



Botswana Sustainable Financing Strategy (BSFS)

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Botswana Sustainable Financing Strategy (BSFS)

Ministry of Finance (MoF)

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Executive Summary

The Botswana Integrated Sustainable Financing Strategy (BSFS) is developed using the standard Integrated National Financing Framework (INFF) process, originating from the 2015 Addis Ababa Action Agenda (AAAA). This agenda introduced over 100 policy actions for UN Member States to finance sustainable development, transform the global economy, and achieve the Sustainable Development Goals (SDGs). The INFF process emphasizes the importance of attracting both domestic and international private capital to supplement government and official development assistance, in order to support the transition from human-centered Millennium Development Goals (MDGs) to ecosystem-centered SDGs. Needless to indicate that on financing for development, the AAAA, as well as the SDG 17, recognizes that all types of financing are needed for the implementation of the agenda.

However, a 2019 Performance Audit Report on preparedness for implementation of SDGs in Botswana revealed that the country had not yet “*explored other financing mechanisms for implementing the 2030 Agenda and SDGs and that, the main source of SDGs funding was through the mainstream national budget.*” This is within the backdrop that, Botswana has made significant efforts in preparing for implementation of SDGs as they have been; aligned to national development frameworks, a National SDGs roadmap for implementation has been developed and an institutional framework for coordination and implementation has been set up. Aligning and integrating SDGs into development planning processes has the potential to increase financial requirements on the national budget. However, currently there is lack of disaggregated project funding data that can be used for costing of SDG financial requirements. Hence calculating the financial gap specifically for SDGs is also not currently possible.

To this end, the persistent budget deficits is herewith used as a proxy for indicating the existence of a financing gap between available mainstreamed financial resources and SDGs financial requirements. It is therefore, critical that the government explore other financing mechanisms to augment funding and implementation of SDGs. Botswana is at a historic crossroads, facing the choice between reforming and renewing its development agenda or continuing past policies that have exhausted their potential. Given the current macroeconomic environment characterized by: a narrow export base, persistent balance of payments and budget deficits; a growing population size and unemployment rate; and political economy challenges, the Government recognizes the need for change. The budget deficit for instance, has been a feature of Botswana’s annual budget for the past seven years since 2015 to date. Issues of inefficiencies in project implementation, effectiveness and selection has also contributed to wastage of available financial resources and a widening of the financing gap within the backdrop of the influence by the political economy. This financing strategy therefore addresses the existing financial gap for achieving SDGs by integrating financing flows, crowding in private capital, and introducing innovative financing instruments.

Embracing new and innovative financing for Botswana's SDGs is crucial for the nation's long-term progress and prosperity. As traditional funding sources become increasingly constrained, novel financing mechanisms can unlock untapped resources, drive economic growth, and foster sustainable development. By harnessing the potential of public-private partnerships, impact investing, green finance, and digital solutions, Botswana can mobilize the necessary funds to address pressing social, economic, and environmental challenges. Moreover, these innovative financing approaches can stimulate private sector participation, encourage entrepreneurship, and create inclusive opportunities for all citizens, ultimately ensuring a resilient and thriving future for Botswana.

Chapter Structure

This Strategy comprises six chapters that address different aspects of the country's development financing. Chapter 1 introduces the background and context of the BSFF, while Chapter 2 presents the financing landscape in Botswana, covering both domestic and international resources. Chapter 3 details the strategic and investment priorities of the country, and Chapter 4 discusses the policy and institutional framework for sustainable development financing. Chapter 5 outlines the integrated financing framework, offering innovative financing instruments and mechanisms, and Chapter 6 concludes the

report with prioritized actions for reform with clear timelines, roles and responsibilities, targets and monitoring indicators, as well as advancing Botswana's sustainable development financing efforts by outlining some of the key Committees and oversight bodies, which will be responsible for ensuring implementation of the Strategy.

About the Strategy

This Botswana Sustainable Financing Strategy provides an integrated response to the National Vision, NDPs and Reset agendas. It is developed as a set of actions to close the financing gap and is based on a tailored structure established by the Integrated National Financing Framework Institute. The Strategy builds from the Botswana 2022 Development Finance Assessment, established through more than two days of national workshops involving all key stakeholders, which identified; policy, institutional, capacity and financing instrument entry points, gap and blind spots, as the basis for establishing a Road Map for the Strategy structured around the following focus areas:

- Enabling governance and coordination measures.
- Domestic public measures.
- Domestic private measures.
- International public measures.
- International private measures.
- Cross Cutting themes.
- New financing instruments.

This Strategy brings together existing financing policies, regulations, instruments and processes within a national and district level framework to mobilize financial resources. It provides coherence between different financing policy areas (public and private financing and macro-systemic issues) and the national and local sustainable development priorities; while also outlining options to guarantee collaboration across stakeholders and partners.

Strategic Objective

The primary objective of this Strategy is to narrow the SDG financing gap by implementing policy, regulatory, capacity and financial instrument reforms, providing a gender-responsive, green and climate-smart SDG financing strategy based on dialogue and partnerships for the goals and with a focus on SDG localization through decentralization.

Main Report

Chapter 1 sets the stage for the BSFF, highlighting the importance of aligning the framework with Botswana's national development policies and strategic documents, such as Vision 2036, , Transitional National Development Plan 2 (TNDP2), and the District Development Plans. The chapter emphasizes the need for a coordinated and integrated approach to financing sustainable development, ensuring that both public and private sector resources are utilized effectively. Primary findings and agreed actions include, but are not limited to (i) aligning the BSFF with Botswana's development initiatives and priority setting (ii) coordinating and integrating financing flows to close the SDG financing gap, and (iii) mobilizing private capital and introducing innovative financing instruments and modalities as proposed by the strategy.

Chapter 1 also presents strategic and investment corrective measures as specified in the DFA, alongside various policy solutions and priority action areas which have been developed in order to; close the SDG financing gap, increase district government resources for the sectors under focus. These policy solutions build from the emerging trajectory as set out in the TNDP 2, 2023-2030 National Investment Strategy (NIS), NDC and actions outlined in the 2020 Republic of Botswana Public Expenditure and Financial Accountability (PEFA); among other sources, as well as dialogue with key public and private stakeholders.

The chapter identifies Botswana's strategic and investment priorities, focusing on key sectors that require significant investment to achieve the SDGs. These sectors include health, education, youth and gender, tourism, agriculture, social protection, climate change, transport, mining, energy, trade and industry, and infrastructure. Primary findings and proposed actions include (i) prioritizing investments in key sectors that contribute to the achievement of the SDGs (ii) developing and implement sector-specific financing strategies and action plans, and (iii) monitor and evaluate progress towards sectoral goals and targets

Chapter 2 provides an overview of Botswana's economic landscape, highlighting key macroeconomic indicators, trends, and challenges. It outlines the country's dependence on diamond mining and its vulnerability to external shocks, as well as the need for economic diversification and sustainable growth. Primary findings and proposed actions include (i) addressing structural imbalances in the economy (ii) diversifying the economy to reduce dependence on diamond mining (iii) strengthening the resilience of the economy to external shocks, and, (iv) promoting sustainable economic growth and employment generation

Chapter 3 assesses Botswana's financing landscape, identifying the sources of financing available for sustainable development and the existing financing gaps. The chapter shows that the primary sources of financing the SDGs in Botswana are public spending, with revenues and grants constituting some 31.3 per cent of Gross Domestic Product (GDP) in 2021. Use of both domestic and external public debt to bridge the financing gap has been increasing as fiscal buffers have been drawn down. In 2021, official development assistance was at 0.4 per cent of GDP and foreign direct investment at 0.3 per cent of GDP for the same year; and on the back of the COVID-19 pandemic. Hence, the chapter underscores the importance of mobilizing domestic resources, leveraging private sector investment, and exploring innovative financing mechanisms. Primary findings and proposed actions include the following:

- Expanding domestic resource mobilization through tax reforms and improved revenue administration,
- Leveraging private sector investment by improving the business environment and addressing market failures, and,
- Exploring innovative financing mechanisms, such as green bonds, blended finance, and impact investing.

Chapter 4 on Financing Strategy Actions outlines key financing strategy actions to address the financing gaps identified in the previous chapters. These actions include expanding and deepening domestic resource mobilization, optimizing public expenditures, enhancing private sector engagement, promoting regional and international cooperation, and implementing innovative financing mechanisms. Primary findings and proposed actions:

- **Domestic Public Finance Priorities** include strategically budgeting for the SDGs, implementing a Medium-Term Revenue Strategy (MTRS), approving the Draft Fiscal Decentralization Policy and executing the strategy, undertaking SDG sector costing using the new MoF Costing Tool, developing a National PPP Pipeline, reducing the fiscal footprint in public spending, greening the banking system, strengthening the digital economy, and piloting SDG localization.
- **Domestic Private Finance Priorities** involve modernizing critical business-enabling legislation, accelerating financial inclusion, promoting venture capital investments, strengthening ESG investing, establishing Botswana's carbon market, scaling up access to sustainable finance, and reducing illicit financial flows.
- **International Public Finance Priorities** focus on strengthening relations with MDBs and DFIs, as well as improving ODA SDG alignment and effectiveness.

- ***International Private Finance Priorities*** aim to increase foreign direct investment and encourage more effective use of remittances for sustainable development.

The BSFF emphasizes the importance of addressing gender-related concerns in sustainable financing strategies. Key recommendations include mainstreaming gender considerations in budgeting processes, and promoting gender-responsive investments. The framework suggests integrating gender-responsive budgeting to ensure equitable allocation of resources and to support gender-sensitive policies and programs. Furthermore, the report underscores the need to accelerate financial inclusion for women by removing barriers to accessing financial services and products, thus empowering them economically. Additionally, the framework encourages the promotion of investments in sectors that have a positive impact on gender equality, such as education, healthcare, and women-led enterprises. These gender-related recommendations are vital for fostering inclusive and sustainable development in Botswana, ensuring that both men and women benefit from and contribute to the nation's progress.

The Strategy takes note of the fact that budgets are the most important tool for realizing gender equity in projects/programs and that very often the financial resources needed to implement gender equity in programs, are usually not adequately considered. It also takes note of the fact that it is not always feasible to budget specifically for the youth and gender. It is also not possible to develop project budgets that are gender-responsive if the gender-disaggregated data is not available. However, it is equally important to note that estimating financial costs for undertaking an intervention is an important component of evidence-based planning and budgeting process. Hence, a costing approach for the youth and gender would provide valuable information on the financial resources required to achieve better outcomes and benefits for all beneficiaries including men, women, boys and girls.

In **Chapter 5** the roles of the Financial Sector Oversight Committee (FSOC), the BSFS Working Group and the District Sustainable Finance Expert Group (D-SFWG) are developed; as follows:

- ***Financial Sector Oversight Committee (FSOC)***: The FSOC is responsible for the overall coordination and oversight of the BSFF. It is a high-level committee, chaired by the Minister of Finance (given implications for revenue, expenditures, PPPs / concessions and incentives), and includes representatives from key government entities, the private sector, and development partners. The main functions of the FSOC include providing strategic direction, monitoring the implementation of the BSFF, and ensuring alignment with the country's broader development goals.
- ***Botswana Sustainable Financing Strategy (BSFS) Thematic Working Group***: Building from the strong tradition of Thematic Working Groups (TWGs) the BSFS Working Group is a technical committee responsible for the day-to-day management and implementation of the BSFF. It is composed of representatives from National Planning Commission (NPC), various ministries, departments, and agencies, as well as the private sector and development partners. The Working Group supports the FSOC by providing technical input, coordinating the execution of the financing strategies, and ensuring alignment with the broader development agenda. It also facilitates communication and collaboration among stakeholders, sharing best practices, and monitoring the progress of the BSFF.
- ***The District Sustainable Finance Expert Group (D-SFWG)***: The D-SFWG plays a crucial role in the decentralization and localization of sustainable financing initiatives and has a close working relationship with District Planning Structures. The D-SFWG is responsible for implementing, coordinating, and monitoring sustainable financing strategies at the district level, ensuring that these strategies are aligned with both national development goals and local priorities. Composed of representatives from various local government departments, the private sector, and development partners, the D-SFWG facilitates collaboration and communication among stakeholders within the district. By focusing on context-specific challenges and opportunities, the D-SFWG helps to enhance the effectiveness and impact of sustainable

financing efforts, ultimately contributing to the achievement of Botswana's broader sustainable development objectives.

Chapter 6 is about monitoring and review of the Strategy during implementation. This is included as the monitoring and review process is fully mainstreamed into government functions, in line with Vision 2036 and NDP arrangements, and as outlined in the 2022 National Voluntary Review (NVR). The overall monitoring and review system is therefore integral to the National Monitoring and Evaluation System (NMES). Moreover, as the BSFS is aligned to the TNDP2, the baselines and targets set by the National Planning Commission including for Vision 2036 Index and the Botswana Domestic SDG Indicator Framework (which tracks 209 indicators) provide the foundation for overall impact level monitoring, underpinned by the SDG Indicator Baseline Framework established in 2018.

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ACRONYMS AND ABBREVIATIONS

4IR	Forth Industrial Revolution
AAAA	Addis Ababa Action Agenda
B4SDG	Budgeting for the SDGs
BBB	Build Back Better
BDB	Botswana Development Bank
BoB	Bank of Botswana
BSE	Botswana Stock Exchange
BSFS	Botswana Sustainable Financing Strategy
CSR	Corporate Social Responsibility
D-SFWG	District Sustainable Financing Working Group
DB	Development and Budget
DFA	Development Finance Assessment
EFP	Economic and Financial Policy
ESG	Environment, Social and Corporate Governance
F2F	Funding to Financing
FDI	Foreign Direct Investment
FfD	Financing for Development
FIA	Financial Intelligence Agency
FSOC	Financing Strategy Oversight Committee
GBP	Green Bond Principles
GDP	Gross Domestic Product
GoB	Government of Botswana
HDI	Human Development Index
ICMA	International Capital Market Association
ILO	International Labour Organization
IMF	International Monetary Fund
INFF	Integrated National Financing Framework
IoT	Internet of Things
LNOB	Leave No One Behind
MoE	Ministry of Education
MoF	Ministry of Finance
MoH	Ministry of Health
MoLGRD	Ministry of Local Government and Rural Development
MoLW	Ministry of Lands and Water Affairs
MoTC	Ministry of Transport and Communications
MSEMs	Micro, Small and Medium Enterprises
MTFF	Medium-Term Fiscal Framework
MTRS	Medium Term Revenue Strategy
NBFIRA	Non-Bank Financial Institutions Regulatory Authority
NDC	Nationally Determined Contribution
NMES	National Monitoring and Evaluation System
NOC	National Planning Commission
NPC	National Planning Commission
NURS	Botswana Unified Revenue Services
ODA	Overseas Development Assistance
OECD	Organization for Economic Co-operation and Development
PPP	Public Private Partnership
SADC	South African Development Community
SB	Statistics Botswana
SDGs	Sustainable Development Goals
SFWG	Sustainable Financing Working Group
SME	Small to Medium Enterprise
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNICEF	United Nations Children’s Fund
WB	World Bank

1. INTRODUCTION

1. *The development of the Botswana Integrated Sustainable Financing Strategy (BSFS) follows a standard Integrated National Financing Framework (INFF) process.* The Integrated National Financing Framework (INFF) concept was born out of the Addis Ababa Action Agenda (AAAA) in 2015. The agenda sparked the creation of an extensive policy action set by United Nations Member States, encompassing over 100 specific measures for financing sustainable development, transforming the global economy, and achieving the Sustainable Development Goals (SDGs). The transition to the INFF was pivotal as the shift from the human-focused Millennium Development Goals (MDGs) to the ecosystem-oriented SDGs couldn't be solely financed by government and official development assistance. Hence, the INFF process fundamentally emphasizes enhancing coherence in the consideration of financing policy reforms, both public and private, aiming to broaden the resources available for sustainable development.

2. *The initial phase of the INFF in Botswana was completed in 2021, involving a scoping assessment and stocktaking exercise that offered a comprehensive analysis of the public and private financing outlook, financing policies and institutional structures, and opportunities to build a more integrated approach to financing.* This culminated into 2022 Botswana Development Financing Assessment (DFA) report. The Botswana DFA quantified all major funding and financing flows. As such, the method for developing the Botswana Sustainable Financing Strategy (BSFS), builds on this work, with a focus on both immediate as well as medium- and longer-term actions, with actions emerging from the DFA and concluding with five days of national workshops with public and private stakeholders, around which priorities were set by the government in collaboration with international public and domestic and international private sector, including national business leaders from the chambers of commerce and stock exchange.

3. *This BSFS therefore compiles key elements of the response of the Government of Botswana (GoB) to the 2015 AAAA, which aims at mobilizing and aligning various financial resources, including; domestic and international, public and private, while promoting policy coherence, effective partnerships, and cooperation among stakeholders.* The Strategy also aims to place the Government of Botswana (GoB) as a leader in sustainable development finance, setting an example for the Southern Africa Development Community (SADC). A four-step approach was adopted as a guiding principle to the actual development of the BSFS, These steps include: (i) establishing scope and financing policy objectives; (ii) identifying policy options; (iii) policy prioritization and (iv) operationalization.

4. *This Strategy comes at a time when Botswana stands at an historic crossroads. Down one road lies a pathway to reform, resetting and renewing the development agenda, while on the other, lies a continuation of past policies that in many ways have exhausted their potential.* Given the: large structural imbalances in the economy; over-dependence on diamond exports and over the longer term a modestly increasing population risking increased unemployment, the Government of Botswana is now aware that the country no longer has the luxury of maintaining a business-as-usual development agenda. The Government is also very much aware of the likely existence of financial gap between available financial resources and SDG financing needs given persistent budget deficits for the past seven years, but at the same time there is considerable potential to target fiscal savings and to close the tax gap. Hence, the financing strategy responds to an initial identification of the SDG financing gap and outlines how that gap can be closed by integrating financing flows, crowding in private capital and introducing innovative financing instruments and modalities. The financing gap conforms to the 2022 projection which shows that based on a Business-As-Usual approach, just for health, education, electricity, water and sanitation and roads, Botswana will not meet its SDGs until 2045. The Strategy is aligned to policy documents that drive Botswana's development initiatives and priority setting.¹

¹ <https://sdgfit.imf.org/>

5. Needless to indicate this BSFS recognizes the existence of other financing strategies addressing SDG issues such as the Health Financing Strategy 2019-2023 (HFS 2019-2023). However, unlike the BSFS as a multi-sectoral strategy addressing SDG financing, the HFS 2019-2023 specifically aims at revitalizing primary healthcare with emphasis on a strong health financing system to ensure the health sector is adequately resourced. To this end, it recognizes that Botswana's health financing challenges are premised on both increasing efficiency in the health system in order to ensure value for money, and in mobilizing more resources for the health sector. To this end, the HFS 2019-2023, only outlines an ambitious set of health reforms meant to strengthen how the Ministry of Health and Wellness finances the provision of health services. Nonetheless, there are a few strategic financing thrusts common to both Strategies such as; developing PPP guidelines, developing payment and billing systems and exploring health insurance reforms to enhance efficiencies.

6. ***Botswana has three major development policy documents that guide its efforts towards sustainable development; Botswana Vision 2036, the National Development Plans, District Development Plans and the National Reset Agenda.*** These include the just ended Eleventh National Development Plan (NDP11, 2017-2023), the forthcoming Twelfth National Development Plan (NDP 12, 2025 -2030), the Transitional National Development Plan 2 (TNDP, April 2023 – March 2025) and Vision 2036. While the first three are medium to short-term respectively, the latter is a long-term vision that aims to transform Botswana into a high-income country by 2036. At the local level, these major policy documents are complemented by District Development Plans, which brings into play the needs and aspirations of local communities. All these policy documents prioritize the attainment of the Sustainable Development Goals (SDGs) and have identified several key sectors and programs that require significant investment. These include: Health; Education; Youth & Gender, Tourism; Agriculture; Social Protection; Climate Change, Transport; Mining; Energy; Trade and Industry; and Infrastructure.

1.1 BOTSWANA VISION 2036

7. ***The Botswana Sustainable Financing Strategy (BSFS), directly supports financing of Vision 2036 as a transformational long-term agenda that defines Botswana's aspirations and goals as a nation.*** Vision 2036 aims to transform Botswana from an upper middle-income country to a high-income country by 2036, creating broad prosperity for all. It shows that Botswana is choosing a path of prosperity, acknowledging and embracing a new era characterized not only by clear plans, but also by a deliberate and focused effort to execute national plans, strategies and associated initiatives. Vision 2036 is executed through consecutive medium-term National Development Plan , with government acknowledging that a stronger economy cannot be achieved without succeeding in all four of the Vision 2036 Pillars:

- Sustainable Economic Development,
- Human and Social Development,
- Sustainable Environment, and,
- Governance, Peace and Security.

1.2 THE NATIONAL DEVELOPMENT PLAN

8. ***The just ended Botswana 11th National Development Plan (NDP 11) was a strategic policy framework guiding the country's development priorities for the period April 2017- March 2023.*** A transition Plan (TNDP 2) is currently being implemented, bridging the transition to the development of the NDP12 in 2025. While no longer under implementation, many of the challenges met by NDP 11 provide an important reference point for this strategy. NDP 11 focused on; fostering economic diversification, promoting private sector growth, addressing social issues such as poverty and inequality, and enhancing human capital development. Key priorities included infrastructure development, improvement of public service delivery, strengthening governance and institutional capacity, and promoting sustainable environmental management. NDP 11 aimed to; achieve inclusive growth, create employment opportunities, and enhance the well-being of the Botswana population while contributing to the broader national vision of transforming Botswana into a high-income country by

2036. These priority areas were set within the backdrop of the following primary challenges, many of which remain pertinent for TNDP 2 and the BSFS:

- Over-dependence on diamond mining and weak economic diversification.
- Under-developed capital and financial markets and financial exclusion.
- Growing inequality and elevated unemployment rate and gender inequality.²
- Over dependence on public spending that is constrained by lack of fiscal space (originating from inefficiency on both revenue and expenditure side of the budget)
- Declining fiscal buffers and gross reserves, growing public debt
- Stalled fiscal decentralization.
- Limited use of alternative financing instruments including public private partnerships.
- Lack of effective instruments for infrastructure investments.
- Under-developed social safety net system.
- Lack of a green taxonomy, greening of the banking systems and carbon markets.
- Reduced foreign direct investment, official development assistance and remittances.
- Vulnerability to exogenous shocks, and,
- Lack of competitiveness with limited access to regional value chains.

