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Botswana Country Partnership Framework



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The date of the last Country Partnership Strategy was May 21, 2009

CURRENCY EQUIVALENTS

(Exchange Rate as of May 13, 2015)
Currency Unit = Botswana Pula (BWP)
BWP 9.8 = US\$1

WEIGHTS AND MEASURES

Metric System

FISCAL YEAR

April 1–March 31

ABBREVIATIONS AND ACRONYMS

AML	Anti-money laundering	JICA	Japan International Cooperation Agency
ARV	Anti-retroviral	M&E	Monitoring & Evaluation
ASA	Advisory Services and Analytics	MDG	Millennium Development Goals
BAIS	Botswana AIDS Impact Survey	MFDP	Ministry of Finance and Development Planning
BCP	Botswana Congress Party	MMEWR	Ministry of Minerals Energy and Water Resources
BDC	Botswana Development Company	MOH	Ministry of Health
BDP	Botswana Democratic Party	MTEF	Medium Term Expenditure Framework
BNAPS	Botswana National HIV/AIDS Prevention Support	MW	megawatt
BPC	Botswana Power Company	NCD	Non-communicable disease
BTC	Botswana Telecommunications Company	NDP	National Development Plan
CBM	Coal-bed methane	ODA	Official development assistance
CIWA	Cooperation in International Waters in Africa	PCG	Partial credit guarantee
CPF	Country Partnership Framework	PEFA	Public Expenditure and Financial Accountability
CPS	Country Partnership Strategy	PFM	Public Financial Management
CPI	Consumer price index	PPADB	Public Procurement and Assets Disposal Board
CPS CLR	Country Partnership Strategy Completion and Learning Report	PPP	Public Private Partnership
CWIS	Core Welfare Indicators Survey	RAS	Reimbursable Advisory Services
DLI	Disbursement linked indicators	REIPPP	Renewable Energy Independent Power Producers Procurement Program
DRM	Disaster risk management	SACU	Southern African Customs Union
DWA	Department of Water Affairs	SADC	Southern African Development Community
EDF	European Development Fund	SCD	Systematic Country Diagnostic
ETSSP	Education and Training Sector Strategic Plan	SMEs	Small and medium enterprises
FDI	Foreign direct investment	TA	Technical assistance
GDP	Gross domestic product	TB	Tuberculosis

GoB	Government of Botswana	UDC	Umbrella for Democratic Change
HIES	Household Income and Expenditure Survey	UNICEF	United Nations International Children's Emergency Fund
HIMS	Health Information Management Systems	UNDP	United National Development Program
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome	USAID	U.S. Agency for International Development
IBRD	International Bank for Reconstruction and Development	WBG	World Bank Group
ICT	Information and Communications technology	WAVES	Wealth Accounting and the Valuation of Ecosystem Services
IFC	International Financial Corporation	WHO	World Health Organization
IMF	International Monetary Fund	WTO	World Trade Organization
IPF	Investment Project Finance	WUC	Water Utilities Corporation

Vice President	IBRD	IFC	MIGA
Director	Makhtar Diop	Nena Stoiljkovic	Keiko Honda
TTLs	Guang Zhe Chen	Oumar Seydi	Ravi Vish
	Elene Imnadze	Saleem Karimjee	Stephan Dreyhaupt
	Ivan Velez	Eric Soubeiga	
		Aimilios Chatzinikolaou	

FY16–20 COUNTRY PARTNERSHIP FRAMEWORK

FOR

REPUBLIC OF BOTSWANA

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	COUNTRY CONTEXT AND DEVELOPMENT AGENDA	2
2.1	Social and Political Context	2
2.2	Recent Economic Developments	4
2.4	Development Challenges.....	8
III.	WORLD BANK GROUP PARTNERSHIP STRATEGY	11
3.1	Government Program and Medium-term Strategy	11
3.2	Proposed World Bank Group Partnership Framework	12
3.2.1	Lessons Learned	12
3.2.2	Overview of World Bank Group Strategy.....	14
3.2.3	Engagement Areas and Objectives Supported by the WBG Program	18
3.3	Implementing the FY16–20 Country Partnership Framework.....	26
3.3.1	Financial Envelope	26
3.3.2	Government Procurement and Financial Management Systems.....	28
3.3.3	Partnership and Coordination.....	28
IV.	MANAGING RISKS TO THE CPF PROGRAM	30
ANNEXES	32
Annex 1.	CPF Results Framework	33
Annex 2.	Systematic Operations Risk-Rating Tool	40
Annex 3.	Development Partners and Areas of Engagement	42
Annex 4.	Completion and Learning Report	43
Annex 5.	Indicators of Bank Portfolio Performance and Management	63
Annex 6.	Operations Portfolio (IBRD and Grants).....	64
Annex 7.	Statement of IFC’s Held and Disbursed Portfolio	65
Annex 8.	Summary of Stakeholder Consultations	66
Annex 9:	Map of Republic of Botswana.....	67

List of Tables

Table 1.	Main challenges.....	11
Table 2.	CPF indicative IBRD lending program FY16–20.....	27

List of Boxes and Figures

Box 1.	Filtering process to define CPF areas of engagement.....	14
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Figure 1. Poverty headcount rates.....	6
Figure 2. Botswana shared prosperity.....	6
Figure 3. Inequality index	7
Figure 4. Poverty rate by regions.....	7
Figure 5. Cascading SCD, CPF priorities and government development areas.....	15
Figure 6. CPF areas of engagement and strategic objectives.....	16
Figure 7. Expected combined contribution of proposed instruments to CPF results (Engagement Area 1)	19
Figure 8. Expected combined contribution of proposed instruments to CPF results (Engagement Area 2)	23
Figure 9. Expected combined contribution of proposed instruments to CPF results (Engagement Area 3)	26

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I. INTRODUCTION

1. This document details the scope and the main elements of the Country Partnership Framework (CPF) with the Republic of Botswana for FY16–20. The previous Country Partnership Strategy (CPS), considered by the Board on May 21, 2009 and completed in 2013 has built a solid foundation to design the new World Bank Group (WBG) program. The proposed CPF supports the government’s ongoing National Development Plan (NDP10) that has recently been extended until 2017. It also reviews the new NDP11 now under preparation.

2. The Systematic Country Diagnostic (SCD) was completed after Botswana’s General Elections in October 2014. The SCD drew on all available research and benefited greatly from the series of stakeholder consultations conducted in the country between March and September, 2014. The report was well received by the national authorities and sent for information to the Board on March 31, 2015.

