

Appendix 1. Government Budget Projections 1979/90-1984/85

(Millions of Pula in 1979/80 prices)

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
Customs Revenue	79,0	87,9	85,4	90,7	99,3	98,0
Mineral Revenue	64,7	66,1	58,7	66,1	98,3	136,8
Other Revenue and Grants	75,5	78,5	80,5	84,5	87,4	90,4
<b>Total Revenue</b>	<b>219,2<sup>a</sup></b>	<b>232,5<sup>b</sup></b>	<b>224,6<sup>c</sup></b>	<b>241,3</b>	<b>285,0</b>	<b>325,2</b>
Recurrent Expenditures	120,6	136,4	146,8	169,8	177,3	201,4
Development Expenditures	76,2	83,3	93,3	90,2	93,9	92,8
Net Lending to Parastatals and Jwaneng Equity	17,2	36,3	25,0	24,8	35,5	28,1
<b>Total Expenditures and Net Lending</b>	<b>214,0<sup>d</sup></b>	<b>256,0<sup>e</sup></b>	<b>265,1<sup>f</sup></b>	<b>284,8</b>	<b>306,7</b>	<b>322,3</b>
Budget Surpluses (+) or Deficit (-)	+5,2 <sup>g</sup>	-23,5 <sup>h</sup>	-40,5 <sup>i</sup>	-43,5	-21,7	+2,9

Source: Ministry of Finance and Development Planning ; NDP V, Table 2.17, p. 54.

## Actual Revenues and expenditures (P millions)

- a. 249.1
- b. 297.5
- c. 310.4
- d. 228.0
- e. 326.5
- f. 376.0
- g. +33.1
- h. -12.0
- i. -45.7

Appendix 2. The Development Budget 1979/80-1984/85 (P '000)

MINISTRY	CATEGORY 'A' PROJECTS								CATEGORY 'B' PROJECTS	
	1979 80	1980 81	1981 82	1982 83	1983 81	1984 85	Total	%	Total	%
Office of the President	1 865	5 007	5 196	1 171	1 271	587	18 100	2.8	3 914	7.1
Finance and Development Planning (2)	2 156	3 781	196	303	280	9 200	1.4	—	—	
Home Affairs	960	2 120	2 870	2 540	1 832	1 520	11 842	1.8	1 320	2.1
Agriculture	7 065	17 380	30 099	12 636	7 892	8 172	83 244	12.8	3 072	5.6
Education	8 545	11 391	12 639	9 890	5 929	3 256	51 650	8.0	5 605	10.1
Commerce and Industry	5 405	4 326	2 741	2 258	2 227	2 375	19 332	3.0	390	0.7
Local Government and Lands	13 738	23 358	28 399	27 613	18 835	15 915	127 888	19.7	18 300	33.1
Works and Communications	27 181	41 546	50 836	42 670	27 687	23 108	213 031	32.8	20 413	36.9
Mineral Resources and Water Affairs	4 177	5 958	8 425	5 698	4 171	4 767	33 196	5.1	778	1.1
Health	1 971	4 577	4 278	3 313	2 532	2 126	18 827	2.9	1 512	2.7
Drought Relief Projects	4 556	2 113	—	—	—	—	6 699	1.0	—	—
Botswana Defence Force	15 090	9 000	8 000	8 000	8 000	8 000	56 000	8.6	—	—
<b>TOTAL</b>	<b>92 622</b>	<b>130 587</b>	<b>155 667</b>	<b>119 318</b>	<b>80 679</b>	<b>70 106</b>	<b>649 009</b>	<b>100.0</b>	<b>55 301</b>	<b>100.0</b>
Category 'B' Projects (all Ministries)	—	—	—	100	25 550	29 654	55 304			
<b>GRAND TOTAL</b>	<b>92 622</b>	<b>130 587</b>	<b>155 667</b>	<b>119 418</b>	<b>106 229</b>	<b>99 760</b>	<b>701 313</b>			
Projected Actual Expenditure	76 200	83 300	93 300	90 200	93 900	92 800	529 700			
"Overplanning factor" (3)	22%	57%	67%	32%	13%	7%	33%			

Notes: (1) See details in Part II of this Plan; projected actual expenditure is from Table 2.17.

(2) Jwaneng equity provision is excluded.

(3) "Overplanning factor" is the percentage by which total projects (A + B) exceed projected actual expenditure.

(4) Category 'B' projects are 25% rural, 40% urban and 35% unspecified (compare Table 3.5).

Source: NDP V, Table 3.3, p. 76.

Appendix 3. Summary of Development Fund Revenue 1974/75 to 1981/82

Description	ACTUAL REVENUE						Revised Estimate 1980/81	Estimate 1981/82
	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80		
External Grants	P	P	P	P	P	P	P	P
External Loans	6 618 772	10 301 677	15 023 964	15 457 643	25 717 428	31 594 649	27 022 807	30 496 350
Local Currency Grants (Internal)	13 307 091	12 679 896	12 012 687	8 416 468	17 377 287	18 077 566	28 470 908	32 074 352
Local Currency Grants (External)	183 820	70 197	271 295	287 830	118 585	85 396	215 811	81 938
Local Currency Loans (Internal)	5 893	2 209	71 749	—	—	—	—	—
Domestic Development Fund	628 943	1 725 000	550 210	—	—	—	—	—
Bond Issue	12 021 055	12 479 193	7 488 461	11 822 187	31 090 835	31 701 843	62 996 360	20 639 296
Other Local Funds	38 529	—	—	—	864 821	52 680	—	—
Finance to be Negotiated	—	—	—	—	—	—	—	—
<b>TOTAL P</b>	<b>32 784 103</b>	<b>37 258 172</b>	<b>35 518 366</b>	<b>38 984 128</b>	<b>75 168 956</b>	<b>81 512 134</b>	<b>138 477 209</b>	<b>162 033 093</b>

Source: Government of Botswana, Financial Statements, Tables and Estimates of Consolidated and Development Fund Revenues, 1981/82. Table IV, p. 6.

Appendix 3a. Details of Estimated Revenue  
for the Development Fund 1981/82

Sub-Head	Head Item	Title	Estimate 1981/82	
			P	P
<b>33</b>		<b>FOREIGN SOURCES</b>		
	<b>101</b>	<b>Grants (Bilateral)</b>		<b>25 173 622</b>
		01 Canadian International Development Agency (CIDA)	550 000	
		02 Danish International Development Agency (DANIDA)	419 800	
		03 Kreditanstalt Fur Wiederaufbau (KFW)	8 059 427	
		04 Norwegian Agency for International Development (NORAD)	3 264 000	
		05 Swedish Agency for International Development (SIDA)	5 646 395	
		06 United States Agency for International Development (USAID)	4 090 000	
		07 German Corporation for Technical Co-operation (GTZ)	850 000	
		08 USAID Programme Grant	310 000	
		09 United Kingdom Government Aid	1 934 000	
		10 Netherland Government Aid	50 000	
	<b>102</b>	<b>Grants (Multilateral)</b>		<b>4 779 398</b>
		01 International Planned Parenthood Federation (IPPF)	—	
		02 United Nations Children's Fund (UNICEF)	—	
		03 United Nations Capital Development Fund (UNCDF)	—	
		04 European Development Fund (EDF)	277 000	
		05 United Nations Fund for Population Activities (UNFPA)	4 203 398	
		06 United Nations High Commission for Refugees (UNHCR)	299 000	
	<b>103</b>	<b>Grants (Miscellaneous)</b>		<b>543 330</b>
		01 McConnell Foundation	—	
		02 Unitarian Services Committee of Canada (USC)	—	
		03 Friedrich Ebert Foundation	—	
		04 World Food Programme	—	
		05 Interkerkelijke Co-ordinatie Commissie voor Ontwikkelingshulp (ICCO)	—	
		06 Freedom from Hunger Campaign	—	
		07 International Development Research Centre (IDRC)	—	
		08 African Wildlife Leadership Foundation (AWLF)	—	
		09 Southern African Nature Foundation (SANF)	—	
		10 United Congregational Churches of Southern Africa (UCCSA)	—	
		11 British Council of Churches (BC of C)	—	
		12 Canadian University Services Overseas (CUSO)	—	
		13 Rockefeller Foundation	—	
		14 Nederlandse Organisatie voor Internationale Ontwikkelingssamenwerking (NOVIB)	—	
		15 Oppenheimer	—	
		16 World Health Organisation (WHO)	—	
		17 NORAD/SIDA/DAMIDA	—	
			543 330	
	<b>104</b>	<b>Loans (Bilateral)</b>		<b>2 540 000</b>
		01 Second Danish State Loan (2nd DSL)	—	
		02 United States Agency for International Development (USAID)	250 000	
		03 Kreditanstalt Fur Wiederaufbau (KFW)	290 000	
		04 Kuwait Fund for Arab Economic Development	—	
			2 000 000	
	<b>105</b>	<b>Loans (Multilateral)</b>		<b>21 134 352</b>
		01 African Development Bank (ADB)	—	
		02 International Development Association (IDA)	1 500 000	
		03 African Development Fund (ADF)	—	
		04 International Bank for Reconstruction and Development (IBRD)	450 000	
		05 European Investment Bank (EIB)	8 244 253	
		06 European Development Fund (EDF)	460 000	
		07 Organisation of Petroleum Exporting Countries Special Fund (OPEC)	6 710 869	
		08 Arab Bank for Economic Development in Africa (BADEA)	769 230	
		09 Commonwealth Development Corporation (CDC)	1 500 000	
		10 Saudi Fund for Development	—	
			1 500 000	
	<b>106</b>	<b>Loans (Miscellaneous)</b>		<b>8 400 000</b>
		01 Oil Price Alleviation Fund (OPAF)	—	
		02 First National Bank of Boston (Eurodollar Loan)	400 000	
			8 000 000	

Continued on the following page.

Source: Government of Botswana, Financial Statements, Tables and Estimates of Consolidated and Development Fund Revenues, 1981/82, Table III, pp. 36-7.

Appendix 3a, cont'd. Details of Estimated Revenue for the Development Fund 1981/82

<b>107</b>	<b>LOCAL SOURCES</b>		
	Grants		
	01 Cattle Export Levy Fund		81 938
	02 De Beers Botswana Mining Company	—	
	03 Micheletti Bates Safaris	—	
	04 Mine Labour Organisation (MLO)	—	
	05 Botswana Christian Council (BCC)	—	
	06 Dairy Industry Special Fund (DISF)	—	
	07 Botswana University Campus Appeals (BUCA)	—	
		81 938	
<b>108</b>	<b>DOMESTIC RESOURCES</b>		
	01 Domestic Development Fund		20 639 296
	02 Bond Issue	20 639 296	
		—	
	Total Finance Negotiated		83 291 936
	Finance to be Negotiated		78 741 157
			<hr/>
	<b>TOTAL P</b>		<b>162 033 093</b>
			<hr/>

Appendix 4: Botswana: Medium and Long-Term External Debt Outstanding (a)

	As of 31st March each year (Pula million)								
	1974	1975	1976	1977	1978	1979	1980	1981	1982
<b>Loans from Governments</b>	42.3	55.5	77.5	79.2	54.1	25.8	26.7	31.0	41.0
United Kingdom	16.3	17.9	21.3	19.4	22.2	—	0.1	—	—
Canada	18.7	23.3	30.8	29.5	—	—	—	—	—
United States	5.6	8.2	14.2	18.3	17.8	18.8	19.9	20.7	20.0
Sweden	1.2	3.3	4.7	5.1	4.7	—	—	—	—
Denmark	0.5	1.0	1.8	2.2	2.2	2.5	2.2	4.0	4.0
Arab states	—	1.8	4.7	4.7	4.5	4.5	4.5	6.3	12.0
Germany	—	—	—	—	2.7	—	—	—	5.0
<b>Loans from Organisations</b>	26.0	30.8	41.2	43.3	49.4	53.4	59.4	80.2	110.9
International Development Association	5.7	7.0	10.6	11.8	12.2	12.9	12.4	14.0	13.5
International Bank for Reconstruction and Development	20.1	23.4	29.8	30.3	35.4	36.2	39.2	47.0	60.0
United Nations Development Programme	0.2	0.4	0.5	0.5	0.4	0.4	0.4	0.4	0.3
African Development Fund	—	—	0.3	0.7	1.4	3.7	6.7	7.5	20.0
OPEC Special Fund	—	—	—	—	—	0.2	0.7	1.0	3.3
Commercial Bankers	—	—	—	—	—	—	—	10.0	10.0
Commonwealth Dev. Corporation	—	—	—	—	—	—	—	—	3.5
European Investment Bank	—	—	—	—	—	—	—	0.3	0.3
<b>Botswana Government Registered Bonds</b>	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
<b>Suppliers Credits and Other Loans</b>	0.3	0.2	0.5	0.6	0.4	0.2	0.1	—	—
<b>TOTAL P</b>	<b>70.5</b>	<b>88.4</b>	<b>121.1</b>	<b>125.0</b>	<b>105.8</b>	<b>81.3</b>	<b>88.1</b>	<b>113.1</b>	<b>153.8</b>

NOTES: (a) Pula estimates are derived by converting debt outstanding in foreign exchange terms at the approximate rate of exchange operating as at March each year.  
(b) 1974/80 actual figures. 1981/82 estimated figures.

Source: Government of Botswana, Financial Statements, Tables and Estimates of Consolidated and Development Fund Revenues, 1981/82. Table VII, p. 12.

Appendix 5

RESIDENTIAL PLOTS REQUIRED  
BY 1985 IN FOUR TOWNS

	<u>Population 1985</u>	<u>Plots Required at 4.5 People/Household</u>	<u>Available Plots 1978</u>	<u>New Plots Required by 1985</u>	<u>Annual Average (6 years)</u>
Gaborone	94,000	20,800	9,104	11,696	1,949
Francistown	43,300	9,600	5,501	4,099	683
Selebi-Pikwe	39,700	8,800	5,180	3,620	603
Lobatse	26,500	5,800	3,600	2,200	367
<b>Total</b>	<u>203,500</u>	<u>45,000</u>	<u>23,385</u>	<u>21,615</u>	<u>3,602</u>

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Source: DeVoy Collaborative for the USAID Office of Housing, Botswana Shelter Sector Assessment, 1979; p. 50 (Table 5. (From Draft of the Local Government and Land Development chapter prepared for, but not included in, the National Development Plan (NDP V), April 1979.

Appendix 6. Per Plot Economic Levy Charges for Sites  
and Services Areas (September 1980)

<u>Item</u>	<u>Gaborone</u>	<u>Francistown</u>	<u>Lobatse</u>	<u>Selebi-Phikwe</u>
SHHA Costs	7.13	4.39	5.75	5.12
Refuse Collection	.36	1.84	1.30	.68
Road Maintenance	.49	.33	.51	.42
Sanitation Pumper <sup>a</sup>	.19	--	--	--
Infrastructure	.85	.27	.15	--
Water (in-site)	1.33	.85	.77	.92
Default @ 5% (Lighting) <sup>a</sup>	.49 (.15-1.37)	.37 (.60)	.42 --	.35 --
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
PER PLOT MONTHLY COST TO COUNCILS	10.84	8.05	8.90	7.49
Less Development Grant <sup>b</sup>	- 5.46	-2.49	-2.93	-3.06
Plus Shortfall	--			+1.46
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
CURRENT ECONOMIC LEVY	5.38	5.56	5.97	5.89
Sanitation Units (when Urban II grace period expires)		1.46		1.46
Deferred <sup>a</sup>		1.70		1.00
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
MINIMUM LEVY BY 1982	5.38	8.72	5.97	8.35

a. When street lighting and sanitation pumper services are operational (late 1981), additional charges will be required to cover their costs, about P.56 and P.24 per month, respectively. Another P.20 is component to cover additional default allowance.

b. GOB gives the Town Councils P 90 per plot allocated in sites and services projects to cover SHHA costs.

## APPENDIX 7. POPULATION OF PRIMARY AND SECONDARY CENTERS, 1978

	<u>Population</u>			Population per Formal Sector Job 1979 <sup>c</sup> (Nat'l Av.: 10.5)	<u>PLAN STATUS</u>
	<u>1978</u>	<u>Projection</u> #	<u>Year</u>		
<u>PRIMARY CENTERS</u>					
<u>Towns</u>					
Francistown	30,000	49,900	1986	5.2	1
Selebi-Phikwe	25,100	41,800	1986	3.5	1
Gaborone	42,500	100,000	1986	3.0	1
Lobatse	18,300	27,000	1986	4.3	1
Subtotal	115,900	218,700			
% of Botswana Total <sup>a</sup>	15.2				
<u>Major Villages</u>					
				<u>District Average</u>	
Maun	15,000	18,300	1986	22	1 <sup>f</sup>
Serowe	24,600	32,600	1986	21	1*
Mahalapye	17,000	30,000	1986	21	1 <sup>g</sup>
Mochudi (Kgatleng)	18,000	26,000	1986	31	2
Molepolole	17,000	30,000	1986	43	3
Kanye	19,500	34,000	1986	20	3
Subtotal	111,100	179,000			
% of Botswana Total	14.6				
All Primary Centers	227,000				
% of Botswana Total	29.8				
<u>SECONDARY CENTERS</u>					
<u>Towns</u>					
Jwaneng <sup>b</sup>		9,150	1987		1
(Orapa) <sup>c</sup>	4,000				
Kasane <sup>d</sup> /Kazungula	2,600	3,000	1982		3
Ghanzi <sup>d</sup>	1,700	1,800	1982		2
Subtotal	8,300				
% of Botswana Total	1.0				
<u>Villages</u>					
Gomare	1,000				1
Tonota	8,000	10,000	1982		1
Bobonong	2,800	4,000	1986		1*
Palapye	11,000	26,000	1986		1*/3
Ramotswa	8,800	9,300	1982		1
Thamaga	7,000	9,500	1983		1
Moshupa	4,700	6,000	1982		1
Hukuntsi	2,000	2,350	1982		1
Tsabong	1,650	2,000	1982		2
Subtotal	41,900				
% of Botswana Total	6.2				
All Secondary Centers <sup>g</sup>	55,300				
% of Botswana Total	7.2				

Sources: Department of Town and Regional Planning, Ministry of Local Government and Lands, Draft Primary Centers of Botswana and Draft Secondary Centers of Botswana, Updated but still not final as of May 1981.

1 Finished and approved or awaiting approval

1\* Finished and revision needed

2 In process or under revision

3 Scheduled to begin 1981-82

a De facto population of Botswana in 1978 was: Urban : 120,000 - 16%  
Rural : 643,000 - 94%  
Total 763,000 -100%

b Jwaneng is the new diamond mining township. It did not exist in 1978.

c Orapa is a "closed" diamond mining town which would be included in the secondary centers program if the Government succeeds in altering its status to that of an open township like the others.

d Kasane and Ghanzi are technically townships, but without Town Councils.

e Population per formal sector job is based on town data for the towns and District data for the villages. While not strictly comparable, the ratios do reflect the sort of perception that potential migrants have of the relative opportunity as between town and village.

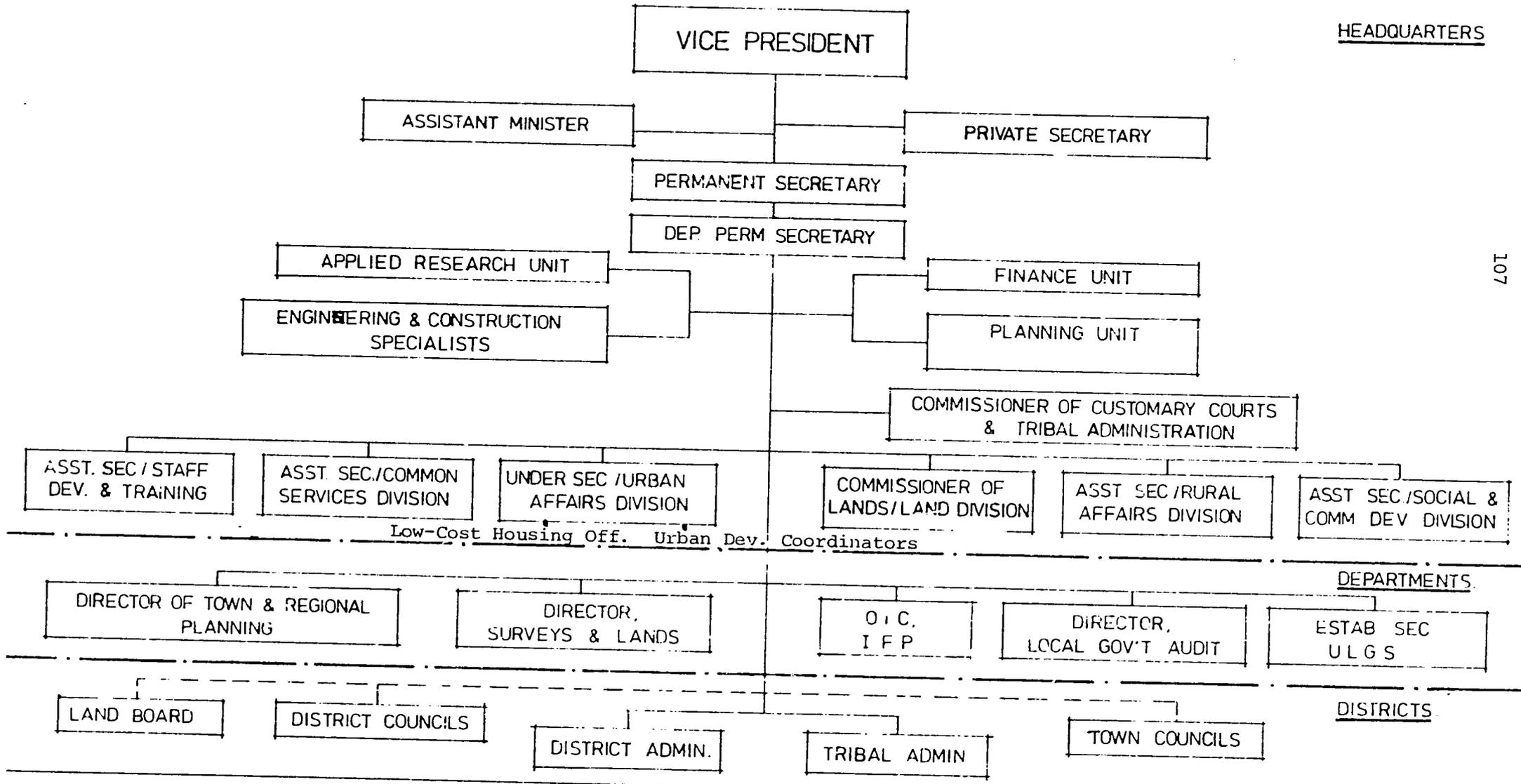
f Maun's village authorities have charge of preparing their own plan. All the others have been done in the DTRP, Gaborone.

g Two additional villages which appear on another DTRP list as "secondary centers" are scheduled for planning to be started in mid-1981. These are Tutume and Letlhakane in the Chabe District.

