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Aid Effectiveness in Botswana

Botswana's Management of External Assistance and Case
Studies of the U.S./Botswana Bilateral Aid Relationship

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ACRONYMS

ASF	Administrative Secretary of Finance.
AFDB	African Development Bank.
BDP	Botswana Democratic Party.
BEC	The Basic Education Consolidation Project.
BOB	Botswana Bank.
BOCCIM	Botswana Confederation of Commerce, Industry and Manpower.
BOTSPA	Botswana Population Sector Assistance Program.
BPED	Botswana Private Enterprise Development Project.
BWAST	Botswana Workforce and Skills Training Project.
CDC	The Commonwealth Development Corporation.
DCR	Development Cooperation Reports.
DDF	Domestic Development Fund.
DFA	Director of Financial Affairs.
DPE	Department of Primary Education.
DPSM	Directorate of Public Service Management.
EEC	European Economic Community.
FAP	Financial Assistance Policy.
GDP	Gross Domestic Product.
GNP	Gross National Product.
GoB	Government of Botswana.
HRD	Human Resource Development.
IBRD	International Bank for Reconstruction and Development.
IEEC	Improving the Efficiency of Educational Systems.
IMF	International Monetary Fund.
ITC	Investment-Related Technical Cooperation.
JSEIP	The Junior Secondary Improvement Project.
MFDP	Ministry of Finance and Development Planning.
MIC	Ministry of Industry and Commerce.
MOE	Ministry of Education.
NDP	National Development Plan.
NGO	Non-Governmental Organization.
ODA	Official Development Assistance.
OECD	Organization for Economic Co-operation and Development.
OPEX	Operational Experts.
PEIP	The Primary Education Improvement Project.
PIC	Project Implementation Committee.
PSP	Permanent Secretary to the President.
P.T.A.	Preferential Trading Area.
RDC	The Rural Development Council.
SADCC	Southern African Development Coordination Conference.
SAMDP	Southern Africa Manpower Development Project.
SIDA	Swedish International Development Association.
UB	University of Botswana.
UNDP	United Nations Development Programme.
USAID	United States Agency for International Development.

EXECUTIVE SUMMARY

Botswana was one of the poorest countries in the world at the time of its independence in 1966, and relied on grants-in-aid from Britain for all of its development spending and most of its recurrent budget. In the subsequent decades, it sustained one of the world's highest economic growth rates, and is now a middle-income country. While much of that growth was made possible by the country's significant mineral resources -- particularly diamonds -- international aid was a crucial resource that the government of Botswana used strategically to develop physical and social infrastructure and diversify its economy.

Botswana is perhaps unique among African countries in the extent to which aid resources are centrally managed and fully integrated into a national development planning and budgeting process. The purpose of this case study is to examine the procedures and institutions that have governed the use of aid resources in Botswana, and to analyze in detail the relationship between the Government of Botswana and one of its major donors -- the United States Agency for International Development (USAID) -- by focussing on specific projects and programs.

Economic, Social, and Political Context

Botswana started on its development path with virtually no infrastructure, few productive assets, and a mostly uneducated populace. Cattle ranching was the only export industry. In spite of this, the country sustained annual economic growth rates of 14 percent through the 1970s and 10 percent per annum in the 1980s, much of it driven by mining (especially diamonds). Government revenue and spending increased dramatically during this period as the government pursued a policy of redistributing mineral wealth into investments in infrastructure, health, and education. As a result, primary education is now nearly universal and social indicators are among the best in Africa. The government has taken care, however, not to spend more than the economy could absorb and to avoid the boom and bust cycle common to mineral-driven economies. Conservative fiscal and macroeconomic policies led to large budgetary and foreign exchange surpluses since the mid-1980s.

The lack of skilled manpower has been a major developmental constraint in Botswana since independence, and the government has placed a high priority on education and training, including the attainment of universal basic education. The government relied heavily on foreign Operational Experts (OPEXers) to fill technical positions in the years following independence. Donors funded many of these positions, but the government hired many of them with local funds when it felt the skills were needed. Most government posts are now localized, but the "localization" process has proceeded more slowly than in other African countries -- despite extensive overseas training efforts by the government and donors -- due to government insistence that quality and implementing capacity not be sacrificed.

Botswana has been a stable multi-party democracy since independence in 1966, although the ruling party was never seriously challenged until the most recent election in 1994. The country has a strong tradition of participation and consultation at every level of public life, from the villages to central government. Botswana's first President established a precedent for high ethical standards, a strong and independent civil service, and a developmental orientation of government. Although democratic, the government has maintained budgetary surpluses since the mid-1980s despite popular pressure for wage increases and other redistributive policies. With the ruling party facing the genuine prospect of losing the next elections, however, fiscal discipline and bureaucratic independence may come under growing pressure.

After decades of rapid growth, the economy is now entering a transition period. Per capita growth turned slightly negative for the first time in the early 1990s, and although positive growth is forecast for the remainder of the decade, Botswana faces the difficult challenge of diversifying its economy and encouraging growth of the indigenous private sector. Population increased from one-half million at independence to 1.4 million today, and growth continues to be rapid. Most settlement is concentrated in the east, since much of the country is arid and prone to drought. Although conditions for rural populace have improved, continuing inequalities in cattle and land ownership, the capital-intensity of the mining sector and limited income-generating opportunities in rural areas has perpetuated a highly unequal income distribution. Redistributing national wealth without creating dependency on transfers remains a major challenge.

Aid Policy, Aid Flows and Trends

At independence, Britain provided half of the government budget, with the remainder from local taxes and customs revenues. The government therefore placed priority on diversifying income sources and reducing Botswana's reliance on British grants-in-aid. In doing so, the government developed considerable skill in negotiating with an increasingly large number of donors and investors. By 1973 Botswana no longer required grant-in-aid from Britain to balance the recurrent budget, and subsequently devoted all aid resources to development activities. Aid flows increased significantly during the 1970s as the government sought assistance for major mining projects, basic physical and social infrastructure, and education and training. Total assistance peaked in the 1980s at nearly \$240 million, making Botswana's per capita aid one of the highest in the world.

Bilateral aid has usually equaled or exceeded the volume of multilateral aid. The major bilateral donors since the late 1970s have been Britain, the Nordic countries (Sweden and Norway), Germany, and the United States. The most important multilateral donors have been the European Community, The World Bank, and other UN agencies. The major sectors receiving assistance have been human resources development, transportation, agriculture, and emergency food relief. To facilitate donor coordination, Botswana has encouraged donors to specialize in particular sectors. USAID, for example, has focussed most of its assistance on education and training, with agriculture and rural development also supported in the 1970s, and private sector development, natural resources, and population emphasized in the 1980s and 1990s. Botswana is neither a Roundtable or Consultative Group country, preferring to deal with donors on an individual basis.

Since the country's reclassification as a middle-income country in 1991, aid has declined rapidly. A number of major donors are closing their resident missions or significantly reducing their programs. The USAID Mission closed in September 1995, but USAID will continue to fund some projects through a regional programs office based in Gaborone. Sweden, Norway, and the Danish Volunteer Service plan to close their local missions in 1996.

Development Planning and Aid Management

The government worked to attract aid from a large number of donors and build donor confidence through efficient management of projects and the government budget. Donor confidence in government administration helped maintain aid levels and reduced donor demands for costly parallel management structures. The government maintained an enabling environment for foreign and domestic private investment, and paid attention to economic management, especially macro-economic stability.

The government planning process and National Development Plan implementation play pivotal roles in development policy and the management of aid resources in Botswana. In contrast to the socialist model, the plans serve to guide public expenditure and investment, not control the economy. Botswana relies on a six-year planning cycle, with mid-term reviews to up-date the plans. Plans must be approved by Parliament, which gives them force of law and ensures political support. The Ministry of Finance and Development Planning (MFDP) is responsible for producing the National Development Plans and also controls the national budgeting process, which ensures that the plans guide both investment and recurrent spending. The strong link between planning and budgeting, particularly for recurrent costs, is fundamental to the success of the system. Line ministries work with MFDP to devise strategies and establish priorities for their respective sectors within the spending guidelines established by the MFDP. Local authorities, including village and district councils, participate in the planning process, but must rely on the MFDP to fund all development activities. Since independence, the Vice-President has also served as Minister of the MFDP, giving it considerable clout in the government. The MFDP has maintained a high quality and a remarkable continuity amongst its staff and leadership. Politicians and civil servants have developed close working relationships. Civil servants understand and respect political imperatives, and political leaders have respected the planning process and avoided subverting it by pushing for pet projects.

Overall responsibility for securing, coordinating and monitoring external assistance rests with MFDP. Within MFDP, the Division of Economic Affairs is responsible for the planning and monitoring of external assistance, while the Division of Budget Administration are responsible for overall budgeting, accounting, and fiscal planning. Aid inflows thus are integrated into the budgeting and planning process. Line ministries plan and implement projects, but any initiatives relating to funding or external support must be taken by the MFDP. The Planning and Finance Officers of the implementing ministries are seconded by MFDP, and it is through these officers that MFDP controls and supervises the implementation of aid-funded projects. Senior politicians and civil servants have placed high priority on instilling a culture of discipline to ensure that plans and budgets are respected.

Because manpower levels are usually the main determinant of a department's recurrent budget and implementation capacity, the National Development Plans set explicit ceilings for various categories of manpower for each department. The Directorate of Public Service Management (DPSM) is responsible for all civil service recruitment and must approve the establishment of all new posts. For a project to be approved, there must be sufficient personnel to carry it out, which gives the DPSM an important role in the aid negotiation process. The centralized and rigid process to establish new posts and salary grades in some instances, however, has undermined the effectiveness of projects by making it difficult to offer adequate incentives for key local personnel.

Botswana is unusual in that it has until recently required that all foreign technical personnel occupy established line positions in the Ministries. This has been done to prevent the creation of local posts just for a particular project, and to ensure that foreign technical experts were subject to the authority of the departments they served. The government also has resisted donor requests for local counterparts to be provided for all technical personnel due to the general manpower shortage, and out of fear that an uncoordinated approach to filling counterpart positions could swell the public payroll. Many GoB officials also assert that one-to-one counterparting implies that two people fill one position - a waste of resources when many positions remained unfilled - and is often an ineffective means to build capacity. Skill transfer was most effective when qualified Botswana were sent for training and then allowed to take over after a brief apprenticeship period, or on-the-job skill transfer took place among multiple colleagues working on a common effort.

The Aid Relationship

Botswana has followed a deliberate strategy of attracting aid from a variety of sources and has sought to maintain cordial relations with donors. Yet the government has been assertive in negotiating aid agreements, and has refused assistance when it does not coincide with government priorities. Disagreements are stated clearly but diplomatically, without challenging the intentions of the donor. Botswana's relative affluence has given the government additional leverage and flexibility in donor negotiations in recent years, but the government had been an effective negotiator since independence.

The government has also maintained remarkable continuity among MFDP personnel who deal regularly with donors. The key officials have developed strong individual relationships with their donor counterparts, and have built up considerable experience in managing donor relationships. The MFDP has made an effort to understand the procedures and constraints of various donors, and has tried to match projects with the most appropriate donors, thus mitigating the negative effects of donor rigidities, including tied aid.

Donor representatives expressed strong satisfaction with Botswana's aid management, and were impressed with the government's consistent commitment to careful planning. Donors have responded positively to government requests to support programmes/projects already contained in the National Development Plans, demonstrating that donors will respond to clear expressions of recipient priorities. Given the country's broad-based and consultative decision-making process, many donors felt that aid negotiations were often long and difficult, but that the government's commitment was serious and sustained once an agreement had been reached. They also expressed admiration at the skill and resolve of government officials in aid negotiations, in contrast to experiences elsewhere, where agreements were reached quickly but governments later proved unwilling or unable to fulfill commitments.

Government officials spoke highly of the positive impact of aid and of their donor colleagues, even when expressing some reservations about some adverse aspects of aid. Although aid did not fundamentally change their development goals, it has helped them achieve those goals more quickly. The technical expertise, training, and comparative experience of donors were particularly valued. In contrast to the suspicions against donors elsewhere, officials felt that donors were genuinely interested in furthering Botswana's development, even if they did not always agree on the best means to do so.

The closing of donor missions and aid reductions was widely interpreted by the senior Botswana officials as "punishing success," but most acknowledged and understood the rationale behind the donor decisions, and felt that they would be able to manage without aid. They noted that the circumstances of some mission closures did indicate an imbalance in the aid relationship -- where donors hold recipients accountable for aid agreements, but may not honor them themselves. Similarly, while donors insist on transparency in government management of aid funds, some donors were unwilling to fully account for their contributions to projects.

Case studies

Basic Education

USAID has contributed to a number of different sectors in Botswana, but the bulk of the US effort has been focussed on education and human resource development. This focus reflects the GoB's preference to have donors specialize in particular sectors, the consistent emphasis by USAID's Africa

Bureau on education over the past decades, and the strong priority placed on education.

The U.S. has supported various education and training efforts since the opening of the USAID Mission in 1972. The story of United States aid to education in Botswana provides a fascinating example of the significant impact that aid can have when a government and donor maintain a long-term and consistent effort in a sector. It also illustrates the problems and tensions that can arise when project design runs counter to government initiatives, and a project's narrow "results" orientation threatens to undermine broader development efforts. Most importantly, it demonstrates how a combination of clear vision, effective planning, and strong negotiating and diplomatic skills has helped the Botswana government guide and sometimes redirect U.S. education assistance to make it consistent with GOB priorities and maximize its contribution to basic education in Botswana.

Three USAID projects are discussed in detail:

The **Primary Education Improvement Project (PEIP)** was launched in 1981 as a five-year program to establish a Department of Primary Education (DPE) at the University of Botswana to train teachers for the Teacher Training Colleges, and to carry out a series of in-service training workshops to improve the skills and motivation of existing teachers. PEIP was extended until 1991 to consolidate and localize the DPE, establish a Masters Degree program in primary education, and institutionalize the in-service teacher training network, all of which continue to function effectively five years after the end of USAID support. PEIP was initiated by the Government and addressed a major government priority. PEIP was considered highly successful by all parties involved, and was characterized by a high degree of consultation and collaboration throughout its life. PEIP provides an excellent example of strong recipient project ownership and successful institution building.

The **Junior Secondary Education Improvement Project (JSEIP)** began in 1985 as a comprehensive five-year initiative to upgrade the quality of Community Junior Secondary Schools through development of curriculum and instructional materials, strengthening of teacher training, and upgrading of management capacities at the Ministry of Education. Although generally consistent with GOB priorities, the initial project design was not genuinely collaborative, creating conflicts between the goals of the "project" and those of the MOE. The project management and goals were substantially revised following a critical mid-term evaluation in 1988. JSEIP made important contributions to junior secondary education in Botswana, but its impact might have been greater if initial project design and management had been more collaborative and sensitive to Botswana's needs and priorities. The ultimately successful efforts by the MOE to reorient JSEIP in line with its own priorities demonstrates that an assertive recipient can extract value even out of an initially flawed project.

The **Basic Education Consolidation project (BEC)** was launched in 1992 (after extensive negotiations) to consolidate the gains made in teacher training and curriculum development by PEIP and JSEIP. Partly as a result of the JSEIP experience, MOE officials put considerable time and effort toward ensuring that project design addressed MOE priorities. Most project resources went to five resident technical advisors, training for Botswana teachers and Ministry of Education staff, and limited equipment procurement. BEC was to be a five-year effort, but was truncated in late-1995 due to the USAID Mission closing. The government was able to continue most of the project initiatives with its own funds, but USAID's early withdrawal did cause disruptions and resentment in the ministry. BEC demonstrates how a concerted negotiating effort by a recipient government can create strong project ownership, but also how that ownership can lead to bitterness when the donor unilaterally ends the project.

Private Sector Development

The **Botswana Private Sector Development Project (BPED)** was begun in 1992 as an initiative to strengthen the private sector by strengthening the capacity to advocate for policy changes, providing technical assistance to small-scale entrepreneurs, and encouraging international investment through sponsorship of investment delegations. BPED represented a continuation of the Botswana Workforce and Skills Training (BWAST) project, which began in 1982 as a long-term effort to provide technical assistance and training to government ministries, and later to the private sector as well. Most of BPED's resources went to provide technical support to the policy advocacy and technical assistance programs of the independent Botswana Confederation of Commerce, Industry, and Manpower (BOCCIM). Although this was the first instance of a donor providing direct support to a private sector entity, both the government and private sectors have been pleased with results thus far. The government has adopted a number of policies advocated by BOCCIM, although implementation has lagged in some instances. Sustainability of project initiatives when BPED ends in 1997 will depend on the willingness of BOCCIM's private sector members to provide additional support.

Population

The **Botswana Population Sector Assistance Program (BOTSPA)** began in the early 1990s as a program grant to the government, in which a series of payments were conditional on the government developing and implementing a comprehensive population policy. Unfortunately, it was poorly conceived and designed. Botswana was already engaged in a long-term process of developing a population policy, which required extensive public consultation. The conditionality established initially by the project were seen as inappropriate and unrealistic. Furthermore, the relatively small size of the grant (several million dollars) in comparison to the Ministry of Health budget alone meant that the project had little leverage to start with. BOTSPA was redesigned soon after it started to support several specific population initiatives, and to provide general support to the government process. The BOTSPA experience illustrates that donor eagerness to influence policy can lead to inappropriate project designs and conditions. The willingness of USAID/Gaborone staff to redesign the project shows that donors, particularly when in regular contact with their host-country colleagues, are able to modify projects to fit with country circumstances.

Lessons

Botswana's impressive record of development and aid management provides a number of lessons for donors and other African countries, some of which defy conventional development wisdom.

Virtuous Cycles: Although many African countries have experienced a vicious cycle of economic decline, loss of state capacity, and political instability, Botswana demonstrates that a country can enter into a "virtuous cycle" when sound economic management and political stability create conditions for further economic and political development. Sound economic planning and policy was the underpinning of this cycle, creating conditions for growth, attracting investment and donor resources, and facilitating the effective use of mineral wealth. The effective use of resources and the resulting growth created additional resources for investment in human and physical infrastructure, and recurrent costs further enhancing growth prospects. Political stability and economic prosperity attracted skilled personnel to the country, and meant that nearly all Botswana trained overseas returned. Strong growth has made it easier to maintain a democratic system and meet the demands of various constituencies. With the era of rapid growth over, however, Botswana now faces a major challenge to ensure these virtuous cycles continue.

Planning: Although development planning has fallen out favor in policy circles, the government's integration of aid into a centralized planning and budgeting system has been a major factor behind Botswana's effective aid management. Donors are asked to support projects that have already been identified as national priorities, which increases project ownership. Recurrent costs and manpower requirements are accounted for, which helps ensure sustainability after the end of donor funding. The mid-term review process ensures that appropriate steps are taken to adapt projects and expenditure plans to changing circumstances. While similar planning structures have collapsed elsewhere in Africa, they were sustained in Botswana due to political commitment to planning; maintenance of a political, economic, and policy environment conducive to building state capacity; and a concerted effort to recruit, train, and retain high quality personnel at the MFDP.

Coordinating Donors: Strong planning and coordination by the government have rendered formal donor coordination mechanisms unnecessary, both at the national and sectoral levels. Insisting that donors specialize in sectors has helped the government ease the administrative burden of coordination and improved efficiency. Clear and consistent rules that have been respected by donors, civil servants, and political leaders have helped sustain the system. Although donors have been encouraged to consult on an *ad hoc* basis, the government has resisted the establishment of donor coordinating mechanisms when it felt they might be used to undermine government priorities.

Asserting Ownership: Ownership is not bestowed by the donor, it must be asserted by the recipient. Ownership was enhanced when donors engaged in genuine consultation during project design and implementation, and showed concern with process as well as outcome. Donor behavior did not always conform to rhetoric, however, particularly when the donor placed disproportionate emphasis on achieving time-bound project "outputs." In such instances, the government showed that concerted efforts during project negotiation and implementation helped ensure that recipient priorities were respected. By insisting that projects and foreign personnel be thoroughly integrated into local management structures, the government helped ensure that project management would respond to its concerns. Ensuring widespread support for projects tended to take longer than donors expected.

Negotiations and Leverage: Although increased financial resources and local expertise has increased the government's leverage in donor negotiations, the willingness to devote time and effort to negotiation is at least equally important. Ultimately, the recipient's willingness to refuse aid (for development reasons) is the basis of its leverage, and can force donors to modify positions that may have been presented as non-negotiable.

Conditionality and Dialogue: Botswana valued policy advice and expertise provided by donors, but reserved the right to accept or reject recommendations. Although policy dialogue and donor-funded research on policy issues has led to important changes in government policies, donor conditionality often was perceived as high-handed and ill-informed. In their zeal to improve the institutional environment for project success, USAID tended to underestimate the ability of government ministries to absorb simultaneous reforms. In a context where government has demonstrated competence and commitment to development, in no instances did policy conditionality *per se* appear to enhance reforms.

Building Institutional Capacity: Establishing or strengthening institutions is a long-term process, which must be measured in decades rather than years. USAID has engaged in such a long-term effort in the education and human resources sector, with demonstrable results. In contrast, when donors became obsessed with time-tables, project outputs, and 3-5 year project cycles, institutional development and

recipient ownership was undermined. The effective linking of technical assistance and training was a key to successful institution-building, as was the retention of personnel once they returned from training. The positive political, economic, and policy environment therefore contributed to the retention of personnel, and government planning helped ensure that recurrent costs were sustained upon project completion. The above benefits, however, still have to be strengthened by sound civil service reforms to ensure the effective use of skilled personnel, motivation, and increased productivity.

Recommendations

Past development success is no grounds for complacency. Botswana appears to have reached the limit of government-directed and mineral-led growth, and now faces the difficult task of fostering private sector development, diversifying the economy, and addressing persistent poverty and inequality. The following recommendations for Botswana and her donors emerged from the study.

1. In spite of government commitments to private sector development, state intervention and regulation continues to hinder the private sector. Greater efforts are required to implement agreed-upon reforms.
2. The development planning system, while effective, is overextended and in danger of being politically undermined. Political leaders of both parties should make efforts to explain to the public the importance of sound development management, and continue this constructive relationship with the civil service and respect for the planning process.
3. Although central planning has served Botswana well, continued decentralization and increased flexibility are necessary to respond to future challenges. In particular, the centralized personnel management system must allow greater discretion to individual ministries to establish posts and set salary grades so that key personnel can be retained. Effective public sector reforms are necessary to ensure effective institutional capacity building.
4. The reduction of donor assistance to Botswana is understandable, but donors should make sure that by withdrawing they do not undercut the success they helped support. Advice and technical assistance will still be important to help the country navigate some of the complex challenges ahead, as well as efforts to encourage trade and investment.
5. The nongovernmental sector is still in early stages of development, and remains heavily dependent on international donors. Rapid withdrawal of donor support would cause a number of worthwhile initiatives and organizations to collapse. Donors should focus on building long-term institutional capacity and developing local funding sources for NGOs (that will not compromise their independence), and not simply use them as implementors for short-term projects. The development of independent, local sources of funds for NGOs should be a priority, and donors should consider continuing NGO support with the goal of eventual self-sufficiency.
6. Although the government has resisted holding collective meetings with donors, such meetings can be useful in mobilizing resources. Faced with declining aid commitments, Botswana may wish to consider reconsider holding Roundtable Meetings.

1. INTRODUCTION

1.1 The Aid Effectiveness Project

This study focuses on the contribution of foreign aid to development in Botswana from 1966 to 1994. The study is part of a Collaborative Project on Aid Effectiveness in Africa, which involves development policy research institutes in seven donor countries and partner researchers and institutes in seven African countries. Although many studies of aid effectiveness have been completed in the past, few have given adequate attention to the quality of the aid relationship or, most importantly, to the perspective of aid recipients on what comprises effective aid. Donor studies have also often inadequately assessed the long term impact of aid on the recipient country. Research has focused on donor institutions and has generated recommendations for improving their performance, but few insights have been gained into why African governments have not been more effective in managing aid and enhancing its capacity on state competence and economic growth.

The African aid effectiveness project is focusing on recipients, and examines two fundamental issues: first, the significance of the aid management system, and the factors (endogenous and exogenous) that influence the effectiveness of "using" aid rather than of "giving" it; and second, key features of the relationship between donors and African governments at all stages of the development process, including aspects of policy dialogue that influence aid effectiveness. The project also attempts to assess the long-term impact of aid on recipients.

The project is conducting seven country case studies. These are being led by African institutes and researchers paired with donor country institutes. The African researchers are from Ghana, Senegal, Burkina Faso, Kenya, Tanzania, Zambia and Botswana. The donor institutes are located in the United States, Canada, Japan, the United Kingdom, France, Sweden, and Denmark. In addition to serving as the U.S. donor institute, the Overseas Development Council in Washington, D.C. is responsible for overall project coordination. The studies are being funded by various bilateral donors; each focuses on one bilateral aid relationship between a donor government and recipient country. This study concentrates on the relationship between Botswana and the United States, and is receiving support from the African Bureau of the United States Agency for International Development (USAID), as well as the Carnegie Corporation of New York.

1.2 The United States and Botswana

Botswana is often cited as a development "success story" that has managed its aid resources effectively since the country's independence in 1966. At that time Botswana was one of the world's poorest countries -- underdeveloped even by the standards of the sub-region. The government relied on foreign assistance for all of its budgetary capital expenditures and a large part of recurrent expenditures. Over the next twenty-five years, Botswana had the fastest rate of economic growth of any country in the world (Griffin 1990, xi). Although aid provided critical resources in the early years of Botswana's development, reliance on foreign assistance has steadily decreased over time. Since such success stories of development are rare (at least in Africa), the Botswana case provides an opportunity to examine "what can go right" in an African aid programme.

The United States Government has been providing assistance to the government of Botswana (GOB) for over two decades. Initially managed from a regional office in Swaziland, a permanent USAID

Mission was set up in 1978 to plan and implement U.S. foreign assistance, and USAID continued to be one of the main donors. Although U.S. foreign policy considerations motivated support for Botswana, the primary goal of the program was to support development, not short-term U.S. political or economic interests. USAID maintained a steady commitment to several key sectors over a 10-20 year period. Botswana today is a "phase-out country" for USAID. The Mission is expected to close in September 1995 on the grounds that Botswana can sustain steady growth and development on her own with reduced external assistance, which will be managed from a new USAID regional office, to be based in Gaborone. Ironically, at a time when U.S. and other donor aid programs are under heavy domestic criticism for ineffectiveness, aid to Botswana is being reduced because it has been successful. Whether that reduction is premature is one issue that will be considered in this study.

1.3 **Definitions**

Like the other case studies in the African aid effectiveness project, this study is concentrating primarily on two fundamental issues:

- First, the norms, procedures and institutions that the recipient government has established to manage its aid resources; and the factors that have influenced the capacity of African governments to identify, design, monitor, coordinate and evaluate individual aid projects and programmes.
- Second, the manner in which the relationship between donors and the recipient governments in identifying, implementing, and evaluating aid projects has influenced the effectiveness of the aid provided.

In order to achieve consistency with the other country case studies, the meaning of the most important terms and concepts used here follows those of the Expert Group on Aid Evaluation, established by DAC in 1982.

Aid: Following the OECD practice, aid is defined as official flows of finance and technical cooperation for development purposes containing a grant element of at least 25 percent. This excludes some multilateral loans, official export credits, and officially guaranteed suppliers' credits.

Efficiency: Aid is efficient if it uses the least costly resources necessary to achieve its objectives. An aid intervention is efficient if the expenditure on the project is justified by the results. Efficiency analysis may involve examining whether better results could have been obtained at the same cost, or at a lower cost, through an alternative modality.

Effectiveness: The effectiveness of aid is generally viewed in terms of achieving the objectives of development, namely reducing poverty and improving living standards through sustainable growth and investment in people. While the OECD does not give an explicit definition of Aid Effectiveness, it does point out that aid can only be as effective as the policy, economic and administrative environment within which it operates.¹

¹ Many donor evaluations of aid effectiveness tend to address two questions: First, what changes have occurred as a result of the aid intervention, and to what extent are these changes in line with the established objectives? Second, were the resources spent on the aid project or programme justified by its results? This question addresses the efficiency dimension of aid, usually using cost-benefit analysis and related techniques

Impact: This is a wider term and it refers to the effect or general results of an aid intervention on its surroundings in terms of technical, economic, socio-cultural, institutional and environmental factors. Impact is usually registered in the medium to long-term, including the impact of the project on the target group, or society as a whole, or what would have been the situation without any aid intervention?

Most official aid has been channeled through the government of Botswana, so the term "recipient" in this study generally refers to the government. From the recipient's perspective, aid is effective to the extent that it contributes to fulfilling the broad development goals of the recipient country. Since independence the government has sought to promote four national principles: democracy, development, self-reliance and unity. These have given rise to the four main economic planning objectives of rapid economic growth, social justice, economic independence, and sustained development (see Chapter Three).

1.4 Fundamental Study Issues

Why study foreign aid in Botswana? Unlike most other African countries, aid represents a small portion of the government budget, and is hardly significant at the macroeconomic level. USAID (as well as several other donors) will be closing their Mission soon and reducing assistance. Furthermore, Botswana differs from other African countries in so many respects -- most notably historically rapid economic growth and political stability -- that it can be argued that little in the Botswana experience is applicable to other countries.

While acknowledging these concerns, Botswana was chosen as a study country precisely because of its developmental success and atypical approach to resource management. First, this study argues that good management more than good fortune has been the defining factor in the country's economic growth and effective use of aid. As a result, there are important lessons in the Botswana experience for other African countries -- including many from the first decades of independence when it was still poor in financial and human resources. Any study of Botswana runs the risk of concluding either that Botswana teaches us everything or that Botswana teaches us nothing about effective development strategies for Africa. This study tries to steer a course between these extremes: acknowledging differences while pointing to lessons when appropriate.

Second, the primary motivation behind this study is not to improve future U.S. assistance to Botswana per se (although it may contribute to that end), but to assess what worked and why. Since much past U.S. assistance to Africa has gone to countries where conditions and governments were inimical to development (usually due to U.S. foreign policy concerns), Botswana provides an opportunity to assess the impact of U.S. assistance in a hospitable environment. In general, the study finds that U.S. aid to Botswana has worked well, although credit must be given to the country's determination to use the aid well. Ironically, the major obstacles to the effectiveness of U.S. assistance appear to have been procedures and norms established to guard against ineffectiveness.

Finally, declarations of Botswana's development "success" may be premature. The country appears to have reached the limits of "first stage" economic development -- fueled by mineral revenues and

(Berlage and Stoke 1992, 5; Cassen et. al. 1987:40). A widely acknowledged weakness is that the approach is data-intensive, neglects social and institutional changes, and contributes to a focus on objectives established during the project design, which may prove excessively narrow or inappropriate once the project is underway (see Chapter Five)..

directed by the central government. As donors are closing missions and scaling back assistance, Botswana faces an unprecedented period of fiscal deficits and difficult economic and political transition. The growth potential of diamonds is declining, and government institutions that were well-suited to distributing mineral rents are having difficulty adapting to the more complex task of fostering private sector initiative. After decades of extremely rapid expansion of social and physical infrastructure, the government confronted high recurrent costs and the task of improving the quality of existing services. The political stability that has characterized Botswana since independence is no longer guaranteed. The study therefore will highlight some of these concerns, and suggest areas where the government and people of Botswana, and in some cases donors, might work to address them.

1.5 Data Sources

The information for this study was collected by two methods: review of existing literature and interviews. We relied heavily on documents -- primary and secondary. Comparable data was obtained from official documents, including government reports and publications by the World Bank, Organization for Economic Cooperation and Development (OECD), and UNDP/Botswana Development Cooperation Reports (DCR). Substantive issues were derived from previous reviews and other studies, and complemented by interviews with government officials, representatives of USAID/Botswana, UNDP representatives, and some employees and direct beneficiaries of the USAID-supported projects. Since the primary focus is on the factors that influence the effectiveness of "using" aid rather than of "giving" it, our attention to the donor organizations and the interviews we had with donors were for the purpose of increasing our understanding of recipient motivations and capacities.

We have relied on three main sources of statistical data: Government of Botswana Reports, UNDP Botswana Development Cooperation Reports (DCR); and Organization for Economic Cooperation and Development (OECD) data. Government data is provided by the Central Statistics Office (CSO) and the Bank of Botswana. As acknowledged in every Development Plan since independence, statistics have steadily improved, but they are neither as reliable nor as up to date as one might wish, and recent statistical series are not always perfectly comparable with older data -- especially data before 1983 (MFDP 1985, 37; MFDP 1991, 23). However, the thrust of the basic facts and trends which the data portray cannot be disputed. Botswana financial statistics are given in the local currency (the Pula) and where necessary we have shown the yearly exchange rates with the US dollar. Statistic from the UNDP/Botswana Development Cooperation Reports (DCR) together with OECD data have been used for some comparable data on aid and its evolution over time by donors -- bilateral and multilateral, governmental and NGOs. The use of three different sources of data has resulted in various discrepancies, however, none have affected the thrust of the basic facts and the conclusions made.

1.6 Organization of the Chapters

The main body of this study is divided into five parts. Chapter Two provides background information on socio-economic conditions in Botswana. Chapter Three focuses on the institutional framework for aid administration in Botswana -- discussing the norms, procedures and institutions established to manage aid resources. Chapter Four reviews the evolution and composition of aid flows over time, and examines the significance of aid at the macroeconomic level. Chapter Five examines U.S. development aid to Botswana at the sectoral/project levels, selectively illustrating aspects of policy dialogue, resource management, and institutional capacity building in case studies of education, private sector development, and population policy. The last chapter reviews the evidence on the effectiveness of aid in Botswana and makes recommendations.

2. BOTSWANA: THE COUNTRY AID CONTEXT

Aid is most likely to contribute to long-term development in a context of economic and political stability, and effective government fiscal and economic policies (Serageldin 1993: 37 & 46; World Bank 1991). Sustained economic growth and increased government revenue decreases dependence on donors and helps ensure that recurrent costs of development projects can be met. A participatory and transparent political system limits corruption and increases the likelihood that the intended beneficiaries have a voice in development efforts. These factors have been present in Botswana, and have contributed to the success and sustainability of development efforts.

The historical, socio-economic, and political contexts in Botswana have influenced the role and impact of aid. Several factors have been particularly important: an unusual colonial experience; the extreme poverty, lack of infrastructure, and dependence on external finance at independence; subsequent high rates of economic growth due to effective exploitation of a rich mineral endowment; effective development and macroeconomic management by the government; and a democratic and participatory political system. This chapter provides background on Botswana, including a brief comparison with other sub-Saharan African countries. It is a short account of how the country has been transformed over the years -- reflecting on problems and prospects and raising issues which are picked up in the next chapters.

2.1 Historical Background, Geography, and Population

Botswana is a landlocked country located in the middle of Southern Africa. It is the size of Kenya, France, or Texas. Prior to 1966, Botswana had been a British Protectorate for 81 years. In comparison to other British colonies in the region, Botswana suffered acute neglect by the authorities. Virtually no infrastructure was developed, whether in the form of roads (there were only eight kilometers of tarred road in the entire country), schools, or clinics. The churches and tribal authorities accounted for most of the social services and facilities that were provided, most notably in education. The country was administered from Mafeking, in South Africa. Apart from the abattoir in Lobatse, virtually no job opportunities had been created. As a result of this neglect, the legacy at independence was stark: the country was one of the poorest in the world, with a per capita income of some US \$80.00, and with extremely high levels of poverty, and a 96 percent rural population depended on subsistence agriculture for its livelihood; literacy levels were among the lowest in Africa, and the country had only 22 University graduates.

The current National Development Plan, Number 7, (MFDP 1991) describes the state of development the government inherited at independence:

An overwhelming rural population depended mainly on agriculture for a livelihood. Beef production was the mainstay of the economy in terms of output and earnings, but both arable and livestock agriculture had been ravaged by a prolonged and severe drought. Over 30 percent of Botswana men between the ages of 20 and 40 were working in South Africa. Apart from the railway line, communications and infrastructure were barely developed. Prospects for rapid development of the economy were bleak, and the government was dependent on foreign aid (mostly from Britain), not only for investment projects, but also to finance its recurrent expenditures.

Prospects for development at independence therefore did not seem encouraging, and certainly worse than

that of many African countries today. Yet this led to a resolve on the part of political leaders to chart a course that would lead the country out of poverty and away from dependence on Britain.

The regional context at independence was also inhospitable. Botswana shares borders with Namibia, Zimbabwe, Zambia and South Africa, and along with Lesotho and Swaziland was linked to South Africa through the South Africa Customs Union (SACU), established in 1910. Botswana's initial geo-political environment was largely hostile -- completely surrounded by the minority and racist regimes for one and half decades of independence. South Africa had initially hoped to annex her northern neighbor, and Botswana's declaration of multiracial democracy fueled resentment. The hostility of immediate neighbors led the country to develop strong relations with the international community, particularly the Western industrialized countries. To attract aid from the West, the government adopted a policy of public support for regional liberation struggles, while quietly maintaining economic ties with South Africa. To reduce dependence on South Africa, Botswana was instrumental in establishing the Southern African Development Coordinating Council (SADCC), which is based in Gaborone. The situation improved with the independence of Zimbabwe in 1980, followed by Namibia in 1991, and the new political dispensation in South Africa.

Climate conditions are harsh -- mainly arid to semi-arid with inadequate rainfall. Two-thirds of the country is largely covered by the Kgalagadi Desert. In the North-west, the Okavango River forms a massive swamp commonly known as the Okavango Delta, a major natural reserve and tourist attraction. Drought is a regular occurrence. Arable land is scarce and it is estimated that less than 5 percent of Botswana's land area is cultivatable, while scant and capricious rainfall makes agriculture a precarious undertaking. Much of the best land is suited to beef production, and agricultural activity is dominated by cattle ranching. Although both government and donors invested considerable resources in attempting to improve agricultural productivity in the 1970s and 1980s, the returns were limited by inhospitable conditions. The government's original focus on food self-sufficiency has therefore given way to an emphasis on food security, to ensure that rural households have income to purchase food or have access to emergency food aid in drought years .

In spite of the difficult conditions at independence, the country had four inherent advantages. One is the existence of several minerals such as copper, diamonds, soda ash, coal and nickel.¹ Second, Botswana has some outstanding National Parks and Game Reserves, which constitute important tourist attractions. Third, the country's population is more ethnically homogeneous than in most other African states. It is estimated that approximately 80 per cent of the population are Setswana speaking, living relatively well with the non-Setswana language groups (Picard 1987, 5-8). For the most part, ethnic differences have not been politicized. Ethnic groups exist as cultural units -- not used as interest groups geared toward political activity, and this has contributed to the unusual degree of political stability. Finally, the benign neglect by colonial authorities meant that Botswana's leaders were able to chart a pragmatic post-independence political and economic course, free of ideological reaction against colonialism.

Botswana's proximity to South Africa has been both a blessing and a curse. With the strongest economy on the Sub-continent, South Africa provided Botswana easy access to goods and services, and an employment for migratory labor (a major form of income in the years preceding and the decade

¹ Copper-nickel is mined at Selebi-Phikwe; Diamond pipes at Orapa, Letlhakane and Jwaneng are in production; large salt and soda deposits at Sua Pan are being exploited; and coal is mined at Morupule.

following independence). Although not a major market for exports, proximity to South Africa has facilitated export to Europe, and South Africa has provided most of Botswana's imports. Politically, Botswana gained donor sympathy due to its proximity to the Apartheid regime.² The disadvantages prior to democratic transition, however, were substantial. Botswana was highly vulnerable militarily and economically, and security was a constant concern. South Africa did not renounce her intention to annex Botswana for years after independence, and security forces staged regular raids against suspected ANC operatives and dissidents in Botswana. Although the democratic transition bodes well in the long run, in the short term Botswana is likely to lose investment and skilled manpower now that South Africa has lost its pariah status.

Botswana's population has increased from half a million at independence to 1.4 million today. Though small relative to the size of the country, about 80 per cent of the population is concentrated along the best-endowed and most developed eastern side of the country. The population growth rate of 3.5 per cent is high by international standards, and a high proportion is under 15 years old (CSO 1990, 5). This high "dependency ratio" has increased the costs of education, health, and other child services, and has led to high rates of youth unemployment. The country is still over 70 percent rural, but rural to urban immigration rates are high and rural dwellers are heavily dependent on remittances. A large proportion of Botswana men are in urban wage-earning employment relative to most other African countries, and thus a lower proportion is directly dependent on the land. Even with existing agricultural practices, labour is scarce in rural areas. Livestock agriculture and game often represent competing uses of marginal land, and careful management is required to ensure that such land is used to its best advantage. Population and environmental issues are of increasing concern to the government and are already identified as crucial areas of policy intervention, with assistance from USAID (see Chapter Five).

2.2 Socio-Economic Progress

Despite an inauspicious start, the government managed to engineer a remarkable record of economic growth decades after independence, thanks in part to the discovery of extremely rich mineral deposits, most notably diamonds. From 1966 to 1990, Botswana's economy was among the fastest growing in the world, with average annual growth of GNP per capita averaged 10 percent from 1965 to 1980, and about 8 percent from 1980-7, a period when most African countries experienced negative growth. Average real income levels were nearly 8 times higher in 1990 than they had been in 1965. By 1992 GNP per capita was US\$ 2,790 (the second highest in Africa), and Botswana was one of the few African countries to reach middle-income status (Duncan et. al. 1995, 1). Although it is easy to give credit for this growth to the country's mineral wealth, many countries with similar or superior natural endowments were unable to transform them into sustained economic growth. As the current Vice President, Mr. Festus Mogae, has noted, the country's success was made possible by "generous support from the donor community, sound economic policies and careful fiscal and monetary management." (Mogae 1992, 4).

Economic growth was accompanied by impressive social gains, largely due to heavy government and donor investment in social infrastructure. Public expenditure in the social sectors rose from 4 percent of GDP in 1973 to above 9 percent in 1977, and have generally remained between 9 and 10 percent

² Botswana, like Lesotho and Swaziland, were exempted from international sanctions on South Africa, and was able to enter into partnership with South African capital, as well as attract international investment that otherwise could have gone to South Africa.

thereafter. In spite of a widely-dispersed rural population, education, health services, sanitation, and clean drinking water all have become more accessible. In contrast with the rest of sub-Saharan Africa, Botswana's socio-economic performance improved considerably over the past two decades (Table 2.2).

Challenges remain, however, to improve conditions for certain remote or nomadic populations (such as the Basarwa). In addition, although rural conditions improved overall during two decades of rapid economic growth, the enclave nature of the mineral economy has meant that inequality has increased and that poverty -- particularly in rural areas -- remains high. Efforts by donors and government to directly increase income levels for the rural poor have met with mixed success, partly because of the limited number of viable income generating opportunities in rural areas. Strong food relief networks do exist in rural areas, which has markedly reduced the impact of drought. Food relief also maintains rural political support for the government, however, creating an entitlement situation in some regions where relief has continued even in non-drought years.

Table 2.1 Sectoral Gross Domestic Product, Annual Growth, and Percentage Share by Type of Economic Activity, 1975-1993 (Percentage and P million)

Sector	1975	1976		1980		1985		1990		1993
	Amount	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount
Agriculture	23.5%	20.0%	1.3%	20.1%	1.1%	5.3%	7.1%	5.8%	15.1%	5.2%
Mining	11.8%	16.3%	64.5%	16.5%	1.3%	48.8%	124.7%	39.2%	5.9%	35.2%
Manufacturing	9.3%	10.1%	28.2%	10.7%	2.6%	4.2%	-0.6%	5.8%	23.9%	5.6%
Water and Electricity	2.2%	2.7%	50.6%	2.2%	-4.1%	1.9%	22.4%	2.3%	19.0%	2.7%
Construction	12.9%	11.0%	1.0%	9.1%	-3.5%	4.8%	5.7%	5.2%	14.8%	4.3%
Trade, Hotels and Rest	17.0%	15.9%	11.3%	17.0%	-2.6%	12.8%	16.8%	14.1%	15.7%	15.4%
Transport	1.9%	1.9%	16.6%	1.8%	-4.5%	2.3%	41.3%	3.2%	27.3%	3.9%
Finance and Business	4.9%	4.5%	8.4%	4.8%	2.8%	5.3%	33.7%	5.3%	12.4%	5.6%
General Govt	14.2%	16.1%	27.8%	16.1%		13.4%	20.8%	18.1%	23.7%	21.0%
Social and Per. Services	2.7%	3.1%	32.7%	2.8%	-1.5%	2.6%	25.8%	2.8%	15.2%	2.9%
Dummy Sector	0.5%	0.7%		-1.2%		-1.4%		-2.0%		-1.8%
TOTAL (Pula Million)	746.0 P	887.5 P	19.0%	919.1 P	.9%	2251.9 P	29.0%	3633.6 P	12.3%	4180.6 P

Source: Botswana Quarterly Bulletin April -- 1987, vol. 5 no.1; BoB 1993 Annual report; Botswana Financial Statistics Jan., 1995.

Notes: Figures for 1989-1993 are provisional. Constant 1985/86 Prices were used for GDP.

Table 2.2

Main Social and Economic Indicators for Botswana

TYPE OF INDICATOR	BOTSWANA			SUB-SAHARAN AFRICA	
	1970	1980	1990	1970	1990
ECONOMIC INDICATORS					
GDP per Capita (US \$)	242	1,433	2,180	106	340
Economic Growth: 10-Year Average (Average Annual % Growth in Real GDP)	1	14.5	10.1	4	2.1
Foreign aid per capita (% GDP)	15	68	129	..	32
Contribution of agriculture sector (Months Import Coverage)	33	12	5	35	31
International Reserves (Debt Servicing as % of Exports)	<2	6	29	2	2
Debit Service Ratio (% of Total Government Revenue)	1	2	4	5	14
Mineral Revenue (US\$)	0	34	54	..	..
Government Expenditure per Capita	57	500	1,209	..	..
Formal Sector Employment (Persons Employed '000s)	25	83	209	..	..
DEMOGRAPHY					
Population (Million)	0.6	0.9	1.3	378	510
Population Growth Rate (% per Annum)	3.1	3.7	3.5	2.7	3
Population Density (Persons per Square Kilometer)	1	2	2	15	21
Total Fertility Rate (% per Annum)	6.9	7.1	5.3	6.6	6.5
Urbanization (% Living in Designated Living Areas)	11	18	24	16	28
HEALTH					
Access to Safe Water (% with Access)	..	77	89	..	44
Access to Sanitary Facilities (% with Access)	..	36	55	..	43
Access to Health Services (% of Population with Access)	..	36	55	..	43
Immunization of children (% Immunized Against Measles at 1 Year)	..	80	86	..	52
Under-Five Malnutrition Rate (% Suffering from Malnutrition)	<10	56	78	<10	46
Maternity Mortality Rate (Mortality per 100,000)	..	28	15	31	31

Table 2.2 (continued) Main Social and Economic Indicators for Botswana

TYPE OF INDICATOR	BOTSWANA			SUB-SAHARAN AFRICA	
	1970	1980	1990	1970	1990
EDUCATION					
Primary School Enrollment Rate (Net % Age Group)	..	76	83	..	68
Female Primary School (Females Enrolled per 100 Males)	113	120	107	60	81
Secondary School Enrollment Rate (Net % Age Group)	7	16	40	6	17
Female secondary education (Females Enrolled per 100 Males)	88	128	114	40	64
Male Adult Literacy Rate (% Adults)	44	61	65	17	44
Female Adult Literacy Rate (% adults)	..	76	83	..	68
GENERAL SOCIAL INDICATORS					
Under 5 Mortality Rate (Mortality per 1,00 Live Births)	147	109	56	261	180
Infant Mortality Rate	100	71	45	144	103
Life Expectancy at Birth (Years)	46	46	62.5	41	51
Incidence of poverty (% Below Poverty Line)	..	54	55	..	62

Sources: NDP7; NDP6; 1991 National Census; National Accounts; CSO Statistical Bulletins; Education Statistics 1991; Challenges for Children and Women in the 1990s; World Development Report 1993; Progress of Nations 1993; State of the World's Children 1993.

