



**Republic of Botswana
European Community**

**Country Strategy Paper
and
Indicative Programme**

for the period 2002 - 2007

The Government of Botswana and the European Commission hereby agree as follows:

- (1) The Government of Botswana represented by and the European Commission, represented by Mr. R. Collingwood, Head of EC Delegation in Botswana, hereinafter referred to as the Parties, held discussions in Gaborone from January to October 2001 with a view to determining the general orientations for co-operation for the period 2002–2007. The European Investment Bank was represented at these discussions by Mr. M. Drechsler.

During these discussions, the Country Strategy Paper and an Indicative Programme of European Community support to Botswana were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000. These discussions complete the programming process in Botswana.

The Country Strategy Paper and the Indicative Programme are annexed to the present document.

- (2) As regards the indicative programmable financial resources which the European Community envisages to make available to Botswana for the period 2002-2007, an amount of €39 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of €52 million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the European Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of Annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of European Community assistance. The Indicative Programme concerns the resources of the A-allocation as well as uncommitted balances of former European Development Funds, for which no projects and programmes have been identified under the respective National Indicative Programmes. It also takes into consideration financing from which Botswana benefits or could benefit under other European Community resources. It does not pre-empt financing decisions by the European Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the European Union budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. With the exception of an amount of €30 million which is destined to finance the development programme identified following a request for assistance under the Sysmin programme of the Lomé Convention but for which no financing decision could be taken before 31 December 2000, the B-allocation shall be triggered according to specific mechanisms and procedures and does therefore not yet constitute a part of the Indicative Programme at this stage.
- (5) Pending the entry into force of the Financial Protocol of the ACP-EC Partnership Agreement and within the framework of the present Country Strategy Paper and Indicative Programme, financing decisions for projects and programmes can be taken by

the European Commission at the request of the Government of Botswana, within the limits of the A- and B-allocations referred to in this document and under the condition that sufficient resources are available in the general reserve of the Eighth European Development Fund. The respective projects and programmes shall be implemented according to the rules and procedures of the Eighth European Development Fund until entry into force of the Financial Protocol for the Ninth European Development Fund.

- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 3 (a) and 4 of the Financial Protocol of the ACP-EC Partnership Agreement (see section 5.5 for further details).
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and shall undertake a mid-term review and an end-of-term review of the Country Strategy and the Indicative Programme in the light of current needs and performance.

The mid-term review shall be undertaken within two years and the end-of-term review shall be undertaken within four years from the date of signature of the Country Strategy Paper and the Indicative Programme. Following the completion of the mid- and end-of-term reviews, the European Community may revise the resource allocation in light of current needs and performance.

- (8) The agreement of the two Parties on this Country Strategy Paper and the Indicative Programme, subject to the ratification and entry into force of the ACP-EC Partnership Agreement, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicate the contrary before the end of this period.

Signatures

For the Government of Botswana

For the European Commission

Country Strategy Paper and Indicative Programme

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PART A
COOPERATION STRATEGY

SUMMARY

Botswana is a middle-income country with a population of 1.65m. Remarkable social and economic progress has been achieved since independence in 1966, due largely to the rapid growth of the diamond industry and to sound economic management. However, there remains considerable disparity in income distribution and as many as 40% of households in rural areas are believed to be living in poverty.

External development assistance to Botswana was considerable in the past but economic growth has led to a decline in funding. Among the Member States of the European Union (EU), Britain, Denmark, Germany, France, Netherlands and Sweden have on-going but reduced programmes, directed towards education, poverty reduction and HIV/AIDS. Support from the EC has been maintained. The focus in recent years has been on vocational education and training and on the conservation and management of natural resources, principally wildlife and forestry.

Programming for EDF9 has been a continuous process in Botswana, commencing shortly after the signature of the Cotonou Agreement in June 2000. It has involved a dialogue with government and civil society stakeholders as well as with EU Member States. As part of this dialogue, three Planning Workshops were held, to consider the development issues facing Botswana, the national strategies and the most appropriate support to be provided by the EC.

Based upon the programming exercise, Human Resources Development (HRD) has been selected by consensus as the single focal sector. This sector will accordingly receive the bulk of the available funding (not less than 80%). The remaining funds will be used without a particular single focus, in order to support development in other areas such as natural resources conservation and management, community-based initiatives to enhance rural livelihoods, the campaign against HIV/AIDS, trade development and regional integration.

The principal justifications for the choice of Human Resources Development are considered to be the following:

- Lack of skilled personnel has been identified as the principal constraint to development;
- HRD will directly support GoB policies for diversification of the economy, creation of employment opportunities and reduction of poverty;
- Experience of EC and EU member states support to the sector has been highly positive.

The Response Strategy is intended to address the recognised needs for improvements in *relevance*, *quality*, *access* and *efficiency*, which are the main challenges facing the HRD sector at all levels.

1. EUROPEAN COMMUNITY CO-OPERATION OBJECTIVES

In accordance with Article 177 of the Treaty Establishing the European Community (EC), policy in the sphere of development co-operation shall foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

These objectives have been confirmed and reinforced in Article 1 of the ACP-EU Partnership Agreement, signed in Cotonou on 23 June 2000, which puts main emphasis on the objective of reducing and eventually eradicating poverty. Co-operation between the EC and Botswana shall pursue these objectives, taking into account fundamental principles laid down in Article 2 of the Agreement – especially the principle of encouragement of ownership of the development strategies by the countries and populations concerned – and essential and fundamental elements as defined in Article 9.

In their Statement on the European Community's Development Policy of 10 November 2000, the Council of the European Union and the European Commission determined a limited number of areas selected on the basis of their contribution towards reducing poverty and for which EC action provides added value: link between trade and development; support for regional integration and co-operation; support for macro-economic policies; transport; food security and sustainable rural development; institutional capacity-building, particularly in the area of good governance and the rule of law. The Statement also specifies that in line with the macro-economic framework, the EC must also continue its support in the social sectors (health and education), particularly with a view to ensuring equitable access to social services.

The Treaty establishing the European Community foresees that the EC and the Member States shall co-ordinate their policies on development co-operation and shall consult each other on their aid programmes, including in international organisations and during international conferences. Efforts must be made to ensure that EC development policy objectives are taken into account in the formulation and implementation of other policies affecting the developing countries. Furthermore, as laid down in Article 20 of the Agreement, systematic account shall be taken in mainstreaming into all areas of co-operation the following thematic or cross-cutting themes: gender issues, environmental issues and institutional development and capacity building.

Botswana is often classified as a middle income country and is certainly one of the more prosperous among the ACP group. Nevertheless Botswana has the economic and social systems of a developing nation and it faces a number of serious challenges, not least the widespread persistence of poverty and unemployment and the affliction of HIV/AIDS. The country places a high value on its membership of the Cotonou Partnership, whose fundamental principles include the equality of all the partners and differentiation of cooperation arrangements according to the partner's level of development.

The above objectives and principles and the national policy agenda presented in the next chapter constitute the starting point for the formulation of the present Country Strategy Paper, in accordance with the principle of national ownership of development strategies.

2. BOTSWANA'S POLICY AGENDA

2.1. The Long Term Vision (Vision 2016)

Botswana possesses a long term vision entitled Vision 2016. This is a national vision, adopted in 1997 after consultation with all sections of Botswana's society. It presents a perspective of where the country should be in 2016. It is a multi-dimensional vision, encompassing the social, economic, cultural, political and spiritual aspects of the lives of Botswana.

Vision 2016 foresees an educated and informed nation, based on an education that is adaptable, relevant, of good quality and available to everyone. At the same time, it foresees a prosperous, productive and innovative nation, with a diversified economy, where economic growth and development is sustainable and full employment has been attained.

Vision 2016 recognises that Botswana's mineral wealth is non-renewable and that a strategy to diversify the economy must be worked out and implemented. Human resource development is seen as indispensable for growth of exports and creation of employment. The eradication of poverty will be addressed primarily through this expansion and diversification of the economy, supported by improved provision of and access to social services.

Vision 2016 was undertaken not as a one time exercise but as a framework for all future national planning and particularly for the National Development Plans. Its implementation and follow up are being monitored by a Task Force composed of members from government and civil society under an independent chairman.

Vision 2016 re-affirms and builds upon Botswana's existing development objectives, agreed nationally many years ago. They are the four following:

- Sustained development;
- Rapid economic growth;
- Economic independence;
- Social justice.

2.2. National Development Plan (NDP 8)

The current National Development Plan (NDP 8) covers Botswana's development strategy for the six years 1997/98 to 2002/03. The theme of the plan is Sustainable Economic Diversification.

To achieve the ambitious targets of NDP8 an average annual economic growth of 5.2% will be required. Government policies to achieve this growth include continued macroeconomic stability, a free labour market, improvement of productivity, mobilisation of domestic private savings and encouragement of the private sector.

The Plan gives special emphasis to human resource development as the key to the sustainable development of Botswana. The stated aim is to ensure that all Botswana have access to acquisition of skills that match the demands of a diversifying and internationally competitive economy.

The Mid Term Review (MTR) of NDP 8 was completed in October 2000. Planned GDP growth rate was increased to 6.8% as a result of greater than expected growth in the mining and Government sectors. However even this was still well below the annual 8% growth required to achieve the goals of Vision 2016. Increasing the rate of economic growth was recognised as a challenge for the entire nation. A second major challenge was seen to be the rapid and still unchecked spread of HIV/AIDS, whose devastating effects on Botswana's economy and society had not earlier been fully understood. The MTR recognised the need for a reinforced strategy to combat HIV/AIDS as being of the highest priority. A further challenge was the continued high level of

unemployment (estimated at 19.6% of the labour force), to be addressed by economic growth brought about by diversification and by investment in education, skills development and technology.

The mid term review of NDP8 identified the remaining major challenge facing Botswana to be that of fighting poverty, whilst admitting that the extent of the problem remained insufficiently known and that more research was urgently needed within the plan period. The principal GoB strategy for fighting poverty is still to pursue high and diversified growth of the economy, to generate higher employment and growth for all Botswana, whilst at the same time continuing to ensure that a strong social safety net should support those in real need.

2.3. Recent Policy Initiatives

In the course of 2001 the government has announced new measures to encourage the diversification of the economy and especially the growth of citizen owned and managed enterprises. A new Rural Development Policy is being produced and should be adopted before the end of the year. It will be a radical departure from the existing policy that has been in place for many years. It is likely to have four main pillars: livelihoods, property rights, rural institutions and social protection. Following on from the new Rural Development Policy will be a National Poverty Reduction Strategy, to be adopted also before the end of 2001 or early next year.

3. ASSESSMENT OF POLITICAL, ECONOMIC AND SOCIAL SITUATION

3.1. Political Situation

Since gaining independence from Britain in 1966, the Republic of Botswana has been a parliamentary democracy under an elected president. The country has a long and unbroken democratic tradition and has held seven national elections since independence. On each occasion the Botswana Democratic Party (BDP) has been returned to power. Although there have always been a number of political parties, the opposition has been relatively weak and divided and has never succeeded in making a significant dent in the BDP's hold on political power. The most recent elections in October 1999 were considered free and fair by all international observers.

Civil and political rights are entrenched under the Constitution. Recently however there has been a certain disquiet that the nation's several ethnic minorities are disadvantaged in comparison with the dominant Botswana group. A national commission has been set up to examine the issue and to make proposals for constitutional amendments if necessary. Despite recent allegations of eviction of certain marginalised groups, initiatives such as "National Parks and Game Reserve Regulations 2000" are of importance as they are a step towards the respect of land rights for the first people. The widespread existence of poverty in Botswana has also sometimes been seen as an issue in the context of civil rights.

There is freedom of association, of worship and of expression, although some concerns have been expressed about the government's dominant position in relation to the media. There are effective separations between government, civil service and judiciary. The legal system functions well and enjoys public confidence, although the administration of justice is not always able to meet the increasing demand for judicial services and delays can occur. The death penalty is still regularly imposed in cases of murder and is said to enjoy widespread popular and political support. The Office of the Public Protector (Ombudsman) was set up in 1997 and has demonstrated its independence and effectiveness.

Standards of conduct in political, civil and commercial life are reasonably high in Botswana. Allegations of corruption or misuse of position are not common and appear to be systematically pursued by the independent Directorate for Corruption and Economic Crime. According to

Transparency International's latest tables, Botswana ranks 26th worldwide in terms of the "corruption index". This is the highest ranking in Africa.

Civil society in Botswana is sometimes described as weak, but this perception does not take account of the tradition of consultation and participation embedded in the national consciousness. There are however not many NGOs in the normal sense, only one university and a trade union movement that has demonstrated only limited authority and effectiveness. This situation is gradually evolving. Recent years have seen legislative and practical developments that provide for a much increased participation of civil society in decision making and in the implementation of national policies.

