

Document of
The World Bank
FOR OFFICIAL USE ONLY

FILE COPY

Report No. P-2879-BT

REPORT AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED LOAN
TO THE
REPUBLIC OF BOTSWANA
FOR A
FIFTH ROAD PROJECT

December 12, 1980

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

CURRENCY EQUIVALENTS

Currency Unit	=	Pula (P) and thebe
P1	=	US\$1.2813
US\$1.00	=	P 0.7805
P1	=	100 thebe

GLOSSARY OF ABBREVIATIONS

CIDA	-	Canadian International Development Agency
RSA	-	Republic of South Africa
RTC	-	Roads Training Centre
USAID	-	United States Agency for International Development
vpd	-	vehicles per day

FISCAL YEAR

April 1 - March 31

BOTSWANAFIFTH ROAD PROJECTLOAN AND PROJECT SUMMARY

Borrower: Republic of Botswana.

Amount: US\$17.0 million.

Terms: 17 years repayment including 4 years of grace, 9.25 percent interest.

Project Description: The Project would upgrade Botswana's road network, encourage rural development and strengthen road maintenance. It would complete the paving of an extension of the north-south road to link with Zimbabwe; improve road access to portions of the Tuli Block and adjacent areas; strengthen the Roads Department by building a soils and materials testing laboratory and road maintenance depots, and providing consulting services and two instructors to complete the staffing of Botswana's Roads Training Center. By reducing transport and vehicle operating costs, it would benefit consumers and traders. The Project faces no special risks, although realization of its potential would be adversely affected by a decline in cross-border traffic between Botswana and Zimbabwe.

Estimated Cost:

	US\$ Millions		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
1. Civil Works for Roads	4.9	11.3	16.2
2. Civil Works for Buildings	0.5	0.7	1.2
3. Consulting Services	0.3	1.4	1.7
4. Instructors for RTC	0.1	0.3	0.4 ^{1/}
5. Contingencies: physical	0.6	1.4	2.0
price	1.0	2.5	3.5
Total	7.4	17.6	25.0
(taxes and duties)	(2.0)		(2.0)
Total net of taxes and duties	5.4	17.6	23.0

Financing Plan:

	US\$ Millions		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
IBRD	-	17.0	17.0
Government	<u>5.4</u>	<u>0.6</u>	<u>6.0</u>
Total	5.4	17.6	23.0

^{1/} Bilateral assistance is being sought.

Estimated
Disbursements:

<u>IBRD Fiscal Year:</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Annual	-	5.9	7.2	3.9
Cumulative	-	5.9	13.1	17.0

Rate of Return: 13 percent

Appraisal Report: No. 3131b-BT, November 20, 1980.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATIONS OF THE PRESIDENT
TO THE EXECUTIVE DIRECTORS
ON A PROPOSED LOAN TO THE REPUBLIC OF BOTSWANA
FOR A FIFTH ROAD PROJECT

1. I submit the following report and recommendation on a proposed loan to the Republic of Botswana for the equivalent of US\$17.0 million for a Fifth Road Project. The loan would have a term of 17 years, including four years of grace, with interest rate of 9.25 percent.

PART I - THE ECONOMY

2. Botswana ^{1/} is landlocked, bordered by the Republic of South Africa (RSA), Namibia, Zambia and Zimbabwe. It is the size of France, but has a population of only about 858,000, three-quarters of whom live in a relatively small eastern corridor. The Kalahari Desert covers about two thirds of the country. Rainfall is erratic and drought frequent.

3. Livestock has been Botswana's principal resource, and cattle raising remains the dominant economic activity for almost 80 percent of the population. Since 1971, however, diamond, nickel, and copper mining have spurred economic growth and significantly reduced dependence on livestock. Mineral and beef exports fueled real GDP growth at an annual average of 10 percent over the last decade. Despite regional political turmoil, the outbreak of foot-and-mouth disease, and below average harvest, GNP per capita, estimated at US\$725 in 1979, has almost trebled in current prices since 1973. The value of Botswana's diamond production alone tripled between 1977 and 1979, and diamonds now account for more than 50 percent of exports. The economy is expected to continue this growth through the first half of the 1980s.

4. The Government's financial position has strengthened since 1972; it is a net creditor of the banking system and has achieved recurrent budget surpluses that have covered about half of steadily growing capital expenditures that were largely previously externally financed. With rising income from the Southern African Customs Union, direct taxes and minerals, recurrent revenues rose from P 29 million (US\$37 million) in 1972/73 to an estimated P 190 million (US\$243 million) in 1979/80. Although about one quarter of 1978/79 expenditures were diverted to unexpected projects related to political events and cattle disease, the Government's financial position did not suffer, as revenues grew faster than expected and additional grants from bilateral and multilateral sources were received. Emergency expenditures, considerably

^{1/} The most recent economic memorandum of Botswana (Report No. 1832-BT) was distributed to the Executive Directors on April 20, 1978. An updating economic mission visited Botswana in June 1980, and a new report is scheduled for distribution by April 1981. Country data are given in Annex 1.

lower in 1979/80, were financed from a special contingency fund to avoid further disruption of the development budget. Since 1973, the economy has also shown overall surpluses in its balance of payments. Net international reserves were about US\$267 million in December 1979, at least six months' imports. This relatively high level of reserves reflects the rapid rise in exports, sharp increases in government transfer receipts and substantial inflows of private capital invested in a new diamond mine. Rising prices for petroleum products and imported food, exacerbated by depreciation of the pula, due to its being pegged to the US dollar, placed upward pressure on domestic prices in 1979. To moderate inflation the Government broke its dollar link and revalued the pula by five percent in September, 1979. 1/

5. Botswana's rapid growth since independence has diverted attention from its vulnerability to external developments, particularly, those in the region stemming from political uncertainties. Botswana has no control over an essential part of its transport system--its rail link with South Africa and Zimbabwe, which is crucial to its livestock and mining sectors--and is owned by Zimbabwe. The dominance of livestock and mining also makes the economy vulnerable to sharp swings as prices and access to export markets fluctuate. Finally, drought and cattle diseases have created hardship for a significant proportion of Botswana's population.

6. Despite significant progress, inadequate infrastructure and shortages of technical and professional personnel still hinder Botswana's development. For example, although major towns and villages are linked by the relatively good north-south road, road links to remoter district centers are still lacking and many rural areas remain isolated. Therefore, the Government continues to earmark a large proportion of its investment program--about 20 percent in 1979/80--for roads. While the adult literacy rate has risen from 20 percent at independence (1966) to about 35 percent in 1978, the economy remains heavily dependent on expatriates, who account for about 70 percent of employees with university degrees. Moreover, the demand for skilled workers will increase with the economy's expected growth.

