor are shorter, probably under 50 years. The national infant mortality rate is low by African standards, at 9/ deaths per 1,000 births. In the geographic sense, the poor have access to the extensive network of rural and mobile clinics and health posts built with Norwegian aid since 1973. For example, in rural areas, excluding the four principal urban centers, there were 10 referral hospitals, 34 clinics with maternity wards, 7 health centers, 90 clinics, 161 small posts with a building and 185 mobile clinic stops. Eighty-five percent of rural and all urban people live within 15 km of a health facility, or a mobile clinic stop.

Future USAID interventions in the health sector are not required, except for family planning and a few, selected advanced training courses. Because of the rapid population growth, USAID should also assist in the strengthening of family planning services at all levels in the health delivery system, but with special emphasis on programs in the rural areas.

Nutrition

The dietary status of the rural poor is precariously thin. If the rains fail - even in good years some areas are unlucky - the condition of the poor rapidly becomes insupportable. Nutritional monitoring has been part of the drought relief early-warning system since 1978: when the weight of children under five in an area falls below the danger level, emergency feeding measures begin. In June 1979, protein-energy malnutrition was estimated to be 19 percent in some rural areas; and at the end of 1979, about 50,000 adults were eligible to receive emergency food supplements. "Vulnerable group" feeding schemes have been operated continuously since the early 1970s.

Recent surveys of consumption patterns in villagers at different income levels suggest that the population living at a subsistence level may have a better balanced diet than families with a higher level of cash income. This disparity may relate to changes in consumption patterns as the more affluent increase expenditures on nutritionally-poorer canned or bottled food and drink.

PL 480: Because of distances, the costs of PL 480 programs would be disproportionate to the same commodities procured from the customary market, South Africa. Therefore, USAID has discouraged a formal request for Titles I and III food aid. The Title II contributions should be continued to the World Food Program (WFP) of the UN for feeding vulnerable populations in Botswana.

Population

Based on the 1971 census, the annual population growth rate was estimated to be nearly 3.0% by 1980, it is projected to rise to 3.4 percent, if not higher. This figure will be confirmed by the 1981 census. The central theme of NDP V is employment creation, but little concern is given to the high rate of population growth, and how to check it. Technical ministries have coverage targets for school enrollments, clinic construction, agricultural output and so on, all of which are dramatically affected by the size of the population segment they are trying to reach. It is important to create an atmosphere in government circles where the population growth rate is perceived as a variable which can be influenced to benefit national development. Eventually this can be translated into policies which act as incentives for smaller family sizes as well as support for broader family planning programs. USAID's target for FY 1982 is to endeavor to educate the political leadership of Botswana about the real economic and social threats posed to economic development by a high growth rate, and encourage the GOB to set a national target to reduce crude the birth rate from 44/1,000 to 40/1,000 in the first five year period and to 34/1,000 over a ten-year period.

These targets cited above are felt to be attainable if concomitant progress is made in (1) establishing and strengthening national commitment to population programs; and (2) improving the community education and service delivery aspects of the Ministry of Health's MCH/FP program. There are two current projects which contribute in important ways to achieving a reduction in fertility. The Health Services Development Project is expected to contribute to a further decline

in infant and maternal mortality by improving the quality of care provided by health workers at several levels within the system. (Botswana already has achieved one of the lowest infant mortality rates among African LDCs.) A community-level health education/nutrition cadre is being trained. Nursing education will be re-oriented to emphasize community and public health problems with curricula materials to include improved clinical training in family planning and better patient counselling techniques. The Environmental Sanitation and Protection Project should contribute to improved early childhood and maternal health through a reduction in infectious diseases and should prevent young children dying as frequently from diarrheal and parasitic infections. Family planning is more acceptable when the risk of death of children is minimized.

More information on fertility patterns is needed to develop relevant programs in population and family planning. A relatively large body of social science research exists for Botswana and there is fertility information scattered through this research which needs to be amalgamated and analysed. An important area which requires more intensive study and has implications for programs in a number of sectors is that of women headed households.

