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# Country Development Strategy Statement

**FY 1985**



## Botswana

January 1983

Agency for International Development  
Washington, D.C. 20523

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EMBASSY OF THE  
UNITED STATES OF AMERICA

Gaborone, Botswana

January 10, 1983

Mr. M. Peter McPherson  
Administrator  
Agency for International Development  
Department of State  
Washington, D.C. 20523

Dear Mr. McPherson:

I am pleased to endorse the AID/Botswana Country Development Strategy Statement for FY 1985-89. I believe the program initiatives encompassed within this document are consistent with United States policies and interests in Botswana and represent the most effective means by which the United States can help the poor majority of people in Botswana participate in a process of equitable growth.

United States interests in Botswana are based upon a recognition of the country's moderating influence upon the membership of the "Front-Line States". Botswana is a beacon of light within the strategic and volatile southern Africa region because of its stable, democratic government which leads a functioning non-racial society. The rule of law prevails; human rights are protected. Botswana occupies a prominent place among those nations working together with the United States in attempting to find an internationally acceptable formula which will enable Namibia to attain independence, while at the same time lessening the strife and tension within the region.

The program initiatives defined within this document will enhance the economic and thereby the political stability of Botswana and represent a key element of the larger U.S. foreign policy initiatives in southern Africa. I support the plan as herein submitted.

Sincerely,

A handwritten signature in cursive script, appearing to read "Theodore C. Maino".

Theodore C. Maino  
Ambassador

Enclosure  
as stated

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## PART I ANALYSIS

### A) INTRODUCTION

The Republic of Botswana, which has been settled by hunter-gatherers, agriculturalists and pastoralists for nearly two millenia, occupies 582,000 square kilometers (km) in the center of the Southern Africa plateau. The dominant population groups are now the Setswana-speaking people<sup>1</sup>, called Batswana, who entered the area in a series of movements culminating in the 17th and 18th century.

Geographically, Botswana appears to be one of the least promising of any African country. A large area of the country is covered by a plain which constitutes the major portion of the Kalahari Desert. The climate is semi-arid, with regular periods of drought. Rainfall, while seasonal, is also erratic in its spatial and temporal distribution; 927.2 millimeters (mm) of rain were registered in the wettest recorded season (1966-67), while 227.6 mm were registered in the driest year (1964-65). Most of Botswana's rivers are ephemeral with the notable exception being the Okavango River in the northwest.

Subterranean water supplies 75% of Botswana's human and animal needs. The soils throughout most of the country are poor and vulnerable to erosion. It is estimated that less than 5% of the country's land area is cultivable. Much of the land is suitable for beef production as evidenced by cattle which outnumber humans several fold.

The apparent meager geomorphic inheritance is deceptive, for Botswana contains mineral wealth. Copper, nickel and manganese have been identified in eastern

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<sup>1</sup>The Tswana are a linguistically and genealogically defined sub-group of the Sotho people who over the past five hundred years have become culturally differentiated from other southern Bantu speaking peoples with whom they share a common heritage and origin.

Botswana, and the first two are being excavated at Selebi-Phikwe. Exceptionally large coal reserves are suspected and presently coal is being supplied for power generation at the Morupule colliery. Rich diamondiferous Kimberlite pipes have been discovered near Orapa and Jwaneng. This has propelled Botswana into the position of a major producer of the world's diamonds. An aeromagnetic survey conducted in the mid-1970s suggested the presence of iron, chrome, platinum and asbestos. Less exotic minerals, such as soda ash and potash have also been discovered. While mineral wealth is considerable, two caveats are needed: the availability of water poses a severe constraint to mining projects; full exploitation also requires large inputs of capital and skills presently not available in Botswana.

Historically and contemporarily, Botswana has been and remains inextricably linked to economic and political systems beyond her boundaries. The early export of animal products<sup>1</sup> to the Cape in 1844 and Botswana's membership in a customs union with her neighbors in 1893 were early manifestations of present trade relationships between Botswana, South Africa and larger European markets and the contemporary Southern Africa Customs Union. The initial flow of labor to the diamond fields in Kimberly in 1877 was a precursor to the increased and continuous supply of Botswana workers to South African mines, a trend which peaked in 1976. The first mineral concessions given to an Englishman and an American in 1877 foreshadowed the contemporary mining companies, Anglo-American, DeBeers Botswana (Debswana), and American Metal Climax (AMAX), and Botswana's present "mineral-led" economy.

The British Protectorate of Bechuanaland became the independent nation of

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<sup>1</sup>Ivory, kaross and ostrich feathers.

Botswana in September 1966 without spawning a national liberation movement, a rather distinctive feature in that the Protectorate was surrounded by neighbors who eventually became involved in armed struggle. Today southern Africa has become one of the most politically and militarily turbulent regions of the continent. Botswana, however, has shown maturity in the balance she maintains between the apartheid regime in South Africa and the demands of black nationalists in neighboring countries. Botswana is pragmatic about her economic dependence on South Africa and while formal diplomatic relations are not maintained, business is vigorous. Botswana is landlocked and depends on South Africa ports for the importation and exportation of goods. South Africa remains the major source of Botswana's imports, primary of which are food and petroleum products. The latter is used for transport and to drive borehole pumps upon which Botswana's livestock industry depends. Botswana also plays a major role in the Southern African Development Coordination Conference (SADCC) which, motivated by political and economic reasons, is encouraging increased transportation and economic links among member States.<sup>1</sup> The permanent secretariat of SADCC is located in Botswana's capital, Gaborone.

Botswana is a multi-party democracy. The country is politically stable; political prisoners are unknown; and politicians and civil servants are incorrupt, even by the most rigorous standards. Nevertheless, Botswana is not immune to the ills afflicting other African societies. Botswana's 1982 population is estimated at 975,000 with an approximate growth rate of 3.5% per annum.<sup>2</sup> The crude birth rate is estimated at 50.8/1,000; crude death rate

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<sup>1</sup>SADCC members include Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe.

<sup>2</sup>The 1981 preliminary census figure of 936,000 compares with a total of 574,094 people enumerated in the 1971 census and thus presents a high annual compound growth rate of 5%. It appears that the 1971 census may have been underestimated and the per annum growth rate may be between 3.5% and 4%.

15.6/1,000; child mortality rate 97/1,000; and life expectancy 51 years. Urban centers continue to attract, but to an increasing extent are unable to provide jobs for the growing number of people emigrating from rural areas. In 1964, 3.9% of the population were urban dwellers; by 1971 this figure was 14%; and 1981 census figures have reached 16%. Total enumerated population in Gaborone in 1971 was 17,713 and the 1981 figures reached 59,700, a 12.9% annual compounded growth rate. Thus, Botswana has one of the highest rates of urbanization within Africa. Urban areas in the country also present a sex imbalance numerically in favor of women: 44% males, 54% females (2% unaccounted). While the reverse is true in other parts of Africa, Botswana's sex ratio is attributed to males being employed in South Africa.

Tribalism, although officially discouraged, is evident in the socio-economic structure of Botswana. Tribalism, however, has not been politicized to the extent that it has in other parts of Africa and does not represent a present threat to the national unity of Botswana. The main areas of distinction have evolved due to historical differences among ethnic Batswana such as the Bangwato, the Bangwaketse, the Bakwena and the Batawana. Other tribal groupings in the country include the Subiya, the Herero, the Mbukushu, the Yei, the Kgalagadi and the Kalanga. Botswana's most publicized group of people call themselves the San and are referred to by others as Basarawa or Bushmen. They represent one of the world's largest remaining groups of hunter-gatherers. The San were the sole inhabitants of southern Africa for nearly twenty thousand years, but today they represent less than 5% of Botswana's population.

## B) MACRO-ECONOMIC ANALYSIS

### (1) Economic Overview

Botswana's economy is based on agriculture (including livestock) and minerals.

The agriculture sector contributes about 12% of Gross Domestic Product (GDP) and provides 5% of formal employment. Less than one-third of crop production is marketed. Principal crops consist of staples such as sorghum, maize, millet, and some groundnuts and pulses. Annual cereal requirements are estimated at 150,000 metric tons (MT), of which 55,000 MT are usually produced in years of moderate rain. Food deficits are covered by imports from South Africa. Of the estimated 13,600 square km considered suitable for cultivation, less than 25% are planted annually. Yields are low: 150 to 200 kilogram/hectare (kg/ha) for sorghum, maize and millet. Small scale farmers (80,000 to 85,000 farmers who cultivate less than 10 hectares) produce the majority of Botswana's crops. Surplus producing farms, usually located in eastern Botswana, are large, relatively efficient operations that employ modern technological packages.

Livestock dominates the agriculture sector, accounting for 80% of the sector's share of the GDP. The national herd is estimated at 3 million cattle, and grazes on 220,000 sq. km. of range or 38% of Botswana's total land area. Annual offtake (6% to 10%) is considered low for the ecologically fragile rangeland. The Government of Botswana (GOB) is attempting to introduce modern livestock methods to improve range/livestock management practices, and is also constructing a new abattoir in Maun with a capacity of 50 head per day and one in Francistown with a 300 head per day capacity. Presently, the only operating abattoir that is approved for exportation of meat products is the Botswana Meat Commission (BMC) abattoir in Lobatse, with an 1,800 head per day throughput.

Since Independence, Botswana's economy has expanded markedly due to the rapidly developing mineral sector. Economic growth has exceeded expectations, resulting in GDP increasing during the 1970s at an annual average rate of 25% in nominal terms and approximately 12% in real terms. This equates to an

estimated 8% per capita growth rate. In current prices the 1982 GDP is estimated at Pula 950 million,<sup>1</sup> representing a per capita average of P975. This growth has been generated primarily by favorable returns from large mining investments and consistent increases in the size of the national cattle herd, resulting in increasing foreign exchange revenues from these sectors. Over the past two decades fundamental structural changes have occurred in the economy: agriculture's share of GDP (in current prices) declined from 45% in the 1960s to 12% in 1980/81 while the mining sector grew from 1% to over 25% of GDP.

