BOTSWANA | 2022

Integrated National Financing Framework Assessment Report

United Nations Developmetn Program (UNDP)

Botswana Integrated National Finance Framework (INFF) Assessment & Road Map

March 2022

CONTENTS

Charts

Tables

Figures

‘The combination of the devastating global pandemic – COVID 19 – and the catastrophic economic recession it has caused the world over, dictates that we revisit our problem-solving strategies, that we regroup, that we reset.

To reset is to set new priorities, to adopt new approaches and to put new implementation resources in place immediately, and that the resetting would bring clear, evident and immediate change’

H.E. President Dr. Mokgweetsi E. K. Masisi

Chapter 1

Introduction

CHAPTER 1: INTRODUCTION

1. ***Since attaining independence in 1966, Botswana has made considerable progress in accelerating economic growth and combating poverty.*** Spurred by significant mineral wealth (notably diamonds), the adoption of prudent macro-economic management, sound governance, and a small population of 2.35 million has enabled Botswana to become an upper middle-income country. However, after decades of strong economic performance and prudent investment policies, Botswana's diamond-led development model has run its course and the country must transition from a commodity-based to knowledge-based economy.

2. ***In recent years economic growth outturns have been reduced, inequality has begun to increase, and unemployment continues to be above 17 per cent – peaking at 24.5 percent in the last quarter of 2020 - the highest in the last three and half decades***. The situation is dire for women who experience lower labor force participation rates than men, and higher under employment (81%[1]). State fiscal buffers have been steadily eroding, forcing the government to think more strategically about new ways to transform the economy and diversify the revenue base. Moreover, a growing population, a volatile diamond market made worse by competition from synthetic diamonds, reduced Southern African Customs Union transfers and deficit spending necessitated budget deficit financing through mobilizing debt instruments.

3. ***With the above-mentioned factors rendered worse by the COVID-19 pandemic, Government is keenly aware of the urgency of seeking new financing instruments to resource the coming 12^th^ National Development Plan***. While Botswana has already adopted a transformation agenda to become a high-income country by 2036, COVID-19 has highlighted the risk that unless reforms bear fruit, Botswana could be caught in what is called the 'upper middle-income' trap. [2]

4. ***As of 2021, Botswana stands at a crossroads. Down one road lies a pathway to reform, reset and renewal, and down the other lies a continuation of past policies that have in many ways exhausted their potential***. Given large structural imbalances in the economy, high dependence on foreign ownership in key markets and industries, adverse terms of trade with regional partners, a growing population, and the need to look to other sectors as pillars of growth, Botswana does not really have the luxury of a maintaining a business-as-usual agenda. Somewhat serendipitously, the many new financing instruments deployed to support the successful execution of the 'Agenda 2030' Sustainable Development Goals (SDGs) provide feasible avenues for financing Botswana's adjustment.

5. ***The 2015 Addis Ababa Action Agenda (AAAA) developed by the Third International Conference on Financing Sustainable Development introduced an integrated approach to financing, bringing together domestic public and private with international public and private resources***. This integration has led to myriad new and hybrid financing instruments and modalities aimed at improving the efficiency and effectiveness of resource allocation and crowding in private capital. The Addis Ababa Action Plan on Transformative Financing for Gender Equality and Women's Empowerment pledges to increase investments in both scale and scope to close the financing gaps that hinder progress towards gender equality and women's empowerment. It is within this context that this Botswana Integrated National Financing Framework (INFF) Assessment and Road Map builds from an assessment and diagnostic phase to outline an INFF Road Map and Financing Strategy. It also outlines governance and coordination and monitoring and review arrangements, to support execution of the road map presented here.

[1] Of the 52,043 persons under-employed, 81 percent are women. (Women in trade National consultations July 2021)
[2] The "middle-income trap" is a theory of economic development in which wages in a country rise to the point that growth potential in export-driven low-skill manufacturing is exhausted before it attains the innovative capability needed to boost productivity and compete with developed countries in higher value-chains. Botswana exhibits many of these features.

6. ***This INFF seeks to address the many structural challenges to resource mobilization affecting the Government of Botswana (GoB)***. This assessment therefore identifies challenges to existing policy, institutional, capacity and financing arrangements, as well as identifying new financing instruments and modalities to close the 'Agenda 2030' financing gap. The priority areas outlined here includes new instruments and institutional arrangements, providing a direct input into the formulation of the 12th NDP, and are aligned to new national 'reset' priorities.

About this Assessment

7. ***This INFF Assessment and Road Map were led by the Ministry of Finance and Economic Development (MFED) and supported by the United Nations Development Program (UNDP)***. The scoping assessment presented here is the result of months of research and a thematic dialogue process that has engaged stakeholders across the domestic public and private international public and private divide. Discussions included government and agency officials, the private sector, civil society, and international cooperation partners.

8. ***The general approach and method used followed the work of the Inter-Agency Task Force on Financing for Development (IATF), which developed the overall methodological guidance for each of the four primary Building Blocks (BBs) of the INFF***. (See Table 1 below) Moreover, the UNDP Development Finance Assessment (DFA) Guidebook informed the completing of BB1 of the INFF in Botswana, allowing government to identify opportunities for upgrading policy, institutional capacity, and financing systems, in an integrated way. The general approach has also allowed MFED to:

- Provide an overview of Botswana's financing ecosystem including the trends and composition of all public, private, domestic and international of financial flows.
- Review the strength and achievements of existing financing strategies, policies and institutional structures to meet key financing challenges.
- Consider a prioritized focus on areas in depth (particular finance flows or aspects of financial planning) that are central to Botswana's ability to achieve results by executing Agenda 2030 and Vision 2036.
- Identify existing constraints that hinder institutional attempts to mobilize and effectively channel finance into its priority areas (with a focus on its capacity to couple public and private finance).
- Propose realistic recommendations around policy and institutional reforms that can be used to strengthen capacities and institutions to this end; and,
- Provide the foundation for the INFF Road Map.

Table 1.	Four Building Blocks of the Botswana INFF
Building Block 1	Assessment and Diagnostic focused on assessing financing needs, mapping resources, and assessing risks and identifying constraints.
Building Block 2	Financing Strategy matching financing policies to priorities in sustainable development to improve the execution of RPJPN, RPJMN and RKP.
Building Block 3	Monitoring and Review of relevant financial resources and feeding lessons back into policy design.
Building Block 4	Governance and Coordination outlining the guiding coalition, leadership and engagement of all relevant stakeholders across the public and private divide.

Additionally, gender has been mainstreamed into this INFF using the UN's Technical Guidance Note on mainstreaming gender equality into INFFs. This illustrates a systematic approach to mainstreaming gender into the 4 building blocks noted above.

9. ***Adopting an integrated approach to financing that combines 'not-for-profit' resources with 'for-profit' resources allows new blended financing modalities to be developed to de-risk private capital and to encourage new private financing flows into areas of the economy where market-based***

solutions can support the provision of public goods. Traditional Public Private Partnerships (PPPs) provide an obvious example of such integration, though there are many other financing instruments including tax and non-tax revenue measures, cutting fossil fuel subsidies and other expenditures that erodes the ability to attain the SDGs, catalytic first loss finance, guarantees and thematic bonds for example, that can increase resources available to the economy at a time when the COVID-19 pandemic has undermined macro-economic and fiscal performance.

10. ***It is important that the INFF is integrated into the government policy, planning, budgeting, implementation, monitoring and auditing process, given how central government expenditure priorities and procurement are to shaping economic outturns***. This then requires the INFF Road Map to be integrated into the national budget formulation and execution process and aligned to the Medium-Term Expenditure Framework and Budget Call Circular process. Moreover, as this assessment (BB1) also looks at national financing needs for meeting Agenda 2030 SDGs, the INFF assessment has implication for SDG costing and budgeting. Figure 1 below provides the overall INFF working process, highlighting the three overarching questions, four building blocks and the dialogue process that led to the INFF Road Map and Financing Strategy.

INFF ASSESSMENT OBJECTIVE

11. ***The objective of this INFF assessment is to develop a road map and strategy to catalyze the resources necessary to achieve national development priorities and results in the context of the 2030 Agenda, while developing targeted, evidence-based policies and sound institutional solutions to implement them***. As a result, the INFF addresses the following three overarching questions:

- What policies, institutions, capacity and analysis are in place?
- What initiatives are underway to strengthen policies, institutions, capacity and analysis?
- What opportunities exist to further strengthen policies, institutions, capacity and analysis in a more integrated approach to financing?

12. ***In answering these questions, the Development Finance Assessment (DFA) undertaken in BB1*** (i) analyzes the financing landscape covering all public, private, domestic and international resources (ii) analyzes 1 to 3 focus areas (around a particular finance flow, national development priority, or INFF building block) that will affect the country's ability to achieve results across the economic, environmental, gender equality and social dimensions of sustainable development (iii) assesses the strength of government's existing financing strategies, policies and institutional structures to meet key financing challenges (iv) assesses the strength of the building blocks of the Botswanan integrated national financing framework and (v) identifies constraints that hinder government attempts to mobilize financing for sustainable development results, where integrated financing solutions support could be offered. This assessment complements other ongoing work, such as the UNDP Investor Mapping.

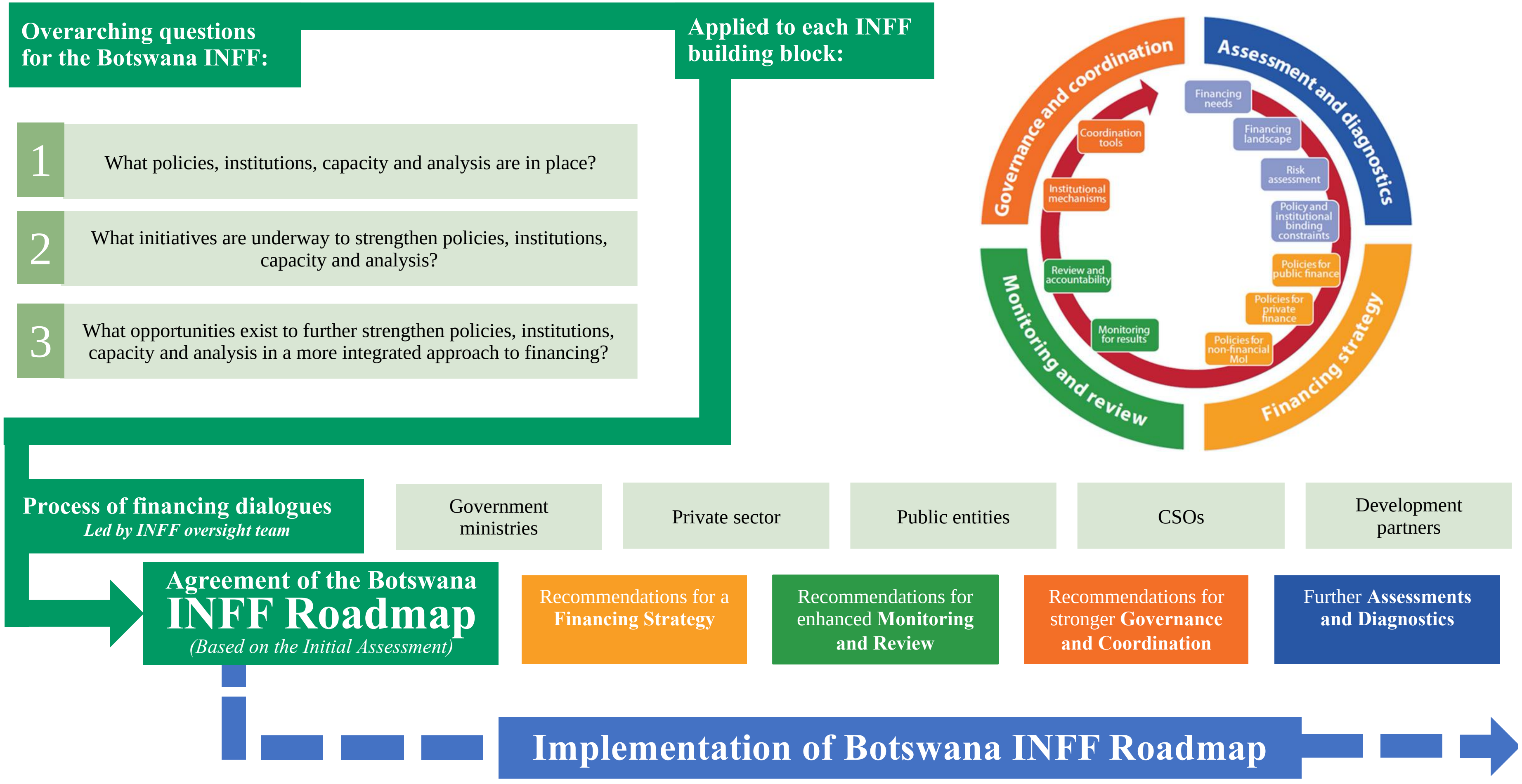
THE ASSESSMENT DIALOGUE PROCESS AND ROAD MAP

13. This INFF has been formulated by MFED in dialogue with government stakeholders and key issues have been corroborated through outreach to non-state actors. This has allowed a wide range of issues, perspectives and interests be voiced, around which sustainable financing solutions have been discussed in depth. In terms of dialogue, MFED co-convened (with UNDP) five full day thematic dialogue sessions in Gaborone between the 22nd and 26th November 2021.

14. Each thematic dialogue session focused on answering questions related to (i) policy, legislative and regulatory strengths, and shortcomings (ii) political economy constraints (structural, institutional and agency) (iii) existing, emerging and future financing instruments, modalities and partnerships (iv) sector-specific constraints (v) governance, coordination, monitoring and review options, for an more optimal system. The dialogue process was government led, aligned to national policy and strategy priorities, evidence-based, focused on integrated solutions and perspectives, and action oriented with a focus on practical and actionable solutions, as outlined below.

15. ***A Government-led Change-Mandate Process:*** The institutional home of the INFF process is closely mapped into the Government of Botswana's existing leadership structure designed to oversee the implementation of the SDGs and coordinate these processes with ongoing public sector programs (namely the NDP process). The INFF process was led by the multisectoral National Steering Committee assisted by a Technical Task Force, both aimed at ensuring promotion and mainstreaming of the SDGs among other reform agendas. Under the Steering Committee exist several Technical Working Groups, including a 'Joint SDG Fund Technical Working Group' to provide government leadership on initiatives being piloted by the Joint SDG Fund. The INFF is one of these initiatives, with the intention that a dedicated INFF Working Team is to be established alongside other working teams (zero-based budgeting, gender mainstreaming etc.). These structures have been provided a change-mandate under the national reset agenda.

Figure 1 BOTSWANA INTEGRATED NATIONAL FINANCING FRAMEWORK PROCESS



16. ***Aligned and Anchored to NDP 11, Vision 2036, National Policy on Gender and Development, and the Post Cosvid-19 Reset***: The INFF is fully aligned and integrated with the existing policy and institutional investment programs such as Vision 2036, NDP 11, national and sector investment programs linked to Agenda 2030 as well as the forthcoming NDP 12.[3] Importantly the INFF is also aligned to new '*reset*' priorities set by H.E. the President, as outlined below:

Table 2. BOTSWANA 'RESET' PRIORITIES	
Saving Botswana's population from COVID-19	Through the implementation of life-saving programs that include a successful and timely vaccination program.
Aligning Botswana Government machinery to the Transformation Agenda	Which should be embodied in the implementation machinery of the Government of the day. This will come with significant reforms in the public service.
Accelerating Digitization	Which has immense potential to unlock and enable high productivity among Botswana's delivery of improved public services to the population.
Value chain development	Which will unlock opportunities for new, high-growth companies in the private sector and youth employment among other citizen empowerment attributes, with the initial sectors of focus being minerals, tourism, food, and education (SDG 4). We also intend to identify new sectors in the global export product space resulting in significant job creation for our youth.
Mind-set Change	Is vital if the goal to attain high-income country status is to be achieved. This comes with developing capacity for entrepreneurship and implementing Government and strategic reforms that put citizen economic inclusion at the center of economic development initiatives. Fully adopting this mind-set change will result in self-actualization among our people.

17. ***Prescriptions Based on Evidence***: The INFF is underpinned by detailed analysis and diagnostic of the existing financing landscape and ecosystem, with recommendations driven by evidence from both primary and secondary data sources.

18. ***A Focus on Integrated Financial Solutions***: This INFF outlines integrated solutions that leverage domestic public and private and international public and private resources, alongside a new set of investment instruments aimed at leverage new resources, de-risk private capital and increase the catalytic impact of future investment.

19. ***An Action Oriented Road Map***: The road map, its recommendations and financing strategy are pragmatic, practical, action oriented, improve the chances of success in implementation and they are exemplars for the mindset change agenda.

20. The ***INFF Roadmap*** presented in Chapter 8 below is the key outcome of this assessment process and it therefore marks the culmination of the INFF inception phase. The roadmap articulates the ***purpose and value added of the INFF***, along with the agreed steps that the government and partners will take to operationalize the various corrective measures identified to be executed on the subsequent development phase. This road map has been structured to provide recommendations for the financing strategy, monitoring and review systems, governance, and coordination mechanisms while also indicating further assessments and diagnostics that need to be undertaken to deepen understanding and to firm up practical measures. The Road Map has been developed to:

- Mobilize additional financing to support sustainable development priorities.
- Better manage an increasingly complex financing landscape.
- Enhance coherence across different financing policies, addressing synergies, inconsistencies, and trade-offs, and aligning them to medium and long-term sustainable development priorities.

[3] Alignment to these initiatives is also important for ensuring that the INFF in Botswana is both gender and climate sensitive. For example, 'Social Development and Human Capital Development' Priority under NDP 11 identifies national priorities in this regard, while National Vision 2036 recognizes gender equality as a central to sociology-economic, political and cultural development, Gender Equality is under one of the 4 core pillars of the National Vision 2036 " Human and Social Development"

- Support long-term investment and strengthen medium- and long-term planning.
- Streamline the wide variety of tools and instruments offered by the international community.
- Enhance transparency of financing flows.
- Match different types of financing – domestic and international, public, and private – to their most appropriate use and help achieve greater impact vis-à-vis national priorities and needs.
- Better align development cooperation with national and localized SDG priorities.
- Overcome existing impediments to financing sustainable development.

21. ***In developing the INFF Road Map, several process considerations will be important***. The Technical Working Group looked at ***sequencing*** (How can steps be best sequenced to take advantage of synergies or necessary precursors to each reform?), ***integration with national planning and budgeting cycles*** (what timelines related to policy cycle, government commitments or other external factors need to be met), ***distribution of responsibility*** (are steps and reforms shared out appropriately across ministries, agencies and other actors?) as well as ***resource allocation and support*** (what resources and assistance may be available to support action on each potential reform?)

The Four Quadrant Framework

22. ***The analysis is divided into four discrete but inter-related quadrants, as outlined in Table 3 below***. The technical task force disaggregated data and analysis across these quadrants to consider how best to use domestic private and international public finance in a more catalytic fashion, enabling the private sector to move into markets that have otherwise been seen as investment backwaters. Such an approach is linked to public sector modernization and improvements in the management of State-Owned Enterprises (SOEs).

Table 3. DOMESTIC AND INTERNATIONAL, PUBLIC AND PRIVATE FINANCING SOURCES

	Public	*Private*
International	▪ ODA Grants ▪ ODA loans ▪ Other Official Flows ▪ Public or publicly guaranteed borrowing ▪ Multilateral development banks ▪ South-south and triangular cooperation ▪ Climate Finance	▪ Foreign direct investment ▪ Portfolio equity ▪ Remittances ▪ International NGOs, foundations, and philanthropists ▪ Private borrowing (international lenders) ▪ Corporate social responsibility
National	▪ Direct, indirect and other tax revenue ▪ Mineral related taxation ▪ Non-Tax Revenues ▪ Revised expenditure priorities ▪ Public Private Partnerships ▪ Public or publicly guaranteed borrowing ▪ Municipalities ▪ Sovereign wealth funds ▪ Reoriented Expenditures	▪ Domestic investment ▪ Private borrowing (domestic lenders) ▪ Domestic NGOs, foundations, and philanthropists ▪ Corporate Social Responsibility

23. ***Importantly, integrated solutions must be developed to leverage the potential of one quadrant to add value to another quadrant.*** For example, blended financing solutions, public private partnerships, catalytic first loss finance, social impact bonds, tax and non-tax incentives and other instruments link both public and private resources to the attainment of a sustainable outcome.

Report Structure

24. ***The report is structured around the four building blocks and related road map***. Chapter 2 provides the assessment and diagnostic, across the quadrants, and represents the results of the DFA including an assessment of financing risks. Chapter 3 provides the Financing Strategy, by domestic public and private and international public and private sources, as well as new financing instruments and implications for action. Chapter 4 provides an overview of existing and proposed monitoring and review systems and Chapter 5, the proposed governance and coordination arrangements for the execution of the INFF. Chapter 6 provides a summary of recommendations for each building block and Chapter 7 the INFF Road Map. Annex 1 provide a list of technical definitions.

Chapter 2

Macro-Economic Context

CHAPTER 2 MACRO-ECONOMIC CONTEXT

25. ***Though the global economy remains on a recovery path, a resurging pandemic continues to pose unique policy challenges and requires a strong multilateral effort to mitigate and manage potential downside risks***. As a result, the near term macro-economic context remains uncertain, requiring government to be bold and increase implementation capacity. The period between 2022 and 2030 will require a major push to transform the economy, and the INFF is therefore well placed to align finances with emerging government priorities, contributing to reducing the fiscal gap.

26. ***Despite commitment to reform and reset, like most other countries in the South African Development Cooperation (SADC) region, COVID-19 had a devastating impact on Botswana***. While the economy is forecast to recover in 2022, structural imbalances persist, and the Omicron variant is further complicating the recovery. As a result, the short to medium term macro-economic outlook remains uncertain and is likely to affect key sectors such as tourism substantially. It will also affect the liquidity of the banking sector as well as that of businesses and households, potentially worsening employment, and revenue outturns.

27. ***The impact of COVID-19 on the SDGs includes a large cohort of people being left behind***. On August 31, 2021, UNDP released a entitled '*Leaving No One Behind: Impact of COVID-19 on the Sustainable Development Goals (SDGs)*' (UNDP, 2021). This groundbreaking report shows that while the social and economic impacts of the pandemic are set to widen the gap between people living in rich and poor countries, countries on the lower end of human development can exceed pre-COVID development trajectories, through a combination of bold policy choices and investments in governance, social protection, green economy and digitalization (an 'SDG Push').[4]

GLOBAL IMPACT OF COVID-19

28. ***The global economy is projected to grow 6.0 percent in 2021 and 4.9 percent in 2022.*** The 2021 global forecast is unchanged from the April 2021 World Economic Outlook, but with offsetting revisions. Prospects for emerging markets and developing economies have been marked down for 2021, especially for Emerging Asia. By contrast, the forecast for advanced economies is revised up. These revisions reflect pandemic developments and changes in policy support. The 0.5 percentage-point upgrade for 2022 derives largely from the forecast upgrade for advanced economies, particularly the United States, reflecting the anticipated legislation of additional fiscal support in the second half of 2021 and improved health metrics more broadly across the group.[5] Moreover, the worsening pandemic developments in sub-Saharan Africa are expected to weigh on the region's recovery into 2022.

Table 4. GLOBAL GROWTH ESTIMATES AND PROJECTIONS (2020 TO 2022)

	2020 (Estimate)	2021 (Projection)	2022 (Projection)
World Output	-3.2	6.0	4.9
Advanced Economies	-4.6	5.6	4.4
Emerging Market and Developing Economies	-2.1	6.3	5.0
Sub-Saharan Africa	-1.8	2.5	2.6

Source: WEO. July 2021

29. ***As a result of the global lock down, the downturn in business, and supply chain concerns, Foreign Direct Investment (FDI) has been negatively affected.*** According to the UNCTAD World Investment Report 2020, the COVID-19 crisis has caused a significant decline in foreign direct investment (FDI) in 2020, and the situation is likely to continue in 2021. Global FDI flows are forecast to decrease by up to 40% in 2020, from their 2019 value of US$1.54 trillion. This would bring FDI below US$1 trillion for the first time since 2005. FDI is projected to decrease by a further 5 to 10% in

[4] https://www.undp.org/publications/leaving-no-one-behind-impact-covid-19-sustainable-development-goals-sdgs
[5] https://www.imf.org/en/Publications/WEO

2021. The projected fall is expected to be worse than the one experienced in the two years following the global financial crisis. At their lowest level (US$1.2 trillion) in 2009, global FDI flows were some US$300 billion higher than the bottom of the 2020 forecast. The downturn caused by the pandemic follows several years of negative or stagnant growth; as such it compounds a longer-term declining trend. The expected level of global FDI flows in 2021 would represent a 60% decline since 2015, from US$2 trillion to less than US$900 billion, and this trend is expected to continue in 2022.

30. ***Global financial stability has been safeguarded so far relatively well, largely due to proactive monetary support***. However, new travel restrictions, supply side constraints, heightened inflation and pockets of vulnerability in the non-banking sector make growth predictions for the coming 3-5 years complex at best. One area of great interest to Botswana is the huge increase in sustainability financing instruments and funds emerging at this time, some of which Botswana is extremely well positioned to benefit from. On the other side, and as noted above, the recovery is likely to be asynchronous and divergent between advanced and emerging market economies and countries dependent on external financing at a time when interest rates rise to offset the risks of inflation, many countries are likely to see debt stress levels increase substantially. Over the medium to longer term however, global growth is expected to return to trend, though the mix of financing instruments will permanently shift towards support for sustainability.

REGIONAL ECONOMIC GROWTH

31. ***The SADC 'Regional Economic Performance and the Business Environment in 2020 and Medium-Term Prospects' report provides a useful retrospective on the impact of COVID-19 on the regional economy***.[6] Moreover, given how dependent Botswana is on regional economies, particularly South Africa and Namibia, growth futures are inextricably linked. As a small, open economy, it continues to face high risks of exogenous shocks emanating from the region. As a result, the INFF will also need to assess options for increasing resilience, and proposed measures and financing instruments are discussed in subsequent chapters.

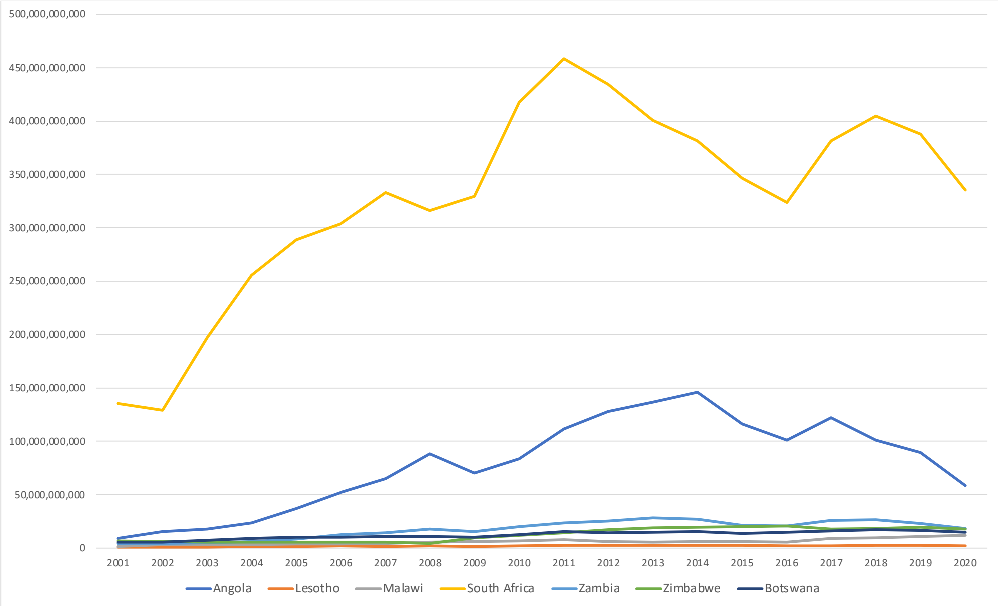
32. ***While the INFF takes a long view in terms of introducing new instruments, over the near term the potential for different options is linked to wider regional economic performance***. The regional economic outcome for 2025 to 2030 is likely to differ from the characterization provided below. This does however mean that the early phase of the Road Map will inevitably link to NDP-12 and the proposed 'reset' agenda. The overall regional economic outlook provided below seeks to provide relevant insight into structural imbalances, regional economic dependencies, and emerging constraints, providing a useful indicator of near-term economic trends.

- Economic growth in the region contracted by 4.8 per cent in 2020, compared with growth of 2.1 per cent recorded in 2019.
- SADC region annual inflation increased to an average of 49.6 per cent in 2020 from 16.4 per cent in 2019, largely due to heightened inflationary pressures in Zimbabwe. The average inflation excluding Zimbabwe averaged 6.4 per cent in 2020.
- Fiscal deficit deteriorated from 3.0 per cent of GDP in 2019 to 7.3 per cent of GDP in 2020. Public debt increased from 56.3 per cent of GDP in 2019 to 67.1 per cent of GDP in 2020.
- The region's current account balance as a ratio of GDP widens from an average deficit of 4.2 per cent in 2019 to a deficit averaging 4.7 per cent in 2020.
- SADC international reserves increased to 5.9 months of import cover in 2020 from 5.3 month of import cover in 2019, largely as a result of subdued demand.

33. ***The overall GDP growth trend for a selected number of SADC members is provided in Chart 1 below***. Chart 1 highlights the recent growth challenges faced by South Africa and Angola since 2014, including Botswana, with the economic performance of Tanzania the only major outlier. Given strong regional economic integration, Botswana will continue to be impacted by regional growth futures.

[6] https://www.sadc.int/files/9016/2712/2365/SADC_Regional_Economic_Performance_Report_for_2020.pdf

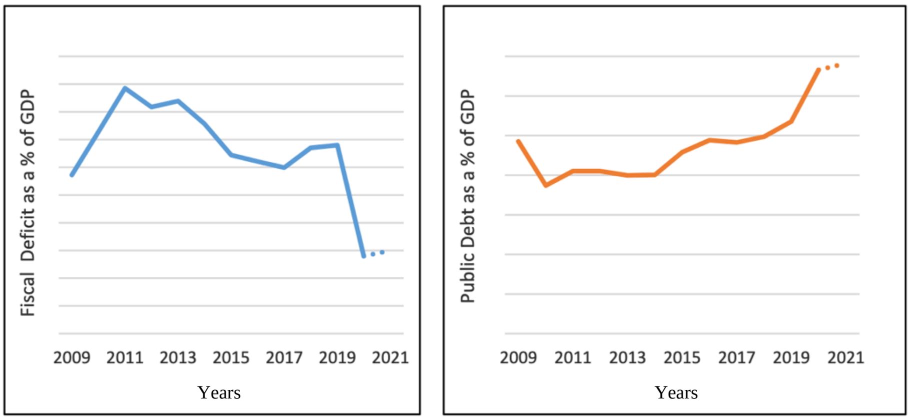
Chart 1 SELECTED SADC ECONOMIES GDP (2000-2020)



Source: World Bank GDP Data, Geopolicity Inc.

34. ***Volatile and lower growth rates is leading SADC member states into running bigger fiscal deficits and increasing public debt as a per cent of Gross Domestic Product (GDP)***. Financing fiscal deficits through borrowing rather than improving economic efficiency or diversifying growth, risks leading to future debt distress even though borrowing raises GDP. While debt restructuring is not an immediate concern, unless new sources of sustainable financing are identified, risks of further currency depreciation will impact import dependent states, further elevating poverty rates amongst those being left behind.

Chart 2 SADC ECONOMIES: FISCAL DEFICIT AND PUBLIC DEBT TRENDS (2009-2021)



Source: SADC Member States, April 2021 and IMF WEO April 2021.

35. ***One of the emerging drivers of Botswana's economic and investment policy is to strengthen resilience through economic diversification and export promotion***. As seen in Table 4 below, years of prudent macro-fiscal management shows Botswana leading the regional debt ratings, and should doing business rankings improve, Botswana is likely to emerge as a strong destination for investment. The 'reset' calls for government to align the government machinery to the emerging Presidential agenda, with a particular focus on value chain and product space development, as well as stronger support for digitization. Given the structure of trade relations, and the structure of commodities and services, new markets for higher value-added products will be needed to mitigate spillover risks of economic contagion. The export-led growth and diversification has to be cognizant of the negative[7] correlation between gender inequality and export diversification.

Table 5. SELECTED SADC REGION SOVEREIGN DEBT RATINGS

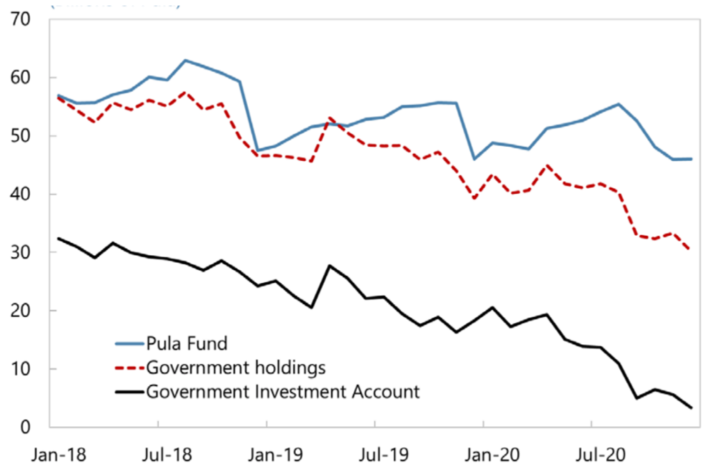
Country	Rating Agencies								
	S&P			Moody's [8]			Fitch		
	Rating	Outlook	Date	Rating	Outlook	Date	Rating	Outlook	Date
Angola	CCC+	Stable	Mar 20	B3	Under review	Mar 20	CCC	n/a	Sep 20
Botswana	BaBB+	Stable	Mar 20	A2	Negative	May 20			
DRC	B-	Negative	Apr 20	Caa2	Stable	Oct 18	CCC	n/a	Mar 19
Eswatini				B3	Stable	Jul 20			
Lesotho							B	Negative	Aug 20
Mauritius				Baa1	Negative	Apr 20			
Mozambique	CCC+	Stable	Nov 19	Caa2	Stable		CCC	n/a	Nov 19
Namibia				Ba2	Negative	May 20	BB	Negative	Jun 20
Seychelles							B+	Stable	May 20
South Africa	BB-	Stable	Apr 20	Ba1	Negative	Mar 20	BB	Negative	Apr 20
Tanzania				B2	Stable	Aug 20	CC	n/a	Apr 20
Zambia	CCC	Negative	Feb 20	Ca	Stable	Apr 20	CC	n/a	Apr 20

Source: SADC countries, trading economics website

NATIONAL ECONOMY

36. ***With sufficient fiscal space, economic recovery is under way, driven by increased global demand for diamonds in early 2022, the easing of restrictions on mobility, and government's counter-cyclical and expansionary fiscal stance.*** However, while both fiscal and external positions are expected to improve with more favorable terms of trade, considerable near- and medium-term risks exist, despite vaccination rates of 59.3 per cent as of February 15, 2022. In the long term, a decline in diamond revenue caused by shifts in consumer preferences, greater competition from synthetic diamonds and increased costs of extraction will reduce fiscal balances, putting pressure on external buffers and potential, and increase the need to increae public debt. Combined with a drawdown in fiscal buffers (See Chart 3 below), government is committed to fiscal consolidation through a combination of revenue and expenditure measures to reduce risks of external shocks and to increase fiscal space (on both revenue and expenditure sides) for the transformation agenda, to be framed by NDP-12.

Chart 3 BOTSWANA'S FISCAL BUFFERS (2018-2020)



Source: IMF Article IV Consultation, July 2021

[7] Analysis of world data (1990-2013) by Kazandjian and others (2016)

[8] According to Moody's Investors Service rating, Botswana is 'A2' for long-term bonds denominated in both domestic and foreign currency but the rating agency has revised the outlook from stable to negative. The revision of the outlook reflects the increasing risks of lower growth, larger budget deficits and likely resultant increase in government borrowing.