Family planning services are available through the health system and are supported by the GOB as an essential component of health services. The health infrastructure of Botswana provides reasonable access to free contraceptive services for the majority of women both in urban and rural areas. Outreach services are provided through village health workers to encourage women to use family planning; all women who deliver their babies in clinics or hospitals are motivated to use family planning. However, there is virtually no publicity about family planning outside the health services and few activities are directed toward males. Due to the extensive health structure and trained personnel, at least 10+ percent of the women in Botswana are practicing family planning. While this is a good percentage rate in terms of other African countries, it is not significant in terms of Botswana's growth rate. With the present health infrastructure, however, Botswana does have the capacity to deliver FP services in a more intensive program, should the GUB make the decision to support expanded population programs.

Our involvement at the service delivery level will be in trying to strengthen the Family Welfare Educator (FWE) program, particularly with respect to improving

the utilization, supervision and support of these workers. Special attention will be given to the kind of family planning motivational techniques FWEs are using, the access and availability of contraceptives, and the follow-up on family life matters that FWEs should provide. Within the next three years, USAID will also explore with MOH opportunities for funding small PVO efforts in the area of family life education, school health and mass media programs. Much of the timing and extent of this kind of programming will depend on how successful the population awareness efforts are within the government arena. Any planning in this area will be cleared through the MOH or other concerned Ministry to ensure that USAID efforts are not counter-productive. USAID will rely on centrally-funded projects such as the Special Population Activities Project for such start-up activities.

USAID will also keep abreast of the 1981 census activities and encourage early publication of preliminary demographic analyses. Interest and concern generated by census findings will provide a good environment for further discussion and planning in the population field.

USAID is attacking the policy issue by utilizing the centrally-funded RAPID - Project to stimulate population awareness among planners and policy makers. The Futures Group staff are scheduled to visit early in 1981 to review a preliminary RAPID presentation for Botswana and to gather information for a final version. It is the consensus of the MOH that it is extremely important that the Ministry of Finance and Development Planning (MFDP) take the lead in the population awareness activities because it is MFDP responsibility to present development policy to the GOB. In the past efforts by the Ministry of Health in this area have not been well received by other ministries. With the MFDP initiating discussions, there is less danger of the resulting controversy having a negative impact on the MOH's on-going family planning activities. Discussions between USAID and the MOH have confirmed this approach as the most desirable.

Strategy

Ten-Year Goals:

- Reduce crude birth rate to 34/1,000.
- Every element of formal and non-formal education has an element of family education -- child spacing/nutrition.
- All health workers, particularly at the village level, are exposed continuously to on-going education and training.
- National and village level PVOs have access to formal and non-formal training in FP to facilitate their work.

Five-Year Goals:

- GOB announces national policy on family planning.
- Reduce crude birth-rate to 40/1,000.
- Prepare curriculum and organize structured formal and non-formal training for all village-level extension workers in child spacing/family planning
- Strengthen national and village level PVO through direct financial support and Technical Assistance.
- Complete literature study on fertility patterns (FY 81); complete design, field work and compilation of data of field work on impact study of attitudes toward child spacing/family planning (FY 83).

d. Decrease dependence on expatriates in the government service and accelerate localization through skills training

The shortage of skilled personnel and localization

Modernization and development require skilled and educated personnel, a resource that is in short supply in Botswana. The shortage of educated or trained Batswana makes the GOB dependent on expatriates for technical professionals, medical officers, university and secondary teachers, and planners. These expatriates are heavily British. There are also many Africans (particularly in secondary education), Germans, Scandinavians and Americans. "Localization" of the government bureaucracy and the rest of the economy is central to Government of Botswana policy; the USAID time frame for complete localization is targeted for 2000.

NDP V underscores the importance of preparing Batswana for the administration and the private sector. As noted in NDP V, both the quality and number of secondary school leavers restrict the number of young people who qualify for university education; therefore, until the quality of primary and secondary education programs is markedly improved, the rate of localization will be severely constrained.

Almost all the non-grade A posts have been localized. On the whole, about 65% of Grade A (professional, technical and administrative posts requiring a college degree or a technical certificate) and higher posts are localized.

At the present time, expatriates in the central government service can be quantified as follows (as of 12/13/80).