During the heady growth years of the 1970s, Botswana experienced financial stability. Mineral and livestock production increased, world demand of these goods was robust and commodity prices were strong, thereby providing Botswana with increasing average annual recurrent revenues of 24%. Concurrently, Botswana's average recurrent expenditures were increasing at 27% annually. These expenditures were comfortably offset by recurrent revenues and surplus revenues were used to finance the majority of capital expenditures and to supply lending capital to parastatals. Recurrent revenues and expenditures have averaged 29% and 21%, respectively, of GDP. Imports, although increasing at an average annual rate of 23%, were covered by the country's overall positive balance of payments. At the end of 1980, foreign exchange reserves were equivalent to seven months of imports and debt servicing was less than 4% of export earnings. Since 1980, debt servicing as a percent of export earnings has remained stable, while foreign reserves have been sufficient to

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<sup>1</sup>The currency of Botswana is the Pula (P). The official exchange rate between the Pula and the United States Dollar, as of December 1982, is one Pula equals .95 U.S. Dollars.

cover between four to six months of imports. During the last decade, Gross Domestic Investment (GDI) increased rapidly, reflecting the development of the mining and commercial sectors and the expanding livestock industry and Government services. From 1974/75 to 1980/81,<sup>1</sup> GDI averaged an annual 43% of GDP. Modest increases in GDI are expected during the first half of the 1980s until major coal mining infrastructure developments occur in 1985. This is expected to increase significantly the GDI rate.

Since mid-1980, the momentum of adverse international economic forces and a serious decline in precipitation have impacted on Botswana's economic base. This configuration of natural and economic forces has impeded the country's impressive growth and has disrupted temporarily the Government's planned levels of development assistance to the rural population. Evidence of this is the virtually zero growth for the period of 1981/82 compared to 12% average annual real growth in GDP during the 1970s. Recently, Botswana's overall level of exports has declined while imports continue to grow. The balance of payments changed from a surplus of P94 million in 1979 to a deficit of P61 million in 1981. The declining growth is attributed to a depressed world market demand for minerals and a diamond glut derived from excessive production from world diamond pipes. In 1981, diamond exports decreased by 39%, while total exports decreased by 18%. Nevertheless, Botswana continues to employ frugal fiscal management as evidenced by the small annual budget deficits, ranging from 2% of GDP in 1979/80 to 6% in 1981/82. Budget deficits could, however, increase over the next two years if mineral prices and diamond sales remain depressed. An equally serious event in 1981/82 was a drought which reduced crop output;

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<sup>1</sup>The GOB fiscal year is from April 1 through March 31.

real agricultural production was approximately 15,000 MT of food grain compared to about 55,000 MT in years of moderate rainfall. Cereal import requirements for 1982/83 are estimated at 120,000 MT.

Botswana's foreign trade depends on three basic commodities: diamonds, copper/nickel matte and livestock. Diamond production has grown from 2.4 million carats in 1972 to about 5 million carats in 1981, contributing approximately 20% of GDP, 50% of export earnings and 25% to 35% of Government revenue. Copper/nickel matte and the livestock industry each represents approximately 20% of export earnings. Another important revenue source for the Government is its share of the taxes from membership in the Southern Africa Customs Union, which provides between 33% to 40% of GOB's annual revenues.

In 1981 the GOB initiated financial and economic measures to arrest the decline in the economy. The GOB introduced corrective policy actions, which included increasing the central bank rate from 5.75% to 8% followed by successive rate increases through May 1982 when the rate was fixed at 12%. Correspondingly, the commercial banks increased their prime rate from 9% to 14.5%; their liquid asset requirements were increased by 5% to 35% for current accounts and 10% for savings accounts. Other credit and cash restrictions were imposed, thereby dampening inflationary tendencies. Finally, public sector salaries were held constant, recurrent and development expenditures were reduced by 10% and 12%, respectively, and a selective sales tax was introduced. The outcome is a budget under control and a manageable balance of payments deficit.

With the successful functioning of these policies, the opening of the Jwaneng diamond mine and the recent slight increase in diamond prices, Botswana's economy is expected to realize modest growth through the 1980s.

(2) Workforce and Employment

Botswana's potential workforce in 1981 consisted of approximately 451,000 persons (48% of the population) between the ages of 15 to 64. This group is segmented into four categories: (1) 128,000 fully employed, including 8,500 self-employed; (2) 125,000 underemployed (28%), consisting of part-time workers (6,000) and persons engaged in family agriculture (119,000); (3) 31,000 unemployed persons actively seeking work (7%); and (4) 167,000 persons not looking for employment.

The most vulnerable groups are the part-time workers and the unemployed totaling about 37,000 persons or approximately 8% of the potential workforce. Only 1% of this group completed secondary schooling (12 years), while 26% completed their primary education (7 years) and 67% have not completed primary school. In 1982 there are in excess of 28,000 primary school leavers, of whom about 15,000 will seek employment. These 15,000 prospective employees will be competing for approximately 9,500 new jobs in the formal sector of the economy in 1982. Unsuccessful candidates will be required to engage in a combination of agriculture/livestock, part-time work, and informal employment in the rural or urban areas.

Formal sector employment in Botswana has grown from 62,900 in 1977 to an estimated 100,000 in 1981, representing about 9,300 new jobs per year. Principal components of this sector consist of government (27,000), commerce and services (17,000), construction (16,000), mining (9,000) and manufacturing (6,400). Of the estimated 100,000 employees in the Botswana formal sector, 32,000 have less than 7 years of education; 34,000 hold a primary school certificate; 25,000 possess a junior certificate; 7,000 are secondary school graduates; and 2,000 hold a university degree. In addition there are 35,000

Batswana employed in South Africa, of which an estimated 18,000 are employed in the mines. The latter figure has and will continue to decrease because of South Africa's policy to recruit mine labor primarily from South African "Homelands".

The GOB has enacted a policy to increase viable job opportunities in rural areas and to expand educational facilities to accommodate additional secondary students. In addition, there is an acute shortage of university graduates needed to meet the increasing demand of Botswana's expanding economy and to eventually replace several thousand non-Batswana employed in the public and private sectors. In 1982 there was a demand for an additional 3,600 secondary school graduates and 1,100 university graduates.

### (3) Fiscal Policy

Botswana's fiscal practices are sound and conservative as evidenced by healthy annual current account surpluses shown in Table I. Recurrent revenues increased at an average of 24% annually compared to an average growth of 27% for recurrent expenditures. Recurrent revenues have consistently exceeded expenditures, resulting in revenue surpluses available for financing 64% of capital expenditures. The balance of capital expenditures has been financed by external grants and loans. Historically, recurrent revenues have averaged 29% of GDP; in 1981/82 they were 30% of GDP; and they are expected to reach 29% in 1982/83.

The principal sources of revenue are rebates from the Southern Africa Customs Union (33% to 40%); royalties, dividends and taxes from mineral sales (25% to 35%); revenues from corporate and personal income taxes (25% to 35%); and the recently introduced (September 1982) sales tax on petroleum products and alcohol.

Table I

Summary of GOB Budget

	(in Millions of Pula)								Estimated
	1974/ 75	1975/ 76	1976/ 77	1977/ 78	1978/ 79	1979/ 80	1980/ 81	1981/ 82	1982/ 83
Recurrent Revenue:	62.5	79.7	70.9	100.2	136.8	212.2	268.9	281.2	319.7
Recurrent Expenditure: (includes interest payments on debt)	<u>37.0</u>	<u>48.8</u>	<u>64.8</u>	<u>73.8</u>	<u>99.1</u>	<u>122.0</u>	<u>166.8</u>	<u>199.3</u>	<u>233.1</u>
Budget Surplus:	25.5	30.9	6.1	26.4	37.7	90.2	102.1	81.9	86.6
Capital Expenditure and Net Lending:	33.2	41.2	43.3	49.2	73.1	106.1	141.5	139.2	180.0
Overall Deficit:	7.7	10.3	37.2	22.8	35.4	15.9	39.4	57.3	93.4
Financing the Deficit:									
External Grants	5.3	8.1	16.5	17.4	29.7	36.9	37.7	37.9	38.3
Loans	18.3	19.4	23.5	8.0	16.2	15.3	13.6	11.5	51.1
Decrease in Cash Balance								7.9	4.0
GDP	208.5	269.8	310.8	354.2	504.2	689.4	805.0	950.0	1093.0
Recurrent Revenue as % of GDP	30	30	23	28	27	31	33	30	29
Recurrent Expenditure as % of GDP	18	18	21	21	20	18	21	21	21
Overall Deficit as % of GDP	4	4	12	6	7	2	5	6	9

This new tax is anticipated to raise P15 million annually, or 5% of total recurrent revenues.

Recurrent expenditures of P199.3 million for 1981/82 are directed to: Government operations (36%); social services (34%, consisting of education, health, housing and community services); economic services (18%, consisting of agriculture, industry, infrastructure and mining); allocations to district governments (9%); and interest payments (3%). This represents 21% of 1981/82 GDP. The overall deficit for the period is P57.3 million or 6% of GDP.

The GOB's budgetary deficit may increase slightly in 1982/83 to an estimated P93.4 million or 8.5% of GDP due to expected increases in recurrent and capital expenditures for education, community and social services, transport/communications and interest payments. These increases will be partially offset by minor decreases in expenditures for defense and mining. Recurrent expenditures are estimated at P233.1 million or approximately 21% of GDP.

Botswana's prudent fiscal policies and excellent project planning ensure that recurrent costs are covered. GOB fiscal management addresses the concerns raised in the AID Policy Paper on Recurrent Costs.<sup>1</sup> Furthermore, the "International Comparisons of Government Expenditures"<sup>2</sup> ranks the GOB's expenditures to public services (average), defense (low), education, health, agriculture (all high) and a ratio of greater than one for other goods and services to wages. This ratio indicates a lack of foreign exchange constraints.

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<sup>1</sup>AID Policy Paper on Recurrent Costs 1982:2.

<sup>2</sup>Ibid, p. 12.

Since the GOB recurrent revenues and expenditures have averaged 29% and 20% respectively of GDP during the years 1974/75 through 1981/82, it is highly probable, given the increasing excavation of minerals, that future recurrent revenues and expenditures will remain close to this historical average. Therefore, there is a high probability that annual recurrent revenues will provide timely and adequate coverage for annual recurrent costs.