37. ***Following the rebasing of the National Accounts figures to 2016, the domestic economy contracted by 8.5 percent in 2020, worse than the original projection of 7.9 percent, owing to technical adjustments to GDP figures***. Further, the contraction was attributable to a decline in output of both the mining and non-mining sectors, mainly resulting from the virus containment measures, which restricted movements, suppressing supply and demand chains, as well as domestic and international trade. To date, the effects of COVID-19 continue to be felt, dispite growth in 2022 projected at 4.7 per cent. The subdued performance of the domestic economy reflects the continued implementation of COVID-19 containment measures, which has weighed down heavily on sectors such as accommodation and food services because of weaker demand for accommodation, leisure, and conferencing activities, as well the impact of reduced international economic activity. This has mainly affected women, since the services sector that employs majority (61.5%) of the working population, employs most females (75%) compared to 50% of all employed males.

38. ***According to the IMF, the unemployment rate reached 24.5 percent in 2020 (Q4) from 22.2 percent in 2019 (Q4) and could increase further once the State of Emergency is lifted***. (IMF Article IV Consultation, July 2021) The youth unemployment rate increased to 32.4 percent from 28.8 percent, while Unemployment for females (% of female labor force) (modeled ILO estimate) in Botswana was reported at 25.66 % in 2020. The World Bank estimates the extreme poverty rate (at US$1.9/day in 2011 Purchasing Power Parity) to have increased to 16 percent in 2020 from 12.6 percent in 2019. Forecasts suggest the poverty rate would remain above the 2019 figure until 2022. Poverty levels are higher for female-headed households. In cities and towns 54.1% of the poor are females, while in rural areas they constitute 53.8%, (Botswana CCA 2020). Notwithstanding the government's support, the disproportionate impact on poorer and more vulnerable households could lead to even more inequality, calling for a more direct focus on Leaving No One Behind (LNOB).

39. ***While the short to medium term macro-economic and fiscal outlook remains uncertain, government is committed to making difficult decisions and to improving the resilience of the economy to external shocks***. Chart 4 below shows pre and post crisis revenue projections, Chart 5 pre- and post-crisis expenditure projections, and Chart 6 the overall fiscal balance, highlighting the likely long-term effects of the pandemic on fiscal space for development and the SDGs. Maintaining prudent macro-economic policies, strengthening counter-cyclical fiscal policies and optimization of the public sector and financial markets are central to renewal. Government is also committed to improving fiscal rules, diversifying the economy and tax base, developing domestic commercial banking and bond markets, improving strategic budgeting to crowd in private capital, modernizing State Owned Enterprises (SOEs) and strengthening the role that Public Private Partnerships (PPPs) play in integrated solutions. These represent specific aspects of 'resetting' the macro-economy to return to the 2000-2010 trend.

Chart 4 **PRE AND POST CRISIS REVENUE PROJECTIONS (BWP MILLIONS) (2020/2023)**

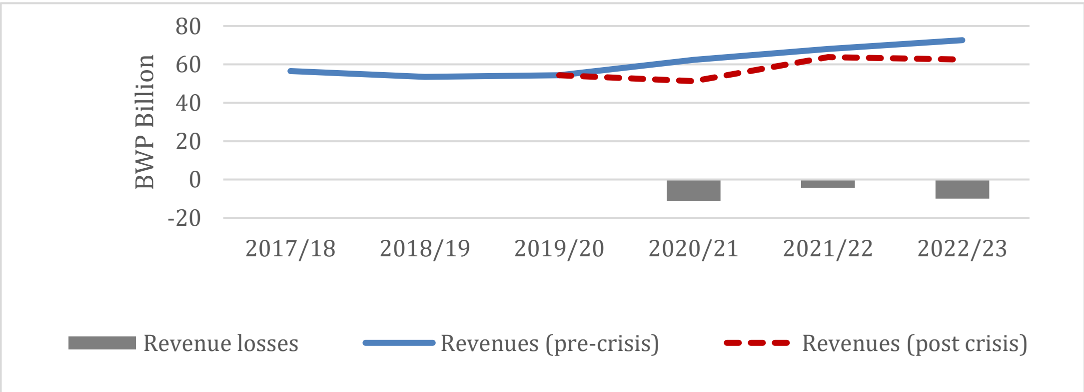


Chart 5 **PRE AND POST CRISIS EXPENDITURE PROJECTIONS (BWP MILLIONS) (2020/2023)**

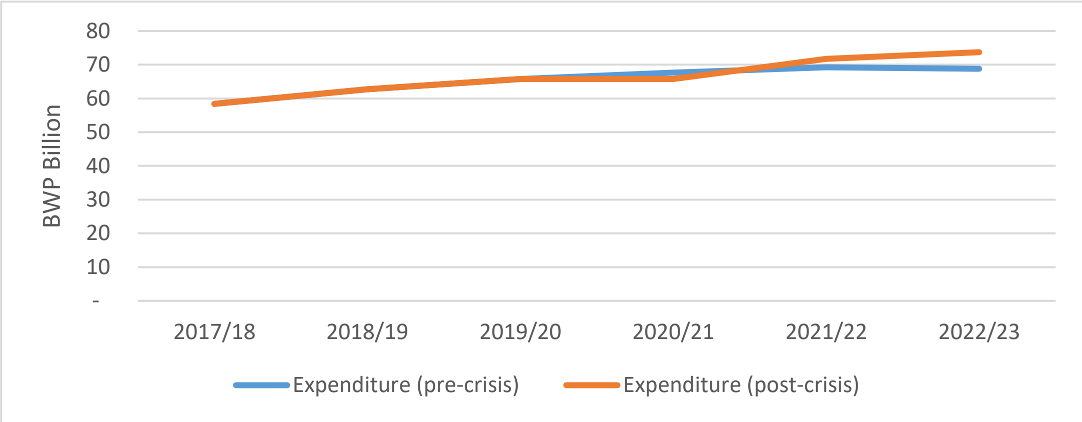
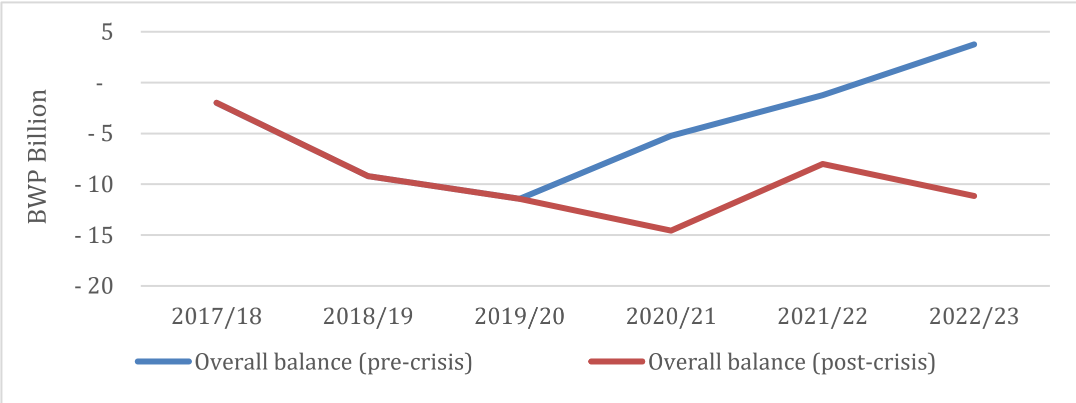


Chart 6 **PRE AND POST CRISIS OVERALL FISCAL BALANCE (BWP MILLIONS) (2020/2023)**



Source: MFED, August 2021

40. ***Despite worsening revenue, expenditure and fiscal balance projections, economic recovery is anticipated in 2021 after growth of 0.7 percent was registered during the first quarter of the year***. GDP growth is projected to reach 9.7 percent in 2021 as a whole. Further ahead, the economy is projected to grow by 4.3 percent and 4.2 percent in 2022 and 2023, respectively. Mining sector growth is anticipated to rebound to 33.9 percent in 2021 (from a collapse of 60 per cent in 2020 (See Table 7 below), before moderating to 3.5 percent and 2.0 percent in 2022 and 2023, respectively. The recovery in the diamond sector is supported not just by improved demand for diamonds, but also higher diamond prices, which have recovered strongly since the beginning of 2021.[9] Projections for a rebound in accommodation and food services, construction and transport and storage depend heavily on increases in global and regional mobility.

Table 6. YEAR-ON-YEAR CHANGE BY KIND OF ECONOMIC ACTIVITY AT CONSTANT 2016 PRICES (%)

	2020 Actuals	2020 Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actual	2021 Q1 Projected
Agriculture, Forestry & Fishing	-1.7	-5.2	0.5	1.2	-3.5	-2.0
Mining & Quarrying	-26.5	-7.6	-60.8	-15.2	-23.6	-11.4
Manufacturing	-14.9	-2.3	-34.7	-16.3	-4.7	-7.4
Water & Electricity	-11.7	-50.3	73.7	11.4	-4.0	33.8
Construction	-11.4	4.3	-32.4	-10.1	-7.4	-4.8

[9] According to Bain and Company, In 2020, diamond jewellery sales fell 14% and rough diamond sales declined 31%. Luckily, industry revenues rebounded faster than expected and quickly exceeded 2019 levels. In 2021, revenue increased 62% in the diamond mining segment, 55% for cutting and polishing, and 29% for diamond jewellery retail—all rising above pre-pandemic levels (+13%, +16%, +11%, respectively). The trend was consistent with previous economic downturns, when the diamond industry recovered with high double-digit growth within 12 to 18 months after a crisis peak.

Wholesale & Retail	1.2	10.0	-12.1	2.7	4.0	11.4
Diamond Traders	-36.8	-22.7	-97.1	6.3	-8.8	12.7
Transport & Storage	-6.4	2.4	-21.3	-4.3	-2.7	0.6
Accommodation & Food Services	-28.5	-4.4	-53.8	-36.0	-19.9	-31.7
ICT	6.2	7.2	2.5	10.3	4.8	3.9
Finance, Insurance & Pension Funding	2.7	6.1	-2.8	3.0	5.0	8.3
Real Estate Activities	-3.1	5.3	-13.4	-3.3	-0.9	2.6
Professional, Scientific & Technical Activities	-1.8	0.4	-10.7	0.8	2.2	5.9
Administrative & Support Activities	-7.3	2.2	-19.7	-8.3	-3.3	0.8
Public Administration & Defence	7.7	13.8	1.3	7.0	9.7	5.4
Education	-0.1	0.6	0.3	-1.7	0.3	0.4
Human Health & Social Work	2.8	7.2	-2.9	3.7	3.4	3.3
Other Services	-6.1	2.2	-17.4	-4.9	-4.3	-3.0
GDP	**-8.5**	**1.2**	**-26.0**	**-4.4**	**-4.6**	**0.7**

Source: Statistics Botswana

41. ***In this context, the parliament has approved an Economic Recovery and Transformation Plan (ERTP) in October 2020 aimed at accelerating structural transformation and increasing job creation and inclusiveness (citizen empowerment)***. These priorities – which aim to overcome macro-economic and fiscal headwinds and to increase fiscal space for development and the attainment of Agenda 2030, provide the context for the early years of the INFF Road Map and Financing Strategy. Both domestic and external borrowing are going to be required over the medium term, to eliminate the financing gap and to maintain the government's counter-cyclical investment policy. Although debt is projected to remain within the statutory debt limit of 40 percent of GDP, which is the threshold beyond which debt sustainability is considered at risk, debt vulnerabilities remain significant and as inflation rises, debt to GDP levels are likely to increase.

42. ***The INFF comes at a time when long term structural imbalances and the pandemic have combined, risking Botswana's strong record of stable and prosperous growth***. With long term fiscal deficit and debt likely to increase, the INFF must look to increase the fiscal space to finance Agenda 2030, while also leveraging in new catalytic financing instruments to improve macro-economic stability and SDG related outturns. In order to escape the upper-middle income trap, government will need to:

- Increase its investment focus on promoting non-mineral exports, manufacturing, tourism clusters, and transformative sectors (including green and climate adaptation technologies) and reduce reliance on import substitution and protectionist policies.
- Enhance Botswana's cost competitiveness by promoting more competition across industries and markets, alongside sector, spatial planning and geographic clustering and e-government, etc.,
- Strengthen institutions and accountability to reduce information asymmetries and enhance implementation, and,
- Take steps to deepen financial markets, including the bond market

Summary of Macro-Economic Challenges

43. ***The analysis presented above coupled with the results of the functional dialogue sessions held with government and non-government officials, identifies primary macro-economic challenges that undermine sustainable financing for national development and the SDGs***. While this list is not exhaustive, it provides a useful checklist for the set of recommendations and road map actions, as summarized below.

Over-dependence on Diamond Mining & Real Exchange Rate overvaluation	**Reducing fiscal buffers to finance the budget deficit**
Gross Reserves Have Been in Decline Since 2006	**Constrained Fiscal Space Undermining Critical Spending**

Increasing Public Debt	**Under-developed Domestic Financial and Bond Markets**
Lack of Micro-Finance Meeting the Needs of MSMEs	**Elevated Unemployment Rate and Gender Inequality**
Open Economy Makes Botswana Vulnerable to Exogenous Shocks	**Lack of competitiveness & Access to Regional Value Chain, FDI and Knowledge Transfers**

Chapter 3

Financing Landscape

CHAPTER 3: FINANCING LANDSCAPE

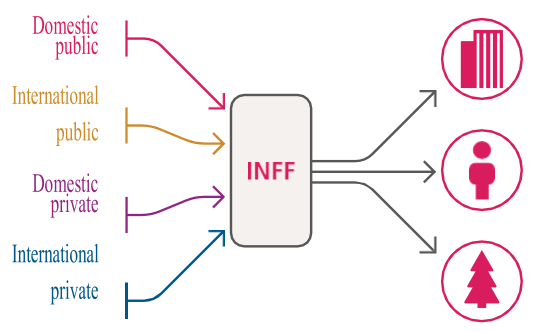
44. ***This chapter (the assessment and diagnostic) provides a comprehensive overview of the existing financing landscape in Botswana covering domestic and international public and private flows, and their integration, in effect constituting the supply side of financing in Botswana***. Thus chapter provides a description of existing flows, highlighting gaps and constraints as the basis for identifying future policy, institutional, capacity and financing instrument and modality options, which inform the road map and strategy. The analysis identifies sustainable financing solutions absent from the Botswanan market across the domestic and international, public and private structure. Moreover, for each of the finance flows, the assessment aggregates existing data and analysis covering the following areas:

- ***Recent evolution and trends***: Quantitative importance of each individual flow and recent trend covering as many years as established data series allow.
- ***Relevance and complementarity of each flow in financing development goals***: Government's preferences/priorities against each flow, sector allocation, and - where applicable - by level of government (national and sub-national), coherence across policies governing different flows, linkages with national development strategies/ plans and results frameworks as well as the measurability of their contribution to achieve results.
- ***Policy and institutional setting governing and affecting the development of the flow***: Institutional arrangements; policies in place and coordination set up to regulate, oversee and manage these flows; degree to which government can control these flows and influence their alignment with national priorities; potential barriers in accessing them.
- ***Availability of data and information to support policy decision making***: Availability and quality of evidence, including tools to record data and compatibility among differing management information systems as ability to collect timely information from a range of stakeholders.

Botswana's Financial Market

Botswana's financial sector landscape is comprised of commercial banks, bureau de change, insurance companies, development finance institutions, a building society, various credit providers and micro-lenders, and a securities sector (capital market).

The Botswana INFF will assist in addressing the primary constraints to sustainable financing by integrating financing flows across the domestic and international public and private domains. The INFF supports NDP-12, MTR, ERTP and Reset priorities.



45. ***Integration of financing flows demands strong coordination between public and private sectors, strong government commitment towards crowding in private capital and structured dialogue around new instruments***. For example, the Public Private Partnership (PPP) unit in MFED is aware of its limited capacity at the sector level to new PPP modalities, undermining PPP portfolio expansion. Similarly, delivering on the Financial Inclusion Strategy would require a conducive financing landscape (i.e., lack of domestic commercial banks) to address the unbanked and underbanked populations.

3.1. Domestic Public Finance

46. ***The structure of domestic public finance landscape over the past decade and projected out reflects lower growth outturns, a changing revenue base, increased debt, larger budget deficits but also awareness of the need for a reset to reverse the current trend.*** Domestic public finances have also been negatively affected because of the pandemic, with all sectors contracting significantly. This has affected the overall medium-term fiscal, budget and expenditure projections and reduced the fiscal space available to support Agenda 2030. Though having sizable fiscal buffers going into the pandemic has allowed Botswana to fair better than SADC countries, shifting policies to allow fiscal consolidation is now imperative.

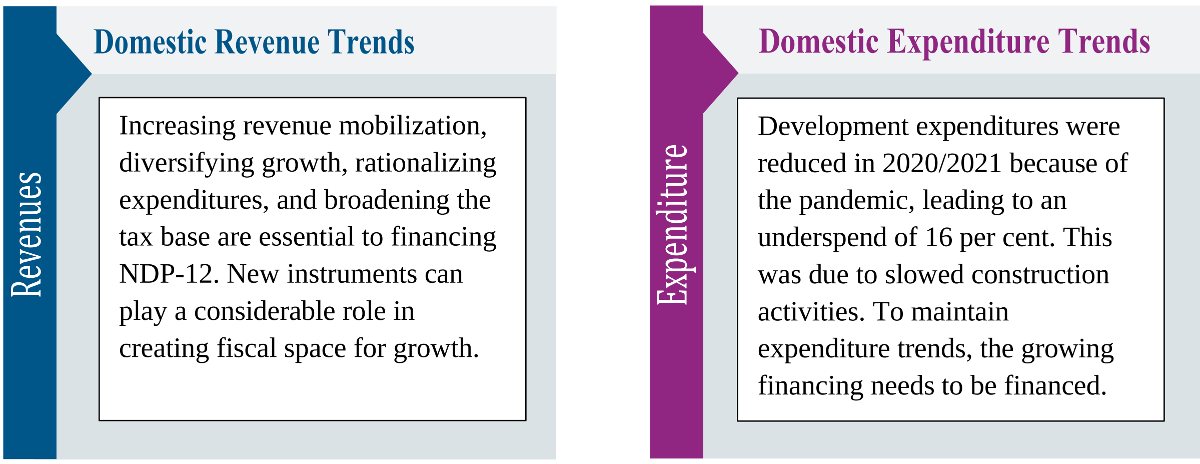
Government Revenues

47. ***The 2020 Budget Strategy Paper (BSP) laments the crisis facing government revenues***. The MFED BSP sees '*the depletion of accumulated government savings in the face of high levels of spending and reduced revenues, and the resulting unprecedented reliance on debt to finance fiscal deficits*.' (MFED, BSP, 2021). The downturn in revenue is expected to last the remaining period of NDP-11 and potentially into NDP-12, putting pressure on recharging the Government Investment Account through budget surpluses, which could be achieved by 2024/25 should this financing strategy be executed. In the national budget process, gender concerns are not adequately mainstreamed in Botswana. [10]

48. ***The preliminary outturn for 2020/2021 indicates that total revenue and grants stood at Pula 51.25 billion, which is Pula 2.9 billion higher than the revised budget presented in the February 2021 Budget Speech***. The significant difference between preliminary budget outturn and the revised budget is largely driven by mineral revenue, which accounted for Pula 9.56 billion, compared to the revised budget figure of Pula 6.56 billion. Customs and excise revenue essentially equaled the revised budget figure of Pula 16.50 billion. Contrary to expectations, given the outbreak of COVID-19 and measures taken by Government to defer tax payments by domestic companies during the last half of 2020/2021 financial year, non-Mineral income tax amounted to Pula 12.49 billion, higher than the revised figure of Pula 11.84 billion by 5.5 percent.

49. ***Figure 2 provides the Medium-Term Fiscal Framework (MTFF) highlighting the planned drive towards a return to trend and to support fiscal consolidation***. However, MFED is aware that growth and revenue futures are unlikely to be straight-lined and as a result, projections for 2022/2023 and beyond remain contingent on a return to pre-pandemic forecasts, which may not materialize. The implication of this situation is negative for financing NDP-12 and Agenda 2030, justifying the planned reset focus being central to NDP-12.

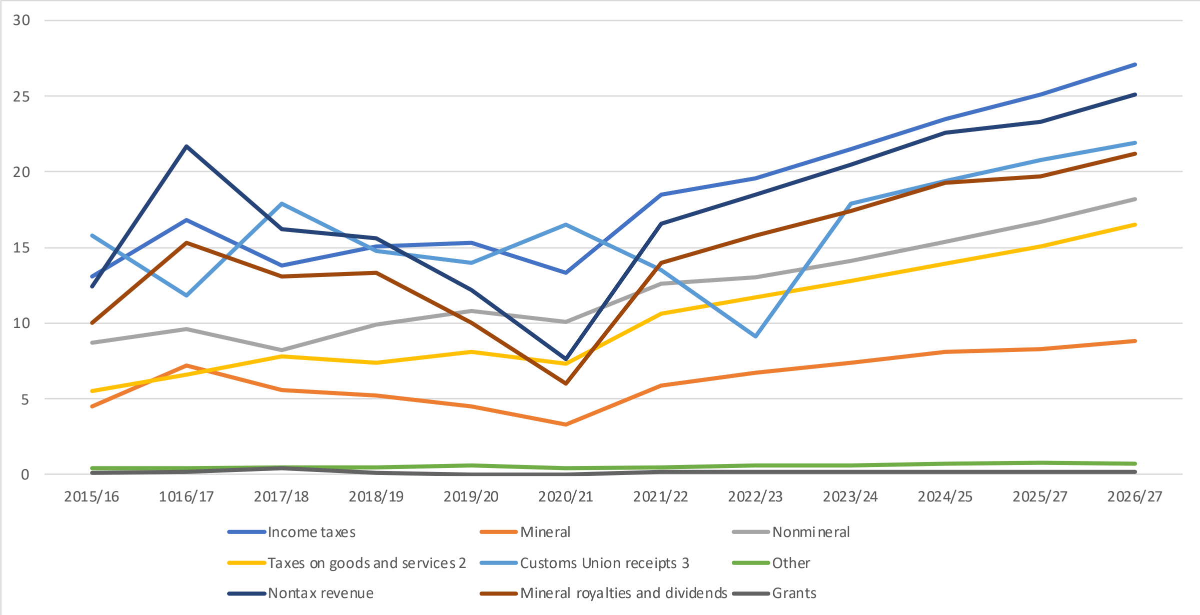
Figure 2 **Botswana Domestic Revenues (Billion's Pula) (2015/17 – 2026/27)**



Source: MFED / IMF Article IV Consultation

[10] SADC Gender and Development Monitor, 2018.

Chart 7 DOMESTIC REVENUE TRENDS AND PROJECTIONS BY SOURCE (2015/16 – 2026/27)



50. ***The 2021 Budget Strategy Paper (BSP) is the key instrument under the Medium-Term Budget Framework (MTBF), outlining the aggregate revenue and expenditure envelope and projections for the coming three years***. According to the BSP, total Revenue and Grants are anticipated to reach P63.06 billion in 2021/2022, an increase of 23.2 percent from the 2020/2021 preliminary budget figure of P51.25 billion. The projected increase is largely attributed to the anticipated recovery in mineral revenue, because of increase in sales of rough diamonds. Customs and excise revenue are expected to decrease by P2.16 billion to P14.30 billion, because of the anticipated downward adjustments to SACU receipts, reflective of reduced trade activities because of COVID-19 pandemic. Non-Mineral income tax is forecast to reach P13.63 billion, compared to P12.49 billion in the previous year, reflective of increased economic activity, the higher rate of withholding tax on dividends and recovery of tax payments from domestic companies that were deferred during the 2020 lockdowns. VAT is expected to reach P10.75 billion, up from the preliminary estimate of P7.33 billion in 2020/2021, following the 2 percentage points in VAT and the increase in the fuel levy in April 2021. (MFED, BPS, 2021). Table 7 presents the three-year revenue forecasts.

Table 7. DOMESTIC REVENUES 2019/20-2024/2025 (MILLION PULA)

	2020/21	*2021/22*	*2021/22*	*2022/23*	*2023/24*	*2024/25*
	Preliminary	*Original Budget*	*Revised Budget*	*Projections*		
Total Revenue &Grants	**51,246.1**	**64,577.5**	**63,759.9**	**63,055.9**	**76,831.2**	**81,898.8**
Mineral Revenue	**9,555.1**	**23,198.5**	**20,260.5**	**24,080.5**	**27,412.0**	**28,849.0**
Mineral Tax	3,315.1	5,576.5	6,148.2	6,267.6	7,439.3	8,219.5
Mineral Royalties and Dividends	6,240.0	17,622.0	14,112.3	17,812.9	19,972.7	20,629.5
Customs & Excise Revenue	16,459.0	13,523.8	14,299.9	8,982.9	17,098.2	18,212.9
Non-mineral Income Tax	12,489.3	13,780.2	13,627.4	14,937.5	16,263.5	17,609.6
VAT	7,335.6	10,666.5	10,747.9	11,781.2	12,827.0	13,888.7
BOB Revenue	4,009.4	1,000.0	2,510.0	700.0	700.0	700.0
Other Revenue & Grants	1,397.7	2,408.5	2,314.2	2,573.8	2,530.5	2,638.6

Source: MFED, August 2021

51. ***Fiscal pressures are set to curtail government spending in future years unless new sources of finance are mobilized.*** On the expenditure side, the preliminary budget outturn indicates that total expenditure and net lending stood at P65.80 billion, which is P3.56 billion less than the revised budget figure of P69.36 billion. The lower level of spending during the Financial Year 2020/2021 was driven

mainly by the development budget, which amounted to P10.22 billion, P2.01 billion less than the revised budget figure of P12.23 billion, representing underspending of 16 percent. Underspending of the development budget is in part a reflection of slowed construction activities during lockdowns, which impacted heavily on construction and other development projects. Table 8 provides the three-year forecasts for expenditures, highlighting the constraints to increasing development spending, to a level where the rate of returnon investment will increase growth levels to the 6-7 per cent a year necessary to become an upper middle-income economy. Furthermore, once the SDGs have been costed, the financing gap will also be known, putting pressure on legacy financing approaches to fundamentally rethink the integration of public and private spending.

Table 8. DOMESTIC EXPENDITURES, 2019/20-2024/2025 (MILLION PULA)

	2020/21	*2021/22*	*2021/22*	*2022/23*	*2023/24*	*2024/25*
	Preliminary	*Original Budget*	*Revised Budget*	*Projections*		
Total Expenditures and Net Lending	**65,804**	**70,609**	**70,984**	**71,553**	**72,895**	**74,184**
Recurrent Expend	**55,592**	**56,046**	**58,407**	**57,428**	**58,258**	**59,020**
Personal Emoluments	28,697	28,768	28,768	27,847	28,551	29,278
Grants and Subvention	15,949	14,958	17,253	16,658	16,658	16,658
Other Charges	9,757	10,740	10,806	11,066	11,148	11,231
Interest payments	1,187	1,579	1,579	1,856	1,900	1,852
Development Expend	**10,214**	**14,752**	**12,672**	**14,221**	**14,734**	**15,252**
Net Lending	(2.7)	(189.4)	(95.3)	(95.5)	(97.1)	(88.7)
Overall surplus/deficit (-)	**(14,558)**	**(6,032)**	**(7,224)**	**(8,498)**	**3,935**	**7,714**
As a % of GDP	***8.4%***	***3.1%***	***3.7%***	***4.0%***	***1.7%***	***3.7%***
GDP	**173,828**	**194,928**	**194,928**	**213,386**	**231,481**	**249,886**

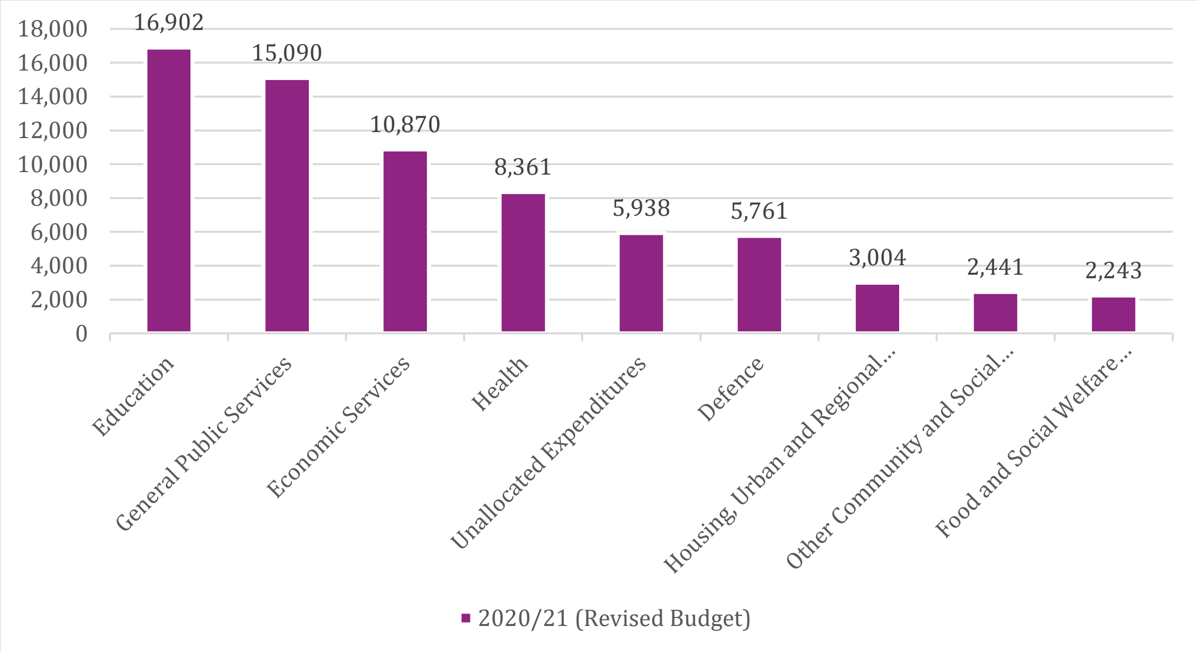
Source: MFED, August 2021

52. The same trends were noted for the two ministries (Ministry of Nationality, Immigration and Gender Affairs - MNIGA: and Ministry of Local Government and Rural Development -MLGRD) that implement the bulk of gender equality interventions. The total allocations increased between 2019/20 and 2021/22: by 29.9% and 16.2% for MNIGA, and MLGRD respectively. The increase were mainly on account of increased development expenditure.

53. ***The functional presentation of the 2020/2021 national budget shows a strong focus on education, general public services, economic services and health (SDG 3), as outlined in Chart 8 below.*** Government is looking to introduce Zero Based Budgeting (ZBB) with the support of UNICEF to allocate funding based on programme efficiency and necessity rather than budget history. The introduction of ZBB (which has its challenges) aims to support fiscal consolidation and increase expenditure performance. It should be noted that Gender Equality is made central to achieving Vision 2036, where it is stated that emphasis will be placed on ensuring equal women's participation in politics, among other measures. [11] Such a statement requires that the Gender Department received more than the 0.004 percent of the national budget it received in the 2016/17 budget year.

Chart 8 SECTOR EXPENDITURES (2020/2021 REVISED BUDGET) (PULA MILLION)

[11] https://vision2036.org.bw/sites/default/files/resources/Vision2036.pdf



54. Although the social sectors of education and health are critical in addressing gender issues, gender equality assessed as SDG5 is mainly funded through the other community and social welfare sectors. In financial year 2021/22, the SDG5 related interventions[12] were allocated Pula 160.98 million (0,1%) of the national budget.

55. ***Consolidated expenditures for central government are still under development, undermining the potential for a unified view on sector spending priorities across the whole of Government spending.*** MFED compiles cash-based quarterly and annual budgetary central government data following the Government Finance Statistics Manual 2014. Since 2018, data are available on expenditure by classification of functions of government (COFOG), but there are still no balance sheet data compiled, and no data are compiled for extrabudgetary institutions, consolidated central government, or consolidated general government. There have been data quality improvements for the budgetary central government allowing the breakdown of transfers expense to distinguish grants, subsidies, social benefits, and other expense, but challenges remain with proper distinction between current and capital outlays in the development budget. (IMF, Article IV Consultation, June 2021) In addition to allocative efficiency (ZBB) the government is also committed to operational efficiency (value-for-money) by cutting down on projects with inflated costs.

56. ***The Mid Term Review (MTR) of NDP-11 and COVID-19 Economic Recovery and Transformation Program (ERTP) have been essential components of thinking through emerging economic and financial futures***. [13] The MTR has reviewed performance against planning and budgetary spending and ERTP has outlined priority investments necessary to restore economic activity and incomes, facilitate economic growth and the further expansion of productive capacity, accelerate economic transformation, and build the resilience of the economy. Future expenditure and investment priorities are outlined below.

Continuous growth in domestic productive capacity	**Increasing the ability of the economy to provide basic and essential goods and services and reducing dependence on imports.**

[12] These include: Activism on Violence against women and children; Gender Commission operations; Women Economic Empowerment Programme; Annual Women's Expositions, Women's Voluntary Organisations, Women's leadership course, and the Day Care centre programme

[13] https://www.finance.gov.bw/images/NDP-ELEVEN/NDP11Mid-term-Review.pdf

The growth and diversification of exports.	**Promotion of entrepreneurship and creativity.**
Deregulation and structural reforms to promote the ease of doing business.	**Improving productivity, efficiency, and the competitiveness of the Botswana economy.**
Enhanced domestic resource mobilization.	**Introduction of sustainable development financing.**

57. ***Government is looking to align these priorities with NDP-12, and to achieve this through the implementation of the national budget and MTEF process***. Despite the challenges of executing ZBB, strengthening policy coherence, improving alignment and performance-based budgeting will be necessary to allow lessons learned and now priorities to be financed, given fiscal constraints. In this context, and relevant for the INFF Financing Strategy, the following emerging expenditure priorities are noted. From these, the INFF assessment will identify a number of high priority areas:

- Ensuring continued macro-economic strength and stability.
- Investing in economic infrastructure.
- Developing human capital.
- Improving service delivery including education and health.
- Promoting a competitive, export-led economy.
- Improving the efficiency of government spending and financing.
- Developing a vibrant agricultural sector.
- Investing in climate adaptation and mitigation (revamp agricultural subsidies and biodiversity offsets).
- Promoting citizen economic empowerment.
- Investing in the creative industry.
- Growing a safe, sound and inclusive financial services sector. and,
- Investing in gender equality (financial inclusion, access to capital for women SGBs and SMEs).

58. ***The MTR, ERTP and Reset priorities provide the foundation for the INFF supported by Citizen's Economic Empowerment (CEE) to make sure no one is being left behind***. In this context, and as noted in the domestic private section below, the under-development of financial and bond markets and lack of financial inclusion will need to be resolved if new and integrated financial instruments are to be deployed to meet the financing gap to meet Agenda 2030 SDGs. Botswana was found to have the largest gender gap in the region with regards to financial inclusion and access to credit (FinMark Trust, 2016). Moreover, combined with efficiency savings, reducing subventions to state owned enterprises, and closing down projects that do not work or are not effective, will free up fiscal space. Even these measures however will be insufficient to fully finance NDP-12 and Agenda 2030, leaving a large financing gap to meet expenditure priorities.

Table 9.	MTR/ERTP/RESET PRIORITIES BY SECTOR
Saving Batswana	Health; food & social welfare
Digital Transition	Telecommunications, plus all MDA computerisation activities
Value chain development and exports	Mining; air & rail transport; cultural services; broadcasting; regulation and technical services; promotion of commerce & industry
Human capital development	Education
Infrastructure	Housing, regional & urban development; electricity & water; roads
Resilience	Conservation and wildlife; agriculture; green technology; fuel security
Other	General public administration; public order and safety; defence; unallocated spending

59. ***The public finance management policy and institutional framework is not very gender responsive.*** Public finance management plays an important role in addressing gender inequalities and asymmetries across different markets[14], reallocating resources to vulnerable members of households and society. PFM processes – revenue mobilisation, budget preparation and resource allocation, budget execution, and the accounting and auditing of government expenditure – can be strengthened by the integration of a gender approach. In fact, by not recognizing or refraining from doing anything specifically to understand or address gender inequalities, development actors could be inadvertently exacerbating them as well as missing opportunities to ensure a more efficient, effective and inclusive allocation of public resources. Apart from the Constitution, the complementing laws[15], are largely gender blind. The budgeting process is also not very gender sensitive: i) budget formulation has budget pitsos that include participation of some women's NGOs. ii) Budget approval by Parliament entails limited gender discussions due to the limited number of female members, iii) budget implementation, performance monitoring and reporting shows limited use of gender disaggregated data. Institutionalizing gender responsive budgeting would be a solution.