1.3 THE 2ND TRANSITIONAL NATIONAL DEVELOPMENT PLAN

9. *The Second Transitional National Development Plan (TNDP2) is a strategic policy document guiding the country's development with an implementation period March 2023 to the beginning of the 12th National Development Plan (NDP12), in April 2025.* It is premised on several key priority areas aimed at driving the country towards achieving sustainable higher growth. These priority areas include: pursuing export-led growth; financial sector reform & development; Innovation & Digital Transformation; Industrial & Spatial planning; Fiscal Sustainability; Business Environment Reform; Green Transition; and Education & Human Capital Development.

10. The TNDP2 also makes special reference the SDGs by stating categorically that; *“In order to ensure sustainable development and prosperity for all by 2036, the three dimensions of the SDGs (economic, social and environmental factors) and their targets, must transcend the transitional and future national development plans for the country”.* This implies that by inference, NDP12 will embrace SDG commitments, which will ensure their: financing, implementation; and monitoring and evaluation. Hence the key national priorities during implementation of the TNDP2 include the following:

- Supporting export-led growth and attracting inward FDI;
- Supporting the private sector through business environment reform and value-chain development;
- Innovation and digital transformation;
- Financial sector reform;
- Infrastructure development and spatial planning;
- Green transition;
- Fiscal sustainability; and
- Education and human capital development.

1.4 DISTRICT DEVELOPMENT PLANS

11. *Given the focus on strengthening the localization of the SDGs, and the development of fiscal decentralization as a key area of investment, the district development planning process remains vital to meeting Agenda 2030.* Botswana's District Development Plans are localized strategic frameworks

² Inequality in Botswana remains among the highest in the world, job creation lags, and unemployment was structurally high at 26 per cent at the end of 2021 as a result of the COVID-19 pandemic. Unemployment for females (% of female labor force) (modeled ILO estimate) in Botswana was reported at 25.66 % in 2020.

designed to guide the development and implementation of various projects and programs at the district level. These are aligned with the NDP and TNDP, and aim at fostering local socio-economic development and improve the quality of life for local communities.

12. While the specific content of each district development plan may vary based on regional needs and priorities, common themes and objectives generally include:

- **Infrastructure development:** Improve access to and quality of transportation, water and sanitation, energy, and telecommunications infrastructure to support local economic growth and enhance the well-being of communities.
- **Human capital development:** Invest in education, healthcare, and skills development to create a skilled and healthy workforce capable of driving local economic growth.
- **Economic diversification:** Encourage the growth of non-mining sectors, such as agriculture, tourism, manufacturing, and services, to create jobs and reduce dependence on the mining industry, particularly diamonds.
- **Private sector development:** Strengthen the local business environment by addressing regulatory barriers, improving access to finance, and promoting entrepreneurship and innovation.
- **Social services and safety nets:** Enhance the accessibility and quality of social services, such as healthcare, education, and housing, and strengthen social safety nets for vulnerable populations.
- **Environmental sustainability and natural resource management:** Develop strategies for sustainable management of natural resources, biodiversity conservation, and climate change adaptation and mitigation.
- **Good governance and public service delivery:** Improve the efficiency and effectiveness of public services by strengthening local governance, enhancing transparency and accountability, and promoting citizen participation in decision-making processes.

13. The District Development Plans provide a comprehensive roadmap for sustainable local development, addressing the unique challenges and opportunities in each district while contributing to the country's broader national development goals. Alignment with the SDGs and incorporation of new financing instruments for key public investment programs, to support SDG localization, figure heavily in district development plans. Achieving their goals would greatly benefit from the implementation of fiscal decentralization.

1.5 THE RESET AGENDA

14. In 2022, His Excellency, The President Dr. Mokgweetsi Eric Keabetswe Masisi launched the Botswana Reset Agenda as a 'Stop, Start and Improve' initiative in order to move the GDP average annual growth rate from 4.3 percent to 5.7 percent over the medium term. The Agenda is focused on critical reforms at the policy, institutional, capacity and financing instruments level. These reforms aim to overcome the primary challenges impacting sustainable development, which were further elaborated in the 2022 Government of Botswana DFA. Needless to indicate that the 2022 DFA provides a strong contribution to the empirical foundation for this Strategy, given its assessment of existing, emerging and future reform opportunities that can close the financing gap and bolster chances of meeting the SDGs. Such an outcome would increase fiscal resources, freeing up fiscal space for financing sustainable development. To this end, the following three reset priorities are central to this financing Strategy:

- **Digital Transformation:** Unlocking and enabling high productivity among Botswana. Furthermore, digitization is central to the delivery of improved public services to the population.
- **Value-Chain Development:** Unlocking 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. New sectors will be identified in the global export product space providing job creation for youth.
- **Mindset Change:** Vital to attaining Botswana's high income country status this involves developing capacity for entrepreneurship, boosting confidence in national capabilities, and implementing government and strategic reforms that put citizen economic inclusion at the center of our economic development initiatives to deliver self-actualization among Botswana.

1.6 SECTOR'S PRIORITIZED BY THE BSFS

15. *The following policy solutions and priority action areas have been identified/ prioritized in order to close the SDG financing gap and increase district government resources for the sectors under focus.* These policy solutions build from the set of corrective policy measures outlined in the DFA, the emerging trajectory as set out in the NDP 11 Mid Term Review, 2023-2030 National Investment Strategy (NIS), NDC and actions outlined in the 2020 Republic of Botswana Public Expenditure and Financial Accountability (PEFA), among other sources.

1.6.1 SOCIAL SECTORS

16. For social sectors, the following policy and legal actions will be taken forward, with a particular focus on improving the effectiveness and efficiency of the public planning process and introducing new instruments to increase the contribution of private equity in meeting the SDGs.

- **Health:** The 2011 National Health Policy will continue to work towards an enabling environment in which all people living in Botswana have the opportunity to achieve and maintain the highest level of health and well-being. The Ministry of Health will continue to implement the policy, in particular in relation to adopting sector-wide approaches to harmonize and align planning, financing, implementation, monitoring and evaluation of the health sector.
- **Social Protection:** This strategy will be coordinated with the National Social Protection Framework (NSPF), with a focus on transitioning from a fragmented approach to a life cycle-based systems approach to social protection. It will involve a wider basket of social protection financing instruments, including a more comprehensive safety net to vulnerable children and their families and new risk transfer mechanisms, and improved micro and social insurance.
- **Education:** The Education of 1967 and 1994 amendment act are being modernized to reflect the fundamental shift taking place in modern education system in Botswana. Moreover, as education continues to be financed as a public good by central government and district governments, with private and household contributions and ODA support, there is a need to fully update the sector financing framework to include outlining options for crowding in private capital, for examples through PPPs or into research.³

Youth and Gender: Following the adoption of the National Policy on Gender and Development in 2015, the National Gender Commission was established in September 2016, to monitor implementation of the policy. The policy identifies a range of issues, systems, and institutions in which the same opportunities should be available to women and men to maximize their potential as human beings and be valuable citizens of Botswana. The Domestic Violence Act, the adoption of the Women's Economic

³ The issue surrounding research in education is more on the challenges relating to improving the quality of research outputs, including research financing and building capacity for research across all levels, as well as capacity to implement.

Empowerment Program and the Ten-Year Affirmative Action for remote areas will remain central to SDG attainment in this area. Government will continue to enhance gender-based budgeting and capacity building to collect, monitor and evaluate sex-disaggregated and other data to evaluate the gender equality outcomes of initiatives, with data being used to better inform other public or private budget / investment allocations.

- **Sanitation:** The government has several policies, regulations, and acts related to environmental health, water, and sanitation including the Water Act, the Public Health Act, and the Environmental Health Act. Financing the sector remains challenging as sanitation is a multi-sector area, with six ministries/institutions involved in water, sanitation and hygiene. Another challenge is the very high cost of provision given Botswana's small and low-population density. A particular focus will be on expanding the use of PPPs in the sanitation space, alongside a financing plan for the entire WASH sector, given that currently each sector develops its own budgets, with limited coordination and limited attention on financing operations and maintenance.

1.6.2 PRODUCTIVITY SECTORS

17. For productive sectors, the following policy and legal actions will be taken forward, with a particular focus on improving the effectiveness and efficiency of the public planning process and introducing new instruments to increase the contribution of private equity, and financing to meeting the SDGs.

- **Mining:** The Mines and Minerals Act is the primary legislation that governs the mining sector in Botswana. The Act, which was enacted in 1999, provides the legal framework for the administration, regulation, and control of the country's mineral resources. It covers various aspects of the mining industry, including the granting of licenses and permits, environmental management, safety standards, and taxation. Efforts will focus on mining diamond, copper, nickel, raising the share of domestic value added in producing these minerals resources, and extending related financing instruments.
- **Energy:** The Botswana Energy Regulatory Authority Act, 2016 and 2021 National Energy Policy will be implemented to guide the management and development of Botswana's energy sector, especially the penetration of new and renewable energy sources into the country's energy mix in order to attain net-energy exporter status and increased security of supply. This strategy will – as prioritized in the policy - promote strategic partnerships between the public and private sectors to finance and develop energy diversification programs and projects. Moreover, Government will continue to expand renewable energy infrastructure to accelerate de-carbonization and energy transition from fossil fuels to renewables in light of their lower cost. Priorities include: (i) getting rid of direct and indirect fossil fuel subsidies (ii) pricing all energy investment using predicted future prices, not current ones (iii) using levelized cost of alternative energy sources (i.e., take into account future running costs) and (iv) rapidly expand circular and sharing economy in Botswana.
- **Agriculture:** The agricultural sector in Botswana is governed by the National Agricultural Policy (NAP) and various other legal frameworks. The NAP aims to promote food security, sustainable land management, and income generation for farmers. Key laws and regulations in the sector include the Agricultural Resources Conservation Act, the Plant Protection Act, and the Fertilizers, Farm Feeds, and Agricultural Remedies Act. These laws and regulations are designed to protect natural resources, ensure crop and plant health, and maintain quality standards in the agricultural industry.
- **Manufacturing:** The 2019 Industrial Development Act is the guiding legal framework for stimulating manufacturing and will continue to be a core part of the government's plan to lessen

Botswana's dependence on diamonds. This strategy will focus on financing the Economic Diversification Drive, beneficiation of raw materials (beef, leather, minerals, glass manufacturing), implementing the Textile Industry Strategy to upgrade the garments industry, improving economic efficiency and international competitiveness, the financing of Special Economic Zones and the production of goods and services for export.

- **Transportation:** Botswana ratified the African Continental Free Trade Area (ACFTA) in 2023, following which government will review the current Integrated Transport Policy of 2015 and all other acts related to transportation including Road Traffic Act (2012), Civil Aviation Act (2004), Railway Act, 2000 to identify compliance with ACFTA and identify financing gaps and instruments to incentivize private flows into the sector. SDG attainment in this sector also means financing for road safety improvements and enhanced urban transport systems.
- **Trade and Industry:** Botswana is soon to approve the new 2023-2030 National Investment Strategy (NIS) focused on trade and investment, also targeting considerable reform including the enactment of a new Investment Law; which is still pending. With a focus on trade and industry, government will integrate new financing instruments to strengthen the Incentive Regime for Investment, improve access to investment financing, strengthen competitiveness enablers, invest towards globally competitive human capital in industry, improve the doing business environment and establish sustainable financing instruments to promote imports and exports. In addition, the NIS targets drafting a PPP law and related regulations and guidelines, and a green taxonomy and investment framework for green growth with a particular focus on transport and energy.
- **Infrastructure:** Government addresses infrastructure financing through various policy frameworks, strategic plans, and budgetary allocations, though PPP pipeline development remains substantially underdeveloped, depriving infrastructure investments of private capital. Government will take forward necessary actions to channel private investment toward SDG attainment (PPPs, carbon pricing, eliminating fuel subsidies, revamping land allocation system and licensing, etc.); for example.
- Given that a significant source of financing is from government budget allocations, PPPs, external financing, and development funds, efforts will consider introducing infrastructure and green bonds, (issuance by government and corporations) blended financing and value capture mechanisms alongside revolving funds and district financing modalities, while carefully monitoring debt levels and contingent liabilities.

1.6.2 TOURISM, ENVIRONMENT AND CLIMATE CHANGE

18. Government has established a highly effective system for the protection of wildlife and biodiversity, though additional financing is needed; particularly to strengthen and incentivize tourism. For tourism, environment and climate change, the following policy and legal actions will be taken forward, with a particular focus on ushering in a new generation of financing instruments to include climate financing and the development of carbon pricing; as well as a green taxonomy.

- **Tourism:** In 2020, Government introduced a new tourism policy granting tourism licenses solely to Botswana citizen operators of certain tourism activities.⁴ New safari concessions have also been reserved exclusively for citizens and over the past five years, new hotels and conference facilities have been established, enhancing the nation's ability to accommodate international conferences and events. The government will strive to improve infrastructure in protected wildlife areas, including natural parks and game reserves with regulatory authorities

⁴ The Botswana Tourism Organization Act mandates Botswana Tourism Organization to market and position Botswana as a premier tourist destination, promote investment and product diversification in the tourism industry and ensure all tourism facilities are classified, certified and graded.

aiming to approve the establishment of lodge sites within four of the largest national parks. New eco-tourism and tourist cluster development financing instruments will be introduced,

- ***Climate and Environment:*** The entire climate financing and carbon market in Botswana remains hugely underdeveloped, highlighting the new focus on raising awareness of climate financing mechanisms, strengthening capacity to develop proposals for the Green Climate Fund (GCF) and Global Environment Facility (GEF), introducing a new range of green and climate financing instruments including a green taxonomy and developing a concept note for the development of the national carbon market. In order to meet the US\$ 3.3 billion NDC financing goal, accelerating the adoption of new climate financing instruments will be prioritized alongside building the capacity to manage a pipeline / portfolio of climate change related investments.

1.7 NATIONALLY DETERMINED CONTRIBUTION

19. Botswana's Nationally Determined Contribution (NDC) lays out the financing need to be mobilized to meet NDS targets, though the entire financing approach is heavily project driven. Mitigation and adaptation 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 towards limited national means for the implementation and the need for substantial international support to achieve the mitigation target, unless green and climate financing instruments are ramped up and a comparative carbon market developed.

1.8 NATIONAL POLICY, PLANNING AND BSFS INTEGRATION

20. *This Botswana Sustainable Financing Strategy provides an integrated response to the National Vision, NDPs, NGC and Reset agendas. It is developed as a set of actions to close the financing gap and is based on the best practice structure established by the Integrated National Financing Framework Institute.*⁵ The Strategy builds from the Botswana 2022 Development Finance Assessment, which identified policy, institutional, capacity and financing instrument entry points, gaps and blind spots as the basis for establishing a Road Map for the Strategy structured around the following focus areas:

- Enabling governance and coordination measures.
- Domestic public measures.
- Domestic private measures.
- International public measures.
- International private measures.
- Cross Cutting themes.
- New financing instruments.

21. *This Strategy brings together existing financing policies, regulations, instruments and processes within a national and district level framework to mobilize financial resources.* It provides coherence between different financing policy areas (public and private financing and macro-systemic issues) and the national and local sustainable development priorities; while also outlining options to guarantee collaboration across stakeholders and partners.

22. *Suffice to note that the new approach outlined here does not intend to replace the many existing tools and instruments (i.e., medium-term expenditure frameworks, public investment program management, revenue generation, or financial sector development strategies).* Rather, it is complementary to all these but goes beyond by providing a financing framework that aligns budgetary

⁵ <https://inff.org/>

actions and particular instruments with the needs of the priority investments/reforms identified through the DFA process, which was built around national processes, plans and ongoing reform efforts.

2. STRATEGIC OBJECTIVES & BSFS SCOPE

23. *The BSFS supports the attainment of Vision 2036 and is coordinated within the National Development Plan (NDP) and national and local budgeting processes.* The Strategy builds from the comprehensive 2022 DFA and is directly linked to the priority investment actions. This Strategy also takes an integrated approach by integrating all dimensions of sustainability within financing decision making, with objectives established across the domestic and international public and private domains, with an explicit aim to crowd in private capital and increase the use of innovative financing instruments and modalities, with the sectors prioritized.

24. *This strategy presents the policy, institutional, regulatory, capacity and financing instruments reforms to close the SDG financing gap.* In this regard, while aligning to NDP, TNDP and the forthcoming NDP 12, Botswana will raise financing for development by adopting policies that address systemic constraints.⁶ These policies take advantage of opportunities in the near-term, including a medium-term revenue strategy and fiscal decentralization, and ensure that financing policies, instruments, and regulatory frameworks from different sectors are sustainable and risk-informed, coherent by supporting diversification.

25. *The Government will also improve access to affordable finance as a horizontal issue which impacts progress in all sector priority areas, particularly for the unbanked and SMEs, while identifying opportunities to access technical assistance and capacity building support from development partners, while diversifying new sector financing instruments.* In addition, a Botswana Sustainable Financing Framework Oversight Committee will be established to oversee execution of the Road Map, while also monitoring and reviewing outcomes, promoting stakeholder dialogue and engagement and broadening peer-to-peer exchanges and learning to support greening of the banking system.

2.1 OBJECTIVES

26. The primary objective of this Strategy is to narrow the SDG financing gap by implementing policy, regulatory, capacity and financial instrument reforms, providing a gender-responsive, green and climate-smart SDG financing strategy based on dialogue and partnerships for the goals. Secondary objectives cover domestic and international public and private flows, around which this strategy is operationalized. The secondary objectives of the Strategy cover four areas :

- **Domestic Public:** Strengthen existing policy, regulatory, institutional and budgetary capacities, raise public finance efficiency and effectiveness, improved revenue, expenditure and debt management, foster the greening and deepening of capital and financing markets, and promote public-private partnerships and new and innovative financing instruments to attract private capital.
- **Domestic Private:** Strengthen existing policy, regulatory and institutional capacities to create an enabling business environment for the Botswana private sector to invest in sustainable investments by improving regulatory frameworks, reducing investment risks, and promoting public-private partnerships.
- **International Public:** Improve alignment of official development assistance with Botswana's Vision 2036 and the National Development Plan and Nationally Determined Contributions, supporting the Reset Agenda through the provision of catalytic support and policy advice.

⁶ Including (i) overreliance on diamonds (ii) limited economic diversification (iii) unemployment rates (iv) water scarcity (v) inadequate infrastructure (vi) income inequality (vii) skills mismatch and (viii) dependence on imports.

- **International Private:** Incentivize international private flows including foreign direct investment, portfolio inflows, remittances, and linkages to global capital markets to align and promote sustainable investments.

27. Meeting these secondary objectives would raise financing for sustainable development, and better align existing financing policies with medium and long-term national sustainable development priorities. Though this strategy targets a Medium-Term Revenue Strategy (MTRS) and Fiscal Decentralization as key policy areas, it is also focused on financing opportunities for the following three multi-sector areas:

- **Social Sectors:** Health, education, social protection, youth and gender.
- **Productive Sectors:** Mining, energy, agriculture, manufacturing, transport, trade and industry and infrastructure, and,
- **Tourism and Environment:** Tourism, environment, and climate change.

2.3 STRATEGY SCOPE

28. The scope of the financing strategy includes domestic and international public and private flows. It above constitutes a coherent strategy with prioritized actions, interventions, and initiatives needed to close the Botswana SDG financing gap, including setting objectives, targets, and indicators for tracking progress. In particular, the scope of the financing strategy is as follows:

- **SDG Financing Sources and Trends:** Identifying the available financing sources and instruments, such as domestic and international public and private resources, and evaluating their potential to contribute to the achievement of national development priorities. Recognizing that reducing leakages on the budget's revenue and expenditure side can substantially reduce the SDG financing gap, such leakages will be analyzed and addressed before identifying these financing sources.
- **Policy and regulatory frameworks:** To strengthen and align policy, regulatory, and institutional frameworks to create an enabling environment for mobilizing and leveraging various financial resources, and promoting coordination among different stakeholders.
- **Governance and Coordination:** To establish an Oversight Committee and sector working arrangements at across central and district governments, with a focus on linking fiscal decentralization with the localization of the SDGs.
- **Monitoring and evaluation:** To put in place a robust system for monitoring and evaluating the effectiveness and impact of the financing strategy, and ensuring transparency and accountability in the allocation and use of resources.
- **Capacity building and stakeholder engagement:** To strengthen the capacities of relevant institutions and stakeholders, promote dialogue and partnerships, and encourage collaboration among public, private, and civil society actors, and,
- **Risk management and mitigation:** To identify potential risks and challenges that may affect the successful implementation of the financing strategy and develop appropriate measures to mitigate and manage these risks.

3. SDG FINANCING SOURCES AND TRENDS

29. The primary means of attaining the SDGs in Botswana is public spending, covered to a large extent by revenues and grants constituting some 31.7 % of Gross Domestic Product (GDP) in 2022

Use of both domestic and external public debt to bridge the remaining deficit has been increasing, and consequently fiscal buffers have been drawn down. Gross private investment in 2021 – year affected by the COVID-19 pandemic – was 23.1 per cent of GDP, with official development assistance at circa 0.4 per cent of GDP and foreign direct investment at 0.3 per cent of GDP for the same year. Remittances have been in decline since the 1970s where they peaked at 16.5 per cent of GDP in 1976, falling to 0.3 per cent of GDP in 2021.

