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Folder Title: Contacts with member countries: Botswana - Correspondence 01

Folder ID: 1770958

ISAD(G) Reference Code: WB IBRD/IDA 03 EXC-10-4549S

Series: Contacts - Member Countries files

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

Digitized: February 21, 2013

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Telephone: 202-473-1000
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PUBLIC DISCLOSURE AUTHORIZED

McNamara Piers

Conrad
Botswana (1969-1980)

A1993-012

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WBG Archives

 **Archives**

 **1770958**

A1993-012 Other #: 2 209338B

Contacts with member countries: Botswana - Correspondence 01

BOTSWANA

BOTSWANA

1. 4/1/69 President Saretse Khama
HE Chief Linchwe II, Ambassador of Botswana
H.C.L. Hermans, Permanent Secretary, Ministry of Development Planning
H. Murray-Hudson, Administrative Secretary, Shashi Complex
2. 5/5/70 Ian MacGregor, Chairman, American Metal Climax (Amax)
H.J. Ninves, Exec. Vice Chairman, Bamangwato Concessions, Ltd.
Richard Crowl, Treasurer, Amax
Dexter Walcott, Amax
Taylor Ostrander, Amax
Above accompanied by George Ball
- 3 1/22/80 Notes on Visit to Botswana (*Filed in Mr. McNamara's office*).
4. 1/22/80 Sir Seretse Khama, President of Botswana
Botswana Q.K.J. Masire, Vice President and Minister of Finance and Development
A.M. Mogwe, Minister of External Affairs Plann.
P. Steenkamp, Permanent Secretary, President's Office
Kenneth Matambo, Acting Permanent Secretary, Finance & Development
Planning
Mr. Madinga, Executive Director, IBRD
5. 10/3/80 Peter Mmusi, Minister of Finance & Development Planning
Annual
Meeting

OFFICE MEMORANDUM

TO: To the Record

DATE: April 8, 1969

FROM: R.M. Dean *R.M.D.*SUBJECT: Meeting of President Sir Seretse Khama of Botswana with Mr. McNamara:
Shashi River Project

Mr. McNamara met the President of Botswana at 2:30 p.m. on Tuesday, April 1. Also present were His Excellency Chief Linchwe II, Ambassador of Botswana; Mr. H.C.L. Hermans, Permanent Secretary, Ministry of Development Planning, and Mr. H. Murray-Hudson, Administrative Secretary, Shashi Complex, from Botswana, and Messrs. Knapp, El Emary, Kruithof and Dean.

Mr. McNamara thanked the President of Botswana for coming to Washington to explain personally the implications for Botswana of the proposed mining development in the Shashi area. Mr. Hermans then explained that in the view of the Government of Botswana the importance of the project to provide infrastructure was not only that it would make possible the proposed mining development in Botswana which in itself would, if it were based on local generation of power, give Botswana a much greater measure of economic independence from South Africa than she had at the moment. The Government's information on the effect of the mining developments (both diamonds and copper/nickel) was that it could give them sufficient revenue to enable them to dispense entirely with British aid to their recurrent budget by 1980. Moreover, the Government estimated that if the projections which they were currently using proved correct they would be able to be independent of external sources for financing their development projects towards the end of the 1980's.

Mr. Hermans stressed the problems which dependence on budgetary aid from another country produced. Even though Britain was prepared to discuss this aid in three-year tranches, annual discussions on the details of the recurrent budget were still necessary and moreover no assurance of aid beyond the current three-year period could be had.

Mr. McNamara said that the Bank's articles of agreement, its traditions and its inclinations did not allow it to finance projects for political reasons. It operates on the basis of economic judgements and therefore, although the Bank was prepared to consider this project on the basis of local generation of power he was not happy about it. He said that we could accept the statements that the mining company was willing to pay the higher cost of power and that the project was still a viable one but this was a facade behind which hid the fact that a more economic project was possible.

Mr. Hermans said that the Botswana Government did not fully accept the estimate given in the Gibb feasibility report of the difference between the cost of imported and locally produced power. In certain circumstances

President has seen

the South African price could rise and the South African Electricity Supply Commission could give no guarantee against these price increases. Moreover, the copper-nickel mining possibilities connected with this project were not the only ones in Botswana. Should the other prospects be developed, the additional demands for power would, by virtue of economies of scale in electricity production, reduce the cost of locally-produced power.

Mr. Knapp said that the additional cost of using power produced in Botswana would in fact be shifted by the company on to the Government if, as Mr. Hermans had stated, the Government allowed for a given minimum acceptable rate of return to the company in preparing a tax agreement with the company.