3.2. Economic and Social Situation

3.2.1. Economic situation, structure and performance

When viewed from the continental and regional perspective, Botswana's economic situation continues to be exceptionally favourable. The real growth rate in 2000/01 is expected to be 9%, although it may show thereafter a decline in the short term as the slow down in the world economy affects exports, and diamond exports in particular. This growth rate is nevertheless double the average of other SADC countries over the last three years.

The economy is driven by the mining sector in which diamonds are predominant. In 1999/2000 this sector accounted for one third of GDP, with the private sector accounting for half and general government the remainder. Persistent efforts have been made over many years to diversify the economy but have met with very limited success. In particular, recent ventures into textiles and motor vehicle assembly have been disappointing. Many reasons have been advanced for this: inadequate levels of investment, lack of skilled personnel, poor productivity, uncompetitive production costs, unattractive products, remoteness from export markets The fact remains that even if mining's share of the economy has fallen to 33% in 1999/2000 — it was over half 15 years ago —, further efforts are needed to reduce the country's dependence on its non-renewable mineral resources. The present strategy is twofold:

- to promote foreign investment by emphasising Botswana's real competitive advantages, whilst no longer targeting any particular sectors or offering short-term and artificial inducements;
- to promote the development of citizen enterprises, particularly small, medium and micro sized, using selective instruments for targeted support whilst avoiding subsidies and direct financial assistance.

In both approaches, there can be no doubt that the development of a skilled, flexible and competitive workforce will be a principal determinant of success.

Key economic ratios and trends¹

Selected Indicators	1979	1989	1998	1999
GDP (US\$ billions)	0.9	3.1	4.9	6.0
Current account balance/GDP	-6.9	16.0	2.8	-4.6
Interest payments/GDP	0.7	1.2	0.6	0.3
Total debt/GDP	16.0	18.1	11.8	10.8
Total debt service/exports	1.8	3.4	0.0	0.0
Agriculture (% GDP)	12.5	4.7	3.6	3.6
Industry incl mining (% GDP)	44.0	61.1	46.1	45.4
Services (% GDP)	43.5	34.2	50.4	51.0
Total exports fob (US\$ millions)	442	1,820	1,711	1,388

¹ Further details in Appendix 5 "Botswana at a Glance" (Source: World Bank 09/12/00)

Total debt (<i>US\$ millions</i>)	141	555	574	649
Reserves (<i>US\$ millions</i>)	267	2,841	5,896	5,796

Botswana's balance of payments is structurally healthy, with surpluses of around 15% of exports year after year. Thus foreign exchange reserves in 2001 are sufficient to finance around three years of imports of goods and services. Public debt is low and debt service costs are less than half of 1% of GDP. Inflation has averaged around 8% per annum for the last five years. The Botswana Pula has steadily strengthened against all regional currencies, reflecting the relative strength of the economy without yet constituting a threat to export performance.

3.2.2. *Social developments*

At the time of independence in 1966, Botswana was one of the poorest countries in Africa and in the world. An overwhelmingly rural population depended on agriculture and livestock for a livelihood. Only a minority of Botswana enjoyed access to proper health care, safe water and any schooling.

The years following independence saw extraordinary social transformations. Remarkable achievements were made in improving the health of the population. Infant mortality was brought down in the 1990s to less than 50 per 1000 live births, compared with the SSA average of 92. Life expectancy at birth, which was little above 40 years in 1966, was estimated to have risen to 67 years in 1996. Some 88% of the rural population now lives close to a primary health post. Village water schemes have covered virtually the entire country. Tragically, however, during the past five years many of these achievements in the health sector are at risk of being wiped out by the inexorable spread of HIV/AIDS.

Equally impressive progress has been made in the field of education and training. Enrolment rates in primary and in junior secondary schools are close to 100%, with girl pupils outnumbering boys at both levels. Adult illiteracy has fallen below 25%, compared to 40% in sub-Saharan Africa (SSA) as a whole. A network of vocational training centres and brigades (based on the principle of community skills development with production) has been established with EC assistance. However these quantitative achievements have not yet been matched by corresponding improvements in relevance, quality, equitable access and efficiency. Another issue, in education as in other social sectors, is that of the sustainability of the system in the face of rising costs and demands, and of government funding constraints. Some modest cost recovery measures are therefore being cautiously introduced. However Government has publicly committed itself to ensure that implementation of cost recovery will be accompanied by safeguards to ensure that poorer members of society are not disadvantaged or denied access to education.

Social and poverty indicators

Selected Indicators ^(*)	Botswana	Sub-Saharan Africa	Upper middle income
Population (<i>millions</i>)	1.6	642	573
Population growth (<i>annual %</i>)	2.2	2.6	1.4
GNP (<i>US\$ billions</i>)	5.1	321	2,810
GNP per capita (<i>US\$</i>)	3,280	500	4,900
Infant mortality (<i>per 1000 live births</i>)	62	92	27
Life expectancy at birth (<i>years</i>)	46	50	70
Access to safe water (<i>% of population</i>)	70	43	78
Illiteracy adult (<i>% of pop 15+</i>)	24	39	10
Gross primary school enrolment (<i>% of school age pop.</i>)	108	78	109

* World Bank 09/12/00: 1999 official data or staff estimates.

Unemployment remains a major concern. Although there has been a significant improvement in the past two years, the level is still unacceptably high: 15.8% in September 2000. Given the arrival on the labour market of the 35,000 school leavers each year, the creation of additional employment opportunities and the expansion of training to provide the necessary skills will remain two of the highest priorities in Government policy.

The continued existence of widespread poverty in Botswana, in spite of the growing prosperity of the country as a whole, remains a serious challenge (cf section 3.3.1 below).

3.2.3. Public sector finances

Public sector finances are healthy, the consequence of repeated budget surpluses and the Government's policy of fiscal prudence. During the seven years to 2000/01, although expenditure has increased nearly three times, the budget has been in deficit only once.

The development budget is targeted to rise by 30% in 2001/02, whilst overall Government expenditure is set to increase by a further 13%. The Ministry of Education (MoE) is the largest recipient with 18% of the national recurrent budget and 12% of the development budget.

Of significance is the ability of Government to finance virtually all of its recurrent and most of the development budget out of own resources. In recent years over 91% of the €2.1 billion Development Budget was financed from own resources, whilst 3% was from external grants (principally EC) and nearly 5.5% from external loans.

Government still plays a prominent role in the economy but a policy on privatisation was approved in 2000, after some delays, and is being gradually implemented. A Public Enterprises Evaluation and Privatisation Agency (PEEPA) has been set up. Government is conducting campaigns to sensitise the public about the effects of the privatisation policy, and the benefits and challenges that it will present to the nation. Air Botswana and the Botswana Meat Commission are seen as candidates for early consideration.

A series of reform measures are underway designed to improve efficiency and productivity in the public sector. These include the Performance Management System (PMS) that is being progressively introduced throughout the civil service, a new public procurement system and a computerised personnel management system.

3.2.4. External Environment including regional co-operation

Botswana's external trade is characterised above all by its heavy dependence on diamonds and by its regional situation. Out of total annual exports of €2.7 billion in 2000, 80% were diamonds, and 9% other minerals. The remainder was made up of a wide range of products, of which Botswana's traditional beef exports, principally to the EU, were only 1%. Government policy continues to be directed towards accelerating economic diversification and thus to export a wider range of goods.

Recent experience has underlined the volatile nature of the international diamond market and the risks of continued dependence on the exports of a single luxury consumer product. The only strategy for Botswana in the medium and longer term is therefore to diversify and to raise the exports of other goods and services. This continues to be a major focus of government policies.

For many years Botswana has been a member of the Southern Africa Customs Union (SACU), the common customs area made up of South Africa and the four smaller countries of Botswana, Lesotho, Namibia and Swaziland. The bulk of Botswana's external non-minerals trade is conducted with its SACU neighbours, above all with South Africa itself. For geographical, historical and simple commercial reasons, it has proved difficult for Botswana to diversify away from its

traditional SACU trade partners. Persistent efforts are being made by government and private sector to target new markets, notably in Asia, Europe and USA, as well as elsewhere in Africa.

The importance of SACU for Botswana is being weakened by the expansion and liberalisation of world trade, and most recently by the conclusion of the agreement between South Africa and the EU (TDCA). One important effect of this trend is the fall in customs and excise receipts that have been traditionally shared out among all five SACU members. This loss is obliging their governments, including that of Botswana, to seek alternative sources of public revenue, notably Value Added Tax.

In addition to SACU, Botswana is a member of the Southern Africa Development Community (SADC). The Community already has its secretariat located in Gaborone, and decided in March 2001 progressively to centralise most of its activities there. Among SADC's wide-ranging objectives are the gradual introduction of free movement of capital, labour, goods and services. In particular the new Trade Protocol is expected to increase the share of intra-regional trade from the present 22% to at least 35% by 2008.

At the present time the perspectives for the future trading arrangements between the EU and Botswana and its neighbours remain uncertain. Although the Cotonou Agreement provides that formal negotiations of the new trading arrangements shall start in September 2002, little preparatory work has yet been done by the countries or the groupings of countries within the southern African region. Botswana's situation is typical: not only is it a member of SACU and of SADC at the same time, but its largest trading partner and fellow-member of SACU (South Africa) is linked to the EU by a commercial regime (TDCA) that is fundamentally different from that applying to Botswana (post Lomé). As an added complexity, most of Botswana's fellow members of SADC are also members of other regional organizations, with trade and policy agenda that are very different from those of SADC itself. Finally, it should be borne in mind that Botswana has several other pressing trade issues to address during the coming few years apart from those relating to the EU, both at multilateral level and with its other trading partners.

3.3. Sustainability Issues

Botswana does face a number of issues of sustainability of current policies, in spite of its enviable record of good governance, political stability and economic performance. These issues can be grouped under the following six themes:

- The issue of poverty;
- HIV/AIDS;
- The maintenance of rapid economic growth;
- The issue of citizen economic empowerment;
- Gender issues;
- Environmental issues

The first two of these themes are reviewed briefly below. They are considered in more detail in Annex 3 to this paper, along with the remaining four.

3.3.1. Poverty in Botswana

Whilst Botswana is classed as belonging to the middle income, even upper middle income, group, there is a persistent level of poverty characteristic of some of the poorest countries. Studies some years ago indicated that almost half of all households was living in poverty, whilst in rural areas some 40% were classified as *very poor*, in that their income was not sufficient to cover food requirements. Female headed households were found to be particularly disadvantaged. Poverty was also noted to be especially prevalent among those living in the remotest parts of Botswana and among ethnic minorities.

The causes of poverty in Botswana are not yet sufficiently known. Lack of wage employment and self-employment opportunities is clearly one major factor. Lack of education and training is clearly another.

Botswana's principal strategy for fighting poverty is to promote growth and diversification of the economy. A number of schemes have been launched over the years but the results have so far been disappointing. In addition the government has introduced various instruments aimed directly at poverty alleviation, in order to provide a basic social safety net. However it is felt that the desired impact on poverty has not yet been achieved.

The GoB is very sensitive to continuance of poverty as a major social and political issue and is committed to launching a new National Poverty Reduction Strategy by December 2001.

3.3.2. HIV/AIDS

The rapid spread of HIV/AIDS in Botswana has become a major threat to its economic and social development plans. The country is one of the most affected in the world, with levels of infection exceeding 30% of the 15-49 age group. The enormous direct costs of care and treatment are accompanied by the indirect loss to the economy, as well as the devastating human and social effects. The AIDS epidemic has been recognised as a national calamity with catastrophic consequences. A new National HIV/AIDS Care and Prevention Plan has been launched, incorporating all existing measures together with very substantial new initiatives.

In spite of all the efforts being undertaken in tackling HIV/AIDS in Botswana, there are still no indications that its spread has been checked. It thus remains a major sustainability issue at this time.

3.4. Medium Term Challenges

3.4.1. The challenge of poverty

The challenge of poverty is closely bound up with other challenges, in particular the threat of HIV/AIDS, and the persistently high levels of unemployment. The Vision 2016 ideal of a *compassionate, just and caring nation* explicitly sets out that by 2016 Botswana will have eradicated absolute poverty, and that by 2007 the number of people in poverty will have been reduced to 23% at most, which is half the level of 1994.

Poverty in Botswana represents not just a challenge to be met, but also a threat, since the very existence of such large numbers of poor people implies a heavy burden in economic, social and human terms, as well as a wasted opportunity to use potentially valuable human resources for development.

3.4.2. The challenge of HIV/AIDS

A second major challenge is that of HIV/AIDS. The present extent of the epidemic and some of its effects have been outlined above. Studies have been carried out to assess its impact on Botswana and to consider the implications for the country's development. The direct economic and social consequences are now becoming clear: the extraordinary strains on the health sector, on public finances, on the social services, on family structures. Of particular relevance in the present context is the impact on Botswana's professional and skilled human resources, indispensable both for the continued profitable exploitation of its diamonds and for diversification into other economic activities in order to sell its goods and services into demanding and competitive foreign markets.