30. As this strategy covers the period 2023-2030, understanding historical and projected trends in financing sources is important to financing the SDGs. Given the greater ease of aligning public spending with the SDGs, effort will focus on incentivizing private sector and district government flows, alongside judiciously introducing the adoption of new debt, equity, blended and derivative financing instruments. Based on the analysis provided in the DFA, the following financing trends are noted:

- Increased effort to **close the tax gap** and to increase the allocative and operational efficiency of existing spending, with efforts made to introduce zero-based budgeting.
- A greater focus on reviewing revenue and expenditure side policies and instruments that are currently not conducive to SDGs attainment; and narrow tax base, inefficient VAT, tax holidays, fossil fuel subsidies, agriculture sector subsidies, social protection system.
- **Reduced Fiscal Buffers and Increasing Government Debt:** Mineral and non-mineral revenues have been declining, leading to an average deficit of 4.8 per cent of GDP over the period 2017/18-2021/22). Diamond revenues have been declining, from about 48 percent of GDP in 2006/07 to around 33.9 percent of GDP in 2019/20. Net financial assets (NFA) went down from 31.6 percent of GDP in 2008/09 to minus 16.2 percent of GDP in 2021/22 and as of 2021, i.e. a drop on 60 percent of GDP. This is the equivalent of debt going from 9.5 percent to 22.3 percent of GDP. At the same time the fiscal buffers have been declining, and need to be replenished. Government strategy for financing the fiscal deficit will need to slow the erosion of fiscal buffers and deepen the domestic bond market.⁷
- Growth in green and climate bonds and setting up carbon markets appear to be a growing trend and provides an opportunity to explore, though usage in Botswana needs to be carefully considered given the impact on debt stock, the balance sheet and risks of excessive deficits.
- **Slow and Reluctant Pace of Fiscal Decentralization:** As part of the decentralization process, all Sub-districts are being upgraded to Districts and will have full responsibility for their own portfolios, bringing the total number of fully-fledged Districts to 29 while the number of Town Councils will remain the same. In this context, and as advocated by the draft 2023-2030 National Investment Strategy, expanding district and town fiscal assignments will be a continuing trend, dovetailing with the call for SDG localization.
- **Stable Financial Sector but Need for Financial Deepening:** Commercial bank credit grew by 5.1 percent in December 2021 to 5.9 percent in December 2022 and was at 4.8 percent in February 2023, while non-performing loans (NPLs) remained at 4.2 percent at the end of 2022 and was slightly higher at 4.8 percent in February 2023. A greater focus on financial oversight and enhancing crisis preparedness will continue, as will a focus on financial deepening and inclusion, the development of the government bond market, fintech, and the efficiency of development banks. Improvements in the secondary market would benefit from sequenced of the foundational building blocks (e.g., money markets, primary markets etc.) as they begin to operate more efficiently.

⁷ The diamond mining industry has been a major contributor to Botswana's economy, but it is a volatile industry and fluctuations in diamond prices continue to have a significant impact on government revenue and economic growth outcomes.

- **Domestic Debt:** Government targets shifting funding from non-concessional external borrowing to the domestic bond market to facilitate the building of a robust yield curve and increased depth in benchmark bond issuance. At the same time, the implementation of a new monetary policy framework to support the Bank of Botswana’s (BoB) inflation targeting regime will be a welcome development for domestic debt market development. According to the IMF, “*further improvements in the domestic debt market and in demand for benchmark securities will require implementing primary market reforms, and once these reforms are completed, a commitment by the authorities to allow rates to be determined competitively in auctions.*”⁸ Although the level of household debt is relatively low at 19.7 percent of GDP in 2022, the high share of credit to households (63.2 percent in 2022 and 66.0 percent in February 2023) remains a concern, as these loans are mostly unsecured.
- **Growth in Mobile Banking, FINTECH and the Digital Economy:** In implementing the Smart Botswana Strategy and National E-Commerce Strategy and accelerating the transition towards a digital economy, all financial and capital markets are set to undergo considerable change between now and 2030, and policy cohesion is therefore required between the actions proposed and the emerging digitalization process.
- **Declining Foreign Direct Investment (FDI) and Portfolio Flows:** FDI flows peaked at 15.9 per cent of GDP in 1979, was at 7.5 per cent of GDP in 2002, but have since declined to 0.3 per cent (2021) as part of a long-term trend.⁹ Portfolio outflows have increased since the onset of COVID-19. This is a sign of a non-competitive business environment which needs to be addressed for crowding in the private sector.
- **Limited and Declining Official Development Assistance:** Botswana was one of the largest recipients of ODA per capita in the 1970s and 1980s, due to its high poverty rate and lack of economic development. In recent decades however, ODA inflows have fallen as Botswana transitioned to an upper middle-income country. Since ODA (which is largely concessional) has declined and is likely to further reduce going forward, with a shift towards Other Official Flows (OOF) (which are largely non-concessional), government will increasing need to achieve socio-economic and environmental goals through commercial means.
- **Poverty and inequality:** Despite being an upper-middle income country, Botswana has a significant poverty rate (made worse by the COVID-19 pandemic and high levels of inflation in 2022) and income inequality remains exceptionally high. A stronger focus on targeted social welfare programs and other measures to address inequality will be needed going forward.
- **New Instruments to Finance climate change and overcome water scarcity:** Botswana is facing increasing pressure from climate change leading to water scarcity and other environmental challenges. Green and climate bonds as well as conservation measures such as ecological fiscal transfers and carbon market development are set to increase in importance.
- **Sustainable Financing Instruments:** A key trend is the emergence of a much wider set of financing instruments, beyond government spending and debt, to include blending, strategic investment funds, apex financing for Micro, Small, Medium Enterprises (MSMEs), syndicate loans, environmental levies, carbon taxes and credits, as well as micro risk insurance and risk transfers, among many other instruments that can contribute to the SDGs, alongside improved government alignment, closing the tax gap and improving allocative and operational efficiency.

⁸ See Botswana, Domestic Bond Market Development, March 2023 (IMF High Level Technical Assistance Report

⁹ <https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?locations=BW>

3.1 POTENTIAL SECTOR FINANCING INSTRUMENTS

31. *The three primary sectoral areas targeted here include social, productive and environment, tourism and climate.* Given that the percentage of public investment out of public spending is far less than private investment, greater public investment (and enhanced public finance overall) is still much needed. Without increasing debt to unsustainable levels, new debt instruments can be carefully mobilized where the rate of return to investment is high, and debt can be blended with equity, grants and guarantees, for example. Containing the budget deficit through SDG conducive revenue and expenditures measures (including a sub-national revenue drive) and increasing the role of the Government in incentivizing the private sector to contribute in these primary sectors will remain priority.

32. *Table 1 below shows the link between Botswana priority sectors as identified here and potential financing instruments beyond national and district budgets, outlining a wide range of sector specific financing instruments that will be incentivized to close the SDG financing gap.* These will be taken forward by the ministries responsible for each sector, under the guidance of the INFF Financing Strategy Oversight Committee.

Table 1. POTENTIAL SECTOR FINANCING SOURCES FOR THE SECTORS		
#	Sector	Potential Financing Instruments
Social Sectors		
1	Health	<ul style="list-style-type: none"> ▪ Health Impact Bonds (priority) ▪ PPPs (priority) ▪ Health care bonds (priority) ▪ Health Insurance ▪ Social Health Insurance ▪ Catastrophic Health Expenditure Insurance ▪ Medical Savings Account ▪ Development Impact Bonds ▪ Results Based Financing ▪ Out-of-Pocket (OOP) Expenditure
2	Social protection	<ul style="list-style-type: none"> ▪ Improve budget allocations (priority) ▪ Conditional cash transfers (priority) ▪ Social impact bonds (priority) ▪ Micro-finance ▪ Micro-Insurance ▪ Social Pensions ▪ Public Private Partnerships ▪ Social Insurance and Risk Transfers
3	Education	<ul style="list-style-type: none"> ▪ Social Impact Bonds (priority) ▪ PPPs (priority) ▪ Education savings accounts ▪ Blended Finance ▪ Income Share Arrangements ▪ Micro-Finance ▪ Education Tax Credits ▪ Philanthropic Investments
4	Youth and Gender	<ul style="list-style-type: none"> ▪ Gender-Based Budgeting (priority) ▪ Youth-Based Budgeting (priority) ▪ Gender Bonds (priority) ▪ Gender responsive procurement ▪ Corporate Social Responsibility Programs: ▪ Women-focused grant making ▪ Social Impact Investing ▪ Impact Bonds ▪ Blended finance ▪ Women's Entrepreneurship Funds
5	Sanitation	<ul style="list-style-type: none"> ▪ Green and Sanitation Bonds (priority) ▪ PPPs (priority) ▪ Results-Based Financing ▪ Water and Sanitation Micro-Insurance ▪ Community-Based Finance ▪ Impact Investing ▪ Community-Led Total Sanitation (CLTS) Financing
Productive Sectors		
6	Productive Multi-sectors (Mining, energy, manufacturing, transport, trade)	<ul style="list-style-type: none"> ▪ Green bonds (priority) ▪ PPPs (priority) ▪ Syndicated loans (priority) ▪ Infrastructure bonds ▪ Special Purpose Vehicles (SPVs) ▪ Carbon Pricing ▪ Production-Linked Agreements (PLAs) ▪ Vendor financing ▪ Trade finance ▪ Project finance

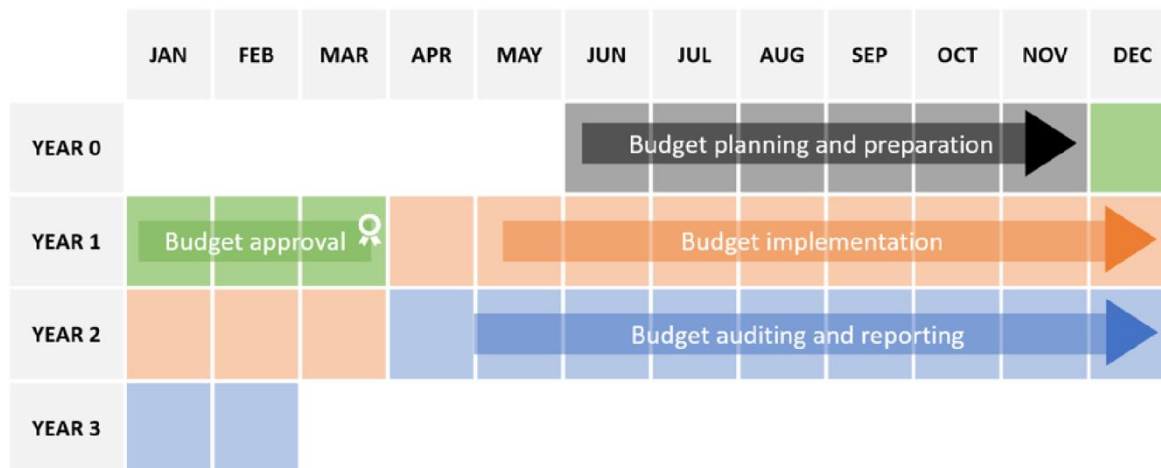
	<i>and industry and infrastructure)</i>	<ul style="list-style-type: none"> ▪ Commodity-linked bonds ▪ Asset-backed securities 	<ul style="list-style-type: none"> ▪ Revolving loan funds ▪ Infrastructure investment funds
Tourism, Environment and Climate Change			
7	<i>Tourism</i>	<ul style="list-style-type: none"> ▪ Tourism Development Funds (priority) ▪ Green bonds (priority) ▪ Carbon Offsetting Mechanisms (priority) ▪ Social impact bonds ▪ Tourism tax or levy ▪ PPPs ▪ Crowd-investing / crowdfunding platforms 	<ul style="list-style-type: none"> ▪ Conservation trust funds ▪ Debt-for-nature swaps ▪ Sustainable tourism certifications and eco-labels ▪ Revolving loan funds ▪ Blended finance ▪ Destination-based investment funds
8	<i>Agriculture</i>	<ul style="list-style-type: none"> ▪ Value chain financing (priority) ▪ Agricultural insurance (priority) ▪ Agri-bonds (priority) ▪ Social impact bonds ▪ Green bonds ▪ Climate-resilient bonds ▪ Agribusiness investment funds ▪ PPPs ▪ Agriculture risk insurance 	<ul style="list-style-type: none"> ▪ Warehouse receipt financing ▪ Contract farming and off-take agreements ▪ Microfinance and microcredit ▪ Blended finance
9	<i>Climate Change</i>	<ul style="list-style-type: none"> ▪ Green and Climate Bonds (priority) ▪ Voluntary Carbon Market (priority) ▪ Climate-focused venture capital ▪ Payments for Ecosystem Services ▪ Carbon Offsets 	<ul style="list-style-type: none"> ▪ Green Revolving Funds ▪ Catalytic use of Vertical Funds ▪ Climate Focused Crowdfunding ▪ Climate-focused philanthropy ▪ Vertical Climate Funds ▪ Carbon pricing

33. *All of the above potential instruments open up new sources of financing for SDGs, and these can be integrated into sector investment plans and procurement processes at the central and district level.* Using tax and non-tax incentives combined, would encourage a progressive financing market place within the sectors. However, many of these instruments need to be actualized through the budget planning process, by the sector ministries, across the budget cycle, requiring financial literacy in the spending units to be elevated with instruments to be linked to particular investments.

3.2 BUDGET PLANNING CYCLE

34. *The budget cycle in Botswana consists of four primary stages, starting annually in June and continuing until February of the third year (Figure 1).* The budget preparation process involves interaction between the Ministry of Finance (MoF) and line Ministries, as well as the districts; with MoF kicking of the budget formulation cycle with the budget call circular. Every June/July, each Ministry prepares baseline budget projections for the medium term (three years), and in the future these will need to include a focus on taking certain activities off budget (for example through reform of State-Owned Enterprises), to free up fiscal resources and allow private capital to play a bigger role – using market-based solutions. Based on these projections and macroeconomic forecasts, the MoF develops the Budget Strategy Paper (BSP) and the Medium-Term Expenditure Framework (MTEF), which go through a comprehensive consultative process through workshops before being submitted for Cabinet consideration for approval in August of each year. The BSP discussion sessions typically involve a broad array of stakeholders, including the private sector.

Figure 1 BOTSWANA ROLLING BUDGET PLANNING AND FORMULATION CYCLE



Source: UNICEF (2018) ¹⁰

4. FINANCING STRATEGY ROAD MAP ACTIONS

35. *Consultation in developing the financing strategy road map actions developed here re-inforced the potential for the BSFS to emerge as the Financing Strategy for the NDPs; though no decision has so far been taken in this regard.* Emphasis here will be on ensuring that such actions do not lead to a large increase in public debt, by associating them with; better project preparation and prioritization and taking some of the projects off the GoB balance sheet. This view was supported by the Planning Commission, with broad consensus reached on the urgent need forthcoming NDP 12 to strengthen public finance management with a focus on allocative and operational efficiency and revenue mobilization to rebuild fiscal buffers by supporting budget surpluses, as well as introducing new instruments to sector investment plans and increasing the focus on fiscal decentralization as a vehicle for SDG localization.¹¹

36. *Building from the diagnostic provided in the DFA, the road actions developed here reflect the DFA road map structure of domestic and international public and private domains.* This SDG financing strategy therefore identifies policy, institutional and financial instrument actions necessary to usher in a new generation of sustainable financing instruments, to close the SDG financing gap. As noted in the section on governance and coordination, execution of Road Map Actions will be guided by an Oversight Committee, to be established and led by the Minister of Finance.

4.1 DOMESTIC PUBLIC FINANCE ACTIONS

37. *This section introduces the context, challenges, ongoing reforms, policy actions, their alignment with priority sectors and the SDGs and associated risks in the domestic public finance domain.* The challenges identified link to policy actions, which are developed in the Road Map of Actions towards the end of this section.

4.1.1 CONTEXT:

38. *Public Finance Management Act (PFMA), No. 31 of 2019 governs the management of public finances in Botswana, ensuring the efficient and effective use of public resources, promoting transparency and accountability, and establishing a framework for the management of public debt.* Execution of this act will remain central to domestic public financing. Moreover, the new 2022 Public Procurement Act proposed to establish the Public Procurement Regulatory Authority, in order to

¹⁰ <https://www.unicef.org/esa/media/2451/file/UNICEF-Botswana-2018-National-Budget-Brief.pdf>

¹¹ SDG localization refers to the process of adapting and implementing the global Sustainable Development Goals (SDGs) to suit the specific contexts, priorities, and needs of local communities, regions, and countries.

capacitate persons involved in public procurement, provide technical support, monitor and ensure compliance with the PPADA, 2015 act. This will emerge an important agency for sustainable financing, given the central role of sector ministries in introducing (and procuring through PPPs and blending) new instruments. The Financial Intelligence Act was introduced in 2022 will be critical to strengthening emerging financial markets as well as tracking suspicious transactions such as Illicit Financing Flows (IFF).¹²

39. A Medium-term Expenditure Framework (MTEF) has been introduced, with initial ceilings prepared internally in a medium-term format; to anchor public investment programs and overall spending (of which 80% is recurrent). Government continues to review and upgrade the budget classification to facilitate the transition from cash to accrual accounting, including the adoption of International Public Sector Accounting Standards (IPSAS).

40. A new guideline established to provide baseline budget projections will be used to guide Ministries, Departments, and Agencies (MDAs) during the annual budget cycle process, adopting a more integrated approach to financing. Furthermore, the new planning officer's manual and upgraded Development Projects Management System will continue to enhance monitoring and evaluation of Public Investment Program (PIP) approved for the NDP. A People's Budget will continue to be published in English, Setswana, and Braille, to include details on the SDGs.

41. Public Finance Management (PFM) has received considerable attention, with a 2020 PEFA assessment being led by the PFM Reform Steering Committee. While domestic public finance goes beyond the PFM system, with the budget being the central tool of public policy, government has identified entry points for reforming the national budgeting, planning and execution process. This provides significant opportunities for strengthening alignment and integration with sustainable financing for the SDGs. As the government has decided to move towards zero-based budgeting, a focus on value-for-money in public investment will be central to this strategy.

42. Government is composed of central and local government, which represents the general government, as well as public corporations. All spending units will be responsible for playing a role in SDG execution either directly or indirectly. Enhancing budget management will therefore continue to be essential to this strategy, as national and district budgets remain the primary source of financing for sustainable growth, social programs, and sustainable infrastructure investments that contribute to the achievement of the SDGs. The government will ensure resources are directed towards priority sectors, concentrating on bolstering revenue mobilization, efficient, SDG-conform expenditure, and sustainable debt management; while also undertaking bottom-up sector costing. These are essential for accelerating operational and allocative efficiency to enhance value-for-money in public investments, and supporting strategic budgeting for the SDGs.

4.1.2 CHALLENGES:

43. A number of challenges have been identified by the DFA and the subsequent financing strategy dialogue, re-enforcing the challenges identified by the NDP 11 Mid Term Review (MTR). These included, but are not limited to building capacities to enhance public investment planning, near-exhausted fiscal buffers (accumulated from past diamond revenues and also acting as a fund for future generations), inefficient state-owned enterprises, limited fiscal decentralization undermining district planning and execution, and rising debt sustainability risk. International green Bond standards and principles have not so far been adopted. Additional challenges from an SDG financing point are highlighted by the current IMF SDG Costing which uses a Business-As-Usual approach, which demonstrates that unless existing resources are aligned and new resources mobilized, Botswana will not meet the SDGs until 2045, for just 5 areas. Linked to fiscal decentralization, limited alignment between district finances and the SDGs undermines the potential for wider citizen engagement. Currently there is no national PPP law (just the national policy) and while Botswana's PPP framework

¹² The Financial Intelligence Action includes a focus on requesting, receiving, analyzing and disseminating information to an investigatory authority, supervisory authority or comparable body in relation to disclosures of financial information.

is supportive of private sector participation in infrastructure projects, there are several areas where improvements could make it more effective, including clarity of foreign engagement in PPPs.

4.1.3 ONGOING REFORMS:

44. *The execution of TNDP2 is ongoing as are PFM Reforms and the Reset Agenda.* A new National Investment Strategy (NIS) is soon to be launched in 2023 which actively promotes the use of sustainable financing instruments. Ongoing PFM reforms include the introduction of the Budget Options process and the development of a costing tool which is intended to improve project costing for public investment plans and projects. In terms of strengthening capital markets, the implementation of a new monetary policy framework to support the Bank of Botswana (BoB) inflation-targeting regime will assist in the development of the domestic debt market supported by the on-going debt sustainability analysis. While the draft fiscal decentralization policy is awaiting Cabinet approval, the development of an E-procurement system is ongoing as is the decentralization of the government procurement services. All of these have implications for introducing new financing instruments into the public investment mix. A public asset management policy has been established and the Regulatory and Performance Audit Manual has been upgraded (though it does not foresee an SDG audit process in its current form).

45. *The recent move towards the adoption of zero-based budgeting reflects commitment by government for greater operational efficiency and expenditure performance, potentially contributing towards a strategic budgeting approach.* While SDGs have not yet been costed by the government, SDG alignment and potentially SDG budget tagging is being considered in both the TNDP2 and subsequent development Plans.

46. Another important policy area is improving gender and youth-based budgeting as approaches to budgeting that take into account the different needs and experiences of different gender groups and age groups. While Botswana ratified the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) and has integrated gender mainstreaming strategies in its national development plans, further strengthening is necessary

- **Gender-Based Budgeting:** The general approach being advocated has attempted to integrate a gender perspective at all levels of the budgetary process including restructuring revenues and expenditures in order to promote gender equality. Efforts have focused on ensuring that public resources are effectively used to address the needs of all citizens – women and men, girls and boys. It's important to note that gender-responsive budgeting has not creating separate budgets for women, or simply increasing spending on women's programs. Instead, efforts have aimed to make the entire budget sensitive to gender issues.
- **Youth-Based Budgeting:** This approach has so far not been adopted though youth-based budgeting involves considering the specific needs and priorities of young people in the budgeting process, taking into account factors such as education, employment, health and social services that are particularly relevant to this age group. Future efforts will need to focus on ensuring that adequate resources are allocated to programs and policies that benefit young people and also involve them in the decision-making process.

