

CPIA Detailed Report

Country: Botswana

Exercise Year: CPIA Exercise 2023

Currency: Botswana Pula (BWP)

City: Gaborone

Income Group: Upper middle income

Lending Category: IBRD

Final CPIA Score: 4.753

(A) Economic Management

Cluster Score: 5.5

01. Fiscal Policy

Criteria Score: 5.5

1. Fiscal Policy

Score Type	Value
Draft Score	5.5
Reviewed Score	5.5
Second Draft Score	5.5
Final Score	5.5

Country Notes:

In April 2022, the Government of Botswana announced a rationalisation of Government Portfolio Responsibilities. The mandate of the Ministry of Finance (formerly Ministry of Finance and Economic

development) was refocused on the fundamental mandate of the National Treasury in order to significantly improve on national resource management and utilisation. That noted, the country's fiscal policy continues to aim at ensuring macroeconomic stability and fiscal sustainability over the medium-term.

Botswana had one of the fastest economic recoveries from the COVID-19 pandemic in Sub-Saharan Africa, with a GDP growth rate of 11.8% in 2021. Subsequently, the country recorded a broadly balanced budget (0.1% GDP surplus) in FY2021/22 from a fiscal deficit of 9.5% of GDP in FY2020/21. During the later year, the deficit resulted from increased pandemic-related net expenditure to preserve livelihoods in the private sector. The revised FY2022/23 budget estimate was a deficit of 2.1% of GDP, against an expected 3.1% of GDP, with the improved performance in mineral revenues. The deficit itself reflected public officer salary increment, the protective measures against rising prices, and the use of the fuel revenue levy to replenish the National Petroleum Fund. At 3.06% of GDP, the fiscal deficit in FY 2023/24 is fairly constant, and will be financed by Government domestic securities issuances (38%), net external financing (34%), and a Government Investment Account drawdown (28%).

a. Projected Revenue composition: Customs and Excise (31%); Minerals (29%); Non-mineral income tax (19%); VAT (17%).

b. Projected Expenditure composition: Recurrent (76%); Development (24%)

Botswana is at low risk of debt distress. Public debt to GDP ratio stood at 18.61% as at June 2023, down from an estimated 21.42% end-June 2022, and is to moderate at about 19.1% in FY2023/24, keeping below the national statutory limit of 40% of GDP. However, having a (mineral) revenue structure susceptible to external shocks could compromise fiscal sustainability and elevate debt risks.

According to the IMF August 2023 Article IV Consultations, the Government plans a fiscal expansion in FY2023/24 followed by two years of substantial fiscal adjustment to reach a small fiscal surplus by FY2025/26. Together with a gradual recovery in diamond production and prices, international foreign reserves are projected to stabilize at 5.5 months of imports over the medium term. The IMF notes that the outlook remains heavily dependent on demand for diamonds and the global economic cycle.

According to the budget speech FY 2023/24, the Government is committed to restoring fiscal sustainability through:

1. Fiscal prudence and discipline: Fiscal consolidation through a reduced public wage bill, and State-Owned Enterprises (SOEs) and Local government subventions; widespread SOE reforms; and continuous audit of sector expenditures to root out mismanagement.

2. Strengthening revenue mobilization: There are several ongoing taxpayer compliance initiatives by the Botswana Unified Revenue Services: The introduction of electronic billing/invoicing platforms for VAT compliance; a digital marking and tracking solution for payment of legitimate duties and taxes; use of scanners at ports of entry; implementation of the Debt Recovery Strategy; and strengthening of the tax audit function and capacity of the Large Taxpayers Unit.

3. Improving the Efficiency of Public Expenditure: A narrowing of Botswana's public investment efficiency gap (to 31% in 2022 from 37% in 2017 – independently assessed) is indicative of an increasing adherence

to written-down procedures. To further improve implementation, the enhanced Development Project Monitoring System is to be completed by end-year, and Public Financial Management (PFM) reforms are to be enforced through issuance of statutory instruments, among other ways.

4.Recovery of fiscal buffers: In 2021, the Government Investment Account (GIA) was significantly drawn down with net savings at minus 20% of GDP from 40% of GDP in 2008, eroded by successive budget deficits. 1, 2, and 3 above, if implemented successfully, should be able to restore the GIA.

5.Debt sustainability: With 4. above limiting the use of Government's savings, any further budget deficits will mean increased borrowing. This, combined with a rising interest rate environment means debt servicing will increase and be more expensive. While the laid-out fiscal strategy should work to keep debt sustainable, Botswana may need to run fiscal surpluses to buffer any future shocks.

6. Budget transparency and participation: The Government scored 34% in the 2021 Open Budget Survey, a decline from 38% in 2019. The Government worked at improving this score in 2022 through the engagement of diverse stakeholders and the use of social media platforms, and will consider budget consultations outside Gaborone in 2023. Transparency gaps are being addressed through timely, more frequent publication of budget reports as well as public education. The results of the July 2023 Open Budget Survey are awaited.

On inflation: Average: 2019 2.8% pre-COVID; 2020 1.9%; 2021 6.7% during-COVID; 2022 12.1% (post-COVID and disrupted global supply-chains from Russia's invasion of Ukraine). The annual inflation rate stood at 3.2% in September 2023, an increase of 2.0 percentage points compared to 1.2% in August 2023, trending back within the central bank's medium-term objective target range of 3-6%.

On private investment/GDP: 2019 23.0%; 2020 26.3%; 2021 21.9%; 2022 19.5%.

(Note: Private investment/total investment data not readily available).

On inflation: Average: 2019 2.8% pre-COVID; 2020 1.9%; 2021 6.7% during-COVID; 2022 12.1% (post-COVID and disrupted global supply-chains from Russia's invasion of Ukraine). ; . Averaging 6.7%, annual inflation in 2021 (during COVID) rose to above the central bank's medium-term objective range of 3-6% from 1.9% in 2020 (during COVID lockdown), due to second-round effects of the upward adjustment in domestic fuel prices and VAT, and the recovery in domestic demand. Inflation averaged 2.8% in 2019. Inflation significantly decreased to 1.2% in August 2023 from 4.6% in June 2023, breaching the lower bound of the central bank's medium-term objective target range of 3-6%, as the 2022 increases in administered (domestic fuel) prices dissipated, and following a further downward price adjustment effected in June 2023.

References

<https://www.imf.org/en/Publications/CR/Issues/2023/08/31/Botswana-2023-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-538736>

https://www.finance.gov.bw/images/speeches/Minister/2023BudgetSpeechDocs/2023_Budget_Speech_06_February_20

02. Monetary Policy

Criteria Score: 5.5

2. Monetary Policy

Score Type	Value
Draft Score	5.5
Reviewed Score	5.5
Second Draft Score	5.5
Final Score	5.5

Country Notes:

The main objective of Botswana's monetary policy is to achieve price stability. Bank of Botswana defines price stability as a sustainable level of annual inflation, as measured by the consumer price index (CPI), that is within the Bank's medium-term objective range of 3-6%. The Bank of Botswana (Amendment) Act, 2022 incorporates a financial stability mandate in addition to primary mandate of maintaining price stability. Under the new legislation, the primary objective of the Bank is to achieve and maintain domestic price stability. Insofar as it is not inconsistent with this primary objective, the Bank is also expected to use its available policy instruments in support of orderly, balanced and sustained economic development in Botswana, as well as the attainment of broader national development goals. Therefore, Monetary policy also acts as an anchor to macroeconomic stability.

Inflation significantly decreased to 1.5% in July 2023 from 4.6% in June 2023, breaching the lower bound of the central bank's medium-term objective range of 3-6%. Theas the 2022 increases in administered (domestic fuel) prices dissipated reducing their base effects, and following a further downward price adjustment to fuel effected in June 2023. The Government dictates the prices of some goods and services, such as fuel, as oppsed to the prices being determined by supply and demand. These prices are preiodically adjusted upwards or downwards. Averaging 12.2%, annual inflation in 2022 rose from 6.7% in 2021, due to second-round effects of the upward adjustment in domestic fuel prices and VAT, and the

recovery in domestic demand. In 2022, the Bank of Botswana introduced several reforms to its monetary policy framework to improve the effectiveness of the transmission of its monetary policy actions to the real sector. One such reform was the adoption a monetary policy rate (MoPR) based on the yield on the 7-day Bank of Botswana Certificate. In August 2023, the Bank of Botswana maintained the MoPR at 2.65%, after a 50-basis point increase from 2.15% in August 2022, with inflation projected to revert to within the objective range in the first quarter of 2024 into the medium term.

In the year to June 2023, commercial bank credit growth accelerated to 6.3%, compared to 5.2% in twelve months to June 2022, associated with higher growth of business credit reflecting new loan issuances (11.7%) and higher credit utilisation. Broken down, credit to businesses rose by 4.3% with the loan issuances and high usage of overdraft facilities by some companies in mining, electricity and water, construction, transport and communications, and business services. Credit to parastatals increased by 127.6% (compared to the 18.9% decrease in the twelve months to June 2022) due to the utilisation of overdraft facilities. Household loan growth decreased from 4.2% to 3.5% over the same time-period, driven by falling property and unsecured personal loans in view of the monetary policy tightening in 2022 by the Bank of Botswana, which dampened demand. Banks also likely restricted credit supply to guard against increase in default rates as the cost of credit became expensive.

The monetary policy framework is anchored on the crawling band exchange rate mechanism, which seeks to maintain a stable real effective exchange rate (REER) conducive for macroeconomic stability and the international competitiveness. An annual downward rate of crawl of 1.51% was implemented from January 1, 2023, to enhance domestic industry competitiveness. Consequently, the real effective exchange rate (REER) depreciated by 4.6%, due to a 2.1% depreciation of the nominal effective exchange rate (NEER) amid negative inflation differential between Botswana and its trading partner countries, suggesting a gain in Botswana's export competitiveness. An August 2023 IMF article that takes stock of on Botswana's REER observes that the REER targeting regime has served Botswana well in the past decades but is currently challenged by structural and conjunctural factors. The currency regime, introduced in 2005, has delivered low and stable inflation and helped mitigate "Dutch disease" risks faced by commodity exporters with flexible exchange rates. Nonetheless, despite some REER stability, nonmineral exports have declined in percent of total exports, and economic diversification has stalled over the last ten years. The regime may have also amplified recent inflationary pressures, and more generally complicates the conduct of monetary policy.

References:

<https://www.bankofbotswana.bw/content/monetary-policy-implementation-framework>

<https://www.bankofbotswana.bw/sites/default/files/publications/Monetary%20Policy%20Report%20August%202023.pdf>

<https://www.elibrary.imf.org/view/journals/002/2023/318/article-A002-en.xml>

03. Debt Policy

Criteria Score: 5.5

3. Debt Policy

Score Type	Value
Draft Score	5.5
Reviewed Score	5.5
Second Draft Score	5.5
Final Score	5.5

Country Notes:

Botswana follows the principle of contracting debt at the minimum cost and lowest risk as guided by its medium-term debt management strategy.

According to the Government's Borrowing Strategy for FY2023/24, the primary objective of Botswana's debt management is to ensure that the financing needs and payment obligations of Government are met at the lowest possible cost consistent with a prudent management, measured risk, and in coordination with fiscal policies. The secondary objective of the debt management is to support the development of the domestic capital market, enhancing liquidity and supply of high-quality investment instruments in the domestic market; thus development of the domestic financial system. These objectives guide the Government in responding to the need to finance future budget deficits. Botswana is at low risk of debt distress.

Public debt to GDP ratio stood at 18.61% in 20.93% as at June 2023, down from an estimated 21.42% end-June 2022, and is to moderate at about 19.1% in FY2023/24, keeping below the national statutory limit of 40% of GDP. The September 2022 update by S&P Global kept Botswana's sovereign credit rating at "BBB+/A-2" for long and short term foreign and local currency sovereign credit, with a stable outlook based on the strong demand for Botswana's diamonds that lent support to the current account and fiscal outcomes, all underpinned by robust institutional frameworks and prudent macroeconomic management and stability.

The Ministry of Finance's portfolio responsibilities include Public Debt Management (Securities and Bonds) as per the Public Finance Management Act 2012 (PFMA). The Development and Budget Division prepares the Medium Term Debt Management Strategy, the borrowing plan for the approved annual budget, and statistical annual debt reports.

References:

<https://www.finance.gov.bw/images/DevelopmentandBudget/2023-24/GOVERNMENTBORROWINGSTRATEGY.pdf>

<https://www.bankofbotswana.bw/index.php/news/sp-affirms-sovereign-credit-rating-and-economic-outlook-botswana>

https://www.finance.gov.bw/index.php?option=com_content&view=article&id=3&Itemid=182&catid=10

(B) Structural Policy

Cluster Score: 4.611

04. Policies and Institutions for Economic Cooperation, RI and Trade

Criteria Score: 4.167

4.a. Regional Integration and Economic Cooperation

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

As a landlocked country, Botswana actively supports regional integration and participates in global value chains to deepen its markets. As a member of Southern African Customs Union (SACU), Botswana enjoys free movement of goods, a common external tariff regime, proceeds from the Southern African Customs Union Revenue Pool, and harmonized rules of origin. Botswana has access to a market of 360.3 million people in the Southern African Development Community (SADC) region and enjoys reduced import tariffs. The country ranked 9th out of 16 countries in SADC by the 2020 Africa Regional Integration Index, with an average score of 0.33 and a drop of seven places from its 2019 ranking. Botswana became the 45th member state of the African Continental Free Trade Agreement (AfCFTA) after depositing the instruments of ratification on the side-lines of the 36th Ordinary Session of the African Union held in Addis Ababa, Ethiopia in February 2023. This progress contributes to the increase in the score, as Botswana has taken a significant step closer to the AfCFTA. Through its participation in the AfCFTA, Botswana will widen its potential market access to nearly 1.3 billion people. All SACU member states have now ratified the AfCFTA Agreement.

Botswana is pursuing numerous reforms to improve trade facilitation, including establishing a One Stop Border Post (OSBP) on the Kazungula bridge with Zambia, revising its Customs, and Trade and Industrial Development Acts to align the legal frameworks with SADC regional instruments, and developing a National Migration Policy to facilitate movement of persons and border control management. The Kazungula Bridge commissioned in May 2021 further unlocks the trade potential and connectivity along the North-South Corridor. The Walvis Bay dry port facility provides Botswana with access to new trade routes to West and Central Africa, presenting opportunities for both product and market diversification.

On Botswana's achievements in Economic Cooperation, According to the 2022 State of the Nation Address (2022 SONA), foreign policy is integral to the delivery of the country's Vision 2036 - "Achieving prosperity for all" - and therefore is a critical tool in shaping the global agenda in line with Botswana's interests. Botswana plays several strategic roles in the global arena. The country hosts the Kimberly Process Secretariat making it the global focal point of influence for promoting the integrity of natural diamonds for development. Over April 24-28 2022, Botswana hosted the Forbes Under 30 Africa Summit in Gaborone and Kasane, which also served to promote the country as a foreign direct investment and tourism destination. Botswana presided over the 2022 UN's Economic and Social Council and used the opportunity to advocate for the global COVID-19 vaccine equity. Botswana showcased its culture, arts and promoted the country's business opportunities at the Dubai EXPO2020. Through the Okavango Diamond Company Botswana was able to conduct online sales of over a billion Pula worth of diamonds. In December 2021, the biotech multinational NantWorks agreed to transfer COVID-19 and cancer vaccine manufacturing technology to Botswana. On March 28, 2022, President Dr. Mokgweetsi Masisi and the founder and CEO of NantWorks, Dr. Patrick Soon-Shiong launched the construction of the vaccine manufacturing plant at the Botswana Digital and Innovation Hub, estimated to be completed in 2026. NantWorks will work closely with the Botswana Baylor Children's Clinic on the shared goal of building global pharmaceutical production with the introduction of the PULA Corbevax vaccine. The vaccine is a protein sub-unit and patent-free, which means it will be readily accessible and at a low-cost. The vaccine is already approved for use in Bangladesh, India, and Indonesia. Botswana co-hosted an International Summit on Constitutionalism and Democratic Consolidation in Africa with the US-based National Democratic Institute (NDI)- to counter the regression of democracy in Africa. The resultant Gaborone Declaration is a critical reference point in an endeavour to enrich democracy in Africa and respect for presidential term limits.

In terms of financial integration, the European Union finally removed Botswana from its Blacklist on March 13, 2022, deleting Botswana from the list of High Risk Third countries; another factor that improves Botswana's score as this deals with cross-border transactions. The removal demonstrates that the Government has sufficiently strengthened Botswana's Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regime, as evidenced by Botswana's removal from the grey list of the Financial Action Task Force (FATF) in October 2021.

References

<https://www.tralac.org/resources/infographic/13795-status-of-afcfta-ratification.html>

<https://www.xchange.co.bw/policy/policies-publications/botswana-state-of-the-nation-address-2022>

4.b. Trade restrictiveness

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5

Country Notes:

Botswana's external trade remains dominated by diamonds. The June/July 2023 international merchandise trade statistics indicate that diamonds took up 82.4% of the value of total exports, followed by copper at 8.1%. On the import side, the top three items, Fuel; Food, Beverages and Tobacco; and Machinery and Electrical Equipment contributed to 20.8%, 15.6%, and 13.8% to total imports respectively. Chemicals and Rubber products, and diamonds made up 11.8% and 10.9%, respectively. Imported rough diamonds are combined with part of the domestic production of diamonds, as part of Botswana's diamond beneficiation policy. The main export destinations are the United Arab Emirates, Belgium, and Hong Kong (a total of 56.9% of total exports). Botswana's participation in intra-regional trade has been limited, largely due to its narrow product range. Exports to the SACU region accounted for 12.2% of exports, with the bulk (11.0%) to South Africa. South Africa is the main source of Botswana's imports, supplying 66.3% of the country's total imports followed by Namibia at 4.3%, making SACU the top supplier of the country's imports at 71.7%.

For comparison purposes, the July 2022 international merchandise trade statistics indicate that diamonds took up 88.1% of the value of total exports, followed by copper at 3.6%. On the import side, the top three items, Fuel; Food, Beverages and Tobacco; and Machinery and Electrical Equipment contributed 28.3%, 11.8%, and 11.7% to total imports respectively. Chemicals and Rubber products, and diamonds made up 8.5% and 18.7%, respectively. The main export destinations are the United Arab Emirates (31.0%), India (16.8%), and Belgium (14.3%). Exports to the SACU region accounted for 12.1% of exports, with the bulk (9.4%) to South Africa. South Africa is the main source of Botswana's imports, supplying 61.3% of the country's total imports followed by India at 5.9%. SACU was the top supplier of the country's imports, contributing 67%.

Botswana's trade policy is mainly governed by SACU's Common External Tariff (CET) that is applied to goods imported from non-SACU countries. No tariffs are charged among the member countries. However, the SACU trade agreement allows the Governments of Botswana and other SACU member countries to impose temporal restrictions on goods being imported into the country for purposes of protecting its budding or infant industries that are threatened by such imports.