7. Botswana also faces difficulties in reducing the economic and social imbalances that have accompanied rapid growth. The traditional pattern of cattle ownership, communal grazing and control of watering points has favored a limited number of Batswana. A 1974/75 rural income distribution survey showed about 4t percent of rural households without cattle, another 20 percent with fewer than 10 head, while five percent owned about half the national herd. This inequality has steadily widened as herds expanded and competition for grazing land and water increased and exacerbated by drought. As the growth

1/ The Government decided in mid-1980 to peg the pula to a basket of currencies consisting of 50 percent SDRs and 50 percent South African rand, the currency in which Botswana pays for most of its imports.

of herds threatens to damage or destroy grazing lands through over-use and erosion the Government adopted a Tribal Grazing Land Policy in July 1975 to reform land tenure, modernize ranch management and increase productivity. This program has not yet been successful in rationalizing government investment and pricing policies that induce overstocking and has focussed largely on commercial ranching rather than cattle smallholders. Botswana also recently started implementing an Arable Land Development Program to expand rural employment, decrease food imports and raise farm incomes by providing credit, inputs, extension and marketing services and on-farm infrastructure such as fencing and roads. The program is quite ambitious and its goals of grain self-sufficiency and cash crop incomes of nearly US\$400 per family will be difficult to reach.

8. Botswana's development strategy aims at rapid economic growth, more equitable income distribution, equal education and employment opportunities and diversification of external economic and trade relations. The Fifth Development Plan (1979-85), while focusing on employment creation, will give priority to increasing rural productivity, promoting industry, improving education and expanding infrastructure. The public investment program amounts to about US\$678 million in 1979 prices, implying an average annual investment of 10.7 percent of GDP, excluding expenditures for contingency projects.

9. Real GDP growth, projected in the Plan at 10 percent a year, will likely be below this level in its early years due to the Jwaneng diamond mine's reaching full capacity in 1982, the dampening effect of oil price increases, and uncertain prospects in livestock. However, a large new diamond mine is expected to begin operations in 1982 so that Botswana's real growth should average about 14 percent for the rest of the Plan period.

10. Multi- and bilateral agencies have extended substantial assistance to Botswana on highly concessional terms. The Bank Group has been the main multilateral source, but the European Economic Community, the African Development Bank and OPEC sources have also been active. Bilateral assistance has come from several sources and, in 1978, almost two thirds of Botswana's outstanding bilateral debt was converted into grants. At the end of that year, total external debt outstanding and disbursed amounted to US\$120.7 million. Debt service payments during 1978 were US\$8.2 million and the debt service ratio 3.7 percent. Botswana is expected to continue to receive much of its assistance from bilateral sources on grant or concessional terms. Given its improving creditworthiness, however, an increasing proportion of financing will come from commercial sources, mainly in mining, and some hardening in the overall terms of borrowing is expected. Botswana negotiated its first commercial loan from a consortium of private banks in 1978 and is expected to remain creditworthy for commercial borrowing. Based on projected export growth and a moderate hardening in the terms of its borrowing, Botswana could borrow an estimated US\$80 million annually through 1985 without its debt service ratio exceeding five percent.

1/ These two projects would raise public investment to 10.7 percent of GDP.

PART II - BANK GROUP OPERATIONS IN BOTSWANA

11. Botswana has received loans and credits totalling US\$120.5 million-- 6 credits (US\$14.8 million) and 10 loans (US\$105.7 million), including US\$3.5 million on Third Window terms. These have financed four road projects, two livestock projects, two education projects, two urban projects, two water supply projects, plus projects for a development finance company (Botswana Development Corporation--BDC), and engineering studies and infrastructure for the Shashe mining complex. IFC's first operation in Botswana, a US\$362,500 equity participation in BDC, was approved in March 1979. Summary statements of Bank Group Operations in Botswana are provided in Annex II.

12. As of December 31, 1978, the Bank Group's share of Botswana's external debt (disbursed only was 46.4 percent IBRD 33.6 percent) and accounted for 84 percent of its debt service payments, a reflection of the predominance of loans on favorable terms in Botswana's external debt. About 80 percent of debt service payments to the Bank Group, however, are for the Shashe mining infrastructure loans which are guaranteed by a consortium of international mining companies. The Bank Group's share of external public debt (disbursed) and debt service payments is expected to decline to about 24 and 29 percent, respectively, by 1985.

13. Botswana has demonstrated good performance in the planning and execution of development projects. Bank-assisted projects have encountered relatively few problems with two exceptions: the Shashe Copper/Nickel Mining Project (Loans 776-BT and 776-2-BT) and the IDA-financed First Livestock Project (Cr. 325-BT). Although the infrastructure component of the Shashe Project was completed on schedule, the mining operation experienced technical and financial problems. In early 1980, the various parties concerned agreed to a second financial restructuring of the mining company, BCL. The First Livestock Project, recently completed, experienced management and overstocking problems in several ranches, which will have difficulty in meeting debt servicing commitments. Fencing of large areas in the Kalahari region proved complicated, and water facilities operated poorly. The Botswana Livestock Development Company continues to have financial problems, largely due to the curtailment in trading induced by foot-and-mouth disease. The Government is pursuing proposals to remedy these problems.

14. Future operations in Botswana include proposed projects in education and power. A Third Education Project, now being prepared, would build, furnish and equip about 1,000 primary classrooms and provide administrative and technical assistance. Field investigations and preparation of a feasibility study for a large, coal-fired power plant are underway and expected to be completed in early 1981.

PART III - THE TRANSPORT SECTOR

15. Botswana's major transport arteries are a 640 km rail-line and parallel road running south through its heavily populated eastern quarter from Zimbabwe to South Africa. Otherwise, its network of roads and tracks is sparse and needs extension, upgrading, and maintenance. Botswana has a ferry link across the Zambezi to Zambia in the north, four airports, and a number of landing strips.

16. Fifteen percent of Botswana's 6,900 km of gazetted roads is paved, a fortyfold increase since independence, another 25 percent gravelled and the rest earth and sand. Several thousand kilometers of uninventoried and un-surfaced district roads and tracks provide additional access in rural areas.