PUBLIC PRIVATE PARTNERSHIPS (PPPS)

60. ***Botswana has been strengthening the PPP legal and regulatory framework since 2000, though like many countries impacted by COVID-19, MFED is now to accelerate their development in traditional and new sectors, also using new modalities***. Government adopted the Privatisation Policy in 2000, the PPP Policy and Implementation Framework in 2009 and established a dedicated PPP Unit in 2016 to ensure successful implementation of the PPP Policy. The Great Financial Crisis of 2009 affected the launch of the PPP process and lack of installed capacity has thwarted plans for progressive PPP pipeline expansion.[16]

61. ***To lower government operating costs, strengthen service delivery, crowd in private capital and restructure service delivery models, government is looking to increasingly rely on a new wave of Public Private Partnerships (PPPs).*** Currently, the PPP legislative and regulatory framework is underdeveloped and there is no pipeline of potential PPP projects. There is no national PPP taxonomy and planning capacity to develop both OPEX and CAPEX related PPPs at the sectoral level requires considerable investment. Blended financing can also be used. Illustrative existing PPPs are provided below:

PPP Example 1

Ombudsman Accommodation

Ombudsman and Land Tribunal Office Accommodation Project – the project was a ten-year concession for provision of office accommodation for the Office of the Ombudsman and Land Tribunal, inclusive of courtrooms, offices, auditorium, cafeteria and parking. Construction was completed within schedule (16 months).

PPP Example 2

SADC Headquarters

SADC Headquarters Office Accommodation Project – a 17-year concession project for provision of office accommodation for SADC inclusive of offices, parking, resource center and facilities management (cleaning, security and hard facility management). The project is still ongoing.

[14] Labour, capital, financial markets as well as markets of goods and services
[15] These include the Public Finance Management Act, Public Procurement and Disposal Act, and various Tax laws
[16] A PPP is essentially a specialised form of procurement, albeit one that involves a detailed procurement process and substantial financial commitment by Government over a longer time frame. The legal and regulatory framework is therefore embodied in the Public Procurement and Asset Disposal Act for central government projects and the Local Authorities Procurement and Asset Disposal Act for local authorities' projects. PPPs, like state owned enterprises, incur contingent liabilities.

62. ***Botswana has limited experience on PPPs compared to other markets, and even though there are currently 15-16 PPPs in the pipeline (see Table 10 below). Capacities to develop a pipeline of viable and fully safeguarded PPPs as well as to implement them needs to be established, both in the current MFED PPP Unit, but also in the key sector ministries***. MFED is working on the PPP law, regulations, and guidelines, and on strengthening the transaction advisory necessary to minimize the risks of incurring contingent liabilities. MFED PPP Unit sees the need to strengthen sector feasibility studies, procurement and transaction advisory services, and there is also a need to develop new PPP modalities in sectors so far not pioneered. The joint ventures for construction of water supply systems are gender sensitive, if implemented to address the high cost of water for the rural women. Similarly all PPP modalities should ensure gender equality outcomes are identified, measured and reported against. Given domestic financial liquidity concerns for PPP projects ranging from US$ 10 to US$ 100 million, there is a need to review PPP financing instruments.

Table 10. PLANNED PPP PROJECTS

1	Reclamation and Treatment of Gaborone Wastewater for potable use.	Upgrade of the wastewater treatment	Ministry of Land Management, Water and Sanitation Services	Water
2	Ikaegeng XTL Project	Converting Coal to liquids in order to guarantee oil product security for Botswana	Ministry of Mineral Resource, Green Technology & Energy Security	Energy
3	Serowe Magistrate Court	Construction and maintenance of Magistrate court in Serowe.	Administration of Justice	Accommodation
4	Tshele Hills Project	Construction of bulk petroleum products storage tank farm and ancillary installations near the Tshele Hills in Rasesa, Kgatieng Districts.	Ministry of Mineral Resource, Green Technology & Energy Security	Energy
5	Mmamabula-Lephalale Railway Line	Construction of Railroad Line from Mmamabula to Lephalale-SA for transportation of coal.	Ministry of Transport and Communication	Transport
6	Mosete-Kazungula Railway Line	Construction of railway line from Mosetse to Kazungula.	Ministry of Transport and Communication	Transport
7	Teachers Housing	Construction of housing units for secondary school teachers across the country.	Ministry of Basic Education	Education
8	Chobe-Zambezi Water Transfer Scheme (Merged with Zambezi Agro-Commercial Development Project)	Construction and operation of water supply pipeline from Kazungula to Moralane. Construction and operation of irrigation infrastructure in Pandamatenga.	1. Ministry of Land Management, Water and Sanitation Services Ministry of Agricultural Development and Food Security	Water / Agro Industry
9	Prison Headquarters	Construction and maintenance of head office accommodation and staff housing for Botswana prison Service in Gaborone.	Ministry of Justice, Defence & Security	Accommodation
10	Construction of Security Wing, Farm and Staff Houses at Sepopa	Construction and maintenance of prison farm and staff houses in Sepopa.	Ministry of Justice, Defence & Security	Prison Farm and Accommodation
11	Offender Rehabilitation Centre, Lobatse	Construction and maintenance of prisoner rehabilitation centre in Lobatse.	Ministry of Justice, Defence & Security	Prison Facility
12	Student Resident Facilities BIUST	Construction and maintenance of student residences at Botswana International University of Science and Technology in Palapye.	Ministry of Tertiary Education	Accommodation
13	Francistown-Nata Road	Construction and maintenance of the Francistown-Nata road	Ministry of Transport and Communication	Transport
14	Maun-Mohembo Road	Construction and maintenance of the Maun-Mohembo road.	Ministry of Transport and Communication	Transport

15	State Theatre	Construction of State Theatre facility for performing arts.	Ministry of Youth Empowerment, Sport & Cultural Development	Creative Industry

63. ***As noted above, the plan to further rely on PPPs to finance infrastructure projects must seek to limit risks of un-planned contingent liabilities and will also need to address slow execution rates, lack of finance for feasibility studies and limited state capacity and experience***. Moreover, as the costs of developing and procuring PPP projects are often high, the size of the project must justify the cost of implementing the project using the PPP method, and it must provide value-for-money and a public good. Moreover, as the private sector will only bid on projects with a modest hurdle rate, positive Net Present Value (NPV) and positive cash flows, incentives will need to be considered for many sectors. These costs are borne by either the customers (as tariffs) or government in the form of subsidies and contingent liabilities. The pension fund could also invest in PPPs, subject to careful risk management principles.

Build a National PPP Pipeline to Meet Reset and NDP-12 Needs [17]	**Focus on Road and Energy PPPs as high rate of return**
Conservation Financing PPPs	**Strengthen state PPP capacities including transaction adisory**
De-risk private capital / state guarantees to offset lack of domestic liquidity	**Develop local authority PPPs for waste collection and water supply**

64. ***The current value of existing PPP concessions remains modest in nature.*** One of the largest (and earliest) was the Orapa and Mmashoro Independent Power Producer (IPP) developed by Karoo Sustainable Energy as a 90MW Simple Cycle Gas Turbine Power Plant. The project CAPEX was US$104 million and financial closure was reached in 2011. PPPs must be central to the INFF strategy, and a wide range of modalities can be procured, including Build-Own-Operate (BOO), Build-Operate-Transfer (BOT), Build-Operate-Own-Transfer (BOT), Build-Transfer-Operate (BTO) and Design--Build-Finance-Operate (DBFO) for example.[18] Regardless of the selection of a certain model, it is important that all PPP arrangements have undertaken gender impact assessments and identify sector specific gender equality outcomes.

SOVEREIGN WEALTH FUND (PULA FUND)

65. ***The Pula Fund is a Sovereign Wealth Fund (SWF) managing a long-term overseas investment portfolio, that has declined from 20 percent of GDP in 2011 to around 7 per cent of GDP as of May 2020 (now has assets under management of just under US$ 5 billion)***. [19] The fund was established in 1994 with the aim of preserving part of the income from diamond exports for future generations. By creating a separate investment portfolio, it has been possible to use the Pula Fund as a more appropriate, longer-term state investment vehicle. Excess foreign exchange reserves are transferred to the Pula Fund and invested according to investment guidelines. The Bank of Botswana undertakes prudent management of the SWF conforming to Generally Accepted Principles and Practices, also known as the Santiago Principles. However, as shown in Chart 9 below, government net financial assets have now fallen into the negative.[20]

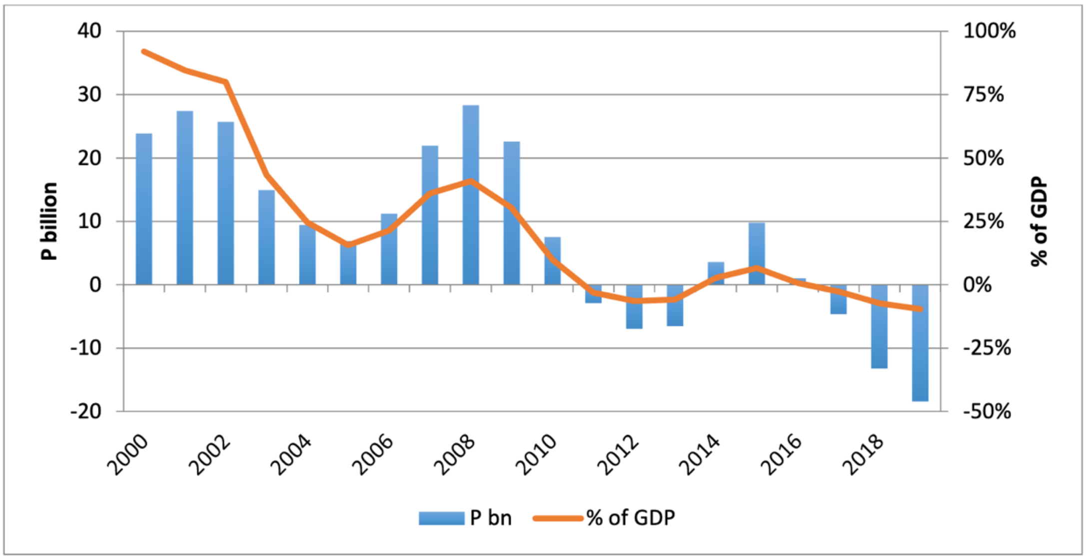
[17] Feasibility studies for the Mmamabula – Lephale and Mostese – Kazungula rail links will be completed as a precursor to the construction of these cross-border connections, potentially on a PPP basis. Other transport projects that are envisaged are the Optimal Utilisation of the Dry port at Walvis Bay and the Development of Inland Dry ports.

[18] The different characteristics of the various PPPs mentioned are presented here. https://ppiaf.org/sites/ppiaf.org/files/documents/toolkits/highwaystoolkit/6/pdf-version/5-36.pdf

[19] https://www.bankofbotswana.bw/content/pula-fund

[20] Government Net Financial Assets are the net financial worth of the general government sector is the total value of its financial assets minus the total value of its outstanding liabilities. The general government sector consists of central, state and local governments as well as social security funds.

Chart 9 GOVERNMENT NET FINANCIAL ASSETS (MILLION PULS & %OF GDP) HOLDINGS



Source: MFED and BoB

66. ***Foreign reserves are under the control of the Bank of Botswana —with 85 percent kept in a sovereign wealth fund (the Pula Fund) and 15 percent in a Liquidity Portfolio (used as a short-term liquidity buffer)***. Within the Pula Fund, about one-third is owned by the government and two-thirds by the BoB as at end-2019. Foreign exchange reserves in excess of the amount required for daily foreign transactions kept in the Liquidity Portfolio (currently set at nine months of imports) are transferred to the BoB's portion of the Pula Fund. If the Liquidity Portfolio declines below three months of imports, it receives a transfer from the Pula Fund. The Pula Fund has therefore been central to the sustainability of government public finances.

PUBLIC OFFICERS PENSIONS FUND & OTHER PENSION FUNDS

67. ***The Botswana Public Officers Pension Fund (BPOPF) is the largest pension fund in Botswana and was registered in 2001 as a result of a government decision to change the Public Officer's Pension arrangement from a Defined Benefit Pension Scheme to a Defined Contribution Pension Scheme***.[21] The Fund has experienced considerable growth since its inception owing to the overwhelming positive response as public servants exercised their option to join the fund. The fund now has more than 162,000 members with a total of Pula 66 billion pula (US$5.6 billion) in assets under management. Since 2017, the fund has been managed by NMG South Africa. In Botswana, the informal sector employs as many as 191,000 people, with a slightly higher proportion of women. However, most of these workers are not covered by social protection, hence their increased level of vulnerability during shocks such as the COVID-19 pandemic[22].

68. ***As of March 31, 2018, there were approximately 86 licensed retirement funds, of which only two were Defined Benefit funds***. Most funds are pension and not provident funds. The licensed pension funds include five umbrella funds, consisting of 285 multiple employers sponsored sub-funds. As of December 31, 2017, the pension funds industry had assets of Pula 82 billion with approximately 259, 000 members. Some double counting exists in terms of the number of members, as certain individuals are members of more than one fund (for example, one may belong to two retirement funds, as an active member in one and deferred member in another). Pension funds may invest in bonds, equities, property,

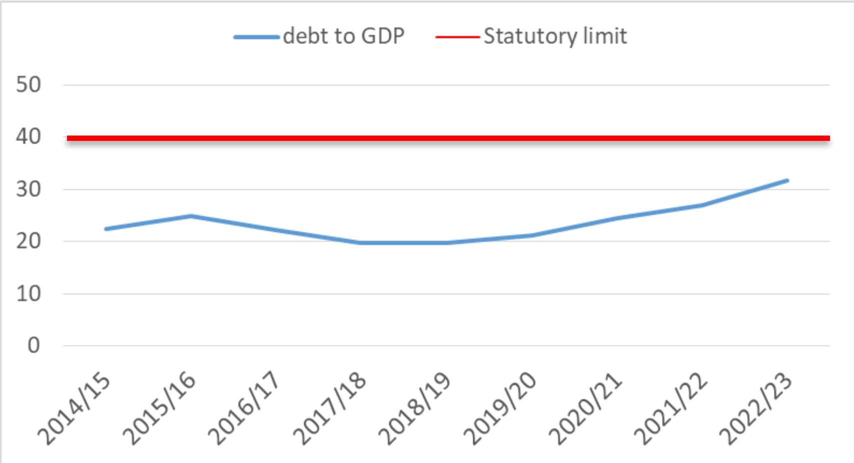
[21] https://www.bpopf.co.bw/
[22] March 2021 https://www.bw.undp.org/content/botswana/en/home/presscenter/articles/2019/the-botswana-national-informal-sector-recovery-plan-launched--op.html

cash and alternative investments. Pension funds may invest up to 70% of their portfolio outside Botswana.[23]

Public Debt

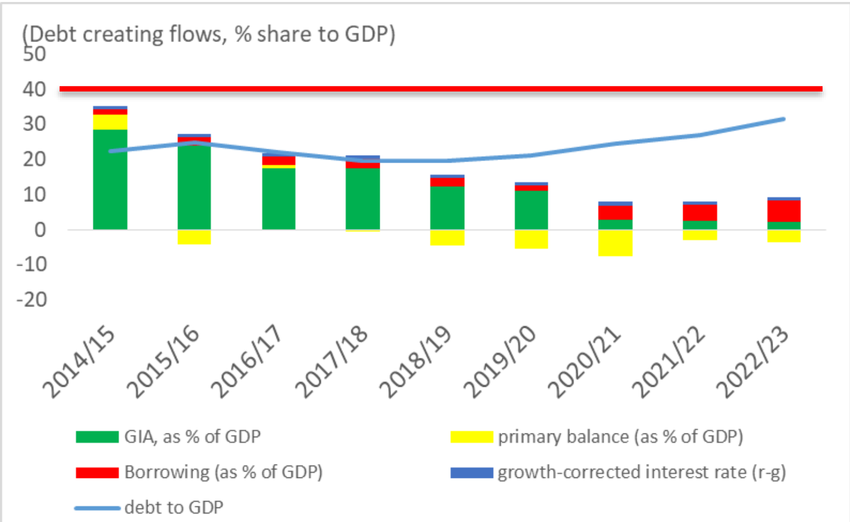
69. ***It is expected that the medium-term funding requirement would add to the debt level (which stood at Pula 33.7 billion in March 2021, raising the level of debt to Pula 40.9 billion in 2021/2022 or 22.4 percent of GDP and Pula 50.7 billion by the end of 2022/2023, which is equivalent to approximately 26.8 percent of forecast GDP***. Although debt is projected to remain well within the statutory debt limit of 40 percent of GDP (based on the Medium-Term Debt Management Strategy (MTDMS), which is the threshold beyond which debt sustainability is considered at risk, debt vulnerabilities remain significant. This is because the current ratio of debt to GDP is higher than its levels before the crises of 2008/2009 (global financial crisis) and 2020/2021 (COVID pandemic) and hence, the "headroom" provided by low debt levels may be less when facing higher interest rates or future crises. There is a risk that debt will increase further if the projected balanced budget cannot be achieved over the medium term. Furthermore, while the statutory limit on debt has been met over the years this has been primarily achieved by drawing down on accumulated saving funds. Charts 10 shows public debt approaching the statutory limit of 40 per cent and Chart 11 shows the declining financing role of the Government Investment Account (GIA) and increased reliance on borrowing to finance public spending. Table 11 shows the composition of external public debt by creditor.

Chart 10 **Public Debt Actuals and Projections, 2014/15 – 2022/23(GDP %)**



Source: MFED, Bank of Botswana

Chart 11 **Public Debt Actuals and Projections, 2014/15 – 2022/23(GDP %)**



[23] http://www.iopsweb.org/resources/46896420.pdf

Source: MFED, Bank of Botswana

70. Increased debt has negative effects on financing for gender equality. The gender sensitive SGD targets and indicators are fairly well aligned to the NDP11. Overall 68% of these targets and indicators had some explicit gender sensitive strategy in the NDP11. However, only 36% had a gender sensitive project or development expenditure listed in the Public Investment Plan[24]. This implies that most of the gender sensitive strategies are being implemented through recurrent operations of institutions. Increased debt, and the related serving usually crowds out recurrent expenditures.

[24] The targets that are mainly infrastructural in nature (provision of water and energy) had projects in the Public Investment Plan.

Table 11. BOTSWANA'S OUTSTANDING PUBLIC DEBT (2019/2020) (US$ MILLION)

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Loans from Governments	**766.8**	**868.7**	**1 106.7**	**936.1**	**798.4**	**726.0**	**562.8**	**547.1**	**607.0**	**587.1**
United States	25.6	23.5	7.3	3.4	2.0	-	-	-	-	…
China	333.4	464.3	645.6	545.7	520.1	449.3	319.3	269.7	211.6	153.2
Kuwait	96.4	97.4	121.0	119.7	73.9	76.6	67.8	58.9	61.3	57.8
Belgium	2.0	1.7	1.3	2.3	1.4	0.8	-	-	-	…
Japan[3]	309.5	281.9	331.5	265.0	201.1	199.3	175.8	218.5	334.1	376.1
Loans from Organisations	**11 800.1**	**13 416.0**	**14 444.5**	**14 835.7**	**17 178.9**	**17 614.9**	**16 093.6**	**13 598.3**	**14 543.6**	**14 890.9**
International Development										
Association	27.5	24.5	26.9	22.2	23.4	21.8	17.4	12.4	10.3	7.6
International Bank for Reconstruction										
and Development	324.8	992.1	822.9	1 011.4	1 337.2	1 443.5	1 680.5	1 456.9	1 930.5	2 203.2
African Development Fund/Bank	10 477.2	11 363.1	12 454.8	12 598.2	14 680.0	15 057.7	13 472.1	11 369.5	11 761.0	11 871.0
OPEC Special Fund	140.2	175.3	204.7	252.8	221.4	220.1	187.4	170.3	230.6	248.3
European Investment Bank	126.7	97.0	150.3	127.4	83.0	52.9	44.9	43.4	41.3	41.0
The Arab Bank for Economic										
Development in Africa	133.6	161.6	172.2	165.1	202.2	208.7	181.2	153.7	216.3	221.1
Nordic Investment Bank	570.3	599.2	606.6	652.8	629.8	609.3	503.2	388.1	351.8	297.1
International Fund for Agricultural										
Development	…	3.1	6.0	5.9	2.1	1.0	6.9	4.0	1.8	1.6
Suppliers Credits and Other Loans	**6.0**	**5.4**	**5.2**	**4.3**	**4.0**	**3.9**	**2.9**	**2.3**	**1.7**	**1.1**
Total External Debt	**12,573**	**14,290**	**15,556**	**15,776**	**17,981**	**18,344**	**16,659**	**14,147**	**15,152**	**15,479**

Source: BoB, October 2021

STATE GUARANTEES, BONDS AND CONTINGENT LIABILITIES

71. ***The total of debt and guarantees has been relatively stable during the first half of NDP 11, after increasing rapidly during the global financial crisis***. Government debt is mainly foreign debt, from multi-lateral institutions such as the World Bank and African Development Bank, but also includes domestic borrowing through the issuance of bonds and treasury bills. Guarantees relate to both domestic and foreign borrowing by public enterprises, and lead to contingent liabilities. The MTR also highlights the need to rebalancing the debt portfolio in favor of domestic debt to achieve a more appropriate risk exposure. As a result, new forms of debt issuance, including switch auctions and bond buybacks, increasing the frequency of bond auctions to monthly, and reviewing the agreements with Primary Dealers to improve the marketing of government securities remain priority actions. The BoB continues to look for ways to encourage greater participation in the government bond market at the retail level.

72. ***The Bank of Botswana is committed to increasing the safety and efficiency of securities settlement in Botswana, which is growing in size and complexity.*** This strategic objective is part of the policy effort to raise the attractiveness of the domestic capital market, including for government debt, and ensure the effectiveness of monetary policy. Establishing a single, integrated Central Securities Depository (CSD), for centralized trading, clearing and settlement will support the development of the government bond market through a standard-compliant platform capable of providing timely and transparent information to investors. The relevant authorities, the Central Bank, Botswana Stock Exchange (BSE), Non-Bank Financial Institutions Regulatory Authority (NBFIRA) and MFED share a strong commitment to moving to a single integrated CSD facility and there are already ongoing efforts to achieve this objective. The potential issues of a wide range of financing instruments – including green bonds, climate bonds, gender bonds (SDG 5), social impact bonds etc. – will need to be matched by increased oversight and safeguard capacities.

73. ***Despite a history of not incurring contingent liabilities, with an increased focus on corporatization and PPPs, the risks of contingent liabilities will increase substantially***. Contingent liabilities (SOEs, guaranteed loans) are likely to materialize and delays in implementing fiscal consolidation and key structural reforms risk further eroding fiscal space for NDP-12 and Agenda 2030. Lack of competitiveness among parastatals as well as high fiscal and external deficits risk increasing public debt and further eroding fiscal buffers undermine fiscal sustainability and threaten macroeconomic and social stability. There is a need to develop a legal framework for dealing with contingent liabilities arising from existing and future PPPs (See Road Map). Contingent liabilities are incurred by state-owned enterprises, recorded on MoFED's balance sheet.

DOMESTIC EXPENDITURES

74. ***Recurrent and development spending has of course been impacted by the COVID-19 crisis, though basic education continues to dominate recurrent education spending, and land management, water and sanitation services continues to dominate development spending***. Government has decreased the recurrent budget for 2021/22 to P 56.03 billion from revised budget of P 57.2 billion for 2020/21, a 2% reduction, following recurrent expenditure exceeding budget by 5 percent to 10 percent in each of the last four years. Table 12 provides the functional splits for recurrent spending for the 2021/2022 budget, again highlighting the centrality of education spending, health, defense and justice and security and local government and rural development.

Table 12. RECURRENT BUDGET SECTORAL ALLOCATION (BWP BILLION) 2021/2022

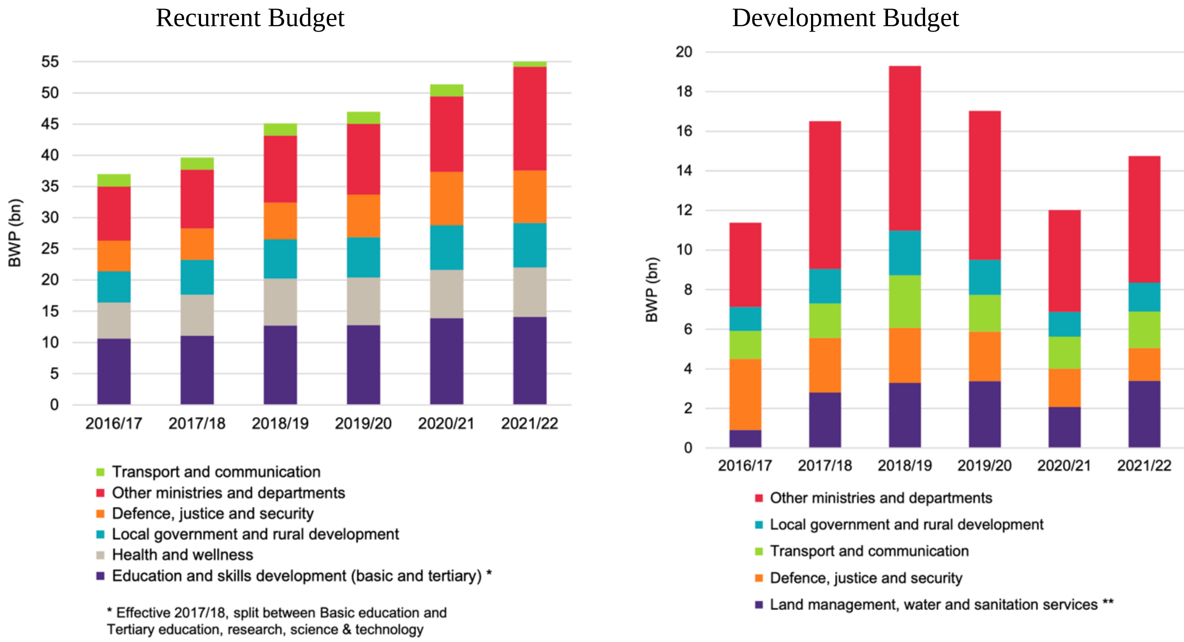
Recurrent budget	BWP (bn)	%
Education and skills development (basic and tertiary)	14.12	25%
Health and wellness	7.90	14%
Local government and rural development	7.14	13%
Defense, justice and security	8.39	15%
Transport and communication	1.82	3%
Other ministries and departments	16.66	30%
Total	**56.03**	**100%**

75. ***Development spending has been badly impacted by the pandemic induced fiscal crisis, despite government offsetting budget deficits with counter-cyclical spending.*** The development budget of P 14.75 billion for 2021/22 is broadly in line with actual development expenditure of the 2017/18 period, though 2020 spending reduced by nearly 40 per cent compared to 2018/19. Table 13 provides a breakdown of development sectoral spending for 2021/22. Chart 12 below provides the functional allocations of recurrent and development spending by sector for the period 2016/17 – 2021/22.

Table 13. DEVELOPMENT BUDGET SECTORAL ALLOCATION (BWP BILLION) 2021/2022

Development Budget	BWP (bn)	%
Land management, water and sanitation services	3.40	23%
Defense, justice and security	1.65	11%
Transport and communication	1.85	13%
Local government and rural development	1.45	10%
Other ministries and departments	6.40	43%
Total	14.75	100%
Land management, water and sanitation services	3.40	23%

Chart 12 RECURRENT / DEVELOPMENT SPENDING (BWP BILLION) (2016/17 – 2021/22



Source: MFED / Grant Thornton Analysis [25]

3.2. DOMESTIC PRIVATE FINANCE

76. ***This section provides a description of domestic private financing, with a focus on bank and non-bank financial institutions.*** Given that the private sector is the primary engine of growth and employment, and a critical partner in development with the public sector, understanding the current commercial financing landscape is critical to the INFF. Important here is to understand the open nature of the Botswanan economy, with all commercial banks under foreign ownership. Moreover, while banks have weathered the pandemic and maintain sufficient liquidity, with many loans being unsecured, increased household indebtedness and low interest rates, profitability is likely to be affected.

77. ***Future reliance on domestic borrowing to finance the fiscal deficit will increase the sovereign-financial nexus and unless financial markets are deepened, liquidity issues could substantially undermine growth, diversification and poverty reduction***. As poverty reduction has been

[25] https://www.grantthornton.co.bw/globalassets/1.-member-firms/botswana/insights_pdfs/botswana_budget/grant-thorntons-key-highlights-of-botswana-budget-2021-22-final.pdf

made possible by a combination of increasing agricultural incomes, including subsidies, and demographic changes, the health of financial and insurance markets is critical to financing sustainable development.[26] In this context, the Botswana Multi-Topic Survey Labor Force Module Report indicates that the unemployment rate increased to 24.5 per cent with youth unemployment of 32.4 per cent posing a critical challenge.

78. ***Addressing these challenges will require improving the quality of infrastructure (water (SDG 6) and electricity (SDG 7)), essential basic services (education, health, and social safety nets), as well as accelerating reforms to the business environment and effective support for entrepreneurship including through access to affordable sustainable financing***. Moreover, as noted in the financial dialogue session expanding access to mobile banking will require considerable investment (digital uplift) to take place in the way financial services are delivered to Micro, Small and Medium Enterprises (MSMEs). Moreover, given the push towards market adoption of Environment, Social and Corporate Governance (ESG) goals, the entire corporate management system is primed for renewal given the challenges of aligning ESG and Corporate Social Responsibility (CSR) goals and monitoring and reporting ESG baselines. In countries such as Malaysia, ESG funds are a target for investors who are increasingly committed to the financing of sustainable investments.

79. ***The top five economic activities for registered enterprises are (i) wholesale and retail (ii) hotels and restaurants (iii) real estate, renting and business activity (iv) education and (v) manufacturing (See Table 14 below)***. Though 60 per cent of these businesses are in Gaborone, the capacity and financial health of these enterprises is critical to the attainment of national cluster development goals. The MFED Financial Inclusion Strategy (2015-2021) has been effective in reducing exclusion, targeting a reduction from 24 per cent in 2015 to 12 per cent by 2021 of unbanked people. The inclusion strategy has five priority areas which are aimed at; the payment ecosystem; access to low cost saving products; accessible risk mitigation products, the working of the credit market, consumer empowerment, protection, and financial literacy. New legislation is planned to (i) promote access to credit (ii) regulation of credit reporting systems and (iii) the creation of security interests in movable property and harmonization of all secured transactions.

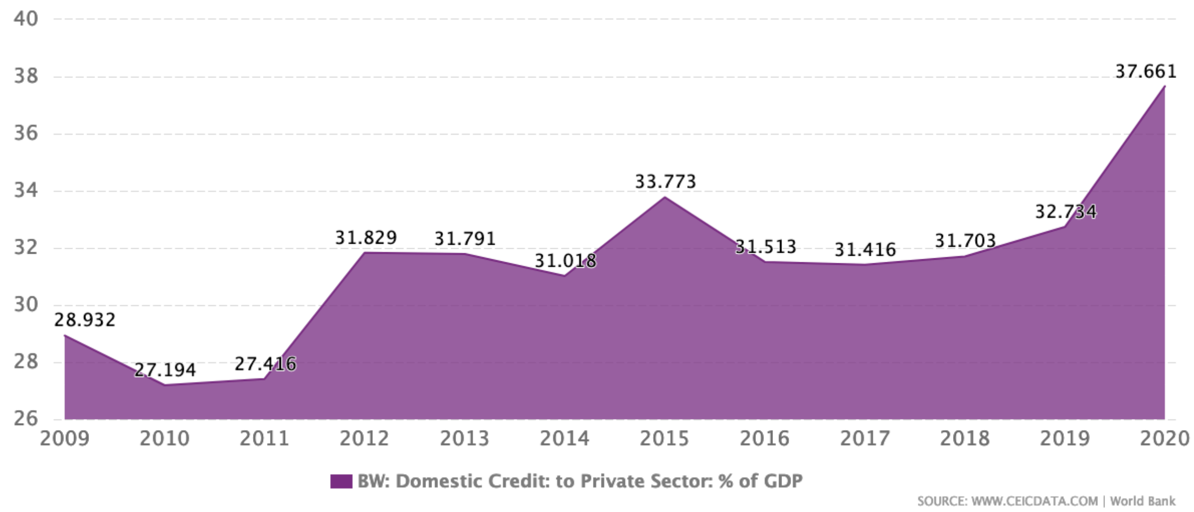
Table 14. **TOP FIVE ECONOMIC ACTIVITIES & NO. OF OPERATING ESTABLISHMENTS**	
Wholesale & Retail Trade	5,539
Hotels & Restaurants	2,192
Real Estate, Renting & Business Activity	1,795
Education	1,332
Manufacturing	1,313

Source: Statistics Botswana

80. ***Supply of credit to the private sector increased to new highs in 2020, reflecting increased pressures to deal with the impacts of the COVID-19 pandemic***. Domestic credit to private sector refers to financial resources provided to the private sector by financial corporations through loans, purchases of nonequity securities, and trade credits and other accounts receivable, that establish a claim for repayment. Chart 13 shows the increased use of credit to the private sector, spiking in 2020 as a result of increased borrowing.

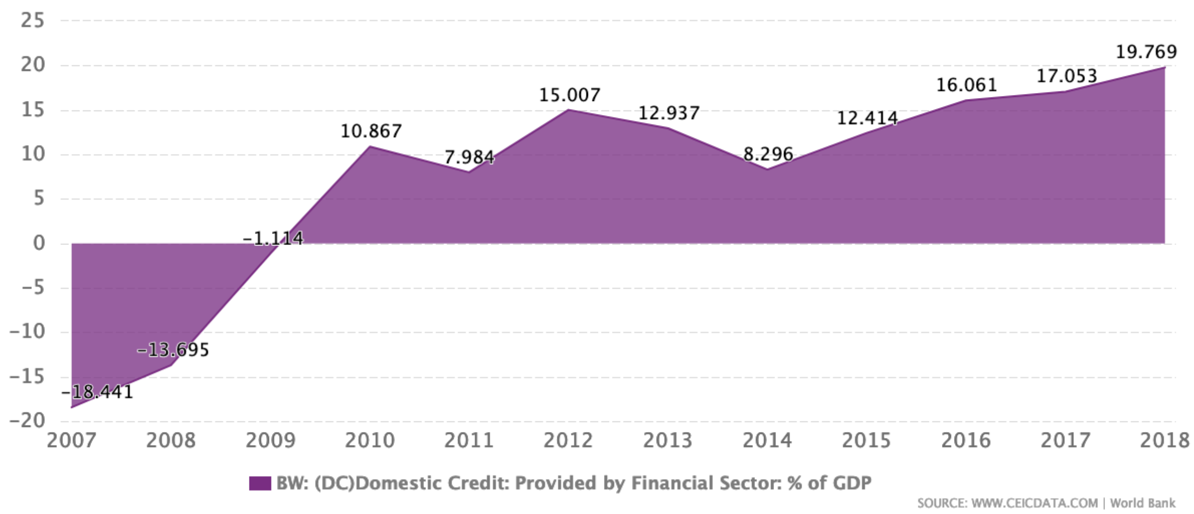
[26] https://www.worldbank.org/en/country/botswana/overview#1

Chart 13 BOTSWANA CREDIT TO THE PRIVATE SECTOR (2009 - 2020) (% GDP)



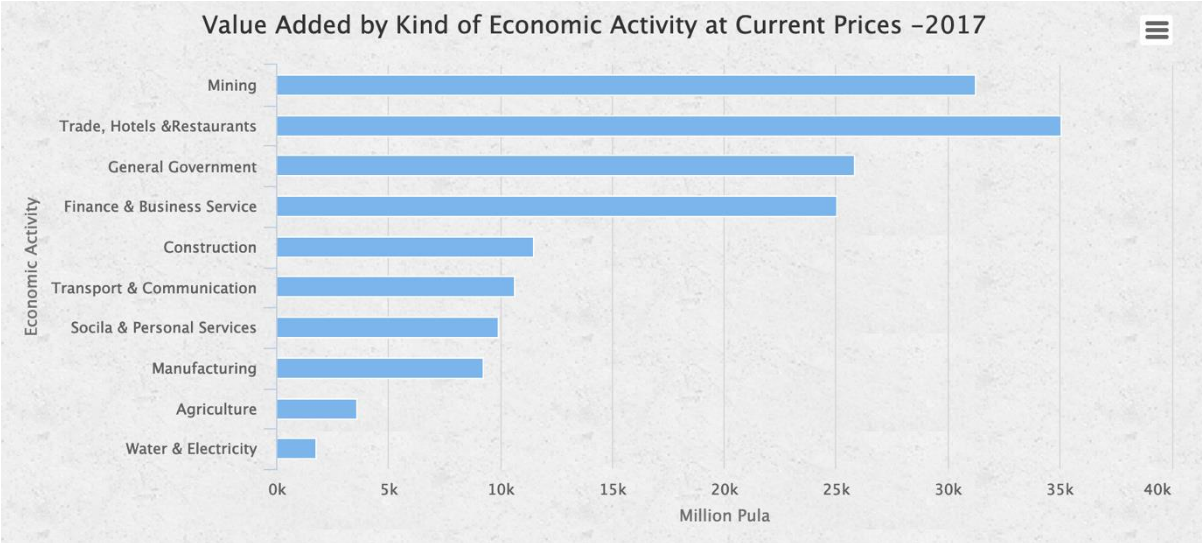
81. ***Within this cohort, a large number of women-owned enterprises exist, though as most women-led enterprises are in the informal sector, they often lack the ability to meet collateral requirements.*** They are therefore excluded from accessing formal credit, forcing them to borrow at elevated informal market rates. The financial inclusion strategy needs to be renewed and include a new focus on the use of mobile banking and payment systems and digitization. Chart 14 shows the contribution of domestic credit provided by the financial sector for 2007 to 2018, showing the impact of credit tightening as a result of the 2007 great financial crisis. Credit, in all its instruments and modalities, will be critical in financing NDP-12 and implementing the reset agenda.