Non-tariff barriers, such as import permit requirements for some food products, seasonal trade bans on selected agricultural goods, a state monopoly on beef exports meat processing reserved for citizens, difficulties in obtaining work permits and residency, and increasing local procurement preferences, exist and dampen regional integration. To promote agribusiness and food self-sufficiency, Botswana (and Namibia) announced a two-year import ban on certain vegetables in December 2021, which officially took effect on 1 January 2022. Botswana imports about 98% of its vegetables from South Africa. While this directive provides assurances for a ready market for local producers/farmers, it may lead to beggar-my-neighbor tendencies by the countries affected. Botswana is ranked 95th out of 141 countries by the 2019 Global Competitiveness Report in terms of prevalence of non-tariff barriers. According to the World Bank, Botswana's average applied tariff rate stood at 0.8% in 2020 up from 0.33% in 2018.

Under the common external tariff (CET) on imports from non-SACU countries, duties applied on imports differ depending on the origin/source and type of product. SACU countries apply Most Favored Nation (MFN) tariffs on all products coming into the customs union, except for products originating from areas

such as the EU and SADC, which are charged preferential duties in accordance with their respective trade agreements with SACU. SACU's highest MFN applied duties are levied on tobacco and clothing products. The ad valorem equivalent MFN applied tariff for unstemmed and unstripped tobacco is 142.77% and for stemmed and stripped tobacco is 111.36%. The MFN applied tariff on clothing ranges between 40% and 45%; except for second-hand clothes. The same duty rates are applied to all imports of sugar and second-hand clothes regardless of their origin. A specific duty of 213.1c/kg is applied on sugar imports, and 60% or 2500c/kg for second-hand clothes imports. The highest average MFN applied tariffs are for knitted clothes (41.3%); non-knitted clothes (40%); other clothing (28.7%); carpets (26.6%); leather products (26.4%); umbrellas (25.8%); and footwear (22.2%).

Exports are subjected to a tax at the rate of zero or zero-rated. A registered person making zero rated supplies is entitled to a refund of Vat on the taxable inputs. A registered person is required to maintain proper exports documents to prove that the goods have been exported. The export documents should be as per the Customs & Excise requirements.

<http://www.burs.org.bw/index.php/tax/value-added-tax/exports>

References:

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<https://data.worldbank.org/indicator/TM.TAX.MRCH.WM.AR.ZS?locations=BW>

<https://www.tralac.org/blog/article/13807-southern-african-customs-union-sacu-s-trade-and-tariff-profile.html>

<https://www.freshplaza.com/africa/article/9486537/periodic-vegetable-shortages-and-higher-prices-follow-botswana-s-2-year-import-ban/>

4.c. Customs/trade facilitation

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

In April 2022, the Government of Botswana announced a rationalisation of Government Portfolio Responsibilities. The Ministry of Trade and Industry (formerly Ministry of Investment, Trade and Industry) is responsible for the Botswana Investment Policy, Industrial Policy and Programmes, Domestic and International Trade; Investment Promotion and Facilitation; Import and Export Control, Facilitation and Promotion; Administration and Enforcement of Trading Laws; Bilateral, Regional and Multilateral Trade Arrangements; Trade Fairs; Intellectual Property Management; Promotion of Trade and Business Linkages; Registration of Companies; Trade and Industrial Licensing; Trade and Investment Incentives among others.

To facilitate market promotion and access, Botswana has several other supportive national structures, such as the National Committee for Trade Policy Negotiations (NCTPN); Botswana Investment and Trade Centre (BITC); Business Botswana (formerly BOCCIM); Botswana Exporters and Manufacturers Association (BEMA); National Doing Business Committee; International Financial Services Centre (IFSC); Botswana Agricultural Marketing Board (BAMB); and Women in Business Association (WIBA). For international trade policy and trade negotiations, Botswana has the High Level Consultative Council (HLCC); the National Committee on Trade Policy Negotiations (NCTPN); and the National Doing Business Committee (NDBC). Botswana is a founding member of the WTO Informal Working Group on Trade and Gender, and has been co-chair of the Group together with El Salvador and Iceland. This shows that Botswana is actively working, both at domestic and international levels, to advocate for and promote trade policies and programmes that are gender responsive.

Trade facilitation is a key issue for Botswana and will determine the extent to which the country can benefit from regional trade agreements. The country is pursuing numerous reforms to improve trade facilitation. As part of the Doing Business roadmap implementation, the Government adopted a new Trade Act and Industry Act in 2020, and their subsequent regulations. Their implementation started in June 2020 and have eased and simplified business registration procedures for trades that pose limited to no threat to public health and safety. An On-line Business Registration System (OBRS) along with a Unique Identification Number (UIN) for companies have been introduced. The Botswana One Stop Service Centre (BOSSC), providing facilitation services to both domestic and foreign investors, is up and running and visa-on-arrival at ports of entry has been introduced. A draft National Productivity Improvement Blueprint has been developed to provide a focused approach to improving productivity and is to be followed by them development of a dedicated strategy. To support the implementation of the national export strategy, BITC has prepared a revised Botswana Exporter Development Programme (BEDP), but its funding needs to be scaled up.

The amendments to the Botswana Trade Commission Act were passed in July 2023. The amendments are to facilitate regional cooperation in conducting trade investigations, and will help to build local expertise on regional and international trade negotiations such as the African Continental Free Trade Area.

Compared to the global implementation commitments of the WTO Trade Facilitation Agreement (TFA) of 70.2%, Botswana's current rate stands at 87.8% with a timeframe spanning from February 2017 to December 2027.

Comparing more recent times - 2021 to 2023 - Botswana's trade facilitation score improved to 58.06% from 52.69%. Unpacking the sub-components of this score, in 2023, Botswana performed as follows:

Transparency: 86.67%; Formalities: 75%; Institutional Arrangement and Cooperation: 88.89%; Paperless Trade: 51.85%; Cross-Border Paperless Trade: 5.56%. The 2021 performance was: Transparency: 80%; Formalities: 75%; Institutional Arrangement and Cooperation: 88.89%; Paperless Trade: 37.04%; Cross-Border Paperless Trade: 5.56%. These two points show a performance improvement as per the UN Global Survey on Digital and Sustainable Botswana is rated the second least corrupt African country, with a global ranking of 35th out of 180 countries on Transparency International's 2022 Corruption Perception Index.

References

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05. Financial Sector Development

Criteria Score: 5

5.a. Financial stability

Score Type	Value
Draft Score	5.5
Reviewed Score	5.5
Second Draft Score	5.5
Final Score	5.5

Country Notes:

Part of the Bank of Botswana's mandate is to maintain monetary and financial stability. The financial stability function, which involves a continuous assessment of potential risks to the financial system and the development of policies to mitigate these risks, is carried out by the Research and Financial Stability Department. The regulatory and supervisory oversight of commercial banks is undertaken by the Bank of Botswana, as guided by the Bank of Botswana Act, Banking Act, Banking Regulations, Bureau de Change Regulations, and relevant directives, policies and guidelines, such as the Basel II Core Principles for Effective Banking Supervision. According to the May 2021 Financial Stability Report, the likelihood of unequal distribution of COVID-19 vaccines could translate into incomplete global economic recovery, thus posing risks to global financial stability, risks that have so far been contained. Vulnerabilities relating to

rapid credit growth, increased liquidity and funding risk, elevated corporate leverage, inflated asset valuations and the risk of contagion between banks and non-bank financial institutions (NBFIs) have been generally contained, but the protracted COVID-19 pandemic could elevate the risk of financial instability. Domestic credit growth remains moderate, at 1.6% in March 2021, lower than the 10.7% growth in March 2020. Banks continued to be compliant with the minimum liquid asset ratio requirement of 10%. Banks have significant macro-financial interlinkages with the rest of the domestic financial system and the real sector, elevating the risk of contagion. Effective regulation, proper governance and accountability structures, and insurance moderate the risk. Governance, and misappropriation of funds in the non-bank financial sector continue to undermine the integrity of the domestic financial system. The country's blacklisting by the European Union increases the need for enhanced due diligence in establishing correspondent banking relationships and investing in offshore markets. The country has, however, made significant progress by exiting the FATF grey-list reducing the likelihood of elevated risk to financial stability from the deficiencies. Despite negative impact of the COVID 19 pandemic on the economy in 2020, an 8.8% recovery is expected in 2021, driven by the accommodative monetary conditions, business environment reforms, vaccine rollouts and government interventions against COVID-19, including the implementation of the Economic Recovery and Transformation Plan (ERTP) and the Industry Support Facility (ISF). Policy support adopted by the central bank and other financial sector regulators in response to the COVID-19 impact continues to cushion the financial industry from possible financial constraints. Overall, vulnerabilities to financial stability are judged to be moderate in the short term. Elevated sovereign vulnerabilities due to the budget deficit and deteriorating balance of payments are lessened by moderate levels of risks to the nonfinancial sector; stable housing prices and stock market valuations; low funding costs and sufficient market liquidity; and moderated risk of contagion in the domestic market. These conditions could be worsened by the delayed recovery and stricter, but necessary, disease containment measures. Commercial banks' leverage ratio was 9.7% in March 2021, an increase from 8.7% in December 2020; indicative of the banking sector's strength to withstand negative shocks. The average capital adequacy ratio was 20.2% in March 2021; an improvement from the 19.7% registered in March 2020, indicating the sector's resilience to unexpected losses. Tier 1 Capital to Risk-Weighted Assets ratio stood at 14.1% above the prudential lower limit of 7.5%. NPLs to total loans ratio was at 4.4% at the end of December 2020, compared to 4.8% in March 2020.

5.b. Sector's efficiency, depth, and resource mobilization strength

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

As of August 2021, Botswana had 9 commercial banks. 4 development financial institutions, 1 building society, 1 bank holding company, and 57 Bureau De Change. The financial sector is also composed of insurance companies, collective investment schemes and funds, pension funds, and a stock exchange.

The banking sector is regulated and supervised by the central bank, Bank of Botswana, and the Non-Bank Financial Institutions Regulatory Body (NBFIRA) provides oversight to the non-bank financial institutions.

Botswana's financial sector is well developed. The non-bank financial sector forms the largest share of financial system assets, at 55.6%, compared to the 44.4% by the banking sector. The total financial system represented 112.8% of GDP in December 2022. The banking sector has a strong capital base and is both profitable and liquid. The capital adequacy ratio averaged 19.1% in the twelve months to November 2022, above the 12.5% prudential requirement. The Non-Performing Loan (NPL) ratio fell to 3.8% in November 2022 from 4.3% in December 2021. While the non-bank financial institutions are generally safe, compliance enforcement actions increased by about 14% between March 2022 and March 2023, to maintain financial stability. Significant interlinkages persist in the financial system, with the banking sector being exposed to households (through credit), and households exposed to the non-banks (through pensions assets). Botswana's banking sector has a strong capital base and is profitable and liquid. In 2020 and 2019, the commercial bank's capital adequacy ratios averaged 19.8% and 18.4%, respectively (March 2021: 20.2%), above the 12.5% prudential requirement. Asset quality remained robust with the ratio of non-performing loans (NPLs) to gross loans falling to 4.3% in 2020 from 4.8% in 2019. The NPL ratio remained relatively unchanged at 4.4% in March 2021. Policy measures undertaken by the central bank in 2020, such as the reduction in the Bank Rate and primary reserve requirement are continuing to facilitate commercial bank resource mobilization strength, 82.2% financial intermediation ratio in May 2021, to support economic activity during the COVID-19 pandemic. The ratio is lower than the 89.3% experienced in March 2020 but remains above the upper limit of the 50-80% preferred range. While this pace of intermediation could exacerbate maturity mismatches in banks' balance sheets, further amplifying liquidity risk in the sector, it provides the necessary economic support during this period of the pandemic. In terms of efficiency, commercial banks' return on average assets stood at 2.3% in March 2021, an increase from 1.6% in December 2020 but below 8.9% registered in March 2020. The cost to income ratio declined to 59.7 in March 2021 from 64.9% in December 2020. The size of the financial system, as reflected by the total assets of commercial banks and NBFIs relative to GDP, increased from 117% in 2019 to 137.5% in 2020, billion in December 2020, demonstrating the significance and importance of the financial system to the economy. The Government recognizes that most businesses in the informal sector have limited liquidity and access to credit and yet provide a social safety net and contributes to household resilience. The income losses such SMMEs are currently suffering from because of the COVID-19 pandemic containment measures can have a devastating impact on livelihoods, and runs the risk of long-term dependency on Government support. The Government continues to support the sector through provision of basic infrastructure such market shelters, running water and ablutions in key locations. The COVID-19 experience has reinforced the need for authoritative data on the informal sector, so as to inform effective policymaking and sectoral support. There is an ongoing Local Enterprise Authority (LEA) exercise to collect information to build a database of SMMEs and informal enterprises. There are also plans to conduct a Fin Scope SMME survey to get a better idea of the financial needs of SMMEs to better inform policy. The short-term economic stabilization and support measures provided to formal sector enterprises did not extend to the informal sector. Informal sector participants that were registered in the LEA database received funding. Commercial bank credit grew by 1.6% in the year to March 2021, lower than the 10.7% growth in the corresponding period in 2020. The growth in credit was mainly attributable to the 6.3% increase in lending to households, which in turn was driven by unsecured lending. Business credit decreased by 6.6% over the same period. Commercial bank credit continued to be dominated by household borrowing, at 66%. Household borrowing also dominates credit in the non-bank financial institutions sector, although the level of household exposure in the sector remains relatively low compared to commercial banks. As of December, 31 2020, household loans from micro-lenders represented 11% of household credit from commercial banks.

Botswana's capital markets remain shallow and illiquid, with limited capital markets instruments, such as stocks, derivatives, bonds and mutual funds, for both household and institutional savings. The Government has increased its bond issuance to finance the ERTP and develop domestic capital markets. Despite the difficult context of the covid-19 pandemic, the ratio of total market capitalisation to GDP increased from 211.9% in 2019 to 218.9% in 2020. (BSE annual report 2020). A developed capital market will provide a sustainable financing source for both the Government and the private sector. According to The Global Competitiveness Report 2019, Botswana scored 36.6 on a 0 to 100 scale for the depth of its financial system, which placed it 74th out of 141 countries assessed.

5.c. Access to financial services

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

Financial access continues to improve in Botswana. In terms of access to banking services and financial inclusion, the ratio of the number of depositors to adult population also increased from 70% in 2018 to 72% in 2019. By March 2020 compared to 2015, mobile cellular subscriptions had grown by 14%, and internet subscriptions by 43%; both potential indicators of growth in cell phone and internet banking. Mobile cellular subscriptions stood at 150 per 100 people in 2019, up from 141.4 in 2018. The use of internet banking, and mobile banking have facilitated quick and direct provision of financial and payment services in the country. The Government's financial inclusion agenda, and the Making Access Possible (MAP) strategy should go beyond the focus on financial literacy and access, and consider wider aspects like financial consumer protection and empowerment; financial innovation; and financial services and data management. Even then, to be effective, the strategy should involve an institutional, policy and legal framework that comprehensively promotes financial inclusion. According to Botswana MAP Refresh Diagnostic (09 Sept 2021), the country has achieved a significant progress, as defined in the 2015 MAP, in terms of growth of e-money and remittances, However, there are a number of areas such as the development of insurance and savings products where progress has been more limited.

06. Business Regulatory Environment

Criteria Score: 4.667

6.a. Regulations affecting entry, exit, and competition

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

The regulations affecting entry, exit and competition in Botswana have not changed.

Botswana ranks among the top African countries in global competitiveness, but with a declining trend. The country was ranked 71st out of 140 countries in the World Economic Forum's 2015/2016 Global Competitive Index. By 2019, this ranking had dropped to 91st out of 141 countries, pulled down by limited business dynamism, which curbed larger-scale production. The private sector's productivity is constrained by several challenges. The sector, whose investment formed 29.0% of GDP and which absorbed 34.2% of total employed in 2020, is characterized by a few large subsidiaries of South African firms and several domestic small, and medium enterprises (SMEs) mainly engaged in the financial services, tourism, manufacturing, wholesale, and retail activities. The informal sector, estimated to have contributed 5.3% to GDP in 2015, and is 50% in retail, faces challenges of poor working environment, low participation in the relevant policy decisions, inadequate access to credit facilities on reasonable terms, and inadequate access to operating space and facilities. These characteristics of the private sector in Botswana currently limits its contribution to meaningful high value addition to production. The Government is reforming its business climate through the Doing Business Reforms roadmap. The Industry Development and Trade regulations (2020) allow for over-the-counter issuance of licenses and registration certificates. The FDI incentive package includes low corporate tax rates, transfer duty waivers, and temporary property tax exemptions. An Investment Facilitation Law designed to attract private investments is at the drafting stage. An Investment Board is being established, to resolve investor bottlenecks. The Government is amending its procurement law to cover Public Private Partnerships, addressing related contingent liabilities.

The much anticipated establishment of the Meat Industry Regulatory Authority (MIRA) will, amongst others, reduce the monopoly of the Botswana Meat Commission and enhance competition in the meat sector through licensing of abattoirs, managing animal traceability, and promoting the marketing of livestock and by-products.

Botswana was ranked 159 out of 190 countries in the World Bank's DB 2020 report on the ease of starting a business. The total number of procedures to register a firm is 9 procedures and takes 48 days to register the firm. The institution in charge of business registration is the Companies and Intellectual Property Authority. The World Bank's DB report ranked Botswana 44 on the ease of getting a permit. It takes between 102 days and 116 procedures to obtain permits. The requirements for obtaining a building permit are not easily accessible but are available free of charge. According to the DB report of the World Bank, resolving insolvency framework in Botswana provides that a creditor or debtor has the right to object to

decisions accepting or rejecting creditors' claims. The insolvency framework provides for the possibility of the debtor obtaining credit after the commencement of insolvency proceedings. According to the US Department of State, there are no known complaints about transparency or discrimination by local courts in Botswana.

To note: After data irregularities on Doing Business 2018 and 2020 were reported internally in June 2020, World Bank management paused the next Doing Business report and initiated a series of reviews and audits of the report and its methodology. The review process as defined by management as defined by was sufficiently complete to identify data irregularities.

6.b. Regulations of ongoing business operations

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

Botswana continues to make good progress in creating an enabling environment for private investments.

The World Economic Forum's 2019 Global Competitive Report ranked Botswana 91 out of 141 countries (fourth in Sub-Saharan Africa). While Botswana continues to face challenges around unreliable electricity supply, unskilled labor, low quality of judicial processes, and weak contract enforcement, a lot of progress has been made on other fronts. Through the implementation of the Doing Business Reforms Roadmap and Action Plan approved in 2014, the Government is pursuing numerous initiatives geared towards easing constraints to doing business in Botswana. Recent amendments to the legal framework include the Customs Act, Excise Duty Act, Capital Transfer Tax Act, new Trade Act, and new Industry Act. Several regulatory and administrative changes have also been introduced in the recent past and these are expected to significantly reduce public sector red tape.