17. The development of Botswana's mining industry and the residual effects of growth in the RSA have led to traffic growth averaging 10 percent a year since 1970. More than half the country's registered vehicles are commercial goods carriers, generally of less than 1.5 tons capacity. While Botswana's licensing laws favor local operators, capacity is low, and foreign truckers dominate road transport. Despite sharp rises in fuel prices--to the equivalent of US\$2.46 per gallon for gasoline and US\$2.31 for diesel--in recent years, gasoline consumption is rising at 10 percent yearly, and diesel 15 percent.

18. The main railway line is owned, operated and maintained by Zimbabwe, which also provides services along some 70 km of spur lines built by Botswana to service its mines. Only 20 percent of freight traffic has been of local origin, with the rest in transit between RSA and Zimbabwe. Ninety percent of the 600,000 passengers carried yearly are, however, local. The Government has drawn up a US\$84 million program to take over the railway during the next five years.

19. Botswana's four airports are not equipped to handle commercial jet or night flights, although construction of an international airport at Gaborone is expected to start in 1981. The national airline, Air Botswana, contracts scheduled service to RSA and Zambia to a private firm.

Institutional Framework

20. Botswana's post-independence concentration on improving its primary highway network has been superseded in the Fifth Plan by an ambitious transport policy of upgrading roads and improving maintenance, improving access to rural areas, and reducing dependency on its neighbors in rail, air, and road transport. Transport investments of US\$264 million represent about 30 percent of Plan spending.

21. Transport planning, carried out by the Ministry of Works and Communications, has been essentially project oriented. The Government now recognizes, however, the need for a more coordinated approach, and plans a national transport study to prepare a comprehensive 15-year investment program. The African Development Bank has agreed to finance the study from savings under an earlier road project.

22. Sixty percent (US\$157 million) of the Plan's transport investment is targeted for road construction; almost double the US\$17.4 million averaged over 1975-79. The foreign exchange component of new construction is almost entirely financed from external sources, while maintenance expenditures, now about US\$890,000 a year, are met from fuel taxes and licensing fees. While it is doubtful that Botswana will be able to carry out the full program during the five-year Plan period, external funding for much of it has already been secured. A major purpose of the National Transport Study (para. 21) will be to set road investment priorities after 1985.

23. The Works Ministry's Roads Department is responsible for Botswana's gazetted road network. ^{1/} Most of the Department's senior staff are foreigners paid by bilateral donors. Since a program to train counterparts is not yet fully successful, there is a continuing problem of vacancies. The loan would address the vacancy problem by providing US\$160,000 to hire short-term consultants. The Fourth Road Project included a new building for the Department's Roads Training Center (RTC), which trains road technicians, equipment operators and supervisors. Its staffing remains inadequate, however, and it was agreed at negotiations that the Government would appoint, by June 30, 1981, two new instructors and thereafter maintain a teaching staff consisting of at least a Senior Training Engineer and five instructors (Section 4.03, draft Loan Agreement). The Government has asked a bilateral donor to finance the two positions.

24. The Department relies on contractors, mostly foreigners, for all major works but handles road maintenance itself. Maintenance has improved markedly with the implementation of recommendations of a study financed in the Third Project. The proposed Project will build two new and enlarge seven existing maintenance depots.

25. Although the Ministry's Central Transport Organization, in charge of road construction and maintenance equipment, has greatly improved its operations recently with the aid of Canadian technical assistance, the availability rate of equipment and vehicles remains low. As the proposed Project includes maintenance depots (para. 24), it was agreed at negotiations that quarterly reports on equipment availability will be a part of the normal reporting requirements. The transport organization's budgeting and accounting procedures are being improved under bilateral technical assistance.

Bank-Group Assistance

26. In Botswana, the Bank Group has helped finance four road projects and an infrastructure project with a road component. The First Road Project (Credit 63-BEC, US\$3.6 million) in 1974 involved building 570 km of gravel roads, improving the north-south road and supporting maintenance. While the project was

^{1/} Local roads are administered by nine district councils under the Ministry of Local Government and Lands. The councils have had few facilities for maintaining local roads; a pilot technical assistance program financed in the Third Project recently introduced labor-intensive construction and maintenance method in one district, and these will be extended to two more in the Fourth Project.

completed on time and within cost estimates, the audit report estimated that economic benefits would be somewhat lower than expected because a forecast shift from livestock trekking to trucking did not materialize. As a consequence, the 1973 estimated rate of return for one road section was negative and ranged between 4 to 16 percent for the other sections compared with projections at appraisal of 8 to 20 percent.

27. The Second Road Project (Credit 303-BT, US\$2 million) in 1972 was also financed by a Swedish International Development Authority credit of about US\$4 million. It reconstructed and paved an 80-km section of the north-south road, and provided technical assistance to the Roads Branch of the Public Works Department. The project was completed ahead of schedule and within cost estimates; the audit report confirmed its economic justification although the rate of return, estimated at 13 percent, was 6 percent lower than the appraisal estimate because a connecting road in South Africa was not built.

28. The Third Road Project (Loan 1174-BT, US\$5.8 million) in 1975 consisted of constructing the 52 km Gaborone-Molepolole road, detailed engineering of the Mahalapye-Serule and Dumela-Ramokgwebana roads, a road maintenance study, a district roads maintenance pilot program and training and equipment. The Project has been completed, except for the maintenance program, which is expected to be completed a year late because of delays in recruiting consultants.

29. The Fourth Road Project (Loan 1408-BT, US\$20.0 million), approved in 1977, is constructing 167 km of roads, providing technical assistance, preparing a feeder road program and strengthening the Roads Department. Construction and studies are proceeding satisfactorily and an extension of the pilot maintenance program awaits completion of its first phase under the Third Project.

30. The Shashe Infrastructure Project (Loan 776-BT, US\$32.0 million) in 1971 included construction of a 52 km gravel road between Serule and Selebi Phikwe. Additional funds for bituminizing the road were included in a supplementary loan which brought the total cost of road construction to US\$3.5 million. Works were completed in 1977.

PART IV - THE PROJECT

31. The Project 1/ would complete paving of the road linking the country's north-south artery with Zimbabwe, improve three roads in the Tuli

1/ The Botswana Government prepared the Project based on consultants' studies. It was appraised in June 1980, and negotiations were held in Washington in November 1980. Mr. O.K. Matambo, Director of Economic Affairs, Ministry of Finance and Development Planning, led the government delegation. A report entitled "Fifth Road Project - Staff Appraisal Report," No. 3131b-BT, dated November 20, 1980, is being distributed separately. Annex III gives supplementary information.