Chart 14 DOMESTIC CREDIT PROVIDED BY FINANCIAL SECTOR (2007 - 2018) (% GDP)



82. ***Linking domestic financing to the development agenda requires a clear focus on sources of future growth for both the real and external sectors***. Chart 15 shows the value added by economic activity for 2017, highlighting the growing importance of trade, hotels and restaurants, finance and business services, construction, transport and communication, personal services and manufacturing. The government cluster development program also needs to be financed. It covers agriculture, tourism and hospitality, the creative industry, manufacturing (SDG 9), mining, and local economic development. According to the Botswana Trade and Investment Center (BITC) domestic investment for 2020 was Pula 2.63 billion against a target of Pula 2.85 billion, while the total number of new jobs expected to be created stood at 5,744 against a target of 4,726 jobs for the period. The services, agriculture and agricultural processing sectors, followed by the manufacturing sector, contributed to job creation. Many of these sectors (hotels, restaurants, personal services, agriculture) employ predominantly a female workforce while others a predominantly male workforce. Systems and capabilities to collect, monitor sex-disaggregated data should be used and evaluate domestic financing and its outcomes on the development agenda.

Chart 15 VALUE ADDED BY ECONOMIC ACTIVITY AT CURRENT PRICES (2017)



COMMERCIAL BANKING & FINANCIAL INCLUSION

83. ***The Bank of Botswana, as the country's central bank, is responsible for maintaining monetary and financial stability, reinforced by confidence in the national currency, sound banks and an effective payments system***. BoB plays a key role in the domestic financial markets and is therefore the most important stakeholder for the INFF. Not only does BoB act as a lender of last resort, in Pula, it also publishes financial statistics, monthly and annual financial statements and also business expectations surveys. BoB also sets standards for, regulates, and supervises the financial sector. BoBs' trading in the domestic foreign exchange market is guided by its exchange rate policy, with the Pula exchange rate kept within a defined band guided by the policy. BoB trades continuously during trading hours with domestic banks in both foreign exchange and money market instruments and also plays a key role in the issuance of Government securities (bonds and treasury bills), for which it currently conducts monthly auctions and maintains close contact with the primary dealers in the market. [27]

84. ***There are ten major commercial banks operating in Botswana, all of which are foreign owned***. Banks such as Absa Bank Botswana Limited had US$ 1.609 billion under management in 2020 and employed some 1,100 staff. BancABD had US$ 1.81 billion under management in 2015, and 1,000 staff. There are nine licensed commercial banks and three statutory banks in Botswana. The five largest banks are Absa (formerly Barclays), Standard Chartered, First National Bank of Botswana (FNBB), Stanbic, and African Banking Corporation of Botswana (BancABC). The five smaller banks are Baroda, Bank Gaborone, First Capital Bank Limited (FCB) and Bank SBI. In 2019, the Bank of India (Botswana) closed operations after being acquired by FCB. (Botswana, Financial Inclusion Refresh, UNSDCF, 2021)

85. ***BoB published its updated financial statistics as of October 2021, providing the most comprehensive update on all aspects of the banking and financial services industry***. While debt participation remains fairly constant, the growth in domestic bonds in recent years shows a growing dependence on debt instruments to finance critical investments. Total assets of commercial banks as of September 2021 equals Pula 107,451.7 million, as provided in Table 15 below.

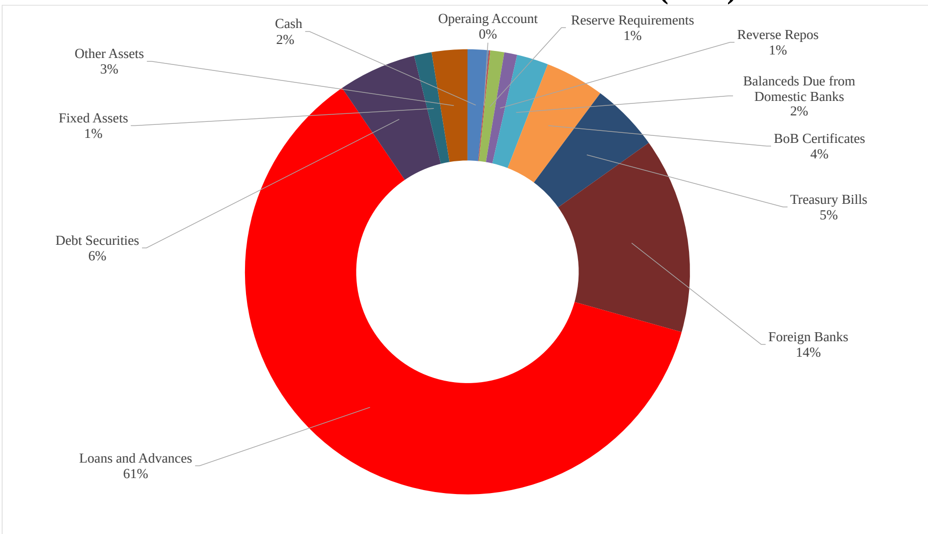
[27] https://www.bankofbotswana.bw/

Table 15. Botswana Commercial Banks Assets (September 2021)

		Balances at Bank of Botswana			Balances due from domestic banks	Bank of Botswana Certif-icates	Treasury Bills	Balances due from foreign banks	Loans & Advances	Debt Securities	Fixed Assets	Other Assets	TOTAL ASSETS
Year	**Cash**	**Operating Account**	**Reserve Requirements**	**Reverse Repos**									
2011	714.0	420.5	3 571.5	569.6	998.1	8 722.6	198.4	5 249.3	27 265.3	2 028.4	500.7	1 545.5	**51 783.8**
2012	824.1	39.8	4 089.0	-	943.9	8 168.5	113.8	6 665.5	33 768.0	1 688.2	665.1	1 301.9	**58 267.7**
2013	933.0	190.7	4 183.7	-	481.4	5 521.6	632.0	6 406.1	38 842.0	1 175.0	871.5	1 180.9	**60 418.0**
2014	1 373.5	- 1.8	4 420.8	132.4	2 329.6	4 267.2	366.6	7 303.9	44 116.6	1 575.0	909.8	1 223.8	**68 017.5**
2015	1 544.4	384.6	2 597.0	1 672.6	1 272.2	8 188.9	816.2	9 262.6	46 997.2	1 530.0	967.5	1 487.7	**76 721.1**
2016	1 432.9	1 040.7	2 556.7	1 302.5	1 882.1	7 916.8	982.8	9 046.7	49 668.2	2 440.1	899.2	1 525.1	**80 694.0**
2017	1 608.0	242.2	2 693.2	54.0	2 548.6	6 293.6	828.5	11 029.4	52 147.0	3 421.0	926.2	1 676.7	**83 468.2**
2018	1 901.5	141.1	2 886.3	1 054.7	2 249.6	8 194.5	663.7	12 482.4	56 185.4	3 123.7	956.2	1 491.8	**91 331.0**
2019	1 849.8	256.0	2 904.6	1 490.9	2 128.9	8 853.1	697.5	12 680.0	60 199.5	4 436.4	1 347.4	1 812.3	**98 656.4**
2020	2 192.9	256.1	1 832.3	1 417.8	1 649.3	8 849.1	1 022.1	13 764.7	62 784.6	5 770.6	1 448.6	2 270.6	**103 258.6**
2021	1 652.5	109.4	1 085.4	1 005.8	2 468.3	4 620.0	5 350.9	15 260.0	65 660.0	6 102.5	1 361.3	2 775.6	**107 451.7**

Source: BoB, 2021 Financial Statistics, September 2021

Chart 16 Botswana Commercial Banks Assets (2021) By Per Cent



Source: BoB, Financial Statistics, September 2021

86. ***The results of the BoB Quarterly Business Expectations Survey for September 2021 survey suggest that firms are optimistic about economic activity in the third quarter of 2021 compared to the previous quarter wherein they were pessimistic.*** However, businesses anticipate tight access to credit across all markets. As domestic and South African interest rates range between 15-25 per cent, the costs of credit remain far too high to be competitive in many sectors. For informal sector businesses and workers without access to credit, the cost of borrowing from informal markets creates an unfair advantage for the banked over the unbanked. Such market pricing undermines the potential for financial inclusion and is likely to contribute to household indebtedness.

87. ***Going forward, loan guarantees are going to be vital to accelerating growth and employment***. The current loan guarantee scheme (implemented through the banks and BECI with an 80% government guarantee) is not easy for small and micro-enterprises (SMEs) without a strong banking history to access. An enhanced and more accessible loan guarantee product will need to be provided for existing, viable SMEs. Companies that are headed by women are significantly smaller, measured in terms of number of employees, than those headed by men. Four out of five women-led companies are microenterprises with fewer than five employees and with mainly hired female workers (Women in trade National consultations July 2021). The data provided below can be reviewed in the updated UNSDCF Financing Inclusion Refresh for Botswana.[28] (UNSDCF, 2021)

Financial Inclusion Strategy

2014 Baseline

Formally Included – 68 %
Mobile Usage – 22 %
Banked – 50 %
Financial Excluded – 24 %
Remittance Use of Formal Channels – 35%
Proportion Using Credit – 18 %

PPP Example 2

2020 Performance

Formally Included – 82 %
Mobile Usage – 25 %
Banked – 56 %
Financial Excluded – 16 %
Remittance Use of Formal Channels – 32%
Proportion Using Credit – 17 %

BOTSWANA CAPITAL MARKETS

88. ***The formation of the capital markets in Botswana can be traced back to 1989, with the introduction of the Botswana Share Market (BSM).***[29] In September 1994, BSM was transformed into a stock exchange, with trading opening on the Botswana Stock Exchange (BSE) in November 1995. Historically, the BSE has been owned by its members or brokers through ownership of proprietary rights and by the government, however the BSE has now demutualized with 81.3 per cent being owned by the government, with the balance (18.7 per cent) being owned by four Members. BSE's mission statement is '*to drive sustainable economic growth by providing a gateway for raising capital and accessing investment opportunities*.'[30]

89. ***BSE has developed considerably with new products introduced to encourage both issuers and investors to engage the capital market***. BSE currently lists equities, fixed-income instruments, and exchange-traded funds (ETFs) in local and foreign currencies. BSE also now operates a tiered market composed of the Main Equity Board, the Venture Capital Market Board, the Tshipidi SME Board, and an Over-The-Counter Board. At the end of 2018, the BSE had 35 companies (26 domestic and 9 foreign), 3 ETFs, and 49 bonds listed, though as a result of COVID-19, only 5 bonds were listed in 2020. On the other hand, only three out of 24 companies (12.5 percent) on the BSE are led by women

[28] https://www.uncdf.org/article/7320/botswana-financial-inclusion-refresh
[29] https://www.cfainstitute.org/-/media/documents/article/rf-brief/botswana.ashx
[30] https://www.bse.co.bw/wp-content/uploads/2021/05/2020-BSE-ANNUAL-REPORT.pdf

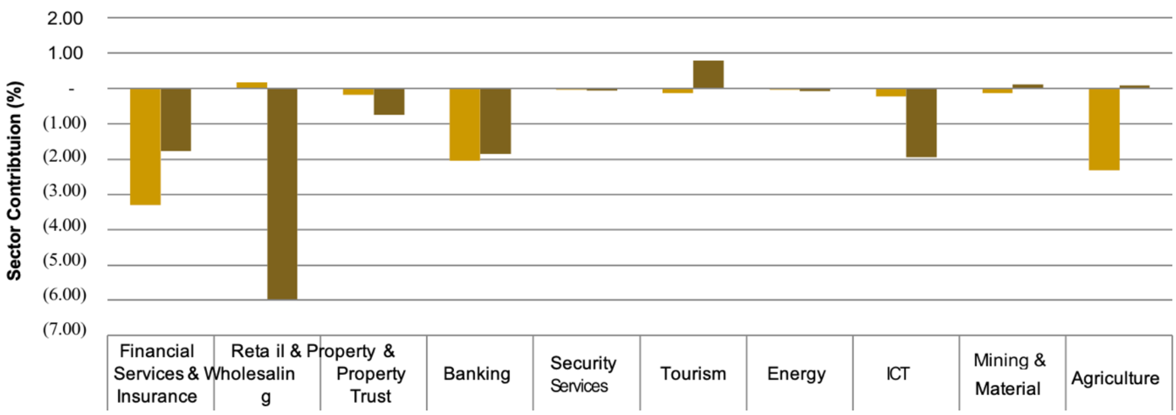
(Women in trade National consultations July 2021). Figure 3 below provides an overview of the BSE stock market performance in 2020.

Figure 3 BSE STOCK MARKET PERFORMANCE IN 2020 [31]

Source: BSE, 2020 Annual Report

90. ***Sector contributions of the stock exchange tell us a great deal about sector investor confidence and profitability***. In this regard, Chart 17 below shows sector contributions for 10 growth sectors as well as highlighting the changing fortunes because of COVID-19. Retails and wholesale contracted the most, as did banking, agriculture, and ICT. Year-on-year change highlights the impact on investor confidence and the knock-on impact of contraction on market liquidity.

Chart 17 SECTOR CONTRIBUTIONS TO PERFORMANCE OF THE DCI



[31] Employee Share Ownership and Participation Plan (ESSOP)

Source: BSE, 2020 Annual Report

91. ***The BSE's domestic companies' market capitalization stood at P35.6 Bn at the end of 2020 in comparison to P38.7 Bn in 2019, a reduction of 8.0%. As a result, the ratio of domestic market capitalization to GDP decreased to 20.2% in 2020 from 21.1% in 2019 (See Table 16 below)***. This implies that domestic companies listed on the BSE represented 20.2% of domestic economic output in 2020 or GDP. Overall, all listed companies were 2.2 times bigger than Botswana's GDP. The ratio of turnover to domestic market capitalization, also called the turnover velocity, decreased from 4.5% in 2019 to 1.9% in 2020. Generally, there was a decrease in liquidity in 2020 relative to other years as noted from the indicators in Table 17 below. (BSE, 2020 Annual Report) By the end of 2020, the performance of domestic companies over foreign companies had worsened, falling to around 10 per cent.

Table 16. MARKET CAPITALIZATION AND RELATIVE PERFORMANCE: 2016 TO 2020

Indicator Liquidity	2016	2017	2018	2019	2020
Turnover (P'Mn)	2,541.2	2,476.7	1,862.2	1,810.9	698.6
Average Daily Turnover (P'Mn)	10.2	10.0	7.5	7.3	2.8
Volume ('Mn)	778.2	775.0	582.5	627.8	430.4
Volume / Shares Listed (%)	6.4	5.9	4.2	4.4	3.1
Turnover/ Domestic Market Cap	5.3	5.4	4.3	4.5	1.9
Turnover/ Total Market Cap	0.6	0.6	0.4	0.4	0.2
Size of the Market (Domestic and Foreign Companies)					
Domestic Companies	46,571	44,408	42,420	38,709	35,629
Foreign Companies	374,741	373,735	370,747	369,164	355,592
Total Market Cap	421,313	418,143	413,168	407,874	391,222

Source: BSE, 2020 Annual Report

92. ***In addition to a long-term decline in BSE turnover, 2020 had a differential impact on market turnover and shares traded in terms of sector contributions to liquidity***. According to BSE, in 2020, 97.7% of the total equity turnover was accounted for by domestic counters. On the domestic board, the Financial Services sector traded the highest number of shares and accounted for the highest turnover velocity ratio (0.05%). Increases in shares traded were registered across the Mining Sectors (both domestic and foreign), domestic Financial Services sector, Security Services and the Agriculture sector. (Source, BSE, Doing Business in the Midst of a Pandemic, 2020)

Table 17. SECTOR CONTRIBUTIONS TO LIQUIDITY: 2019 AND 2020

	2019				2020			
Sector	Turnover/ Avg Market Cap (%)		Shares Traded (Mn)	Shares Traded/ Avg Shares Listed (%)	Turnover/ Avg Market Cap (%)		Shares Traded (Mn)	Shares Traded/ Avg Shares Listed (%)
Financial Services	Note 1	Note 2A	Note 1	Note 2B	Note 1	Note 2A	Note 1	Note 2B
DOMESTIC								
Financial Services	0.72	0.07	151.28	5.73	0.57	0.05	244.45	9.26
Retail	0.99	0.10	126.80	5.51	0.46	0.04	68.37	3.42
Property	1.17	0.12	196.25	7.95	0.20	0.02	28.35	1.14
Banking	0.47	0.05	63.23	1.43	0.38	0.04	51.03	1.15
Security Services	0.003	0.000	0.31	0.39	0.001	0.000	0.06	0.07
Tourism	0.73	0.074	51.57	10.07	0.05	0.005	2.83	0.72
Energy	0.09	0.010	3.77	2.36	0.03	0.003	1.20	0.76
ICT	0.00	0.000	15.90	1.51	0.03	0.002	11.07	1.05
Mining	0.04	0.004	0.74	0.17	0.02	0.002	11.32	2.51
Agriculture	0.05	0.01	7.01	1.84	0.04	0.00	7.18	1.88

FOREIGN								
Financial Services	0.000	0.000	0.00	0.000	0.000	0.000	0.000	0.000
Mining	0.000	0.0003	0.87	0.020	0.0001	0.000	4.180	0.008
Retail	0.010	0.009	10.11	2.252	0.004	0.004	0.330	0.927

Source: BSE, 2020 Annual Report

Note 1: Computed separately for the domestic & foreign board.

Note 2A: Computed for all shares listed on the BSE

Note 2B: Computed for separately for each sector

MICRO-FINANCE [32]

93. ***The micro-finance sector is small but still focused heavily on providing finance for those in the formal sector***. The provision of credit is vitally important to fostering greater financial development. In Botswana, credit is provided through a range of providers from formal institutions (banks), semi-formal institutions ('MFIs', credit cooperatives) as well as informal methods (borrowing from friends and/or moneylenders). Household debt in Botswana by value is predominantly held by banks (88.6% in 2019), with a smaller amount held by microlenders (9.4% in 2019), hire purchase credit (1.3%) and SACCO loans (0.6% in 2019). (Bank of Botswana, Household Indebtedness Survey Report (2020).[33]

94. ***The International Trade Center report on 'Promoting SME Competitiveness in Botswana: A Bottom-Up Approach to Economic Diversification' (ITC, 2019) shows that cash flow management is a major problem for most firms, particularly in the micro sector***. According to UNCTAD, the microlending industry is still a relatively small sub-sector of the financial system in Botswana. The prominent MFIs and credit institutions in the private sector in Botswana include Letshego, Bayport, Blue and Afritec. In the second quarter of 2020, the '*loan book*' of the top 20 microlenders grew by 27% from Pula 3.5 billion in 2017 to Pula 4.7 billion. The MFI sector is concentrated, with the largest operators as follows:

- ***Letshego Financial Services***, the dominant MFI that accounts for almost 65% of the industry, provides finance to customers by advancing loans between the value of Pula 5,500 and Pula 660,000. Letshego provides finance to customers through loans to small and micro-enterprises and women owned SMEs could be targeted. It advances these loans through the deduction at source model as well as through loans to small and micro-enterprises. Based on Letshego's financial results reported in December 2019, the company had a loan book value of Pula 2.6 billion.

- ***Bayport*** also provides personal finance solutions but only to customers working for the government and contracted employees of the government.

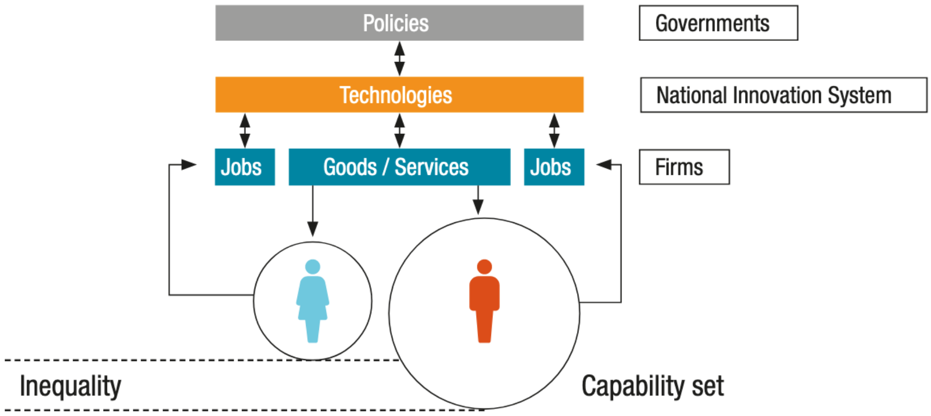
- **Afritec**, in partnership with Furnmart Group, focuses on providing accessible credit to select government, parastatal and corporate employees. It advances loans between the value of Pula 2,000 and Pula 400,000 giving customers up to 72 months to pay. Afritec has 30 branches spanning across Botswana, is easily accessible and can be located in selected Furnmart stores.

95. ***The MFI business models appear to be focused on the formally employed***. As such, the microlending industry has remained focused on stable employed individuals and does not appear to be contributing significantly to financial inclusion. This not only affects the rural economy, it also impacts all informal and micro enterprises. Given that MSMEs are the primary driver of growth and diversification for the foreseeable future, the entire MFI financing landscape needs to be radically reconsidered. The UNCTAD figure below provides a conceptual framework for finance and technology affects the real economy, with knock-on implications for revenues and jobs. Figure 4 illustrates the increasing role that technology (eCommerce, Mobile Banking, Digital Finance, Digital Banks) plays in

[32] See UNSDCF Financial Inclusion Refresh, 2021. https://www.uncdf.org/article/7320/botswana-financial-inclusion-refresh
[33] This section draws heavily on the UNCTAD Botswana Financial Inclusion Refresh (2021)

access to finance, with both individual and firms without access to technology, having an access disadvantage. Clearly, given the ongoing digital banking and mobile payment revolution, micro enterprise and poor people without access to formal banks or smart phones are disadvantaged.

Figure 4 **CONCEPTUAL FRAMEWORK SHOWING HOW TECHNOLOGIES AFFECT INEQUALITIES**



Source: UNCTAD

96. ***Where MFIs are concentrated, there are also concerns about consumer protection given increased indebtedness***. Loans are also provided by various development finance institutions ('DFIs') such as the Botswana Development Corporation (BDC), National Development Bank (NDB) and the Citizen Entrepreneurial Development Agency (CEDA). The NDB and the BDC are the two primary development finance institutions. A gender analysis of these loans and the gender equality outcomes achieved through the supported initiatives should be conducted, monitored and recorded.

- The NDB is a state-owned enterprise that has a mandate of providing loan financing for the development of local business in Botswana. National financial inclusion strategy achievements were made in the agricultural, commerce, industrial, real estate and human development sectors. Despite the sectoral diversity, there is a focus on developing agriculture with 37% of the NDB loans going to the sector. The total value of NDB approved loans has been steadily increasing. In 2016, the value stood at Pula 47 million. This increased to Pula 167.5 million in 2017 and increased further to Pula 243.1 million in 2018. As such, given that commercial bank credit to September 2020 was P68.3 billion, it is very small.
- BDC offers financial services to finance viable investments that drive the industrialization of the country. Much like the NDB, the BDC offers finance across a wide range of sectors excluding large-scale mining. Between 2018 and 2019, the total assets of BDC grew 28.1% from Pula 2.8 billion to Pula 3.6 billion.
- CEDA provides financial and technical support for businesses through a range of products and interventions. This includes loans for agribusiness, service businesses, property, trade financing (short-term loans) and structured financing. It also provides microfinance through the Mabongo Dinku product for small micro entrepreneurs, a group guarantee scheme that has funded 3,000 individuals since 2016. As at January 2021, Government through CEDA had assisted 9,065 female entrepreneurs. Since 2016, CEDA has supported investment of P2.343 billion. CEDA has also partnered with commercial banks to provide loans to the informal sector.
- There are also alternative forms of credit for specific uses. There are a range of Savings and Credit Co-operatives (SACCOs) active in Botswana. SACCOs are generally workplace-based, hence members are in formal employment, generally in the public sector, but a few are community-based (i.e., villages), all for the purposes of saving. SACCOs lend money only to their members and the security for the loan is the members savings. Various retailers also

provide credit to customers through hire purchase agreements (an arrangement for buying expensive consumer goods).

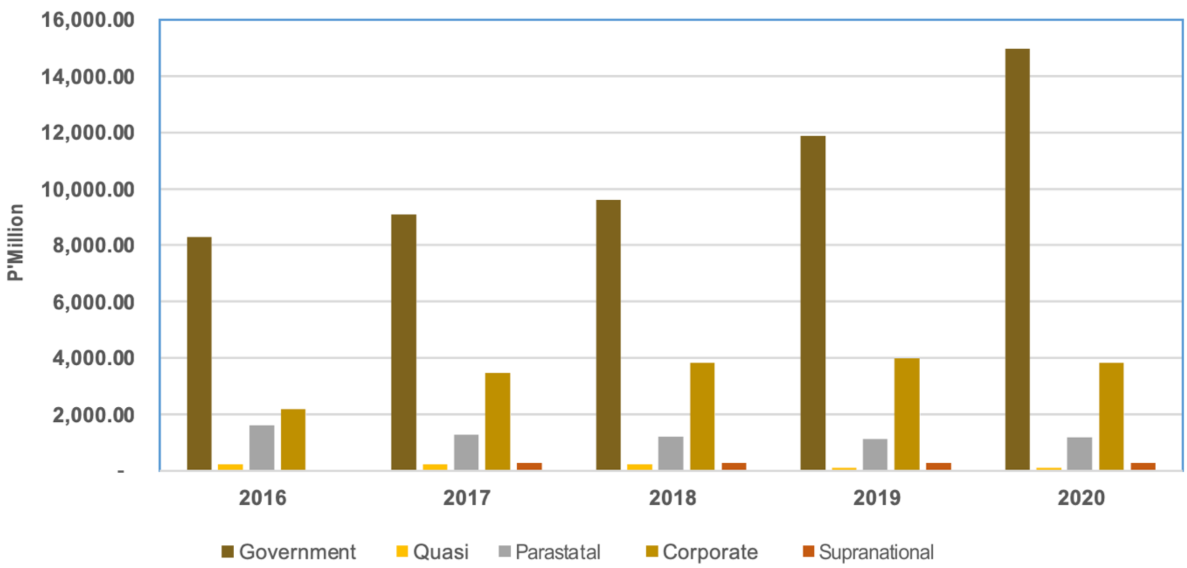
SECURITIES / BONDS MARKET

97. ***Trading in the bond market continued to rise in 2020 mainly spurred by trades in the BW014 bond***. Total turnover amounted to Pula 2.7 Bn with 91.8 per cent of the turnover accounted for by Government bonds. The BW014 bond accounted for 56.5% of the total turnover in the bond market and for 61.5% of the trades in Government bonds. The bond matures in 2029 and within the universe of listed Government bonds it was regarded as a 10 year- benchmark bond for pricing purposes across the market which possibly explains its dominance in trades. In addition, it raised the most capital for Government through re-openings, an indication of stronger demand for the bond which tends to positively affect its liquidity.

98. ***Corporates bonds traded Pula 224.0 million which is an improvement of more than 6 times on the turnover recorded in 2019 albeit with concentration on a lesser number of bonds (22 of the 37 listed corporate bonds traded) in comparison to 2019 (31 of the 39 listed corporate bonds traded)***. Trading was more concentrated on the BDC003 bonds which accounted for 48.6% of the total trades in corporate bonds. Net of all redemptions and maturities in 2020, new listings and re-openings increased the size of the corporate bond market to Pula 20.3 billion.

99. ***Chart 18 shows the growth of the bond market analyzed by issuer profile since 2016.*** At the sector level, Government bonds accounted for 72.8% of market capitalization in 2020 while corporate bonds accounted for 27.2%**.** Corporate bonds include Quasi-Government, Parastatals, Corporates and Supranational. (BSE, 2020 Annual Report, Pg. 52)

Chart 18 **BOND MARKET CAPITALIZATION BY ISSUER CATEGORY: 2016 – 2020**



INSURANCE MARKET

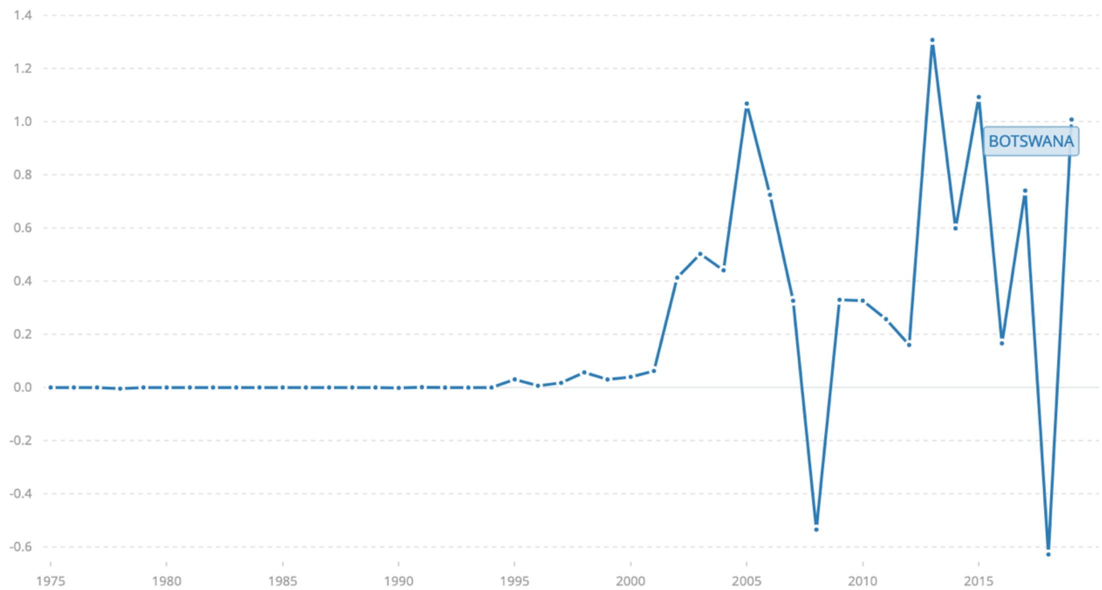
100. ***Regulated by the Insurance Industry Act, the insurance and reinsurance market in Botswana is relatively small and is regulated by the Non-bank Financial Institutions Regulatory Authority (NBFIRA)***. As of 2021, there are four reinsurers, twelve general insurers, eight long term insurers and hundreds of registered insurance brokers. During the first half of NDP-11, the Financial Services sub-sector grew at an average annual rate of 3.5 percent, slightly slower than GDP as a whole (3.8 percent). Of the two financial services segments, banking grew much faster (4.1 percent) than insurance (1.4 percent). In 2018, financial services accounted for 4.7 percent of GDP (value added), making it slightly smaller than manufacturing, but larger than tourism. As of December 2018, employment in the financial services sector was a modest 9,049.

101. ***The insurance industry in Botswana is set to gradually recover from the negative impact of the Covid-19 crisis from 2021 onwards and will see higher levels of insurance density and penetration, resulting in stronger premiums growth over the medium term***. Premium's growth in both the life and non-life markets will be supported by increasing disposable household incomes, improved affordability, and relatively low levels of inflation. Nonetheless, economic growth in Botswana has been volatile over the period of the pandemic with a decline in global diamond demand, though 2022 has seen a considerable rebound in global demand.[34] The ERTP also looked at introducing an unemployment insurance scheme. Botswana's unemployment rate stood at 23.2 per cent (Q1 2020) just before COVID-19. The unemployment for women stood at 21.4 per cent (15 yrs+), and for men, at 14.6 per cent of men ((Botswana CCA 2020).

Portfolio Investment

102. ***Portfolio equity includes net inflows from equity securities other than those recorded as direct investment and including shares, stocks, depository receipts, and direct purchases of shares in local stock markets by foreign investors***. In 2019, portfolio investment for Botswana was US$ 1,007 million. Though Botswana portfolio investment has fluctuated substantially in recent years, it tended to increase through the 2000 - 2019 period. Portfolio investment has been highly volatile since 2000, as shown in Chart 19 below.

Chart 19 Botswana Portfolio Investment, Net (BoP, current US$)



Source: World Bank, 2021

Climate Finance

103. ***Though there have been modest gains, the entire climate financing and carbon market in Botswana remains hugely underdeveloped***. Dialogue highlighted the importance of (i) low awareness of climate financing mechanisms (ii) limited capacity to develop proposals for the Green Climate Fund (GCF) and Global Environment Facility (GEF) (iii) complex and lengthy processes required by financiers (iv) limited climate tracking financing tools and (v) climate change policy is still going through strengthening. Climate financing could address some aspects of gender inequality through

[34] https://www.bain.com/insights/a-brilliant-recovery-shapes-up-the-global-diamond-industry-2021-to-22/

Mitigation (Agriculture, Forestry and other land use interventions) and Adaptation (Livelihoods of vulnerable communities).

104. ***The updated National Determined Contribution (NDC) for COP-26 lays out the financing framework to meet NDS targets, though the entire financing approach is heavily project driven***. Mitigation measures within the NDC are divided into; (i) unconditional measures, which will be implemented by Botswana from its own resources and possibly technical support, and (ii) conditional measures, which can only be implemented with the aid from the international community, either in terms of technology transfer or financial support or both. Preliminary outcomes point to towards limited national means for the implementation and the need for substantial international support to achieve the mitigation target. However, adding private investments from abroad for financially attractive measures (mainly targeting renewable energy), the pledged 15% reduction can be achieved.

105. ***UNDP commissioned considerable work on climate financing, aimed at reviewing and revising the current NDC***. The large number of projects included in the NDC makes it impractical to describe a financing plan for each of the separate measures. As a result, a mix of public (not-for-profit) and private (for-profit) investment is deemed necessary, combined with vertical financing from the GCF. [35] This mix of financing would benefit the Botswana economy even without any special value being attached to greenhouse gas (GHG) mitigation and adaptation benefits. The work considers that international funding can be used to (i) help to eliminate and overcome barriers and obstacles towards the investment in adaptation and mitigation measures, including the elimination of financing hurdles (financial liquidity), and (ii) to make projects possible that are neither financially nor economically attractive without considering the climate benefits resulting from GHG mitigation and adaptation to climate change. The introduction of ESG standards to encourage industry and other critical areas of the economy to actively commit to reducing emission is necessary.

106. ***So far, under GCF (the primary financing instrument) a total of US$76.8 million was obtained for two projects***. Since 2017, MFED and the Botswana Ministry of Environment, Wildlife & Tourism have focused on environmental safeguards, gender assessment and action plans, concept notes, readiness assessments and April 2021 projects on (i) Ecosystem-Based Adaptation and Mitigation in Botswana's Communal Rangelands CI and (ii) Sustainable Renewables Risk Mitigation Initiative (SRMI) Facility were approved. Clearly, given the costs of meeting the NDC (totaling US$ 3.3 billion) accelerating the adoption of new climate financing instruments is required, as is building the capacity to manage a pipeline / portfolio of climate change related investments (See Table 18 on NDC climate financing costs). There is a strong potential to achieve gender equality outcomes through climate finance initiatives in particular in creating labor force participation for women in renewable energy initiatives. Gender equality outcomes and indicators should be included in all climate finance proposals and in climate finance instruments.