On a sectoral level, some diversification of the economy has occurred since independence. Table 2.1 shows the overall and sectoral performance, annual growth rates and percentage share by type of economic activity. The share of agriculture in total product has decreased from 43 percent in the late 1960s to 5 per cent after 1980, and the share from mining and services from negligible 0.4 percent to about 40 per cent during the same period. Diversification away from mining, however, has been slow. If indirect and multiplier effects are included, over 80 per cent of GDP comes from mining. With the near collapse of the Soda Ash Botswana Project, the copper mining barely surviving, and diamond revenues flattening out, the mining sector is becoming narrowly based and may no longer provide sufficient revenue to finance public expenditure. The share of manufacturing, as that of agriculture, remains very small -- a reflection of low value-added in total output.³ The employment potential of mining has also been

³ This can be partly attributed to membership of the Southern Africa Custom Union, in which the nature and pace of local manufacturing in Botswana has been retarded by two inter-related factors. First, the "industrial polarization effect" resulting from the tendency of industries serving the entire Customs Union market to be located in South Africa; and second, Botswana's inability to use tariff and excise tax rates to promote local

limited: the diamond industry currently employs only 6,000 workers.

Botswana has maintained an open economy. The government encourages private investment, and has allowed full repatriation of profits since independence. Imports as a percentage of GNP increased from about 45 percent in 1968-1969 to 75 percent in 1981, then fell to its current level of around 50 percent (Appendix D). The share of exports in GDP is currently 50 percent down from a peak of 82 percent in 1987. More than 80 per cent of exports go to Europe and the U.S.. South Africa remains the dominant source of Botswana's imports -- accounting for at least 80 per cent, while exports from Botswana to South Africa have fallen from 8 per cent in 1972 to 3 per cent in the 1980s. With imports and exports each exceeding 50 percent of GDP, the economy is vulnerable to exogenous shocks. Severe shocks have been avoided partly due to stable diamond prices (facilitated by De Beers through the Central selling Organization), but primarily to careful fiscal management. Further economic diversification, however, remains imperative for future growth and stability.

2.3 Fiscal Development and Macro-Economic Stability

Government fiscal and macroeconomic management influence overall economic prospects as well as the success of development projects. Since independence, Botswana has maintained a conservative fiscal policy and maintained economic stability through careful macroeconomic management. Initially financially vulnerable and reliant on external support, Botswana established a cautious expenditure pattern. The revenue constraint loosened over time, making the fiscal situation progressively more favorable and enabling the government to meet its goal of balancing the recurrent budget from domestic revenue by 1973, and to generate substantial recurrent surpluses by the late 1970s (Stevens 1981, 175; Harvey and Lewis 1990, 39). Since the 1970's, output from the mining sector has earned foreign exchange and generated government revenue on a scale often in excess of the absorptive capacity of the economy as a whole. Rather than spend revenue on unproductive investment, the government has accumulated fiscal surpluses to guard against future economic downturns. Since minerals are a non-renewable resource, the government also has adopted a policy of "sustainable budgeting," using mineral revenues to finance only investment, not recurrent expenditure.

Growth in government revenue and expenditure can be seen in Appendix C. Revenue grew tenfold from 1967 to 1981 (23 percent annually) -- an extraordinary record for any country (Lewis and Mokgethi 1983, 72). This growth came in two phases. First, following the renegotiation with South Africa of the Customs Union revenue sharing formula in 1969, income increased tremendously and government revenue began to vary almost directly with the country's imports. Thus, major mining investments in the late 1960s and early 1970s⁴ caused revenue from customs duties to increase dramatically. The second phase of revenue growth was driven by the income from mining (principally

manufacturing because the custom union entailed the "loss of fiscal discretion". In addition, despite government efforts to prevent overvaluation of the Pula, the large foreign exchange earnings from minerals has decreased the competitiveness of other sectors in regional markets.

⁴Both the Orapa diamond mine and the Shashe copper-nickle project.

diamonds).⁵ Income-taxes other than those levied on mining companies also increased, although decreasing in relative importance. The revenue performance of the government therefore is closely linked to the developments in the mining sector for both customs and the mineral revenues. The recent downturn in the diamond industry led to a slowdown in government revenue and GDP growth, highlighting the need for economic diversification. Revenue growth until recently has outpaced the growth in recurrent and development expenditure, resulting in a budget surplus for much of the period from the late 1970s to early 1990s (Appendix C). The resulting government cash balances and foreign exchange reserves (currently \$4 billion) have been carefully invested by the Bank of Botswana, and profits from which now account for the second largest share of total Government revenue (MFDP 1994; Bank of Botswana annual Report 1993, 3). External aid flows have continued despite the budget surpluses, further enhancing the country's fiscal position.

In spite of overall fiscal caution, growth in both recurrent and development spending has been tremendous -- increasing from P24 million (then US \$34 million) in 1970 to a projected P5,400 million (US \$ 1,940 million) in 1994 (Jeffries 1994). This represented a real rate of growth of 11 per cent a year. The favorable revenue situation has permitted substantial increases in public development spending while maintaining the recurrent expenditure necessary for sustainability.⁶ By 1990 public spending represented 42 percent of GNP, a high ratio. Since development investments generate a long-term stream of recurrent spending, the massive public investments of recent decades has caused recurrent spending to steadily increase relative to development spending. Whereas development expenditure exceeded recurrent in 1973/74 and was only slightly less in 1988/89, it was only half of recurrent expenditure in 1994/95 (Appendix C).

Increases in cash flows accompanied macro-economic stability. The rate of inflation has been moderate until quite recently (see figure 2.5 below). Although the national currency (Pula) is one of the strongest in Africa, the government has tried to prevent it from becoming over-valued.⁷ The current foreign exchange reserves can cover over 20 months of imports, and benefit both from mineral revenues as well as remittances and earnings from off-shore investments. Two government funds have contributed to macro-economic stability. One is the Revenue Stabilization Fund (RSF), established in 1973 to even out fluctuations in revenues. The Public Debt Service Fund (PDSF) was established in the same year to invest surpluses in the recurrent budget in income-yielding assets (normally in the parastatal sector), thus generating additional sources of revenue to service public debt in later years. Monetary authorities, too, have tended to take the necessary policy measures to moderate the growth in the money supply.

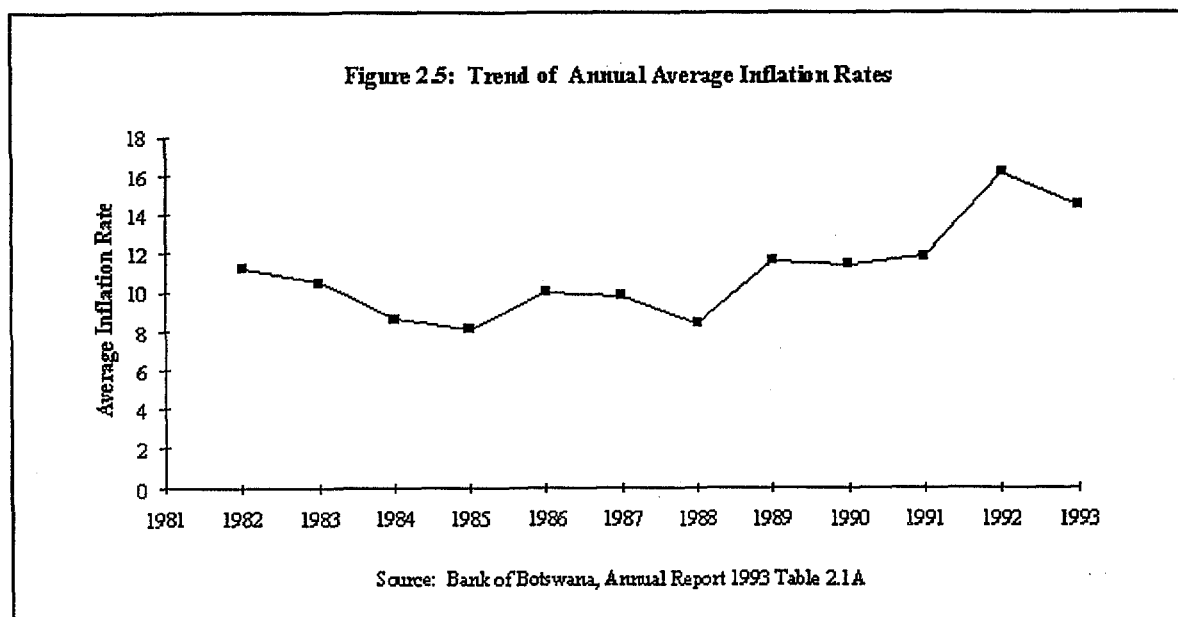
Public debt and debt service have been moderate. A build-up of government external debt occurred after independence, particularly in connection with the Shashe mining project, but the overall

⁵ Although revenues from the Shashe project proved disappointing, the government negotiated a joint ownership and generous profit-sharing agreement for the diamond mines -- built and operated by DeBeers -- which proved highly profitable.

⁶ In contrast, many countries in Sub-Saharan Africa were forced to sharply reduce real government spending in the 1980s due to economic crisis and subsequent structural adjustment programs.

⁷ Economies that earn substantial foreign exchange from a single commodity are vulnerable to "Dutch Disease," in which the currency becomes overvalued and other export sectors are rendered uncompetitive. Central banks can counteract this effect through foreign exchange and monetary policy.

outstanding debt is small. There was a significant drop in 1977 following the cancellation of loans by several governments who were happy with Botswana's use of aid (Lewis and Mokgethi 1983). The country became increasingly selective and less keen in procuring external loans after attaining self-sufficiency in financial resources, and particularly after it was re-classified as a middle-income country, making it ineligible for concessional loans. Botswana is one of the few developing countries with no real need for the government to borrow either domestically or from abroad; the government is a lender of resources in the economy rather than a borrower and provides subsidies for some activities. The ratio of debt to export earnings has been low and the actual debt service ratio is estimated at about 5 per cent or less.



Fiscal and economic management is easier when revenues are growing rapidly -- the greatest challenge occurs when growth falters and revenues fall. This occurred in the early 1980s and recently in the early 1990s, both due to declines in diamond revenues. In 1982/83, the government postponed planned development projects to reduce spending. The government's self-imposed adoption of orthodox stabilization and adjustment policies is viewed as a major success. Revenues soon recovered, and the small budget deficit was quickly replaced again by surpluses. The current situation is more precarious, since expenditure is driven more by recurrent costs, and diamond revenues are unlikely to regain previous growth rates. Although the government ran a P196 million surplus in 1994/95, if current trends continue, the budget could go into deficit by the year 2000. Government projections also predict that without further spending cuts, the policy of financing recurrent expenditures only with non-mineral revenues may have to be abandoned the late 1990s (MFDP 1994). Development spending is being curtailed and planned projects postponed, but the government is allowing a draw-down of reserves in the hopes that new sources of income and private sector growth will emerge in the coming decade. Hence, the promotion of new engines of growth and an increased role for the private sector have emerged as major policy priorities.

2.4 Governance, Political and Administrative Structures

Botswana is often cited as the foremost example of a stable multi-party democracy in Africa. The constitution at independence in 1966 established a multi-party and non-racial democracy which maintains freedoms of speech, press and association, and affords all citizens equal rights, although some laws still discriminate against women and minority groups. While many Sub-Saharan African countries that gained independence in the 1950s and 1960s soon abandoned multi-party democracy after independence, Botswana's democracy has survived and continued to grow. Since 1965, the country has held free elections every five years, and has enjoyed unparalleled political stability. The Judiciary is independent of both the legislature and executive branches, and Botswana has one of the best human rights records in Africa. Political stability, rule of law, transparency, and participatory political processes all contribute to the effectiveness of aid.

The political achievements have depended on a variety of factors, including its pre-colonial history, local traditions, and the quality of its leadership. The country's first president, Sir Seretse Khama, firmly established the practice of open and accountable government which was carried on by his successor (Tordoff 1993, 281). As a result, Botswana politics have been refreshingly free of the corruption and patronage common in many African countries. The traditional Tswana custom of holding "town meeting" -- the Kgotla and the accompanying tradition -- still exists and is part of the local consultative network (Lekorwe 1989, 217). It is through this institution that some of the country's major policy initiatives, such as efforts to formulate a population policy, are discussed (Section 5). A strong emphasis on consultation and consensus also is evident throughout the country's political and policy processes.

The Government of Botswana can be described as presidential-parliamentary. Legislative power is vested in a parliament comprising a unicameral National Assembly with 40 elected members, the President (ex-officio), Speaker, Attorney-General and four specially elected members (nominated by the President and subject to confirmation by the elected members). There is also a House of Chiefs, composed of 15 members with advisory powers. The leader of a majority party in the National Assembly becomes the President who in turn chooses other Cabinet officials from among members of parliament. The cabinet is one of the smallest in Africa, with only eleven ministries. There are ten administrative districts each headed by District Commissioner who co-ordinates development work and chairs the District Development Committee (DDC). The ten distinct councils, one city council (Gaborone) and four town councils (now called local authorities) are responsible for primary education, primary health services, roads and other local services. Local elections coincide with national elections. District administration falls under the jurisdiction of the Ministry of Local Government, Lands, and Housing (MLGLH). Tribal Land Boards -- twelve in number -- are headed by elected Land Board chairpersons, assisted by Land Board Secretaries who are appointed civil servants. Tribal Land Boards allocate land in tribal areas and adjudicate over land disputes. Tribal Administration is headed by chiefs who in turn are assisted by sub-chiefs, Village and Ward headmen. The chiefs have both traditional and developmental duties.

Until recently, the ruling Botswana Democratic Party (BDP) had won each parliamentary election with an overwhelming majority and strong rural support. 1994 marked a turning point, as the opposition, the Botswana National Front, won one-third of the forty seats in parliament and won almost all the local government elections in major towns. The context of the election was very different too. The 1980s were a period of growth for the press and civil society; by the end of the decade they had begun to play a larger role in national politics. The 1994 elections were marked by the small private press's ability to embarrass the government by exposing a number of corruption scandals. For example, the failure of members of Parliament to repay National Development Bank loans became a hot issue. All these incidents

underscored the growth of an independent civil society and a professional class that helped to strengthen competitive democratic politics in Botswana. Even though the ruling party has monopolized political power, it has been increasingly accountable for its actions and has had to accept checks on its freedom of action. The threat to the ruling party and the possibility of the opposition coming to power can no longer be taken lightly.

The state's institutional capacity -- the ability of the state to conceive of and implement socio-economic policies, including the ability to govern -- is regarded by many as one of the crucial factors affecting the effectiveness of aid. The Botswana state has conducted itself remarkably well in this regard. Political and administrative structures have worked well, ensured accountability, transparency and the whole system of government until recently has been relatively free of corruption (Picard 1987, 14). The country justifiably acquired an international reputation as a stable democracy with sound and prudent development management and an efficient and accountable public bureaucracy, attracting a larger share of donor support as a result.

The government has been criticized both locally and internationally for relying heavily on foreign Operational Experts (OPEXers) to fill mid-level technical positions and not localizing fast enough. Top civil service posts were localized first, along with low-level clerical positions. Key ministries such as the MFDP relied heavily on long-term expatriates for almost two decades after independence. The government made a strong commitment to training Botswana domestically and overseas, and official policy is that the foreign experts are to stay only until suitable Botswana are trained to replace them. Political leaders have insisted, however, that localization not take precedent over strong public management.

In recent years, however, Botswana's international reputation has been slightly tarnished by a number of incidences. For example, official corruption, previously rare, has become more common (Good 1994). While the government continues to generate good policies, its record on policy implementation has declined, as delays in the implementation of the tourism and conservation policies illustrate. The problems may be due more to the increased complexity of the problems faced by the public sector and the tremendous expansion of social and physical infrastructure than to decline in government capacity. Yet the government has become over-extended. There is also evidence that marginal returns from public investment are falling, increasingly yielding low or negative returns as shown by the new Air Force port, the Trans-Kalahari Highway, and the North-South Water Carrier projects (Hermans 1995).

The government has become concerned about the declining performance of its development machinery. This concern has been translated into a series of reform measures designed to bring about rapid changes and repair a dented image. Some measures taken to revitalize the management machinery and to reduce corruption include the establishment of the Botswana National Productivity Centre (BNPC), and a Directorate on Corruption and Economic Crime (Government of Botswana 1994). To further promote honest and efficient development management, the government has also announced that the office of the Ombudsman, widely known as "a citizen defender," will be established in 1995 (Hope 1995, 50). The main publicized cases of corruption resulted in extensive government investigations, with culprits forced to resign or repay the money. If not, they were sacked and or taken to court, suggesting that corruption is still not officially tolerated.

2.5 Issues of Concern and Challenges Facing Botswana

After nearly three decades of remarkable development progress, Botswana has reached a critical transition point. Future economic and social progress, as well as political stability, will depend on the country's ability to cope with a number of pressing issues.

Economic Downturn: In the past few years the economy has been in a downturn, with growth rates of only 2 per cent in 1992-94. The dramatic slowdown of growth reflects in part the cyclical downturn in the world economy and a glut in the diamond market. Although per capita growth is likely to resume for the remainder of the decade, the limits of the current state-led development strategy may have been reached. According to the Bank of Botswana (Annual Report 1993, 3) the slow-down is "...symptomatic of another, and more fundamental concern that current policies are no longer generating as much real growth as before."⁸ The economy is too dependent on diamond revenues. Efforts to diversify have entailed the development of other sectors such as manufacturing and tourism which traditionally have not been the focus of government policy. Manufacturing is small, largely foreign owned and heavily dependent on government grants (for instance, the financial assistance policy). The sector's rapid growth in the past has slowed down significantly and its impact on employment creation has continued to be relatively small. The government has stated that further growth will have to be generated by the private sector. Although steps have been taken in recent years to encourage private sector development, the indigenous private sector remains small and government bureaucracies have not fully relinquished control in favor of fostering an environment conducive to private sector development.

Relative Size of Government sector: In terms of value-added, the government sector has become the second largest after mining. In recent years, Government expansion has coincided with a decline in the output of all other sectors (Barclays Botswana, Economic Review 1993, 1-2; Bank of Botswana 1993, 7). Botswana now has one of the largest shares of public expenditure in sub-Saharan Africa (Table 2.3). The state employs more than 35 per cent of those in formal employment, and pays 44 percent of the total national wage bill. With mineral revenues flattening out, it has become increasingly difficult to finance large capital expenditure programmes, let alone cover recurrent expenditures. If expenditures are not held in check, budget deficits will quite quickly erode the country's strong foreign exchange reserve position and affect investor confidence. The government is already trying to remedy this situation through cutting spending, privatization of parastatals and measures aimed at improving the investment climate (MFDP 1994). These courses of action are intended to release resources for the private sector, but actual progress in implementing these policies have been slow due to resistance from bureaucracies reluctant to lose influence and political constituencies opposed to spending cuts (see Chapter 5 (ii), USAID Assistance to the Private Sector).

⁸The report argues that a significant portion of the mineral rents has been spent on consumption rather than transformed into physical and human capital; total factor productivity growth has declined; and failure to maintain macro-economic balance in the period following 1988 has resulted in a crowding out of potential sources of private sector growth by Government.

Table 2.3 Central Government Expenditure as a Percentage of GDP

COUNTRY	1986	1987	1988	1989	1990
Botswana	35.8	36.6	34.8	36.3	43.1
Kenya	26.8	30.1	28.6	32.6	29.5
Mauritius	25.9	24.7	25.7	27.2	26.1
South Africa	30.9	32.1	31.5	30.6	-
Zambia	46.3	35.2	40.5	-	-
Zimbabwe	43.5	47.7	-	-	-

Sources: IMF, International Financial Statistics, Yearbook, 1993, as in Bank of Botswana, Annual Report 1993:7.

Macroeconomic Stability: The macroeconomic balance, maintained through the long period of rapid economic growth has provided an enabling environment for public and private investments, including aid. Inflation accelerated, however, between 1988 and 1992. The economic slowdown together with the measures taken by the Central Bank have contributed to the decline of annual inflation to below 10 percent by 1995, from a peak of 17 percent in 1992. The main threat to future macroeconomic stability will be political pressures on government to abandon fiscal caution and spend budgetary reserves.

Social Service Provision: While massive public spending in the 1970s and 1980s has established an impressive range of social and economic infrastructure in Botswana, the rapid expansion has raised concerns about the quality and efficiency of such service provision. There is a need to successfully manage a fundamental shift from quantitative provision (building many schools) to qualitative improvements (in the quality of education) (see Section 5.2). Improving the quality of social services is a more complex challenge than increasing supply, requiring research as well as coordinated action among a variety of departments and policies. Continued effort is now required to translate social service provision into measurable improvements in human resources, productivity, and well-being.

Table 2.4 Annual Growth in Employment (Percent)

Economic Sector	1980/85	1985/90	1980/90
Agriculture	-1.4	11.4	4.4
Mining and Quarrying	0.3	1.5	0.8
Manufacturing	12.1	20.9	16.2
Electricity and Water	4.8	2.2	3.6
Construction	-03.0	23.1	8.6
Commerce	12.0	16.0	13.9
Transport	10.9	8.1	9.9
Finance and Business	9.6	15.9	12.5
Community and Personal Services	10.2	14.9	12.4
Education	7.9	3.3	5.7
Private and Parastatal	5.7	15.4	10.2
Central Government	8.8	7.8	8.4
Local Government	10.3	5.7	8.1
Total of all Sectors	6.8	12.7	9.6

Source: Labor Statistics Bulletin, 1990: p.1

Inequality: In spite of dramatic improvements in social services, the economic benefits from the impressive economic growth have not been distributed evenly across the population. This has mainly been because neither of the two main economic activities, mining and cattle-raising, create very much employment or have important linkages or multiplier effects (Livingstone and Srivastava 1980). Mining is capital intensive and ranching is dominated by large commercial ranches that occupy much of the best rangeland, with many rural families owning no cattle. The Rural Income Distribution Survey of 1974/5 and subsequent studies have consistently revealed that inequality in income distribution is a major problem in Botswana.⁹ Although government policy explicitly emphasises social equity, the government and political leaders (many of whom own commercial ranches) have been criticized for not implementing land reforms and other measures that could reduce disparities.

Poverty: About 70 percent of Botswana's population lives in rural areas. As a result, the resource endowment in rural areas as well as their distribution is a major factor in the general quality of life. The most recent estimates by the Central Statistics Office (1991) showed that roughly 55 percent of the rural population live below the poverty line. Although the incidence of poverty is also directly related to occurrence of drought (which was severe in 1991), poverty remains a widespread problem even during

⁹ A study by the Bank of Botswana in 1986 noted that the gini coefficient of income distribution was 0.7287, one of the highest in the world (Bank of Botswana 1986). The survey was taken, however, in the midst of an extended drought. While comparisons with surveys done in the 1970s indicated that income distribution may have worsened, it is difficult to draw firm conclusions from available data (Harvey, 1994).

non-drought years. National average of social indicators mask marked disparities among districts, access between the sexes, and to some extent among minority tribes such as the Basarwa. The rural poor tend to rely on remittances from urban relatives¹⁰ and on food relief in drought (and increasingly in non-drought) years. Officially, the government has tried to avoid creating dependency on hand-outs and instead emphasize improved rural services and income generating opportunities. Improvements in social services have occurred, but the meagre resource endowments of rural areas has meant that income generating efforts have met with mixed success.

Unemployment: The unemployment situation has changed dramatically since independence, when about one-third of Batswana worked outside the country (particularly South Africa). Formal sector employment has expanded rapidly since independence by an annual average of nearly 10 percent between 1980 and 1990 (Table 2.4), exceeding the average annual population increase of 3.5 percent and leading to a decline in unemployment through much of the 1980s. Drought and economic downturn caused the employment situation to worsen in the early 1990s. Although growth is expected to recover, with half of the population under age 15, the workforce growth could begin to outpace economic growth leading to further increases in unemployment. Table 2.5 also shows that the jobs created have not matched the demand. While skilled labour continues to be in short supply, opportunities for unskilled labor have been limited due to the highly capital intensive nature of the mining sector along with inadequate growth of manufacturing and other labor intensive sectors.

There is also growing concern that economic success and high government spending have led to complacency on the part of workers and entrepreneurs and a decreased willingness to engage in self-help efforts. Indigenous responses to the business opportunities over the past two and half decades have been limited, and the businesses they are concentrated in (bottle stores, small general dealers, private bus services, small contractors, etc) are failing at an unprecedented rate. This situation together with the high level of unemployment, large number of school-leavers and university graduates with no jobs, growing income disparities, increasing public corruption, and mounting crime are the ingredients for social unrest which could ultimately lead to political instability (see also Hermans 1995).

Changed International Environment: The international context has changed considerably in the past five years. Donors are decreasing or ending external assistance to Botswana due both to the country's graduation to middle-income status as well as overall declines in donor aid to Africa (discussed in detail in Chapter 3). The democratic transition in South Africa will contribute immeasurably to regional stability, but is likely in the near term to draw potential investors and skilled manpower away from Botswana. Combined with increased investor and development interest in Eastern Europe, and elsewhere in Africa, Botswana is in danger of becoming marginalized. Fiscal adjustments to cope with the loss of aid resources and greater efforts to lure investment will be necessary.

¹⁰ Most families have at least one member in formal employment, so increases in formal employment have indirectly helped to improve rural income.

Table 2.5 Population, Labor Force and Unemployment

	1964	1971	1981	1991	Growth Rate 1964-91
Resident Population	514,378	584,644	941,027	1,326,796	3.52% p.a
Population Growth Rate (Intercensal)	..	1.74%	4.87%	3.50%	..
Labor Force	250,574	384,885	315,475	442,203	2.08% p.a
Labor Force Growth Rate (Intercensal)	..	5.96%	-1.96%	3.41%	..
Unemployment	..	91,036	32,226	61,265	..
Unemployment Rate	..	23.65%	10.21%	13.89%	..

2.6 Conclusion

This chapter has reviewed Botswana's impressive socio-economic and political achievements since independence. The country has indeed been an exception in a region where negative growth rates, debts, and human rights abuses have been all too often the norm. The country enjoys considerable financial resources, but while it is easy to attribute Botswana's impressive performance solely to the availability of these resources, this case study will show that efficient management of resources is a better explanation for the country's development record. The country's growth record, however, has helped Botswana benefit from a "virtuous cycle", in which plentiful resources have made some difficult choices less painful and have facilitated the prudent management of the development process. Botswana's success has come to a stage where it must confront a new set of more complex development challenges if its strong development record is to continue. Subsequent chapters will explore how Botswana's development management system has influenced relations with donors and the effectiveness of aid.

3. BOTSWANA'S AID RESOURCES IN A MACRO-ECONOMIC CONTEXT

Botswana was one of the world's poorest countries at independence, but soon became one of the fastest growing economies in the world. What has been the role of aid resources in Botswana's development policy and strategies over time? Where did aid go, and what was its impact?

Ideally, aid should help the recipient country overcome specific development constraints. Those constraints are likely to vary among countries, and should change over time if development efforts prove successful. Botswana faced several severe constraints at independence: lack of financial resources; severe shortages of skilled manpower; a poor and uneducated populace; limited infrastructure; drought; and poor agricultural potential. Donors provided financial resources, skilled personnel, training, and helped develop the infrastructure necessary to exploit the country's rich mineral deposits. Profits from diamond mining reduced government financial constraints considerably by the late 1970s, yet the rapid expansion of physical infrastructure exacerbated the shortage of skilled personnel. Donors increasingly focussed their efforts on "soft" projects, including technical assistance, training, institutional development, social sectors, and rural development.

By the 1990s, aid represented a small percentage of the government development budget, and although manpower shortages still existed, government and donor training efforts had produced a cadre of trained Botswana who had taken over most of the government positions previously occupied by donor-funded expatriates. Currently, most donors are reducing their programs, but the country still faces the challenges of economic transformation, meeting the needs of marginalized populaces, adapting to a changed international context, and addressing emerging issues such as AIDS and environmental degradation. Most remaining donor programs are specifically targeted on these issues.

This chapter provides an overview of Botswana's development strategy and the policy towards development assistance, then analyzes the role of aid, focusing on the volume, types, and sources and how these relate to the key macro-economic indicators. It concludes with a brief assessment of the impact of aid and the role played by the donors.

3.1 Development Strategy and Policy Towards Economic Cooperation

Botswana's policies towards foreign aid and economic co-operation are integrated into the country's broader economic planning. The fundamental economic planning objectives set out in National Development Plans since independence are: sustained development, rapid economic growth, economic independence, and social justice. These objectives have reinforced each other in shaping Botswana's policy towards economic cooperation and the role of foreign investment.

Sustained Development entails the need to ensure a pattern of development that can be sustained over the long-term. The key to sustainability is diversification from the current narrow economic base. The government aims to achieve this by investing the wealth generated from non-renewable resources, such as minerals, into social and physical infrastructure; and encouraging viable productive activities that can maintain economic growth, and minimize vulnerability to economic fluctuations and create jobs.

Rapid Economic Growth is fundamental to overall development. Economic growth must exceed the population growth rate in order to achieve an increase in average living standards. Without economic growth, redistributive policies cannot be sustained.

Economic Independence entails strengthening infrastructure, diversifying production and markets,

and enhancing ownership of policy or programme initiatives. These objectives have both internal and external dimensions. Internally, it has led to emphasis on training and localization, on diversification of the economy, and on the mobilization of internal resources for development. Internationally, Botswana has sought to diversify its communications routes, trade and investment partners, and sources of aid.

Social Justice recognizes that the ultimate aim of development is to improve quality of life, and has two main corollaries. First, it entails a concern for fairness in Botswana's development. While it is inevitable that not everyone will benefit equally as Botswana develops, access to opportunities for advancement should be fair and equal, and those who gain most from development should make corresponding contributions to the general welfare. Secondly, every citizen ought to have a minimum living standard consistent with health and human dignity. Hence all groups and regions should share in the benefits of development.

These fundamental planning objectives influenced policy toward foreign assistance.¹ A major concern of the government at independence was Botswana's reliance on Britain for external finance and for all of development spending. To create the conditions for financial independence, the dominant objectives of economic policy were: ending grants-in-aid from Britain, diversifying sources of aid to reduce dependence on one donor, and attracting private foreign investment. Making the country a financially viable entity in the shortest possible period was a fundamental priority.

In addition, the Botswana government has consistently encouraged foreign investment since independence, and has allowed full repatriation of profits. The Transitional Plan (MFDP 1966, 7) said that Botswana welcomed foreign aid from friendly countries, and that planning was not intended to stifle private initiative but to create favorable conditions in which the private sector -- local and foreign -- could contribute to national development. This statement has remained almost unchanged in subsequent development plans.

3.2 Trend in the Volume of Total Aid Flows to Botswana²

Botswana was able to obtain a rapid increase in aid flows in the decade following independence, and to sustain significant flows through the early 1990s. The volume of total assistance (in Pula) to Botswana annually from 1966 to 1993 is shown in Table 3.1 below (in Pula). Figure 3.1 (in dollars) shows that external assistance peaked at US \$238.8 million in 1987, subsequently following a downward trend, but has averaged around \$140 million between 1980 and 1992.³

¹ The objective of increasing Botswana's ability to act independently has profoundly affected relationships with donors, with South Africa, and with major mining companies. Further, a variety of other government policies and initiatives, such as decisions to belong to international and regional organizations, the formation of the Southern African Development Coordination Conference (SADCC), refusal to join the Preferential Trading Area, and extensive investments in education and training were aimed at improving independence of action.

² The international financial flows are classified as follows: Aid: Covering Multilateral, Bilateral and, NGOs; Other Concessional Finance: Multilateral loans on hard terms (IBRD and IMF loans), Official export credits, and Officially guaranteed suppliers' credits; and Non-concessional Finance: Loans from the Eurocurrency market, and other commercial bank lending. Multilateral aid includes UN agencies, and non-UN multilaterals, such as EEC, OAU, etc. The UNDP reports for Botswana break multilateral aid into UN agencies and the non-UN agencies.

³ Differences in the years of effective recording account for some of the variations in trends between Table 3.1 and Figure 3.1

Table 3.1 External Aid Cash Flow to Botswana, 1971-1993 (Pula Million)

Year	Loans	Grants	Total	Debt Serv	Net Aid Transfer
1971	11.59	0.23	11.82	0.00	11.82
1972	25.54	0.66	26.21	0.00	26.20
1973	21.68	4.24	25.92	0.22	25.70
1974	13.31	6.62	19.93	0.91	19.02
1975	12.68	10.30	22.98	1.21	21.77
1976	16.81	15.02	31.83	2.05	29.78
1977	11.44	16.46	27.90	4.24	23.66
1978	17.38	25.72	43.09	0.05	43.04
1979	18.08	31.59	49.67	0.07	49.60
1980	11.57	37.74	49.31	0.07	49.23
1981	14.73	36.88	51.61	0.07	51.54
1982	62.05	42.16	104.21	0.14	104.06
1983	35.13	44.11	79.23	0.27	78.96
1984	58.46	38.97	97.43	0.44	96.99
1985	57.71	40.90	98.61	0.71	97.90
1986	98.89	60.37	159.25	0.62	158.63
1987	104.38	108.32	212.70	0.73	211.97
1988	135.57	96.21	231.77	1.04	230.73
1989	102.37	36.39	138.76	0.99	137.77
1990	58.98	116.16	175.14	1.09	174.05
1991	107.52	70.95	178.47	1.32	177.15
1992	155.12	86.47	241.65	0.14	241.51
1993	135.12	91.68	226.81	1.55	225.26

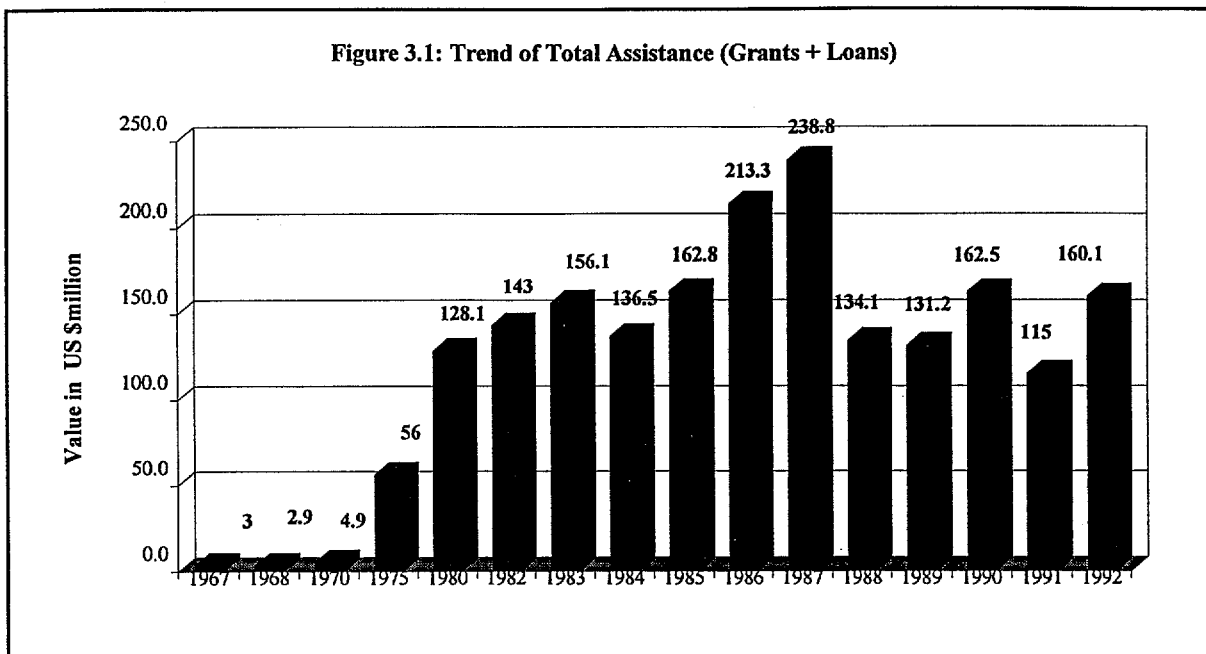
Sources: Financial Statement Tables and Estimates of Consolidated and Development Fund Revenue (1972-1993), Ministry of Finance and Development Planning -- Cash Flow Unit; Statistical Bulletin, CSO, September 1993, 1990 and 1976; BoB Annual Report 1979 and 1990.

Notes: Total aid reflects the cash flow of the Botswana Government. It does not attach value to technical assistance and some donor projects.

Most figures for debt servicing were calculated using the yearly exchange rates.

Although attaining self-sufficiency in the recurrent budget was a major goal at independence, the government realized that increased aid flows would be necessary before fiscal independence could be attained. Between 1966 and 1969, Botswana received more budgetary aid than in the whole of the previous ten years before independence. Although the volume of aid was small in absolute terms, it was very significant in relation to the total public expenditure, and helped construct the capitol at Garborone, train Batswana, and increase the size and responsibilities of the civil service. The absorptive capacity of the government itself, however, was limited.

The large increases in total volumes of aid, beginning in the late 1970s, were provided to develop supporting infrastructure for large project investments such as the Shashe mining project, which also required substantial private foreign investment (not reflected in the table). Revenue from mining and the newly-negotiated customs agreement was so substantial that grant-in-aid from Britain was discontinued in 1973, years earlier than originally anticipated. Subsequent aid went to developing the mining sector. Steep declines represent the end of such investments, with new projects either not yet in place, or if in place, with a limited delivery of aid in the early phase.



Sources: M. Steven, (1981:175) up to 1979; OECD data from 1975 to 1983; UNDP/Botswana DCR 1985, 1993, 1994.

3.3 Aid Trends By Type of Assistance

The type of assistance provided indicates the needs and preferences of the country as well as donor preferences. External assistance is classified in international flow records by the type of assistance: technical assistance, project assistance, program support, and humanitarian relief.⁴ Technical Assistance or co-operation is defined as any activity whose primary objective is to transfer techniques to the recipient (host) country. Capital assistance refers to loans, credits and grants provided for imports, and physical plant/infrastructure projects, rather than financing of human resources. Humanitarian and relief assistance include support for food and emergencies. Figure 3.2 (Aid by Type of Assistance) shows these trends for 1982 to 1992.

Capital/project assistance attracted the highest level of aid until recently, but declined in the late 1980s as donors moved away from physical infrastructure projects. Technical cooperation was the second

⁴ Under the current UNDP convention aid is classified into five categories: free standing Technical co-operation (FTC); Investment Related Technical Co-operation (ITC); Investment Project Assistance (IPA); Programme/Budgetary Aid or Balance of Payments support (PBB); Food Aid (FA), and Emergency and Relief Assistance (ERA).

The old classification corresponding with the new ones are as follows:

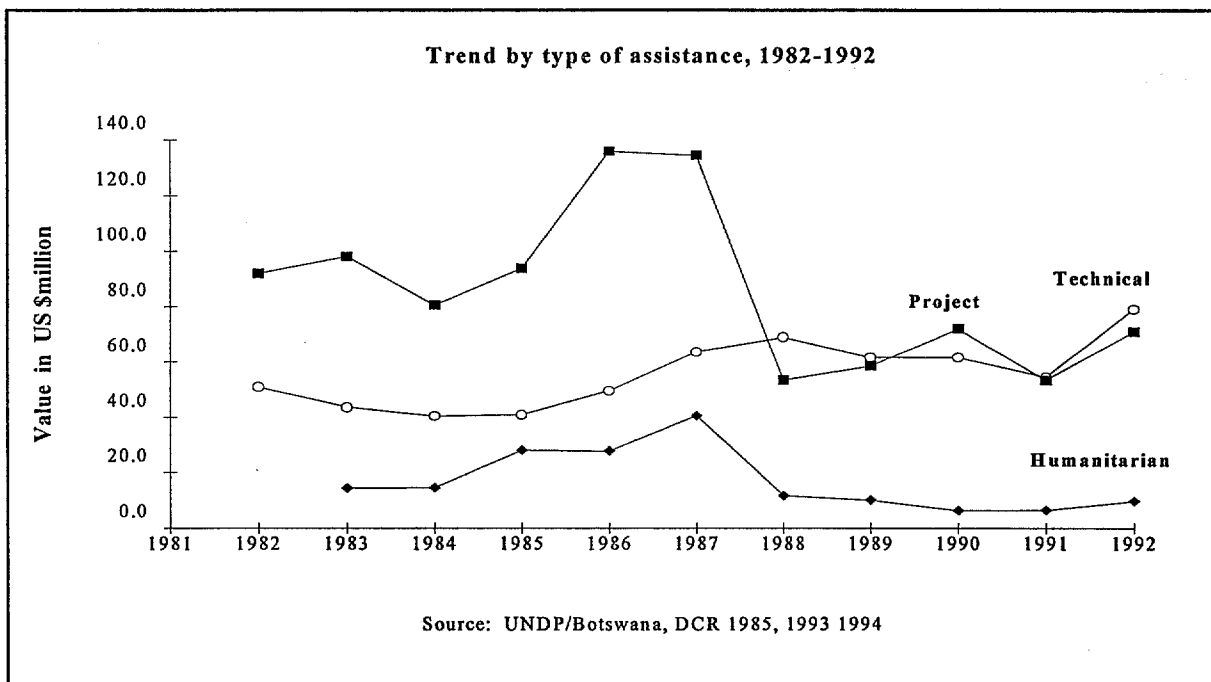
- Technical Assistance (includes FTC and ITC);
- Capital Assistance (includes IPA and PBB);
- Humanitarian Aid & Relief assistance (includes FA and ERA).

For the purpose of this study, we are using the old classification (with new ones denoted) in order to keep consistency with the trend of many years ago.

most important type of aid, but now dominates. This reflects the high priority that the government and donors place on addressing the qualitative and quantitative dimensions of the manpower shortage that has confronted the country since independence, and the shift in emphasis toward institutional concerns. Although data are only available from 1982 to 1992, they reveal a number of trends.

Technical assistance has helped relax the manpower constraint -- both in terms of training Botswana and providing expatriate personnel. Fiscal policy from 1973 to 1988 emphasized infrastructure development, hence, the prominence of the project/capital assistance. The project approach to planning was nourished further by the practice -- adopted by most donors -- of giving aid on a project rather than on a programme or balance of payment basis. Balance of payment/programme support, which constitutes the major component of external assistance elsewhere in Africa, is almost completely absent due to the current account and budgetary surplus.

Figure 3.2



Severe droughts in 1985 to 1987 and 1991 are reflected by increases in humanitarian aid, which also explains the peak in total aid flows in 1987. Rainfall was inadequate during much of the 1980s, so humanitarian aid continued through the decade. The emphasis on technical assistance and lack of program support primarily reflects government preferences resulting from the constraints facing Botswana. Unlike other African countries where fiscal and hard currency constraints dominate, Botswana is primarily constrained by manpower and implementation capacity. Although donors have been criticized elsewhere for providing unwanted technical assistance, donor representatives said that at the beginning of a project negotiation, the government usually asks for additional training and technical assistance.

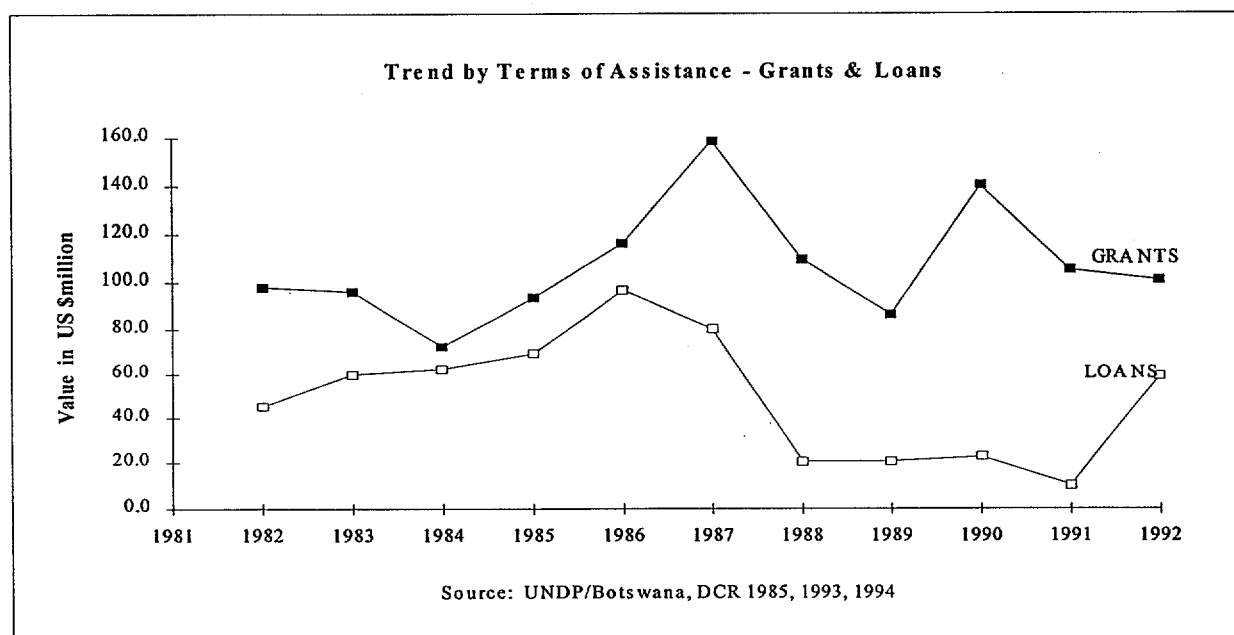
3.4 Aid Trends by Terms of Assistance

Aid can take the form of grants or concessional loans. Figure 3.3 shows that grants have exceeded loans, even after Botswana attained middle income status. Why has the grant element been so large? Part of the reason lies in the composition of assistance. Technical assistance -- which constitutes much of Botswana's aid -- has tended to come on a full grant basis (UNDP/Botswana reports). The same applies to the humanitarian and relief assistance. Project/capital assistance usually consists of loans which have had a grant component of at least 81.8 percent.