Since the Botswana Investment and Trade Centre revamped the one-stop service center in 2018, major improvements to service delivery have been registered. The roll out of the online business registration which started in 2019 continues to make steady progress. Integrating the business registration systems with various other government services such as immigration continues to be a priority. Other areas of ICT-related improvements include online filing of tax returns, customs declarations, and computer aided case management systems at the courts. With the adoption of the new trade and industry Acts, the number of business activities that require licensing has reduced drastically and trade licensing committees have been abolished, making the process of acquiring company licenses much faster.

Botswana's New Investment Strategy 2023-2030: According to the US Department of State, the government of Botswana has released a new National Investment Strategy (NIS) for 2023-2030 to maximize the quantity and quality of annual flows of foreign and domestic investment, and to promote economic activity and foreign investment in specific areas, such as establishing a diamond hub which brought more value-added businesses (i.e., cutting and polishing) into the country. The law allows foreigners to participate in different sectors as minority joint venture partners in medium-sized businesses. Foreigners can hold the majority share if they obtain written approval from the Minister of Trade and Industry. Foreign companies have access to about 46 trading licenses in different categories. It takes approximately five working days to obtain a license. According to the US Department of State, the non-resident is allowed immediate repatriation of all proceeds including profits, rents, and fees in Botswana. There are no restrictions or limitations placed on foreign investors converting, transferring, or repatriating funds associated with an investment.

The revised Environmental Impact Assessment Act was passed by Parliament, helping to significantly reduce the turnaround time for approval of environmental impact assessments. Digitalization of investment promotion activities at BITC has also been accelerated in the context of COVID. An Investment Facilitation Law, designed to facilitate private investments and enhance investor protection, is being prepared. A Board of Investment is being established, with the objective of quickly resolving bottlenecks faced by investors and addressing policy gaps. This body will comprise public and private sector players as well as international experts and will be chaired by the President of Botswana.

The AfDB, through its Economic Recovery budget Support Program (ERSP I) has supported a wide range of measures geared towards enhancing agriculture and industrial sector productivity and value addition. These include: (i) issuance of the amended industrial development regulations; and (ii) approval of the P1.3 billion industry support facility and commencement of disbursement. To help improve the enabling environment for private investments, measures supported include: (iii) approval of a Credit Information Bill; (iv) amendment of the Financial Institutions Act to amend the definition of beneficial ownership; (v) Cabinet approval of the Energy Policy and Integrated Resource Plan (for electricity generation); and (vi) Cabinet approval of amended industrial development regulations simplifying registration procedures. ERSP II will build on the above by supporting: (i) approval of the National Policy on Agricultural Development and Transformation, designed to support agricultural sector transformation and enhancing private sector participation in the sector; (ii) approval of the establishment of a meat industry regulator to enforce standards and regulations and liberalise the economy. Measures related to the enabling environment include: (iii) Cabinet approval of the Non-Bank Financial Institutions Regulatory Authority Bill; (iv) Cabinet approval of the Investment Facilitation Bill; and (v) Cabinet approval of the Moveable Property Bill (Prior Action). Other measures include (vi) adoption of the revised electricity grid code and licensing framework to support entry and development of independent power producers in the power sector; (vii) issuance of PPP Regulations; and (viii) Cabinet approval of the establishment of a Research Fund.

In the FY2023/2024 Budget speech, the Government outlined the following Business Environment Reforms: The Credit Information and Movable Property Act to improve access to credit by MSMEs; The Public Procurement Act to promote citizen participation in the procurement process and support locally manufactured goods; The anticipated mergers: Between the Local Enterprise Authority and Citizen Entrepreneurial Development Agency for integrated MSME support; Among the Botswana Investment and Trade Centre, the Special Economic Zones (SEZ) Authority and the Botswana Tourism Organization for efficient export and investment promotion; and Tax Relief: SEZ-licensed companies can apply for 5% corporate tax rate for 5 years, and 10% thereafter. The companies are exempt from paying transfer duty on immovable business property.

References

https://www.finance.gov.bw/index.php?option=com_content&view=category&id=22&Itemid=108

6.c. Regulations of factor markets (labor and land)

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

The regulations governing factor markets in Botswana have not changed. The Land Policy of 2015 covers land governance issues for the sustainable management of land resources, and review of several policies, regulations and strategies to strengthen existing land systems, and mapping remains ongoing. Land governance challenges in Botswana include conflicts from competing land uses; worsening land pressure; land scarcity despite existing idle lands; squatter problems; land tenure insecurity due to inefficient regulations; and climate change that has degraded land and increased water stress, which in turn has constrained agricultural production, and worsened food insecurity. The country's Nationally Determined Contribution (NDC) has positioned land as a critical point of intervention for climate change mitigation and adaptation. Several initiatives, such as sustainable land management in targeted districts, promotion of climate-smart agriculture practices, and fencing of farms are in place. The Government is fully committed to the promotion of decent work as it demonstrated through the signing of the Botswana Decent Work Country Program for 2020 to 2024 by Government, employers', and workers' representatives, as well as the International Labour Organization (ILO) in February 2020. The programme is anchored on three pillars namely, Creation of Sustainable and Decent Employment, Enhanced Social Protection, and Conditions of Work as well as Strong Labour Market Governance Institutions. Tripartite consultations on the review of some labour laws are at advanced stages to pave the way for the drafting of the Bills on proposed changes to the laws, to align them with relevant international instruments. Some of the emerging labour issues that were occasioned by the COVID-19 are not adequately catered for in Botswana's labour laws. During the State of Emergency period, regulations were introduced to prevent dismissals and industrial action.

According to the US Department of State, collective bargaining is common in public sector and the private sector, and the Labor Commissioner can grant collective bargaining authority upon request. The largest unions are those dedicated to public sector workers. There is minimal labor strife in Botswana.

According to the DB report of the World Bank, there are 4 procedures and 27-day process involved in registering property in Botswana. The type of land registration system in the economy is Deed Registration System. The Deeds Registry is the institution in charge. There is no electronic database for recording boundaries, checking plans and providing cadastral information (geographic information system). The High Court of Botswana is the Court of First Instance in charge of a case involving a standard land dispute between two local businesses over tenure rights located in the largest business city.

(C) Policies for Social Inclusion/Equity

Cluster Score: 4.353

07. Gender Equality

Criteria Score: 4.5

7.a. Promotion of equal access for men and women to human capital development opportunities

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

Botswana's quarter 4 (October to December) 2020 multi-topic survey indicated that females made up 50.8% of the total labor force (aged 15 years and above), 53.4% of jobseekers, and 49.9% of those employed. The labor force participation rate, which reflects the extent to which a country's working age group is economically active, was estimated at 60.0%, with males recording 64.6% compared to 56.1% recorded for females. For both males and females, the participation rate in economic activity was highest for age group 30-34 years at 83.5%. Significant strides have been made in the past ensure gender parity at the education level in Botswana. From 2018 UN data, expected (mean) years of schooling is 12.8 (9.2) for girls and 12.6 (9.5) for boys. The 2019 Human Development Index (HDI) scores are also close: 0.723 for females, and 0.731 for males, resulting in a Gender Development Index value of 0.998, placing the country into Group 1. Group 1 comprises countries with high equality in HDI achievements between women and men (absolute deviation of less than 2.5%). The country's 20212019 Gender Inequality Index (which reflects gender-based inequalities in three dimensions – reproductive health, empowerment, and economic activity) scored Botswana 0.468 (-0.001 compared to 2020) was a value of 0.465, ranking it 116 out of 162 countries. 10.8% of parliamentary seats are held by women, and 89.6% of adult women have

reached at least a secondary level of education compared to 90.9 percent of their male counterparts. Slightly more than half (54.5%) of women are in managerial positions. For every 100,000 live births, 144.0 women die from pregnancy related causes; and the adolescent birth rate is 46.1 births per 1,000 women of ages 15-19. The last National Literacy Survey was carried out in 2014. It showed that the literacy rate among females aged 15 and above reached 91% in 2014 compared to 88.7% for males, an increase from 87.8% in 2010. About 73.6% of adult women had reached at least a secondary level education compared to 77.3% of their male counterparts by 2014. School enrollment at the tertiary level was at 29.9% for females and 20.3% for males in 2019, from a respective 29.2% and 20.5% in 2017. A 2019 World Bank sector review identifies the core challenges facing Botswana's education sector as: low student achievement scores mainly due to insufficient teacher training; fragmented decision-making as responsibilities in the education sector are divided among various ministries; significant shortage of textbooks, classrooms, and specialist rooms for teaching; and insufficient data on education spending as it is often not disaggregated at the regional level. The Global Gender Gap Index 2021 gave Botswana an overall ranking of 71 out of 156 countries (compared to 73 out of 153 countries in 2020). Botswana has maintained the first rank in terms of women's education attainment, have closed 99% of this gap.

Data on education are collected by the UNESCO Institute for Statistics from official responses to its annual education survey. The databank provides the following for year 2021:

School enrollment rate for primary education for males: 99.93%

School enrollment rate for primary education for females: 98.09%

School enrollment rate for secondary education for males: 69.70%

School enrollment rate for secondary education for females: 77.58%

School enrollment rate for tertiary education for males: 19.23%

School enrollment rate for tertiary education for females: 30.35%

Indicators capturing the access to antenatal or delivery care:

Antenatal care 4+ visits – percentage of women (aged 15-49 years) attended at least four times during pregnancy by any provider (Female) : 73% (<https://data.unicef.org/country/bwa/#maternal-health>)

Percentage of births assisted by a skilled birth attendant: 99.8% in 2020 (<https://data.unicef.org/topic/maternal-health/delivery-care/>)

Concerted efforts are being made to appoint able and capable hard-working women to positions of leadership across Government (for example the Minister of Finance is female), and in corporate leadership positions in the private sector. Notable, are the mining industry, the financial and telecommunications sectors. Government continues to strengthen the criminal justice system including stiffening penalties and rehabilitation of offenders to stem the tide of social ills and GBV. The First Lady of

Botswana has partnered with various entities to raise awareness against GBV, including sponsored charity walks for the cause.

References:

<http://hdr.undp.org/sites/default/files/Country-Profiles/BWA.pdf>

<https://www.statsbots.org.bw/sites/default/files/MULTI-TOPIC%20SURVEY%20QUARTER%204%202020%20LABOUR%20FORCE%20MODULE%20REPORT.pdf>

7.b. Promotion of equal access for men and women to productive and economic resources

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Botswana has made progress in promoting gender equality. The country adopted gender equality as one of the principles of its national Vision 2036, and gender mainstreaming as a strategy within NDP11. The National Gender Commission was established to monitor the implementation of the National Gender and Development Policy, and the Women's Economic Empowerment Fund was created to enhance women's access to finance. Despite these policy measures, gender disparities exist. While women constitute more than half of the population in Botswana, they are more vulnerable to poverty and make up the majority of the unemployed. Women represent a high proportion of the nation's poor, with 10.7% of women living below the Poverty Datum Line (POL) as compared to 8.6% of males. Nationally, 55 % of poor households are female headed while 45 % are male headed indicating that poverty incidence is higher among female headed households. National unemployment rate stands at 17.8% with female unemployment representing 21.4%, while male unemployment is 14.5%. in regard to ownership of productive assets, for every 100 men who own farmland there are 64 women who own farmland. Furthermore, in relation to cattle ownership, for every 100 men there are 39 women. Women are therefore poorer than men and have less access to and control over economic resources and skill training. In 2020, Botswana scored 0.537 on the African Gender Index. While this score was above Africa's average of 0.484, it was lower than Botswana's comparators Namibia (0.797) and South Africa (0.767). Women constitute more than half of the population, but they are more vulnerable to poverty (10.7% live below the poverty line), make up 21.2% the unemployed, and only 21% of rural women have access to finance. The proportion of women represented in Parliament declined from 11.1% in 2008 to 10.8% in 2020. Because gender equality is a

key element of social development in the National Development Plan, ministries and sectors are mandated to integrate gender in their results-based management systems and develop appropriate indicators for monitoring and appraising service delivery and internal institutional performance. Furthermore, each Ministry is expected to designate a gender focal point to ensure that these actors successfully incorporate gender mainstreaming into the results-based management systems. Some progress on initiatives to address gender has been reported on nine out of eighteen Ministries. However, a key challenge is the limited capacity of the ministries to effectively mainstream gender. The national gender commission is also not adequately resourced to undertake its monitoring and evaluation roles effectively. Preference schemes in procurement are not fully operationalized. 75% of informal businesses are women-owned and have been adversely impacted by COVID-19. Women have low and unsustainable income and lack savings to survive during lockdowns and economic downturns. They also lack paid leave and health insurance to safeguard themselves and their families during the crisis. Furthermore, financial inclusion for women is low. Only 21% of women in rural Botswana have access to finance, which makes Botswana lag behind its peers, for example, in comparison to 90% in South Africa and 81% in Mauritius. HIV prevalence among females is also higher than that of males, with an average of 21% prevalence among females and 18% prevalence among males. A revamped Women's Economic Empowerment Fund, and the appointment of Gender Commissioners, are expected to contribute to gender equality. Nearly 70% of women have experienced abuse - more than double the global average. Botswana launched 25 courts to respond to a spike on gender-based violence cases during the lockdown. According to UN Women (see <https://data.unwomen.org/country/botswana>) as of December 2020, only 35.3% of indicators needed to monitor the SDGs from a gender perspective were available, with gaps in key areas, in particular: unpaid care and domestic work.

7.c. Men and women equal status and protection under the law

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Nearly 70% of women in Botswana have experienced physical or sexual abuse - more than double the global average. According to the United Nations Population Fund (UNFPA), there was a spike on gender-based violence cases in 2020 following the lockdowns implemented to curb the spread of COVID-19. In response, Botswana launched 25 gender violence courts bring swifter justice to victims of sexual and domestic abuse. Other than this, the gender legal landscape has not changed much in Botswana since 2020. The Constitution prohibits any form of discrimination on the grounds of gender. The country ratified international conventions relating to gender equality, such as the United Nations Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW). The Married Persons Property Act allows persons married under customary law to opt for civil law for the administration of their properties; the Interpretation (Amendment) Act, which sets the legal age of maturity at 18 irrespective of sex; the Legal Aid Act, aimed at increasing access to justice, including for women; and the Employment

(Amendment) Act, which establishes a minimum pay of half salary for women on maternity leave and prohibits discrimination in the workplace. Botswana has been hailed for its adoption of a National policy on gender and development and its national operational plan, the NDP11 which includes gender mainstreaming and the prevention of gender-based violence; the National vision 2036, in which gender equality is recognized as a key element of social development.

08. Equity of Public Resource Use

Criteria Score: 4.667

8.a. Poverty Measurement

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Botswana, an upper middle-income country with a per capita income of US\$ USD 7,350 (2022), presents a mixed social landscape. It has a low poverty headcount ratio of 20.8% (2021) but a high unemployment rate of 25.4% driven by youth unemployment of 39.9% (2022). Youth (15-35 years) make up 53.7% of total population. Skills mismatches, a weak entrepreneurship culture, and limited access to affordable finance contribute to persistently high unemployment levels. However, the Human Development Index remains high (0.735 in 2019), and the country has achieved 62.7% of the 17 Sustainable Development Goals (2023). Poverty in the country still displays a gender dimension, with female-headed households more likely to be poor than their male-headed counterparts. The measurement scope of poverty in Botswana has been broadened to include the Multidimensional Poverty Index (MPI), which measures non-income deprivation levels of the poor in the areas of education, health and living standards. The most recent survey data available for Botswana's MPI estimation is from 2015/16. It is estimated that 17.2% of the population are multidimensionally poor while an additional 19.7% are classified as vulnerable to multidimensional poverty. According to the World Bank's World Development Indicators, Botswana's latest Gini Index (2015) was 53.3, making Botswana the third highest unequal country out of the 82 countries that recorded Gini indices that year. Income inequality persists due to disparities in the quality of economic opportunities and services, exacerbated by limited economic diversification.

According to the 2023 Sustainable Development Goals Index, Botswana has achieved 62.7% of the 17 SDGs. While the country is on track to achieve industry, innovation and infrastructure goals, and has registered moderate improvement in gender equality, clean water and sanitation, climate action, life on land, and partnerships for sustainable growth, it has stagnated in the zero hunger, no poverty, good health and well-being, affordable and clean energy, decent work and economic growth, responsible consumption

and production, peace, justice and strong institutions, and building sustainable cities and communities' goals.

Public expenditures are aligned to poverty reduction and adequately tracked. For example, the Poverty Eradication Programme, currently being evaluated to enhance Government spending, continues to provide economic opportunities to most vulnerable populations, including remote-area communities. A total of 37,002 projects have been funded, out of which 29,504 are operational, thus contributing to improved livelihoods. In addition, 71% of the resource-poor beneficiaries under the Livestock Management and Infrastructure Development (LIMID) Programme reported that there was a positive impact on their quality of life, whereas 76% of beneficiaries reported an increase in the number of assets acquired. A Monitoring and Evaluation Framework for the programme has been developed together with tools to guide data requirements for tracking programme performance. Indicators being tracked include production levels (increased output from beneficiary projects), sales and incomes, which should lead to improvement in the livelihood of beneficiaries, and will enable the cost effectiveness of the programme to be assessed.

References:

<http://hdr.undp.org/sites/default/files/Country-Profiles/BWA.pdf>

<https://dashboards.sdindex.org/profiles/botswana>

8.b. Public Expenditures: Priorities and strategies

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Botswana's long-term development priorities are set forth in its "Vision 2036: Achieving Prosperity for All" launched in September 2016. The Vision 2036 aims to transform Botswana from an upper middle-income country to a high income one by 2036. The country's NDP 11 was cascaded from the 2036 Vision, with the theme "Inclusive Growth for the Realization of Sustainable Employment Creation and Poverty Eradication". In October 2022, Parliament approved the deferment of NDP12 to FY2025/2026, to accommodate crucial reforms to the national planning system. In the interim, Botswana is following a 2-year Transitional National Development Plan and the accompanying Public Investment Program (PIP) that covers the FY2023/2024 and FY2024/2025.

The Government has poverty eradication as one of its key policy deliverables, and gains in poverty reduction are largely attributable to social safety nets and other pro-poor programs. For FY2023/2024, 37% of the development budget was allocated to projects like the new Wealth Creation programme, which consolidates some of the existing economic empowerment loan and grant programmes. The Wealth Creation programme will continue implementation of micro enterprise projects in agriculture, housing, social protection, women empowerment and education sectors to create employment and improve livelihoods. It encompasses poverty eradication, with a view to enable the sustainability and/or viability of the micro projects for long run purposes. The Youth Development Fund was funded P104 million under the recurrent budget. To further support sustainable livelihoods, the allowances paid under various social welfare programmes were reviewed, with the Old Age Pension, Destitute Allowance, Disability Allowance, World War II Veterans Allowance as well as Ipelegeng rate increased effective April 2023. Botswana is committed to the protection and promotion of the rights of people with disabilities, as demonstrated by the country's accession to the Convention on the Rights of Persons with Disabilities (CRPD) in August 2021. A Draft Disability Bill has been developed. Enactment of this law will pave way for the domestication of the Convention.