47. *Efforts are also being made to streamline the privatization of state-owned enterprises to encourage private sector participation and foster economic growth, and also to improve economic efficiency.* Given that State Owned Enterprises (SOEs) reforms will have a profound impact on the space for the private sector, the success of SOEs corporatization and privatization will likely impact all the sectors being targeted.

48. *A draft fiscal decentralization policy is awaiting cabinet approval.* Following execution, the expected implementation of the fiscal decentralization policy would improve the distribution of fiscal responsibilities and distribute resources more equitably among different levels of government with a

focus on not creating funded mandates. Other ongoing reforms encompass scaling up the Public-Private Partnership Pipeline, promoting environmentally sustainable practices in the banking sector, bolstering digital economy investments, and enhancing incentives for SDG localization.¹³ These public sector reforms (such as zero-based budgeting) are critical for driving sustainable development and fostering economic growth in Botswana.

49. Government is moving to align with the International Capital Market Association (ICMA) Green Bond Principles (GBP), ICMA Social Bond Principles (SBP), ICMA Sustainability Bond Guidelines (SBG), LMA Green Loan Principles (GLP) and Social Loan Principles (SLP), all of which were established in 2021. IFC Guidelines for Blue Finance¹⁴ (potentially relevant for Botswana for the Okavango delta and for transboundary river systems and underground water reservoir) will be used for green projects as well as Bonds to Bridge the Gender Gap developed by UN Women, IFC and ICMA for Social projects pertaining to Gender Finance.¹⁵

50. Public sector regulations for greening of the financing system will promote a comprehensive approach to financing across both public and private resources for green and climate focused investments, linked to supporting the goals laid out in the 2023-2024 Transitional NDP. For example, this Financing Strategy supports the financing of the 2021 National Energy Policy which provides a legislative framework for interventions in the energy sector including for green energy, as well as the forthcoming National Investment Strategy (NIS) being led by the Ministry of Trade and Industry (MTI) which includes a focus on sustainable financing modalities.

4.1.4 ACTIONS:

51. The results of the DFA and active stakeholder dialogue in the development of this financing strategy identify two primary building blocks in the domestic public finance space: establishing a medium-term revenue strategy and execution of the draft fiscal decentralization policy. These primary building blocks are framed by strategic budgeting and complimented by other actions, as provided in Table 2 below.

Table 2. BOTSWANA DOMESTIC FINANCE ROAD MAP OF ACTIONS			
Source of Finance	Action	Reform Category	
Domestic Public Finance	Strategic Budgeting for the SDGs	Assess current budget allocations for SDG compatibility	Institutional Reform
		Prioritize SDG-related objectives in budget planning	Institutional Reform
		Introduce SDG Budget Tagging	Institutional Reform
		Reallocate resources to support SDG priorities based	Institutional Reform
		Encourage cross-sector collaboration for multi-sectoral SDGs (i.e., SD2 on zero hunger) through joint analysis and programming and joint projects	Policy Reform
		Strengthen capacity-building for SDG budgeting	Capacity Building
		Increase SDG expenditure transparency and accountability through improved sectoral reporting and SDGs audits	Institutional Reform
		Integrate SDG progress indicators into annual budget reporting	Institutional Reform
		Introduce an Annual SDG Spending Report into the People's Budget	Institutional Reform
		Implement a Climate Budget Tagging (CBT) system	Institutional Reform
	Medium Term Revenue Strategy (MTRS)	BURS to estimate the national tax gap by tax types, including income tax, VAT, sales tax, customs duties, property and environmental taxes	Policy Reform
		Identify tax administration reform priorities including a review of taxation laws, use of ICT and increased tax audits	Policy Reform

¹³ The PPP Unit in the Ministry of Finance will have installed capacities expanded, to strengthen the capacity for developing an investment pipeline of viable PPPs, implying a strong focus on building sectoral PPP planning capacities.

¹⁴ <https://www.ifc.org/wps/wcm/connect/4a61d420-82b2-41e9-b2fd-b7fb0af38bba/IFC-Guidelines-for-Blue-Finance.pdf?MOD=AJPERES&CVID=ogvh-4f>

¹⁵ <https://www.unwomen.org/sites/default/files/2021-11/Bonds-to-bridge-the-gender-gap-en.pdf>

Table 2. BOTSWANA DOMESTIC FINANCE ROAD MAP OF ACTIONS		
Source of Finance	Action	Reform Category
	Strengthen tax compliance through education and reducing tax evasion by closing tax loopholes, implement high-risk audits and informal sector taxation	Policy Reform
	Intensify tax audits and focus them on the largest sources of revenue such as corporate income tax, VAT and personal income tax	Institutional Reform
	Target corporate tax avoidance through tax planning, transfer pricing and undervaluation, misclassification, and under-declaration of imported goods	Policy Reform
	Improve customs administration core functions	Institutional Reform
	Introduce electronic billing machines (EBMs)	Institutional Reform
	Consider introducing an expenditure growth rule of (circa 2.5 %) to control the growth of public spending by linking it to a predetermined benchmark, such as economic growth or another macroeconomic indicator.	Instruments
	Reduce corruption in public procurement through reforms that control rent-seeking and corruption including introducing a system to detect and prevent conflict of interests for public officials in line with international best practices.	Institutional Reform
	Digitalize the tax administration system to improve efficiency, reduced errors, and increased compliance and establish a policy document on taxation of the digital economy	Policy Reform
	Reduce fossil fuel subsidies and undertake the planned design introduce a carbon tax	
Approve Draft Fiscal Decentralization Policy and Execute Strategy	Devolve decision-making authorities to LGS <ul style="list-style-type: none"> ▪ Legal empowerment of LGs over local functions ▪ Institutional Reform of MLGRD and LGS through a functional review and reform road map ▪ Reorganization and capacity development of LGs through readiness and needs assessments to build core functions, with no unfunded mandates 	Policy Reform
	Extend the RESET Agenda at local level with a focus on aligning the government machinery to the Presidential Agenda, digitalization, value-chain development, and mindset change	Policy Reform
	Empower Local Governments fiscally <ul style="list-style-type: none"> ▪ Inclusive and result-oriented local recurrent budget planning ▪ Enhance local expenditure management through performance-based budgeting and SDG alignment ▪ Strengthen local Own Source Revenue and Local Revenue Framework with a focus on improving property taxation and business licensing ▪ Revision of recurrent transfer system (RSG) to remove horizontal imbalances and increase incentives 	Policy Reform
	Enhance the performance of sector ministries at local level including in relation to the environment <ul style="list-style-type: none"> ▪ Undertake sector decentralization readiness assessments ▪ All relevant sector ministries will draft a sectoral decentralization plan ▪ Introduce Ecological Fiscal Transfers to encourage and strengthen decentralization 	Capacity Building
	Enhance M&E and Performance Management of LGs and sector ministries expenditures	Capacity Building

Table 2. BOTSWANA DOMESTIC FINANCE ROAD MAP OF ACTIONS		
Source of Finance	Action	Reform Category
	<ul style="list-style-type: none"> ▪ Improve data management and M&E systems and enhance capacities 	
	<p><i>Demarcate concurrent functions and improve coordination at district level</i></p> <ul style="list-style-type: none"> ▪ Review local coordination, transparency, and accountability mechanisms ▪ Demarcate, codify, and formalize concurrent functions between sector ministries and LGs ▪ Assess the permanent inter-governmental coordination mechanism between central and district government 	Institutional Reform
	<p><i>Make Local Economic Development a priority program in NDP 12</i></p> <ul style="list-style-type: none"> ▪ Formalize LED as key performance area for LGs and establish roll out structures ▪ Establish a Performance-Based District Economic Development Grant 	Policy Reform
<i>Undertake SDG Sector Costing Using the new MoF Costing Tool</i>	Examine past trends in SDG spending as a one-off exercise for the prior three years rolling budget cycle but wage and non-wage recurrent and capital spending	Business Process
	Use MoF project and program costing instrument for SDGs and Determine costs for both operational and developmental spending sub-processes	Policy Reform
	Set National and District SDG benchmark costs for recurrent and capital spending, objectives, and per-unit expenses	Institutional Reform
	Generate SDG expense projections, verify funding shortfalls and financing sources	Institutional Reform
	Create new SDG spending baselines that include both public and private sector contributions	Institutional Reform
<i>Strengthening Gender and Youth-Based Budgeting</i>	Capacity building of key budgeting and planning experts across the spending units to identify priority actions, as well as training on gender and youth analysis, how to integrate analyses into budgeting, and how to monitor the impact of budgets on different gender and age groups.	Capacity Building
	Collecting and analyzing disaggregated data (by gender, age, etc.) to allow decision-makers to understand the different needs and priorities of various groups, and to ensure these are reflected in budget allocations.	Institutional Reform
	Formulating policies that mandate the use of gender and youth-based budgeting in all government departments can be a strong measure.	Policy Reform
	Involving the public, and especially women and youth, in budget discussions can strengthen gender and youth-based budgeting.	Policy Reform
<i>Develop a National PPP Pipeline</i>	Establish an PPP Taxonomy to provide ministries with a clear and structured framework for PPP formulation, ensuring consistent project categorization, risk assessment, and performance evaluation	Policy Reform
	Draft, approve and implement a national PPP law (there is currently a policy which has no force of law) including a clear role for the PPP unit, rules for unsolicited proposals etc.	Capacity Building
	Build core PPPs Pipeline development capacities including project screening standards, long and short listing, economic analysis, transaction advisory etc.	Institutional Reform
	Strengthen capacity building for PPP planners	Capacity Building

Table 2. BOTSWANA DOMESTIC FINANCE ROAD MAP OF ACTIONS			
Source of Finance	Action	Reform Category	
	Promote transparency and accountability in PPP processes through clear rules in place that govern competition through procurement	Institutional Reform	
	Strengthen fiscal management to contain risks, including contingent liabilities through improved Economic and financial Rate of Return, NPV and risk planning	Business Process	
	Encourage local and international private sector participation through transparent bidding, investment incentives and risk-sharing mechanisms	Policy Reform	
	Improve risk-sharing mechanisms and financial incentives such as tax breaks of credits, equity participation or co-investment and guarantees	Instruments	
	Foster small scale PPPs for localized SDG initiatives	Business Process	
	Engage stakeholders and communities in PPP decision-making through public consultation workshops, accessible communication channels and soliciting public feedback	Dialogue	
	Increase Value-for-Money in Public Spending	Streamline public sector operations for increased efficiency through business process re-engineering, shared services agreements, digitalization and technological innovation	Institutional Reform
		Undertake a series of detailed sectoral spending reviews	Business Process
		Prioritize high-impact and high economic rate of return projects and initiatives with a positive impact on growth, revenues and jobs	Policy Reform
		Enhance value-for-money in public procurement processes	Capacity Building
		Introduce new market-based financing instruments into the target sectors that do not create government liabilities	Instruments
	Public Policies for Greening the Banking System ¹⁶	Join the BIS Network for Greening the Financial System (NGFS)	Policy Reform
Establish sustainable and green financing taxonomies		Policy Reform	
Establish a Sustainable and Innovative Finance unit in BoB		Policy Reform	
Adopt ICMA Green Bond Principles (2021/2022), Adopt ICMA Social Bond Principles (2020/2022) and Adopt ICMA Sustainability Bond Guidelines (SBG)		Institutional Reform	
Implement and enforce ESG criteria in lending practices		Policy Reform	
Develop a Concept Note on Carbon Economy Adoption and roles of the public sector (regulatory framework, rules and compliance) and private sector (participates in carbon market by trading, carbon credits or offsets, invests in low-carbon technologies, and implementing emission reduction projects) and potential impact		Policy Reform	
Develop climate risk information disclosure, and stress testing standards		Policy Reform	
Strengthen the Digital Economy	Based on the World Bank funded Digital Diagnostic Establish a Digital Economy Masterplan to drive efficiency	Institutional Reform	
	Ramp up Digital Skills Development and Literacy training implemented by government for SMEs and civil society	Capacity Building	
	BoB to Develop Concept and Pilot Digital Pula (CBDC) which will improve financial inclusion	Policy Reform	
	Devise and implement public sector business process reengineering	Policy Reform	
	Implement the Single Digital Social Registry	Instruments	
	Develop digital agriculture plans and link with value chain financing	Instruments	
Pilot SDG Localization	Pilot Voluntary Sub-National Review (VSR) and identify incentives for normalizing such reviews	Policy Reform	

¹⁶ With a cost of US\$ 3.3 billion, meeting the NDC targets requires establishing an expanded mandate for the Bank of Botswana (BoB) in the greening of the financial system.

Table 2. BOTSWANA DOMESTIC FINANCE ROAD MAP OF ACTIONS		
Source of Finance	Action	Reform Category
	Integrate SDGs with the National Spatial Plan (NSP)	Instruments
	Develop localized SDG district action plans and integrate SDG indicators into local development planning	Instruments

4.1.5 ALIGNMENT WITH PRIORITY SECTORS/SDGS

52. *These actions, once executed, will have a profound impact on the social, productive and environment, tourism and climate sectors, by improving the fiscal position of government and increasing the discretionary finance available for the SDGs.* As domestic finance cuts across all Agenda 2030 SDGs, these reforms contribute to improved financing in all sectors, as well as district government and plans for align local spending to the SDGs.

4.1.6 ASSOCIATED RISKS:

53. *The biggest risks to the measures proposed are the lack of consistent political will to undertake reform measures, the limited capacity for policy execution and the possibility that the necessary mindset change, as outlined by the reset agenda.* This reality impacts action prioritization. This can also be a result of limited understanding of the need for change, and resistance to change. There is also a fear of disruption - even when disruption is needed. Politically, there is a perception (often unjustified) that change will create losers, even if it could overall be of net national benefit. Government leadership in revenue and expenditure reforms, in fiscal decentralization, in developing accelerated PPP capacities and in greening the banking system will not be achieved without increasing the sense of urgency, resources, leadership and active management. In terms of risk mitigation, if thematic bonds are to be issued, debt sustainability risks will be carefully monitored including exchange rate risks and other potential liabilities. In promoting fiscal decentralization, fiduciary standards will need to be carefully enforced to minimize risks of corruption and state capture. Additional mitigation measures to be adopted include funding diversification, and regularly evaluating and monitoring risks associated with SDG financing by establish appropriate risk mitigation strategies for the sectors.

4.2 DOMESTIC PRIVATE FINANCE ACTIONS

54. *This section introduces the context, challenges, ongoing reforms, proposed actions, their alignment with priority sectors and the SDGs and associated risks in the domestic private finance domain.* With the private sector set to play a dominant role in driving productivity growth, jobs and wealth creation, the actions developed here below reflect government's desire to see the private sector as the engine of growth.

4.2.1 CONTEXT:

55. *Government views the private sector as the primary driver of inclusive growth and economic diversification, and a necessary partner to address reliance on diamonds and a public sector-driven model, as diamonds contribute over 80% of total exports and are a major source of fiscal revenues.* Botswana has in the past distinguished itself from other African nations through its effective development strategies, robust economic performance, and a consistent history of macroeconomic stability. Government has put into place investment policies such as the NDP and NIS that have led to considerable investments in areas such as infrastructure, education, healthcare, and social welfare. With COVID-19 having exposed the country's external imbalances, Government will work to further strengthen the enabling environment to support private enterprises, through implementing the 2023 National Investment Strategy (NIS), while also deepening financial and capital markets and improving financial inclusion.

56. *The 2023 NIS provides a strong foundation for actions in the domestic private financing space as it integrates with the findings of the DFA and the approach adopted by the Addis Agenda.* Modernizing enabling legislation and doing business reform priorities can open up new financing flows

for the SDGs, and thus many actions from the NIS are reflected here. The NIS will be implemented between 2023 and 2030.

57. *The development of capital and financial markets has been steady, with the government and regulatory authorities taking progressive steps to create a robust and diversified financial sector.* The Botswana Stock Exchange (BSE) has grown over the years, attracting both local and international investors, and will continue to play a crucial role in capital formation for businesses. Efforts will continue to be made to enhance the regulatory framework, ensuring stability and fostering investor confidence, as well as development of the bond market to facilitate long-term financing for infrastructure and other projects.

58. *Government will continue to support non-banking financial institutions, such as pension funds and insurance companies, which contribute towards increased financial inclusion and deepening of the financial markets.* BSE will continue to develop new products to encourage both issuers and investors to engage capital market entities. This will include expanding equity issuance, fixed-income instruments, and exchange-traded funds (ETFs) in local and foreign currencies, as well as operating a tiered market composed of the Main Equity Board, the Venture Capital Market Board, the Tshipidi SME Board, and an Over-The-Counter Board. An emerging focus for the SDG financing strategy will be on greening the market, setting, implementing and enforcing ESG standards, introducing green and climate bonds and supporting the development of a regionally connected domestic carbon market.

4.2.2 CHALLENGES:

59. *The state-centric and diamond-dependent economy is in the process of being reconsidered, given declining fiscal buffers and over-dependence on state owned enterprises, which crowd out private capital.* Structural reforms are needed to boost competitiveness for more and better jobs, making the growth of the private sector essential to tackling the unemployment rate of 26 per cent. Current challenges include: limited access to credit for small and medium-sized enterprises (SMEs), a heavy reliance on traditional bank financing, underdeveloped capital markets, a need for a more robust regulatory environment, commercially unviable state-owned enterprises (some of which also have a regulatory role), and a lack of diverse financial products and services.¹⁷ Currently, diamonds alone comprise about 80 percent of Botswana's exports. Alongside the absence of a green banking system at a time in history when all major trading partners are greening both public spending and markets, overcoming these challenges is essential for fostering a thriving private sector that can drive innovation, create employment opportunities, and contribute to sustainable development, including strong and sustained economic growth. Current investment in transport and digital infrastructure lag other countries in the region. Financial inclusion has been progressing, though significant challenges remain in addressing the needs of the unbanked and increasing access to financing by SMEs.

4.2.3 ONGOING REFORMS:

60. *In the context of the Reset agenda, government remains committed to a new round of reforms, aimed at attracting an additional US\$40 billion in private participation over the next four years.* Implementing the Transitional NDP and the new National Investment Strategy through Vision Realization Programs (the NIS is built around vision realization programs that link reforms with leading change management), the Government continues to strengthen the regulatory framework for business, streamline business regulations, reduce bureaucratic hurdles, and enhance transparency to foster a more attractive environment for local and foreign investment; based on the actions being implemented under the 2023 NIS. Government is also investing towards expanding financial services and products to improve access to credit for SMEs, which are vital drivers of job creation and economic growth and in order to diversify the economy. BoB plans to assess the potential impact of fintech on the national payments system and central bank monetary policy transmission (including through digital currency). Government continues to actively encourage growth in non-mining sectors such as agriculture, tourism,

¹⁷ See UNCDF Botswana Financing Inclusion Refresh (2021)

and manufacturing to reduce dependence on the diamond industry and create a more resilient economy. In terms of skills development, government will upgrade the quality of education and vocational training to build a skilled workforce that can meet the demands of a diversified economy and support private sector growth.

61. On the infrastructure side, government continues to invest in critical infrastructure projects, such as transport, energy, and telecommunications, as well as in promoting special economic zones. Government continues to encourage research and development, promoting technology adoption, and fostering an entrepreneurial ecosystem to stimulate innovation and competitiveness in the private sector. Encouraging collaboration between the public and private sectors to finance and deliver large-scale projects, sharing expertise and resources for mutual benefit is ongoing and by focusing on these reform priorities, the Government of Botswana aims to create a more competitive, diversified, and sustainable economy that enables the private sector to thrive and contribute to the nation's development. Given the lack of an investment law and other critical regulations, legislative and regulatory reforms across most sectors are ongoing.

4.2.4 ACTIONS:

62. Findings from the DFA and the results of dialogue with key stakeholders has led to the following actions being identified and developed. The primary focus here is to target critical legislative reform areas such as putting in place a national legislation in relation to investment and PPPs, investing to strengthen financial inclusion, promoting venture capital, strengthen ESG Investing, establish Botswana's Carbon Market (in coordination with regional efforts, if possible), scaling up access to sustainable finance and reduce Illicit Financial Flows IFFs). Broad entry points to improve Botswana's domestic private financing are provided in Table 3 below.