# ORGANISATION CHART - MLGL

## FUNCTIONAL STRUCTURE

HEADQUARTERS



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APPENDIX 9. BHC WAITING LISTS AS OF THE  
END OF MARCH 1981

	<u>Gaborone</u>		<u>Francistown</u>		<u>Selebi-Phikwe</u>		<u>Lobatse</u>		Total	Total as of March 1979
	#	Date of last person housed	#	Date of last person housed	#	Date of last person housed	#	Date of last person housed		
<u>Low Cost</u>										
Government	2,483	11/75	83	4/80	35	1/77	215	2/79	2,816	8,013
Private	4,220	9/72	282	6/78	368	11/77	327	5/78	5,197	
<u>Medium Cost</u>										
Flats, Govt. & Private	134	3/78	6	11/80			28 <sup>a</sup>	5/78 )		
Houses Govt.	369	7/78 )					47 <sup>b</sup>	1/80 )	1,347	870
Private	723	2/78 )						)		
		)	26 <sup>a</sup>	9/80	33 <sup>a</sup>	7/78		)		
<u>High Cost</u>		)	8 <sup>b</sup>	3/81	14 <sup>b</sup>	2/81 <sup>c</sup>		)		
Flats, Govt. & Private	94	4/80 )				6/80 <sup>d</sup>		)		
Houses Govt. & Private	270	8/79					5 <sup>a</sup>	4/79 )	416	327
							6 <sup>b</sup>	8/80 )		

Source: Botswana Housing Corporation

- a. High and medium cost houses - private
- b. High and medium cost houses - government
- c. Pool
- d. General stock

APPENDIX 10. GABORONE WEST DESIGN

	1981				1982				1983				
Design Project Memo & Financial Approval	█												
Appoint Consultant Trunk Sewer	█												
Appoint Consultant Phase I	█												
Design Advanced Industrial Area	█												
Design Trunk Sewer			█										
Design Phase I			█										
Construction Advanced Industrial Area				█									
Construction Trunk Sewer									█	█	█	█	█
Construct Gaborone West Phase I									█	█	█	█	█

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- NOTES ON TRUNK SEWERS:
- (1) Temporary connection from advanced industrial area to Southern Works. May 82 to December 82.
  - (2) Temporary connection into existing main in Segeditshane River to allow use of main trunk as from January, 1983.

Appendix 11. - PROPOSED INFRASTRUCTURE STANDARDS

	Approx. Annual Household Income Served	Plot Size M <sup>2</sup>	Road Standards Primary Double Seal Secondary Double Seal in all areas	Stormwater Drainage Standard	Sanitation	Water Supply	Power	Street Lighting
High Cost		1200-1200	Tertiary - Double Seal	Drainage for Sealed Surface Roads to be Full Standard All Other Areas to be Most Economically, Technically Acceptable Standard	Full Waterborne System	Domestic Connection	Domestic Connection	Fully Reticulated Along Main Pedestrian Routes Primary Roads and Business Districts
Medium Cost		600-1200	Tertiary - Double Seal					
Low Cost		400+	Tertiary - Engineered Earth					
Site & Service Type III	P1500-P4000	400+	Tertiary - Engineered Earth		Approved Low Cost System	No Standpipe in Excess of 200m from Plot	None	
Site & Service Typs II	P1000-P1800	400+	Tertiary - Destumped					
Site & Service Type I	P0 - P1200	400+	Tertiary - Unformed					

Upgrading Areas

Basic Standards - Special Consideration to be given to each individual case

Source: SAVINGRAM from Permanent Secretary, Ministry of Local Government and Lands, Standard Sub-Committee Report, 28 November 1980, Reference No: LG 4/1.

EXAMPLES OF COMMUNITY FACILITIES PROJECTS UNDER THE PURVIEW OF VARIOUS MINISTRIES THAT RELATE TO VILLAGE AND DEVELOPMENT AND JOB CREATION OBJECTIVES OF THE GOVERNMENT OF BOTSWANA, WITH ESTIMATED EXPENDITURES 1980/81 AND 1981/82, ESTIMATED COSTS, 1982-85 AND SOURCES OF FINANCING.

Project	Estimated expenditure (P)		Balance of the Estimated Cost (NDP) Required 1982-85; (P)	Source of Finance	Amount (P)
	1980/81	1981/82			
<u>Office of the President</u>					
Botswana Inst. of Adm. & Commerce (formerly Botswana Training Cen.	75,000	359,000	353,419	DDF IBRD	120,000 239,000 <u>359,000</u>
<u>CSO-Min. of Finance of Development Planning</u>					
Migration Study	169,000	168,000	36,600	USAID FTBN	149,000 19,000
Census	311,257	537,000	546,106	DDF UNFPA	238,000 299,000 <u>705,000</u>
Mahalapye New Prison Complex	100,000	439,000	2,083,000	DDF FTBN	138,950 300,000
Molepolole " "	"	"	"	"	"
<u>Ministry of Agriculture</u>					
Cooperative Devel.	--	200,000	2,333,000	FTBN	200,000
Northern Abattoir	50,000	950,000	21,629,000	FTBN	950,000
Botswana Coop. Union	250,000	100,000	253,000	FTBN	100,000
Cooperative Bank	199,000	100,000	200,000	FTBN	100,000
Rural Training Services	175,237	230,000	546,100	UK	230,000
Agric. Extension Small Projects Programme	45,877	71,000	704,388	DDF Netherl.	21,000 50,000
Rural Afforestation	30,084	126,000	709,800	USAID	126,000
<u>Ministry of Education</u>					
Inst. of Dev. Management	29,000	149,000	112,000	DDF IBRD	49,000 100,000
Brigades Training	1,155,000	975,000	3,558,620	DDF SIDA IBRD	300,000 75,000 600,000
Three Colleges	669,330	652,000	136,550	DDF SIDA FTBN	44,000 618,395 33,605
Secondary Sch. Self-Help	75,000	1,320,000	3,943,000	DDF IBRD	440,000 880,000
S-P " "	50,000	409,800	589,628	DANIDA	409,800
Matasha Comm. College	2,071,000	2,310,000	1,985,432	DDF SIDA IBRD	960,000 550,000 800,000
Bobonong Second. School	62,659	40,000	--	SIDA IBRD	28,000 22,000
Lobatse Teacher Training	374,794	51,000	--	UK	51,000
<u>Ministry of Commerce &amp; Industry</u>					
Rur. Ind. Officers Cadre	230,000	215,000	654,000	USAID	215,000
Industrial Building Leasing Scheme	366,000	400,000	326,431	EDF FTBN	209,000 191,000
BEDU (Tech & Mngmt Trng. Fin. Assist., Mktg. Asst., Pre-Inv. Operations & Eval. Studies, Spc'l Promotion Prog., Mngmt & Tech Transfer Prog., Bldg & Constr. (105,000), Vehicles & Equipment	543,000	936,000	6,414,000	SIDA	936,000

## APPENDIX 12. (Continued)

Project	Estimated Expenditure (P)		Balance of the Estimated Cost (NDP) Required 1982-85; (P)	Source of Finance	Amount (P)
	1980/81	1981/82			
<u>Min. of Works &amp; Communications</u>					
Serowe-Makalamabedi Rd.	--	--	1,649,000	USAID	290,000
				USAID (grant)	310,000
Botswana-Zambia Road	1,700,000	6,000,000	11,324,057	EDF	5,400,000
Francistown-Nata Rd.	10,000	900,000	109,330	NORAD/SIDA	
				DANIDA	543,330
				FTBN	356,670
Road Maint. Equip.	1,845,632	2,000,000	1,132,400	USAID	1,900,000
				DDF	100,000
Acq. Road Paving Data	39,857	23,000	--	IBRD	23,000
Secondary Rd Improv.	128,993	540,000	10,237,185	UK	70,000
				IBRD	50,000
				FTBN	420,000
Mahalapye-Serule Rd	3,804,070	762,334	--	IBRD	745,000
				FTBN	17,334
Tuli Block Roads	398,000	750,000	8,649,383	IBRD	126,253
				FTBN	623,747
Palapy-Serowe Road	200,000	1,000,000	4,667,000	KFW	1,000,000
Ramatlabama-Lobatse Rd.	4,250,000	1,894,000	500,000	EDF	1,120,869
				FTBN	773,131
Gaborone-Tlokweng Border Ct. Road	450,000	800,000	1,105,826	IBRD	600,000
				DDF	110,000
Gaborone Airport Impr.	509,000	110,000	489,075		
New Gaborone Airport	1,000	6,500,000	32,948,300	Kuwait	2,000,000
				BADEA	1,500,000
				SAUD FUND	1,500,000
				ADB	1,150,000
Francistown-Shashe Pipeline	1,470,000	1,700,000	330,000	IBRD	1,700,000
<u>Ministry of Mineral Res. and Water Affairs</u>					
Rural Power Supplies	476,000	200,000	185,000	SIDA	200,000
Airborne Magnetic Survey	71,000	300,000	246,324	DDF	100,000
				CIDA	200,000
Major Village & Rural Village Water Supplies	1,575,000	1,784,000	4,296,294	SIDA	1,069,000
				FTBN	715,000
Sand Rivers Project	31,000	40,000	70,498	SIDA	40,000
Small Village Water Supply	350,000	400,000	4,360,667	UK	400,000
Rehabil. " " " & Hlth Ctrs & Dent'l Health Centers	130,000	150,000	960,000	FTBN	150,000
Hospitals (Lobatse, Mahalapye, Serowe, Molepolole, Rakops, Tsabong)	2,218,455	3,295,000	2,963,505	NORAD	2,599,000
				DDF	671,000
				FTBN	25,000

Notes: ADB - African Development Bank  
BADEA - Arab Bank for Economic Development in Africa  
CIDA - Canadian International Development Agency  
DANIDA - Danish International Development Agency  
DDF - Domestic Development Fund  
EDF - European Development Fund  
FTBN - Financing to be Negotiated  
IBRD - International Bank for Reconstruction and Development (World Bank)  
KFW - Kreditanstalt Fur Wiederaufbau  
Kuwait - Kuwait  
NORAD - Norwegian Agency for Development  
SIDA - Swedish International Development Agency  
UK - United Kingdom  
USAID - United States Agency for International Development

Appendix 13  
1981-90 BHC Production Targets \*

Location	No. Units Low Cost	Unit Cost P	Total Investment Including Land and In-Site Infrastructure P million	No. Units Medium Cost	Unit Cost P	Total Investment Including Land and In-Site Infrastructure P million
Urban	6,880	7,500	51.6	2,935	18,000	52.83
Rural	3,000	7,500	22.5	1,000	18,000	18.0
Total	9,880		74.1	3,935		70.83

\* As per proposal of the Report of the Presidential Commission on Housing Policy in Botswana.

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BOTSWANA  
SHELTER SECTOR ASSESSMENT  
"UPDATE"

July 1981

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3

FOREWORD

SHELTER SECTOR ASSESSMENT REPORT

This study has been undertaken to update a 1979 assessment of Botswana's shelter situation made by DeVoy Collaborative in cooperation with representatives of the Government of Botswana. That report was financed by the U.S. Agency for International Development, Office of Housing, as is this present work. This is a supplement to the report of two years ago, concentrating on review of shelter developments in the intervening period and looking at future prospects in light of the recently-completed report of Botswana's President's Commission on Housing.

Botswana is at an important turning point in its shelter programming. The Report of the President's Commission represents major departures from approaches of the past -- in comprehensiveness of its policy outlook, in its strategic thrust and in the scale of its national program recommendations. Assuming the bulk of the Report's proposals are adopted by Government, their implementation over the forthcoming years will be a very large order indeed for the institutions and enterprises that play a role in Botswana's shelter sector.

Botswana's President had just sent the Commission Report to his Cabinet in early May 1981, shortly before the field work for this "update" study began. Product of a year's intensive work and numerous hearings throughout the country, the Commission Report presented far-reaching policy and program ideas touching on many critical aspects of the national shelter situation. Some of its recommendations are, by their nature, bound to generate serious debate. Because Cabinet deliberations on the Report had not yet been concluded during the visit of the field study team working on this Shelter Sector Assessment (SSA) "Update", the degree of Government commitment to various of the Report's proposals is not reported here, nor are any modifications that may have been made in the course of Cabinet discussions.

The SSA Update which follows is in two parts. Chapters II and III highlight aspects of the general country situation today -- economy, development policy, et al -- and developments in the shelter sector over the past two years. The latter are described with reference to the 1979 SSA recommendations and are intended as a sort of appendix to the earlier DeVoy report. Chapters IV and V turn then toward the Presidential Commission Report to review its contents and identify some key issues that bear on implementation.

Two major impediments to this study -- both inherent in its timing -- bear mention here. One has been that, owing to Cabinet discussions of the Commission Report and the fact that it had not yet been publicly released when the field study team were in Botswana, government officials with potentially significant information and points of view were constrained to discuss the Report contents.

The second has been, in general, paucity of reliable current data which are critical to analyses of the national shelter situation -- particularly data on household incomes and on rural shelter conditions. Absence of crucial data was a serious problem for the President's Commission in the course of its work as well.

To a large extent the coming year will produce some remedies: Botswana's decennial National Census is scheduled for August 1981; and the National Migration Study, a three years' effort involving collaboration of many scholars in research on rural-urban migration, income differentials and related matters, will be completed by Winter 1981-82 with presentation and publication of its major papers.

The products of these surveys, as they become available, must be incorporated into the shelter planning of the Government of Botswana as it proceeds to refine the program outlined in the President's Commission Report. It is absolutely essential to the implementation of a housing program based on the principle of affordability that there be a realistic understanding of current conditions and needs, and the resources people have available.

Field work on which this SSA "Update" is based was conducted by Rivkin Associates, Inc. Members of the study team were Goldie W. Rivkin and Ludwig Rudel.

## I. SUMMARY OF FINDINGS AND CONCLUSIONS

### A. Progress

Since Independence, Botswana has made considerable progress in ameliorating shelter conditions and in meeting shelter needs. Financial and technical assistance for this effort has come from a variety of international donors in addition to U.S. AID (e.g. IBRD, CIDA, U.K., EDF, SIDA, etc.). The activity has been extremely varied and includes:

#### 1. Urban-Focused Projects and Institutional Capacity

a. Upgrading. Squatter areas have been improved in Gaborone's Old Naledi (CIDA assistance) and in Francistown and Selebi-Phikwe (IBRD).

b. Sites and Services. Botswana's sites and services schemes have drawn world-wide attention, both for the scale and efficiency of production employed and for the unique form of secure tenure established for plot occupants (the Certificate of Rights, or COR). These have included the Broadhurst I, II, and III projects in Gaborone (assisted by AID, CIDA, EDF, and other donors), and the Woodhall I development in Lobatse (assisted by the U.K.).

c. Botswana Housing Corporation. The Botswana Housing Corporation has become, since Independence, an effective producer and manager of rental housing.

d. New Town Planning. In the interest of ensuring a stable community and avoiding the peripheral squatter settlements that plagued the mining development at Selebi-Phikwe, Government has placed a high priority on planning for Jwaneng, the diamond-mining township. The Ministry of Local Government and Lands (MLGL) has actively participated in planning of the township rather than leave it to the mining company. Affordable shelter for mine employees and the supporting community (i.e., self-help sites and services plans) is an important feature, among others, that will distinguish Jwaneng from the earlier, closed diamond mining town of Orapa.

The salient characteristic of most of these activities is their location in urban--or soon to be urban--areas. Botswana's past efforts in shelter planning and production have been directed toward the most pressing source of shelter need, the towns. It is in the towns where rapid growth has produced environmental as well as shelter issues, has made traditional unassisted self-built shelter impractical, and has required a careful organization of land uses in advance of need. Organizations responsible for shelter production and financing, the Botswana Building Society (BBS) as well as the Botswana Housing Corporation (BHC) have achieved their experience in the urban centers. This urban focus is important to recognize in light of the new policy thrust of the GOB (see below) towards rural shelter and economic development, where neither planning nor implementation experience yet exists.

## 2. Recent Institutional Development

There are several signs of improved institutional performance in planning and managing shelter sector activity.

- a. SHHAs are now established and operating in all four principal towns.
- b. The Ministry of Local Government and Lands has intensified its planning activity and now has expanded in-house staff.
- c. The procedures and capacities of the Surveys and Lands Department within MLGL have significantly improved.
- d. Urban Development Coordinators have now been assigned to coordinate central government/SHHA actions in project development.
- e. An Applied Research Unit has been created in the MLGL to serve the Ministry's needs for monitoring trends in shelter and relating shelter research to policy. The Unit is now concentrating on research into institutional arrangements for village level planning and administration and supervising the CHF-conducted Mahalapye village conditions study. This study, recently begun, is to be the pilot socioeconomic analysis for application to other villages in advance of project preparation.

## 3. Policy Formulation

Botswana has begun to move toward formulation of a national shelter policy. A special Presidential Commission on Housing Policy has recently completed a thoroughgoing review of many aspects of shelter. It has conducted a wide-ranging study and extensive consultations throughout the country. The Commission's scope of work and its proposals, cover urban and rural shelter, institutional changes, land tenure, finance -- indeed, the whole gamut of shelter-related issues. At this writing the recommendations of the Presidential Commission are before the Cabinet. The report has not been released yet for public discussion or information. However, in view of the nature and breadth of the Commission's charge, it could well contain some proposals that are controversial.

## 4. Base Data Collection

One of the most difficult aspects in formulating both shelter policy and programs is assembly of sufficiently accurate socioeconomic data on population growth and characteristics, rural and urban, including income statistics and other measures of affordability. Such data do not currently exist in Botswana. The Central Statistical Office has moved, however, to close this gap. A detailed nationwide census has been planned and will be conducted during this coming August. Preliminary results will be available after the beginning of the next calendar year. Results of the National Migration Study, product of three years' effort, will be published early in 1982 also. These data will afford both the GOB and international assistance agencies a solid base for the design of projects.

## B. Current Estimates of the Need for New Shelter

Botswana's need for new shelter in both urban and rural areas is substantial. Even though accurate base data will be unavailable until completion of the census, the Presidential Commission has prepared "best guess" estimates which project the following over the 1981-90 period:

### 1. Population Growth

	<u>Annual Rate of Increase (%)</u>
Overall national growth	3.6
Urban (including the four primary towns, Orapa and Jwaneng)	8.4
Primary Villages	5.7
Rest of Botswana	1.4

### 2. Household Formation (Dwelling Unit Need)

These figures translate into a national population increase of 352,000 during the 1981-90 period, or a net addition of 64,500 households, distributed as follows:

Urban	35,800
Primary Villages	15,200
Other Rural	13,500

These figures are for new households (dwelling units) only and do not represent any estimate of need for redevelopment or upgrading of existing shelter.

### 3. Financial Requirements

According to the Presidential Commission, required investment to meet these needs would be P 334 million, distributed as follows:

Urban	P 220.0
Primary Villages	P 73.5
Other Rural	P 40.5

Currently, approximately 3.7 percent of Botswana's GDP is devoted to shelter. The shelter investment requirement could be almost met by maintaining the same percentage over the period on the assumptions that the growth of GDP averages 6 percent per annum over the decade and that shelter subsidies (currently averaging 1.1 percent of GDP) are reduced to no more than 0.6 percent of GDP by 1990.

The Presidential Commission calls for a slightly lower production target (formal sector and self-help) than the above estimates: 59,000 dwelling units over the nine-year period at an investment of P 303.7 million.

## C. Policy Directions

In light of the pending status of the Presidential Commission's recommendations, certain aspects of Botswana's official shelter policy are unclear or ambiguous at the present time. Certain policy parameters have, however, been established and endorsed through the National Development Plan (NDP V) itself, and are reflected in the Commission document. These are as follows:

### 1. Economic and Spatial Development

The GOB wishes to moderate the growth rates of the major towns and to divert, to the extent possible, migration to the major villages. The NDP spatial policy is to create "development poles" at the major villages and to distribute investments accordingly. The shelter needs figures presented above reflect some success in these efforts and represent a lower demand level for urban areas than if present trends were permitted to continue.

### 2. Job Creation and Rural Development

The NDP strategy pairs two primary objectives: job creation and rural development, recognizing that

a. even under optimistic assumptions on agricultural production and income distribution, the agricultural sector will not be able to support more than 25 percent of Botswana's population by the year 2000. Even the 25 percent figure is high if rural incomes are to rise above the poverty level.

b. unless viable economic activities are created in rural areas and in villages, migration from rural areas will place increasing pressures on the towns for growth--beyond what the towns can reasonably support physically and economically without serious strains on facilities and resources.

### 3. Equitable Balance

The NDP commits the Government of Botswana to achieve a more equitable balance of development:

- as among economic sectors
- as among geographic areas (urban and rural)

This means a commitment to invest revenues earned largely through mining and other exports, in infrastructure, health and education facilities and job creation to support development in parts of the country that have not shared equitably in Botswana's economic growth.

### 4. Settlement Policy

Settlement policy was not discussed in detail in NDP V and is still in process of formulation. Nevertheless, the MLGL has interpreted national development directives as establishing a hierarchy of settlements, according to the following typology. (See Figures 1 & 2.)

a. Primary Centres. These include all settlements over 15,000 in population: the four towns plus the six major villages. Here the MLGL's principal objective is to raise the levels of infrastructure and services for settlements outside of Gaborone so that these settlements become attractive alternatives for modern sector investment and job creation.

b. Secondary Centres. These include the two mining towns (Jwaneng and Orapa) plus Ghanzi and Kasane (towns without town councils) plus nine secondary villages. They are to be developed as main links between the District Centres and Primary Centres for markets, commercial and social services, and subdistrict administrative functions. These communities have the potential to become future primary centre sites.

c. Tertiary Centres. These are smaller villages throughout the country which are to be developed as service centres to agricultural production areas.

The Department of Town and Regional Planning is in process of assembling data on all of the settlements within this hierarchy. Program goals for the department are to finalize District (regional land use) plans for the entire country and to complete structure plans for all primary and secondary centres by 1982.