3. The SCD identified the following priority development challenges: (a) Despite rapidly declining poverty, low job creation keeps inequality extremely high; (b) With the weakening of traditional growth drivers, a new growth model is needed that is jobs-intensive, export-oriented, and private sector-driven; (c) Despite broad and well-intentioned investment, inclusion barriers remain; (d) Sustainability is threatened as resource vulnerability challenges long-term growth and inclusion.

4. The CPF also considers the lessons learned and key suggestions presented in the FY09–13 Country Partnership Strategy Completion and Learning Report (CPS CLR). In particular, it notes the importance of assessing the client’s implementation capacity and providing implementation support. The CPF maintains a strong Advisory Services and Analytics (ASA) and technical assistance (TA) program. This was seen as a key strength of the CPS, and highly valued by the client. Proper consideration is given to introducing robust monitoring and evaluation systems since the latter were deemed essential for assessing the impact of government programs. The findings of the World Bank Country Survey 2013 are also taken into consideration.

5. During the two year period (FY14–15) not covered by any strategic document, the WBG engagement focused on implementation support to the lending operations initiated during the CPF FY09–13. No new lending operations were approved during FY14-15. The dialogue started with the Government of Botswana (GoB) in 2011 on economic diversification issues led to the government’s request for Reimbursable Advisory Services (RAS) in business environment, trade and industry policy, infrastructure services, access to finance, public sector management, and innovation and skills development. As a result, the Economic Diversification Competitiveness RAS was signed in February 2013 and implemented during 2015.

II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

2.1 Social and Political Context

6. Botswana has a stable political environment and regular elections cycle. The 11th General Elections were held on October 24, 2014. The ruling Botswana Democratic Party (BDP) retained majority in the National Assembly, though its presence was reduced by eight seats and held 37 of the 57 seats. The Umbrella for Democratic Change (UDC) came second with 17 seats, and the Botswana Congress Party (BCP) had third place with three seats. President Seretse Khama Ian Khama was sworn in for his second term and the new cabinet was formed in November, 2014. These elections saw a high turnout of around 824,000 registered voters and were considered the most competitive for the BDP since the country's independence in 1966. The elections again attested to Botswana's consistent record of uninterrupted, free and fair democratic elections.

7. Botswana, an upper middle-income country¹, has been one of the world's fastest growing economies. Although land-locked, Botswana is strategically located at the center of the southern region of Africa and can position itself to be a land bridge to South Africa in the south, Namibia and Angola in the west, and Zambia, Zimbabwe and eastern Africa in the east. With a small, open economy, the country has signed numerous bilateral and regional trade agreements. It is a member of the South African Development Community (SADC), South African Customs Union (SACU), and the World Trade Organization (WTO). In the 2015 survey, Botswana ranked as the second most free economy in the Sub-Saharan Africa region on the Economic Freedom Index (EFI) and thirty-sixth in the world. The EFI scores for *management of government spending* and *investment freedom* are among the highest against the regional and world averages.

8. The country has maintained solid macroeconomic stability and financial sector resilience in times of crisis. Good governance and prudent macroeconomic and natural resources management by the Botswana authorities during the last three decades have gained the country an impressive increase in the GDP per capita. Botswana made solid progress on governance indicators in recent years. The Ibrahim Index of African Governance ranked the country third in 2014, reflecting a steady rise of its score over the past five years. The latest press release on the Ibrahim Index (2015) suggests slight deterioration in certain areas underpinning the governance ranking for Botswana. The SCD and CPF address a few of these areas within the scope of WBG engagement. The country also maintained the first position in Africa and was 31st globally in the Transparency International Corruption Perception Index of 2014.

9. The country's growth over the past decade has been strongly pro-poor. The largest decline in poverty occurred in rural areas, where it fell by almost 21 percentage points. Several factors drove reductions in poverty and improvements in welfare. These included a substantial increase in wages and other formal and informal labor-related incomes, reductions in unemployment, and growth in labor market participation in rural areas. Government subsidies—through programs such as the Integrated Support Program for Arable Agricultural Development (ISPAAD)—continue to support agricultural incomes and employment.

¹ 2014 GNI per capita (Atlas method) US\$7,240. Source: World Bank.

10. Fast rural growth pre-defined poverty reduction in Botswana, reducing the gap between rural and urban areas and subsequently reducing income inequality. In addition to moving people out of poverty, Botswana successfully transitioned them to higher levels of consumption. While only 36 percent of the population had consumption of more than twice the poverty line in 2003, this increased to 53 percent by 2010. Massive poverty and inequality reduction were accompanied by significant regional and rural urban convergence. Yet, despite Botswana's significant economic and social improvements, it still grapples with unequal distribution of wealth, high levels of poverty and unemployment, and HIV. The official unemployment rate in 2009-2010 was 17.8 percent, and HIV/AIDS prevalence remains at 22 percent among adults 15-49 years.²

11. Unemployment decreased between 2003 and 2010, as the number of employed in the working age population grew about 3 percentage points. However, most employment growth came through heavily subsidized smallholder agriculture; therefore, sustainability of these jobs remains questionable, especially since they are low productivity jobs. Participation rates have been declining across all demographics and locations. The situation among the young is especially severe. The private sector employs less than 20 percent of the working age population, failing to deliver quality employment for a growing youth population. Annual private sector job creation is only equivalent to one job for every six young Botswana entering the labor market. The small and sluggish non-farm informal sector cannot absorb a large and growing inactive labor force. The declining labor productivity indicates a slow pace of economic transformation and competitiveness improvement.

12. Botswana has made progress in almost all Millennium Development Goals (MDGs). It has already achieved or is likely to achieve most of the targets, except for the under-five and infant mortality targets (MDG 4) and the maternal mortality target (MDG 5). Botswana's main maternal health challenge is to reduce maternal deaths that occur in hospitals and clinics, mostly because of sub-standard care and poor decisions in the referral process. To this end, the Government of Botswana, through the MDG Acceleration Compact (also called MAF Action Plan), prioritized and is implementing the interventions that have near-term impact to achieve its commitment. The government also reaffirmed its commitment to the new UN Development Framework for fifteen years beyond 2015.

13. Botswana's long-term development challenge is not only to maintain the current growth performance, but to ensure growth that leads to job creation. A growth model underpinned by an enabling business environment that creates private sector jobs would reduce inequality—an important prerequisite for more poverty reduction. In addition, a focus on human development that encompasses health, human capital, freedom, and voice would be critical for ensuring sustained economic gains and for achieving the twin goals of eliminating extreme poverty and shared prosperity. In the education sector, reform initiatives will have to be aligned with the needs of the labor market. They will have to provide for reducing the country's reliance on diamonds, shifting toward a knowledge-based economy. In health, priority must be given to building systems that address the multiple needs of the population (including the poor and most

² Source: UNAIDS, 2013

vulnerable groups), rather than only a few specific diseases. Finally, the social protection system has to be strengthened to target social assistance programs and improve benefits for the poor.