As of February 2023, the Parliament has passed a number of laws whose effective implementation will improve the lives of an ordinary Motswana. These include amendment of the Value Added Tax Act, which has cushioned households from the high cost of living caused by inflationary pressures and other economic shocks. The Public Procurement Act and the Economic Inclusion Act are expected to increase participation of citizens in the economy and encourage the use of locally produced materials to promote local economic activities. This should translate into improved living standards and create employment opportunities for all Batswana. Further, the Retirement Funds Act will enhance the functioning of the pension system by strengthening corporate governance, supervision and allowing deferred pensioners access to their pension funds and thus providing relief to Batswana during times of financial distress. Furthermore, the Income Tax (Superannuation Fund) Regulations, 2022 have also increased withdrawals from pension funds from a maximum of one third to a maximum of 50% at retirement. Moreover, the Tribal Land and Deeds Registry Acts will enhance access to land, amongst others. Additionally, the Bank of Botswana Act, and the Credit Information and Movable Property Acts will improve the efficiency and stability of the financial sector as well as access to finance.

References

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8.c. Regressive Tax

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0

Final Score	5.0
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Country Notes:

Botswana's tax system is progressive and pro-poor. In the FY2021/2022 budget, the threshold at which income earners become liable for income tax was raised from P36,000 to P48,000. Progressive income tax rates of 5% to 25% apply. The first BWP36,000 is tax free for residents. At this income bracket, non-residents pay 5%. The highest marginal tax rate of 25% is applied to taxable income in excess of P144,000. Consumption taxes are generally regressive as they are paid irrespective of the level of income. In the FY 2021/2022 budget, the VAT rate was raised from 12% to 14%, and the fuel levy was raised by P1 per liter to compensate for zero-rated fuel for VAT purposes.

However, there are several characteristics of Botswana's tax regime that lessen the burden on the poor to ensure that the tax regime is aligned with poverty reduction initiative, aside from the income tax being progressive. In 2022 and 2023, Botswana experienced a sharp rise in the cost of living due to high global inflation. To mitigate this, Government temporarily reduced the rate of Value Added Tax (VAT) from 14% to 12%, which has since been extended to the end of this financial year. With a view to providing targeted support to sustain livelihoods, the Ministry of Finance is currently reviewing the lists of items that are zero rated or exempted for VAT purposes. The lists will be extended to include, among others, sanitary products and private medical services. The Income Tax Act remains pro-poor with the provision for Botswana Unified Revenue Service to refund taxpayers overpaid tax with interest. The country's decades-long track record of macroeconomic stability ensures that the very poor will be mostly protected from the tax inherent in galloping inflation.

References:

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https://www.finance.gov.bw/index.php?option=com_content&view=article&id=436&catid=36&Itemid=116

09. Building Human Resources

Criteria Score: 4.5

9.a. Health and nutrition services

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5

Country Notes:

The country's overall development is guided by Vision2036, while health goals are set in NDP11. The Sustainable Development Goals (SDGs) are integrated in Vision 2036 and NDP 11. The Integrated Health Services Plan (2010-2020) and the revised National Health Policy (2011) cover the health sector. The life expectancy at birth in Botswana is estimated at 69.6 years (2019) from 67.3% (2015). The crude birth and crude death rates were estimated at 24.2 and 5.7 per 1000 population respectively, while infant mortality rates were 32.3 per 1000 live births. The Maternal Mortality Ratio stood at 166.3 per 100,000 live births, from 156.6 (2016). The highest maternal deaths are in the age group 30-34 (27.6%) followed by ages 35-39 (26.4%). 99.8% of all births are estimated to have occurred in health facilities supervised by a skilled health professional. Stunting indicates a lack of sufficient nutrition over a long period of time. Latest prevalence data shows that 28.9% of children under 5 years of age are stunted, lower than the 29.1% average for Africa. However, 7.3% are wasted, higher than the 6.4% average for the Africa. Botswana has similar rates of malnutrition to other countries in Southern Africa with much lower levels of income. This suggests that malnutrition is not merely a function of income. Addressing malnutrition therefore requires a range of cross-cutting interventions, including through health, education, and social safety net reform. Under diet-related non-communicable diseases, an estimated 29.3% of women and 8.1% of men are obese. The average for Africa is 18.4% and 7.8%, respectively. Diabetes affects 9.5% of women and 7.6% of men.

The COVID-19 pandemic is primarily a health crisis. As of December 29, 2022, 68% of the 2.36 million population had been fully vaccinated against COVID-19, one of the highest in Africa. In December 2021, the biotech multinational NantWorks agreed to transfer COVID-19 and cancer vaccine manufacturing technology to Botswana. On March 28, 2022, President Dr. Mokgweetsi Masisi and the founder and CEO of NantWorks, Dr. Patrick Soon-Shiong launched the construction of the vaccine manufacturing plant in Botswana, estimated to be completed in 2026. NantWorks will work closely with the Botswana Baylor Children's Clinic on the shared goal of building global pharmaceutical production with the introduction of the PULA Corbevax vaccine. The vaccine is a protein sub-unit and patent-free, which means it will be readily accessible and at a low-cost. The vaccine is already approved for use in Bangladesh, India, and Indonesia.

Botswana has prioritised the construction of Rehabilitation Centres in Serowe and Francistown to combat the high rates of substance abuse in the country. The Francistown Centre has been earmarked to offer additional services of restorative care.

The Sir Ketumile Masire Teaching Hospital was officially commissioned in September 2022 with its full suite of Radiology services, and will soon offer high-level quaternary specialised services to be able to offer medical tourism.

The Government has signed a Memorandum of Agreement with Botswana Baylor Children's Clinical Centre of Excellence Trust which also covers the Texas Children's Hospital, for a further period of fifteen years. New areas of partnership include paediatric and adult oncology; haematology; obstetrics; gynaecology and vaccine development.

The fight against HIV/AIDS in Botswana has been anchored on behavioural change, testing, enrolment in Anti-Retroviral Therapy (ART), as well as psychosocial support. The Incidence rate for 2013 was 1.33% and has since decreased to 0.2% in 2021, showing that the rate of new infections is decreasing. The HIV prevalence in 2013 was 18.5% and in 2021 had increased to 20.8%, and indication of the efficacy of Botswana's treatment programme. Botswana has exceeded the World Health Organisation 95-95-95 target. This shows that 95.1% of the adult population living with HIV know their status, and that, 98% are on treatment, while 97.9% of those who are on treatment, are virally suppressed. Botswana has also effectively reduced Mother to Child Transmission of HIV to 2.21%, surpassing the 5% global target, and was awarded the WHO Silver Tier Certificate. Furthermore, Botswana was on 20th September 2022, recognised and bestowed with a "National Achievement Award" by the Africa-America Institute (AAI), for effective containing and managing the spread of HIV, Tuberculosis, and Malaria, among other accomplishments.

Reference:

https://images.assettype.com/xchange/2022-11/5189087b-5b2f-4825-8e96-d502c5fecfe5/Botswana_State_of_the_Nation_Address_2022.pdf

9.b. Education, ECD, training and literacy programs

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Botswana's 2021 high unemployment rate of 25.4% driven by youth unemployment of 39.9% (2022). Youth (15-35 years) make up 53.7% of total population. Despite the high investment in education (averaging 24% total expenditures in the last five years), the weak human capital and the resulting inadequacy of skills for the job market remain some of the biggest binding constraints to growth. Botswana has a high adult literacy rate of 88.5%. However, the majority of those employed (60%) had only completed primary and secondary education as of December 2021. Skills mismatch, a weak entrepreneurship culture, and limited access to affordable finance are contributing to persistently high unemployment levels. The education sector faces sub-optimal ICT utilization, and poor access to technical and vocational education and training which has led to low transition rates from secondary to tertiary education. According to NDP11, the slow growth of formal employment is also associated with the limited availability of work permits for foreign investors and workers, a deliberate policy to encourage employment

of the graduate youth. The Government continues to develop progressive policies to address these challenges. As at March 2022, at national level, 48% of children were accessing the first year of the two-year Early Childhood Development programme offered in public schools. The curriculum for primary education is scheduled for review in 2024, whilst that for the Junior Secondary Certificate syllabus has commenced. The recent amendment of the Botswana Examinations Council (BEC) Act has transformed the institution into a National Assessment Centre. The new mandate will cover assessment of Technical and Vocational Education and Training (TVET) programmes. As part of the digitalization process, the setting of examinations and marking of scripts online for some programmes at the Botswana General Certificate in Secondary Education (BGCSE) level has been introduced. As at 30th September 2022, two hundred and thirty (230) programmes for tertiary education and TVET levels had been accredited by Botswana Qualifications Authority (BQA), compared to twenty-three (23) programmes in 2021.

Referances:

<https://www.botswanalmo.org.bw/node/19>

https://images.assettype.com/xchange/2022-11/5189087b-5b2f-4825-8e96-d502c5fecfe5/Botswana_State_of_the_Nation_Address_2022.pdf

9.c. Prevention and treatment of HIV/AIDS, tuberculosis, and malaria

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

Although HIV prevalence is still the third highest in Africa at 20.3% of the total adult (15-49) population from 21.1% in 2018, Botswana has made great strides in HIV/AIDS fight, with a 22% decline in HIV-related deaths between 2010 and 2020. Having surpassed the UNAIDS 90-90-90 targets in 2019, the country has new targets of 95-95-95. Currently, 92% of people living with HIV know their status, while 89% of them are on treatment with 96% being virally suppressed. Botswana's prevention of mother-to-child transmission (PMTCT) program is one of its most successful HIV programs. The most recent rate stood at 1.9%, when compared to 2.5% in 2018. It was the first country in the region to provide universal free antiretroviral treatment (ART) to people living with HIV. The third National Strategic Framework for

HIV/AIDS and the Multi-sectoral Strategy for the Prevention of Non-communicable Diseases will until 2023 guide the government's strategic response to improve health outcomes for the country's population. As an upper middle-income country, Botswana continues to face the huge funding gaps sustaining its impressive HIV response as donors increasingly focus on low-income countries. In December 2019, however, the Government in collaboration with the U.S. President's Emergency Plan for AIDS Relief (PEPFAR) adopted a policy on providing free HIV/AIDS services to non-citizens living in Botswana. There are over 2,900 non-citizens accessing Antiretroviral Treatment services for free. In order to further reduce new HIV infections, Government introduced Pre-Exposure Prophylaxis (PrEP) to HIV Negative individuals who are 18 years and above and at risk of acquiring the infection. The PrEP has been rolled out in phases to prioritized beneficiaries such as Adolescents Girls and Young Women. A recent study shows that Botswana is a country of hyper-endemic for TB and HIV, with the TB incidence rate of 326 per 100,000 and about 70% of TB patients were co-infected with HIV/AIDS. According to the Botswana National TB Program (BNTP) guidelines, all patients aged 15 years or older are screened for TB symptoms at healthcare facilities on their admission. Since October 2019, 11 out of the 936 malaria cases registered have died, surpassing the transmission rate of 585 cases recorded in 2018 during the same period. The Government remains committed to its efforts to eliminate malaria from the country through improved case management, and key vector control interventions, indoor residual spraying, and increased use of long-lasting insecticidal nets. Botswana's resolve is to eliminate new HIV infections by 2030, while reducing the cost of administering the HIV treatment program by up to 50%.

According to the 2022 State of the Nation Address, Botswana's HIV/AIDS incidence rate for 2013 was 1.33% and has since decreased to 0.2% in 2021, showing that the rate of new infections is decreasing. The HIV prevalence in 2013 was 18.5% and in 2021 it had increased to 20.8%, showing the efficacy of the country's treatment program. Botswana also exceeded the World Health Organisation 95-95-95 target. This shows that 95.1% of the adult population living with HIV know their status, and that, 98% are on treatment, while 97.9% of those who are on treatment, are virally suppressed. Botswana has also been effective in reducing Mother to Child Transmission of HIV and have reduced direct transmission from mother to child to 2.21%, surpassing the 5% global target. In recognition of the country's achievement, the World Health Organization awarded Botswana the Silver Tier Certificate. Botswana was on 20th September 2022, recognized and bestowed with a "National Achievement Award" by the Africa-America Institute (AAI), for effectively containing and managing the spread of HIV, Tuberculosis, and Malaria, among other accomplishments. Botswana continues to place equal emphasis on HIV prevention efforts that prioritize population groups more at risk of contracting HIV, such as, female sex workers, adolescent girls and young women, as well as people with disabilities, among others. The Government will also continue to prioritize districts with a higher disease burden in provision of HIV services. More emphasis will be put on other key elements of our HIV prevention strategy such as behavior change, condom use, voluntary male medical circumcision, and the use of pre-exposure prophylaxis (PrEP).

References:

https://images.assettype.com/xchange/2022-11/5189087b-5b2f-4825-8e96-d502c5fecfe5/Botswana_State_of_the_Nation_Address_2022.pdf

<https://www.avert.org/professionals/hiv-around-world/sub-saharan-africa/botswana>

<https://malariajournal.biomedcentral.com/articles/10.1186/s12936-020-03375-6>

10. Social Protection and Labor

Criteria Score: 4.6

10.a. Social safety net programs

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

The Government has maintained its pursuit of initiatives to protect the highly vulnerable members of society, through social protection, poverty reduction; and supporting people living with disabilities.

In FY2023/24, the Government is undertaking several initiatives to improve its social welfare systems and sustain livelihoods. These include: The Single Social Registry that will become effective in April 2023; The development of a harmonized eligibility system across all social welfare programs; The revamped Ipelegeng program which now encompasses agriculture, tourism and natural resource management; The review of the Botswana National Home-Grown School Feeding Program to have it implemented across all education levels and incorporate local food sourcing; The Government temporarily reduced the VAT rate (to 12% from 14%), and zero-rated cooking oil and gas to reduce the impact of the higher cost of living on vulnerable households.

References

https://www.finance.gov.bw/index.php?option=com_content&view=category&id=22&Itemid=108

10.b. Protection of basic labour standards

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5

Final Score	4.5
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Country Notes:

The labor protection landscape in Botswana has not changed. As a member of the International Labor Organization (ILO), Botswana is a signatory to a number of core international labor conventions. All 15 Conventions that the country has ratified are in force. The last convention ratified was in 2000 on the Worst Forms of Child Labor Convention (No. 182). There are also 59 additional Conventions that Botswana is yet to ratify. Botswana has several legislations on labor, including the Employment Act which regulates employment matters by laying down minimum conditions of employment for all employees, whether citizen or expatriate, and in the private or public sector. Information on work permit holders indicates the sectors where expatriate recruitment continues to be needed. There was a 1.8% decline in work permit holders from 3,523 in March 2021 to 3,458 in June 2021. The Agricultural sector continues to record the majority of the work permit holders with 25.0% followed by Education with 14.5%. Section 105 of the Employment Act prohibits the employment of children under the age of 15 in any capacity whatsoever. The Government demonstrated its commitment to the promotion of decent work by signing of the Botswana Decent Work Country Program for 2020 to 2024 with employers' and workers' representatives, as well as the ILO in February, 2020. The program serves as the primary framework for ILO support to the country and it seeks to realize the Decent Work Agenda as an effective means of sustainable poverty reduction. It is anchored on three pillars namely, Creation of Sustainable and Decent Employment, Enhanced Social Protection and Conditions of Work as well as Strong Labor Market Governance Institutions. Tripartite consultations on the review of some labor laws will be finalized in FY2020/21, paving way for the drafting of the Bills on the proposed changes to the laws, to align them with relevant international instruments. Some of the emerging labor issues from the COVID-19 pandemic were found not to be adequately catered for in Botswana's labor laws. For example, during the State of Emergency, regulations were introduced to prevent dismissals and industrial action. Government continues to commit to ensuring harmonious and peaceful industrial relations to promote socio-economic growth and development. This will be achieved through strengthening of the labour inspection system and review of labour laws to address gaps, facilitate ease of doing business, and align the Acts with International Labour Standards that Botswana has ratified.

References:

<https://botswana.un.org/index.php/en/103534-decent-work-country-programme-botswana-2020-2024>

https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/documents/publication/wcms_737032.pdf

10.c. Labour market regulations

Score Type	Value
Draft Score	4.5

Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

The labor laws in Botswana have not changed. They fall in five broad categories: Legislation (Employment Act, Workers Compensation Act, Trade Unions and Employers Organizations Act, Employment of Non-Citizens Act, Trade Disputes Act); Industrial Court Decisions (decisions of the Court create case law); Collective Agreements (terms and conditions of employment, dispute resolution procedures); Contract of employment (relationship between the employer and employee that is based on a contract); and Custom and Practice (Actions that are practiced and accepted over a period of time). In line with these respective labor legislations, Botswana has various labor market regulations, which are designed and effectively enforced. All labor legislation and practices are required to be in line with the Constitution. The most active program is the Ipelegeng scheme. The scheme has continued to provide economic opportunities to able-bodied vulnerable populations, absorbing the majority of otherwise temporary destitute persons as well as other unemployed populations at community level. However, there is limited information on its impact. Under its Economic Recovery and Transformation Plan post-COVID-19, the Government plans to reform the scheme to focus on infrastructure provision and maintenance using labor-based methods; and improve productivity through an output-based results system. The Government remains committed to strengthening of the labor inspection system and review of labor laws to address gaps, facilitate ease of doing business, and align the Acts with International Labor Standards that Botswana has ratified.

10.d. Community driven initiatives

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

According to the World Bank, community-driven development initiatives are the only safety net available to reach remote and vulnerable groups in a timely and credible manner. Such operations have a strong track record in moving funds quickly and flexibly in response to disasters and global crises such as the COVID-19 pandemic. For example, Botswana is making use of already established community centres around the country to roll out its National Vaccine Deployment Plan. The same centres have been equipped to provide COVID-19 testing services as well as push out regular messages on the COVID-19 safety protocols. There are several community-driven initiatives that have been integrated in eleventh National

Development Plan 2017-2023 (NDP 11), either as part of the social protection programs, as a way to conserve the environment, or to earn a living through tourism. They include: The Ipelegeng scheme that has continued to provide economic opportunities to able-bodied vulnerable populations, absorbing the majority of otherwise temporary destitute persons as well as other unemployed populations at community level; The Community Home-Based Care (CHBC), in which registered beneficiaries slightly declined by 7.2% to 1,218 in FY2018/19, from FY2016/17; The Government has maintained its efforts to promote sustainable utilization and management of natural resources by communities through the Community-Based Natural Resources Management (CBNRM) program. Under cultural heritage preservation, significant investments have been made in the development of monuments around the country to preserve cultural heritage through community participation and beneficiation. Eight sites are currently under development, inclusive of visitors' facilities. In an effort to empower citizens, Government has made strides in the privatization and management of campsites by citizens in protected areas, especially national Parks, to generate income and create employment. Hence, there has been increased citizen participation in the tourism sector in recent years; out of 2,107 licensed tourism businesses, 1,577 (74.8%) are citizen-owned, whilst 261 (12.4%) are joint ventures. At least 20 heritage sites and seven community museums have been identified for development during the remainder of NDP 11.