A number of other explanations can be advanced for concessional financing. Because it was so poor at independence, Botswana qualified for grants from many bilateral donors and was eligible for concessional flows from the major multilateral donors until recently. Even when the financial position of the country improved, the leadership was inclined to negotiate for grants, and donors wished to reward the country for efficient use of foreign grants, as well as to be associated with a development "success story". The rapid accumulation of budget surpluses in the 1980s coincided with the shift of aid into 'soft' projects, which tended to be grant financed and for which the government did not seek loans. Finally, recurrent droughts led to increased flow of humanitarian relief during drought years, which was often provided on a grant basis.

As Botswana's financial surpluses accumulated, donors found it increasingly difficult to justify the continuation of concessional assistance (see Section 5.1). The early 1990's were marked by a significant shift from grants to loans, with the latter increasing from 8.4 per cent of the aid in 1991 to 36.9 per cent in 1992. Concessional aid inflows started to decline by early 1990s, except when the country required emergency assistance. Botswana's "graduation" to middle income status made it ineligible for concessional flows from the World Bank and other donors. With fiscal surpluses, the government has seen no need to accept loans at commercial terms. The World Bank occasionally advises the government on technical issues, but no longer provides financing.

Figure 3.3



3.5 Aid Trends by Source of Assistance

As already mentioned, one of the main objectives of government policy and Botswana's early resource mobilization strategies was to diversify sources of aid away from dependence on Britain. To what extent has Botswana been successful in attracting aid from different sources?

Botswana's proclaimed multi-racial democracy in the context of a trouble-torn Southern Africa and initial poverty earned the country a good name and sympathy from the international donor community. In addition to Britain, the Nordic countries (particularly Norway and Sweden), Germany, and the United States became important bilateral donors. The country's non-aligned orientation made it possible to attract aid from socialist countries such as China and the former Soviet Union. Exploration and development of the mines by foreign investors and the need for foreign borrowing by the government to develop related infrastructure opened up Botswana's access to foreign private capital inflows and new donors, notably DeBeers and multilateral donors such as the World Bank. By the early 1980s, no one donor provided more than 20 per cent of aid inflows and more than 10 donors were providing significant amounts (Tables 3.5 and 3.6). The diversification to many donors with differing motivations, operating procedures, and administrative requirements has necessitated strengthened administrative capabilities to manage the development programmes and improve aid coordination.

Table 3.4 Trends by Source of Funding, 1982-1992 (in Million US \$)

Year	UN Multilateral	Non-UN Multilateral	Total Multilateral	Bilateral	NGOs	Total
1983	34.0 (21.9%)	57 (36.8%)	91 (58.7%)	62 (40%)	2 (1.3%)	155 (100%)
1984	33.0 (24.4%)	36.2 (26.8%)	69.2 (51.2%)	63 (46.6%)	3 (2.2%)	135.2 (100%)
1985	49.9 (30.1%)	43.9 (26.97%)	93.8 (57.62%)	62.8 (38.57%)	6.6 (4.1)	162.8 (100%)
1986	33.8 (15.85%)	42.4 (19.88%)	76.2 (35.73%)	128.9 (60.43%)	8.2 (3.84%)	213.3 (100%)
1987	41.5 (17.38%)	63.0 (26.38%)	104.5 (43.76%)	126.0 (53.02%)	7.7 (3.22%)	238.8 (100%)
1988	36.5 (27.2%)	35.1 (26.2%)	71.6 (53.4%)	60 (44.8%)	2.4 (1.8%)	134 (100%)
1989	30.0 (22.8%)	9.1 (6.9%)	39.1 (27.7%)	71.4 (54.4%)	20.6 (15.7%)	131.2 (100%)
1990	27.4 (16.8%)	28.4 (17.5%)	55.8 (34.4%)	102.7 (63.2%)	3.9 (2.4%)	162.5 (100%)
1991	12.4 (10.7%)	10.1 (14.0%)	28.5 (24.7%)	83.6 (72.7%)	2.8 (2.4%)	115.0 (100%)
1992	21.1 (13.2%)	55.1 (34.4%)	76.2 (47.6%)	81.7 (51%)	2.3 (1.3%)	160.1 (100%)

Source: UNDP/Botswana, Development Cooperation Reports 1985, 1991 and 1994.

Note: UN multilateral includes the World Bank

The profile of major donors (Appendix B) demonstrates that Botswana has been successful in diversifying aid sources. The distribution of external assistance by source or origin of funding is presented in table 3.4. Table 3.5 and figure 3.4 show the distribution of aid by the main bilateral donors. It can be seen from table 3.4 that bilateral donors are the major source of external assistance disbursements to Botswana. Bilateral aid has been concentrated on technical assistance and projects/capital investments. Unlike the situation in many Sub-Saharan African countries, multilateral assistance has tended to be dominated by non-UN multilaterals. Although the World Bank did fund major infrastructure projects through the 1980s, Botswana stopped seeking Bank assistance when it was no longer eligible for concessionary loans. The Scandinavian donors (Sweden and Norway), along with Canada, provided strong support due to Botswana's vulnerable position next to the Apartheid regime in South Africa. The U.S.

saw Botswana as a politically moderate voice in the region, and an excellent example of democracy and market-friendly development.

Figure 3.4

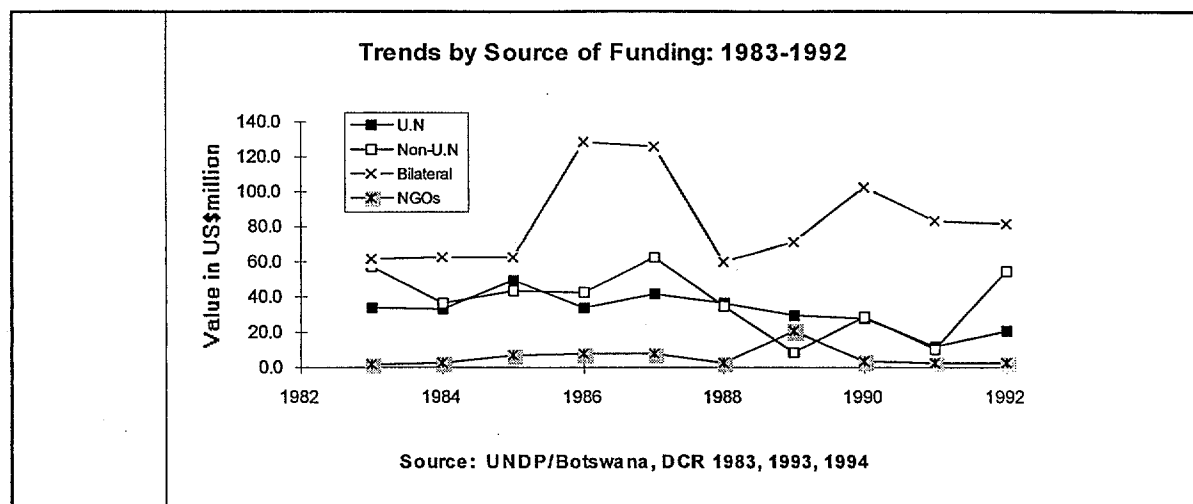


Table 3.5 Trends by Source of Assistance -- The Main Bilateral Donors ('000 US \$)

DONOR	1983	1984	1989	1990	1991	1992
Austria	205	246	858	692	693	737
Belgium	N/A	N/A	101	1026	12	659
Canada	3334	2495	5028	5108	1231	1160
China	N/A	1179	N/A	N/A	--	1179
Denmark	554	2307	1268	13189	4937	329
Finland	N/A	N/A	1160	N/A	N/A	144
Germany	14101	7398	15381	15788	17867	10555
India	N/A	N/A	N/A	7	10	61
Italy	280	308	N/A	N/A	1958	2043
Netherlands	1280	1160	863	853	N/A	782
Norway	9155	7323	18644	24060	22255	25737
New Zealand	--	--	82	182	204	52
Sweden	10390	9922	3006	17800	15680	16470
Switzerland	60	13	--	--	--	60
UK	8787	6180	10603	13722	15237	13835
US	10152	10800	3993	5737	3521	7887
France	410	544	--	--	--	--
Japan	--	--	11270	722	N/A	N/A

Source: UNDP/Botswana, Development Cooperation Report, 1985, 1991 and 1994.

The bulk of external assistance from the UN system (though not shown in the table) tended to be disbursed in the form of free standing technical cooperation, underlining the system's focus on human resource development in Botswana. This pattern contrasts with the non-UN multilateral assistance (mostly from the EC) which seem to concentrate on capital assistance (IPA) and to some extent investment related technical co-operation (ITC). Interestingly, support from this source rose significantly in 1992 when funding from other donors decreased.

3.6 Trends in Aid Flow by Sectoral Distribution

Sectoral distribution of external assistance between 1989 and 1992 is presented in table 3.6 below. The table shows that aid by sectoral focus has tended to be concentrated in three sectors: human resource development, transport, natural resources, and agriculture. As already noted, the dominance of human resource development reflects the country's continuing manpower shortage. Being a large and landlocked country, the transport sector has also received substantial development resources. This reflects the major roads upgrading and construction that the government embarked upon to improve the internal transportation network and Botswana's access to the rest of the world. Agriculture has been a important source of rural income (although its relative importance has declined), and donors placed a strong emphasis on agriculture in the 1970s and early 1980s. Government projects and programmes to reduce poverty, raise productivity, and increase rural income have attracted donor support as well, particularly in the 1970s and 1980s.

The inflows of aid by sectoral distribution are, too a significant degree, related to sectoral focus by major donors (see Appendix I). A donor may dominate a particular sector, but few sectors are funded by one donor alone. The share of aid in GDP going to social development including education, health and humanitarian aid is significant, and reflects donor interest in contributing -- albeit indirectly -- to poverty alleviation.

3.7 Significance of Total Aid in Macro-Economic Variables

The significance of external assistance in a national economy or the dependency of a country on aid flows can be appreciated by analyzing the proportion of aid in the main macro-economic variables (Lipton and Toye 1990; Cassen et. al. 1987:19-22). The crucial indicators usually cited are: GNP, imports and export values, domestic savings and investment, balance of payments, government recurrent and development expenditures, and debt service.¹ Table 3.7 and Appendix H illustrate the trend of total aid flows relative to key macro-economic variables.² Based on what the trends in the table suggest and drawing upon the research of others, a number of observations can be made.

¹Statistical data have been worked out from Government of Botswana publications -- Central Statistical Office (C.S.O) and the Bank of Botswana Reports. There are wide discrepancies in the volume or total aid figures between the data in UNDP/Botswana and those from the Government of Botswana. The latter records aid cash flow without putting money value to many other forms of aid such as technical assistance, food aid and services funded directly by donors. But the differences though wide, do not change the main observations.

²We do not have to use complicated tabular comparisons or econometric models to analyze the aid-growth relationship. Many have argued that assessing the impact of aid in such a complex scenario becomes more a matter of judgement than precise calculation (Renard & Berlage; Lipton & Toye, 1990:21-23).

As noted in the previous section, significant rises and the steep declines in the volume of external assistance are largely associated with the investments and the phasing out of major projects. The Orapa and Shashe projects, with planned investments of 1.5 times GDP between 1969 and 1974, led to substantial increases in aid flow during this period. The size of the infrastructures investment appeared to hold greater potential for wider economic benefits and the investment was expected to be very profitable.³ The investment in these projects alone was the major factor behind the high rates of GNP growth during this period. Investments in Letlhakane and Twaneng mines between 1975 and 1981 define another phase in aid flows to Botswana, when the government decided to mobilize external assistance to buy shares in diamond mining. The majority of the investments in these mining projects, however, came from private sources, while aid helped finance supporting infrastructure. While aid was significant in those early years, it only constituted 5.5 percent of GDP in 1971, and peaked at 8 percent of GDP in 1987. Thus while a significant source of national income, aid has not dominated the economy.

The significance of aid in the first decades of independence is more clearly seen when examining government expenditures. Even after the end of British grant-in-aid in 1973, aid provided 45 percent of total government expenditure, and was still nearly 20 percent in 1982, though it had fallen to about 5 percent by 1993. Aid utilizations as a percentage of public-sector development spending fell from a total dependency (100 percent) between 1967 and 1970 (Stevens 1981, 175) to between 40 to 60 percent from the late 1970's to mid-1980's to less than 15 percent in 1992 (Appendix H).

Aid also can be seen as supplementing a constrained supply of foreign exchange or adding to total domestic investment. In this connection, one would be interested in the size of aid relative to the level of imports and the balance of payments and/or domestic savings and investment. Again, unlike in many Sub-Saharan African countries, the economic importance of external assistance has followed a downward trend since the 1970s. While in 1971 aid was equal to 20 percent of imports and 40 percent of exports, in 1991, external assistance represented 4.5 percent and 4.4 percent of exports and imports of goods and services respectively. As a result of the rise in domestic saving and investment relative to aid, domestic capital formation began to depend much less on aid from 1985; table 3.9 (though incomplete) confirms the dwindling size of aid utilizations in relation to domestic savings and investment.

The declining role of aid may be largely attributed to Botswana's high growth performance, strong budgetary and balance of payments position, and low indebtedness. Per capita aid to Botswana, however, has been among the highest in Africa and in the world. Botswana's high level in per capita aid is due to its small population⁴ and strong bilateral relations with major donors. Like other ratios in statistical record on aid flows in Botswana, the per capita external assistance has been on a downward trend since its peak of US \$204 in 1987, mainly due to the continued decline in the absolute level of external assistance and partly to the high growth rate in population. The above discussion illustrates, however, that per capita aid alone is not an effective indicator of aid dependency.

³ The fall in the world price for copper made these mines much less profitable than anticipated, but the government gained valuable experience in managing a complex project (Stevens 1981).

⁴ The tendency of countries with small populations to have higher per capita aid levels is known as the "small country effect."

Table 3.7 Aid Utilization to Savings and Investment in Botswana (Pula Million and Percent)

Year	1 Aid Utilization or Net aid	2 Domestic Savings	3 1 in 2 (%)	4 Domestic Investment	3 1 in 4 (%)
1971	11.82	..	..	..	..
1972	26.21	..	..	..	..
1973	25.92	..	..	..	..
1974	19.93	84.30	23.64	57.30	34.77
1975	22.98	83.10	27.65	79.10	29.05
1976	31.83	71.60	44.46	77.80	40.92
1977	27.90	110.70	25.20	110.10	25.34
1978	43.09	153.50	28.07	162.90	26.45
1979	49.67	230.20	21.58	248.80	19.96
1980	49.31	267.00	18.47	306.60	16.08
1981	51.61	282.50	18.27	304.60	16.94
1982	104.21	176.50	59.04	320.30	32.53
1983	79.23	126.10	62.83	337.60	23.47
1984	97.43	345.50	28.20	484.00	20.13
1985	98.61	616.50	16.0	457.90	21.54
1986	159.25	850.30	18.7	669.90	23.77
1987	212.70	881.00	24.1	1081.80	19.66
1988	231.77	721.40	32.13	1692.90	13.69
1989	138.76	2105.00	6.59	2080.90	6.67
1990	175.14	1940.70	9.02	2365.30	7.40
1991	178.47	1571.30	11.36	2473.40	7.20
1992	241.65	2064.50	11.71	2388.30	10.11
1993	326.81	2135.00	15.31	2731.00	11.97

Source: Financial Statements, Tables and Estimates of consolidated and Development Fund Revenue 1972-1973, Ministry of Finance and Development Planning (Cash Flow Unit); Bank of Botswana Annual Report 1979-1994.

Notes: Gross Fixed Capital Formation was used for investment

3.8 Conclusion: The Impact of Aid in Botswana

The evidence provided so far in this chapter suggests clearly that the role of the external assistance in Botswana has been significant. Botswana's rapid rate of economic growth, at least during the first decade of independence, depended to a considerable degree on capital from abroad. Although aid flows are now a small share of national income, foreign aid has made a positive contribution to the economy and society, and the impact was overwhelming during the early period of the country's development. The inability of Botswana to attract private capital at independence and a legitimate fear of being dominated by South Africa justified its resort to foreign aid.

The economic role of aid has changed over time. In early years, aid was essential in relaxing macro-economic constraints -- particularly the foreign exchange constraint and financing development expenditure, especially bricks and mortar projects. Aid constituted the majority of the government development budget, and thus financed priority government projects. Now aid is more concerned with easing sectoral bottlenecks and policy reforms at the sectoral level -- the qualitative dimensions of development or soft-ware projects. No longer a significant share of even development spending, the contribution of aid has become to inform and catalyze government development efforts, or to channel resources to sectors or populations that might have been neglected otherwise.

To properly estimate the effectiveness of aid requires an assessment of the nature of the "counterfactual", namely what would have happened to the country's economy in the absence of aid. A positive correlation between aid flows and increases in national incomes is by itself not sufficient evidence of effectiveness, because it cannot be known for sure whether or not national income would have grown at a faster rate in the absence of aid. This argument can be seen as a case for developing accurate simultaneous econometric models of the economy and then estimate the impact of aid on income, net of impact of the other variables in the model (Mosley 1987). Such models are outside the scope of this study, however, and are often inconclusive. A qualitative analysis may be equally or more effective in capturing the actual impact of aid on a country, which is what is roughly attempted here.

Mining

An appreciation of the structure of Botswana's economy and the role of foreign aid inevitably begins with emphasis upon the dominant position occupied by the mining industry and the role played by foreign aid in that transformation. The government bought equity shares and paid for a large part of the related infrastructure out of foreign borrowing or aid. Donor support played a critical role in developing supporting infrastructure, without which the mines could not have operated effectively. Although the economy is still heavily dependent on mining, the rapid rate of economic growth driven by mining led to an expansion of physical production in almost every other sector, and has largely financed the physical and social infrastructure that will be required for future growth.

Aid's contribution to Investment and Savings

Appendix H gives a rough idea about the ratio of gross aid utilization to savings and investment. As noted earlier, aid made a significant contribution to the savings and investment in the first decades, but the importance has declined. In simple economic growth models, the rate of growth is directly proportional to the savings ratio divided by the incremental capital-output ratio (ICOR). On this simple basis, aid could be said to have made a contribution to the early growth, although private investment

played a greater role. Perhaps most importantly, aid helped finance much of the original public investment, facilitating private capital flows.

Even at the current level of Botswana's development, aid resources have relieved the budget of expenditure that would otherwise have had to be met from the government revenues, and has helped increase budget surpluses and foreign reserves (Granberg and Parkinson 1988, 141). Aid does not simply finance projects, in the sense that it provides for expenditure that would not have been undertaken otherwise. Aid can serve as a subsidy to maintain budget surpluses and foreign reserves, as a way of financing new spending (Rubin 1982, 129-30). Although donors have felt ambivalent about contributing - even indirectly -- to financial surpluses, the current budgetary and currency reserves will prove critical in helping Botswana cope with economic transition.

Human Resource Development

The rapid growth of the Botswana economy and government revenues meant that by the 1980s, the primary constraint to development was manpower and implementation capacity, not finance. As noted in Chapter Two, shortages of skilled personnel were severe at independence, and the rapid expansion of physical and social infrastructure fueled by economic growth created even greater demands for skilled manpower. The international community has played a critical role in relieving this constraint through the provision of technical assistance and training. In the mid-1980s, several thousand foreign experts were working in technical positions in Botswana, many of them donor-financed. Donors also provided essential training. USAID alone provided overseas training to over 1,300 Botswana (all but three of whom returned to the country); many of these now hold positions once occupied by expatriates. The government now increasingly finances technical assistance and training on its own. Measuring the precise impact of foreign experts on institution-building and resource management is difficult. Technical assistance has not always been effectively linked to training, and the government may have allowed some advisors to remain in their positions too long. But the rapid growth of the economy and of government capacity would have been extremely difficult to achieve without foreign technical assistance and training.

Social Sectors

The other main arena for aid is the "human resources" sector. Here it is easier to identify success: basic education, urban slum upgrading, rural primary health care, rural water supply, training of staff, family planning and nutritional assistance. Aid played an important role in financing much of the basic social infrastructure (both rural and urban), particularly in the first decades of independence. Because of effective government planning for recurrent costs, most of this infrastructure has been maintained. Donor personnel have filled critical skill shortages in the social sectors, and supported training, technical assistance, and other institution-building efforts. The dramatic improvement in basic social indicators since independence (see Section 2.2) testifies that these donor investments have contributed to the improved human welfare throughout Botswana.

The Private Sector and Economic Diversification

In analyzing the sources of finance for capital formation, we have concentrated on external aid and domestic savings, but investment and non-aid foreign inflows have been essential. Much of the investment in the private sector, with the main exception of the cattle sector, has been foreign financed,

owned and managed, though with increasing Botswana's participation both at capital owning and managerial levels. The increase in foreign aid coincided with tremendous increase in foreign private investment, and the role of private capital inflow has been significant. This has been a result of deliberate government policy -- a policy which donors have encouraged.

Yet the expectation that massive public investment in social and physical infrastructure and state subsidies would lead to broad-based, citizen-driven, sustainable economic growth has not been satisfactorily fulfilled. As the Central Bank Governor has stated, there is little evidence of any significant indigenous response to the business opportunities over the past two decades; citizen-owned businesses are failing at an unprecedented rate; property speculators have burnt their fingers; loans are not being serviced; and debts are mounting (Hermans 1995). Diversification away from mining requires the development of manufacturing and other private businesses. USAID's lead in supporting the private sector development therefore is appreciated; even more so under the current development strategy of encouraging the private sector as the engine of growth (Section 5.6).

According to the latest preliminary estimates from the Annual Economic Report (1996) and the Budget Speech (1996), there is a positive sign in recent trend in GDP growth - suggesting a change in the sectoral sources of GDP growth. Notwithstanding sectoral sources of GDP growth of 3.1 per cent in 1994/95, compared to 4.1% in 1993/94, non-mining GDP grew impressively by 5.5 per cent in 1994/95 compared to 3.6 per cent in the previous year and 2.3 per cent in 1992/93. It is worth noting that the major contributors to the non-mining GDP growth in 1994/95 were those sectors that government has been promoting such as Banks, Insurance and Business services which grew by 7.6 per cent; Trade, Hotels & Restaurants by 7.8 per cent; and manufacturing by 4.3 per cent. The growth in the manufacturing sector can be compared to the declines of 1.3 per cent in 1993/94 and 1.1 per cent in 1992/93 - a suggestion that the sector is recovering well from the recent slump (MFDP 1996, table A 1.2).

Examination of other economic indicators can provide some guidelines as to where the economy is heading. One of the most important point is exports which, as noted in chapter 2, account for some 50% of GDP, and for which data are available relatively quickly. Again, a more encouraging picture emerges from figures on non-traditional exports which mainly consist of soda ash, textiles, motor vehicles and food stuffs. The total value of non-traditional exports has increased at an annual rate of about 36 per cent since 1994. Most of the increase has been accounted for by rapidly rising exports of motor vehicles from the Hyundai assembly plant in Gaborone. On a value-added basis, however, the vehicle industry's contribution is much smaller than the figures suggest, because exports consist of vehicles assembled from imported semin-knocked down kits. The assembly plant is being expanded to increase value-added. Textiles have also began to perform well, for example, up 87 per cent to P177 million in 1994. The overall increase in non-traditional exports contrasts with the sluggish performance of principal exports, so much so that the former now account for about 20% of total exports compared to only 10% as recently as 1992.

The important point is that exports of non-traditional commodities are crucial to Botswana's strategy of economic diversification (especially away from reliance upon diamonds) and their growth is one indicator of how successful is the current development strategy. The non-traditional export figures and their penetration of the region market, suggest that the manufacturing sector, or parts of it at least, does have some potential to lead economic growth. The 1995 export figures show that motor vehicles were Botswana's second largest export -- larger than copper-nickel and beef -- and the contribution to the economy will be much higher with increased domestic value added. The need for such diversification is well illustrated by the current uncertainty in the internal diamond industry, mainly due to weak demand

and a high level of sales outside De Beers Central Selling Organization.

These developments in non-traditional exports do not only show some signs of increasing economic recovery from the recession, they also seem to suggest that the various reform policies and measures that have recently been put in place to resuscitate the economy and providing a firm basis of economic diversification are beginning to bear fruit. Some of the measures included the further liberalisation of exchange controls, the reduction in corporate tax rates (now as low as 15 per cent for the manufacturing sector), wage restraint, and restructuring and privatisation of parastatals. The policy dialogue leading to these reforms is one of the aspects in which USAID's lead in supporting the private sector development is appreciated, as shown in one of the case studies in chapter 5.

Agriculture

In spite of major investments by government and donors in the 1970s and 1980s, commercialization and modernization of agriculture has not occurred on any significant scale. Except for a few commercial farms, increases in agricultural productivity and output have not been commensurated with the magnitude of public investment in the sector. The government probably spends more each year on agricultural services, broadly defined, than the volume of the annual output of the entire rural sector. Poor soil and climatic conditions are a major factor in low returns on agricultural investments. The donors have withdrawn from agriculture projects and the government has increasingly emphasised food security and rural income policy over attempting to increase agricultural output.

Poverty and Equity

Poverty in Botswana is due primarily to the capital-intensive nature of the economy, the poor productivity of agriculture and recurrent drought, and inequalities in rural land holdings, all of which are issues that donors cannot affect directly. Government policies and projects were designed and appraised under the assumption that growth would "trickle down" to the poor. Since the mid-1980s, much counter-evidence has appeared suggesting that steady growth in Botswana has not brought significant declines in poverty incidence or severity, but wide disparity in incomes instead (Bank of Botswana 1987). Indeed, an environment of rapid increase in workforce and skill-intensive and capital-intensive foreign-funded projects (as has been the case with mining) can interact harmfully with government aid projects that "go for growth". Recovery in the formal sector employment remains weak -- registering marginal growth after a period of rapid growth before the recession started in 1990s. Unemployment remains one of the major problems facing the country. According to the recent data, the rate of unemployment worsened between 1991 and 1994 -- rising from the rate of 14% to 21% (Budget Speech 1996.6).

The unsatisfactory performance in alleviating poverty can partly be attributed to the failure of the programmes for agriculture and rural development largely due to environmental factors -- not deliberate lack of concern by the authorities. Botswana has had rural development programmes, such as the Tribal Grazing Land Policy (TGLP) and Arable Land Development Policy (ALDEP) with the support from donors. But the impact has not been encouraging. Further, many aid-supported government projects or schemes ostensibly directed at alleviating poverty are for infrastructure and government capacity building. At the same time, basic social indicators have improved considerably in Botswana compared to other African countries. The social infrastructure available in rural areas is clearly superior to that of most countries in the regions. Thus although income and distribution remain major concerns, the quality of life

seems to have improved for the majority of rural people. In its latest attempts to alleviate poverty, the government has introduced an old age pension of P100 per month -- a form of social security for everybody who is over 65 years old; and this commitment is in addition to destitute allowance already given to people who qualify as destitutes. This is well intentioned entitlement programme, but it may be costly to sustain unless economic growth is sustained and it is budgeted under the public spending programmes (uncontrollables) which are politically difficult to reverse.

4. THE AID MANAGEMENT SYSTEM IN BOTSWANA

This chapter focuses on the norms, procedures and institutional structures that have been developed to manage aid resources in Botswana. While the impact of aid is influenced by a variety of factors, its effectiveness depends to a significant degree on aid management by the recipient. Botswana is perhaps unique among African countries in the degree to which aid resources are centrally managed and fully integrated into the national development planning and budgeting process. This section describes how Botswana has managed its aid resources, how the procedures and institutions responsible for aid management have evolved over time, and the ways in which these institutions and procedures have improved the effectiveness of aid.

4.1 Policy Objectives and Strategies in Aid Management

The GOB has strived to develop and execute a development programme that strikes a compromise among the four national objectives of rapid economic development, social justice, economic independence, and sustained development. Although each one of these four planning objectives is necessary for balanced development, they may not be equally achieved. In this regard, the basic strategy for development has been to attain rapid and high returns out of intensive capital investment in mining and re-invest those returns in the social sector. The main instruments for development management have been successive development plans since independence.

The main policy objectives established in the 1966-69 transitional development plan issued at independence were: to reduce Botswana's reliance on external assistance, to balance the recurrent budget, and to meet all development spending. The strategic or operational objectives were to end grant-in-aid from Britain; diversify sources of aid away from dependence on one donor; obtain as much aid on favorable terms as was possible within the rules laid down by the donor governments; and (fundamental to the plans and policies of the government) a determination to make the country a financially viable entity in the shortest possible period.

By the mid-1970s, all these objectives have been achieved. A two-pronged strategy towards aid management was followed. First, the government worked to attract aid from an increasing number of donors and continued to build confidence of the existing donors through efficient management of aid-funded projects and proper management of the government budget. As donors established confidence in the efficiency and honesty of government administration, they were prepared to give more and less likely to insist on the establishment of costly parallel structures to manage aid projects or to account for aid funds. Secondly, the government encouraged private investment and paid attention to economic management, especially macro-economic stability. In this way, the country's tax base was increased, thereby increasing government's capacity to redistribute the proceeds of such rents (especially rents from the mineral enclave) to the wider economy and society.

The established procedure for dealing with the external funding agencies is to approach donors individually. The government presents potential donors with a programme agenda and projects already in the development plan, and engages in a serious dialogue with individual bilateral and multilateral donors about how to finance the country's development effort. Programmes and projects may be designed with or without donor assistance. If a potential donor is identified in preliminary stages, they can be consulted and involved in project planning. The important factor is that the government has been able to determine its own policy agenda, increasing programme/project ownership. While the policy packages and aid

financed programmes/projects often have local advocates who articulate their local relevancy or develop appropriate local implementation plans, central government officials and technocrats play a dominant role in this exercise. But the resultant plan cannot be described as a "planners' plan," because the politicians are consulted and involved to some degree. Politicians are as equally committed to preventing changes in the plan by introducing new major projects not incorporated in the original project list. A drawback to the technocratic approach to planning, however, is that intended beneficiaries do not fully understand plan implications.

Unlike many sub-Saharan countries, Botswana is not a Roundtable (RT) or a Consultative Group (CG) country. She does not use the country review process as a mechanism for policy dialogue, aid mobilization, or improved coordination of aid flows (UNDP/Botswana 1991, 37; 1994, 19). Two reasons were advanced for this strategy. First, according to the senior government officials, they have found it beneficial to negotiate with donors individually, taking advantage of different donors' approaches, conditions and attitudes to giving aid, rather than facing them as a group with a unified front. In their view, the conventional strategy of meeting donors as a group has a political pay-off for donors and circumvents recipients' negotiation strength. The second and larger point is that the government feels it does not need donor-led coordination since it already coordinates donor efforts as part of its overall planning. Such large donor meetings were seen as inefficient and unnecessary, producing few useful agreements. The government has avoided debt or balance of payments difficulties, and has successfully implemented its own adjustment and stabilization programs when necessary (such as in 1981-2). It has therefore never been forced into a Consultative Group process to negotiate collectively with donors as part of a debt rescheduling, economic stabilization, or structural adjustment program.

The strategy to avoid meeting collectively with donors is not without disadvantages, however, especially now. The task of mobilizing aid resources is being rendered difficult by a variety of factors: competition for aid resources at the global level is keen, and Botswana is no longer the only "model" system for democracy and market economy in Africa. As South Africa and the rest of reforming African countries change their political and economic systems, Botswana is in danger of becoming bypassed, with aid and foreign investment being delivered elsewhere. Aid flow reduction could impact negatively on planned growth and macro-economic balances. Donor failure to translate aid commitments into actual disbursements may require the government to meet donors as group to put up a case for continued support. Enhancing co-ordination might help sustain the volume and effectiveness of aid, and so a Roundtable approach may become more useful than the existing strategy.

4.2 Development Planning and Implementation

Development planning is the foundation of Botswana's development management machinery, and the basis for its aid management. The start of noticeable inflows of foreign aid coincided with the beginning of economic planning in Botswana, which helped establish a rational and ordered system for formulating requests for foreign aid. Botswana's dependency on aid at independence led political leaders to emphasize fiscal discipline, the expansion of the revenue base, and securing value for money. A strong planning system was considered essential to achieving these goals. Access to aid was crucial, but equally important was the effective use of that aid. The National Development Plans were constructed around a "shopping list" of projects for which finance was sought, which gave donors the flexibility to choose projects, but ensured that projects addressed government priorities. Each development plan listed projects, priorities, and expected foreign-exchange sources -- including donors (who in some cases are yet to be identified when the plan is published). Donors selected projects to support and assessed how much support to give to Botswana's total programme, through project aid or general programme support. Thus,

the government planning process and plan implementation both played pivotal roles in the management of development policy and aid resources in Botswana.

Thus the instrument of diagnosis, remedy, and resources management in Botswana was and has continued to be the development plan; and one cannot realistically analyze how Botswana manages its aid resources (including aid funded projects and coordination of aid) in isolation from the overall national policy and strategy for managing financial, manpower and natural resources. The approach comes very close to the equation: development equals planning; without planning, there can be no development. Both empirical research and common experience demonstrate the centrality and authenticity of the planning process.

Although African leaders have differed over ideology and the national development strategies, most have relied on development planning as an instrument for achieving their intended goals, including attracting foreign aid. Despite many instances of failure, planning has not been abandoned in African states. This is understandable: when material and manpower resources are scarce, it is important to assign priorities to the way in which they are allocated. The question facing government leaders has not therefore been whether to plan or not to plan, but what kind of planning to adopt (Pratt 1969; Tordoff 1993, 140). Unfortunately, the results of development planning have been disappointing almost everywhere in Africa.¹ Although development planning is now out of favor among aid donors, economic planning has been instrumental in Botswana's establishment of a "developmental state". It stands out as a largely successful example of state-led socio-economic development.

Botswana currently relies on a six-year planning cycle, with mid-term reviews to up-date the plans in response to changes in the economic and policy context, modifications in project design or schedules, or the introduction of new projects. The first Transitional National Development Plan (or NDP) covered the period from 1966 through 1969. The most recent plans have covered the periods 1979-1985 (NDP 5); 1985-1991 (NDP 6); and 1991-1997 (NDP 7). The Ministry of Finance and Development Planning has final responsibility for producing the National Development Plans, with line ministries devising strategies and establishing priorities for their respective sectors. Preparations for the next plan begin in earnest at least a year before the plan is released, and consume a considerable portion of the time for the MFDP and the planning offices of the line ministries. Mid-term reviews were introduced with NDP5; previous plans covered five years and were rolled over. Although the mid-term reviews represent a comprehensive reassessment of the plans, new projects can be initiated on a rolling basis, but must be fully incorporated into the national plan in the next planning or review period.

The development plans represents a comprehensive and definitive statement of Botswana's national goals and priorities (MFDP 1979, 61; MFDP 1985, 55; MFDP 1991, 42). The keys to the success of Botswana's planning system are many. Consistent government commitment to the principles of planning and the effective implementation of medium term plans is maintained through annual budgets. The close links between planning and annual budgeting are reflected in the Plan's status under the Finance and Audit Act. The latter gives legal backing to the plan, strengthening the ability of the government to execute the development programmes in it.

Political guidance is built into the planning system. Plans are debated and approved by

¹Recent analysis of the economic success of the East Asian "Tigers", however, has shown that an effective government planning system and efficient civil service played an important role in their rapid economic growth.

Parliament, giving them force of law, and Parliament must approve any changes in the plans. Politicians and civil servants have developed unusually close working relationships, with a high level of mutual respect, trust and communication. A number of members of the cabinet are former civil servants. As a result, politicians have learned to operate through the planning system, rather than circumventing it on an ad hoc basis. While technocrats play a major role in the planning process, planners have learned to respect and heed political guidance (Lister, 1995).

The importance attached to coherent national planning is structurally enforced. Overall financial and developmental responsibilities for the government are integrated with planning, forming a single ministry of Finance and Development Planning. The Ministry is politically headed by the Vice-President and administratively led by a (second top-most) senior permanent secretary, supported by four division directors of permanent secretary ranks -- Financial Affairs, Economic Affairs, Budget Administration and Rural Development Divisions (Figure 4.1 below). The Ministry is both politically and administratively powerful. This structure facilitates close linkages and coordination of key developmental functions. For example, the plan is closely linked to the annual process of recurrent and development budgeting so that its quantitative targets are reviewed and updated each year. Major mid-term reviews are also conducted. Given this structure, and unlike the situation in many other countries, planning is not an academic exercise with little operational value.

To enhance state capacity and increase the efficiency of planning, there has been a deliberate trend over the years towards decentralized economic planning. This followed the creation of planning units in sectoral ministries, the assignment of planning officers to local authorities, and appointment of District Development Officers. In this way, the process is decentralized. But it can be described as decentralization within centralism or deconcentration of the planning exercise while allowing the centre to retain allocative or final decisions. The move towards decentralization was prompted by the growth in scale of government and the economy, together with the government's commitment to democracy and consultation. Although the plans are officially developed through a chain of planning stages -- from the villages through districts to the centre -- in reality the central government dominates. The planning process can involve extensive local and national consultation, but central direction and coordination dominate and senior bureaucrats play a prominent role in policy-making. This is evidenced by a number of high-level inter-ministerial committees, such as the Economic Committee of Cabinet -- a consultative body which is composed of all ministers and top senior staff; and other coordinating agencies such as the Rural Development Council (RDC), the Regulations Review Committee. The MFDP controls design and execution of development programmes through officers seconded to implementing ministries.

The common cadre concept and Botswana's ability to retain trained and experienced staff together with a deliberate attempt to put able people into key positions and keep them there for extended periods, are notable in explaining Botswana's relative good performance. The crucial factor in the institutional arrangement is the close working relationship between the officers responsible for development planning and budgeting both at the MFDP headquarters and those seconded to the line ministries/departments. Skilled personnel are grouped into what is referred to as a common cadre arrangement. Thus, within MFDP there is an Economist Cadre under which the planning officer cadre falls, and a Finance officer cadre which groups together all professionally trained financial, accounting, and auditing officers.

The Division of Economic Affairs has two main sections: the Development Programme Section and the Macro-economic Section, each with close functional relationship. Among the key functions, planning officers -- whether assigned sectoral portfolios at MFDP or seconded to implementing ministries -- are expected to supervise the identification, preparation, appraisal, and monitoring of all the projects and

programmes that make up the development programme, while economists in the macro-economic section advise on fiscal and monetary policies and economic management generally.² The planning officer cadre (Economist Cadre) is headed by the Secretary for Economic Affairs, and is paralleled by the Finance Officer and Personnel Officer cadres, under the direction of the Permanent secretary, MFDP and the Director of Personnel, respectively. The Economist Cadre facilitates the national development planning responsibilities of MFDP. Although different government agencies are operationally self-contained in their planning processes, they are coordinated by the MFDP. Planning officers are also involved in plan implementation, and they evaluate and monitor projects.

The Finance Officer Cadre covers all officers who have financial and accounting responsibilities. Within the MFDP, these officers mainly fall under the Division of Budget Administration and to some extent in the Division of Financial Affairs. Some of the Finance Officers have been seconded to each of the line ministries. Recently, the MFDP also has seconded to some line ministries internal auditors; the intention is to cover all ministries. The main role of the finance officers is to provide financial advice to the Permanent Secretary (PS) and Heads of Departments regarding the management of the ministry's recurrent and development budgets, and to ensure the sound administration of all aspects of the ministry's financial accounts. This entails maintaining full and timely records of public expenditure; checking fiscal slippages; ensuring the adequacy of recurrent expenditure and manpower ceilings in terms of the previous year's expenditure; and monitoring planned expansion in the recurrent budget and recurrent implications of capital developments.

Budgeting is the nerve centre of government and it is widely acknowledged that the capacity to govern effectively requires the capacity to budget (Caiden & Wildavsky, 1974; Donald Excelrod, 1975:1). A review of literature on the nature of development planning and its institutional, operational and procedural relations with budgeting suggest that a government's budget is a key instrument in converting a development plan into a programme for action (Robert Herman, 1962:319; Albert Waterston, 1979:201). To perform this role adequately, planning and budgeting are integrated by combining the two functions under one ministry; this integration is reflected in the way officers are expected to work. Effort is made to ensure that the budget encompasses planned capital expenditure, but also associated recurrent expenditures, The budget estimates revenue from domestic financial resources, which in combination with external financial resources, supports the required outlays.

Finance officers at the Budget Administration Division headquarters within the MFDP and in the line ministries are responsible for preparing recurrent expenditure projections and work closely with the planning officers, who are in charge of the parallel exercise of development budget estimates, project review, and monitoring. At the level of development planning, finance officers examine all development project memoranda at the drafting stage and liaise with planning officers to ensure that the proposed projects are contained in both the National Development Plan and the Development Fund Estimates, and to ensure that the project recurrent and capital costs are accurate and within the financial and manpower ceilings. Medium-term development plans are thus converted into a series of annual budgets, which is essential to the planning process. The strong link between budgeting and planning explains why development planning is not an academic exercise in Botswana.

² The Macroeconomic Section uses a model of the Botswana economy to project future economic growth and government revenue, which serves as a basis for fiscal projections and guides the number of new projects undertaken.

The cadre system benefits as well. Grouping skilled personnel into a common cadre often makes for more efficient use of manpower, helps to ensure common standards and coordination among agencies, and creates incentives for retaining its staff. In essence, belonging to the Economist Cadre means that, while a planning officer's day-to-day responsibility is to the ministry to which one may be assigned, he or she remains under the professional supervision of the Secretary for Economic Affairs, who is responsible for appointments to and within the cadre. The same applies for the Finance officer cadre. This has a number of positive implications. Planning and Finance officers in implementing ministries appear under MFDP in the Establishment Register. Unlike the situation in many other countries, continuity is assured by avoiding frequent shifts in staff postings. Career prospects within the MFDP have been enhanced. Remarkably, nearly all the middle and senior officers in MFDP have had a working career of at least ten years; those with tenures of twenty years are not insignificant in number. Many have been seconded or sent for further studies, but the retention rate is exceptionally high. To take two specific examples: the Director of Economic Affairs has risen from the bottom within the same ministry and has been there for eighteen years, and the Permanent Secretary has been there for all his professional career - over twenty years. At the political level, the Ministry has had three ministers since independence -- Masire (now the President), Mmusi, and now Mogae. Hence, local professional capacity-building, whether through counterpart arrangement with expatriates on technical assistance or training abroad and at home, has progressed relatively well. Continuity in staff who deal with donors at the managerial and political level means that the government of Botswana has accumulated extensive experience in negotiating with donors. Whereas in many African countries donor representatives may see key ministry positions change hands several times, the Botswana civil servants watch heads of donor agencies come and go.

Another aspect of Botswana's planning system with significant implications for its development management machinery, and one that strongly influences the job content of foreign advisors and many other staff on technical assistance, is that there has been no attempt to draw a rigid dividing line between "planning" and "administration," or advisors and implementors. Until quite recently staff on technical assistance have been made to work in line positions, sometimes without counterparts. Both planning officers and foreign advisors are themselves involved in the administration of projects. This serves a dual purpose. It means that planners and advisors are kept in touch with practical realities and it ensures that they have a direct influence on all stages of policy formulation and implementation. In the case of foreign advisors, Botswana gets value for aid in work done, even though much of the money (through salaries and various forms of aid tying) may go back to the donor country. From a capacity-building point of view, the ideal advisory team is one that provides needed expertise while training government officers to replace its members. While providing technical assistance, these advisors also are engaged in day-to-day operational counterpart training efforts, organize both local training workshops and many short-term and long-term external training courses. The biggest problem has been for Botswana to match advisors with local counterparts given the general shortage of manpower.

Botswana's success in using aid effectively also has been attributed to the thorough integration of aid with regular government procedure.³ The integration of aid with Government's own expenditures and the careful planning and coordination of Government's approaches to aid agencies has been, and remains, an important element of the planning system. Government contributions to aid programs and the projected recurrent costs are therefore included in national budgets, adding immeasurably to the prospects for project success and sustainability. Having established confidence of donors in the efficiency and honesty of

³ For example, technical assistance personnel are often required to occupy line positions, and equipment for donor projects usually must be procured through government channels.

Government administration, Botswana does not have, and donors have not insisted on, establishing costly parallel administrative structures to manage aid projects or to account for aid funds. Botswana also does not have many condition-precedent advisors -- aid-funded advisors who ensure that conditions surrounding the implementation of programmes or projects are complied with.

Donor management and coordination is also closely linked to development management. While the primary function of a National Development Plan is to ensure that Botswana mobilizes its resources in the most effective way to pursue national development goals, the plan is also used as a reference document for anyone who needs information about Botswana's socio-economic situation and its development policies. The Plan is used by the government as prospectus for external aid agencies: it represents a well-presented case for assistance in Plan implementation and, equally importantly, it spells out the national policies and priorities that any potential donor must respect. The plan is both a statement of government policy and a blue-print for government action through a series of annual budgets. The projects shown in the plan are approved projects in terms of the Finance and Audit Act (MFDP 1986, 2-11). Donors are expected to fund projects already in the plan. Any modification of a plan policy or substantial alteration to a plan project has to be fully discussed and justified. If the project is accepted, it is integrated into the mid-term revision or the following plan.