Figure 1: **DRAFT**  
PRIMARY CENTRES  
OF  
BOTSWANA

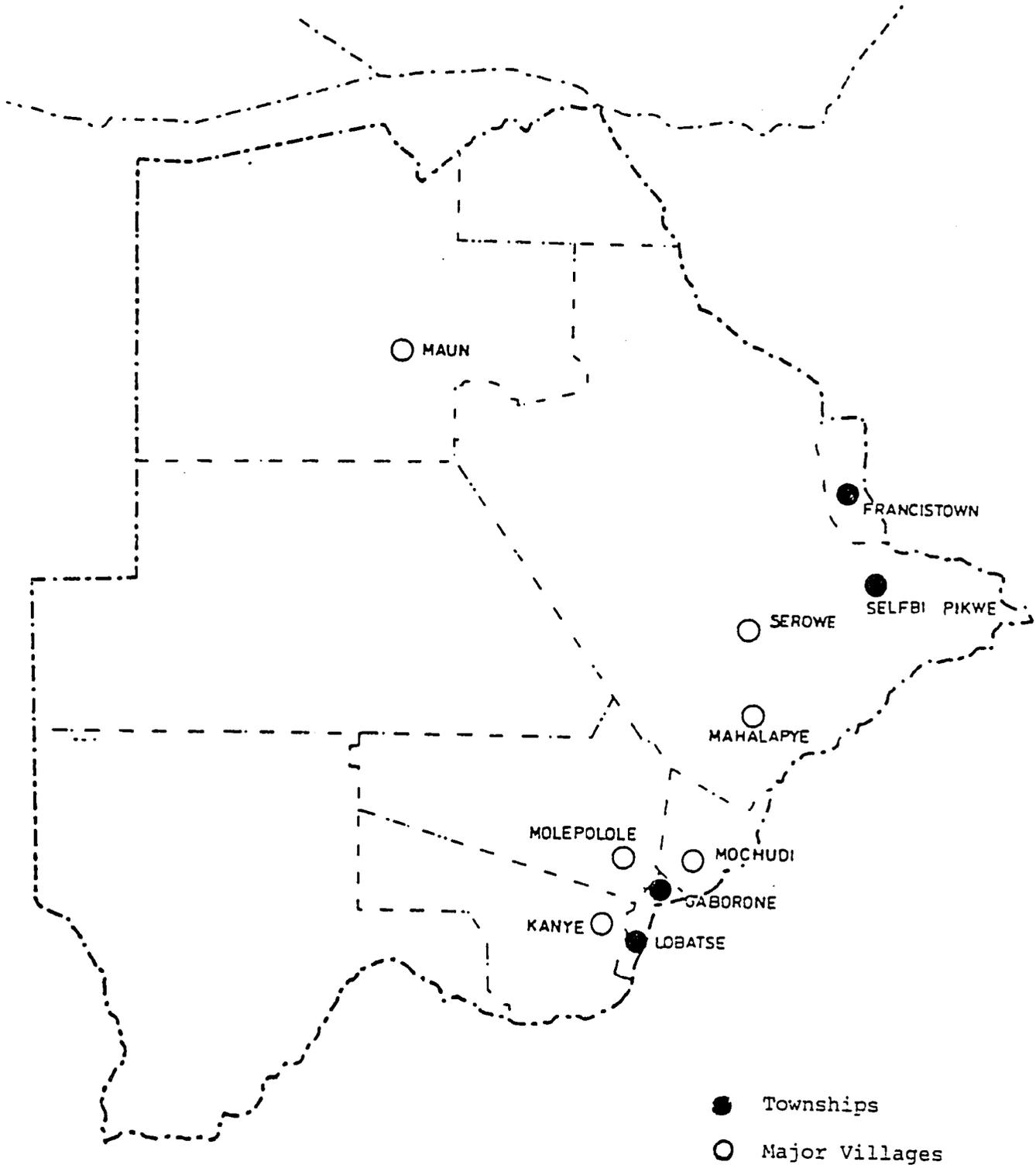
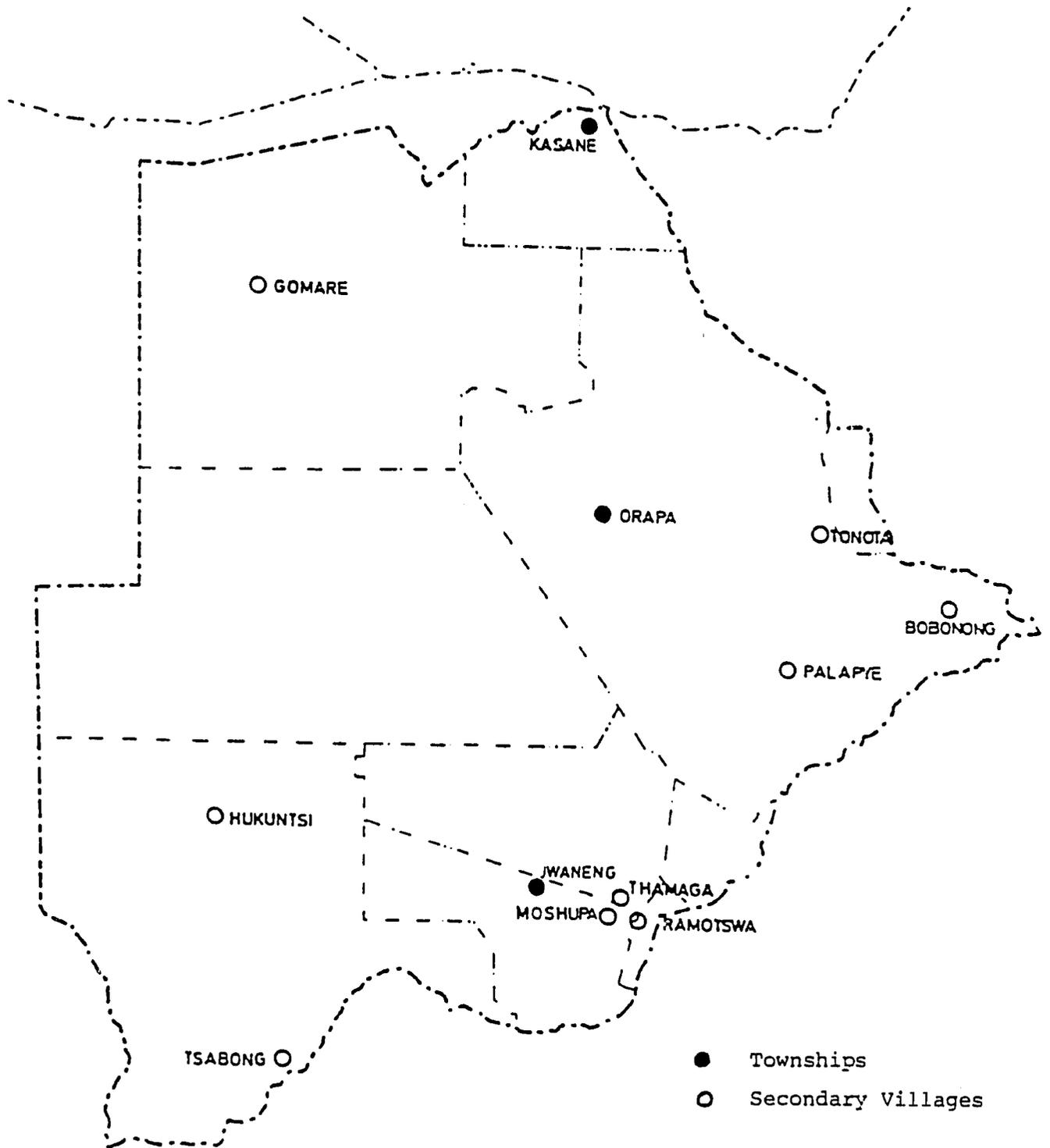


Figure 2: **DRAFT**  
SECONDARY CENTRES  
OF  
BOTSWANA.



## 5. Still Pending Proposals of the Presidential Commission

The Report of the Presidential Commission on Housing Policy in Botswana represents a major effort to move forward across a broad front in shelter planning. Its pages contain the crucial elements of a system under which the country can take charge of providing for its shelter needs.

a. A policy framework is set forth encompassing the full spectrum of Botswana's shelter needs -- for all income groups, both urban and rural. Emphasis is on production, especially for newly forming households. Specific investment and production targets over the next nine years are outlined as indicated above. Sixty-five percent are to be self-help units on serviced plots; 20 percent are slated for low cost and 10 percent medium cost BHC-built models. The remaining 5 percent are to be high cost units produced by the private economy.

b. To focus and coordinate shelter efforts, the Commission proposes that a new, high level governmental entity be created in the Ministry of Local Government and Lands (MLGL) with primary responsibility -- along with sufficient budget, data and trained manpower -- for planning and implementing the national housing program. The Report recommends also a more active role for the private sector in building and financing housing.

c. The principal institutional constraints to more effective use of financial resources available to the shelter sector are directly addressed by the Commission: current government policy of subsidizing rentals in pool housing, and present form of land tenure.

Both impede production of affordable, cost-recoverable shelter and widespread home ownership. The rental subsidies channel government resources to help middle to upper income families live in housing of a standard they could not otherwise afford. This discourages them from buying their homes. Customary land tenure in rural areas and the certificate of rights tenure granted to urban families in the self-help housing agencies' (SHHAs) projects block access of median and lower income households to conventional mortgage credit. The Commission Report calls for significant reforms in both cases:

Elimination of shelter rental subsidies in the urban areas and reduction to 50 percent in the rural areas by 1990, with all remaining subsidies redirected to production for lower income households, and

Making freehold tenure available to all citizens in both rural and urban areas for residential purposes.

d. Rural needs. In accord with the main thrust of the national development plan, the Commission recognizes that more income-

earning opportunities in rural Botswana are the key to improving living conditions for the majority of Botswana. In the interest of stemming the tide of rural-urban migration, creation of jobs and stimulation of small enterprise in the rural areas are given a high priority for Governmental action. A self-help housing program along the lines of Botswana's successful urban schemes, but modified for rural application, is yet another of the Presidential Commission's answers for achieving more equitable balance of investment between urban and rural communities.

They envision a program for the six major villages to provide by 1990: 4,000 contractor-built BHC units; 8,000 SHHA plots and 3,200 units to be produced in the traditional manner or by the private sector.

e. Shelter finance recommendations include: Creation of a new Central Housing Bank to manage a pool of funds for various shelter and related investments. The finance pool would be made up of domestic funds from public and private sources and endowments (grants and loans) from external donors. The latter would be sought only if internal funds and donor grants are insufficient to maintain continuity of production. Preferred forms of external donor aid would be those which apply to classes of projects or to overall programs comprised of smaller scale projects distributed in a number of decentralized locations. The Commission wants to discontinue past practices of external donor financial assistance directed towards specific, single projects.

Consumer shelter finance reforms. The National Development Bank should have a new housing division to handle rural area mortgage loan programs. The Botswana Building Society should expand its mortgage lending services in urban areas (BBS now serves only 3 per cent of urban households because of tenure and income qualifications).

Stimulation of the market for home mortgage loans in the urban areas by reduction of rental subsidies, increase of the maximum guaranteed loan limit from P 15,000 to P 25,000, by reducing standards on units that BBS will accept for financing and hypothecation of plots for which occupants have Certificates of Rights (CORs).

Establishment of a network of financial intermediaries for mobilizing private sector funds for shelter investment and a program for utilizing these financial resources. A secondary mortgage market and partial government support for notes and mortgages from parastatal organizations such as the BHC are suggested.

f. Accelerated local production of building materials and assembled components for shelter construction are also advocated by the Commission. They recommend that SHHAs move to a voucher system

for building materials loans, thereby encouraging private or cooperative enterprises to handle materials purchase and distribution.

The shelter situation today is one of fragmented programs, each directed toward its own specific client group. Some of these programs have been very effective, for example, the self-help housing schemes in the towns which have received much favorable international publicity. Still, a coherent policy framework which places the various programs in context of the full spectrum of national shelter needs is very much needed.

Governmental action on the Commission Report should clarify official priorities respecting shelter; also, the problems perceived as most important, the strategies and tools favored by the GOB for addressing them, and the scale of effort Botswana can be expected to mount. Until the Cabinet takes such action on the report, however, the subject areas it treats will remain in a policy limbo and the possible efforts to refine and expand upon the Commission's work will be fogged in uncertainty.

Some tasks not accomplished during the year's labors of the Commission are next steps that would logically follow on an agreement-in-principle to pursue the Commission's recommendations, for example: a systematic study of national shelter needs that takes into account the most accurate, up-to-date data on population, household income characteristics and existing shelter stock, particularly in settlements outside the towns. This will be important in creating the programming links between the national housing and national settlement policies.

Findings of the August Census and the National Migration Study, forthcoming within the next several months, will need to be incorporated in the housing policy work as well in order that policy planning in the various related sectors of Government have consistency.

Other omissions in the Presidential Commission's Report, far-reaching though its recommendations be, are the subjects of land and of infrastructure. How much land will be necessary for a program such as envisioned by the Commission? What issues are associated with its acquisition, its funding, cost recovery, etc? As for infrastructure requirements of the national shelter program (e.g. water supply, sanitation, etc.), matters such as scale, costs, and institutional arrangements for financing and maintenance responsibilities are equally critical and commanding of attention.

#### D. New Project Plans in Various Stages of Development

Projects currently under preparation present varying degrees of readiness to move into implementation. AID is already participating in some of them. Additional donor resources might be applied in others.

## 1. New Urban Projects

Two new urban land development projects are being brought to the implementation stage: Gaborone West and Broadhurst IV.\*

Gaborone West represents a major expansion of the capital city. The project has been designed and is ready for first-phase construction pending completion of detailed engineering work and financing. The GOB has indicated that it has sufficient domestic resources to finance the project without additional foreign borrowings, but the actual allocation has been delayed. Gaborone West's first phase consists of 447 hectares, providing for almost 2,700 residential plots at various income levels, as well as commercial and community facilities and a 95-hectare industrial area. The Broadhurst IV project is also in Gaborone, north of the most recently completed Tsholofelo (Broadhurst III). Since no additional primary infrastructure would be necessary, extension into Broadhurst IV could produce 500 to 600 plots fairly quickly. Financing for this project has not been allocated either.

## 2. Mahalapye

Mahalapye has been singled out by the GOB as the first primary or "major village" for intensive planning and development. Studies under way or completed respecting Mahalapye are as follows:

a. The first "integrated land use plan" for a major village has reached the draft stage. While project design has been completed, the drawings will not be the subject of engineering feasibility studies commencing in June 1981.

b. Funding has been approved under NDP V (P 5 million) to improve infrastructure in major villages. This could include afforestation projects, access roads, water systems, electricity connections to 11 new industrial estates (some with Ministry of Commerce-sponsored industrial buildings built for lease and not yet occupied), and extension of services to new residential areas. Funds under this allocation could, presumably, be available for upgrading Mahalapye systems.

c. U.S. AID is funding through OPG grants a study of institutional relationships and processes (between the village and the Central Government) and a survey of residents' desires/willingness to pay for community services and utilities. The survey was conducted by CHF in May 1981 in collaboration with MLGL's Applied Research Unit and the Botswana Power Corporation. It will be ready for evaluation by the end of the summer.

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\* Woodhall II in Lobatse is ready for implementation (with U.K. support) but is delayed pending resolution of the issue posed by discovery of commercial grade clay deposits on the site.

d. The German Government will fund a two-phase study of potential groundwater supply. There is apparently a serious water quality problem (nitrates) in the Mahalapye area which requires extensive examination by the Ministry of Mineral Resources and Water Affairs.

e. The Rural Industrial Officer from the Ministry of Commerce is currently conducting a survey of traders operating out of Mahalapye, their activities and economic characteristics.

Over the period 1975-1979 Mahalapye grew by about 260 households (as represented by plot allocations) and 1,570 people per year. The 1979 population was estimated at 17,000. MLGL projections suggest that population will more than double by 1995, reaching levels of 37,000 to 51,000.

In view of the above activity, it would appear that conditions for donor agency review of potential loans for development in Mahalapye may soon be ripe. This is not quite the case, however. For in two critical areas--economic prospects assessment and implementation--examination by either the GOB or international donors have yet to be made. Of the two, the economic potential analysis is the more critical. For despite all the preparation of physical plans for utilities, services, and land expansion there is no clear picture as to the kind and level of economic enterprise that could be established to support population growth at the scale projected. Mahalapye has no economic development plan. Physical investments of the magnitudes being considered without being tested beside some form of targeted enterprise and job development program, could have questionable feasibility.

There are serious shortfalls in the present physical planning work as well: While the draft plan tests alternative densities for new SHHA-type sites and services areas it does not address the subject of upgrading for the more dispersed present population or increasing services to occupied areas where access to water already exists. Present draft plans do not include such supporting information as cost estimates, affordability analyses, or step-by-step implementation approaches.

Mahalapye and its immediate area does seem to have economic development potential. It is a railroad crewing center at a key transport junction. It is the transfer point nearest to the center of the country's richest agricultural region (the Tuli Block). It will be the site of a new prison/prison farm. The Botswana Agricultural Marketing Board has a 2,000-ton depot and Mahalapye is the railhead for major cattle shipping to the Lobatse abattoir. Industrial sites have been prepared and allocated. Two hotels exist, although both are currently closed.

The nature of Mahalapye's economic potential and the means for mobilization have yet to be defined.

Major gaps remain to be filled by an economic development plan and a more refined physical program. The process of stimulating

self-sustained economic development in rural service centers is extremely demanding. Other countries have articulated decentralization before Botswana and have invariably discovered that infrastructure and services alone are insufficient conditions for jobs and enterprise to materialize.

### 3. Mining Towns

a. Jwaneng. Jwaneng is a new diamond mining town, 87 km northwest of Kanye and about 125 km from Lobatse which lies to the south. Mine production is to begin early in 1982. De Beers, the mine operator, has built some rental housing for employees to be managed by the BHC. Here the Department of Town and Regional Planning has made a major effort to prepare plans for sites and services areas that will be open both to mine employees and to other potential residents. Actual implementation will be conducted by an agency modeled on the SHHAs. At present, however, no such SHHA has been formed and no funding has been authorized for project area development (although an appropriation has been made).

Development strategy for Jwaneng has been to limit its growth to support of the mining operations and service to agricultural areas in the western and southern parts of the Kwaneng District. It would thus become a subdistrict center, small enough not to dominate or to drain potential investment from Kanye or Molepolole (80 km to the northwest). The intention is to minimize the need for imported building materials and food to support its ultimate population (13,000), and to limit additional job opportunities that could further widen rural-urban income disparities.

b. Coal towns. Consideration is also being given to the opening of new coal mines and establishment of new coal mining communities during the 1981-90 period. While the two locations under examination are relatively close to existing major villages (40 to 60 km), the coal support communities are being considered for free-standing sites. One is in the Morupule area, near Serowe, one of the six "major villages", and about 60 km north of Mahalapye. Shellco has a lease for coal mining operations in that area and has almost completed a feasibility study on the mine development, including a new mining town as residential support facility. The Morupule mine opening is being discussed for the mid-1980s. A somewhat later development would be near Mmamabula, a site approximately 40 km south of Mahalapye.

The entire coal complex will require development of a major source of water supply. Its needs far exceed the groundwater resource.

### E. Manpower Constraints

New shelter initiatives under consideration by the Government of Botswana -- from policy implementation to project construction -- will require a quantum leap in the number of trained Botswana personnel at

every level. From planning and surveying to administration and construction, there is no phase of activity for which there are anywhere nearly enough trained personnel today. With the possible exception of Broadhurst IV, none of the activities proposed for the NDP V period (1979-86) and beyond represents incremental extension or expansion of past efforts which could rely on the experience of an existing cadre. Emphasis on rural shelter and economic development, planning and implementation for Mahalapye and other major villages, and long-range national program coordination all confront a Ministry with only a single senior professional whose time is fully devoted to housing matters. Even Gaborone West, because of its relatively massive scale and physical distance from other SHHA project areas, cannot rely on the cadres who have gained experience in earlier projects.

Botswana's extensive shelter sector training needs reflect the Government's inability to provide counterparts for "temporary" senior-level expatriate advisers, along with the understaffing, high turnover and low pay scales within the present SHHAs and District administrations.

Insufficient manpower is, of course, not solely a problem of the shelter sector, but steps to provide more trained staff must be considered essential prerequisites to improved performance in shelter production.

## F. Finance

Unlike many developing countries, Botswana has significant domestic resources available which could be applied to shelter, enterprise, and other forms of economic development. Direct international financing in these fields is far less important than devising means to tap domestic resources and overcome the basic conservatism and genuine concern over risk within the banking system.

### 1. Surplus Liquidity

Botswana has considerable excess liquidity in its domestic banking system, probably on the order of P 100 million. Most of it is in short-term deposits. Most commercial bank loans are made on a demand basis, and rolled over repeatedly.

The most actively growing sectors in the economy -- mining, government, and livestock -- have generally been net savers. Consequently, they have not been a strong market for loans. Absent short-term lending opportunities in these sectors, the banks have not put their considerable resources to work in developing long-term portfolios for housing, other capital investment or business enterprise finance.

Banks' reluctance to extend long-term credit stems in part from a concern that they may face disintermediation from their short-term depositors at any time and could be caught in a liquidity squeeze if

they held significant long-term portfolios. In part, the reluctance is also based on a concern about political uncertainties in neighboring countries and the potential impact on Botswana of unrest in South Africa, Namibia, or Zimbabwe.

The Bank of Botswana has tried to encourage long-term deposits by establishing a rate structure that permits the commercial banks to pay higher interest on one-year certificates of deposit and lend out money for similar periods at rates that permit a spread of up to 6.5 percent. This intervention has not induced the banks to attract longer-term deposits because, in the absence of a strong market for loans, they would only be raising their own costs. In fact, the banks have turned away major deposits in an effort to avoid raising the cost of their funds.

## 2. Small Domestic Debt

Central Government has virtually no domestic debt. It has about P 12 million in 90-day notes outstanding. Indeed, much of the excess liquidity in the financial system represents surpluses in the government accounts themselves. Quite clearly, Government is in an increasingly good position to finance directly investments in shelter and community infrastructure (e.g., Gaborone West) but has thus far been reluctant to do so. Government shares the same basic conservatism and concern over uncertainties evidenced in the private sector.