10.e. Pension and old age savings programs

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

The Pension and old age savings programs noted in the 2020 CPIA have not changed. The Government provides care for the less privileged persons through a wide range of social protection programs including Old Age Pensioners (OAP), Destitute Persons, Orphans and Vulnerable children, Community Home Based Care patients, World War II (WWII) Veterans, People Living with Disabilities (PLWD), and needy students. The OAP is for citizens only who are 65 years old and above. Eligible pensioners are required to register either with the Pension Officers at the District Commissioners Office, Service Provider or Headquarters (Social Protection Department). Currently, the pension allowance is BWP530.00 per month. Pensioners have a choice to access their allowance as cash from Service Providers in all pay points or monthly bank transfer to beneficiaries' bank accounts. In 2021, the Government began to issue Visa debit cards through the Botswana Savings Bank (BSB) to social benefits beneficiaries to enable them to access and withdraw cash at their convenience from BSB or any Visa-compliant Automated Teller Machine (ATM). BSB was appointed by the Ministry of Local Government and Rural Development to disburse social benefits for people with disability, the destitute, old age pensioners, and World War II veterans. The benefits, which are funded from the government budget, are adjusted periodically in accordance with changes in the cost of living. The Pension System was initiated in 1996. For public servants at both central and local levels, the government operates the Botswana Public Officers Pensions Fund (BPOPF), a Defined Contribution Pension Scheme. The Fund has experienced phenomenal growth since inception

owing to the overwhelming positive response from the entire public service as public servants exercised their option to join the fund. The BPOPF is regulated by the Non-Bank Financial Institutions Regulatory Authority, which is responsible for licensing and supervising all public and occupational pension and provident funds, fund administrators and investment managers. As of March 31, 2012, the BPOPF had 98,226 active members 6,518 deferred (or inactive) members, and 6,619 pensioners. The BPOPF asset base grew by 22.5% in 2021 to P82.3 billion, after contracting by 1.0% in 2020, as the returns on investments were adversely affected by the COVID-19 pandemic. Total membership stood at 163,699 in 2021, a decline from 164,163 in 2020 as members retired. As is required by the Pensions and Provident Funds Act, BPOPF is well managed. It has in place management structures, which enable it to function effectively. It is overseen by a Board of Trustees and has a secretariat, which is headed by a Chief Executive Officer who leads a team of professional managers. Provident funds are also allowed in the country although they are very few in number. Pension plans and provident funds cover both public and private sector employees. The Retirement Fund Act governs the administrators of funds. The reforms in the economic recovery and transformation plan (ERTP) include a proposal for an unemployment insurance scheme. It could also be extended to a broader national social security scheme, encompassing a broad-based occupational pension scheme, workers' compensation, maternity and sickness benefits.

Mid-term Review of NDP11 and the ERTP

<https://www.finance.gov.bw/images/NDP-ELEVEN/NDP11Mid-term-Review.pdf>

<https://www.bpopf.co.bw/sites/default/files/publications/2021%20BPOPF%20Annual%20Report%20Final%20Web.pdf>

11. Environmental Policies and Regulations

Criteria Score: 3.5

11. Environmental Policies and Regulations

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

The concept of a green economy aligns with the Government's vision 2036, in which environmental and social equity considerations are placed at the intersection of sustainable development. Botswana has made environmental sustainability a cornerstone of achieving its vision 2036, and it is integrated into the eleventh National Development Plan (NDP11; 2017-2023). To build climate resilience, the country

approved its national drought management strategy in 2019 and a National Adaptation Plan roadmap in 2020. The roadmap prioritizes climate change interventions in the agriculture, water, and health sectors in line with Botswana's commitments to the Paris Agreement - Botswana has committed to reducing its Greenhouse gas (GHG) emissions by 15% by 2030. Efforts to promote climate-smart agricultural practices have led to the development of a Botswana climate-smart agriculture roadmap. The 2021 National Climate Change Response Policy focuses on climate change governance, technological change, and investment. In 2020, Botswana developed and issued the Integrated Resource Plan for electricity generation over the next 20 years, covering renewable energy technologies such as solar photovoltaic, wind, Coal Bed Methane (CBM), concentrated solar thermal, and batteries for energy storage. The IRP was revised in 2022 to capture related initiatives including the Biogas Pilot Project, the Off Grid Solar Program, and the Rooftop Solar Photovoltaic Program amounting to 135 Megawatts (MW). The IRP aims to derive 30% of its energy mix from renewable sources by 2030, and 50% by 2036. In April 2021, a Memorandum of Intent was signed for the Mega Solar initiative, a partnership among Botswana, Namibia, Power Africa, the Bank, and the World Bank Group, to harness solar energy for domestic and regional power needs. Botswana has also strengthened its climate investment resource mobilization through the 2021 Green Climate Fund program on energy, clean technology, and natural capital.

Botswana ranked 35th out of 180 countries in the 2022 Environmental Performance Index after Seychelles (32nd) but before South Africa (116th). Key challenges in environmental management are the slow processing of Environment and Social Impact Assessments (ESIAs), and the low capacity to handle large and complex infrastructure projects that require ESIA studies. Botswana is building a strong institutional framework for environment management. Environmental regulations have been amended to allow for private outsourcing for review of ESIA studies, and environmental monitoring and auditing of projects. Botswana has strengthened its climate investment resource mobilization through the 2021 Green Climate Fund (GCF) country program, focused on energy, clean technology, and natural capital. Efforts to promote Climate Smart Agricultural (CSA) practices have led to the development of a Botswana CSA roadmap. To address the economic and social consequences caused by recurrent drought, the government of Botswana has elaborated a drought management strategy; an integrated and efficient water management strategy; and a National Adaptation Planning (NAP) framework. These aim to improve its climate change adaptation governance and enhance the national agricultural productivity, water productivity, and mitigate land degradation and desertification.

The Global Green Growth Institute's Green Growth Index (GGI) was used to measure Botswana's progress towards achieving green growth. The higher the score, the closer the country is to reaching green growth or sustainability targets. Over 2010 to 2021, Botswana's GCI score ranged from 57.2 to 59.1, well above Africa's mean score range of 48-50. The country's score was mainly driven by its high performance on cultural and social value (97.9), environmental quality (80.4), waste and material use efficiency (79.2), and green trade (78.2). The 2000 Botswana Tourism Master Plan promotes eco-tourism and preserves local culture and traditions. The country's biodiversity finance plan includes support from the National Environmental Fund (NEF) for community organizations implementing biodiversity conservation projects.

The one of the six national priorities in the country's two-year Transitional National Development Plan (TNDP) is Climate Change. More specifically, Guidelines for incorporating climate change into Environmental Impact Assessments will be finalized in 2023. Botswana is receiving technical assistance to embed climate change considerations in sectoral and infrastructure development plans through the IMF's Climate Public Investment Management Assessment.

iii. The Government is to mobilize climate financing through green bonds, participating in carbon credit markets, and accessing the Green Climate Fund (GCF), with seven projects worth USD 81 million already

approved GCF.

iv. There is EU support for Botswana's Green Transformation energy mix initiatives.

The country has a strong desire for Climate Transparency. For instance, in February 2023, Botswana completed phase one of a project through the Initiative for Climate Action Transparency (ICAT), and the results were presented in a Final validation workshop in Gaborone. It worth recalling that Botswana started working with ICAT and UNEP Copenhagen Climate Centre as implementing partner in late 2020. Focus was on conducting a needs and gap assessment for Measurement, Reporting, and Verification (MRV) of the energy and transport sectors, while at the same time strengthening institutional arrangements for MRV in the sectors. To ensure that the data was fully utilized, the work also consisted of capacity building for data management to track NDC implementation in the transport and energy sectors. Also, the Environment and Climate Change Portfolio has recently partnered with the government of Botswana through pilot projects to deliver on the 2030 Agenda representing a paradigm shift away from relationships based on delivery of activities to the development of shared understanding of challenges, solutions and roles in achieving the SDGs; coordination of multi-stakeholder partners; promotion of broad ownership of progress by all relevant stakeholders; strengthening issue-based coalitions and platforms; and leveraging greater knowledge, capacities and resources.

However, despite these efforts, there is lack of information on other sectors like Wildlife, Agriculture, Air and water pollution. There has also been the absence of the gender perspective in climate change policies. Despite government willingness to build a strong governance policy through dynamic institutions, there is need to adapt these institutions with the changing context of environmental challenges and Climate change implications in the country. Botswana does not have climate change-specific local (city-level) laws and policies, as far as could be established. Seemingly, climate change governance is the prerogative and mandate of central government. The two cities under consideration also have no climate change projects, although there could exist undocumented local climate change initiatives. In all, efforts at environmental management are hampered by a multiplicity of actors including weak coordination capacity, inadequate data, inadequate follow-up on environmental assessments, weak cost-benefit analysis of investments, and limited active engagement of citizens in environmental protection and management.

(D) Public Sector Management and Institutions

Cluster Score: 4.808

12. Property Rights and Rule-based Governance

Criteria Score: 5

12.a. Legal basis for secure property and contract rights

Score Type	Value
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Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

According to the Property Rights Alliance's 2023 International Index, compared to 2022, Botswana was ranked 44th out of 125 global countries, up from 56th/129 countries, with a 5.3% score gain. Botswana's ranking under the Physical Property Rights Subindex improved from 54th to 51st. Its Intellectual Property Rights Subindex rank rose to 78th from 99th, while its Legal and Political Environment subindex ranking was maintained at 33rd.

The 2019 Global Competitiveness Report ranked Botswana 45 out of 141 economies (down from 36/140 in the previous year) in terms of property rights, 39 in terms of efficiency of legal framework in settling disputes, 44 in terms of judicial independence, and 74 in terms of intellectual property protection.

The Constitution ensures the protection of private property and prohibits nationalization of such property. Botswana has an enabling policy framework for securing property and contracts rights, which conforms to international standards in terms of providing adequate investor protection. The Companies and Intellectual Property Authority was established in 2011 to promote and enable the full protection of the rights of investors obtained under the Companies Act, Registration of Business Names Act, Industrial Property Act and Copyright and Neighboring Rights Act. Botswana's Industrial Property Act (2010), in particular, provides a legal framework for the country's innovators to seek protection for their intellectual property (IP). Such protection ensures a commensurate return on investment in research and development and increases the trust in the ability to secure an IP and enforce its terms, both of which should support more growth of an innovative culture. Botswana is also a signatory to various conventions that facilitate the protection of property and is a member of the Multilateral Investment Guarantee Agency (MIGA), which, among other things, offers investors protection against expropriation and breach of contract. As such, expropriation by government is unheard of and the courts are generally independent and uphold contracts. Botswana's legal system is independent and not susceptible to political interference. The legal system is also sufficient to ensure that both domestic and foreign investors have equal access to the judicial system. Foreign courts' decision are enforced by the Botswana courts if such courts are deemed to have jurisdiction in a given case. The courts have adequate capacity to provide effective protection of property rights and most of their processes are automated.

Land is an important asset that can be used for credit and/or cultural collateral. Within the Government, the Ministry of Lands and Water Affairs provides the leadership and overall policy development, strategy and standards on land and water administration. Botswana's land sector reforms include changes to land-related statutes, specifically the Tribal Land Act and the Deeds Registry Act, with the goal of ensuring synergy and efficiency in land transactions. The Secure Land Title (SLT), an economic enabler which guarantees ownership and security of land tenure thereby facilitating access, was launched in June 2022. Land allocation to Botswana is a longstanding challenge but progress is being made. As of November 2022, the land allocation stood at over 33,000 plots in eight months. This is a huge increase from an annual average of about 8,630 plots per year. The Government is fast-tracking the change of land use and

sub-division of land for business through the establishment of a physical planning function at the Land Boards.

References:

<https://www.internationalpropertyrightsindex.org/full-report>

https://images.assettype.com/xchange/2022-11/5189087b-5b2f-4825-8e96-d502c5fecfe5/Botswana_State_of_the_Nation_Address_2022.pdf

12.b. Predictability, transparency, and impartiality of laws affecting economic activity

Score Type	Value
Draft Score	5.5
Reviewed Score	5.5
Second Draft Score	5.5
Final Score	5.5

Country Notes:

Botswana ranks among the top ten African countries on good governance. The 2022 Ibrahim Index of African Governance (IIAG) report ranked Botswana 5th out of 54 countries in overall governance and, with 66.9. However, the country registered lower scores in education and rural sectors, and public administration. Freedom of expression is guaranteed in the Constitution. The country emerged 65th out of 180 countries assessed in the 2023 World Press Freedom Index, representing a 30-step improvement over its 2015 ranking (95th/180). Botswana is the second least corrupt African country, with a global ranking of 35th out of 180 countries on Transparency International's 2020 Corruption Perception Index.

Botswana is a stable, democratic country with an independent judiciary system. The country has minimal labor strife. Industrial courts exist for labor-related matters. Botswana is a member state of the International Centre for Settlement of Investment Disputes (ICSID) Convention and of the 1958 New York Convention. Corruption in Botswana is relatively lower than in other African countries; nevertheless, foreign, and domestic companies – and Government of Botswana officials – report increasing perceptions of corruption related to public procurement processes. Minister of Finance Peggy Serame cited this increasing perception of corruption in Botswana in the Budget Speech in February 2023. Botswana has however improved slightly in the Transparency International's Corruption Perceptions Index from a 2021 score of 5.5 and a ranking of 45 out of 180 countries to a 2022 score of 6.0 and a ranking of 35 out of 180.

References:

12.c. Difficulty in obtaining business licenses

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

For a business to operate in Botswana, it must be registered with the Companies and Intellectual Property Authority (CIPA) for it to operate in Botswana. The company registration process with CIPA through the OBRS is streamlined and can be completed within a day. Furthermore, tax registration, integrated with BURS, offers a fast-tracked approach within 30 days. However, there are additional steps involved in the complete business setup, such as opening bank accounts and securing necessary licenses and permits.

In 2012, the Government established the Botswana Investment and Trade Center (BITC), by merging the Botswana Export Development and Investment Authority (BEDIA) and the International Financial Services Center (IFSC), which became a one-stop for assisting investors to secure licenses, work and resident permits, visa, utility connections and infrastructural facilities. The role of BITC is to ensure that the country has a conducive investment climate. BITC aims to assist investors comprehensively, from business setup to location selection. While the intentions of BITC are commendable, its efficiency varies depending on different government entities and bureaucratic requirements.

The Government is reforming its business climate through the Doing Business Reforms roadmap that includes an online company registration system that will shorten registration from three days to one. The Industry Development and Trade regulations (2020) allow for over-the-counter issuance of licenses and registration certificates. The registration of certain businesses, such as bricks, candles, fencing materials, school uniforms, signage, traditional leather products are reserved for citizens. The Government also supports joint ventures between local and foreign entities through significant funding opportunities via the Citizen Entrepreneurial Development Agency (CEDA).

The World Bank ranked Botswana 159 out of 190 in its ease of starting a business category - quite a low ranking. The country's starting a business score of 76.2 is less than the regional average of 80.1. The country's cost of doing business (0.6), expressed as a percentage of income per capita, is significantly less than the regional average of 36.3.

Although Botswana has made substantial efforts to ease the process of starting and operating a business, there remain bureaucratic challenges. Despite this, the processes are transparent, and unofficial payments are not hinted as being a regular or required occurrence.

References:

<https://www.rsm.global/botswana/news/business-licences-botswana-effective-june-2020>

12.d. Crime and violence as an impediment to economic activity

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

Crime and violence are not a major impediment to economic activity in Botswana. Still given that security is strategic, the Government continues to invest reasonably in security services to create a conducive environment for growth and economic diversification. The country has robust systems that limit access to small arms and ensure low level of political terror. The police are well intentioned and active in their efforts to prevent and combat crime although personnel and resource shortages limit the police's operational effectiveness. Botswana's legal system is generally effective in dealing with such crime. However, cyber crime is on the rise. The growing use of cyber and digital infrastructure, alongside fintech developments, presents growth opportunities. Such developments expand coverage and efficiency of financial services and convenience to customers, and ultimately enhanced financial inclusion. However, it exposes the country to cyber-risks and threats. The Government, working in concert with the private sector, developed a National Cybersecurity Strategy to provide a framework for a secure cyberspace in Botswana. The Strategy, which was approved in October 2020 and made available in January 2021, is aimed at the public, to raise awareness and build capacity among them to safeguard against cyber threats, for the industry and Government to always be prepared to prevent, defend and act against any cyber-attacks.

Therefore, the lives of citizens and their property are generally protected from crime and violence. Additionally, the right of peaceful assembly in Botswana is generally respected, although the police have sometimes dispersed assemblies using excessive force. The country conducts due diligence on companies that are looking to invest in the country and the Directorate of Intelligence Services (DIS) handles background checks for national security.

References:

https://www.itu.int/en/ITU-D/Cybersecurity/Documents/National_Strategies_Repository/00042_02_botswana-national-cybersecurity-strategy.pdf

13. Quality of Budgetary and Financial Management

Criteria Score: 5.125

13.a. Comprehensive and credible budget

Score Type	Value
Draft Score	5.5
Reviewed Score	5.5
Second Draft Score	5.5
Final Score	5.5

Country Notes:

Credibility: According to the Bank's Country Fiduciary Risk Assessment 2021 Update, Budget risk was rated Moderate. Budgeting in Botswana is guided by the Public Financial Management Act (PFMA) of 2011, as well as the Finance and Audit Act (Chapter 54) of the Constitution. The latest PEFA Public Financial Management Assessment Report (March 2020 self-assessment) rated budget reliability an overall B rating. This was on the back of very credible expenditure forecasting ability, available guidance, rules, and procedures for in year variations, albeit with poor revenue forecasting side given rather volatile global mining and SACU markets. Expenditure forecasts on the other hand continue to use the medium-term expenditure framework (MTEF), rather than single year forecasts, making the budget a very good predictor of actual expenditures.

Comprehensiveness: The budgets are presented in accordance with administrative and economic classification using GFS 1986 standards for both revenue and expenditure. While expenditure by function is presented in the budget book and annual accounts, it is derived through a manual reclassification of expenditure for reporting purposes. This procedure is long and difficult, highly prone to quality data problems due to human error and does not allow for the presentation of consistent information by function. That noted, the annual budget documentation is generally comprehensive as it captures all central government heads and line items. Overall budget allocations are aligned with national development objectives that are intended to deliver the National Vision 2036's overarching goal of "Prosperity for All" through poverty reduction, employment creation and equity. For FY2022/2023, almost 34% of the development budget was allocated to Sustaining Livelihoods; Business Environment Reforms; Digital Transformation; and Climate Change. The previous year's outturns for both revenues and expenditure are correctly presented in the same classification format as the budget proposal for ease of comparability. Medium-term fiscal forecasts, which include medium-term projections of expenditure, revenue, and fiscal balance, are included in the Budget Strategy Paper (BSP) and help guide the annual ceilings. In addition,

the Government has successfully introduced and implemented a People's Budget, publishing the budget in two languages (English, and Setswana).