14. Pursuing these second generation reforms would require complex solutions. Bank financing, while small relative to total public financing, could be of strategic importance. The WBG can offer value as a knowledge provider and broker, and support implementation that achieves demonstrable results.

2.2 Recent Economic Developments

15. After more than 40 years of sustained, often rapid growth, Botswana's economy experienced a sharp contraction of almost 8 percent during the global economic crisis in 2009. This followed the collapse of the global diamonds market, highlighting the country's macro and fiscal vulnerability and dependence on diamonds. The economy has rebounded well, having grown almost 6 percent per year since 2010.

16. Continued demand in the global market for rough diamonds, offset by declining prices in other key export commodities, resulted in a stable economic performance for Botswana in 2014. GDP growth slowed slightly to 5.0 percent, down from 5.8 percent in 2013³. Value-added growth in the mining sector moderated to just over 4 percent, while growth in the non-mining private sector remained steady at around 5 percent, driven by strong growth in the services sector. This marks a continuation of the post-crisis structural change of the Botswana economy, which has seen the services sector jump from around 40 percent of GDP in the two decades prior to the crisis to 60 percent of GDP in 2014.

17. This structural shift to services is mirrored by a similar shift from export-led to consumption-led growth in the post-crisis years. Household consumption rose from less than 40 percent of GDP in the pre-crisis years to 54 percent between 2012 and 2013, with per capita consumption expanding nearly 9 percent annually in real terms between 2004 and 2013. In 2014, however, consumption growth decelerated sharply, with household consumption growing just 3.6 percent and government spending remaining flat.

18. The recent slowdown in consumption highlights concerns about rising household debt and the sustainability of consumption-led growth. Between 2004 and 2013, bank lending to households grew by more than 20 percent annually. This comes off a low base—bank credit to the private sector in Botswana still represents only around 30 percent of GDP. But this is almost double the level of a decade ago and comes amidst a backdrop of stagnant employment and wage growth.

19. Weak local demand is reflected in the sharp fall in inflation in recent years. After sitting well above the Bank of Botswana's 3–6 percent target range for much of the last decade, Consumer Price Index (CPI) inflation fell within the range during 2013, and recently falling oil prices helped inflation reach a low of 3.8 percent in December 2014. In an effort to stimulate investment and consumption, and given the stable, low inflation outlook, the Bank of Botswana reduced the base interest rate by 100 basis points in February 2015 to 6.5 percent in 2013— its lowest level in 25 years.

³ Source: 2015 Budget Speech, Ministry of Finance and Development Planning;

20. Following four straight years of deficit (averaging more than 5 percent of GDP) between 2009 and 2012, higher diamond shipments and prices returned the current account to a significant surplus in 2013 (at 10.4 percent of GDP). The recent improvements in mineral exports have enabled Botswana to rebuild its reserves, which were severely depleted by the crisis. The collapse of exports during the crisis led to a fall in foreign exchange reserves from 90 percent of GDP in December 2008 to just 55 percent of GDP in December 2013. Slow rebuilding has brought foreign exchange reserves to P79 billion, an all-time peak in pula terms, sufficient to finance at least 13 months of imports.

21. While export growth overall is positive, Botswana has come to rely even more on diamonds, which in 2013 accounted for almost 90 percent of goods exports and more than 80 percent of total exports, up from just 61 percent in the five years prior to the crisis. One factor contributing to this is the evolution of exchange rates. Between January 2013 and December 2014, the pula depreciated almost 17 percent against the US dollar (the trading currency for diamonds) while appreciating 10.5 percent against the South African Rand (the main market for non-minerals exports and the principal source of imports). Nonetheless, diamond exports comprise a significant share of domestic value added, accounting for almost 23 percent of total GDP.

22. Economic growth in Botswana is set to slow on the back of weaker diamond prices and slower growth in key trading partners. With the slowdown in demand in China and some other large economies, diamond prices have fallen by 14.7 percent between mid-2014 and mid-2015 and output is also being cut. In addition, growth is also slowing sharply in South Africa, one of Botswana's key export partners. Real GDP growth is forecast to ease to 2.6–3.0 percent in 2015 and to recover to the 4 percent range in 2016–17 as cuts in diamond production help stabilize prices⁴.

23. Still, with diamonds comprising one-third of government revenues and transfers from the Southern African Customs Union (SACU) a further one-quarter, there will be a significant fiscal deterioration. The fiscal balance is expected to swing from a surplus of 14.5 percent of GDP in 2014 to a deficit of 2 percent of GDP in 2015, and then remain at a slight deficit between 2016 and 2017. But public debt remains low (it had peaked 26.5 percent of GDP in 2011–2012 and fell to 22.3 percent of GDP in 2014–2015, with domestic debt at just 7 percent⁵). With the significant savings amassed in the Pula Fund and high levels of international reserves, Botswana has ample fiscal space to smooth this shock and avoid any sharp adjustment measures. But the deterioration in the growth and fiscal outlook only underscores the risks associated with a high dependency on diamonds and therefore the need for diversification. Botswana has to bolster its international competitiveness and attract investment in tradable sectors outside of mining. Foreign direct investments (FDI) represent on average just over 3 percent of GDP annually.

24. Keenly aware of its overexposure to diamonds, along with its heavy reliance on revenues from the SACU customs pool, the government has continued to exercise fiscal prudence to build deeper financial buffers. The Ministry of Finance and Development Planning (MFDP) has made a formal proposal to Parliament to adopt two new fiscal rules. The first of these

⁴ Source: Draft 2016–2017 Budget Strategy Paper; MFDP; August, 2015

⁵ Ibid.

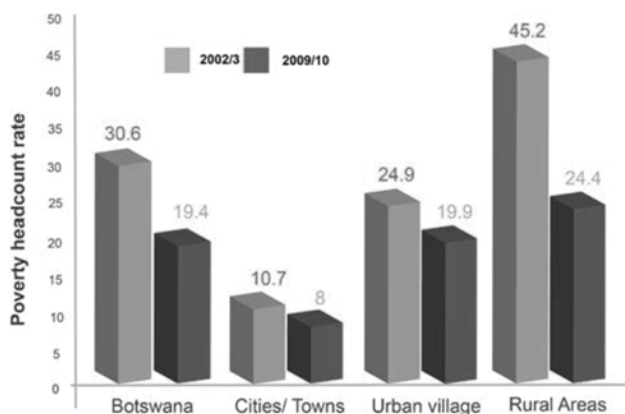
rules aims to broaden revenues sources by requiring non-mining revenues to amount to at least 30 percent of non-mining GDP. The second aims to force tighter controls on spending and ensure greater long-term savings by requiring that 40 percent of mineral revenues are set aside in an inter-generational savings fund.