Block and adjacent tribal mining areas, provide road maintenance depots and a laboratory, and strengthen the Roads Department. Specific components are:

- (i) Improving the 76 km Dumela-Zimbabwe border road to two-lane bituminous standards. The road, the only unpaved section of the north-south spine road, links rural northeastern areas with Francistown, a major supply and distribution center. The existing gravel road is sometimes difficult to pass during the rainy season and barely adequate during the dry season. Detailed engineering has been completed.
- (ii) Bringing the 25 km Selebi Phikwe-Sefophe road in the Tuli Block to two-lane bituminous standards. The road services the important mining town of Selebi Phikwe and is an extension of the Serule-Selebi Phikwe road built in 1977. The present gravel road and earth track are difficult to maintain because there is little gravel and water in the area. A 7 km access road to the Selebi Phikwe airport would also be built. Detailed engineering has been completed.
- (iii) Making spot improvements to the Sefophe-Tsetsebjwe (56 km) and Dikabeya-Sefophe (93 km) roads serving tribal farms in the Tuli Block. These roads have poor drainage and are sometimes impassable during the rainy season. The improvements would allow access during all but the most severe rains. Detailed engineering is not required for this work.
- (iv) Supporting road maintenance by:
 - (a) constructing a new soils and materials laboratory.
 - (b) constructing new or improving existing road maintenance depots in Francistown, Gaborone, Ghanzi, Kang, Kanye, Maun, Mahalapye, Nata, and Palapye.
- (v) Consulting services to:
 - (a) supervise construction;
 - (b) prepare a program for strengthening about 80 km of main roads, and training Roads Department technicians in pavement evaluation techniques;
 - (c) develop road design standards appropriate for Botswana and prepare a design manual;
 - (d) fill occasional Roads Department vacancies with temporary staff who can be provided at short notice by consulting firms with local offices.
- (vi) Improving teaching at RTC by providing two additional instructors and maintaining the expanded staff level.

Project Costs and Financing

32. Project costs are estimated at US\$25.0 million, including US\$2.0 million duties and taxes. The proposed US\$17.0 million loan would finance all foreign exchange costs, except about US\$400,000 for the two RTC instructors (para. 23) and would cover 74 percent of net project costs. The Government would finance the remainder. The Project's cost includes 10 percent physical and 18 percent price contingencies, based on 14 percent yearly foreign and local price inflation ^{1/} during 1980-81, and 12 percent a year thereafter.

33. Approximately 244 months of consulting services are estimated to cost US\$2.1 million, an average of about US\$6,900 per month for direct costs. Local transport, office, and supporting services costs raise this figure to US\$8,600. These costs are based on recent consultants' contracts with the Government which are relatively low because of the number of consulting firms that have offices in Botswana or the RSA.

Project Execution and Procurement

34. The Roads Department will be responsible for executing the Project, which will be carried out over three years. It will be assisted by consultants who will supervise civil works, prepare a design manual and pavement strengthening program, and fill short-term Departmental vacancies (para. 23).

35. Unit price contracts for road construction and contracts for the soils and materials laboratory and the nine road maintenance depots will be awarded after international competitive bidding. However, because of the relatively small size and scattered locations of the buildings, only contractors already established in Botswana or in neighboring African countries are expected to bid. Hence, publication may be limited to advertising in the local press and Development Forum.

Disbursement

36. Loan funds will be disbursed against 70 percent of the costs of civil works for the roads, 60 percent of the costs of civil works for buildings, and 80 percent of the total cost of consulting services.

Benefits and Risks

37. The Project's quantifiable benefits, which result from lower vehicle operating and road maintenance costs, give an overall economic rate of return estimated at 13 percent. As trucking in Botswana is highly competitive and there are no government rate controls, part of the vehicle operating cost savings are expected to be passed on to the general public. The Project would also strengthen Botswana's highway maintenance capability and provide training through the two RTC instructors.

38. Improving the 76 km Dumela-Zimbabwe border road, a portion of the country's main transport artery, accounts for 68 percent of project costs. The

^{1/} As price movements in Botswana are strongly influenced by imports, inflation rates are expected to be the same for local and foreign costs.

road, on which traffic is expected to grow about seven percent yearly between 1983 and 2002, passes through an area dominated by Francistown, Botswana's second largest urban center and a major employment, supply and marketing center, and services some 71,000 ha with potential for increased agricultural production. As the only road link with Zimbabwe, it is part of an important international route running from South Africa through Botswana and Zimbabwe to other countries in the region. Although the railway linking Zimbabwe and the north with RSA also passes through this corridor, little traffic diversion from rail to road is expected. The projected ERR for this road is 11 percent. A 10 percent cost increase, or 9 percent diminution in benefits, would lower the return to 10 percent.

39. Upgrading the 25 km Selebi Phikwe-Sefophe road and the 7 km access route to the Selebi Phikwe airport is expected to yield economic rates of return of 17 and 22 percent. A 10 percent rise in costs or decrease in benefits would lower these to 16 and 20 percent, respectively. Spot improvements to 150 km of feeder roads in the Tuli Block would yield an estimated economic rate of return of 35 percent, based on savings in vehicle operating costs. In addition, the improvements should facilitate agricultural development in the area. In view of the high rate of return, no sensitivity analysis was made.

40. These roads provide access from the Tuli Block farming areas to Selebi Phikwe, a mining center and Botswana's third largest town. Traffic between Sefophe and Selebi Phikwe is expected to grow about 7 percent yearly until the operating capacity of the mines is reached in 1992, and 4 percent thereafter; airport road traffic is expected to grow 5 percent a year until 1990, and 3 percent a year thereafter.

41. The project's major risk lies in the possibility that traffic to and from Zimbabwe on the road from Dumela might develop more slowly than projected. Since the border was reopened early in 1980, however, traffic between the Francis-town area and Zimbabwe has increased substantially and, barring unforeseen events in Zimbabwe, this growth is expected to continue.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

42. The draft Loan Agreement between the Government of Botswana and the Bank and the Report of the Committee provided for in Article III, Section 4 (iii) of the Articles of Agreement, are being distributed to the Executive Directors separately.

43. Special conditions of the Project are listed in Section III of Annex III.

44. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank.

PART VI - RECOMMENDATION

45. I recommend that the Executive Directors approve the proposed loan.

Robert S. McNamara
President

Attachments
Washington, D.C.