Transparent and consultative: Botswana's budget process is very participatory, consultative and transparent. The formulation of the budget is vested in the Development and Budget Division of the Ministry of Finance (MoF). The MoF holds annual consultations with line Ministries, through thematic working groups (TWGs), to ensure that the budget's policy orientation is widely debated to incorporate their inputs on policy orientation and areas of interventions. These consultative workshops also serve to allocate resources to priority areas as per the Government's agenda. For FY2024/25, the budget preparation timetable started in May 2023 to allow for the priority areas identified and consistently incorporated in the related Budget Strategy Paper (BSP) and the Medium-Term Fiscal Framework (MTFF). The BSPs are generally disclosed on the MoF website to guide the annual budget preparation process. For example, the FY2024/25 BSP addresses global economic slowdown, COVID-19 effects, and the need to prioritize food security and climate change. The BSPs are discussed extensively at and revised through various budget consultation forums, increasing the understanding amongst key stakeholders of the broader macro-fiscal issues that guide both the budgeting process and the prioritization of budget allocation. For example, the MoF held its annual budget pitch with general stakeholders and local authorities in late September 2022. The meeting informed the stakeholders in both the private and public sectors about the budget process and the use and allocation of available resources. The meeting was based on the BSP that outlined the performance and outlook of the domestic economy, the national priorities and budget estimates for FY2023/2024. The revised BSPs feed into the budget speeches which are presented to Cabinet for consideration and approval in January each year and finally presented and debated at the National Assembly in February.

The International Budget Partnership, in collaboration with Botswana Watch, conducted an Open Budget Survey in 2021. The purpose of the survey was to assess availability of information and disclosure of Government's budget decisions to the citizenry. The survey also assessed the Government's budgeting process in terms of transparency, public participation and budget oversight. The findings of the survey showed that Botswana scored 34% in 2021; 4% below its 2019 score of 38%.

Reform: According to the FY2023/24 Budget Speech, the MoF increased its efforts towards transparency and public participation during the 2022 Budget preparation by engaging diverse stakeholders such as students, people living with disabilities and also the use of social media platforms. The MoF is also exploring the possibility of conducting the budget consultations outside Gaborone to encourage more participation of Botswana. It is planning other ways to address any transparency gaps through timely and more frequent publication of budget reports as well as public education.

References:

<https://www.pefa.org/node/241>

https://www.finance.gov.bw/images/Budget-Strategy-Papers/2023-24_Budget_Strategy_Paper_Draft_September_2022_Version_for_Pitso.pdf

https://www.finance.gov.bw/images/speeches/Minister/2023BudgetSpeechDocs/Kaedi_ya_Batho_2023__06_February_2023.pdf

https://www.finance.gov.bw/images/Budget-Pitso/CLOSINGREMARKS_BUDGETPITSO.pdf

https://www.finance.gov.bw/images/DevelopmentandBudget/2024-25/2024-2025_BUDGET_SCHEDULE-_FINAL_MAY_2023_-_published.pdf

https://www.finance.gov.bw/index.php?option=com_content&view=category&id=26&Itemid=161

https://www.finance.gov.bw/index.php?option=com_content&view=article&id=585&catid=22&Itemid=108

13.b. Effective financial management systems

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

Botswana has continued to make progress in implementation of PFM reforms in several areas. Some of the key achievements include the adoption and implementation of the Medium Term Fiscal Framework (MTFF) and Medium Term Expenditure Framework (MTEF); Public Investment Program; Treasury Single Account (TSA); Government Accounting and Budgeting System; the transition from cash to accrual accounting including the adoption of IPSAS; accounting policies consistent with the requirements of IPSAS, GFS 2001/2015 and COFOG; People's Budget in three languages (English, Setswana and Braille); and Development Projects Management System to improve the monitoring and evaluation of projects management. The Government has also adopted a risk management policy and the enterprise risk management framework, and established Cash Management Unit, Cash Management and Liquidity Committee, and Audit Committee. Furthermore, the Government has adopted Public Assets Management policy and Medium-Term Debt Strategy. The PFM Coordinating unit has been strengthened with the addition of full-time PFM Reform Program Coordinating Unit Coordinator. A Deputy Coordinator-PFM Reforms was appointed in September 2023.

In the area of public procurement, major strides include the promulgation of the Public Procurement Act, 2021, aimed at substantially addressing the deficiencies of the 2001 Act, and establishment of a Public Procurement Regulatory Authority and Procurement Tribunal, in addition to the e-procurement Strategy, and Public Procurement Policy and Procurement Governance Model. Following significant improvements in Botswana's handling of its anti-money laundering (AML) and counter-terrorist financing (CTF) regimes,

the Financial Action Task Force (FATF) removed Botswana from its greylist of jurisdictions at its plenary held on 21 October 2021 in Paris.

Despite the above improvements, a number of risks have been identified that need to be addressed. These include weaknesses in the accounting and reporting system due to incomplete reconciliations, delayed clearance of reconciling items and suspense accounts; and inadequate coverage by internal audit. The CFRA also noted several elevated risks that impaired the overall information integrity, including weak account reconciliation functions, exacerbated by a large backlog of unreconciled items, poor structures for audit recommendations follow up, and limited data on the stock of arrears. Approval of the PFM Bill also continues to face delays and consultations are still ongoing.

References:

<https://www.pefa.org/country/botswana>

13.c. Timely and accurate fiscal reporting

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

Fiscal Reporting continues to be guided by the PFM Act 2011, and the Finance and Audit Act (chapter 54) and supporting procedure manuals. Government accounting runs on an integrated financial management information system (IFMS) called the Government Accounting and Budgeting System (GABS). GABS runs on Oracle and has been in place since the mid-2000s. Accounting policies are consistent with the requirements of IPSAS (currently cash with intentions to migrate to accrual), GFS 2001/2015 and COFOG. The accounting policies have been developed along with the reporting templates and financial statements formats, however alignment of the chart of accounts (which is still per the GFS 1986 standards) to the new format is yet to be effected. User access to GABS and related software systems is controlled by passwords. This and clear segregation of duties as guided by the Financial Instructions and Procedures safeguard financial integrity. Access and changes to records are restricted and recorded, and results in a usable audit trail.

Comprehensive budget execution and monitoring reports are posted on the intranet each month and are consistent with the approved budget.

Management of domestic, foreign debt, and guarantees is based on satisfactory practices, maintained on the Commonwealth Secretariat –Debt Recording Management System (CS DRMS), timeously, as and when the transactions occur. There are adequate fiscal policies and procedures in place to guide the debt management process.

Numerous challenges however still beset the system, such as: While necessary account reconciliations are done regularly, a backlog remains to be addressed as late reconciliation of accounts has been identified by the Auditor General as an issue for rectification for several years; Bank account reconciliations are undertaken each month, but this is not exhaustive, as several accounts were reported as not reconciled; There are difficulties reconciling accounts due to poor referencing of some transactions; Long outstanding reconciling items are also an issue, with some aged more than 10 years; Suspense accounts are reconciled regularly, but they tend not to be cleared on a timely basis, with several accounts showing persistent high value balances; Advance accounts are reconciled regularly. However, these too show long outstanding balances which need to be investigated and cleared; The Government maintains a record of its holdings in major categories of financial assets, but the information on each asset is not fully aged; The Government maintains an asset register in which some fixed assets are recorded. However, the information is partially available as the records only reflect acquisition date and the asset descriptions. While general procedures for asset disposals are well enunciated in the Public Procurement and Asset Disposal Board Act (PPADB), procedures on transfer of non-financial assets between government entities have not clearly spelt out.

The Government is pursuing efforts to clear the long-standing reconciling items, as well as the general PFM Reform Program to eventually adopt accrual accounting basis, which basis will require more dedicated asset management and control procedures. The accounts are audited annually by the Office of the Auditor General. The audits are carried out in accordance with best practice and generally meet the standards of independence set by the International Organization of Supreme Audit Institutions (INTOSAI). Audited public accounts are prepared on a timely basis and presented by the Finance Minister to the National Assembly within a period of seven (7) months and thirty (30) days from the end of the FY, as per the Public Finance Management Act (S42). A review of expenditure anomalies as identified through external audit is done through a Parliamentary Public Accounts Committee (PAC). All central governments appeared before the PAC and the hearings are held in public. The reporting risks therefore range from incomplete reconciliations, delayed clearance of reconciling items and suspense accounts, to inadequate non-financial asset transfer procedures and records. In addition, although the characteristics of external audit are good, there is a lack of a comprehensive follow-up structure for audit recommendations. The Government is pursuing efforts to clear the long-standing reconciling items, as well as the general PFM Reform Program to eventually adopt accrual accounting basis, which basis will require more dedicated asset management and control procedures.

Internal Audit is operational for all central government entities in line with the provisions of the PFM Act. The Department of Internal Audit subscribes to the Institute of Internal Auditors standards in the conduct of its audits. The related quality assurance is in place, supported by an internal manual and other related tools. However, the number of audits actually conducted generally fall short of the annual audits planned. The majority of audit recommendations are implemented, although some responses are not always timely.

References:

<https://www.finance.gov.bw/images/LawRegulations/Public%20Finance%20Management.pdf>

PEFA Reports: <https://www.pefa.org/country/botswana>

13.d. Clear and balanced assignment of expenditures and revenues to each level of government

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

Budgetary resource allocations continue to be guided by the national development plan (NDP), which articulates the government's long-term development plans and priorities over a six-year period. The eleventh National Development Plan 2017-2023 (NDP 11) expired in March 2023. In October 2022, Parliament approved the deferment of NDP12 to FY2025/2026, to accommodate crucial reforms to the national planning system. In the interim, Botswana is following a 2-year Transitional National Development Plan (TNDP - FY2023/2024 and FY2024/2025). Accompanying the TNDP is a Public Investment Programme (April 2023 to March 2025). The PIP covers investment projects and other development expenditure items of Central Government, Local Authorities and State-owned Entities which are financed wholly, or partially by Government. The PIP aims to ensure that: Public sector investments are aligned to Vision 2036 pillars; Identified projects and programmes support strategies of the TNDP; Resources are channelled to priority areas and spread over the Plan period consistent with available funding and capacities; and Outputs and outcomes impact positively on the lives of Botswana. The PIP details a pipeline of programmes and projects planned for implementation in the medium term. It provides an estimate of the amount of investible resources that are projected to be allocated to various Ministries, Departments and Agencies to drive the national development agenda during the two years (April 2023 – March 2025) of the TNDP.

The 2020 PEFA reported that transfers to subnational governments are primarily based on the availability of resources as well as historical trends, and that subnational governments are allowed six weeks to complete their budget planning in a timely manner. Cabinet is immediately given the feedback on the subnational budget, so the process is fully transparent. There is no system or formula process such as indicative planning figures used to formally determine how funds are allocated. However, the budget process discloses the allocations to be made to entities well in time to guide budget preparation and for timely and fully predictable budget releases to sub-national government entities. The budget management process was improved with the adoption of a Medium-Term Expenditure Framework (MTEF) that provided an explicit link between NDP priorities and budget allocations. However, the 2020 PEFA found that the link

between the framework, the indicative planning mechanisms and the MDAs strategic planning was not fully developed to support the strategic allocation of resources. The budgeting process for recurrent and development expenditures continues to be done separately.

References:

https://www.pefa.org/sites/pefa/files/2020-07/BW-Mar20-PFMPR-Public%20with%20PEFA%20Check_0.pdf

14. Efficiency of Revenue Mobilization

Criteria Score: 4.75

14.a. Tax policy

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

The Ministry of Finance (MoF) is responsible for formulation of taxation policies and review of tax legislation, to achieve economic policy goals and objectives, and to raise domestic revenues to finance government budget in a sustainable way, without discouraging private sector investment. As stated on their website, MoF is also responsible for negotiating double taxation avoidance agreements to counter tax evasion and to avoid double taxation of income. Double Taxation Avoidance Agreements help attract foreign direct investment. The Ministry undertakes research and revenue forecasting in order to advise fiscal policy makers. It serves as the Secretariat for SACU activities at national level and ensures ratification of trade agreements related to customs. Diamonds account for more than 80% of export earnings in Botswana. Therefore, revenues are dominated by mineral and customs and excise receipts, which are vulnerable to fluctuations in exchange rate and mineral prices. As a result of the COVID-19 pandemic and subsequent lockdowns, mineral revenues as a proportion of total government revenue (including grants) are projected to fall to 22% in FY2021/2022, from 32% in FY2020/2021. Botswana's personal income-tax rates remain progressive, ranging from 5% to 25%. Company tax is 22% for resident companies and 30% for non-resident companies, except for approved manufacturing companies (15%), International Financial Services Centre (IFSC) Companies (15%), and Pension and Provident funds not

approved by the Commissioner (7.5%). Effective April 2021, the Value Added Tax (VAT) rate was increased from 12% (which had been lower than Botswana's comparators in the SACU region) to 14%, and the threshold at which income earners become liable for income tax raised from P36,000 to P48,000.

Tax reform measures implemented with 24 months and how they have affected that tax base

In July 2022, the MoF announced a set of interventions valued at P1.8 billion aimed at easing the cost of living. They included a reduction of the Value Added Tax rate by 2 percentage points to 12% from 14%, and zero-rating cooking oil and liquid petroleum gas both for six months from August 01, 2022. While these temporary reforms narrowed the yield from the tax base, the total tax revenue remained buoyant on the diamond tax revenues. The sanctions on Russia, the world's top supplier of diamonds, as a result of the Russia-Ukraine war have kept Russia's diamonds out of the US and European markets, making Botswana the dominant supplier of rough diamonds, boosting the country's balance of payments and fiscal earnings in an environment of diamond supply shortages and strong prices. The Debswana Diamond Company, which accounts for almost all of Botswana's diamond exports, has been operating at full capacity to meet this demand with its sales of rough diamonds increasing by 54% in the first six months of 2022 compared to the same period in 2021.

An overview of the tax structure and contribution of each kind of tax to total tax revenue

Taxes in Botswana are structured as follows:

1. Income Tax: The base is business taxable income; and employment income. The corporate tax rate is 22%, while that for individuals (residents and non-residents) ranged from 5% to 25%, depending on the taxable income threshold. This also applies to the capital gains tax. There is an incentive for export-oriented businesses operating in Special Economic Zones, which include a 5% corporate tax for the first 10 years and 10% thereafter; waiver of transfer duty on land and property; and Property tax exemption for the first five years of operation.

2. Withholding Tax: Employers are required to withhold tax (PAYE) at the prescribed rates from all payments of remuneration. Statutory WHT Rates on certain payments range from 3% to 10%, depending on the nature of payment (whether it is Directors' feed, commission/brokerage fees or dividends, commercial royalties). Exemptions to WHT include Payments of dividends, commercial royalties, management or consultancy fees or interest, by an IFSC company or an exempt Collective Investment Undertaking (CIU) to a non-resident person, IFSC company or another CIU; Payments in respect of accommodation in a hotel, motel, lodge or guesthouse; and Rental payments and commission payments amounting to less than P48,000 in any tax year.

3. Capital Transfer Tax: If done by a company, the rate is 12.5%. If done by any other entity, the rate ranges from 2% and 5%. 4. Transfer Duty on immovable property: The rates range from 5% to 30%, depending on if it's a citizen or non-citizen carrying out the transfer.

5. Value Added Tax: Standard rate - up to 31 March 2023 is 12%; and the rate - with effect from 1 April 2023 is 14%. Zero-rated supplies include Exports of goods and services; International transport services; Supplies of going concerns; Sorghum, maize meal, millet, wheat, sugar and flour for human consumption; Fertilizers for farming purposes, some pesticides; Supplies to the Head of State; brown bread and bread

flour, vegetables and fruits in their natural state, and the first 5,000ltrs per month of water supplied to a residential dwelling by the Water Utilities Corporation. Exempt supplies include Certain prescription drugs and condoms, Residential accommodation, Education at approved institutions, Public medical services, non-fee based financial services, donations and grants.

6. Transfer pricing: Botswana Transfer Pricing Legislation (TP) and Regulations came into effect on 1 July 2019. The law requires transactions between directly or indirectly connected persons to be consistent with the arm's length principle. The Commissioner General is empowered to request the taxpayer to submit the equivalent of an OECD Master File within 7 days from the date of the request in cases where transactions with a connected person exceed P 5 million; and restate taxable income in line with the arm's length principle.

Contributions to total tax revenue:

FY2020/21: Income taxes = 35%; Taxes on goods and services = 20%; Customs Union Receipts = 43%; Other = 1%

FY2021/22: Income taxes = 44.35%; Taxes on goods and services = 24.20%; Customs Union Receipts = 31.43%; Other = 2.1%

FY2022/23: Income taxes = 51%; Taxes on goods and services = 19%; Customs Union Receipts = 28%; Other = 2%

% of Tax Revenues	FY 2020/21	FY2021/22	FY2022/23
Income taxes	35	44.35	51
Taxes on goods and services	20	24.19	19
Customs Union Receipts	43	31.28	28
Other	1	2.2	2

Tax revenue performance

Tax revenue has consistently formed the bulk of total revenue, ranging from 90% in FY2020/21, and 89.8% in FY2021/22, to 97.9% in FY2022/23 and 98% in Q1 OF 2023/24. Mineral royalties and dividends are included under mineral tax, hence forms part of the tax revenue.

References:

https://www.finance.gov.bw/index.php?option=com_content&view=article&id=35&catid=21&Itemid=155

https://www.finance.gov.bw/images/Budget-in-brief/2021_Budget_in_Brief.pdf

14.b. Tax administration

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

According to the Botswana Unified Revenue Service (BURS) website, the BURS performs tax assessment and collection functions on behalf of the Government and takes appropriate measures to counteract tax evasion on the one hand, and to improve taxpayer service to a much higher level on the other. In fulfilment of this mandate, the BURS Act has empowered the BURS to Administer and enforce the revenue laws; Promote compliance with the revenue laws; Take such measures as may be required to improve service given to taxpayers with view to improving efficiency and maximizing revenue collection; Take such measures such as may be required to counteract tax fraud and other forms of tax evasion; Advise the Minister on matters relating to the administration and collection of tax; and Perform such other functions in relation to tax as the Minister may direct. The revenue collected by BURS (income tax, VAT, fuel levy, WHT, and capital transfer tax) is transferred to the Government's TSA account and other designated agencies every 2 to 3 days a week in order to make available the funds as soon as possible in support of cash management and any untimely spending. Some of the funds ultimately belong to the SACU pool, and transfers to the SACU pool are done on a quarterly basis or when SACU calls for the funds. This is in line with the arrangement made between SACU and BURS.