25. The slow down in growth also shows that government spending must be both efficient and effective to support growth and poverty alleviation. The government faces two main challenges on the expenditure side: reducing the public wage bill and improving the efficiency of spending on public investment projects. While annual growth of the wage bill has continued to fall since FY10-11, expenditures on wages remain consistently above budgeted levels—20 percent above in the case of FY12-13. Underspensing against the capital budget has been a consistent problem; in FY12-13 and FY13-14 development budget was underspent by an average 20 percent. The International Monetary Fund plans to conduct an Article IV consultation at the end of 2015.

26. Poverty declined sharply and living standards improved in Botswana over the last decade. Between 2003 and 2010, poverty fell from 30.6 percent to 19.4 percent. The largest decrease in poverty incidence occurred in the rural areas, and poverty had become more urban (figure 1). This rapid reduction in poverty stemmed mainly from increasing agriculture incomes, including subsidies, and demographic changes that led to a reduction in household sizes and dependency ratios. Improvements in rural area labor market outcomes, access to education, progressively from primary to secondary and tertiary education, as well as increases in the amount of household loans, were important sources of poverty reduction and welfare improvements. Social transfers also benefited the poor, accounting for about 3.9 percent of the reduction.

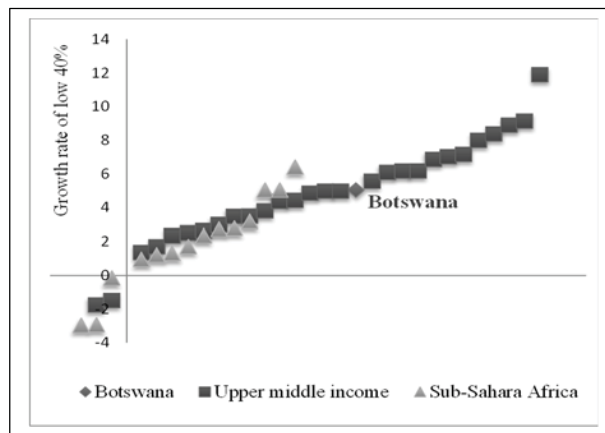
27. Poverty reduction has been accompanied by significant improvements in shared prosperity. Consumption per capita among the bottom 40 percent of population grew 4.9 percent annually in real terms between 2003 and 2010, compared with just 1.1 percent for the upper two quintiles. Botswana’s performance on the “shared prosperity indicator” was among the best in Africa, although just average compared with other upper middle income countries (figure 2). Consumption growth in rural areas was far above urban areas. And in urban areas, per capita consumption actually declined for the top 40 percent of the income distribution between 2003 and 2010, suggesting the possibility of a squeeze on the urban middle class.

Figure 1: Poverty headcount rates⁶



Source: World Bank Poverty Assessment, 2015

Figure 2: Botswana shared prosperity



28. Inequality remains high but has fallen significantly. Between 2003 and 2010, inequality expressed by the Gini coefficient fell from 64.7 to 60.5, with a majority of the fall caused by welfare improvement in the rural areas, while inequality in the cities had increased slightly (figure 3). With a Gini of 60.5, Botswana remains one of the most unequal countries in the world. Demographic characteristics such as household size and number of children—in conjunction with the changes in the geographical location, level of education and labor participation—play a significant role in explaining the inequality.

29. Despite these positive trends in poverty and shared prosperity, poverty remains a serious concern in Botswana. Poverty has a strong regional dimension, with acute levels found in more remote areas, most prominently in the far northwest, as well as in the west and southwest of the country (figure 4). It is also closely linked to specific demographic indicators. Children, large households, households with low educational achievement, and the unemployed or inactive all suffer disproportionately from poverty. Moreover, a large fraction of the population remains vulnerable to a significant risk of falling back into poverty. This risk is still higher among rural households that depend on small-scale subsistence farming.

Figure 3: Inequality index (Gini)

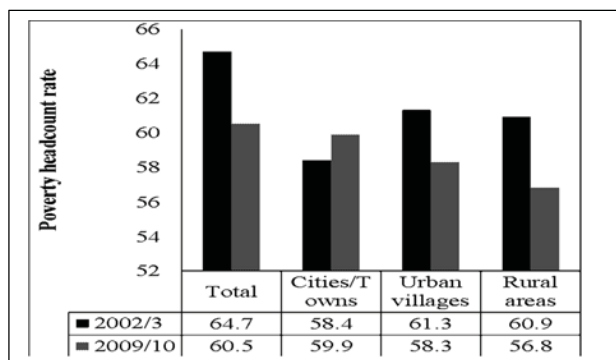
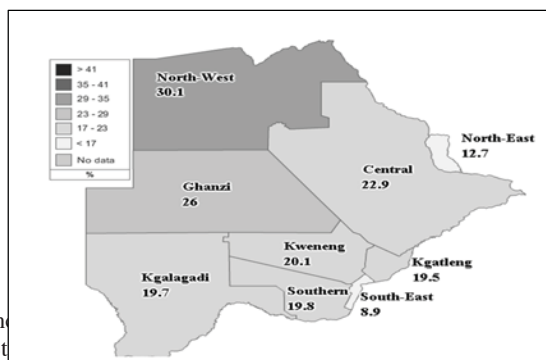


Figure 4: Poverty rate by regions, 09/10



comparable measure of extreme poverty, which measures the share of the population with consumption per capita less than \$1.25 PPP a day expressed in the 2005 prices.

2.4 Development Challenges

30. Botswana's key development challenge is to find a new growth model that creates sufficient, broad-based employment. While Botswana has made substantial progress in poverty reduction over the past decade, both poverty and inequality remain high for a country of its income level. This is because growth in Botswana, being driven by the minerals sector, has not been linked to job creation. Therefore, the SCD concludes that eliminating poverty and improving the welfare of the bottom 40 percent of the population will require moving away from Botswana's traditional growth model. That model has depended on extractives and involved channeling diamond revenues through the government, with subsequent high investment in education, health, and infrastructure. While the model has served well over several decades, it also has significant weaknesses: (i) it has been inadequate in generating jobs, contributing to high inequalities, and (ii) it has created a strong dependency on the state, both as the main investor and employer in the economy.