Table 18. NDC CLIMATE FINANCING COST OF CONDITIONAL & UNCONDITIONAL CONTRIBUTIONS

Name measure	Investment	2030 annual emission reductions	Type34	Concessional funding
	(Million USD)	(ktCO2e/year)		
Unconditional				
Solar PV IPP	243	486	Mitigation	No
Mega Solar	1,014	2,024	Mitigation	No
Wind Power	406	680	Mitigation	No
Modern biogas plants	40	118	Mitigation	No
Solar rooftops (RC&I)	5.0	8	Mitigation	No
Solar water pumping	5.0	8	Mitigation	No
Building retrofits (RC&I)	TBD	17	Mitigation	No

[35] Analysis of Abatement Potential - Assessing costs and investment opportunities, UNDP, HEAT GmbH. (2021)

Solar geysers	1.48	6.1	Mitigation	No
Solar and LED streetlights	TBD	3.7	Mitigation	No
Building retrofits (gov't)	TBD	17	Mitigation	No
Solar rooftops, gov't)	5.0	8	Mitigation	No
Total, unconditional	>1,719.48	3,375.8		
Conditional				
SRMI	164	035	Preparatory	Yes, secured
FP158	97.6	325	Cross-cutting	Yes, secured
FP158 successor	200	100	Cross-cutting	Yes, sought
Concentrated solar power	1,031	1,153	Mitigation	Yes, sought
Total, conditional	1,492.6	1,578		
Total, mitigation	>3,212.08	4,953.8		
Adaptation				
Utilization of saline water aquifers and wastewater	TBD	-	Adaptation	No
CLEWS	7.06	-	Adaptation	Yes, sought
Water sector	51.9	-	Adaptation	Yes, sought
Crops	35	-	Adaptation	Yes, sough
Total, adaptation	>93.96	-		
Total, NDC	>3,306.04	-		

RC&I = Residential, commercial, and industrial. TBD = To be determined. Gov't = government.

107. ***The UNDP financing work was commissioned to identify sources of financing to fill the financing gap in the NDC.*** While the work does not assess options for strengthening ESG standards as a means to mitigation, as noted in the recommendations, there are options to strengthen the issuance of climate related bonds, and the establishment of a Sustainable Financing Unit in the Bank of Botswana would not only establish a climate financing taxonomy it could also lead the ESG charge at the same time. Botswana can adopt the Climate Bonds Standard and Certification Scheme, which constitutes a labelling scheme for bonds and loans. Rigorous scientific criteria ensure that bonds and loans with certification, are consistent with the 2 degrees Celsius warming limit in the Paris Agreement. The Scheme is used globally by bond issuers, governments, investors, and the financial markets to prioritize investments which genuinely contribute to addressing climate change.[36] Such an approach can complement the measures outlined in Box 1 below.

Box 1. PROPOSED FINANCING MEASURES TO BRIDGE THE NDC FINANCING GAP

Grouping 1 Recommendations (Large private sector takes the lead)

- Concentrate on the creation of appropriate frameworks for renewable energy, which will be strongly promoted through the World Banks SRMI (FP163).
- Consider how unsolicited proposals should be treated in a competitive regulatory process (e.g. use organized tenders as reference prices that can be used to evaluate unsolicited proposals).
- Allow greater flexibility in the technologies that will be supported. For example, solar/biomass, solar/biogas, wind/biomass, and wind/biogas hybrids may offer similar performance characteristics as CSP at a lower levelized cost of electricity and with more benefits to the local economy and local employment.
- For both the modern biogas plants and the utilization of saline water aquifers and wastewater, it is recommended that funding is sought for conducting pre-feasibility studies, covering both the specific technological solution hinted at in the sections above, and the wider technologies that might be considered for biogas plants and saline water & wastewater use. Such funding may be obtained from bilateral sources, e.g., Germany (biogas plants) and the UK (saline water & wastewater use).

[36] https://www.climatebonds.net/standard/about

The consultancy team could be requested to draft one-pagers as a starting point for discussions with potential financiers of the pre-feasibility studies.

Grouping 2 Recommendations (Liquidity for small private sector)

- Clarify the scope of SRMI to understand what measures in this grouping could be supported by the World Bank under SRMI.
- For the remaining measures to be supported and financed, draft a note on the non-financial barriers to be resolved and the financial product sought (likely a financial intermediation loan as described in Section 4.2). Such note should be limited in length (2-3 pages) and focus on the issues to be resolved and indicating possible solution directions (potential financiers may come up with alternative solutions).
- Discuss the note with the World Bank, European Commission, African Development Bank, Development Bank of Southern Africa and others, to find parties willing to take at least parts of it forward (either the TA and the financial liquidity provision or both).

Grouping 3 Recommendations (Public Sector Financing)

For the three measures that involve the local government, the main barriers towards financing investments likely include a combination of procurement rules and rules preventing incurring debt.

- Investigate what limits and barriers exist for low-carbon investments by the local government in Botswana.
- Identify solutions to address the limits and barriers that have been identified.
- Develop, fund and implement a project, integrating financing at limited or no concessionality, to invest in low-carbon solutions owned by the local government.
- To go about identifying such a partner, the government of Botswana is recommended to develop a short note (2-3 pages) describing the difficulties it is facing in financing low-carbon investments by local governments, its initial problem analysis, and the support it requests to further analyze and address these issues. Subsequently, the government can discuss this note with potential partners such as the European Commission and the UNCDF.
- A detailed feasibility study on the CSP plant is recommended to provide the necessary basis for an informed decision by the government of Botswana. If the government remains interested in pursuing CSP, it likely must be willing to support the project strongly and seek financial support from its development partners – most likely the World Bank and/or the African Development Bank. Contrary to the other measures listed in this grouping, such funding should probably contain a relatively strong concessional element.

Grouping 4 Recommendations (Climate Funds Financing)

- For each of the following programs, it is recommended to start discussions with potential accredited entities with a short note, outlining the problems to be addressed, initial analysis of the problem, and type of solutions sought. Such a note can be about 3-4 pages long. The purpose is to identify an international partner who can take over the process of identifying funding sources.
- FP158 successor. Recommended is to pursue a USD 200 million program, covering 100,000 km2, with USD 50 million in GCF financing (USD 25 million concessional loan, USD 25 million grant). Initiate the process in 2025 by discussing with Conservation International as accredited entity, potentially in cooperation with a second entity to deal with restrictions Conservation International faces on scope and size.
- CLEWS. Recommended is to pursue a USD 7.06 million program, covering 100% of the Botswana population, with USD 4.77 million in GCF grant financing. It is recommended to seek financing for CIEWS in Botswana through a multi-country funding proposal, likely with a regional basis. Accredited entities who may be interested in pursuing such funding proposal are UNEP and UNDP.
- Water sector. Recommended is to pursue a USD 51.9 million program, covering 100% of the Botswana population, with USD 23.9 million in GCF grant financing. It is of sufficient scale to be proposed and implemented as a single-country funding proposal. As accredited entity for such program UNDP may be appropriate, given its large water projects portfolio with the GCF.
- Crop production and marketing. Recommended is to pursue a USD 35 million program, covering 100% of the Botswana population, with USD 50 million in GCF financing (USD 7.8 million concessional loan, USD 7.8 million grant). It is recommended to include this as part of a multi-country funding proposal with a regional focus. IFAD and FAO are natural candidates to be accredited entities for such a funding proposal.

Analysis of Abatement Potential - Assessing costs and investment opportunities, UNDP, HEAT GmbH. (2021)

108. ***Table 19 provides an overview of various conservation financing approaches that can be integrated into NDC financing arrangements, and these can also be integrated into the various sector investment and local government plans.*** Inevitably, a combination of financing instruments will need to be applied, and the move diversified the integration of SDG 13 considerations into NDP 12, the greater resources will be aligned to meeting the goals of the NDC.

Table 19. VARIOUS CONSERVATION FINANCING APPROACHES TO BE CONSIDERED

Source / Expectation		
Philanthropic Giving No financial return expected. Conservation outcomes expected	Donations by individuals	A monetary gift to a cause or project by an individual donor, with no financial return/repayment expected.
	Voluntary surcharges	Places an added charge onto a retail, hospitality, or lodging customer's bill on an opt-in or opt-out basis.
	Crowdfunding	The practice of funding a project by raising small amounts of money from many people.
	Transfer fees	An additional fee paid into a stewardship account, as part of a covenant transaction with a land trust.
	Corporate-cause Marketing	Where a for-profit entity agrees to donate a percentage of its sales or profits to a cause.
Government Funding No financial returns expected. Industry development, management of public goods, catalyzing of private finance expected.	Grants	An arrangement for the provision of non-repayable financial assistance gifted by one party to another.
	Environmental levies	A tax/charge levied against a good or service with the proceeds to being used to fund environmental outcomes.
	Favorable tax incentives	An offset or deduction that reduces the taxes owed by a person or entity.
	Environmental trust funds	An investment special purpose vehicle (and legal entity) setup to mobilize, blend, allocate, and manage funding for environmental purposes.
	Debt-for-nature Swaps	An agreement that reduces a developing country's debt in return for the debtor-government to protect nature.
Private Investment Financial returns and conservation outcomes expected.	Bridge financing	A temporary loan to fill a finance gap between the availability of permanent funding and the immediate need to purchase an asset, used in public/private sectors.
	Revolving land funds	Funds used to purchase, protect and then sell conservation land – proceeds are used for subsequent land purchases.
	Program-related investment	Where a privately-run foundation provides a loan/equity on more favorable terms than commercial markets.
	Environmental credit markets	Putting a value on the benefits of an ecosystem service via monetizing these benefits as "credits", which may then be sold or traded on a voluntary or compliance market.
	Green bonds	A bond where proceeds are utilized for financing environmentally friendly projects or activities.
	Outcome-based models	Pay-for-success contracting where a government limits the contractor's losses in case projects are unsuccessful.
	Impact investing in real assets	Real asset investments (e.g. real estate, water rights) that are managed using sustainability practices.

Source: Adrian Ward (2019)

PHILANTHROPIC FLOWS

109. ***Philanthropy is alive and well in Botswana, though total value is expected to be relatively low***. A 2019 study entitled '*State Philanthropy: The Demise of Charitable Organizations in Botswana*' concluded that (i) state philanthropy threatens to render charities obsolete (ii) most charities have allowed themselves to operate as extended arm of the state hence are dependent on the state for their operations and (iii) that Botswana charities must recalibrate and reposition themselves in order to remain relevant.[37] That said, though domestic philanthropic flows are relatively modest compared to Official Development Assistance (ODA), its contribution can be substantial in certain sectors such as the environment and on social issues such as gender and social exclusion.

110. ***Systems and capabilities need to be be established to collect, monitor, and evaluate sex-disaggregated and other data to evaluate the gender equality outcomes of initiatives funded by philanthropy***. This data may then be used to better inform other public or private budget / investment allocations.

CORPORATE SOCIAL RESPONSIBILITY

111. ***The rise of importance of the ESG's makes Corporate Social Responsibility (CSR) an emerging issue of considerable importance***. CSR is a self-regulating business model that helps a company be socially accountable—to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental. To engage in CSR means that, in the ordinary course of business, Botswanan companies integrate the ESGs into their business models, proactively engaging on issues such as the SDGs through their market interaction. Work needs to be conducted to see if systems in place to collect, monitor and evaluate SDG outcomes from CSR commitments, and if not, these issues can be integrated in the INFF process.

112. ***CSR is becoming increasingly commonplace in Botswana among private sector companies.*** An example includes the BSE championing gender equality and equality of opportunity, with basic gender disaggregated data being reported by the BSE. Companies such as G4S also embrace CSR, making a difference by helping people to operate in a safe and secure environment where they can thrive and prosper. Botswana Housing Corporation engages in Corporate Social Responsibility (CSR) Initiatives as a way of giving back to the community. The Absa (formerly Barclays) been active in supporting women's economic empowerment, particularly in generating income and increasing access to finance. In collaboration with the Project Concern International, the bank has supported the Grass Roots Growing Our Wealth (GROW) model. CSR is set to increase private flows to critical ESG issues, and once BoB integrated ESGs into its financial market regulatory standards, the impact of CSR would be set to increase substantially.

NGO FLOWS

113. ***Botswana has many NGOs involved in all sectors of national development, notably in education, health, the environment, and gender empowerment***. Botswana Council of Non-governmental Organizations (BOCONGO) promotes and coordinates NGOs and builds capacity among its more than 80 NGO members, which include networks and individual bodies. Among key organisations are the Botswana Network of AIDS Service Organisations, the Botswana Family Welfare Association, the Women's NGO Coalition and Youth Health Organization. Given that BOCONGO works with NGOs and other stakeholders to strengthen the non-governmental sector through coordinating the sector's contributions to development via delivering capacity development and facilitating platforms for effective communication between members and key stakeholders, these platforms are essential dialogue partners for the INFF.[38]

3.3 INTERNATIONAL PUBLIC FINANCE

114. ***International public finance consists of Official Development Assistance (ODA), Other Official Flows (OOFs) and government borrowing from international sources.*** While Botswana is

[37] https://www.researchgate.net/publication/331384147_State_philanthropy_The_demise_of_charitable_organisations_in_Botswana

[38] 1. The INFF could consider strengthening systems and capabilities to produce, monitor and evaluate the gender equality outcomes of these NGOs in these sectors. This information can be used to better inform budget expenditures to achieve gender equality outcomes.

not a considerable beneficiary of ODA, IFI loans continues to play an important role in setting national policy agendas and to some extent in financing the budget deficit. For example, in June 2021, the World Bank approved a US$250 million loan to support economic recovery as a contribution to respond to the coronavirus pandemic. Moreover, ODA partners (multilateral and bilateral) play an important role in linking global and regional initiatives to foster new and innovative approaches to finance.

OFFICIAL DEVELOPMENT ASSISTANCE (GRANTS AND LOANS)

115. ***The Addis Ababa Action Agenda (AAAA) has reaffirmed the importance of official development assistance (ODA) as contained in the Monetary Consensus and Doha Declaration***. The AAAA Agenda highlighted the importance of ODA for the poorest and vulnerable countries. According to Statistics from United Nations (2021)[39], ODA increased by 1.46% in 2019 compared to 2018 in real terms. Measured as a share of donor country GNI, it fell from 0.31 to 0.30% on average. Net ODA to LDCs and Africa is reported to have increased by 2.6% and 1.3% respectively. Botswana has over the past decades seen a decline in ODA from US$ 161.65 million in 2010 to US$ 68.65 million in 2019. On average, net ODA to Botswana averaged US$ 99.56 since over the period 2010 to 2019. Botswana has not only seen a decline in the value of ODA but has also seen a significant drop in the number of donors. For the financial year 2018/20, multilateral grants (EU and Global Fund) contributed a larger share to ODA in flows in Botswana, about 54% of the total value followed by miscellaneous grants from CDC (30%).

116. ***The drop in ODA is mainly due to the upper middle-income status that Botswana attained in 2005***. With per capita of US$ 6,710, Botswana's eligibility for ODA has significantly declined as it is expected to graduate from ODA-eligible countries by 2030 just six years away from the end of its vision 2036, on track to become a high-income country. Despite Botswana economic classification, the country still faces financial challenges that are similar to low-income countries and face significant challenges in financing the sustainable development goals. The country is also faced significant fiscal challenges including declining revenues due to the collapse of the mining and tourism sector, reduction in accumulated government investment account, low domestic revenue mobilization and spending inefficiencies (see UNICEF, 2018).[40]

117. ***As an upper middle-income country, Botswana receives little foreign assistance externally***. Between the periods 2016 to 2019 external assistance amounted to less than 1% of the GDP and significantly fell to 0.4% in 2019. ODA amounted to about 1.3% of GDP and about 55% of external debt in 2010. Most of the international flows have been directed towards HIV/AIDS programmes and recently agricultural programs. External debt in Botswana is mostly from official multilateral or bilateral sources with little commercial external debt. Table 20 below tells the story of declining ODA to South African Region countries and Figure 5 provides the composition and source of ODA for 2018 and 2019, showing the dominance of US government financing.

Table 20. ODA DISBURSEMENTS FOR SOUTH AFRICAN REGION (2011-2019) (US$ MILLION)

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019
Botswana	97	66	95	66	60	83	71	69	54
Eswatini	68	58	48	53	42	63	82	69	51
Lesotho	150	16	201	51	38	65	82	94	62
Namibia	237	206	212	189	121	138	132	110	101
South Africa	1,045	737	1,001	756	1,014	1,029	808	777	719

[39] https://developmentfinance.un.org/official-development-assistance
[40] https://www.unicef.org/esa/media/2451/file/UNICEF-Botswana-2018-National-Budget-Brief.pdf

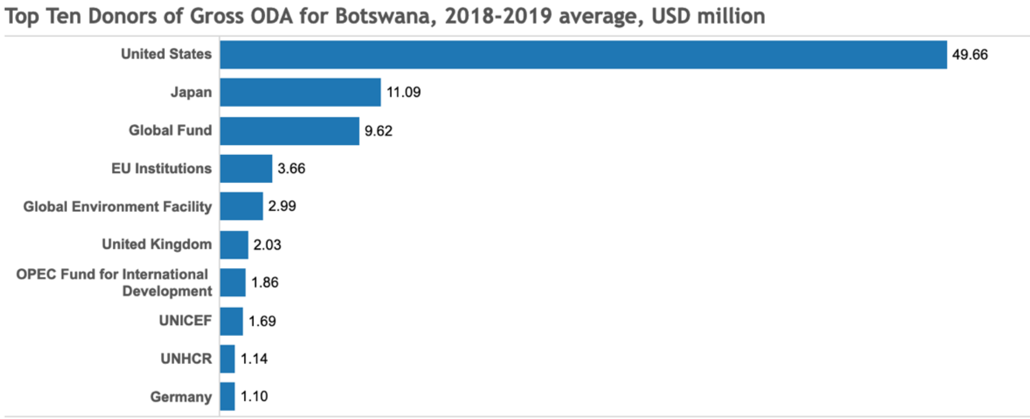
Figure 5 OECD DAC REPORTED NET AND GROSS ODA (2018-2019)

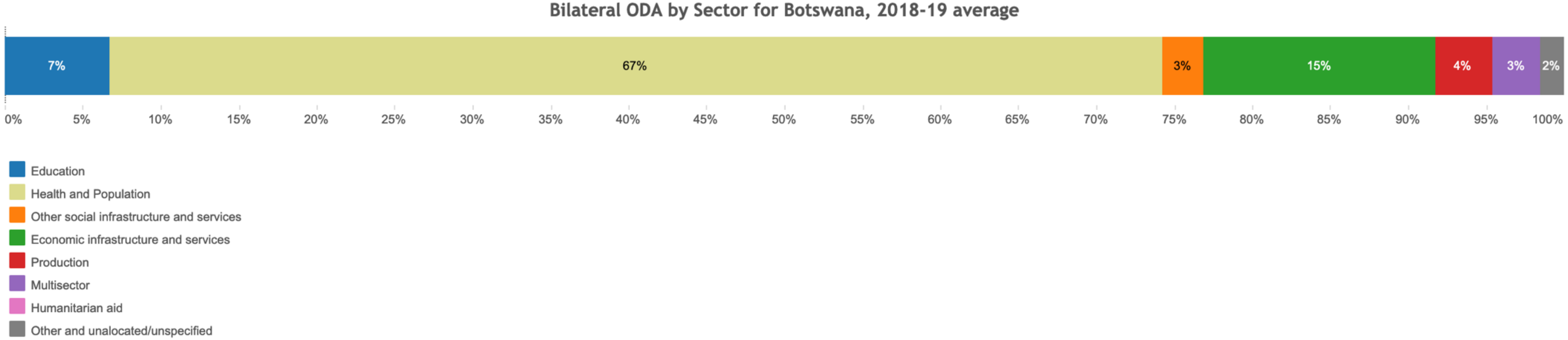
Receipts for Botswana

	2017	2018	2019
Net ODA (USD million)	102.1	85.7	68.9
Net ODA/GNI (%)	0.6	0.5	0.4
Gross ODA (USD million)	112.0	95.1	87.8
Bilateral share (gross ODA) (%)	64.8	75.9	70.0
Total net receipts (USD million)	1.2	-83.9	-73.6

For reference

	2017	2018	2019
Population (million)	2	2	2
GNI per capita (Atlas USD)	6,730	7,410	7,660





As was noted earlier, the sectors of health and education that take the largest share of Bilateral ODA, are critical for gender equality. However the critical SDG5 related programmes are financed under the other social infrastructure and services that gets only 3% of the assistance.

118. ***As noted in the previous section, external multilateral and bilateral loans constitute the lion's share of external financing support***. External debt is however in decline as domestic debt increases and is now at the same level it was in 2013. As domestic markets deepen, and with the MTDS having a preference in local currency denominated loans to reduce the risk of currency shocks, dependence on external financing appears set to reduce further.

OTHER OFFICIAL FLOWS (OOF)

119. ***Other official flows (OOF) are defined as official sector transactions that do not meet official development assistance (ODA) criteria***. OOF includes grants to developing countries for representational or essentially commercial purposes; official bilateral transactions intended to promote development but having a grant element of less than 25%; and, official bilateral transactions, whatever their grant element, that are primarily export-facilitating in purpose. This category includes, by definition: export credits extended directly to an aid recipient by an official agency or institution (official direct export credits); the net acquisition by governments and central monetary institutions of securities issued by multilateral development banks at market terms; subsidies (grants) to the private sector to soften its credits to developing countries; and funds in support of private investment. Data on OOF in Botswana is not well established, and it is therefore assumed to be of limited value.

CLIMATE FUND FLOWS

120. ***As noted in the previous section, Botswana has so far not been a considerable beneficiary of GEF or GCF financing***. GEF financing as of December 2021 shows a total of US$ 45,691,757 for 25 projects. Under STAR GEF-6 only US$ 109,000 has been utilized from the US 2,200,633 allocation.[41] Add to this the US$ 76.8 million in GCF financing, brings the total vertical fund financing to a little over US$ 125 million only. Clearly, lack of capacity to program and absorb vertical funds needs to be addressed. Box 2 provides an overview of how blended financing can be used to support the Paris Climate Agreement.

Box 2. BLENDED FINANCE TO ACHIEVE THE SDGS

Blending finance (an emerging modality) is the strategic use of development finance for the '*mobilization of additional finance towards sustainable development in developing countries.*'[1] The Organization for Economic Development and Cooperation (OECD) asserts that blended finance assists in unlocking commercial finance for the SDGs. Delivering Agenda 2030 and the Paris Agreement on Climate Change will require all sources of finance - development and commercial - to be scaled up. Designing an investment project to mix public and philanthropic funds with private capital tips the risk-reward ratio in favor of investment for the private sector, allowing private capital to be deployed in areas that otherwise would not have occurred, resulting in positive results for both investors and communities. In this way, blending assists in mobilizing capital that would not otherwise support development outcomes. SDG investments should consider blending wherever possible, as long as it reflects the right-financing approach in a given context. (See Right-Financing Box 3 in Chapter 4.

3.4 INTERNATIONAL PRIVATE FINANCE

121. International private finances consist of FDI, remittances, philanthropic flows, Corporate Social Responsibility and NGO Flows. As noted below however, despite being an open economy, albeit with a small demographic, levels of international private finance outside of the banking sector have been limited.

FOREIGN DIRECT INVESTMENT

122. Net inflows of FDI have been relatively low and have been falling since a peak at the time of the Great Financial Crisis in 2008-2009. Chart 20 below provides the FDI net inflow volume between 1975 and 2020, highlighting the likelihood of a continued decline unless the NIS is effective in attracting new brownfield or greenfield investments.

[41] https://www.thegef.org/projects-operations/country-profiles/botswana

123. ***According to the NDP Mid Term Review, FDI reported by BoB remains sluggish.*** BoB data shows that inflows of FDI have remained very sluggish and must be considered low by historical and regional standards. BoB data show inward FDI of P1.6 billion in 2017 and P1.8 billion in 2018, equivalent to 0.9% of GDP. This compares with FDI inflows averaging almost 5% of GDP for most of the 2000s. This would be equivalent to annual FDI inflows of around P10 billion currently. (GoB, MTR) Table 21 shows the link between FDI and the ERTP priorities.

Chart 20 FOREIGN DIRECT INVESTMENT, NET INFLOWS (BOP, CURRENT US$) - BOTSWANA

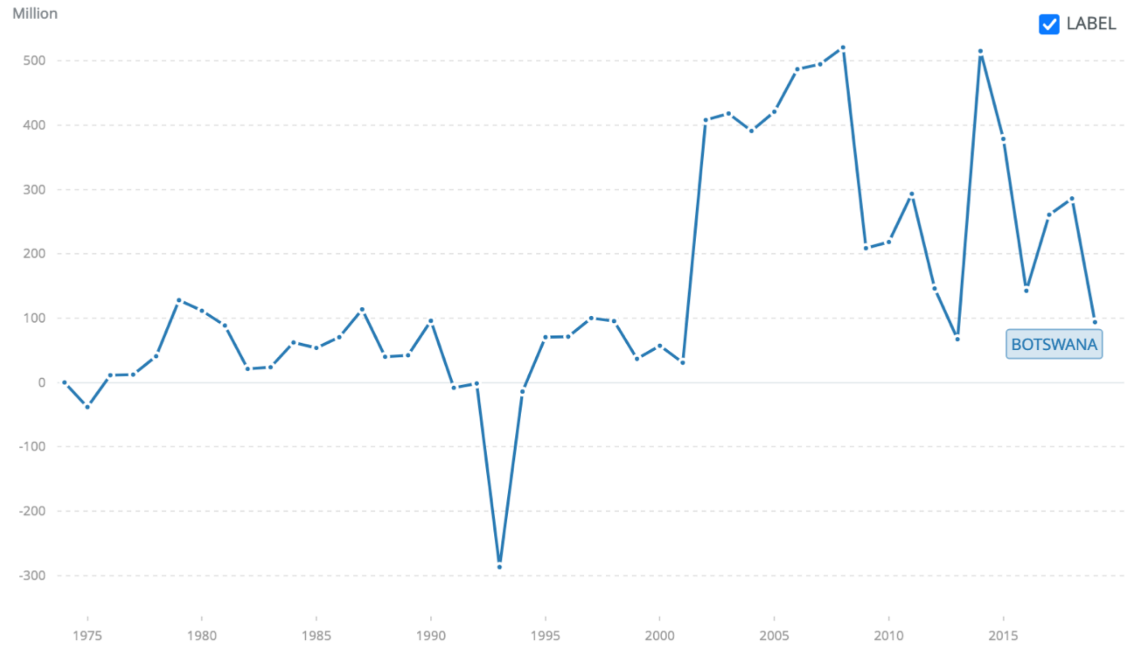


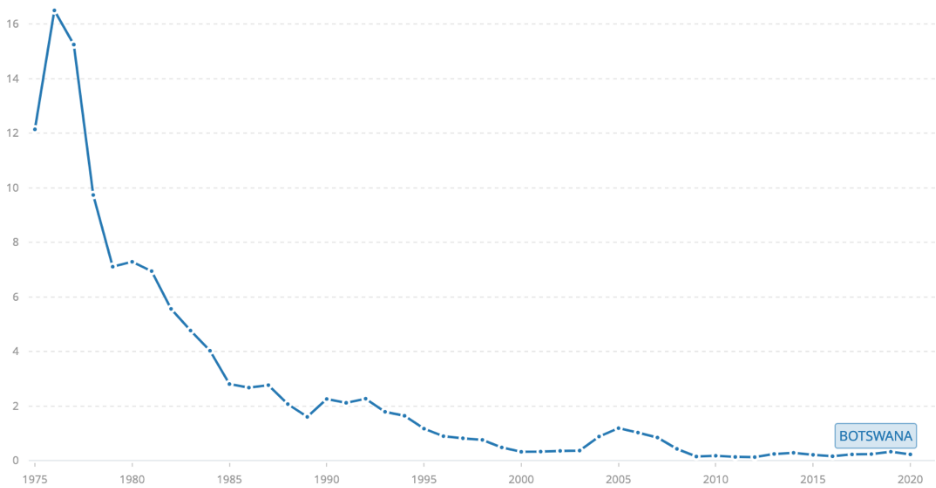
Table 21. EXISTING ERTP PRIORITIES	
Export Led Growth	▪ Promotion of competitiveness ▪ Diversification [42] ▪ Inward FDI
Improving Efficiency of Government Spending	▪ Reducing wasteful spending ▪ Ensuring that spending is on high-return / high-impact projects ▪ Optimizing the use of different sources of funding
Developing human capital	▪ Enhancing education, training, & skills development, ▪ Health ▪ Employment creation ▪ Immigration liberalization
Investment in infrastructure	▪ Addressing infrastructure bottlenecks ▪ Growth-enhancing infrastructure
Economic Diversification	▪ Improved risk management, reducing vulnerabilities ▪ Economic diversification ▪ Strengthening supply chains & improving domestic production capacity ▪ Responding to climate change

[42] Types of export incentives include export subsidies, direct payments, low-cost loans, tax exemption on profits made from exports and government-financed international advertising, Export Credits. Corporate tax is 22%. Training levy for training staff. While less concerning than import protections such as tariffs, export incentives are still discouraged by economists who claim that they artificially create barriers to free trade and thus can lead to market instability. There is a tax holiday and access to land.

REMITTANCES

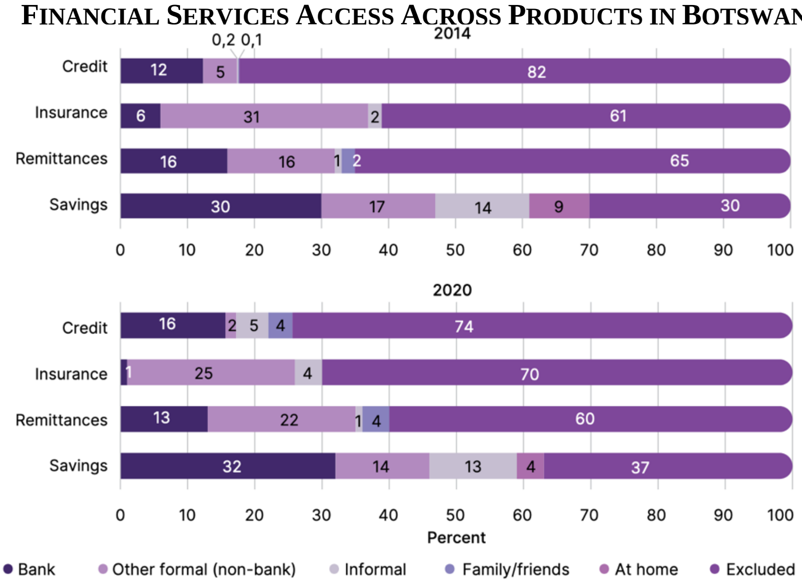
124. ***Remittances have been falling in recent years from 40 per cent of adults remitting in 2014 to 35 per cent in 2020***. This is due to a reduction in the proportion of individuals who only remit through other formal (non-bank) channels and family and friends. This may in part be due to the timing of the survey (during 2020, with the COVID-19 pandemic potentially limiting earnings for individuals to remit), also, the remittance rates may have decreased with more people opting to return home and declining opportunities for work in neighboring South Africa. As a result, since 1975 the volume of remittances to Botswana has been falling from over 16 per cent of GDP in 1976 to 0.2 per cent in 2020, as shown in Chart 21 below.

Chart 21 REMITTANCES TO BOTSWANA (1975-2020) (% OF GDP)



125. ***The UNCTAD report on Financial Inclusion in 2021 looks at the changing nature of remittances channels between 2014 and 2020, among other factors***. Given the increasing cost of remittances transfers, informal transfers are increasing, with fewer transfers being made through banks Given that the value of remittances remains low, and is unlikely to increase any time soon, remittances are not of considerable interest to the INFF even if bankarization rates ((access to and use of banking services) increase. Chart 22 shows financial services access across products between 2014 and 2020.

Chart 22 FINANCIAL SERVICES ACCESS ACROSS PRODUCTS IN BOTSWANA (2014-2020)



Source: Finscope (2014-2020)

PHILANTHROPIC FLOWS

126. ***Philanthropic flows to Botswana do not appear to be considerable, though international NGOs are actively involved in protected areas and public health and conservation***. INGOs such as Conservation International Botswana implement US$ 36.5 million GCF funding with US$ 60.9 million in co-financing, and NGOS such as PCI focus on HIV related support, among other investments. The total value of NGO spending in NDP sectors is not reported.

CORPORATE SOCIAL RESPONSIBILITY

127. ***The number of foreign corporations operating in Botswana is restricted, though foreign owned banks operate and many companies are registered with the Business Botswana and other Chambers of Commerce.*** Although businesses in Botswana generally regard CSR/CC favorably, most of them do not consider it as a strategic business concern. Evidence of this is the absence of CSR/CC policies in many companies, general lack of systematic budgeting for CSR/CC and weak integration of CSR/CC into company organizational structures.[43] While BoB, BSE and other commercial banks are taking ESG seriously, clearly there is a strong space for Joint Ventures (for example) to connect international CSR models to the domestic marketplace.

3.5 CONCLUDING REMARKS

128. ***The Botswana financing landscape remains conventional but by embracing the transitioning from Funding to Financing (F2F) transition Botswana could become a regional leader in integrated and sustainable financing innovation.*** For this to happen, the INFF must take forward the reset priorities established by the Office of the President while building from the NDP Mid Term Review Findings and provide a cornerstone for the financing strategy for NDP-12. NDP-12 will cover most of the period up until 2030. Therefore, the integration, alignment and financing of SDGs into the national policy, planning, budgeting, execution and monitoring and review process is critical.

[43] France Maphosa, 2021. "Corporate Social Responsibility and Strategic Business Planning in Botswana," Springer Books, in: France Maphosa & Langtone Maunganidze (ed.), Corporate Citizenship, chapter 2, pages 31-75, Springer.

Chapter 4

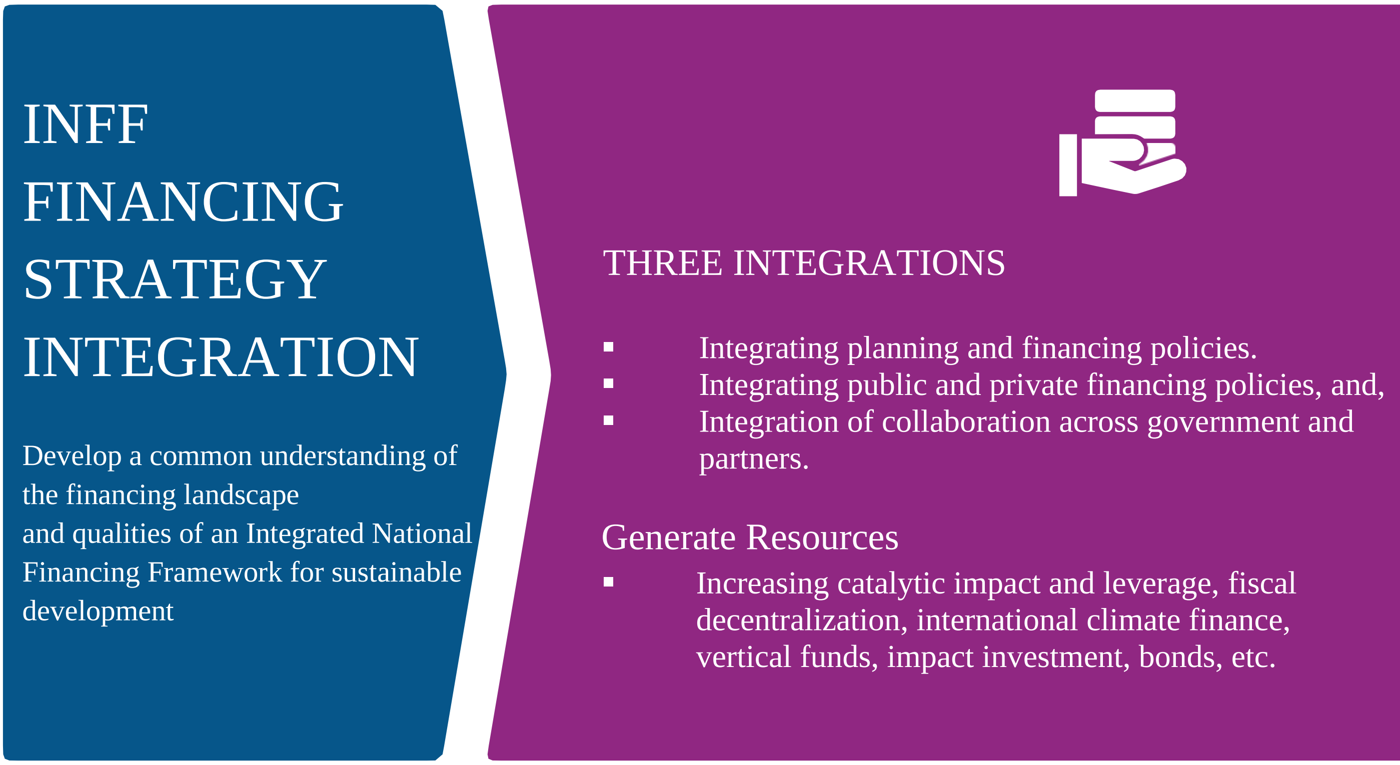
Financing Strategy Recommendations

CHAPTER 4: FINANCING STRATEGY RECOMMENDATIONS

129. ***This section does not provide the INFF Financing Strategy, as this will be developed by implementing the INFF Road Map.*** What this section does is to scope out the key elements of the financing strategy, based on the findings and recommendations developed above, providing a starting point for future deliberation.