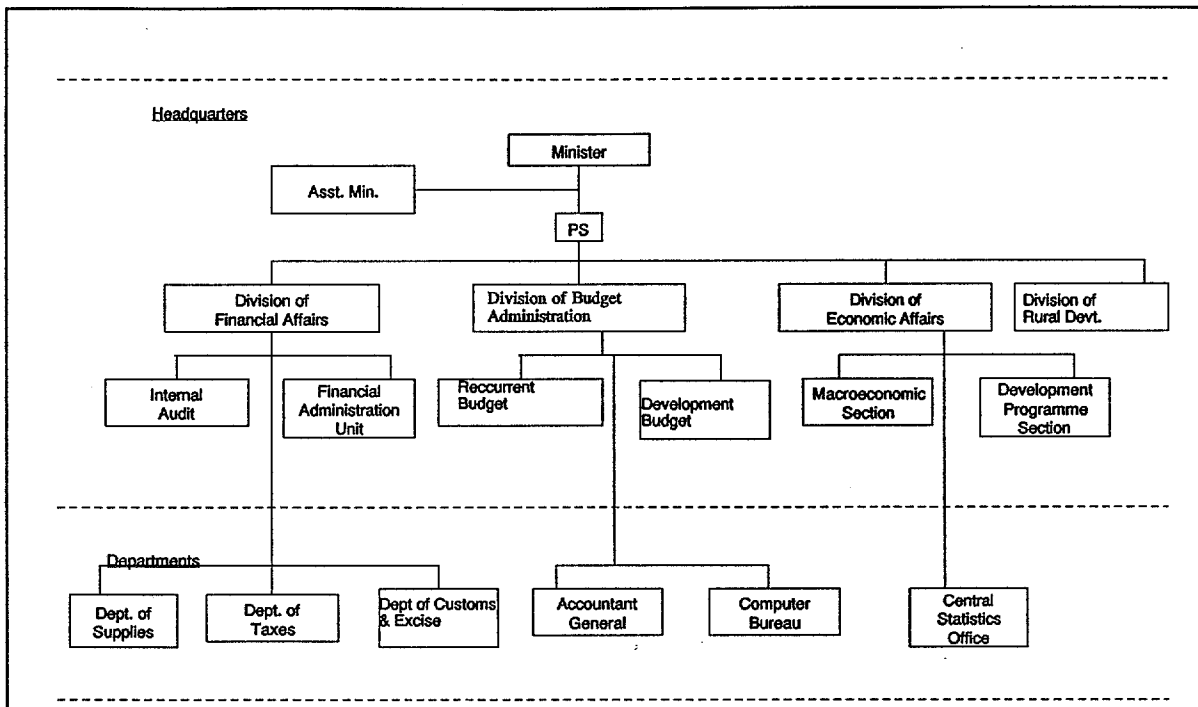
4.3 Institutional Structures, Norms and Aid Coordination

The institutional structure through which aid is sought and received in Botswana is highly centralized. The overall responsibility for securing, coordinating, and monitoring of external assistance rests with the Ministry of Finance and Development Planning (MFDP). Aid negotiation and debt management is also the responsibility of MFDP.

Within MFDP, the Division of Economic Affairs is responsible for the planning and monitoring of external assistance. Aid inflow is integrated into the budgeting process and the careful planning and coordination of government's approaches to aid agencies have been, and remain, an important aspect of the development management under the overall control of the MFDP. The role of other ministries in aid management relate to the identification of projects and preparing project memoranda, but any initiatives relating to their funding or external support must be taken by the Ministry of Finance and Development Planning. The portfolio responsibilities of the Ministry of Finance and Development Planning cover a wide range of specific areas; figure 4.1 below summarizes the organizational structure of the Ministry. A number of points which are not apparent in figure 4.1 also need to be noted.

Since the establishment of the MFDP, the political head of the Ministry of Finance and Development Planning has been the Vice-President. Within the Civil Service, the Permanent Secretary outranks all other permanent secretaries with the exception of the Permanent Secretary to the President (PSP). The Ministry has four main divisions: the Budget Administration Division, headed by the Secretary of Budget Administration; the Division of Financial Affairs, headed by the Director of Financial Affairs (DFA); and the Division of Economic Affairs, headed by the Secretary of Economic affairs; and the Rural Development Coordination Unit, headed by the Secretary for Rural Development. The heads of these four Divisions within MFDP are each of permanent secretary rank. The Ministry thus has considerable political and administrative weight and enjoys the respect of politicians and civil servants. Further, the MFDP has planning officers and finance officers -- with varying level of seniority working at the ministerial headquarters and seconded to the line/implementing ministries.

Figure 4.1 Organizational structure of the Ministry of Finance and Development Planning



Source: MFDP, Planning Officers Manual, 1986, p 10-12

Within the MFDP, the Division of Economic Affairs is responsible for both programme/project finance and aid management. According to the Planning Officers' Manual (MFDP 1986, 7.1-7.2) and our interviews with senior officers, MFDP through the Division of Economic Affairs, particularly the Development Section, has the following responsibilities (not necessarily in sequence):

- Identification, planning, and appraisal of projects in consultation with relevant ministries;
- Identifying sources of finance and submitting projects to the source of finance identified;
- Negotiating financing agreements;
- Responding to any donor queries on projects (if necessary, the implementing ministry is consulted, which may then respond directly to the donor with a copy to MFDP);
- Signing project financing agreements, receiving notification of approval of funds, and arranging the draw-down of funds;
- Issuing finance warrants to the implementing ministry to enable expenditure to begin; and
- Reviewing and forwarding to donors progress reports prepared by the implementing ministry.

Apart from MFDP, line ministries and their respective departments/institutions -- especially the ministries implementing aid funded projects -- have an important role at every stage. But their role is complementary to the responsibilities of MFDP regarding aid management. Specifically, the ministry implementing a project undertakes the following:

- Identifying and planning the project, and preparing the Project Memorandum to anticipate the requirements of the likely external funding agency -- usually done in consultation with MFDP;
- Consultation with MFDP on choice of funding source; and
- Participating in negotiations with the external funding agencies, servicing their missions in Botswana or abroad on the details and the technical aspects of their projects, and providing answers to queries before and after submission of the project memorandum.

The Planning and Finance officers of the implementing ministries are seconded by MFDP, and it is through these officers that MFDP controls and supervises the implementation aid-funded projects. These officers thus have handled aid and donor projects as part of their regular planning and financial monitoring duties, rather than having a separate unit and officials responsible for aid coordination. Implementing ministries usually have regular face-to-face dealings with the aid agency in practice, and the implementing ministry may well have a larger workload connected with an aid agency's involvement in a project than does MFDP. The crucial point is that MFDP remains in overall control of all dealings with external funding agencies, and, as already explained, the Ministry of Finance and Development Planning is the route through which projects must be submitted to the aid agencies. In order to improve the information system about external assistance, the government has accepted the recommendation by the Organization and Methods unit (O & M) to establish within the first year of UNDP-8, a unit on aid coordination within the Development Programme section of the Division of Economic Affairs.

There are three important reasons why the institutional structure of aid management is centralized. First, coordination is essential. Only the Division of Economic Affairs in the Ministry of Finance and Development Planning has the specialist knowledge of the different sources of finance required to ensure that maximum revenue for development is raised and used in accordance with national priorities. Once established, the Aid Coordination Unit within the Development Programme Section will play a crucial role in this respect. Relatedly, only MFDP can realistically match projects to sources of funding and anticipate the requirements for project sustainability, including recurrent costs. Matching projects to a source of funding (domestic or external) is a function of the Development Programme section of the Division of Economic Affairs, which has developed considerable knowledge regarding negotiations and constraints of various donors, and is therefore in a better position than line ministries to match projects with appropriate donors. The Budget Administration Unit (Development) maintains careful records of all commitments and expenditures of domestic or external funds. Thus, MFDP seeks to maximize Botswana's uptake of foreign assistance available on acceptable terms and ensures project sustainability.

Second, centralization of aid management has been found to be necessary for the purpose of internal financial control. As mentioned previously, aid in Botswana is integrated into regular Government expenditures and financial procedures. For example, the Accountant General has seconded staff to the Budget Administration Unit (Development) who are responsible for keeping up-to-date the Government's grants and loan repayments schedules. These staff ensure that payment obligations are met and that a watch is kept on the aggregate Government debt to avoid disproportionately large debt-servicing obligations. The Accountant General therefore knows when a grant is given and a new loan is negotiated so that debt servicing requirements can be recorded. Centralization of aid management has made it possible to avoid the practice, common in many other countries, whereby ministries and their respective departments/institutions independently solicit or collect money in an uncoordinated manner, creating control, recruitment cost, and accountability problems, let alone the problem of ensuring timely debt service (although debt service is currently only 3 percent of total exports (Appendix H)).

Third, centralization in aid management facilitates manpower establishment and deployment and

ensures that aid-related manpower needs conform with planned manpower ceilings and recurrent expenditure. In Botswana there is a parallel centralized arrangement for managing civil service personnel. Just as the MFDP keeps strict central control over government expenditure, the Directorate of Public Service Management (DPSM) is responsible for all civil service recruitment and must approve the establishment of all new posts. Because manpower levels are usually the main determinant of a department's recurrent budget and because manpower is often an independent constraint, the National Development Plans set explicit ceilings for various categories of manpower for each department, and these are monitored along with financial ceilings during the annual budget process. For a project to be included in the National Development Plans, there must be sufficient personnel in the implementing ministry to carry out a project along with ongoing responsibilities. Since aid programs and projects often include foreign technical experts and require the involvement of civil servants, the DPSM has an important role in the aid negotiation process. For externally-funded project posts, the Directorate of Public Service Management becomes involved once a financial agreement has been reached between the donor and MFDP.

The MFDP tries to match projects with the most appropriate funding source. Now that the government has substantial resources of its own, high priority projects are likely to be funded by domestic resources, but this has not always been an option. Once a decision was made to seek donor funding for a project, the MFDP has tried to match projects with the most appropriate donor. Several criteria are used. Donor procedures, regulations, and other requirements must not interfere excessively with project implementation. The more flexible donors (such as the Scandinavians) have been asked to undertake projects that are time-sensitive or require greater adaptability to local needs. Donors with more burdensome procedures have been guided toward discrete infrastructure projects or toward technical assistance and training (particularly if commodity procurements were strictly tied to the donor country). The comparative advantages and expertise of various donors has also been important: U.S. agricultural assistance was sought due to climatic similarities with the American Southwest, while the Germans have assisted with vocational training due to their extensive experience in that field.

The type of financing offered has been a major factor. Loans have been accepted usually only for physical infrastructure, and grants sought for social sectors, technical assistance, and training. Tied aid is accepted for grant assistance, but not for loans. Before accepting tied aid, the MFDP tries to insure that the tying requirements will not unduly reduce project effectiveness or sustainability. Finally, since the donors ultimately decide what they will fund, donor preferences have been taken into account. The government offers donors a menu of projects to choose from, and has been willing to make some allowances to accommodate donor interests during project negotiations. Botswana's experience suggests that effective recipient management can help mitigate the oft-cited negative effects on project effectiveness of various donor requirements and procedures (including tied aid).

To facilitate coordination at the sectoral level, donors have been asked to specialize in a few sectors, so that each sector has had a limited number of donors. Officials say this policy has greatly facilitated coordination, allowed donors to build up expertise in their sectors, and significantly reduced the administrative burden on MFDP and line ministry officials, who are not obliged to constantly educate

⁴ MFDP officials said that they do not trust internal rate of return calculations for social sector projects -- even though they can be high -- and therefore prefer grant or domestic financing, particularly now that they no longer qualify for concessionary loans. The World Bank, however, did finance (along with SIDA) a major primary school classroom construction project in the mid-1980s.

new donors about the needs and requirements of a sector. According to the UNDP (1992, 31):

This sectoral specialization is no coincidence. It is a reflection on how aid flow is coordinated in Botswana. Regular meetings between the government and individual donors provide an opportunity to avoid duplication of efforts within and across sectors. Furthermore, the maintenance of relatively few donors in one sector make coordination and monitoring easier.

Similar observations were made by our informants in the MFDP, especially the Director of Economic Affairs, who stated that when donors specialize in a sector, over-funding, conflicts, and contradictions are avoided. According to one commentator on Botswana's aid policy, "the emphasis on concentrating aid assistance on sectors -- is the key to the rational development of aid and to the effective monitoring and evaluation of its impact (Hopkin 1994, 40)."

Just as donors have not established national aid coordinating structures, they generally have found formal sectoral coordination to be unnecessary (although ad hoc meetings of donors in related projects do take place). At the project level, discrete aspects of larger efforts may be parceled out to different donors (for example, different sections of the Trans-Kaligadi road were given to different donors) but the government strongly discourages donor co-financing of individual projects⁵. Responsibility for project coordination has been usually vested in an appropriate official in the relevant ministry, and projects are expected to function within established departments and ministries. Inter-Ministerial steering committees may be formed if a project cuts across sectors, and project coordinating committees -- consisting of government and donor representatives -- have been established when requested by the donor (as is usually the case for USAID). The relevance and effectiveness of these committees have varied (often depending on whether the government felt they were useful -- see Section 5.4).

Botswana is unusual in that it has until recently required that all foreign technical assistance personnel -- which covers the filling of executive or advisory posts for which citizens are not available -- occupy established line positions in the Ministries. The government has also consistently refused to create local posts to fulfill implementation requirements for a particular project. Projects must be carried out by available staff, and if sufficient staff are not available or not planned for, the project will not be approved. The government has made extensive use of foreign Operational Experts (OPEXers) to fill mid-level technical positions, but official policy is that the foreign experts are to stay only until suitable Botswana are trained to replace them. The government has resisted accepting foreign technical "advisors" outside of line positions due to a concern that once the advisors leave, either no one will be available to carry on their work, or the government will be under pressure to create a high-level (and high-paying) local post to replace the expatriate.

Problems have arisen when donors ask for counterpart positions, or insist that aid-funded experts act as "advisors" rather than occupy line positions. Citizens to fill counterpart posts may not be readily available due to the general shortage of educated and qualified Botswana, and the manpower budgetary ceilings. The GoB has feared that an uncoordinated approach to filling counterpart positions can lead to the employment of unqualified people for the sake of meeting demand, undermine government priorities

⁵ This policy stemmed from early negative experiences with donor funding of infrastructure for the Sashe mining projects. Several donors were involved, and delays and cost overruns occurred due to incompatible donor procedures and major delays by one key donor.

in manpower planning, and lead to new development projects that outstrip the economy's capacity to sustain the recurrent costs generated.

Botswana's rigorous planning process has helped ensure that donor projects are appropriate and sustainable. Since obligations are taken seriously, project negotiations with donors can take years, but once the agreement is made the government is usually able to fulfill all commitments. A donor official made the following remark about Botswana:

...If the Botswana Government takes an obligation under a project, for example when we bring consultants out from Britain to run these workshops, the Botswana Government is responsible for meeting the hotel costs, providing accommodation, food and transportation. They have never failed to do that...whereas...other African countries can not do it (Hopkin 1994, 401).

All the representatives within the donor community interviewed made the same observation, while lamenting the time involved in conducting such negotiations with GoB officials. This may indicate that donors tend to have unreasonable expectations as to the time required for effective consultation.

4.4 Aid Management and the Aid Relationship

All the representatives of the main donor agencies interviewed expressed strong satisfaction with the way Botswana has managed and used its aid resources; this has also been reflected in the evaluation reports done or supported by the leading donors such as ODA (1976), World Bank (1984), NORAD (1988), SIDA (1992) and USAID (1993). Donors are impressed with the government's consistent commitment to the principles of planning -- treating the plan both as a serious statement of government policy and a blueprint for government action. This affected the donors in two ways. First, they have been expected to fund and support programmes/projects which were already contained in the NDP, which facilitated the integration of aid with Government's own expenditures. Second, given Botswana's relatively broad-based and democratic decision-making process, many donors felt that introducing a project outside the plan or modifications of plan projects were difficult and rather frustrating, but that government commitment was both serious and timely once a decision had been reached. While the aid negotiating process is seen as time-consuming, detailed, and cumbersome (even for projects in the plans), the procedure is appreciated because it ensures that any new project is viable and commands the general support on which its implementation depends.

The government officials interviewed generally spoke highly of the positive impact of aid and of their donor colleagues. For example, a senior MFDP official, the Director of Macro-Economic Planning, stated strongly in an interview that without aid and the early measures the government took to manage it properly, Botswana would not have reached its current level of development. Even when expressing some reservations about adverse aspects of aid, many officials were quick to point out that they appreciated aid and valued the contribution of donors, both in terms of resources and expertise. Officials consistently stated that they felt that donors were genuinely concerned about their country, and wanted to help. They also understood the desire of donors to ensure that their money was spent effectively and to remain accountable to their taxpayers. A common refrain was that aid "helped us reach where we wanted to go faster than we would have otherwise." While some donor countries might prefer to be told, "we couldn't have done it without you," this does represent a strong validation of the impact of aid.

Contrary to what the dependency theorists would argue, Botswana's interaction with the

"developed" world, though it was and remains important, has not turned the country into a mere pawn, controlled and exploited by the donors and dependent on foreign capital and on world markets for its economic development. The country achieved spectacular levels of economic growth, avoided heavy external indebtedness, retained considerable leverage over foreign capital and donors and has been able to assert state sovereignty by pursuing policies and adopting programmes/projects in which the leadership claimed a significant degree of ownership. While close co-operation with the West and SACU membership continued to be the context of state development policy, the country has been assertive of its autonomy in negotiations with the donors; foreign investors and member states in regional economic organizations such as SACU and SADC. At least, GoB has been no less assertive than regimes of a socialist orientation in the past. Botswana's political/administrative bourgeoisie has maintained its autonomy despite reliance on external assistance. A strong sense of nationalism, both political and economic, prevails. For example, from the outset the government prescribed the terms under which they accepted aid and also the terms under which multinational companies operated the country's growing mining industry (Tordoff 1989, 281).

The positive donor response to Botswana's efficient use of foreign assistance seemed to have encouraged her to emphasize the project approach to planning. Donors could "send messages" in relatively non-interventionist ways by selecting projects from the Plan to support. It was nourished further by the practice -- adopted by most donors -- of giving aid on a project rather than on a programme basis. With strong planning and coordination by the government, the project approach seems to have worked well. Donors have been free to focus on effective implementation of projects in their sector of concentration. Particularly as government development resources increased, the "value added" by donor projects has been less fiscal in nature than to encourage innovations or address problems or bottlenecks that the government might not have otherwise addressed. For more advanced countries, donor support for such "marginal" projects may be the most effective use of aid.

A problem with the project approach was that donors usually wanted "their" project to succeed without always considering the wider developmental context. The understandable desire of donors to demonstrate project success can undermine capacity building and ownership. At one extreme, meeting formal deadlines and output targets can become more important than the development contribution of the project, as occurred with JSEIP (see section 5.4). Conversely, when a project is thoroughly integrated into local structures, it can be difficult to determine what the "project" has accomplished, as seen in the recent attempt to evaluate the BEC project (Section 5.5). The strong planning system and assertiveness of government officials has mitigated the distorting effects of such demands, but if such a system were not in place (as is the case in most of Africa), the demands of donor projects could quickly undermine recipient priorities.

A final drawback of the project approach is that it seems to have encouraged the preferential allocation of resources to sectors and projects where fast results were expected, rather than where there was the greatest social need. For example, an evaluation of the Accelerated Rural Development Programme (ARDP) found out that it acted as an infrastructure development programme, creating no direct increase in rural income and production. A number of services and facilities were made available years earlier than they would have been if there had been no ARDP, but the immediate effects on poverty were limited (Chambers 1977). The premium on speedy implementation also meant an import-dependent, capital-intensive and urban-oriented approach to investment. Many projects that ostensibly had a major poverty-alleviation component often ended up spending most of their resources on developing infrastructure or providing technical assistance and training to government departments responsible for poverty-related programs.

While the aid relationship has traditionally been bilateral, increasingly it has become a three-way affair, including the donor, the government, and a nongovernmental organization or private sector entity as the actual recipient. Donor interest in support for NGOs in particular has grown tremendously in the past decade, to the point of becoming a fad. The GoB, for its part, recognizes the importance of strengthening these sectors and supports donor efforts in this regard. Yet it also recognizes an central conundrum: the nongovernmental sector is just that -- nongovernmental. The government does not wish to be drawn into taking responsibility for directly supporting these institutions or their programs. A concern voiced by several MFDP officials was that donors have a tendency to support private organizations without considering the prospects for their long-term financial sustainability. When the donor project cycle ends, the government is often called upon by donors and NGOs to provide continued funding, which undermines government planning efforts and the independence of the NGO sector. USAID is currently providing half of BOCCIM's budget, but it is unclear how the programs will be continued once project support ends. A similar problem was encountered with USAID support for a population NGO, where the government was asked to continue funding at project conclusion, in spite of earlier commitments that it would be self-sustaining.

Donors also have a tendency to overestimate the institutional capacity of the NGO sector. A current multi-million dollar USAID wildlife conservation project was initially supposed to be managed by local NGOs, which turned out not to yet have the capacity for such a large undertaking. The project has been revised to emphasize NGO capacity building -- a gradual process -- but the Mission is encountering pressure from Washington to spend committed resources. The government has encouraged donors to emphasize technical support and capacity building for NGOs rather than project support. The support by some donors for NGOs that advocate positions contrary to government policy has also created tensions. Proposals by the government and some donors to create an NGO umbrella organization is viewed with suspicion by some of these groups, who feel it may be the beginning of attempts to exert financial control over the NGO sector and marginalize "problem" NGOs.

In addition to being in an early stage of development, NGOs in Botswana are heavily dependent on Northern NGOs or aid agencies for financing and technical support. The viability of the entire NGO sector is therefore in danger in light of the impending withdrawal of the donor community. NGOs have begun to tackle pressing problems of poverty, health, youth, women and the environment, but currently do not benefit from the main sources of national income: cattle and minerals (Woto, 1995). There is a pressing need for Botswana NGOs to develop independent sources of financing.

To the extent that Botswana is now well into self-sufficiency in financial resources, foreign aid can be said to have fulfilled its objective. This decline in foreign aid is what would have been predicted in theory (Chenery and Strout 1966). The high rate of growth in domestic revenue and the subsequent decline in the proportion of public investment financed by aid utilization is a result of a government policy established in the 1966-69 transitional development plan. Unlike the situation in many African countries where the need for aid appears to grow greater rather than to diminish (Uma Lele 1989, 7), Botswana is a phase-out country for the leading donors. This has happened not because aid has failed or has been misused, but because the country has reached a stage in development where leading donors believe Botswana no longer needs aid. While this down-turn in Botswana's aid relationship has been widely interpreted by the senior officials interviewed as "punishing success" in aid management and utilization, the same government officials were able to say that the country initially needed as much aid as was possible to get development moving and, as was envisaged, the country subsequently began managing with

very little financial support in the development budget⁶. They felt that they would do fine on their own except in some cases, such as technical assistance.

4.5 Changing Strategies For Sustainable Development

The ability to change and adapt norms for the use and management of resources has been important in Botswana. When the country was extremely poor and overwhelmingly dependent on aid, the ability to obtain aid was crucial and the Development Plan was constructed around a "shopping list" of projects for which finance was sought. As the economy and the government grew in size and sophistication, the government has increasingly funded its own development projects and the quest for foreign aid became a less dominant concern. The economy now generates considerably more resources domestically than it receives in aid. The ability to sustain the long-term recurrent costs of projects has become a more serious constraint than the availability of capital finance, and both the planning and budgeting system now explicitly focus on the allocation of recurrent expenditure and skilled manpower as well as development finance. Practices that have survived changes over time are: consistent Government commitment to expand the revenue base and secure value for money; the maintenance of a high standard of administrative performance; and the pre-eminence of MFDP in development aid management.

Like many other open economies relying on one or two primary exports, Botswana's revenue can be volatile, and tended to grow in a series of discrete steps. Government has tried to minimize such disruptions and to avoid a "boom and bust" cycle in the government budget by taking a long view of revenue trends and attempting to stabilize expenditure around a sustainable growth rate. A number of measures were taken to achieve this. First, in an effort to anticipate problems and opportunities, three funds were established to provide for stabilization reserves, public debt service, and domestic development. These measures were taken after the first year of budgetary independence in 1973, anticipating that having achieved domestic responsibility for spending, it was important to develop vehicles for prudent management. The Domestic Development Fund (DDF) is the key domestic source of funding for development projects. This money, together with finance from external funding agencies, is first paid into the Development Fund and then paid out of it to meet approved project expenditures. The Development Fund helps the government to avoid costly delays in project implementation by allowing donors to fund projects on a reimbursement basis. The Revenue Stabilization Fund (RSF) helps to even out fluctuations in revenue trends. The Public Debt Service Fund (PDSF) is earmarked for debt servicing. The high level of foreign exchange reserves is a result of a deliberate policy to accumulate as much as possible for unexpected changes regarding the balance of payments.

All these funds (budget surplus funds) including foreign exchange surplus are invested to generate more financial resources. The significant increase in the non-mineral revenue, especially since 1989, is primarily due to investment revenue. Bank of Botswana profits (mainly profits from off-shore investments) are now the second-largest source of government revenue. Effective economic management was also reflected in progressive adjustments of the exchange rate to encourage other sources of foreign exchange earning. The government explicitly pursued a counter-cyclical policy in the management of foreign exchange reserves and government cash balances, basing year-to-year spending decisions on the intermediate-term forecasts of export earnings and government revenue, and on a realistic view of spending capacity -- especially constrained by skilled manpower. The other useful device was the creation

⁶ One senior official did comment, with some irony, that "...if we had mismanaged our economy, [the donors] would still be giving us aid."

of bridging finance to enable any donor-funded project to begin should there be delay in donor notification of finance release. This was made possible by money from the Domestic Development Fund (DDF). Seen as a package, these measures enabled Botswana to moderate the inflationary pressure that would have followed massive government spending, and to avoid dutch disease⁷, fluctuations in revenue trends, incomplete or understaffed projects, and disproportionately large debt servicing obligations. Despite considerable political pressure, the temptation to spend reserves was avoided.

The basic development strategy has been to transform the mineral endowment into an endowment of physical and human capital, and to pursue growth through the augmentation and productive use of the physical and human capital endowment. This has the potential to achieve self-sustaining growth as physical and human capital are renewable, whereas the minerals endowment is not. Until recently, the record in terms of growth rates in national and per capita incomes have been phenomenal, and large government cash balances and foreign exchange reserves have accumulated. The Government planning process has been central to achieving this. Thus, Botswana has benefited from a virtuous cycle: fast growth has made fiscal discipline less painful. A major challenge now facing the country is to translate investments in human and physical capital into productive activities.

The principle of sustainable budgeting and private sector led growth have been adopted in response to the dramatic slowdown of economic growth in 1992/93 and 1993/94. This strategy is intended to ensure that both foreign aid and fiscal revenues resulting from the sale of minerals are invested productively, and not used for recurrent expenses. Further, operating and maintenance costs arising from that investment must be financed out of future non-mineral revenues. The adoption of this budgeting approach, announced in the 1994 Budget Speech, is an attempt to maintain the country's wealth and generate other sources of income when diamond revenues fall and foreign aid diminishes. Underlying this strategy is the recognition that recurrent expenditures should be largely financed by recurrent non-mineral revenue and change that orientation of development from state or public sector to private sector led growth. The importance of this commitment and the measures taken to boost private sector development for future growth cannot be questioned, though the impact has yet to be seen. Regardless, the decision by the government to adopt the principle of sustainable budgeting demonstrates Botswana's effort to anticipate problems and opportunities and proceed to take measure to deal with the situation rather than wait to be 'forced' by donors or economic crisis. Time will tell if the government is able to maintain this discipline as diamond revenues decline.

Finally, Botswana's rapid development has led to a qualitative change in the role and challenges facing the public sector. The rapid expansion of social infrastructure in the 1970s and 1980s -- particularly in health and education -- has given way to concern about the quality of the service provided. Improving quality requires addressing a complex array of policy and institutional issues that require flexible and coherent responses from the government. For example, as noted in the case study on basic education (Chapter 5(i)), a major obstacle to the improvement of education quality and management is the rigid salary grading system maintained by the DPSM, which has made it difficult to attract and retain qualified staff for teacher training colleges as well as computer systems analysts at the ministry of education. Similarly, the command approach to state-led growth did help develop the mining sector and basic physical infrastructure, but adapting to a more hands-off approach to fostering private sector development will require considerable institutional adjustments (see Chapter 5(ii)).

⁷ Although the government has been effective in preventing currency overvaluation, the strong pula has discouraged regional exports.

The complex nature of these challenges, in addition to the added burden of expanded infrastructure, has stretched the management and implementation capacity of the line ministries. Officials in the MFDP report that project implementation performance has declined slightly, and obtaining timely responses from line ministries regarding project status (including in response to donor requests) has become more difficult. In contrast to the declines in capacity elsewhere in Africa due to economic crisis, the current problems in Botswana result from its developmental success. The government has responded by emphasizing consolidation and quality in the recent development plan and scaling back on expansion.

4.6 Main Observations

To summarize our interviews and literature review, Botswana provides a case of the successful mobilization of aid resources and their deployment, as well as an example of how aid can be made to work. As noted by Harvey and Lewis (1991, 6-7), the most important factors that have contributed to Botswana's superior performance are the attention to key issues of management, such as understanding the importance of planning for sustaining long-term growth, and skills in negotiating with outsiders, including displaying good organization for optimal bargaining with donors and foreign corporations. Clearly, the role of the state in Botswana has been pivotal in the effective management of development policy and aid resources. This chapter affirms the importance of effective planning and efficient management of aid funded projects; good choices and a sense of priorities and of limits; and an effort to anticipate problems and opportunities.

Other countries have attempted to establish similar integrated aid management and budgeting systems, however, and have not succeeded. Establishing the proper structures alone is clearly insufficient - the political, institutional, and economic context must be conducive to effective aid management. Botswana has avoided the economic mismanagement that is a fundamental cause of the economic crisis and decline of public capacity facing many African states (UNECA 1989; Lipumba 1994), as well as the boom-bust cycle common to economies heavily reliant on primary commodity exports. Even relatively brief periods of economic crisis can have a harmful effect on state capacity. The government has been effective at controlling the rate of inflation, keeping the real exchange rate approximately constant and maintaining low levels of protection for manufacturing activities, and has given attention to building the institutional structure that a pragmatic mixture of private enterprise and state action and restraint requires. On the political side, democracy and the practice of open and accountable government have contributed to political stability, transparency, and relatively good governance. The remarkable institutional stability within the Ministry of Finance and Development Planning -- with only three Ministers since independence -- is a strong reflection of Botswana's political stability. Equally important, political leaders have respected the planning and development management process, and have not allowed donor or constituent pressure to undermine it.

In spite of this, the current development planning and management system, while strong, is still relatively fragile. Economic crisis or the loss of political support for the system could quickly undermine the capacity and institutional norms developed over the past decades. Maintaining a commitment to effective management, while adapting to the rapidly changing political and economic circumstances, will be a major challenge for Botswana's political leaders in the years ahead.

The next chapter examines five projects funded by USAID in three sectors: education, private sector development, and population. These case studies provide a detailed description of the aid relationship, including the project design, implementation, and policy dialogue, and provides examples of how the government's aid machinery guides the development and implementation of projects.

5. USAID-BOTSWANA AID RELATIONSHIP: ILLUSTRATIVE CASE PROJECTS

This chapter focuses on the interaction between the government of Botswana and USAID. It explores the "aid relationship" between the two by examining USAID development aid to Botswana at the sectoral/project levels, selectively illustrating aspects of policy dialogue, resource management and institutional capacity building in sector case studies: education, private sector development, and population policy.

5.1 USAID strategy and program in Botswana

The USAID program in Botswana has been guided by an evolving set of priorities, strategies, and regulations that have influenced the direction of U.S. assistance. As part of the strategic planning process, USAID Missions are required to issue Country Development Strategy Statements every several years, as well as annual Budget Statements. USAID strategies are developed in consultation with the host government, but also must respond to guidelines established in Washington.

USAID generally has respected the Botswana government's development planning process and has accepted its desire to guide donors toward projects and sectors in keeping with their comparative advantage. A budget document for fiscal year 1981 stated:

We concur with the government of Botswana's decision to ask for AID assistance in sectors and projects where American technology, institutional capabilities, and commodities are outstanding, where AID regulations do not inhibit meeting program objectives, and where U.S. priorities correspond with those of the GOB (USAID 1979).

The government for its part has tried to understand and work within the constraints and priorities of USAID. Therefore, the relationship and strategic planning process has been characterized by mutual respect and cooperation.

Motivations for US assistance

United States assistance to Botswana has been motivated by a combination of political, economic, and humanitarian concerns. The U.S. program began as a small-scale humanitarian effort, but the social and political turmoil in Southern Africa during the mid-1970s led to significant increases in U.S. assistance on foreign policy grounds. Politically, support for Botswana was viewed as consistent with the U.S. foreign policy objectives of encouraging peaceful transition in South Africa and promoting private enterprise in Africa. Botswana's non-racial democracy, strong human rights record, and market-friendly government were seen as a model for Southern Africa -- contrasting both with the Apartheid regime of South Africa, and the socialist policies adopted by many of the frontline states. Botswana's leadership role in SADDCC gave it influence in the region disproportionate to its size. These factors were highlighted in all USAID strategy papers, and helped ensure consistent U.S. support from the 1970s through the 1990s.

Botswana was a poor country when U.S. assistance began, but showed strong potential for rapid economic growth and demonstrated a capacity to effectively manage donor programs. Even after the economic growth of subsequent decades, important developmental constraints remained, and a large percentage of the population continued to live in poverty. Recurrent droughts led to substantial U.S.

emergency relief assistance. The government's ability to use money well and show results made Botswana an attractive partner -- an important reason why the U.S. continued to provide concessionary assistance in spite of rising per capita income levels, the Cold War's end, and the transition in South Africa. Botswana's market-friendly policies made it one of the more attractive countries in the region for U.S. investment and exports.

The closing of the USAID Mission was the result of diminishing political and humanitarian rationales for assistance. The end of the Cold War and the transition in South Africa have decreased Botswana's importance to U.S. foreign policy, and its status as a middle-income country has made it difficult to argue for concessionary assistance on humanitarian grounds. Government officials lobbied successfully to have the regional office located in Botswana, ensuring a continued -- albeit smaller scale - - USAID presence in Botswana.

Composition of U.S. Assistance

The sectoral specialization of the USAID program has been in keeping with the government's desire to have donors specialize (see Chapter 4). Most assistance since the late-1970s has been in the form of grants for technical cooperation and training. The shift away from "hard" to "soft" assistance was due to a variety of factors. The U.S. had a strong interest in the social sectors and a comparative advantage in training due to the strong U.S. university system. USAID had also experienced frustration with delays in the large infrastructure projects. The GoB strongly valued U.S. technical assistance personnel and training, but also found USAID procurement regulations cumbersome for many projects (Stevens 1981). The volume of U.S. technical assistance was limited, however, particularly by the availability of housing in Gaborone.

Construction and commodity procurement therefore remained an element of most large USAID projects, and were facilitated by a revision of USAID procurement requirements in the 1980s. Commodity assistance averaged between \$1 to \$2 million through the 1980s. During drought years, the U.S. also provided several million dollars annually in food aid, channelled either through the World Food Programme or directly administered by USAID, but most of the development program was cash financed.

USAID Strategy and Priorities

The USAID program has evolved in response to changes in both Botswana's needs and in the priorities of the U.S. assistance program. Infrastructure, agriculture, and rural development were among the dominant concerns of donors in the 1970s, and were the primary targets of U.S. assistance in Botswana. USAID significantly scaled back support for large infrastructure projects in the 1980s, while human resources and basic education became a top priority by 1980, and have remained so to the present. Agriculture was the largest sector in the late 1970s and early 1980s, but by 1990 only regional research and training efforts were supported. The advent of Republican administrations in 1980 led to an emphasis on private sector development and policy dialogue. Population and environment projects were funded on a small scale during the early to mid-1980s, and were topics of dialogue with the government. The first major projects were funded after 1990, however, reflecting both the priorities of the U.S. Congress as well as the growing interest of the government.

From 1970 to 1978, USAID activities in Botswana were part of a regional program that also included Lesotho and Swaziland. The initial projects provided small grants for technical assistance and training in the areas of agriculture, rural development, and health. The first large projects were loans for

physical infrastructure. In 1971, USAID provided a \$6 million loan to construct a water pipeline for the Shashe mining project. In 1973, a \$9 million loan helped complete a network of roads between Botswana and Zambia, and an additional \$7 million loan was provided for road construction in 1979 (Stevens 1981; Rossiter 1985).

A 1975 strategy paper deemphasized infrastructure, and identified manpower shortages, absence of effective agricultural marketing and input networks, and the fragile physical resource base for agriculture as being critical constraints facing Botswana. Agriculture and rural development were established as priority areas, partly due to climactic similarities between Botswana and Southwest U.S. (USAID 1975). With the opening of the Mission, funding for technical assistance and training in agriculture, health, and education increased dramatically, reaching over \$7 million in 1978 and \$13 million by 1980. Over half this assistance went to agriculture (Rossiter 1985).

During the 1980s, the Mission focused on two program goals: increasing income opportunities, particularly in rural areas, and increasing the supply of trained manpower for both the public and private sectors. The three principle objectives of this strategy were:

- improving the quality and efficiency of the primary and post-primary education systems;
- providing advanced training for administrators and technical personnel to help increase and diversify employment; and
- strengthening institutions directly responsible for increasing agricultural and off-farm productivity in rural areas (USAID 1983).

Major projects during the 1980s included farming systems research and integrated rural development efforts (which met with mixed success), improving the quality of primary and junior secondary education (Section 5(i)), and a comprehensive training program which aimed first at government ministries involved in employment creation, then towards private sector training and policy dialogue in the late 1980s. A number of smaller health, income generation, and environment projects were also funded, with the total portfolio reaching 20 projects. The Mission was encouraged in the 1980s to focus on fewer, larger projects, and the total portfolio was reduced thereafter.

The strategy document for FY 1991 gave equal priority to four areas: economic growth and employment generation; education and skills development; population and health; and the rural sector. In response to congressional pressure to be more results-oriented, Missions were asked in the early 1990s to orient their programs around a limited number of strategic objectives and priority areas. The two strategic objectives identified were improved education quality, and encouraging family planning and STD/AIDS prevention. The two priority areas were community-based natural resources management, and enhancing private investment and growth in non-mineral areas of the economy. Five to six-year multi-million dollar projects were planned and agreed upon in each of these four areas. With the closing of the Mission in 1996, projects in population, natural resources, and private sector development will be continued through the regional office, but the basic education project was truncated.

¹The Botswana Workforce Skills and Training Project (BFAST) was the precursor to the Botswana Private Enterprise Development Project (BPED), discussed in section 5(ii).

5(i). USAID ASSISTANCE TO BASIC EDUCATION IN BOTSWANA

Education and human resource development have been the major focus of USAID in Botswana since 1980. This sectoral focus reflects the government of Botswana's preference to have donors specialize in particular sectors, the consistent emphasis by USAID's Africa Bureau on education over the past decades, and the strong priority placed on education by the government and people of Botswana. Although the US has supported various education and training efforts since the 1970s, this section will focus on three major basic education projects that span the period from 1980 to the present (the current project is scheduled for early termination in 1996 due to the Mission closing).

The story of United States aid for education provides a fascinating example of the significant impact that aid can have when a government and donor maintain a long-term and consistent effort in a sector. It also gives an important illustration of the problems and tensions that can arise when a project design runs counter to government initiatives, and a project's narrow "results" orientation threatens to undermine broader development efforts. Most importantly, it demonstrates how a combination of clear vision, effective planning, and strong negotiating and diplomatic skills has helped the government guide and sometimes redirect U.S. education assistance to make it consistent with national priorities.

Three USAID projects will be discussed in detail:

The **Primary Education Improvement Project (PEIP)** began in 1981 as a five-year program to establish a Department of Primary Education at the University of Botswana, and to carry out a series of in-service training workshops to improve the skills and motivation of existing teachers. PEIP was extended until 1991 to consolidate and localize the Department of Primary Education, establish a Masters Degree program in primary education, and institutionalize the in-service teacher training network. PEIP was initiated by the government of Botswana and addressed a major government priority, and was characterized by consultation and collaboration throughout its life. PEIP was considered highly successful by all parties involved, and provides an excellent example of successful institution building and strong recipient project ownership.

The **Junior Secondary Education Improvement Project (JSEIP)** began in 1985 as a comprehensive five-year initiative to improve the quality of Community Junior Secondary Schools. The project sought to facilitate the development of curriculum and instructional materials, strengthen teacher training, and upgrade management capacities at the Ministry of Education. Although consistent with government priorities, the initial project design was not genuinely collaborative, creating conflicts between the goals of the "project" and those of the Ministry of Education. Senior project officials saw JSEIP as a time bound effort to produce specific outputs, while government officials wanted it to contribute to a long-term institution-building process. Project Management and goals were substantially revised to be more consistent with government priorities following a critical mid-term evaluation in 1988. JSEIP made important contributions to junior secondary education in Botswana, but its impact might have been greater if initial project design and management had been more collaborative and sensitive to Botswana's needs and priorities. The problems encountered by JSEIP illustrate the hazards associated with centrally funded programs and rigid project timetables. The ultimately successful efforts by the Ministry of Education to reorient JSEIP demonstrates that an assertive recipient can extract value even out of an initially flawed project.

The **Basic Education Consolidation project (BEC)** was launched in 1992 after extensive negotiations to

consolidate the gains made by PEIP and JSEIP in teacher training and curriculum development. Partly as a result of the JSEIP experience, Ministry of Education official put considerable time and effort to ensure that project design addressed Ministry of Education priorities. This drawn-out negotiation process led to a project design that was strongly supported by local officials. Most project resources went to five resident technical advisors, training for Botswana teachers and Ministry of Education staff, and limited equipment procurement. BEC was to be a five-year effort, but was truncated in late-1995 due to the USAID Mission closing. BEC suggests how a concerted negotiating effort by a recipient government can create strong project ownership, but also how that very ownership increases resentment when the donor unilaterally discontinues the project.

5.2 Government Policy and Context

Shortages of trained manpower have been a major developmental constraint throughout Botswana's history. At Botswana's independence in 1966, there were only 70,000 students enrolled in primary school (54 percent enrollment rate), 1,500 in secondary school, and fewer than 40 degree holders. In the 1970s and 1980s, the government undertook a massive expansion of the basic education system. The expansion took place in the context of high rates of economic and population growth, which allowed the government to devote a increasing percentage of its expanding budget to education, but also necessitated the recruitment of large numbers of expatriate teachers (both African and European) while Botswana teachers were being trained. Reducing urban-rural education disparities was a major challenge, as was adapting the education system to local conditions and the rapidly changing needs of the economy. Donor support was therefore sought for training and expatriate technical assistance personnel, as well as for developing physical infrastructure.

The goal during the expansion period was to increase quantity while improving quality. At a quantitative level, the expansion program has been an unquestioned success. Over 90 percent of students now complete nine years of basic education (seven years primary and two years junior secondary); one quarter of those go on to senior secondary school; a system of vocational and informal education schools have been established; and the University of Botswana, established in the early 1970s, now enrolls over two thousand students in both undergraduate and Masters programs. In the face of such rapid expansion in basic education maintaining education quality has been a major challenge. Although the primary education system is almost fully localized, 16 percent of teachers remain untrained and expatriates constitute one third of junior secondary teachers and a majority of teachers at the senior secondary and university level (GOB, 1993, p.399).³ Physical facilities in rural areas are nearly on par with urban facilities, but retaining qualified teachers is difficult. In general, attracting and retaining qualified primary and secondary teachers remains difficult due to low wages compared to the private sector. The government is currently focussing efforts on consolidating the expansion of educational opportunity and improving the quality of instruction, as well as increasing the relevance of education to employment. Without concerted efforts by government and donors toward teacher training and other instructional improvements throughout the expansion period, however, student performance would have suffered and the current consolidation efforts would have been even more difficult to accomplish.

² Botswana was one of the few countries in Africa that increased spending on education in the 1980s.

³Most of the expatriate teachers are from neighbouring countries (since salary levels are considerably higher in Botswana) and are funded by the government.

The 1977 National Commission on Education

The first National Commission on Education, established in 1975, provided the framework for the growth and development of Botswana's education system.⁴ Although the government initially had given greater emphasis to secondary and tertiary education, the Commission's 1977 report emphasized the importance of broad-based basic education to Botswana's future. The report called for universal primary enrollment by the mid-1980s, and ninety percent attainment of nine years of basic education by 1990 (GOB 1977). Most of the Commission's recommendations were formally adopted in 1977 as the National Policy on Education, and provided the framework for the education sector in subsequent National Development Plans.

To achieve these goals, the Commission recommended a gradual transformation of then 7-3-2 system of education (seven years primary, three years junior secondary, two years senior secondary) to a 6-3-3 system by the mid-1990s. As an intermediate step, a massive expansion of two-year Community Junior Secondary Schools (CJSSs) was to take place in the mid-1980s so that nine years of basic education could become nearly universal by 1990.⁵ To maintain and improve education quality, the Commission recommended expansions in pre-service and in-service teacher training, concerted efforts to revise primary and secondary curriculum, and pay increases for teachers.

National Development Plans

The National Development Plan 5 (1979-85) emphasized universal access to primary education in the first years of the plan, followed by an expansion of Community Junior Secondary Schools (CJSSs). A massive primary classroom construction initiative was accompanied by the expansion of the three existing Primary Teacher Training Colleges and the construction of a fourth. To improve education quality, an in-service training network was established to upgrade under-qualified teachers; the primary curriculum was revised, and a pre-service and in-service training program was established at the University of Botswana for teacher-educators, inspectors, and headmasters. To make a "start" toward the goal of universal access to junior secondary education, the plan called for construction of a junior secondary teacher training college, and emphasized the need for curriculum revisions to improve continuity from primary to junior secondary education and to improve language, mathematics, and technical skills. By 1984, 85 percent enrollment had been achieved, although urban-rural disparities persisted. Primary classroom construction fell short of original projections, but the target of 50 percent progression to junior secondary school was met.

The National Development Plan 6 (1985-91) called for universal primary education by the end of the plan period, doubling junior secondary enrollments (to reach universal access to 9 years of basic education by the mid-1990s), and improving education quality. As a transition to the planned 6-3-3 system, a 7-2-3 system was to be established in 1986, and the junior secondary curriculum was to be revised. Further, pre-service and in-service teacher training at both primary and junior secondary levels were to be expanded. Although the target of 90 percent net enrollment in junior secondary schools was

⁴ Although clearly perceived as a GOB effort, the high-level six-person Commission included only two Botswana, and was financed jointly by GOB and several public and private donor agencies.

⁵ The development of two-year junior secondary schools was seen as a transition measure, a point that becomes important when considering the problems initially encountered by USAID's JSEIP project.

met in 1989, by the writing of National Development Plan 7 (1991-97), public discontent with education system was growing. In spite of efforts to train teachers and maintain school quality, schools were experiencing difficulty coping with the growing number and diversity of students, and junior secondary leavers were increasingly unable to find employment. Although NDP7 did lay out goals and targets, many of those plans were put on hold when the government reconvened a National Commission on Education in 1992 in order to reassess future goals and priorities.