TABLE 3A
BOTSWANA - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOUSAND SQ. KM.)	BOTSWANA			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) ^{/a}		
	1960	/b	1970	MIDDLE INCOME AFRICA SOUTH OF SAHARA	MIDDLE INCOME LATIN AMERICA & CARIBBEAN	
TOTAL	600.4					
AGRICULTURAL	453.6					
GNP PER CAPITA (US\$)	70.0		140.0	729.0	726.2	1384.1
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	..		..	..	699.4	1055.9
POPULATION AND VITAL STATISTICS						
POPULATION, MID-YEAR (MILLIONS)	0.52		0.63	0.84/c	.	.
URBAN POPULATION (PERCENT OF TOTAL)	1.8		8.4	24.6	28.9	63.4
POPULATION PROJECTIONS						
POPULATION IN YEAR 2000 (MILLIONS)			..	..	.	.
STATIONARY POPULATION (MILLIONS)			..	..	.	.
YEAR STATIONARY POPULATION IS REACHED			..	..	.	.
POPULATION DENSITY						
PER SQ. KM.	0.8		1.0	1.2	61.7	28.1
PER SQ. KM. AGRICULTURAL LAND	1.2		1.4	1.6	126.0	81.7
POPULATION AGE STRUCTURE (PERCENT)						
0-14 YRS.	41.7		47.5	49.7	45.5	41.4
15-64 YRS.	55.5		46.9	47.5	51.6	54.7
65 YRS. AND ABOVE	2.8		5.6	2.8	2.8	3.9
POPULATION GROWTH RATE (PERCENT)						
TOTAL	1.7		1.9	2.0	2.7	2.7
URBAN	22.0		18.9	16.7	4.9	4.1
CRUDE BIRTH RATE (PER THOUSAND)	50.0		51.0	51.0	46.8	34.8
CRUDE DEATH RATE (PER THOUSAND)	24.0		20.0	17.0	16.4	8.9
GROSS REPRODUCTION RATE	..		2.9	3.2	3.2	2.5
FAMILY PLANNING						
ACCEPTORS, ANNUAL (THOUSANDS)	..		..	11.3	.	.
USERS (PERCENT OF MARRIED WOMEN)	..		..	..	..	..
FOOD AND NUTRITION						
INDEX OF FOOD PRODUCTION PER CAPITA (1969=100)	91.0		96.0	99.0	94.0	106.9
PER CAPITA SUPPLY OF						
CALORIES (PERCENT OF REQUIREMENTS)	86.0		87.0	94.0	92.7	107.4
PROTEINS (GRAMS PER DAY)	70.0		71.0	74.2	53.0	65.6
OF WHICH ANIMAL AND PULSE	32.0		35.0	36.4	15.6	33.7
CHILD (AGES 1-4) MORTALITY RATE	36.0		29.0	23.0	21.3	8.4
HEALTH						
LIFE EXPECTANCY AT BIRTH (YEARS)	40.0		45.0	48.0	50.1	63.1
INFANT MORTALITY RATE (PER THOUSAND)	..		97.0	..	..	66.5
ACCESS TO SAFE WATER (PERCENT OF POPULATION)						
TOTAL	..		29.0	45.0	31.0	65.9
URBAN	..		71.0	95.0	66.8	80.4
RURAL	..		26.0	39.0	..	44.0
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)						
TOTAL	..		..	..	..	62.3
URBAN	..		..	..	..	79.4
RURAL	..		..	..	..	29.6
POPULATION PER PHYSICIAN	20870.0/d		15460.0	9597.0	14508.2	1849.2
POPULATION PER NURSING PERSON	2380.0/d		1250.0	1270.0	3279.5	1227.5
POPULATION PER HOSPITAL BED						
TOTAL	430.0/d		382.0	340.0	1141.5	480.3
URBAN	..		..	40.0	..	..
RURAL	..		..	3930.0	..	..
ADMISSIONS PER HOSPITAL BED	..		15.3	27.0	..	..
HOUSING						
AVERAGE SIZE OF HOUSEHOLD						
TOTAL	..		..	5.0	..	..
URBAN	..		..	4.8	..	..
RURAL	..		..	5.0	..	..
AVERAGE NUMBER OF PERSONS PER ROOM						
TOTAL	..		..	..	..	..
URBAN	..		..	..	..	..
RURAL	..		..	..	..	..
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)						
TOTAL	..		9.0	..	..	..
URBAN	..		..	..	..	..
RURAL	..		..	..	..	..

TABLE 3A
BOTSWANA - SOCIAL INDICATORS DATA SHEET

BOTSWANA				REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) ^{/a}		
		MOST RECENT		MIDDLE INCOME		
1960	/b	1970	/b ESTIMATE /b	AFRICA SOUTH OF SAHARA	MIDDLE INCOME LATIN AMERICA & CARIBBEAN	
EDUCATION						
ADJUSTED ENROLLMENT RATIOS						
PRIMARY:	TOTAL	42.0	65.0	105.0	61.7	99.7
	MALE	35.0	62.0	95.0	69.2	101.0
	FEMALE	48.0	69.0	114.0	51.4	99.4
SECONDARY:	TOTAL	1.0	8.0	20.0	20.6	34.4
	MALE	1.0	9.0	18.0	29.2	33.5
	FEMALE	1.0	7.0	21.0	14.7	34.7
VOCATIONAL ENROL. (% OF SECONDARY)		4.0	19.0	12.0	7.0	38.2
PUPIL-TEACHER RATIO						
PRIMARY		31.0	36.0	31.0	36.6	30.5
SECONDARY		12.0	15.0	22.0	24.3	14.5
ADULT LITERACY RATE (PERCENT)		20.0/e	..	35.0	..	76.3
CONSUMPTION						
PASSENGER CARS PER THOUSAND						
POPULATION		2.0	3.0	4.7	38.8	43.0
RADIO RECEIVERS PER THOUSAND						
POPULATION		4.0	32.0	85.0	83.5	245.3
TV RECEIVERS PER THOUSAND						
POPULATION		..	..	..	..	84.2
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION		..	20.0	20.0	24.2	63.3
CINEMA ANNUAL ATTENDANCE PER CAPITA		..	0.1	0.2	0.7	..
LABOR FORCE						
TOTAL LABOR FORCE (THOUSANDS)		266.1	295.9	352.0	.	.
FEMALE (PERCENT)		48.6	52.9	56.0	38.1	22.2
AGRICULTURE (PERCENT)		92.0	86.7	80.4	54.3	37.1
INDUSTRY (PERCENT)		2.7	3.7	7.7	17.8	23.5
PARTICIPATION RATE (PERCENT)						
TOTAL		54.6	48.2	47.7	38.8	31.5
MALE		57.9	49.8	49.5	48.4	48.9
FEMALE		51.4	46.8	46.2	29.4	14.0
ECONOMIC DEPENDENCY RATIO		0.9	1.1	1.2	1.3	1.4
INCOME DISTRIBUTION						
PERCENT OF PRIVATE INCOME RECEIVED BY						
HIGHEST 5 PERCENT OF HOUSEHOLDS		..	28.1/f	..	..	..
HIGHEST 20 PERCENT OF HOUSEHOLDS		..	60.3/f	..	..	..
LOWEST 20 PERCENT OF HOUSEHOLDS		..	1.6/f	..	..	..
LOWEST 40 PERCENT OF HOUSEHOLDS		..	7.6/f	..	..	..
POVERTY TARGET GROUPS						
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
URBAN		..	..	258.0	..	..
RURAL		..	..	190.0	..	190.8
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
URBAN		..	..	..	..	474.0
RURAL		..	..	203.0	..	332.5
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)						
URBAN		..	..	40.0	..	..
RURAL		..	..	55.0	..	..