3.4.3. The challenge of unemployment.

Another major challenge for the medium term is that of unemployment, estimated at 19.6% of the labour force according to the most recent estimates². It may appear anomalous that unemployment has remained a problem when for almost three decades the population has been growing at slightly over 3% pa, while the economy has been growing on average at 10%. A principal reason for this is that mining, which accounts for most of the economic growth, is relatively capital intensive and creates little direct employment. At the same time the agricultural sector, which is highly labour intensive, has shrunk over the years, principally as a result of low productivity worsened by the recurrence of drought. This is thus another unwelcome result of the failure of Botswana's economy to diversify away from mining and agriculture.

The other reason for the slow growth in employment is that jobs have become progressively more skill intensive. Each year, more skilled workers are required relative to unskilled workers. Lack of appropriate skills therefore often explains why a significant proportion of the labour force remains unemployed and why only a small fraction of the 35,000 young people arriving on the labour market each year have any realistic prospect of finding a job.

3.4.4. Implications for development co-operation with Botswana

The over-riding theme of Botswana's development policy was defined in 1997 as *Sustainable Economic Diversification*.³ Within this theme the Government has identified a number of particular challenges as being of the highest importance to Botswana at this time. The three most critical are listed as: *HIV/AIDS*, *Unemployment* and *Poverty*.⁴ This conclusion corresponds closely to those of the foregoing analysis, in which the three major development challenges facing Botswana are considered to be those of eliminating poverty, of combating AIDS, and of tackling unemployment. This list is not exhaustive. There are medium term challenges in other areas: for instance, the need for further public sector reform, for restructuring and, where appropriate, for privatising public enterprises, for reform of government finances, for conservation of the environment.

It is considered however that the three challenges identified here are of over-riding importance. First, they are pre-requisites to being able to meet most of the other challenges mentioned. Secondly, they are quite closely linked, and in particular, each is linked to human resources development. It is believed that without a very significant increase in its human resource capital, Botswana will have no chance of meeting the employment and productivity targets set out in Vision 2016. Likewise, the impact of HIV/AIDS has made the already existing need to expand the country's education and training activities even more urgent. Finally, education and training is seen as the key to lifting the several hundred thousands of poor and very poor Botswana out of their present state and allowing them to share in, and contribute to, the country's prosperity.

4. ASSESSMENT OF PAST AND ONGOING CO-OPERATION

4.1. Significance of External Support to Botswana

In contrast to other countries in the region, external assistance is only a small component of the Botswana economy. In the Development Fund Revenue for 2000/2001, external grants comprised approximately 2.8% and external loans 3.3%. Aid flows have declined in line with the increase in relative wealth of Botswana. At the same time there has been a shift from grant aid to loans. Aid from all sources has fallen markedly in recent years and now consists largely of technical assistance. Among EU Member States, Britain, Germany, Denmark, France, Netherlands and

² cf 1998 Employment Survey

³ This theme was announced in NDP8 (08/97), and was retained in the NDP8 Mid-Term Review (10/00), and re-emphasised in the latest Budget Statement (02/01).

⁴ cf NDP8 Mid-Term Review pp 4-6.

Sweden still have on-going programmes but only the first two are now significant in financial terms. Other donors such as the USA, Canada and Norway have ended their previously substantial programmes. The UN system now has only small activities in Botswana, all on a cost-sharing basis; in fact it is planned that Botswana will become a net contributor to the UN within the next two years. Botswana does have other development partners – including China, Cuba, Egypt, India, Malaysia and Russia –, but co-operation is again nearly always on a cost-sharing basis and the flow of resources in terms of development assistance is not very significant.

The European Union – EC plus Member States – is thus the only remaining substantial provider of development grant assistance to Botswana. This is of a certain political significance. Botswana values its development partnerships and has expressed regret that some traditional donors have withdrawn their support more completely than the country's economic – and political – situation might appear to justify. Co-operation with the European Union is all the more appreciated because of its contractual character and its predictability under the terms of the 20-year Cotonou Agreement.

As regards development loans, Botswana appears to represent an attractive placement for international lending institutions. Botswana's recent success in obtaining good sovereign credit ratings will undoubtedly reinforce this perception. Accordingly, regional development banks continue to provide substantial development finance, notably various Arab funds, African Development Bank (AfDB) and European Investment Bank (EIB)⁵.

4.2. Cooperation administered by the European Commission

Within the framework of the two 5 year Financial Protocols of the Lomé IV Convention, Botswana received a total of €70m in development financing on grant terms under the National Indicative Programmes from the European Development Fund (EDF7 + EDF8). There were two areas of concentration:

- The first was vocational and technical education and training, with the objective of encouraging private sector development and, in particular, of enhancing the skilled labour resources needed for Botswana's sustained economic growth.
- The second area of concentration was natural resources and the environment, with the objective of improving conservation and sustainable utilisation of rangelands, forests and wildlife, whilst maximising the benefits accruing to rural communities.

In terms of individual projects, the new technical college at Gaborone has been designed, built, equipped and commissioned into service, as a joint venture between the EC and GoB. At the same time, the existing (originally German financed) Automotive Trades Training College has been expanded, re-equipped and upgraded. Under EDF8 a similar technical college is being constructed at Francistown, in parallel with a training college for technical teachers. These projects are accompanied by a technical assistance team in order to accelerate the build-up of teaching and management capacities at the new facilities.

As regards the conservation and management of natural resources, the main focus has been on Botswana's unique wildlife resources. Linked projects under EDF6, EDF7 and EDF8 have supported the preparation and implementation of management plans of protected areas, scientific and applied research, national parks infrastructure and community development projects. Smaller projects have supported the management and utilisation of forestry resources by the communities.

Outside of the two focal sectors, the EC has supported successive micro-projects programmes, tourism development, trade promotion, and the prevention of HIV/AIDS.

⁵ cf section 4.3 below for details

Other EC co-operation instruments of relevance to Botswana include the following:

- SYSMIN – A financing agreement for a second SYSMIN grant was signed in August 1996. Under the terms of the agreement €31.65m are being on-lent to the BCL copper and nickel mining company at Selebi-Phikwe, in order to enable operations to continue for a further period. The interest, and capital when it is repaid, is credited to a Re-employment Account that is to be used for the diversifying of the economy, in priority in the Selebi-Phikwe area.
- Other EC programmes – From the budget to support environmental conservation in developing countries, the EC has assisted the Okavango Research Centre and the Forestry Association of Botswana. A relatively small number of NGO initiatives have also been co-financed by the EC in Botswana, mainly in the field of natural resources conservation.
- Regional Programmes – EDF regional funding in Southern Africa is largely channelled via SADC. Projects with a particular link to Botswana have included Wildlife Management and Training (€0.4m), Maize and Wheat Improvement (€4.5m), HIV/AIDS (€10m) and Land and Water Management (value in excess of €10m). There is also an ACP wide project on the promotion of trade (Business Assistance Scheme – EBAS- €20m) which has an office in Gaborone and disburses some €0.5m per year providing consultancies to businesses.

4.3. Cooperation administered by the European Investment Bank

Under the two Financial Protocols of the Lomé IV Convention the European Investment Bank (EIB) has signed commitments for a total of €73.9 million comprising €69.4 million on the Bank's own resources and €4.5 million on Risk Capital Resources, figures which largely exceed the indicative amounts envisaged at the time.

The majority of the above resources were made available for the financing of large infrastructure projects in the water and power sectors amongst which notably the North-South Carrier Water Project. These sectors have traditionally been supported by the Bank, with successive investments under the various Conventions, thereby assisting Botswana in maintaining high standards in the provision of basic infrastructure, generally recognized as an important prerequisite for attracting foreign investment.

Besides the infrastructure sector EIB's other main pole of support in Botswana has been the financial sector. In addition to its direct lending possibilities the Bank has developed the "Global Loan" mechanism to cover those companies and promoters which are too small to be handled directly by EIB. Two Global Loans were made to the Botswana Development Corporation (BDC) thereby providing medium to long term finance at fixed interest rates as well as equity, mainly for the private sector.

4.4. EU Member States

As indicated above several EU Member States have had active programmes in the past but for the future only Germany and Britain have plans for significant support. Information is presented in the donor matrix at Appendice 2.

Britain has been active in support to education (primary school management and distance learning), the combat against HIV/AIDS, the police services and the management of natural resources. Future bilateral support will focus on rural livelihoods, HIV/AIDS and capacity building in rural communities. Botswana should also benefit from the increasing regional approach being developed by DFID. This may include conflict and security issues, trade and enterprise development, water supply and management, and good governance.

Germany is providing support on sanitation and waste management, football, military transport, HIV/AIDS and natural resources. There is also continuing support to training through the Botswana Training Authority (BOTA) and the Department of Vocational Education and Training (DVET).

From 1966 to 1998 Botswana was one of Sweden's major development cooperation partners. The cooperation included support to education, culture, district development and rural water supply. From 1999 the cooperation has been continued on a reduced scale, with special priority on combating HIV/AIDS. Other cooperation covers technical cooperation on various aspects of management (on a cost sharing basis) and support to regional programmes.

France has a long standing programme targeted at French language training and teaching, as well as some military co-operation and a newer project to assist the development of tourism.

Netherlands have provided government-to-government assistance in recent years principally to the wildlife sector (technical assistance as well as direct project funding), as well as more substantial support through SNV and NGOs. These activities are largely being phased out over the next two or three years.

Finally, Denmark has been supporting a number of substantial environmental projects in Botswana through DANCED, including valuable assistance to the National Conservation Strategy Agency.

4.5. Other Cooperating Partners

Some agencies of the UN are active in Botswana, but with GOB contributing 75% of the funds. UNICEF has a programme to transform primary schools into community outreach centres for the prevention of HIV/AIDS. UNDP has four programmes related to poverty alleviation that deal with job creation, HIV/AIDS, gender and the sustainable utilization of natural resources (see Annex 3). WHO, UNHCR and UNFPA each have small programmes. IDA/IBRD (World Bank) has however not been present in Botswana for a number of years.

Other governments such as those of China, Cuba, Egypt, Japan, and Russia also have co-operation programmes in Botswana. Recent notable non-governmental contributions include the Bill and Melinda Gates Foundation work on HIV/AIDS and the Regional Harvard AIDS Programme.

4.6. Donor Coordination

Given the modest scale of donor activity in Botswana, the scope for formal co-ordination on the spot is limited. Within the EU family, monthly meetings are held between the resident Heads of Mission of the Member States and the EC Delegation, where coordination of development activities is always one of the topics on the agenda. The UNDP office also plays a limited coordination role, especially in emergency situations or in reviews of particular thematic issues. Finally, ad hoc co-ordination takes place frequently between the EC Delegation and the large regional office of USAID in Gaborone.

4.7. Coherence and policy mix of EC co-operation with Botswana

In addition to their development co-operation, Botswana and the EC have long-standing commercial links, especially as regards the country's substantial exports of diamonds and beef to Europe. The EC's policies in these areas therefore need to be coherent with its development objectives.

All Botswana's diamond production (of the order of €2 billion a year) is exported as uncut stones to the De Beers company in London, before being sold on to dealers for cutting, polishing and retail sale around the world. A considerable proportion remains within the EU and is purchased by European consumers. Accordingly any EU policies with respect to the diamond industry are of the highest concern to Botswana. In particular, the recent transformation and restructuring of De Beers has raised questions of EU competition policy that are currently under scrutiny. Of even greater importance is the ongoing issue of "Conflict Diamonds", which, if not carefully managed, could cause enormous damage to the economy of Botswana and other producing nations.

Accordingly Botswana has been making great efforts to ensure that the policy of the EU and its international partners on this sensitive and highly political matter takes account not just of the evils of illegal and uncontrolled diamond trading, but also of the potential of diamonds for development.

Under the successive ACP-EU agreements since 1975, Botswana and other traditional exporters in the region are able to sell beef and veal to the EU internal market at a substantial reduction in customs duty.⁶ Although Botswana has not recently been able to take full advantage of the arrangements, the exports to the lucrative EU market nevertheless generate a significant flow of resources to the economy and to the beef sector in particular, of an estimated value exceeding €7 million annually. However these arrangements are not without their costs. The stringent health and quality requirements of EU policies have obliged Botswana producers to accept the same rigid precautions against animal and human disease as do those in the EU, including restrictions on movement of livestock (along with a nationwide network of cordon fences and control points), regular inspections of abattoirs to the highest standards and, recently, the system of traceability of all meat products back to the producing farm. Concerns have been expressed concerning the coherence of the EU's agricultural and consumer health policies with its development co-operation in Botswana. In particular the EC's direct and indirect support to livestock development has to be reconciled with its support to conservation of wildlife and biodiversity, both within Botswana and on the international level. There is also concern that the inevitable trend towards modernisation of the cattle industry, spurred on by its profitable access to the EU market, may lead towards its concentration into fewer and larger units, with possible negative effects on rural livelihoods and on the reduction of poverty in Botswana.