The 1992 National Commission on Education

Sixteen years had elapsed since the report of the first National Commission for Education in 1977, and in spite of significant achievements in expanding basic education, the quality of education and the employment prospects for school leavers had become a major concern of the public and political leaders. The President of Botswana, Sir Ketumile Masire, convened a 12-person Commission in 1992 to review past achievements and problems, and make recommendations for the future. The Commission was composed primarily of Batswana, but included three external education specialists from Germany, Malaysia, and Singapore "to give the work of the Commission an international flavor and the experience of other education system." SIDA provided a substantial portion of the funding; UNESCO, UNICEF, USAID, and the Commonwealth Secretariat shared advice and experience.⁶ The Commission released its report in 1994, which reaffirmed the goal of universal access to basic education, but emphasized the importance of improving school quality, making education more relevant to the world of work, and implementation cost sharing arrangements, especially at the senior secondary and higher levels (GOB 1994). The government issued a Revised National Policy on Education in early 1994, which endorsed many, but not all, of the Commission's recommendations (GOB, 1994).

Among the adopted recommendations was abandoning the goal of the 6-3-3 system in favor of the original 7-3-2 progression. The Commission concluded that the attempt to shorten junior secondary education to two years had been a mistake that was disruptive and resulted in a decline in the quality of junior secondary training. Rapid expansion of two-year junior secondary had allowed 95 percent of primary leavers to attend secondary school, compared to 35 percent in 1977, but the proportion able to attend senior secondary school had fallen in percentage terms, in spite of increases in absolute enrollment. Efforts to expand teacher training have been successful, but expatriates still constitute 32 percent of teacher in junior secondary schools, 57 percent in senior secondary, and 12 percent in Primary Teacher Training Colleges (GOB, 1993). Meanwhile, the working conditions and status of teachers, particular at the primary level, had declined relative to other occupations. The economy has also changed rapidly, and the demand for citizens with specialized training continued to outstrip supply, while unemployment of less skilled workers was growing. The government therefore also adopted a series of recommendations to upgrade teacher preparation and conditions of work, improve the quality and facilities available at the primary and junior secondary level, make education more relevant to work, and address the needs of the wider range of students and abilities in the schools (GOB 1994).

Donor Involvement and Coordination

The major donors to education in Botswana have been the British, Swedes, and World Bank in the 1970s, with USAID taking an increasingly central role in the 1980s. USAID sponsored international

⁶ The government probably relied on SIDA for funding the Commission since they were less likely than other donors to try to influence the final report.

training for Batswana during the late 1970s through a regional initiative, but became a major donor in the education sector with the start of the PEIP project in 1981. USAID education projects have supported important construction and commodities, but most US assistance has gone toward the provision of U.S. technical advisors and training for Batswana. The primary donors supporting classroom and teacher college construction have been the World Bank, the African Development Bank, and SIDA (in the late 1970s and early 1980s). SIDA withdrew from primary construction projects in the 1980s to focus on water projects and rural development, and the British scaled back their large technical assistance program during the 1980s, leaving USAID as the major bilateral donor in formal education. The British still fund a large number of expatriate teachers at the secondary level, particularly in math and sciences. Both USAID (through PEIP and JSEIP) and British ODA both have been involved in efforts to develop a network of regional in-service teacher education centers. The U.S., Britain, and Canadians have also provided several hundred volunteer teachers annually in recent decades, most of them secondary school teachers.

There are no formal coordinating mechanisms for donors to education, with the government conducting projects directly with individual donors. Donors have tried to coordinate when they were involved in related projects, either among project staff or the respective project officers. Donors seem less satisfied than the government with recent coordination mechanisms. The BEC project paper, however, includes improving donor coordination in the education sector as a priority for policy dialogue with the government (USAID 1991a).

5.3 THE PRIMARY EDUCATION IMPROVEMENT PROJECT (PEIP)

The Primary Education Improvement Project (PEIP) was launched in 1981 as a five-year program to establish a Department of Primary Education (Department of Primary Education) at the University of Botswana to train teachers for the Primary Teacher Training Colleges, and to carry out a series of in-service training workshops to improve the skills and motivation of existing teachers. PEIP was extended until 1991 to consolidate and localize the Department of Primary Education, establish a Masters Degree program in primary education, and strengthen the in-service teacher training network. PEIP was considered successful by all parties involved, and was characterized by a high degree of consultation and collaboration throughout its life. PEIP provides an excellent illustration of strong recipient project ownership and successful institution building.⁷

Project Goals

New teachers were required for the growing primary school system, and additional effort was needed to upgrade the skills of existing teachers. The first phase of PEIP therefore had two purposes:

1. Establish a Department of Primary Education at the University of Botswana, which would offer two and four-year undergraduate programs leading to diploma and Bachelor of Education degrees; and
2. Strengthen the capacity of the Ministry of Education, in cooperation with the University, to organize and implement in-service programs for teachers and supervisory staff involved in primary education.

In 1980, the University's Department of Education was focussed on secondary education. Half of the Primary Teacher Training College instructors were expatriate. The goal of the first (pre-service) component was to train teachers for the three (later four) Primary Teacher Training Colleges, with the expectation that the staff of these colleges would be fully localized with BEd degrees by 1990. The University of Botswana Department of Primary Education would initially enroll 30 students per year: two-thirds were expected to pursue the BEd degree and become Primary Teacher Training College instructors; the balance were to be experienced teachers who would take the diploma program to qualify as head teachers, senior teachers, or inspectors.

PEIP's in-service training was to provide 2-3 week workshops for 800 head teachers and deputy head teachers (covering all 600 primary schools), 500-700 senior teachers currently in the system, and all senior staff entering over five years. To maximize impact, the in-service program utilized a "multiplier effect" model, such that teachers trained at the in-service workshops were expected to conduct similar training programs when they returned to their schools. The project also was to assist the Ministry of Education in its efforts to institutionalize in-service training through establishing a network of regional in-service training centers.

PEIP II built on the progress made in PEIP I, and had four major goals, designed to consolidate and institutionalize the achievements of the first phase:

⁷ PEIP has been the subject of numerous internal and external reviews, see Max Evans and Donald Knox, "The Primary Education Improvement Project" in Patterns of Reform in Primary Education.

1. Implement a Ministry of Education program at the University of Botswana and increase the BEd program's annual intake from 30 to 50 students by 1990;
2. Assess and improve curricula at the Primary Teacher Training Colleges through a self-study process involving Primary Teacher Training College staff;
3. Upgrade a majority of the faculty in the Department of Primary Education to PhD level, and fully localize the Department of Primary Education staff by project conclusion; and
4. Localize the in-service training program and decentralize operations to regional in-service education centers.

Project Initiation and Design

The PEIP was "owned," initiated by the Ministry of Education, in response to the priorities established by the National Commission on Education and NPD5, which emphasized the need for improved pre-service and in-service primary teacher training. In 1977, a Botswana educator proposed to the Ministry of Education that it consider establishing a Department of Primary Education at the University. The basic concept behind PEIP therefore originated in Botswana. Discussions between the Ministry of Education and USAID regarding PEIP began as early as 1979, and the general outlines of the project had already been established before a three-person team from Ohio University was asked in late 1980 to write the official project design paper and implement the project. Ministry of Education officials personally visited five different U.S. Universities before selecting Ohio University as the contractor (Evans and Yoder). Although the project paper was written by the Ohio University team, project designers went beyond merely "contacting" relevant Ministry of Education officials -- instead engaging in a consensus-building process among affected parties at all levels as to the specific goals of the project and the best means to implement them. The USAID Mission Director and human resources project officer was said to have been very supportive of this consultative process, and had developed strong relations with their government counterparts. Initial drafts were discussed with staff from Ministry of Education, the University, and the Primary Teacher Training Colleges. There was thus a high level of consensus both on the overall objectives of the project as well as the details.

PEIP II was a direct outgrowth of PEIP I. The mid-term evaluation for PEIP in 1983, while commending the project's progress, strongly recommended that PEIP be extended for an additional five years to ensure lasting impact. The PEIP II project paper was written by resident Ohio University contract staff after extensive discussion and consultation with all affected parties.

The project design for PEIP took an explicitly long-term approach to developing institutional capacity for teacher training in Botswana, but made allowance for filling immediate needs while local capacity was being developed. For example, although the project could have made a more immediate impact on the quality of primary teachers by placing U.S. education specialists directly in the Primary Teacher Training Colleges, a decision was made to instead "train trainers" by focussing expertise and resources on developing degree and diploma programs at the University. Similarly for the in-service component, the project did not have the resources to reach all primary teachers directly, so instead developed a "multiplier" training model, whereby head teachers, senior teachers, and education officers drawn from various districts underwent intensive training programs, and then organized similar programs for other teachers in their districts. Training sessions were initially carried out by project staff, but by the mid-1980s, local staff were playing an equally important role. By 1991, training programs were being

implemented through the regional training centers and were no longer explicitly identified as part of the PEIP project.

Project Management and Implementation

Inputs

Under PEIP I, USAID provided a five-member team of primary education specialists through a contract with Ohio University, plus additional short-term consultants. The five specialists were to form the nucleus of the Department of Primary Education at the University of Botswana and conduct the in-service training workshops until ten Botswana participants returned with MEd degrees from the U.S. to replace them. The project also co-financed with the government of Botswana half of the construction costs for a primary education center (classrooms and offices) at the University and an 84-bed student hostel. USAID agreed to provide \$7 million toward the project, and the government provided an additional \$3.7 million (USAID 1981).

PEIP II supported U.S. training (six MEd and six PhD), specialized short-term U.S. training, and about 100 in-service workshops. The project also financed eight long-term primary education specialists; construction of three district education centers; expansion of the Department of Primary Education at the University of Botswana; and additional commodities and equipment. The total project cost to USAID was to be \$8 million, with an additional \$3 million paid by the government of Botswana.

Coordination

PEIP brought together a number of different institutions, all of which had to work together for the project to be successful. The Ministry of Education, the University of Botswana, Ohio University, and USAID were all key participants. In addition to the need for USAID and Ohio University to develop working relationships with the University of Botswana and the Ministry of Education, PEIP was one of the first major joint undertakings between the Ministry of Education and the University, which had previously guarded its independence from government. Ensuring effective communication among these institutions was thus identified as a priority by project designers (USAID 1981).

Two committees were formed to coordinate the project from its inception: a high level Project Steering Committee and a PEIP Advisory Committee. The Project Steering Committee -- in place from 1979 to 1981 -- was charged with ensuring overall policy coherence and facilitating cooperation among participating institutions. The Steering Committee was composed of the Permanent Secretary of the Ministry of Education, the Rector and the Dean of the College of Education, a Ministry of Finance and Development Planning representative, and the USAID Human Resources Development officer. The Advisory Committee met 2-3 times a year throughout the ten-year life of the project, and consisted of heads of departments and institutions directly involved in PEIP implementation⁸.

Final responsibility for project coordination rested with the officer in charge of teacher training

⁸ The Advisory Committee consisted of the Chief Education Officers for Primary and Teacher Training (later Teacher Education) and the Department of Curriculum Development and Evaluation, the Dean of the Faculty of Education, the Principle Planning Officer from the Ministry of Education, a MFDP representative, a PTTC principle, the Teacher's Union President, the USAID project officer, and the Chiefs of Party for PEIP and JSEIP.

for the Ministry of Education, which was directly responsible for primary schools, Primary Teacher Training Colleges, and teacher training programs. The University of Botswana developed the Department of Primary Education and the requirements for the undergraduate and graduate degree programs, and candidates for U.S. training were identified jointly by the Ministry of Education and the University of Botswana. Ohio University provided six long-term technical specialists for PEIP I, each with a different specialization, with two additional specialists added for PEIP II, as well as placement for Botswana trainees in the U.S. All but one of the Ohio University staff were based at the Department of Primary Education at the University of Botswana; an additional training specialist was based at the Ministry of Education. The Ohio University Chief of Party also acted as Head of Department for Department of Primary Education; other project staff held teaching posts, and assisted with the in-service training workshops. USAID/Botswana provided support for the Ohio University project staff, and was responsible for procurement of project equipment.

As members of the Department of Primary Education, Ohio University staff were responsible to the University and participated as full staff in other University of Botswana activities and committees. Their departmental work and the in-service workshops required effective cooperation with the Ministry of Education, and many served on ad hoc committees convened by the Ministry of Education. Activities related to the Primary Teacher Training Colleges were coordinated through a special Curriculum Development Committee. This "web" of overlapping responsibilities and committees further facilitated communications (Evans and Knox, 47). Minutes from PEIP(II) steering committee meetings indicate that the meetings had high rate of attendance and a focussed agenda, and much of the necessary communication and coordination appeared to take place on an informal basis. The system seemed to work effectively; Ministry of Education officials involved with PEIP said the process ran smoothly and could not recall any major administrative problems.

Project Evaluation

Two types of evaluation mechanisms were used for PEIP: external USAID evaluations and Project Implementation Reviews. As with all USAID projects, periodic external evaluations were built into PEIP. Both PEIP I and II were subject to a mid-term and final evaluation; in addition, PEIP I was evaluated annually by a U.S. primary education specialist. Project Implementation Reviews periodically brought project staff together with USAID, Ministry of Education, and the University of Botswana officials to monitor progress and resolve problems.

The external evaluations were consistently positive about PEIP progress, but were also useful in pointing out potential problems and suggesting changes. A number of modifications in project design and goals were made as a result of these evaluations. Contractors occupying line positions at the University was seen as both a "blessing and a detriment" to project implementation: with the Chief of Party (COP) also acting as Head of Department for the Department of Primary Education, resource management was simplified, but the workload on the COP and other staff was at times burdensome. The evaluations highlighted the lack of a functioning Department of Teacher Training and insufficient attention given to curriculum development at the teacher training colleges as potential obstacles to project effectiveness. As noted earlier, PEIP I evaluators also urged the continuation of the project to ensure lasting results.

The external evaluators themselves were generally willing to take a broad view of project effectiveness, beyond simply judging progress toward explicit project goals. For example, the PEIP I evaluation praised project staff for its willingness to take on additional Ministry of Education priority initiatives, saying that the project's overall impact was increased as a result (in contrast to the JSEIP mid-

term evaluation's criticism of JSEIP staff for the same). The Project Implementation Reviews were a useful forum for addressing problems, and gave particular attention to ensuring sustainability of PEIP initiatives as PEIP II drew to a close (Evans and Knox, 49-51).

Conditionality and Policy Dialogue

The project agreement between USAID and the government of Botswana contained a number of "Covenants" that the government of Botswana was expected to fulfill. These agreements included:

- providing qualified candidates for long-term training and ensuring that they would be assigned to suitable positions upon their return;
- providing University housing for students enrolled in the primary education program, and providing office space and housing for US project staff;
- ensuring that equipment would be used exclusively for project purposes; and
- establishing a Department of Teacher Education (DTE) within the Ministry of Education (USAID 1981; USAID 1986).

All but the latter agreement related specifically to project implementation, while the Department of Teacher Education covenant addressed a concern related to the institutional environment of the project. All of these agreements were fulfilled, although occasionally with delays. In particular, the DTE was not formally established until 1989 (during PEIP II, but after the conclusion of PEIP I).

Early PEIP project reviews and evaluations expressed concern that lack of clarity in administrative structure of the Ministry of Education, particularly with regard to teacher education, was a hindrance to effective project implementation.⁹ Project staff also became increasingly concerned about the need to improve coordination of teacher training. Encouraging the Ministry of Education to create a Department of Teacher Education thus became an official goal of PEIP, and the creation of the department was explicitly included in the PEIP II project agreement. Progress toward this goal (or the lack thereof) was reported on in each PEIP evaluation.

Including such a "covenant" for a specific institutional change within a Ministry raises a number of questions. First, was the lack of a separate teacher education department really a hindrance to project and overall teacher training effectiveness? Second, was this an appropriate issue for explicit conditionality, as opposed to ongoing dialogue? Third, did either (a) project conditionality or (b) project dialogue facilitate the process?

The Department of Teacher Training was finally established in 1989. Ministry of Education officials interviewed indicated that the Ministry of Education had planned since the early 1980s to establish the department eventually, but felt that the functions were being carried out adequately under the existing structure, and that the Ministry of Education was already overburdened with major reform efforts.

⁹ Teacher training was being handled at the time by a section of the Primary Education department in the Ministry of Education.

As such, no official interviewed felt the explicit project conditionality facilitated the process. As one official commented, "We knew the structure was not ideal, but we felt we could live with it." The manner in which some USAID officials continually raised the matter in meetings with the ministry of education created unnecessary friction among U.S. project staff and Ministry of Education officials. While believing that a reorganization was needed, project staff apparently were sympathetic to Ministry of Education perspectives, and generally maintained a low-key approach to the dialogue. The USAID Mission and external evaluations, however, did continue to insist on establishing the department, and project staff were criticized in the final evaluation for not being more forceful with the Ministry.

The explicit conditionality regarding the DTE therefore did not appear to be helpful or necessary from the Ministry of Education's point of view. Policy dialogue and discussions regarding Ministry of Education management issues, however, may have helped facilitate institutional changes. One official thought PEIP did help focus attention on the importance of coherent management of teacher training, and might have helped bring the DTE into being sooner than it might have been otherwise.

Project Impact and Effectiveness

Ministry of Education officials, Botswana educators, and external evaluations agreed that PEIP projects has had a positive and sustained impact on the primary education training system in Botswana. Midterm and final external evaluations for both PEIP I and PEIP II were positive about project progress and results, and consistently noted a high degree of enthusiasm and cooperation among project staff, Ministry of Education officials and beneficiaries of the programs.

By the conclusion of PEIP's first phase in 1986, all goals had been met or exceeded. A Department of Primary Education was established and both the education center and hostel completed; 42 BEd graduates had been assigned as Primary Teacher Training College teachers and Ministry of Education officers. Thirty-three diploma graduates had taken positions as headmasters or senior teachers. By 1985 ten Botswana had completed M.Ed. programs in the U.S. and all had returned to teach at the University of Botswana, such that 19 of 22 first semester courses were conducted by Botswana. Trainees returned prior to the departure of the expatriate staff, providing important continuity. An institutional base for in-service education had been designed and accepted by the Ministry of Education, and in-service training programs had already reached over one thousand teachers and education officers directly, and over 40 percent of all teachers indirectly through the "multiplier" workshops.

By PEIP II's completion in 1991, all participants had returned from overseas training and the Department of Primary Education was fully localized, with all staff members holding MEds and five completing PhDs. The Department had graduated over 150 degree candidates and 100 diploma students. Over 80 percent of teachers in the Primary Teacher Training Colleges and 90 percent of the directors of the district Education Centres had been trained by the Department. The first group of MEd candidates had completed their theses and degrees, and the research component of the project had led to the publication *Patterns of Reform in Primary Education: The Case of Botswana* (Evans and Yoder). Construction of the three regional education training centers and expansion of the Department of Primary Education had been completed. Along with the six previously existing centers and five others constructed by the JSEIP project, the network of 14 district education centers were in place by 1990, each staffed by a graduate of the Department of Primary Education. Commodities had been delivered and were proving valuable.

The project was not without problems. Officials at the University initially were worried that

enrolling experienced primary teachers in the Department of Primary Education -- few of whom had strong academic credentials -- would lead to a decline in University standards. The PEIP team maintained a regular dialogue with University officials on this and other matters, and the performance of the mature students turned out to be as strong as many of their younger classmates. Some Botswana teachers expressed concerns initially -- reported in the external evaluations -- that PEIP technical staff were attempting to transfer U.S. practices to Botswana without always determining whether they were appropriate in the local context. As a result, Botswana teachers were brought in to help co-lead the in-service seminars, and greater attention was given to adapting the Department curriculum to the environment in Botswana. A problem that has yet to be adequately resolved regards salary scales for primary teachers and for staff at the Teacher Training Colleges. Because of relatively low salaries for primary teachers, students that attend the teachers colleges tend not to be highly motivated, and because primary school headmasters earn more than teacher college instructors, good teachers tend to want to stay in primary schools.

Lessons

The PEIP project has been described as a "model" program in primary education and institutional development. A number of factors internal and external to the project contributed to PEIP's success. In a review article, the Chief of Party for PEIP II identified a number of crucial factors:

- the economic, political, and policy environment in Botswana was generally supportive of education and the retention of trained personnel;
 - the strong priority placed on primary education and teacher training by the National Commission on Education and the National Development Plans;
 - an effective project design that recognized that teacher education is a life-long and ongoing process;
 - timely provision of needed resources by USAID and the government of Botswana;
 - the experience and continuity of the Ohio University contract team;
 - a commitment to consultation and consensus among project participants;
 - broad and flexible interpretation of project objectives by the project team, which allowed them to contribute to important initiatives beyond those identified in the project paper; and
 - effective donor coordination among the U.S., UK, Sweden, Germany, and Denmark (with many workshops jointly planned between USAID and the British Council).
- (Evans and Knox, 51-56)

PEIP is particularly notable as an example of a successful institutional development project in Africa. Review of such projects throughout Africa cite a failure rate often exceeding 50 percent for projects with a major institutional development component. PEIP established the Department of Primary Education at the University of Botswana, and helped establish and institutionalize the regional in-service education centers. Both of the institutions are now fully localized and still operating five years after PEIP's conclusion. While establishing new institutions and programs is arguably easier than trying to reform or improve existing ones, PEIP does provide lessons for other institutional development efforts. PEIP's success in institutional development can be attributed to a number of factors, yet the following were critical.

Ownership: The high priority given to and strong ownership of project initiatives by Botswana meant that necessary attention and resources were devoted during and after the conclusion of the project. Recipient ownership was strong at every stage and all levels of the Ministry of Education -- including

teachers. The government initiated PEIP and maintained strong support throughout, and project design and implementation was consultative and collaborative. The project team was concerned with process as well as outcomes, and were generally supported in this emphasis by the USAID mission.

Realistic and Sustained Effort: PEIP was a long-term and sustained effort, with a project life of 10 years, with some of its initiatives continued further with the BEC project. Project design and goals were straightforward and focussed, and timetables usually realistic. Successful institutional development usually requires a decade or more for long-term sustainability.

Effective linking of technical assistance and training: PEIP's ultimate goal was to replace the U.S. advisors with trained Batswana, so candidates were selected for U.S. graduate training in specific areas of primary education. The selected candidates first served a brief period as assistants to a U.S. advisor to gain a better understanding of the skills they needed to acquire, then left for two years of Masters training. In most cases, their U.S. colleagues were there when they returned to facilitate their transition. In many projects, there is little or no overlap between trainees and the technical advisors they are to replace.

Retention of Trained Personnel: The Department of Primary Education successfully localized because nearly all the Batswana trained to replace TAs did return to the department. Had professional and economic prospects been significantly different, this might not have been the case. The Primary Teacher Training Colleges and regional education centers, in contrast, have encountered greater difficulties in attracting and retaining trained personnel because salary scales are less competitive than for other positions with similar qualifications. The ability and motivations of individual teachers is a major determinant of the extent to which improvements in teacher training are translated into classroom performance, and further steps to improve career prospects for teachers will be necessary to further enhance the quality and motivation of teachers.

5.4 THE JUNIOR SECONDARY EDUCATION IMPROVEMENT PROJECT (JSEIP)

The Junior Secondary Education Improvement Project (JSEIP) began in 1985 as a comprehensive six-year initiative to upgrade the quality of Community Junior Secondary Schools (CJSSs) through development of curriculum and instructional materials, strengthening of teacher training, and upgrading of management capacities at the Ministry of Education. JSEIP was designed and implemented by a consortium of U.S. universities, led by Florida State, called Improving the Efficiency of Educational Systems (IEES).¹⁰ The consortium was under contract by USAID/Washington to perform human resource sector surveys and projects in nearly a dozen developing countries. Although consistent with government priorities, the initial project design was not genuinely collaborative, creating conflicts between the goals and timetables of the "project" and those of the Ministry of Education. Project designers also failed to adequately understand the institutional environment for the project, particularly within the Ministry of Education. The project management and goals were substantially revised following a critical mid-term evaluation in 1988, and the remainder of the project proceeded more in line with Ministry of Education priorities. JSEIP made important contributions to junior secondary education in Botswana, but its impact might have been greater if initial project design and management had been more collaborative and sensitive to the priorities and politics of the Ministry of Education.

JSEIP was a large (\$21 million over six years) and complex project. In many respects, it consisted of several different related, but discrete, efforts. This review will not attempt to evaluate all the various activities of JSEIP. The focus instead will be on recipient perspectives toward JSEIP and on the evolving donor/recipient relationship, including shortcomings in project design process, and the struggle among the Ministry of Education, USAID, and the contractor over the project's direction. The problems encountered by JSEIP illustrate the hazards associated with centrally funded programs and rigid project timetables, and of trying to implement social sector reform as a technical exercise without sufficient regard for its political dimensions. The ultimately successful efforts by the Ministry of Education to reorient JSEIP demonstrates that an assertive recipient can extract value even out of an initially flawed project.

Project Rationale

By the mid-1980s, Botswana had attained nearly universal access to primary education (85 percent), but was faced with a growing number of primary school leavers with inadequate skills for employment. The next stage in the planned expansion of basic education outlined in the National Commission on Education and National Development Plan 6 (1985-91) was the attainment of nine years of basic education, through a rapid increase in the number of Community Junior Secondary Schools. In addition to increasing the number of junior secondary schools, NDP6 placed a high priority on revising curricula and training teachers for junior secondary schools. The government knew that even under optimistic growth scenarios, it would need donor support to approach the goal of nine years of universal basic education by 1991, while maintaining quality and increasing the supply of qualified Botswana teachers.

A Curriculum Development and Evaluation Unit (CD/E) had been established at the Ministry of Education in 1978, and by 1985 had successfully revised the primary school curricula. The Ministry of Education planned to expand CD/E from 33 to 50 staff to allow the department to develop junior

¹⁰ The IEES consortium consisted of Florida State University, State University of New York (SUNY) -- Albany, Howard University, and the Institute of International Research.

secondary curriculum as well, which required additional office space, staff training, and equipment (USAID 1985). To provide the additional needed teachers and eventually reduce reliance on expatriates, a three year diploma course for junior secondary school teachers was established at the University, and a junior secondary teacher training college was completed with African Development Bank financing in 1985. The college was understaffed, short of critical equipment, and had yet to develop curriculum for many subjects. Most of the existing staff were expatriate. In addition, to deal with the problems of untrained teachers currently in the system and help to introduce new curricula, the 1985-91 plan called for the completion of 14 regional teacher training centers -- one in each district. Six had already been built earlier on a pilot basis. The Ministry of Education also needed assistance to develop the management structure for the teacher training system, and for the expanded junior secondary school system.

Project Purpose and Goals

The overall purpose of the Junior Secondary Education Improvement Project (JSEIP) was to increase the quality and efficiency of an expanded junior secondary education program and to institutionalize the Ministry of Education's capacity to develop, manage and support junior secondary education. As stated in the formal Project Agreement between the GOB and USAID, JSEIP was to focus on three interrelated components:

- Curriculum and instructional materials development;
- Teacher development (both in-service and pre-service training); and
- Education systems planning, management and supervision.

Project technical assistance, training, and equipment targeted several different units of the Ministry of Education: curriculum development; the newly established Junior Secondary Teachers Training College; the teacher training unit at the Department of Secondary Education; and the planning unit. Construction activities included a new building for the curriculum development unit, five regional Education Centers, and staff housing.

The Ministry of Education gave equal priority to each of the three project components, and consistently stated that none could be addressed in isolation from the others. The contractor for JSEIP, however, was mainly interested in curriculum development. Tensions arose between the Ministry of Education and the contracting consortium during the first years of the project as a result of these differing interpretations. Following a critical mid-term evaluation, Florida State and AID/Washington withdrew from direct roles in project management, and JSEIP was reoriented to focus equally on teacher development and developing institutional capacity for curriculum development, which the management component was run as a separate project.

According to the original Project Paper (USAID 1985), JSEIP was to assist the Ministry of Education with a wide range of specific activities related to curriculum and educational materials development, testing, teacher training, and strengthening managerial capacity. The Ministry generally supported these project activities, but considered JSEIP to be contributing to an ongoing institutional development process. The phrasing of the activities and the accompanying project schedule, however, reflected the initial view of the contracting consortium that the purpose of JSEIP was the time-bound

"development" and "implementation" of specific outputs.¹¹ The Ministry of Education never consented to this schedule; the two-year junior secondary curriculum was considered transitional and, for reasons to be discussed below, there were a number of constraints on the Ministry of Education's ability to develop and implement a new junior secondary curriculum in the initial years of the project.

Project Initiation and Design

In the early 1980s, AID/Washington signed a contract with IEES to conduct Education and Human Resource Sector Assessments and implement education projects in a number of developing countries. Missions were required to conduct extensive Sector Assessments before initiating major new projects, so AID/Botswana contracted with IEES in 1983 to conduct a comprehensive education and human resources sector assessment. The assessment was billed as "collaborative" with the government, but it was researched and written in less than two months by a team of IEES and USAID staff and consultants.

The final report was presented to the government of Botswana in early 1985. In a formal response to USAID, an inter-ministerial steering committee agreed with much of the assessment, in spite of some outdated information and factual errors. They then presented a menu of projects from the National Development Plan that were in need of external assistance. Most of the suggested projects were targeted at junior secondary education, including constructing schools, strengthening the curriculum department, and upgrading the new junior secondary teacher trainer training college through technical assistance, training, construction, and equipment.

On the basis of this response, USAID decided to focus assistance on improving the quality of the Junior Secondary School, and selected IEES to design and implement the project.¹² A ten-person project design team consisting of USAID representatives and IEES consultants arrived in late 1984 to design the project. Although the team supposedly "collaborated" with government of Botswana officials, key Ministry of Education officials said they had little or no involvement with the initial project design process. The former chief planning officer for the Ministry of Education reported that one day the JSEIP proposal "just landed" on his desk, with a request from USAID for final signature by the Permanent Secretary.

The original project paper was unacceptable to Ministry of Education officials. It focussed exclusively on junior secondary curriculum development, and called for placing a large number of expatriate "advisors" in the Department of Curriculum Development and Evaluation to completely revise the junior secondary curriculum, with little provision for training, construction, or equipment. Ministry requests for assistance with in-service training and instructors for the new junior secondary teacher training college were ignored. Most galling, the paper called for the establishment of an additional Deputy Permanent Secretary post whose sole responsibility would be to oversee project implementation. The

¹¹ The Project Paper contains an extensive appendix listing specific deadlines for each stage of the project: the junior secondary curriculum was to be completely revised by the project's third year; instructional materials were to have been developed based on the curriculum by the third year; and teachers were to have been trained to use the new curriculum by end of the project.

¹² Ironically, this decision was justified partly on the grounds that use of IEES would allow a long-term relationship to be developed between Botswana and the contracting institution, enhancing project continuity and institutional development.

USAID Mission Director reportedly presented the Project Paper as a "take it or leave it" proposition. Upon consultation, senior Ministry of Education officials concurred that the proposal would have to be rejected as it stood. When the USAID Mission realized that Ministry of Education was serious about rejecting the project, they agreed to negotiate.

The Ministry provided a written response to USAID in November, 1984, which expressed their concerns and counter-recommendations. The letter noted that considerable progress had already been made on junior secondary curriculum, and objected to plans for an entirely new junior secondary curriculum to be designed using a process called "Instructional Systems Design"¹³. The Ministry of Education said that imposition of this system on the curriculum department would be disruptive, and that an exclusive focus on delivering a completed junior secondary curriculum was not reasonable given the changes that were to take place throughout the educational system. The Ministry requested that funds be shifted from short-term technical assistance toward equipment and training for Botswana, and that ten long-term advisors be divided among specific posts in executing units of the Ministry (curriculum development, secondary education, and the junior secondary teachers college). The Ministry of Education also suggested that the creation of a new Deputy Permanent Secretary post was "unnecessary," and that project activities would be supervised by the respective heads of department.

According to a government official involved in the JSEIP negotiations, the negotiations were conducted rapidly due to pressure on USAID to obligate funds. The government negotiating team recognized that the project contractor (IEES) had a clear agenda to focus on curriculum development, so devised a strategy accordingly. Since Ministry of Education policy stated that curriculum development had to be integrated with teacher training, government negotiators argued that no serious curriculum development effort could take place in isolation from teacher training. The assignment of expatriate project staff to the junior secondary teacher training college was therefore justified within the project goals. The Ministry of Education was thus able to use the project to fill teacher vacancies at the college, as well as to train eventual replacements. The government used organizational efficiency arguments to have advisors assigned to Ministry planning headquarters and the Department of Secondary Education. They quickly read what they could about Instructional Systems Design, and used their findings to argue that it was not much different from current practices, so the project should try to fit into Ministry of Education procedures, not vice-versa.¹⁴ In this manner the negotiators tried to ensure that the project would help meet the government's goals.

Negotiations between USAID and the Ministry of Education were heated, and remained deadlocked for a time over the basic goals of the project. USAID and IEES continued to insist at first that JSEIP was to be a curriculum development project, while the Ministry of Education demanded a more broad focus. The final project paper was authorized by AID at the end of 1984, and the Project Grant Agreement between the U.S. and Botswana was signed in April 1985. Both were compromise documents. The government gained a formal agreement that JSEIP was to give equal attention to curriculum development, teacher training, and improved education management in the Ministry of Education. USAID

¹³ "Instructional Systems Design" referred to a curriculum development process that was promoted in education departments at Florida State and several other U.S. universities, and which was considered to have been successfully implemented in South Korea.

¹⁴ Some observers noted, however, that although ISD used excessive jargon, some of its approaches were useful and not identical to what the Ministry was already doing.

also agreed to the proposed reassignments of technical advisors into line positions, and included language acknowledging previous curriculum development efforts. The project agreement provided for construction of a new building for the curriculum department, the construction of five regional Education Centers (both in keeping with NDP6), graduate training for 17 Batswana, and some equipment. The GOB request for a reduction of short term TA in favor of equipment and training was not accepted.

The Project Grant Agreement, which was seen by the government as the binding legal agreement for the project, incorporated most of the Ministry's concerns. The Project Paper was also modified, but still contained provisions and timetables that the Ministry had objected to. For example, the overall emphasis on "ISD" and a deadline-driven approach to curriculum "production" remained. The final Project Paper has a "slick" quality that was clearly intended to appeal to USAID (including a calculation that the Internal Rate of Return for JSEIP would be staggering 40.8 percent!). The emphasis on project outputs and deadlines was meant to appeal to USAID's (presumed) interest in demonstrable results.

USAID Project designers had ignored or misunderstood the institutional environment and internal politics regarding curriculum development at the Ministry of Education. Aside from brief acknowledgement of current curriculum efforts, the project paper contained little institutional analysis -- most blatantly, little recognition that curriculum development was still a weak department and that secondary curriculum was still controlled by the Department of Secondary Education.¹⁵ Although responsibility for all curriculum was eventually to be shifted to the curriculum department, in the mid-1980s it was weak. Education Officers in the Department of Secondary Education still controlled the curriculum for their subjects, and some were resistant to surrendering their authority. When JSEIP began, the Curriculum Development Department could not test, much less implement, a new junior secondary curricula without DSE's approval.

Despite these problems, Ministry of Education negotiators achieved many of their aims. RTAs were placed in priority positions throughout the ministry but made responsible to their heads of department, making it more difficult for JSEIP to pursue its own agenda. The government signed on to the project anticipating that additional differences would be sorted out once the project got underway. Although the government did negotiate important changes in the JSEIP project paper and the final Project Agreement, the project paper still contained major flaws and assumptions, and the various parties to the agreement -- IEES, USAID, and the Ministry of Education -- embarked on JSEIP with diverging ideas about the project's purposes and goals. The differences probably could have been ironed out by the local project staff and their Batswana colleagues had it not been for JSEIP's hierarchical and unwieldy administrative structure.

¹⁵ Through the 1970s, primary and secondary curriculum development had been the responsibility of the Department of Primary Education and the Department of Secondary Education, respectively. The Department of Curriculum Development and Evaluation was established in 1979, and by 1984 had redrafted curriculum for the "core" subjects at the Primary level. NDP6 stated that "major" revision of curriculum at the junior secondary level was being undertaken "jointly" by the curriculum and secondary education departments, and that the work would continue to "provide more continuity between primary education and the changing structure of secondary education." (MFDP 1985, 141).

Project Management and Implementation

Project Inputs

The total estimated cost of JSEIP was \$22 million over the six year life of the project, of which USAID was to contribute \$16 million, and the government of Botswana \$6 million. Most of USAID's funds supported ten U.S. resident technical advisors (48 person years), of which four were posted to the junior secondary teachers college, three to the curriculum development department, one to the Department Secondary Education training unit, and two to the Ministry of Education planning office. These advisors were to be complemented by 150 person months of short-term technical assistance. The project was also to provide 36 person years of long-term training for Botswana, including Masters training at Florida State for nine professionals from curriculum development; 140 person months of short-term training; and 2,000 months of local in-service training. Many of the in-country workshops were to be run by the technical advisors for professional staff at the curriculum department. Construction included a new building for the curriculum development unit, staff housing, and six district educational training centers, as well as key equipment.

Project Management

According to the Project Paper, JSEIP was to be implemented by the Ministry of Education "in conjunction" with the contract team from the IEES consortium. The consortium was to help integrate the work of the Curriculum Development Unit with pre-service and in-service teacher training activities nationwide, and work directly with Ministry management personnel in administrative functions. The project was to be coordinated for the Ministry of Education by the Chief Education Officer of the Department of Secondary Education. The curriculum department was responsible for the curriculum development aspects of the project, and the planned Department of Teacher training was to play an important role with in-service activities once it was established. The Ministry of Works had responsibility for construction activities. The contractor was responsible for all technical assistance, participant training, and procurement of certain commodities. USAID Botswana was responsible for project monitoring and backstopping (USAID 1985).

The original Chief of Party (COP) for the JSEIP project was posted to the Ministry of Education planning office, but had little daily interaction with other project staff. With U.S. project staff spread out among various departments, it was difficult for them to function as a coherent unit (which was precisely the Ministry of Education's intent). Project staff did hold monthly meetings amongst themselves to set work plans and monitor progress, but the mid-term evaluation concluded that the project advisors functioned as individuals rather than as a team pursuing common objectives. The major operational responsibilities placed on the advisors was cited as a major factor, along with their being spread out. The Chief of Party had a considerable workload, with multiple reporting responsibilities (to IEES, to the Deputy Permanent Secretary of the Ministry of Education, and to USAID/Botswana) in addition to operational duties.

The initial management structure of the JSEIP project was inordinately complex and cumbersome, making it difficult for the project to respond to local needs and constraints. The IEES consortium was led by Florida State University, but included four other U.S. universities and institutions as well. Since the Mission had "bought into" an AID/W project, all communications with the contracting consortium initially had to be directed through Washington, which were then passed on to the project headquarters at Florida State. Hiring and procurement decisions thus had to negotiate multiple bureaucracies. Even greater

problems were created by contractor's insistence that final decisions on the project had to be taken from IEES headquarters at Florida State University, where staff were firmly wedded to the notion that JSEIP was a time-bound curriculum development project. The IEES director's attempt to establish control over project direction during 1-3 week visits to Botswana created tensions among project staff and alienated Ministry of Education officials.

Project Coordination

Like PEIP, an Advisory Committee was formed to facilitate coordination among the various departments and institutions involved in JSEIP!⁶ The Committee did meet quarterly during the initial stages of the project and provided a forum for discussion of concerns, but Ministry of Education officials felt that the Committee's influence was circumscribed by the contractor and AID/Washington. The Advisory Committee was dissolved following the mid-term evaluation, and the Ministry and the JSEIP Chief of Party agreed that project coordination would take place within departments and existing Ministry of Education channels.

Because the contractor's vision of the project differed significantly from that of the Ministry of Education, it was in the latter's interest to ensure that U.S. contract staff did not operate as a coherent unit. Dividing U.S. staff among different departments within the Ministry of Education and U.S. staff and placing them in line positions helped ensure that they would be responsive to government priorities. This contrasts with the PEIP experience, where the Project Advisory Committee functioned throughout. Project "coordination" is thus not an unambiguous good from the recipient perspective. For PEIP, the Advisory Committee was seen as supporting Ministry of Education objectives, while it was seen as conflicting with JSEIP.

Project Implementation

Ministry of Education officials were initially presented with a list of the ten Resident Technical Advisors (RTAs). Although PEIP I postings had been filled in this manner, the Ministry of Education balked, saying they wanted to be given three resumes for each position. After some delays, RTAs were agreed upon, and arrived in late 1985 and early 1986. The Ministry of Education was pleased with their quality and experience, and they were quickly given major line responsibilities. Nine professional staff from the curriculum development department were enrolled in a specially-designed Masters administered jointly by the University of Botswana and Florida State University, which necessitated only one year overseas training (at FSU). Curriculum development efforts were delayed during their departure, however, and staff initially complained that the program was poorly administered and that FSU was not adequately responsive to their priorities for training (although many of these problems were later resolved). Construction mostly proceeded on schedule.

The Chief of Party realized soon after arriving that there were significant discrepancies between what was contained in the project paper and the situation on the ground. In a memo to AID, IEES, and

¹⁶The Committee consisted of the Deputy Permanent Secretary of the Ministry of Education, the Chief Education Officers for Secondary Education, Teacher Education, and Curriculum Development and Evaluation, the Dean of the University of Botswana Faculty of Education, the Principle Planning Officer from the Ministry of Education, a MFDP representative, the principle of the junior secondary teachers training college, the Teacher's Union President, the USAID project officer, and the Chief of Party JSEIP.

project staff, he pointed out some of the problems and discrepancies, including the overlapping responsibilities for curriculum development between the secondary education and curriculum development departments. Also, the government had been required to provide full time "counterparts" for each of the "advisors." The chief of party noted that there were insufficient suitable counterparts for RTAs due to severe personnel shortages, which would be exacerbated by Botswana staff leaving for training.

Tensions and frustrations rose during the first two years. Project staff felt pulled between IEES headquarter's insistence that they focus on "project" duties, while the Ministry of Education required them to fulfill line responsibilities. Some curriculum department officials felt the project was ignoring existing curricula and trying to impose its own model on the department. The transfer of responsibility from the secondary to the curriculum department for junior secondary curriculum proceeded smoothly for "new" subjects, like social studies, but proved more difficult for traditional core subjects. IEES complained that the project was behind schedule, and continued to insist that the primary purpose of JSEIP was to develop curriculum. IEES headquarters reassigned staff from the teacher training college to work full time on curriculum development so that project production deadlines could be met.

By the time of the critical mid-term evaluation in mid-1988, the USAID Mission, the Ministry of Education, and much of the project staff had lost patience with the external management of JSEIP. USAID/Botswana had a new Mission Director who was supportive of Ministry of Education priorities for JSEIP. The mid-term external evaluation for USAID was highly critical of JSEIP's management structure and priorities, saying that the project was poorly coordinated, unfocused, and behind schedule. It reaffirmed the original balanced focus on curriculum, teacher training, and improved education management.

Following the evaluation, the Mission Director sent directives both to the IEES headquarters and AID/W that future decisions regarding JSEIP were to be made in Botswana by the parties directly involved. An agreement with the government was reached to clarify roles, reassign some of the RTAs, streamline project management, and make project goals more realistic and consistent with Ministry of Education priorities. JSEIP was reoriented toward curriculum development and teacher education, with the management component managed as a separate project. Project staff stopped using unfamiliar jargon, and the new Chief of Party made a concerted effort to improve communication among project staff, other expatriate advisors, and various departments within the Ministry. Greater attention was given to managing the politics of curriculum reform. JSEIP proved much more successful at facilitating change once it was no longer seen as trying to impose an external agenda. The remainder of the project proceeded smoothly, and the project completion date extended to 1991 to allow completion of major project-activities and to coincide with the ending of PEIP II.

All JSEIP project staff with responsibilities for curriculum development and implementation were placed in the curriculum department; their presence was consistent with the long-term goal of building the department's capacity, but their ability to ensure that the curricula and materials developed would ever be used in classrooms was in some cases circumscribed. Ministry of Education officials had counted on a gradual process of "weaning" Secondary Education from their curriculum responsibilities, but JSEIP's high-profile intervention in the curriculum department seemed to increase the resistance of Education Officers in some of the key "core" subjects. In addition, expatriate advisors -- notably from the United Kingdom and Sweden -- played a prominent role in the Department of Secondary Education and elsewhere in the Ministry. Some of these advisors opposed what they saw as a high-profile intervention by "the Americans" in curriculum development. Because of this resistance, JSEIP eventually had to abandon attempts to revise the mathematics curricula, and made very little impact on science. JSEIP was most

successful in designing curricula for "new" subjects such as social studies or technical studies.

Project Evaluation

Built into JSEIP were provisions both for mid-term and final external evaluations by USAID, as well as periodic internal project evaluations. The reports were initially written by the IEES project director from Florida State, and were a major source of tension in the project prior to the removal of FSU from a direct management responsibility. The June 1987 mid-term report modestly declared JSEIP to be "...one of the most creative education improvement projects currently being supported by USAID..." and that curriculum development is "at the core of the project." (IEES 1987). The review complained that project staff lacked a coherent vision of the project, that operational responsibilities were detracting from "project" responsibilities, and that the Ministry of Education was not supplying adequate personnel to meet project deadlines. The review recommended that "JSEIP should reduce [emphasis added] staff time and project resources being devoted to capacity building activities" (IEES 1987).

The contractor's perception of project goals, problems, and potential solutions differed so starkly from that of the Ministry of Education that the project might have reached an impasse had it not been for the mid-term evaluation in July of 1988. The Mission Director presented the three-person external evaluation team with clear terms of reference, stating that:

It is essential that we move in a direction fully consistent with Ministry of Education/government of Botswana priorities. We believe that, in general, the project is doing that, although improvements can be made. FSU's home office gives more focus to curriculum development, but we clearly need to achieve fuller balance in our effort to meet government of Botswana objectives (USAID 1985).

Although both the Mission, local project staff, and the Ministry of Education had realized that there were serious problems with the current management of the project, the unwieldy management structure -- including the central role of AID/Washington and FSU -- made it difficult to implement changes. USAID/Botswana and the Ministry of Education therefore saw the mid-term evaluation as an opportunity to ensure that problems were highlighted and resolved.

The Ministry of Education communicated their concerns clearly to the evaluators. The Deputy Permanent Secretary in the Ministry of Education told the evaluation team:

I believe you cannot develop curriculum in isolation. I have seen curriculum projects collapsing -- beautiful materials being produced but preparation of teachers was lacking. The administration side was lacking. That is why they are all linked in this project. The original objectives of the project should stay, but we need to see how to get the proper harmony. (USAID 1985)

The evaluation was generally positive about project progress, and recommended that JSEIP be continued. It was highly critical, however, of JSEIP's management structure, and of the institutional contractor's attempt to impose an agenda on the project. The evaluation called for a clarification of roles and management responsibilities, strengthened communications and links with related projects and programs, and a return to the original equal emphasis on curriculum, teacher education, and management systems.