4.1. WHAT IS THE FINANCING STRATEGY?

130. ***The financing strategy sits at the heart of the Botswanan INFF. It will provide the strategic framework detailing how government will implement an integrated, public and private, approach to financing the priorities articulated in the INFF Roadmap, for example, as well as through Sector Investment Plans (SIPs)***. The financing strategy also articulates how government will use the policies and instruments at its disposal to mobilize, invest and influence public and private financing from both domestic and international sources. The financing strategy will focus on three areas of integration, as outlined below:



131. ***The financing strategy will outline which policies and instruments are to be deployed and how they are to be executed and monitored.*** To this end, the domestic public and private and international public and private framework issued, with each quadrant also detailed how integration will also take place. The new financing policies outlined here build from the dialogue sessions and the analysis developed in the preceding chapters. Moreover, the options for the financing strategy outlined here must not be misconstrued as the INFF Financing Strategy, as that will be developed at the end of the Road Map.

132. ***As noted in previous chapters, sustaining private sector activity and increasing economic efficiency and productivity are going to be critical to sustaining growth***. Like many advanced economies, the future growth model will need to focus on the more efficient use of land, labor and capital, and on strengthening forwards and backwards linkages. As the pandemic has led to declining

exports, there is a considerable need to identify new financial instruments, modalities and partnerships that increase the contribution of private capital for particular SDGs, and the recommendations provided here.

133. ***Overcoming poverty, income and gender inequality are key to political stability, and the ongoing pandemic has underlined the need for greater economic resilience both in the real and external economies***. Given that low-income groups remain vulnerable to economic shocks, including increased cost of living and financial obligations, leaving no one behind must be central to all the recommendations made here. Likewise, as the reset agenda aims to build forward better, digital financing solutions will need to be mainstreamed across all development clusters, to include mobile payment and eCommerce solutions not just to promote frictionless business, but also to reach people excluded for income, gender, or geographical reasons. All of this calls for 'Right-Financing', using the most appropriate sustainable financial instruments to support development, in alignment with the general approach outlined below.

Box 3. RIGHT-FINANCING THE BOTSWANA INFF AND 12TH NDP

In considering the most appropriate new financing instruments to be deployed to finance the SDGs, it is necessary to identify the 'right-financing' solution for a particular problem. Right-financing focuses on identifying the most optimal financing instrument, modality and partnerships for a given purpose, noting that it is not necessary or desirable for the national budget to look to finance all sustainability solutions when public funds can be used to leverage greater resources and reduce risks for private capital. Adopting a 'right-financing' approach for the 12th NDP and Agenda 2030 would require all efforts to focus on:

- ***Mainstreaming sustainability into all financial decision-making and risk management*** processes across the entire public financing system at the federal, state and local government levels.
- ***Enhancing the supply and demand for sustainable financing*** instruments, modalities and partnerships as well as developing SDG investment projects integrating domestic and international, public and private resources, and,
- ***Further strengthening the enabling environment to promote sustainable finance practices*** through collaboration between financial and real sector stakeholders, more closely integrating SDG and ESG practices.
- ***Mainstream digital financing solutions*** into markets and industries, but also the sectoral and municipal service delivery models to foster a frictionless financing system, ready for incorporation into blockchain-based-budgeting.
- ***Link all investments to promote sustainability, decarbonization, the 360 (circular) economy***, 4IR, Industry 4.0, Green Trading Corridors transformation.

The Table below provides a checklist of right-financing consideration that focus on improving investment prioritization, identifying the most optimal source of financing, identifying new and preferred modalities and partnerships, maintain a clear focus on sustainability financing markets and monitoring investment policy impacts. This overall framework has been used to identify new domestic public and private and international public and private financing solutions, to strengthen the already strong financing framework outlined in NDP 11.

Right-Financing Agenda 2030 SDG Considerations		
Right-Financing Pillars	**Objective**	**Considerations**

Improved Investment Prioritization	To identify the most optimal sequence of activities for a given investment over the medium term, linked to the MTEF.	Based on fiscal space analysis and government policy priorities, SDGs goals and targets should be prioritized based on the level of urgency and impact on the principles of leaving no one behind (LNOB) or building forward better (BFB).
Most Optimal Source of Financing	To identify the most strategically advantageous source of financing for the proposed investment, crowding in private capital wherever feasible and desirable.	Consider integrated solutions from domestic public, domestic private, international public and international private financing to implement a new taxonomy in national investment.
Preferred Modality and Partnerships	Identify the preferred financing modality and strategic partnerships for the intended investment based on a ranking of variants.	Evolve an expansive national Sustainable Financing Taxonomy to complement other Climate Taxonomies such as the ASEAN Taxonomy for Sustainable Finance (Version 1).
A Focus on Sustainability Financing	Consider the sustainability of the proposed investment, including financing costs, long-term operations and maintained costs and social, gender and environmental multipliers.	Consider the long-term sustainability of the investment once project funds are withdrawn. This would include project governance, operating costs, revenues, social cost-benefit analysis and net present value analysis as appropriate, as well as a transitioning to green and brown budgeting.
Monitoring Investment Policy Impact	To establish output, outcome and impact indicators for the investment, so that one can assess impact.	Link goals, outcomes and outputs to the MTEF process, allowing SDG investment impacts to be clearly established and the SDG dashboard to be updated based on empirical information.

Source: UNDP, Strategic Budgeting Guidance Note (2022)

4.2. Domestic and International, Public and Private Measures

134. ***In the domestic public space, government has already outlined Vision 2036, NDP-11, 'reset' priorities and the overall direction for accelerating reforms to deliver on national development goals and Agenda 2030.*** The proposed new policy measures (actions) outlined below are aligned with and aim to and provide value-added to existing and emerging policies, institutions, capacities, and instruments. They also outline new and progressive measures paving the way for more visionary and effective systems of economic and financial governance. Many of these measures are being executed in upper income economies, and adoption will support the attainment of Vision 2036.

135. ***In the domestic private space, a great deal of work is needed to improve the centrality of Agenda 2030 into the corporate social responsibility of corporations, and to unleash the potential of the domestic private sector.*** While international public financing in Botswana is limited because of Botswana's upper-middle income status, and international cooperation partners play a critical role in introducing new instruments, modalities, and partnerships. While international private financing in Botswana (remittances and FDI) has been in decline since the Great Financial Crisis in 2008/2009, changing the incentives and business model to attract new investment flows must remain central to NDP-12.

136. ***Table 22 below provides a summary of the primary measures and instruments proposed as a result of the Development Finance Assessment***. Recommended measures are grouped under the following headings: (i) financial innovation and inclusion (ii) medium term revenue strategy (iii) fiscal framework and public debt management (iv) strategic Budgeting for the SDGs (B4SDG) (v) economic diversification (v) public sector modernization and privatization (vi) Climate Change and

Environmental, Social and Corporate Governance (ESG) Standards (vii) Digital Economy and Industry 4.0 (viii) SDG statistics and (viii) research and development and cooperation for innovation.

Table 22. BOTSWANA INFF PROPOSED FINANCING INSTRUMENTS AND MEASURES		
Measure	**Description**	**Gov. Institutions**
Financial Innovation & Inclusion *(To introduce innovative financing solutions to support the SDGs and increase access)*		
Establish a Sustainable Financing Unit in the Bank of Botswana	To foster a sustainable inclusive banking and finance network and market, similar to leading economies in Asia, it is proposed to establish a Sustainable Financing Unit in the Bank of Botswana (BoB). This unit will drive the green financing agenda and develop regulations for commercial operators focused on ESGs and creating markets for green and other financing products. BoB would apply to join the Network for Greening the Financial System and link reforms to the Paris Climate Deal and United Nations Climate Change Conference (UNCCC) process. 44 Once established, consider establishing a Joint Committee with commercial banks to support the development of new regulations to support ESG/SDG integration into commercial lending operations. This would allow the co-creation of content with the financial services industry to include developing options for the differentiation between conventional and green, sustainable financing solutions and pricing. Green and sustainable financing solutions should be gender responsive.	BoB, Financial Intelligence Agency (FIA)
Improve Supervision of Financial Markets	As financial markets deepen and new financial products (i.e., thematic bonds, ESG compliant issuances, secondary market instruments etc.) emerge it will be vital to (i) update the stress testing model and stress test Non-Bank Financial Institutions (ii) incorporate Basel III liquidity coverage ratios (iii) commence work on how to regulate digital currencies and (iv) provide capacity building on local-currency bond market development and (v) improve BoB domestic and external communication, including for green and climate related financing instruments.	BoB, Financial Action Task Force (FATF)
Develop Domestic Capital Market	As more finance will need to be raised from the domestic capital market through bond issuance (government and corporate), there is an urgent need to activate the secondary market to shift the public debt portfolio in favor of domestic issuance, to reduce foreign currency induced risk exposure. Switch auctions, bond buy-backs, the frequency of bond auctions, and the use of green, climate, gender and blockchain-based bonds, based on the World Bank's '"blockchain operated new debt instrument' will need to be considered. Botswana's financial institutions would usefully explore the potential of blockchain technology for the management, creation, and oversight of various debt instruments, given that blockchain-based bonds have the potential to assist capital markets in achieving fast, efficient, and secure transactions via distributed ledger technologies.45 Exploring the potential of Diaspora Bonds could also be assessed.	BoB, Financial Stability Council (FSC)
Develop National Sustainable Financing Taxonomy	Policy makers, central banks, financial sector regulators and supervisors are working to enhance the financial sector's resilience to climate risks and mobilize capital for green finance. Capital for green finance should be gender responsive and include gender equality indicators and outcomes. More than US$ 1 trillion in green bonds has been issued globally in 2021. In addition to identifying, assessing and monitoring the climate risks in the financial system, many countries have established a National Climate Change Taxonomy for Financial Institutions. Such a taxonomy would highlight the potential of a wide range of climate financing instruments that are not currently being deployed, such as environmental credit markets, favorable tax incentives (offsets), voluntary surcharges and corporate-cause marketing, for example. Guidance will need to be developed by the Bank of Botswana in key areas, such as (i) establishing a	BoB, BSC, MFED, Financial Stability Council (FSC), Non-Bank Financial Institutions Regulatory Authority (NBFIRA)

[44] https://www.ngfs.net/en
[45] https://www.investopedia.com/tech/what-are-world-banks-blockchainbased-bonds/

	Climate Change and Principle-based Taxonomy (CCPT) (ii) issuing a Licensing Framework for Digital Banks (iii) sustainability Bond Guidelines (iv) green Bond Principles (v) Social Bond Principles (vi) Establishing a Sustainable and Responsible Investment (SRI) in BSE and (vii) Green Technology Financing Scheme.	
Link financial inclusion objectives to the real economy to better support the reset and NDP	Both commercial banks and micro-finance institutions continue to serve individuals in formal employment and key sectors of the economy. There is an urgent need to expand the payment system, expand and deepen the use of digital payment services and financial service providers and develop both credit and insurance products (and risks transfers) specifically for the NDP cluster such as tourism, agriculture, and manufacturing. This would imply a focus on both access and increasing efforts to develop products for low-income families and micro businesses.	MFED, Non-Bank Financial Institutions Regulatory Authority (NBFIRA)
Develop Inclusive Apex Financing Instrument for Participating Finance Institutions targeting MSMEs	Assess options to develop an apex financing institution (a second-tier or wholesale fund that channels public resources to multiple retail financial providers) to alleviate capital constraints for micro-finance, lending to exporters, small industries or MSEMs. An apex structure of US$ 50 – 100 million to support participating micro-finance institutions would go a long way to providing finance for those still excluded from the more formal sector. The Consultative Group for Assistance to the Poor (CGAP) could lead the design process.	BoB, Non-Bank Financial Institutions Regulatory Authority (NBFIRA)
Lay the Foundation for Issuance of Gender (impact) Bonds	Explore the possibility of issuing gender bonds to support financial inclusion to enable women's economic empowerment. Assess whether local capital markets are equipped to support bond issuance and if the bond would meet market standards. Lessons can be drawn from South Africa. Use cases could include encouraging girls and women to study and seek employment in science, technology, engineering and mathematics (STEM) fields, for example.	BoB
Strengthen Corporate Environment, Social and Corporate Governance (ESG) Adoption	Taking lessons from the Botswana Stock Exchange increasing the adoption of ESGs will not only assist in removing career ceilings for women it will also encourage the corporate workplace to be more aligned to the SDGs and to reducing harmful gender and social exclusion practices. Preparing Botswana for the ESG revolution will also be critical as commercial banks increasingly demand ESG compliance in their products and services. While ESG adoption will remain voluntary, government could issue ESG Disclosure Guidelines for listed companies.	BoB, BSC, BITC
Radically Overhaul Lending to SMEs through financial sector deepening	The commercial banking sector is small for an upper-middle income country and combined with lack of data on SMEs, SME financing is under-developed. The Local Enterprise Authority (LEA) and the Citizen Entrepreneurial Development Agency (CEDA) should undertake annual surveys to complete the picture and better inform financial markets of sector needs. Unfavorable financial market conditions impede the performance and growth of SMEs and moving away from a one-size-fits-all approach is important if the economy is to be diversified. Currently, there are limited credit products for lower income consumers, credit extension has contracted and remains limited, and the banking industry remains highly concentrated. Micro-finance and development finance institutions continue to focus on the formal sector and there is limited effort to develop financial products (such as mobile micro-credit or micro-savings products) beyond plain vanilla offerings. Ensure the Financial Inclusion Strategy identifies key gender gaps and ensures proposed strategies address (not exacerbate) inequities.	BoB, Non-Bank Financial Institutions Regulatory Authority (NBFIRA)
Pioneer the Introduction of Innovative Funding to Financing (F2F)	Given the levels of innovation occurring globally – for example the World Bank is pioneering Blockchain Bonds in Asia and FCDO Social Impact Bonds in the MENA region – a key role for the international community is to come together and develop new instruments including blended products and climate and gender financing innovations. Cooperation partners could work with the proposed BoB Sustainable Financing Unit and also engage the Malaysia Blended Finance and Innovation Unit (a global hub) to focus on (i) finance and funds for SDGs (ii) emerging markets	BoB, BSC, MFED, BIF

Instruments including Blending	(iii) human development for SDGs (iv) technology and data (v) enterprise solutions and (vi) the overall policy framework for sustainable financing. Table 19 below provides a brief taxonomy of the range of financing options and innovations that can be considered, in addition to PPPs as a blended starting point, to be followed by more complex instruments such as equity financing for FINTECH.	
Greening the Financial Sector by Developing a Taxonomy of Innovative Financing Instruments	MFED and BoB could develop a taxonomy of the most optimal innovative sustainable financing instruments and their application to support the NDP. The taxonomy would identify preconditions for adoption, investment size, standards, and emerging regulatory requirements and would work towards the adoption of a right-financing approach to the SDGs. A focus on climate financing, catalytic first loss finance, impact bonds, tax and non-tax incentives, levies, voluntary surcharges, guarantees and blended financing product and leverage ratios. The taxonomy should be gender responsive and include specific gender equality indicators to enable innovative financing mechanisms to monitor, evaluate and achieve gender equality outcomes.	
Medium Term Revenue Strategy (MTRS) (*To improve fiscal sustainability and Increase Fiscal Space)*		
Formulate a Medium-Term Revenue Strategy (MTRS)	Botswana is a mono-cultural economy and success in revenue diversification will therefore be linked to economic diversification. To increase fiscal space an MTRS should be developed focused on broadening the revenue base, for example, focused on the following measures (i) strengthen tax administration in the financial sector (ii) conclude and pass fiscal tax laws (iii) strengthen tax treaty policy, transfer pricing rules and taxation of remote digital services (iv) improve customs administration core functions (v) introduce electronic billing machines (EBMs) (vi) accelerate plans for fiscal decentralization (vi) introduce carbon and pollution taxes (vii) identify targets for fiscal savings particularly in the parastatal space and (vi) increase allocative and operational efficiency. This will mobilize new resources for central government, and for the ten districts. New fiscal assignments need to be developed. The Ministry of Local Government and Rural Development should accelerate decentralizing its services to local authorities. A monitoring system should be established / aligned with existing systems to understand the gendered impact of the taxation system.	MFED, Botswana Unified Review Service
Fiscal Framework and Public Debt Management (*Improve fiscal and public debt sustainability)*		
Update the Fiscal Framework and Recalibrate Fiscal Rules	While fiscal consolidation and revenue deepening and diversification are needed to rebuild fiscal buffers, the existing fiscal framework needs to be revised and fiscal rules redesigned. These would include at a minimum (i) updating the debt management framework (ii) improving debt sustainability analysis (DSA) (iii) establish a legal framework to deal with contingent liabilities and state guarantees resulting from public private partnerships (iv) containing the civil servant wage bill (v) fiscal decentralization (vi) a combination of revenue and expenditure measures (capital spending with higher multipliers) and (vii) upgraded risk management framework. Diversifying the economy, fiscal decentralization and integrating this into the proposed Zero-Based Budgeting (ZBB) arrangement appear early priorities, as do new rules and methods for smart debt management and the issuance of pula and thematic bonds, for examples. Moreover, critical to the SDGs – particularly in relation to encouraging private sector development and the green and circular economies, is using tax and non-tax policy to shape incentives, while also increasing taxation of the digital economy.	MFED
Strengthen Public Debt Management	A growing debt burden, risks of further currency depreciation and growth in more sophisticated market debt instruments, securities and contingent liabilities call for designing and calibrating new fiscal rules. This would be linked to an updated Medium Term Sustainable Debt Management Framework (MTDS), improved debt sustainability analysis (DSA) and possible adoption of the UNCTAD Debt Management and Financial Analysis System (DMFAS).	MFED

	There is also a need to develop a legal framework for dealing with contingent liabilities arising from Public-Private Partnerships.	
Strategic Budget for the SDGs (B4SDG) *(Strengthen the alignment of SDGs to NDP 12 and close the SDG Resource Gap)*		
Strengthen Budgeting for SDGs (B4SDGs)	The SDGs need to be costed, the financing gap communicated and B4SDG assessment undertaken to improve the resourcing and alignment of the SDGs to NDP-12 and the reset agenda. The entire performance-based budgeting process needs to be reviewed and strengthened, aligning SDG goals through the Medium-Term Expenditure Framework (MTEF) process to bottom-up costed and budgeted public expenditure programs. Budgeting for SDGs should ensure that gender equality is integrated across all the SDGs in addition to SDG 5. Strategic budgeting can be deployed to make sure that the SDGs are well incorporated into NDP-12, with SDG financing plans integrated into the MTEF process, and SDG priorities translated through budget call circulars and templates linked to costed key performance indicators. Moreover, as many of the new financing instruments and modalities will be either sector or multi-sector based, the costing and budget for SDGs will find its ultimate expression in the annual and three-year rolling budget process. This would include a roll out of revised MTEF formats with reliable budget ceilings and SDG targets that include integrated reporting formats clarifying the linkages between budgets and measurable performance targets. Strengthening the capacity of line ministries to cost policies and to develop sector wide approaches linked to Agenda 2030, is necessary.	MFED
Localizing the SDGs Through Fiscal Decentralization	There is far too great a focus on central government level delivery of the SDGs, when districts are not only closer to frontline delivery units, they also raise revenues and can align their spending plans to the SDGs.[46] A focus on fiscal decentralization is desirable, and can provide a considerable source for financing sustainable development and broadening the revenue base. This will allow sub-national budgeting and planning processes to align with the SDGs and to integrate them into local development plans. Localization will also positively impact financing of SDGs, and it also allows local priorities to be supported.	MFED, Ministry of Local Government and Rural Development (MLGRD), Districts
***Institutionalize gender responsive budgeting* (GRB)**	As gender equality continues to be mainly funded through domestic public finances, there is need to integrate a clear gender perspective within the overall context of the budgetary process through special processes and analytical tools. This will entail i) provision of an appropriate legal and institutional framework ii) creation of strategic partnerships iii) capacity building for various stakeholders iv) development of GRB tools; and v) development of a gender statistics strategy. The initiative should be complemented with other non-financing interventions including integration of gender: i) perspective into the reservations and preferences clauses of the Public Procurement and Disposal Act; ii) into the Public Investment Management systems, and iii) component into the Public Expenditure, Finance and Accountability (PEFA) assessment.	MFED, Sector Ministries
Develop Sector Level Financing Strategies	Currently all sector financing for NDP-11 is resourced via the national budget, which is likely to continue to run a budget deficit over the medium term. There is therefore a need for each sector to develop its own financing / resource mobilization strategy based on the INFF, focused on changing service delivery models to crowd in private capital, and increase local content. Financing strategies would complement sector business plans and budget submissions and	Sector Ministries

[46] The legislative framework for decentralization comprises the Local Government (District Councils) Act of 1965 and the Township Act of 1955, which created urban councils. District (rural) and urban councils perform statutory functions under the Local Government District Council Act. The main statutory functions of councils include the provision of five key services, namely, primary education, health care, the supply of water to rural areas, local development and road maintenance. These Acts are further complemented by other relevant Acts including the Local Authority Procurement and Assets Disposal Act of 2008, the Public Service Act of 2008 and the Town and Regional Planning Act of 2013.

	would include procurement details for blended financing (i.e., PPPs and other concessions) and other instruments such as guarantees, tax and non-tax incentives, for example.	
Economic Diversification *(Shift toward a more varied structure of domestic production and trade to increas productivity, creating jobs and providing the base for sustained poverty-reducing growth)*		
Financing Economic Diversification and Regional Value Chains	FDI is likely to increase once information asymmetries are reduced (providing a level playing field, lowering market discovery costs, improving investment decision making and enhancing risks management) and, facilitating access to markets through trade and investment platforms, language services, improved visa and open skies agreements, trade fairs and investment road shows, buyer-seller matching, country branding, collective reputation and partnership-building. At the same time, new integrated trade financing solutions can target regional value chains, to include a reciprocal reduction of non-tariff barriers, coordination of industrial policies and promotion of cross-border investment.	MITI, BITC, BDC, CEDA, Selebi-Phikwe Economic Diversification Unit (SPEDU), Youth Development Fund (YDF)
Incentivize Foreign direct investment	Accelerating towards Industry 4.0 requires a strategic review of investment policies for industrial development in Botswana by reorienting incentives towards new technologies, facilitating investment and improving screening procedures for products and services (including ESGs). Partnerships with foreign firms (JVs) and FDI can assist Botswana in gaining a foothold in new export destination (i.e., the UAE) from which to increase domestic capabilities. To promote FDI Botswana can use centers and hubs to serve as focal points for foreign investment. Ireland, for example has the SPOKES program, Canada has Clean Growth Hubs, Thailand has Digital Parks and, in some countries, FDI is subsidized through tax and non-tax incentives to lay the foundation for digital global players to invest and for innovators to emerge. In addition to free zones, cooperation partners could undertake feasibility studies to map out the multipliers and catalytic impact of such an approach. These would fall within the new NIS.	MITI, BITC
Finance Product Space Development	Rather than focus on investing in broad sector wide approaches, it may be beneficial to explore a product space development approach linked to growth labs and research and development. Tourism, agriculture, and industry would be targets for building the product space, in order to pair products with the amount of capital required for production, technological sophistication, or inputs and outputs in a product's value chains. Product space development should be made central to the NDP development clusters.	BDC, BIF, CEDA, Non-Bank Financial Institutions Regulatory Authority (NBFIRA)
Invest in Private Sector PPP Skills and Competency Development	To expedite expansion of PPP, in addition to building government pipeline and procurement capacities, there is a need to provide training to domestic investors to improve PPP awareness and literacy. Lack of experience and understanding reduce adoption potential, leaving such PPPs open to foreign investors. Joint Venture arrangements for PPPs can also be covered as well as PPP modalities, structures, financing, concession and revenue offtakes, and risk management.	MFED PPP Unit
Engage the African Continental Free Trade Area (AfCFTA)	Given the focus on boosting exports, increasing FDI and diversifying the national economy, supporting government in macro-economic and trade harmonization (including behind the border issues) will allow Botswana to benefit from the emerging free trade block. 47 Cooperation partners should assist in developing local value chains to support the adoption of frontier technologies (through product space development) for such areas as transportation and logistics, fintech, potable water and sanitation, waste to energy, smart cities, affordable housing, and low-cost, high-quality	MITI, BITC, CEDA, SPEDU

[47] A free trade agreement between the 15 SADC member states and the simplification of laws, regulations, and procedures would reposition Botswana as a transportation and logistics hub, the center of a 277-million-person free trade zone. However, the slow pace of negotiations within the SADC region has delayed trade liberalization.

	healthcare. These chains could be supported by procurement programs and financing mechanisms involving local sovereign wealth funds, pension funds, institutional investors, and guarantee instruments. Finance companies are also using frontier technologies for making credit decisions, and for risk management, fraud prevention, trading, personalized banking and process automation. The manufacturing sector has used them for predictive maintenance and quality control.48	
Develop a National Local Content Strategy to Include Preferential Gender Procurement	Develop a local content strategy and regulatory framework to increase both production and consumption of local content (through tender evaluation), to increase the amount of value-added in Botswana. Such measures should be established in a way as not to erode incentives for foreign investment. Guidelines for contractors and sub-contractors need to be developed and capacity development provided. The strategy would focus on strengthening procurement through national SMEs, national expertise and national solutions, to promote socio-economic development and industrialization. An aggregate measure that could be the total value of an item or service procured (excluding net domestic indirect taxes) minus the value of imported content in the item or service (including all customs duties) as a proportion of the total value could be considered. Weighting would need to be carefully considered by sector, as would changes to the procurement process. Gender-responsive procurement is the selection of services, goods and civil works that considers their impact on gender equality and women's empowerment. Preferential gender procurement would be mainstreamed into the strategy, support women owned businesses to gain access to government procurement of works, services and supplies.	MFED, CEDA, Public Procurement and Asset Disposal Board (PPADB), SPEDU
Public Sector Modernization & Privatization *(Improve allocative and operational efficiency)*		
Functional Modernization of State-Owned Enterprises (SOE) and Improved Management of Contingent Liabilities	Years of running budget surpluses combined with the congenital problem that state owned enterprises often form natural monopolies, generally undermining economic efficiency (value-for-money). This not only puts a fiscal strain on government, but it also acts as a drain on public resources, crowding out private capital and potentially creating exposures to contingent liabilities and state guarantees, during a period of economic downturn. As a result, SOEs need to be rationalized to (i) reduce overlapping functions (ii) restructuring or privatizing loss making SOEs (iii) improving corporate governance (iv) strengthen mechanisms for measuring corporate governance (v) introduce ESG standards and (vi) publish financial statement for public purview and the marketplace. Levelling the playing field between public and private companies will also allow MSMEs to be more integrated into certain industrial, service sector and service delivery functions. Considerable fiscal saving can be made – freeing up fiscal space for NDP-12 and Agenda 2030. These reforms can be accompanied by selective deregulation, creating space for private sector operators to compete through the marketplace.	MFED,
Update the draft 2012-2017 National Privatization Masterplan	The Public Enterprise Evaluation and Privatization Agency (PEEPA) must update the 2012-2017 privatization masterplan and 2020 privatization policy, with a focus on removing obstacles to execution and reduce government ownership and control of underperforming and capital-short institutions and increase outsourcing. Privatization of state-owned enterprises would ideally be accompanied by regulatory reforms to support greater market competition, providing a new space for the private sector to engage. Privatization would link to diversification and encourage digitization in growth sectors. The Privatization Masterplan should consider sector specific gender equality outcomes to ensure gender gaps are not exacerbated and that privatization works to close gender gaps.	MFED, MITI,

[48] https://unctad.org/system/files/official-document/tir2020_en.pdf

Mainstream Gender Equality into Botswana's Development Financing Landscape	The policy on Gender and Development noted the need for an enabling social, policy and legal environment for effective gender mainstreaming. One of the objectives of the Policy, is to promote gender mainstreaming in the processes of development planning, policy formulation, legislation and implementation thereof. There is need to ensure provision of supportive gender responsive (i) laws and policies; ii) national and sector planning, iii) budget formulation and approval, iv) budget implementation, performance monitoring and reporting, and (v) auditing practices.	MFED
Accelerate National PPP Pipeline and Transaction Advisory	Insufficient attention is being paid to investment in the resource mobilization potential of PPPs. Once the proposed PPP law, regulations and guideline are developed, accelerating capacities to develop sector pipelines in the target development clusters must be expedited, allowing Wave I investments to be procured in a 12–24-month timeline. PPPs would (i) attract national, regional and foreign investment also linked to the National Investment Strategy (NIS) (ii) lead to cost savings on projects' operation and maintenance through competitive bidding and innovative solutions offered by private tenderers (iii) motivate the private sector to innovate and move into new sectors such as municipal waste, water, services (iv) promote economic growth by creating jobs, (v) help reduce government spending and funding and/or share economic risks with the private sector, and (vi) integrate gender equality considerations across all investment areas. A pipeline of 100 PPPs – following due diligence and commercial viability tests – could lead to a PPP shortlist of 20-30 new investment projects. Contingent liabilities would need to be monitored and centrally managed. PPPs should where possible achieve national gender equality priorities and consider sector specific gender equality outcomes.	MFED, Sector Ministries
Climate Change and Environmental, Social and Corporate Governance (ESG) Standards (*Increase access to climate finance and Accelerate ESG Adoption)*		
Low Carbon Economy and Carbon Market Development	Transnational Corporations (TNCs) have a significant contribution to make in the shift towards a low-carbon economy in Botswana, including through the adoption of ESG standards. This is the case not just because they are significant emitters across their international operations, but also because they are positioned to generate and disseminate technology and to finance investments to mitigate greenhouse gas emissions. With significant coal reserves but having made a commitment to the Paris Climate Agreement, the entire national energy and carbon market could be unified into a common business model. In this complex energy transition, the cost of conventional generation will increase as externalities are internalized, favoring renewables and risking that fossil fuel assets become stranded assets. Moreover, allowing communities and protected areas to benefit from selling carbon credits would require FDI support, including use of technology for monitoring sequestration. Linked to PPPs for the energy transition, foreign investors can be encouraged into joint ventures with national companies, to allow Independent Power Producer (IPP) expansion for off-grid solutions. Subsidies and de-risking can be deployed to support the energy transition.	MFED, Ministry of Environment, Wildlife & Tourism (MoEWT)
Develop Botswana's Carbon Market	Carbon markets turn emission reductions and removals into tradeable assets. These credits are generated from emission reduction projects (a solar farm or forest conservation easement, for example) or pollution allowances allocated by government cap-and-trade systems. The first stage requires building credible emissions disclosure and verification systems as the basic infrastructure of the carbon market before encouraging facilities to accurately monitor and report their emissions rather than constraining them. With prospects for an increase in coal extraction and use for power generation, the development of the national carbon market (including Voluntary Carbon Market (voluntary purchasing and retiring of carbon credits) must be accelerated. Moreover, the entire Emissions Trading System needs to be developed, as does the collection of emissions data, determining caps and emissions allowances and offsets. Given	MFED, Ministry of Environment, Wildlife & Tourism (MoEWT), MFED

	Botswana's rich natural resources, greater work on carbon sequestration is required to allow protected areas to also benefit from the global carbon market.	
Expand market access to insurance and disaster risk transfers products	Risk aversion is best managed by shifting responsibility to a third party, to reduce financial risks on an individual or firm. The insurance market remains small and underdeveloped and despite an upsurge in disaster risk transfers in countries such as India and Kenya, further effort is needed to develop both unemployment and social insurance schemes. Disaster risk transfers to manage natural hazards, climate change and even human wildlife conflict are also needed.	The Non-Bank Financial Institutions Regulatory Authority (NBFIRA)
Risk Transfers Instruments – Including Climate Related – Need to be Scaled Up	There is reasonable potential to scale up of various risk transfer mechanisms (including for climate risks), by crowding in private capital, however the better use of vertical funds, but also by strengthening donor-supported guarantees and hybrid public-private partnerships.	The Non-Bank Financial Institutions Regulatory Authority (NBFIRA)
Digital Economy and Industry 4.0 *(Increase access to online services and improve financial inclusion)*		
Expansion of Mobile Products Supported by the Digital Transformation Road Map	The future of money is digital and mobile. While mobile money, e-wallets and apps-based banking has increased, know your customer constraints (for example) impact digital onboarding and lack of digital infrastructure (and rural energy) undermine the potential for an expansion in both mobile and digital payments. Creating the framework for payment acceptance through improved interoperability would increase usage. As noted in the dialogue discussion, there is the potential for the creation of a wide range of new mobile money products including savings through savings wallets and the provision of credit services using mobile phones and for selling insurance and other similar products. The Digital Transformation Road Map should include data on the digital literacy and access to digital products segregated by gender and have measures in place to address potential gender gaps in access and literacy.	DIT,
Digital Access Management, Digitization and Digital/Crypto Payment Systems	Invest in digital transformation and promote innovations that apply frontier technologies, potentially financed through impact investment, venture capital, crowdfunding, and innovation and technology funds. Technology will need to be better deployed by commercial banks for making credit decisions for risk management, fraud prevention, trading, personalized banking and process automation. It is vital that Botswana is not left behind. Taxation of the emerging digital economy needs to include the introducing electronic billing and invoicing platforms to improve tax compliance. Introducing a business intelligence and data analytics function will maximize tax collection, while introducing the track and trace system to combat smuggling of excisable goods.49 Acceleration through the SmartBots project financed by AfDB will be essential to transition to a knowledge-based economy, but also for monitoring carbon sequestration, which is necessary for carbon market development. Botswana will inevitably see a rise in online transactions, digitization of currencies, secure online payment gateways, growing interest of the banking, financial services, crypto currency and insurance sectors and their increased use by merchants. Regulations for blockchain and crypto currencies need to be developed. Investment in digital transformation should consider any gender gaps in capacity and accessibility for women, men and other marginalized groups and design mechanisms to reduce these gaps to ensure equitable access.	BoB, DIT, BOCRA

[49] https://unctad.org/system/files/official-document/tir2020_en.pdf

Expansion of FINTECH Support and AI, big data and IoT	The government plans to invest 1½ percent of GDP (about 22 percent of total development expenditure) in the digital economy sector during 2021–23. Resulting digitization changes combine with financial capital to create new techno-economic paradigms – the cluster of technologies, products, industries, infrastructure, and institutions that characterize a technological revolution. In this context the international community should give priority in its support to Botswana to build its Financial Technology (FINTECH) innovation capacity. Donors could support Government in integrating AI, Big Data, and IoT innovation strategies into NDP-12 to support the cluster development program, while also accelerating the Digital Society, the Information Society, and the Information or Knowledge Economy. Enterprise challenge funds can be useful in de-risking market entry for startups, as can impact bonds and catalytic first loss finance.	BTC, BOFINET, DIT
Support for Business Start-Ups to Support Industry 4.0	Efforts to support new businesses in frontier technology areas should remain a financing priority if diversification and exports are to be boosted. Thailand for example has Startup Thailand, which operates under the Ministry of Science and Technology and Malaysia has a special corporation to support small and medium-sized enterprises, with an emphasis on those owned by women.50 Brazil has worked to connect startups with established firms and has a national startup acceleration program, similar to the enterprise acceleration schemes in the UAE, where donors can support financial intermediation to encourage venture capital for small businesses in the early stages of development. Programs such as the Ernst and Young Ripples program can also provide support to startups on a pro bono or low-cost basis. Donors should also consider financing leapfrog technologies in public infrastructure – as has been done in water, telecommunications, and energy.	MITI
SDG Statistics *(Improve timely collection of SDG baselines and measure performance)*		
Improve Quality and Collection of SDG Statistics	There is a need to extend the coverage of monetary and financial statistics to include other financial corporations' sector (e.g., insurance corporations, and the investment fund shares) as well as SDG financing instruments including climate financing and green gender and thematic bonds. Moreover, the routine collection and integration of the SDGs into sector investment programs is also necessary to support bottom-up SDG costing and budgeting. The monitoring and review section developed below makes a more explicit mention of statistical gaps and data needs. Systems and capabilities should be in place to produce, collect and evaluate data segregated by sex, age, geography and other in relation to all SDG statistics.	Botswana Bureau of Standards (BBS), National Monitoring and Evaluation System (NMES)
Research and Development and Cooperation for Innovation *(Integrate learning into all areas of public private dialogue)*		
Increase Financing Research and Development	National spending on research and development needs to be substantially increased. Cooperation partners need to be more active in promoting and financing research and development. Lack of R&D spending in Botswana leaves the domestic economy open to the risk of never developing home grown solutions that are cheaper and more sustainable. While the African Union established a target of one per cent of GDP for R&D, on average sub-Saharan African countries are still at 0.38 per cent. Financing for research can also come from the private sector, as part of FDI and philanthropic sources. In agriculture, seeds that could be produced locally are imported from South Africa, for example and there is very little R&D on the potential for blended financing for example. Moreover, domestic intellectual property (IP) rights (i.e., patents, trade secrets, trademarks and copyrights) still require further development, and without a patent system there is little incentive for domestic firms to develop and commercialize innovations. R&D is	Research Information Management System (RIMS), Botswana Bureau of Standards (BBS), National Monitoring and Evaluation System (NMES)

[50] https://unctad.org/system/files/official-document/tir2020_en.pdf

	also necessary for product space development and for increasing economic complexity. Promoting economic complexity to increase dependence on domestic markets and economic diversification are linked and must be jointly invested. Given the need to diversify away from dependence on diamond revenues, and risks to tourism, reducing dependence on foreign currency to finance trade will improve macro-economic resilience.	
Establish a Botswana INFF Community of Practice (COP)	Establish an online platform for the Botswana INFF to bring domestic and international public and private stakeholders together, to execute the Financing Strategy. The INFF COP would focus on Road Map execution, removing obstacles to financing integration and to better serving the NDP, national reset agenda and financing of sector investments.	MFED / UNDP

4.3. Implications for Action – The Road Map

137. ***The elements of a financing strategy outlined above will need to be further deliberated and validated by dialogue partners***. The priorities and solutions identified would lower expenditures and increase the fiscal space available to the NDP and Agenda 2030. Measures would also encourage a whole new generation of financing instruments, modalities, and partnerships directly supportive of the reset agenda and NDP-12.