31. Transition to a new growth model would only be possible by developing a competitive and export-oriented private sector. The private sector in Botswana remains shallow, albeit entrepreneurs are emerging. The formal private sector created just one job for every six new entrants to the labor market over the past decade. The SCD argues that a more outward-oriented private sector, particularly in employment intensive sectors where Botswana can exploit global or regional comparative advantage, would be key to sustaining poverty reduction. As the domestic economy is small, the success of private sector development will depend on export markets. Botswana's firms need to be better integrated into regional value chains, which requires addressing trade policy and trade facilitation barriers. The inward-looking investment environment needs to be reformed, and the high costs of operating in Botswana need to be addressed to encourage entrepreneurs to invest in export-oriented activities. Acknowledging that the process of necessary structural changes will take time, the SCD focuses on increasing the opportunities and returns to self-employment by raising productivity of smallholders and microenterprises.

32. Sustainable job creation for the poor and vulnerable, especially youth and women, is essential for addressing the twin goals. The sharp decline in unemployment over the last decade— from 23.9 percent to 17.2 percent between 2002-2003 and 2010, was shared across gender. Still, unemployment for males decreased more significantly than for females, resulting in a much larger gap between female and male unemployment—from 4.7 to 7.0 percentage points. Participation trends show some important differences across gender. Even though female participation remained relatively constant, while male participation declined substantially, the male participation rate remains more than 13 percentage points higher than the female rate.

33. The trends in participation and employment vary across age cohorts. While the differences are not dramatic, it is clear that the older population has gained at the expense of the younger population. The biggest decline in employment came in the 25–34 age group, while the biggest growth happened in the 55–64 age group. Within Botswana's labor market, the formal private sector accounts for little more than 39 percent of total employment, with less than 20

percent of the working age population earning a wage in the private sector. The failure of the formal private sector to deliver quality employment, especially to the growing youth population, is a significant challenge and a serious barrier to structural transformation of the economy. In addition, the employment growth to date—coming in subsistence agriculture, public sector, and local non-tradables—raises major concerns about sustainability.

34. A step change in the productivity of Botswana’s firms is dependent on substantial improvements in human capital. The SCD notes that, despite huge public investment in the education sector (around 8.5 percent of GDP), outcomes are not only unequal but also weak across the board. The shortfalls of the education system coupled with a labor market failure to create employment opportunities, restricts the long-term prospects for youth —the segment of the population already impacted most by high unemployment. Ensuring equitable access to the secondary level of diverse education and training options would be especially critical for a diversified and inclusive economy.

35. The SCD identifies health challenges as a major factor hindering individual capacity and contributing to poverty in Botswana. The SCD lists the health barriers to skills acquisition and labor market participation, in particular childhood malnutrition, and the impact of disease (especially HIV) on female participation in income-earning activities. The SCD also highlights that while Botswana has one of the most progressive anti-retroviral (ARV) programs in the world, high HIV prevalence (at 22 percent of the adult population 15–49 years) is a major source of vulnerability for the country. Indeed, the free ARV program is itself a source of fiscal vulnerability, adding a huge rise in healthcare spending (per capita health spending in Botswana rose 12 percent per year between 1995 and 2012).

36. Botswana’s geography and low population density causes health service delivery to be resource-intensive, especially at decentralized levels. Strengthening and sustaining health systems, including hard-won gains in both HIV/AIDS prevention and treatment, poses a special challenge, especially in a context of reduced donor funding. While much of the health focus in Botswana has been directed toward communicable diseases, particularly HIV/AIDS, non-communicable diseases (NCDs) are also a growing problem. These diseases already account for an estimated 30 percent of deaths in the region and will become the leading cause of morbidity and mortality by 2030. The long-term care needs of chronic diseases, both communicable and NCDs, pose an increasing and substantial challenge to the health system. Multi-drug resistant tuberculosis (TB) and extensively drug-resistant TB are also emerging challenges in Botswana, primarily among migrant worker populations.

37. Despite strong political commitment, progress on key maternal and child health indicators has stalled in recent years. Botswana’s child malnutrition and mortality estimates remain high and are not commensurate with national investments to improve child health and survival. An examination of child malnutrition in Botswana reveals that stunting rapidly increases to over 40 percent within the first 24 months of life after which it stabilizes at around 30 percent—a pattern typically associated with challenges in infant feeding and child care practices and a high infectious diseases burden in young children. Recent studies have indicated that low-birth weight infants and stunted children may be at greater risk of chronic diseases, such as diabetes and heart disease, than children who start out well-nourished. Furthermore, more than half of all deaths of children under five in Botswana are a result of preventable diseases. Improving the health

environment would be essential for ensuring that all individuals contribute to productivity and are in a position to enjoy adequate human development outcomes.

38. Focusing on infrastructure and policies for water and sanitation is key to sustainable growth of formal commercial activities, sustainable livelihoods, and quality human development outcomes. None of Botswana's growth opportunities will be achieved over the long term if sustainable sources of water are not available, if new technologies are not adopted, and if pricing policies are not reformed to ensure efficient use of water. And addressing the major gaps in access to sanitation will be critical for ensuring improved livelihoods and reducing disease and malnutrition. Botswana's success in ensuring wide access to clean water is notable, with more than 95 percent of the population having access to improved drinking water sources. However, access to a piped water supply is uneven, ranging from 80 percent in Gaborone to 20–30 percent in some other urban centers; and only 42 percent of rural households have access to proper sanitation. In addition, some 33 percent of all water supply in Botswana is lost through the Water Utilities Corporation (WUC) distribution system; Botswana's wastewater re-use practices are limited and fall well short of the country's ambitious objectives.

39. The SCD finds electricity supply to be a major infrastructure challenge for Botswana. Domestic generation capacity is inadequate to meet the increasing demand. Electricity imports from the region are not available during peak load times to fill the substantial electricity supply gap, which keeps growing. Botswana will thus need to add a substantial power generation capacity. The country will also have to continue developing its electricity transmission and distribution infrastructure and strengthening regional integration. Energy efficiency and demand-side management should also be part of the solution. Access to electricity in the off-grid rural areas remains inadequate and is a key constraint to reducing rural poverty. Developing renewable energy, which Botswana has in abundance (solar energy), is important both for adding bulk generation supply to the power system, strengthening its sustainability, and for increasing off-grid electricity access in rural areas.

40. Adopting key reforms within Botswana's social protection system could add substantial savings to these programs, which could then be re-invested in expanding benefits to poor households to help reduce extreme poverty. The government commits around 4.4 percent of GDP to social protection spending, which is playing an important role in poverty reduction. The simulated poverty headcount at the national poverty line is 25 percent lower than it would be in the absence of social protection transfers (19.4 versus 24.3). However, the effectiveness of the social protection programs can be improved to increase their contribution to poverty and inequality reduction. Significant gaps and overlaps in coverage remain, including a number of poor households not receiving adequate support, along with a large group of non-poor who receive benefits and a significant proportion of people enrolled in multiple programs. Prioritizing social protection reform in the short term seems an obvious first step to addressing the twin goals.