## 3. Favorable Foreign Exchange Position

Botswana is in an excellent position today vis-a-vis foreign exchange. The present fiscal year is the last for which the Ministry of Finance and Development Planning foresees a trade deficit. Beginning in 1982/83 the returns on mining investments -- principally diamond exports with the opening of the Jwaneng mine -- will show dramatic increases. Copper and nickel exports are projected to remain high, along with beef which will be enjoying high prices in European markets. NDP V forecast an overall balance of external reserves rising from a range of P 301-339 million in 1979-80 to P 399-898 in 1984-85. This balance of external reserves helps cushion Botswana against the risks, political and economic, which the country faces owing to its geographic position.

## 4. Foreign Borrowing

The GOB believes, with some justification, that it can be selective as to the extent and terms of foreign borrowings it will undertake for shelter and other development purposes. The most recent shelter sector loan was executed in 1978 (second World Bank project) at 7½ percent interest for a 20-year repayment period. The portfolio of outstanding foreign loans ranges in interest rates from 0.75 percent (OPEC) to 8.5 percent (IBRD).

Currently, the IBRD is considering extending yet an additional loan offer for shelter investment, pending GOB decisions on the Presidential Commission report. Such a loan would probably be at the Bank's standard rate, currently 9.6 percent interest, with 20-year repayment and four to five years of grace.

### Recommendations

On the basis of this recent review of Botswana's shelter developments over the past two years, we offer the following main conclusions and recommendations. In some cases the ideas may be of interest to international assistance agencies.

A. The Report of the Presidential Commission on Housing Policy in Botswana represents a major effort to move forward in shelter planning. Its myriad proposals include important elements of a system for meeting national needs. Some of the proposals are bound to be controversial because of the magnitude of change they imply. Nevertheless commitment and leadership are needed now so that the direction of shelter efforts may be clarified.

Recommendation: The Government of Botswana should act on the Presidential Commission Report, i.e. endorse, modify or reject its principal recommendations.

As a practical matter those portions of the Report on which general agreement can be achieved should be passed and released particularly if inaction results in holding back badly needed data, analysis, or production to meet critical shelter needs. Those which inspire agreement in principle but require additional data or analysis should be approved for further study and remanded to the appropriate agencies with a deadline for reporting to the Cabinet on their findings. Some subjects may have ramifications so broad and deep or inspire opinions so sharply divided as to need considerable time for airing. These should be identified and assigned to special high level task forces or sub-committees for exploring the feasibility of alternative approaches, or potential grounds on which consensus could be forged. Time limits on the work of these special groups would probably need to be more liberal than in the other cases mentioned above.

B. Lack of sufficient trained personnel for the shelter sector at all levels of Government is one of the most critical impediments to achieving improved performance in planning and production.

Recommendation: Government should start at once to develop in-country shelter training programs for Central Government policy, planning and finance personnel; for technical and construction management staff and for local government administrators.

The curriculum should be based on Botswana data, situations, and experience. The mode of training should be one which fosters collaborative teamwork and the capacity of trainees

to train others. The course modules should be relatively brief, allowing participants to return to their jobs to apply new techniques in between the training sessions.

C. Botswana has domestic financial resources which could be mobilized more effectively for investment in needed shelter production.

Recommendation: Government should commit its own public sector resources to the SHHA portions of Gaborone West and Broadhurst IV, both projects almost ready for construction.

Recommendation: Government should help to mobilize private sector capital for the portions of Gaborone West designated for development by the BHC and private enterprise. The feasibility of establishing a secondary market operation or "discount window" at the Bank of Botswana for long-term mortgage "paper" should be explored as a means of inducing commercial banks to lend for shelter development. Should they find it necessary to raise cash, once they have negotiated such mortgages the banks could thus be assured of a safety valve for increasing liquidity. Government should explore further, how it might use its good offices to persuade the banks and BHC into private sector construction finance for expanded BHC shelter production. BHC should be permitted to increase its rental charges as necessary to cover increased costs, and to encourage more home ownership. Additional measures may be required to induce the desired mortgage lending. GOB should seek assistance from international agencies in the technicalities of pursuing such an approach and in establishing a reserve fund to back up the secondary market program.

Recommendation: As the pace of shelter production increases, Government should encourage wider home ownership. More effective market demand for home mortgage lending could be stimulated by institution of a Government-backed mortgage guarantee or insurance program that covers a larger percentage of mortgage value than the present 25 percent government guarantee (perhaps as high as 90 percent for lower income families and 50 percent for middle income families). Borrowers would be charged a small fee under such a program. This might be a way around the current constraint against extending conventional mortgage credit to lower income families holding certificate of rights tenure in urban SHHA projects or customary tenure in rural areas. Commitment to a strong discipline in collecting families' payments on time would, however, be crucial to such a program. Laxity in dealing with defaulters would spell disaster. Along with this program Government should help develop a new form of mortgage agreement which allows for a Town Council or Village Land Board to sign over to Government, at the time a mortgage is executed, the right to approve transfer of the mortgaged plot in event of borrower default.

D. Comprehensive as the Presidential Commission's charge was, it nonetheless did not include two subjects of critical significance to any national shelter program: land requirements and requirements for primary infrastructure to support shelter development. Whatever Cabinet decides about the specific program recommendations in the Report, these subjects require early attention.

Recommendation: The MLGL should undertake a study of the land needs implications and supply issues related to the scale of program proposed by the Presidential Commission. This study should include estimates of 3-5 year and 5-10 year residential land needs. It should consider matters such as size and location of the needed tracts, availability, projected costs, survey and registration procedures, manpower and lead time required for acquisition (who will acquire, how and when), relationships with Tribal Land Boards and District authorities and the basic policy issue of whether land should continue to be a non-cost-recoverable item in shelter programming.

Recommendation: The MLGL and Ministries of Works and Mineral Resources and Water Affairs should undertake to estimate requirements for primary roads, water supply and trunk systems, sewage treatment solid waste disposal, and public transportation in communities where shelter projects are under consideration. The capacities of local governmental agencies to plan and finance these systems under present arrangements should be explored; and the degree to which available resources or other factors make the provision of primary infrastructure a constraint to shelter program now or in the future. Government will need to find solutions for bringing the implementation and fiscal capacity of decentralized government more into line with the demands of a shelter program or conversely, ways of scaling the shelter program to conform with realistic expectations of governmental capacity.

E. There is a serious lack of data on which to base a national shelter program, especially a program that emphasizes affordable solutions and cost recovery.

Recommendation: MLGL should analyze both the Census and the National Migration Study carefully and translate their findings into accurate household income distribution profiles and shelter affordability guidelines. Data need to be disaggregated into series for each of the ten primary centers, the secondary centers and the remaining rural areas. Tabulations of "baseline" shelter conditions are also needed (e.g. unit sizes, occupancy and condition, densities, sanitation facilities and access to water supply and community services).

F. Any major village development program should be built around realistic assessment of economic development potential and an implementation strategy related to it. So far Mahaiapye planning activities lack both.

Recommendation: MLGL planners must undertake economic potential and implementation planning studies for Mahalapye once results of Census and Migration Study are available. These analyses should cover jobs and enterprise potential, timing, wages, labor/skill requirements and the capacity of village residents for occupational training; shelter sector needs and market and affordability analysis with particular concern for migration-inducing effects of increased job opportunities, financing and cost-recovery analyses for proposed infrastructure, community facilities needs and financing analysis, social and environmental impact analyses, and implementation plans that specify phasing and scheduling, distribution of responsibilities and legislative or policies obstacles that need to be removed.

G. Large expanses of standardized development unrelieved by landscaping and recreation or shopping facilities threaten to become tedious and demoralizing; and the Batswana's own skills in decorating and otherwise enhancing their environment need to be nurtured even while "projects" become the normal mode of shelter.

Recommendation: Government, community service organizations and individual households all must become involved in raising the over all quality and amenity of shelter projects and, in the villages particularly, fostering community-enhancing activities to overcome the boredom of village life.

H. The challenge of providing all Batswana with secure tenure in affordable shelter that meets at least minimal standards for environmental health will be impossible to meet so long as government pursues a policy of heavily subsidizing limited groups at substantially higher building standards. Moreover, the task is too massive -- and probably self-limiting -- for Government to try to undertake all alone.

Recommendation: Government should adhere to principles of cost-recovery in its shelter programs.

Recommendation: Botswana should foster the participation of the private sector (including small-scale fledgeling enterprises as well as larger formal sector business operations) in every possible aspect of its shelter program that appears feasible.

These early action recommendations may be subsumed under one or more of the programs recommended by the Presidential Commission should they be approved by Cabinet in the near future. The context in which they are addressed matters less than the necessity that they be addressed as part of Botswana's continuing efforts to improve the nation's shelter.

## CHAPTER II - COUNTRY SITUATION

A. The Economy

Botswana's current plan period (1979-85) marks a very important turning point in the country's economic history. Spectacular profits in the mining sector, a favorable balance of trade, accumulation of foreign exchange reserves and substantial surplus liquidity in the system overall, will mean that -- for the first time -- the Government of Botswana has the prospect of substantial domestic resources for borrowing.

Although growth has been quite steady and significant since 1966 when Botswana achieved independence, the country has had a persistent balance of trade deficit. To make up the deficit, Botswana has typically relied on loans from external donors and on transfer payments, a considerable portion of which have been salaries earned by absentee workers in South Africa. The present fiscal year<sup>1</sup>, however, is the last year for which the Ministry of Finance and Development Planning foresees a trade deficit.

1. Export Trade and Foreign Exchange Reserves

Beginning next year (1982/83) increased returns on mining investments -- principally through the diamond exports -- will show up dramatically on the balance sheet. Other leading export items are expected to show a good year, with sustained good prices on nickel-copper matte and beef -- barring recurrence of hoof and mouth disease -- re-entering the European market to enjoy the high earnings available there.

Accumulation of foreign exchange reserves is expected to be rapid in the first half of the eighties. At the end of December 1980 the level stood at P 255 million (U.S. \$344 million)<sup>2</sup> having quadrupled in

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1. Botswana's fiscal year is April 1 through March 31.

2. One Pula = \$1.25 in mid-1981.

the previous three years. Forecasts show reserves building to P399-898 million by 1984/85. At even the less optimistic end of the range, reserves would be at a level sufficient to cover seven months of imports (duty inclusive). This is a very good cushion unless political disruption in neighboring countries should impair Botswana's flow of trade.<sup>3</sup>

The latter half of the decade will see some of these reserves drawn down as Government development investments and recurrent costs absorb a considerable amount of the capital.

## 2. Overall Economic Growth

The main conclusions of the Development Plan forecasts are: for a 10.1 per cent annual growth in Gross Domestic Product between 1979/80 and 1984/85, but with yearly variations in growth continuing to be quite large. Most of the predicted growth is attributed, directly or indirectly, to the mineral sector. Growth in the rest of the economy would be only 4 to 5 per cent per year. Nonetheless, the balance of payments status of the country should continue to be strong.

Slower mineral development as assumed in the low range projection would reduce the growth rate to 7.4 per cent per year. A major drought would have a slightly lesser impact, resulting in an annual growth rate of 8.9 per cent. Foot and mouth disease would pose a much less serious threat to the overall growth rate. Of the three possibilities the slower mineral development would most affect the total change in foreign exchange reserves, reducing them by 55 per cent below the projected level.

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3. Forecasts by Ministry of Finance analysts consider two groups of factors which would have critical influence over behavior of the economy. The first has to do with the volume and quality of diamonds that are mined, mineral prices, capital and operating costs of the mines, when the Jwaneng diamond mine enters production, the weather (especially the incidence of drought) and with beef markets (especially recurrence of foot and mouth disease in the national herd). The second group, which are potentially more serious, include such factors as potential interruption of petroleum supplies, effects of possible sanctions against South Africa, disruption of Botswana's communication routes or major deterioration in the regional political situation which might require increased security expenditures and, in general, any event of this nature which would have a radical effect on the country's economic position.

GDP and government revenue would be 12-13 percent below the projected levels. Personal disposable income would be but .6 percent less. Effects of drought, however, would show up most in lower personal disposable income. It would have relatively little impact on overall economic growth, on foreign exchange, or on government revenue.

### 3. Performance of the Economy to Date

So far, two years into the development planning period, the performance of the economy has already exceeded the projections of the Ministry of Finance.

Government revenue for 1979/80 was 8 percent above planners' estimates. For the fiscal year just ended, revenue estimates have been revised upward by 28 percent (from P 241.9 million to P 297.5 million). Even allowing for 15 percent inflation this is, again, 8 percent in real terms more than had been expected. Estimates for 1981/82 are now 32 percent over the levels foreseen two years ago when the National Development Plan (NDP V) was compiled.

### 4. Outlook for Governmental Expenditures

Even with the ceiling on recurrent expenditures restrictions imposed by NDP V, growth in the governmental sector will be quite significant. Increase in recurrent expenditure has been limited to no more than 6 per cent above its 1979-80 level. This would mean a rise in real terms of about 10.7 per cent annually, and given the size of the base from which the growth would be proceeding, it would result in doubling recurrent expenditures every seven years.

Within this overall growth rate of 10.7 percent a year, individual Ministries and Departments have been allocated recurrent expenditure ceilings that reflect their importance in terms of Government's development strategy.<sup>4</sup>

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4. For grants to local authorities (District Administrations, Town Councils and village authorities) average annual growth of 24.4 per cent is projected; almost 24 per cent for curriculum development and evaluation under Education; a little over 22 per cent for Technical Training; almost 20 per cent for non-formal Education. Commerce and Industry have a 20 per cent range for headquarters operations and the Botswana Enterprise Development Units. The ceiling has been established at 18 percent for the Unified Local Government Service. The Ministry of Mineral Resources and Water Affairs is held to 11 percent growth, overall, each year.

Development expenditure over the planned period, 1979/80 through 1984/85 is set at a level of 530 million Pula (in 1979/80 Pula). On an annual basis the levels range from 76.2 million Pula for 1979/80 to 93.9 million for 1983/84. The variation is attributable to the phasing of specific major development expenditures. The total is somewhat lower than the sum of estimated costs for development projects which are listed in the development program. These come to about 700 million Pula. The lower figure represents what the planners regard on the basis of their experience, as the maximum, realistic expectation of implementation for projects. However, should resources become available the expenditure could be higher, provided the projects selected are consistent with development priorities and they do not cause ceilings on recurrent budgets for government agencies to be exceeded. (See Appendices 1 and 2)

Even when anticipated grant revenues are added to projected domestic resources, the picture shows some budget deficits in the governmental sector from 1980/81 to 1983/84. Botswana expects to rely on its own revenue sources for 85 per cent of its expenditures and public investment finance during the current plan period. Development planners expect that loans on favorable terms will bridge the gap and that increased Government cash balances in these years will probably reduce the need for borrowing in general.<sup>5</sup>

##### 5. Public Debt and Borrowing Capacity

The Government of Botswana's total domestic debt of 12.8 million Pula is held mostly in 90-day notes by the commercial banks. These are rolled over as they fall due. As can be seen by the small amount involved, the domestic debt is merely symbolic, and could easily be redeemed at any time.

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5. At the start of the current fiscal year, financing arrangements for a little over half the 1981/82 development fund budget had been definitely committed -- 39 per cent from identified foreign sources and 13 per cent from domestic (the Domestic Development Fund and local grants combined). Finance of the remaining P 78.7 million had not yet been finally negotiated. (Breakdown of commitments by source is shown in Appendix 3.)

The foreign debt stood at P 113.1 million on March 31, 1981, having declined from its 1977 high of P 125 million. GOB projections show this debt increasing to P 153.8 million by next March, a large part of the increase coming from IBRD, the African Development Fund, and bi-lateral aid from the Arab States and Germany. A small decrease in U.S. lending is projected. (See Appendix 4.)

The portfolio of loans currently on the books range in interest from .75% (OPEC loan) to 8.5% (IBRD). Several have not been drawn down fully.

It is clear that the GOB has ample borrowing capacity. Its total foreign debt is approximately 25 percent of GDP and its annual servicing of that debt is probably less than 2 percent of exports. A \$45 million commitment from the First National Bank of Boston to provide financing (over five years at commercial interest rates) for GOB purchase of stock in the Jwaneng mine from De Beers has not been drawn down because GOB has generated sufficient funds to purchase the stock in accordance with the agreed time table. The most recent projection indicates that \$10 million may be drawn down in 1981/82. (See Appendix 4. )

#### NDP V Development Strategy

This picture shows the Government of Botswana's financial position vastly improved, to the point that the whole recurrent budget and the lion's share of the development budget can be met out of Government's own revenues. Nevertheless, the posture of Government in respect to its finances is a very conservative one. The Fifth National Development Plan states that rapid economic growth is not the sole, nor even the over-riding objective of Botswana. Indeed, the generation of financial resources with which to reinvest in the economy is viewed as but one

prerequisite of satisfactory development. Linked with the planning objectives of rapid economic growth are those of social justice, of economic independence, and of sustained development.

Although its policies are definitely oriented towards stimulating economic growth, the Government of Botswana is equally committed to redressing the imbalances that are implied by the type of economic growth which appears most promising in the short term period. The Government has been very eager to achieve rapid and large returns from intensive capital investment and mining. It is committed at the same time to re-investing those returns in a manner which improves the living standards of those who do not benefit directly from the mining sector expansion. Reinvestment of mining earnings in education and training, in physical and social infrastructure is the Government's means of laying a foundation for future economic growth. This more balanced, long-range growth is seen as the main hope for making significant improvement in the quality of life for most Batswana.

In the short run, however, increased incomes are the key to improved conditions for the majority of Batswana.

Most of the country's population -- among them, the households who are least well-off economically -- live in the rural areas. Here then, the need is particularly great for expanded opportunities to earn cash incomes if a massive migration of people seeking improvements elsewhere is to be diverted. Botswana's experience with the costly, difficult problems of low-income urban squatters stands as a warning flag against this.

Thus, the current national development plan (NDP V) strategy pairs two central themes: employment creation and rural development.

The Government of Botswana recognizes that its development program faces a very serious constraint which is endemic throughout the system, namely, that there are not enough trained Batswana to meet the growing demand in any sector. The problem extends from the need for primary

school teachers, to artisans, to managing directors. Although there are educational and training programs in the Plan that have been designed to ease the shortage over the long range, investment must be based on the reality of the situation. There is the further concern that Government not starve the private sector for badly needed manpower while building up its own staff. Therefore, Government has imposed in addition to the recurrent expenditure ceiling, a "manpower budget ceiling" on its component agencies. This implies a major challenge to Government to improve the productivity of whatever manpower it is able to muster.

#### 7. Employment and Incomes

Unemployment, according to one estimate<sup>6</sup>, was about 100,000 at the end of the 1970s -- affecting about 40 per cent of the rural workforce and 4 per cent of the urban.

Formal employment, including the self-employed outside agriculture, is projected to grow at roughly seven per cent, or approximately 10,000 jobs per year. Although these growth rates compare favorably with the 3.5 per cent annual growth projected for the resident labor force, the formal employment base is small. Consequently, new formal employment opportunities (6,500 per year) will fall well short of the 11,000 - 13,000 per year needed to keep up with the increase in labor force alone, much less gain on today's underemployment.

Failure to make up for the shortfall in jobs will be a more serious problem in some respects than it has been in the past, because the opportunities for obtaining paid work in South Africa are diminishing, perhaps by as many as 5,000 jobs per year.

Where will the new jobs be? The sectoral profile of economy is expected to show much the same sort of distortion -- at least through the mid-1980s -- as it did at the beginning of the decade. Increasing importance of the mining sector -- from 31.7 per cent of the GDP in 1979/80

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6. Barclay, A.H. Jr. et al, Botswana Rural Sector Study, May 1979.

to 41.0 per cent in 1984/85 -- will not be matched by corresponding growth in employment. Indeed, projections show the proportion of the formal sector employment in the mining sector dropping slightly from almost six per cent to a little over five per cent. By contrast, Government, which will be the source of about 14 per cent of the GDP, is expected to account for over 31 per cent of the employment. A significant drop in the construction sector is forecast -- from nine per cent of the labor force to five per cent. This is barely matched by the tiny gain shown for manufacturing, for trade, hotels, and restaurants, and for services.

The key sources for job creation, then, are the urban formal and informal sectors, crop production and rural non-farm activity. If urban employment is to grow by nine per cent per year (7,000 new jobs), a minimum of 4,000 jobs will need to be developed in the arable agriculture and rural commerce and industry, implying a 7.65 per cent annual increase in employment for these last two years.

Owing to the nature of the employment profile, the spectacular gains in store for certain sectors in the economy (and consequently for government coffers) will have very much more modest impact on the pockets of individuals and household incomes in general.

Twenty per cent of the disposable income component in the GDP is calculated as income to non-Batswana. Among Batswana there is a tremendously wide variation in incomes. The Rural Income Distribution Survey, made in the mid-1970s, revealed that nearly three-fourths of the country's households earned less than the average for all Botswana households. People in formal sector employment almost all earn far more than the average. The lowest wage paid by Government, for example, is between 1,200 and 1,300 Pula a year. The estimated Batswana per capita income for fiscal year 1981/82 is a little over 690 Pula per year. Both have approximately doubled since 1977/78. In that year, close to 60 per cent of the working age Batswana were supporting themselves through rural (mainly agricultural) activities and through informal activities in the urban sector.

The Government of Botswana is committed to doing something to alleviate poverty for the quarter million people who depend on such low productivity work today.

There is only so far they can go with direct public expenditures, however, in the provision of health and education services, facilities and infrastructure. Any real solution requires opportunities for more productive work for these people. Government will do all it can to stimulate formal sector employment, but because this is an expensive type of employment to create, development of small, independent enterprise, cooperative ventures, and labor-intensive public works are seen as important objectives in the job generation program. By emphasizing increased productivity in the rural economy, the plan strives to narrow the differential between rural and urban incomes, thereby reducing the incentive for migration to the urban areas. The hope is not only to improve the lives of the rural poor, but also to avoid the disruption and drain on resources that continued rapid urban expansion entails.

#### B. Population

A new decennial census, scheduled for August 1981, will provide definitive information on population and shelter, among other things.

