

The Post-Independence Industrial Development of Botswana as Illustrated Through Meter Marks: The Financial Sector

by Gordon Smith

At independence in 1966, Botswana was one of the poorest countries in the world. It had minimal infrastructure, basically only a railway, an abattoir, and 12 kilometers of paved road. The country contained only 40 citizens who were university graduates and only 16 secondary school students capable of pursuing higher education. There was virtually no mining industry and the new government was dependent for 50% of its budget on grants from Britain. Gross Domestic product was estimated at approximately US \$35 million which resulted in a per capita income of US \$65 to US \$70.

Other countries in the region, such as South Africa and the Rhodesians were issuing licences for postal meter marks as early as the 1920's. However, the lack of development and industry meant that Botswana had no need for large volume mailings and there was no demand for meter franking machines and licences.

With the discovery of diamonds and the opening of the world's largest diamond mine in Orapa in 1971 and then the world's richest diamond mine in Jwaneng in 1982, Botswana, through careful and transparent management of this resource, became one of the fastest growing economies in the world in the

1970's and 1980's (see Figure 1). This rapid growth attracted banking and insurance firms. Major development projects undertaken by the government attracted international construction and supply firms. Government subsidies were used to attract manufacturing firms, and the government established parastatal firms to provide some necessary services.

This article and the ones that will follow on different sectors of the economy are not meant to be a complete listing of all the organizations that contributed to the growth of the country, but are rather a snapshot of some of the organizations that happened to use meter marks with logos to denote payment for their mailings.

The Post Office Savings Bank

Banking services in the country were originally provided by the Post Office Savings Bank, which was established in 1911 as a branch of the South African Post Office Savings Bank. In 1963, South Africa handed the Post Office Savings Bank to the Bechuanaland Postal Services Department under the Ministry of Works and Communications. In 1983, the Post Office Savings Bank was transferred to the Ministry of Finance and Devel-