#### (4) Monetary Policy

In August 1976, the GOB discontinued using the South African Rand as its common currency and introduced the Botswana Pula, an independent central bank and monetary system. This policy change provided the GOB with options to change the external value of the Pula, to improve the management of foreign exchange revenues, to take advantage of currency convertibility and to have relatively unrestricted capital flows.<sup>1</sup>

Initially, the Pula was on parity with the Rand and both were pegged to the U.S. Dollar at one Pula to U.S. \$1.15. In April 1977, the Pula was revalued by 5% to U.S. \$1.2075. In May 1980, the GOB discontinued pegging the Pula to the U.S. Dollar and changed to a broad basket of currencies with 50/50 pegging to the Special Drawing Rights unit of account and to the Rand. This provided a more diversified representation and more accurately reflected Botswana's relationship with its principal trading partners. In November 1980, the Pula was revalued by 5.3% against this basket of currencies. Finally, in May 1982, the GOB devalued the Pula by 10% and introduced stringent monetary actions; i.e., increasing the central bank interest rate to 12%, and increasing by 5% the liquid asset requirements for commercial banks to 35% for current accounts

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<sup>1</sup>AID Policy Paper on Private Enterprise Development 1982:2.

and to 10% for savings accounts. In response to these actions, commercial banks raised the prime rate to 14.5% and curtailed lending operations. This, among other interventions, has had the effect of decreasing high inflation (estimated at 16% in May 1982) and narrowing the spread between the Pula and South African Rand.

Since the early 1970s the overall balance of payments has shown a surplus. In 1981, the balance of payments turned negative with a P61 million deficit and foreign reserves declined by P37.4 million to P217.1 million. During the first quarter of 1982, foreign reserves continued to slide to P196.1 million, the lowest level since mid-1979. In addition, domestic credit increased slightly during this period, reflecting a tight liquidity position of the commercial banks. This situation was aggravated by an increasing import trend, a depressed world mineral market and a freeze in diamond sales.

Presently, the economy is stabilizing as a result of monetary and fiscal policy measures enacted in May 1982 coupled with a slight increase in world diamond prices for small gems. Inflation declined to approximately 13% and GOB foreign reserves are estimated at 303 million, representing six months of imports. Average inflation rate for 1982 is estimated at 14%.

1982 trade indications present a more buoyant position with an estimated positive balance of payments of P10 million compared to a P61 million deficit in 1981. Devaluation of the Pula in mid-1982, combined with other previously cited measures, portends a moderating monetary policy that will not only be concerned with a strong currency but also place greater emphasis on diversifying the economy and increasing employment in the agricultural and manufacturing sectors.

C) SOCIO-ECONOMIC ANALYSIS

The economic differentiation that occurs in some countries between the "traditional agricultural sector" and the "modern sector" does not occur in Botswana. The majority of Botswana are presently unable to subsist on rural production alone and at the same time are unable to support their family on an urban wage. They subsist, or accumulate wealth, by a series of adaptive strategies based on oscillating migration, which enables them to simultaneously engage in agriculture and wage employment. The extended family provides a remarkably flexible unit to income generation, capital investment and production. Members of the family are geographically and economically dispersed into the interstices of the macro-economy, thereby taking advantage of each type of income opportunity and spreading their risks against failure. The family is central to economic undertakings and filters and redistributes the proceeds from each activity. The family is the unit that links together the economic imbalances of the three dominant sectors of arable farming, livestock raising and wage employment.

(1) Arable Agriculture

Agriculture in Botswana, although frequently described as the backbone of the rural economy, has long been recognized as insufficiently productive and secure to fully sustain the rural populace. Twenty percent of rural dwelling units do not have arable land. Eighty-four percent of all landowning units plowed land in normal rainfall years (1977-78) compared to 50% in drought years (1978-79). Ninety percent of rural dwellings produce harvests which are insufficient to feed people of the dwelling unit (6 persons). In non-drought years, the mean harvest of crops per unit was 800 kg, with a distribution of 12% dwellings with no harvests, one-half of all farms produced under 320 kg

and the top 10% produced over 1600 kg.

Cash income from the sale of crops is also a variable in the equation. In a normal rainfall year, only 14% of farms sold any crops, less than one-half of them receiving more than P40 in total from these sales. The mean value of sales was P97. The Ministry of Agriculture estimates that, at current prices and yield levels, a farmer can earn more from selling one ox than he/she can realize from growing four hectares of sorghum or maize.

## (2) Livestock

Cattle represent wealth and are a factor in economic stratification. Twelve percent of rural cattle owners own 50% of the cattle by value. Approximately fifty-one<sup>1</sup> percent of Botswana's rural population do not own any cattle. This unequal distribution appears to be increasing.<sup>2</sup> Among the units actually owning cattle, one-half earn approximately P200 a year from sales and home consumption. The Poverty Datum Line for a six-person family in 1980 was calculated at P1,171.<sup>3</sup> Only those cattle owners having more than 100 head (9% of all cattle owners) would be able to live off an exclusive cattle income. This is less than 1% of all rural dwellings.

The introduction of borehole technology during the twentieth century has made access to water another factor in the stratification of Tswana society. Traditionally, water resources were communally owned. Boreholes, on the other hand, are expensive to drill and most are privately owned, although syndicates

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<sup>1</sup>Various data sources estimate a range between 44% and 56%.

<sup>2</sup>In the early 1940s a survey of cattle ownership in six tribal reserves revealed that less than 10% of families owned no cattle.

<sup>3</sup>Recalculated by Central Statistics Office from the level recorded in 1975 and adjusted for the cost of living rises.

are not unknown. As water is a source of prosperity in Botswana, boreholes have allowed for the introduction of more capital intensive ranching and have given their owners de facto control over large areas of communal land.

One of the basic tenets of Botswana's political system is that, theoretically, access to arable lands in communal areas is universal for "married men". However, access to land does not necessarily imply access to other resources necessary to subsist from land. The absence of draft power acts as an inhibitor to an increase in agricultural production. Few families have cash to rent a tractor and it should be remembered that less than one-half of the population own cattle for plowing teams. Only 46% of the households planting crops in 1980/81 reported using their own draft power. The remainder must by necessity, hire or arrange to share, which leads to planting and plowing at suboptimal dates. Furthermore, approximately 40% of rural households are estimated to be temporarily or permanently without an adult male, which again places a constraint on agricultural productivity. Many female-headed households fall within the category of non-cattle owners, making their participation in farming even less likely.

### (3) Wages

One of the main characteristics of agriculture in Botswana is that it is embedded in the cash/wage nexus of the non-agricultural sector. Approximately 68% of rural dwellings have at least one absent wage earner at some point during the year. These absentee members are either short or long-term migrants. They are estimated to compose one-half of the total workforce.

A direct comparison between income from agriculture versus wage labor is difficult, as agricultural income is frequently indirect, in the form of savings and

consumption rather than cash value. However, it is possible to state that certain areas in the country offer relatively higher or lower wages than others. The mean wages for males in Botswana's towns are 68% higher than in rural areas.<sup>1</sup> The differential between the mean wages for males in Gaborone (the highest levels nationally) and remote villages is two-fold.

In general women earn less than men in both rural and urban areas. Domestic service is the dominant employment for wage employed women. Wage levels for domestic servants are unregulated and notoriously low. Wage income differentials, as a stimulus for emigration to South Africa, are illustrated by comparing the annual incomes in 1980 for a black mine worker migrant in South Africa<sup>2</sup> (P2,300 per annum), an urban migrant with a primary education working for the Government of Botswana (P1,470) and a family farm in rural Botswana (P611 per annum, including in-kind value). Obviously, wage employment, particularly in South African mines, has a tremendous attraction.

#### (4) Matrifocal Families

Female-headed households are a major feature in the demography and social structure of Botswana. The 1981 census indicated that 45% of all households in the country are female-headed. Traditionally, the status of women was prescribed solely by their relationship to men, as wife, mother and daughter. Migration however, has induced changes in three important areas: the institution of marriage, male authority and economic relationships.

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<sup>1</sup>Sex, age and skills level are not included in the equation. The figures do not take into consideration the high cost of living in urban areas.

<sup>2</sup>Mine employment is an outlet for unschooled Batswana. Sixty-six percent of the Batswana working in South African mines have no schooling; 13% have schooling beyond the primary level.

The constant mobility in which men, and increasingly women, have been involved for the past three generations has steadily eroded the institution of marriage, the notion of financial responsibility of an unmarried male toward his children and their mother, and the desirability of marriage on the part of both sexes. Social sanctions for premarital celibacy have waned and women no longer see marriage as the only means to enhance their status. The roles of mother and wife have become isolated from each other, with the former assuming more importance than the latter.

Migration also resulted in a shift in the pattern of male authority. Today women enjoy more social equality, depicted by their greater involvement in political and ritual affairs of the tribe, the assumption of the role of household head and their own participation in migration.

The major impact of migration on women however, has been economic. While wives may have access to irregular flows of remittances, by and large women's economic position in rural areas has been weakened. Fifty-four percent of rural female-headed households<sup>1</sup> have land; 65% of that group plow their land; 8% obtain an above average crop; and 0% practice technological innovations. On the other hand, 82% of male-headed units have land; 87% plow their land; 19% have an above average crop; and 13% practice technological innovations.<sup>2</sup> Fourteen percent of female-headed households own cattle and small stock; 8% own cattle only; 11% own small stock only; and 67% own no livestock. Forty-

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<sup>1</sup>This refers to female-headed households with no adult males associated as opposed to female-headed units with adult males and de facto female-headed units with the male head being absent for 6 months or more.

<sup>2</sup>The category of "aged male household head" with no young males associated was not analyzed. The inclusion of the category may have illustrated a pattern similar to that of female-headed households.

nine percent of male-headed households own cattle and small stock; 15% own cattle only; 16% own small stock only; and 20% own no livestock.

## PART II AID PRIORITIES

### A) PRIVATE SECTOR

#### (1) Mining

The mining industry is the principal contributor to foreign exchange earnings and the largest employer, outside of Government, in the country. Nine thousand individuals are employed in mining, and 13,500 people have mining supportive jobs. Mining revenues are the catalyst to ensure sustained economic growth in Botswana. Principal mining activity consists of the excavation for diamonds, copper, nickel and coal. This sector produces 25% of GDP, 30% to 40% of Government revenues and approximately 70% of export earnings. Table II depicts mineral output, export value and contribution to GOB revenues.