Mr. McNamara said that in considering the application which the Government has made to the Bank for an engineering credit, he felt that the uncertainties about the arrangements which need to be made before the mining company can begin mining were such that considerable risks were attached to the provision of this finance, estimated at about \$2.8 million. Since the company was one of the main beneficiaries of the project, he considered that they should share in the risk involved in making an engineering credit.*

Mr. Knapp said that we could work out the details of sharing of risk with the company though it would be desirable if the Botswana delegation were to inform Sir Ronald Prain, Chairman of Roan Selection Trust, at its meeting with him on Thursday, April 3.

Mr. McNamara said that in looking forward to the financing of the construction of the infrastructure, currently estimated to cost about \$60 million, we must recognize that IDA funds could only be considered for a small part of this total. The power and most of the water would be sold to the mining company at prices based on full commercial rates of interest on capital. There was therefore no problem that the terms of Bank money would be suitable for those elements of the project. The staff were in contact with other countries, including Canada and Sweden, who were interested in participation, and it was hoped that money on concessional terms from these sources would cover items such as roads and schools. Mr. McNamara explained that the limited part which IDA

* At a later meeting on 2nd April, chaired by Mr. Broches, the Botswana delegation was informed that the company could share the risks of financing the engineering and preliminary works in one of two ways:

- (i) By taking a substantial participation, perhaps one-third, in the financing of the engineering design work which would be forfeited if mining did not subsequently take place.
- (ii) By guaranteeing one-half of the costs of engineering so that in the event of mining not taking place, one-half of the cost of this work would be reimbursed immediately by the company.

April 8, 1969

financing could play in this project was not only because of difficulties with the replenishment of IDA funds. Botswana's small population has to be borne in mind in our allocation of these scarce resources, even though the level of IDA credits per capita is not a strict limitation, and despite Botswana's eligibility on grounds of poverty and good performance.

Mr. McNamara thanked the President for taking the trouble to come to Washington and said that, provided the company is willing to join with the Government and the Bank in sharing the risks involved in undertaking the engineering work in advance of the mining arrangements being completed, he felt that we could cooperate constructively with the Botswana Government in realizing this important project.

RMDean:ls

cc: Mr. Knapp
Mr. Aldewereld
Mr. Broches
Messrs. El Emary/Kruihof
Messrs. Knox/Bailey
Messrs. Scott/Loh
Mr. Bennett

To the Record

April 8, 1969

R.M. Dean

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April 8, 1969

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RMDean:ls

cc: Mr. Knapp
Mr. Aldewereld
Mr. Broches
Messrs. El Emary/Kruithof
Messrs. Knox/Bailey
Messrs. Scott/Loh
Mr. Bennett

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: March 21, 1969

FROM: A. G. El Emary *agels*SUBJECT: Visit of Sir Seretse Khama, President of Botswana

I attach a biographical note on the President of Botswana
and some information on the officials accompanying him.

Attachment

cc: Mr. J. Burke Knapp

3/22
Polly
return to
one day
or two
be sure
know

Sir Seretse Khama, President of Botswana

Seretse Khama was born in 1921 heir to the powerful chieftainship of the Bamangwato, the largest of Botswana's eight principal tribes. At the age of four he inherited the chieftainship and his uncle, Tshekedi Khama, became regent. He was educated at Fort Hare University College in South Africa, at Balliol College, Oxford, and finally at the Middle Temple, London, where he studied law. While in London in 1948 he married an English woman (now Lady Khama). He returned to Bechuanaland immediately afterwards to take up his position as Chief. However, the marriage had set off a political crisis in the country in the course of which the British Colonial Government exiled him for five years. In 1956 he was allowed to return, having renounced all rights to the chieftainship, on the understanding that he could play a full part in public life as an ordinary citizen. He entered national politics in 1961 as an elected member of the new Legislative Council, and he was appointed to the Executive Council. Shortly thereafter he founded the Bechuanaland Democratic Party with the strong support of Quett Masire (now Vice President). At the first general election under universal suffrage in 1965, it swept the polls and Seretse Khama became, first, Prime Minister and then President when the country achieved independence. New elections are due later this year; all indications are that Khama and his BDP will easily be re-elected.