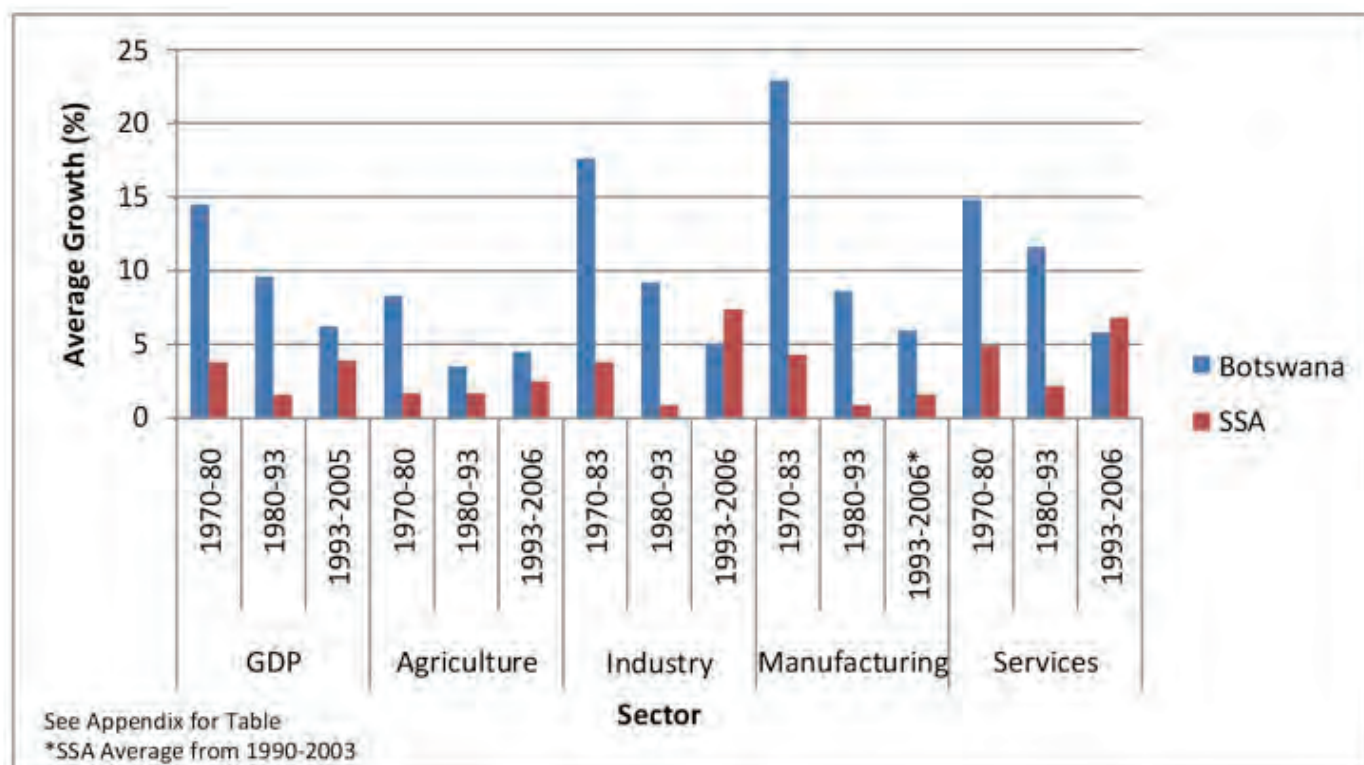


Figure 1: Average Growth in Gross Domestic Product in Different Sectors in Botswana (Barclay, 2009) (SSA = Sub-Saharan Africa)

opment Planning and became a government department named the Botswana Savings Bank. In 1987, the bank had assets of P27,400,000 million (US \$17,250,000), equivalent to 3.4% of all assets of all banks in the country but representing 20% of all assets of non-commercial banking institutions.

In 1992, the Botswana government established the Botswana Savings Bank as an independent, national financial institution with the purpose to create a culture of saving within the population. The main target of this bank, which is wholly owned by the government, was and remains low-income citizens, who are mainly in the rural areas. This institution is essential to many citizens, especially women, who work outside the formal economy because it enables people to get a bank account without having a job or being able to show proof of such. Using post offices as outlets allows these people to access banking services in places where the private banks are unable to operate profitably. In addition to providing saving account services, the bank also offers loan facilities.

Unfortunately, the author has not seen any mailings or other forms from this institution. If you have any material from this institution, please share it with the editor.

The Private Banking Duopoly

Historically, the private banking sector in Botswana was relatively small, and dominated by Standard Bank and Barclays Bank. Both banks' operations in Botswana date back to the 1950's and were originally run as branches of the groups' South African subsidiaries.

The Standard Bank was founded in the Cape Province of South Africa in 1862. Standard Bank was prominent in financing the development of the diamond fields of Kimberley from 1867 and later extended its network further north to the new town of Johannesburg when gold was discovered there in 1885. After two unsuccessful attempts at establishing a presence in the Botswana in 1897 and 1934, the Standard Bank opened a location in 1950 at Lobatse as a sub-branch to Mafeking and has continued to operate in Botswana ever since.

In 1969, the bank became Standard Chartered after the merger with Chartered Bank, which started under British royal charter when it opened its first branches in Mumbai, Kolkata and Shanghai in 1858.

In 1975, the bank was incorporated locally when the Financial Institutions Act required all foreign banks to be locally incorporated under Botswana law. Standard Bank / Standard Chartered Bank provided the country of Bechuanaland and its independent incarnation, Botswana, with government banking services until 1977, when these functions were taken over by the Bank of Botswana, a newly established central government bank.

The other major commercial bank in the country was Barclays. By independence in 1966, Barclays had opened four full branches and six years later, Barclays had 22 offices within Botswana.

Until 1986, Barclays Bank operated as an autonomous, wholly owned subsidiary of Barclays Bank PLC of the United Kingdom. In 1986, ordinary shares in the Bank were issued to employees of the bank. In 1987, shares were offered to Botswana citizens and the company became a publicly traded entity.