Since 1974, diamond production has been concentrated in two mines, Orapa and Lethlakane, in central Botswana. In 1982 a third mine, Jwaneng, opened in southeast Botswana, with an expected capacity of 4.5 million carats annually. By the mid-1980s, Botswana is expected to produce 9.5 million carats per year, representing 13% of world diamond production. The three mines are operated by DeBeers Botswana Mining Company (Debswana) with equal equity participation by the GOB and DeBeers Consolidated Mines Ltd. After sorting and preliminary valuation by the Botswana Diamond Valuing Company, the diamonds are supplied to the Central Selling Organization (CSO) in London, an organization that markets approximately 80% of the world's diamonds. The GOB receives approximately 75% of the profits of Debswana through royalties and taxes.

Table II

Mineral Output, Export Value and Contribution to GOB Revenues

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>Est. 1982</u>	<u>Projected 1983</u>
<u>Diamonds</u>							
Carats (Millions)	2.7	2.8	4.4	5.2	4.9	7.0	8.0
Export Value (Millions of Pula)	46.8	75.5	183.8	236.9	145.0	230.0	310.0
<u>Copper/Nickel Matte</u>							
Metric Tons (Thousands)	30.8	39.5	39.8	40.1	46.6	47.0	47.0
Export Value (Millions of Pula)	39.9	49.8	60.8	80.8	80.0	75.0	80.0
<u>Coal</u>							
Metric Tons (Thousands)	294.0	314.5	355.1	371.5	379.9	430.0	480.0
Domestic Value (Millions of Pula)	2.2	2.3	2.7	4.1	4.2	6.5	7.2
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Total Value of Minerals (Millions of Pula)	88.9	127.6	247.3	321.8	229.2	311.5	397.2
Export Earnings as % of Total Exports	-	68	68	75	66	68	71
Revenues of Government (Millions of Pula)	-	38.8	76.6	101.1	76.6	110.0	150.0
Percentage of Government Revenues	-	28.4	36.1	37.5	27.2	36	38

Despite a depressed international diamond market, Debswana's volume of production dropped only about 6% in 1981, but diamond export earnings declined by 39%.

Three factors explain this disparity: (1) in 1981 wholesale diamond prices dropped by 30% to 60% depending on the carat size; (2) DeBeers placed a quota on members' sales to the CSO in an attempt to reduce the world diamond glut and

stabilize prices; and (3) the GOB decided to operate Debswana at full production to maintain employment levels. As a result of these actions, Debswana released an estimated 65% of its production to CSO for eventual sales to a weak world market, with the balance being stock-piled.

The three mines in operation will mean Debswana diamond production will reach 9.5 million carats (estimated 6 million industrial and 3.5 million gem) annually, starting in 1984, a marked increase relative to that of other countries which sell to the CSO. Assuming no diamond recovery occurs and that a similar quota remains in place, Debswana's exports will be approximately 6 million carats during 1983 and 1984. However, it is possible that quotas will be relaxed for small gem diamonds (the majority of Debswana's gem production) coupled with price increases approximating world annual inflation. Even if the former scenario materializes, Debswana should be able to maintain a positive cash flow and generate significant production and sales to sustain full employment and continue to provide a substantial share of Government's revenues.

In 1974 copper/nickel mining was started at Selebi-Phikwe in northeast Botswana. Estimated deposits are 40 million tons of ore with a 30 year life span. Major shareholders are Botswana Roan Selection Trust Ltd. (consisting of Anglo American Corporation of South Africa with 55% equity and AMAX Nickel Inc. of U.S. with 25% equity) and the GOB with a 20% equity. The mine was beset with technical problems during the initial two years of operation, followed by low world market prices for copper/nickel matte in the late 1970s. Although the mine is now considered one of the most technically efficient copper mines in the world, a depressed world metals market and a large commercial debt are preventing the company from making consistent profits.

Preliminary explorations indicate that an estimated 17 billion MT of economically recoverable coal reserves are located in eastern Botswana. In mid-1982 the GOB signed an agreement with Shell Coal Botswana Ltd. The firm is conducting feasibility studies to determine the economic viability of developing an estimated 3 billion tons near Serowe. Pre-feasibility studies indicate that production could be initiated in 1988 with 5 million tons being produced annually and increasing to 10 million tons in 1992.

Coal deposits are low to medium quality, with a relatively high ash content, 19% to 21%, and 1.3% to 2.1% of sulfur, which is acceptable export quality for thermal use (steam coal). To improve its quality, the coal can be washed to lower the content of ash to 13% and that of sulfur to 1%.

At present there is one coal mine in operation at Morupule, with an estimated deposit of 5 million tons. This mine produces steam coal for the domestically operated Selebi-Phikwe copper mine and the generators for Botswana Power Corporation. Annual coal production has been in the 300,000 MT range but will increase to over 600,000 MT annually by the mid-1980s in response to increasing demand for coal-fired electricity generators and other projects.

## (2) Livestock

BMC contributes 20% to foreign exchange earnings and employs approximately 2,000 workers, one-third the total number of employees in the manufacturing sector. BMC was established in 1965 as a parastatal agency with authority to purchase, slaughter, process and market livestock for export. The abattoir has been renovated in recent years and can slaughter 1,800 animals and debone 1,200 animals per day. BMC markets boneless beef, beef carcasses and canned corned beef to South African and European consumers. The European community

is BMC's most profitable market, with sales of 5,200 tons in 1981, valued at P16.3 million.

Table III illustrates Botswana's cattle production, annual offtake, BMC slaughtered cattle, export value and export earnings as a percentage of total exports.

Table III

Botswana's Cattle Production Export Value and Offtake for Years 1977 through 1983.

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Projected 1983</u>
Cattle (000)	2,600	2,717	2,817	2,911	2,967	3,000	3,000
Total Slaughtered	<u>235,720</u>	<u>193,840</u>	<u>274,960</u>	<u>178,500</u>	<u>238,000</u>	<u>265,000</u>	<u>250,000</u>
BMC	195,850	149,350	228,960	141,000	205,000	225,000	210,000
Other	39,870	44,490	46,000	37,500	33,000	40,000	40,000
Estimated Off-take Percentage Rate	9	7	10	6	8	9	8
Export Value (Millions of Pula)	42.6	32.1	70.0	34.1	73.0	97.0	99.0
Export Earnings as % of Total Exports	-	17	19	8	21	22	18

(3) Commerce/Manufacturing/Construction

From 1978 to 1982 the commercial and service sector of the economy experienced an average real growth of 18.5% per annum. Manufacturing represents approximately 5% of GDP and employs approximately 6,400 persons. About 2,000 of these are employed at BMC, which contributes an estimated 50% of the manufacturing sector's value-added. Village industries; i.e. handicrafts, sewing and beer

brewing, account for 15% of value-added; the balance of value-added is supplied by small private enterprise activities amounting to approximately 100 businesses, with over one-third of these operations employing less than 10 workers.

Construction activities provide an estimated 6% of GDP. This share is growing with the increasing numbers of Botswana owned enterprises. Construction represents over 50% of total investment but its contribution to value-added is small due to the large amount of imported items from South Africa. For example, from 1977 to 1982 construction projects were estimated at P1.3 billion, with value-added amounting to only P171 million.

Historically, South Africa has dominated the Botswana construction and manufacturing industries and has provided approximately 90% of the required imports for these sectors. Domestic expansion has been hindered because of Botswana's membership in the Southern Africa Customs Union, which prevents the imposition of import duties on another members' goods, except for infant industry protection. Conversely, Botswana benefits from this association by receiving Customs Union revenues, and by attracting businesses from neighboring African countries which are interested in exporting to South Africa. For example, some Zimbabwean firms are relocating in Francistown to take advantage of duty free entry into the Southern Africa Customs Union. An impediment to developing a larger manufacturing base in Botswana is the small size of the domestic market, relatively high cost of infrastructure and the shortage of skilled technical and managerial personnel.

The GOB recognizes these impediments and has responded by introducing financial incentives; i.e., a fixed 35% corporate tax, low relative to neighboring countries; 115% tax allowance over 10 years for industrial buildings; 125% tax allowance for machinery and equipment; and tax allowance of 200% of

employees' secondary school training costs. Tax and investment holidays are offered for prospective businesses. Training institutions are being established to address the lack of qualified personnel.<sup>1</sup>

In May 1982, the Financial Assistance Policy (FAP) was introduced in an effort to stimulate local businesses. The FAP provides partial assistance to three categories of businesses: small scale enterprises, medium-scale firms, and large industrial complexes. The main objectives of the FAP are to increase domestic production and create employment opportunities through the availability of attractive financial packages. The GOB initially provided P5 million in 1982 to assist qualified entrepreneurs for a five year period through a combination of financial grants and tax allowances. The processing of FAP applications and the administration of the program are the responsibilities of Ministry of Commerce and Industry's Rural Industrial Officers (RIOs) and the National Development Bank (NDB). The FAP provides incentives to employers who favor labor intensive rather than capital intensive activities and who agree to establish projects outside major urban centers. The criteria for approving applications for FAP grants differ according to the category of projects. Small scale activities are judged on the need for the proposed enterprise in a specific area of the country, the probability for success and number of persons to be employed. Medium and large scale projects also are judged by these guidelines, but the main determinant is the project's potential to realize at least a 6% economic rate of return.

The FAP has received a favorable response from Batswana entrepreneurs. Since its inception, 110 small scale (under P10,000) FAP applications have been approved

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<sup>1</sup>AID Policy Paper on Private Enterprise Development 1982:2.

units. High yields and crop output alone are insufficient measures of productivity since labor opportunity costs, return on capital investment, risk and non-cash farming inputs are all factors in calculating real income.

The effort to raise agricultural production must confront the problem of low producer prices. Botswana's proximity to South Africa, where the cost of output is low, makes remunerative farm-gate prices difficult to guarantee. To avoid illegal marketing across the border, Botswana Agricultural Marketing Board has fixed producer prices at a level competitive with those in South Africa. Simultaneously, this has constrained the production incentive. The difficulty of establishing sufficiently remunerative producer prices raises the question of whether the Pula is overvalued in relation to the South African Rand.<sup>1</sup> As with other mineral-led economies, Botswana's exchange rate may be suitable for the mining sector of the economy, but because of the relatively low price of foreign exchange, increased domestic production in agriculture (as well as in manufacturing) for both domestic consumption and exports, is discouraged.

Private sector development of agricultural business and service industries is constrained by limited demand. There appears to be considerable potential interest from entrepreneurs to expand the supply and distribution network for agricultural inputs such as fertilizers, pesticides, veterinary supplies, pumps and farm machinery. While GOB policy encourages such investment, there has been little expansion due to the uncertain nature of agriculture, the low demand for technology inputs and limited credit for small-scale farmers.