Seretse Khama is politically moderate. As such, he has retained the support of most of the African population, which is strongly traditionalist, and of the small but economically powerful white community. He is committed to the creation in Botswana of a non racial society, and he is highly conscious of the necessity for development. His approach is essentially pragmatic; while fully aware of Botswana's present dependence on South Africa economically, he and his government are strongly opposed to South Africa's racial policies. The government aims to demonstrate by their own example, that a non-racial policy can be successful in the Southern African context, and to achieve this purpose aims to increase as much as possible its economic strength and independence of South Africa.

The President will be accompanied by two officials, Messrs. H.C.L. Hermans and H.H.B. Murray-Hudson. The former is Permanent Secretary of the Ministry of Development Planning, and the latter Administrative Secretary (i.e. chief co-ordinator) of the Shashi Project. Mr. Hermans was born in South Africa, and educated in England and the United States. He is now a Botswana citizen and a close political confidant of the President, whom he accompanied to the recent Commonwealth Prime Ministers Conference in London. Mr. Murray-Hudson is a British citizen with about 12 years administrative experience in Botswana.

March 21, 1969

RMD:an:jk

OFFICE MEMORANDUM

TO: The Record

DATE: May 12, 1970

FROM: Robert M. Dean

SUBJECT: Botswana: Shashi Project

Mr. Ian MacGregor, Chairman of the American Metal Climax (Amax) and Mr. H.J. Hinves, Executive Vice Chairman of Bamangwato Concessions Limited (BCL), came to see Mr. McNamara on May 5. Also present were Messrs. George Ball, Richard Crowl, treasurer of Amax, Dexter Walcott and Taylor Ostrander of Amax, Mr. Burke Knapp and myself.

Mr. Hinves explained that they had come to ask Mr. McNamara's advice as to what to do about the problem which resulted from recent discussions between BCL and the Botswana government. The government had made certain proposals in the draft Master Agreement, concerning the government's rights in the company and the treatment of the BCL payment to Metallgesellschaft. The details of these proposals and discussions may be found in my memoranda to Mr. Lejeune and Mr. McNamara, dated May 6 and Messrs. Denning and Loh's to Mr. Scott, dated May 1.

On May 11, at a meeting with Mr. Lejeune and myself, Mr. Knapp said that he intended to telephone Mr. MacGregor to thank him for bringing the problems to the attention to Mr. McNamara and himself and to suggest that the best course of action would be to recommence negotiation of the points at issue in order to facilitate the speedy conclusion of the arrangements for the project.

RMDean:ls

cc: Messrs. McNamara
Knapp
Cope
Broches
Lejeune
Weiner

Bailey
Bennett
Denning
Glenshaw
Loh
Scott

President has seen

Files

May 14, 1970

Robert M. Dean

Botswana: Shashi Project

Mr. Knapp telephoned Mr. Ian MacGregor, Chairman of American Metal Climax (Amax) on Monday, May 11 at Mr. McNamara's request. Mr. MacGregor had asked Mr. McNamara's advice at their meeting on May 5, as reported in my memorandum to the Record, dated May 12.

Mr. MacGregor said that he was still not inclined to make any move to respond to the government's proposals on the treatment, for tax and royalty purposes, of the payment by Bamangwato Concessions Limited (BCL) to Metallgesellschaft (MG) under the proposed sales agreement between the two companies, and the proposals on government rights in the company, set out in the draft Master Agreement. He said he would first prefer to see some evidence of a more transigent attitude on the part of the government. Mr. Knapp said that Bank staff thought that the government would be prepared to negotiate a settlement of the outstanding issues.

Mr. MacGregor indicated that he had been hoping that the Bank might take the initiative to convene and sponsor a further meeting of the parties, but Mr. Knapp was non-committal on this point. When Mr. Knapp remarked that the present inaction would make the task of achieving the target date for mining even more difficult than it already was, Mr. MacGregor replied that they had now virtually abandoned February 1973 as the mining target date. Mr. MacGregor said that he would call Mr. Knapp again on Wednesday, May 13.

RMDean:ls

cc: Messrs. McNamara

Knapp
Cope
Broches

Lejeune
Weiner

Bailey
Bennett
Denning
Glenshaw
Loh
Scott

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: January 11, 1971

FROM: Roger Chaufournier

SUBJECT: Dahomey: Visit of the Ambassador

The newly appointed Ambassador of Dahomey, Mr. Wilfrid de Souza, called on Mr. McNamara on Tuesday, January 5, 1971. The visit was a courtesy one. The only significant point was an invitation extended to Mr. McNamara to visit Dahomey in the course of one of his African visits.