A senior Ministry of Education official stated that he saw the external evaluation as an essential turning point for the project, without which relationships between the Ministry of Education and JSEIP would have degenerated. The evaluation served to bring the magnitude of the problems to the attention of AID/W, and provide the impetus to localize the management of the project. In comments attached to the mid-term evaluation report, however, the Mission wrote that while many of the recommendations were useful, the evaluation team had exhibited insufficient sensitivity to the cultural context of Botswana, and that the evaluators were unduly personal in their criticisms.¹⁷ In spite of these problems, the evaluation helped develop a consensus regarding required changes.

A final external evaluation was conducted in August of 1991. It was generally positive about project progress, while stating that the project would have been more effective if not for initial management problems. In addition to a number of specific recommendations to allow for completion of certain project activities, the evaluation recommended that the institutional development aspects of JSEIP be continued (which helped lead to the Basic Education Consolidation project).

Project Conditionality and Policy Dialogue

The JSEIP project agreement contained a number of "covenants" that the government of Botswana was to fulfill in the course of JSEIP, including:

- providing qualified candidates for long-term training and ensuring that they would be assigned to suitable positions upon their return;
- providing office space and housing for US project staff;
- provide the necessary human, physical and financial resources required for the junior secondary expansion in Botswana; and
- assigning suitable counterparts for each long-term technical assistant at CD/E and the JSTTC.

The government of Botswana was able to meet most of the first three obligations, although there were some delays and difficulties in obtaining housing for staff at the Junior Secondary Teacher Training College. The major source of difficulty was in the supply of counterparts. The lack of counterparts of technical staff was a constant source of complaint by USAID and the institutional contractor. The requirement, however, was unrealistic to start with. Each department to which technical assistants were posted was already understaffed, and staff shortages were exacerbated by the departure of staff for long-term training. The Chief of Party pointed out this problem soon after his arrival. One-to-one counterparting was also an inappropriate model for skills transfer given the responsibilities of most of the RTAs (for example, teaching).

The JSEIP project involved policy dialogue on a number of educational issues, with varying impacts on Ministry of Education policy and practices. The JSEIP Project Paper claims that the 1984 IEES sectoral assessment and associated policy dialogue had an important role in convincing the Ministry of Education to focus on quality issues during the planned junior secondary expansion. In interviews, however, Ministry of Education officials indicated that the assessment had relatively little influence on their own plans. JSEIP project staff were well-respected by their Botswana colleagues, and helped influence Ministry of Education initiatives in their various departments. JSEIP sponsored important research into curriculum and actual teaching practices in junior secondary schools, which provided

¹⁷ We were unable to confirm this observation in interviews with MOE officials.

important guidance for Ministry of Education curriculum and training programs. Ministry of Education officials clearly stated that while they did not like being told what to do, they appreciated the advice, dialogue, and research provided by the project. Some outside observers noted, however, that although the initial policy dialogue was handled badly, the controversy generated by the project in its first years helped focus attention on important issues, and lay the groundwork for subsequent progress.

Project Impact and Effectiveness

While JSEIP did not meet the timetable and goals of the project paper, the final USAID external evaluation and most Ministry of Education officials involved with the project judged it to have made an important contribution. The project would have been more effective had the initial project design and management problems been avoided, but distinct contributions were made in curriculum development, teacher training, and management systems.

The capacity of the Department of Curriculum Development and Evaluation was significantly enhanced, and the project's contribution is still visible nearly five years later. Current curriculum development officers said that the training, equipment, and construction provided remain particularly valuable to them in their current work, with one commenting that he could not imagine having to develop curriculum without the computers and software provided by the project. The advisors made valued contributions both in their advisory and line capacities, and some continued to serve after the project's conclusion. The department is now well established within the Ministry of Education, and has responsibility for curriculum development at both the primary and secondary levels.

Research facilitated by JSEIP into how curriculum was being implemented at the classroom level provided important information for curriculum developers and education planners at the Ministry, and was considered by some associated with the project to be among its most important contributions. Much of the research was inaugurated a year or two into the project once it became clear that the original time-bound goal of curriculum development was inappropriate, and that additional information was needed to effectively guide a long-term curriculum development effort. Research was carried out by project staff and University faculty in cooperation with Ministry officials, and resulted in the publication of *Curriculum in the Classroom: Context of Change in Botswana's Junior Secondary School Instructional Program* (Snyder and Ramatsui 1990). The concluding chapter, "Reflections and Prospects", which was written by the former Chief Education Officer of the curriculum department (now a Deputy Permanent Secretary), highlights the main findings from the research and lists a number of recommendations for the educational system.

The project staff at the junior secondary teacher training college played an important role in getting the new college started. In addition to their teaching responsibilities, which were highly valued while Botswana were being trained, project staff helped develop curriculum, lesson plans, and teaching materials for their various subjects at the college. Some differences arose between project staff (who were all Americans) and other staff of the college (who were either British or trained in the British system) over education philosophy, but this did not seem to create major problems. The decision by JSEIP headquarters to transfer college teaching staff to work part- or full-time on curriculum development was disruptive and did generate resentment, particularly because college administration was never consulted or fully informed about the action. Some of these staff later returned to their teaching duties after JSEIP management was reorganized.

JSEIP staff in the Ministry of Education planning unit provided much-needed assistance and

advice at a time when the education system was rapidly changing. They also helped design and operate a computer-based planning and information system for the Ministry, which was to greatly improve manpower planning and personnel management. Unfortunately, the Ministry has had considerable difficulty attracting and retaining a staff-person to run this system after the project's conclusion. Government policy sets salary levels based on the number of employees supervised. Operating the information system requires a high-level of technical skill, but little personnel management; therefore, the salary scale for this position is extremely low relative to the private sector.

Lessons

The experience with JSEIP illustrates a number of important points:

Participation and Ownership: Even though the government of Botswana had clear plans and priorities for the education sector, USAID and the contracting agency tried to impose their own agenda and timetable on JSEIP. This stands in sharp contrast to the earlier experience with PEIP, where both the Mission and the contractor worked to ensure that the project conformed to host country priorities. The contrast was due to two major factors: first, PEIP was designed and implemented through USAID/B in consultation with the Ministry of Education, while USAID/Washington had a major role in JSEIP; and second, the contracting institution for PEIP was strongly consultative and process oriented, while the JSEIP contractor was initially focussed on project outputs and timetables.

Project "Results" vs. Institutional Development: JSEIP provides a stark illustration of how a narrow "results" orientation by a donor or contracting institution can undermine the long-term impact of a project, particularly one that presumes to be building institutional capacity. The Ministry of Education saw JSEIP as contributing to a long-term and ongoing process of developing local capacity for curriculum development, whereas the head office of the contractor saw JSEIP as a time-bound project with revised curricula and instructional materials as "products" to be "delivered" by project end.

Sector Assessment: Although USAID engaged in a large and costly "sectoral assessment" prior to project design, the assessment was primarily driven by USAID priorities. It consequently had limited influence on government of Botswana policies and did little to make the initial project design more appropriate to Botswana's needs. The Ministry of Education's official response to the sectoral assessment was essentially a request for assistance with projects already identified in the National Development Plan.

Negotiating Project Design: The Ministry of Education's willingness to reject the initial project design gave them leverage to make major modifications in JSEIP. Recognizing that USAID and the contractor had strong agenda of their own, the Ministry of Education officials involved in project design negotiations carefully framed their negotiating strategy to appear to address the priorities expressed by USAID and the contractor, while extracting critical concessions to ensure Ministry of Education priorities would be addressed.

Recipient Leverage: The ultimately successful efforts by the Ministry of Education to reorient JSEIP in line with its own priorities demonstrates that an assertive recipient can extract value even out of an initially flawed project. Government insistence that project staff occupy line positions and respond to their department heads was key in asserting control over the project. Officials made strategic use of the mid-term external evaluation to ensure their perspectives were made known to USAID, leading to major changes in project management and direction. While they could have adopted the defensive tactic of isolating the project from ongoing efforts until it ended, government officials considered the inputs

provided by JSEIP as too valuable to allow the project to operate in isolation.

Coordination: When their priorities of a donor or project contractor differ from those of the recipient, it may be in the latter's interest to avoid or hinder project coordination. The coordinating bodies established for JSEIP were ineffective because they were unable to address the fundamental conflicts between the government, contractor, and USAID (primary because project authority lay outside the country), and as such were seen by the government as mechanisms to assert unwanted external influence on government programs. The JSEIP experience suggests that, in some circumstances, coordination may not be an unambiguous "good."

5.5 THE BASIC EDUCATION CONSOLIDATION PROJECT (BEC)

The Basic Education Consolidation project (BEC) was launched in 1992 after extensive negotiations to consolidate the gains made in teacher training and curriculum development by PEIP and JSEIP. Partly as a result of the JSEIP experience, Ministry of Education officials put considerable time and effort towards insuring that project design addressed Ministry of Education priorities. Most project resources went to six resident technical advisors, training for Botswana teachers and Ministry of Education staff, and limited equipment procurement. BEC was to be a five-year effort, but was truncated in late-1995 due to the USAID Mission closing. BEC demonstrates how a concerted negotiating effort by a recipient government can create strong project ownership, but also how that very ownership increases resentment when the donor unilaterally discontinues the project.

Project Rationale

In spite of government of Botswana success in quantitative growth in basic education, public dissatisfaction with the CJSSs had been building into a major political issue -- particularly the growing number of Junior Secondary School leavers who were unable or unqualified to find employment. Although both the PEIP and JSEIP projects had made important progress in upgrading curriculum, teacher education, and other aspects of basic education, the projects had not been closely coordinated. More needed to be done to consolidate improvements and develop a stronger link between primary and junior secondary education.

Project Goals and Purpose

The purpose of the BEC project, as stated in the Project Paper, was to assist the Ministry of Education to further develop and implement a consolidated basic education program. The project had four elements:

- curriculum development and testing;
- teacher training;
- student assessment and evaluation;
- strengthening the curriculum development and implementation process.

The explicit goals were that by the end of the project:

- An integrated plan and system for curriculum development and implementation would be in place covering the first nine years of basic education;
- Teachers would understand and accept the revised philosophy and approach to basic education and would be effectively utilizing the revised curriculum in the classroom;
- Continuous assessment procedures will be in place to monitor student performance; and
- The Ministry of Education will be effectively managing development and implementation of its basic education curriculum.

The Project Paper emphasized that the goals of the project had both process and product components, and that both were important if the project were to be successful.

Project Initiation and Design

With the PEIP II and JSEIP projects due to conclude concurrently in 1991, USAID suggested to the government of Botswana in 1989 that an additional project be initiated to consolidate the progress made by JSEIP and PEIP in basic education. Both parties were eager to avoid the problems that arose from the JSEIP project design process, and agreed to establish a small working group consisting of key education officials and USAID staff to develop the framework for the proposed project. The project was eventually named the Basic Education Consolidation Project (BEC), in keeping with the Ministry of Education's contention that the project should consolidate previous initiatives, not start new ones. The final external evaluations of JSEIP and PEIP were conducted with an eye toward recommendations for the BEC project. The JSEIP evaluation, for example, strongly recommended that the project design team for BEC contain individuals with direct experience in the JSEIP and PEIP projects.

The BEC project design proved to be a highly contested and drawn out process that nearly broke down on several occasions. Yet both USAID and the ministry were pleased with the final results. Having been "burned" during the JSEIP negotiating process by not establishing clear agreements with USAID regarding project goals and details, Ministry officials in charge of teacher education and curriculum development put considerable time and energy into ensuring that the BEC project addressed their concerns. Early negotiations reached an impasse over USAID's attempt to include new initiatives in the program, but USAID eventually agreed to the consolidation goals. Negotiations were conducted verbally at first, and agreements transcribed by USAID staff. Ministry officials went through the drafts carefully, and insisted on changes when they felt the written record did not accurately reflect the agreements made. Personality conflicts among some of the key negotiators added to the difficulties.

The project design process was complicated by the government's decision to reconvene the National Commission on Education. The senior Ministry of Education officials on the project design team had to withdraw to work with the Commission. They were replaced by other Ministry representatives, but the design process had to proceed in a climate of uncertainty about future Botswana education policy. The reconstituted team produced a first draft of a project paper, but apparently USAID/Botswana officials were not entirely satisfied with it. At Mission request, USAID/Washington sent a project design specialist to assist with the redrafting of the project paper. The various team members, including Ministry of Education representatives, all participated in the redrafting of sections of the document, but the final project paper was produced by one of the USAID specialists "locked in the room." Mission staff felt that this was necessary to ensure coherence in the final document. At least some government of Botswana officials involved in the process felt it was also a means to ensure USAID control over the document. Interviews with officials at various levels of the Ministry of Education, however, indicated a general feeling of satisfaction with the overall project design process and the project that resulted. Although contested, government officials felt the design process and the resulting project document were a markedly better than that for JSEIP.

Project designers made a concerted effort to ensure that technical advisors would act as advisors, not line officials. After nearly three decades of education, training, and institutional development focussed on the Ministry of Education, staff shortages were less severe than they had been in earlier years. Ministry officials were therefore comfortable with project staff playing an advisory roles, instead of occupying line positions. They gained agreement that multiple "counterparts" could be designated for an advisor, rather than only one, to make relationships more collegial and maximize opportunities for skills transfer. Taking another lesson from the JSEIP project, the BEC project design stipulated that a needs assessment would be conducted at the beginning of the project, to determine priorities for the project.

Disagreements arose during project development when USAID attempted to make project support conditional on specific policy and institutional reforms. A top government official reportedly rejected overt policy conditionality provisions -- stating that government education policy was determined by Botswana's elected political representatives -- but was willing to welcome dialogue, expertise, and research that would inform the policy making process. The final project paper does include a section on intended areas of education policy dialogue with the government of Botswana, but does not specify changes that must occur.

Project Management and Implementation

The Project Paper initially estimated a USAID contribution to BEC of up to \$12.6 million, with the government contributing \$37 million. USAID supported technical assistance, training, and equipment. The six long-term technical advisors included a Chief of Party and specialists in curriculum coordination, educational measurement, in-service training, and preservice training. Several of these advisors had previously worked with the PEIP or JSEIP projects. These were to be supported by up to 93 months of short-term technical assistance. Training was to be provided in the fields of curriculum development, educational measurement and assessment, instructional materials development, teacher training, guidance, educational materials development and administration. Equipment procured included computers, vehicles, copiers, and audio-visual equipment.

The project was put up for competitive bidding by USAID, and both Ohio University and the Academy for Educational Development (in Washington, DC) submitted bids. Both had extensive experience in Botswana. Ohio University had implemented the successful PEIP project and AED was the contractor throughout the 1980s with the Botswana Workforce Skills and Training project (BWAST). The Ohio University bid team however, included the former chiefs of party for both PEIP and the SEIP. Ministry officials expressed a preference that Ohio University implement the project, but USAID technical review found that both were equally technically qualified to conduct the project. AED had submitted a lower bid, however, and were therefore awarded the contract. Although the contractor initially estimated a cost of \$7.5 million to implement the project, the final cost (after truncation) was \$5.45 million. Officials said they were pleased with AED's performance, but felt that while USAID asked them to express a preference regarding contractors, the decision had already been made.

The Ministry of Education was given primary responsibility for project management. A project Steering Committee was established to guide the project, consisting of representatives from the Department of Curriculum Development and Evaluation, the Department of Teacher Training, USAID, and the contractor. The two departments of teacher training and curriculum were given responsibility for day to day planning and implementation. The BEC effort was thus intended to be fully integrated into Ministry of Education structures.

BEC was intended to be a five year effort, but in the first year of the project's life, USAID announced that the Mission was to be closed in 1996. The Mission petitioned USAID/Washington to allow ongoing projects to continue through the end of the project cycle. Washington agreed to continue the population, private sector, and natural resources initiatives, but rejected the request to continue BEC. USAID and the institutional contractor therefore began working with the Ministry of Education to "wind down" the project and determine which components can and should be continued by the government, but the change has been disruptive. Departments that wanted to benefit from staff training were forced to send all selected staff at the same time, creating severe staff shortages in some departments.

Some observers report that some high-level government officials (who may have foreseen the Mission closure) appeared fairly unruffled by the project's termination, but line officials who were directly involved in the project tended to be bitter. Although the project document contains provisions for either party to withdraw with proper notification, many Ministry of Education officials who were counting on the resources, expertise, and training that was to be provided by BEC felt that the U.S. was breaking a carefully negotiated agreement. The officials involved in the negotiations stated that had they known of the plans for early termination, they would have not had agreed to the project. Strong Botswana ownership in the BEC project has increased the disappointment and resentment felt when the project was truncated.

Due to the Mission closing, BEC was not subject to an external mid-term evaluation. In late 1994, USAID did contract with a researcher at the University of Botswana to conduct an Assessment of Program Impact (API) study, in response to USAID/Washington requirements.¹⁸ The project had only been in operation 14 months, and the researcher found that the assessment generated considerable tensions between project staff and their Ministry of Education colleagues. When project staff were pressed to say what they and the "project" had accomplished, Ministry staff countered that the efforts were collaborative, and that the project could not take sole credit. The researcher complained that the rigid nature of the evaluation did not allow her to take into account such complexities. Ironically, the successful integration of the project into government structures -- essential for long-term effectiveness -- made the donor's attempt to specify project effectiveness difficult.

Project Conditionality and Policy Dialogue

The covenants specified in the BEC project agreement stipulated that the government of Botswana agreed to:

- conduct a joint needs assessment with the advisory team and implement the resulting action plan;
- develop and adopt a clear written statement specifying responsibility for curriculum development;
- assure that in-service training operates under a clear philosophy and procedures;
- place participants returning from long-term training in appropriate posts;
- ensure one or more suitable Botswana counterparts are available for each long-term technician;
- integrate units concerning attitudes toward work, environment, gender, family life and other special concerns into the basic curriculum; and
- continue to coordinate curriculum development with the private sector and local communities.

Most of these covenants were non-controversial, although USAID had failed in its efforts to make increased attention to gender issues an explicit condition in the covenants. While some officials supported a greater emphasis on gender concerns, others were strongly opposed. The compromise agreement was to integrate gender and other concerns into existing curricula, and include gender issues as a priority for policy dialogue.

Unlike PEIP or JSEIP, the project paper contains an extensive section on areas for policy dialogue.

¹⁸ The APIs are one of USAID's responses to a US Congressional mandate. This mandate was part of an agreement whereby Congress loosened restrictions on the Development Fund for Africa (including aid tying and single year appropriations) in exchange for a USAID commitment to demonstrate the people-level impact of USAID projects.

Stating that a number of policy issues will affect the success of BEC, the paper says that:

USAID, mindful of the complexity of revising current policies or establishing new ones, proposes to work cooperatively and closely with the Ministry of Education in identifying and clarifying these policy issues in order to provide the project with a sound policy environment (USAID 1991a).

Collaborative efforts were to take place at a number of levels, including discussions between the Mission Director and the Minister or Permanent Secretary of Education to establish a policy agenda. Possible concerns included education organization as well as overall philosophy. At the operational level, the Ministry and USAID personnel were to develop action plans, including special studies, advisory services and research to increase understanding of the policies in question, and lead to the formulation of a consensus action plans. Issues highlighted for dialogue included:

- developing a clearly articulated philosophy and vision of basic education;
- gender and women development, including access of girls to basic education, improved training and career prospects for women teachers, and a fostering public dialogue on teenage pregnancy;
- improving teaching staff morale, including attention to hiring, promotion, and incentive policies;
- establishing a policy, planning, and research unit in the Ministry of Education;
- improving communication with the private sector and communities; and
- improving donor coordination in the education sector.

When queried, most senior Ministry of Education officials did not seem to be unhappy with, or even particularly aware of, the provisions for policy dialogue. One senior official did express mild exasperation with the implicit assumption in the project paper -- which apparently had taken the form of an explicit recommendation by some USAID project representatives -- that the Ministry of Education should create a single, unified structure for managing the first nine years of "basic education." The official stated that by government policy, Junior Secondary Schools are part of the secondary education system, and creating a new institution to manage all basic education would be an unnecessary and wasteful effort.

Lessons

With the BEC in its final stages, it is too early to evaluate long-term impact. Yet a number of lessons can be drawn from the project:

- Assertive negotiating by recipients during the project design stage can help ensure that the project addresses their needs and concerns. Such negotiating process requires a considerable commitment of time and energy by the officials involved, but it helps ensure a strong sense of ownership for the project.
- If recipients are to put considerable effort into negotiations, they need to have confidence that the donor will honor their part of the agreement.
- Highly political issues, such as organizational changes in a ministry, may be better handled as topics for dialogue rather than explicit conditionality.
- When a project has achieved strong recipient ownership, attempts to evaluate what the project as a distinct entity has accomplished can create tensions. Donor efforts to explain to recipients the

need for such evaluations could help reduce tensions and improve cooperation. Developing more flexible instruments for evaluating project impact on institutional efforts could also prove useful.

5(ii) USAID ASSISTANCE TO THE PRIVATE SECTOR

5.6 BOTSWANA PRIVATE ENTERPRISE DEVELOPMENT PROJECT (BPED):

The Botswana Private Enterprise Development Project (BPED) was launched in May 1991. The actual implementation began early in 1992, picking up momentum by 1993. The project was designed primarily to promote accelerated private sector led development, thus promoting economic diversification away from the mineral sector. Although the Botswana government signed the grant agreement, the major implementing organization has been the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM). BOCCIM is a membership organization representing private business in Botswana (similar to a chamber of Commerce). It conducts policy advocacy, provides technical assistance to small enterprises and encourages foreign investment in Botswana.

Aims and Objectives

The primary objective of BPED has been to increase productive employment in the non-mineral sectors of the Botswana economy. As was noted in Chapter Three, Botswana's economy has been too heavily dependent on the mineral sector, particularly on diamond mining. BPED was therefore initiated as part of a much broader effort to diversify the Botswana economy. Increased productive employment in the non-mineral sectors was to be realized through (a) promoting domestic and foreign investment, (b) increasing opportunities for citizen entrepreneurs, and (c) promoting policy dialogue between the private sector and the government. This last objective was meant to reduce regulatory and other types of constraints placed on private sector development.

Government Policy and Context

Although Botswana has maintained since independence a policy of encouraging the private sector, the development of an indigenous private sector has been limited. The 1980s, however, were a period of increased awareness in government circles that (a) reliance on one primary product could be detrimental to the growth achieved since independence; (b) government growth and leadership in development has limits, and has to accommodate the private sector if it is to be sustainable.¹⁹ The 1982 Presidential Commission on Economic Opportunities captured the new mood for the 1980s and paved the way for some new thinking in government. One such outcome had been the Financial Assistance Policy (FAP), whose major aim was to promote private sector development. The 1985-91 National Development Plan affirmed government commitment to private sector development by stating that the private sector would become the new engine of growth in Botswana, and that government would create a favorable climate for the private sector to flourish in Botswana (MFDP 1991). In 1989, a major national conference on private sector development brought together government officials and private sector representatives in Francistown, which led to a series of recommendations for action (the conference was partially sponsored by USAID). NDP 7 (1991-1997) placed an even stronger emphasis on the need to diversify the economy away from the traditional mineral sectors, and create a supportive environment for the private sector. As a result, BPED fit the general development priorities of government, especially as defined by NDP 7. At the same time, the goal of private sector development fit quite well within the larger USAID/Botswana

¹⁹In 1978, Michael Lipton did a study for Government employment and Labor use in Botswana, and in 1982 the Presidential Commission on Economic Opportunities issued policy statements and outputs to support development of the private sector.

program goals of "creating and nurturing conditions necessary to sustain continued improvements in the economic and social well-being of the average Botswana household." (ibid: psr-1).

Project Initiation and Design

Prior to BPED, USAID had financed the Botswana Workforce and Skills and Training (BWAST) project since 1981. The aim of this project was to increase the number of trained Batswana in positions which foster employment creation. BOCCIM had received some technical assistance and training through BWAST, which primarily provided technical assistance and training to government ministries involved in employment creation but targetted 20 percent of funds during its second phase at the private sector. This project ended in 1992, after which USAID indicated that it wanted to focus on the private sector. According to the BOCCIM officials interviewed, BOCCIM had been struggling to find the necessary resources to carry out high-quality research that could increase its effectiveness as the official advocate for the private sector. BOCCIM submitted a proposal to USAID for funding, whereupon USAID indicated that they would fund the project, but required that the government of Botswana sign the contract. The design of this project was based on BOCCIM's pre-existing plan to act as a mouth piece for the private sector. BPED's design therefore recognized this need and focused first and foremost on strengthening BOCCIM's capacity to carry out its advocacy function.

The design also made provision for some form of cost sharing in the areas of international travel and training. These two had been fully subsidized under BWAST II. The design also planned for programme sustainability, hence BPED technical personnel were shifted from being OPEXERS to advisers. BPED advisors were attached to counterparts to enhance sustainability. BPED project activities were implemented through three organizations: the Botswana Confederation of Commerce, Industry and Manpower, (BOCCIM), the Botswana Development Cooperation (BDC), and the Ministry of Commerce and Industry (MCI). Increasing dialogue and coordination between these organizations was one of BPED's primary goals.

USAID saw BPED as a natural continuation of the Botswana Workforce and Skills Training Projects (BWAST I and II). These two projects has grown out of a program begun in the 1970s, the Southern Africa Manpower Development Project (SAMDP). The project paper for BPED described this as a "ladder type of relationship", where one project leads to the next. Since both USAID and GOB shared an interest in private sector development, both helped initiate the project.

Project Management and Implementation

Deloitte and Touche was awarded the contract to assist the Botswana Development Corporation, BOCCIM, the Ministry of Commerce and Industry with technical logistical coordination in implementing the project. The company was assisted by Development Associates Inc. and Development Alternatives, Inc. The contractor has recruited experts to fill technical positions where required, provided advisors, and has been responsible for all the necessary accounting and reporting. Deloitte and Touche has also been responsible for arranging overseas training for locals as well as providing them with logistical support whilst undergoing this training.

The Project Implementation Committee (PIC) comprising of BOCCIM, MCI and BDC, was the central authority charged with developing, receiving and approving the implementation of all project activities. Chaired by the Director of BOCCIM, the PIC operates on the basis of concensus. During the

early stages of the project, an operating committee was established to oversee medium to long-term planning and coordination of BPED as well as to screen proposed activities prior to their submission to the PIC. However, this arrangement resulted in considerable duplication of functions between the operating committee and the PIC. As a result, in January 1995 the PIC agreed to have the operating committee replaced by four technical subcommittees. These committees met quarterly to review proposed and on going activities in the following areas:

- (i) policy development implementation,
- (ii) management and entrepreneurial development,
- (iii) financial sector development and
- (iv) investment promotion.

Under BPED, some important undertakings included the following:

Policy Development, Implementation and Dialogue

As a result of recommendations made at the Third Francistown Private Sector Conference in 1994, which was organized by BOCCIM with BPED support, President Masire agreed to chair a High Level Consultative Council (HLCC) to provide a forum through which the private sector can contribute meaningfully to the formulation of national development policies and strategies on a continuing basis. This inaugural meeting was held on July 27, 1995 in the office of the President. Government of Botswana (GoB) representatives included the President, Vice President, several Ministers and Assistant Ministers, Permanent Secretaries and Deputy Permanent Secretaries and other high level GoB and parastatal officials. The private sector was represented by the BOCCIM President, one of the BOCCIM Vice Presidents, the BOCCIM Director and Policy Analyst, the BOCCIM Parastatal Sector Chairman, and several prominent business persons selected for their expertise.

In response to the recommendations of a BPED-funded Foreign Exchange Control Liberalization study, the vice President and Minister of Finance and Development Planning announced during his 1994 budget Speech that Botswana proposed to accede to International Monetary Fund (IMF) Article VIII status. Subsequently, the study and its recommendations were the subject of a detailed review by MFDP and the Bank of Botswana (BoB), in consultation with the IMF and local financial institutions. On December 13, 1994, the Vice President announced a package of major exchange control reforms, which will greatly enhance Botswana's economic competitiveness in the region and encourage the development of Botswana financial services sector. The press release accompanying the announcement specifically credited BOCCIM and the Foreign Exchange Control Liberalization study with providing the impetus for these reforms. Approximately 1000 foreign exchange accounts had been opened by companies by the end of July 1995. Starting on August 14, 1995, commercial banks were permitted to open foreign currency accounts for individuals. The BoB also announced that it was broadening the range of currencies in which foreign exchange accounts could be denominated. The BoB established a monitoring system in May 1995 to ensure that the new exchange control measures are not used for money laundering or other illegal purposes. If abuse does not occur, and the new arrangements work well, it is the intention of the BoB and the Ministry of Finance and Development Planning to review the indicative limits and other procedures with a view to considering further relaxations of exchange control regulations. In addition, under the Collective Investment Undertakings project, BPED consultants produced draft legislation that would establish Botswana as a jurisdiction for collective investment undertakings.

The development of Botswana as an international financial services center is increasingly seen as

an attractive option for diversification of the economy away from a dependence on diamonds. In recognition of the complexity of the issues involved, and in response to lobbying efforts undertaken in conjunction with the CIU project and the Foreign Exchange Control Liberalization study, MFDP requested BDC to spearhead a study under the BPED project to develop a proposal for the establishment of Botswana as an international financial services center. The Vice President responded favorably to the final report. In addition to committing to the presentation of the CIU legislation to Parliament in November 1995, he also stated that International Business Companies legislation was identified by the consultants as critical to lay the groundwork for Botswana to become an IFSC.

Through BPED, BOCCIM commissioned a study of SACU to develop a private sector position paper with specific recommendations of GoB consideration. BOCCIM has presented these recommendations and indicated that the team will continue to consult with BOCCIM on issues pertaining to the negotiations. BOCCIM has consistently argued for lower corporate tax rates in order to encourage investment and improve Botswana's competitiveness in the region, and in July 1994 the GoB reduced the effective company tax rate to 35 percent. Various BPED studies, including the Export Incentives study of the CIU project, and the Foreign Exchange Control Liberalization study, argued for a further reduction in corporate tax rates. In December 1994, the GoB requested BOCCIM to submit a private sector position paper on tax reform, and, in response, the Vice President notified BOCCIM that the effective company tax rate would be further reduced to 25 percent in July 1995. Furthermore, the effective rate for manufacturing entities (excluding companies engaged only in packaging, blending, bottling and assembling) was reduced to 15 percent.

A Botswana Power Commission (BPC) study had argued for construction of a new power plant, which could lead to higher rates for industrial users and therefore discourage investment. Using databases developed under the BPED project, and supported by the BPED Policy Advisor to MCI, MCI criticized the methodology of the BPC study and lobbied vigorously with BPC and the Ministry of Water and Mineral Resources to reject the findings and conclusions of that study, and to defer any decision to build a new plant until it was clear that such an action was warranted due to the inability of neighboring countries to supply power reliably and less expensively. BOCCIM has also consistently lobbied for a reduction in energy tariffs and raised the issue at the HLCC in July. The BPC announced in September 1995 that it would reduce tariffs by 10 percent from October 1, 1995 and that future increases will be kept within 50 percent of inflation. Furthermore, a decision has been taken to defer plans to expand capacity at Morupule until 2007 when such plans would become economically feasible.

At the HLCC, BOCCIM argued that the differential between the prime interest rate and inflation was still too high and that interest rates should come down. At a follow-up meeting with the BoB, the Governor of the Bank informed BOCCIM that nominal rates were to be reduced from 14 percent to 13 percent. In addition, several BPED studies argued for better implementation of the Local Preference Scheme (LPS) which was intended to improve the competitiveness of local manufacturers vis-a-vis foreign firms. A comprehensive review of the LPS was completed, and in accordance with its recommendations, a public-private sector task force is designing a Set Aside Scheme to replace the current bid discounting feature of the LPS.

Management and Entrepreneurial Development

BOCCIM's recently revitalized Small Business Division is demonstrating a commitment to mobilizing and strengthening the small business sector through a range of activities and services: i) a small business insurance scheme which provides basic business insurance at a discount to members; ii) a debt

collection handbook which guides small businesses in collecting debts, both through their own efforts and through the use of third parties; iii) a pre-financing handbook which assists small businesses in developing business plans as a basis for obtaining financing; iv) a weekly BOCCIM Flea Market which provides small business with additional marketing opportunities for their products; and v) a BOCCIM Small Business Division Week in early November 1994 which featured a series of business skills workshops for citizen entrepreneurs.

The BOCCIM Organization Strategy Review was completed and the BOCCIM Executive Committee formally approved the recommended option for restructuring BOCCIM to achieve financial sustainability. BOCCIM was reorganized in June 1995, and staff members are now responsible for achieving targets identified in the Operating Plan. Progress reports submitted to BOCCIM Management in August 1995 indicate that staff are well on the way to achieving 1995 targets. In keeping with the recommendations of the BOCCIM Organization Strategy Review, the BOCCIM Training Department is increasingly collaborating with private sector institutions to organize and conduct special seminars and workshop. A number of activities including a National Business Convention all generated income for the Training Department.

In recognition of BOCCIM's effective management of BPED training scholarships, the GoB contracted with BOCCIM to manage its scholarship program for a fee. A local bank contracted with BOCCIM to manage its Career Guidance and Vocational Training Program for employees who choose to participate in a voluntary severance scheme. Both activities are generating income for BOCCIM. In keeping with the recommendations of the BOCCIM Organization Strategy Review, the BOCCIM Training Department is increasingly collaborating with private sector institutions to organize and conduct special seminars and workshop. A number of activities including a National Business Convention all generated income for the Training Department. The Francistown Northern Trade Fair in May 1995 was successfully organized by a committed group of volunteer business people, with minimal assistance this year from the BOCCIM Secretariat and Business Management Advisor. The fair was opened by President Masire who said that BOCCIM had demonstrated its capacity to organize and manage complex business events. He recommended that consideration be given to BOCCIM taking over the Botswana International Trade Fair. One exhibitor reported increased sales of \$75,000 resulting from his participation in the fair.

Investment Promotion and Support

Early in 1994, BDC commissioned a consultancy through BPED to develop a framework for accelerating the divestiture of its Industrial Division holdings to ensure that adequate funds are available for investment in future BDC development projects. In May 1994, the BDC Board incorporated the BPED Divestiture Study into its Corporate Strategic Plan. Subsequently, a Corporate Finance and Divestiture Manager was appointed from among BDC's staff, and he is currently engaged in organizing the new unit and negotiating several divestitures. A BEPD Divestiture Consultant advised him in implementing the divestiture strategy, and other BEPD advisors to BDC were also engaged in advising staff on divestiture strategies. BDC has fully divested of eight companies, five through the share market and three through private treaties. As of June 1995, negotiations or discussions were underway to divest a further sixteen companies. BDC is ahead of schedule in implementing its divestiture strategy, and the value of divested holdings to date is approximately \$29.5 million.

However, officials were also quick to highlight problems. Some of these include:

- The fact that BPED money can be used to attract foreign investment only from America, though

politically sensible from the donors perspective, was seen by some officials as potentially limiting.

- Due to shortage of skilled people, American advisors ended up being used in line positions, contrary to the original understanding at project design stage.
- The policy advisor at MCI was a Deloitte Touche employee.
- Although BPED has resulted in an increased dialogue and collaboration between the GOB and the private sector, many within the private sector believe that little has been accomplished. The Government has agreed to many of BOCCIM's policy change proposals, but implementation has been a problem. This is partly why a highly-placed committee reporting directly to the president was set up in 1994 to try and speed up the agreed policy changes. However, despite this high powered body, movement towards creating a favorable environment for business has been slow. In a recent speech to BOCCIM, the governor of the Bank of Botswana summed up the private sector's dissatisfaction with the place of deregulation as follows:

Deregulation is an urgent necessity to allow the private sector to take full advantage of the reduced tax rates which come into effect 1st July this year. The highly xenophobic, control-oriented and regulatory attitudes which have characterized public administration must be abandoned. Let market forces, not bureaucrats, guide business decisions (Hermans 1995, 10).

Comments such as these do show that despite the impressive progress made so far, much remains to be done in promoting the growth of the private sector and economic diversification.

Ownership and Sustainability of the Project

A common problem with a number of assistance projects is the lack of ownership by recipients. This lack of ownership can be due to a variety of factors including: "inadequate technical and administrative capacity and inappropriate incentive structures within African governments [and] policy conditionally attached to the provision of external assistance" (Lipumba 1994, 63). However experience shows that policy dialogue and agenda setting by both donor and recipients are invaluable in determining the effectiveness of aid.

The goals of BPED have also been in accord with those of BOCCIM, which has the primary objective of promoting economic growth through encouraging competitive market-oriented approaches. Thus BOCCIM saw BPED as providing the necessary support to enable it to fulfil its mission. This has been done mainly through strengthening BOCCIM's analytic capacities, helping it expand its membership to the point where today, more than ever before, BOCCIM is credited as a key player in policy discourse and in championing the private sector in general.

BPED has fit well into both government's and BOCCIM's goals and objectives, and has had several significant payoffs. First, both BOCCIM and government felt the project truly belongs to them. Secondly, BPED has generated political goodwill and resources necessary for marshalling other forms of assistance. For example in 1994 when a major private sector conference was held in Francistown, it was decided that a high level committee reporting directly to the president be set up to oversee private sector development. This is clear testimony to the level of commitment to BPED and to developing the

private sector in general on the part of the political leadership of the country.

Sustainability is of course a function of several variables. Half of BOCCIM's budget is currently donor funded. BPED was slated to termination September 1995, with the closing of the USAID bilateral mission. However, Botswana officials argued that early termination would threaten the financial stability of BOCCIM and preclude it from playing its crucial role as the voice of the private sector. Therefore, USAID reversed its decision to truncate the project, and BPED was streamlined to focus on two key objectives: i) ensuring the stability of BOCCIM; and ii) ensuring the sustainability of the policy dialogue process. The critical question for BPED remains whether BOCCIM members will be willing to provide additional resources to continue activities after the project ends. BOCCIM has begun a strategic planning exercise to anticipate this eventual end of donor funding. Policy advocacy will likely continue, although BOCCIM's ability to produce detailed policy papers may be reduced somewhat. Technical support for small-scale entrepreneurs is most likely to be threatened, since it is not yet clear whether BOCCIM's larger members will wish to support an activity that does not directly benefit them.

5(iii). USAID ASSISTANCE TO THE POPULATION SECTOR

5.7 BOTSWANA POPULATION SECTOR ASSISTANCE PROJECT (BOTSPA)

The Botswana Population Sector Assistance Project (BOTSPA) was launched in 1988 to assist the Government of Botswana (GoB) to strengthen the effectiveness and efficiency of its population and family planning programs and services through a process of policy formulation and implementation. Although GoB had a commitment to reducing the high rate of population growth and a number of programs existed in various ministries, these were largely uncoordinated and without focus. BOTSPA was designed to eliminate constraints on the GoB's efforts to reduce the rate of population growth. The project was supported through a small non-project assistance sector grant of \$5.2 million (over the five-year period) as well as technical assistance.

A set of conditions precedent were to be observed over the life of the project, with project funds to be released in tranches as the conditions were met. By the second year, however, projected funds remained under-utilized and few of the conditions had been met; both USAID and the GoB came to realize that the original project design was inappropriate to the country situation. BOTSPA was redesigned and rationalized in September 1991 following a midterm evaluation. The project focus shifted from policy conditionality to projects focussed on strengthening family planning, and improving the quality of services aimed at combating sexually transmitted diseases, condom social marketing, and AIDS education.

The BOTSPA experience shows how a poorly designed project can create problems at implementation level and how timely intervention (redesign) can bring the project on course. It also illustrates the importance of Botswana's long consultative process and national development plans and demonstrates the difficulties that can arise when a donor tries to circumvent them. The problems experienced initially shows how breakdowns in the implementation and follow-up for donor projects can occur even for a government with a good record for managing aid projects. Finally, the BOTSPA experience suggests that non-project assistance policy lending is an inappropriate tool when donor funds are small relative to recipient resources, and when the recipient government has already demonstrated a commitment to the policies.

Government Policy and Context

The GoB has recognized since independence the detrimental effects of rapid population growth on socio-economic development and put in place a number of programs deemed likely to have direct or indirect effects on the rate of population growth. Recognition of the need for a comprehensive population policy resulted from government discussions of population projections in the context of Botswana's economic strategy, policies and programs. Three conclusions emerged. First, rapid economic growth was needed regardless of the rate of population growth in order to create employment opportunities and improve the quality of family life as quickly as possible. Second, a lower rate of population growth would ease the long-run tasks of attaining national development objectives. Third, the changing composition of the population -- particularly the growing number of children under the age of fifteen -- would have implications for the long-term planning of both education, health care and other amenities.

Government policy initiatives from as early as the 1970s encompassed support for family planning activities, maternal and child health services, information and education activities, contraceptive logistics,

training, demographic research and analysis, and associated policies in population and health care system. Family planning services were made an integral part of the basic health-care package provided by the government. Yet there was no clearly stated policy on population issues or a program for coordinated implementation among the ministries of Health (MOH), Local Government and Lands (MLGL), Education (MOE) and Finance and Development Planning (MFDP). A number of donors offered financial and technical support to the population sector. The principal donors were USAID, the World Bank, NORAD, UNFPA and UNICEF. From 1983 to 1988, donors had financed an average of 69 per cent of all population sector development spending. The GoB seemingly opted for a low-key approach.

Despite government support for population programs beginning five years after independence, population growth remained high. Botswana had one of the highest population growth rates in the world (at 3.7 percent between 1985-90, second only to Kenya in Africa), and the rate of sexually transmitted diseases (including AIDS) was growing. The government realized that it faced both a population explosion that could increase poverty and unemployment, as well as an AIDS epidemic. The need to have a comprehensive population policy therefore became increasingly imperative. NDP-7 stated the GoB's intent to formulate a population policy, called for a standing committee to coordinate inter-ministerial activities and a permanent office with staff to support population programmes.

Although government officials recognized the need to develop a national population policy and a structure to coordinate population and STD efforts, they also recognized that a wide range of cultural, political and bureaucratic concerns would have to be addressed. Developing a comprehensive population policy would require a consultative process of workshops and other awareness-raising activities. Botswana places a tremendous emphasis on governing through consensus, especially for issues which are socially or politically sensitive. The need for the consultation process has a historical background. As noted in chapter two, the *Kgotla* (community meetings to discuss specific issues and determine the majority opinion) is a traditional part of Botswana society and was viewed as an essential step in the development of a national population policy. If central-level officers could not travel to attend *Kgotla* meetings or organize conferences, district-level personnel would participate in this process, and the consensus from these meetings would in turn be communicated to the central level. On the technical and institutional side, the problem remained that population programs existed in various ministries but were largely uncoordinated. BOTSPA was intended to help the GoB to overcome these coordination problems, and create a comprehensive population policy.

Project Initiation and Design

As noted in Chapter IV, the GoB tends to develop its own projects -- often drawing upon teams, studies and reports (sometimes provided by donor funding), and then selects donors for funding and technical support of government efforts. GoB often seeks to obtain help from the donor best equipped to provide it for any given portion of a program. In this case, USAID had expertise and experience to offer in the population sector.

In 1983 the USAID/GoB country development strategy statement identified the area of population under "complementary activities." At this stage, USAID saw its role as encouraging the development of government policy and supporting activities meant to increase awareness in the area of population and development. In 1986, the GoB held a conference on population and development for parliamentarians and chiefs. This conference recommended that the government create a National Population Policy. GoB organized a similar conference in 1987 for high level policy markers, including ministers, permanent

secretaries and senior civil servants. The USAID mission took advantage of the conferences to move towards an increased role in Botswana's population policy formulation. The mission's strategy assessment and evaluation of July 1987 argued that USAID and the Botswana Government should coordinate in the population sector, and that the priorities of both parties would include assistance with family planning. USAID proceeded to prepare the project paper in 1988 (PAAD, 1988:4-5).

The resulting BOTSPA program assistance grant had two components. First, a sector non-project assistance (NPA) assistance component was designed to encourage the GoB to develop a national population policy, increase investment in the population sector, and implement improved population policies. The disbursement of the grant was to be in five tranches. Before each of the tranches could be disbursed, the GoB had to have satisfied certain specified conditions precedent (CPs), briefly outlined in the next paragraph. According to the project document, these conditions were meant to ensure that the GoB put the necessary mechanisms in place for project objectives to be achieved. BOTSPA was USAID's first NPA grant in Botswana, and a rare example of policy-based assistance in the country. BOTSPA was apparently seen by USAID as an innovative means to encourage policy reform and partly as a means of reducing the administrative burden on USAID.

The second grant component for BOTSPA was a technical assistance element designed to provide the technical expertise and training necessary for Botswana to deal effectively with its population problems. The assistance was to be used also to monitor the program, and to ensure continuing policy dialogue between USAID and GoB. According to the project document, these funds for technical assistance were to be jointly programmed by USAID and GoB, but the dollar account was to be managed directly by USAID.

By the end of the project, it was envisaged that Botswana's population policies would have improved in the following ways:

- A National Population Policy would be enacted and its various activities and components coordinated;
- A National Population Council would be in place and charged with the task of implementing the National Population Policy;
- The Central Statistics Office's Demography Unit would be strengthened;
- The Central Medical Stores would be more effective at both procuring and distributing contraceptives, the number of trained health staff and health facilities with adequate contraceptive supplies would have increased, and the budget for contraceptive production expanded;
- The use of non-medical outlets for marketing family planning methods would be evaluated;
- Increased first visits for Family Planning Services would be recorded;
- The Health Education Unit in the Ministry of Health would have expanded, and education and communication would be increased; and
- The GoB would be committed to encouraging NGO and private sector participation in the population sector, and would be supporting NGOs to distribute educational materials.

A number of project conditionalities, mutually agreed upon as conditions precedent, were to guide the process of formulating and implementing a national population policy by the end of the five year period. Meeting these CPs, at specific steps in this process, were stipulated as necessary for releasing financial tranches from USAID during the life of the Project. For example, conditions required for disbursement of the first tranche of funding were:

- Evidence that the GoB had established an Inter-ministerial Program Steering Committee responsible for BOTSPA implementation;
- A written plan setting forth actions (including technical inputs and public consultations) required to develop a population policy;
- A written plan and procedures for the procurement and distribution of contraceptives by the Central Medical Stores;
- A written plan for improving the quality and effectiveness of existing MCH/FP clinical services including the expansion of these service delivery points; and
- A written plan describing how GoB intends to increase the involvement of NGOs and the private sector in population programmes.