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<sup>1</sup>AID Policy Paper on Food and Agricultural Development 1982:3, and Food and Agriculture Development Assistance Strategy Paper, State 351572 para II a.

The growth of the rural economy depends, to a large degree, on cattle production and the availability of draft power for arable agriculture. However, the present national herd size and offtake rate are placing an unprecedented demand on the carrying capacity of the nation's rangeland.

Since the early 1960s, the number of cattle has increased. Several factors explain this: some excellent rainfall years occurring back-to-back; opening new lands to grazing; and supportive government policies and programs, including vaccination campaigns, subsidized improved bulls and assistance in waterpoint development. However, offtake rates have remained at relatively low levels.<sup>1</sup> Herd owners' behavioral patterns also have had a profound effect on the growth of the herd. Given the opportunity, cattle owners prefer to reinvest the natural increases in their herd rather than sell their animals for immediate gain.<sup>2</sup> The need for cash may not weigh as heavily as the need for a plow team or the need to build up the herd for insurance against the next drought. The rising level of producer prices over the past decade also encourages people to hold on to an appreciating asset. Cattle raising as an inflation hedge can be illustrated by comparing the 115% rise in beef prices between 1970-77 with the 112% rise in the cost of living.

No institutionalized mechanism exists to move cattle off the range for sale. The 1975 Tribal Grazing Land Policy (TGLP) provided for the allocation of selected sandveld communal lands to individuals or groups on fifty year renewable leases to develop and manage as commercial ranches. This policy, which

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<sup>1</sup>See Table III p. 24.

<sup>2</sup>There is a reverse correlation between herd size and offtake in that small holders who are short of cash market their animals more frequently than wealthier ranchers.

was intended to relieve the pressure from the communal grazing areas was based on three assumptions: (1) that the leaseholders would have the incentive and the technological means to raise more cattle per unit area while maintaining the productivity of the range; (2) that increased numbers of cattle would lead to increased offtake; and (3) that the sandveld areas were empty of human habitation. It is still too early to assess whether leaseholders will manage any differently than under the former open access regime. As indicated above, the assumption on offtake rates was faulty. The third assumption was particularly naive and has had tragic consequences. Far from being "empty" the sandveld contains large numbers of small stock herders, cultivators and hunter-gatherers. Despite realization that the land is already being used, the process of ranch allocation is continuing, resulting in dispossession and re-settlement. While TGLP was intended to reduce the gap between the rich and the poor in rural Botswana, the GOB now realizes its present implementation is increasing that gap.

Botswana's limited resources cannot support an unlimited demand. Furthermore, increasing the number of cattle does not, beyond some limit, maximize the national income from this sector, and could eventually lead to the collapse of the industry. Policies are needed to exercise some control over the movement of stock, to adjust the number of cattle as dictated by the range resource, and to encourage offtake.

### (3) Education/Participant Training Policies

The origins of formal schooling in Botswana occurred in the mid-nineteenth century when David Livingston began his missionary work in Kweneng District. Over the following one hundred years, its development was slow and initially depended upon missionaries. The colonial administration was particularly

negligent about schooling and as a result, Batswana were less educated at Independence than those in any other ex-British African territory. Literacy in Botswana is presently 46%. The current dearth of local professional and technical skills however, is a major constraint to development.

The continued development of an effective educational system in Botswana entails an adaptation to a number of specific socio-economic factors. By and large, the trend toward urbanization in the country is facilitating the task of educational development. Nevertheless, the majority of Batswana still reside in rural areas. The spatial separation of traditional Tswana villages, organized in large nucleated settlements, surrounded by roughly concentric circles of agricultural lands and cattle posts, is presently breaking down due to population pressures and environmental degradation. There is a permanent movement of many village residents to the more isolated lands and cattle posts areas.<sup>1</sup> This has presented a new challenge for the GOB in the provision of services, including schooling, to a dispersing population. In addition, gender specific participation in the livestock sector (male children) has resulted in more female children receiving primary and secondary education than male. In 1981 primary school enrollment was 99,052 for females and 81,043 for males; secondary enrollment was 10,228 for females and 9,442 for males.

Total primary education enrollments in 1981 represent an increase of 42.6% over the previous five year period and include 85% of all children between 6 and 13 years of age. Secondary enrollments in 1981 were 19,670 or approximately 8% of all children between ages 14 and 19.

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<sup>1</sup>Forty-six percent of the rural population are resident on a more or less permanent basis at non-village areas, an increase of 8% over the 1971 census.

The NDPV has called for an increase in educational opportunities at the primary level.<sup>1</sup> A constraint to the realization of this goal is Botswana's high percentage of unqualified teachers at the primary level. While the supply of qualified teachers has increased from 2,434 (out of a total of 3,921) in 1976 to 3,300 (out of 5,316) in 1980, this number has failed to keep pace with expanding national enrollments. This has a negative effect on improving the quality of teaching/learning at the primary level.

The 1977 Report of the National Commission on Education, the NDPV and President Masire's November 1982 address to Parliament established 1990 as a target date for universal secondary education. Secondary schooling is provided in 23 government and 20 private schools. The need for increased access to secondary education can be best illustrated by the following: In September 1982, over 28,000 students took the Primary School Leaving Examination (PSLE). Approximately 8,600 of these students received A's and B's. Over 10,000 students received a C grade. The capacity of all secondary schools in Botswana permits approximately 7,000 students to enter annually. Thus, many who scored A's and B's, and all of those who scored C's on the PSLE, will not find a place for further education.

Six thousand students per year therefore, repeat their last year of primary education in hopes that next year they can gain admittance into secondary schools. This increasing number of repeaters acts as a "lock-out" for younger students in the system. It also causes Botswana to be highly inefficient from an educational economic standpoint and it stifles and squanders human resources

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<sup>1</sup>AID draft Policy Paper on Education and Technical Training 1982:1; also Education Sector Strategy Paper, State 356110 para 12.

in a country desperately short of trained personnel.<sup>1</sup> At present there is a broad plan to address these growing demands. It will be presented to Cabinet in early 1983 by the Ministry of Education.

Focusing on the employment problem, the Government is encouraging technical education and vocational training. The Botswana Polytechnic offers courses in mechanical, civil and electrical engineering. The Brigades, the rural wing of vocational training, offers courses in building, carpentry, mechanics, plumbing, textiles and electrical fitting, and provides advisory services and training in accounting. A constraint nevertheless, exists in that additional and higher quality vocational training is required to help absorb the surplus of primary school leavers.

In Botswana there is also a critical need for members of the workforce to possess advanced educational qualifications, which are required for the country to increase its ability to generate employment. "Paradoxically, while there is a shortage of work for unskilled Batswana, there is a dearth of trained and skilled people without whom new jobs for the unskilled cannot be created." (NDPV 1980:43)

In 1980 approximately 4,600 expatriates were employed or self-employed in Botswana, representing 5.6% of total formal employment. At that time, expatriates held 14% of the positions in finance and business services, 12% in education and 10% in central government, compared to only 1.3% in agriculture and 0.7% in local government employment. Illustrated historically, there were

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<sup>1</sup>Sustained development requires an effort to "establish instructional systems which are both effective and cost-effective". AID draft Policy Paper on Education and Technical Training 1982:1.

fewer expatriates in 1974 (3,000 compared to 4,600 in 1980), but they represented a slightly higher proportion of total employment. In 1974 50% of the non-citizens were in the occupation groups requiring the highest levels of training (professional/technical and administrative/managerial); by 1980, 70% of the expatriates were in these groups. This indicates considerable localization of less skilled groups, but also suggests an increasing dependency on expatriates with highly qualified technical and managerial skills.

#### (4) Population Policy

Traditionally, family planning was practiced in the form of abstinence for a two-year period after the birth of a child and/or while the mother was breastfeeding.<sup>1</sup> This means of postponing pregnancy is not followed today.<sup>2</sup> It is suspected that missionary activity had a profound effect on the alteration of procreation practices. Today although family planning services are provided by the Ministry of Health, they are offered as part of a routine maternal health promotion and not viewed as a means of population limitation. In terms of a family planning program, the GOB has been conservative. However, the 1981 census and the realization of the magnitude of the unemployment crisis now looming on the horizon are encouraging the Government to review the matter carefully.

#### C) INSTITUTIONAL DEVELOPMENT

A strong case can be made for strengthening traditional administrative institutions to increase their capability for managing Botswana's rural develop-

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<sup>1</sup>This custom was easier for males of polygynous households, while males from monogamous households were encouraged to move to the cattle posts during this period.

<sup>2</sup>See the listing of socio-economic changes which encourage high fertility in AID Policy Paper on Population Assistance 1982:8.

ment. Rural Botswana is variable. Effective inputs in one area are not necessarily effective in another and local residents are those best informed of the problems and potentials of their own areas.<sup>1</sup>

Among the Tswana villages the most vibrant institution is the Kgotla, the tribal political institution which administers justice, provides the forum for community decisions and represents the point of interaction of the traditional political system and the organizations of central government and district council. It also acts as the mechanism for offering traditional legitimacy to the introduction of new ideas. Kgotlas are present in over 400 villages and large numbers of people attend and participate in them. It is estimated that 500 to 800 people attend 60 to 75 Kgotlas on an average day, with 200,000 to 300,000 person contacts a year and 8,000 to 10,000 Customary Court Cases plus an equal number of informal cases heard every year. The Kgosi or chief, who conducts the Kgotla remains the single most influential person in the village. He possesses the sole right to speak on behalf of the village and has wide powers to make decisions affecting the whole community.

The Kgotla and the Kgosi would undoubtedly prove to be the most effective institutions to handle problems of resource management, particularly over-grazing in communal lands. They could provide the framework, the authority and legitimacy and the means to implement manageable numbers of cattle in grazing areas. The Kgotla could also be used to provide a two-way communication system between agriculture workers and the farmers, and to mobilize human

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<sup>1</sup>"To be effective, institutions must adapt to the socio-economic environment of their clientele." AID draft Policy Paper on Institutional Development 1982:5.

resources for local infrastructure creation and maintenance.<sup>1</sup>

There remains, nevertheless, a major constraint which prevents this traditional institution from assuming a more important role in development. In general, it is a central government policy to down-play tribalism. The Kgotla is firmly grounded within the tribe.