.. Not available
.. Not applicable.

NOTES

/a The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1974 and 1978.

/c Preliminary 1976 Census results indicate population for 1978 as 0.77 mill.; /d 1962; /e Prior to 1965; /f 1971-72 economically active population.

April, 1980

DEFINITIONS OF SOCIAL INDICATORS

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country (except for "Capital Surplus Oil Exporters" group where "Middle Income North Africa and Middle East" is chosen because of stronger socio-cultural affinities). In the reference group data the averages are population weighted arithmetic means for each indicator and shown only when at least half of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time among the country and reference groups.

LAND AREA (thousand sq.km.)

Total - Total surface area comprising land area and inland waters.

Agricultural - Estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow; 1977 data.

GNP PER CAPITA (US\$) - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1976-78 basis); 1960, 1970, and 1978 data.

ENERGY CONSUMPTION PER CAPITA - Annual consumption of commercial energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita; 1960, 1970, and 1978 data.

POPULATION AND VITAL STATISTICS

Total Population, Mid-Year (millions) - As of July 1; 1960, 1970, and 1978 data.

Urban Population (percent of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1978 data.

Population Projections

Population in year 2000 - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.

Stationary population - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.

Year stationary population is reached - The year when stationary population size has been reached.

Population Density

Per sq. km. - Mid-year population per square kilometer (100 hectares) of total area.

Per sq. km. agricultural land - Computed as above for agricultural land only.

Population Age Structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population; 1960, 1970, and 1978 data.

Population Growth Rate (percent) - total - Annual growth rates of total mid-year populations for 1950-60, 1960-70, and 1970-78.

Population Growth Rate (percent) - urban - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-78.

Crude Birth Rate (per thousand) - Annual live births per thousand of mid-year population; 1960, 1970, and 1978 data.

Crude Death Rate (per thousand) - Annual deaths per thousand of mid-year population; 1960, 1970, and 1978 data.

Gross Reproduction Rate - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1977.

Family Planning - Acceptors, Annual (thousands) - Annual number of acceptors of birth-control devices under auspices of national family planning program.

Family Planning - Users (percent of married women) - Percentage of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

FOOD AND NUTRITION

Index of Food Production per Capita (1969-71=100) - Index of per capita annual production of all food commodities. Production excludes seed and feed and is on calendar year basis. Commodities cover primary goods (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights; 1961-65, 1970, and 1978 data.

Per capita supply of calories (percent of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970, and 1977 data.

Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for minimum allowance of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey; 1961-65, 1970 and 1977 data.

Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day; 1961-65, 1970 and 1977 data.

Child (ages 1-4) Mortality Rate (per thousand) - Annual deaths per thousand in age group 1-4 years, to children in this age group; for most developing countries data derived from life tables; 1960, 1970 and 1977 data.

HEALTH

Life Expectancy at Birth (years) - Average number of years of life remaining at birth; 1960, 1970 and 1978 data.

Infant Mortality Rate (per thousand) - Annual deaths of infants under one year of age per thousand live births.

Access to Safe Water (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the household water needs.

Access to Excreta Disposal (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of latrines and similar installations.

Population per Physician - Population divided by number of practicing physicians qualified from a medical school at university level.

Population per Nursing Person - Population divided by number of practicing male and female graduate nurses, practical nurses, and assistant nurses.

Population per Hospital Bed - total, urban, and rural - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities. For statistical purposes urban hospitals include WHO's principal general and specialized hospitals, and rural hospitals local or rural hospitals and medical and maternity centers.

Admissions per Hospital Bed - Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING

Average Size of Household (persons per household) - total, urban, and rural - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.

Average number of persons per room - total, urban, and rural - Average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.

Access to Electricity (percent of dwellings) - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

EDUCATION**Adjusted Enrollment Ratios**

Primary school - total, male and female - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.

Secondary school - total, male and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.

Vocational enrollment (percent of secondary) - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.

Pupil-teacher ratio - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.

Adult literacy rate (percent) - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

CONSUMPTION

Passenger Cars (per thousand population) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.

Radio Receivers (per thousand population) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

TV Receivers (per thousand population) - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.

Newspaper Circulation (per thousand population) - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.

Cinema Annual Attendance per Capita per Year - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

LABOR FORCE

Total Labor Force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc. Definitions in various countries are not comparable; 1960, 1970 and 1978 data.

Female (percent) - Female labor force as percentage of total labor force.

Agriculture (percent) - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1978 data.

Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1978 data.

Participation Rate (percent) - total, male, and female - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970, and 1975 data. These are ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.

Economic Dependency Ratio - Ratio of population under 15 and 65 and over to the total labor force.

INCOME DISTRIBUTION

Percentage of Private Income (both in cash and kind) - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

POVERTY TARGET GROUPS

Estimated Absolute Poverty Income Level (US\$ per capita) - urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.

Estimated Relative Poverty Income Level (US\$ per capita) - urban and rural - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.

Estimated Population Below Absolute Poverty Income Level (percent) - urban and rural - Percent of population (urban and rural) who are "absolute poor".