The GoB officials interviewed did not remember GoB's role in the original design of BOTSPA. The project was not in the National Development Plan and was probably designed primarily by USAID, although it appeared consistent with GoB thinking. Both parties were eager to have a population policy, but the speed and logistics of implementing the project appeared to have been perceived differently. Given the apparent consensus on the importance of population issues within the government, the design team believed the GoB would fulfill the illustrative conditions precedent within the dates stipulated in the project document. Yet the GoB apparently regarded conditions precedent as negotiable.

The officials who signed the project agreement on behalf of the GoB must either have believed that it was realistic to fulfill these mutually-agreed upon conditions precedent, or they did so with the hope of modifying some of the conditions through subsequent negotiations as the project evolved. When progress towards meeting BOTSPA objectives proved much slower than anticipated, two Cps were modified.²⁰ Yet, two years later, most conditions were still unmet following these changes and funds were still under-utilized. The whole project was subsequently redesigned radically after a mid-term review in 1991.

According to the officials interviewed, the redesign was collaborative with active participation on both sides. The NPA approach, which proved inappropriate and ineffective in this specific project, was eliminated and all funds were reprogrammed as project funds. The focus shifted from policy conditionality to family planning and improving the quality of services aimed at combating sexually transmitted diseases, condoms social marketing AIDS education. Formulation of a national population policy was to receive support but took second priority to family planning and public health service delivery. A project coordinator was designated within MFDP in population unit to keep to program on track toward specific objectives. In addition to the project coordinator at USAID, increased levels of involvement of mission management in the process of policy dialogue was anticipated. In line with the GOB policy on decentralization, the re-designed BOTSPA was expected to concentrate its efforts on the district programs and personnel.

Project Management and Implementation

Under the original project agreement, the GoB was responsible for implementing the project through an inter-ministerial committee supported by the executive organ, the population unit. The

²⁰ For example, one of the amendments in the CPs called for the designation of a project coordinator within MOH, which was not required in earlier documents.

responsibilities of the GoB were distributed among three main ministries. The Ministry of Finance and Development Planning was in charge of the coordination of all programs under the project, and the ministries of Health and of Local Government Lands and Housing were the executing ministries. The Central Statistical Office was also involved.

USAID's role in the management of BOTSPA involved monitoring and evaluating the project to ensure that it was achieving its goals, mainly through short-term consultants. It is important to keep in mind that the use of the NPA mechanism was partly designed to lighten the management burden for USAID; this entailed more management responsibilities for the GoB. Quarterly review meetings were used as a forum for assessing whether mutually agreed targets of BOTSPA had been met. USAID was responsible for financial accounting and disbursement of funds, and was supposed to hire project manager to coordinate USAID's participation in BOTSPA and to fund an advisor.

By design the NPA mechanism in the project agreement vested very little day-to-day managerial responsibilities on USAID except with regard to financial management and the quarterly review meetings. Based on interviews with GoB officials, USAID management initially seemed not to appreciate the need for direct intervention in this type of project. The position of the USAID project manager was not filled until December 1990. The Information, Education and Communication advisor in MOH was appointed late in 1989 and occasionally served as an ad hoc project manager; she was sometimes asked by the USAID to discuss changes in the conditions precedents (CPs) with GoB officials on its behalf. According to the former head of the Family Planning Division in the MOH, the absence of a project manager at USAID compromised the substantive line role the BOTSPA-financed IEC advisor was expected to perform in the ministry, contributed to the lack of proper project management, and exacerbated other problems that she experienced at the MOH in 1989. There was considerable confusion over the IEC advisor's role vis-a-vis both the MOH and USAID mainly because she was regularly asked to assist with tasks that would had fallen on the USAID project coordinator, had there been one.

Coordination

Coordination of the project was to have been carried out by two groups. First, an Inter-Ministerial Committee for Population and Development (IPSCPD) was established, with membership from the Ministry of Finance and Development Planning, Ministry of Health, Ministry of Local Government Lands and Housing, Ministry of Agriculture, Ministry of Education, Ministry of Labour and Home Affairs, Central Statistics Office, and the Office of The President. The second institution envisaged for the coordination of BOTSPA was the Population Unit, which was to be housed in the Central Statistics Office. By 1991, however, there was still no sign of a population unit, nor a population policy to justify its creation.

The Inter-ministerial Programme Steering Committee, though at least it existed, lacked the authority to effect implementation of its recommendations. Nor was the committee able to perform its main function of determining priority activities to be financed using resources provided through the grant. Work-plans for the three ministries implementing the project were to be submitted to the IPSCPD. The latter was to review and compile them into a single comprehensive work-plan for submission to USAID. Yet the committee lacked statutory and executive powers, and the system of processing work-plans was not satisfactory to either GoB or USAID. According to the mid-term evaluation report (1991:74) the MOH experienced frustrations that the plans it submitted to the IPSCPD had never been acted upon and forwarded to USAID. Another problem was that the committee was *ad hoc* and had no proper terms of reference. It was unclear to whom the committee had to report, or who should act on its

recommendations. Probably the problem was due to absence of the executive organ -- the population unit still had not been established. One of the implementing ministries, the MLGLH, was still unsure of its role in the project three years after it had begun. Until the 1991 evaluation, the permanent secretary of the MLGLH was unaware that BOTSPA funds were under-utilized, and the Ministry had never used them. Ministry of Health personnel were not clear as to which types of expenses could be covered under BOTSPA funds. Some of the personnel who should have been involved in the implementation of BOTSPA, such as District Commissioners, were unaware of its existence. Clearly, communication of the terms and conditions of the agreement leading to this project had been deficient.

The situation changed significantly after the mid-term review and the project redesign in 1992. To paraphrase the financial audit report by RIG (1995): "Monitoring since BOTSPA's redesign improved significantly. Periodic meetings bring together the full-time USAID project officer and Government, contractor and guarantee officials to review progress. As a result," the report concluded, "the Mission and the Government have consistently concurred on progress, problem identification, action plans and the status of host country contributions" (RIG/A/Nairobi, 1995:8). All the GOB and USAID officials interviewed concurred with these observations. Further, it must be added that collaboration between USAID and other donors in the population sector was enhanced through BOTSPA's redesign. For example, UNFPA took up policy support as a major initiative in its country program in 1992.

The population policy consultative process has continued to move forward. In July 1992, a National Council on Population and Development (NCPD) was established together with a population unit (a secretariat) within the MFDP with the responsibility of coordinating various existing population programs, awareness raising and consensus-building activities, and the formulation of the policy. In the process of formulating a national population policy, the council has held a number of sensitization and consultation seminars both at national and district levels. For example, between June 1994 and November 1995, two seminars, one for women leaders and the other for youth and religious leaders, were held at the national level. Four district-based seminars were also held covering all districts in the country. The convening of the National Conference on Population and Development held in November 1995 was a further step in the process of consensus building to engender broad based support for the policy, and deliberation of the same Conference anticipated that a coherent policy on population issues will be incorporated in the NDP-8.

Project Evaluation

Monitoring and evaluation of BOTSPA was to be done through Project Review Meetings, quarterly in the first year, then twice a year. Once a year, USAID and GoB were to meet to review performance, the financial position, and work for the future. Unfortunately, there was little or no follow up of the recommendations made during such meetings. Even though USAID hired a consultant to review this project after the first project meeting, there was no evidence that the recommendations made were incorporated in order to redirect the project. Part of the reason was that, as already noted, the committee (IPSCPD) was ad hoc and its members had many other duties. One consequence was that the project summaries that the MOH was expected to prepare following each review meeting never were followed up. As a further check on implementation, it had been envisaged that short surveys would be conducted every 2-3 weeks in order to ensure timely detection of problems. When the 1991 evaluation was conducted, it was found that these surveys had not been done. Two reasons have been given for this: the CSO was involved in preparing for the 1991 census, and there was never agreement concerning the objective of these surveys.

Based on correspondence in USAID files and interviews with GoB and USAID officials, it appears that there was considerable discussion of progress toward the conditions precedent (CPs) and these discussions raised the possibility of redefining the CPs, as happened on two occasions. In fact, the attention of both the GoB and USAID tended to focus on this aspect, since the disbursement of NPA funds resolved around the CPs. But there was little evidence to suggest systematic monitoring of performance indicators, especially those related to family planning service delivery. The situation changed, however, when the project was re-designed. The project review meetings were reinstated on a bi-annual basis to review quantitative indicators in family planning service delivery, in-service training, IEC, and MIS.

The mid-term evaluation conducted in 1991 was critical of the project's progress. The evaluation found that the GoB experienced difficulties in implementing the first phase of BOTSPA in a number of areas, especially in project coordination and evaluation. The main constraints were lack of a permanent office in support of population activities, lack of an official inter-ministerial committee with a clear mandate and appropriate standing membership, lack of a program coordinator for BOTSPA within the GoB, and widespread manpower shortages. The problems that the GoB experienced were found to be further aggravated by certain deficiencies in USAID's management of the project. These included lack of a project coordinator until late in the project; insufficient input from mission management in the policy dialogue (a problem associated with turnover in Mission Directors during the early period of the project's life), and insufficient attention to monitoring quantifiable performance indicators.

On the positive side, the 1991 review found that there had been considerable expansion in the facilities and family planning services. The integration of services offered by the Maternal Child Health and the Family Planning Unit of the Ministry of Health had been achieved, and authority had been decentralized from the centre to the districts. The Government had also made progress in procuring contraceptives using its own funds (as opposed to donor funds), and in ensuring timely delivery of contraceptives, though more needed to be done in terms of providing in-service training for those officers responsible for delivery. On the other hand, there was still no over-arching population policy - the main objective, nor the bodies in place to coordinate or enact it. NGOs remained uninvolved in population issues, and education efforts remained weak.

Many of the management problems were due to inappropriate project design -- especially the NPA mechanism -- and the circumstances under which it was implemented. The NPA approach was intended to provide GoB with the opportunity to take almost "full control" of its activities in the population sector, accelerate/encourage formulation of a population policy, achieve results (the conditions precedent), and lighten the managerial burden of the project on USAID. The project had not been in the national development plan, but was negotiated for its inclusion given the strong intent for a policy. Taken for granted, however, were the availability of manpower, support facilities, the time required for the consultative process, and the readiness of GoB to formulate a population policy. GoB had been favourably disposed toward formulating a population policy and establishing a population unit even before BOTSPA, but these were actions which were to be taken according to the GoB's own timetable. The NPA mechanism had not served to accelerate this process. Clearly, the pace at which the formulation of a population policy was to evolve was overrated.

The critical mid-term evaluation, together with the arrival of a full-time USAID project officer and a new Mission Director, helped catalyze the effort to completely redesign BOTSPA. The redesigned process led to a collaborative commitment to getting the project "back on track," and the situation changed positively thereafter. Since the project is still underway, no final evaluation has yet been conducted. The project has achieved, however, a number of measurable results, including contraceptive prevalence and

increasing awareness of AIDS (see below).

Impact and Lessons

A number of observations can be made with regard to lessons. First, the project was consistent with the development strategies of GoB and USAID and it attempted to build on the demonstrated strength of the GoB in the area of family planning and public health service provision. Certainly, a number of structural and institutional constraints existed that had impeded the expansion/improvement in service delivery. But some assumptions were contradicted in practice. The lack of a population policy did not impede the expansion of family planning and public health services in Botswana. The main obstacles to service delivery were found at an operational, not at the policy level. Policy dialogue and subsequent project redesign took this into account. If a country has alternative means of funding its programs and a tradition of not allowing donors to hurry them, the incentive aspect of NPA may not be sufficient to overcome other constraints.

Further, the institutional capacity or at least the readiness of the GoB to implement the project appeared to have been overstated -- probably for four reasons. The first, project agreement document was prepared against the background of GoB's "good record" for implementing development activities. But this was done with little or no considerations of both the country's shortages in manpower throughout the ministries and long consultative process in policy formulation as embedded in Botswana tradition. Third, as mentioned in the management section, the project was not originally structured to encourage management by objectives. For example, BOTSPA did not have a GoB project coordinator whose sole job was to ensure the implementation of activities that would contribute directly to objectives, and the USAID project coordinator was not available until December 1990. Fourthly, the government is still engaged in a national consultation process to develop a national population policy, seven years since BOTSPA was initiated. Because the development of such a policy touches on highly sensitive political and cultural issues, widespread consultation was seen as essential.

The consultation process has been very long for this issue, which suggests that when BOTSPA started the two parties were not on the same "wave band". According to the Mid-term Evaluation Report (1991:10) one GoB official stated: "When BOTSPA began we were in the Stone Age (with regard to a population policy) and USAID was in the Space Age". Although the GoB acknowledged population issues and had strong intent to formulate a policy, there was still hesitancy in the earlier years of BOTSPA to move too quickly on an issue that was viewed as potentially sensitive. Some of the slowness may also have been due to the relevant ministries being overextended. For example, it took nearly six months for USAID to get formal GOB comment on the final draft of the 1991 evaluation report.

The original emphasis of BOTSPA on policy conditionality appeared inappropriate, and the \$5 million budget was sufficiently small compared to government resources that it had little leverage to begin with. The USAID's keenness to assist in recreating Botswana's population policy system pushed it to create an overwhelming list of demands to encourage attainment of the objectives. Those GoB officials placed in oversight or coordination positions gave little attention to the BOTSPA because it was tacitly seen as unrealistic, less urgent or unimportant (given the size of the grant attached), and regarded the conditions precedent as negotiable. The project was therefore allowed to falter, and only recovered after a re-evaluation and a complete redesign. Clearly, the magnitude of financial assistance, as built in the NPA strategy in BOTSPA, matters in providing leverage for policy and institutional change, in inducing recipients motivation at the implementation level. If a country has alternative means of funding its programs (including its own financial resources), the incentive aspect of NPA may not be sufficient to

overcome other constraints, such as political sensitivity of population as an issue, lack of absorptive capacity, shortages of manpower, and so forth.

Since the project was re-designed, it has moved smoothly with impressive results. For example, the Botswana Social Marketing Program maintains the highest per capita sales of any condom social marketing program in the world. This program has been carried out by an NGO with the assistance of Population Services International (PSI). Although pleased with the Social Marketing Program's success, GoB officials did express concerns that although they were initially told that the NGO would be self-financed by the project's conclusion, they were recently informed that government funding would be required to continue the program. On the other hand, the cooperative agreement that GoB cleared with PSI endorsed the need for continued financing of the project after the initial three year period, and the parties involved were going to explore ways of sustaining and funding the BSMP. It is usually hard in retrospect to sort out the written record versus impressions left from verbal exchanges. However, the GoB seems to be ready to continue funding the BSMP with a possibility of retaining a pilot contract with PSI until a local capacity is created to sustain the project. But the issue of whether the BSMP will continue to be managed through a private agency or through a government department does not seem to have been resolved yet. As of now, GoB has appreciated the NGO's contribution and there is a strong possibility of retaining the existing arrangement.

Other elements of BOTSPA have also seen largely positive results. Post-training increases of 50-100 per cent in couple-years of protection have been observed at facilities to which master trainers under a national in-service training program are attached. The training of trainers in family planning methods and public health education has achieved tremendous results with active involvement of many NGOs. All these and other activities receive financial and technical assistance under the redesigned project. These other programs and activities funded under BOTSPA are expected to be sustainable when the project ends in March 1996, due to an increase in sector funding by the GoB. Such an increase was one of the BOTSPA's objectives.

5(iv) LESSONS FROM THE CASE STUDIES

The following summarize some of the lessons from the case studies. The first set are organized in parallel to the various sections of the case studies, and the latter emphasize some common themes and lessons that emerged.

Development Planning

The case studies confirm that the government takes the development plans seriously. In each case, the projects addressed a priority identified in the national development plans. Basic education has been a major priority starting with NDP5 (1979-85), which was the focus of first PEIP, then JSEIP and BEC. More recently, NDP7 (1991-97) placed a major emphasis on private sector development (the focus of BPED), as well population growth and HIV/AIDs (as are currently addressed by BOTSPA). PEIP was incorporated by name into NDP6. Donor projects were usually not explicitly identified in the development plans, but many of the specific initiatives were listed among priority projects before the USAID projects were even designed (particularly for PEIP and JSEIP). The plans were not treated as immutable -- new initiatives were incorporated into the mid-term reviews or subsequent development plans -- but they were respected. Initiatives proposed by USAID that were directly at odds with government plans and priorities were not accepted (JSEIP and BEC).

Economic, Political, and Policy Context

The economic, political, and policy context for the projects was generally favorable, contributing to project effectiveness. Strong support at all levels of government for improved primary education created a favorable environment for all three USAID basic education projects. The government's decision to make private sector development a top priority has improved receptivity for the policy proposals generated by BOCCIM, with support of the BPED project. The institutional environment also tended to be favorable, and in no cases were concerns raised regarding misuse of donor funds. The projects, however, occurred in the context of rapid growth and change both of government and the economy. Personnel or skill shortages delayed the attainment of some project goals, as did organizational issues at the ministry level. For example, USAID felt that the lack of a consolidated Department of Teacher Education hindered project training during the early stages of PEIP and JSEIP. The ministries, however, were often attempting to adapt to rapid changes in the quantitative and qualitative nature of their responsibilities. Although USAID may have been correct in its assessment of some of the problems, government officials felt that it tended to overestimate their impact on project effectiveness. In pushing for institutional reforms, USAID did not always seem to recognize that institutions can only adapt to a limited number of changes in a given time period.

Salary scales and career prospects for Batswana in targeted institutions were an important exogenous factor in overall project effectiveness. The stable economic and political environment has generally facilitated the retention of trained staff and allowed for long-term institutional learning. PEIP's success in establishing a Department of Primary Education (that is now locally staffed) was facilitated by the competitive salaries offered by the University. Economic prosperity, however, has led to an erosion of civil service salaries relative to the private sector (particularly for teachers). Rigidities in the salary grading system established by the Department of Personnel Services and Management (DPSM) have further hindered retention of trained and qualified staff in some instances, both for instructors at the teacher training colleges (trained by PEIP) and for computer system managers at the Ministry of Education (trained by JSEIP).

Project identification and sectoral assessments

Officially, donors support projects already identified by the government. USAID, however, has its own procedures and requirements for determining what projects to support. The projects considered fell within USAID priorities for Africa and the Mission strategy, which coincided with GOB priorities. In most cases, project selection seemed to be the result of formal and informal dialogue between the government and Mission staff, sometimes over several years prior to the project initiation. Prior to the JSEIP project, however, USAID engaged in a large and costly "sectoral assessment." The assessment was primarily driven by USAID priorities and written by outside consultants; and consequently had limited influence on government policies and did little to make the initial project design more appropriate to Botswana's needs.²¹ This donor-driven and relatively uninfluential assessment can be contrasted with that of the two National Commissions on Education (in 1977 and 1993), which -- although receiving some donor support and advice -- were seen as a Botswana effort, and subsequently have guided education policy.²² Recipient "ownership" of such assessments is therefore just as important as ownership of projects.

Project design and negotiation

Government commitment to its development policies and priorities does not mean that it will not have to work to ensure they are respected by donors, particularly as goals are translated into details. Although all the USAID projects examined addressed government priorities, difficulties were encountered in several (but not all) of the projects during the project design and negotiation process. Of the six projects considered, the project design process was seriously flawed in two instances (JSEIP and BOTSPA), highly contentious but ultimately successful in one (BEC), and relatively smooth and effective in two (PEIP and BPED).

USAID requires that a Project Paper describe project goals and design in detail; this USAID document is supposed to be written in close collaboration with the recipient, but can be dominated by outsiders (consultants or USAID staff) and donor priorities, and is often written under pressure from USAID deadlines. The Project Agreement is a shorter document that describes the specific agreements made by both donor and recipient, and constitutes a treaty between the two governments. One problem has been that GOB tends to recognize only the project agreement (and take its commitments seriously), while USAID evaluates the project and contractors based on the objectives in the project paper.

The design process was more successful when the Mission (rather than USAID/Washington) was the primary negotiating partner with the government, and the project design team had both the time and commitment to engage in genuine collaboration and consultation with the government and recipients. The PEIP contractor was consistently cited as being highly collaborative, which may explain why project design went so well even though Ministry of Education negotiation capacity and leverage in 1980 was

²¹ The Ministry of Education's official response to the sectoral assessment consisted of a request for assistance for projects already identified in the National Development Plan (several of which USAID eventually agreed to support).

²² The recommendations of national commissions are presented to the government, which then produces a white paper specifying which recommendations have been accepted. The white paper becomes official government policy, and is integrated into subsequent development plans.

considerably less than today. In stark contrast, the JSEIP contracting institution was obsessed with its own objectives and under contract to USAID/Washington, not the Mission. The initial JSEIP project design was conducted by a large USAID team with little input from key Ministry of Education officials. Although the initial design addressed an overall priority of the Ministry of Education (junior secondary curriculum development), the specifics were at odds with Botswana's needs and the institutional capacity of the Ministry of Education, and timetables were unrealistic. The designers of both JSEIP and BOTSPA were clearly interested more in making the project paper look impressive to USAID headquarters than ensuring it was appropriate to local needs.

The case studies demonstrate that attention must be given to process as much as to the outcome during project design. Obsession with dates and project outputs can undermine consultation and consensus. The JSEIP project paper was riddled with unrealistic timetables and measurable output indicators, which became major sources of tension between the contractor and the government. In contrast, the PEIP and BEC project papers, while specifying some outputs, placed a strong emphasis on process issues and institutional development.

The government has shown a clear willingness to fight for changes if it disagreed with aspects of the project design. The JSEIP study provides a detailed description of the tactics used by the government to extract concessions from USAID and ensure that the project agreement addressed its priorities. Yet in the face of rigid donor timetables, the government has accepted flawed projects with the hope of modifying and establishing control over the project during implementation. The government was eventually able to do so with both BOTSPA and JSEIP.²³ Yet the problems and tensions caused by problems in the JSEIP design caused education officials to take a very hard line during BEC negotiations, and refuse to sign an agreement until they endorsed every detail of the project paper. These negotiations, however, were extremely time-consuming. An unwillingness or inability to devote such time may explain why the government accepted BOTSPA -- with timetables and requirements that clearly contradicted government priorities -- even though it was not desperate for money in 1988.

Negotiation is a two-way process. USAID's willingness to negotiate varied with the personalities involved and their experience in Botswana, although the studies indicate that USAID as an institution is not always accustomed to assertive negotiation by the recipient. The original JSEIP project paper was presented to the government as a "take it or leave it" proposition. The Ministry of Education's willingness to reject the initial project design forced USAID into negotiations and gave the the government leverage to make major modifications in JSEIP. For the most part, however, Mission staff have tried to engage in a good-faith negotiating, although government officials still feel that USAID tries to maintain excessive control over the design process.

A final remark regarding project design is that, in an apparent effort to reduce the total portfolio of projects, the typical USAID project has become larger and more complex -- sometimes more a collection of loosely-related subprojects. Although such large projects may improve efficiency in some realms, it can reduce flexibility and make project coordination difficult.

Project Management, Coordination, and Control

²³ Although the negotiated changes brought JSEIP more closely in line with Ministry of Education priorities, fundamental differences remained between the Ministry of Education vision for the project and that of the final Project Paper and the U.S. contractor.

Control of the management and implementation of projects was a central concern of both the government and of USAID. While USAID and GOB usually tried to recognize the prerogatives and responsibilities of the other, tensions and conflicts commonly arose. In addition to being subject to a range of mandates to ensure accountability, USAID had a tendency to micromanage projects and often sought to establish structures and procedures to ensure it retained a measure of control over project implementation. USAID reserved the final right of approval over project expenditures, including commodity acquisition and the hiring of contractors and technical assistance personnel (which the government acknowledged), but sometimes required approval for decisions that should have been left with the contractor or recipient.

The government worked to ensure that it had influence over project management and all major project decisions, insisted that projects be integrated into existing structures, and strongly resisted any attempts to create project enclaves. The government required that projects must be located within ministries and project personnel either placed in line positions (a requirement through the 1980s) or at least reporting to their head of department if acting as advisors (as in case of BEC). The government has tried to have a voice in what contractor is hired to implement a project, with varying success. Education officials visited several U.S. universities before selecting Ohio University as the implementor for PEIP, but were given no choice in choosing the contractor for JSEIP (since Florida State University was on a long-term contract with USAID/Washington). Ministry officials were asked to express a preference between two possible BEC contractors, but felt that the decision had actually already been made. While in the early '80s USAID made all hiring decisions for technical assistance personnel, ministries now usually insist that they be given three candidates to choose from for each position. The latter system has increased government satisfaction with the quality and commitment of USAID technical assistance personnel.

Management can become complicated when the government, donor, institutional contractor, and a recipient institution (such as BOCCIM or University of Botswana) are all involved. In most of the cases, project staff played an important role in facilitating communication among these various entities by building good working relationships with their various donor, contractor, and host country counterparts. Problems arose when management structures were so unwieldy that decisions were considerably delayed or when USAID or the contractor tried to impose their own agenda on the project, as happened with JSEIP. The latter problem and hierarchical management structures appear to be linked. In most of the projects, once project staff began working they usually came to sympathize with, and often support, government needs and perspectives, sometimes contrary to the positions taken by their headquarters or USAID. When JSEIP was reorganized to be locally managed, most of the conflict ceased.

Project coordination structures were established for most of the projects to facilitate communication and implementation among the various parties involved. These committees worked well when they authentically served as forum for discussion and addressing mutual concerns, such as in the BEC and PEIP projects. In other instances, however, they were seen as either ineffective (JSEIP) or as vehicles for USAID to maintain excessive control over the project (BPED). USAID reserved the right to approve all decisions taken by the BPED coordinating committee, many of which should have been the prerogative of the contractor of BOCCIM. The coordinating bodies established for JSEIP were ineffective because they were unable to address the fundamental conflicts between the government, contractor, and USAID (primary because project authority lay outside the country), and as such were seen by the government as mechanisms to assert unwanted external influence on government programs. The government ultimately dissolved the JSEIP advisory committee, and project activities were coordinated within existing departments. The case studies suggest that in some circumstances, coordination may not

be an unambiguous "good." When the priorities of a donor or project contractor differ from those of the recipient, it may be in the latter's interest to avoid or hinder project coordination.

Project Evaluation and Impact Assessment

USAID requires external mid-term and final evaluations for all of its projects. Although evaluation teams usually had only a few weeks in country to make an assessment, the evaluations helped improve projects (or their successors) in a number of instances. The government successfully has used the evaluation process strategically to push for changes in project management and implementation (for both JSEIP and BOTSPA). The highly critical mid-term evaluation for JSEIP resulted in a number of changes that redirected the project in line with GOB priorities, as did a critical evaluation for BOTSPA. For other projects, evaluations raised important concerns or made recommendations for project improvements. One problem with the evaluation process is that, unless the team was given instructions otherwise, it tended to evaluate the project based on the goals specified in the project paper even if the project had since been redirected.

As part of an agreement with the U.S. Congress, USAID has also begun to perform assessments to determine the people-level impact of projects. While a laudable goal, such an assessment was conducted for BEC less than two years into the project's life, when no long-term impact could yet be discerned (although impact was measurable for its predecessor projects). Another problem encountered during the BEC impact assessment was that the assessment itself generated resentment on the part of government officials. Since the project had achieved strong recipient ownership and was thoroughly integrated into government structures, attempts to evaluate what the project as a distinct entity had accomplished created tensions. Donor efforts to explain to recipients the need for such evaluations (and their potential value to the recipient) could help reduce tensions and improve cooperation. Such an effort was made by the project officer for BPED. Developing more flexible instruments for evaluating project impact on larger institutional efforts could also prove useful.

Project Impact and Sustainability

In spite of widespread cynicism regarding aid, all of the projects considered made a significant and (for projects that have already concluded) lasting contribution to development in Botswana. PEIP established a Department of Primary Education at the University that is now entirely localized and has helped train thousands of teachers and teacher-trainers. In spite of initial problems, JSEIP helped establish an independent Department of Curriculum Development and Evaluation that is engaged in adapting school curricula to Botswana's changing needs. BPED has already helped improve government policy toward the private sector, and its predecessor projects (BWAST I and BWAST II) significantly increased the local staffing and capacity of key government ministries. Credit for these successes, however, must be shared among USAID, project staff, and the people and government of Botswana.

Most of the projects were sufficiently integrated into government structures that their efforts have been sustained by the relevant ministry. As such, project sustainability is directly the result of the government's effective development management process and solid financial position. The case of BPED is unique, however, since BPED constitutes an arrangement between USAID and a private sector entity. Though project ownership by the recipient (BOCCIM) is strong, survival of some of BPED initiatives after the project's conclusion depends on the willingness of BOCCIM members to provide additional funds.

Recipient ownership and successful institution building

The problems encountered by donor efforts to build institutional capacity in Africa is well known. Review of such projects throughout Africa cite a failure rate often exceeding 50 percent for projects with a major institutional development component. Among the projects studies, PEIP is particularly notable as an example of a successful institutional development project. PEIP established the Department of Primary Education at the University of Botswana, and helped establish and institutionalize the regional in-service education centers. Both of the institutions are now fully localized and still operating five years after PEIP's conclusion. PEIP together with the positive and negative experience of the other projects provides potential lessons for other institutional development efforts.

Ownership: Each of the projects considered addressed a priority of the government of Botswana, creating an environment conducive to project ownership. The commitment to universal basic education was particularly strong, so the government and beneficiaries had a strong desire to ensure the success of USAID education projects. Yet true ownership required recipient influence over and support for the specific details and management of the project as well as the overall goals. The government initiated PEIP, and project design and implementation was consultative and collaborative, ensuring that specifics of the project supported overall recipient goals. In contrast, USAID and the contracting agency tried to impose their own agenda and timetable on JSEIP. The contrast was due to two major factors: first, PEIP was designed and implemented through USAID/B in consultation with the Ministry of Education, while USAID/Washington had a major role in JSEIP; and second, the contracting institution for PEIP was strongly consultative and process oriented, while the JSEIP contractor was narrowly focussed on project outputs and timetables. Furthermore, when recipient ownership was established after much effort by the recipient, such as in BEC, considerable bitterness was created when USAID decided unilaterally to discontinue the project.

Consultation and collaboration: Because of power disparities in the aid relationship (particularly when the recipient is in need of donor resources), a genuine commitment to consultation and collaboration on the part of the donor is important. Ultimately, however, the recipient must ensure that its goals and priorities are respected. Under pressure from donor timetables and priorities, consultation can become more of a formality than reality. In these cases, a recipient can insist on modifying or rejecting donor proposals, which may force the donor to truly negotiate and in the process.

Emphasis on process as well as outcomes: As noted above, the project team and contracting institution for PEIP was strongly process oriented, and recognized that project goals should not be pursued at the expense of local participation and institution building. In contrast, JSEIP provides a stark illustration of how a narrow "results" orientation by a donor or contracting institution can undermine the long-term impact of a project, particularly one that presumes to be building institutional capacity. The Ministry of Education saw JSEIP as contributing to a long-term and ongoing process of developing local capacity for curriculum development, whereas the head office of the contractor saw JSEIP as a time-bound project with revised curricula and instructional materials as "products" to be "delivered" by project end, and actually saw institution-building efforts as an obstacle to achieving those outputs.

Realistic and Sustained Effort: Most analysis of successful institutional development consider 10 years to be a minimum period for long-term sustainability. PEIP was a long-term and sustained effort, with a project life of 10 years, with some of its initiatives continued further with the BEC project. Project design and goals were straightforward and focussed, and timetables usually realistic, unlike the unrealistically ambitious timetables established by JSEIP. USAID training efforts to train civil servants and build

government capacity (through BWAST and its predecessor) were sustained for nearly 20 years, with dramatic results. In spite of common criticisms of donor fads and unreliability, USAID's sustained effort in several key sectors in Botswana deserves praise. The typical five to six year donor project cycle is too short to alone build sustainable capacity, but need not be a problem if allowances are made for follow-on projects pending successful completion of the first phase.

Effective linking of technical assistance and training: Technical assistance and training are key to improved institutional capacity, but often are not used efficiently. Providing technical advisors without allowances for effective training of staff can lead to continued dependency on expatriates. Simply assigning a local counterpart (often with inadequate formal training) to a foreign expert has been repeatedly shown to be an inefficient means of skills transfer. PEIP's ultimate goal was to replace the U.S. advisors with trained Batswana, so candidates were selected for U.S. graduate training in specific areas of primary education. The selected candidates first served a brief period as assistants to a U.S. advisor to gain a better understanding of the skills they needed to acquire, then left for two years of Masters training. In most cases, their U.S. colleagues were there when they returned to facilitate their transition. Similarly for JSEIP, project advisors helped design curriculum while colleagues were sent to the U.S. for training, then were available as advisors following their return. In many projects, however, there is little or no overlap between trainees and the technical advisors they are to replace, resulting in a loss of institutional knowledge and continuity.

Retention of Trained Personnel: The impact of training and capacity building can be diluted if trained personnel are not retained. The Department of Primary Education successfully localized because nearly all the Batswana trained to replace TAs did return to the department. Had professional and economic prospects been significantly different, this might not have been the case. The Primary Teacher Training Colleges and regional education centers, in contrast, have encountered greater difficulties in attracting and retaining trained personnel because salary scales are less competitive than for other positions with similar qualifications. As long as trained personnel remain in the country, they are likely to be making a contribution to development, but not necessarily to the targeted institution.

6. AID EFFECTIVENESS IN BOTSWANA: LESSONS AND RECOMMENDATIONS

What conclusions and recommendations can be made from Botswana's twenty-seven year experience with international aid and donor agencies? The transfer of resources from the developed countries into the economies of developing countries began with the assumption that injecting aid would allow them to reach a point of take-off so that aid could be phase-out. Unfortunately, the results have been largely disappointing, especially in Africa, leading to growing objections about the way aid is given, received, and utilized (Arnold 1979:213; 1985:163-4). The main objections to aid are of two kinds. The first suggests that the aid is poorly administered, is given for wrong reasons and is misused and targeted at wrong groups or it goes to the rich elite and corrupt rulers -- not the needy in the recipient countries (Jonathan Easton 1989; Landell-Mills and Serageldin 1992; The World Bank 1989). The point here is that the administration of aid should be reformed. The second set of objections tend to be more fundamental. They argue that the idea of aid is ill-conceived, that it is incapable of doing the job which is claimed for it, and that little or no development results from aid. Aid is therefore condemned as a waste, a pouring away of resources in the bottomless sink of the Third World where there appear to be few returns except ingratitude (Bauer 1981; Bauer and Yamey 1982; Wheeler 1989). Both objections contain elements of truth, but they tend to ignore situations where aid has contributed to development (Serageldin; 1993). Contrasting cases of good performance and management against those of poor impact and mismanagement can help clarify the debate over aid and identify cases to improve upon.

The studies in the Africa aid effectiveness project started by accepting much prima facie evidence that aid in Africa has not been completely effective, in order to assess the factors that have been responsible, and to make practical recommendations to increase aid effectiveness in the future. But the story of Botswana's experience with aid, stretching back almost three decades, is evidence of good performance and management. The experience is of considerable interest for donors and recipients. First, Botswana was exceptionally backward economically at the time of independence even in comparison with other African countries, and faced seemingly overwhelming problems. Yet these handicaps have been overcome and the country has become one of the great success stories in the Third World. These achievements owed something to good fortune, but more to careful management.

Botswana is unusual in a number of respects, with a small population, rich mineral endowment, and a record of rapid economic growth and stable democracy. The Botswana experience therefore has been dismissed by some as holding few relevant lessons for the rest of Africa. This is a mistake. The challenges faced by Botswana in the decades since independence were not qualitatively different than those facing other African countries historically or currently; the approach to development, however, has been different. At the same time, lessons must be drawn carefully, without assuming that what has worked in Botswana can easily be transplanted. Neither is Botswana's success a cause for complacency or ignoring the myriad of challenges the country still faces. As a result, this chapter will focus on lessons for donors and other African countries based on the Botswana experience, as well as recommendations for Botswana as it enters a new stage of development.

6.1 Historical, Political and Economic Context

Botswana's effective use of aid can best be understood within the context of its historical experience. Politicians and the older generation of civil servants in Botswana often refer to the early post-independence period when prospects for rapid and sustained socio-economic development seemed bleak.

According to most officials interviewed (particularly those in the MFDP) this reality shaped attitudes and practices towards utilization of aid early in the country's development history. With few known resources at the time, officials asserted that it was imperative that whatever was received had to be put to efficient use. This policy and practice of efficient management became embedded in the culture of handling government's resources.

The absence of an ideological struggle against colonialism may have contributed to the pragmatic outlook and approach with which the GoB handled the issues of development. Commentators on Botswana's development policy and practice¹ have been impressed with the government's pragmatism in formulating policy and the tendency not to rely on slogans or radical ideologies. As a World Bank Team noted in 1984, "Slogans are absent and a matter-of-fact style evident in the government's documents and statements and in the way government business is conducted." (Raphaeli, 1984). This style of governance has contributed to the efficient use of Botswana's resources (not just aid resources). Comparatively, such pragmatism has been lacking in many Sub-Saharan Africa countries.

An often cited aspect of Botswana's development performance (not just aid utilization) is the quality of her leadership. Resources alone without far-sighted leadership would not have brought widespread benefit. Many countries which enjoyed a windfall of resources immediately following independence did not perform nearly as well as Botswana did. The importance of this leadership can be seen also in Botswana's performance in the political area, where the country has remained democratic with an impressive human rights record. The first president established a strong precedent for transparent and effective government and the rule of law. A culture of openness, technical competence, high ethical standards, and public participation was thus established from the start.

The support of political leaders have been essential to the effective functioning of the planning and aid management system. Parliament approves each national development plan, giving it the force of law, and development concerns are discussed in detail by the Economic Committee of the Cabinet (which includes all Cabinet members). Political leaders work closely with technocrats to design development plans and strategies.² This approach to resource utilization made Botswana attractive to donors, and helped to make Botswana one of the highest per capita recipients of aid.³

¹ For example, Raphaeli, Roumani and MacKellar (1984); Lewis (1993).

²The importance of establishing such processes to build national political consensus for development policies may not be fully assimilated by many donors and African governments. Donor efforts to encourage economic reform, for example, have often focussed on implementing policies through a small group of technocrats, which often later founder politically. The academic literature on economic reform has tended to argue that certain stabilization measures --such as currency devaluation-- can be undertaken at the stroke of a pen by a small core of technocrats, while major economic reforms require broader political support (Nelson, 1993). In Botswana, however, even short-term stabilization measures and necessary fiscal adjustments (such as in 1981-2 and in the early 1990s) were discussed by the cabinet and approved by Parliament (Harvey, 1994).

³ Per Granberg and L. R. Parkinson (eds) Botswana: Country Study and Norwegian Review (Bergen:Chr. Michelsen Institute, 1988,161). Molutsi (1993) and Hopkin (1994) offered an explanation to the favorable status that Botswana has acquired. Both agree on the importance of effective aid utilization; Molutsi also highlights the regional geo-political situation within which Botswana found itself, and how the country used its position and image within the region, particularly projecting itself as "a model for the rest of the Third World." (p. 60).

An important factor that has affected Botswana's use of aid has been the strength of the Botswana economy. The advantages for planning and aid management have been several. First, a strong economy has meant more disposable income, which facilitated planning. Botswana was able to plan and stick to such plans because she has her own resources. Second, the ability to retain skilled personnel in the government and private sector was enhanced, and other important projects inputs (such as equipment and parts) were easier to purchase and maintain. Finally, it has increased the country's leverage in negotiating for aid. Botswana negotiated effectively with donors even when it was poor, but in the past decade the GoB has had greater flexibility to say "no" to donors.

6.2 Managing Aid and Development

Having decided early in the history of its development that aid has to be used efficiently, Botswana set up the institutional machinery to manage aid. The system has worked both because effective structures were established and maintained, but also because norms and procedures were cultivated that ensure the structures function properly.

Structural Elements

Development Planning: The planning system identifies priority projects as part of a long-term public expenditure strategy. Through the planning process, the GOB sets out its priorities and needs for new investment, but also budgets for recurrent costs for each project and sector. Donors are expected to finance what has been identified as priorities by government in keeping with government priorities and ability to sustain recurrent costs. The aid literature shows that this is not typical in the aid relationships of many countries and their donors. Typically, other countries plan and seek donor assistance for new investments without planning for ongoing and new recurrent expenditure. Public investment strategies must therefore be considered only one part of an overall public expenditure strategy.

Centralization and Integration: Aid management in Botswana is centralized and integrated into the planning and budgeting process of the central government. This has several positive consequences: it ensures that donor projects coincide with government priorities, it allows for full accounting for counterpart and recurrent costs, and it facilitates donor coordination. Government officials often emphasized that aid has a cost, although some of these costs may be hidden. The government's thinking is that centralized aid management facilitates better budgeting for the continuation of such projects. Such centralized aid management is possible because the planning and budgeting functions of the government are also integrated in a powerful Ministry of Finance and Development Planning (MFDP). This ministry is the only government institution with the powers to negotiate, secure, and manage all foreign aid. Line ministries are responsible for identifying priorities and implementing projects. This ensures easy coordination and strict adherence to government's priorities and programmes.

Procedural Elements

Apart from the structural elements, procedural attributes in Botswana's aid management process are worthy of note. Some of the most important include the following:

Willingness to abide by the rules: Aid involves two players: the donor and the recipient. Each has a set of rules governing their cooperation/relationship, which must be understood and adhered to by both players if the relationship is to proceed smoothly. Botswana understands and respects the procedural requirements of donors. The Director of Economic Affairs in the MFDP emphasized that after entering into an agreement

with a donor, it is essential to honor such an agreement to the letter and conduct affairs in as transparent manner as possible. "We have nothing to hide", one official said, "a donor must feel free anytime to come and see what we are doing and how we are doing it." This attitude has contributed immeasurably to donor confidence. Botswana's political leaders have participated in and respected the government's planning process and aid management system, and have avoided pressuring the bureaucracy or donors to fund non-viable projects for political reasons. For their part, donors have learned to respect government planning and management procedures. A key reason is that government procedures have been consistent and transparent, and the planning process cannot be bypassed by donor appeals to political leaders.

Continuity in the staff of the MFDP: The Ministry of Finance and Development Planning is headed by the Vice-President and is therefore quite powerful. A unique feature of this ministry is the continuity in personnel. As we noted earlier, in many African countries, donor representatives see officials come and go, whereas in Botswana the opposite is true. The officials interviewed (particularly in the MFDP) believe that this has the advantage of allowing these officials to know the various donors very well. These are career bureaucrats, some of whom have been in the ministry for over fifteen years. This has allowed the MFDP to accumulate extensive experience in negotiating with donors. In general, Botswana has not had any significant problem of manpower exodus to other countries. This of course is the function of her good economic performance over the years, and of the special attention given to career development of MFDP staff.

Gradual Localization: Apart from the fact that the country has enjoyed continuity in staff, the government has taken a cautious approach toward localizing staff positions. As a result, where foreigners could be used, the country has been quick to deploy their services. The government's strong emphasis on effective planning meant that the MFDP was the slowest to localize, but the process is now nearly complete. Emphasis has therefore been on knowledge and ability, irrespective of nationality. This is partly, the result of lack of politization of public management in the country. The government's slowness in replacing some long-term expatriate personnel has generated resentment among Botswana colleagues, but the process has generally proceeded smoothly.

Willingness to defend priorities: To ensure that donors respected its preferences, the government has shown a willingness to defend its priorities, including struggling with the donor over project design and management, or rejecting aid if necessary. The pattern in many other African countries is to complain privately about donors without confronting them directly. The case studies from the education sector indicate how the GoB takes seriously the issue of sticking to already identified priorities, to the extent that when a donor is perceived as undermining this commitment, government has insisted on renegotiating the design before accepting to move forward.

Emphasis on Consultation and Consensus: A strong emphasis on consultation and consensus pervades the aid planning and negotiation process. Commitments are not made to new projects until the affected parties are consulted, and often until a general consensus is reached regarding project goals and implementation. The consultation process is often confined to civil servants and political leaders, but for projects or policies that affect large numbers of citizens, extensive public consultation may be undertaken. As a result, donors occasionally complain about the length of time spent to enter into agreements with the GoB, sometimes as long as years. GoB officials emphasized that the government takes time before signing agreements to ensure that all the pros and cons are understood and that commitments made can be fulfilled. Donors agreed that the cautious approach pays off during project implementation, since the government usually has been able to fulfill all its commitments.

6.3 Coordinating Donors

Donors are often criticized for inadequately coordinating their activities. Calls for improved donor coordination pervade the development literature, as if donor coordinating structures were a "first best" solution to aid efficiency and allocation. In Botswana, this problem is avoided because the government coordinates donors through the MFDP and the line ministries at sectoral level. Both government and donors express strong satisfaction with their arrangement.

Botswana is not a Roundtable or Consultative Group country; rather, the government prefers to deal with donors individually.⁴ Officials within the Ministry of Finance insist that dealing with donors on a one to one basis has benefits for the recipients. Donors can each be guided to areas that the recipient deems most important, which facilitates planning. In addition, Botswana encourages donors to specialize in one sector to build up experience and to ease the governmental coordinating burden. Effective government planning and donor specialization has rendered formal sectoral donor coordination unnecessary, although consultation on an ad hoc basis has proven useful. Botswana's approach has appealed to some of the neighboring countries. In 1994, soon after independence, the Namibian government hosted a workshop on aid management which featured presentations by senior Botswana officials (Lister, 1994). A Namibian team had visited the MFDP in March, 1995 to learn first hand how Botswana manages aid, and the Namibian government has expressed interest in attaching some of its planning officers to the MFDP, so that they could benefit directly from the Botswana experience. South Africa had also initiated a similar process of learning from Botswana aid management.

Although coordinating aid outside of government is at best a partial solution, it may be necessary when governments lack capacity to coordinate. A central question raised by the Botswana case is whether governments and donors in other African countries can do more to increase the capacity of government to manage and coordinate aid resources, or prevent external coordination from undermining state capacity.