In addition to the Kgotla and Kgosi there are also traditional institutions which cross tribal lines and represent embryonic private sector activities. These include tanning, which constitutes a high potential for growth, pottery, thatching, gathering and beer brewing. Particular note should be made of craft institutions. Basket weaving in northeastern Botswana is a thriving entrepreneurial activity and provides a healthy income to women in these areas. Baskets are purchased four times a year by Botswanacraft, a parastatal organization. The most recent sales generated P8,000 to women in a village of 1,794 persons.

The modern village institutions consist of numerous voluntary organizations and various branches of central and district government; i.e., the extension cadre. The general assessment of these institutions is not encouraging. However, there are occasional effective groups; these include livestock cooperatives and the Family Welfare Educator. Livestock cooperatives have increased steadily throughout the 1970s. They fall under the general oversight of the Botswana Cooperative Union and function to arrange transport to and quotas from BMC,

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<sup>1</sup>"The pattern of institutional development must result in increasing individual's responsibilities for their own lives and local community's responsibilities for its members". ...This will also "encourage a balance between 'top-down' and 'bottom-up' initiatives." AID draft Policy Paper on Institutional Development 1982:5,12.

to see the animals through the abattoir, to check on weights and grades and to transmit payment to the owner minus a 4% to 5% service charge and the cost of transport. The Family Welfare Educator is an institution initiated from outside the village but staffed by an indigenous person chosen by the community. This individual is a basic motivator and initial point of contact in Botswana's health system.

There are a number of modern parastatal institutions that directly promote private sector activities, including the Rural Industrial Officer cadre and Botswana Enterprises Development Unit. The Botswana Development Corporation assumes equity positions in indigenous enterprises and sponsors a variety of groups, including Botswanacraft, which stimulate and offer advice to local craft persons. Partnership for Productivity, a non-profit organization, provides training and advice to business communities. The National Development Bank is an institution that effectively allocates financial resources, primarily to small and medium scale borrowers.

#### D) RESEARCH AND TECHNOLOGY TRANSFER

Agricultural research in Botswana began in the late 1940s. Initially, the primary emphasis of research was on variety selection for major commodities and on specialized research activities seemingly dictated more by the interest of researchers than by farmers' needs. Subsequent research was directed to livestock and, understandably, a major share of research continues to be directed toward animal production. The results of this research are being utilized to control disease, and generally improve livestock production. While cattle production technology is advanced relative to most African countries, indicators such as calving rates, death losses and rate of weight gain suggest that considerable increases in productivity could be achieved with better

knowledge and management. Moreover, research into the better management of Botswana's fragile ecosystems to optimize the livestock feed base at a sustainably safe minimum level over the long run is a sine qua non to livestock development.

A major constraint to the successful application of the results of arable agricultural research has to do with the physical environment.<sup>1</sup> Botswana is not an ideal country for arable farming. The challenge of developing relevant improved technology and practices for farmers with limited resources in such an environment is great. It is not surprising that the application of research findings from the experiment stations often gives disappointing results on farmers' fields and, as a result, credibility is weakened.

An additional constraint is the presence of critical gaps in on-station research. This precludes work which directly addresses the problems of small, but potentially commercial farmers. The lack of coordination between Botswana's Department of Agricultural Field Services, the lack of work on farms representative of the general population, and the absence of an overall research strategy contribute to an inability on the part of the GOB to deal with the arable production problems faced by the majority of the population. Nevertheless, the GOB is aware of the problems associated with developing technologies to address the needs of this group and is strongly committed to the establishment of a strong research program in this area.

It has been illustrated that the economic strategies of Botswana include a mix

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<sup>1</sup>"The farming systems typical of small commercial farmers in Africa constitute a difficult environment of agricultural research..." Africa Bureau Agricultural Research Strategy Paper 1982:5.

between livestock production, arable agriculture and wage labor. This provides security against extreme uncertainties of Botswana's weather and the increasing scarcity of wage employment. Although research has been done on this interaction, the GOB needs to encourage social scientists as well as physical and biological scientists to work in concert to develop techniques which will strengthen the respective sectors and increase both productivity and income of rural producers.<sup>1</sup>

Another constraint that confronts research, particularly in arable agriculture, is that results are not immediately apparent. It is sometimes difficult to economically justify major expenditures on research when other seemingly more pressing demands confront the Ministry of Finance and Development Planning. Botswana, however, is calling for greater regional cooperation in areas such as agricultural research. SADCC has the potential to facilitate this cooperation and thereby, spread benefits to member countries. The active participation of a zonal research council, composed of key agricultural scientists, would facilitate such cooperation.<sup>2</sup>

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<sup>1</sup>"Given the complexity of farming systems in rural Africa, it is clear that increasing agricultural productivity will require technology which is adaptable to the total environment, including the socio-economic milieu, within which the farmer lives and works." Africa Bureau Agricultural Research Strategy Paper 1982:6. Also see AID Policy Paper on Food and Agricultural Development 1982:5.

<sup>2</sup>Greater decentralization of national adaptive research programs and greater regional coordination for basic research are proposed for those countries of limited technical and financial resources. Africa Bureau Agricultural Research Strategy Paper 1982:8,9.

PART III STRATEGY

A) AID/BOTSWANA'S GOALS AND INTERVENTIONS: A SUMMARY

A lineal relationship exists between the analysis of Botswana's economic and social structure and the focus of AID/Botswana's (AID/B) development program. Interrelated program goals are to:

- (1) Create viable income opportunities, especially in rural areas;
- (2) Provide the education and skills training required to equip the population to be productive participants in the public and private sectors of the economy.

There are four specific interventions which address the goal of creating rural income opportunities: (1) Investments are being made in arable agriculture to encourage production to the level that is economically viable, to increase worker productivity and to raise the level of agriculture's contribution, in terms of cash and consumption, to rural households. (2) Investment in livestock, based on the need to improve range utilization, will improve marketing methods, will encourage offtake and will identify and implement improvements compatible to conditions under which small and middle level herd owners operate. (3) Investments in rural development are encouraging the creation of non-farm employment opportunities, primarily in the areas of small scale industries and privately operated enterprises, and will provide the necessary infrastructure to encourage these activities. (4) Investments will be made through a loan to the GOB to provide capital to small scale farmers, herd owners and small rural entrepreneurs.

There are two specific interventions which address the goal of educational and skill upgrading. (1) Investments are being made to improve the efficiency of

the primary educational system and to prepare for expansion of junior secondary and non-formal programs. Mechanisms such as curriculum development, in-service and pre-service teacher training and the strengthening of non-formal educational programs in literacy, mathematics, basic business and entrepreneurial skills, are expected to assist in achieving this goal. (2) Investments are being made to provide advanced training for administrators and technical personnel in order to create a workforce which will increase the country's ability to generate employment. The primary mechanism to accomplish this is the training of public and private sector participants. U.S. technical experts are being provided temporarily to fill positions vacated by those released for long-term training.

While numerous external variables interact with the two main program goals, AID/B will only address two which are perceived as important and which are likely to be accomplished. AID/B intends to encourage a more flexible policy approach to population control by supporting low profile activities, developed to accommodate local sensitivities, which draw attention to the population problem. AID/B also intends to continue support for housing sites and community services in towns to help accommodate the increasing number of urban migrants. It is anticipated that regional and central funding will support these two activities.

#### B) PROGRAM DETAIL

##### (1) "Create Viable Income Opportunities"

a) Rationale: Botswana's low crop production and the marginalization of most of the individual pastoral units are resulting in the vast majority of rural dwellers having little chance of establishing viable agro-pastoral units. Botswana, at the same time, has a critical need for increasing her food self-reliance and eventually limiting her dependence on South Africa. The majority

of Batswana farmers need to enlarge their herds, not only to make a living from animal production but to be in a position to operate as viable crop producers. Thus, substantial measures are required to increase agricultural and animal productivity and thereby, increase income opportunities, especially for small holders.<sup>1</sup> At the same time these inputs have the potential to lead to intolerable pressure on the communal land resources. They must be combined with improved range management, particularly in offtake rate, and the creation of employment in other sectors of the economy, so that through time, the total number of households that depend on land resources will decrease. AID/B is therefore, combining agro-pastoral and range management inputs with new employment opportunities. The latter will eventually represent alternatives to farming/livestock raising.

b) Constraints: The major interrelated constraints to this goal achievement discussed in the analysis section are: (1) ecological limitations, (2) access to land, (3) competition from South Africa as manifested in low producer prices and limited markets for farm and manufacturing products, (4) lack of on-station research, (5) concentration of cattle ownership, (6) low marketed offtake of cattle, (7) limited supply of labor and draft power for agricultural activities, (8) profitability profile of farming units, and (9) high urbanization. Additional constraints include: (10) the lack of available finance and credit and (11) inadequate infrastructure.

Approximately 50% of AID/B's resources will be directed to overcome these constraints. Three new projects are needed to assist in meeting the goal of

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<sup>1</sup>"The objectives of U.S. food and agricultural assistance are to enable countries to become self-reliant in food, assure food security to their populations and contribute to broadly-based economic growth." AID Policy Paper on Food and Agricultural Development 1982:1.

rural employment creation. One is a sector support project in agriculture/livestock. A second project will assist in meeting infrastructural needs of the rural growth centers. A third project will address credit constraints.

During 1984 and 1985 the major emphasis of the AID/B agricultural program will be directed to consolidate gains made by previous agricultural assistance programs, to continue training Batswana to professional and technical levels, and to continue the work on research and extension programs. The Agricultural Technology Improvement Project, funded through FY 87, will directly address two of the major constraints to goal achievement by providing on-station research and testing, and by attempting to raise the profitability profile of farming units. Specifically, it will improve the capacity of the Ministry of Agriculture's research and extension programs aimed at developing farming systems' recommendations relevant to the needs of small scale farmers. It will experiment with technologies and practices which will increase farmer productivity and will work with farmers on their own fields, utilizing these various small farm technologies.<sup>1</sup>

This project supports AID priority areas in research and technology transfer. It will strengthen both the national agricultural research institutions and the links between research, extension and the farmer.<sup>2</sup> To ensure institutionalization of the farming system research concept, the project will also provide training. It is, therefore, complementary with AID's emphasis on participant training. At a minimum, 40% of the project beneficiaries will be female-headed

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<sup>1</sup>Food and Agriculture Development Assistance Sector Strategy Paper, State 351572 para III a.