The European Commission is well aware of these very real concerns. Within recent years it has engaged in studies of the impact of livestock expansion on the environment, of the taxation of meat production and of fencing policy in Botswana. It is clear that in all EC support activities a careful balance has to be struck between the traditional and legitimate interests of the livestock producers and the need for conservation of Botswana's fragile natural resources.

4.8. Impact of EC Support and Lessons Learnt

Support to Natural Resources has to a large extent consisted of a series of wildlife projects. In physical and resource terms, these have achieved most of their objectives. Management Plans have been prepared for all five of Botswana's major protected areas; a capacity building programme has been completed; much needed infrastructure has been constructed; scientific research has been carried out and published; community development projects have been funded. There can be no doubt that EDF support to the government's programmes in Botswana, like that of the principal other donors (USAID, UK/DFID, NL/SNV), has had a real impact on wildlife conservation and has achieved results that would not have otherwise occurred. Reserves have however been expressed on some points, notably on the question of sustainability. In spite of the capacity that has been built up within the wildlife department, it is still overly dependent on foreign technical expertise and to an extent still on foreign management. The capacity building aspect is accordingly a principal component of the EDF8 wildlife project, of which implementation is starting in 2001/2002.

The impact of EC cooperation in the field of technical and vocational education and training is more difficult to assess, since it has been going on for a shorter time and the major project - Gaborone Technical College - has only recently been completed and is not yet fully operational. In physical terms the project can be counted a success. The College is constructed, equipped and functioning; it is well situated and meets a clear national need (18,000 applicants for the first 200

⁶ Current arrangements permit Botswana to export to the EU a quantity of 18,916 tons of boneless beef and veal per calendar year at a reduction in customs duty of 92% (cf Cotonou Agreement, Annex V, Protocol 4).

places). Reserves can however be expressed on a more operational level. Firstly, there is the question of whether the EC is providing significant added value – and therefore making the most effective use of EDF money – by engaging in major construction projects in Botswana. Even if the answer were positive, the issue of lengthy implementation procedures would remain. One clear lesson to be learnt is therefore to anticipate the possibility of procedural delays in the design of any future EC support to the education sector in Botswana. Action to speed up appraisal and approval procedures and project implementation must be taken for all activities planned under EDF9. This issue was highlighted in the Evaluation Report on EC support to the Education sector in Botswana undertaken in December 2000.

The same evaluation indicated that although it was too early to assess impact in a quantitative way, it was considered that the strong involvement of both public and private sectors in the project design should result in better-qualified VET graduates who will promote economic diversification. The report also commented on the need for closer coordination between the various bodies involved in VET. These comments have been accepted.

In conclusion, experience of EC co-operation with Botswana has been positive and its impact has been real. This experience is encouraging for co-operation in the future.

5. RESPONSE STRATEGY

5.1. Principles and Objectives for Co-operation

As recalled in Ch. 1 above, the Cotonou ACP/EU Partnership Agreement and the EC Treaty both affirm the three objectives of EC development co-operation to be:

- Sustainable social and economic development;
- Gradual integration of developing countries into the world economy;
- Reduction and eradication of poverty.

Botswana's national development objectives, agreed nationally many years ago and re-affirmed in *Vision 2016* (09/97), are the four following:

- Sustained development;
- Rapid economic growth;
- Economic independence;
- Social justice.

These objectives are the foundation of all Botswana's economic and development planning. Although they are expressed somewhat differently from those of the Cotonou Agreement, the differences are more of emphasis and perspective than of substance. This provides a solid basis for planning future co-operation with the EC.

5.2. Priorities for Cooperation

Based on the above principles and objectives, on the analysis of sustainability issues and of medium term challenges, and on the experience of past development co-operation with Botswana, there is a logical case for continuation and expansion of the EC support to Human Resources Development (HRD). Government policies on economic diversification and the creation of employment opportunities are directly relevant to this strategic choice. Likewise one of the keys to developing an effective policy to combat the twin scourges of poverty and HIV/AIDS will be a massive and sustained investment in HRD, particularly in education and training.

The conclusions of the country analysis were developed in the course of wide ranging discussions with a variety of stakeholders in Botswana during first quarter 2001 and were endorsed by three planning workshops. Efforts were made to consult as broad a spectrum as possible. On the government side consultations were held with representatives of the Ministries of Finance and

Development Planning, of Labour and Home Affairs (responsible for industrial training and testing and for apprenticeship schemes), and above all Education (virtually all departments of the Ministry as well as some government schools and colleges). Non state actors contacted included the University of Botswana, private and church-run educational establishments, teachers' trade unions, the employers' federation (BOCCIM), the chamber of commerce, the youth federation, the principal women's organisation and the federation of NGOs (BOCONGO). The consultations included Botswana's other cooperating partners (principally EU member states and UNDP) as well as the SADC regional secretariat. Finally, people came in their individual capacity to one or more of the planning workshops, which were advertised and were open to the general public.

It is accordingly proposed that EC cooperation with Botswana during the EDF9 timeframe (2001-2007) should be concentrated on the sector of human resources development and that the bulk of the available funding (at least 80%) be allocated to this sector.

This proposal is based, in summary, on the following considerations:

- The sector is recognised by GoB as being critical for employment creation, the reduction of inequity and the eradication of poverty;
- Lack of educated and skilled personnel has been identified as a major constraint to Botswana's economic development;
- The effect of HIV/AIDS upon the future availability of skilled and experienced personnel must be fully taken into account in the country's development plans;
- The EC has a certain "comparative advantage" in the HRD sector, in view of similar issues being addressed in Europe itself as well as its previous involvement in Botswana and in the southern African region;
- The EDF resources available (ca €40 million taking into account a margin of "over-programming") are of significant magnitude relative to the sector's needs (corresponding to slightly more than 10% of the NDP8 development budget for education and training) and should therefore have a direct and measurable impact;
- EC assistance will complement the continuing activities of Botswana's other co-operating partners, which is of special importance as official development assistance is progressively reduced;
- The theme of education and training figures in first place among the themes listed in the new ACP/EU Partnership Agreement as supporting both economic and social development⁷.

No other sectors emerged strongly from the programming exercise in Botswana. During early discussions with Government, the health sector, and more generally the fight against HIV/AIDS, were considered as obvious candidates for EC support. However Government considered that the funding requirements in this area, although clearly enormous, were not yet sufficiently identified, whilst at the same time very substantial pledges were being announced from other sources. Furthermore, the EC regional SADC project to combat HIV/AIDS throughout Southern Africa (co-financed with Britain) has only recently been approved and is not yet in full implementation.

It is clear that HIV/AIDS is a phenomenon of the very highest importance to Botswana at this time and that it is profoundly affecting all aspects of development. The fight against HIV/AIDS and its effects is a cross-cutting issue that must be appropriately included in all support to all sectors in Botswana. Accordingly it must be included in all aspects of the proposed EC support to human resources development. This does not exclude the possibility of additional targeted interventions, outside the concentration sector, in support of Botswana's national struggle against the disease.

⁷ cf Cotonou Agreement, Art 23(a) and Art 25.1(a)

5.3. Response Strategy in the Focal HRD Sector

The Response Strategy is intended to address the recognised needs for improvements in *relevance*, *quality*, *access* and *efficiency*, which are the main challenges facing the HRD sector at all levels.

The *relevance* of education and training in Botswana has been highlighted as an issue in successive policy documents. Human resources have not been adequately geared towards the needs of the country and to the job market in particular, resulting in many citizens being excluded from entering the labour market due to inappropriate skills to match the employment opportunities. The response is therefore to place a greater emphasis on matching human resource requirements and provision across the education sector by establishing proper frameworks for its management and developing a culture of life-long learning.

The *quality* of education will be addressed through the implementation of new curricula and assessment techniques and through improvements in training for teachers, school managers and inspectors. This will equip them with the skills and knowledge to deliver and monitor the new modes of teaching and learning.

Issues of equitable *access* will be addressed through an ambitious expansion of education and training facilities. The response strategy will foresee new curriculum initiatives for pre-employment programmes and skills development. The inclusion of individuals in remote settlements and those pupils that stay away from school will be addressed through mobile learning units and distance learning programmes that are more relevant to these communities. Attention will be paid to ensure that ethnical minorities (e.g. San people) are able to shape their own social, economic and cultural development and their own cultural identities, and that they can preserve/promote their heritage of diverse knowledge and ideas, which are a potential resource for the nation, through appropriate education and training and through access to multilingual education.

Regarding *efficiency*, it is recognised that management of education and training is in serious need of improvement. With this in mind, a new Management Information System coupled with the latest communications technology will be developed. The objective is to anticipate, and then to meet, the requirements of human resource development, and to ensure that planning, management and delivery of services become more efficient and more responsive to the changing needs of society and its development.

5.4. Response Strategy in Non Focal Sectors

Although no precise proposals can be advanced at this stage, the EC will probably be led to consider further support activities in the areas of sustainable rural livelihoods; micro-projects; HIV/AIDS, trade development; capacity building for civil society; complementary funding towards regional (SADC) programmes. As regards the combat against HIV/AIDS in particular, the EC has to avoid overlap with the massive announced contributions from private USA donations, as well as with the activities that it is already supporting on the regional (SADC) level. A future project could appropriately focus on prevention and on care and support of victims, dependents and orphans, as well as assisting the growing number of worthwhile NGO initiatives. Finally, provision will be made for project preparation activities and studies of future possible areas of cooperation.

5.5. Support through the European Investment Bank

The contribution of the European Investment Bank to development finance cooperation with Botswana in the framework of the Cotonou Agreement will be the provision of long-term financial resources other than grants, to assist in promoting growth in the private sector and in helping to mobilise domestic and foreign capital for this purpose. The support will be in the form of risk capital from the Investment Facility or as loans from EIB's own resources.

The objective of enhancing private sector development can be achieved by financing investment initiated by the business sector, including small and medium size enterprises; and by intervening in favour of commercially viable public or privately owned infrastructure projects, which are a sine qua non to establish an economic framework conducive to the expansion of the private sector. However, within this broad framework and the general development strategy for Botswana, interventions by the Investment Facility will be essentially responding to market opportunities. This implies that the scope for programming of IF resources is very limited.

Considering the specificities of Botswana's economic situation as well as EIB's past experience in the country, EIB will focus on three main areas of intervention. First, financing of infrastructure projects in the water, waste water, power, transport, telecommunications and municipal infrastructure sectors. The emphasis will be to help to support projects which are not only financially and technically feasible but also environmentally and economically viable. As in the past the Bank will take a particular interest in the promoter and the sector concerned being organised in a sustainable manner with appropriate participation of the private sector. Second, support of small and medium scale enterprises through global loans. In close cooperation with the financial sector it will be evaluated to what extent the range of financial intermediaries can be widened and the number of financial instruments increased in Botswana. Third, direct funding of large individual projects, where the Bank can contribute value added in the technical and/or financial structuring of the investment. These projects will be carefully selected in areas where Botswana has advantages.

In the spirit of the Cotonou Agreement the approach of the EIB in supporting investments in Botswana will be demand driven. Therefore, the extent to which EIB will be able to commit resources will largely depend on the macroeconomic framework and on the business environment.

5.6. Complementarity and Coherence

The focal sector supports the development objectives expressed by GoB and endorsed by civil society, as well as the priorities chosen by EU Member States for their cooperation with Botswana.

In particular the response strategy complements two current initiatives:

- The Botswana College of Distance Learning, established with assistance from Britain, is strengthened through support to its management and through expansion of its activities to rural areas;
- The Botswana Training Authority (BOTA), currently receiving technical assistance from Germany, will be supported in its mission to impose quality on the national skills development programme.

As regards the EC policy mix, the questions raised by Botswana's exports of diamonds and beef to Europe have been considered above. The impact of the TDCA with South Africa and of the new trading arrangements under the Cotonou Agreement have also been mentioned. No other particular issues of coherence with EU policies outside the developmental field have been identified.

PART B

INDICATIVE PROGRAMME

6. PRESENTATION OF THE INDICATIVE PROGRAMME

6.1 Introduction

Based on the cooperation strategy presented in Part A and in accordance with the provisions of Article 4 of Annex IV of the Cotonou Agreement, the indicative programme has been drawn up in a series of tables and comments presenting the intervention framework for the focal sector, the indicative commitments and expenditure schedules and a detailed activity-based schedule (chronogramme) for all identified programmes or projects during a two year rolling period.

6.2 Financial Instruments

Several financial instruments will be used to finance the implementation of the EC-Botswana cooperation strategy. The following is an indication of their mobilisation as presently envisaged.