In terms of access, taxpayers have easy access to comprehensive, user friendly and up-to-date information tax liabilities and administrative procedures for all major taxes. The Revenue Administration supplements this with active taxpayer education campaigns. In demonstration of this, BURS won the third prize at the 2022 Consumer Fair held in-country. The impressive BURS stall captivated both the judges and the visitors with quality information from the stall managers. Through a self-service point set up by BURS, taxpayers were able to file their Returns at the stall as well as check their general compliance status.

Since 2021, BURS has implemented a variety of initiatives to enhance customer service. These included conducting taxpayer education workshops, raising awareness on utilisation of e-services platforms and the establishment of the taxpayers' Contact Centre. BURS also continued to engage stakeholders on improving its service delivery (the Lekgetho Live, launched in FY2020/21, makes available online all the critical taxpayer services such as registration, filing and payment); and also renewed or entered into partnerships with relevant stakeholders to strengthen relationships and enhance the customer experience (BURS and the South African Revenue Service, entered into an arrangement in November 2018 to facilitate the automatic exchange of Customs information in accordance with the SACU Agreement. In 2020, Botswana finalised the Customs System interface and data exchange with South Africa and the interface went live. Botswana signed a similar agreement with Zambia, which will ensure that the benefits of the Kazungula Bridge One Stop Border Post are realized).

BURS is expected to complete several initiatives in FY 2023/24 aimed at improving revenue mobilisation. These include: Electronic billing/invoicing platforms to improve VAT compliance; A digital marking and tracking solution for excisable goods to ensure that legitimate duties and taxes are paid on imported and manufactured products; Enhanced use of scanners to curb cases of non-compliance by importers at ports of entry; Focussed tax debt recovery efforts; and Strengthening of the tax audit function and the capacity of the Large Taxpayers Unit. These reforms are expected to also discourage any corruption avenues. New tax legislation (including a revised Income Tax Act, Value Added Tax Act, and a new Tax Administration Act) are to be enacted. These Bills are expected to modernise the Botswana Code and support revenue mobilisation efforts. Following the expiry of the extended tax amnesty on 30 June 2022, these initiatives all confirm that there is an ever increasing need for taxpayers to actively ensure compliance with tax legislation, and to work with BURS on a proactive basis to ensure that their tax records are in order.

BURS has appeal structures that enable taxpayers to enjoy further right to appeal the objections' decisions to an independent Board of Adjudicators and subsequently to the Courts. The appeals mechanism to tax assessments is outlined on the BURS website. There are separate procedures to be followed when making an objection, and making an appeal to a tax assessment on Value Added Tax and Income Tax. According to the BURS annual report 2021, 30 objections were brought forward from 2020 and 29 were received. Out of the 59 objections, 34 objections (58%) were settled and 25 were not finalized and therefore carried forward to 2022.

According to the Government of Botswana website, decisions of the High Court and Court of Appeal are available by email to members of the public who pay to receive them quarterly throughout the year. Physical copies of these judgements are only available at the High Courts.

In terms of Cost of Collection, In FY2020/21, for every P1.00 that BURS spent, the benefit to the Government in return was P49. 00. Compared to the previous year's cost to collection ratio which was P1/50.30, this indicates that the return per Pula spent was lower by P1.30 in 2020/21. The decrease in the cost to collection ratio was as a result of the slight increase in costs.

Any efforts that have been done to reduce corruption.

The Integrity and Internal Investigations Office in BURS was set up in September 2009, and charged with the responsibility to promote and cultivate high standards of ethical conduct among BURS employees. This has been done by establishing and implementing a robust and dynamic program with associated systems and procedures to process, review, and investigate allegations of illegal or criminal acts such as bribery, fraud, conflicts of interest, embezzlement, violations of BURS standard of conduct and misconduct on the part of BURS employees. BURS has 'Zero Tolerance' for the commission or concealment of fraudulent and illegal acts, and through this office allegations of such acts are investigated and pursued to their logical conclusion including instituting legal action, criminal prosecution and disciplinary action where warranted. The office has a "Confidential Hotline"; a vehicle to allow BURS employees and stakeholders to report suspicions of fraud, corruption, maladministration, misappropriations, and unethical business practices anonymously and confidentially without fear of reproach. The public can also use the "Stop Fraud" icon on the BURS website to report any observed fraudulent transactions.

Number of corruption cases reported

BURS strives to ensure that its employees are aware of corruption issues to ensure that they keep away from corrupt activities. To this end, BURS continued to raise awareness on corruption issues by publishing articles in the BURS Newsletter, however these are not available online to properly assess the number of corruption cases reported.

Changes in tax administration costs over time (past 24 months).

Information is provided above, under Cost of Collection.

https://www.finance.gov.bw/images/speeches/Minister/2023BudgetSpeechDocs/2023_Budget_Speech_06_February_20

<https://www.pwc.com/bw/en/assets/pdf/botswana-budget-2023-24.pdf>

<https://www.burs.org.bw/images/img/CONSUMER%20FAIR%20AWARD.pdf>

<https://www.burs.org.bw/index.php/tax/objections-and-appeals>

<https://www.gov.bw/legal/distribution-judgements>

https://www.burs.org.bw/?option=com_phocadownload&view=category&id=71&Itemid=152

15. Quality of Public Administration

Criteria Score: 4.667

15.a. Policy coordination and responsiveness

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

Botswana's national development plans (NDP)The NDP11 provides the main framework for policy coordination within the government and for consultation with other key stakeholders. The government's medium term development strategy, the current 2-year Transitional NDPNDP11 and Vision 2036 (Achieving Prosperity for All), clearly articulate responsibilities by each sector and respective executing institutions/ministries/departments are clearly indicated, as well as time-bound expected deliverables. Both Monetary Policy and Fiscal Policy are informed by the medium-term macroeconomic framework. In order not to have conflicting directions of policy, it is important that the two policies are coordinated. Botswana has demonstrated this with its COVID-19 intital relief package in 2020 and 2021. Both policies have been accommodative to support economic growth. Fiscal policy was expansionary through the increased public expenditure to support employment, stabilize businesses, purchase strategic supplies and services, ease doing business through a raft of targeted fiscal policy incentives, and to finance a post COVID-19 recovery plan. To boost liquidity and reinforce financial stability, the Bank of Botswana eased monetary policy and access to central bank liquidity by commercial banks, by reducing the bank policy rate, and the prudential capital adequacy ratio, among other policy measures. Botswana's fiscal policy has been empirically proven to adjust to its own and the South Africa monetary policies through the monetary policy impact on interest rates and the exchange rate crawling peg mechanism, and therefore debt.

According to BTI 2022, Botswana had a score of 9/10 for Policy Coordination, noting that the government has sustained effective and efficient coordination of its policies and maintained its rolling national development plans (NDPs), which is aligned to the country's Vision 2036, as a framework for defining development priorities.

References:

BTI 2022: Botswana : BTI 2022 (bti-project.org)

http://econrsa.org/sites/default/files/day_2_-_duduzile_ndlovu.pdf

<https://www.bankofbotswana.bw/press-release/media-release-response-impact-covid-19-pandemic>

<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#B>

<https://home.kpmg/xx/en/home/insights/2020/04/botswana-government-and-institution-measures-in-response-to-covid.html>

<https://ir.lib.uwo.ca/cgi/viewcontent.cgi?article=1833&context=economicsresrpt>

15.b. Service delivery and operational efficiency

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The e-Government strategy was developed during the first part of NDP10. It outlined a pragmatic roadmap to effectively provide Government services online in order to improve public service delivery and accelerate the uptake and usage of ICT across all segments of society. The current Government Data and Network, Data Centre and Information Technology Systems however do not meet today's needs and expectations, due to their old age, and declining reliability. Hence, this does not adequately support efficient public service delivery. Similarly, Government information technology officers generally lack the requisite skills to maintain and support the ICT infrastructure and services, leading to slow uptake of new ICT new initiatives and insufficient maintenance to existing systems and services. The current postal network is outdated and requires upgrading to increase the national footprint. To this end, the focus in NDP 11 has been on rehabilitation of the existing postal network to facilitate and enhance quality service delivery. Given the wide reach of the postal network, and its close proximity to the rural areas, the investment in the development of the postal sector will enable the sector to become a facilitator of a converged service delivery approach for Government and the private sector. Concentration in this area will allow for much wider synergies, collaborations, Public Private Partnerships, and a general convergence of service delivery. A draft decentralisation policy was prepared and finalised and, as of March 2023 was awaiting adoption by Parliament finalisation. The goals of the policy are to promote equitable and sustainable development, enhance citizens' participation in their own development, as well as to ensure

more flexible and responsive service delivery. This would also empower citizens to actively participate in planning, financing, implementation and evaluation of all local development and service delivery activities and holding their leaders accountable. In the interim, the Ministry of Local Government has developed a National Decentralisation Strategy aimed to improve capacity and coordination amongst stakeholders at different levels of government to enhance performance, efficiency, equity and sustainability of public spending. In this spirit and intent, 22 sub-districts were upgraded to fully-fledged District Councils.

A laudable feature of the Government of Botswana's organizational structures relates to the clear functional lines with very little duplication of efforts and business processes, which are reviewed regularly to enhance efficiency of decision making and implementation. The government recognizes that as the main provider of services, the public service evidently influences competitiveness in service delivery to a great extent. Through various training programs, the government has been equipping civil servants with the necessary leadership and managerial skills and competencies to improve service delivery.

Digital Transformation in public service delivery remains a national priority in the current two-year Transitional National Development Plan that covers FY2023/2024 and FY2024/2025. A strong and affordable digital ecosystem will support Vision 2036. Digital transition is to be effected through moving Government services online (E-Government Initiative and the Village Connectivity Project); leveraging smart technologies to address food security; and transforming the education sector.

15.c. Merit and ethics

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

Botswana has the structures in place that promote ethical behavior in the civil society. The Ethics and Integrity Directorate (EID) was established in January 2020, primarily to receive declarations of assets and liabilities from public officials. The Directorate also carries out monitoring and legal enforcement, asset declaration and management functions, including the developing guidelines for conflict of interest, and a code of ethics and overseeing its implementation. The Directorate of Public Service Management (DPSM) oversees the recruitment and promotion of civil servants. DPSM closely implements a policy that is based on merit and performance to enhance the efficiency and effectiveness of the public service. The DPSM provides leadership in the recruitment and placement matters by public sector entities through established selection criteria for appointments, promotions and transfer related criteria, all based on the principles of merit and public service regulations. The DPSM also offers opportunity of appeal on recruitment matters through processing of such appeals and facilitates its submission to respective appeal organs. The 2019 GCR ranked Botswana 32 and 53 out of 141 countries in terms of incidence of corruption and conflict of

regulation, respectively. The country was maintained its rank of ranked 5th out of 54 on the “Transparency and Accountability” indicator according to 20220 Ibrahim Index of African Governance, although there was a downward trend in this score.

Botswana also ranks very high in the 2022 Corruption Perception Index (CPI) with a score of 60/100, which is an improvement from the 2021 CPI; with a governance index of 6.81/10 in the BTI 2022

15.d. Pay adequacy and management of the wage bill

No score data available for this subcriteria.

16. Transparency, Accountability, and Corruption in the Public Sector

Criteria Score: 4.5

16.a. Accountability of the executive to oversight institutions

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

The Executive-Legislative separate functions are defined by the Constitution. The PFM Act (S5) lays down the Finance Minister's responsibilities to the National Assembly. These include: The Minister shall, annually, present to the National Assembly a report on the current and projected state of the economy; the finances of Botswana; and the fiscal policy of the Government. The Minister shall also ensure that a complete report is made to the National Assembly that sets out recent trends and development indicators of the national economy; forecasts; and any other information in respect of assets and liabilities that may be considered appropriate by the Minister. The Finance Minister also presents a full account of the audited annual financial reports to the National Assembly. An oversight institution from the National Assembly is The Public Accounts Committee (PAC) that receives responses to audit queries from MDAs, among other duties exists. The Constitution (S47(1)) provides that the executive power of the country shall vest with the Office of the President. Section 86 provides that parliament shall have the power to make laws, while Section 95(1) establishes the High Court which shall have jurisdiction to hear or determine any civil or criminal proceedings under any law.

In spite of this, In Botswana, all members of the Executive are drawn from Parliament, blurring the line between the two arms. As of 2021, Parliament was made up of 57 members and six specially elected members. Of these, nearly half (34) were ministers and assistant ministers in the Executive. The resulting lack of accountability and balance of interests is particularly evident during parliamentary debates and the broader law-making process. While it is Parliament's principal responsibility to formulate laws, this function is increasingly controlled and driven by the Executive. For example, the principle of collective responsibility requires that any motion brought before Parliament receives at least 18 votes in its favor. Given its dominance in Parliament, the ruling government – the Botswana Democratic Party (BDP) – rarely loses a motion. While the President is indirectly elected by parliament, the executive is generally more powerful than the National Assembly, which is directly elected by the people. In practice, parliament is just a mere department within the Office of the President, under the executive. The imbalance that exists between the executive and other branches of government means that parliament is rendered weak in discharging its functions. It does not have its own budget or administrative staff. The president also has the power, conferred by Sections 90 and 91 of the Constitution, to convene and dissolve Parliament at any time. Consequently, Botswana parliament lacks independence from the executive, which compromises its role as a watchdog of the executive. Botswana ranks among the top African countries on good governance. The 2020 Ibrahim Index of African Governance (IIAG) ranked Botswana 5th out of 54 countries in overall governance in 2021 and, with a 68.1 score, 12 countries have declined in all 4 underlying sub-categories of Security & Rule of Law since 2012, including 3 of the 5 highest scoring countries: Botswana (3rd). However, the country registered lower scores in education and rural sectors, and public administration.

Although Parliament has some oversight functions, it is limited in what it can practically achieve. For example, Section 50(1) of the Constitution states that the Executive shall be responsible to Parliament 'for all things done by or under the authority of the President, Vice President or any Minister in the execution of his office.'⁴² This clause is justified, allowing Parliament to investigate abuses of office, misconduct, mismanagement and incompetence. However, the principle of collective responsibility makes it difficult for Parliament to hold individual members of the Executive accountable. Parliament's most potent weapon then is the motion of no confidence as provided for by Section 92 of the Constitution, but this has its own negative results, including the dissolution of Parliament. The Bank's 2020 Country Policy and Institutional Assessment (CPIA) ranked Botswana 2nd out of 54 countries under the governance cluster with a score of 4.9 out of 5, unchanged from 2018. The Bank's 2020 Country Resilience and Fragility Assessment (CRFA) classified Botswana as being strong in justice but with low capacity to manage externalities and regional spillover effects. The country emerged 65th out of 180 countries assessed in the 2021 World Press Freedom Index, representing a thirty-four-step improvement over its 2020 ranking, with a score of 64.6%, against the previous's 58.5%.

His Excellency, President Masisi appointed a Presidential Commission of Inquiry in December 2021 to review Botswana's 1966 Constitution. The Commission published its report of findings in September 2022, in which it presented several recommendations, including the retention of the parliamentary system, the appointment of all Cabinet Ministers from Members of the National Assembly, and the banning of a President who has served an aggregated period of 10 years, from active politics. If adopted, these reform proposals may further entrench the dependence/partiality between the Executive and the National Assembly.

References:

<https://saiia.org.za/wp-content/uploads/2021/04/AGDP-BAPS-Report-BOTSWANA-March2021-FINAL-WEB.pdf>

16.b. Access of civil society to information on public affairs

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Civil Society Organizations (CSOs) in Botswana have a role to play in the successful implementation of national development plans at the community level. CSOs in Botswana grew rapidly in the 1990s, formed under the Societies Act, but their importance diminished as the GRB gained strong democratic institutions and processes. Although CSOs can be formed under the Societies Act, concerns remain regarding the openness of the civic space. CSOs are also hampered by their weak governance structures, unstable funding streams, and poor accountability mechanisms. As noted in earlier sections, the Government discloses its budget formulation and implementation information in a timely manner on its website, in press briefings, in newspapers so that the information is easily accessible to the public. As a member of the Eastern and Southern Africa Anti-Money Laundering Group (EASAAMLG), the Government is obliged to disclose a number of issues relevant to the FATF Standards, mutual evaluation reports, technical assistance, and training, and on special technical workshops/seminars on emerging money laundering and terrorist and proliferation financing trends. The FHI Civil Society Sustainability Index showed that overall sustainability of Botswana's CSO sector had improved moderately by 2018 with a score of 4.1. CSOs' public image was more favorable as the Government recognized their important contribution to realizing national development priorities. CSOs, with their programmatic expertise and proximity to hard-to-reach and vulnerable communities, are especially relevant in promoting the sustainable use of natural resources. CSOs are also involved in conservation of agricultural resources, building community resilience and climate adaptability, in policy dialogue, and improving governance by promoting resource and program implementation accountability. The focal point between government and civil society is the Botswana Council for Non-Governmental Organizations (BOCONGO), the umbrella Organization for all NGOs in the country. BOCONGO is one of the key stakeholders who participate in the annual national budget consultative process. With the help of consultants, a Civil Society Budget Analysis Report is usually produced, and the findings are discussed with government officials and other stakeholders at the Civil Society Budget Analysis Report Sharing Meeting.

CSOs continued to access government decision-making processes and cooperate effectively with the central and local governments in 2021. Mechanisms allowing CSOs to access government decision making included the country coordinating mechanism for the Global Fund, the NGO Council, and technical working groups in line ministries. CSOs continued to be concerned about corruption, access to information, conflict of interest, and government accountability in 2021. For example, the Media Institute of Southern Africa (MISA) advocated for reform of the Criminal Procedure and Evidence (Controlled Investigation) Bill, which MISA asserted in its present shape would allow the government to intercept communications of journalists and other citizens, force journalists and other citizens to disclose information, and allow the government to spy on citizens. MISA shared its concerns with the CSO sector and in a letter to the president, to which the government did not respond. The CSOs under BOCONGO

advocated to ensure the independence of oversight bodies, such as the Independent Electoral Commission, Directorate on Corruption and Economic Crime, and the Directorate of Intelligence and Security. The sector held the government accountable through the African Peer Review Mechanism (APRM), a voluntary instrument for self-assessment and peer reviews of governance policies and practices.

Government views of CSOs improved slightly in 2021, thanks to the services that CSOs provided to communities during the pandemic. CSOs were viewed as flexible and ready to offer their services expeditiously. CSOs should maintain this level of response to Government needs to remain relevant.

<https://www.fhi360.org/sites/default/files/media/documents/csosi-africa-2021-report.pdf>

16.c. State captured by narrow vested interests

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Botswana is renowned for its institutional transparency and low corruption. The Constitution provides for a number of internal accountability mechanisms in the operations of the three branches of government: The Executive, the Legislative and Judiciary. Oversight institutions such as the Office of the Ombudsman and the Directorate on Corruption and Economic Crime. Conflict of interest and ethics rules for public servants are observed and enforced. Top government officials are required to disclose their assets and liabilities to the Ethics and Integrity Directorate. The Internal Auditor's Office provides an additional layer of oversight and interrogation of the finances. Botswana is rated the second least corrupt African country, with a global ranking of 35th out of 180 countries on Transparency International's 2020 Corruption Perception Index, an improvement by 5 places since 2015, and with a score of 60/100. ., a slight decline from 29th out of 198 countries in 2015. The Government has several legal instruments to fight corruption and further reduce state capture such as the Crime Act and Whistle Blowing Act, and a specialized corruption court.