<sup>2</sup>Africa Bureau Agricultural Research Strategy Paper 1982:2.

households thereby, supporting the AID strategy to develop technologies which are acceptable and accessible to women.<sup>1</sup>

In FY 85 or FY 86, AID/B will propose an agricultural sector support program that combines grant and loan components. Sector activities may include: (1) pilot irrigation schemes to test the feasibility of irrigator from small watersheds and the feasibility of pumping water from sand rivers; (2) training of personnel to support a viable agricultural cooperative movement; (3) continuing efforts to build a more effective agricultural extension service through increasing the number of female extension officers,<sup>2</sup> improving the facilities and providing equipment, and addressing transportation constraints; (4) continued training programs to upgrade capabilities; and (5) the development and improvement of specific crop commodities such as oilseeds, forages, tree crops and perhaps export oriented crops. These activities address AID's concerns in institution building, research and the transference of technology, participant training, private sector and women in development.

The specific constraints to goal achievement in terms of the concentration of cattle ownership, low marketed offtake of cattle, ecological limitations and the interrelationship between arable agriculture and livestock, necessitate that AID/B direct efforts to the livestock sector. Productive arable farming becomes a possibility for most people when there are sufficient cattle in the family herd to plow with the first planting rains. However, a combination of management factors, economic pressures and natural disasters tends to erode the viability of the small herd. AID/B will introduce improvements which are

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<sup>1</sup>AID Policy Paper on Women in Development 1982:3, 15-17.

<sup>2</sup>AID Policy Paper on Women in Development 1982:16.

compatible with small holding animal husbandry practices. Although a full conceptualization of activities has not yet occurred, suggested interventions include: (1) the development of a package of recommendations directed toward the problems of calf mortality, disease control and death losses; (2) the improvement of livestock marketing methods; and (3) the support to livestock cooperatives through training.

AID/B recognizes that increasing animal production could counteract the objective of protecting and upgrading communal pastures. The first step towards range management is based on a knowledge of the productive capacity of the grazing area over time and space. This is particularly true in Botswana where fluctuations in annual rainfall can rapidly change the availability of forage. The productive capacity of the range however, has not been established at the local level. AID/B may support research to provide information which would begin to fill this vacuum. AID/B will promote interventions which use the mechanism of local institutions to enlist community support for the implementation and monitoring of alternative range management strategies, such as rotational grazing in a paddock system. AID/B will also undertake a policy dialogue with the Government to encourage institutional and technical innovations which offer the cattle manager a set of incentives which allow for the improvement of the national and individual herds without endangering the grazing resources. These activities address AID's concern with institution building, research, private sector and policy formation.

A Rural Sector Grant Amendment is being prepared for funding in the third quarter of FY 83 and is expected to be operative throughout this plan period. The current project has successfully encouraged decentralized planning for activities which stimulate productive employment and has illustrated that

increased rural employment and higher non-farm incomes require a sustained effort through time. This project will focus on the AID priorities in private sector development, institution building, and participant training.

The Rural Sector Grant Amendment will strengthen the successful Rural Industrial Officer (RIO) cadre. In some areas of the country, 50% of the people who have received RIO assistance have been female. This project will also assist in the administrative and training requirements needed to successfully implement the Financial Assistance Policy. Institutions will be developed through the implementation of a training program designed for the Ministry of Commerce and Industry's Business Advisory Service and Botswana Enterprise Development Unit. To ensure that people with administrative and technical competence are diffused throughout the country, advanced training will be offered to District officials. The Rural Sector Grant will support craft development, particularly basketry, which directly benefits women. In order to facilitate access to markets and stimulate local productivity, a labor intensive road activity is being considered. Based on a number of such road projects throughout the country, it is expected that a high percentage of the workers will be female. By offering productive rural employment, the project will curb the trend toward urban migration; by encouraging rural based employment which does not conflict with labor requirements at critical agricultural seasons, it will address the constraints of labor shortages in agricultural activities. The project is also laying the foundation for productive alternatives to farming and ultimately will assist in easing environmental pressures.

Infrastructure activities in Botswana's major villages are proposed as a separate project. AID/B inputs will be confined to a maximum of two villages while other donors will initiate similar actions in other villages. A mix of

grant and loan financing will be used to: provide building material loans for low-income housing, improve basic water supply and infrastructure, provide facilities for small entrepreneurs, improve feeder roads to nearby agricultural areas, establish Self-Help Housing Agencies, stimulate employment creation and improve agricultural marketing services. This project will address AID's priorities in the private sector and institutional development. It will directly address the constraints to goal achievement by providing infrastructure needed to encourage rural development and thereby, arrest urban migration.

Finally, a loan to the GOB, for relending to the National Development Bank is proposed for FY 84 or FY 85. The revenue derived from the difference in interest rates between the AID and GOB loan and the higher lending rate to the NDB by the GOB will be used by the NDB to compensate for delinquent loans and to cover the excessive administrative/overhead costs of supplying small amounts of credit to farmers and rural entrepreneurs. Measures will be developed to ensure that loans made with AID funds will only be available to small scale farmers and small rural business enterprises. Loans at a subsidized rate will be discouraged; interest rates and terms will represent market rates and conditions. This proposed loan will focus on the AID priorities of private sector and institutional development.<sup>1</sup>

(2) "Provide Education and Training Skills"

a) Rationale: A profile of educated Botswana is similar to that of a pyramid: the base represents primary school students; the middle, secondary students and technical skilled personnel; and the apex, the educated elite. To promote development, Botswana must mobilize and effectively utilize all available

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<sup>1</sup>AID Policy Paper on Private Enterprise Development 1982:9.

human resources. The first step to achieve this remains grounded in primary education. This level of schooling lays the foundation for expanding awareness, for transmitting knowledge and for promoting behavioral change. These goals can only be accomplished if the teachers are qualified, if the curriculum is relevant and if instructional materials are available. Ascending the pyramid, Botswana cannot afford to neglect secondary education and technical training. A large surplus of Botswana, with a primary education, have not been absorbed into secondary schools nor have they been absorbed into the modern sector of the economy. To effectively utilize this resource, secondary education must be expanded and middle and lower level skills developed to diversify the economy and to stimulate industrial growth. Opportunities are also needed for the most able students to receive advanced education, a prerequisite to fill upper level positions in the public and private sectors. In a circular fashion this cadre of people will impact on the country's further ability to generate employment.

b) Constraints: The major interrelated constraints to this goal achievement as discussed in the analysis section are the: (1) supply of qualified teachers; (2) insufficient number of secondary schools; (3) need for upgrading and increasing skills training. The limited number of people with advanced education represents a special constraint to the overall development of the country. AID/B will address the constraint of an insufficient number of qualified teachers through the continued implementation of the Primary Education Improvement Project, which will be active until May 1986. The project is training teachers, developing and improving curricula and upgrading the skills of existing teachers through in-service training programs. The project addresses AID's concerns with institution building and will ensure that increasing numbers and percentages of

children will receive a quality primary education.<sup>1</sup> In addition, 53% of the teachers trained to date have been female, and 54% of the people who received in-service training have been female. The project will continue to target a large percentage of females.

AID/B maintains that some of the highest returns on educational investments come from projects such as the Primary Education Improvement Project, which stress improvements in the quality and efficiency of the existing system. AID/B's future involvement in Botswana's educational sector will be derived from this perspective.<sup>2</sup>

Secondary schools and vocational training programs increase opportunities for remunerative employment, and are required to expand the private sector, to improve the productivity of small and medium industries, to promote technology transfer and to strengthen local institutions. AID/B proposes to allocate a portion of its educational resources to provide for increased access to secondary education and to improve the effectiveness of the technical training programs.<sup>3</sup> The current emphasis on in-service technical training at the lower and middle levels will be strongly endorsed to promote the growth of industrial activity.

Overcoming the employment problem and promoting development depend partially on the quality of the upper level personnel in public and private sectors. The present large number of expatriates forms critical strata in Botswana's

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<sup>1</sup>AID Policy Paper on Education and Technical Training 1982:1.

<sup>2</sup>AID Policy Paper on Education and Technical Training 1982:18.

<sup>3</sup>Education Sector Strategy Paper State 356110 para 16 and see p. 32, 34 of this document.

society. Simultaneously, they represent a high recurrent expenditure on the national economy and utilize funds that could be reinvested in the private sector and other development activities. In order to mitigate this and to overcome the constraint of an insufficient number of highly educated persons, AID/B is supporting the Botswana Workforce and Skills Training Project. This project will continue through FY 89 and will provide training for both private and public sector participants, primarily in the areas of administrative, managerial and technical skills. It is expected that 1,000 participants will be trained in local institutions. Over 100 upper echelon administrators, managers and technicians will be sent for short and long-term overseas training and 26 U.S. technical experts will be provided to fill these posts while training is in progress. The Botswana Workforce and Skills Training Project addresses three of AID's priorities: the private sector, institutional development, technology transfer,<sup>1</sup> and the special role of participant training. Approximately 25% of all of those trained will be female.

(3) Complementary and Supporting Activities

a) Population Program: Botswana is at the initial stages in the development of a population program: there is a high birth and growth rate; population policy is weak; and there is an absence of public consensus that population growth is a problem and family planning programs are needed.<sup>2</sup>

AID/B is cognizant that the country's rapid population growth, coupled with limited employment opportunities, is not only a severe constraint to development but may serve as a potentially destabilizing force in the society.

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<sup>1</sup>Guidance Cable on Participant Training State 024382.

<sup>2</sup>AID Population Sector Strategy Cable State 35182 para II a.

Nevertheless, the Government of Botswana has taken a conservative stand on the issue. AID/B respects this and will operate within these perimeters. To encourage policy development on voluntary family planning,<sup>1</sup> AID/B will undertake activities which initially establish the awareness of the problem. Studies which illustrate fertility consequences, particularly in terms of national development objectives, and studies which illustrate the adverse health effects of current pregnancy patterns, will be encouraged. An understanding of the recent evolution of the matrifocal family and the consequent emphasis on the role of mother divorced from that of wife is needed to illustrate the socio-economic conditions that contribute to high birth rates. If the policy dialogue is well received, AID/B will proceed to encourage the strengthening of the village level institution, such as the Family Welfare Educator, to provide family planning information and to disseminate contraceptives. AID/B activities will be limited to the AID priority of policy dialogue and possibly at a later stage, institutional development.

b) Housing: Sites and Services Development: The analysis illustrated the rapid rate of urbanization within Botswana. The Government has recognized for more than a decade, that inaction in urban areas would not discourage the rural exodus, and correctly decided in 1974 to legitimize existing squatter areas and deal with the realities of urban migration. Today the Government is endeavoring to rationally accommodate rapid urbanization while stressing rural development. Until programs to provide rural employment become sufficiently large and productive to absorb new labor force entrants, urban migration will continue unabated.

