

Results Profile: Botswana Growth Strategy



CONFRONTING CHALLENGES

Botswana invests in health, transport and energy

Overview

Four decades of strong economic growth lifted Botswana into the ranks of upper middle-income countries, but Botswana is still fighting to address poverty, inequality and the world's second-most severe HIV/AIDS epidemic. In addition to providing innovative financing for the fight against HIV/AIDS, the International Bank for Reconstruction and Development (IBRD) is helping Botswana address needs in the transport and energy sectors, which are also key to better lives for all in Botswana.

Full Brief—4 Pages

[Helping Botswana Confront a Challenging Future](#)—PDF, April 2010

Challenge

Botswana's strong economic track record is shadowed by high inequality and poor human development indicators, compounded by the world's second-most severe HIV/AIDS pandemic. The country's impressive economic growth has largely been based on its mineral wealth, diamonds in particular. In view of the depletion of diamond reserves, Botswana faces a tremendous challenge to diversify its economy. However, Botswana's diversification strategy is threatened by an energy crisis. It stands to lose over 70 percent of its current electricity supply when South Africa, recently beset by power shortages, halts energy exports to Botswana by 2013. Accordingly, energy security has rapidly emerged as an urgent national priority. Combined with the collapse of diamond exports due to the global financial crisis, the sustainability of Botswana's successful development outcomes has come under serious threat.

Approach

IBRD support to Botswana is aimed at shielding the country from simultaneous effects of the regional energy crisis and the global financial crisis, and at improving the efficiency and effectiveness of its response to the HIV/AIDS pandemic. Botswana's first-ever Country Partnership Strategy (FY09-13) seeks to address key developmental issues including HIV/AIDS, public sector effectiveness and competitiveness. IBRD is supporting the government's top three priorities – health, transport and energy—through three flagship projects: the [Botswana HIV/AIDS Prevention Support Project](#) (\$50 million), an [Integrated Transport Project](#) (\$186 million),

More Results



**\$20
million**

leveraged to lower the cost of achieving HIV/AIDS goals.

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and the [Morupule B Electricity Generation and Transmission Project](#) (\$379 million financing package).

» SINOSURE

IBRD financing also is helping Botswana prepare a robust low-carbon growth strategy, strengthen management skills in the power sector, and establish a new independent electricity regulator. The HIV/AIDS prevention project has been designed to address strategic and implementation gaps in the government's response to HIV/AIDS and catalyze implementation of the new national plan for scaling up prevention.

Results

IBRD arranged a partial credit guarantee under the Morupule project to extend the maturity of an \$825 million commercial loan to Botswana from 15 years to 20 years, which will reduce consumer tariffs by up to 0.5 US cents per kilowatt hour. Also, IBRD supports accelerated development of low carbon energy alternatives such as coal bed methane and renewable energy including concentrated solar power.

IBRD has started contributing to the increased efficiency of the national HIV/AIDS program by bringing global and regional experience to bear and enabling a transition from an “emergency” response to a broader, more strategic, and more sustainable approach. IBRD has also been able to leverage a contribution of about \$20 million from the European Commission using an innovative, performance-based “buy-down” structure to improve the performance of the National AIDS Coordinating Agency, among other goals. This instrument relies on donor resources to lower the cost of an IBRD loan targeted at priority health activities. The release of the donor funds is dependent on project performance, as measured against jointly agreed indicators, within a specified time frame. Given that its upper middle-income status excludes Botswana from the World Bank’s no-interest or low-interest-rate IDA resources, the government requested that the proposed operation be financed utilizing the IBRD “buy-down” facility.

Toward the Future

The Bank’s engagement in long-term reform efforts aimed at increasing the efficiency of public spending and improving service delivery is also increasing in Botswana. A review of public expenditures is nearly complete, with follow-up work planned to reform the budget process. Fee-based technical assistance to implement far reaching reforms in the water sector is well advanced, and the Bank also is helping advance policy work in agriculture and climate vulnerability.