1. EDF 9, envelope A (€39 million).

This envelope is to cover long term development operations within the Country Strategy. The indicative allocation of this envelope to the elements of the strategy is proposed as follows:

- Human Resources Development: at least 80%
- Other programmes (micro-projects, sustainable rural livelihoods, HIV/AIDS, etc.): up to a maximum of 20%.

2. EDF 9, envelope B (€52 million).

This envelope includes €30 million available under the SYSMIN allocation (pending request under the 8th EDF) for the financing of a programme presently being prepared. This will include measures to prepare for the future closure of the nickel mine at Selebi-Phikwe and for the rehabilitation of the

mine site. The highly polluting smelter should be replaced by a hydro-metallurgical plant. The programme should also include other initiatives to sustain the socio-economic framework of the Selebi-Phikwe region.

The remainder of this envelope will be used to cover unforeseen needs as indicated in the Cotonou Agreement, Annex IV, Article 3, 2 (b).

Apart from the above-mentioned financial instruments, of which the A-envelope is the main programmable basis for the Indicative Programme, the 9th EDF includes also the “Investment Facility” as a financing instrument managed by the European Investment Bank (see details in Part A, chapter 5). The Investment Facility does not form part of the Indicative Programme.

3. EC budget lines could be used to finance specific operations, in particular for environmental and natural resources conservation. Finance from this instrument will, however, be decided in accordance with the Commission's procedures for the budget line concerned and will depend on availability of funds.

6.3 Focal Sector – Human Resources Development

The following Global Objective shall be pursued:

- To ensure access of all Botswana to high quality lifelong education and training, with a view to producing self-reliant, knowledgeable and skilled individuals, who will engage in achieving Botswana's development goals and particularly the creation of employment, the reduction of inequity and the eradication of poverty. As in all other sectors of the Botswana society, HIV/AIDS as a major sustainability issue has to be fully taken into account.

The five major areas of intervention foreseen in the sector are:

- Establishment of a coherent human resource development framework to promote a culture of lifelong learning;
- Improvement of the planning, management and co-ordination of HRD;
- Improvement of the quality, access and equity of education and training;
- Establishment of a national structure for e-learning;
- Effective provision and expansion of technical and vocational education and training.

The major policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this sector are:

- Maintenance of at least the present share of education and training in national development and recurrent budgets;
- Establishment of a series of autonomous councils and authorities, linking government, private sector, civil society and practitioners, and institutions responsible for regulation and maintenance of high quality national standards throughout the education and training system;
- Enhanced co-operation and consultation between Ministry of Education and other government departments and agencies responsible for education and training;
- Expansion of the vocational education and training system to meet the needs both of the labour market and of the aspirations of individuals.

The progress and effectiveness of EC support to the HRD sector in Botswana, as well the performance of the sector as a whole, will be monitored continuously during the currency of the programme. Formal reviews will be undertaken each year, enabling progress to be measured in the light of a number of objective indicators. It is recognised that at present insufficient baseline data

are available and that support to developing the necessary capacity needs urgently to be put in place. Subject to this reservation, and bearing in mind the programme objectives of achieving measurable improvements in *relevance, quality, access* and *efficiency* in the HRD sector, it is considered that the following four indicators will be of particular value:

- Number of graduates from education and training system finding sustainable employment or self-employment (*Target: 85% within 6 months of leaving by 2006*);
- Number of schools inspected within new inspectorate framework (*Target: 100% every 3 years by 2006*);
- Non attendance, drop-out and repetition rates (*Target: 50% reductions in each by 2006*);
- Progression rate to post compulsory education (*Target: increase from present 50% to 75% by 2006.*)

With regard to the modalities of future EC support, Government and the EC will investigate the prospects for targeted budgetary support, principally for non-TA activities, such as facilities, equipment and training.

Although the principal formal partners for EC support will naturally be the Ministry of Finance & Development Planning (National Authorising Officer) and the Ministry of Education, its departments and dependent institutions, it is intended that as much as possible will be implemented in direct co-operation with other agencies. These will include not just other ministries and government bodies, notably the Ministry of Labour (responsible for the Botswana Training Authority and for training and employment policy) and the Ministry of Local Government. In particular, the University of Botswana will be a major partner, both as a beneficiary of the programme and as a responsible agency for control of educational quality and for the development of e-learning. Other non-governmental bodies will be actively sought as participants in both planning and implementation of EC co-operation in the focal HRD sector.

6.4 Macroeconomic Support

The Indicative Programme does not foresee macroeconomic support. However, in the light of current needs, it may be decided to reallocate funds from other headings in the Indicative programme to this type of support. Such a decision may be taken by specific agreement between the Chief Authorising Officer and the National Authorising Officer or in the context of an operational, performance or ad hoc review.

6.5 Other Programmes

An indicative percentage of maximum 20% will be reserved for a limited number of interventions (not more than three) to be chosen among the following possible purposes:

- Promotion of sustainable rural livelihoods;
- Continuation of the successful micro-projects programme, with sharper anti- poverty focus;
- The struggle against HIV/AIDS, focussing on prevention and on care and support of victims, their dependents and orphans, as well as co-operation with NGOs;
- Support for trade expansion, and particularly for development of negotiating and analytical capacities;
- Institutional support for non-state actors and civil society in general, including capacity building initiatives for the benefit of professional, trade and consumer organisations, the university, and NGOs active in the fields of human rights, legal assistance and indigenous peoples, women's and children's rights;

- Contributions towards regional programmes, principally those of the Southern African Development Community (SADC).
- Reserve for insurance against possible claims and to cover cost increases and contingencies.

6.6 Intervention Framework

EC Support to the Human Resource Development Sector in Botswana

Targets/Objectives/Results	Performance Indicators	Source of verification	Assumptions
<p>Medium-Term National Sector Target :</p> <p><i>To ensure access of all Batswana to high quality lifelong education and training, with a view to producing self-reliant, knowledgeable and skilled individuals, who will engage in achieving Botswana's development goals and particularly the creation of employment, the reduction of inequity, the eradication of poverty and the combat against HIV/AIDS.</i></p>	<p>National budget % share for education and training maintained.</p> <p>Inter-ministerial coordination bodies in place.</p> <p>Professional and administrative body to set-up quality standards in place.</p> <p>Equitable access to a well managed, coherent and structured system of primary and junior secondary education maintained at ~ 100%.</p> <p>Progression to senior secondary education increased by >10% by 2006</p> <p>Access to a coherent and structured system of post secondary education and training increased by >30% by 2006</p> <p>Adult literacy increased by 10% by 2006</p> <p>100% of learners and trainees receiving contextualised education and instruction on reproductive health, sexuality, HIV/AIDS by 2004</p>	<p>Mid term Review</p> <p>Population Census</p> <p>Analysis of MOE statistics annually</p> <p>Analysis of Performance Management System Reports</p> <p>Tracer studies for all graduates from the post-secondary sector</p> <p>Expenditure profiles of the education sector</p> <p>Labour market surveys</p> <p>Examination and assessment records</p> <p>Health Sector surveys</p>	<p>Availability of reliable baseline data</p> <p>Performance Management System Reports are prepared</p> <p>Continued collection and analysis of data</p> <p>Sufficient numbers of Employers and graduates participate in the trace studies</p> <p>Improved funding within the non-salary expenditure of the MOE</p>
<p>EU Intervention objectives</p> <ol style="list-style-type: none"> Equitable access and opportunities within a coherent and structured system Effective preparation of students for life, citizenship and the world of work by increasing gender-balanced enrolment rates into quality post secondary education Enhanced performance and status of the teaching profession Effective management of the education system Mainstreaming of the challenge of HIV/AIDS in all aspects of the programme planning and activities in this focal sector. 	<p>Net enrolment ratio maintained at 100% of primary and junior secondary education.</p> <p>Drop-out and repetition rates at primary level reduced.</p> <p>Progression to senior secondary education increased by 10% by 2006.</p>	<p>Analysis of MOE statistics annually</p> <p>Inspection of schools</p> <p>Tracer of studies for VET graduates</p> <p>Expenditure profiles of education sector</p>	

	Performance Indicators	Source of verification	Assumptions
Result 1: A Coherent Human Resource Development Framework to promote a culture of lifelong learning established	<p>High-level Lifelong Learning – HRD - National Qualifications Framework Steering Group representing key stakeholders established by 4Q01.</p> <p>National Qualifications Framework established.</p> <p>Review of Qualifications Framework presented to Minister of Education by end 2001 to allow preparation of HRD strategy for NDP9.</p> <p>Integrated Human Resource Management and coordination strategy established.</p>	<p>Minutes of the Lifelong Learning – HRD - National Qualifications Reference Group</p> <p>Terms of Reference for the Review</p> <p>Tender for Consultancy Services</p>	<p>Review supported by the GoB.</p>
Result 2: Planning, management and co-ordination of Human Resource Development improved	<p>Capacity to develop, review and evaluate effective Action Plans and Work Plans effective by 2004.</p> <p>Long Term Performance Targets and Strategic Plans implemented by 2006.</p> <p>Activities and Targets set in Strategic Plans implemented within stipulated timeframes and budget allocations each year to 2006.</p> <p>High Quality Preparation and Presentation of Planning Documentation established by 2003.</p> <p>Capacity in the MOE Planning Units strengthened.</p>	<p>Tender for Consultancy Services</p> <p>Periodic (triennial) Reports</p> <p>Departmental and Divisional Minutes</p> <p>Training records</p>	<p>PMS fully implemented and sustained.</p> <p>Support from GoBt.</p> <p>Divisions and Departments submit quality Project Memoranda</p> <p>Support from MLHA</p> <p>Support of Industry</p>
Result 3: Quality, access and equity of education improved	<p>11 Education Centres upgraded to same standards as Kanye by 2004</p> <p>New inspectorate framework defined and in operation by 2003.</p> <p>All schools inspected every 3 years within new inspectorate framework.</p> <p>Assessment and testing procedures for Primary and Junior Secondary Education evaluated and reviewed.</p> <p>Interventions to reduce identified barriers to access (gender, social, geographical etc.) in place by 2003</p> <p>Non attendance rates reduced by 50% by 2006</p> <p>Drop-out and repetition rates reduced by 50% by 2006</p>	<p>Buildings and equipment contracts</p> <p>Examination results</p> <p>Inspection records</p> <p>Guidelines on assessment and Testing</p> <p>Equal opportunities Policy adopted by MOE</p> <p>School records and ad hoc studies</p> <p>idem</p>	<p>Support of Government and Civil Society.</p> <p>Appropriate legislation or amendments to statutory instruments enacted</p> <p>GoB commitment to reduce all class sizes to maximum of 35 pupils</p>

	Performance Indicators	Source of verification	Assumptions
Result: 4 A National Structure for e-learning established	<p>Study of principles for e-learning strategy, including TA requirements, completed by end 2001.</p> <p>E-learning strategy adopted by GoB by 2002.</p> <p>Sufficient personnel to provide e-learning at Education Centres in place by end 2002.</p> <p>Educational Data Network established.</p> <p>5 Pilot Education Centres for e-learning operational by 2003.</p> <p>Remote communities and individuals with low socio-economic status having access to learning and training opportunities increases by 50% by 2006.</p>	<p>Service contract.</p> <p>Government minutes.</p> <p>Personnel records.</p> <p>Data Network documentation.</p> <p>Contracts and site verification.</p> <p>MoE statistics and surveys.</p>	<p>Strategy endorsed by Government Computer Bureau.</p> <p>Establishment posts for the Interim and National facilities provided.</p>
Result: 5 Effective provision and expansion of Technical and Vocational Education ensured	<p>Learning Resource Centres established at seven technical colleges by 2005.</p> <p>Supplies in place for the 7 Resources Centres by 2005.</p> <p>Progression rates to post compulsory education increased from 50% to 75% by 2006.</p> <p>Vocational programmes providing an access route for students with learning difficulties developed by 2004.</p> <p>Number of VET graduates increased by 40% by 2006.</p> <p>Enrolments of disadvantaged students to VET institutions increased by 20% a year until 2006.</p> <p>Gender balance achieved across all vocational areas by application of Equal Opportunities and Admissions Policy by 2004.</p> <p>Quality Assurance Policy Framework for college based Vocational Education Programmes adopted by the Examinations Council by 2003.</p> <p>Number of graduates from education and training system finding employment or self-employment within 12 months increased.</p>	<p>Construction contracts.</p> <p>Site visits.</p> <p>Key Skills Framework incorporated as part of the National Qualifications Framework.</p> <p>Admissions records.</p> <p>Policy documentation.</p> <p>College Development Plans Management Information data</p> <p>Admissions records New National Employer-Based skills Programmes and Qualifications.</p> <p>Employment records and sample tracer studies</p>	<p>Serviced site available.</p> <p>Establishment posts and staff for new programme areas provided.</p> <p>Commitment to enforce equal opportunities policies.</p> <p>Formal sectors able to employ increased output of graduates. Informal sector able to absorb influx of new entrepreneurs.</p>