RChaufournier:sm

President has seen

Files

May 15, 1970

Robert M. Dean

Botswana: Shashi Project

On 13th May, Mr. Hermans, Permanent Secretary, Ministry of Development Planning, telephoned me from Gaborone to ask for any information about BCL's intentions. He said that the company had told them nothing of the Board meeting held two weeks earlier. I told him about the visit of Messrs. MacGregor and Hinves to Mr. McNamara on May 5 and of Mr. Knapp's telephone conversation with Mr. MacGregor on May 11. I said that Mr. MacGregor appeared unwilling to take any action without some evidence of "movement" on the government's part. Mr. Hermans said that the government was still of the view that it would be possible, by further discussions and negotiations, to reach an agreement with the company on the points at issue in the draft Master Agreement, and on the treatment of the BCL payment to MG. The government felt that an agreement on these points could provide a firm basis for the future operation of the company in Botswana. I asked whether the government still wanted any further discussions to be held in Gaborone; Mr. Hermans said that they would be prepared to meet at any convenient place and at any time. He said that he would like us to pass this message to Mr. MacGregor, who was expected to speak to Mr. Knapp later in the day. Mr. Hermans pointed out that a large number of senior government officials were involved in work to complete arrangements to enable negotiations for the proposed infrastructure financing to take place in June. If the company's continued inaction meant that this timetable was no longer realistic, he said that the government would have to know very soon, since it could not keep so much of its manpower tied up on this one project, to the neglect of the rest of the government's business.

Having been informed of this conversation, Mr. Knapp subsequently spoke on the telephone to Mr. Ostrander, who later on the 13th May visited Mr. Knapp (see my memorandum to Files, dated May 15).

RMDean:ls

cc: Messrs. McNamara

Knapp
Cope
Broches

Lejeune
Weiner

Bailey
Bennett
Denning
Glenshaw
Loh
Scott

May 15, 1970

reaching agreement had been examined, and only one party was asking us to intervene. In such a situation, the other party would be bound to feel that the Bank was putting pressure on it, and this we could not do. Mr. Knapp said that we had passed to the company, at the request of Mr. Hermans, the message that the Botswana government was prepared to meet at any place at any time to continue negotiations on the outstanding issues. The Bank had no view as to the level at which such discussions should be held, but would be willing to pass on a suggestion from the company to the government that a meeting should be held between them. In this, we should be merely acting as a postman, but in the interest of keeping the project going we would be prepared to do it, at the company's request. Mr. Ostrander said that he would ask Mr. MacGregor to telephone Mr. Knapp the next day.

On May 14, Mr. Ostrander telephoned Mr. Knapp and said that Mr. MacGregor had been in touch with Sir Ronald Prain and Mr. Hinves, and would be grateful if the Bank would pass on to the Botswana government the message that Mr. MacGregor and Sir Ronald Prain would be able to visit Gaborone on May 26 to resume discussions, if it were convenient to President Seretse Khama and the Botswana government. Mr. Knapp agreed that the Bank would do so, and a cable to this effect was sent by Mr. Williams to Mr. Hermans on May 14.

RMDean:ls

cc: Messrs. McNamara

Knapp
Cope
Broches

Fuchs
Lejeune
Weiner

Bailey
Bennett
Denning
Glenshaw
Loh
Scott

3

4

explained that South Africa should not be included in the Arusha group for the present in order to allow the member countries to develop sufficiently to be able to meet South Africa on more equal terms.

6. In response to Mr. McNamara's question about violent vs. non-violent solutions in South Africa, President Khama answered that many blacks saw no alternative to violence. Black South Africans wanted to be accepted as citizens, and although a number of whites agreed, a core of them simply could not visualize such a change. He, himself, did not know how they will accomplish it without violence.

7. Turning to the role of the Bank, Mr. McNamara expressed willingness to help Botswana and its neighbors reduce their dependence on South Africa. The Bank might, for example, help carry out regional transport studies (possibly as executing agency for UNDP-financed ones) arising out of the Arusha meeting. An industrial sector mission, which was then in Botswana, and the agricultural sector mission scheduled for March would look at the effects of trade links with South Africa.

8. Discussions then shifted to the Bank's role in Botswana's agricultural and railway programs. The Vice President stressed that the Government, like the Bank, was most concerned about agriculture. However, the Government doubted whether or not the Bank was the appropriate source of assistance for this sector given the availability of numerous other sources of assistance and the risks and uncertainties of agricultural development in Botswana ("almost a social program") which might not meet the Bank's financial and economic criteria. He and Mr. Matambo emphasized, however, that Botswana did want the agricultural sector mission, which hopefully would come up with ideas for developing the sector.