41. Finally, the SCD identifies the modernization of the public sector and improved management of increasingly scarce natural resources as priority interventions for sustainable progress on the twin goals. To address challenges and maintain sustainability, public investment management, project management, and program delivery will have to be improved. This will depend on adopting modern technologies, systems and processes, and on introducing

systematic and meaningful processes for monitoring and accountability. Strengthening public sector performance through improved public service management, a government-wide system of performance M&E and removing bottlenecks to service-delivery are increasingly important challenges. Over the medium term, planning systems will have to be set up that take account of the (often irreversible) implications on critical resources. Table 1 presents the main constraints highlighted by the SCD as having fundamental impact on the twin goals.

TABLE 1. MAIN CHALLENGES	
<ul style="list-style-type: none"> ▪ High inequality ▪ Small, domestic private sector focused on non-tradable ▪ High structural unemployment/low job creation ▪ Poor outcomes of health and nutrition ▪ Inadequate educational outcomes 	<ul style="list-style-type: none"> ▪ Low rural access to sanitation and electricity ▪ Water scarcity ▪ Natural resource vulnerability ▪ Medium-term fiscal vulnerability

42. The development priorities of the government of Botswana reflect many aspects of the challenges identified by the SCD.

III. WORLD BANK GROUP PARTNERSHIP STRATEGY

3.1 Government Program and Medium-term Strategy

43. **The national development priorities were presented in Botswana’s *Vision 2016: Towards Prosperity for All*.** The government implementation program is formulated in the NDP10. The NDP10 saw course corrections during its mid-term review in March 2013; the new parliament extended the implementation period of the NDP10 until the end of March 2017 to allow for better transition to NDP11 and harmonization with the new vision document. Under the amended NDP10, four thematic areas have strategic priority for the government: (i) economy and employment; (ii) social upliftment; (iii) sustainable environment; and (iv) governance safety and security.

- **Economy and employment.** Addressing this priority is seen through the lens of economic diversification and through establishment of a policy environment favorable to private sector development and conducive to attracting FDI. Acknowledging the shortage of skilled labor and its adverse effect on production and economic growth, the short-term strategy focuses on policy interventions that allow easy access to needed skills outside the country. Skills and reforms of the education system are considered medium to long-term priorities. Investing in infrastructure is critical for the growth of the tourism, mining, and agriculture sectors. The ICT national program is expected to be one of the main drivers of the country’s social and economic transformation through effective application of ICT for e-government, e-commerce, e-health, and e-education.

- **Social ‘upliftment.’** The priorities in this thematic area will be placed on social development and health interventions, including HIV/AIDS. Some of the primary goals are for poverty eradication, adequate social protection, youth empowerment, affordable, quality health care, and prevention of new HIV infections. To achieve these goals, a multi-sectoral approach has been adopted. Socio-economic empowerment schemes, implemented to enhance social welfare, include the flagship programs of Poverty Eradication, Remote Area Development, and the Youth Empowerment Scheme. This also includes interventions that provide consumption support to the poor and vulnerable through cash and in-kind transfers. Some of the priority interventions aimed at supporting affordable healthcare and HIV/AIDS services include (i) strengthening primary health care; (ii) establishing cross-sectoral links to tackle the underlying causes of disease; (iii) intensifying public awareness; (iv) adopting HIV prevention strategies; (v) strengthening the Health Information Management Systems (HIMS); and (vi) greater mobilization and better utilization of resources.
- **Sustainable environment.** Botswana is now developing policies, strategies, and plans that support the conservation and protection of natural resources and promote the use of renewable energy as alternatives. The country is also adopting and mainstreaming global multi-lateral environmental agreements and protocols for pollution prevention and control, sustainable utilization of natural and cultural resources, and climate change. The enactment of the Water Act intends that enough water is available for future development. During the remainder of NDP10, measures will be implemented to promote reuse, recycling, and reduction of water use in all sectors of the economy. The NDP10 also envisages effective adaptation and mitigation climate actions. This process is expected to mainstream climate change considerations into national macroeconomic and sectoral policies, planning, and budgeting.
- **Governance.** The priorities in this area are to strengthen the efficiency and effectiveness of the public sector for improved service delivery and enhance accountability and transparency.

44. The NDP10 priorities and the emerging areas of focus in the new long-term *Vision Framework* correlate strongly with the recommendations of the World Bank’s *Systematic Country Diagnostic*. *The Framework for a Long Term Vision for Botswana*, currently under preparation, identifies the following five strategic priorities: (i) eradicating extreme poverty and reducing inequality; (ii) strengthening human development outcomes; (iii) diversification and export-led growth and employment; (iv) balancing growth and environment sustainability; and (v) deepening democracy and strengthening governance. After broad national consultations, the new *Vision* document is expected to be adopted in December 2015.

3.2 Proposed World Bank Group Partnership Framework

3.2.1 Lessons Learned

45. The CPS FY09–13 Completion and Learning Report was prepared in December 2014. The CPS included four pillars. Pillar I focused on public sector effectiveness and had four objectives. Pillar II concentrated on increased effectiveness of HIV/AIDS prevention efforts and included one objective. Pillar III dealt with increased economic competitiveness and was the

largest pillar both in lending and analytical work. It had ten objectives. Pillar IV focused on the environment and covered six objective. Each objective indicator was evaluated and rated as either being achieved, mostly achieved, partially achieved, or not achieved. The CPS CLR rates the program performance as *moderately unsatisfactory* across all four pillars, as most of the outcome indicators were only partially achieved. The report's overall ranking for Bank performance as *good* reflects the Bank's effort since the beginning of FY13 to address implementation problems with substantial budget increases and stronger implementation teams.