Official estimates put the population of Botswana at 850,000 - 860,000 and growing at a rate of 3.4 per cent a year. If growth continues at such a pace the total will reach about 950,000 by 1984 and 1.2 million by 1990. Estimates of the proportion of the population living in Botswana's towns range between 17 and 19 per cent, on the order of somewhat under 140,000. This is the result of an urban growth rate of ten per cent over the last decade. (Gaborone's rate was higher; the other towns, somewhat lower than this.) Depending on different assumptions about rates of fertility and migration, the four towns are expected to grow at slightly slower rates during the 1980's (5-6 per

cent) which would result in a combined total of 227,000 to 250,000 or even 300,000 population by 1990.<sup>7</sup>

Ministry of Local Government and Lands sources suggest urban growth for the four towns: Gaborone, Francistown, Selebi-Phikwe, and Lobatse plus the two diamond mining towns of Orapa and Jwaneng, at over 320,000 by 1990 -- a growth rate of somewhat over 8.8 per cent per year between 1980 and 1990.

The implications of these growth trends could be even more drastic if Botswana's efforts to narrow the rural-urban differential in living conditions and income-earning opportunity are delayed or ineffective. Drought, livestock disease or other disaster could also interfere with efforts to slow the rate of urban growth.

The true meaning of these figures is complicated by a characteristic pattern of the Batswana to have multiple residences -- at their cattle posts, at their "lands" or crop-fields, in their home villages and, more recently, in town as well. Various members of the household move between these places according to the seasons or economic opportunities available at each. In early 1982, a series of research papers based on a National Migration Survey will be presented at a special seminar in Botswana. The analyses should shed light on this most important subject of internal migration and its significance for shelter planning.

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7. These are the projections contained in NDP V and appear to assume successful results of the rural development strategy. There are discrepancies between estimates of existing population in certain instances between the Central Statistical Office and the Department of Town and Regional Planning. Other estimates, based on extrapolations from 1971-75 show urban growth rates as high as 15 per cent per year in some places. The forth-coming Census will be crucial in providing benchmarks to help reconcile these widely divergent figures with their strikingly different implications.

### C. Lower Income Households -- The Target Groups

In the absence of current, reliable income distribution data there is no evidence on which to base any significant changes in the general income distribution reported by DeVoy in his 1979 Shelter Sector Assessment for Botswana<sup>8</sup>. The level of the urban middle income, however, has probably risen (in Pulas per month) by a factor of 40 per cent or so, to P 1,260 per year. This is due to increase in the first quarter 1981, of the minimum wage for industrial-class employees. Professional level salary increases in the government service amounted to about 20 per cent.

Rural income data is a much more complicated matter. In 1974/75 when the most recent systematic survey of rural incomes and income distribution was made<sup>9</sup>, the median income for all rural households was reported to be an equivalent of 630 Rands per year. This could not be compared precisely with an urban level income reported at such a level because a considerable portion of it would be in kind (non-cash).

The risks of misleading the reader with extrapolation from the eight year old rural income data that are available and comparisons with data from the urban areas either in 1974 or today, would significantly outweigh the gains, particularly since authoritative survey results will be published shortly.

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8. USAID, June 1979. DeVoy's income distribution for urban areas can stand for the present. It must be revised in light of the new data when that becomes available, however.

9. Central Statistics Office, The Rural Income Distribution Survey in Botswana, 1974/75. For lower middle income households, for example, those between the 15th and 50th percentiles, the average income might have been on the order of 430 Rands and only 50 per cent of it would be in cash. Even upper middle income rural households, between the 60th and 95th percentiles, would have had at that time an average income of R 1,670, of which only 60 per cent might be in cash. The wealthiest households, between the 99th and 100th percentiles, would have had an average income of over R 9,000, 30 per cent of it still in kind. At the lowest tenth percentile level, the poorest households, had average incomes of 160 Pula per year, only 30 per cent of which might have been in the form of cash. Of that, perhaps not much more than half would have been from employment and the balance from remittances by relatives working outside. At that time they would have been working primarily in the South African mines. Today, the remittances would more likely be coming from one of the towns within Botswana itself.

Major Villages. These villages are particularly important as foci for the settlement strategy during this Plan period. They had in 1978, 15 per cent of the nation's population. Their combined population, estimated for 1980, was 122,000. Some Government of Botswana sources project their growth at a rate of 5.7 percent per year, which would put their 1990 population at a level of 213,000.

Because several of the large villages have reached such size (15,000-26,000 population), achieved some diversification of economic activity, and are situated within the locus of the urban labor market areas of Botswana, their income patterns may be today, more similar to those of the lower end and even the middle levels of the urban scale, than they were formally. Measures that might describe these aspects of economic conditions in the major villages are, unfortunately not available.

The question of distinguishing specific income strata within these villages as target groups may be not only premature at this point, but unproductive. This is because the rural villages, per se have been designed as strategic targets in Botswana's development policy.

All elements in the national settlement policy -- upgrading, basic infrastructure and social services, creating income-earning opportunities, rural industrialization, manpower training, decentralization of government agencies, expansion of service center functions oriented toward the rural hinterland, and strengthening the capacity of local authorities close to the people to respond to their needs -- are explicitly directed to the villages as links with those Botswana who have not yet shared in the bounties of the growing national wealth.

Investment in raising the standard of services and shelter in the major villages to levels comparable with the towns is thus seen as an important element in the development strategy for reaching the rural target population as a whole.

As for data on individual villages, there are none available to cite which would permit comparative analyses of growth trends, household incomes,

shelter conditions, land scarcity, levels of public service, etc. In other words, the parameters which would help Government determine some order of priority in selecting villages for investment or in selecting the elements of a development program for a given village, have not yet been compiled.

### CHAPTER III - SHELTER SECTOR DEVELOPMENTS SINCE 1979

Shelter sector developments in Botswana since 1979 (date of the last Assessment, or SSA<sup>10</sup>) fall into two general categories. There are those which follow along the lines of programs and institutions operating two years ago. Quite a number of these developments correspond with recommendations of the 1979 study.

The second group is a constellation of prospective developments associated with the new program outlined in the Report of the President's Commission on Housing. Product of a year's intensive study and extensive consultations the length and breadth of the country, the Commission Report was submitted to the President of Botswana in February and conveyed by him to the Cabinet in May of this year. The Commission's program -- as it moves through stages of approvals, refinements and implementation -- could represent a major redirection of shelter policy and planning for the country.

It is useful, thus, to review what has occurred since the last status report (the SSA) and, from this point of departure, to look ahead at the implications of the new order.

#### A. Areas Addressed by the Recommendations of the 1979 SSA

The 1979 SSA described a group of shelter-delivery institutions earnestly struggling to carry out Government's working program to provide sufficient, affordable shelter to satisfy the nation's needs -- without subsidy. Handicapped by too few and insufficiently trained personnel, all were in a production race against the rapid growth of urban population. To lag behind would be to risk incurring the squatter settlements.

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10. The 1979 Shelter Sector Assessment (SSA) was made by DeVoy Collaborative on request by the Government of Botswana and under the sponsorship of USAID's Office of Housing.

Addressing some of the apparent constraints in the system, the SSA set forth some twenty recommendations for improving performance. Progress has been made in implementing almost all of them.

No major new peri-urban squattments have emerged in the interim -- which is one significant test of effectiveness. Nevertheless, the production system will need to function much more smoothly than it does now if it is to meet expanded shelter needs over time.

#### B. What Has Happened Since

The 1979 recommendations are summarized briefly below, along with comments on what was done about them and illustrations of some of the problems that remain.

1. Production. The 1979 SSA estimated needs at 3,600 per year for Botswana's four towns over the 1979-85 period. Appendix 5 shows the distribution of projected plot requirements by town. The actual 1979-81 increase of 4,300 in the supply of lots available for residential development in urban areas is shown in Table 1. This was not quite 60 per cent of the two-year goal.

Francistown came closest to meeting the SSA target with 78 percent (all of which were plots in upgrading project areas). Lobatse's record was the weakest -- only 14 percent. Gaborone and Selebi-Phikwe met 50-60 per cent of their estimated needs, respectively.

Table 2 indicates actual housing starts, 1979-81. The total is 4,723 exclusive of Government or institutional<sup>11</sup> housing built by the Ministry of Works and Communications.

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11. Institutional housing is built by the parastatal Botswana Housing Corporation (BHC) in the towns, or by the Ministry of Works and Communications in rural areas for certain government departments (e.g. police, army, nurses, teachers, etc.). Costs, provided for in the agencies' allocations are met by the respective agencies. Housing built for the government pool by BHC is leased to individuals working for Government (expatriates and citizens), and allocated (in Gaborone) by a committee which BHC chairs. In other Districts the District Council makes the allocations of Government pool units. Typical tenants might be Remote Area Development officers, typists, drivers, some Agricultural Extension Analysts, etc. BHC builds only some of the District housing, however. The Ministry of Works has done this job traditionally, or local brigades have done it.

TABLE 1. 1979-81 INCREASE IN THE SUPPLY OF LAND AVAILABLE FOR URBAN RESIDENTIAL DEVELOPMENT

<u>Category</u>	<u>Gaborone</u>	<u>Francistown</u>	<u>Selebi-Phikwe</u>	<u>Lobatse</u>	<u>(Jwaneng)<sup>d</sup></u>	<u>Total</u>
SHHA PLOTS	485 s/s <sup>a</sup>	1,071 plots	504 s/s plots	84 s/s plots	56	2,144
BHC UNITS						
Low Cost	623				464	623
Medium Cost)	637 <sup>b</sup>				263	
High Cost )					47	947
GOVERNMENT						
Low Cost	117 plots					177
Unspecified			208 plots			208
PRIVATE HIGH COST PLOTS	191 <sup>c</sup>			17 plots		208
TOTAL	2,113	1,071	712	101	830	4,307
1979-81 Need Estimated in 1979 SSA <sup>e</sup>	3,900	1,370	1,200	730		7,200

Source: Ministry of Local Govern. and Lands, Department of Surveys and Lands.

- a. s/s = Sites and Services
- b. Allocation was 64.75 ha of which net residential land was about 75 percent or 48.6 ha. Assuming average densities are 22 units per ha for flats, 16 per ha for medium cost and 8 per ha for high cost, and the mix is 13%, 41% and 46% respectively, average units per hectare would be 13.
- c. Allocation was 31.84 ha; net residential land was 24 ha; @8 plots per ha, this would accommodate 191 housing units. Actually the number of dwelling units is probably somewhat higher because some of the projects have been multi-family or attached developments of somewhat higher densities.
- d. Jwaneng is the new diamond mining town. It is to have a SHHA for sites and services development eventually, but does not yet have such plots available.
- e. USAID Office of Housing, Shelter Sector Assessment, June 1979 by De Voy Collaborative.

TABLE 2. HOUSING<sup>a</sup> STARTS, 1979-81.

<u>Category.</u>	<u>Gaborone</u>	<u>Francistown</u>	<u>Selebi-Phikwe</u>	<u>Lobatse</u>	<u>(Jwaneng)</u>	<u>Total</u>
SHHA SITE AND SERVICE	2,712 <sup>c</sup>	-	-	-	-	2,712
BHC UNITS <sup>b</sup>						
Low Cost	1,109	6	6	41	32	1,194
Medium Cost	266	10		25	14	315
High Cost	302	26		4	14	446
Subtotal BHC	1,677	42	6	70	60	1,855
PRIVATE <sup>d</sup>	143		e	13		156
TOTAL	4,532	42	6	83	60	4,723

Sources: Botswana Housing Corporation, Gaborone SHHA records.

- a. Includes flats and detached housing units. Excludes government and institutional units.
- b. In addition to the urban units shown here BHC starts include the following in the village of Serowe: 16 low cost, 6 medium cost and 2 high cost units.
- c. Plots allocated Jan. 1979 - Feb. 1981.
- d. Assuming 75% of the plots allocated 1979-81 had housing starts in the same period.
- e. There had been 22 plots slated for private development in Selebi-Phikwe in 1979, these were re-allocated to the railroad for institutional housing. Information on numbers of units built by Governmental entities other than SHHA's and BHC was unavailable at the time of this survey.

2. Subsidies remained in spite of explicit Government policy that there be none. The SSA pegged two particular forms for remedy -- subeconomic service levies<sup>12</sup> charged occupants of SHHA plots by the Town Councils and the subeconomic rentals charged by BHC on the housing it manages.

a. Service levies. Fiscal management problems of the Town Councils are still issues of serious concern. The Ministry of Local Government and Lands has "applied a band aid" but has not yet come to grips with the need to develop a real solution.

The service levy problem has been two-fold. Part of the difficulty has to do with imposing the discipline on SHHA plotters of keeping their payments current. Technicalities of the State Land Act prevented Town Councils from prosecuting defaulters for non-payment of levies on what was Government (as opposed to Town) land. The Act was amended in mid-1980, however. In February 1981 Gaborone Town Council submitted to the Court the first list of defaulters who had been longest in arrears, with requests for summary warrants. Default rates have consequently dropped this month (on building materials loans as well as the service levy payments).

The other aspect of the service levy criticized was its subeconomic level. Last fall the Ministry requested the Town Councils to review their actual costs in the SHHA areas and to adjust the service levy rates annually so that, from the end of March 1982 onward the projects would be put on a proper cost-recovery basis. (Appendix 6 shows the compilation of the study results.)

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12. The payment in lieu of taxes which covers user charges for communal water service, rubbish collection and latrine pumping, street lighting (where it has been installed) and debt service on in-site (secondary and tertiary) infrastructure. No provision for land cost or primary infrastructure debt service paid by the Town Councils is covered by the service levy. Rate-payers (i.e. those who pay full ad valorem tax such as freehold land owners and even BHC) carry the primary infrastructure costs and Central Government bears the burden of local government deficits.

Gaborone raised its rate April 1981 from P 4.50 to P 5.00. In Selebi-Phikwe, a Ministry paper shows the regulation will mean a 75 per cent increase in the SHHA service levy over then-current rates (May 1980). This poses serious concern over the resultant affordability of the plots for families who carry building materials' loans, especially.

According to the Selebi-Phikwe Town Council paper, a service levy of P 9.83 (their projected figure for early 1982) would mean a plot-holder would need to have an income of P 471.84 per annum to afford the service levy alone. If building materials loans for each of the three basic model houses available are added, annual payments on loan plus service levy would come to P 166.68, P 178.92 or P 191.04. In order to handle payments of this magnitude within 25 per cent of income, the plotters would have to be earning P 667-764. Consequently, 44 per cent of the estimated 21,000 people needing self-help area plots would be priced out of the project.

b. Subeconomic rentals. BHC, for its part, raised its rents 20 per cent in Spring 1981. Although this was the first increase since 1978, the action met with protest from government employees' groups.

The increased revenue of P 80,000 generated by the raise will be helpful in reducing the Corporation's 1981 loss (projected at P 140,000) but will not help avoid the need to dip into the safety cushion of reserve funds.

The Director of BHC says rentals are currently at 57 per cent of economic levels, with rentals on the low cost housing units substantially below that percentage.

This problem has ramifications that extend beyond BHC's balance sheet. The subsidized rentals are a disincentive to home ownership

(which would be priced at economic levels). As such it suppresses what might be considerable market demand for private sector housing. This is particularly true among higher paid government officials and contract employees who would be capable of affording conventional housing at current market terms. These would amount to about the top 30 per cent of the country's household income distribution.

Moreover, the subeconomic rentals are an allocation problem when it comes to limited government resources. They permit a relatively small number of consumers to absorb the benefits of Government expenditure that might otherwise be used to stimulate greatly needed expansion of the country's shelter stock for many more families.

3. Institutional Arrangements for Shelter were the focus of a large proportion of the 1979 SSA recommendations. While many problems remain to be solved a considerable amount of progress has been made in this area.

a. Ministry of Local Government and Lands. The pace of planning activity of the Department of Town and Regional Planning has picked up, particularly within the past year. Personnel strength has grown to about 50. Virtually all the land use planning work is done "in-house". Engineering detailing and cost analysis, however, are still contracted out. (Appendix 7 shows the status of work for each of the country's primary and secondary centers.)

For the four established townships which had structure plans already DTRP has been concentrating on subarea planning and implementation. Status of plans for the six major villages (classified with the towns as "primary centers") includes three completed and approved, a third in process with approval expected before the end of this year and two more scheduled to be started in 1981 and ready for approval by 1982 as mandated by the 1977 Town and Country Planning Act. Work on secondary centers has also progressed -- to the point where two-thirds of the plans have been prepared and approved, and the remainder either in progress or slated to begin shortly

D RTP's program for manpower development seems to be well thought-out and working smoothly. It is directed to all levels of staff needed, providing for alternating period of work experience and training -- both at escalating levels of technical or professional responsibility.

Two Urban Development Coordinators have been appointed by the Ministry of Local Government and Lands (MLGL) to manage implementation of urban projects. One serves Francistown and Selebi-Phikwe. The other, a Motswana,<sup>13</sup> covers Gaborone and Lobatse.

The Low-Cost Housing Officer position has been established. It has been filled by one and now, a second, expatriate, however, without a Motswana counterpart preparing to take over. This officer and the Urban Development Coordinators report to the Under-Secretary/Urban Affairs Division. (An organization chart of the Ministry is displayed in Appendix 8.)

There are still only two engineers on the entire Ministry staff. Both are expatriates. Efforts are in process to hire three additional engineers who would serve as back-up for the Urban Development Coordinators.

The Department of Survey and Lands, cited as a bottleneck two years ago in the processing of plots for allocation seems to have gained on its workload. Expanded facilities and personnel training under the current planning period are bound to help. They have also instituted a new procedure whereby large blocks of land are allocated to BHC or private developers (in accordance with Government-established quotas) who are then, in turn, responsible for providing in-site, or secondary, infrastructure. This relieves local government of at least some of the task of planning and contracting for secondary sewer, water, roads and street lights; and it enables development to proceed, circumventing the considerable delays experienced in the past.

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13. Single citizen of Botswana. Citizens (plural) referred to as Batswana.

Nevertheless, the enormous task of surveying and registering lands -- especially in the rural areas -- that remains to be done will take years. Also, the very sort of tight rationing system for urban land that exists in Botswana is bound to put the allocation agency in the position of a bottleneck until it can achieve the condition of having land ready well in advance of need.

MLGL's Applied Research Unit has now been staffed. Its early assignments are focussing on local institutions/government in rural Botswana.

This is the group that has coordinated a survey of Mahalapye village institutions, local-Central Government communications and preferences/attitudes toward cost-reimbursable municipal-type services. Field work for the survey was under way at the time of this present shelter sector review. The units are also concerned with defining appropriate policy for increasing numbers of small, dispersed, permanent settlements in areas formerly only seasonally occupied.

A Water Cycle Committee has been established by the Ministry. It is chaired by the Sanitation Engineer. Among the problems on their early-attention list is that of industrial waste management. More intensified enforcement of borehole protection programs is another major concern of the Chairman. Areas relied on for back-up urban water supply such as the Village of Ramotswe (whose groundwater is Gabarone's reserve) are particularly critical.

Early in 1981 the Ministries of Local Government and Lands (MLGL) and Mineral Resources and Water Affairs (MMRWA) signed a protocol concerning their respective roles in providing water to rural communities.

Over all planning is the responsibility of MLGL, who will sub-warrant construction, maintenance and collection of user charges to the Department of Water Affairs in the MMRWA. The Department of Water Affairs is about to undertake a nationwide study of health effects of water contaminants, biological and chemical. One problem of major concern is the high nitrate content of the groundwater on which the growing village

of Mahalapye wholly depends (600 ppm, compared with a World Health Organization standard of 45 ppm as an acceptable maximum level for human consumption).

b. Town Councils. Two Town Councils have now been assigned SHHA advisers<sup>14</sup>: Gaborone and Selebi-Phikwe. A third, whose salary is supported by the Government of Botswana, will soon arrive to take up his post in Francistown. Still one more is sought.

Of the five towns (including Jwaneng), two have economic planning officers. The Ministry is to provide a physical planning officer for each town as well to help the Town Councils establish their own planning processes. In Gaborone, where the first of these officers is already at work, the transition to local responsibility seems to be slow.

Fiscal management problems of the Town Councils remain among the issues of serious concern. Authorization by MLGL for the Town Councils to charge service levies at levels necessary to cover the costs of servicing the SHHA project areas has been only a partial remedy. Similarly, supplemental appropriations to cover operating cost increases resulting from the recent rises in industrial class wages (by 40 per cent) and professional salaries (by 20 per cent).

Arrangements for financing SHHA's recurrent costs present another problem. Under the present scheme Government pays SHHA a one-time "fee" of 90 Pula per plot allocated. This, presumably is to cover costs of the technical assistance services SHHA provides allottees. But when there are no plots to allocate, for example, because of project delays beyond the control of the SHHA, the flow of its funding is interrupted.

A paper prepared by Gaborone's planning officer points to the difficulties of forecasting and planning caused by inadequate data and compounded by uncertainty over such matters as:

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14. AID-funded technical assistance personnel of the Cooperative Housing Foundation.

- when the Gaborone West project (already a year behind schedule) will reach the stage of generating revenue and demand for services;
- the implications of Government's "balanced growth" policy which emphasizes assistance to village development;
- the preference of external donors for rural area assistance et al.

Current Government policy allocates 65 per cent of all residential land to become available in Gaborone for SHHA sites and services plots. Plotters in the SHHA areas pay service levies in lieu of rates, covering only SHHA area service costs and no share of the municipal debt service on primary infrastructure. Another 20 per cent of the land is allocated for BHC low-cost, contractor-built, rental housing which, itself receives a sort of cross-subsidy from BHC's higher or medium cost rentals. Thus, a diminishing proportion of significant ratables in the over all mix of the town's development will have to bear the increasing costs of capital improvements and recurrent expenses of Town government.

Although rates are not the sole source of Town revenue<sup>15</sup> their future yields may not permit even the degree of reliance on them that has characterized the past.

It is not solely a matter of insufficient discretionary resources for Town government that is at issue here. There is, in addition, the frustration of efforts to engage in forward planning and responsible fiscal management. The problem is not restricted to Gaborone. Certainly the economically stagnant Lobatse -- also victim of extended sites and services project delays -- fast-growing Selebi-Phikwe and self-improving Francistown face similar difficulties.<sup>16</sup>

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15. There are also a "local government tax" which is essentially a poll tax, some minor fee collections such as from vendors and hawkers, and, of course, the Government financing of residual deficits.

16. An MLGL forecast based on optimistic assumptions shows each of the Town Councils running a deficit in excess of P 1 million by 1984/85.

Moreover, the District Councils face the same revenue/cost squeeze. It is characterized in the Kgatleng plan, for example, as a steadily growing imposition of duties and responsibilities by Central Government without commensurate resources of personnel, training or funding. Both District and Villages feel constrained in serving their constituencies -- even in ways they are able to do -- for lack of discretionary funding.