ECONOMIC INDICATORS

GROSS NATIONAL PRODUCT IN 1977/78

	<u>US\$ Mln.</u>	<u>%</u>
GNP at Market Prices	409.6	100.0
Gross Domestic Investment	175.7	42.9
Gross National Saving	112.5	27.5
Current Account Balance	-63.2	15.4
Exports of Goods, NFS	245.2	59.9
Imports of Goods, NFS	321.3	78.4

ANNUAL RATE OF GROWTH (% constant prices)

	<u>1977/78</u>
GNP at Market Prices	2.0
Gross Domestic Investment	38.4
Gross National Saving	-6.6
Current Account Balance	..
Exports of Goods, NFS	3.6
Imports of Goods, NFS	7.5

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1977/78

	<u>Value Added</u>		<u>Labor Force^{1/}</u>		<u>V. A. Per Worker</u>	
	<u>US\$ Mln.</u>	<u>%</u>	<u>Mln.</u>	<u>%</u>	<u>US \$</u>	<u>%</u>
Agriculture	86.6	21.0	0.291	82.4	297.6	25.5
Industry	123.2	29.9	0.019	5.4	6,484.0	555.6
Services	202.3	49.1	0.043	12.2	4,704.7	403.1
Unallocated	.	.	.	.	.	.
Total/Average	412.0	100.0	0.353	100.0	1,167.0	100.0

GOVERNMENT FINANCE

	<u>Central Government</u>		
	<u>(P. Mln.)</u>	<u>% of GDP</u>	
	<u>1977/78</u>	<u>1977/78</u>	<u>1975/76 - 1977/78</u>
Current Receipts	100.2	29.4	27.7
Current Expenditures	75.2	22.0	21.3
Current Surplus	25.0	7.4	6.4
Capital Expenditures	44.4	13.0	13.0
External Assistance (net)	25.4	7.4	8.6

MONEY, CREDIT and PRICES

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
		<u>(Million P Outstanding End Period)</u>				
Money and Quasi Money	.	.	86.2	108.6	120.9	..
Bank credit to Public Sector ^{2/}	1.5	2.9	3.1	2.6	1.7	1.3
Bank Credit to Private Sector	36.2	52.6	65.1	69.7	74.5	77.9

(Percentage or Index Numbers)

Money and Quasi Money as % of GDP	.	.	28.7	31.8	25.3	..
General Price Index (March 1974 = 100)	100.0	112.2	125.8	143.1	158.0	171.8
Annual percentage changes in:		12.2	12.6	13.7	10.0	8.7
Bank Credit to Public Sector		93.3	6.9	-16.1	-34.6	-23.5
Bank Credit to Private Sector		45.3	23.8	7.1	6.9	4.6

NOTE: All conversions to dollars in this table are at the average exchange rate prevailing during the period covered.

^{1/} Labor force is defined as persons of 10 years and over engaged either in family agriculture or in cash employment. Migrant workers in South Africa are excluded.

^{2/} Excludes parastatals.

.. not available
 . not applicable

TRADE PAYMENTS AND CAPITAL FLOWS

BALANCE OF PAYMENTS

	<u>1977</u>	<u>1978</u>	<u>1979</u>
	(Millions US \$)		
Exports of Goods ^{1/}	194.5	223.5	425.8
Imports of Goods ^{2/}	239.2	288.7	418.3
Balance of Trade (deficit= -)	-44.7	-65.2	7.5
Non-factor Services (net)	-19.3	-23.0	-28.5
Factor Services (net)	-6.0	-37.4	-64.4
Net Transfers	53.2	80.9	82.9
Balance on Current Account	-16.8	-44.7	-2.5
Direct Foreign Investment	14.5	53.2	117.6
Net MLT Borrowing	10.0	3.2	8.1
Disbursements	15.8	11.4	15.4
Amortization	5.8	8.2	7.3
Subtotal	10.0	3.2	8.1
Capital Grants	18.9	35.7	34.7
Other Capital (net) }	-7.0	3.3	-50.2
Other items n.e.i }			
Increase in Reserves (-)	-19.6	-50.7	-107.7
Net Reserves (end year)	100.0	150.4	267.0
Fuel and Related Materials			
Imports	280.1	353.3	503.2
of which: Petroleum	29.7	31.2	51.1
Exports	183.0	221.7	438.3
of which: Petroleum	-	-	-

RATE OF EXCHANGE ^{4/}

	1974	1975	1976	1977	1978	1979
US\$1.00 = P	0.6897	0.869	0.869	0.828	0.828	0.808
P 1.00 = US\$	1.450	1.150	1.150	1.208	1.208	1.2377

MERCHANDISE EXPORTS (AVERAGE 1977-79)

	<u>US \$ Mln</u>	<u>%</u>
Meat and meat products	53.7	19.1
Diamonds	124.8	44.4
Copper/nickel	61.1	21.7
All other commodities	41.2	14.7
Total	281.0	100.0

EXTERNAL DEBT, DECEMBER 31, 1978

	<u>US \$ Mln</u>
Public Debt, incl. guaranteed	120.7
Non-Guaranteed Private Debt	
Total outstanding & Disbursed	120.7
DEBT SERVICE RATIO for 1978 ^{3/}	
	<u>%</u>
Public Debt, incl. guaranteed	3.7
Non-Guaranteed Private Debt	..
Total outstanding & Disbursed	..

IBRD/IDA LENDING, (September 30, 1980) (Million US\$)

	<u>IBRD</u>	<u>IDA</u>
Outstanding & Disbursed	48.6	15.7
Undisbursed	45.9	0.1
Outstanding incl. Undisbursed	94.5	15.8

^{1/} Recorded customs statistics adjusted for timing and coverage.^{2/} Recorded customs statistics adjusted for valuation (exclusive of duties, insurance and freight) and coverage.^{3/} Ratio of Debt Service to Exports of Goods and Non-factor Services.^{4/} Annual averages.

.. not available

. not applicable

STATUS OF BANK GROUP OPERATIONS IN BOTSWANA

A. STATEMENT OF BANK LOANS AND IDA CREDITS
(September 30, 1980)

No.	Year	Borrower	Purpose	Amount (less Cancellations) -----US\$ Million-----		
				Bank	IDA	Undisbursed
Two loans and five credits fully disbursed				36.5	13.1	
325	1972	Botswana	Livestock Development Project		1.7	0.1
1019	1974	Botswana Development Corporation	Development Finance Company Project	4.0		1.4
1174	1975	Botswana	Third Road Project	5.8		1.7
1274) 1275T)	1976	Botswana	Education Project	10.5		3.6
1408	1977	Botswana	Fourth Road Project	20.0		10.8
1497	1977	Botswana	Second Livestock Project	6.5		6.1
1584	1978	Botswana	Second Urban Project	8.0		7.8
1763	1979	Botswana	Second Water Supply Project	4.4		4.4
1828	1980	Botswana	Second Education Project	10.0		10.0
Total				105.7	14.8	
of which has been repaid				11.3	0.3	
Total now outstanding				94.4	14.5	
Amounts sold				10.0		
of which has been repaid				5.0	-	
Total now held by Bank/IDA 1/				89.4	14.5	
of which is undisbursed				45.8	0.1	45.9

1/ Prior to exchange adjustments.