The Opening of the Banking Market

In return for the maintenance of a nationwide network of branches, including some in the rural areas that would probably not be justified on a commercial basis, early Botswana government policy restricted the licensing of new banks, limiting competition and preserving the market share for Barclays and Standard Banks. However, as the economy improved, government wanted to increase competition and foreign direct investment and it began the liberalization of financial markets in the early 1980's.

In 1982, the Bank of Credit and Commerce Botswana was licensed as the third commercial bank in Botswana, ending the long-standing duopoly of two British banks, Barclays and Standard Chartered.



Standard Bank, Mahalapye, Licence UA2



Standard Bank, Francistown, Licence R14



Standard Chartered Bank, Industrial Branch, Gaborone. Licence R55



Barclays Bank, Mahalapye, Licence R30



Barclays Bank, Mall Branch, Gaborone, Licence R59



Barclays Bank, Operations & Maintenance, Gaborone, Licence R142



Bank of Credit and Commerce, Gaborone
Industrial Area, Licence R63



First National Bank of Botswana, Gaborone Industrial Area, Licence R63



First National Bank of Botswana Limited, Bontleng, Gaborone, Licence R161



Zimbank, Gaborone, Licence R122

Towards the end of 1990, the First National Bank of South Africa decided to open retail banking operations Botswana. In 1991, the government's central bank, the Bank of Botswana took over the management of the Bank and Credit and Commerce Botswana after its parent, the Bank of Credit and Commerce International, was placed in liquidation by the Bank of England. The operations of Bank of Credit and Commerce Botswana were taken over by First National Bank Botswana and used as basis for establishment of its new Botswana operation.

Based on a Government of Botswana/World Bank report entitled "Financial Sector Policies for Diversified Growth" published in 1989, an extensive financial sector reform encouraged the establishment of new banks, the first of which was Zimbank Botswana, licensed in 1990.

Insurance Companies

J.H. Minet Insurance, a branch of a large international Lloyd's registered re-insurer of the same name was established in Botswana in 1970, becoming the first resident Insurance Broker in the newly Independent Botswana. The Botswana Development Corporation, a government owned finance corporation established to promote and finance development in the newly formed country, took a shareholding of 25% of the firm in Botswana with the condition that the company establish an insurance broking company which offered a wide variety of services in the insurance field in Botswana.



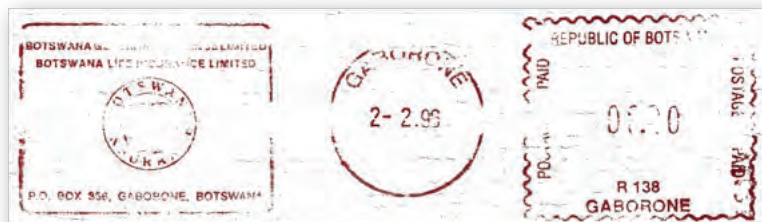
JHM Insurance, Gaborone, Licence R17

International General Insurance was formed in 1974 to provide general insurance services. In 1993, the company was taken over by Botswana Insurance Holdings Limited, one of the companies coming out of the restructuring of the Botswana Insurance Company that occurred in 1991.

Prior to the 1975, all insurance businesses were foreign, mostly South African and British companies. Local participation in the insurance business started with the incorporation of Botswana Insurance Corporation on August 12, 1975. The company was formed as a 51% subsidiary of the Botswana Development Corporation, which held 51% of the shares and J.H. Minet which held the remaining 49%. In 1981, as one of its initial investments, the Botswana Insurance Company started the development of the country's first major residential subdivision, Tapologo Estates, on behalf of its life and pension funds.



International General Insurance (IGI), Gaborone, Licence R18



Botswana Insurance Company Limited, Gaborone, Licence 138



Associated Insurance Brokers, Gaborone, Licence R53



The Botswana Medical Aid Society, Gaborone, Licence R148 denoted as G148



The Botswana Medical Aid Society, Gaborone, Licence R148

In the early 1980's, the Botswana Insurance Company, the Financial Services Company of Botswana and Minet Botswana merged with the Insurance Brokers of Botswana and began trading as Associated Insurance Brokers.