	Total in post	Batswana	Expatriates	Expatriates as % total
General administrative posts	667	576	91	13.6
Technical posts	626	385	241	38.5
Professional posts	473	179	294	62.2
Superscale posts	160	109	51	31.9
Ministry of Education	62	53	9	14.5
Total	1,988	1,302	686	32.1 (av)

The two general areas in which localization appears to warrant attention are for technical and professional posts. The above table does not include a line item for "advisors, experts" of which 84 posts are filled, but only two Batswana are included. This item is excluded because they are positions requiring very special academic qualifications and are considered outside the established posts.

Superscale posts include chiefs of services upward including the Office of the President. As all policy positions are filled by Batswana from Permanent Secretary upward, the positions filled by expatriates are operations, i.e. chiefs or directors of services.

GOB policy concerning the use of expatriates is stated below:

"The rate of growth of Government activity will... be constrained by the present and projected availability of skilled Batswana after an increased allocation of personnel to other sectors and a moderate increase in the number of expatriate staff. Although the numbers of expatriate staff will increase, the proportion of posts occupied by expatriates will continue to decline."

With USAID support (one OPEX personnel/manpower planner is working at the Directorate of Personnel, and an OPEX manpower economist is under recruitment for the Employment Policy Unit in the Ministry of Finance and Development Planning) GOB is beginning the task of developing specific information regarding projections of needs by skills, levels of achievement and numbers of persons needed to meet development needs in the short run, and develop an indicative localization program, position-by-position, for the twenty-year period to 2000.

The Employment Policy Unit, now only partially staffed, will serve as secretariat to the National Manpower and Incomes Commission. The objective of the Unit is to prepare well-documented, action-oriented policy studies that can provide the basis for framing a national income and wage policy to have a positive impact on generating employment.

The two units with OPEX staff members are working closely together to ensure that the interim and final analysis will be complete, and will respond to most questions concerning human resource development with specific quantifying of vocational, technical and educational skills needed. This information is crucial to the next step forward.

The first priority of the government, as stated in the NDP V, is development and it is concerned with improving its ability to plan and to make projects work. At senior levels within the government, there is concern about the rate of localization, but they believe that too rapid localization would not serve developmental objectives.

Education and workforce development

Lack of qualified workers and employment opportunities are some of the overriding causes of poverty in Botswana. The trained personnel constraint is due largely to historical factors, because the British Protectorate Government devoted little attention to training Batswana to run a sovereign nation and an expanding economy. Prior to Independence, only about 25% of children were enrolled in primary and secondary schools; only 35 Batswana living in Bechuanaland* had BA/BS degrees. Botswana has made excellent progress in increasing the quality of education available since independence, as follows:

Year	No. of schools	No. of Classrooms	Teachers	Pupils
<u>Primary Schools</u>				
1972	294	1,679	2,467	81,662
1979	394	3,053	4,863	156,664 (80% of school-aged population)
<u>General Secondary Schools</u>				
1973	25	238	413	8,763 (1972 data not complete)
1979	36		778	16,736
<u>Vocational Training</u>				
1972	22	41	153	1,299 (1979 data not available)
1978	22	68	340	2,222
<u>Primary Teacher Training Centre</u>				
1973	3	11	35	409 (1972 data not available)
1979	3	22	52	696

About 800 Batswana are in university training in Botswana and abroad. Nevertheless, expatriates still fill 80 percent of jobs requiring post-secondary education, 50 percent of those requiring secondary education, and 20 percent of those requiring junior high education.

In 1974/75, almost 68 percent of rural heads of households had no education. The incidence of poverty in Botswana is highest among those with the least education. The smallest numbers of qualified teachers, the highest pupil/trained teacher

*Of a total population at Independence in 1966 of approximately 500,000.

ratios, and the lowest ratios of physical equipment, were found in 1976 in the small village schools. 42 percent of urban children obtained primary leaving grades qualifying them for entry to secondary schools, against only 26 percent from the small villages with schools and none from the small villages without schools. Urban children, even the poor, clearly have a better chance of obtaining well-paid jobs in the future than do their rural counterparts.

Under both traditional cattlepost and modern ranching conditions, most cattle are kept around boreholes in areas remote from any school. The system makes heavy demands on male child labor from the poorest households; more female children obtain primary and secondary education than do males.