9. Mr. McNamara responded that the agricultural mission implied no commitment on Botswana's part to borrow from the Bank for agriculture, nor any commitment on the Bank's side to lend for agriculture. The same also applied to transport and other studies the Bank might undertake. The Bank was, however, anxious to support regional programs, and, in that connection, he or Mr. Wapenhans would be prepared to visit Zimbabwe whenever such a visit became appropriate.

10. The Vice President pursued the regional theme further saying the members of the Arusha conference, who soon would issue their statement in final, hoped that Zimbabwe would join them. President Khama underlined the railway's (the Botswana section of the Rhodesian Railway) vital importance to Botswana. The Government had drawn up contingency plans since it feared being caught out should troubles in Zimbabwe erupt. Botswana was most worried at this time about possible disruptions at the Rhodesian/Zimbabwe end of the railway. Mr. McNamara observed that a regional transport program would be important to Botswana's operation of the railway. The President responded that Botswana did not intend to rush regionalism since he realized that things could go wrong (doubtless an allusion to the East African Community).

February 21, 1980

11. Mr. McNamara asked what the Bank should be doing in Botswana; was the Bank serving Botswana well. Vice President Masire pointed out that since other donors took their cues from the World Bank, the Bank exerted an influence much beyond its own particular program. In the case of the railway, for example, donors were unwilling to support Botswana's proposed acquisition and operation of the railway because the Bank decided not to. Mr. McNamara answered that the Bank could only make investments that met its technical and economic criteria. However, the Bank's inability to make investments which did not meet these criteria did not necessarily mean that such investments should not be made by others who were able to do so. He did not want others to regard the Bank's unwillingness or inability to make a particular investment as necessarily ruling it out for other financiers. The Vice President also complained that there was too much splitting up of sectors among various donors since each one usually wanted to spread their assistance among several sectors. Mr. McNamara replied that he would prefer that World Bank assistance be concentrated in a relatively few sectors. Vice President Masire said that the Government would appreciate the Bank's considering financing a proposed thermal power project (estimated to cost about \$120 million). Studies are already underway and Bank technical staff is following the preparation of the project.

Cleared w/ and cc: Mr. Wapenhans

cc: Mr. McNamara's Office (2)

Messrs. Madinga

Gulhati (EANVP)
Takahashi (EANVP)
Adler (EAPDR)
Bronfman (EAPDR)
Hendry (EAPDR)
Bickers (EAP)
Eccles (EAP)
Erkmen (EAP)
Gyamfi (EAP)
Nouvel (EAP)
Scearce (EAP)
Ofosu-Amaah (LEG)
Poncia (LEG)
van Opstal (LEG)
Ms. Arpels (LEG)
Ms. Morin (LEG)
Staff EALDB

Baum

Boskey (IRD)
Clark
Chenery
Stern
Koch-Weser (EXC)
Churchill (URB)
Evans (PHN)
Fuchs (IPD)
Cash (IPD)
Habte (EDC)
Rovani (EGY)
Tolbert (IDF)
Willoughby (TWT)
Yudelman (AGR)
Madavo (URB)

DGreese:plh

OFFICE MEMORANDUM

TO: Files

DATE: October 23, 1980

FROM: David G. Reese, Division Chief, EA1DB
enc. Mmushi. (for DGR)

SUBJECT: BOTSWANA - Meeting of Minister Peter Mmusi
with Mr. McNamara

- 10/23
1. The Honorable Peter Mmusi, Minister of Finance and Development Planning, met briefly with Mr. McNamara on October 3, 1980. Attending from the Bank were Messrs. Wapenhans, Kraske and Reese.
 2. Minister Mmusi handed Mr. McNamara a letter from President Masire reiterating the invitation to attend the Southern African Development Coordination Conference in Maputo. Mr. McNamara responded that as much as he would like to attend the meeting, a long-standing commitment simply made it impossible for him to do so, and not because of lack of interest. He assured the Minister that the World Bank would be strongly represented by a delegation headed by Mr. Wapenhans, the Vice President in charge of our regional activities. Mr. McNamara asked the Minister to convey to President Masire his wishes for the success of the Conference.

Cleared with and cc: Mr. Kraske, EA1DR

cc: Mr. McNamara's office (2)
Messrs. Stern
Wapenhans (o/r)
Adler, EAPDR
Madinga, ED

DGReese:iaj/ah