Finally, the chain of approvals through Central Government required for virtually any Town Council actions is growing increasingly burdensome to town government. Procedural streamlining has not yet occurred to permit transfer of greater responsibility from Ministry staff to the Town team even in Gaborone which has a complement of staff aides in place.

c. Parastatal Activity. The Botswana Housing Corporation's production figures (See Table 2 above) reflect an annual rate of housing starts (930) during the last two years double their average over the previous eight, and higher than their achievements in any previous year except 1977-78.

Waiting lists for medium and high cost houses and flats have, consequently been reduced by about one-third. Although low-cost accounted for two-thirds of BHC's production, the waiting list for them seems only to have grown. (Appendix 9 shows the number of applicants for low-cost units has risen within the past two years from 6,225 to over 8,000.)

BHC has begun checking the names of SHHA plot allottees, expecting to cull out a substantial number of now-ineligible applicants. They are also comparing the names of people who have received plot allocations from the Department of Surveys and Lands as well as SHHA, against their tenant rosters to discover whether they are housing families no longer entitled to occupy their rental units. BHC suspects that a number of tenants and applicants both have been "hedging" their chances and speculation ventures, and that the waiting list may be reduced by as much as 40-50 per cent as result of the cross-check.

Housing sales between April 1979 and March 1981 were concluded with families occupying BHC houses -- 62 in Gaborone and one each in Lobatse and Selebi-Phikwe. Seven of the transactions had been made under a lease-purchase arrangement. Selling prices ranged from P 3,775.00 for a Ngami-type house to P 5,775.00 for the Notswana; and P 7,000.00 for an LC 43 to P 13,000-16,000 for Notwane, Chobe, Kazamia, PA 67 and MC 55 models. The highest selling prices were in the P 22,000-23,000 range for the MC 95 and P 46,000-50,000 for the Khutse and Shakawe "top of the line" designs.

Current inventory of BHC units stands today at 4,804. In addition, they manage 51 units (for UNDP and for Maun). Table 3. shows what these units are, and where.

Table 3. BHC HOUSING STOCK, MAY 1981

<u>Location</u>	<u>Low Cost</u>	<u>Medium Cost</u>	<u>High Cost</u>	<u>Flats</u>	<u>Total</u>
Gaborone	1,874	672	647	296	3,489
Francistown	363	116	60	34	573
Selebi-Phikwe	293	39	10	--	342
Lobatse	260	56	62	8	386
Serowe	6	5	3	--	14
TOTALS	2,796	888	782	338	4,804
Maun and UNDP (Managed Only)					<u>51</u>
					4,855

Production costs have escalated over the past five years (1976-81) at somewhat different rates for individual components. All, fortunately, seem to have risen more slowly than the overall rate of inflation.

Table 4. Production Cost Increases, 1976-81

<u>Component</u>	<u>Percentage Increase</u>
Materials	45
Labor	30
Overhead, Plant and Profit	25

As a result, the 48 m<sup>2</sup> low cost house (including land and infrastructure) they could build for P 5,280 in 1977 and 6,000 in 1978, cost P 8,085 last year. Land and infrastructure and GD EA/CI were the most rapidly rising cost elements for this group. The 95 m<sup>2</sup> medium cost house that

went up in 1976 for P 15,400 cost 27 per cent more in 1979 (P 19,663) the most recent date for which figures are available. A 123 m<sup>2</sup> high cost house averaging P 34,385 in 1980, was up 36 per cent over 1977.

Financing for BHC has been primarily through Government--at 6-8 per cent interest for 25 years with a one-year grace period on repayment. In addition, there have been two loans from the Commonwealth Development Corporation (UK): one for £ 1 million at 8 per cent, to be repaid 1976-95; and the other, for P 2 million at 8½ per cent, to be repaid 1978-97.

Land availability is a problem still. In the view of the General Manager, interrupted flow of land is the chief constraint to increased BHC production. Uncertainties over how much will be available, and when, makes advance planning virtually impossible. This, rather than finance or any other factor, keeps the organization from utilizing its full capacity.

A construction training center under BHC sponsorship has been proposed to the BHC Board of Directors. With their approval this would permit expansion of their more limited existing program into special quarters. The new center would be prepared to offer training in such skills as cost-estimating, record-keeping, construction management, etc. to BEDU<sup>17</sup>-assisted contractors, employees of SHHAs, Ministry of Local Government and Lands or others, in addition to BHC's own personnel.

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17. Botswana Enterprise Development Unit/Ministry of Commerce and Industry.

#### 4. Status of Ongoing Shelter Programs

##### a. SHHAs (the Self-Help Housing Agencies)

Advisers. One of the 1979 Shelter Sector Assessment recommendations was that a SHHA adviser be posted in each of the towns where there was an ongoing sites and services or upgrading project. This either has been done or will be done shortly. Selebi-Phikwe and Gaborone have U.S. personnel; U.K. is supporting the Lobatse effort and a third American, to be financed through Botswana resources but recruited through USAID, will soon take up duties in Francistown.

Almost 1,200 of the 1,500-1,600 plots (74 percent) in the new diamond mining township of Jwaneng are scheduled for sites and services development along the lines of a SHHA project between now and 1992. There is as yet no adviser posted to the field for this project.

In Gaborone's SHHA projects, 2,712 plots have been allocated between January 1979 and February 1981, bringing the total for sites and services and upgrading areas to 4,516. There are 700 plots in existing project areas remaining to be allocated.

As of January 1981, 6,956 applications had been accepted (83 percent of all those made and 3,616 plots had been made available, leaving a backlog of 3,340 on the waiting list. Over 4,000 more applications are expected between July 1981 and December 1983. Were Gaborone West coming on line as scheduled, there would be 3,500 plots to meet this new demand plus the backlog from 1981.

During the 1979-81 period 1,177 building materials loans have been made. As of February, 80-90 percent of the loan values have been drawn in building materials except in the newest sites and services area, Tsholofelo, where only 40 percent has been drawn so far. The maximum amount of the building material loan has been raised from 600 to 800 Pula in recognition of rising costs of materials.

Service levies have been raised from 4.5 to 5 Pula in April 1981 in an effort to keep up with rising costs of Town Council services

(mainly attributable to 40 percent increase in the minimum wage for industrial class employees).

Default rates in payment of service levies and building materials loans which grew from 30-40 per cent in January 1979 to 40-50 percent in January 1981 have dropped somewhat the next month as result of Town Council's using its newly-gained statutory authority to pursue defaulters through the courts. By March the default rate was the lowest it has been in two years.

The SHHA projects in Francistown and Selebi-Phikwe are part of the Urban II project, jointly supported by the Government of Botswana and the World Bank. Midway through the infrastructure development period at this point, work is somewhat behind schedule. Allocation of plots is about to begin. In Francistown the project will provide for upgraded infrastructure, 1,000 new sites and services plots, and 2,000 upgrading area plots plus some upgrading.

Lobatse's U.K.-financed Woodhall I sites and services project has been fully allocated. The Woodhall II project, slated to offer 1,000 sites and services plots and 100 fully serviced plots has not begun according to original schedule. This is attributed to: first, U.K. delays in funding commitments, and more recently, to discovery on the site of commercial grade clay deposits. While the feasibility studies of developing some industrial production based on this resource progress among Ministry of Commerce planners, DTRP planners express their concerns over the most cost-effective use of the land, the lack of suitable alternative shelter sites (owing to constraint of Lobatse's topography, the prospect of repeating their entire planning efforts, and the loss of time before production output is available to meet the town's longstanding need.

An experienced officer capable of directing the upgrading project for Peleng, one of Lobatse's squatter areas and center of the Opposition political party, has been sought from the British Government by the MLGL, but to date, no one has been sent for that job.

b. Jwaneng, the New Mining Town, DTRP's plans are now complete. De Beers has completed construction of its first-stage development and is preparing to begin production of diamonds in 1982. The Ministry of Local Government and Lands is "looking into" providing an urban development coordinator for the town who, presumably, would supervise the sites and services development there among his other duties.

c. Gaborone West, Plans for Gaborone West have reached the point where they are ready to go to tender for detailed engineering and cost studies on infrastructure. There have been delays, largely due to adjudication over the amount of compensation offered by Government when it took the land through eminent domain.

Gaborone West is currently a farm of about 2,960 ha in single ownership. It lies west of the railroad tracks,<sup>18</sup> parallel to Gaborone's existing urban development which has been wholly east of the rail line. Botswana's new international airport, scheduled for completion in 1982, lies to the north of Gaborone West.

This project, scheduled to develop in approximately equal one-year phases over the coming decade, will result in a doubling of Gaborone's physical size. The plan is organized into ten neighborhoods of 2-4 superblocks with about 2,400 plots each. (A 1981-83 work program for Gaborone West is shown in Appendix 10.)

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18. The Zimbabwe National Railroad that runs north/south through the eastern portion of Botswana, from Zimbabwe to South Africa.

The first phase of Gaborone West will consist of a 447-hectare residential area, allocated for development as shown below.

<u>Type</u>	<u>Plots</u>	<u>Hectares</u>
Site and service	1,717	76
Low Cost Government	256	13
Medium/High Cost Govt.	93	11
Medium/High Private Dev.	93	11
Low Cost BHC	325	17
Medium/High Cost BHC	184	22
Reserve for future residential development		23
Subtotal Residential	2,668	173

Also provided for are vehicular circulation, shops, community facilities, public open space and schools (4 primary and 2 secondary). A 95-hectare industrial area is planned for 84 commercial and industrial plots plus roads and reserve for future office development.

In order to cover the gap in funding for SHHA's operating costs during this current period when it has virtually no plots left to allocate and Gaborone West has been delayed, Government is considering opening a new Broadhurst IV area north of the most recent Tsholofelo project (Broadhurst III). Because no additional primary infrastructure would be required, this extension could bring about 500-600 plots on line fairly quickly.

Carrying out the massive responsibilities laid out for it (9,444 plots in Gaborone West) will be a serious challenge to the Gaborone SHHA's already strained organization. Important issues to be resolved include those of training, stabilizing and deploying manpower efficiently. Collection of payments on the service levy and building materials loans, is another function needing improvement. Arrangement for financing recurrent costs are a serious problem in periods when no new plots are ready to be allotted (and, hence, no income from the P 90 Government

subsidy paid SHHA for its technical assistance services on the allotment of each plot). The level of public amenities in the project areas needs to be upgraded. Policy on rentals of units by the allottees needs to be rationalized in view of the extent to which this is occurring.

#### 5. Changes in Shelter Standards

The Urban Development Standards Sub-Committee of the Ministry of Local Government and Lands worked from June of 1979 through the end of 1980 to produce a schedule of standards. The scope of their work ranges from principles of affordability, cost recovery and self-help housing area eligibility to plot sizes and service levels, planning and community services, surveying cost allocation, roads, drainage, sanitation, water supply, power supply, street lighting, housing design, maintenance, personnel and Town Council recourse in cases of default.

Although these standards have not yet been formally adopted, they have been released for information purposes. A summary is shown as Appendix 11. Essentially they broaden the spectrum of needs that can be accommodated in sites and services projects by introducing a bare minimum (but upgradable) standard below that which the SHHA's have offered to date, as well as options for somewhat higher standards which are also upgradable (even more by virtue of location adjacent to fully serviced plots and primary infrastructure lines).

#### 6. Finance

a. Domestic Resources. Excess liquidity in Botswana's banking system -- probably an order of magnitude of P 100 million -- has not induced the commercial banks to develop long term loan portfolios in housing and other capital investment or for business enterprise development. In fact, they have turned away deposits, rather than pay interest thereon, absent short term lending opportunities in the livestock or other major established industries.<sup>19</sup> Most loans are made on a demand basis, and are rolled over repeatedly.

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19. Mining and Government have been the two most rapidly-growing sectors in the economy. The National Development Plan explains that both are net savers. Neither, consequently, has presented an investment opportunity for absorbing the capital.

Banks' reluctance to extend long term credit stems in part from a concern that they may face disintermediation from their short term depositors at any time in the future and could be caught in a liquidity squeeze if they held significant long term loan portfolios. In part the reluctance is based on tradition of the British merchant banks who generally leave housing finance to the building societies. There is also a concern about political uncertainties over the long term with respect to Botswana's neighbors, and the potential impact on Botswana of unrest in South Africa, Namibia or Zimbabwe.

Here is a situation, then, where there are domestic resources available and a need to devise means of tapping them which can overcome both the basic conservatism and genuine concern over risk on the part of those who control them.

The Bank of Botswana, the central bank, has attempted to encourage long term deposits by establishing a rate structure that permits the commercial banks to pay higher interest on one-year certificates of deposit and lend out money for similar periods at rates that allow for spread of up to 6.5 percent. This intervention has not induced the banks to attract longer-term deposits because, in the absence of a strong market for loans, they would only be raising their own costs. In fact, the banks have turned away major deposits in an effort to avoid raising the cost of their funds.

Many potential large depositors (e.g. the parastatals, commercial ranch enterprises, insurance companies, etc.) have thus been placing their surplus funds directly with the Bank of Botswana as a depository of last resort.<sup>20</sup>

Central Government has virtually no debt. It has about P 12 million in 90 day notes outstanding. Indeed, much of the excess liquidity in the financial system represents surpluses in the government accounts themselves.

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20. These groups are not permitted to invest their capital abroad. Only the Bank of Botswana is permitted to do this. Botswana has neither stock market nor bond market (other than small Government bond issues).

There being no secondary market for long term paper in Botswana, lenders fear being locked into loans with terms longer than those of the deposit funds with which they are made. If a secondary market existed in Botswana, lenders would have the assurance that they could discount the long term paper to another buyer, albeit at a penalty, in the event their cash position required it.

At present the Bank of Botswana offers such a discounting facility for paper six months to maturity or less. The Bank of Botswana, acting for the Government, could offer a long term discounting arrangement with its own resources, but it would be necessary to set aside some of its funds to assure the commercial banks that they will be available when needed. This would sterilize needed resources to provide a guarantee that might never need to be activated, if indeed a market for long term investments evolves in Botswana during the next 10-15 years. Yet the creation of a guaranteed discounting facility, both for housing mortgages and other industrial and agricultural capital investment loans, is an essential ingredient in the mix of conditions<sup>21</sup> needed to bridge the gap in the financial system between short term deposits and long term lending.

Other actions will be needed, in addition, to steer the financial community towards evolving services responsive to national needs as well as to stimulating the demand for private sector loan capital.

As it is now, relatively little of the capital available in Botswana is being mobilized for residential mortgage loans.

The Botswana Building Society has a portfolio of 752 loans, totaling P 8.8 million. Most of them run 20-25 years and bear interest rates of 10½-11 percent. Between 1 April 1979 and 31 March 1980, 308 new loans were originated for houses in Botswana's four towns. BBS also made 201

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21. This is a more "passive" sort of secondary market than the approach suggested in the 1979 SSA. In that one the idea was for a governmental entity more actively to buy up mortgages from the Building Society in order to provide fresh capital for lending. Its principle objective was to expand the BBS' resources for mortgage lending beyond the limitations of the institution's deposits should the volume of mortgage activity grow to such a level as to warrant it.

loans to borrowers who wanted cash either for upgrading their houses in town, or for constructing houses in their villages, offering their urban property as collateral.<sup>22</sup> Total value of the two years' lending was P 5.4 million.

The Building Society asserts it has ample funds to meet demands from qualified buyers. Year-end balances at 31 March 1981 were P 11.6 million -- up P 3.7 million from last year.

Optimistic expectations about greatly expanded loan activity following the initiation of the Government guarantee program in 1979 have thus been met to a limited degree only.

Although down payment requirements for the purchaser were reduced from 30 per cent of loan value (maximum P 15,000) to 5 per cent, with Government guaranteeing the remaining 25 per cent, constraints other than the amount of down payment have worked against a growing demand for home ownership.

Land is one of them. Fewer than 200 serviced plots were made available for private residential use in Gaborone between 1979 and 1981; fewer than 20 in all other towns combined. Apart from BHC plots, and institutional housing sites, all the rest of the available plots were in SHHA areas. BBS eligibility requirements include freehold tenure or long-term leasehold on the property offered as collateral. Although the Certificate of Rights (COR) form of tenure used in the SHHA areas was developed so that improvements on those plots could be mortgageable, the Building Society has not yet accepted a SHHA area house as appropriate collateral for a mortgage loan. BHC house sales are executed with a 99-year leasehold and are eligible for BBS mortgage financing.

Household income is the determining factor with respect to the amount of the loan authorized; 25 per cent of monthly salary being the limit of the monthly mortgage payment. Thus, a person earning P 300 per month can obtain a 25-year loan of P 7,700 at 11 per cent, payable

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22. Law still restricts BBS to lending in urban areas.

in monthly installments of P 75. In effect, the Government guarantee program is open only to borrowers who have steady income from regular employment. These would be mostly civil servants, many of whom continue to occupy subsidized rental units in preference to taking on higher payments for mortgages. Another factor, though probably less important, is the effect of inflation on the sort of house that could be built even with the maximum loan amount. The SHHA building materials loan limit was raised from P 600 to P 800 in early 1981 in recognition that the original maximum amount no longer covered costs of the basic core unit. But Government loan guarantee limits were not similarly increased.

Botswana Building Society has maintained essentially the same interest rate structure they had in 1979. Deposits earn 2.5 - 6 percent interest, depending on how long they remain, and income earned on them is taxable. Subscription shares pay 7 percent interest which is tax exempt, but they are less readily redeemable than deposits. The interest rates paid by the BBS present a favorable alternative to the depositor over commercial bank terms, and have consequently attracted an inflow of longer term investments.

As in the case of commercial banks, however, the Building Society may also try to gear the level of its liabilities to the market for mortgage lending. That market, however, remains very limited given both the Society's lending criteria and the disincentive to borrowing for home ownership inherent in subeconomic rentals for BHC units.

b. External Donor Commitments in the Shelter Sector. GOB's normal practice is to explore the interests of each aid donor, bilateral and multilateral, in supporting items on the Government's schedule of development projects. Those projects not taken up for partial financing by aid donors are financed entirely with domestic resources to the extent the Government's implementation capacity permits.

Projects in the shelter and related sectors under NDP V are generally listed under the purview of the Ministry of Local Government and Lands (MLGL). The total estimated cost of Ministry projects for the

six-year plan period is P 200 million, of which P 127.8 million (64 per cent) represent projects of the highest priority, i.e. either on-going as of 1979/80 or programmed to begin by 1982.

For the current budget year (1981/82), there are P 12.6 million worth of shelter and shelter-related expenditures on the MLGL list.<sup>23</sup> As the budget year opened, 30 per cent of these projects had funding commitments from domestic resources. Another 44 per cent were pegged for financing through external sources as shown in Table 5 . No source of financing was identified for the remaining 26 per cent of the planned expenditures.<sup>24</sup>

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23. These include Selebi-Phikwe Physical Development, Francistown Phase III, Lobatse, Gaborone West, Naledi Upgrading, Implementation of Broadhurst II, Tsholofelo, Jwaneng Physical Development, District Housing, Local Authority Development Grants, Implementation of Integrated Land Use Plans, Village Projects, Major Village Infrastructure, BHC Finance, and the Environmental Sanitation Project and the Low-Cost Water and Sanitation Project.
24. Government of Botswana, 1981/82 Estimates of Expenditure from the Consolidated and Development Funds, Undated.

TABLE 5. MINISTRY OF LOCAL GOVERNMENT AND LANDS PROJECT EXPENDITURES ESTIMATED FOR 1981/82 and 1982-85, AND FUNDING SOURCES.

Project	Estimated Expenditure (P)		Balance of the Estimated Cost (NDP) Required 1982-85; (P)	Source of Finance	Amount
	1980/81	1981/82			
Selebi-Phikwe Phys Dev	1,656,000	1,800,000	3,412,840	DDF IBRD	1,200,000 600,000
Francistown Phase III	1,675,000	1,000,000	4,804,349	DDF IBRD	500,000 500,000
Francistown Phase IV	--	--	6,817,000	--	--
Lobatse Physical Dev	579,000	1,600,000	6,144,727	UK FTBN	600,000 1,000,000
Gaborone West	547,000	458,000	18,696,055	UK FTBN	200,000 258,000
Naledi Upgrading	292,000	350,000	570,813	CIDA	350,000
Broadhurst Stage II Implementation	911,000	800,000	1,244,900	DDF USAID	400,000 400,000
Tsholofelo Development	1,827,000	1,500,000	3,645,054	DDF	1,500,000
Jwaneng Physical Dev	969,000	2,300,000	7,090,165	FTBN	2,300,000
District Housing	373,000	900,000	3,553,665	DDF SIDA FTBN	120,000 300,000 480,000
Local Authority Development Grants	486,000	500,000	6,944,356	SIDA	500,000
Implementation of Integrated Land Use Plans	361,000	465,000	3,884,395	DDF SIDA FTBN	65,000 250,000 150,000
Village Projects	151,000	159,000	1,327,957	NORAD	159,000
Major Village Infrastructure	--	495,000	6,497,000	EDF	495,000
BHC Finance	40,000	63,000	195,153	FTBN	63,000
Environmental Sanitation Project	71,000	68,000	1,337,000	DDF USAID	21,000 47,000
Low Cost Water and Sanitation Project	50,000	132,000	591,000	FTBN	132,000

Source: GOB 1981/82 Estimates of Expenditure from the Consolidated and Development Funds

Notes: CIDA - Canadian International Development Agency  
 DDF - Domestic Development Fund  
 EDF - European Development Fund  
 FTBN - Financing to be Negotiated  
 IBRD - World Bank  
 NORAD - Norwegian Agency for International Development  
 SIDA - Swedish International Development Agency  
 USAID - United States Agency for International Development

The list of projected expenditures contains a number of community services and facilities projects totalling P 13.7 million. Commitments of domestic funds for 1981/82 cover 17 per cent of these; external sources of finance, 22 per cent. Thus, just over 60 per cent of these projects are still not set. These are shown below in Table 6.

TABLE 6. MINISTRY OF LOCAL GOVERNMENT AND LANDS PROJECT EXPENDITURES ESTIMATES FOR 1981/82 and 1982-85, AND FUNDING SOURCES.