Table 3. BOTSWANA DOMESTIC PRIVATE FINANCING ACTIONS			
Source of Finance	Action	Reform Category	
Domestic Private Finance	Modernize Critical Business Enabling Legislative	Enact the Investment Law	Policy Reform
		Develop a National Export Strategy	Policy Reform
		Establish a Local Content Procurement Program consistent with AfCFTA and SACU requirements	Policy Reform
		Adopt an National Investment Framework for Green Growth	Policy Reform
		Strengthen the implementation of the Citizen Economic Empowerment Policy without creating incentives and opportunities for corruption, worsened value for money, and barriers to FDI	Capacity Building
		Building from the new Banking Act, develop a licensing Framework for Digital Banks	Policy Reform
	Accelerate Financial Inclusion	Implement all outstanding 2015 FI Recommendations	Institutional Reform
		Implement the National Payment System Strategy and improve the central interoperable payment system to work across providers	Institutional Reform
		Introduce a National Retail Payments Switch (NRPS) for all domestic card and electronic payments, including through Automated Teller Machines (ATMs) and point-of-sale, Internet banking, proprietary cards, fuel cards, travel cards, mobile payments and any new instruments.	Institutional Reform
		Develop accessible risk mitigation products including improving products and distribution partnerships and regulatory and policy interventions outlined in the UNCDF Financial Inclusion Refresh	Instruments
		Improve the workings of the credit market by estimating bank credit provision, building and strengthening MFIs and alternate support mechanism for MSEM	Institutional Reform

Table 3. BOTSWANA DOMESTIC PRIVATE FINANCING ACTIONS		
Source of Finance	Action	Reform Category
	Strengthen consumer empowerment and protection such as formal financial service provider led initiatives, establishing a consumer protection framework and targeted financial literacy initiatives	Institutional Reform
	Accelerate Financial Literacy through national education and vocational training	Capacity Building
Promote Venture Capital Investments	Strengthen legal/regulatory framework for Venture Capital	Regulatory Reform
	Create government-backed Venture Capital fund with transparent governance	Instrument
	Foster startup ecosystem for example by establishing incubators and accelerators	Capacity Building
	Enhance entrepreneurial education for example by integrating entrepreneurship into curricula and providing industry mentor opportunities	Capacity Building
	Address Skills Gap in the Venture Capital Space	Capacity Building
	Collaborate with global partners such as AfDB, IFC, EIB and EBRD and private partners such as Acumen and the Omidyar Network, for example	Institutional Reform
Strengthen ESG and sustainability Investing ¹⁸	Establish ESG and sustainability regulatory framework across various industries and sectors	Regulatory Reform
	Raise ESG and sustainability awareness	Capacity Building
	Utilize SDG Impact Standards for various asset classes	Institutional Reform
	Advance IMM journey with SDG reporting and ESG integration	Capacity Building
	Integrate real impact on SDGs into decision-making	Capacity Building
	Adopt voluntary management standards for sustainability	Institutional Reform
	Transform mindsets for balanced value creation	Institutional Reform
	Integrate sustainability into core business practices.	Institutional Reform
Establish Botswana's Carbon Market and Monitoring and Enforcement	Dialogue with the market on setting Carbon Tax rates	Policy Reform
	Establish a Regulation on Carbon Economic Value	Policy Reform
	Establish a carbon emission trading system (ETS)	Institutional Reform
	Establish a Clean Development Mechanism (CDM) allowing developed countries, known as Annex I countries, to invest in greenhouse gas (GHG) emission reduction projects	
	Establish offsets for carbon emissions with BSE	Institutional Reform
	Strengthen result-based payments for carbon reduction	Institutional Reform
	Undertaken an impact assessment of and response to EU's CBAM in the short and medium term.	Institutional Reform
	Implement voluntary carbon market starting with concept development	Institutional Reform
	Establish a national inventory on impact of climate change	Institutional Reform
Scaling up Capital Markets	BoB and Ministry of Finance introduce sustainable financing and green taxonomies	Instrument
	Explore domestic green and climate bond market for sovereign, non-sovereign and corporate issuance	Policy Reform
	Strengthen monitoring of financial instruments in financial markets by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA), to regulate and supervise non-bank financial institutions, which include capital markets, insurance companies, pension funds, and other non-bank financial services providers.	Capacity Building

¹⁸ See <https://sdgimpact.undp.org/practice-standards.html>.

4.2.5 ALIGNMENT WITH PRIORITY SECTORS/SDGs:

63. *Private financing impacts all sectors identified and has a direct contribution to most SDGs, as well as indirect impacts through SDG 1 (poverty), SDG 2 (zero hunger), SDG 5 (gender equality), SDG 10 (reduced inequalities) and climate Change and environment SDGs, including biodiversity protection and sustainable cities.* As government reduces the state's footprint in the economy, private capital can play a stronger role in most of the sectors targeted by this strategy.

4.2.6 ASSOCIATED RISKS:

64. *The increased influx of capital may lead to market volatility, especially if investments are concentrated in a few sectors or are speculative in nature.* This can create financial instability and undermine long-term growth prospects. Additionally, the prioritization of short-term profits over sustainable development goals could exacerbate social and environmental challenges, such as income inequality and environmental degradation. There is also the risk of "crowding out" local businesses, as international investors may favor larger, more established enterprises over smaller, locally-owned companies. Government policy action to foster SME's connection to domestic and international value chains is critical in this regard. Moreover, weak regulatory frameworks and inadequate governance structures can lead to financial malpractices, corruption, and an erosion of investor confidence.

65. *Lastly, the reliance on private financing could result in reduced government accountability, as the state may become less involved in providing essential public goods and services.* To mitigate these risks, government will continue to strengthen regulations, promote transparent investment practices, and consistently incentivize private sector financing to align with national development priorities and global sustainability goals.

4.3 INTERNATIONAL PUBLIC FINANCE ACTIONS

66. *International public finance plays a crucial role in contributing towards national Sustainable Development Goals (SDGs) by providing essential resources, technical assistance, and support to developing countries.* International public finance plays a vital role in supporting developing countries by filling funding gaps through development assistance, grants, and concessional loans. This enables investments in critical areas such as education, health, infrastructure, and social protection. By providing guarantees, risk mitigation, and blended finance solutions, international public finance mobilizes private sector investments and domestic resources, helping countries access larger capital pools for sustainable development projects. Furthermore, it facilitates the transfer of advanced technologies, expertise, and innovative solutions, empowering developing countries to adopt sustainable practices and build capacity in key sectors. Technical support and training from development assistance strengthen institutions, governance, and human resources, essential for effective SDG implementation.

67. *International public finance fosters collaboration between developed and developing countries, promoting knowledge sharing, best practices, and cooperative efforts to address global challenges like climate change, poverty, and inequality.* It also provides crucial support during emergencies, enabling Botswana to respond effectively and build future resilience. By targeting the most vulnerable populations and districts, international public finance strengthens inclusive and equitable growth outcomes.

4.3.1 CONTEXT:

68. *International public finance consists of Official Development Assistance (ODA), Other Official Flows (OOFs) and government borrowing from international sources.* While Botswana is not a considerable beneficiary of ODA, International Finance Institutions (IFIs) 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

4.3.2 CHALLENGES:

69. *Botswana has seen a decline in the value of international public flows since attaining upper middle-income status in 2005.* According to OECD DAC, in 2020, total net ODA was around US\$ 96.4 million, constituting around 0.3 per cent of GDP.¹⁹ Moreover, external multilateral and bilateral loans constitute the lion’s share of external financing support, though external debt is in decline as domestic markets deepen, also having a preference for local currency denominated loans to reduce the risk of currency shocks. In terms of the role of ODA partners in providing first loss catalytic finance or guarantees, traditional donors are still not doing enough to move towards more sophisticated instruments including supporting negotiation of lending terms for loans.

70. *Other official flows (OOF)* include grants as official bilateral transactions, intended to promote development but having a grant element of less than 25 per cent. This category includes export credits extended directly to Botswana 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; and subsidies (grants) to the private sector. Currently, OOF to Botswana is limited, and unlikely to increase. While vertical climate fund flows for example are of greater importance, they fall a long way short of financing the NDC.

4.3.3 ONGOING REFORMS:

71. *Given the nature of international public finance flows to Botswana, the focus has not been on improving aid effectiveness, but instead on strengthening PFM systems, debt management and improvements to inclusive growth and governance outcomes.* Aligning external public flows to support the Reset agenda, has led to the prioritization of public service reforms, digitalization, and value chain development (with initial sectoral focuses on minerals, tourism, food, and education), while also developing new sources of durable growth outside the mining sector (e.g., financial services facilitated by fintech, manufacturing, and tourism). In this regard, both Agenda 2030 SDGs and the Paris Climate Agreement are front and centre of the reform agenda. .

4.3.4 ACTIONS:

72. *Findings from the DFA and the results of dialogue with key stakeholders has led to the following actions being identified and developed in the public international finance space.* Government will continue to ensure coordination and multi-year planning of official development assistance (ODA) at central and sectoral levels, engaging bilateral and multilateral partners for support. Adopting a National Development Cooperation Policy framework that encompasses a broad range of external finance resources, including ODA and beyond, will increase the catalytic impact of ODA in introducing new sustainable financing instruments and a sustainable activities and green taxonomies. Seeking potential third partners with complementary expertise and resources, building relationships, and establishing a formal framework for triangular cooperation will further enhance collaboration. Monitoring, evaluating, and adjusting the effectiveness of ODA and triangular cooperation initiatives will help optimize outcomes. Promoting knowledge sharing, capacity building, and facilitating private sector and civil society participation in triangular cooperation initiatives will also further enhance the sustainability and impact of these efforts. Broad entry points to improve Botswana’s international public financing are provided in Table 4 below.

Table 4. BOTSWANA INTERNATIONAL PUBLIC FINANCE ACTIONS		
Source of Finance	Action	Reform Category
<i>Strengthen Relations with MDBs and DFIs</i>	Strengthen investment relationships with priority bilateral DFIs such as Germany, FCDO or Sida, leveraging support to negotiate for improved lending terms: longer-terms, lower interest rates, and more in local currencies	Institutional Reform

¹⁹

https://public.tableau.com/views/OECDACaidatag glancebyrecipient_new/Recipients?:embed=y&:display_count=yes&:showTabs=y&:toolbar=no?&:showVizHome=no

Table 4. BOTSWANA INTERNATIONAL PUBLIC FINANCE ACTIONS			
Source of Finance	Action	Reform Category	
	Through EU Team Europe Initiatives, learn from the EU Green Deal and Green Taxonomy for greening the banking system	Institutional Reform	
	Better utilize AfDB's ability to attract domestic and external private capital for Botswana through various guarantee instruments, such as Partial Risk Guarantees (PRIs), Partial Credit Guarantees (PCGs), Trade Finance Guarantees and co-guarantees and syndication.	Institutional Reform	
	Explore the range of financing instruments promoted by DFIs/MDBs including blockchain, green, gender, climate bonds	Instruments	
	IFIs, MDBs and DFIs increase support for SOE corporatization and privatization to strengthen market-based solutions and reduce subsidies and contingent liability	Institutional Reform	
	Transition away from project financing towards a more programmatic sector-based investments and sector investment plans	Capacity Building	
	Expand mobilization of international climate funds (vertical funds and via thematic issuance) including use of funds in a more catalytic manner		
<i>International Public Finance</i>	<i>Strengthening ODA alignment with national sustainable development priorities and Effectiveness</i>	Adopt a National Development Cooperation Policy framework	Institutional Reform
		Strengthen relations with non-traditional donors	Institutional Reform
		Avoid duplication and fragmentation of aid efforts, for example by strengthening joint analysis, assessment and programming	Capacity Building
		Encourage ODA partners to adopt an explicit approach to piloting, adoption and scaling innovative instruments beyond loans, grants and guarantees such as Apex financing structures to close the missing middle in SME financing, use of catalytic first-loss capital, social and development impact bonds (DIBs) and results-based financing, for example.	Capacity Building
		Improve reporting of ODA / OOF flows in relation to national SDGs	Capacity Building
		Build financial literacy and capacity for new instruments into all programs with the ranks of the international cooperation community, beyond concessional loans, grants and guarantees	Capacity Building
		Use multilateral insurers to leverage trade credit and investment re-risking capacities	Capacity Building

4.3.5 ALIGNMENT WITH PRIORITY SECTORS/SDGs:

73. *A primary focus on international public finance is to align with national and district level priorities.* A key issue here is the extent to which this financing strategy is fully supported by international finance, helping the MoF led Oversight Committee to execute this strategy. This requires integration of these actions into country strategies and analytic and diagnostic work, as well as IMF, World Bank and AfDB support for critical aspects such as the MTRS, MTDS and fiscal decentralization.

4.3.6 ASSOCIATED RISKS:

74. *There are few direct risks under this support, though there is a risk that the opportunity to use the financing strategy as an instrument of reform is only partially supported.* It is however expected that international public finance support is high impact, with strong catalytic and spill over impacts.

4.4 INTERNATIONAL PRIVATE FINANCE ACTIONS

75. *International private finances consist of FDI, remittances, philanthropic flows, Corporate Social Responsibility and NGO Flows.* Despite being an open economy, albeit with a small demographic, levels of international private finance outside of the banking sector have been limited and are unlikely to change unless there is a fundamental shift in investment attraction.

4.4.1 CONTEXT:

76. *Foreign Direct Investment (FDI) plays a significant role in boosting economic growth by attracting capital, technology, and expertise from foreign investors, primarily in mining, tourism, and finance, though FDI has been volatile and falling in recent years.* Remittances from Botswana's diaspora population provide a modest (0.3. % of GDP in 2021) form of financial support to some families and communities, though again these have fallen substantially over the past two decades.

77. *Philanthropic flows remain relatively minor.* They include donations from foundations, individuals, and corporations, support social and development initiatives in areas such as education, healthcare, and community development.

78. *Corporate Social Responsibility (CSR):* CSR quality has been elevated in recent years contributing to local development and environmental sustainability, reflecting a growing commitment to ethical and responsible practices. However, given that relatively few larger corporations and dominance of SMEs, widespread adoption of CSR principle and practices will take many years to achieve.

79. *Non-Governmental Organization (NGO) flows* involve funding and support from international and local NGOs, which focus on various development, human rights, and environmental issues, complementing the government's efforts to address national challenges and advance the SDGs. Overall NGO flows are modest; as documented by the DFA, but are important in particular areas such as conservation.

4.4.2 CHALLENGES:

80. *Net inflows of FDI remain low and have been on a downward path since the Global Financial Crisis in 2008-2009.* Given that Botswana represents only a small domestic market, is weakly integrated into the South Africa and SADC economies, and has shallow capital and financial markets, many of the challenges noted here relate to structural market and political economy factors. FDI is also constrained by legal and regulatory challenges and bureaucratic processes that deter foreign investors, and by limited current opportunities. FDI remained depressed and portfolio outflows remained fairly strong in 2021, mainly due to offshore investments by pension funds.

81. With regard to non-commercial international private finance, remittances have high transaction costs (6-12 % over the SDG target 3%) and limited access to formal remittance channels, while philanthropic flows are limited largely to conservation. Despite gains, there is still limited integration of Corporate Social Responsibility (CSR) initiatives into core business strategies and NGO funding constraints are made worse by regulatory restrictions on NGO operations.²⁰ The size of primary capital markets in Botswana is small, with the Botswana Stock Exchange (BSE) being the primary securities exchange in the country, listing both equity and debt instruments.

²⁰ According to the EU, CSOs can operate freely and access funding, without any major restriction. Nevertheless, over the past few years, some barriers to registration have emerged, both in the law and in the practice of the law. The recent amendment to the Societies Act (2016) has introduced more stringent requirements for registering associations and faith based organizations. Moreover, over the past few years, a few organizations have been denied registration by the Registrar of Societies, particularly those addressing issues of LGBTI (Legabibo7, then registered through a court rule) or sex workers (Sisonke Botswana Association); other organizations are experiencing undue delays in obtaining their certificate of registration. (EU Road Map for Engagement with Civil Society, 2020)

4.4.3 ONGOING REFORMS:

82. *Botswana's National Investment Strategy (NIS for the period 2023-2030) is the country's blueprint for maximizing the quantity and quality of its annual flows of desirable investment, foreign and domestic.* It was developed with a vision to transform Botswana into a major international investment destination and hub for regional investment. Maximizing the quantity and quality of annual investment flows is a critical intermediate step in Botswana's quest to build a resilient and diversified high-performance economy whose real per capita growth is rapid (about 7% per annum), inclusive and sustainable. The ultimate goal is to propel Botswana towards its aspirational goal of "Prosperity for All" and a high income per capita GDP (US\$13,205 in 2022 US Dollars) by 2036. This transition requires profound structural transformation of the economy. Achieving this will depend on the extent to which Botswana can diversify its economy, seeking and realizing the transformative power of Fourth Industrial Revolution (4IR) outcomes, mindset change and a globally competitive human capital. The NIS is critical to the INFF in that it outlines how the government, in partnering with, and leveraging and incentivizing the private sector, can accelerate private foreign investment in the economy, and enhance economy-wide productivity and competitiveness in a sustainable way. The NIS is developed as a proactive and forward-thinking approach to investment, built around a clear national investment vision and supported by Vision Realization Programs. Notwithstanding that many sectors and whole of public procurement are closed to international capital flows, these programs seek to exploit the following opportunities, as the basis for attracting international private flows :

- ***Agriculture:*** Opportunities exist to expand primary production of grain, fruits, vegetables, poultry, small stock, milk and beef, as well as value addition across products and exports.
- ***Automotive industry:*** While the major opportunities are in regional (or even global) value chains Botswana needs large-scale manufacturing of automotive. The combination of the concentration of people in high growth population centres and rising household incomes is especially good for the artisan services sector such as auto repairs and related services.
- ***Cargo Freight and Logistics:*** The sector offers opportunities in freight transport, aviation, transit services, storage terminals, marketing, trade facilitation and accommodation. The biggest and potentially most transformative opportunity for Botswana to explore, court and incentivize private partners for, is the establishment of a regional transport and logistics hub in the Francistown area.
- ***Digital Economy:*** Opportunities abound in the areas of e-commerce, digital content, ICT hardware and software, internet-based digital technologies, global e-value chains, and digital banking and the arts amongst others.
- ***Education:*** With appropriate policies and incentives, private investment could flow into public education (pre-primary to tertiary), vocational education, Continuous Professional Development, Centres of Excellence, student accommodation, infrastructure and e-education.
- ***Financial and Business Services:*** Opportunities to leverage new innovations for growth in commercial banking, insurance and micro-finance, asset management and investment finance are being pursued.
- ***Health:*** Opportunities abound across the entire health value chain, in private health care, diagnostic facilities (imaging and laboratory), pharmaceutical manufacturing, medical tourism, e-health and health infrastructure.
- ***Information and Communication Technologies:*** The opportunities are associated with Botswana Digital and Innovation Hub, research and development, infrastructure and fiber-optic networks, data centers, e-government, communications, security, mobile services, big data and

other 4IR investments. However, there seem to be many barriers to inward FDI in the ITC sector, which need to be addressed.

- **Manufacturing:** The opportunities include artisan manufacturing, agro-processing, pharmaceuticals, garments, value addition across sectors, and product space development.
- **Tourism:** The potential growth areas are wildlife-based tourism, eco-tourism, business tourism, e-tourism, MICE (Meetings, Incentives, Conferences and Events) and domestic leisure tourism, though barriers to FDI in the tourism sector are multiple.
- **Mining:** The potential lies in diamond, copper, nickel and coal mining, and lesser-known resources such as uranium. Further, Botswana’s mineral potential is still not fully explored. There is, therefore, potential for investment in exploration, extraction, processing and beneficiation.
- **Infrastructure and Renewable Energy:** Botswana’s gap and trends in infrastructure financing suggest that with a fair amount of regulatory inventiveness, Botswana could attract significant amounts of private capital into infrastructure and renewable energy, especially solar.
- **The creative industries:** The creative industries - performing and fine arts, film and video, radio and television, music and dance, culture and heritage, fashion, design, computer games, software development and electronic publishing can, with appropriate catalytic investments and incentives, contribute significantly to investment, growth, diversification and employment creation.

4.4.4 ACTIONS:

83. *Findings from the DFA and the results of dialogue with key stakeholders has led to the following actions being identified and developed for international private finance.* The primary focus here is to target foreign direct investment and diaspora remittances, given that the other flows remain small and are unlikely to have a considerable impact in closing the SDG financing gap. Broad entry points to improve Botswana’s domestic private financing are provided in Table 5 below.

Table 5. BOTSWANA INTERNATIONAL PRIVATE FINANCE ACTIONS		
Source of Finance	Action	Reform Category
<i>International Private Finance</i>	<i>Increase Foreign Direct Investment</i>	Improve business environment and ease of doing business prioritizing (i) simplifying business registration process (ii) improving access to credit (iii) streamline tax administration (iv) enhance property registration procedures (v) fostering efficient contract enforcement (vi) facilitate cross-border trade and (vii) strengthening insolvency frameworks as outlined in the 2023 NIS
		Working with sector ministries and BITC and MITI, establish an investment pipeline for FDI
		Enhance investment promotion and marketing efforts, for example through (i) developing targeted investment promotion campaigns (ii) showcase success stories of existing investors (iii) participate in international trade fairs and conferences (iv) strengthening collaboration with foreign embassies and trade offices (v) enhancing online presence and use of digital marketing tools (vi) improving investor aftercare services and (vii) organizing sector-specific investment forums and roadshows.
		Foster international investment in PPPs by developing a PPP law, facilitating access to information, streamlining the approval process and establishing bankable investment opportunities

Table 5. BOTSWANA INTERNATIONAL PRIVATE FINANCE ACTIONS		
Source of Finance	Action	Reform Category
<i>More Effective use of Remittances</i>	Develop targeted sector-specific incentives for example, tax-breaks, feed-in tariffs and grants for renewables, and export-oriented agribusiness ventures for example.	Business Regime
	Reduce limits on Foreign Control and Right to Private Ownership and Establishment by creating a more open and competitive business environment.	Policy Reform
	Develop and expand financial instruments, products and platforms for diaspora remittances and investment	Instruments
	Lower remittance transfer costs (currently at 6-12%) ²¹ and facilitate diaspora accounts / corridors and reduce remittance fees to 3% through Fintech	Policy Reform
	Improve bankarization rates for diaspora transfers through formal banking channels	Instruments
	Create a pipeline of investable opportunities for the diaspora through instruments such as diaspora bonds, crowdfunding (equity, loans, donations)	Instruments
Encourage FinTech companies to play a larger role in facilitating remittances and ultimately lower the cost.	Instruments	

4.4.5. ALIGNMENT WITH PRIORITY SECTORS/SDGs:

84. *The primary focus of international private finance is returns and the role of government is to incentivize those returns to be not just economic in nature but also socially and environmentally positive.* In terms of the SDGs, FDI primarily targets SDG 8 (Decent Work and Economic Growth), SDG 9: (Industry, Innovation, and Infrastructure), SDG 10 (Reduced Inequalities) and SDG 17 (Partnerships for the Goals). FDI can also indirectly contribute to other SDGs, depending on the nature of investments and their social, environmental, and economic impacts. Remittances primarily target the following SDG 1 (No Poverty), SDG 3 (Good Health and Well-being), SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth) and SDG 10 (Reduced Inequalities). Remittances can also indirectly contribute to other SDGs, depending on how the funds are utilized by the recipients and the resulting social, environmental, and economic impacts.