46. The CPS FY09–13 covered the Bank's re-engagement with Botswana after a long hiatus. While the results were less than anticipated, the Bank has developed a solid partnership with the government that bodes well for future Bank assistance to Botswana, particularly in analytical and advisory work. The report identifies the following lessons for the design of the new CPF:

- **Provide a candid risk assessment of the development results and link risk levels with the intensity of the implementation support.** The CPS CLR concludes that the Bank overestimated implementation capacity and therefore did not provide adequate implementation support during the initial period. It was only in FY13, when task teams and implementation support resources were strengthened, that implementation problems began to be managed effectively.
- **Engage early in the preparation process with full due diligence to inform client and management decisions, even if the Bank participates with partial obligations.** Specifically, the CPS CLR suggests that, in the case of the power project, had there been closer scrutiny of the contractors, the plant design, legal agreements, the capacity of the client, and contract supervision arrangements before approving the Partial Credit Guarantee (PCG), problems facing the plant today might have been identified.
- **Establish relevant, clear and measurable indicators to ensure an objective assessment of the program performance.** The CPS CLR notes that overly ambitious indicators used for the CPS undermined the realism of its objectives. The new CPF is advised to provide candid explanation of the challenge with identifying concrete results indicators, given the early stage of the lending operations.
- **Deliver a strong program of ASAs and TAs that the client values.** The CPS CLR notes that the government uses and appreciates the Bank's ASA and TA. It contributed to the policy dialogue and often yielded follow-up activity, such as the ongoing RAS on economic diversification and competitiveness. This suggests that the overall success of Bank ASA and TA work should make it a key component of the next program.
- **Provide prompt response to client needs and emerging opportunities through representation on the ground.** The CPS CLR states that establishment of a Bank office in Botswana headed by experienced Bank staff has enhanced the dialogue with the government, helped to identify new areas of involvement (the RAS, and the Wealth Accounting and the Valuation of Ecosystem Services, WAVES), and provided crucial assistance to implementation support missions.
- **Establish robust monitoring and evaluation systems to assess the impact of government programs.** In particular, the CPS CLR notes the MFDPC concern about the lack of ability to evaluate the impact of programs and policy interventions and to apply lessons learned to future interventions. The new CPF is advised to build on the work under the RAS to assure that adequate monitoring and evaluation (M&E) systems are in place.

47. The CPF consultations with the stakeholders were conducted in the country in March, 2015. These consultations involved government counterparts, representatives from the civil society and private sector, and key development partners. The consultations provided an opportunity to again validate the SCD conclusions and priorities identified, as well as the proposed structure of the new CPF, addressing the government’s strategic priorities in water and sanitation, social protection, education and health (see annex 8).

3.2.2 Overview of World Bank Group Strategy

48. The proposed CPF FY16–20 aims at supporting Botswana in addressing national priorities of eradicating abject poverty, reducing inequality, and promoting job creation. The CPF builds on the priority interventions identified in the SCD and focuses on the areas with strong country ownership and client demand. Box 1 presents the selectivity filters applied: (i) alignment to the government’s own development program and requests for WBG support to date; (ii) focus on priority areas identified by the SCD; (iii) comparative advantage and experience of the WBG globally and in-country as well as *vis à vis* other development partners in the country.

Box 1: Filtering process to define CPF areas of engagement



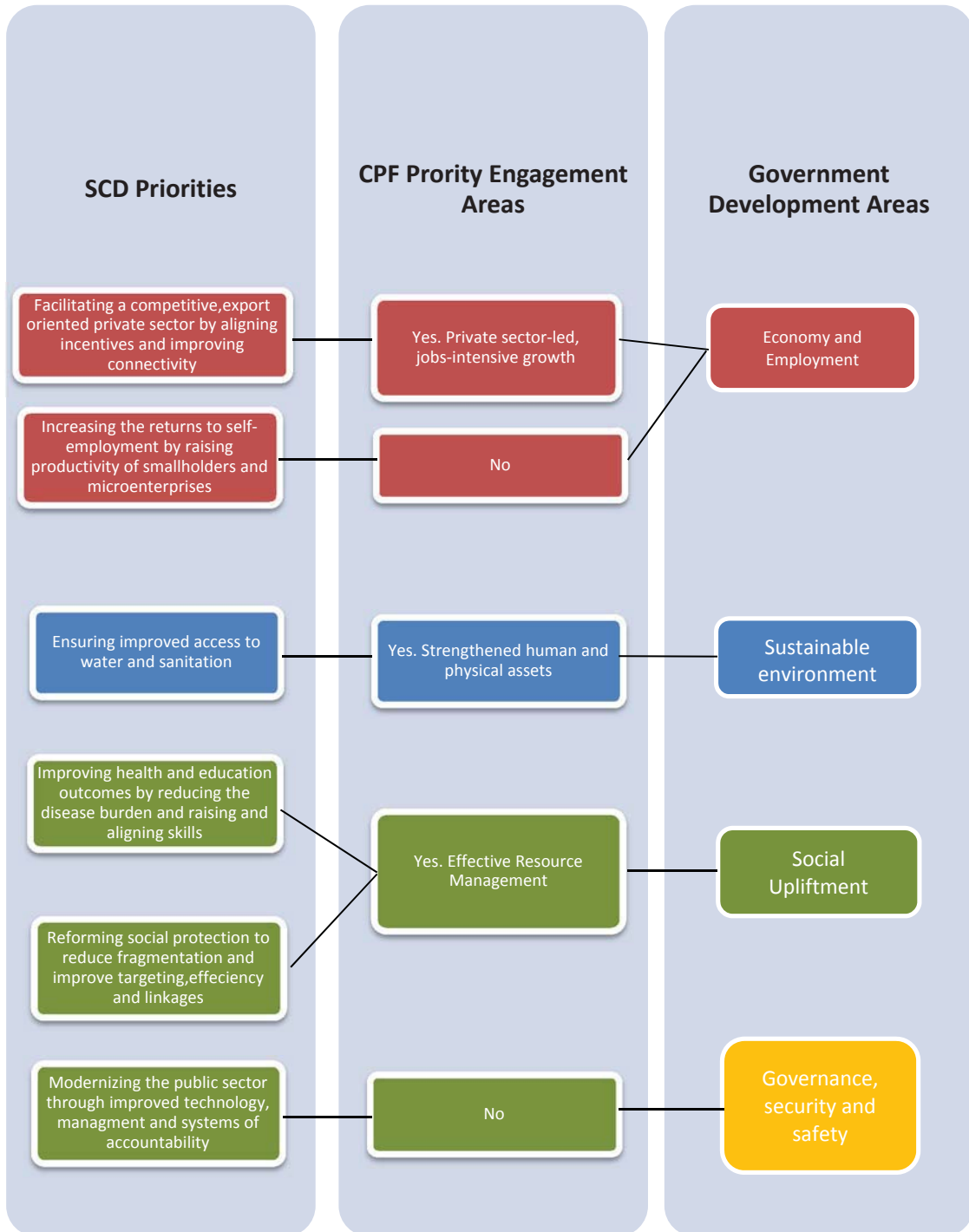
Filter 1: Alignment with government program. Of the four development areas of the government’s program (NDP10 described above), the CPF engages in the following three: (i) economy and employment; (ii) social upliftment; and (iii) sustainable environment.