<u>Project</u>	Estimated Expenditure (P)		Balance of the Estimated (NDP) Cost Required 1982-85 (P)	Source of Finance	Amount
	<u>1980/81</u>	<u>1981/82</u>			
Township Services	618,000	600,000	600,793	DDF	600,000
Labor Intensive Public Works	34,000	94,000	435,000	SIDA	94,000
Remote Area Dev.	216,000	167,000	167,647	SIDA UNCDF	115,000 52,000
Maintenance of Village Water Supplies	752,000	130,584	--	SIDA FTBN	5,000 125,584
Dev. of Land Boards	508,000	379,000	887,717	DDF FTBN	159,000 220,000
Unified Local Government Service Training	884,000	393,000	448,927	SIDA FTBN	349,000 44,000
Basic Health Facilities Development	633,000	506,000	1,588,984	NORAD	506,000
Primary Schools	6,000,000	7,700,000	18,740,166	FTBN	7,700,000
Rural Administrative Centers	350,000	3,500,000	885,977	DDF EDF	1,547,677 1,925,323
Decentralized Office Block for Central Govt	--	253,000	2,157,000	FTBN	253,000

Source: GOB, 1981/82 Estimates of Expenditure from the Consolidated and Development Funds, Undated

DDF - Domestic Development Fund  
FTBN - Financing to be Negotiated  
SIDA - Swedish International Development Agency

EDF - European Development Fund  
NORAD - Norwegian Agency for Development  
UNCDF - United Nations Capital Development Fund

In addition there are a number of projects on the lists of ministries other than Local Government and Lands which, do nonetheless, bear on shelter and community development. Examples of these are shown in Appendix 12.

The most active donors in the shelter sector have been the IBRD (World Bank), Canada, Great Britain and the United States.

Two IBRD loans, the first for \$4 million, and the second for \$8 million, have been financing the physical development projects in Francistown and Selebi-Phikwe. Terms on Urban II, signed September 1978, are 7½ per cent interest and 20-year repayment period. In addition, IBRD has financed the recent design study for a new Machaneng-Mahalapye road. This road would link the rich agricultural production area along the Limpopo River (the Tuli Block) with the market center and railhead in the Village of Mahalapye. Botswana has selected that village as site of a pilot project to build up major village infrastructure and economic activity. The Government's idea is to achieve a level of infrastructure and services sufficient to enable the village to compete with urban areas for investment and migrants.

The World Bank has viewed its role in Botswana's shelter sector as one of facilitating institution-building. It claims to have required the adoption of the "Certificate of Rights" form of tenure for low-cost sites and services plots as a condition of approval for its first "Urban" loan in 1974. Urban II has focused on creating capability in Francistown to implement the SHHA program.

Although it is prepared to consider further lending in the shelter sector, the World Bank is awaiting GOB action on the Report of the residential Commission on Housing before it makes any commitments. A new loan, which is quite likely, would probably be at standard IBRD terms -- currently 9.6 per cent interest, 20-year repayment period with 4 to 5 years' grace.<sup>25</sup> Such a loan would probably include funding

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25. The interest rate could rise as high as 10.25 per cent by the end of 1981 or early 1982.

for a major in-country training component for clerical and para-professional personnel. In addition, the Bank continues to arrange seminars for mid- and upper-level public officials from groups of countries that share common problems, where they can share their experiences. These would, presumably, have relevance and be open to participation by appropriate Botswana shelter officials.

The Commonwealth Development Corporation has made two loans to the Botswana Housing Corporation for construction finance in 1976 and 1978, respectively. The first, for £ 1 million at 8 per cent is to be repaid by 1995; the second, P 2 million at 8½ per cent is to be repaid 1978-97.

CIDA, the Canadian International Development Agency, has been supporting the Old Naledi Urgrading project and has contributed \$650,000 for infrastructure development in Broadhurst, both Gaborone activities. These activities have been completed under budget, and the GOB has now requested that the remaining funds be used to build a new school and community center at Broadhurst. No new commitments for shelter sector lending will be considered by CIDA until it has had a chance to review the evaluation of Naledi which it has commissioned. That will be sometime early in 1982.

The United Kingdom has focussed its attention primarily on Lobatse in recent years. It provided a grant of P 1.5 million to finance infrastructure (roads, water, electricity, schools et al) for the Woodhall I Low-Cost, Self-Help housing project. Some of these funds were also used for building materials loans. A small amount was made available to finance infrastructure at Broadhurst, as well (\$165,000).

UK's representative in Gaborone is still committed to fielding a resident adviser for Lobatse's SHHA, but indicated that undertaking any new activities in the shelter sector would be an unlikely prospect for his government.

The Economic Development Fund of the European Economic Community made a grant of over \$2 million to finance the water system for Broadhurst.

Interests of EDF appear to lie in the rural sector currently (e.g. major village infrastructure, industrial buildings leasing program). We have found no indication of new support for urban shelter projects.

USAID, of course, has a continuing interest in the shelter sector. Activities spanning five years of involvement here include support of the Broadhurst sites and services project through a \$2.4 million Housing Guaranty loan (now drawn down) and an operational program grant for technical assistance to the SHHAs and the Ministry of Local Government and Lands which has provided expertise complementary to the HG-supported project.

Looking toward the future, USAID's program interests in the shelter field focus on development of a large-scale shelter and community development program in Gaborone West and major villages, continued support of the SHHAs with extension of their techniques to the major villages and expanded training for manpower needed throughout the shelter sector. Institution-building -- helping Botswana prepare to manage its own shelter needs -- is the principal goal of these investments.

Extension of shelter programs to the major villages is a key element in USAID's overall approach to the paired objectives of employment generation and rural development. The intention is that, by providing basic infrastructure in the major villages, shelter programs can enable these villages to become "poles of development". Shelter projects themselves can contribute to income-producing opportunities and shelter schemes can include additional job-generation features.

Apart from some Swedish bilateral agency grants for District Administration and rural civil servants housing, there have not been other donor agencies involved in rural shelter activities. Certainly none has done any formal rural sites and services, self-help housing schemes.

There have, however, been several agencies quite actively involved in providing support for rural infrastructure, community facilities, capacity-building in local administration, training and enterprise-development/job creation projects -- all of which have some overlap with AID's interests and potential components of a shelter strategy.

The Swedish International Development Agency directs its attention and support to rural development across a broad range of activities. They have been the chief support of the Batswana Enterprise Development Unit, the Pilane Industrial Park (in Mochudi on the Gaborone-Francistown Road), village water supply development, rural electrification and efforts to build up the capacity of District Councils. They have helped initiate and support (through contributions for rural school construction and equipment purchase) production of a Batswana furniture factory. SIDA has also supported Remote Area Development projects and integrated land use planning for the major villages as well as housing for District Council and civil service personnel mentioned above. Much of SIDA's aid has been through grant funding.

Within the past few months a SIDA-funded study of the manpower training needs of the Unified Local Government Service and the Tribal Service was completed by Botswana's Institute of Development Management. The study was a comprehensive review of the skills and education required in the 2,800-person cadre<sup>26</sup> under the MLGL who manage District administration and serve local (village) development plus the Ministry-paid members of tribal administration staff. It is likely that SIDA will offer to finance training for District and local administrators as a follow-on to the manpower study.

The Norwegian Agency for Development (NORAD) also concentrates its attention on rural areas. Health facilities, roads, water supplies, and schools have been among its major funding interests.

The United Nations Development Program has provided volunteers who, in a number of cases, have been assigned to staff land use planning activities in the Districts and villages.

Experience in Broadhurst exposed all its participants to the problems that can arise in complex shelter projects involving multiple donors. Variations in donor funding schedules and conflicting criteria for contractor selection, among other issues of project management and control, have been seen to impede implementation.

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26. Projected to increase to 4,000 by 1992.

Consequently, the tendency seems now to be more toward each agency's carving out its own field of activity and geographical sphere of operations.

#### 7. Land

A serious delay in land availability has blocked progress on Gaborone West (the ten-year staged scheme for meeting expansion needs of the capital). It has been due to causes other than administrative, however. The property-owner whose farm was condemned by Government for the project challenged the sum offered him in compensation for the taking. It appears that he has prevailed over Government in the adjudication and that the purchase price on the land will be substantially more than Government reckoned originally -- by almost three times the amount of the initial compensation offer.

This outcome is generally viewed as establishing a precedent in the basis for valuing land in the path of urban growth. By contributing to higher land costs the decision could well force Government, over time, to reconsider the cost-effectiveness of acquiring urban land and holding onto it indefinitely.

Until now, land acquisition has not been one of the cost-recoverable items in Botswana's urban projects. Under the form of tenure granted by Government, plotters in upgrading and sites and services project areas have enjoyed the right to use their plots indefinitely, provided they build a minimum standard core unit within the specified time limit and maintain their service levy payments. The arrangement has been viewed as a factor in rendering the plot affordable. At the point where higher land costs mean significantly fewer units can be produced, the affordability principle is compromised.

#### 8. Manpower

The pervasive problem of too few trained Botswana to staff necessary positions still affects the shelter sector as it does all else in the

nation's economy. This remains one of the most critical constraints to expanded activity in the shelter sector.

A SIDA-supported study recently completed by the Institute of Development Management reviews manpower training needs throughout the cadres of the Unified Local Government Service and Tribal Service. It calls for overseas training of substantial proportions -- for as many as 10 per cent of the 3,000-4,000 personnel at a time while bilateral and multilateral agency volunteers temporarily fill their positions.

Various means of filling needs for in-country training for program development, administration and clerical level jobs as well as technical and project management levels are under consideration.

BHC has proposed a technical training program which would be open to employees of other governmental entities as well -- SHHAs, for example, or Districts, BEDU-supported small entrepreneurs, et al.

Opportunities for on-the-job training afforded by the presence of resident technical advisers have not been used to full advantage. It is particularly unfortunate that counterparts have not been assigned to work along with the senior level expatriate advisers, preparing to take over top management positions. At other levels personnel management practices undermine such training efforts as the advisers are able to make.

The SHHAs continue to suffer staffing problems. Complaints are that personnel are too few, too inexperienced and untrained, and insufficiently motivated. One of the factors cited by way of explanation is the low status of a SHHA position. Pay scales are lower here than for Central Government jobs. Another factor is the frequency with which the Unified Local Government Service (ULGS) transfers personnel from SHHAs to positions elsewhere in the service.

On the one hand this deprives the SHHAs of benefits they might reap from training they give these people and drains much time and energy

from SHHA senior staff and advisers who must repeat the training process for each new replacement. On the other hand, the expectation of transfer to another job at any time discourages commitment to their work on the part of SHHA employees. It works against any system of reward for high performance, and damages the integrity of a working team.

In Gaborone's SHHA there are problems over the demands on technical personnel for weekend work. Their services are particularly needed when the plottolders are free from their own jobs and working on construction.

Frequent turnover of personnel impedes the continuity of District administration much as it does in the SHHAs. The Kgatleng District plan, for example, cites problems in this respect as well as the effects of poor working conditions on staff morale.

MLGL has initiated its own technical assistance program for the villages. They have offered instruction to the Land Boards (the bodies who make allocations of the tribal lands for residential, ploughing and other uses) in determining which lands to allocate or reserve, forward planning and record-keeping. So far, however, the results have not been encouraging.

Certainly the system for delivering shelter needs more staff if it is to expand output. Training of manpower that is already available is equally necessary. It is, nonetheless, important not to divert attention from the ultimate purpose -- which is to develop cadres of operational personnel capable of turning out shelter that is needed. In developing an expanded training program it will be important to weigh long-term investments in academic or professional credentials for individuals (obtainable only outside the country) against more immediate needs for skills and manpower on the job that can be met through specially adapted in-country training activities.

#### 9. Research and Development

The principal advance in this area concerns shelter project sanitation facilities. MLGL has determined that the twin, shallow-pit latrine

in use at Broadhurst is the most satisfactory solution and has approved its use in SHHAs and village sanitation improvement schemes.

CHAPTER IV - REPORT OF THE PRESIDENTIAL COMMISSION  
ON HOUSING POLICY IN BOTSWANA

The Presidential Commission on Housing Policy in Botswana was created toward the end of January 1980. It was charged with reviewing the many aspects of shelter in Botswana and reporting to the President by February 1981 on its findings and recommendations. Their investigations were intensive and their consultations throughout the country, extensive, during the ensuing year. Subject matter ranged broadly covering:

- Activities of all existing organizations and/or institutions involved in housing;
- Their financial policies with special attention to the use of subsidies;
- Rental policies of Government;
- Housing standards and their cost implications;
- Land policy, including tenure;
- Distribution of investment in rural areas and possible implications for housing development; and
- Other related matters.

A. Findings of the Presidential Commission

The Commission Report was delivered to the President in February and sent by him to the Cabinet in May 1981. Its far-reaching nature is illustrated by the following principal findings.

1. Botswana needs 64,500 new dwelling units between 1981 and 1990, merely to shelter households that will be newly forming. There are, in addition, needs to upgrade or replace a substantial number of existing houses. The new units alone would require an investment of P 334 million over the next 9 years.
2. The country could undertake a program to produce 58,800 of the needed housing units within the proportion of the gross domestic product that is currently going into shelter. This would amount to an investment program in 1981-90 of P 303.7 million and would require the share of GDP now going to subsidize consumers of housing to be reduced from its present level of 1.1 per cent to .6 per cent by 1990.

Constraints to achieving the program targets are chiefly institutional. of financial resources is much less a problem than the manner in which such resources are deployed.

3. Efforts in the shelter sector are currently fragmented and sometimes conflicting. They have been characterized as a problem-by-problem and project-by project approach to dealing with shelter needs. Some segments of need have been missed altogether (e.g. families in the P 1000-2000 income bracket); others who are receiving help need it less than families who have none. There has been no coordination point for all shelter-related investments of Government and no clear focus for policy formation.
4. Production of new units has been lagging behind need while a substantial "hidden" subsidy has absorbed Government resources, helping consumers to live in shelter accommodations they could not afford without subsidy. The "hidden" consumer-oriented housing program has been costing Government 1.1 per cent of GDP or about P 7 million per year, most of which consists of subeconomic rental charges on Government housing and interest rate subsidies to middle and high-income shelter production.
5. The current approaches cannot be sustained on into the future because the country cannot afford it. The distribution of resources as between production and consumption does not permit enough basic needs to be met except by drawing off into the housing sector resources that are needed for development investment elsewhere in the economy. The risk of falling short of the basic shelter need, i.e. for a properly laid-out plot, secure tenure, minimal sanitation and water supply, is the risk of families' pursuing their needs on their own -- without such amenities -- in squatter settlements. Costly experience has taught Botswana in this case that prevention is far preferable to curing.
6. As for preparing and implementing effective, forward-looking shelter programs, Government is severely hampered by inadequate basic information (on population, incomes, existing shelter stock and conditions -- particularly in the rural areas -- etc.) and by insufficient trained manpower to do the work.
7. Most shelter efforts undertaken by Government to date have focussed on the urban areas. SHHAs have been a very successful solution for serving the shelter needs of below-median income families, but the bulk of Botswana families in this "target group" are in the rural areas.
8. Shelter programs in the country's villages are hampered by tribal land tenure which precludes access of families to credit. In addition, there are no credit institutions franchised to do shelter lending in the rural areas.

9. The Certificate of Rights (COR) tenure employed in the SHHA areas restricts urban households' access to credit and the Botswana Building Society which does lend in the urban areas applies lending criteria which are so stringent as to exclude housing built to SHHA-type standards from mortgage eligibility.
10. Village institutions lack appropriately trained manpower, capable of selecting, appraising, planning or implementing shelter projects and development programs. There is as yet insufficient appreciation in the villages of the implications of continuing to allocate land in the customary low-density manner, particularly in respect of sanitation problems and the costs of providing water reticulation.
11. Institutions do not yet exist to channel private sector financial resources into housing investment.
12. Private sector construction industry has played but a very limited role in shelter provision, in general.
13. Donor assistance for shelter has been directed to specific projects in the urban areas.
14. Government's subeconomic rental policies suppress motivation for home ownership by those who could afford it.
15. Locally-produced building materials have not been used as extensively as they might be in shelter production.
16. Lack of rural income-earning opportunities fosters rural-urban migration and prevent rural residents who remain in the village from being able to afford upgrading their shelter.

#### B. The Commission's Recommendations

The major recommendations of the Commission are grouped below. They address the issues of national needs and system constraints without necessarily ordering priorities or setting forth a step-by-step program for accomplishing the changes that are indicated.

##### 1. Commitment to Shelter Sector Development.

The Government of Botswana should elevate shelter to the status of a "basic human need" and establish a designated share of the development budget for shelter.

This is significant because shelter sector expenditures are not now clearly identified in the National Development Plan, and must be derived from the information on local government and lands development plus allocations of various different ministries.

## 2. Creation of a National Shelter Policy Framework.

The time has come for Botswana to gain control over the provision of shelter to meet national needs. This requires establishment of a policy framework within which a variety of shelter programs, actors, donors and projects in the shelter field can be coordinated. Botswana needs to move away from a problem-by-problem and project-by-project approach in response to crises or specific donors' solutions.

First prerequisite is a consistent understanding within Government of the scope of concern here, i.e. the full spectrum of the nation's shelter need. It needs to be described in language that reflects primary concern for affordability by Botswana households, and in quantitative measures that relate the true costs of shelter to the available resources of the population to pay for what can be provided. It is important to dispel the confusion arising out of nomenclature that identifies as "low cost" a housing program that provides shelter fully half the country's families cannot afford except at considerable subsidy.

Policy should emphasize maximum shelter production of affordable units to serve those whose needs have not been met, where those needs exist. This must be done to head off the formation of new squatter settlements, which experience has shown to be very costly propositions when upgrading must be undertaken.

Principles of cost recovery should govern shelter investments. The temptation to raise shelter standards in view of today's conditions of surplus liquidity in the financial system should be guarded against. The Commission expressed its position most clearly that serving needs across a broad spectrum should have a higher priority than serving the aspirations of any limited segment of the population.

3. Botswana's Production Target: 59,000 New Units, 1981-90.

The Commission Report calls for a national shelter production program with a target for 1981-90 of 59,000 new units. This could be accomplished within the 3.7 per cent of gross domestic product they estimate currently goes into shelter now, assuming the GDP grows at an average of 6 per cent per year through the coming decade. The program would require investment of P 303.7 million and would require holding subsidies at pretty much their existing level (in effect, reducing housing subsidies from their present level of 1.1 per cent of GDP to no more than .6 per cent by 1990).

An additional P 20 million is included in the program for subsidizing 100,000 urban and rural basic sanitation units to meet a goal that at least 80 per cent of Botswana households have such minimal facilities by 1986.

This production program falls short of the 64,500 unit need estimated on the basis of projected household formation, by 7,100 units and about P 30 million of investment which, the Report notes, could more than be made up if the P 72.3 millions projected for residual subsidies over the 9-year period were diverted to production.

Distribution of need is estimated as follows:

<u>Location</u>	<u>Units</u>
Urban	35,800
Primary Villages	15,200
Other rural	13,500

Investment estimates are based on the following 1980 prices (including land and secondary/tertiary infrastructure)

<u>House Type</u>	<u>P (000)</u>
High Cost	45.0
Medium Cost	18.0
Low Cost	7.5
Self-Help	2.0

4. Subsidies Should be Redirected Toward Priority Shelter Objectives.

Where and when, and to whom shelter subsidies are applied should be a matter of conscious, deliberate public policy -- policy made in the context of fully assessing all shelter needs and available resources for meeting them. There must be no hidden subsidies. Stimulating increased shelter production should be given precedence over helping certain classes of shelter consumers enjoy standards they could not afford without subsidy.

Shelter subsidy should not be regarded or used as a wage supplement and it should not be granted to higher income families. By 1990, subsidies in urban areas should be reduced to nothing; and subsidies for rural housing should be reduced by gradual stages to 50 per cent their present level by the same year. Government housing rentals should be raised to economic levels. To ease the transition for tenants, a housing allowance should be introduced, then reduced by stages.

5. Responsibility for Implementing Policy Should be Clear and Consistent.

An entity should be created in Government (a Housing Division under a Deputy Permanent Secretary for National Housing in the Ministry of Local Government and Lands) which is charged with formulating an overall national housing plan and will be accountable for implementing it. The new Housing Division should have sufficient budget, trained personnel and base data for carrying out its mission.

Supervision of BHC operations should be included in the portfolio of the Deputy Permanent Secretary for Housing as well as the Departments of Town and Regional Planning and Surveys and Lands.

In order to ensure sufficient trained staff will be available to carry out the national program, Government should institute a new, formal training program for shelter sector manpower.

6. Allocation of Land for Shelter Should Reflect Affordability Criteria.

Distribution of Government-assembled land for shelter purposes should be as follows, reflecting the income distribution of Batswana households:

<u>House type</u>	<u>Per Cent of Land</u>
Sites and services	65
Low cost contractor-built (BHC)	20
Medium cost contractor-built (BHC)	10
High cost	5

The Commission's recommendations on shelter standards incorporates the three standards for sites and services plots recently established by the Urban Development Committee of the MLGL, replacing the single standard in force previously. The change was made to permit allocation of sites and services plots to families slightly higher and slightly lower on the income scale than before.

The BHC houses would be built for either rental or sale. <sup>27</sup>

7. The SHHA Concept Should be Extended to Rural Areas.

The Commission recommends establishing SHHAs in the major villages as well as the towns as a means of serving more of the nation's households.

The national rural SHHA program should be developed under the Ministry of Local Government and Lands, offering:

technical assistance in construction,  
 building materials depots,  
 loans for building materials,  
 plots with low-cost sanitation units,  
 services (water, refuse collection),  
 secure tenure,  
 payment schedules on a seasonal basis rather than monthly,  
 decentralized units of Department of Town and Regional Planning  
 staff to help plan and implement the program.

27. BHC's production target would consist of 9,880 low cost units (6,880 urban and 3,000 rural) and 3,935 medium cost units (2,935 urban and 1,000 rural), amounting to a 1981-90 investment of P 145 million. (See Appendix 13.)

Recognizing that many village residents do not share the Commission's concern over sanitation conditions or the costs of extending water reticulation systems into areas at typical village densities or to sprawl development at the village fringes, the Commission recommended that the SHHA be offered "when local authorities are ready for it".

Meanwhile Central Government should take on the task of village development planning and intensify local capacity to implement the plans.

Scale of the program envisioned for the major villages by 1990 was on the order of 4,000 (presumably BHC) units of which 3,000 would be low cost and 1,000, medium cost; 8,000 SHHA plots (2,000 of them by 1985) and 3,200 units to be produced in the traditional manner or by the private sector.