At present, primary education is free and "in principle" there is a primary school in every village. Secondary education is provided in 22 government or aided and 17 unaided secondary schools. Twenty of these secondary schools have boarding facilities for rural students and are strategically located to serve all districts of the country. Although there is a severe shortage of secondary opportunities for all Batswana primary school graduates, students in Botswana, including rural students, have a better opportunity to continue their education than most in developing countries.

Reportedly, half of the 1978 junior certificate graduates (approximately US 10th grade) failed to find jobs within a year of leaving school. Given the scale of educational expansion in the 1970s, this problem will accelerate in the 1980s. Primary and secondary education must be re-oriented to develop both marketable academic and vocational skills.

USAID's strategy for Botswana is to continue to encourage the GOB to work out a workforce development program, including a localization schedule by FY 1982. Since employment generation is a key element in Botswana's development priorities, the absence of Batswana, with basic education and a basic skill, in all sectors is the principal block to implementing projects that will create employment, improve income distribution, increase agricultural productivity, improve administration, support an effective health and population program, and identify non-farm agricultural employment opportunities.

USAID strategy for Botswana is to upgrade the work force and expediate localization with minimum loss of quality by providing:

1. training for Botswana government employees in-country and in the US and third-country institutions;
2. operational experts (OPEX) to fill selected vacancies while Botswana incumbents are in long-term training;
3. degree and diploma level training in the US, Botswana and third countries to prepare Botswana for teaching, training and administrative positions in institutions responsible for providing primary, intermediate and certificate level instruction.
4. expand vocational and non formal education opportunities for adults and unemployed youths.

Major constraints in human resources development in Botswana are the absence of a quality, relevant primary education system, and appropriate vocational training. Therefore, primary school graduates are not 1) qualified to undertake secondary education; 2) prepared to enter the job market equipped with a skill or 3) primary school leavers do not have solid basic skills for continuing technical or vocational studies. The response to this is to strengthen the quality of instruction at the primary level through retraining of primary school teachers, improving the quality of instruction at the teacher training institutions, and adapting the curriculum to the needs of the country, rather than continuing as an out-dated mirror image of the UK system.

The GOB has accepted the USAID strategy to attack primary education deficiencies through improving the quality and the content of primary school teacher training. A GOB/USAID Primary Education Improvement project should get underway in 1981.

The proposed US project will result in studies oriented toward fulfilling basic needs, strengthened math and science skills, and alternative programs for those students unable to continue on an academic track. These goals will be approached through 1) in-service and pre-service teacher/supervisor training and institutional strengthening programs; 2) curriculum and materials development; and 3) support and assistance to non-formal education programs utilizing low-cost appropriate technologies and non-traditional basic education methodologies.

The shortage of intermediate and supervisory extension workers in every category of rural development has an immediate and deleterious effect on the ability of

the government to meet its objectives of employment creation. USAID strategy continues to give high priority to strengthening those institutions that prepare personnel as extension workers and as trainers in rural development fields. This is the most cost-effective method of improving the delivery of services available. USAID will continue to assist the National Health Institute, the Institute for Development Management, and the Botswana Agricultural College in their program of teacher training, through FY 83, with particular emphasis on localization of their cadre and appropriate staffing of rural-training centers. During the period FY 83-87, short-term consultants and continuation of training in the US will be the focus.

US education methods in agriculture since 1978, health since 1979 and primary education beginning in 1981 have shown themselves to be particularly adapted to the Botswana scene as the curricula are not tied to a developed country-specific model and thus can be more relevant to the needs of this country; the US programs are field, or service, oriented to impact directly on the rural target group. These programs eliminate material extraneous to needs, and they are tied directly to the training of Botswana counterparts to replace American operational experts.

By FY 1990, the following long-term goals should have been achieved:

- Botswana will have replaced all long-term expatriate personnel at the Botswana Agricultural College, National Health Institute, Teacher Training Centres, and at all rural training centers;
- Botswana will have qualified planning personnel in the key ministries and Directorate of Personnel;
- Botswana primary school leavers will have an enriched program preparing them for the job market or to continue formal education.