4.4.6 ASSOCIATED RISKS:

85. *The primary risks associated with FDI and remittances could include over-dependence on foreign capital, should flows substantially increase, which can lead to economic vulnerability.* Additionally, high levels of FDI might result in an uneven distribution of benefits, with some sectors or regions benefiting more than others, potentially exacerbating income inequalities. For this reason, government will consider the potential impact on all dimensions of sustainability of identified policy solutions (economic, social, and environmental) alongside strengthening policy coherence. As for remittances, while they support consumption, government will encourage a broader use of remittances to also encourage investment in long-term national development. Despite remittances being low volume, there is a risk that FDI is of low quality in that it does not bring technology, better management, more competition and it may not create significant employment.

4.5 POTENTIAL SECTOR FUNDING INSTRUMENTS

86. Table 6 A longer list of instruments is provided in Annex 1, and Annex 2 provides an overview of how these instruments can be used within a right-financing approach, based on country examples.

²¹ <https://remittanceprices.worldbank.org/corridor/South-Africa/Botswana>

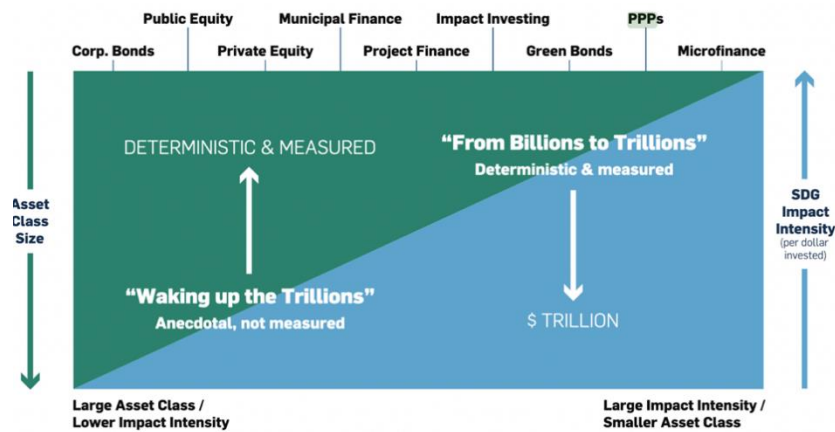
Table 6. PRIORITY SECTOR FUNDING INSTRUMENTS
<p>Debt Instruments</p> <ul style="list-style-type: none"> ▪ Revenue-increasing measures: Efforts to increase the tax base by reducing tax exemptions & subsidies, expanding the formal sector and improving tax administration, notably VAT, will be applied, as part of the MTRS outlined above. ▪ Expenditure-saving measures: Improving public sector efficiency, eliminating fossil fuel subsidies, rationalizing other subsidies, improving the efficiency of public investment, etc. ▪ Sovereign bonds: Issuing bonds in local or international markets to finance SDG-related projects or infrastructure. Use case: Funding clean energy projects or upgrading educational facilities. ▪ Green bonds: Debt instruments dedicated to financing environmentally friendly projects. Use case: Supporting renewable energy, sustainable agriculture, or climate adaptation initiatives. ▪ Social bonds: Bonds aimed at addressing social challenges and promoting positive social outcomes. Use case: Financing affordable housing, healthcare, or education initiatives. ▪ SDG bonds: Bonds specifically designed to finance projects that contribute to multiple SDGs. Use case: Investing in projects that address poverty reduction, gender equality, and environmental sustainability. ▪ Diaspora bonds: Targeting Botswana's expatriate community to raise funds for development projects. Use case: Leveraging the diaspora's financial resources to support infrastructure or social development projects. ▪ Municipal bonds: Local governments issuing debt instruments to finance regional or city-level SDG initiatives. Use case: Funding water supply systems, transportation infrastructure, or waste management projects. ▪ Public-Private Partnership (PPP) bonds: Financing projects jointly developed by public and private entities. Use case: Supporting infrastructure development, such as highways, airports, or hospitals. ▪ Opportunities and potential risks: While these debt financing instruments can offer significant opportunities for mobilizing resources, improving infrastructure, and achieving the SDGs, they also come with potential risks. These risks include increasing public debt and debt service levels, interest rate volatility, and potential default. It is essential for Botswana to carefully assess and manage these risks when considering public debt financing instruments for SDG-related projects.
<p>Equity Instruments</p> <ul style="list-style-type: none"> ▪ Venture capital (Existing & Operational): Attracting investments from venture capital firms targeting early-stage, high-potential companies. Use case: Supporting startups focusing on clean technologies or social innovation. ▪ Private equity (Existing & Operational): Securing investments from private equity firms for more mature companies or projects. Use case: Financing the expansion of businesses in sustainable agriculture, healthcare, or education sectors. ▪ Impact investing: Attracting investments that seek both financial returns and positive social and environmental impact. Use case: Funding projects in areas such as affordable housing, renewable energy, or microfinance. ▪ Public equity funds: Creating government-backed equity funds focused on financing SDG-aligned projects or businesses. Use case: Investing in companies contributing to clean energy, sustainable infrastructure, or social development. ▪ Crowdfunding: Raising capital from a large number of individual investors through online platforms. Use case: Supporting small-scale projects or startups in sectors like clean technology, healthcare, or education. There is however, need to remove regulatory barriers to crowdfunding for this option to be realized fully. ▪ Employee stock ownership plans (ESOPs): Offering employees equity ownership in the company as a form of compensation. Use case: Encouraging employee engagement and motivation in businesses focused on sustainability or social impact. ▪ Social stock exchanges: Establishing a dedicated platform for trading shares of companies with a social or environmental mission. Use case: Facilitating access to capital for businesses committed to the SDGs and providing investors with socially responsible investment options.

<ul style="list-style-type: none"> ▪ Opportunities and potential risks: Equity financing instruments can offer considerable opportunities for mobilizing private capital, fostering innovation, and supporting the SDGs. However, they also come with potential risks, such as market volatility, illiquidity, and potential loss of ownership control. Additionally, finding the right investors or platforms may be challenging. It is crucial for Botswana to carefully assess and manage these risks when considering equity financing instruments for SDG-related projects or businesses.
Blended Financing
<ul style="list-style-type: none"> ▪ Guarantees: Using credit guarantees from development partners or governments to attract private investments for SDG-related projects. Use case: Encouraging private sector investments in infrastructure or clean energy projects. ▪ Catalytic first-loss capital: Allocating public or philanthropic capital to absorb the initial losses in an investment, thereby reducing risks for private investors. Use case: Mobilizing private investments for high-risk, high-impact projects in areas such as healthcare or climate adaptation. ▪ Development impact bonds (DIBs): Tying repayment of investments to the achievement of specific social or environmental outcomes. Use case: Financing projects in education, healthcare, or environmental conservation with measurable targets. ▪ Results-based financing: Structuring investments to provide financial rewards for achieving pre-defined performance targets. Use case: Incentivizing businesses or project developers to deliver sustainable solutions in sectors like clean energy or water supply. ▪ Concessional loans blended with equity: Combining concessional loans from development partners with equity investments from private investors. Use case: Financing large-scale infrastructure or social development projects that require both debt and equity financing. ▪ Technical assistance facilities: Providing grants or technical assistance to enhance the viability of projects and attract private investments. Use case: Supporting capacity building and project preparation in areas such as renewable energy or sustainable agriculture. ▪ Opportunities and potential risks: Blended financing instruments can unlock significant opportunities to mobilize private capital, reduce risks, and support the SDGs. However, they also come with potential risks, including the complexity of structuring blended finance deals, ensuring the effective use of public or philanthropic funds, and maintaining transparency and accountability. It is essential for Botswana to carefully assess and manage these risks when considering blended financing instruments for SDG-related projects or businesses.
Grants
Grants from ODA partners can be used with the above instruments to support policy and institutional reforms as well as to further de-risk and incentivize private equity.

87. Innovation in sustainable financing has fundamentally changed the way governments invest in sustainable development, and this Sustainable Financing Strategy brings these solutions to Botswana. Linking with the Network for Greening the Financing System, the primary policy solution offered here is the adoption of relevant innovative and sustainable financing principles, guidelines and standards, to provide a coherent, transparent and accountable financing ecosystem recognized by international bodies and future creditors alike.

88. Given the size of the NDP / SDG financing gap, a critical focus will be on identifying instruments that can be deployed at scale. This will require a deliberate effort to cost the SDGs first given that projects in the TNDP PIP that integrates SDGs have not been appraised and/or prioritized to quantify the returns on investment. However, Figure 1 below provides a useful frame of reference in this regard, indicating how a range of instruments can be scaled while also having SDG impact intensity. A key focus for this strategy therefore is not just to introduce new instruments that are fully aligned and integrated with the NDP/SDGs, but to balance the national portfolio with instruments that provide both quality of coverage, and scale.

Figure 2 ASSET CLASSES AND SCALING GREEN AND SUSTAINABLE INVESTMENTS



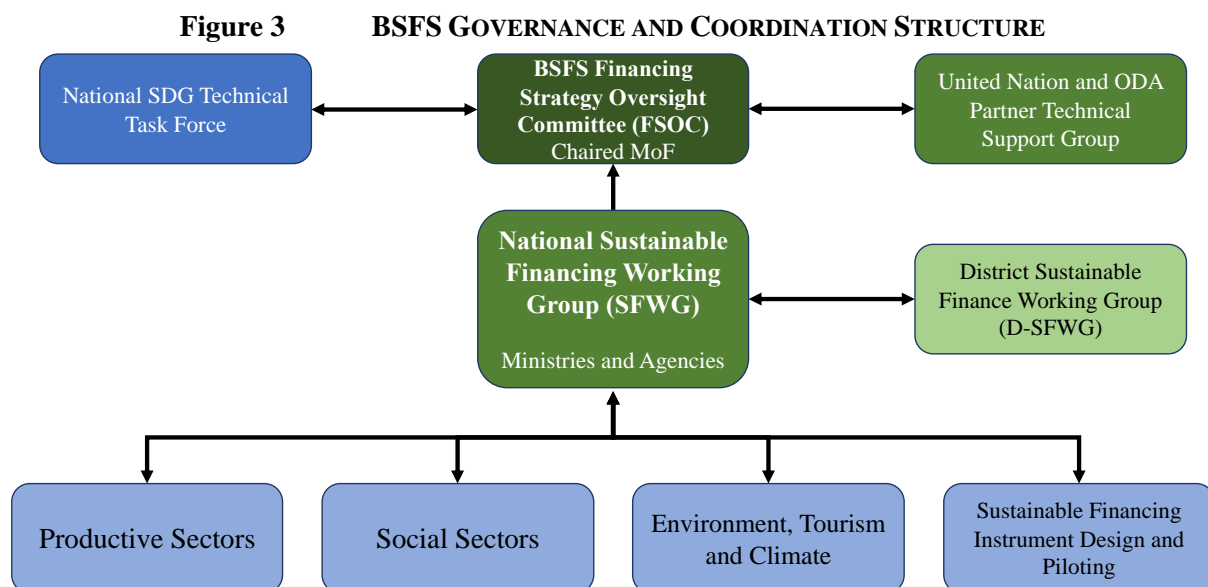
Source: SDG Bonds: Leveraging Capital Markets (UN Global Compact, UNDP), 2019

89. While a range of instruments are expected to be deployed (See Annex 1), green, climate and social (including gender) bonds are expected to dominate sustainable debt financing instruments, alongside fiscal streamlining and a reinvigorated focus on developing a national pipeline of PPPs. Of priority, given the focus on economic diversification and financial inclusion (households and enterprises) a consideration is made for developing an Apex MSME financing structure to provide credit guarantees to participating financing institutions, thus reducing the risk of non-collateralized MSME lending. A focus on non-financial services (insurance and re-insurance) will also be prioritized, including risk transfers and an expanded use of micro insurance. A summary description of each instrument and its relevance to Botswana is provided in annex 2.

5. GOVERNANCE AND COORDINATION

90. *Governance arrangements for the BSFS are built across three levels, all of which are fully integrated into core government functions.* Formation of the governance arrangements will take note of existing structures such as the four sectoral Thematic Working Groups and where feasible use the same technical expertise. At the national level the Economy and Employment Thematic Working Group will assume the function of a typical Financing Strategy Oversight Committee (FSOC) supported by a Secretariat and Sustainable Financing Working Group (SFWG) to be chaired by the Ministry of Finance composed of the Bank of Botswana and sector ministry financing experts. The Ministry of Finance is already chairing the Economy and Employment Thematic Working Group. Given the focus on fiscal decentralization and local development, each district will appoint a District Sustainable Finance Expert Group (D-SFWG) providing an outreach structure around which the financing of SDG localization can be developed.

91. *The primary design of the governance and coordination structure is to create an administratively structure that has the ability, capacity and mandate for decision making.* As a result, the structure presented in Figure 3 below balances policy leadership with financial market acumen, allowing the various actions to be executed over the life of the BSFS (2023-2030).



92. *The functional mandate of the Financing Strategy governance and coordination three-tier structure is developed below.* This structure will be actioned and operationalized following the formal approval of the strategy by Cabinet.

5.1 FINANCING STRATEGY OVERSIGHT COMMITTEE (FSOC)

93. *The Financing Strategy Oversight Committee (FSOC), chaired by the Minister of Finance, is the lead decision making structure for the BSFS.* While Offices of the President, Prime minister's Offices and Planning Ministries have chaired FSOCs in other countries, given the many reforms such as MTRS, fiscal decentralization, national budget allocations, gender and youth-based budgeting and instruments such as PPPs, MoF leadership is considered essential. The committee is entrusted with the responsibility for directing the BSFS implementation while ensuring coordination among public and private financial sectors. This will be part of the deliverable of the Economy and Employment TWG and not necessarily as a stand-alone committee. This deliverable will include initiating and conducting evaluations to collect data on financing requirements, including trends, risks, and limitations, which will help implement the agreed-upon financing strategy components and tools, aligned with national sustainable development priorities from 2023 to 2030.

94. The Oversight Committee guarantees the integration of public and private financing policies with sustainable development objectives and fosters consistency across policy domains. The committee identifies and recommends any necessary institutional changes to support monitoring and review frameworks, coordination structures, and dialogues with external stakeholders, such as the private sector and civil society, including discussions on cross-cutting issues like gender, climate change, and inclusivity. The FSOC closely collaborates with the Office of the President and government policymakers, on linkage to the Reset Agenda and NDP, and also private sector representatives, and other non-state stakeholders to deliver the financing strategy.

95. The FSOC's core function is to steer the development and execution of the BSFS, setting priorities in sequence, and designing the roadmap across four key areas: analysis and diagnosis, financing strategy development, monitoring and review, and governance and coordination. Through joint efforts, the Oversight Committee facilitates and directs the process while advocating for and executing actions in the roadmap. In this capacity, the primary responsibilities of the FSOC include:

- Overseeing various tasks related to the BSFS implementation, emphasizing the delivery of the roadmap.
- Monitoring and evaluation, learning from experience accumulated, strategic leadership
- Aligning the roadmap with ongoing or planned reforms surrounding the National Development Planning process.
- Assembling stakeholders from diverse sectors, including national and local government, private sector, and other relevant entities such as international cooperation partners and civil society.
- Promoting the benefits and advantages of the BSFS (business case and value proposition) and communicating accomplishments.
- Working with policymakers beyond the committee to create, endorse, and implement necessary reforms required to operationalize the BSFS.
- Coordination and tasking of road map actions to the National Sustainable Financing Working Group (See Road Map in Annex 2).
- Coordinating with development partners to obtain technical assistance for the BSFS process including resource mobilization.
- Ensuring the integration of key concerns such as women's empowerment, fiscal decentralization, climate action, greening the banking system or curbing illicit financial flows.
- Supporting and nurturing SDG localization across districts and municipalities.

96. The FSOC will include the Bank of Botswana, BURS and other finance and planning related decision-making structures, at the discretion of MoF.²² The FSOC will guide the work of the Sustainable Finance Working Group (SFWG), in close connection with the National SDG Committee, chaired by MoF and UN Resident Coordinator. In term, the SFWG will work closely with the District Sustainable Financing Working Group, which is charged with localizing SDG financing. The FSOC manages up to the President's Office (including the National Strategy Office), as well as down through the sectors and districts, in line with the following broad responsibilities as outlined in Table 7 below:

Entity/Institution	Commitment & Leadership	Coordination & Harmonization	Knowledge & Perspectives
President's Office	X		
Cabinet	X	X	X
National Steering Committee	X		
FSOC	X	X	A
SFWG	X	X	X
D-SFWG	X	X	X

²² A key aspect of the INFF value proposition is to broaden participation in financing policy making beyond the usual actors in order to encourage consideration of all dimensions of sustainability and of principles such as equity when designing and priorities financing reforms.

Additional Working Teams			X
Ministry of Finance	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 Planning Commission (NPC)	X	X	
Bank of Botswana	X	X	X
Statistics Botswana		X	
Botswana Unified Revenue Services	X		X
Auditor General			X
National Development Bank	X	X	
District Planning Units			X
Ministry of Local Government and Rural Development	X	X	
Sector Ministries	X	X	X
Pula Fund	X		X
Botswana Government Communications and Information System (BGCIS)		X	X
Business Botswana	X	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

5.2 BSFS WORKING GROUP (AS A THEMATIC WORKING GROUP)

97. *The FSOC will have at its disposal the technical expertise of the key sector ministries organized through a Sustainable Financing Working Group (SFWG).* The Ministry of Finance Permanent Secretary will chair the SFWG, with the responsibility for taking forward directives and requests emerging from the FSOC. The established Economy and Employment Technical working group chaired by MoF Permanent Secretary will assume this function. Specific deliverables for this Group will include up taking new and innovative financing instruments into the sector investment plans and advising the FSOC on their possible use. Based on the current composition of the Technical Working group, selection of sectors for the BSFS, the following indicative participation is expected:

- Minister of Finance or Permanent Secretary, Ministry of Finance (Chair)
- Office of the President National Strategy Office (NSO)
- Bank of Botswana
- Ministry of Local Government and Rural Development
- Ministry of Education and Skills Development
- Ministry of Agriculture
- Ministry of Health
- Ministry of Environment, Wildlife and Tourism
- Ministry of Transport and Communications
- Ministry of Lands and Water Resources
- Ministry of Youth, Sport and Culture
- Ministry of Justice
- Ministry of Minerals, Energy and Water Resources
- Ministry of Labour and Home Affairs

- Ministry of Infrastructure, Science and Technology
- Ministry of Entrepreneurship
- Business Botswana (Private Sector Representative)

98. *With a focus on crowding in private capital, on coherence and integration, the following dialogue partners are to be engaged in executing the BSFS through consultative meetings, to move from a whole-of-government to a whole-of-society approach:*

- Domestic and international private sector.
- Botswana Agricultural Marketing Board (BAMB).
- Botswana Bureau of Standards (BOBS).
- Botswana Development Corporation (BDC).
- Botswana Digital and Innovation Hub (BDIH).
- Botswana Export Credit Insurance (BECI).
- Botswana Exporters and Manufacturers Association (BEMA).
- Botswana Institute for Technology Research and Innovation (BITRI).
- Botswana Investment and Trade Centre (BITC).
- Botswana Meat Commission (BMC)
- Botswana National Productivity Centre (BNPC).
- Botswana Stock Exchange.
- Botswana Unified Revenue Service (BURS)
- Business Botswana (BB).
- CEDA Venture Capital Fund.
- Citizen Entrepreneurship Development Agency (CEDA)
- Competition and Consumer Authority (CCA).
- International Financial Services Centre (IFSC).
- Local Enterprise Authority (LEA);
- National Development Bank (NDB)
- National Doing Business Committee.
- National Food Control Laboratory.
- National Food Technology Research Centre (NFTRC)
- National Food Technology Research Centre (NFTRC).
- Selibe Phikwe Economic Diversification Unit (SPEDU).
- Small Business Council.
- Botswana Exporters & Manufactures Association (BEMA)
- Special Economic Zones Authority (SEZA).
- Women in Business Association (WIBA).
- Women's Finance House.
- International Cooperation Partners and International Finance Institutions.

5.3 DISTRICT SUSTAINABLE FINANCE EXPERT GROUP (D-SFWG)

99. *Notwithstanding existing structures such as the District Development Committees and Village Development Committees, the D-SFWG will lead the process of implementing the fiscal aspects of the fiscal decentralization policy and strategy, as well as driving the SDG localization process forward.*

- Assess district-level sustainable financing needs and opportunities.
- Identify and engage potential local funding sources and partnerships for SDG implementation.
- Develop district-specific sustainable finance strategies and plans.
- Monitor and evaluate district-level SDG financing progress.
- Facilitate capacity building for local stakeholders in sustainable finance.
- Collaborate with national SFWG to convey district level concerns and ensure alignment with national goals and strategies
- Engage with local private sector and civil society to mobilize resources.

- Promote awareness of sustainable finance and SDGs among district stakeholders.
- Share best district practices and lessons learned with other districts and national bodies.
- Address district-specific challenges and barriers to sustainable finance implementation

5.4 ADDITIONAL ACTIONS FOR CONSIDERATION

100. *In order to strengthen governance and coordination on an ongoing basis, the following options are offered for consideration by the members of the FSOC.* These and other actions will be sanctioned as part of the rolling BSFS Road Map execution as provided in Section 4.

- Set up SDG Centers at district level to serve as enablers, catalysts, and think tanks, fostering SDG adoption and implementation.
- Identify and create new public-private collaboration platforms and productivity pacts to deepen dialogue around innovative financial instruments for the SDGs.
- Launch national education campaigns, public events, and media coverage to raise awareness and support for the SDGs.
- Establish a UN Global Compact Local Network in Botswana to enhance public-private dialogue and collaboration on the SDGs.
- Develop a Triangular Cooperation Framework for priority sectors, encouraging public and private investors to work together on SDG-focused projects.
- Create SDG Localization Contract Groups and financial forums in various regions to promote the localization of SDGs and enhance regional cooperation.

101. *By considering these and other actions for implementation, the strategy aims to foster a supportive environment for the achievement of the SDGs, encouraging collaboration between the public and private sectors, and facilitating the localization of the goals across the country.* Over the life of the strategy, new sector priorities such as the digital economy and digitization agenda can be added, at the discretion of MoF.