6.7 Indicative commitment and expenditure schedule

€ '000

Title	Amount €	2001		2002		2003		2004		2005	
		S1	S2	S1	S2	S1	S2	S1	S2	S1	S2
Focal Sector: Human Resource Development	Com.				38,830						
	Exp.					3,650	7,925	11,145	9,550	2,650	1,830

Title	Amount €	2001		2002		2003		2004		2005	
		S1	S2	S1	S2	S1	S2	S1	S2	S1	S2
Non- Focal Sector:	Com.				9,400						

6.8 Indicative chronogramme of activities ⁸

Title	2001		2002				2003				
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Focal Sector: Human Resource Development	CSP final draft submitted	CSP approved and signed	Project identification completed	Project appraisal completed	Financing Proposal approved	Financing Agreement signed	Tenders and mobilisation launched	Implement-ation started			

⁸ The final timeframe will be determined during the preparation of the Financing Agreement

APPENDICES

Republic of Botswana

European Community

**Country Strategy Paper
and
Indicative Programme**

for the period 2002 – 2007

- Appendix 1** *Summary of recent projects financed by the European Community*
- Appendix 2** *Donor Matrix*
- Appendix 3** *Poverty and other sustainability issues*
- Appendix 4** *Human resources development - Policy and implementation issues*
- Appendix 5** *Economic and Social Data – Botswana at a Glance*

7. APPENDIX 1

7.1. Summary of recent projects & programmes

7.2. financed by European Community in Botswana

€ x 1000

National Indicative Programmes

Projects	<u>EDF7</u>	<u>EDF8</u>
1. Forestry development	3,000	1,995
2. Fiscal reform		580
3. HIV/AIDS prevention	800	
4. Micro projects	1,849	2,500
5. Minerals prospecting & surveys	3,077	
6. NAO TA & capacity building	994	1,764
7. Poverty studies and workshops	115	
8. Tourism & trade	575	
9. Vocational & technical education & training	13,577	<u>15,000</u>
10. Water affairs TA	932	
11. Wildlife conservation & sustainable utilisation	6,455	14,000
	626	2,161
	32,000	38,000

⁹ Uncommitted balances are reserved in priority for the next phase of the fiscal reform project, currently under study.

Sysmin facility

	Projects	
1. Support to Copper/Nickel mining (Lomé III)		21,650
2. Support to base metal mining industry (Lomé IV)		33,700
3. Support to base metal mining and extraction (Lomé IV bis) ¹⁰		30,000
		85,350

¹⁰ Application for latest phase of Sysmin facility is still under appraisal and amount is provisional.

Botswana : Donor Matrix

Donor	Economic Develop.	Social Development	Productivity Sector	Thematic/ Cross Cutting	Funding (Euro)
Member State UK		1. Police development 2. Primary School management 3. Distance Education College (BOCODOL) 4. HIV/AIDS (region) 5. Community Capacity Building	6. Range Inventory Monitoring 7. Vet Epidemiology 8. Tsetse control 9. Sustainable Rural Livelihoods	10. EIA – Vet. Fencing	1. €1.1m 2. €1.8m 3. €0.9m 4. €12.0m 5. €2.5m 6. €4.0m 7. €4.1m 8. €0.8m 9. €3.2m 10. €0.2m
Member State Germany		1. Vocational Education & Training (DVET) 2. Vocational Training (BOTA) 3. Sanitation and Waste Management 4. HIV/AIDS	5. Bureau of Standards	6. Environment GDS/BGR	1. €7.0m 2. €5.0m 3. €4.5m 4. €0.5m 5. €1.5m 6. €0.5m
Member State Sweden	1. Training Courses	2. HIV/AIDS	3. Govt. Computer Bureau	4. Research Cooperation	1. €1.5m 2. €0.5m 3. €1.0m
Member State France		1. Language teaching and training 2. Youth and Tourism scholarships			1. €0.3m 2. €0.3m
Member State Denmark				1. National Conservation Strategy (TA)	1. €8.0 m
Member State Netherlands				1. Wildlife Management	1. €0.5 m
USA		Private AIDS initiatives 1. Regional Harvard AIDS Program 2. B & M Gates Foundation 3. Bristol Meyers/Merck			(estimates) 1. €8 m 2. €10 m 3. €10 m
UNDP	1. Economic Management	2. HIV/AIDS capacity building 3. Gender 4. Governance and youth		5. Environment (wetlands)	1. €6.5m 2. €5.0m 3. €2.0m 4. €1.0m

Donor	Economic Develop.	Social Development	Productivity Sector	Thematic/ Cross Cutting	Funding (Euro)
					5. €2.0m
UNICEF		Primary schools and the prevention of HIV/AIDS			

Poverty and other sustainability issues

1. *The issue of Poverty*

The positive economic indicators in Botswana disguise an undeniable disparity in income and wealth distribution and in access to social services. There are significant divergences between urban and rural populations; vulnerable groups, including the so-called remote area dwellers (RADs), are at risk of being economically and socially marginalised.

The most recent comprehensive study of poverty in Botswana (part funded by EC) was published in February 1997, based on 1993/94 data. Some striking conclusions were:

- Nationwide, 47% of the population was living below the Poverty Datum Line (PDL).¹¹
- In rural areas, 55% fell below the PDL, as compared with 46% in “urban villages” and 29% in urban areas;¹²
- In rural areas 40% were classified as *very poor*, compared to 9% in urban areas. These were households whose income was insufficient to cover the food component of their PDL. This means, in simple terms, that they did not have enough food to eat.
- The Central and North East districts, containing one third of Botswana’s population, were found to have the largest number of poor people. However the two western districts of Ghanzi and Kgalagadi experienced the most severe poverty, with 71% of households living below the PDL and 59% in the *very poor* category. These districts are home to most of Botswana’s Remote Area Dwellers (RADs).
- Another important conclusion was the disproportionate extent to which poverty hit female-headed households (FHH), which comprise about half of all households. Some 50% of these were found to be poor or *very poor* compared to 44% of male-headed households. Moreover the severity of poverty experienced by FHH was found to be greater than for male-headed households. This reflected the many disadvantages faced by FHH, including lower earning capacity, lack of assets and a greater burden of dependents.

A more recent study has been carried out into rural livelihoods in Botswana, with a view to drawing up a new Rural Development Policy later in 2001. One finding was that the most common livelihood activity among the sample rural population was still subsistence agriculture, which employed 48% of those engaged in economic activities. Livestock remains of high importance, with cattle being owned by 68% of households and sheep or goats by

¹¹ The PDL is a construct specific to Botswana, founded on the cost of a minimal basket of food and other basic household requirements, and is used as a means of measuring income poverty; it varies from area to area.

¹² In the 1991 census, the population profile was 51% rural, 22% urban village and 27% urban.

75%¹³. However inequality within the livestock sector was found to be increasing, with ownership becoming progressively more skewed towards the wealthy.

Regular ongoing studies of the nutritional status of children under five years old, carried out in the context of food security monitoring, showed a country wide total malnutritional prevalence of 8.5% in March 2001. There were important variations from district to district, with the Kgalagadi and Ghanzi districts showing much higher levels both of total malnutrition and of severe malnutrition (2.6% and 2.1%).

Poverty has long been observed to be particularly prevalent among those living in the remotest parts of Botswana. These people are sometimes referred to as Remote Area Dwellers (RADs); they include a number of ethnic minorities, notably the San people (Basarwa or Bushmen), as well as the Bayei and the Bakgalagadi. A specific Remote Area Development Programme has been in place since the 1970s, providing not just physical infrastructure but also aimed at institution building, leadership training, promotion of productive employment, acquisition of land rights and promoting change of negative public attitudes. The RAD programme however had only limited success and faces certain difficulties, not least the shortage of sufficiently trained and motivated manpower. Furthermore, the programme is not able to address the needs of all people living in remote parts of Botswana, notably those living near or inside the protected areas.

Although Botswana has enjoyed strong economic growth for many years, only part of the population has directly benefited. Distribution of wealth and incomes is highly skewed. Based on 1993/94 income data the Gini coefficient was 0.54. Although this showed an improvement over earlier surveys and is less skewed than in some neighbouring countries, it does point to a serious imbalance in income distribution in Botswana.

There are a number of causes for the existing poverty situation. As would be expected, lack of income has been identified as the most immediate cause of poverty. This, in turn, is related to lack of wage employment and insufficient opportunities for self-employment. A narrow resource base is another important cause of poverty. Lack of human capabilities in education and training also contributes to poverty since they affect individuals' ability to engage in opportunities and improve their lives.

There have been many changes in Botswana since the 1997 poverty study and the 1993/94 social and economic data on which it was based. The pattern of poverty may now be very different from that of eight years ago. Concerns have also been raised that the PDL basket used in Botswana may be unrealistic. It is therefore urgent to carry out another comprehensive poverty study. This will be done over the next two years, with the next Population and Housing Census due in August 2001, followed by another Household Income and Expenditure Survey (HIES) in 2002.

In the longer term, Botswana's principal strategy for fighting poverty is to promote sustainable growth and diversification of the economy, in order to create business opportunities, generate employment and increase overall levels of income.

¹³ Cattle numbers in particular have steadily recovered from massive slaughter of 12% of the national cattle population, decided following the outbreak of cattle lung disease (CBPP) in Ngamiland in February 1995.

Among the many schemes aimed at directly fostering economic growth, diversification and employment creation have been the Arable Lands Development Programme (ALDEP), the Small, Micro and Medium Scale Enterprises (SMME) Programme, and the Financial Assistance Policy (FAP), introduced in 1982 with the objective of creating sustainable diversification and employment opportunities through grants to businesses in selected economic sectors. Government has however acknowledged that these schemes have not achieved the expected outcomes. Currently ALDEP is suspended pending the outcome of a review, whilst SMME and FAP are to be replaced by other instruments, targeted more directly at citizen entrepreneurial development.

Botswana has also put in place a specific comprehensive set of instruments aimed directly at poverty alleviation. Social safety nets include the destitutes policy, the old-age pension scheme, supplemental school feeding schemes, labour based public works programmes, drought relief and the orphanage programme. Bearing in mind the considerable financial resources available (expected 2000/01 budget surplus of €200 million; foreign exchange reserves of €5.6 billion, representing 36 months of imports of goods and services), Botswana has been able to commit substantial financial resources to these instruments. However there are concerns that the resources are not being optimally used and that the desired impact on poverty is not yet occurring.

The GoB has recognised that the anti-poverty programmes are not as well co-ordinated as desirable. There have been administrative and managerial weaknesses, as well as inadequate monitoring and evaluation. Targeting could be improved, as some programmes suffer from encroachment by the non-poor. At the same time there are signs of increasing dependency among the beneficiaries. There needs to be more active involvement of local communities and civil society in the design and implementation of anti-poverty programmes. As was said in one contribution to the recent National Poverty Workshop, the present policies remain pro-growth and not adequately pro-poor. Above all the programmes do not yet form part of a comprehensive and coherent anti-poverty framework.

In summary, it is beyond dispute that Botswana is still very far from the Vision 2016 Goal of eradicating absolute poverty. The GoB currently is working on a new National Poverty Reduction Strategy. A study has been commissioned and is to commence in August 2001, with a view to producing a report and a draft Strategy before the end of the year.

2. *HIV/AIDS in Botswana*

A major threat to the social and economic development of Botswana is the epidemic of HIV/AIDS. In the years following the first identified AIDS case in Botswana in 1985, the disease has spread inexorably throughout the country. At end-2000 the National AIDS Coordinating Agency estimated that a total of 278,000 people within the 15-49 age group were HIV positive, representing over 30% of that cohort. In some parts of the country, over 50% of pregnant women have been tested HIV positive. The scale of the epidemic means the country it is one of the most affected, perhaps even the most affected, in Africa and therefore world-wide.

The impact of HIV/AIDS is having the profoundest social, economic and political effects on Botswana. The disease retards economic development by depleting the supply of labour

(particularly skilled labour), lowering productivity and raising the dependency ratio. Growth in GDP will be reduced, and investment will be negatively affected. There will be a direct impact on poverty; a recent analysis predicts that the percentage of households below the PDL will increase by 6 – 8 points. The government budget will suffer on both the expenditure and revenue sides. It is foreseen that public spending in ten years time will be between 7% and 18% higher than without AIDS, and that there will be a parallel reduction in revenues of around 22%. The health sector in particular faces critical problems: over-crowded hospitals, insufficient medical and support staff, resurgence of diseases, uncontrollable surges in the costs of medication and treatment. Life expectancy is expected to fall from 66 to 46 years; infant mortality to rise from 45 per 1000 back up to 148 by the year 2010. The number of orphans – nearly all of them AIDS orphans – was estimated at 65,000 at the end of 2000.