By FY 1985, the following short-term goals should have been achieved:

- A 40 percent increase in primary school enrollment;
- an increase of 1,800 primary teachers;
- primary teacher training course enrollment will increase from 700 to 1,300;
- 56 Botswana trained to the junior college level in US will maintain standards;
- 290 Botswana trained to the BS level in US;
- 78 Botswana trained to the masters level in US;
- 40-50 OPEX positions recruited each year for which there will be specific counterparts trained;
- 5,000 viable small-scale commercial agriculturalists engaged in both crop and livestock production;
- a capacity to meet sustained requirements for trained professional and technical manpower to serve the needs of agriculture in both public and private sectors.

2. Special Concerns

There are several areas in which Botswana needs and requests USAID assistance because US skills clearly are more readily adaptable to Botswana's needs and tradition. These special concerns range across a broad spectrum of needs; regrettably USAID cannot always respond affirmatively because of limitations of funding, or in the case of PL 480, market and cost considerations.

a. Private Voluntary Organizations (PVOs)

A very important part of USAID's overall strategy is, and will continue to be PVOs. PVOs working in Botswana - Foundation for Cooperative Housing (see above), Partnership-for-Productivity, International Voluntary Services - have made substantial and important contributions to the development of the housing sector (FCH) and, in a more limited way, to small enterprise development and vegetable and fruit horticulture. There have been other opportunities identified (ORT, training of ophthalmology nurses work in cooperatives, indigenous PVOs) but since PVO activities must now be funded within the funding-poor Southern Africa ESF program, new starts have been eliminated, and continuation of PVO activities modified.

PVOs can provide important pilot activities and provide skills and technology that meet a high-priority need, the value of which may not be fully recognized by host governments and, regrettably, may not be included within bilateral activities because of funding limitation.

As part of an AID-wide strategy, USAID urges AID to centrally fund PVO projects.

b. Peace Corps

The number of PC volunteers is now 110, many in the field of secondary education subsequent to the exodus of Zimbabwean teachers, and in rural development activities. PC volunteers are working in rural enterprises, rural water related activities, health services and agriculture cooperatives. PC volunteers are working directly in AID activities including the Partnership-for-Productivity grant, Botswana Agricultural College, land tenure, rural industry, Renewable Energy Technology (five under recruitment), and Self-Help Housing (6 under recruitment). PC is exploring participation in the AID primary education improvement program. The restricting element in the use

of PC volunteers is the increasing demand of the GOB for volunteers in secondary education, particularly math and science.

USAID has also found that former PCVs who have worked in Botswana are an excellent reservoir of talent for OPEX and project implementation contracts. There are currently 10 working under various types of AID-funded contracts within the USAID program.

c. Renewable Energy Technology

Botswana faces major problems in the supply of energy for its growing population and economy. In recent years because of the OPEX embargo of South Africa, which supplies Botswana's gasoline and diesel fuel, fuel prices have increased more rapidly than elsewhere in Africa. These supplies are highly vulnerable to disruption by international policies directed at South Africa or by South Africa. The high prices have drastically affected the transportation sector and more importantly the cost of water. The majority of borehole wells operate on diesel fuel to provide the water needed by the national cattle herd. Energy from domestic coal is costly and available only in limited areas of the country. The price of firewood is rising rapidly, with its dwindling availability, imposing an increasing hardship on the urban and rural poor for whom it is the principal source of fuel for cooking and heating.

The USAID approach to this situation is to introduce village renewable energy technologies (RETs) which are easily reproduced and inexpensive. Major emphasis is placed on activities designed to research, develop, and put into use renewable energy technologies which will reduce dependence on vulnerable supplies of increasingly expensive imported petroleum fuels. Village RETs will focus primarily on the improved use of, or substitution for, wood, i.e. solar ovens, improved-efficiency wood stoves, solar earthen batch water heaters, and thatch insulation. R & D work will concentrate on using solar voltaic cells to generate power for borehole pumping and refrigeration at remote health centers. Private sector and non-government organizations are becoming increasingly active in the RET field, but all need funding.

