



HELPING BOTSWANA CONFRONT A CHALLENGING FUTURE



IBRD Results

SYNOPSIS

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

Challenge

Botswana is an upper middle-income country with a strong economic track record 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 over the past four decades 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, as it stands to lose over 70 percent of its current electricity supply when South Africa halts exports to Botswana in 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.

Results

IBRD support to Botswana will help shield the country from simultaneous effects of the regional energy crisis and the global financial crisis, and improve the efficiency and effectiveness of its response to the HIV/AIDS pandemic.

Through a country partnership strategy covering 2009–2013, IBRD will help the authorities in Botswana pursue improvements in each of the health, energy, and transport sectors. As this is a new initiative, all projects are still within their first year of operations and results will take some time.

As part of this approach, the IBRD has arranged a partial credit guarantee under its Morupule B Generation and Transmission Project to extend the maturity of an US\$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. The specific targets of the project at the end of implementation are as follows:

- Improved domestic generation and transmission capacity
- Improved prospect for low-carbon growth strategy
- Improved regulatory capacity

Through its program in Botswana, IBRD has started contributing to the increased efficiency of the national HIV/AIDS program. Despite the government's aggressive interventions, the national program has not been effective in reducing prevalence rates. The previous preference for a

treatment-oriented national program has resulted in somewhat of a lesser focus on prevention priorities and outcomes. IBRD is helping to address this gap, bringing global and regional experience to bear. IBRD engagement has been key to 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 US\$20 million from the European Commission using an innovative, performance-based “buy-down” structure. The specific targets of the project at the end of implementation are as follows:

- Improved performance of the National Aids Coordinating Agency
- Reduction in proportion of sexually active males and females who report having had sex with more than one partner in the past 12 months by age group
- Increase in proportion of youths aged 15-to-19-years and 20-to-24 years who both correctly identify ways of preventing the sexual transmission of HIV and who reject major misconceptions about HIV transmission
- Increase in proportion of youth aged 15-to-19 years and 20-to-24 years reporting either (a) no sexual activity; or (b) condom use during the last sexual encounter with a non-regular partner in the past 12 months
- Reduction of proportion of people 15-to-19 years and 20-to-24 years who report a sexual partner with more than 10 years age difference during the last 12 months.

Approach

Due to its strong fiscal position, Botswana has had very limited demand for IBRD services in the past two decades, but recently has renewed its partnership with the institution to benefit from the IBRD’s global knowledge and expertise, and, increasingly, IBRD lending. The World Bank—within the framework of its first-ever Country Partnership Strategy (FY09–13)—seeks to provide Botswana with world class expertise and financing to help the country address key developmental issues including HIV/AIDS, public sector effectiveness, and competitiveness. The IBRD program seeks to leverage funds from other development partners and has significant regional and public goods dimensions



—for example on HIV/AIDS which is a major concern in the sub-Region. A mix of instruments is used to implement the program including loans, analytical work and technical assistance (including reimbursable Technical Assistance). To support government of Botswana’s top three priorities—the health, energy, and transport sectors—the three flagship IBRD projects include the Botswana HIV/AIDS Prevention Support Project, an Integrated Transport Project, and the Morupule B Electricity Generation and Transmission Project.

IBRD Contribution

- IBRD net commitments: US\$372.4 million; Partial credit guarantee US\$242.7m

IBRD provides loan financing and an innovative partial credit guarantee as part of a US\$379 million financing package to enable Botswana to move forward with an urgently needed electricity generation and transmission project (Morupule B). This will prevent the economy from coming to a standstill when South Africa halts power exports to Botswana in 2013. IBRD financing also helps Botswana in preparing a robust low-carbon growth strategy, in strengthening management skills in the power sector, and in establishing a new independent electricity regulator. Botswana has no prior experience in financing and managing a project of this scale and technical and financial complexity and so has tapped the Bank’s expertise. The project also supports environmental and social safeguards for the investment.

Bank engagement in the energy sector has also resulted in the government examining options for lifeline block tariffs i.e. providing electricity for free or for a nominal price to the poorest as the current electricity tariff policy does not include measures to protect poor households.

In the area of HIV/AIDS, IBRD is providing a loan of US\$50 million to the Botswana National HIV/AIDS Prevention Support (BNAPS) project which has been designed to address the strategic and implementation gaps identified in the government's response to HIV/AIDS, including its focus on prevention as a national "survival strategy". The BNAPS project additionally has been developed to support and catalyze the implementation of the new National Operational Plan for Scaling Up HIV Prevention in Botswana. The plan focuses on the prioritization of targeted activities to help the most-at-risk-populations with the greatest potential impact for preventing new HIV infections, and also enables a corresponding prioritization regarding national resource allocation.

IBRD is also providing US\$186 million in financing for an integrated transport project that aims to enhance the efficiency of the transport system by building modern business capacity in the public administration, and improve planning aspects of inter-regional and critical transport infrastructure.

Partners

The European Commission is supporting the Bank's HIV/AIDS project through a US\$20 million "buy down" grant. The IBRD loan buy-down mechanism was developed to increase the flexibility and cost-effectiveness of funding for projects where people are most at risk. To date, the buy-down mechanism has been piloted on one IBRD project to support tuberculosis control in China. 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 are 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.

The African Development Bank and the OPEC Fund for International Development (OFID) also support Botswana's road sector, and the Morupule B Project has seen extensive cooperation between IBRD, Industrial Commercial Bank of China Ltd., and SINOSURE.

Next Steps

The World Bank and the government are pursuing the three current projects in Botswana as a matter of the highest priority. 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 is also helping advance policy work in agriculture and climate vulnerability.

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