5.5 STRATEGIC PRIORITIZATION & SEQUENCING OF INVESTMENTS

102. *The FSOC will focus on prioritizing and sequencing SDG-related investments in Botswana, ensuring resources are allocated effectively for maximum impact and sustainability.* This process involves pinpointing the most pressing and crucial SDGs and targets in the local context, followed by determining the optimal sequence of investments to accomplish these goals between 2023 and 2030. The committee will consider the interdependencies, trade-offs, feasibility, costs, and benefits of various investment options while assessing different SDGs. MoF will engage relevant stakeholders to include their perspectives and priorities in the decision-making process, all within the framework of medium-term and annual fiscal and budget planning processes.

5.6 OVERCOMING POLITICAL ECONOMY CONSTRAINTS

103. *Perhaps one of the biggest challenges to be overcome in executing these reforms are political economy constraints.* Botswana has a strong history of passing policy, regulatory and planning reforms but in recent years has struggled to guarantee implementation. For this reason – and linked to the President’s Reset Agenda, the FSOC and BSFS Working Group – a primary focus is on establishing these structures as the guiding coalition, delivering a common vision for change, and creating quick wins in execution. Moreover, given potential resistance to reforms related to decentralization or gender-based budgeting, the engagement of international cooperation partners and civil society will be key to improving accountability and transparency, combined with capacity building and efforts to promote mindset change.

5.7 PERFORMANCE EVALUATION

104. The MoF will prepare an annual report on the implementation of the BSFS for the FSOC's review summarizing key lessons learnt and adjustments made in response, making it publicly accessible at the end of each fiscal year. The report will detail (i) all roadmap reforms undertaken, (ii) resources mobilized, (iii) SDG impact, (iv) challenges encountered, and (v) priorities for the upcoming fiscal year. This annual BSFS report will contribute to the National Voluntary Review (NVR) and will be coordinated with the SFWG and D-SFWG.

5.8 EFFECTIVE COMMUNICATIONS

105. *Effective communications for the BSFS will aim to raise awareness about the SDGs and Sustainable Finance stakeholders, fostering partnerships and public involvement in achieving the goals.* The government will collaborate with civil society organizations, the private sector, and other stakeholders to develop a comprehensive communication strategy promoting the SDGs and motivating people to take action toward their realization.

106. *A strategic communication plan will be developed.* This will guide internal communications to government staff and representatives of the international community and partners; external communications to various stakeholders (including at the national, district, and community levels) and the general public; branding and image building; reputational management; public relations and advocacy; partnerships development; and the strengthening of networks with various bodies, including Botswana's state media channels, United Nations (UN) outlets, and independent media.

107. *The Communication Strategy will serve various communities from political and policy leaders to technical experts, private investors, civil society and international partners, and as a result it will serve both internal and external communication needs; and be a tool of public relations.* To this end, the following key communications messages are provided to give an example of how communication tools can be used to promote mind-set change and encourage a broad revolution in understanding the new role of the private sector in aligning with the SDGs, as a new strategic partner for the goals. Applying the framework's strategic communication strategy will therefore:

- Send a strong and consistent signal that integrating the framework (at all levels, from the central, district levels to the community level) in all aspects of recovery and resilience planning can help move toward achieving sustainable financing objectives.
- Showcase the unique role of the BSFS in strengthening capacity to support sector and district authorities and local communities in implementing sector and district level investments.
- Create recognition and awareness of the main aims of the BSFS as the basis for strengthening strategic partnerships.
- Develop and disseminate stories of success, particularly those that can put a human face to the positive impacts of engagement and more sustainable financing that highlight results, and that enhance awareness among stakeholders as to how the BSFS works.
- Link to community voices as part of the qualitative and quantitative monitoring process undertaken by the Ministry of Local Government and Rural Development
- Create visibility of the BSFS among donors and partners.

108. In strengthening communications, the Ministry of Finance will actively use media tools and outlets to engage partners and stakeholders with a view to seeking their collaboration to establish improved recovery and resilience.

5.9 INTEGRATED COORDINATION MECHANISMS

109. *Robust government coordination mechanisms are essential for fostering collaboration, efficiency, and informed decision-making across government agencies, with the overall coordination responsibility resting with the MoF.* The Office of the President can facilitate biannual BSFS

deliberations in Cabinet, with other SFWG ministries and D-SFWG structures leading public engagement to spearhead national and sub-national coordination. Coordination efforts will also encompass inter-ministerial meetings, sub-cabinet committees, task forces, joint operations meetings, public-private policy dialogue and information-sharing systems. Currently there are four established Thematic Working Groups (TWGs) designed according to sectoral context, chaired by Ministers of the lead Ministries and coordinated by the Office of the President. Each TWG has various established Technical working groups as well chaired by Permanent Secretaries. As these groups are already well established and functional, it is expected that they will form the core committees that implements the BSFS.

6. MONITORING AND REVIEW

110. *The monitoring and review process is fully mainstreamed into government functions, in line with Vision 2036 and NDP arrangements, and as outlined in the 2022 National Voluntary Review (NVR).* Effective monitoring and review is therefore integral to the National Monitoring and Evaluation System (NMES). Moreover, as the BSFS is aligned to the NDP, the baselines and targets set by the National Planning Commission including for the Vision 2036 Index, and the Botswana Domestic SDG Indicator Framework (which tracks 209 indicators) provide the foundation for overall impact level monitoring, underpinned by the SDG Indicator Baseline Framework established in 2018.

111. *To strengthen the coverage of financing indicators under the NMES, a BSFS Dashboard is to be established in order to track public and private flows across the economy, providing an overall view of changes in sustainable financing flows over time.* The dashboard will also monitor the size, value and impact of different instruments, such as PPPs implemented and climate and green bonds issued, from which eligible projects are financed. The primary objectives of the BSFS monitoring and review framework is therefore to ‘monitor action plan results delivered by the SFWG in order to steer decision-making and learning, report progress against plans and make improvements to delivery based on lessons learned. Given that the action plan covers policies, regulations, business processes, instruments, capacities and strategic partnerships, the Dashboard will monitor both processes and the value of financing flows. Regulatory Impact Assessments (RIAs) will support monitoring with new regulations and bond standards being introduced. RIAs will also be a standard tool for assessing the likely overall impact of new regulation and policy measures prior to their implementation to manage risks.

6 In order to streamline the monitoring and review process, the following approach is suggested:

- **Joint National Steering Committee:** The Joint National Steering Committee will report overall NDP and Agenda 2030 performance through regular meetings, held at least annually based on existing arrangements.
- **Ministry of Finance FSOC and SFWG:** The Ministry of Finance will chair the FSOC and SFWG and remain the custodian of the **BSFS Dashboard**, updating data flows on a quarterly basis in order to track performance in delivery of action plan areas and activities. The BSFS Dashboard will provide the overall key performance indicators, base, mid and end lines for the action plan provided in section 6 above. The dashboard will provide data and analysis on progress toward SDG attainment including NMES, and to national budgetary and parliamentary reporting, as well as inputs into the NVR and any Citizen’s Budgets that may be produced.
- **The National Monitoring and Evaluation System (NMES):** The NMES will provide the overall system for monitoring NDP and Agenda 2030 outcome, supported by the BSFS Dashboard to increase reporting of Financing for Development (FfD). This will be housed within the National Planning Commission (NPC).
- **National Budget:** Priorities identified (By NPC), on an annual and medium-term basis from the BSFS will be integrated into the MoF Budget Strategy Paper, including an Annex of expected flows covering domestic and international public and private forecasts. The budget call circular will be upgraded to improve guidance to sector Ministries on potential new and innovative instruments.
- **Annual Report and Mid-Term Review:** The SFWG will produce an annual report on the execution of the action plan and commission an independent Mid Term Review in 2026, following which adjustments will be made, based on the recommendations.
- **Impact Communication:** MoF and Sector Ministries will provide the public updates on new policies, standards, instruments and projects successes, to support a whole-of-society approach,

and in support of increasing visibility and awareness. The BSFS will consider branding, as part of Agenda 2030’s national communication strategy.

6.1 FINANCING FLOW DASHBOARD

112. *The BSFS Macro performance dashboard provided in Table 9 below will constitute the backbone of the monitoring of impacts of domestic and international public and private flows, providing the basis for tracking progress and annual policy review.* This will provide the evidence base for policy, institutional and financial market reforms, as well as monitoring risks related to debt, and contingent liabilities for example, and guarantees or long-term Power Purchase Agreements that commit future budgets. Table 8 provides a set of financing flow monitoring and review actions that would cover overall performance in financing SDGs. These will be undertaken at the discretion of the FSOC.

Table 8. BSFS MONITORING AND REVIEW ACTIONS			
<i>Monitoring and Review</i>	<i>Strengthening Monitoring of New Instruments</i>	Establish a macro performance monitoring dashboard for Botswana	Institutional Reform
		Present an Annual Report on the Botswana Sustainable Finance Strategy (BSFS) implementation, fostering learning, change management, and success monitoring.	Policy Reform
		Enhance the Voluntary National Review (VNR) with key SDG financing achievements, showcasing reduced SDG financing gaps and diversified instruments.	Institutional Reform
		Conduct a Mid-Term BSFS Review by 2026 to reassess and update the Road Map, as well as establish new priorities.	Institutional Reform
		Create SDG proxy indicators in accordance with UNSTAT standards.	Capacity Building
		Offer capacity building support for statisticians to enhance data collection.	Capacity Building
		Reinforce independent third-party monitoring of green and climate bond performance reviews.	Institutional Reform
		Implement Environmental, Social, and Governance (ESG) regulatory compliance using verifiable market standards.	Institutional Reform
		Refine definitions and indicators for "green" investments.	Institutional Reform
		Establish ESG reporting standards and design mechanisms and processes to address risks associated with green-washing.; strengthen ESG enforcement.	Institutional Reform

113. *Table 9 also provides a set of proposed monitoring and review actions that can be undertaken at the discretion of the FSOC.* These baselines allow overall performance in financing the SDGs to be monitored on an annual basis. Table 10 provides the overall summary road map of proposed actions, with institutional roles and over time, as the basis for implementing the monitoring the financing strategy.

Table 9. BOTSWANA BSFS PERFORMANCE MONITORING DASHBOARD (TO BE POPULATED ONCE STRATEGY AGREED)											
<i>Action Area</i>	<i>Indicator</i>	<i>Baseline (2022 / 2023)</i>	<i>23/24</i>	<i>24/25</i>	<i>25/26</i>	<i>26/27</i>	<i>27/28</i>	<i>28/29</i>	<i>29/30</i>	<i>Data Source</i>	<i>Frequency</i>
Domestic Public											
<i>Revenue and grants</i>	% of GDP	31.97								IMF	
<i>Non-Sovereign Revenue</i>	Ratio of non-sovereign tax to GDP									MoF	
<i>Tax Effort</i>	% GDP (100% = full compliance)									MoF	
<i>Expenditures & Net Lending</i>	% of GDP	33.5								MoF / MoPED	
<i>Overall Balance</i>	% of GDP									MoF / MoPED	
<i>Public Debt</i>	Debt to GDP Ratio (5)									External Debt Committee	
Domestic Private											
<i>Gross Fixed Capital Formation</i>	Pula Value									Central Bank	
<i>Credit to Private Sector</i>	Percent Change									Central Bank	
<i>Illicit Financial Flows</i>	Total inward and outward value US\$									Central Bank / UNODC	
<i>Capital Markets</i>	Pula									Stock Exchange	
<i>Private Equity</i>	Pula										
<i>Micro-Finance</i>	Pula									MFI Associations	
<i>Islamic Finance</i>	Pula										
<i>Financial Inclusion</i>	Banked %									UNCDF	
International Public											
<i>ODA Grants</i>	US\$										
<i>ODA Loans</i>	US\$										
<i>Thematic Bonds</i>	US\$										
<i>Other Official Flows</i>	US\$										
<i>Guaranteed Borrowing</i>	US\$										
<i>Climate Financing</i>	US\$										
International Private											
<i>Foreign Direct Investment</i>	Net US\$ Billions										
<i>Personal Remittances</i>	% of GDP										
<i>Remittance Costs</i>	Transaction Cost %										
<i>Portfolio Inflows</i>	US\$										
<i>NGOs, foundation & philanthropy</i>	US\$										
<i>Private Borrowing</i>	US\$										

ANNEX 1 BSFS ROAD MAP

Table 10. BOTSWANA ROAD MAP FOR SDG FINANCING FRAMEWORK (TO BE COMPLETED)

#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
Domestic Public Actions							
1	Strategic Budgeting for the SDGs	Assess budget for SDG compatibility.	The rationale for strategic budgeting for the SDGs is to align financial resources with sustainable development goals, prioritize impactful interventions, enhance accountability, and ensure effective utilization of public funds to advance economic, social, and environmental objectives.				
		Prioritize SDG objectives in budget planning.					
		Introduce SDG Budget Tagging.					
		Reallocate resources for SDG priorities.					
		Encourage cross-sector SDG collaboration through joint projects.					
		Strengthen SDG budgeting capacity.					
		Increase SDG expenditure transparency and accountability.					
		Integrate SDG indicators into budget reporting.					
		Introduce Annual SDG Spending Report.					
Implement Climate Budget Tagging system.							
2	Medium Term Revenue Strategy (MTRS)	Estimate national tax gap by tax types.	To ensure sustainable revenue generation, align tax policies with economic goals, and enhance fiscal stability. It helps governments optimize revenue collection, streamline tax administration, improve compliance, and support funding for public services, infrastructure, and economic growth.				
		Identify tax reform priorities including law review, ICT use, and increased audits.					
		Strengthen tax compliance, educate, close loopholes, and implement high-risk audits.					
		Intensify tax audits focusing on major revenue sources.					
		Target corporate tax avoidance mechanisms.					
		Improve core customs administration functions.					
		Introduce electronic billing machines (EBMs).					
		Introduce expenditure growth rule to control public spending.					
		Reduce procurement corruption through reforms, introduce conflict of interest detection system.					
Digitalize tax system, establish digital economy taxation policy.							
Reduce fossil fuel subsidies, design carbon tax.							
3	Approve Draft Fiscal Decentralization	Devolve decision-making authorities to LGS	Empower local governments, tailor interventions, promote				
		Extend the RESET Agenda at local level					
		Empower Local Governments fiscally					

Table 10. BOTSWANA ROAD MAP FOR SDG FINANCING FRAMEWORK (TO BE COMPLETED)

#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
	Policy and Execute Strategy	<p>Enhance the performance of sector ministries at local level including in relation to the environment</p> <p>Enhance M&E and Performance Management of LGs and sector ministries expenditures</p> <p>Demarcate concurrent functions and improve coordination at district level</p> <p>Make Local Economic Development a priority program in NDP 12</p>	inclusivity, enhance accountability, localize SDGs.				
4	Undertake SDG Sector Costing Using the new MoF Costing Tool	<p>Analyze past SDG spending trends over three-year budget cycle.</p> <p>Use MoF project costing tool for SDGs, assess operational and developmental costs.</p> <p>Set national and district SDG benchmark costs.</p> <p>Generate SDG expense projections, identify funding gaps and sources.</p> <p>Establish new SDG spending baselines including public and private contributions.</p>	Assess financial requirements to effectively allocate resources for SDG implementation and ensure efficient resource utilization.				
5	Strengthening Gender and Youth-Based Budgeting	<p>Build capacity in budgeting and planning with a focus on gender and youth analysis.</p> <p>Collect and analyze disaggregated data to reflect diverse needs in budget allocations.</p> <p>Formulate policies for mandatory use of gender and youth-based budgeting.</p> <p>Involve the public, especially women and youth, in budget discussions.</p>	Promote equity, inclusivity, and targeted allocation of resources to address gender and youth needs, leading to sustainable and inclusive development.				
6	Develop a National PPP Pipeline	<p>Establish a PPP Taxonomy for structured project framework.</p> <p>Draft and implement a national PPP law.</p> <p>Develop core capacities for PPP Pipeline including project screening and analysis.</p> <p>Strengthen PPP planners' capacity.</p> <p>Promote transparency and accountability in procurement.</p> <p>Strengthen fiscal management to contain risks.</p> <p>Encourage private sector participation through transparent bidding and risk-sharing.</p>	Establish a structured and transparent framework to identify, prioritize, and develop bankable public-private partnership projects, attracting private investment and expertise for infrastructure development, economic				

Table 10. BOTSWANA ROAD MAP FOR SDG FINANCING FRAMEWORK (TO BE COMPLETED)

#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
		<ul style="list-style-type: none"> Improve risk-sharing mechanisms and investment incentives. Foster small scale PPPs for localized initiatives. 	growth, and service delivery improvement.				
7	Increase Value-for-Money in Public Spending	<ul style="list-style-type: none"> Streamline public sector operations with business process re-engineering and digitalization. Conduct detailed sectoral spending reviews. Prioritize high-impact projects with positive growth and revenue effects. Enhance value-for-money in public procurement. Introduce market-based financing instruments without creating government liabilities. 	Optimize the utilization of public resources by maximizing the efficiency, effectiveness, and impact of government expenditures, ensuring that taxpayers' money is used in the most cost-effective and beneficial way.				
8	Public Policies for Greening the Banking System	<ul style="list-style-type: none"> Join BIS Network for Greening the Financial System (NGFS). Establish green financing taxonomies. Set up Sustainable and Innovative Finance unit in BoB. Adopt ICMA Green, Social Bond Principles and Sustainability Bond Guidelines. Enforce ESG criteria in lending. Develop Concept Note on Carbon Economy Adoption. Establish climate risk disclosure and stress testing standards. 	Supports the transition to a greener economy, mitigates environmental risks, and fosters long-term sustainability in the financial sector.				
9	Strengthen the Digital Economy	<ul style="list-style-type: none"> Establish Digital Economy Masterplan from World Bank Digital Diagnostic. Enhance Digital Skills Development for SMEs and civil society. Pilot Digital Pula (CBDC) for improved financial inclusion. Implement public sector business process reengineering. Deploy Single Digital Social Registry. Create digital agriculture plans linked with value chain financing. 	Enhance economic growth, innovation, and competitiveness by leveraging digital technologies, expanding digital infrastructure, and promoting digital skills development.				
10	Pilot SDG Localization	<ul style="list-style-type: none"> Pilot Voluntary Sub-National Review (VSR) and incentivize regular reviews. Merge SDGs with National Spatial Plan (NSP). Craft localized SDG district action plans and incorporate SDG indicators into local planning. 	Ensures that local needs and challenges are addressed, fosters ownership and participation, and drives sustainable development at the grassroots level.				

Table 10. BOTSWANA ROAD MAP FOR SDG FINANCING FRAMEWORK (TO BE COMPLETED)							
#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
Domestic Private Actions							
11	Modernize Critical Business Enabling Legislative	Implement the Investment Law.	Enables businesses to thrive, fosters innovation, attracts investments, and creates a conducive environment for sustainable development.				
		Formulate a National Export Strategy.					
		Initiate a Local Content Procurement Program meeting AfCFTA and SACU standards.					
		Adopt a Green Growth National Investment Framework.					
		Enhance Citizen Economic Empowerment Policy implementation, avoiding corruption and barriers to FDI.					
		Based on the new Banking Act, establish a Digital Banks licensing framework.					
12	Accelerate Financial Inclusion	Implement remaining 2015 FI Recommendations.	By expanding access to financial services, marginalized individuals and underserved communities can participate in the formal economy, build assets, and improve their overall well-being.				
		Roll out the National Payment System Strategy, enhancing central interoperable payment system.					
		Launch a National Retail Payments Switch (NRPS) for all domestic electronic transactions.					
		Develop accessible risk mitigation products as per UNCDF Financial Inclusion Refresh.					
		Enhance credit market operations, bolstering MFIs and alternate support for MSEs.					
		Bolster consumer empowerment, establishing a protection framework and promoting financial literacy.					
		Promote Financial Literacy through national education and vocational training.					
13	Promote Venture Capital Investments	Bolster legal/regulatory framework for Venture Capital.	Promoting venture capital investments drives innovation, job creation, and economic growth.				
		Establish a transparent government-backed Venture Capital fund.					
		Develop start-up ecosystem with incubators and accelerators.					
		Integrate entrepreneurial education into curricula and provide industry mentorship.					
		Bridge Skills Gap in Venture Capital space.					
		Partner with global entities like AfDB, IFC, EIB, EBRD, Acumen, and Omidyar Network.					
14		Set ESG and sustainability regulatory framework across industries and sectors.	Strengthening ESG and sustainability investing fosters				

Table 10. BOTSWANA ROAD MAP FOR SDG FINANCING FRAMEWORK (TO BE COMPLETED)							
#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
	Strengthen ESG and sustainability Investing	<ul style="list-style-type: none"> Boost ESG and sustainability awareness. Implement SDG Impact Standards for asset classes. Enhance IMM with SDG reporting and ESG integration. Incorporate real SDG impact into decision-making. Follow voluntary management standards for sustainability. Encourage balanced value creation mindset. Infuse sustainability into core business practices. 	responsible business practices and long-term value creation.				
15	Establish Botswana's Carbon Market and Monitoring and Enforcement	<ul style="list-style-type: none"> Engage in dialogue with the market to determine Carbon Tax rates. Enact Regulation on Carbon Economic Value. Implement a carbon emission trading system (ETS). Establish a Clean Development Mechanism (CDM) for GHG emission reduction projects. Create offsets for carbon emissions with BSE. Enhance result-based payments for carbon reduction. Conduct impact assessment and respond to EU's CBAM in the short and medium term. Launch a voluntary carbon market, starting with concept development. Develop a national inventory on the impact of climate change. 	Establishing Botswana's carbon market and monitoring and enforcement mechanisms ensures effective climate change mitigation and accountability.				
16	Scaling up Capital Markets	<ul style="list-style-type: none"> Introduce sustainable financing and green taxonomies by BoB and Ministry of Finance. Explore domestic green and climate bond market for various issuers. Enhance monitoring of financial instruments in financial markets by NBFIRA. 	Scaling up capital markets enhances economic growth, facilitates efficient allocation of capital, and promotes investment opportunities for businesses and individuals.				
International Public Actions							
18	Strengthen Relations with MDBs and DFIs	<ul style="list-style-type: none"> Strengthen investment relationships with bilateral DFIs for improved lending terms. Leverage EU Team Europe Initiatives to learn from the EU Green Deal and Green Taxonomy. Utilize AfDB's guarantee instruments to attract private capital. Explore financing instruments promoted by DFIs/MDBs, including blockchain and green, gender, and climate bonds. 	Strengthening relations with MDBs (Multilateral Development Banks) and DFIs (Development Financial Institutions) expands access to financing, promotes				

Table 10. BOTSWANA ROAD MAP FOR SDG FINANCING FRAMEWORK (TO BE COMPLETED)							
#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
		Support SOE corporatization and privatization to reduce subsidies and contingent liability. Focus on programmatic sector-based investments and sector investment plans. Mobilize international climate funds in a catalytic manner.	sustainable development, and supports economic growth.				
19	Strengthening ODA alignment with national sustainable development priorities and Effectiveness	Establish a National Development Cooperation Policy framework. Strengthen relationships with non-traditional donors. Enhance coordination and avoid duplication of aid efforts through joint analysis and programming. Encourage ODA partners to adopt innovative instruments beyond traditional loans and grants. Improve reporting of ODA/OOF flows in relation to national SDGs. Promote financial literacy and capacity-building for new instruments in international cooperation programs. Utilize multilateral insurers to leverage trade credit and investment re-risking capacities.	Strengthening ODA (Official Development Assistance) alignment with national sustainable development priorities and effectiveness maximizes the impact of aid and supports sustainable development goals.				
International Private Actions							
20	Increase Foreign Direct Investment	Improve business environment: Simplify registration processes, enhance access to credit, streamline tax administration, and improve property registration and contract enforcement. Establish investment pipeline: Collaborate with sector ministries, BITC, and MITI to attract FDI. Enhance investment promotion: Conduct targeted campaigns, showcase success stories, participate in trade events, collaborate with foreign entities, enhance online presence, improve aftercare services, and organize sector-specific forums and roadshows. Foster international investment in PPPs: Develop PPP law, facilitate information access, streamline approval processes, and create bankable investment opportunities.	Increasing foreign direct investment (FDI) boosts economic growth, creates jobs, fosters technological transfer, and enhances competitiveness.				