The government's commitment to developing a national energy policy is a major goal in NDP-V. Accordingly, centrally-funded projects and TDP will

be used to provide training, TA, and feasibility studies for U.S. investments and procurement to develop the known vast coal reserves and investigate possible petroleum deposits.

d. Resource Planning and Management

Rapid economic growth in the past ten years, accompanied by the sustained increase of both Botswana's human and livestock population, has resulted in greater awareness that Botswana is now turning from a natural resource abundant economy to a resource scarce economy. Water, soil, grazing land and trees are among the resources that are coming under increased stress due to the growing, and sometimes competing, demands of both the public and private sectors. Institutions to monitor the condition and availability of these resources, and institutions to coordinate decision making on how scarce resources shall be utilized, are new and inexperienced. Recent USAID-financed consultancies have focused on hydrogeology, hydrology, soil conservation and tree cropping as resource management tools which will have significant impact on constraints affecting development.

USAID strategy in this field is to provide assistance, through a sector loan, to selected crucial areas in natural resource planning and management, with particular focus on strengthening coordination among GOB agencies in this sector. Technical assistance, training, essential equipment and commodities, as well as some local-cost support are being proposed to provide 4-8 government programs with the necessary inputs. These inputs, when combined with technical support for strengthened government coordinating units, should result in a much broader impact across a spectrum of issues related to trade offs in natural resource management in an increasingly resource-scarce economy.

USAID was able to respond affirmatively to the GOB request for TDP assistance in a first-step analysis of the potential for development of mineral deposits in Sua Pan. If the preliminary analysis indicates detailed feasibility studies are necessary, this could become the first reimbursable TA project. Favorable results could attract US private investment in the exploitation of the deposits.

B. Kinds and Terms of Assistance

In FY 1981, all AID assistance is grant-funded from the ESF account. With the Botswana economy's strength and the rapid growth of foreign exchange reserves, USAID believes that all new starts should be on development loan terms except selected areas of technical assistance, a few training grants, and certain studies designed to lead to reimbursable assistance activities. The policy would begin in FY 1983 when the new Jwaneng diamond mine will come on stream. If the security situation does not deteriorate drastically, beginning in FY 1986 all new activities would be on a reimbursable basis, except selected grant studies, shelter sector loans, and a limited number of training grants.

USAID recommends that through the planning period, Development Assistance (DA) levels should run at an average of \$8 million per annum to provide training, technical assistance, and related capital and commodity elements for projects in priority economic development sectors. Additional recommendations are an ESF component of \$8 million for transportation sector capital improvements and expansion, selected light industry development, private sector strengthening, and further skills training.

Zimbabwe has not yet achieved stability and events there compel Botswana to expand its surveillance of their common border. To the west and north, Namibia is the locus of an active and growing insurgency with no peaceful solution now in sight. At any time this ferment could spill into Botswana in the wake of a growing stream of refugees. Over the next five-to-ten years, however, it is Botswana's long common border with South Africa which will probably cause the greatest security concerns as this government comes under increasing and conflicting pressure from the South African military and the liberation movements.

Botswana will increasingly need to divert funds from development to security. In our interest of maintaining a stable influence for moderation in this region - and one friendly to the West - we should assist in easing the strain of this pressure by providing some of the shortfall in economic development funds that must be diverted to security interests.

The Botswana government has already demonstrated its willingness to commit itself to assisting the US in items of strong interest to us, even though such actions are not viewed with equanimity by some or all of its neighbors. Cases in point are the construction of a NASA ground station near Gaborone

for use in the Skylab experiments; the construction of a major Voice of America FM, MW and short wave station near Selebi-Phikwe; and now a major expansion of the short-wave capacity of that station to make it one of the most powerful in the Southern Hemisphere. These actions clearly put Botswana in the camp of America's friends and merit our sympathetic support for Botswana's efforts to improve the lot of its population. Similarly, Botswana has taken the lead in organizing the nine independent majority countries of Southern Africa into SADCC, an organization looking at a number of development problems and projects on a regional basis.

The GOB believes that it must take several expensive actions to make it possible to decrease its economic vulnerability and increase its economic resilience and independence, while at the same time it must make sure that it can contain forays across its borders in both directions to prevent its involvement in the internal political-military struggles of all its neighbors.

These major undertakings include takeover, with compensation, and operation of the portions of the Zimbabwe Railroad within Botswana, construction of an international airport near Gaborone, and training and equipping a Botswana Defence Force. Including these three major activities, the extraordinary security related expenditures to be made during the planning period total just over \$288 million or nearly one-fourth of the development budget.