(E) Infrastructure and Regional Integration

Cluster Score: 4.709

17. Infrastructure Development

Criteria Score: 4.167

17.a. Sector strategy/policy

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

The provision of appropriate infrastructure is one of the national priorities in the eleventh National Development Plan (NDP 11). The eleventh National Development Plan (NDP11) came to an end in March 2023. In October 2022, the Parliament approved the deferment of the twelfth National Development Plan (NDP12) to FY2025/2026, to accommodate crucial reforms to the national planning system. The reforms are a result of the 2022 refocusing of Government portfolio responsibilities to the transformational Presidential Agenda. In the interim, Botswana is implementing a 2-year Transitional National Development Plan (TNDP) that covers FY2023/2024 and FY2024/2025. The TNDP was cascaded from Vision 2036, with the theme Transformation Towards a High-Income Economy: Transformation Now, Prosperity Tomorrow. The TNDP's six national priorities are: Digital Transformation; Business Environment Reforms; Infrastructure Development, Value Chain Development; Sustaining Livelihoods; and Climate Change. The eleventh National Development Plan (NDP11) came to an end in March 2023. In October 2022, the Parliament approved the deferment of the twelfth National Development Plan (NDP12) to FY2025/2026, to accommodate crucial reforms to the national planning system. The reforms are a result of the 2022 refocusing of Government portfolio responsibilities to the transformational Presidential Agenda. In the interim, Botswana is implementing a 2-year Transitional National Development Plan (TNDP) that covers FY2023/2024 and FY2024/2025. The TNDP was cascaded from Vision 2036, with the theme Transformation Towards a High-Income Economy: Transformation Now, Prosperity Tomorrow. The TNDP's six national priorities are: Digital Transformation; Business Environment Reforms; Infrastructure Development, Value Chain Development; Sustaining Livelihoods; and Climate Change. 63.6% of the development expenditure of the FY2023/24 budget was allocated to infrastructure development. This was demonstrated in the presentation of the FY2023/2024 budget, in which 63.6% of the development budget was allocated to Infrastructure Development.

Increased investment in infrastructure will address infrastructure bottlenecks and lead to the provision of growth-enhancing infrastructure. The strategy involves targeting economically viable projects to support private sector-led development for job-creation. In FY2023/24, several major water and sanitation projects, such as the rehabilitation of water networks in Kanye and Molepolole, will address the water sector challenges.

i. The Transport sector is developing a National Integrated Transport Policy and National Multimodal Transport Master Plan, which are expected to enhance transport competitiveness to meet the future development goals of the country and the region. The plans call for strengthening an enabling framework in governance, financing and funding and sustainability that will anchor the development of an integrated transport sector across all modes (roads, railways, aviation & urban mobility).

ii. The Energy Integrated Resource Plan is being fast-tracked for energy security. The green technology projects therein will address climate change and reduce the electricity import bill.

iii. The Development Manager Model of project delivery, approved in December 2022, will be applied to the Leather Industry Park and the Kasane-Kazungula Redevelopment projects, among others.

iv. The Government developed its water sector master plan in 2006 with some updates in 2018. The sector is also guided by the 2016 National Water Policy, whose objective to provide a national framework and facilitate access to water and sanitation and lay the foundations for sustainable development of water resources in support of economic and social development. Both the Policy and the Master plan need major review and alignment to address climate resilient water security and sustainable sanitation. In this regard, the Government has already drafted a National Water Security Strategy which is yet to be approved. A sanitation strategy has also been developed. On waste management, an integrated waste management strategy has been developed and a roadmap for waste value generation is being developed.

There is huge potential for the development of Public-Private Partnerships (PPP) projects in Botswana as the Government has embraced PPPs as an innovative financing tool for sustainable infrastructure financing. Off-take of PPPs has however been slow, due to a number of weaknesses, including the lack of a legal framework for PPPs and for monitoring the contingent liabilities. The Government is amending its Public Asset Disposal (PPAD) Act to cover PPPs, and address the related contingent liabilities, and with the Bank's support, plans to build its capacity to implement PPP projects.

References:

https://www.finance.gov.bw/index.php?option=com_content&view=article&id=417&catid=36&Itemid=116

17.b. Legal and regulatory frameworks for infrastructure

Score Type	Value
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Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

There are several supporting strategies/policies under each sector concerning infrastructure. To boost the country's declining industrial performance, the Government is emphasizing its Special Economic Zones (SEZs) program under the Special Economic Zones Authority (SEZA), with the accelerated development of eight investor friendly SEZs (covering agriculture in particular beef and beef products, innovation, minerals, health, transport, education, and financial services) of comparative advantage to boost foreign direct investment in selected value chains and promote industry clusters.

To address its water and sanitation challenges, the Government, as led by the Ministry of Lands and Water Affairs, Department of Water and Sanitation and the Ministry of Environment and Tourism (which deals with the waste management infrastructure) is developing wastewater and sanitation resource management strategies, and water infrastructure investment policies that will improve water delivery and augment water safety. To overcome its energy deficiencies, the Government amended Electricity Supply Act in 2016 to allow for Independent Power Producers (IPPs), established an independent Regulatory Authority, and is procuring coal-bed methane generation from IPPs. Botswana has also developed an Integrated Resource Plan (IRP), under the Ministry of Minerals and Energy, that aims to secure an estimated 1,540 MW of new generation capacity (50% renewable) by 2040. The 2022 Minerals Policy will enhance domestic economic benefit from minerals development through beneficiation and local value addition activities. Under the transport sector, the adoption of the National Integrated Transport Policy, National Transport Master Plan, and Public Transport Policy by the Ministry of Transport and Public Works are providing strategic direction to sector challenges. The Government, through the Ministry of Communication, Knowledge, and Technology in collaboration with other sector ministries such as the Ministry of Education and Skills Development, has developed an E-Commerce Strategy which is allowing it to increasingly adopt new digital ways of doing work, including e-exporting, e-Customs, e-Visas, e-Investment, and the e-Thuto initiative that integrates ICT into teaching and learning. Specific ERTTP initiatives include digital land registration, biometric national identity cards, electronic tax billing machines, and a cashless payment infrastructure. Under agriculture, the Government's efforts to promote Climate Smart Agricultural (CSA) practices have led to the development of a Botswana CSA roadmap by the Ministry of Agriculture. To enhance productivity and ensure food security, the Government has chosen to follow adopted the Public Private Partnership (PPP) model to drive the commercialization and diversification of the energy, water, transport, and agriculture sectors. The PPP strategic interventions include the promulgation of the PPP procurement law, and the development of a financing strategy for mega projects. The Government has since (in 2023) decided to develop a separate the PPP Bill separate from the Procurement law amendments. This has created uncertainty over the timelines within which Botswana will have a fully-fledged PPP law in place. This also then slows down any plans to finance major infrastructure projects following the PPP model.

The Government developed its water sector master plan in 2006 with some updates in 2018. The sector is also guided by the 2016 National Water Policy, whose objective to provide a national framework and facilitate access to water and sanitation and lay the foundations for sustainable development of water resources in support of economic and social development. Both the Policy and the Master plan need major review and alignment to address climate resilient water security and sustainable sanitation. In this regard, the Government has already drafted a National Water Security Strategy which is yet to be approved. A sanitation strategy has also been developed. On waste management, an integrated waste management strategy has been developed and a roadmap for waste value generation is being developed.

17.c. Public resource management and accountability in the infrastructure sector

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

The total infrastructure investment needs of Botswana remain significant. As a middle income country (MIC) with a prudent and conservative debt policy, traditional sources of funding, especially domestic public resources, have dominated funding for infrastructure projects in recent years; there has been very little private investment or development assistance. The priority the Government gives to infrastructure can be seen from its budget allocations for capital spending. In the FY2023/24, 63.6% of the development budget was allocated to infrastructure development. This will go to finance major water and sanitation projects, the green technology projects to address climate change under the Energy sector's Integrated Resource Plan, and to facilitate the implementation of the Development Manager Model for efficient project filtering and delivery. In terms of allocation to infrastructure development-related per ministry; 28.9% was allocated to the Land and Water Affairs Ministry, 15.1% to the Ministry of Transport and Public Works, and 5.7% to the Ministry of Minerals and Energy. Over half of the Development Budget for FY 2021/2022 went to water, transport, agriculture, ICT, land servicing, and energy. Botswana's investment budget continues to outpace peer countries, benefiting from the fiscal space Botswana enjoys as a result of its prudent macroeconomic management. Public investment, largely funded by domestic sources, is increasingly focusing on infrastructure projects that support private sector-led development. Although development partners play some role in funding infrastructure projects, several scaled down their activities or exited Botswana when the country graduated to an upper MIC status in 2005. Net official development assistance was estimated at 0.4% of GDP in 2019 (latest data point) down from 7.1% in 2008. Public procurement process for infrastructure in Botswana is transparent and generally conforms to international standards. All procurement transactions are governed by the Botswana Legislation the "Public Procurement Act, 2021" that was approved by the Cabinet as stipulated in the Government Gazette Extraordinary vol.LIX.No.105 dated 26th November 2021. The Act repealed the Public Procurement and Asset Disposal Act and the Local Authorities Procurement and Asset Disposal Act. Asset disposal is now administered by the Public Finance management Act. The new law introduces new procurement methods such as competitive dialogue, reverse auctions, unsolicited bids, best and final offer, and negotiated

procedure. The Public Procurement Regulatory Authority is responsible for setting standards and practices for the public procurement system and regulating and controlling the public procurement systems across all sectors, including infrastructure. The Procurement Tribunal is where procurement complaints are appealed before resorting to the Courts of Law. The legal framework for public procurement is established by the Public Procurement and Asset Disposal (PPAD) Act 2008 (as revised) and its regulations. The Public Procurement and Asset Disposal Board (PPADB) is a parastatal organisation, operating under the Ministry of Finance and Economic Development (MFED), whose primary mandate is to adjudicate and award tenders for Central Government and any other institutions specified under the Act for the delivery of works, services and supplies. PPADB decisions concerning awarded tenders, prequalification lists and newly registered contractors are published on its website. The PPADB Act allows for the Government, for its economic and social objectives, to introduce reserved and preferential procurement and asset disposal schemes, consistent with its external obligations and its stable, market oriented, macro-economic framework. Such schemes are to be targeted, time-bound, can be phased in and out, be non-discriminatory, and be based on competition among those that are eligible. The schemes target citizen-owned contractors and specific disadvantaged women's communities for works, service and supplies. It is a requirement that an entity should publish a notice in the bid document or pre-qualification notice when it wishes to reserve a tender for citizen-only participation. Botswana was ranked 13th out of 54 African countries in the 2020 Ibrahim Index of African Governance under Foundations for Economic Opportunity, from 20th in 2019, reflecting improved Infrastructure Governance.

Although improving, Botswana has a low capacity to handle infrastructure projects that require of Environment and Social Impact Assessments (ESIAs). To overcome this challenge, Botswana is building a strong institutional framework for environment management. Environmental regulations have been amended to allow for private outsourcing for review of ESIs, and environmental monitoring and auditing of projects.

18. Regional Integration

Criteria Score: 5.25

18.a. Movement of persons and labor and right of establishment

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

The SADC 2005 Protocol on the Facilitation and Movement of Persons grants visa-free entry, with lawful purpose, to citizens from other member States for a maximum of 90 days. The protocol is however not

operational due to inadequate ratifications by member States. Though a signatory to the Protocol, and among the only six member states to ratify it, (needs 2/3rds for effectiveness), Botswana performed poorly in the dimension of free movement of people under the 2020 Africa Regional Integration Index, which could reflect pressure on business to primarily source labor from local communities, and the difficulties in obtaining work permits and residency by foreigners. The Protocol is not comprehensive as it avoids any further commitment particularly regarding the stages of residence and establishment, subjecting these to the domestic legislation of member states. It does make provision for member States to conclude bilateral agreements for visa exemptions. Most member States have exempted each other from visa requirements. The Africa Visa Openness Index 2022 ranked Botswana 35th out of 54 countries, with a score of 0.321 (The higher a country's score scores range from 0 to 1 (highest), the more visa-open it is). Botswana allows citizens from 17 African countries - mostly SADC member countries - to enter Botswana without a visa. The Government will continue to review Immigration Policies and Acts to facilitate the ease of doing business in Botswana. It is reviewing both the Immigration and Citizenship Acts and is also in the process of finalizing a Migration Policy in collaboration with SADC. Despite an assigned completion date of March 2021, these processes are still ongoing. The COVID-19 pandemic has accelerated the digitization process, reducing the need to go to embassies for visa applications. The Government introduced the e-Visa solution which transfers the entire visa application process to the digital space. The Government is also installing the Passport and Border Control System (PBCS) at ports of entry to validate the authenticity and integrity of e-passports. FDI inflow has improved in Botswana. FDI inflow increased to 216 million in 2022 from a deficit on 319 million in 2021.

Effective February 2023, citizens of Botswana and Namibia can cross the two countries' border without passports using their identity cards at crossing points. Botswana's president, Mokgweetsi Masisi, and his Namibian counterpart, Hage Geingob, launched the passport-free travel arrangement at the Mamuno border crossing. The use of identity documents for travel is anticipated to foster unity between the two neighbors and other southern African states. and was hailed as key step toward integration among SADC countries, and ultimately the entire continent. Namibia and Botswana, two of Africa's most politically stable countries, share a 1,500-kilometer-long border with five official crossing points. Botswana is to introduce an electronic identity card, following this move. Botswana and Namibia become the first countries in Southern Africa to abolish the use of passports to travel between them. The presidents of Botswana and Zimbabwe are to discuss scrapping passport requirements between their countries to allow for the easier flow of people and goods.

The above noted, as indicated earlier, Non-tariff barriers, such as import permit requirements for some food products, seasonal trade bans on selected agricultural goods, a state monopoly on beef exports meat processing reserved for citizens, difficulties in obtaining work permits and residency, and increasing local procurement preferences, exist and discourages the movement of persons and infringes on the right of establishment. Despite this ever present challenge, according to the Work Permits Holders Statistical Brief second quarter 2022 (latest data), work permit holders increased from 3,632 in March 2022 to 3,801 in June 2022 an increase of 4.7%. The Agricultural sector continues to record the majority of work permit holders with 25.2% followed by Construction with 13.5%. Work permit holders by age group showed that overall, the majority of work permit holders fell in the age group 40-44 years at 17.5 percent, followed by age groups 45-49 and 35-39 recording 16.0 percent and 15.5 percent respectively. regional integration. According to the Work Permit

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18.b. Regional financial integration

Score Type	Value
Draft Score	5.5
Reviewed Score	5.5
Second Draft Score	5.5
Final Score	5.5

Country Notes:

In addition to establishing a One Stop Border Post (OSBP) on the Kazungula bridge with Zambia, Botswana has also revised its Customs, and Trade and Industrial Development Acts to align the legal frameworks with SADC regional instruments, for increased efficiency in the trade approval processes. In addition to establishing a One Stop Border Post (OSBP) on the Kazungula bridge with Zambia, Botswana has also revised its Customs, and Trade and Industrial Development Acts to align the legal frameworks with SADC regional instruments, for increased efficiency in the trade approval processes. Botswana is a member of the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG), the objective of which is to develop the regional response for combating money laundering and the financing of terrorism.

In October 2021, the Financial Action Task Force (FATF) announced the removal of Botswana from the list of high-risk third countries with regards to anti-money laundering and counter-terrorist financing (AML/CFT), hailing the country for its high-level political commitment to implement reforms that have improved their anti-money laundering and counter-terrorism financial system. The country had previously been listed in 2018. In June 2020, the European Commission added Botswana on the list of high-risk third countries with regards to AML/CFT. The grey-listing implied that EU banks and non-bank financial institutions would be required to carry out enhanced customer due diligence on financial transactions originating from Botswana, which would delay the processing of any international payments. Since October 2020, the EU Global Facility has provided continuous technical assistance through various training and activities to help Botswanian authorities and AML/CFT actors to rectify the strategic deficiencies in the AML/CFT national framework to be removed from the list. The European Union finally removed Botswana from its Blacklist on March 13, 2022, deleting Botswana from the list of High Risk Third countries.

Botswana's financial sector accounts for close to 130% of GDP and comprises commercial banks and non-bank financial institutions that are well integrated. The banking model is centered on intermediation of domestic deposits for credit provision and the nonbank financial sector includes retirement funds and insurance companies. The banking sector comprises eight commercial banks (as of 2022), with the three

largest banks accounting for 64% of banking sector assets. Banks are largely foreign-owned subsidiaries of pan-African banks that operate as conglomerates and hold subsidiaries in non-bank financial institutions (NBFIs). Domestic ownership of banks is mainly through the largest pension fund that holds 22% of bank shares. The bulk of the NBFIs sector consists of retirement funds (43% of financial system assets). The remainder of the financial system accounts for 15% of financial sector assets, comprising insurance companies, microlenders, and brokers. The retirement funds sector has been a key driver of financial sector growth. Retirement funds' assets represent 54% of GDP, with the largest share of assets invested in offshore equities that account for 61% of total assets. The rest of retirement funds' assets are invested in the domestic economy, 40% of which in domestic bonds. The domestic capital markets are small and illiquid with limited capital markets instruments, such as stocks, derivatives, bonds and mutual funds, for both household and institutional savings. In terms of access and financial inclusion, 45.0% of the population held bank accounts in a formal financial institution in 2020, a slight improvement from 42.9% in 2017. The banking financial institutions are regulated by the central bank – Bank of Botswana. The Non-Bank Financial Institutions Regulatory Authority oversees non-bank institutions.

The Bank of Botswana has legislative oversight of the National Payments System (NPS) in Botswana which ensures the effective functioning of all processes relating to financial payments and settlements. This includes both domestic structures and interface with the SWIFT international network for international payments. The safety and efficiency of the payment system is achieved through the regulation and licensing of new entrants and monitoring Systemically Important Payment Systems (SIPS) for compliance purposes. Examples of SIPS include: The Botswana Automated Clearing House; the Centralised Securities Depository; the SmartSwitch Botswana (Pty) Ltd, and Visa. Botswana is not a member of the Common Market Area in Southern Africa, but is a signatory to the Southern African Customs Union (SACU) Agreement, together with Lesotho, Namibia, eSwatini (BLNS), and South Africa. The Union, which has a common external tariff and guarantees free movement of goods, represents an important source of fiscal revenue for the smaller states. SACU revenues are collected into the Common Revenue Pool, managed by South Africa, and are distributed to member states according to a revenue-sharing formula.

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