B. STATEMENT OF IFC INVESTMENT
(September 30, 1980)

Invest- ment No.	Year	Borrower	Type of Business	US\$ Million Equivalent		
				<u>Loan</u>	<u>Equity</u>	<u>Total</u>
448-BT	1979	Botswana Develop- ment Cor- poration	Development Finance Company	-	0.38	0.38
Total gross commitments				-	0.38	0.38
Less cancellations, terminations, repayment and sales				-	-	-
Total now held by IFC				-	<u>0.38</u>	<u>0.38</u>
Total undisbursed				-	<u>0.32</u>	<u>0.32</u>

C. STATUS OF PROJECTS IN EXECUTION
AS OF NOVEMBER 20, 1980

Credit No. 325 Livestock Development Project; US\$1.65 Million Credit of
June 30, 1972; Effective Date: April 30, 1973;
Closing Date: October 31, 1980

While the project is complete and the PCR has been issued, we and the Swedish International Development Authority, extended the Closing Date to October 31, 1980 to permit disbursement of resettlement claims on the Nojane Ranch Manager's contract. We are now preparing to close the Credit. The project's status deteriorated during its last six months. Several ranches were overstocked and mismanaged, the water facilities and fences continued to break down and the extension service failed to alter traditional practices. The ranches will have difficulty in meeting debt servicing commitments and the Botswana Livestock Development Company continues to have financial problems largely due to the foot-and-mouth induced curtailment in trading. The Government is aware of these problems and is discussing proposals to help solve them.

Loan No. 1019 Botswana Development Corporation Project; US\$4.0 Million
Loan of June 27, 1974; Effectiveness Date: December 9,
1974; Closing Date: December 31, 1983

Due to lack of investment opportunities in Botswana and availability of cheaper funds from other sources, about 35 percent (US\$1.4 million) of the loan remains uncommitted. The Bank and the Botswana Development Corporation (BDC) developed a scheme to finance small-scale enterprises under a two-tier system involving BDC and Barclays Bank of Botswana, and US\$1 million of the uncommitted portion of the loan was earmarked for this purpose on which the Government was to assume the foreign exchange risk. In view of sizeable foreign exchange reserves, the Government requested disbursements of the SSE component in dollars or South African rand, but the Bank for procedural reasons was unable to comply with this request and further disbursements ceased. BDC's top management changed in July 1980, and we are discussing the prospects of BDC's using the uncommitted portion of the loan with the new managing director, before considering its cancellation.

Loan No. 1174 Third Road Project; US\$5.8 Million Loan of November 21,
1975; Effectiveness Date: January 12, 1976; Closing
Date: December 31, 1980

The project was amended in 1978 to include additional components to utilize surplus funds. The Gaborone-Molepolole road was completed satisfactorily in 1979, and only implementation of the District Roads Maintenance Pilot Program remains to be finished. Project completion is expected to be one year behind schedule because of a delay in recruiting technical assistance staff with appropriate expertise to implement the pilot program. In view of delays, we have suggested to the Government extending Closing Date to March 31, 1982.

ANNEX II

Loans No. 1274 Education Project; US\$10.5 Million (US\$7.0 Million Bank
and 1275T and US\$3.5 Million TW) of May 28, 1976; Effectiveness
 Date: September 10, 1976; Closing Date: March 31, 1982

Implementation is proceeding satisfactorily except for certain delays in completing building designs due to staff constraints in the Ministry of Works. Delays are being overcome with the exception of work on an institution located in the Kahalam District, where completion is unlikely by the Closing Date. The remote location of the institution has resulted in an increase in cost to the project of about 16 percent (in local currency) which is manageable for the borrower. Objectives of the project are expected to be achieved.

Loan No. 1408 Fourth Road Project; US\$20.0 Million Loan of May 20, 1977;
 Effectiveness Date: August 18, 1977; Closing Date:
 December 31, 1981

The project was amended in 1978 to utilize surplus funds. The construction and studies components are proceeding on schedule. The extension of the District Roads Maintenance Pilot Program is postponed until completion of the Pilot Program under the Third Road project.

Loan No. 1497 Second Livestock Project; US\$6.5 Million Loan of December 30,
 1977; Effectiveness Date: November 27, 1978; Closing
 Date: June 30, 1983

The project is behind schedule mainly due to an eight-month delay in achieving effectiveness. However, sound preparation for all components has occurred and their implementation should gain momentum in the next six months. While the lease format is finalized, time is being taken to help ensure that leases do not give way to individuals with too many advantages. Since more prior claims on the ranches existed than were first apparent, these interests, as well as the community's interest in ensuring its own rights in the future, are being reconciled with the rights of the ranch applicants.

Loan No. 1584 Second Urban Project; US\$8.0 Million Loan of September 11,
 1978; Effectiveness Date: June 20, 1979; Closing Date:
 December 31, 1982

Project implementation is proceeding satisfactorily following delays in loan effectiveness. Site improvements have begun in Francistown and will commence shortly in Selebi-Phikwe. Legislation has recently been enacted enabling town councils to recover service levies.

Loan No. 1763 Second Water Supply Project; US\$4.4 Million of January 9,
 1980; Effectiveness Date: September 18, 1980;
 Closing Date: December 31, 1982

The project was declared effective on September 18, 1980, and implementation is proceeding satisfactorily.

Loan No. 1828-BT Second Education Project; US\$10.0 Million of April 16, 1980; Effectiveness Date: June 13, 1980; Closing Date: June 30, 1985

The project became effective one month prior to the original date and implementation is proceeding satisfactorily.

D. EXISTING IFC INVESTMENT

Botswana Development Corporation, 448-BT

IFC has subscribed to preference shares in the Botswana Development Corporation and is providing technical assistance to its management by being represented on the Board of Directors.

BOTSWANA

FIFTH ROAD PROJECT

Supplementary Project Data Sheet

I. Timetable and Key Events

(a) Time taken to prepare	18 months
(b) Prepared by	Government/Bank
(c) Initial discussion with the Bank	April 1979
(d) First Bank mission	April 1979
(e) Appraisal mission departure	May 1980
(f) Negotiations	November 1980
(g) Planned date of effectiveness	April 1981

II. Special Bank Implementation Action

None

III. Special Condition

By June 30, 1981, two additional instructors to the RTC would be appointed and thereafter a teaching staff consisting of at least a Senior Training Engineer and five instructors would be maintained (para. 23).