On the recurring budget side, it is estimated that BDF's current expenditure is on the order of Pula 70-75 million, or eight percent of the total recurring expenditures. This implies about a 20 percent growth rate per annum to about Pula 18 million (\$23.75 million) for 1985/86.

Provided there is not another overwhelming influx of refugees from Namibia or South Africa, or active movements by liberation groups through Botswana to South Africa, a US contribution of about \$8 million in soft loan EDF funds will make up about one-third of the gap in development funds caused by diversion to security-related activities. This will be a firm demonstration of American support for Botswana's objectives, a recognition of performance, and an unspoken quid pro quo for Botswana's cooperation in areas of US interest. An on-going program at a level averaging over \$15 million per year will also provide US leverage in encouraging reforms in land tenure, population policy, and revision of investment laws that are part

of the USAID strategy for assisting economic development with equity in Botswana.

PART III Assistance Planning Levels

USAID Program, FY 1983-FY1987

	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
Agriculture and Rural Development	<u>2,685</u>	<u>2,500</u>	<u>2,100</u>	<u>500</u>	<u>500</u>
Planning	500	500	500	500	500
Education and extension	185				
Rural Sector and employment	2,000	2,000	1,600		
Human Resource Development and Education	<u>7,500</u>	<u>9,000</u>	<u>10,000</u>	<u>11,500</u>	<u>13,500</u>
OPEX and training	5,000	6,000	8,000	10,000	12,500
Primary education improvement	2,500	3,000			
Secondary education improvement			2,000	1,500	1,000
Population	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>
Transportation	<u>2,500</u>	<u>2,000</u>	<u>1,500</u>	<u>2,000</u>	<u>1,000</u>
Special Concerns	<u>2,815</u>	<u>2,000</u>	<u>1,900</u>	<u>1,500</u>	<u>500</u>
Resource Planning and input	2,000	2,000	1,400	1,500	500
Energy	79				
Self-help housing	736		500		
Total	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>
Of which on-going (mortgage)	6,255	6,000	3,002		
(HIG)	15,000				

A. Indicative Planning Allocation (IPA) and Proposed Assistance Planning Level (PAPL)

\$10.0 million is too low for the proposed Indicative Planning Level (IPL); \$16.0 million is the minimum Proposed Assistance Planning Level (PAPL). As can be seen from the above table, on-going programs absorb the largest part of USAID's program level if it is held at the IPL of \$10.0 million. Another way to reduce the drag-effect of this mortgage caused by AID/W reductions of OYBs to make funds available for emergency use would be a one-time OYB increment to fund these projects to completion.

Botswana offers a unique opportunity to demonstrate the validity of US concepts toward development. Freedom House ranks it as one of two (the other is Gambia) completely free nations of Africa; Botswana is the only country in Southern Africa with a rating of 4, using Section 102 (d) criteria. Botswana has the financial and institutional capacity to handle the NDP V program of projects. It has demonstrated that it gives the donor a dollars worth of well-implemented project for each dollar provided. Botswana stands for virtually everything that the United States says a LDC should: honest, democratically elected government with opposition parties; a pro-western tilt to its non-alignment; true non-racial, not just multi-racial state; a voice of moderation and rationalism in African and international fora. Here is a well-managed economy that we have the means to help to self-sustained growth without strain and can produce a success story for the whole region - the whole continent - to emulate. We can demonstrate that the US approach to development works.

The social and political atmosphere is conducive to change, the economic resources (diamonds and beef) can meet the costs (recurring and development) in the long-run and, potentially, agriculture offers the possibility of greater productivity if technical and productive resources are applied in sufficient numbers.

By FY 83, Botswana will be in a position to absorb greater amounts of development funds, using its resources and those of donors. At the present rate of world-wide inflation of 15%, the IPL should double every five years, not decrease. By FY 83, the experience in development for Botswana will be available for replication; the critical element in moving this knowledge from the earlier projects to broader use will be human resources. The major efforts for development cannot wait for localization, a minimum of 20 years away on the horizon. The implementation of the USAID strategy requires a substantial increase in its IPL from \$10.0 million to USAID's proposed PAPL of \$16.0 million annually to permit doubling USAID's efforts in localization through training and by providing OPEXers while counterparts are abroad.