The GoB has long been aware of the importance of the AIDS phenomenon. The threat to national development was given prominence in the current development plan (NDP8: 1997/98 – 2002/03), and was reflected in the HIV/AIDS Medium Term Plan (MTP-II) developed by the Ministry of Health. However it had already become clear by the year 2000 that existing strategies and measures had in no way succeeded in controlling the spread of HIV/AIDS in Botswana.

The AIDS epidemic has now been recognised by the Government as a national calamity with catastrophic consequences. All levels of government and all civil society are being mobilised to combat the disease, to curb its spread and to mitigate its effects. President Festus Mogae has taken political leadership of the national campaign, and chairs the National AIDS Council. A National AIDS Co-ordinating Agency (NACA) became operational in August 2000, with the mission to plan and co-ordinate the national strategy against the disease. It has prepared a new National HIV/AIDS Care and Prevention Plan, incorporating all existing measures together with very substantial new initiatives, to be funded mainly by private donors in the USA. One significant possible consequence of these initiatives may be that anti-retroviral drug treatment will be made available to all Botswana infected with HIV.

The scale and the scope of the efforts being undertaken by Botswana and its co-operating partners in tackling HIV/AIDS are perhaps unique in sub-Saharan Africa. However given the extraordinary extent of the disease in Botswana, together with the lack of success of all previous attempts to limit its spread, it is still too early to say whether these efforts will be successful.

3. *The issue of sustaining rapid economic growth*

Vision 2016 in its economic dimension foresees *inter alia* a trebling of real incomes, full employment for the labour force and the eradication of poverty. These objectives would require the economy to grow at an average rate of 8% a year, which in turn would call for an extremely high investment-to-GDP ratio of more than 40%. This dimension of the vision represents in itself a major sustainability issue.

Such an exceptional rate of economic growth can hardly be achieved from the diamond sector alone. Even assuming that the recent substantial expansion of Botswana's production capacity can be replicated and sustained, which in itself will require massive investments, and that Botswana can preserve its present market share, there has to be serious doubt as to whether

world demand for gem diamonds will continue to expand at the rate necessary to fuel economic growth on such a scale. Certainly, last year's mid-term review of the current National Development Plan foresaw little short-term growth in the mining sector, and pointed out that this implied that the non-mining sectors of the economy would have to grow at a significantly higher rate than 8% per year if Vision 2016 was to be anywhere near realised.

The issue can therefore be seen as that of successfully diversifying the economy away from diamonds (finding "alternative engines of growth"). It has to be said that this is something that has so far eluded Botswana, in spite of a series of public and private initiatives over a period of many years. It is becoming clear that there is no single formula for success. Increased domestic savings, increased domestic and foreign investment, a continued search for export markets and, above all, investment in human resources development to produce a skilled and productive workforce: all these ingredients will be required to meet the economic challenge spelled out by Vision 2016.

4. *The issue of citizen economic empowerment*

Alongside Botswana's remarkable sustained economic growth during the 35 years since independence, there has developed a concern that too much of the wealth might be passing into the hands of foreigners, leaving the situation of Botswana citizens relatively unchanged.

This concern has intensified considerably over the past two or three years. A national conference on the theme of Citizen Economic Empowerment was held in July 1999. It recommended that existing citizen empowerment schemes should be strengthened and that additional ones should be introduced. The more recent existing schemes included the Citizen Construction Industry Fund (1997) and the Small Medium and Micro Enterprises Fund (1998). Negative measures included the reservation of certain economic activities and trades to Botswana citizens, the local procurement programme - under which 30% of all government purchases must be sourced from local suppliers -, restrictions on ownership of land and certain other assets by foreigners, increasingly restrictive policies on granting of residence and work permits.

In 2001 the new Citizen Entrepreneurial Development Agency (CEDA) was launched, aiming at the development of citizen owned businesses and including a venture capital fund to provide equity capital to citizens. Government is also establishing a separate trust fund called Citizen Entrepreneur Mortgage Assistance Equity Fund (CEMAEF), whose aim is stated as being to retain ownership of commercial and industrial properties and land in Botswana in the hands of Botswana. In addition, government has extended the system of reservation and preference, already enjoyed by citizen works contractors and suppliers, to citizen consultants and service providers.

These government measures have been accompanied by, and are in part a response to, increasingly vocal public and political concerns over the extent of the business activities of non-citizens in Botswana, and their employment in private or public establishments. These concerns are the perhaps inevitable result of Botswana's enviable reputation as a relatively prosperous, stable, well-governed and peaceful nation, in comparison notably with certain other countries in the region. The measures, and the concerns, are not unique to Botswana.

Similar policies of reservation and citizen empowerment have been imposed elsewhere, particularly, although for different reasons, in the neighbouring Republic of South Africa.

As the GoB pursues its stated aim of accelerating economic diversification, it has to reconcile these citizen empowerment policies with a number of other objectives. In particular, the encouragement of foreign investment in Botswana and promotion of exports of goods and services would become more difficult against a background of economic nationalism.

Secondly, Botswana's consistently strong support to SADC, underlined by the recent decision of SADC's member states to reinforce significantly the role and influence of the Secretariat based in Gaborone, entails a commitment to the regional integration process within southern Africa. This process includes not just the free movement of goods under the recently launched SADC free trade area, but also, in due course, the other traditional ingredients of the recipe for regional integration, including free movement of persons, freedom of investment, right of establishment and non-discrimination between nationals of the member-states of the region. Questions may therefore be expected to arise, in due course, about the coherence of some of Botswana's present policies with its undoubted commitment to regional integration.

5. *The issue of Gender*

The status of women in Botswana has been claimed to have much advanced in recent years. Many of the statistics appear to be favourable. Females outnumber males, at a ratio of 100:92. Life expectancy, adult literacy rate and school enrolment rate are all higher for women than they are for men. Women in Botswana are to be found in the highest positions in government, the civil service, trade and industry and the professions.

Nevertheless, it is often asserted there is much progress to be made towards genuine gender equity in Botswana's traditionally male dominated society. For instance, the average income of men is estimated to be 28% higher than that of women. In vocational and professional training and in higher education, the level of female enrolments in some areas continues to be disappointing. School drop-outs because of teenage pregnancies are a continuing problem. The epidemic of HIV/AIDS is hitting females far harder than males in Botswana, with markedly higher risks of infection and a disproportionate share of the economic and social consequences. Discrimination against women in everyday life, and widespread domestic violence, are recognised to be still serious issues in Botswana.

The GoB has shown itself to be aware of these issues. It has initiated a policy on women in development, and in November 1998 launched the action plan entitled the National Gender Programme. The extent to which gender inequities are seriously addressed by Botswana society in the coming years remains to be seen.

Although gender is predominantly a national issue for Botswana to address, external partners do have an important role to play. These include not just Botswana's development partners, but also, probably to a greater extent, other countries within the southern African region. SADC Heads of State have resolved to give prominence to the issue of gender equity and a dedicated unit has been in operation at the Secretariat since 1998.

6. Environmental issues

Spatially, Botswana is one of the larger countries in Africa with a land area of 582,000 km², about the size of Kenya or France. However nearly 80% of this is Kalahari Sandveld and is poorly suited to cultivation, although it can be used for grazing within limits. The whole country suffers from low and highly variable rainfall and the climate is classified as semi-arid. Although average population density is very low, at 2.8 persons per km² compared with 27.2 in SSA as a whole, settlement is heavily concentrated (more than 80%) in the narrow eastern part of the country. There is growing pressure everywhere on Botswana's limited and fragile natural resources, brought about in part by the doubling of the human population in the 35 years since independence, combined with an even greater increase in the numbers of livestock.

A recent survey identified five broad categories of environmental issues that are of serious concern to Botswana today:

- *Degradation of rangeland pastures;*

- Depletion of water resources;
- Depletion of forest resources;
- Pressure on wildlife;
- Pollution and waste.

GoB is committed to the conservation and sustainable use of the country's natural resources and to address all of the above issues. It has developed a considerable body of policies and legislation for this purpose, and is party to the relevant international and regional agreements relating to the environment.

Nevertheless, there are a number of constraints and challenges:

The effectiveness of these policies is hampered by the absence of a single comprehensive strategy of natural resources conservation, and of a single national authority. Implementation is the hands of no less than five separate ministries, none of which has over-arching responsibility. The recently renamed Ministry of Lands, Housing & Environment, although nominally possessing a co-ordinating role, covers neither rangelands, nor water, nor forestry nor wildlife.

The level of public awareness of conservation issues remains low. Although an environmental education programme in schools has been in place for a number of years, and several dedicated national and international NGOs are at work in Botswana, there is a definite need for additional resources, support and commitment. In addition, the current series of years with relatively abundant rainfall has allowed a certain recovery of Botswana's natural resources from the devastation brought about by the droughts in the 1980s, so that the progressive degradation of the environment is no longer as visible as it formerly was. Much thus still remains to be done towards raising the understanding of individuals and communities of the threat posed to Botswana's dwindling natural resources by uncontrolled and unthinking consumption, as well as the opportunities that rational and sustainable utilisation can offer for rural livelihoods.

A third group of challenges is more economic and even political in nature, that is, the conflict of interests between sustainable use of natural resources on the one hand, and more traditional economic activities on the other. The most quoted instance is that of cattle rearing, which in spite of its dwindling economic importance is still of the highest interest to large numbers of Batswana, including some of the very wealthiest citizens. There are many issues: land ownership and grazing rights, the need for a nationwide network of cordon fences for reasons of animal health, sustainable rates of water extraction from boreholes, competition between cattle and wildlife for steadily degrading rangelands, predator control, equitable taxation and subsidy policies, Another instance, of almost equal concern, is the huge increase in the number of goats – fourfold since 1980 – which is partly a response to previous over-grazing by other animals in the past, whilst posing the threat of even faster degradation in the future. Finally, depletion of wood and water resources continues at an increasing rate as the population itself increases and as its consumption demands increase as a function of economic development.

Human resources development in Botswana:

Summary of policy and implementation issues

Human Resource Development (HRD) has been identified as a key for attaining the national objectives of poverty alleviation and diversification of the economy. Botswana not only needs to be equipped with the knowledge, skills and attitudes relevant to a modern changing society, but also to have the opportunities to apply them.

Primary Education

Although enrolment rates are satisfactory, the dropout rate from primary school has been increasing and stands at an all time high of 3.5%. Increasing dropout and repetition rates reduce the efficiency of the sector. The rapid expansion in primary education has imposed many strains. Government realises that improvements must now be made in **quality** and has identified three issues that need serious attention:

- Quality of teachers;
- Access and equity;
- Primary school management.

Junior Secondary Education

Junior Secondary schools provide three years of schooling. They expanded rapidly throughout the 1980s. In 2000 almost 100% of pupils progressed to the Junior Secondary level.

The following issues are identified as being of priority to improve quality in the Junior Secondary sector:

- Design of a new three year junior secondary curriculum supported with appropriate teaching and learning materials;
- Introduction of criterion referenced testing for the Junior Certificate Examination (JCE);

- In-service and Pre-service teacher training to deliver the new curriculum and testing procedures.

Senior Secondary Education

Senior secondary schools provide two further years of education to junior secondary school leavers. However, only 48% progress to senior secondary, for several reasons:

- Many children fail the JC examination;
- Automatic progression up to the end of junior secondary phase has resulted in children with learning difficulties progressing without sufficient attention;
- There is lack of capacity to absorb all children wishing to enter senior secondary school.

The following issues require attention in the Senior Secondary system:

- Access to Senior Secondary level
- Quality of the curriculum offered.

Vocational Education and Training

The technical and vocational training system absorbs about 12% of the almost 40,000 school leavers, through a wide range of provisions including:

- The Apprenticeship Scheme, administered by the Ministry of Labour & Home Affairs (MLHA);
- The Brigades for basic skills training;
- Employer-based, sponsored training;
- Private Vocational Institutions;
- Technical Colleges offering the new Botswana Technical Education Programme (BTEP).

The *Botswana Training Authority* (BOTA) was established in 2000 as the executive and co-ordinating authority with overall responsibility for Vocational Education and Training, under the supervision of MLHA. Its focus is on the regulation of employer-based training and private vocational education and training. GTZ is providing support for capacity building at BOTA until at least 2004.

Apprenticeship Scheme and Trades Testing

The scheme currently covers over 31 occupations at the Trades Test level and 18 at the National Craft Certificate (NCC) level. An evaluation in 1998 highlighted the insufficient number, small size, and dispersed locations of industrial enterprises in Botswana. It recommended a modernisation of employer-based training through the introduction of a more flexible provision.

The Brigades

The Brigades are small community organisations offering vocational training at the semi-skilled level, whilst also engaging in income-generating activities. They are the most widely distributed geographical training provision, with the largest enrolment of trainees. However the quality of the training has been uneven.