138. ***While SDGs have not been costed and budgeted here, it is obvious that to be effective, many of the measures proposed here will need financed through the national budget process and integrate with private capital solutions***. Table 22 below provides an overview of the range of financing instruments to be considered. Importantly, given the F2F shift discussed earlier, the new approach will encourage public investments to focus on leverage and being catalytic, to crowd in and de-risk private capital in areas of the economy opened through privatization and PPPs.

139. ***Integration with NDP-12 will require a two-way process where key issues developed in the 'reset' and NDP MTR are influenced by the overall macro-fiscal framework, and key options outlined in the INFF influence and shape the way national investments are resourced***. Moreover, as outlined in the following sections on governance and coordination and monitoring and review, the Road Map developed at the end of this assessment will need to be validated by the proposed INFF Governance Structure. It is this structure that will agree priorities, identify, and confirm financing instruments and incentives, and monitor and review outcomes between 2021 and 2030. Increasing access to data, SDG budget tagging, SDG audits and sex-disaggregated data and gender impact assessments will be essential to assessing the impact of the recommendations once under execution. Gender and climate thematic issues are fully mainstreamed into the INFF Road Map. Annex 2 provides the overall alignment between the SDGs, NDP 11 and Vision 2036.

Table 23. CONVENTIONAL AND INNOVATIVE FINANCING INSTRUMENT				
Instrument	**Primary Characteristics**	**Use Case**	**Public / Private**	**Country Example**
Economic Recovery Instruments				
Thematic Bonds	Traditional fixed income instruments which allow investors to finance specific investment themes such as climate change, health, food, education, access to financial services and target specific SDGs.	Wide sector application in all clusters in Botswana and in climate adaptation and mitigation.	Public / Private	Malaysia, India, EU, USA
Budget Contingencies	An imprest account to meet urgent or unforeseen government expenditures.	National emergency crisis fund for unexpected outflows.	Public	India Contingency Fund UK Civil Contingencies Fund
Reserve Funds	Disaster risk financing instruments that cover small and recurring losses caused due to natural disasters.	Prevention, mitigation, emergency management, rehabilitation, and reconstruction	Public	Mexico National Disaster Fund Costa Rica National Emergency Fund (FNE)
Deferred Drawdown Option (DDO)	To make short term (and cheap) liquidity immediately available after a natural disaster.	State of emergency declared, middle income countries. All IBRD borrowers.	Public	Indonesia, Myanmar, Columbia
Disaster Risk / Parametric Insurance	Insures a policyholder against the occurrence of a specific event by paying a set amount based on the magnitude of the event, as opposed to the magnitude of the losses.	Provided through an insurance or reinsurance contract, as well as through the issuance of a catastrophe bond.	Public and Private	Puerto Rico Caribbean Catastrophe Risk Insurance Facility (CCRIF) African Risk Capacity (ARC)
Credit Guarantee Schemes	Part of the credit supplementation system.	Improves credit access and financial strength of SMEs, through leverage, regulatory capital relief; and is a countercyclical crises tool.	Public and Private	Kosovo COVID-19 measures Djibouti COVID-19 measures Korea Credit Guarantee Fund (KODIT) Japan Federation of Credit Guarantee Corporations (JFG)
Catastrophe Bonds (CAT-Bonds)	A high yield debt instrument used by property and casualty insurers.	Raises money for companies in the insurance industry in the event of a natural disaster.	Private	Insurance Industries
Diaspora Bonds	A bond issued by a country to its expatriates.	Diaspora bonds are often used for infrastructure projects or crisis relief in developing countries, where more resources above humanitarian aid are necessary.	Public	India Israel

Table 23. CONVENTIONAL AND INNOVATIVE FINANCING INSTRUMENT

Instrument	Primary Characteristics	Use Case	Public / Private	Country Example
Risk Transfer	Shift the potential loss from an adverse outcome faced by an individual or entity to a third party.	Household, community, enterprise or state will obtain resources from the other party after a disaster occurs, in exchange for ongoing or compensatory social or financial benefits provided to that other party.	Public / Private	Thailand Japan Mongolia India
Tax Levy	Short term government levy to meet specific post disaster recovery needs.	Short term environmental levy to finance urgent	Public	Queensland Australia Colombia (FOREC)
Public Private Partnerships	A cooperative arrangement (concessions) between two or more public and private sectors, typically over 15-30 years.	Wide application in infrastructure projects, but also cover	Public and Private	New Orleans Business Alliance Safeguard Iowa Partnership (SIP)
National Budgetary Reallocation	Relocation of national budgetary spending to meet unforeseen disaster needs.	Wide application across and withing sectors.	Public	COVID-19 related economic recovery measures
Economic Recovery Development Policy Loan (DPL)	A loan, grant or credit which provides rapidly disbursing financing.	To help a borrower address the actual or anticipated development financing requirements and promote policy reform.	Public International	Ukraine Indonesia
Catastrophe Containment and Relief Trust (CCRT)	IMF provision of grants for debt relief for catastrophe containment and post catastrophe operations.	For the poorest and most vulnerable countries hit by catastrophic natural disasters or public health disasters	Public	West Africa Ebola Poverty Reduction and Growth Trust (PRGT)
ODA Reconstruction	Normative development assistance to support national development.	Multi-sector across the recovery and reconstruction continuum.	Public	Global ODA
Thematic Bonds	Debt securities issued on the condition that the funds obtained are used to finance projects with a social and environmental impact.	Multi-sector	Public and Private	Zambia Grenada Seychelles Serbia Youth Employment Bond
Catalytic First Loss Finance	Socially and environmentally driven credit enhancement to drawn down risk for private investors.	Provided by an investor or grant-maker who agrees to bear first losses in an investment in order to catalyze the participation of co-investors that otherwise would not have entered the deal.	Public and Private	Catalytic insurance for natural disasters Disaster Risk Financing and Insurance (DRFI)

Table 23. CONVENTIONAL AND INNOVATIVE FINANCING INSTRUMENT

Instrument	Primary Characteristics	Use Case	Public / Private	Country Example
Blended Finance	Strategic use of multiple sources / development finance and philanthropic instruments.	Mobilize private capital flows to emerging and frontier markets.	Public and Private	Climate action an
Enterprise Challenge Funds	Funding instrument that distribute grants (or concessional finance) to profit-seeking projects on a competitive basis.	Disaster recovery and business continuity.	Public and Private	Human Development Innovation Fund Africa Enterprise Challenge Fund
Crowdfunding	Raising money for causes from multiple individual donors or investors.	Approach for projects, organizations, entrepreneurs, and startups.	Private	Kerala, India
Impact Investing	Social Impact Bonds provides upfront payments for pay-for-success agreements.	Wide range of social application including health, education, environment etc.	Public and Private	Surdna Foundation Community Capital Management
Remittances	External finance flows as ex-post response and contribution to ex-ante preparedness	Economic stabilization and the national and households level.	Private	Somalia Resilience COVID-19

Source: Middlebrook, Peter, Geopolicity Inc (2021)

Chapter 5

Monitoring & Review

CHAPTER 5: MONITORING AND REVIEW

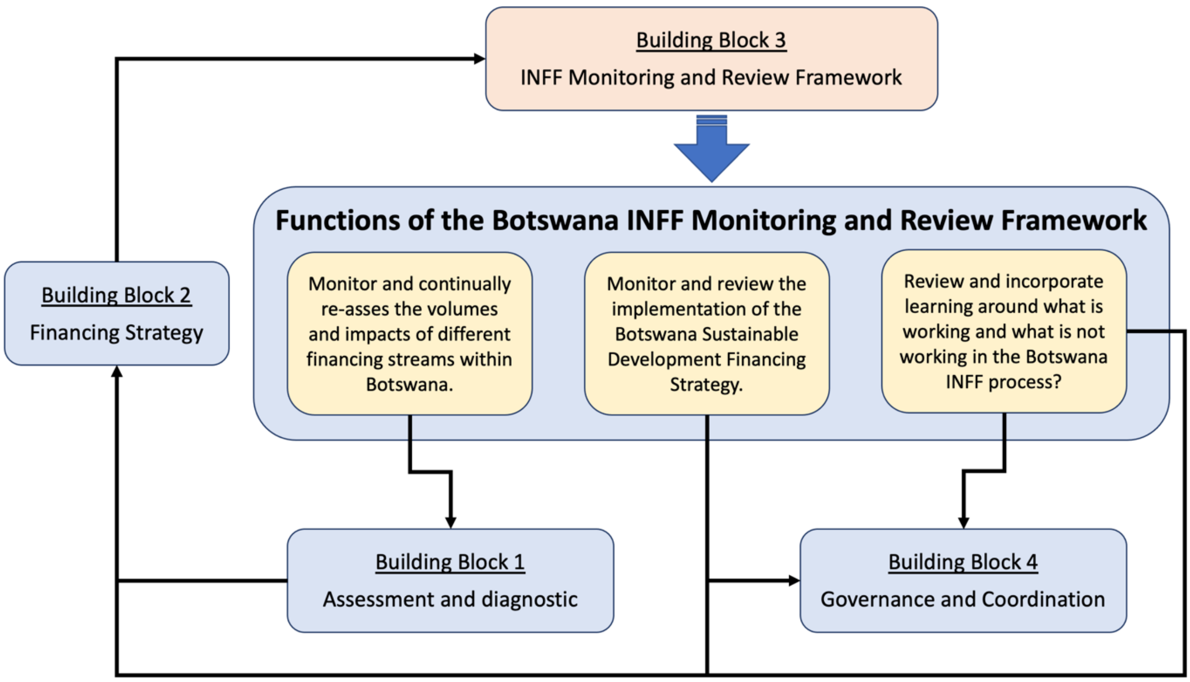
5.1. PURPOSE OF MONITORING AND REVIEW IN THE INFF

140. ***For the INFF initiative in Botswana to succeed, Building Block 3 (BB3) on monitoring and review must be made central to the process***. Detailed data gathering, measurement and reporting (bringing together information from existing sources) is necessary to ensure that progress made in all tracks of the INFF agenda can be properly evaluated and adjusted. By facilitating learning and the continual improvement of financing policies introduced in the roadmap, BB3 is at the heart of the INFF and must be considered from the outset (i.e., in the current inception phase).

141. ***As has been established in previous sections, the INFF is an iterative process that is continually learning and adapting to a changing financing environment, both domestically and internationally***. For example, both the appearance of new shocks and black swan events (such as COVID-19) as well as emergence of new global innovative financing instruments should have significant implications for the execution of the INFF strategy between now and 2030. It is therefore central to ensure that corrective actions can be undertaken as required, as well as provide important snowball potential and increases ownership of all stakeholders.

142. ***The intended scope of this learning process is comprehensive and coordinated across building blocks, so that improvements in assessing the financial landscape, executing the financing strategy and developing the capacity of governance structures are all streamlined into the wider INFF process***. As illustrated in Figure 6 below, BB3 can be used to gauge three crucial areas throughout the INFF implementation process.

Figure 6 INTEGRATION OF MONITORING AND REVIEW INTO THE WIDER INFF PROCESS



Source: INFF Guideline

143. ***Crucially, monitoring and review of the INFF does not happen in isolation of wider government monitoring systems, but takes advantage of this infrastructure to link them to the results developed for the INFF***. The INFF monitoring and review strategy therefore brings together existing tracking systems established in the budget cycle, national development plan, sector ministry strategies and financial market regulators, among others, drawing on relevant indicators to track progress of the

INFF. What the INFF BB3 does not do, is suggest alternative duplicative systems for monitoring, though it may suggests strengthening reforms to ensure that these existing systems better incorporate Gender equality, climate sensitivity, the SDG and ESG considerations and report on that basis. INFF Guidelines propose a two-step process to carry out the task under BB3.

- ***Step 1*** is to assess and establish the monitoring and review baseline, including levels of buy-in, roles and responsibilities, data systems and capacity within existing government and non-government structures (around the three identified core functions).

- ***Step 2***, building on this output, established recommendations to build on this baseline and fill existing gaps across the following areas:

    - Socialising the INFF monitoring and review strategy within the identified INFF governance structure.
    - Identifying preferred entry points to integrate INFF monitoring functions into existing (and forthcoming) systems.
    - Identify entry points for gender mainstreaming in the INFF; and,
    - Leverage insight and lessons from country comparators.

144. ***Importantly, and based on the above steps, it is worth clarifying that the analysis developed in this section is still part of the inception phase and predicated on identifying recommendations for the INFF roadmap***. The monitoring and review process exists throughout the INFF's lifespan, and in its current form (in this report) it is **not** the final product of BB3 and therefore **not** the final version of steps 1 and 2 towards developing an INFF monitoring and evaluation strategy. It is however an assessment of necessary steps required to achieve this outcome. The following two sections nonetheless provide a preparatory overview of the existing monitoring capacity complementary to the INFF and recommendations through which they can strengthened.

5.2. EXISTING NATIONAL MONITORING AND EVALUATION SYSTEMS

145. ***A foundational principle of the INFF is to complement, not duplicate, and from the perspective of monitoring and review systems, there are several relevant processes and institutions upon which the INFF can draw on***. As highlighted, these should be existing systems that can strengthened to adequately support the functions at the heart of the INFF Monitoring and Review framework. Our assessment suggests that several institutions and processes currently in place can largely inform the monitoring and review requirements of the INFF, under the guidance of the dedicated governance structures established in BB4.

146. The following provides a non-exhaustive list of existing institutions and monitoring frameworks in Botswana that will form the basis for the INFF Monitoring and Review Framework.

- ***Statistics Botswana*****:** Statistics Botswana is a parastatal organization charged with the collection and dissemination of official statistics (both economic and social development statistics). As such it will be the primary body supporting the INFF Monitoring and Review Framework, particularly under function one (monitoring and assessing relevant finance streams).[51] Alongside its role in data collection it is also mandated with supporting other government bodies in developing necessary procedures and standards and will therefore play a key advisory role in the assessment of progress under the INFF BB3.

- ***Bank of Botswana*****:** While much of the available data required for INFF monitoring will likely fall under the purview of Statistics Botswana, there are notable exceptions, including data on the banking sector and other financial institutions. These are maintained by the Bank of Botswana and published in its monthly statistical publication. Given the growing centrality of

[51] It has also been instrumental for the collection of relevant data used in this report.

the domestic financial sector for Botswana's development vision, the Bank of Botswana must be central partner in INFF Monitoring.

- ***Sector Ministries*****:** Although all available data within sector ministries should theoretically be accessible to Statistics Botswana, there will be exceptions. It is also true that where data sets are limited in scope and coverage (particularly age, spatial and gender disaggregation) expanding data availability will be a task for the sector ministries, albeit with guidance from Statistics Botswana.

- ***Voluntary National Reviews*****:** Along with mapping financial flows, the INFF relies on regularly updated SDG data, to monitor the actual progress of INFF recommendations in leveraging smart finance towards SDG outcomes. Without this, INFF indicators do not reflect the actual impact of the process on the ground. In relation to this, data collection for Voluntary National Review (VNR) process provides a valuable starting point, delivery a baseline for the SDGs. While the most recent was published in 2017, Botswana will be presenting its second VNR at the High-Level Political Forum (HLPF) in 2022, providing a useful stocktaking exercise for the INFF. In addition, the VNR will provide an overview of SDG monitoring standards and capacities within Government (largely through Statistics Botswana) and thereby the foundation for improving access to SDG relevant data to be incorporated into the INFF Roadmap.

- ***National Monitoring and Evaluation System*****:** NDP 11 included a strategy to develop the National Monitoring and Evaluation System (NMES), presenting a more holistic vision to performance monitoring and evaluation, and recognising limitations seen during NDP 10. Since its drafting under NDP 11, various steps have been taken to improve the performance of NMES, including:

  - The approval of a National Performance Monitoring and Evaluation Policy, providing guidance for the integration of M&E into the planning and budgeting processes.
  - A Performance Manual, guiding the integration of NMES into existing sector management systems.
  - Revision of the Planning Officers' Manual, for the establishment of results-based management.
  - Provision of Data Management Guidelines to line-ministries on the basis of making Statistics Botswana the central data collecting authority.
  - Upgrading of the Development Projects Monitoring System (DPMS) under the Development and Budget Division at MFED.

- ***While this shows growing capacity and appetite to use data to drive policy, several capacity limitations will need to be addressed for NMES to sufficiently serve the INFF Monitoring and Review Framework***. For one, NMES has yet to be rolled out beyond the central government and as such levels of geo-spatial data disaggregation are often poor. Additionally, the execution of reporting and evaluation requirements among different departments and ministries are as yet not standardized, making the assessment of cross-sectoral themes difficult. Finally, the availability of data for certain ministries (even data required under NDP indicators) is simply unavailable, with insufficient capacity and funding among line-ministries to advance data collection.

- ***NMES will certainly play a significant contributing role for advancing monitoring and review under the INFF***, however it must also be further developed, and it is possible that the establishment of NDP 12 provides the preferred opportunity to strengthen monitoring and evaluation systems and ensure that they are sufficiently aligned with INFF and more broadly SDG requirements.

- ***NDP 11 Performance Framework*:** Designed to monitor the implementation of the NDP, the framework is comprised of 88 indicators within 4 thematic areas, which were subsequently aligned to the SDGs, see Table 20 below. However, despite the formal mandate, the execution of the NDP Performance Framework has proved more challenging. It is insightful for example, that despite being in place, NMES was unable to use the NDP 11 Performance Framework for the Mid-term review (its primary purpose) owing to gaps in the data and performance measurements, and misalignment of ministerial performance frameworks with the NDP.

Table 24. ALIGNMENT OF NDP 11 TWGS TO THE SDGS[52]

Economy and Employment	Social Uplift	Sustainable development	Governance, Safety and Security
7, 8, 9, 10, 11	1, 2, 3, 4, 5	6, 12, 13, 14, 15	16 & 17

Note: See Annex 2 for a more detailed SDG – NDP – Vision 2036 Alignment.

- ***Non-Governmental Data Producers*:** Beyond formal government bodies mandated with data collection, there exists a surfeit of private organisations with access to highly relevant data. These will range from private financial institutions (bank, micro-finance organisations), private sector companies (engaged in industry, energy or telecommunications, for example), and civil society organisations (environmental NGOs, women's rights bodies and civil society organisations), etc. While a comprehensive list is not provided at this stage, this will be a key component to the INFF Monitoring and Review recommendations, alongside the development of an engagement and communication plan that allows the INFF governance bodies (particularly the INFF Working Team) to communicate specific data needs to non-governmental data producers.

- ***International Development Partners*:** International Development Partners will function as both producers and users of data. However, on account of the first, it is anticipated that programme data from international partners will be made readily available to the INFF Working Team and other Governance bodies to complement nationally available data.

Data Users

- ***Senior SDG Governance Structures*:** Senior SDG structures have already been established and include the National SDG Steering Committee, National SDG Secretariat and National SDG Technical Task Force. Together these bodies, in conjuncture with the Joint SDG Fund Technical Working Group, INFF Working Team and Statistics Botswana will be in charge of reviewing progress under the INFF BB3, predicated on the three established functions previously provided.

- ***MFED*:** While the MFED is represented in the Senior SDG Governance Structures, there is also a role for specific departments in the monitoring and evaluation of INFF implementations. Notably, the Economic and Financial Policy department (EFP), Development and Budget department (DB) and Financial Intelligence Agency (FIA) will be instrumental in reviewing primary functions of the INFF BB3 and making recommendations to Senior SDG Governance Structures. Alongside these departments, MFED can also convene together other parastatal bodies including the Botswana United Revenue Services (BURS), the Botswana Stock Exchange (BSE) and National Development Bank (NDB).

- ***Parliament*:** The role of legislative to provide oversight of INFF process must be streamlined across planning and execution. For parliament to have meaningful scrutiny over the design and delivery of financing policies and reforms under the INFF, this must include a substantial role under BB3. A regular consultative process between Senior SDG Governance Structure and

[52] It is worth noting that several cross-cutting SDGs, e.g. SDG 5, warrant inclusion under all TWGs, a gap that should be met by cross-cutting consultation between TWGs.

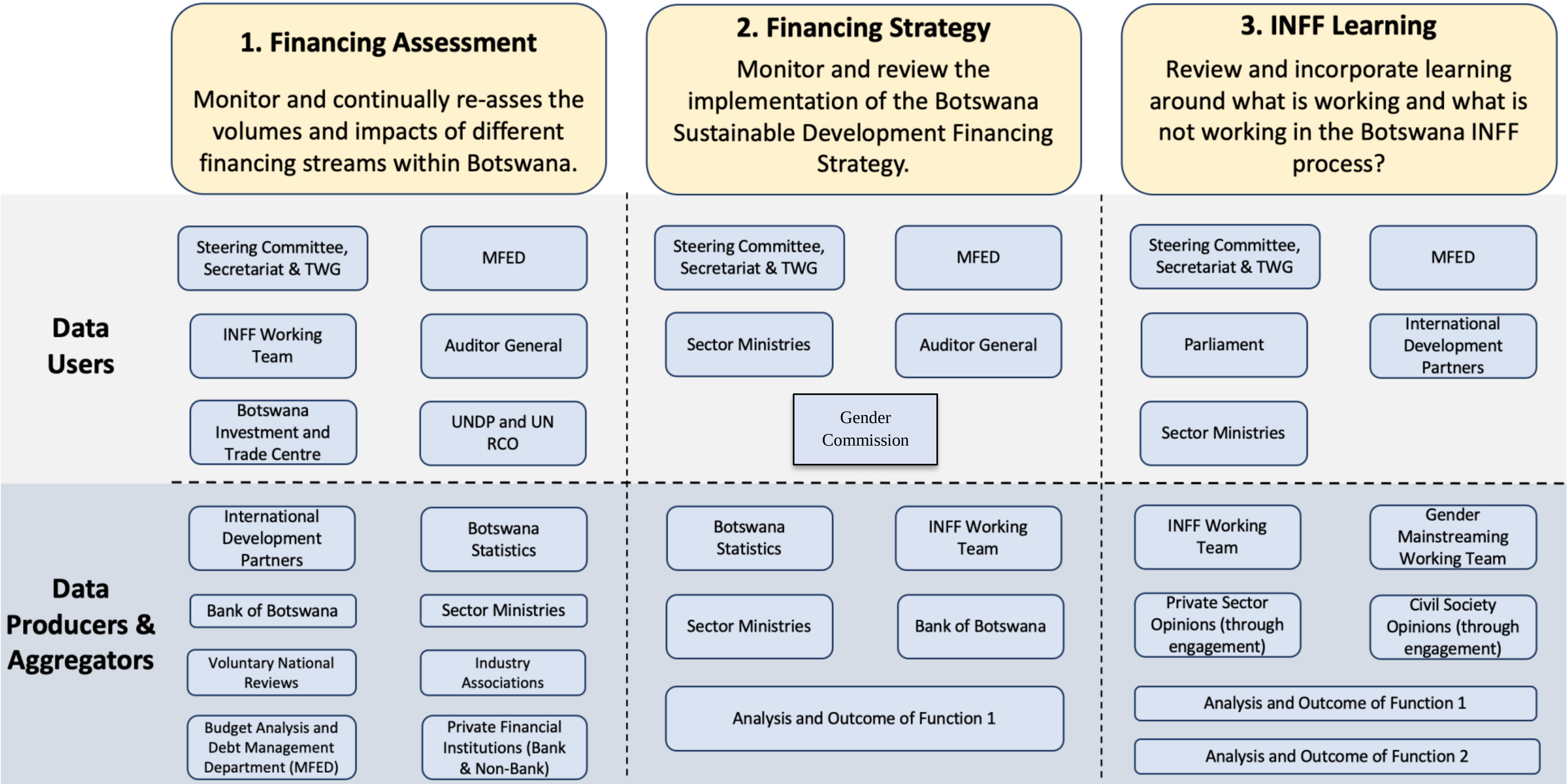
selected parliamentary committees should be established so that the involvement of these bodies in reviewing progress across the M&E functions is regular and clearly detailed in the Road Map.

- ***Auditor General*****:** The INFF promoted the transition of Supreme Audit Institutions (SAIs) towards broader, more comprehensive responsibilities in monitoring reliability, effectiveness, efficiency and economy of policies and programmes in general. In relation to the INFF in Botswana, 3 key areas of involvement are envisioned, namely: (i) assessing the preparedness of the Government of Botswana to implement any INFF reform measure; (ii) undertaking performance audits in the context of SDGs which will require budget tagging; and (iii) contributing to the implementation of SDG 16, around effective, accountable and transparent institutions.

- ***National Strategy Office (NSO)*****:** The NSO is tasked with coordinating the design and implementation of the PM&E system, in collaboration with MFED, Directorate of Public Service Management (DPSM), Government Implementation Coordination Office (GICO). Alongside Statistics Botswana it will be a key stakeholder to guide Senior SDG Governance Structures on the adequacy of INFF monitoring systems and their execution of key monitoring and review functions.

- ***The Gender Commission:*** is mandated to monitor performance of gender equality interventions, will play a central role in ensuring the tracking of gender sensitive SDG targets, and NDP12 performance indicators.

Figure 7 EXISTING INSTITUTIONS/PROCESSES THAT SUPPORT INFF MONITORING AND REVIEW FUNCTIONS



Note: Many institutions will be engaged in both the process of data collection and analysis. This structure is not intended to be exclusive.

5.3. IDENTIFYING STRENGTHENING INTERVENTIONS

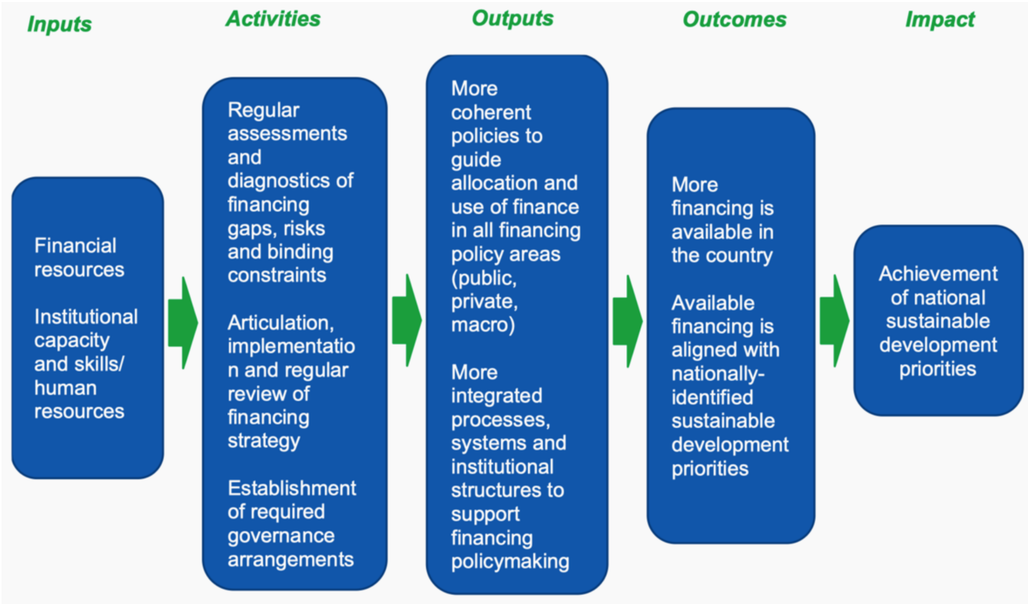
147. ***Based on the assessment above, there are clearly existing government and non-governmental institutions in Botswana, around which INFF Monitoring, and Review processes can incorporate itself and strengthen capacities***. However, there are also limitations to their effectiveness to properly address INFF requirements. Certain processes may need to be strengthened and others introduced in order to ensure that existing systems have the capacity to execute functional areas under the INFF Monitoring and Review Framework. Table 25 identifies core challenges to executing INFF monitoring functions and prescribes recommendations to be integrated into the INFF Roadmap to address these.

Table 25. INFF MONITORING AND REVIEW CHALLENGES AND RECOMMENDATIONS

Challenge	Recommendation
Challenge: Need to strengthen existing financing data systems that monitor and track financing flows across the found quadrants.	***Recommendation*:** Review Government Accounting and Budgeting System (GABS), Tax Management & Revenue Collection System, Debt Recording and Management System (CS-DRMS).
Challenge: Data availability around SDGs remains an issue in Botswana, noting that the 2020 UN Common Country Analysis (CCA)reports Botswana's SDGs monitoring capacity stands at just 34.8%. This will become a key inhibitor of properly monitoring the effectiveness of INFF interventions, particularly the financing strategy (BB2), and makes it difficult to monitor and evaluate the progress of programs and projects.	***Recommendation*:** Significant attention towards these data gaps has already been established under the VNR and CCA and this report recommends that reform initiatives established under these processes (see relevant VNR and CCA documents) should be reiterated and emphasized under the INFF Roadmap. Data collected around SDGs should also be sex-disaggregated.
Challenge: Strengthening the capacity and understanding of Statistics Botswana around INFF Assessment and Diagnostics requirements, will be important. As Building Block 1 becomes standardised, to inform the progress of the Financing Strategy and INFF as a whole, the need for regular and quality assessment of the financial landscape to be produced by Statistics Botswana will be important.	***Recommendation*:** The methodology associated with this INFF Assessment and Diagnostic process (detailed in this report and in INFF Guidelines) will need to adopted and integrated into Botswana Statistics. Technical capacity may also need to be developed within a team charged with supporting the INFF.
***Challenge*:** The capacity of Statistics Botswana to effectively aggregate relevant data from diverse sources, including non-governmental sources, needs to be strengthened. As indicated in the NDP 11 Mid-Term Review, there have been issues in the process of data collection from certain sector ministries, let alone collaboration with Bank of Botswana, Industry Associations, and International Partners. It is logical that Statistics Botswana (mandated to lead data collection under both the NDP and VNR) plays a central role in INFF monitoring, however it cannot do this independently and must prioritise capacity to become an effective convenor and data aggregator.	***Recommendation*:** First and foremost, sector ministry data production and reporting must adjust to the Performance Manual and Data Management Guidelines established under NMES. The outcome of this will be significant simplification for Statistics Botswana to acquire, aggregate and disseminate relevant INFF data to Senior SDG Governance Structures. Additionally, thought can be put into strengthening coordination between the INFF Governance Structures and non-governmental organizations (civil society and private sector) through a regular INFF forum. Private sector and civil society opinions will be central inputs towards evaluations of the financing strategy and INFF as a whole (Functions 2 and 3 under the INFF Monitoring and Evaluation Framework).
***Challenge*:** Financing associated costs for monitoring and reporting will need to be considered alongside budgeted for within the INFF Roadmap. Although the use of existing national structures reduces requirements significantly, additional costs are inevitable.	***Recommendation*:** Ring-fenced financing should be made available to develop the Budget For SDGs (B4SDG) capacity, to include SDG budget tagging and audits, to allow the INFF road map and financing strategy to be provided full monitoring and review support.
Challenge: Lack of gender disaggregated data at the national and sectoral level undermines the ability to track the impact of SDGs on gender and social exclusion. Moreover, while disaggregated data exists	***Recommendation*:** An SDG statistical masterplan could be developed to focus on institutionalizing SDG target and indicator reporting by gender, age, income etc., with capacities upgraded in sector ministries and

for sectors such as education and health, such disaggregation is not available to all SDGs.	regulatory and statistical authorities. This could be linked to the data digitization process. Develop procedures and tools to enhance Statistics Botswana's ability to undertake monitoring of all financing flows, public or private, being channeled for the SDG.
***Challenge*:** The National Development Plan process is not adequately aligned with the SDGs. As a result, even where significant attention is paid towards the improvement of the NDP Performance Monitoring and Evaluation system, this does not necessarily have a direct knock-on effect on available SDG data (as partly required for the INFF – among other data sets).	***Recommendation*:** Significant attention be paid towards advancing the integration of the SDGs into NDP 12, particularly in the use of SDG targets and indicators for the corresponding targets under the forthcoming NDP 12 results framework. UN support, and indeed the support of INFF Governance Structures can be directed towards this end.
***Challenge*:** Climate related impacts require considerable capacity for monitoring.	Consider the adoption of a new and more holistic approach to monitoring NDC key performance indicators, linked to new climate financing instruments and the development of carbon markets. Undertake an Environmental / Climate Focused Public Expenditure Review.
***Challenge*:** Private sector ESG reporting remains voluntary and highly limited.	***Recommendation*:** Establish a regulatory framework to advance private sector ESG reporting as well as a model for mapping these ESG reports to account for contribution from the private sector.
***Challenge*:** Strategic Budgeting to align SDGs to the national budget process and integrate the INFF Road Map actions needs further development.	***Recommendation*:** Undertake the UNDP B4SDG – Strategic Budgeting for SDG Assessment Guideline to identify entry points to strengthen medium-term budgeting and planning linking Agenda 2030 SDGs to the MTEF, budget call circular and sector investment planning process. Develop the appropriate monitoring tools (ex-ante and ex-post) for measuring alignment of the budgetary process with the national priorities.
***Challenge*:** There is no electronic dashboard to consolidate and monitor data from existing tracking systems on different types of key financial flows.	***Recommendation*:** Promote the establishment of integrated financing dashboard to consolidate and monitor data from existing tracking systems on different types of key financial flows, in response to government's need to "develop electronic dashboards for a greater integration of the electronic M&E information into e-Government tools".
***Challenge*:** The INFF process in Botswana, currently in the inception phase and outlined within this report, has primarily built a business case for national adoption and ownership integrated into the roadmap, i.e., it has presented a value statement. However, yet there is no substantive theory of change behind the INFF that links this value statement to concrete inputs, outputs and outcomes that can be costed a detailed in a results framework.	**Recommendation:** Establish an INFF Theory of Change complete with i) inputs, ii) activities, iii) concrete and measurable outputs, iv) outcomes and v) impact statement. By articulate activities across building blocks and associating these with outputs and outcomes, it would form the basis for an integrated and comprehensive monitoring and review framework to be established under BB3. An indicative theory of change is provided in Figure 8 below.