If the level of US assistance in Botswana is not increased, the USAID will lose its leverage with the government to propose the basic changes necessary for monetary, budgetary and population policies, and Botswana will be less able to resist the pressures from most of its associates among the Front Line

states to turn toward the Soviets and Eastern Europe for support.

Our conclusions are that although the GOB should have substantial revenues from increased diamond production, given the magnitude of development needs, and its prudently conservative fiscal policy, the GOB will have to continue to look to donors for aid in a combination of grant, loan and reimbursable assistance. If USAID is able to pursue its strategy to its logical conclusion, by FY 1990, Botswana will be procuring a steadily increasing share of development needs from the US using its own resources.

Apart from fiscal and budgetary considerations, a major justification for continued grant funding for selected activities is to ensure that the GOB will continue to use US institutions and services to meet its developmental needs. While the ministries of the GOB have excellent-to-superior skills and abilities in the planning and supervision of development activities, US procurement of goods and services continues to be outside their experience. Increasingly, the cost differential between the US, UK and the continent is decreasing, except for training, which is more expensive in the US but more appropriate to Botswana. The inducement to the GOB to continue to seek USAID assistance for advisory services will be USAID providing innovative technical assistance that is not available from other donors.

USAID proposes continuing grant assistance to the GOB for those activities which are pilot and experimental in nature and have a heavy element of US expertise. By FY 83, USAID is hopeful that the GOB will have established a national family planning policy and will be ready to accept US assistance in mounting a national program. Once the present AID-assisted primary education project is well underway (beginning late FY 81), the GOB indicates it may seek US guidance in modernizing its secondary education system. While certain aspects of such a project would be on a loan basis (commodities, participant training) a sizeable portion should be on a grant basis, namely the design and technical assistance services for the life-of-project.

GOB is now paying two thirds of the costs for 20 pre-civil servant's participant training and transportation costs for all participants. By FY 83, USAID proposes that the GOB will pay 100% of all participant training costs except some grant elements necessary to provide overhead costs for contract support for student placement and for selected training with high

US priorities.

OPEX and OPEX-type contracts for professional services will be covered entirely by the GOB with USAID meeting a portion of contract costs on a grant basis.

USAID is optimistic that US PVO activity can be funded centrally by AID in order to continue introducing new approaches to problem solving, such as possible new projects for rural and village women, continuation of extension services for village-level, small-scale enterprises, etc.

During FY 81, the GOB and USAID will be exploring a grant/loan activity in the Transport sector, to begin in FY 83 as the logical outgrowth from the Transport Sector I project of FY 80, and a new Rural Sector project also using a combination of grant and loan assistance.

PART IV USAIDA. STAFFING

With twelve full-time direct-hire positions including two IDIs, and three part-time resident hire, USAID in Botswana depends heavily on REDSO/EA to provide additional professional skills in most disciplines: design/evaluation, economics, procurement, environment, contracting, etc. The regional legal officer, regional health officer and macro-economist are based in Swaziland. An increasing part of officer time is spent responding to inquiries from special interest groups within AID for detailed information or proposing TDYs that - not infrequently - do not respond to GOB needs. This is not conducive to efficiency.

In the FY 82 ABS, USAID requested and received authorization for additional FSN positions. Although USAID has been recruiting for them - program assistant, bookkeepers and accountant, secretary-typists - the reservoir of skilled clerical and professional personnel in Botswana is extremely thin. A major constraint to USAID project management is not the size of the US direct-hire work force but what, in most countries, would be the FSNs. For at least two of the positions (accountant and program assistant), USAID may have to recruit through neighboring missions.

Currently, the USAID ceiling is 15 US direct-hire, of which two are IDIs and three 32 hour/week part-time resident-hire dependents, plus 12 FSNs. Provided we continue to have one third of the time of the macro-economist, the legal advisor and a health officer based in Swaziland and continued as-required support from a REDSO, no additional positions will be needed, although as the projects in various sectors shift, the positions within the ceiling will vary. On-board strength, of course, should be the same, or no more than one less, than the authorized ceiling.