In 1999 the Government allocated P200 million to expand and upgrade the Brigades and initiated a project to upgrade the training qualifications of Brigades instructors.

New Botswana Technical Education Programme (BTEP)

The Government has chosen the expansion of Vocational Education and Training as a high development priority through the BTEP. The EU has supported these plans through successive EDF projects.

BTEP does not require sponsorship, although commerce and industry have been full partners in its development. The programme includes a compulsory period of work-placement and mandatory Key-Skills modules, in response to the findings in the Training Needs Assessment Survey of local employers. The BTEP initiative has proved extremely popular with school leavers with an average of 100 applications for every available place.

However BTEP alone cannot fill the skills gap in Botswana. Work-based training qualifications and national skills development strategies within a National Qualifications Framework still have to be developed.

Tertiary Education

University of Botswana (UB)

In 2000 a total of 8950 students were enrolled (48% female) at UB. There are 6 faculties: Business, Education, Engineering and Technology, Humanities, Science, and Social Sciences. UB is closely involved in the national development process and is engaged in:

- improving the quality of human resources through teaching programmes, leading to the award of degrees, diplomas and certificates
- expanding the quantity of the human resources needed for development through research, consultancies and information services
- acting as a repository of the collective knowledge and experience of the nation.

UB plans to foster a culture of quality at all levels. It recognises a need to review its present structures and develop rigorous quality assurance mechanisms, throughout the institution.

Affiliated Institutions and Teacher Training

Affiliation plays an important role in the training of teachers since UB has national responsibility for academic and professional standards.

Boards of Affiliation have been set up, with three functions. The first is that the institutions that wish to be affiliated have to meet and maintain the standards set in terms of staff, facilities and resources. Secondly, the university moderates the results of the students to ensure they meet the standards set. Thirdly, UB provides assistance to affiliated institutions when required.

Two factors have been identified as impeding the capacity of the teacher training institutions: first, the lack of resources in the Colleges of Education and secondly, the need to restructure the present teacher training curriculum.

Tertiary Education Council

A Tertiary Education Council to formulate Policy and co-ordinate long-term planning and development of Tertiary Education has been enacted but is still in its infancy.

Non-Formal Education and Life Long Learning

A number of initiatives on Non Formal Education (NFE) are included in current development plans. Those currently being implemented include the National Literacy Programme and the Botswana College of Open and Distance Learning (BOCODOL).

The *National Literacy Programme* was launched in 1981. However by 1998, some 24% of the adult population were still illiterate, the rate being slightly higher amongst females.

BOCODOL has approximately 2000 students enrolled in JC and O level courses. It is also experimenting with helping graduates develop skills to establish their own businesses. *BOCODOL* aims to provide relevant, high quality learning to its clients. However lack of resources is restricting its ability to expand its educational provision to remote areas and contribute more effectively towards life-long learning.

Information and Communications Technology (ICT) and E-Learning

Botswana plans to become a regional leader in the production and dissemination of information, and to ensure its participation in ICT developments. Steps are now being taken in these directions. All Education Centres in Gaborone are now linked to the Government Data Network (GDN) and this will be extended to the whole country.

All tertiary institutions and many senior secondary schools now have computer laboratories and all of them have computer awareness courses. A project to build and equip computer rooms in all junior secondary schools is also under way.

It is recognised that an e-learning strategy is essential to meet future demands. Accordingly a separate data network service will be developed.

Lessons Learned from Previous EC Support

An evaluation of EC support to Vocational Education and Training (March 2000) found that it had been relevant to national needs and in line with development priorities. Joint planning and implementation of EC support was instrumental in ensuring effective implementation.

The following issues were found to contribute to the achievement of project objectives:

- Involvement of relevant stakeholders in the planning process;
- Project aligned with national policies and strategies;

Government commitment to the development of the sector;

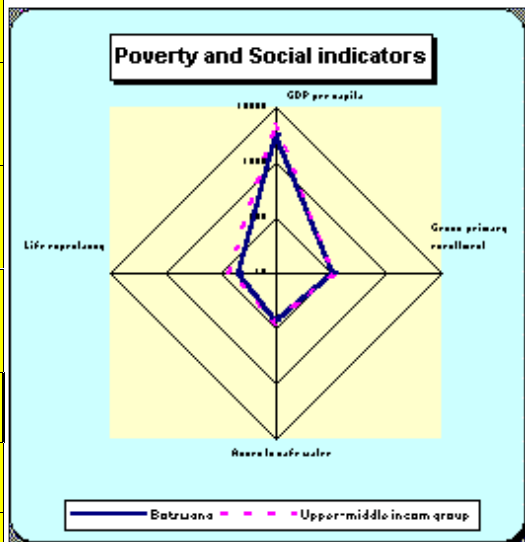
- GoB funds released in accordance with financing agreement;
- Strong ownership of the project by the MoE and DVET management;
- Strong linkages with private and public sector employers.

Financing of Education and Training

Government commitment to education remains high. In 2000/2001 the Government spent P1.64 billion (29.1%) of the Recurrent Budget and P548 million (16%) of the Development Budget on education and training.

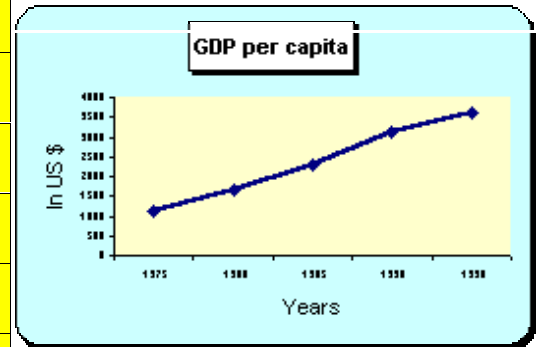
Planned shares of educational development expenditure are: 21% for primary education; 32% for secondary education; 23% for VET; 11% for tertiary education; 9% for teacher training and 4% for other areas including evaluation, special education, examinations and testing, inspection, computerisation, educational broadcasting, teaching aids and non-formal education.

POVERTY and SOCIAL			
	Botswana	Sub-Sahel Africa	Upper middle income group
Basic data			
1999			
Population, mid-year (millions)	1.6	642	573
GNP per capita (Atlas method, US\$)	3280	500	4900
GNP (Atlas method, US\$ billions)	5.1	321	2811
Average annual growth			
1993-99			
Population (%)	2.2	2.6	1.4
Labour force(%)	2.2	2.6	2.1
Social indicators			
Most recent estimate			
Poverty (% of population below national poverty line)	13.3	33	13
Urban population (% of total population)	50	34	76
Life expectancy at birth (year)	46	50	70
Infant mortality (per 1000 live births)	62	92	27
Child malnutrition (% of children under 5)	13.3	32	7
Access to improved water source (% of population)	70	43	78
Illiteracy (% of population age 15+)	24	39	10
GROSS PRIMARY ENROLMENT			
	108	78	109
Male	107	85	113
Female	108	71	113

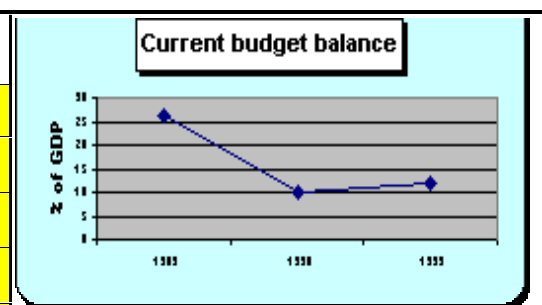


KEY ECONOMIC RATIOS and LONG-TERM TRENDS				
	1979	1989	1998	1999

GDP(US\$ billions)	0.9	3.1	4.9	6.0
Gross domestic investment/GDP	34.2	31	20.6	19.7
Exports of goods and services/GDP	48.0	59.5	35.0	27.5
Gross domestic savings/GDP	32.8	43.2	21.8	14.2
Gross national savings/GDP	36.6	42.3	24.0	15.0
Current account balance/GDP	-6.9	16.0	2.8	-4.6
Interest payments/GDP	0.7	1.2	0.6	0.3
Total debt/GDP	16.0	18.1	11.8	10.8
Total debt service/exports	1.8	3.4	0.0	0.0
Present value of debt/GDP	9.3	...
Present value of debt/exports	17.6	...
	<i>(average annual growth)</i>			
	79-89	89-99	1998	1999
GDP	10.4	4.5	3.5	4.5
GNP per capita	6.8	1.6	1.8	4.2
Export of goods and services	12.1	2.2	-6.3	-6.2

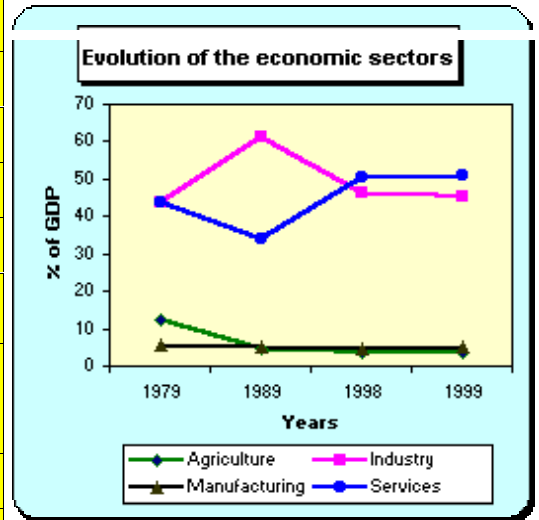


PRICES and GOVERNMENT FINANCE				
	1979	1989	1998	1999
Domestic prices	<i>(% change)</i>			
Consumer prices	11.7	11.6	13.2	10.3
Implicit GDP deflator	21.8	14.7	7.9	7.5
Government budget incl current grants	<i>(% GDP)</i>			
Current revenue	...	43.7	39.4	42.5
Current budget balance	...	26.0	10.2	11.8
Overall surplus/deficit	...	9.6	-4.0	-2.6

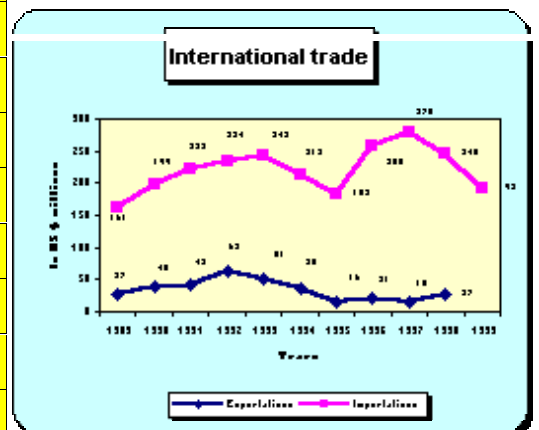


STRUCTURE of the ECONOMY

8.1. Contribution by sector (% GDP)	1979	1989	1998	1999
Agriculture	12.5	4.7	3.6	3.6
Industry	44	61.1	46.1	45.4
Manufacturing	5.9	5.0	4.8	5.0
Services	43.5	34.2	50.4	51.0
Private consumption	49.8	35.7	51.8	58.2
General government consumption	17.3	21.2	26.4	27.7
Imports of goods and services	49.4	47.3	33.8	33.1
8.1.1. Growth rates by sector (average % pa)				
	79-89	1989-99	1998	1999
Agriculture	1.2	0.4	3.5	4.5
Industry	11.6	2.7	2.5	2.0
Manufacturing	7.5	3.9	5.9	6.0
Services	10.8	6.8	4.4	6.8
Private consumption	3.3	5.0	20.2	19.1
General government consumption	13.9	6.3	10.3	6.6
Gross domestic investment	12.6	-1.0	-7.9	-1.0
Imports of goods and services	10.9	-0.6	1.4	3.7
Gross national product	10.7	4.1	3.7	4.7



TRADE & BALANCE OF PAYMENTS				
(US\$) millions	1979	1989	1998	1999
Total exports (fob)	442	1820	1711	1388
Diamonds	1122	808
Copper and nickel	102	92
Manufactures
Total imports (cif)	538	1291	1651	1732
Food	...	150	322	340
Fuel and energy	...	70	116	121
Capital goods	...	579	487	500
Export price index (1995=100)	...	90	98	86
Import price index (1995=100)	...	120	97	98



Terms of trade (1995=100)	...	75	101	88
Exports of goods and services	503	1930	1949	1650
Imports of goods and services	597	1413	1881	1982
Balance of trade	-94	517	67	-332
Net income	3	-239	-280	-292
Net current transfers	31	214	349	..
Current account balance	-61	492	136	-275

EXTERNAL DEBT and RESOURCE FLOWS				
	1979	1989	1998	1999
(US\$ millions)				
Total debt outstanding and disbursed	141	555	574	649
Total debt service	10	73	0	0
Foreign direct investment	128	42	95	..