The Botswana Medical Aid Society (BOMaid) dates to 1969 when a group of companies came together to start a private a

not-for-profit health insurance scheme that would assist their employees with basic medical costs. BOMaid drew its initial membership from audit firms, parastatals and banking organisations in Botswana. The society is now a leading provider of medical insurance in Botswana.

In 1990, the Botswana Public Officers' Medical Aid Scheme (BPOMAS) came into existence through a Presidential Directive. BPOMAS is a closed scheme, which provides medical aid cover to public service employees as well as employees of parastatals (that were previously Government departments) who opt to remain members of the scheme. All Government employees are eligible to join BPOMAS and are entitled to 50% subsidy from the government.

Other Banking-Type Services

ULC was incorporated as private company under the name of UDC (Botswana) Proprietary Limited in June 1986. It changed its name to ULC Proprietary Limited in 1989 and was subsequently licensed as a credit institution. The principal activities of the company are financial leasing to individuals and companies for the procurement of vehicles, equipment, plant and machinery. It also offers hire purchase to individuals and companies for the acquisition of capital equipment and motor vehicles. In addition, it is involved in lending to the business



ULC (Pty) Ltd, Francistown, Licence R135

sector to assist in agricultural, industrial and commercial development.

The National Development Bank was established under an act of parliament in 1963. The Bank is owned by the Government of Botswana and operates under the control of a Board of Directors appointed by the Minister of Finance and Development Planning. As a development bank, unlike other financial institutions set up by the government, National Development Bank does not offer subsidized interest rates because the funding is not provided by Government and the bank operates purely on commercial terms in order to survive. However, the government may issue national development bonds to finance the Bank.

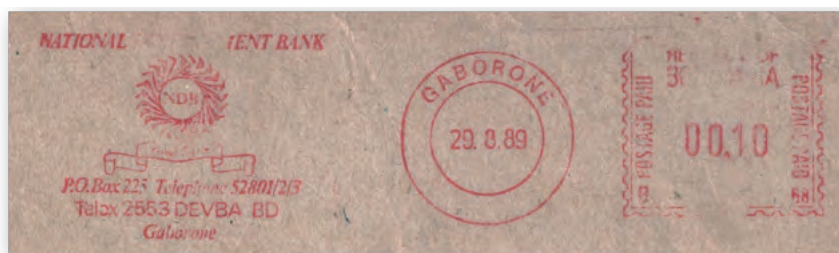
The initial focus of the bank was on lending to agriculture. Now with a mission to provide financial services and partnerships that support economic development of Botswana, the Bank provides loan financing for new and existing undertakings falling under the following sectors:

- agriculture - all agricultural projects,
- commerce - all retail, service and tourism industries,
- industrial - all industrial, manufacturing, processing and mining,
- real estate - property development and purchase (office, retail, industry and commercial residential space), and
- human development - educational loans, residential loans, etc.

The Botswana Building Society (BBS) was originally established as a branch of the South African United Building Society



Botswana Public Officers' Medical Aid Scheme, Gaborone, Licence R27



National Development Bank, Gaborone, Licence R68

in 1970. BBS Limited was established on 13 December 1976, with majority government shareholding and took over 488 mortgages from the United Building Society of South Africa.