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<sup>1</sup>AID Policy Paper on Population Assistance 1982:9.

AID/B has supported this analysis and in 1976 secured a Housing Guaranty loan for the development of a sites and services project in Gaborone. In December 1982, the Implementation Agreement for a 16 million dollar follow-on project, entitled Gaborone West Housing and Facilities, was signed and project activities will occur well into the plan period. The new Housing Guaranty loan will finance infrastructure, community facilities and will provide building material loans for some 3,000 new homes. As a stimulus for private enterprise initiatives, the project will provide supplemental loans at market rates to individuals holding plots who wish to expand their homes, and will provide financing for commercial facilities which will be rented to small entrepreneurs. The project will also supply capital and technical assistance to the Self-Help Housing Agency and technical assistance for a new housing division in the Ministry of Local Government and Lands. The project will have a favorable impact on women in that 31.3% of the applicants on the Self-Help Housing Agency's list are single females. Since neither collateral nor deposits are required for building material loans, this feature will help to eliminate any sexual bias in favor of men. Two of AID's priority areas, institutional development and the private sector, will be addressed in this project.

#### (4) Bench Marks

AID/B's selective project portfolio addresses AID's priority areas and complements and supports Botswana's National Development Plan V. AID/B's active and proposed projects during this period will make significant inroads to alleviate developmental constraints and to improve the overall standard and quality of life of Botswana in the 1980s. Specific bench marks are established which will enable evaluators to measure the qualitative and quantitative achievements of AID/B's projects against the current baseline data that is presented in this

document. The following are milestones which will be realized during the 1980s: (1) Assist the GOB in increasing the percentage of qualified primary teachers from 62% in 1980 to 70% by 1988; (2) Assist the GOB in reducing the percentage of expatriates in the formal sector workforce from 5.6% in 1980 to 4% in 1988; (3) Assist the GOB in expanding secondary school placements from 19,670 students in 1981 to 28,000 students by 1988; (4) Assist the GOB in increasing arable agricultural production by 5% annually in real terms by 1988; (5) Assist the GOB in decreasing the percentage of unemployed persons actively seeking work from 7% in 1981 to 5% in 1988; (6) Assist the GOB in increasing available credit to small scale farmers and entrepreneurs; (7) Assist the GOB in introducing improved range and livestock practices; and (8) Assist the GOB in increasing annual cattle offtake from less than 10% in 1981 to 12% of the national herd by 1988.

In summary, AID/B's projects will make a discernible contribution to increasing the number of trained personnel and providing employment opportunities for Batswana during the remainder of this decade.

#### PART IV THE ANALYSIS, STRATEGY AND AGENCY PRIORITIES

For the majority of Batswana households, involvement in more than one sector of the economy is the mechanism used to alleviate their poverty. Arable agriculture has inherent limitations based on ecology, regional economics, access to resources and labor. Long-term prospects for world beef trade are considered good. Livestock ownership however, is severely skewed; it operates within a finite and fragile ecosystem; and offtake is relatively low. Wage employment is critical to allow the majority of the population to maintain economic leverage. The internal job market however, is being outpaced by the growing population. Capital intensive mining precludes accelerated employment

generation commensurate with value of total fixed investment and capital formation to the economy. Finally, there is a dearth of educated personnel to satisfy the increasing demand for technical and managerial skills.

AID/B's agricultural and rural development program will strengthen institutions through continued training programs. The agricultural extension cadre, cooperatives, the Rural Industrial Officers and village level institutions will receive particular attention. Research and technology transfer will occur through farming systems research and through the development of livestock improvements. Research on the productive capacity of local grazing areas will be considered. Activities to strengthen the private sector include improving livestock marketing methods, the support of rural entrepreneurs, the support for a labor intensive road to stimulate local productivity, the provision of infrastructure to major villages, a loan to the National Development Bank to encourage agricultural and private sector initiatives and in-service technical, business and managerial training. In addition, AID/B intends to continue using AID's Trade and Development Program for private sector activities, particularly investment opportunities in the mining sector. Policy dialogues with the GOB will relate to range management, population issues, employment creation and opportunities for increasing value-added to mineral and livestock exports. AID/B education and workforce training program will strengthen institutions through primary and possibly secondary teacher training, support to vocational training centers and advanced training for public and private sector participants.

#### PART V BOTSWANA'S PROSPECTS FOR DEVELOPMENT AND GROWTH

There are four major macro-economic policies which relate to Botswana's development and growth potential and which should be addressed by the GOB during the

1980s: (1) Salary and wage increases require monitoring to ensure that real increases in labor productivity occur. (2) The Pula needs to be periodically reviewed in relation to currencies of Botswana's major trading partners to ensure that it does not become overvalued. (3) Opportunities must be explored to increase value-added to exports, especially minerals and livestock. (4) Mineral revenues should continue to be invested in social and physical infrastructure.

Based on an extremely conservative forecast, the probability is high for modest real annual growth through 1989 as Botswana's economy stabilizes and matures. The continuation of prudent fiscal management and conservative monetary policies in combination with reasonable excavation of diversified mineral resources should enable Botswana to maintain a favorable overall balance of payments and generate sufficient revenues to finance discernible social and economic growth through the 1980s. Botswana should experience buoyant economic growth during this decade.

In the short-term (1983 to 1985), inflation should abate to 10%, copper/nickel production should remain constant with prices increasing by 8%; diamond production should vary between 8 to 9 million carats with annual sales of approximately 6 to 8 million carats at prices increasing at 10% per year; beef exports should grow at 3% per year with revenues increasing by 11% annually; and the value of arable agricultural production should equal the annual rate of inflation. During this period, GDP should grow at 2% to 3% in real terms, overall balance of payments should be positive and foreign reserves should be equivalent to 5 to 7 months of imports. Government revenues should continue to generate a surplus with recurrent expenditures increasing at about 16% per year, a decrease from previous years. Increasing emphasis should be placed on

assisting small entrepreneurs through the FAP, increasing capital investment for rural social services and initiating secondary school expansion.

From 1985 to 1989, inflation is estimated to be 7% per annum and mineral production should stabilize at 9.5 million carats and 47,000 MT of copper/nickel matte. Mineral price increase should equal the inflation rate of 7%, with the exception of diamonds which should increase at an annual rate of 10%, or 3% in real terms. By mid-1980, world diamond production will be approximately 80 million carats compared to estimated world demand of 100 million carats. Revenues from livestock should rise by 8% per year and exports should continue to grow at 3% per year as a result of an expected increase in offtake and sales of beef to new markets. Botswana's construction, commercial, manufacturing and service sectors should experience the greatest growth and gain an increasing share of GDP. Two important factors should contribute to rapid growth in these sectors: (1) infrastructure development for coal deposits; and (2) greater economic activity between the countries in the Southern African Development Co-ordination Conference. Presently only about 9% of Botswana imports and a similar percentage of its exports make up Botswana's trade with SADCC countries. During this period, GDP should increase at 4% to 5% per annum in real terms, foreign exchange reserves should drop significantly in response to increasing imports of goods and services for developing coal deposits and GOB's recurrent revenues should increase considerably, reflecting a sizeable increase in receipts from the Southern Africa Customs Union. By the late 1980s, agriculture should start realizing real growth at about 5% per annum, as a result of improved technology and agricultural programs started in the early 1980s.

The 1980s will be the decade of expanding secondary education facilities to accommodate the growing number of qualified students. Concurrently, the GOB

should increase employment creation programs to absorb primary school leavers who will be entering the workforce. Excavation of coal deposits will employ about 4,000 persons in the mines and an additional 6,000 persons for supporting jobs.

#### PART VI RESOURCE REQUIREMENTS

AID/B has designed its 1985 to 1989 program on the proposed planning level of \$15 million per annum. This level of funding will enhance economic development, will enable AID/B to maintain its influence with Government in terms of development policy issues and will assist in promoting political stability in one of the most turbulent regions on the African continent. Moreover, the GOB can effectively absorb an additional \$5 million per year and has demonstrated the capacity to adequately cover recurrent expenditures for development activities. AID/B's staff can efficiently manage this proposed increase of funds.

Fifteen million dollars per annum represent a \$5 million per annum increase over the existing approved assistance planning level. While recognizing AID's overall budgetary perimeters, AID/B nevertheless, considers Botswana to be a country with high potential returns on investments. Botswana is organized on the principles of democracy, a free market economy, a pro-U.S. stance and is gradually becoming one of the development "success stories". The additional \$5 million per annum will support a National Development Bank loan in FY 84 or FY 85 and is directly related to the Administration's directives to engage in private sector activities, to strengthen indigenous institutions and to improve economic policies.<sup>1</sup> The project has a high probability of success and will complement and support AID/B long-term investments in agriculture and rural

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<sup>1</sup>Policy Regarding Credit Programs, State 252939.

enterprise.

AID/B intends to gradually introduce loan assistance and, as indicated in the FY 84 Annual Budget Submission, will postpone initiating reimbursable technical assistance at least through the near term. The projected economic conditions of Botswana are such that the debt servicing suggested by a program of grant and loans will be entirely manageable by the GOB.

A sizeable reduction in the AID/B project portfolio has been designed into the program. From the 1982 level of 21 active projects, the portfolio will be reduced to eight high impact projects by October 1, 1986, with most of the reduction occurring prior to that date.

AID/B will reduce its currently approved workforce level by one full-time direct hire officer by eliminating the Assistant Program Officer position in December 1983. AID/B will operate efficiently and effectively at a personnel level of 11 full-time direct hire and one part-time direct hire, given the continued assistance of the Foreign Service National staff and the availability of regional personnel. The direct hire staffing pattern is proposed as follows: Mission Director, Deputy Mission Director, Program Officer, Project Manager, Agricultural Development Officer, Human Resources Development Officer, General Engineering Officer, Project Development Officer (regional responsibilities), Controller, Executive Officer, Executive Assistant and Administrative Aide (part-time).