#### 8. Public and Private Sector Roles Defined.

Governmental intervention in the shelter sector should focus on the needs of lower income families who cannot afford to participate in other ongoing shelter programs. The role for Government should be in land acquisition, overall planning and control, provision of infrastructure and community services, assisting and providing credit and providing technical assistance. It will vary according to the income levels served and the location.

The private sector should be encouraged to play a much greater role in meeting Botswana's shelter needs through construction of all high income housing, financing of all high income, and as much of medium income housing as possible. Government should gradually withdraw from active production of housing for families with incomes above the 25th percentile as the private sector takes on more of the task.

#### 9. A Major Overhaul of the Land Tenure System Should be Undertaken.

The Commission concluded that tribal land tenure and the COR constrain private initiative by restricting access to credit. They

recommended that freehold tenure be made available to all citizens of Botswana whether in tribal or urban areas, for residential or ploughing use. The freehold grant should, however, incorporate provision for lapse of tenure for periods of non-use of the property.

Leasehold tenure should be the form available for any use of land by non-citizens or by citizens for uses other than residential or ploughing. Fixed period grant form of tenure (which involved capitalized value of a specified term of tenure) should be abolished and the Certificate of Rights tenure (granted for sites and services and upgrading plots in the SHHA areas) should be converted to freehold.

10. A Central Housing Bank Should Be Created.

The function of this institution would be to manage a pool of funds for shelter development ensuring a flow of financing necessary to sustain production.

External donors would be asked to endow the pool by grant or loan, supplementing internal funds from public or private sources.

Available external resources should be distributed as needed and where needed in accordance with an overall program which would be mainly carried on domestic financial resources. Preferred forms of donor aide are therefore those which apply to classes of projects or programs comprised of smaller scale projects decentralized in a number of different locations.

11. Various Revisions in Shelter Financing Practices are Needed.

The Commission's recommendations touched on several different areas of shelter finance, among them:

The National Development Bank should initiate a consumer housing loan program for the rural areas, to be administered through a newly-created Housing Division.

The Botswana Building Society should expand its mortgage-lending services to middle and upper income households in the urban areas by lowering its criteria for the standards of shelter on which it will lend, and by working out arrangements by which it would lend under conditions other than freehold tenure -- the Certificate of Rights used in SHHA areas, for example.

Private sector funds should be mobilized for shelter investment. External donors cannot be relied on for all financial support of shelter.

An appropriate network of financial intermediaries should be created to permit absorption of surplus liquidity in the banking system for housing investment; and a program established, in which the funds thus mobilized could be used. The Commission envisioned some sort of secondary finance market, perhaps one involving partial government support of notes and mortgages issued by parastatals.

12. Use of Locally Produced Building Materials Should be Maximized.

A production program of the scale envisioned by the Commission could constitute a market of sufficient scale as to be the basis for development of domestic building materials production and supply enterprises. Decision-makers should make every effort to explore what materials and supplies are, or could be made, available locally.

13. Government Should Stimulate Rural Development in General.

Recommendations in this category included decentralization of Government employment opportunities to rural locations, offer of fiscal incentives to lure foreign industrial/investors to villages, and encouraging Botswana entrepreneurship.

Taken together, these recommendations represent the strongest statement that has yet come forth from the Government of Botswana on the subject of shelter. Given the depth to which certain of the proposals, reach, for example, the ideas that involve governmental reorganization, removal of governmental agencies from the Capital, reduction of rental subsidies and reform of the system of land tenure, it is hardly likely that the Cabinet will act quickly to adopt the whole package.

It is reasonable to expect that many of the proposals will be debated at considerable extent over the coming months -- as issues of such magnitude call for full airing. Some areas of policy may take years to resolve. Meanwhile, there may be agreement that certain of the program ideas are sufficiently promising as to merit further refinement immediately. Others have to do with ongoing efforts that may not need to be interrupted as changes in the context that surround them are evolved.

### C. Next Steps

There is indication that consensus may be reached -- at least in principle -- about the advisability of more detailed planning and analysis on the following issues:

1. preparation of a national implementation plan for shelter;
2. establishment of a middle income housing scheme;
3. procedures for implementing a rural SHHA approach;
4. a program for upgrading sanitation for 80 percent of Batswana households by 1986;
5. reorganization of the Ministry of Local Government and Lands to form a National Housing Division and planning for a shelter sector manpower training program;
6. procedures for better use of internal finance for shelter investment.

Should these developments, indeed, be approved for further study, they will probably occupy a good portion of the Ministry staff time through the coming year.

## CHAPTER V - CONCLUSIONS AND RECOMMENDATIONS

The Report of the Presidential Commission on Housing Policy in Botswana represents a major effort to move forward across a broad front in shelter planning. Its pages contain the crucial elements of a system under which the country can take charge of providing for its shelter needs. Some of its numerous recommendations are more critical than others. Some may be controversial because of the major changes they imply.

Clearly the first step in any GOB determination of how and where to carry through with shelter efforts should be for the Cabinet to act on the Report, i.e. to endorse, modify or reject its principal recommendations.

A. Priority Actions

We conclude that two issues merit priority attention by the GOB -- with the possible assistance of international agencies -- irrespective of action on other major recommendations to grow out of the Presidential Commission's Report. These are manpower training and increased domestic financing of shelter development.

1. Manpower

New shelter initiatives under consideration by the Government of Botswana -- from policy implementation to project construction -- will require a quantum leap in the numbers of trained Botswana personnel at every level. From planning and surveying to administration and construction, there is no phase of activity for which there are anywhere nearly enough trained personnel today. With the possible exception of Broadhurst IV, none of the activities proposed for the NDP V period (1979-86) and beyond represents incremental extension or expansion of past efforts which could rely on the experience of an existing cadre. Emphases on rural shelter and economic development, planning and implementation for Mahalapye and other major villages, and long-range national program coordination all confront a Ministry with only a single senior professional whose time is fully devoted to housing

matters. Even Gaborone West, because of its relatively massive scale and physical distance from other SHHA project areas, cannot rely on the cadres who have gained experience in earlier projects.

The manpower constraint is, of course, not limited to shelter production, but steps to remove it and to provide more trained staff must be considered essential prerequisites to performance in the shelter sector.

Botswana's extensive shelter sector training needs reflect the Government's inability to provide counterparts for "temporary" senior-level expatriate advisers, along with the understaffing, high turnover and low pay scales within the present SHHAs and District administrations.

Two training proposals currently under study deserve careful consideration: the recently-completed study by the Institute of Development Management with SIDA support which analyzes training needs for all the cadres in the Unified Local Government Service and Tribal Service, and the Botswana Housing Corporation proposal for a technical training program that would be open to employees of other organizations in the shelter field as well as its own personnel. The SIDA study calls for overseas professional training of substantial proportions of the 3,000 to 4,000 personnel of the local government system -- as many as 10 percent at a time -- while bilateral and multilateral agency volunteers temporarily fill their positions. The BHC proposal is for an in-country training program.

Training plans for a third major area should be developed in addition: shelter planning, management and finance at the Ministerial level.

In-country training is the most effective. It can reach the largest number of people, provide examples ready to hand, and be accomplished without the loss of capable individuals from their jobs for an extended length of time. While plans progress for the BHC program on the technical side, the Ministry of Local Government and Lands should proceed, working in conjunction with the Institute of Development Management, to develop a training curriculum for personnel in the administrative, planning and programming side of shelter work.

The first step would be to identify specific skills needed for tasks foreseen in current Ministry and SHHA programs as well as those discussed in the Presidential Commission report. Assistance in identifying these skill requirements can be provided by the resident foreign technical advisers to the Ministry as part of their ongoing assignments.

Indeed, we suggest that the GOB consult with several of the international donor agencies to elicit their support in both the design and implementation of training activities. USAID, the World Bank, and several of the bilateral programs have considerable experience in orchestrating shelter training programs, and we believe that this aspect of assistance to Botswana merits the highest priority for international agencies in the shelter field.

Given Botswana's needs -- both immediate and for the long-term -- a "team building" approach to shelter training is far more appropriate than programs designed to provide individuals with specific professional credentials.

One type of program would involve short term training modules for existing employees of the SHHAs, the BHC, the MLGL, District Councils and other relevant agencies. These modules would be one month in duration and would provide intensive work in key fields (e.g. planning, project design, program administration and monitoring, land acquisition, etc.). The employees would be seconded to the program for this period and could then return to their responsibilities without a major gap. Following an opportunity of perhaps two-to-three months to apply the methods presented in the training module, the teams could be brought back together for an additional short period of instruction.

Case study materials and work-study problems can be formulated from the Botswana experience, using Botswana situations and data. The program modules themselves could be repeated, on a recurrent basis, at increasing levels of sophistication so that the same individuals could return periodically for continual exchange of experience, upgrading of skills, and instruction in training others in their organizations.

Eventually, individuals who show particular promise might be sent overseas for professional degrees, but not before Batswana staff are trained and in place to keep the work of their operations moving forward.

One training model that the IDM and international agencies might investigate is the successful UNDP financed program at the National Housing Authority of Thailand. This is an in-house program of several weeks' duration dealing with project design, construction supervision, and financial management. Participants (including some from related government agencies) are detailed from their regular assignments to attend the program.

For senior-level professionals USAID has a recurring Shelter Training Institute, held in Washington for one month each year. The Institute has had Batswana participants in the past and is an excellent opportunity for a world-wide interchange on shelter development and administrative techniques. The formal program of the Institute, is managed in workshop style. Its subject matter spans a wide range -- from policy formulation to program design and project implementation. Themes of cost recovery, affordability, special needs of lower income target groups, cost-effective site layout and infrastructure are emphasized. Participants have been highly enthusiastic also, about presenting their own country's efforts before the group and about workshop exercises in collaborative problem-solving. Future senior shelter officials in central and local government, both, could have a good introduction to their new field through AID's Shelter Training Workshop. Indeed, USAID has organized special orientation for Batswana Town Clerks in the context of the Workshop.<sup>27</sup>

Beyond the formal training effort, we can not overemphasize the importance of providing Batswana counterparts to expatriate advisers. Every one of the foreign professionals should have a counterpart prepared to assume his functions on departure. Without this built-in continuity, more intensive efforts in the shelter field are bound to founder.

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27. Information on the USAID Shelter Training Workshop and arrangements for potential participants are handled through the Regional Housing and Urban Development Office in Nairobi.

## 2. Finance

Botswana needs to devote more domestic financial resources to shelter production. This is a conclusion of both the Presidential Commission and of the 1979 AID-sponsored Shelter Sector Analysis. We thoroughly concur on the basis of this 1981 review of Botswana's economic and shelter conditions. The country has in a sense reached a plateau in its efforts to stimulate shelter production. Given Botswana's excellent liquidity position, its prospects for still larger foreign exchange reserves, and the negligible amount of domestic government debt only a major infusion of capital from Botswana's own resources can move the country beyond this plateau toward a full-scale undertaking to provide for its shelter needs. There are three immediate possibilities for mobilizing these domestic capital resources.

a. Government can finance the SHHA portions of Gaborone West and Broadhurst IV projects with internal resources. Gaborone West has been designed and is ready for construction, pending detailed engineering and financing commitment. The first phase of Gaborone West will add almost 2,700 residential plots to the housing stock in addition to industrial and commercial development and community facilities. Broadhurst IV could be readied quickly to provide up to 500-600 serviced plots. Foreign borrowing is not needed to initiate these developments, and the financial commitment by the GOB will underscore its priority on shelter investment.

b. Government can act to help mobilize private sector capital for the portions of Gaborone West designated for development by the BHC and private enterprise. By establishing a "discount window" at the Bank of Botswana where commercial banks would be able to sell portions of long-term portfolios of shelter mortgages if necessary to raise cash, GOB could allay the ever-present concern over disintermediation and thereby encourage longer term lending. The discount could be set at a rate just low enough to discourage lenders from divesting themselves of their mortgage paper unless they truly need cash to cover major withdrawals by depositors.<sup>28</sup>

BHC is a well-qualified borrower. It holds extensive real property assets (well over P 60 million). It has a sound credit rating, based on its years of credit experience and its record of meeting the statutory mandate to break even each year.

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28. As an added inducement to the commercial banks to lengthen the terms of their lending portfolios, the Bank of Botswana might, in conjunction with establishing the secondary market operation, increase the reserve requirements of the banks from the 20 percent level now in force to something on the order of 30 percent. This could be done with the proviso that loans with a repayment period in excess of, say, 15 years, might be counted toward the last 10 percent of that reserve requirement in some appropriate ratio or on a pula for pula basis. This requirement would give the banks the choice of either sterilizing an additional 10 percent of their deposits or using these funds to make long-term loans at the prevailing interest rate. Since the discount arrangement guarantees that the originating bank can liquidate these long-term loans (so long as they are current) and since the mortgagee(s) would be good, solid credit risks, it is reasonable that such loans be given due credit in calculating the banks' reserve requirements.

Assuming the BHC is provided with an adequate and timely supply of developable land, it should be able to plan in orderly fashion and maintain a steady flow of production at a level a little over half again its annual rate during the past two years.

A critical element in assigning the BHC such an increased role as a housing developer would be for the GOB to reduce or eliminate its subsidized lending to BHC and shift responsibility for the agency's financing to the private sector at market interest rates. This was a matter of considerable concern in the Presidential Commission report which recommended that government subsidies be shifted to the lowest income groups and that middle and upper income shelter be financed by the private sector.

The implications of shifting BHC from Government to private sector sources for loans are substantial. Their share of Gaborone ~~West~~ production would be something over 7,000 units during the 10-year construction period. BHC's production targets identified in the Presidential Commission report account for just under half the national 1981-90 shelter investment program and between one-fifth and one-fourth of the dwelling units in that program (9,880 low cost and 3,935 medium cost). About 29 percent of the proposed BHC program is earmarked for rural areas.

Rental rates would almost certainly have to rise to permit adjustment to higher production costs. Some variations might be possible, however. A fully-serviced plot might be offered on a long-term, mortgageable leasehold, for example, thereby affording the purchaser an opportunity to secure a conventional mortgage from the Botswana Building Society in an amount sufficient to permit construction of a house at least partially contractor-built.<sup>29</sup> Some units, planned as permanent additions to the rental stock, might be designed in a manner which

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29. Assuming current (1980) costs of P 1,600 for land and infrastructure on a low-cost house plot and a 25-year mortgage on P 4,370 (95 percent of P 4,600 total value -- i.e. lot plus a P 3,000 construction loan) at 10 to 11 percent interest, this could be afforded by a household at the P 2,000 annual income level.

makes efficient use of land -- possibly as attached units or terrace apartments.<sup>30</sup>

c. With the rate of production stepped up and a rising rental rate structure, increasing numbers of households can be expected to opt for home ownership. Government can consider yet another intervention in the finance field to help convert these desires into an effective market demand. This would be institution of a mortgage guarantee or insurance program which covers a larger percentage of mortgage value than the 25 percent currently guaranteed. The level could reach as high as 90 percent for lower income families and as much as 50 percent for middle income households. Since the guarantee principle has already been established, its expansion can be justified, particularly if the borrower pays a small fee which goes into the guarantee fund.

By protecting the lender against risk of default, the Government may thus find a way around the current constraint to extending mortgage credit to lower-income families who hold certificate of rights tenure in urban SHHA projects or customary tenure in rural areas. Should a home-buyer default under such a scheme, Government's insurance program would pay the lender (the Building Society in urban areas or a new housing division of the National Development Bank in rural areas) and Government would repossess the property for allocation to another family. Some form of mortgage contract would need to be devised which provides for the Town Council or Village Land Board, when the mortgage is executed, to waive its present right to re-assign the land.<sup>31</sup> This form of mortgage contract would be an alternative to a major revision in the land tenure system -- or it might serve as an interim measure until such revision appears practical.

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30. All BHC's sales houses are single family detached units which are conveyed with long-term mortgageable leaseholds when sold. Should Botswana law ever be amended to permit sectional title, the attached units might one day be made available for purchase.)

31. This concept is developed at considerable length by John W. Bruce in his excellent paper, Observations on Land Tenure and Housing Development in the Major Villages of Botswana, November 1980. (Land Tenure Center, University of Wisconsin - Madison)

To make such a mortgage insurance program workable the GOB would need to establish a more stringent discipline of prompt regular payments than is currently practiced in the SHHA projects.

We make the above recommendations in recognition of the concern -- by both the Government of Botswana and the commercial lenders -- that present high liquidity and excellent foreign exchange prospects may not represent a permanent condition. Political and economic conditions can change, and authorities have taken a prudent, even conservative, position regarding the risks in shelter investment.

In our opinion, this is an area where the international lending institutions could be induced to support a positive interest by the GOB and minimize the risk factor involved. Both the mortgage insurance program and the secondary mortgage operation (the "discount window") could be backed by funds borrowed from external sources and re-invested abroad in fully secured instruments at market rates of interest. The cost of such re-invested loan funds to the GOB would be minimal or negligible. This would be a new role for international assistance agencies in Botswana, but one totally in keeping with the ability of Botswana's own financial and development institutions to do the job once a risk factor has been removed or minimized. Thus, our final recommendation in the financial area would be for the GOB to explore such prospects with USAID and other international agencies at the earliest possible date.

#### B. Land and Primary Infrastructure

Two subjects of critical significance to any adopted housing policy must be addressed: land requirements and the requirements for primary infrastructure to service shelter. Regardless of how the Cabinet disposes of specific program and policy recommendations from the Presidential Commission report, these two subjects require early attention.

## 1. Land

Land requirements for shelter are matters which merit GOB attention, as evidenced by the eminent domain proceedings which have delayed final settlement on the land for Gaborone West. They affect the availability of shelter and the cost of shelter development.

Before finalizing any program, planners should make estimates of 3-5 year and 5-10 year land needs implications of the targets. They should consider such matters as scale and location of the needed areas, availability, projected costs, survey and registration procedures, manpower and lead time in acquisition (who will acquire, how, and when), methods for streamlining acquisition procedures, relationships with Tribal Land Boards and District Authorities. The basic policy issue of whether land should continue to be a non-cost-recoverable item should be addressed.

Additional land studies can be conducted as the tenure questions raised in the Commission report are examined further.

## 2. Primary Infrastructure

Requirements for primary roads, water supply and distribution, sewage treatment and solid waste disposal facilities need to be estimated. Public transportation, especially in urban areas, is an additional concern. The capacities of Town Councils, District Councils, villages, Central Government, etc. to provide and finance these facilities need to be explored. The extent to which provision of primary infrastructure is a present or potential constraint to shelter program implementation should be assessed. Recommendations are needed as to how the planning and fiscal capacity of local government can be brought more closely in line with demands of a shelter program. Conversely, recommendations could be made to scale a shelter program so that it is more in line with realistic expectations of management and financial capacities at all levels of government.

International technical assistance can be enlisted in dealing with these issues.

### C. Compiling and Utilizing a Data Base in Shelter Planning

There is a serious lack of data on which to base a shelter program, especially if that program is to emphasize both cost recovery and affordable solutions.

Fortunately, some important studies will become available within the coming year, the decennial National Census and the National Migration Study. Results of both need to be carefully analyzed by shelter planners in the MLGL and translated into usable form. There is, for example, need for accurate household income distribution profiles and shelter affordability guidelines, disaggregated into series for each of the ten primary centers, the secondary centers, and the rural areas.

Tabulations are also needed that depict the existing "baseline" shelter situation (e.g. unit sizes, occupancy and condition, sanitation facilities and access to water supply).

Finally, the implications of seasonal mobility among various homesites need to be analyzed as they affect estimates of shelter expenditures and future needs.

Once this material is in hand, it will be possible for reasonable priorities and reasonable programs to be established. The need for an adequate data base will become increasingly apparent as the GOB follows through on its NDP V commitments to stimulate growth and development in villages and rural areas -- where little accurate information has been compiled to date.

Again, international technical assistance can be employed to assist the process.

### D. Village Economic Development and Implementation Studies

No village development (or shelter project) should be initiated without studies of economic development potential upon which an implementation strategy can be based. The efforts in Mahalapye, to date the most far advanced, have not yet included such economic development

potential analysis. Without a realistic assessment of enterprise and job generation to support an increased population and services in villages, the GOB proceeds with plans for infrastructure and shelter at its own peril. Such economic development studies can be undertaken to break new ground in village planning and can serve as models for extended village-decentralization programs. It is unlikely that these studies can be adequately undertaken until results of the census and migration study are in hand. We recommend that they be planned for now (utilizing international technical assistance) and initiated early in 1982 when base data have been compiled.

Subject matter to be covered should include:

jobs and enterprise analysis (potential, timing, wages, labor/skills requirements and the capacity of village residents for occupational training);

shelter sector needs along with market and affordability analysis;

financing and cost-recovery analyses for proposed infrastructure;

community facilities and financing analyses;

social and environmental impact analyses;

implementation plans including phasing and scheduling, distribution of responsibilities and legislative or policy changes needed.

#### E. Raising the Level of Public Amenity in the Shelter Setting

The overall quality and amenity of shelter projects should be raised. In drawing this conclusion, and in recommending that Government pay greater attention to issues of environment and amenity, we make a distinction between overly high dwelling unit standards and overall livability. The Presidential Commission report recommended modest and affordable family unit standards (especially in mining towns and quarters for district officials). This is particularly important in cases where government subsidies are involved.

However, it is equally important for the GOB to consider raising the level of public amenities in project areas and communities in general.

Large expanses of standardized development unrelieved by landscaping and recreation facilities threaten to become tedious and demoralizing, and the Batswana's own skills in decorating and otherwise enhancing their environment should be nurtured even while "projects" become the more normal mode of shelter.

Now, when planning for physical and economic development is under way and land use commitments are being made, it is timely to make provision for open space reserves and for conserving areas of special environmental value.

In the villages, where boredom is as much a factor in pushing young people toward urban areas as the lure of jobs, it is no extravagance to invest in public amenities. Involving community members in planning and building parks and recreation facilities can be good training for more complex project implementation. It may be possible to coordinate park and recreation projects with afforestation efforts and with labor intensive public works programs. Moreover, projects of this nature may be feasible to implement in very short order, certainly earlier than more complex self-help shelter schemes.

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The foregoing early action recommendations include many that can be subsumed under one or more of the planning activities listed at the end of Chapter IV, should these be approved by the Cabinet in the near future. The context in which they are addressed matters less than the necessity that they be addressed as part of Botswana's continuing efforts to improve shelter conditions.

APPENDICES