6.4 Managing the Aid Relationship

The government has been proactive in managing the aid relationship with donors as well as the aid itself. In contrast to many African countries, the aid relationship is characterized by a high degree of trust and mutual respect on both sides. The system for public sector management has been a major contributor to this trust and respect. It has established a clear set of rules and guidelines for donors, and helped ensure that the government honors its commitments. The continuity of the MFDP, discussed earlier in this chapter, has also been essential in building strong relations. This does not mean the donor relationships are without conflict and disagreement. The case studies give ample examples of disagreements and conflicts between the government and USAID at both the project and policy levels (see the case study of the Junior Secondary Education Improvement Project in particular, as well as the Basic Education Consolidation Project and the Population project). Yet instead of avoiding the disagreement, the government usually has sought to resolve them -- in other words, conflict itself has been effectively managed. The government's skill, experience, and leverage in negotiating with donors has increased over the years, but the willingness to engage donors directly has been present from the start, and has been a major factor in improving the quality of aid.

⁴The absence of a debt burden has meant that Botswana has not been forced to negotiate with donors collectively, through the Consultative Group process.

Negotiations and Leverage

While donors readily acknowledge the importance of recipient ownership and ensuring that projects fit within a country's development program, they are also under pressure to meet deadlines and allocate money. Donors with experience in countries where governments are less proactive in ensuring project relevance and viability may develop unrealistic expectations about the time required for truly collaborative project design. This seems particularly true for projects that require the participation of a several departments, ministries, or project beneficiaries. Donor projects are still sometimes designed by outside teams who spend less than a month in the country. The case studies reveal a pattern whereby USAID has often tried to finalize a project's design before the government felt prepared to do so. The problems encountered as a result of hasty JSEIP project negotiations, in contrast with the success of the lengthy discussions leading to the establishment of BEC, illustrate the importance of assertiveness by government officials during project negotiations.

Effective negotiating requires both negotiating skills and leverage. The ability of officials to negotiate effectively with donors and other outside agencies has increased considerably after several decades of advanced training and experience, but Botswana has been cited as a skilled negotiator since independence, hiring needed expertise when it lacked internal capacity (Stevens 1981). The tremendous increase in financial resources also has given added flexibility in approaching donors, and allowed the government to chart a development strategy that is not dependent on donor approval or support. With the economy being characterized by surplus liquidity, the government has maximized its own room for manoeuvre within existing resource constraints and its negotiation with donors to the point of delaying or not even accepting aid offers. The growing resource base has thus complemented the government's assertive approach to negotiation.

But financial resources are not the only source of negotiating leverage. Such resources make it easier to refuse aid, but Botswana officials have shown a clear willingness to say "no" even when resources were considerably less. For example, the Ministry of Education's rejection of the original JSEIP project proposal in the early 1980s forced USAID to negotiate several significant concessions. The willingness to refuse aid, regardless of its developmental status, is the fundamental basis of a recipient's leverage.

Botswana appears to be one of the few African countries that consistently has been willing to refuse aid for developmental (as opposed to ideological) reasons. The planning and aid management system seems again to be key. The rules are clear: if a project is not consistent with the plan, it will not be approved. Perhaps equally importantly, however, the planning system has led to a high level of awareness of officials both in the MFD and line ministries that even grant aid carries with it considerable costs -- as several high-level officials put it, "aid is not free." Not only must the government provide counterpart personnel and funds for a good project, but a poorly conceived project can be damaging and disruptive. Yet in many African countries, aid is still treated as a free resource, with the result that donor projects -- even bad ones -- are rarely refused.

A recipient's leverage does not begin and end at the bargaining table. In the face of scarce resources and donor rigidities, a recipient may choose to accept a project even if aspects of its design are flawed in the hopes either of extracting some value from the project, or implementing changes once the project is underway. The practice of assigning technical assistance personnel to line positions in ministries has also helped ensure government control over project implementation. Although less frequent now, Botswana has accepted inadequately-designed projects with the intent of influencing them later. The

government has avoided, however, simply marginalizing donor projects that it does not support (a tactic common in other countries), and instead has tried to modify projects in line with its own objectives. When project or donor staff have resisted the changes, the government has made effective use of donor external evaluations to ensure its perspectives are heard (see the JSEIP and BOTSPA case studies). This was not an ideal solution, since delays and disruptions occur inevitably. Generally, donor staff within the country were sympathetic with government perspectives. The most egregious cases of inappropriate projects or conditions seem to occur when projects are designed or managed outside the country (which initially was the case with JSEIP), or in response to central mandates.

Policy Dialogue and Conditionality

In addition to negotiating the details of project design, recipients are often subject to donor conditions and requirements. These are generally of three kinds: procedural, project-related, and policy-related. Procedural conditions include accountability and procurement requirements -- such as tied aid (Jepma, 1991). Donors vary in regard to the stringency of these rules: the Scandinavians were considered the least restrictive, the European Union the most cumbersome, and USAID in between. Discernible progress, however, has been made in ameliorating many problems mainly due to the quality of the country's leadership and negotiation skills alluded to earlier. Government officials cite with pride a variety of donor regulations from which they were able to negotiate exemptions. They note that in negotiating with donors, it is important to know which restrictions can be modified and which are absolute. For the restrictions that cannot be changed -- such as tied aid requirements -- strategies have been developed to mitigate the negative impact on project effectiveness and assure that the requirements of a particular project match a donors strengths and limitations. For example, until USAID changed its strict regulations for commodity sourcing in the late-1980s, Botswana encouraged USAID to fund technical assistance portions of programs. Similarly, since EC and AfDB procedures are unusually cumbersome, assistance from these organizations was only requested for projects that would not be unduly affected.

Project grant agreements also contain a number of conditions specifically related to project implementation. These often include government agreements to provide counterpart funds and personnel, provide housing for technical assistance personnel, and select appropriate participants for training. As noted earlier, the government only enters into these agreements after careful assessment that costs can be covered, and receives praise from donors for fulfilling project commitments. Delays occasionally have been a problem, particularly when ministry personnel were stretched thin. The major difficulty has been in the provision of counterparts. The government has always held that providing counterparts is extremely difficult in the context of personnel shortages. Yet until recently, however, donors have insisted that local counterparts be provided for every foreign technical expert. As a result, the government and donors have historically played a counterpart "game," where the donor complains that counterparts were not being provided, and the government assures that it will do something about the problem as soon as possible. Such gameplaying, however, has been exception; relations with donors are usually forthright, and the government has preferred to negotiate exceptions to inappropriate rules when possible rather than feign compliance.

Donor awareness of the importance of the policy environment for project success increased during the 1980s, and donors became more assertive about attaching policy conditions to their projects. In many African countries, discussions of donor policy conditionality tend to focus on macroeconomic and fiscal policy. This has not been the case in Botswana. Botswana's state-led development strategy and macroeconomic policies generally have been accepted or tolerated by donors. Donors had confidence that the policy regime was working, and consequently rarely tried to use aid flows to exert pressure on

economic policies. Donors' ability to exert leverage on macro-policies also has been restrained by the declining economic importance of aid. As a result, donor policy dialogue has tended to focus on disadvantaged areas and persons (particularly for Scandinavian countries) and particular sectors (typically the case for USAID).

The government has usually been receptive to policy dialogue efforts by donors and technical assistance personnel and clearly values the comparative experience and advice that donors provide. Outside advice and encouragement sometimes had a catalytic effect in moving a policy or institutional change forward. For example, Ministry of Education officials spoke highly of the contribution made by USAID project personnel to the development of basic education policy. USAID has also provided advice and technical assistance for policy development in a number of sectors, including agriculture, population, and private sector development. In the latter case (discussed in Chapter 5(ii)), USAID -- with the full approval of the government -- is providing support to BOCCIM to help increase the private sector's capacity to influence government policy. Policy disagreements are usually dealt with cordially -- a recent public dispute between NORAD and a government official over policy toward the Basarwa was cited as atypical.

Yet officials state strongly that although donor advice is valued, they know the local environment better, and reserve the right to choose when to accept and when to ignore donor policy advice. A common problem is that donor representatives may correctly diagnose a policy problem, but will misunderstand the institutional or political challenges required to implement the change. In their zeal to "get the policies right" to ensure the success of "their" project, donors have tended to underestimate the ability of institutions to absorb multiple reforms simultaneously. As a result, the tendency of USAID to include explicit policy conditions in many project grant agreements was widely perceived as high-handed and often short-sighted by government officials.

Nearly all the case studies reviewed in Chapter 5 initially contained some form of explicit policy conditionality, but in no case did there seem to be evidence that the explicit conditionality -- as opposed to policy dialogue -- sped the reform process. In some cases it may have in fact provoked resistance. The PEIP project included specific conditions and timetables for the establishment of consolidated department of teacher training in the Ministry of Education. The Ministry had plans to establish the department eventually (and did several years later) but felt it was less important than other priorities. The BOTSPA (population) project was perhaps the most presumptuous: it was initially designed as a program assistance project that would disburse resources in a number of tranches, once specific policy conditions were met. The total project was only valued at several million dollars -- an insignificant amount in present-day Botswana -- and the timetables for the requirements were absurd given the broad-based consultation required to establish such a policy. Often, conditions are established by project design teams (who may spend less than a month in the country), and project officers and staff may soon realize that they are unrealistic. This was the case with the population project, which was redesigned to be supportive of the government's policy development process, rather than trying to dictate it.

6.5 Sustaining Effective Aid Management

Botswana, more than any other African country, has established and maintained a system of resource management that has played a vital role in development. Control of aid receipts is centralized in one ministry; expenditure planning takes account of anticipated aid receipts and associated recurrent expenditure, and considerable experience has been built up in working effectively with donors. Clear project-specific GoB priorities for procuring and utilizing aid have provided a framework in which donors

could signal their own preferences and request responses. Botswana's experience suggests that formal economic planning and centralization in resource management are interrelated. Satisfactory donor-recipient policy and effective utilization may depend on at least a medium term public investment programme, if not necessarily on a full-blown "plan". This suggests that the current donors pressure in many African countries to "wind down" formal state activity and planning may militate against donors' ability to engage governments in policy dialogue, or to ensure that commitments made to projects are kept.

Botswana has also shown that development planning can be used as an instrument for achieving rapid economic growth and managing aid resources. It has produced realistic development programmes, respected its budget constraints, set priorities in government expenditure, pursued policies that develop and retain human resources, and has encouraged private investment (local and foreign). In contrast to the current emphasis on unfettered markets, development in Botswana has been state led and state directed. The country's experience confirms that efficient governments are far more important in fostering successful projects than limited governments.

The aid management system has helped to make policy dialogue genuinely two-sided. There is a high degree of mutual discussion regarding the terms of aid, including projects selected. Good resource management and coordination, combined with two-sided dialogue, has produced three related results: aid resources are fully integrated into national development planning and budgeting process; donor leverage has largely given way to policy dialogue; and the emphasis on or preference by donors to shift from macro-economic policy has given way to concentration on particular sectors. All three changes have consolidated government control over the aid process.

While this is an enviable result, this same process may be difficult to copy in other African countries. Other African countries have established planning systems, yet they have either collapsed or become sterile exercises with little influence on spending or policy. A key difference is that the economic and political environment in Botswana has been conducive to effective planning. Although many African countries have experienced a vicious cycle of economic decline, loss of state capacity, and political instability, Botswana demonstrates that a country can enter into a "virtuous cycle" when sound economic management and political stability create conditions for further economic and political development. Sound economic planning and policy was the underpinning of this cycle, creating conditions for growth, and attracting investment and donor resources. The effective use of these resources and the resulting growth created additional resources for investment in human and physical infrastructure, and recurrent costs further enhancing growth prospects. Political stability and economic prosperity attracted skilled personnel to the country, and meant that nearly all Botswana trained overseas returned. Strong growth has made it easier to maintain a democratic system and meet the demands of various constituencies.

In addition, integration of aid with domestic resources has to be preceded by the establishment of an effective system for development planning, and requires donor confidence in the recipient's discipline in using foreign aid effectively and without corruption. While Botswana has primarily used aid to finance projects, the rest of Sub-Saharan Africa aid has increasingly shifted to balance-of-payments support conditional upon structural adjustment programmes. This is unlikely to change in these countries until their macroeconomic balances improve. Even if the focus of aid were to change, without the proper environment for aid management and policy the impact of external assistance would be limited.

Botswana politicians historically have respected the planning system, developed effective working relationships with technocrats, and avoided patronage politics. Increased commitment by political leaders and civil society to effective aid management will be important to improve the aid performance of other

African countries, as well as improved communications and relations between politicians and civil servants. Botswana's democratic political system was not only a value of attraction for the key leading donors with similar political ideals, it appears to be the main factor for socio-political stability and transparency in resource utilization. As other African countries establish multiparty democracies, the same benefits in terms of increased transparency, participation, and development support may result, although it is likely to be a slow process.

The recent changes in Botswana's political landscape, however, could threaten Botswana's record of effective development management. After substantial gains by the opposition in the 1994 election, politicians from the ruling party are questioning the logic of fiscal discipline and tight economic management when the ruling party is slowly losing ground. The system has been rigid and must open up to allow other ideas, which is particularly important within the context of a growing private sector and civil society. But it is no longer certain whether politicians will continue to respect macroeconomic advice and not tamper with the planning and development administrative process. Available evidence points to the contrary. If success is to be sustained, politicians of both party must renew their commitment to responsible development and economic management, and avoid undermining the independence of the civil service.

6.6 Recommendations

The era of an economic boom is over in Botswana, and many donors are now pulling out. Whether or not Botswana will sustain its present success will depend on successful diversification of the economy away from minerals, and achieving a consistent level of economic growth to match the population growth rate.

Botswana appears to have reached the limits of the old development model mineral-led and state-directed development. As the economy has matured, the role of the state has needed to change. The government has already committed the nation to shift the overall strategy from the public sector to private sector-led development. The challenges ahead are daunting and donors could have a new role to play in the transition. With no major new mining project on the horizon and mineral revenue flattening out, Botswana must develop a new engine of growth. New measures may also be required to redirect public expenditure with extensive cost-recovery measures. Failure to do so could mean low or negative economic growth rates and persistent budget deficits which would erode the country's foreign exchange resource position and affect investors confidence. Such a downturn would reduce economic opportunities for citizens, generating resentments and political difficulties to a degree not previous experienced. Efforts need to be intensified to encourage Botswana participation in the economy and to target people and areas not sufficiently covered by past development efforts. This would not only reduce the country's dependence on foreign technocrats and entrepreneurs, it would also defuse the ingredients for social and political instability.

To facilitate this transition, Botswana could learn from the aid lessons of others. The experience of donors elsewhere in the world could be useful both in completing GOB efforts in changing the development strategy from being state to private sector led development. GOB already acknowledges that the public sector is too large and that it dominates the economy. But it is one thing to say that the private sector must now become the engine of economic growth; it is another thing entirely to come up with good new policies, which might give some impetus to private investment without increasing dependence on the government. The GOB has already taken two vital initial steps. First, it has significantly reduced income

tax especially for companies, leaving a larger share of corporate and employment income in the hands of the public for investment or consumption while at the same time making Botswana much more attractive to investors. Second, the government has announced its intention and has taken some measures to explore possibilities for privatization. Concrete or specific options have yet to be formulated. Again donors could help with how GOB proceeds with its privatization policy and to assist or "empower" the private sector to face the new challenges more or less along the lines of the USAID project on the private sector development.

If the role of donors is to change in Botswana's development, so must the management of the aid relationship. Botswana is currently neither a Roundtable (RT) nor Consultative Group (CG) country. Advantages and disadvantages have been discussed. The challenge -- hence the need for review -- is whether Botswana will continue to mobilize aid resource on a large scale in view of the increasing competition for aid resources at the global level and the possibility of Botswana becoming marginalized given the political and economic change in many African countries where aid and foreign investment may be diverted. In all the challenges listed above, we do not underestimate the leadership capacity to anticipate and resolve the problems. Aid alone cannot address challenges of such magnitude, but donors that remain engaged could play an important catalytic and advisory role in sustaining Botswana's success.

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APPENDIX A**LIST OF PEOPLE INTERVIEWED**

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APPENDIX B ROLE AND PROFILE OF AID DONORS

Within the development strategies and priorities set by the government of Botswana, donors have had strong preferences about the categories of projects they have been prepared to finance; this became increasingly apparent as Botswana diversified its sources of aid. The contributions of the main donors can be appreciated by reviewing their roles in certain projects and programmes.

The United Kingdom

British ODA was 0.37 percent of GNP in 1991, of which about 30 per cent goes to Africa. Although the volume of aid given to Botswana has been small compared to many African countries, the amount continues to be substantial in per capita terms. At independence in 1966 aid flows to Botswana were modest and the bulk of the funds came from the United Kingdom -- Botswana's principal donor. ODA is represented in Botswana at British High Commission. Britain financed almost all the budgetary capital expenditure, and a large part of current expenditure for several years after independence, accounting for at least 57 per cent. Expenditure under the bilateral programme with Botswana reached a peak of 20 million US dollars in 1980. Although the amount has since declined, Britain remains one of the leading donors behind Norway and Sweden. Since 1972/3, technical assistance has become an increasingly important element of British aid, and Britain is now the leading donor for technical assistance. UK assistance to Botswana has also been channelled through the Commonwealth Development Corporation (CDC) set up in 1948, and a charitable organization, Oxfam. Initially, British rules for disbursement were very strict. For example, money not spent by the end of the financial year could not be carried over to the next year, creating pressure to expend funds. British aid had to be spent on material and equipment from UK or local goods, although the Botswana government negotiated waivers for some inputs to be brought from South Africa. In general, UK assistance has consisted of 40% grant element and 60% soft loans with a counterpart contribution (Jones 1977, 137).

Sweden: In 1992 net disbursement of official development assistance was 1273 million US Dollars, representing about 1.16% of that country's GNP. Regional distribution shows that Sweden's aid is increasingly concentrated on sub-saharan Africa, rising from 47 percent in 1980 to 54 percent in 1990. Since Botswana was among the poorest countries in the world, it met the criteria for special aid treatment by Sweden, and a Swedish International Development Association (SIDA) office was established in Botswana in 1971. Sweden began providing aid to Botswana as early as 1967 and was the second major bilateral donor, after the United Kingdom, to establish a regular annual aid programme. SIDA provides programme aid with flexible allocation and rapid disbursement. Unlike many donors, all SIDA aid to Botswana has been on grant terms; and most importantly, SIDA aid has been completely untied. Some loans at a very low interest rate of 3 percent are tied to Swedish procurement. SIDA's assistance has been concentrated in five specific areas: education; rural village water supply (in which SIDA's role has been extensive); small scale industry development; district development with particular efforts to reach those with special needs; and, before 1993, reducing dependence on South Africa. Following Botswana's policy to encourage donors to concentrate in specific sectors, SIDA has specialized in rural village water supply. However, in view of Botswana's relative prosperity, SIDA feels that it has neither moral nor economic reason to continue giving aid to Botswana and SIDA's direct assistance will end in 1996.

Norway: Norway has provided about 1.2 billion US dollars of ODA about 1.1 of her GNP in 1992 and Sub-Saharan Africa received 67 percent in 1992 -- a regional focal point since 1982. Objectives were similar to those of Sweden in terms of poverty alleviation and providing support for SADC. NORAD has been one of the leading donors in Botswana with technical assistance representing about one

third of the total aid programme. All aid disbursements have been in the form of grants, largely untied, and funds unspent in one year can be carried forward into the next year. Most NORAD support has been directed at rural development, focusing on rural transport and rural health centers, village welfare, and special aid to socially marginalized communities, such as the Remote Area Development Programme to assist the nomadic Basarwa. In line with Botswana's strategy of encouraging donors to specialize in certain sectors, most NORAD aid has been concentrated in the health sector. The focus of NORAD aid was reoriented after a comprehensive review of Norwegian aid to Botswana in 1988. Given Botswana's favorable financial position, the Review Report recommended phasing-out capital aid, since the early 1990s, concentrating on capacity strengthening for government institutions, and most importantly, support for self-help efforts of women and the poor. NORAD aid to Botswana will be phased-out by 1996.

Germany: German's ODA has been rising over the years in absolute terms, maintaining a constant share of about 0.4 per cent in GNP. Geographical distribution of Germany's aid shows that Sub-Saharan Africa has continued to get the largest share, though this has fallen from an average of 34.6 percent in 1981/82 to 33.0 percent in 1991/92 of total aid (approximately, 7 billion \$US). Botswana has been receiving aid from Germany since 1973. In 1982 Germany was the country's largest bilateral donor -- disbursing a total of 24 million US dollars -- but the level of contribution declined subsequently to an average of about 13 million US dollars annually. Unused funds can be carried forward to the next programme. Procurement, and consultants are tied to German firms. Germany's largest contribution was capital aid for construction of the Morupule Power Station in 1985 and 1986, but Germany's assistance covers a wide field. Major assistance has been provided to the geographical survey of Botswana, including the provision of experts in mineral exploration (DERAP Publication No. 235, 1988). As with other donors, the provision of experts and advisors has been prominent. Other areas of assistance include health facilities and supporting development of the local private sector, especially small-scale enterprises. Since the early 1990s Germany has shifted its emphasis from capital projects to technical assistance, and the volume of assistance to Botswana has been reduced in view of a favorable perception of Botswana's financial position. A German based non-governmental organization -- Herbert foundation -- has been instrumental in supporting development of the civil society organizations and human rights and democratization initiatives, such as the Democracy Project based at the University of Botswana.

USA: With eleven (11) billion US Dollars annually, USA's contribution to global development is impressive, although in real terms lower than the level attained in late 1970s and early 1980s. This is also true of the share of GNP, which at 0.2 is lower than the average of 0.3 per cent achieved between 1978 and 1982. Geographical distribution of USA aid shows that the regional focal point is the Middle East and North Africa, followed by Latin America and Caribbean. US development assistance to Sub-Saharan Africa has increased from a relatively low level of 10 percent in 1991 to 21 percent in 1992, and increased further to 28 percent in 1993. US aid to Botswana began in 1973 and was managed from a regional office in Swaziland. A permanent United States Agency for International Development (USAID) mission was opened in Botswana in 1978. Net disbursement has been significant -- averaging about 13 million US dollars between 1980 and 1985, and rising to a peak of 21 million in 1986 and it has since fallen to an average of about 8 million US dollars annually. Bilateral ODA through USAID is often tied to deliveries and services from the US Grants and guaranteed loans supported a wide variety of sectors in the 1970's and 1980's -- education, housing, agriculture, environmental and natural resources, industry and roads. The focus was progressively narrowed, directed towards education, natural resources, private sector development, and most recently population. USAID is the leading donor in the education sector - - both primary and secondary -- and is currently the lead helping the private sector influence government policy.

In addition to requiring that procurement and services such as consultancies come from the US, USAID usually requires that Botswana provide counterparts for all US technical advisers. USAID has its

own format and procedures for submission and processing of projects -- issues developed further in the chapter on the policy dialogue and illustrative case projects. Once USAID phases out its Botswana program in September 1995, Botswana is expected to receive aid through the regional programmes to be administered from the USAID regional office in Gaborone.

**APPENDIX C CONSOLIDATED CASH FLOW PRESENTATION OF
THE BUDGET (A) (ACTUAL PULA MILLION)**

	1973/74	1976/77	1979/80	1982/83	1985/86	1988/89	1990/91	1992/93	1994/95
Revenue and Grants	48.00	87.36	249.11	393.73	1133.35	2556.02	3740.71	4652.25	4647.02
Revenue	41.73	70.89	212.17	346.54	1092.23	2446.36	3622.92	4552.17	4594.01
Tax Revenue	34.41	49.45	184.26	279.12	835.16	1989.04	2844.14	3374.41	3689.20
Mineral	5.34	17.19	76.60	99.46	581.15	1508.06	2005.37	1866.12	2400.96
Customs Pool	20.94	15.44	80.18	114.32	149.23	292.59	478.17	998.35	715.55
Non-Mineral Income Tax	6.52	14.43	24.34	58.27	93.62	164.76	289.91	357.26	396.52
Export Duties	0.52	0.53	0.63	0.62	0.58	0.44	0.45	0.54	0.44
Taxes on Property (b)	0.23	0.22	0.63	0.89	0.75	1.56	2.67	5.37	6.70
Taxes on Motor Vehicles	0.34	0.94	0.97	1.32	2.02	2.98	1.51	4.03	4.51
Business and Professional Licences (c)	0.44	0.94	0.91	1.32	1.38	1.86	7.56	4.72	7.81
General Sales Tax	0.00	0.00	0.00	2.92	6.43	16.79	58.50	71.63	156.71
Stamp duties	0.08	0.12	0.00						
Non Tax Revenue	7.32	21.44	27.91	67.42	257.07	457.32	778.78	1177.76	904.81
Interest of which	1.97	10.46	9.25	13.45	30.62	94.12	132.76	66.33	188.73
PDSF		1.44	3.18	7.13	17.08	30.49	83.67	243.83	188.73
RSF		0.52	1.02	0.08	1.01	0.27	3.68	6.97	0.60
OTHER (d)	8.50	5.05	6.24	6.41	12.53	63.36	45.41	39.28	42.77
Other Property Income of which	0.87	3.25	8.69	35.40	196.12	321.06	574.57	383.99	617.26
BOB profits	0.00	0.00	4.91	34.96	35.00	319.29	566.84	838.99	617.26
Fees, Charges and Sundry	4.48	5.03	9.27	16.11	25.96	35.05	56.72	81.22	80.45
Sale of Property	0.00	2.70	0.70	2.46	4.37	7.09	14.73	13.72	18.37
Grants	6.27	16.47	36.94	47.19	41.12	109.66	117.79	100.08	53.01
Recurrent	0.61	1.11	2.69	2.60	1.38	1.01	3.74	1.82	25.21
Development (e)	5.66	15.36	34.25	44.59	39.74	108.65	114.05	98.26	27.80
Expenditures and Net Lending	61.40	108.09	228.04	414.76	719.18	1787.52	2942.69	3770.95	4884.42
Recurrent	27.27	64.79	121.98	226.34	427.02	897.02	1416.61	2186.97	3178.74
Personal Emoluments (f)	9.85	31.30	56.26	101.65	171.89	345.92	575.41	835.01	1203.48
Other Charges (f)	16.66	30.09	60.76	113.74	228.63	481.90	788.88	1283.93	1892.81
Public debt Interest	0.76	3.40	4.96	10.95	26.5	69.20	52.32	68.03	82.45
FAP Grants	0.00	0.00	0.00	1.04	5.22	9.90	22.00	28.40	40.00
Development Expenditure (K)	30.26	37.60	98.28	160.36	247.52	797.34	1090.08	1206.96	1590.64
PDSF/RSF Loans (g)	4.09	7.75	9.87	35.89	49.14	110.39	454.18	417.22	132.00
Repayment of Loans	-0.22	-2.05	-2.09	-8.87	-9.72	-27.13	-40.18	-68.60	-56.96
PDSF			-0.30	-2.83	-2.87	-10.50	-9.30	-18.02	-33.16
RSF			-0.14	-3.75	-0.17	-0.65	-9.41	-30.79	-1.94
OTHER			-1.65	-2.29	-6.68	-15.98	-21.47	-19.79	-21.86
Overall Surplus/Deficit (-)	-13.40	-2.20	21.07	-21.03	188.21	768.50	798.02	881.30	-237.40
of which Recurrent Budget Surplus				70.94	330.57	472.57	195.16	190.64	-441.02

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	1973/74	1976/77	1979/80	1982/83	1985/86	1988/89	1990/91	1992/93	1994/95
Financing of Deficit	<u>13.40</u>	<u>20.73</u>	<u>-12.07</u>	<u>21.03</u>	<u>-414.17</u>	<u>-768.50</u>	<u>-798.02</u>	<u>-881.30</u>	<u>237.40</u>
External Loans (e)	21.86	12.14	13.27	62.22	57.69	135.57	59.35	167.20	141.13
Internal Loans (e)	0.00	11.44	2.00	-0.76	0.00	0.00	0.00	0.00	0.00
less Amortisation	-0.39	-2.88	-3.66	-3.34	-44.50	-34.14	-56.48	-75.73	-104.01
IMF transactions (h)	0.00	0.00	-2.35	0.86	2.23	-1.59	0.00	-11.19	-5.00
Other Financing (i)	-0.04	2.94	2.73	4.84	-1.22	5.24	-20.77	-142.49	-10.00
Change in Cash Balances (j)	-7.03	-2.91	-33.06	-42.79	-428.37	-873.58	-780.12	-819.09	215.28

APPENDIX D EXPORTS, IMPORTS AND TOTAL TRADE IN RELATION TO GROSS DOMESTIC PRODUCT

National Accounts Year	Exports: G and S (Pm)	Imports G and S (Pm)	Trade Balance G and S	Total Trade G and S	GDP (Pm)	Exports/ GDP	Imports/ GDP	Trade Balance/ GDP	Total Trade/ GDP
1974/75	93,8	147,6	-54	241	221	0,424	0,668	-0,244	1,091
1975/76	135,2	187,5	-52	323	301	0,449	0,623	-0,173	1,073
1976/77	190,7	241,6	-51	432	351	0,543	0,688	-0,145	1,231
1977/78	196,4	285,5	-89	482	412	0,477	0,693	-0,216	1,170
1978/79	312,8	384,6	-72	697	567	0,552	0,678	-0,127	1,229
1979/80	410,5	487,4	-77	898	772	0,532	0,631	-0,100	1,163
1980/81	464,5	608,3	-144	1073	876	0,530	0,694	-0,164	1,225
1981/82	428,7	677,1	-248	1106	900	0,476	0,752	0,276	1,229
1982/83	711,7	770,8	-59	1483	1153	0,617	0,699	-0,051	1,286
1983/84	884,9	838,2	47	1723	1391	0,636	0,603	0,034	1,239
1984/85	1074,5	1029,4	45	2104	1829	0,588	0,563	0,025	1,150
1985/86	1737,5	1143,8	594	2881	2421	0,718	0,472	0,245	1,190
1986/87	1838,8	1427,5	411	3266	2810	0,654	0,508	0,146	1,162
1987/88	3119,0	1769,2	1350	4888	3796	0,822	0,466	0,356	1,288
1988/89	3706,0	2966,8	739	6673	5472	0,677	0,542	0,135	1,220
1989/90	3721,1	3519,5	202	7241	6130	0,607	0,574	0,033	1,181
1990/91	4106,9	4002,5	104	8109	6995	0,587	0,572	0,015	1,159
1991/92	4397,7	4054,0	344	8452	7810	0,563	0,519	0,044	1,082
1992/93	4078,9	4258,6	180	8338	8491	0,480	0,502	-0,021	0,982
1993/94	5353,1	5331,8	21	10685	10238	0,518	0,516	0,002	1,035

Source: Central Statistics Office, National Accounts.

Notes: National Accounts years are used for exports, imports and GDP. Exports and imports of goods from National Accounts are used. G and S stands for Goods and Services.

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**APPENDIX E EXTERNAL TRADE: IMPORTS AND EXPORTS
(P'000 AND PERCENTAGE)**

IMPORTS

Year	Total Imports (P'000)	Common Customs Area (%)	Other Africa (%)	United Kingdom (%)	Other Europe (%)	United States (%)	All Other (%)
1980	537,808	87.0	6.7	1.4	1.1	3.0	0.8
1981	663,921	87.6	6.3	1.1	1.7	2.2	0.1
1982	703,852	86.5	6.4	2.3	1.7	1.6	5.1
1983	805,944	83.1	7.4	1.3	5.2	1.1	0.2
1984	895,260	78.0	8.7	3.1	6.5	1.8	8.1
1985	1,095,184	74.4	7.5	4.9	7.5	2.8	1.3
1986	1,331,418	76.6	7.6	2.5	6.2	2.8	1.3
1987	1,572,455	79.6	7.7	2.3	6.8	1.9	1.8
1988	2,172,191	77.8	6.7	5.7	5.1	2.1	6.2
1989	3,019,612	81.0	6.4	3.1	6.2	1.2	2.1
1990	3,619,467	82.3	5.7	2.5	6.2	1.1	2.2
1991	3,927,665	82.8	5.6	3.6	3.9	1.2	9.1
1992	3,970,062	85.0	5.3	2.6	4.5	1.0	7.1

EXPORTS

Year	Total Exports (P'000)	Common Customs Area (%)	Other Africa (%)	United Kingdom (%)	Other Europe (%)	United States (%)	All Other (%)
1980	390,437	6.6	8.4	2.1	61.3	21.0	0.5
1981	332,254	16.6	10.5	6.7	41.6	24.3	0.3
1982	467,546	11.3	13.2	11.5	51.3	11.9	0.8
1983	696,732	8.3	9.2	4.4	70.3	7.4	0.4
1984	857,076	8.8	4.0	2.1	75.5	8.2	2.1
1985	1,384,284	5.6	3.0	3.8	80.9	5.3	4.0
1986	1,619,265	5.6	6.0	3.7	84.0	0.2	5.0
1987	2,664,671	4.1	4.8	1.1	89.4	0.2	0.3
1988	2,678,258	5.4	8.0	1.1	84.8	0.3	0.3
1989	3,742,602	4.9	8.1	0.9	85.5	0.3	0.3
1990	3,319,091	4.7	8.4	1.2	85.3	0.1	0.2
1991	3,738,009	5.0	8.3	1.4	84.9	0.3	0.0
1992	3,674,991	6.9	6.0	1.6	85.1	0.3	0.1
1993	2,990,341	8.8	4.6	7.9	78.3	0.3	0.1

Source: CSO. Statistical Bulletin Sept 1993, Vol. 18 No. 3, pp. 20-21.

APPENDIX F: BALANCE OF PAYMENTS SUMMARY (P million)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 (Rev.)	1993 (Prel.)
A. Visible Trade Balance	(122.6)	27.5	122.4	444.9	458.6	(1,322.4)	812.8	1,186.0	328.2	200.3	412.8	(117.6)
Imports, c.i.f. (reported) (4,297.0)	(706.3)	(804.2)	(895.4)	(1,095.1)	(1,331.4)	(1,572.5)	(2,172.2)	(3,659.6)	(3,976.1)	(3,970.0)	(3,970.1)	
Exports, f.o.b (reported)	470.7	695.7	856.9	1,384.3	1,619.3	2,664.7	2,678.3	3,742.6	3,341.6	3,743.2	3,675.0	4,179.4
Adjustments to imports (net)	109.3	129.3	137.9	155.6	188.1	222.8	298.9	1,110.3	987.9	480.0	686.7	0.0
Adjustments to exports (net)	3.7	6.7	23.0	0.1	(17.4)	7.4	7.8	(7.3)	(25.2)	(52.9)	21.2	0.0
B. Services	(58.5)	(162.7)	(240.8)	(364.4)	(346.4)	(500.9)	(519.5)	(741.7)	(530.0)	(514.7)	(788.9)	(701.9)
Freight and insurance	(2.9)	(9.3)	(18.4)	(20.3)	(32.1)	(42.9)	(84.1)	(121.1)	(141.8)	(167.3)	(291.3)	(259.5)
Other transportation	(40.2)	(56.1)	(55.4)	(42.5)	(49.3)	(53.8)	(58.6)	(63.8)	(70.2)	(76.7)	(30.4)	(6.1)
Foreign travel	2.5	22.5	19.4	12.2	38.1	38.5	26.3	39.1	62.1	77.7	69.2	92.4
Investment earnings	34.7	39.3	66.1	112.6	155.0	201.2	307.8	407.8	581.7	787.4	942.0	724.9
Investment payments (1,148.7)	(41.4)	(142.5)	(247.5)	(422.8)	(462.2)	(648.4)	(709.4)	(987.9)	(945.3)	(1,038.0)	(1,431.7)	
Government n.e.s. (net)	4.0	5.5	8.4	9.9	8.4	12.5	13.9	14.6	16.1	13.7	33.8	0.0
Migrant workers remittances (net)	18.5	27.4	32.5	27.3	33.5	51.7	58.0	60.3	62.7	68.9	44.5	20.0
Other exports of services	5.4	5.5	14.1	8.9	12.9	15.7	15.3	16.8	17.6	20.5	37.6	84.0
Imports of services	(39.1)	(55.0)	(60.0)	(49.7)	(50.7)	(75.4)	(88.7)	(107.5)	(112.9)	(200.9)	(162.6)	(208.9)
Total Goods and Services	(181.1)	(135.2)	(118.4)	80.5	112.2	821.5	193.3	444.3	(201.8)	(314.4)	(376.1)	(819.5)
C. Transfers	119.9	137.3	132.0	170.4	210.3	284.2	408.9	216.4	223.2	344.1	257.6	334.2
Private receipts	22.8	27.5	25.8	28.1	39.8	60.5	32.0	35.8	37.6	41.4	126.7	0.0
Private payments	(23.0)	(27.9)	(35.3)	(34.1)	(44.7)	(49.1)	(61.4)	(97.5)	(154.6)	(177.8)	(167.2)	0.0
Govt loans converted into grants	0.0	0.0	0.0	0.0	0.0	0.0	447.3	545.1	674.2	996.1	713.5	334.2
Govt - other transfers (net)	120.1	137.7	141.5	176.4	215.2	272.8	(9.0)	(267.0)	(334.0)	(515.4)	(415.4)	0.0
Current Account Balance	(61.2)	2.1	13.6	250.9	322.5	1,105.7	702.2	660.7	21.4	29.7	(118.5)	(485.3)
D. Capital Account	103.3	105.3	144.0	238.6	206.9	(142.9)	(66.8)	326.2	433.5	676.0	294.4	1,028.3
Private long term capital	63.9	58.3	129.3	199.8	187.2	(141.5)	86.5	369.1	511.8	428.2	206.2	(18.8)
Private short term capital	13.1	23.6	13.3	(0.3)	47.7	(26.3)	(156.4)	(20.6)	65.0	143.7	59.1	200.0
Government capital	41.6	19.6	22.8	13.5	17.0	26.9	13.7	33.9	(65.6)	126.4	29.1	847.1
Banking sector	(15.3)	3.8	(21.4)	52.6	(54.0)	(2.0)	(10.6)	11.6	(77.7)	22.3	0.0	0.0
Net Errors and Omissions	24.4	30.7	9.5	11.1	36.6	(26.4)	62.4	176.5	123.1	58.4	39.2	(85.7)
Overall Balance	66.5	138.1	167.1	500.6	566.0	936.4	697.8	1,163.4	578.0	764.1	214.1	457.3
E. Change In External Reserves (- increase) (1,947.6)	(85.9)	(148.1)	(279.5)	(93.3)	(556.0)	(951.1)	(1,216.4)	(879.5)	(986.5)	(1,473.0)	(854.7)	
Adjustments for exchange changes	29.4	10.0	112.4	407.3	(9.9)	(14.7)	518.6	(283.9)	08.6	708.9	(5.2)	0.0

Source: Bank of Botswana Annual Report, 1994.

APPENDIX G: EMPLOYMENT: PUBLIC SERVICE

Central Government

Posts filled

	Establish- ment	Shadow Posts	Total	Batswana	Non- Batswana	Total	Vacancies	Vacancy Rate (%)	Indus- trial Class	Admini- stration
1987 Jan	24 125	157	24 282	21 290	1 120	22 410	1 872	8	16 344	1 323
1988 Jan	26 088	228	26 316	22 748	1 285	24 033	2 283	8.7	17 665	1 420
1989 Jan	28 361	260	28 621	23 816	1 373	25 189	3 432	12.0	19 309	1 592
1990 Jan	35 340	278	35 618	30 256	1 722	31 978	3 641	10.2	20 868	1 887
1991 Jan	36 330	275	36 605	31 026	1 931	32 957	3 434	9.4	20 868	1 999
1992 Jan	39 051	270	39 321	32 328	2 410	34 738	4 583	11.7	24 631	2 142
1993 Jan	40 507	275	40 782	33 426	2 450	35 876	4 911	12.0	25 919	2 419

Source: Directorate of Public Service Management

The information covers all establishments whose payroll records are maintained in the Government Computer Bureau files. These include all permanent and pensionable employees in the Central Government, Tribal Administration, Tribal Courts and Tribal Police.

It also includes members of Parliament and the House of Chiefs, specified officers and shadow posts but excludes members of the BDF.

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APPENDIX H: AID CASH FLOW IN MACRO-ECONOMIC INDICATORS (1971-1993) (P million)

Year	Total Aid	GDP	Per Capita Aid	Imports	Aid in Imports(%)	Exports	Aid in Ex-port (%)	Ex-ternal debt	Debt Ser-vice	Total Govt Rev	Aid in Govt Rev (%)	Govt Exp	Aid in Govt exp (%)	Recc Exp	Aid in Recc Exp (%)	Devt Exp	Aid in Devt Exp (%)
1971	11.82	213.00	19.83	59.12	19.99	30.34	38.95	11.22	..	12.09	97.79	..	..	..	..	..	..
1972	26.21	147.00	42.00		22.79	44.81	58.48	21.00	..	28.71	91.27	..	..	..	..	..	..
1973	25.92	2898.00	39.69	114.96	22.55	59.20	43.78	14.05	0.22	29.57	87.65	57.53	45.05	27.27	95.05	30.26	85.65
1974	19.93	390.00	29.13	125.42	15.89	81.99	24.30	5.67	0.91	32.78	60.78	69.80	28.55	37.02	53.82	32.78	60.78
1975	22.98	746.00	31.57	147.60	15.57	93.80	24.50	1.24	1.21	37.52	61.25	84.20	27.29	48.75	47.14	35.45	64.82
1976	31.83	887.50	41.78	187.50	16.98	135.20	23.55	20.75	2.05	35.52	89.62	102.39	31.09	64.79	49.13	37.60	84.66
1977	27.90	919.10	34.961	241.60	11.55	190.70	14.63	4.58	4.24	36.98	75.45	118.26	23.59	73.83	37.79	44.43	62.80
1978	43.09	1098.20	14.96	285.50	15.09	196.40	21.94	6.91	0.05	89.76	48.01	178.07	24.20	99.06	43.50	79.01	54.54
1979	49.67	1207.20	53.53	384.60	12.91	312.80	15.88	21.38	0.07	91.82	54.10	220.26	22.55	121.98	40.72	98.28	5054
1980	49.31	1379.80	59.77	487.40	10.12	410.50	12.01	51.38	0.07	269.51	18.30	288.25	17.11	166.81	29.56	121.44	40.60
1981	51.61	1511.10	57.53	608.30	8.48	464.50	11.11	39.61	0.07	282.97	18.24	321.22	16.07	199.97	25.82	121.25	42.57
1982	104.21	1623.90	58.38	677.10	15.39	428.70	24.31	108.51	0.14	346.54	30.07	386.70	26.95	226.34	46.04	160.36	64.98
1983	79.23	1884.10	106.88	770.80	10.28	711.70	11.13	82.21	0.27	514.81	15.39	411.25	19.27	270.57	29.28	140.68	56.32
1984	97.43	2101.20	78.37	838.20	11.62	884.90	11.01	97.62	0.44	763.40	12.76	551.96	17.65	342.26	28.47	209.70	46.46
1985	98.61	2251.90	92.88	1029.40	9.58	1074.50	9.18	98.10	0.71	1092.23	9.03	674.54	14.62	427.02	23.09	247.52	39.84
1986	159.25	2420.60	90.72	1143.80	13.92	1737.50	9.17	165.88	0.62	1479.92	10.76	978.25	16.28	573.03	27.79	405.22	39.30
1987	212.70	2636.10	141.31	1427.50	14.09	1838.80	11.57	210.60	0.73	1719.11	12.37	1244.97	17.08	686.83	30.97	558.14	38.11
1988	231.77	3038.70	181.95	1769.20	13.10	3119.00	7.43	244.19	1.04	2446.36	9.47	1694.36	13.68	897.02	25.84	797.34	29.07
1989	138.76	3437.30	191.39	2966.80	4.68	3706.00	3.74	140.76	0.99	2710.90	5.12	1969.46	7.05	1141.81	12.15	827.65	16.77
1990	175.14	3633.60	110.56	3519.50	4.98	3721.10	4.71	176.05	1.09	3622.92	4.83	2506.69	6.99	1416.61	12.36	1090.09	16.02
1991	178.47	3954.40	134.72	4002.50	4.46	4106.90	4.35	175.47	1.32	3999.59	4.46	2887.74	6.18	1789.76	9.97	1097.98	16.25
1992	241.65	4209.60	134.59	4054.00	5.96	4397.70	5.49	156.42	0.14	4069.04	5.94	3393.93	7.12	2186.97	11.05	1206.96	20.02
1993	226.81	4180.60	173.23	4258.60	7.67	4078.90	8.01	135.67	1.55	3850.72	8.49	4260.66	7.67	2702.41	12.09	1558.25	14.5

Sources: Financial Statements, Tables and Estimates of Consolidated and Development Fund Revenues 1971-1993. Bank of Botswana Annual Report 1979 -- 1993. Population Report 1986-1987.

Note: The 1994/5 budget showed a small overall surplus of P196 million compared to the revised budget estimate of a deficit of P237 million (5 percent of total revenue). This better than anticipated budget outcome was a result of a depreciation in the value of the Pula and under-spending in both the recurrent and development budgets of 7 and 13 percent respectively. Although the decline in revenues was moderated by the Pula depreciation, total income declined by P887 million or 16.6 percent on the previous year's revenue. According to the revised budget estimates for 1995/96, the government ran a deficit of P270 million, representing 5 percent of total revenue. Prepared against the backdrop of declining growth in government revenue, a budget deficit of P636 million or 11.7 percent of total revenue is projected in 1996/7. If current trends continue, the government projects growing deficits through the year 2000 (MFDP, 1994, 1995, 1996).

APPENDIX I: SECTORAL FOCUS BY MAJOR DONOR ('000 US \$)

Sectors	1990 Donor Amount		1991 Donor Amount		1992 Donor Amount	
	Human Resource Development	UK Norway US	10,910 2,583 3,981	UK USA Germany	11,199 769 2,552	AFDB UK USA	20,825 8,257 5,200
Transport	Germany EEC Norway	4,549 4,227 3,720	Germany UK	10,461 4,038	AFDB Norway	4,103 3,549
Development Administration			Sweden Norway	4,089 3,076	Norway UK	13,274 3,209
Agriculture	AFDF	2,239	Norway EEC UNDP	1,307 1,019 565	AFDF EEC	9,550 3,533
Natural Resources	EEC Canada	5,928 4,791	EEC US	2,399 2,527	EEC US	7,728 1,391
Health	USA Norway IBRD	1,308 4,543 4,265	Norway	3,861	IBRD Norway	2,920 3,642
Industry	Germany Norway	1,632 3,485			EEC Germany US	2567 2092 1297
Communication			Norway	10,478		
Area Development	Sweden Norway	4,051 4,505	Sweden Norway	4,089 3,076	Norway LWF	2561 1685
Economic Management					AFDB Netherlands	986 274
Social Development	Norway Sweden	1,425 5,286	Sweden	4,422		
Humanitarian Emergency Aid			WFP	3,598	China UNHCR	986 456

Source: UNDP/GOB, Development Cooperation Reports, 1993, 1994.