BBS is a financial institution whose principal business is residential and commercial property finance. It operates in a man-

ner similar to a credit union in Canada. Originally, the Society restricted its lending to residential properties. In 1986, the Society ventured into commercial lending for the first time. During its first ten years of operation, BBS Limited was restricted by law to lend only against the security of immovable urban prop-



National Development Bank, Gaborone, Licence R68

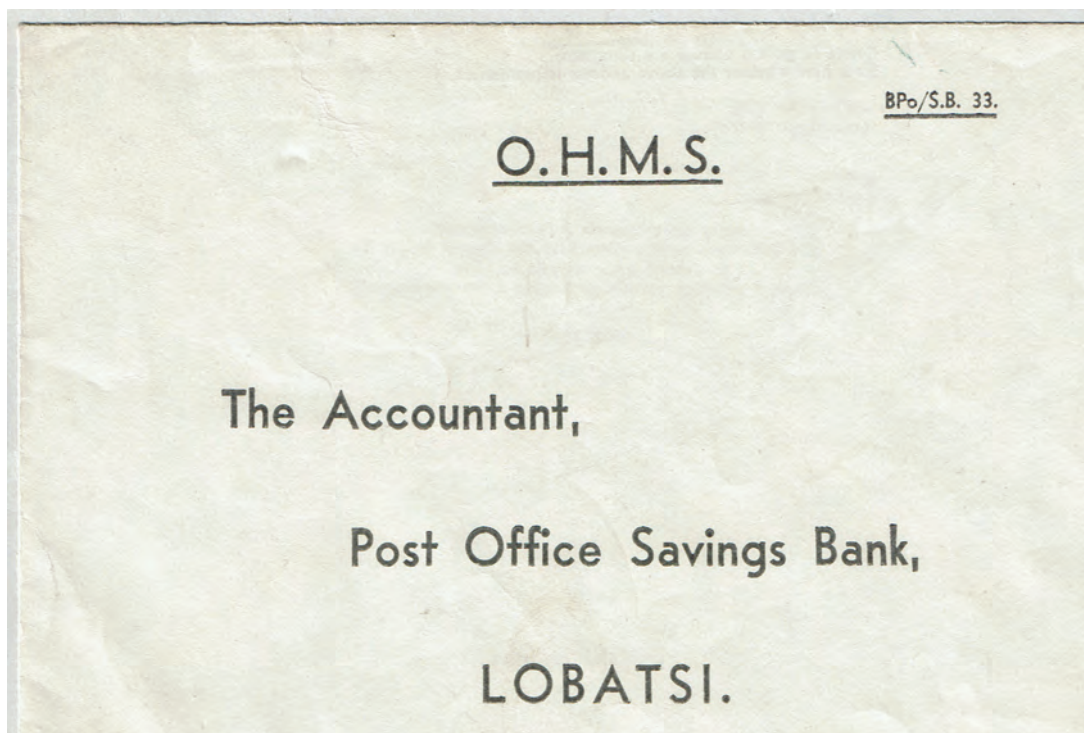
erty. The Building Societies Act was amended in April 1986 to permit lending in rural areas.

This article shows the rapid growth of the financial sector in early Botswana as demonstrated by the increased number of banks and insurance companies doing large mailings that would make the use of meter machines more viable. Future articles will illustrate growth in other industries and institutions.


References

Charles Andrew Barclay. (2009). Factors that Contributed to the Economic Success of Botswana. Simon Fraser University. Retrieved on 19 Dec. 2020 from <https://core.ac.uk/download/pdf/56373806.pdf>.

Contact the author by writing to gs@postalhistory.ca.



Bechuanaland Protectorate OHMS envelope used to mail savings bank booklets to Lobatsi for the annual update and addition of interests.



Learn More, Do More, Enjoy More

Join America's Stamp Club

American Philatelic Society

www.stamps.org



ISSN 1076-2612

******FORERUNNERS*

JOURNAL OF THE PHILATELIC SOCIETY FOR GREATER SOUTHERN AFRICA

Affiliated with the American Philatelic Society and the Philatelic Federation of South Africa

Volume XXXIV, Number 2, Whole Number 100

May-August 2021



First Airmail from Durban to London posted on March 4, 1925.
See page 83 for a detailed explanation

Highlights

First Airmail Service in South Africa
Warren Expedition
Zululand Postcards
Botswana Meter Marks
Railway Medals
Letters from Home
Late Fee Letters
Union Air Mail Stamps
SAVPEX 2021



Expanded Edition