Figure 8 INDICATIVE INFF THEORY OF CHANGE



Chapter 6

Governance & Coordination

CHAPTER 6: GOVERNANCE & COORDINATION

148. ***This section provides an overview of the proposed governance and coordination arrangements under the INFF***. Given that the INFF must be fully adopted by cabinet in order to effectively executed across the national budget, the governance and coordination structures must be strengthened to allow political and technical cadres to align the INFF vision and road map with existing national policy and strategy documents, including the 'reset'.

6.1. PURPOSE OF GOVERNANCE AND COORDINATION UNDER THE INFF

149. ***Botswana is undertaking the inception phase of its INFF in 2021/22, allowing it the benefit of lessons learned in INFF pioneer countries***. These lessons have been integrated throughout this report but are particularly relevant for the scoping of BB4. Governance and Coordination is itself at the heart of successful INFF implementation. If efforts to identify collaborative financing mechanisms cannot build consensus, or if the collaboration of necessary participants cannot be achieved under a harmonized framework, then the INFF and the Financing Strategy will ultimately become an academic exercise. As such, BB4 has become central to the INFF from outset.

150. ***A review of ongoing INFF engagement reveals the heterogenous approaches towards fulfilling these governance functions, based on existing structures and capacities, the nature of existing financing flows, priorities in the INFF financing strategy, and the political economy of what is realistically achievable***. However, broadly comparator countries suggest that there are three fundamental functions of the governance and coordination to contribute towards an INFF's success. These include:

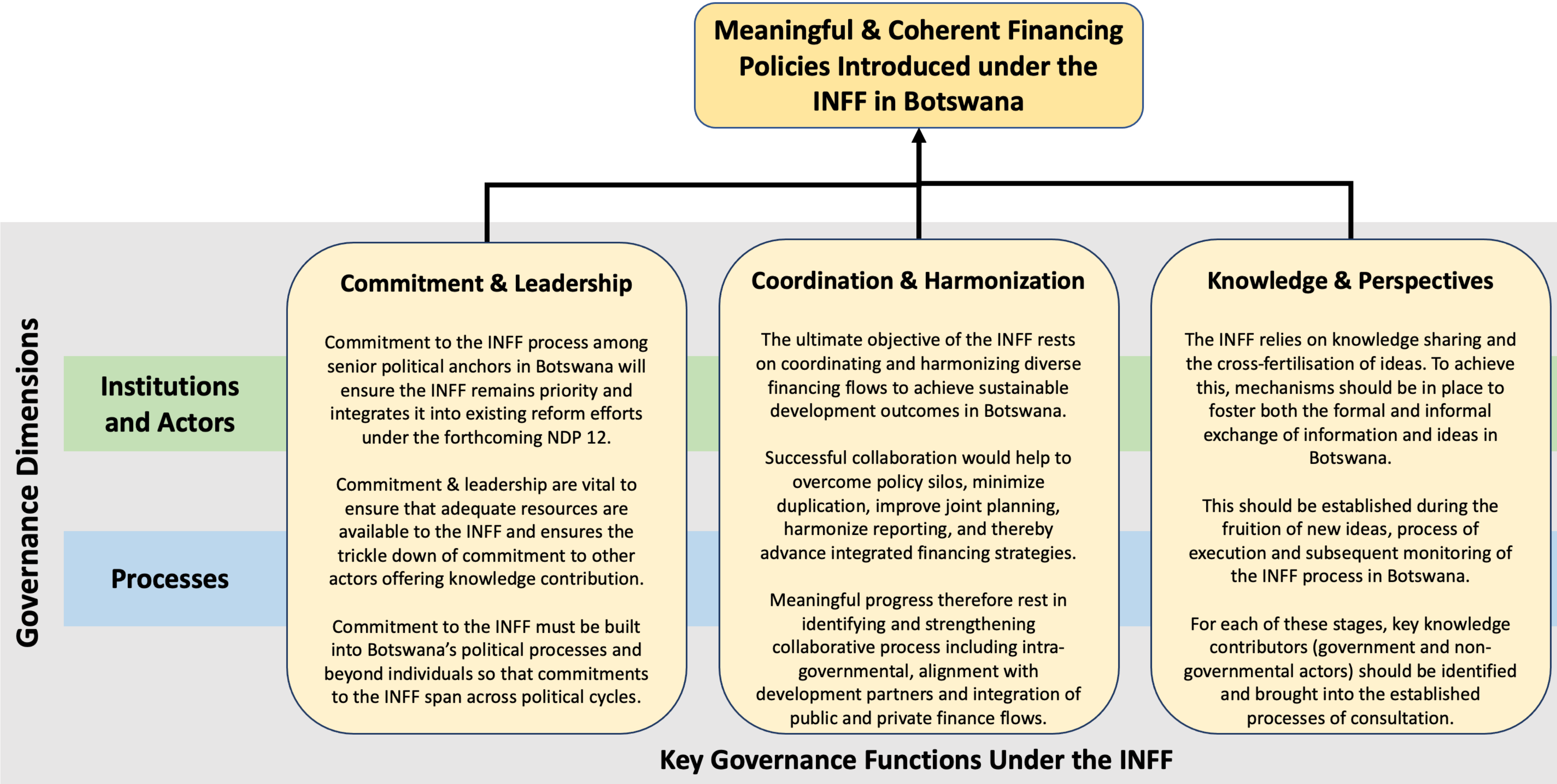
- ***Commitment & Leadership*:** By senior political leadership in the early phase of the INFF will ensure buy-in at other levels of government and civil society. Importantly, however, this cannot be tied to individual political leaders but integrated into mandates to be inherited by subsequent government.

- ***Knowledge & Perspectives*:** Ensures that diverse technical knowledge (existing at all levels of government and civil society) is not lost in the design, implementation, and review of INFF interventions. INFF leadership cannot be aware of all needs, priorities and interests of financing stakeholders and therefore must identify relevant knowledge contributors.

- ***Coordination & Harmonization*:** If the knowledge function guarantees that identification of technical experts is not limited, coordination & harmonization ensures that mechanisms are in place, at all stages of the INFF, to include (not exclude) diverse perspectives. Collaboration is central for ensuring the proper alignment of financing flows within the economy and sustainable development outcomes.

151. ***Figure 9 below provides the theory of change for governance and coordination of the INFF.*** This reflects that the purpose of governance and coordination in the inception phase is to undertake an initial mapping of the institutions and processes necessary to achieve the three key functions outlined above, preceding a full assessment to be undertaken in greater detail as part of the Financing Strategy.

Figure 9 THEORY OF CHANGE BEHIND BUILDING BLOCK 4 – GOVERNANCE AND COORDINATION

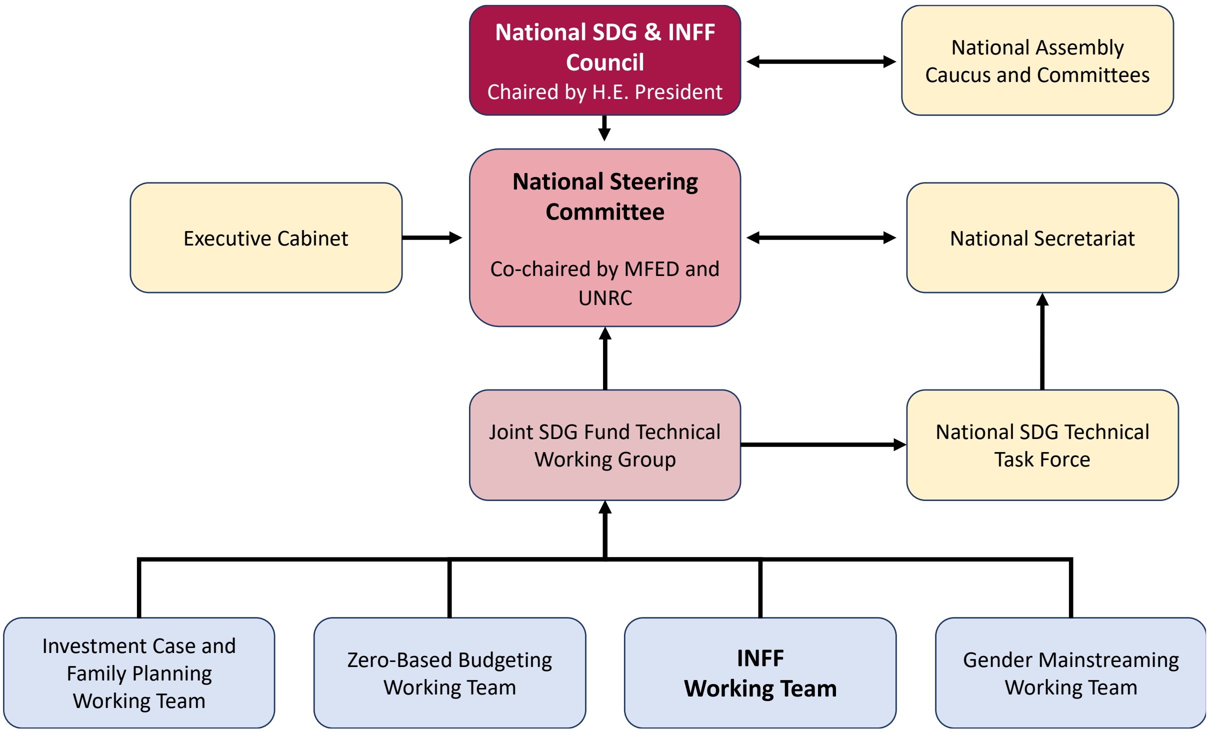


6.2. Stocktaking of Governance Actors

152. ***The institutional home of the INFF process is closely mapped into the Government of Botswana's existing governance structure designed to oversee the implementation of the SDGs and coordinate this process with ongoing public sector programmes (namely the NDP process)***. The senior bodies developed under this governance structure, tasked with the promotion, and mainstreaming the SDGs among other reform agendas, are a multisectoral National Steering Committee assisted by a National SDG Secretariat and a National Technical Task Force.

153. ***Theoretically, under the Steering Committee exist several Technical Working Groups (TWG), originally modelled around the four functional areas under National Vision 2036***: i) economy and employment ii) social uplift iii) sustainable environment and iv) governance, safety and security. However, these have had varying levels of implementation and it is suggested that the INFF process fall under a new TWG established to compliment programmes under the Joint SDG Fund – although one should note that the INFF maintains relevance for all TWGs based on the original proposal. The INFF is one of these programmes under the Joint SDG Fund, and as benefits from a dedicated INFF Working Team, to be established alongside other working teams (zero-based budgeting, gender mainstreaming etc.). A brief overview of the relationships between each of these entities is provided in Figure 10 below:

Figure 10 INFF Leadership and Governance Structure



154. ***Along with the formal oversight structures elaborated under the National Steering Committee, a number of separate institutions and non-governmental actors will need to be mapped into the INFF process to support the three functions identified under BB4***. These entities fulfil a variety of roles, from the political leadership of the President's office to local knowledge contribution of District Planning Units. Table 26 below provides an illustrative overview of key government and non- governmental entities and their anticipated role in the INFF. In the subsequent section this will be used to inform the development of improved coordination processes.

Table 26. Relevant Actors and Role in the INFF

Entity/Institution	Commitment & Leadership	Coordination & Harmonization	Knowledge & Perspectives
President's Office	X		

Cabinet	X	X	X
National Steering Committee	X		
National Secretariat		X	
National SDG Technical Task Force			X
Joint SDG Fund Technical Working Group	X	X	
INFF Working Team	X	X	X
Additional Working Teams			X
Ministry of Finance and Economic Development	X	X	X
Economic and Financial Policy (EFP)	X	X	X
Development and Budget (DB)		X	X
Financial Intelligence Agency (FIA)			X
Non-Bank Financial Institutions Regulatory Authority (NBFIRA)		X	X
Botswana Stock Exchange (BSE)			X
National Strategy Office (NSO)	X		
Bank of Botswana	X	X	X
Statistics Botswana		X	
Botswana Unified Revenue Services	X		X
Auditor General			X
Botswana Development Bank	X	X	
District Planning Units			X
Ministry of Local Government and Rural Development	X		
Sector Ministries	X	X	X
Pula Fund	X		X
Botswana Government Communications and Information System (BGCIS)		X	X
Business Botswana		X	X
BITC			X
BOCONGO	X	X	X
International Partners	X	X	X
Industry Associations		X	X
Private Sector Organizations			X
Civil Society Organizations			X

6.3. REQUIREMENTS OF THE COORDINATION PROCESSES

155. ***Establishing inclusive coordination processes for the INFF is essentially how secondary institutions (across the public/private & domestic/international spectrum) can be brought together with INFF leadership to guide design, execution and review of INFF interventions***. It recognizes that leadership, while necessary, is not sufficient – instead requiring technical expertise at all levels to guide it. Advancing coordination under the INFF requires breaking away from siloed policy approaches and actively identifying synergies where they exist.

156. ***There are varying approached to strengthening or introducing new coordination mechanisms. For example, these might be sector specific (establishing forum between the ministry of environment and civil society organizations engaged in conservation) or thematic (strengthening dialogue with potential private participants in PPPs across sectors)***. Equally, strengthening reforms may propose the creation of new entities (e.g., parliamentary committees with specific interests in integrated financing mechanisms) or establish new mechanisms with existing institutions (e.g., thematic fora or online platforms for citizen and civil society engagement). Finally, it may also involve the merging and simplification of existing arrangements, as noted in the Rwanda Country Comparator Box 4 below.

Box 4. Efforts to Improve the Business Environment in Rwanda
In 2008, in Rwanda, the Rwanda Development Board (RDB) was established to oversee efforts to improve regulation and the wider business environment. Its creation involved the merger of eight institutions with responsibility across a wide range of areas. A Doing Business Steering Committee was created at the Cabinet level to coordinate reforms across different ministries. A technical task force comprising six working groups was created to report to the Steering Committee. These working groups focus on key areas of regulation – business entry, licensing reform, legislative changes, taxes and trade logistics, construction permits, and property registration. They include private sector representatives who can both share their experiences and opinions to help shape the design of new reforms and foster greater buy-in to the reform process from the business community. A Doing Business Unit was also established to drive forward implementation of reforms. This unit links the working groups with the steering committee and identifies opportunities for reform that the task force can develop. It coordinates with development partners to promote targeted technical support and other efforts to improve the business environment and monitors the implementation of reforms, reporting to the steering committee. Source: INFF Guidelines, Building Block 4

157. ***A successful INFF process in Botswana will identify opportunities across the potential options to strengthen dialogue***. The resulting question, however, is under what cooperation framework can different groups be brought together, or rather how knowledge producers and technical experts can best be engaged to contribute to the INFF. While specific recommendations and associated roadmaps are to be developed at a later stage in the INFF implementation (post-inception), some suggested recommendations are nonetheless provided below.

6.4. Platforms for Public-Private Dialogue

158. ***Given the importance of crowding in private capital and establishing new partnerships (SDG 17), platforms for public private dialogue need to be strengthened***. Mobilizing new financing instruments, modalities and partnerships can only be achieved through dialogue and the joint exploration of new ways of working. A primary entry point for dialogue under the INFF is '***Business Botswana***' which serves as the unified voice of business striving to enhance the business environment and build the vitality and competitiveness of the private sector in Botswana. Umbrella industry and NGO structures such as ***BOCONGO*** will also be briefed and engaged on the INFF, with proposals for regular dialogue platforms discussed. A Botswana INFF Community of Practice (COP) could also be established, to provide an online hub for sharing of information, data, perspectives and for organizing on and off-line dialogues on key issues. The African Peer Review Mechanism (APRM) as a governance self-assessment and promotion tool could also be used to foster independent dialogue on key INFF issues.

6.5. Recommendations to Enhance Governance and Coordination

159. ***A full set of recommendations is developed in Section 7 below, though a summary of key recommendations for strengthening governance and coordination is provided here***. In this regard, it is important to note that the INFF must be fully integrated into the national policy, planning, budgeting, execution, and monitoring process. Moreover, it will be vital that a Leading Change Management approach is developed to strengthen the ***guiding coalition***, fostering a ***sense of urgency***, create a ***shared vision for change*** and ***identifying quick wins***. An overview of the basic governance and coordination recommendations is provided below:

- ***Official formalization of INFF governance structures as illustrated in Figure 10***: Formalization of the structure and INFF oversight functions at the top-level governance bodies

- The National SDG & INFF Council and the National Steering Committee, operationalizing a guiding coalition and common vision for change, to promote better economic governance structures, transparency, accountability, and inclusive participation into the financing dialogue.

- ***Full INFF Integration into Existing Governance Structures***: The INFF must not create parallel governance and coordination arrangements, instead it must seek to integrate into normative government policy, budgeting, planning, execution and monitoring and review functions, strengthened as required.

- ***A Whole-Of-Government Approach***: While MFED leads the INFF process, for the INFF to align with and shape NDP-12, Vision 2036, the President's Office will need to play a leading role in the INFF, as will the entire cabinet structure (President, Vice President and all the Ministers and assistant ministers, the permanent secretary and deputy permanent secretary to the president and cabinet). This is in line with the national reset agenda to align the executive with the Presidential vision and reform agenda.

- ***Legislative Oversight and Introducing a Citizen's Budget***: The supportive role of the legislative is going to be critical given that many of the reforms proposed will require both legal and regulatory changes. Training members of the National Assembly on the INFF, in particular parliamentary committees, will be vital to make sure that the Financing Strategy is executed. Either a Special Select Committee or Parliamentary Portfolio Committee could be established, alongside the development of a Citizen's Budget as part of the outreach and dialogue process with civil society. The Citizen's Budget would serve to institutionalize the government's commitment to presenting its INFF policies in a manner that is understandable to the public.

- ***Linking Governance and Coordination through B4SDGs Entry Points***: At its core, the INFF looks to improve the way existing resources are aligned to meet objectives (allocative and operational efficiency) but also to mobilize new resources by deploying new instruments. Linking the INFF with the national budget formulation and execution process is therefore essential, as is costing and budgeting for the SDGs. Integrating the INFF Financing Strategy to the MTEF, budget call circular and Sector Investment Planning (SIP) process is therefore essential to mainstream the INFF into normative government processes.

- ***Integrate with the Existing National SDG Governance Structure and Secure Financing***: Complete all develop all the functions of all official INFF governance institutions (particularly the Joint SDG Fund TWG and INFF Working Team) so that the responsibilities of all positions are fully understood and avoid duplication. Secure necessary financing for the National Steering Committee and Joint SDG Fund Technical Working Group.

- ***Deploy Botswana Development Partners Coordination Forum to be More Catalytic***: The Development Partners Coordination Forum should work to be more proactive in positioning new and innovative sustainable financing instruments, increasing leverage and catalytic impact. Moreover, the Forum could be deployed as a key public policy dialogue partner to take the INFF Financing Strategy forward, integrating it into NDP-12.

- ***Establishing an Online INFF Community of Practice (COP)***: An online COP for the INFF would provide a permanent foundation for the INFF dialogue process, allowing key documents, analysis, data, road maps and strategy, financing instruments etc. to be made available online, The COP could be co-led by MFED and UNDP, and include online breakout discussions on key issues such as climate financing, fiscal decentralization, or gender, for example.

- ***Strategic Communication Strategy***: Review the adequacy of communication channels between the INFF Working Team and Joint SDG Fund TWG and the National Steering Committee led by MFED, for developments and recommendations in the INFF process to be easily communicated up-stream. Introduce additional collaborative mechanisms geared towards the

INFF that make use of existing institutions in Botswana as outlined in 6.4 above, and as further expanded below:

- Establish easily digestible citizens reports on Medium-term planning and budgeting frameworks guided by a communication strategy.
- Ensure regular consultation between Working Teams under the Joint SDG Fund Technical Working Group and ensure options for collaboration are reported to more senior SDG Governance bodies.
- Designing or amending development cooperation policies or strategies to make sure that catalytic impacts and leverage factors are maximized.
- Establish, as part of the INFF Roadmap, a multistakeholder Working Group towards recommendations for consideration under NDP 12.

Box 5. Country Comparator: Institutionalizing SDG Governance Arrangement in Indonesia

Governments have institutionalized official mandates of SDG Governance Structures to varying degrees, however the most successful examples have not only clearly outlined mandates and responsibilities of each body but made these official under law.

In Indonesia, the roles of different stakeholders about SDG implementation, including financing, are set out in law, under Presidential Decree. The decree identifies four ‘participatory platforms’: i) government and parliament; ii) civil society organizations and media; iii) philanthropy and business; and iv) academics and experts. Each platform has representatives in the Implementation Team and Working Groups of the SDGs National Coordination Team, led by the President.

Source: INFF Guidelines, Building Block 4

Chapter 7

INFF Roadmap

CHAPTER 7: INFF ROADMAP

160. ***The INFF Road Map developed below builds from the analysis presented in preceding chapters including the recommendation for structuring the financing strategy across the public and private divide***. The actions presented in the road map are framed by the governance and coordination structure, which focus on ***creating a sense of urgency***, strengthening the ***guiding coalition for the INFF***, developing a shared ***vision-for-change,*** and identifying ***actionable quick wins***. The road map is structured around the following elements:

- Enabling Governance and Coordination Measures.
- Enabling Monitoring and Review Measures.
- Financial innovation and inclusion.
- Medium term revenue strategy.
- Fiscal framework and public debt management.
- Strategic Budgeting for the SDGs (B4SDG).
- Economic diversification.
- Public sector modernization and privatization.
- Climate Change and Environmental, Social and Corporate Governance (ESG) Standards.
- Digital Economy and Industry 4.0.
- SDG statistics.
- Research and development and cooperation for innovation.

161. ***This Road Map (See Table 27 below) will be reviewed, validated, and prioritized by the National SDG & INFF Council and the National Steering Committee and will serve the basis for the formulation of the Botswana INFF Financing Strategy***. The Financing Strategy aligns with the existing and proposed NDP-12, and as a result it acts as a cornerstone for financing both NDP-12, the Reset Agenda, and Agenda 2030 SDGs. Gender and climate related issues are fully mainstreamed into the proposed measures, though specific instruments are also developed under cross-cutting themes.

Table 27. BOTSWANA INFF INDICATIVE ROAD MAP

Measure		Gov. Institutions & Partners	YEARS		
			YR 1	YR 2	YR 3
Enabling Governance and Coordination Measures					
1.	Agree and convene national Proposed INFF Authorizing Structures	National SDG & INFF Council and the National Steering Committee			
2.	Establish Sector Based Guiding Coalition and Membership	National SDG & INFF Council			
3.	Agree on a Common Vision for Transformation	MFED and INFF Council			
4.	Validate Proposed INFF Assessment Recommendations	National SDG & INFF Council			
5.	Establish an INFF Financing Strategy Drafting Committee	MFED and INFF Council			
6.	Draft Financing Strategy and Undertake Validation Dialogues	MFED and INFF Council			
7.	Cabinet Presentation by MFED and Approval for NDP-12 Integration	MFED and INFF Council			
Enabling Monitoring and Review Measures					
8.	Agree Monitoring and Review Arrangements	National SDG & INFF Council and the National Steering Committee			
9.	Undertaken M&R Readiness Assessment	UNDP, Partners			
10.	Assess and establish the monitoring and review baseline	MFED, Statistics Botswana, Partners			
11.	Electronic SDG Dashboard	MFED, Statistics Botswana, Partners			
12.	Socialize the Monitoring and Review Strategy	MFED, Statistics Botswana, Partners			
Financial Innovation & Inclusion					
13.	Establish a Sustainable Financing Unit in the Bank of Botswana	BoB, Financial Intelligence Agency (FIA)			
14.	Improve Supervision of Financial Markets	BoB, Financial Action Task Force (FATF)			
15.	Develop Domestic Capital Market	BoB, Financial Stability Council (FSC)			
16.	Develop National Sustainable Financing Taxonomy	BoB, BSC, MFED, Financial Stability Council (FSC), Non-Bank Financial Institutions Regulatory Authority (NBFIRA)			
17.	Link financial inclusion objectives to the real economy to better support the reset and NDP	MFED, Non-Bank Financial Institutions Regulatory Authority (NBFIRA)			
18.	Develop Inclusive Apex Financing Instrument for Participating Finance Institutions targeting MSMEs	BoB, Non-Bank Financial Institutions Regulatory Authority (NBFIRA)			
19.	Lay the Foundation for Issuance of Gender (impact) Bonds	BoB			

20.	Strengthen Corporate Environment, Social and Corporate Governance (ESG) Adoption	BoB, BSC, BITC			
21.	Radically Overhaul Lending to SMEs through financial sector deepening	BoB, Non-Bank Financial Institutions Regulatory Authority (NBFIRA)			
22.	Pioneer the Introduction of Innovative Funding to Financing (F2F) Instruments including Blending	BoB, BSC, MFED, BIF			
23.	Greening the Financial Sector by Developing a Taxonomy of Innovative Financing Instruments	BoB, Sector Ministries			
Medium Term Revenue Strategy (MTRS)					
24.	Formulate a Medium-Term Revenue Strategy (MTRS)	MFED, Botswana Unified Review Service			
Fiscal Framework and Public Debt Management					
25.	Update the Fiscal Framework and Recalibrate Fiscal Rules	MFED			
26.	Strengthen Public Debt Management	MFED			
Strategic Budget for the SDGs (B4SDG)					
27.	Strengthen Budgeting for SDGs (B4SDGs)	MFED			
28.	Localizing the SDGs	MFED, Ministry of Local Government and Rural Development (MLGRD)			
29.	Institutionalize Gender responsive buudgeting	MFED, Gender Commission, Sector Ministries			
30.	Develop Sector Level Financing Strategies	Sector Ministries			
Economic Diversification					
31.	Financing Economic Diversification and Regional Value Chains	MITI, BITC, BDC, CEDA, Selebi-Phikwe Economic Diversification Unit (SPEDU), Youth Development Fund (YDF)			
32.	Incentivize Foreign direct investment	MITI, BITC			
33.	Finance Product Space Development	BDC, BIF, CEDA, Non-Bank Financial Institutions Regulatory Authority (NBFIRA)			
34.	Invest in Private Sector PPP Skills and Competency Development	MFED PPP Unit			
35.	Engage the African Continental Free Trade Area (AfCFTA)	MITI, BITC, CEDA, SPEDU			
36.	Develop a National Local Content Strategy to Include Preferential Gender Procurement	MFED, CEDA, Public Procurement and Asset Disposal Board (PPADB), SPEDU			
Public Sector Modernization & Privatization					
37.	Functional Modernization of State-Owned Enterprises (SOE) and Improved Management of Contingent Liabilities	MFED,			

38.	Update the draft 2012-2017 National Privatization Masterplan	MFED, MITI			
39.	Accelerate National PPP Pipeline and Transaction Advisory	MFED, Sector Ministries			
Climate Change and Environmental, Social and Corporate Governance (ESG) Standards					
40.	Low Carbon Economy and Carbon Market Development	MFED, Ministry of Environment, Wildlife & Tourism (MoEWT)			
41.	Develop Botswana's Carbon Market	MFED, Ministry of Environment, Wildlife & Tourism (MoEWT), MFED			
42.	Expand market access to insurance and disaster risk transfers products	The Non-Bank Financial Institutions Regulatory Authority (NBFIRA), Bo			
43.	Risk Transfers Instruments – Including Climate Related – Need to be Scaled Up	The Non-Bank Financial Institutions Regulatory Authority (NBFIRA), BoB			
Digital Economy and Industry 4.0					
44.	Expansion of Mobile Products Supported by the Digital Transformation Road Map	DIT, Commercial Bank			
45.	Digital Access Management, Digitization and Digital/Crypto Payment Systems	BoB, DIT, BOCRA			
46.	Expansion of FINTECH Support and AI, big data and IoT	BTC, BOFINET, DIT			
47.	Support for Business Start-Ups to Support Industry 4.0	MITI			
SDG Statistics					
48.	Improve Quality and Collection of SDG Statistics	Botswana Bureau of Standards (BBS), National Monitoring and Evaluation System (NMES)			
Research and Development and Cooperation for Innovation					
49.	Increase Financing Research and Development	Research Information Management System (RIMS), Botswana Bureau of Standards (BBS), National Monitoring and Evaluation System (NMES)			
50.	Establish a Botswana INFF Community of Practice (COP)	MFED / UNDP			

ANNEX 1 SELECTED TERMS

Backward Linkages:
Backward Linkages describe and measure the response of sectors in the economy that are affected by an increase in demand.

Blended Finance or Blended Capital
Blended finance occurs when development finance in the form of grants, loan guarantees, or philanthropic funds are used to attract or leverage private capital into developing countries. The term derives its name from the mix of types of capital. Blended finance is typically used to de-risk investments or bring returns in line with what investors are seeking. Blended finance may have the potential to bring in new sources of funding to development challenges. But development finance institutions warn that blended finance deals have to be put together carefully, with the different types of financing used at the appropriate stages to ensure that any concessional financing doesn't distort markets.

Catalytic First-Loss Finance
Catalytic first loss finance — or first loss capital — refers to socially and environmentally driven credit enhancement provided by an investor or grant-maker who agrees to bear first losses in an investment in order to catalyze the participation of co-investors that otherwise would not have entered the deal. For example, donors have so far been funding the development of conservancy lodges, which improves long term viability and cash flows, and increases the dividends going to conservancy members.

Concessional Loan
Concessional loans offer better than market-rate terms, either through longer repayment times, low interest rates, or both. Development finance institutions often use these loans to de-risk or encourage certain investments.

Development Finance
Development finance is the efforts to support, encourage, and catalyze expansion through public and private investment in physical development, redevelopment and/or business and industry. It is the act of contributing to a project or deal that causes that project or deal to materialize in a manner that benefits the long-term health of the community.

Development Impact Bonds
Development impact bonds are results-based contracts in which private investors pay up front for the costs of a proven intervention, which is implemented, typically by an NGO, and measured by clear, predetermined metrics. If the intervention succeeds in achieving the goals, the outcome payor — typically a donor agency, foundation or perhaps a company — will pay the investor back based on the performance or success of the interventions.

Direct, Indirect, and Induced Impacts
Common direct impacts include financial transactions, such as payments of wages, taxes, and dividends, and the distribution of philanthropic grants and cash contributions. Indirect impacts are often harder to quantify, but include jobs created by suppliers and increases in productivity. Induced effects are the results of increased personal income caused by the direct and indirect effects (e.g. the increased spending power of people employed in the tourist industry).

Economic Multipliers
The Economic Multiplier Effect describes the fact that an increase in spending produces an increase in national income and consumption that is greater than the initial amount spent. The Tourism Multiplier Effect (for example) describes the fact that tourism not only creates jobs in the economy, it also encourages growth in the primary and secondary sectors of industry (e.g., agriculture, transport, finance, etc.). Simply stated, money spent by a tourist circulates many times through a country's economy.

Forward Linkages
Forward linkages describe and measure the increase in the supply of one sector in response to a uniform increase in demand spread over all sectors. It quantifies the relative dependence of each sector on a general increase in the activity level of all other sectors.

Gross Domestic Product
A measure of economic activity in a country. It is calculated by adding the total value of a country's annual output of goods and services. GDP = private consumption + investment + public spending + the change in inventories + (exports - imports).

Integrated National Financing Framework (INFF)
An Integrated National Financing Framework is a tool for governments and their partners to strengthen planning processes and better finance the SDGs at the national level. It lays out the full range of financing sources – and allows countries to develop a strategy to increase investment, manage risks and achieve sustainable development priorities, in line with their strategy. INFFs are developed and implemented through four building blocks: assessment and diagnostics, financing strategy, monitoring and review, governance and coordination.

Impact Investing
Impact investing refers to investments "made into companies, organizations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return.

Loan Guarantee
A loan guarantee is a promise by the guarantor, often a development finance institution, to pay back a borrower's debt if a borrower defaults on a loan. Guarantees can cover all or part of the debt and are often used to de-risk investments for conventional or commercial investors.

Multiplier Effects
Multipliers are measures by which the multiplier effect is estimated. They are computed through the analysis of Input-Output (I-O) framework, which serves to analyze the interdependence of industries in an economy. Input-output analysis ("I-O") is a form of macroeconomic analysis based on the interdependencies between economic sectors or industries. This method is commonly used for estimating the impacts of positive or negative economic shocks and analyzing the ripple effects throughout an economy. A key output from this analysis is the production of multipliers.

Results or Performance-Based Financing, or Pay-for-Success
This type of financing ties funding to specific performance or results that are typically agreed upon in advance. In many cases, funding — or incentives — is contingent on meeting those goals. Results-based financing can take the form of contracts or deals, including social and development impact bonds. Traditionally, contracts or grants are based either on the inputs (the number of services delivered) or on short-term outputs. But these mechanisms require clear, measurable results and outcomes, thus pushing those involved to build robust data systems and closely monitor their work.

Right-Financing
The right-financing approach to development maintains that financing an investment alone does not make it successful in achieving its objective. Right-Financing highlights the importance of adopting the appropriate policy, fiscal, institutional and financial support mechanisms in order to maximize sustainable returns on both public and private investments over time. The term goes beyond the public sector restructuring concept of right-sizing in that it looks to assess the policy mandate and size of an institutional entity, its functions and their discharge, its financing, as well as the staffing structure and establishment with regard meeting investment and development objectives. Whilst originally applied to the security sector, its application as a conceptual framework is important for sustainable

development finance because it encourages a focus on financial integration, crowding in private capital and integrated national financing frameworks.

Social Impact Bonds
Social impact bonds are partnerships or contracts between governments, NGOs and investors to fund interventions that address pressing challenges. They are designed to bring in new funding for programs, typically to address social issues with preventative interventions that could save government dollars.

Value for Money (VfM)
A utility derived from every purchase, or every sum of money spent. Value for money is based not only on the minimum purchase price (economy / efficiency) but also on the maximum efficiency and effectiveness of the purchase. Value for Money assessments are useful tools for donors to assess the opportunity cost of one investment over another.

Value Chain
Value Chain is the full range of business activities needed to bring a product or service from conception to delivery.

ANNEX 2 SDG, NDP AND VISION 2036 ALIGNMENT

Comparison of SDGs, NDP 11 and Vision 2036 Framework Priorities		
SUSTAINABLE DEVELOPMENT GOALS	**VISION 2036 PILLARS**	**NDP 11 PRIORITIES**
Goal 1 End poverty in all its forms	Sustainable Economic Development Human and Social Development	Developing Diversified Sources of Economic Growth Social development
Goal 7 Ensure access to affordable, reliable, sustainable, and modern energy for all	Sustainable Economic Development	Developing Diversified Sources of Economic Growth Human Capital Development
Goal 8 Ensure access to affordable, reliable, sustainable economic growth, full and productive employment and decent work for all	Sustainable Economic Development	Developing Diversified Sources of Economic Growth Human Capital Development
Goal 9 Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Sustainable Economic Development	Developing Diversified Sources of Economic Growth Human Capital Development
Goal 10 Reduce inequality within and among countries	Sustainable Economic Development	Developing Diversified Sources of Economic Growth Human Capital Development
Goal 11 Make cities and human settlements inclusive, safe, resilient and sustainable	Sustainable Economic Development	Developing Diversified Sources of Economic Growth Human Capital Development
Goal 2 End hunger, achieve food security and improved nutrition and promote sustainable agriculture	Human and Social Development	Social development
Goal 4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Human and Social Development	Social development Human Capital Development
Goal 5 Achieve gender equality and empower all women and girls	Human and Social Development	Social development Human Capital Development
Goal 6 Ensure availability and sustainable management of water and sanitation for all	Human and Social Development	Social development
Goal 12 Ensure sustainable Consumption and production patterns	Human and Social Development	Social development
Goal 13 Take urgent action to combat climate change and its impacts	Sustainable Environment	Sustainable Use of Natural Resources
Goal 14 Conserve and sustainably use the oceans, seas, and marine resources for sustainable development	Sustainable Environment	Sustainable Use of Natural Resources
Goal 15 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests,	Sustainable Environment	Sustainable Use of Natural Resources

combat desertification, and halt land degradation and halt biodiversity loss		
Goal 16 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels	Governance, Peace and Security	Consolidation of Good Governance and Strengthening of National Security
Goal 17 Strengthen the means of implementation and revitalize the global partnership for sustainable development		Implementation of an effective monitoring and evaluation system

Source: United Nations Sustainable Development Goals- 2015, and Vision 2036