Table 10. BOTSWANA ROAD MAP FOR SDG FINANCING FRAMEWORK (TO BE COMPLETED)							
#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
		Provide sector-specific incentives: Offer tax breaks, feed-in tariffs, grants for renewables, and support for export-oriented agribusiness ventures. Promote open business environment: Reduce restrictions on foreign control, private ownership, and establishment rights.					
21	More Effective use of Remittance	Expand financial instruments for diaspora remittances and investment. Lower remittance transfer costs and fees through Fintech solutions. Increase bankarization rates for diaspora transfers through formal banking channels. Develop investable opportunities for the diaspora through instruments like diaspora bonds and crowdfunding. Promote FinTech companies' involvement in facilitating remittances and reducing costs.	Ensuring more effective use of remittances maximizes their potential for economic development, poverty reduction, and financial inclusion.				
Governance and Coordination Actions (within the implementation of SDG Financing Framework (SDG FF))							
22	Establish Financing Strategy Oversight Committee	Draft and Approve TOR Agree Membership Establish meeting and communications protocols Convene inaugural meeting and agree road map priorities and responsibilities	Ensures effective management, coordination, and oversight of BFSF Road Map Actions for optimal outcomes.				
23	Establish National Sustainable Finance Working Group	Draft and Approve TOR Agree Membership Establish meeting and communications protocols Task sectors with prioritization of financing instruments and mechanisms	To bring together a united front of subject-matter experts to lay the foundation for financial innovation and BSFS implementation.				
24	Establish District Sustainable Finance Working Group	Draft and Approve TOR Agree Membership Establish linkages with District Planning Structures Agree priorities and tasks	To integrate SDG localization into strategic investments to reflect local needs and pioneer fiscal decentralization.				
Monitoring & Evaluation & Risk management Actions							
25		Establish macro performance monitoring dashboard. Present Annual Report on BSFS implementation.	Strengthening the monitoring of new instruments enhances				

Table 10. BOTSWANA ROAD MAP FOR SDG FINANCING FRAMEWORK (TO BE COMPLETED)							
#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
	Strengthening Monitoring of New Instruments	Enhance VNR with key SDG financing achievements.	transparency, risk management, and accountability in financial markets and investments.				
		Conduct Mid-Term BSFS Review by 2026.					
		Create SDG proxy indicators following UNSTAT standards.					
		Provide capacity building support for statisticians.					
		Reinforce third-party monitoring of green and climate bond performance.					
		Implement ESG regulatory compliance with market standards.					
		Refine definitions and indicators for "green" investments.					
		Establish ESG reporting standards and strengthen enforcement mechanisms.					

Table 11. BOTSWANA ROAD MAP FOR SDG FINANCING FRAMEWORK (TO BE COMPLETED)							
#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
Domestic Public Actions							
1	Strategic Budgeting for the SDGs	Assess budget for SDG compatibility.	The rationale for strategic budgeting for the SDGs is to align financial resources with sustainable development goals, prioritize impactful interventions, enhance accountability, and ensure effective utilization of public funds to advance economic, social, and environmental objectives.				
		Prioritize SDG objectives in budget planning.					
		Introduce SDG Budget Tagging.					
		Reallocate resources for SDG priorities.					
		Encourage cross-sector SDG collaboration through joint projects.					
		Strengthen SDG budgeting capacity.					
		Increase SDG expenditure transparency and accountability.					
		Integrate SDG indicators into budget reporting.					
		Introduce Annual SDG Spending Report.					
Implement Climate Budget Tagging system.							
2	Medium Term Revenue Strategy (MTRS)	Estimate national tax gap by tax types.	To ensure sustainable revenue generation, align tax policies with economic goals, and enhance fiscal stability. It helps governments optimize revenue				
		Identify tax reform priorities including law review, ICT use, increased audits.					
		Strengthen tax compliance, educate, close loopholes, implement high-risk audits.					

Table 11. BOTSWANA ROAD MAP FOR SDG FINANCING FRAMEWORK (TO BE COMPLETED)

#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
		Intensify tax audits focusing on major revenue sources. Target corporate tax avoidance mechanisms. Improve core customs administration functions. Introduce electronic billing machines (EBMs). Introduce expenditure growth rule to control public spending. Reduce procurement corruption through reforms, introduce conflict of interest detection system. Digitalize tax system, establish digital economy taxation policy. Reduce fossil fuel subsidies, design carbon tax.	collection, streamline tax administration, improve compliance, and support funding for public services, infrastructure, and economic growth.				
3	Approve Draft Fiscal Decentralization Policy and Execute Strategy	Devolve decision-making authorities to LGS Extend the RESET Agenda at local level Empower Local Governments fiscally Enhance the performance of sector ministries at local level including in relation to the environment Enhance M&E and Performance Management of LGs and sector ministries expenditures Demarcate concurrent functions and improve coordination at district level Make Local Economic Development a priority program in NDP 12	Empower local governments, tailor interventions, promote inclusivity, enhance accountability, localize SDGs.				
4	Undertake SDG Sector Costing Using the new MoF Costing Tool	Analyze past SDG spending trends over three-year budget cycle. Use MoF project costing tool for SDGs, assess operational and developmental costs. Set national and district SDG benchmark costs. Generate SDG expense projections, identify funding gaps and sources. Establish new SDG spending baselines including public and private contributions.	Assess financial requirements to effectively allocate resources for SDG implementation and ensure efficient resource utilization.				
5	Strengthening Gender and Youth-Based Budgeting	Build capacity in budgeting and planning with a focus on gender and youth analysis. Collect and analyze disaggregated data to reflect diverse needs in budget allocations.	Promote equity, inclusivity, and targeted allocation of resources to address gender and youth needs, leading to				

Table 11. BOTSWANA ROAD MAP FOR SDG FINANCING FRAMEWORK (TO BE COMPLETED)

#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
		Formulate policies for mandatory use of gender and youth-based budgeting. Involve the public, especially women and youth, in budget discussions.	sustainable and inclusive development.				
6	Develop a National PPP Pipeline	Establish a PPP Taxonomy for structured project framework. Draft and implement a national PPP law. Develop core capacities for PPP Pipeline including project screening and analysis. Strengthen PPP planners' capacity. Promote transparency and accountability in procurement. Strengthen fiscal management to contain risks. Encourage private sector participation through transparent bidding and risk-sharing. Improve risk-sharing mechanisms and investment incentives. Foster small scale PPPs for localized initiatives.	Establish a structured and transparent framework to identify, prioritize, and develop bankable public-private partnership projects, attracting private investment and expertise for infrastructure development, economic growth, and service delivery improvement.				
7	Increase Value-for-Money in Public Spending	Streamline public sector operations with business process re-engineering and digitalization. Conduct detailed sectoral spending reviews. Prioritize high-impact projects with positive growth and revenue effects. Enhance value-for-money in public procurement. Introduce market-based financing instruments without creating government liabilities.	Optimize the utilization of public resources by maximizing the efficiency, effectiveness, and impact of government expenditures, ensuring that taxpayers' money is used in the most cost-effective and beneficial way.				
8	Public Policies for Greening the Banking System	Join BIS Network for Greening the Financial System (NGFS). Establish green financing taxonomies. Set up Sustainable and Innovative Finance unit in BoB. Adopt ICMA Green, Social Bond Principles and Sustainability Bond Guidelines. Enforce ESG criteria in lending. Develop Concept Note on Carbon Economy Adoption. Establish climate risk disclosure and stress testing standards.	Supports the transition to a greener economy, mitigates environmental risks, and fosters long-term sustainability in the financial sector.				
9	Strengthen the Digital Economy	Establish Digital Economy Masterplan from World Bank Digital Diagnostic.	Enhance economic growth, innovation, and				

Table 11. BOTSWANA ROAD MAP FOR SDG FINANCING FRAMEWORK (TO BE COMPLETED)							
#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
		Enhance Digital Skills Development for SMEs and civil society. Pilot Digital Pula (CBDC) for improved financial inclusion. Implement public sector business process reengineering. Deploy Single Digital Social Registry. Create digital agriculture plans linked with value chain financing.	competitiveness by leveraging digital technologies, expanding digital infrastructure, and promoting digital skills development.				
10	Pilot SDG Localization	Pilot Voluntary Sub-National Review (VSR) and incentivize regular reviews. Merge SDGs with National Spatial Plan (NSP). Craft localized SDG district action plans and incorporate SDG indicators into local planning.	Ensures that local needs and challenges are addressed, fosters ownership and participation, and drives sustainable development at the grassroots level.				
Domestic Private Actions							
11	Modernize Critical Business Enabling Legislative	Implement the Investment Law. Formulate a National Export Strategy. Initiate a Local Content Procurement Program meeting AfCFTA and SACU standards. Adopt a Green Growth National Investment Framework. Enhance Citizen Economic Empowerment Policy implementation, avoiding corruption and barriers to FDI. Based on the new Banking Act, establish a Digital Banks licensing framework.	Enables businesses to thrive, fosters innovation, attracts investments, and creates a conducive environment for sustainable development.				
12	Accelerate Financial Inclusion	Implement remaining 2015 FI Recommendations. Roll out the National Payment System Strategy, enhancing central interoperable payment system. Launch a National Retail Payments Switch (NRPS) for all domestic electronic transactions. Develop accessible risk mitigation products as per UNCDF Financial Inclusion Refresh. Enhance credit market operations, bolstering MFIs and alternate support for MSEMs. Bolster consumer empowerment, establishing a protection framework and promoting financial literacy.	By expanding access to financial services, marginalized individuals and underserved communities can participate in the formal economy, build assets, and improve their overall well-being.				

Table 11. BOTSWANA ROAD MAP FOR SDG FINANCING FRAMEWORK (TO BE COMPLETED)							
#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
		Promote Financial Literacy through national education and vocational training.					
13	Promote Venture Capital Investments	Bolster legal/regulatory framework for Venture Capital.	Promoting venture capital investments drives innovation, job creation, and economic growth.				
		Establish a transparent government-backed Venture Capital fund.					
		Develop start-up ecosystem with incubators and accelerators.					
		Integrate entrepreneurial education into curricula and provide industry mentorship.					
		Bridge Skills Gap in Venture Capital space.					
		Partner with global entities like AfDB, IFC, EIB, EBRD, Acumen, and Omidyar Network.					
14	Strengthen ESG and sustainability Investing	Set ESG and sustainability regulatory framework across industries and sectors.	Strengthening ESG and sustainability investing fosters responsible business practices and long-term value creation.				
		Boost ESG and sustainability awareness.					
		Implement SDG Impact Standards for asset classes.					
		Enhance IMM with SDG reporting and ESG integration.					
		Incorporate real SDG impact into decision-making.					
		Follow voluntary management standards for sustainability.					
		Encourage balanced value creation mindset.					
		Infuse sustainability into core business practices.					
15	Establish Botswana's Carbon Market and Monitoring and Enforcement	Engage in dialogue with the market to determine Carbon Tax rates.	Establishing Botswana's carbon market and monitoring and enforcement mechanisms ensures effective climate change mitigation and accountability.				
		Enact Regulation on Carbon Economic Value.					
		Implement a carbon emission trading system (ETS).					
		Establish a Clean Development Mechanism (CDM) for GHG emission reduction projects.					
		Create offsets for carbon emissions with BSE.					
		Enhance result-based payments for carbon reduction.					
		Conduct impact assessment and respond to EU's CBAM in the short and medium term.					
		Launch a voluntary carbon market, starting with concept development.					
		Develop a national inventory on the impact of climate change.					

Table 11. BOTSWANA ROAD MAP FOR SDG FINANCING FRAMEWORK (TO BE COMPLETED)							
#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
16	Scaling up Capital Markets	Introduce sustainable financing and green taxonomies by BoB and Ministry of Finance.	Scaling up capital markets enhances economic growth, facilitates efficient allocation of capital, and promotes investment opportunities for businesses and individuals.				
		Explore domestic green and climate bond market for various issuers.					
		Enhance monitoring of financial instruments in financial markets by NBFIRA.					
International Public Actions							
18	Strengthen Relations with MDBs and DFIs	Strengthen investment relationships with bilateral DFIs for improved lending terms.	Strengthening relations with MDBs (Multilateral Development Banks) and DFIs (Development Financial Institutions) expands access to financing, promotes sustainable development, and supports economic growth.				
		Leverage EU Team Europe Initiatives to learn from the EU Green Deal and Green Taxonomy.					
		Utilize AfDB's guarantee instruments to attract private capital.					
		Explore financing instruments promoted by DFIs/MDBs, including blockchain and green, gender, and climate bonds.					
		Support SOE corporatization and privatization to reduce subsidies and contingent liability.					
		Focus on programmatic sector-based investments and sector investment plans.					
Mobilize international climate funds in a catalytic manner.							
19	Strengthening ODA alignment with national sustainable development priorities and Effectiveness	Establish a National Development Cooperation Policy framework.	Strengthening ODA (Official Development Assistance) alignment with national sustainable development priorities and effectiveness maximizes the impact of aid and supports sustainable development goals.				
		Strengthen relationships with non-traditional donors.					
		Enhance coordination and avoid duplication of aid efforts through joint analysis and programming.					
		Encourage ODA partners to adopt innovative instruments beyond traditional loans and grants.					
		Improve reporting of ODA/OOF flows in relation to national SDGs.					
		Promote financial literacy and capacity-building for new instruments in international cooperation programs.					
Utilize multilateral insurers to leverage trade credit and investment re-risking capacities.							
International Private Actions							

Table 11. BOTSWANA ROAD MAP FOR SDG FINANCING FRAMEWORK (TO BE COMPLETED)

#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
20	Increase Foreign Direct Investment	Improve business environment: Simplify registration processes, enhance access to credit, streamline tax administration, and improve property registration and contract enforcement.	Increasing foreign direct investment (FDI) boosts economic growth, creates jobs, fosters technological transfer, and enhances competitiveness.				
		Establish investment pipeline: Collaborate with sector ministries, BITC, and MITI to attract FDI.					
		Enhance investment promotion: Conduct targeted campaigns, showcase success stories, participate in trade events, collaborate with foreign entities, enhance online presence, improve aftercare services, and organize sector-specific forums and roadshows.					
		Foster international investment in PPPs: Develop PPP law, facilitate information access, streamline approval processes, and create bankable investment opportunities.					
		Provide sector-specific incentives: Offer tax breaks, feed-in tariffs, grants for renewables, and support for export-oriented agribusiness ventures.					
		Promote open business environment: Reduce restrictions on foreign control, private ownership, and establishment rights.					
21	More Effective use of Remittance	Expand financial instruments for diaspora remittances and investment.	Ensuring more effective use of remittances maximizes their potential for economic development, poverty reduction, and financial inclusion.				
		Lower remittance transfer costs and fees through Fintech solutions.					
		Increase bankarization rates for diaspora transfers through formal banking channels.					
		Develop investable opportunities for the diaspora through instruments like diaspora bonds and crowdfunding.					
		Promote FinTech companies' involvement in facilitating remittances and reducing costs.					
Governance and Coordination Actions (within the implementation of SDG Financing Framework (SDG FF))							
22	Establish Financing Strategy	Draft and Approve TOR	Ensures effective management, coordination, and oversight of				
		Agree Membership					
		Establish meeting and communications protocols					

Table 11. BOTSWANA ROAD MAP FOR SDG FINANCING FRAMEWORK (TO BE COMPLETED)							
#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
	Oversight Committee	Convene inaugural meeting and agree road map priorities and responsibilities	BFSF Road Map Actions for optimal outcomes.				
23	Establish National Sustainable Finance Working Group	Draft and Approve TOR	To bring together a united front of subject-matter experts to lay the foundation for financial innovation and BSFS implementation.				
		Agree Membership					
		Establish meeting and communications protocols					
		Task sectors with prioritization of financing instruments and mechanisms					
24	Establish District Sustainable Finance Working Group	Draft and Approve TOR	To integrate SDG localization into strategic investments to reflect local needs and pioneer fiscal decentralization.				
		Agree Membership					
		Establish linkages with District Planning Structures					
		Agree priorities and tasks					
Monitoring & Evaluation & Risk management Actions							
25	Strengthening Monitoring of New Instruments	Establish macro performance monitoring dashboard.	Strengthening the monitoring of new instruments enhances transparency, risk management, and accountability in financial markets and investments.				
		Present Annual Report on BSFS implementation.					
		Enhance VNR with key SDG financing achievements.					
		Conduct Mid-Term BSFS Review by 2026.					
		Create SDG proxy indicators following UNSTAT standards.					
		Provide capacity building support for statisticians.					
		Reinforce third-party monitoring of green and climate bond performance.					
		Implement ESG regulatory compliance with market standards.					
		Refine definitions and indicators for "green" investments.					
Establish ESG reporting standards and strengthen enforcement mechanisms.							

ANNEX 2 GLOSSARY OF RIGHT-FINANCING INSTRUMENT EXAMPLES ²³

Instrument	Primary Characteristics	Use Case	Public / Private	Country Example
<i>Thematic Bonds</i>	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
<i>Budget Contingencies</i>	An imprest account to meet urgent or unforeseen government expenditures.	National emergency crisis fund for unexpected outflows. Requires regular amounts set aside each year to fill it up.	Public	India Contingency Fund UK Civil Contingencies Fund
<i>Reserve Funds</i>	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)
<i>Deferred Drawdown Option (DDO)</i>	To make short term (and cheap) liquidity immediately available after a natural disaster.	Once state of emergency is declared, for middle income countries. All IBRD borrowers.	Public	Indonesia, Myanmar, Columbia
<i>Disaster Risk / Parametric Insurance</i>	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)
<i>Credit Guarantee Schemes</i>	Part of the credit supplementation system.	Improves credit access and financial strength of SMEs, through leverage, regulatory capital relief; and is a countercyclical crisis tool.	Public and Private	Korea Credit Guarantee Fund (KODIT) Japan Federation of Credit Guarantee Corporations (JFG)
<i>Catastrophe Bonds (CAT-Bonds)</i>	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
<i>Diaspora Bonds</i>	A bond issued by a country, subscribed by 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
<i>Risk Transfer</i>	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

²³ For more on ‘Right-Financing’ the SDGs see [UNDP \(2022\) Budgeting for the SDGs: A Modular Handbook](#).

Instrument	Primary Characteristics	Use Case	Public / Private	Country Example
<i>Tax Levy</i>	Short-term government levy to meet specific post disaster recovery needs.	Short-term environmental levy to finance urgent recovery needs	Public	Queensland Australia Colombia (FOREC)
<i>Public Private Partnerships</i>	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 (incomplete sentence)	Public and Private	New Orleans Business Alliance Safeguard Iowa Partnership (SIP)
<i>National Budgetary Reallocation</i>	Relocation of national budgetary spending to meet unforeseen disaster needs.	Wide application across and withing sectors.	Public	COVID-19 related economic recovery measures
<i>Economic Recovery Development Policy Loan (DPL)</i>	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
<i>Catastrophe Containment and Relief Trust</i>	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)
<i>ODA Reconstruction</i>	Normative development assistance to support national development.	Multi-sector across the recovery and reconstruction continuum.	Public	Global ODA
<i>Thematic Bonds</i>	Debt securities issued on the condition that funds obtained are used to finance projects with a social and environmental impact.	Multi-sector	Public and Private	Zambia Grenada Seychelles
<i>Catalytic First Loss Finance</i>	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)
<i>Blended Finance</i>	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
<i>Enterprise Challenge Funds</i>	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
<i>Crowdfunding</i>	Raising money for causes from multiple individual donors or investors.	Approach for projects, organizations, entrepreneurs, and start-ups.	Private	Kerala, India
<i>Impact Investing</i>	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
<i>Remittances</i>	External finance flows as ex-post response and contribution to ex-ante preparedness	Economic stabilization at the national and household's level.	Private	