Filter 2: SCD priority areas. The SCD identified eleven main challenges that were grouped under the six priority areas, as follows: (i) facilitating a competitive, export-orientated private sector; (ii) raising productivity of smallholder and microenterprises; (iii) improved access to water and sanitation; (iv) improving health and education outcomes by reducing the disease burden and raising and aligning skills; (v) reforming social protection to reduce fragmentation and improve targeting, efficiency, and links; and (vi) modernizing the public sector through improved technology, management, and systems of accountability.

Filter 3: WBG comparative advantages. Clients seek WBG assistance because of its ability to bring together global knowledge, technical assistance, financial assistance, and policy dialogue in the delivery of concrete results. This filter seeks to identify the context specific comparative advantage. Since its re-engagement with Botswana, the WBG has deepened its engagement in a number of sectors, including energy, health, water and sanitation, environment, and transport. The recent technical assistance products have also triggered program development in social protection and education. Moreover, the RAS instrument has scaled up activities in areas in which the Bank was not active before, such as governance, public and private sector development.

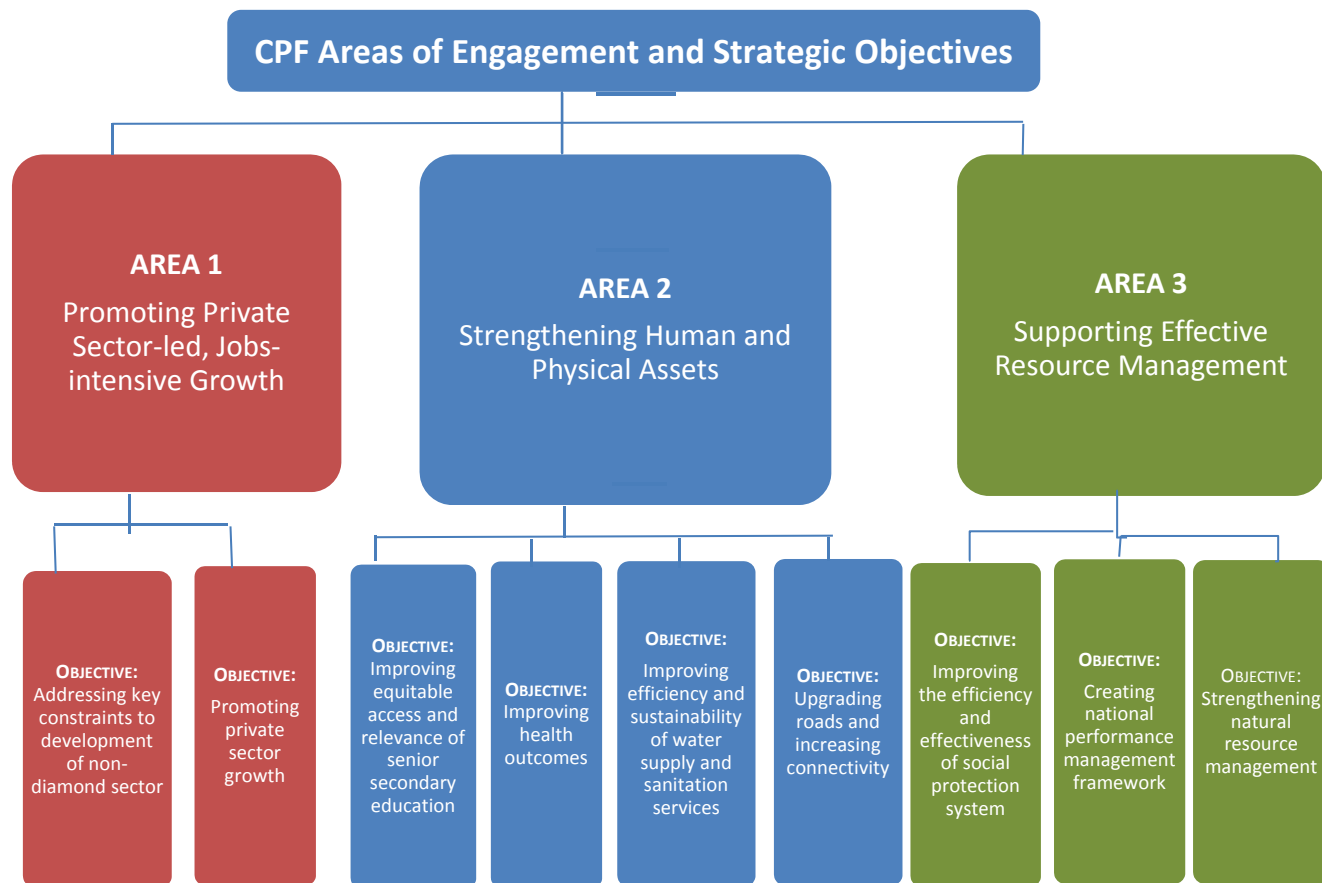
49. Following the selectivity logic above, the six fundamental SCD priorities were narrowed down further and grouped under the three priority engagement areas for the CPF as presented in figure 5.

Figure 5: Cascading SCD, CPF priorities and government development areas



50. The WBG proposed program will focus on (i) promoting private sector-led, jobs-intensive growth; (ii) strengthening human and physical assets; and (iii) supporting effective resource management. These areas of engagement and related objectives, as presented in figure 6 are interlinked. A set of interventions proposed under each area will together bring about the greatest impact on achieving the twin goals of eliminating absolute poverty and boosting shared prosperity.

Figure 6: CPF areas of engagement and strategic objectives



51. The WBG program could evolve over time as the government finalizes the *National Vision* beyond 2016 and progresses with NDP11 preparation. The CPF performance and learning review, due by the time of NDP11 approval (2017), will reconfirm the alignment of the Bank’s engagement with the country’s development priorities as well as consider the emerging ones. This approach builds on the experience under the previous CPS and allows the WBG to maintain adaptability in the implementation of its program and remain relevant to the policy dialogue with the government. At this stage the CPF FY16–20 envisages increased engagement in the social sectors, such as education, health and social protection, while reducing direct involvement in the environment sector. This flexible approach will enable the WBG to identify

new areas of potential collaboration with government and stimulate demand for WBG products in SCD priority areas not currently covered, such as energy and public sector modernization.

52. The SCD and the Government’s program have identified modernization of the public sector as a fundamental enabler for private sector development. The limited scale and capacity of the private sector is often hampered by the domestic business environment. Government protection and lack of incentives, have not been very effective in increasing the firm competitiveness. Some of the biggest challenges with competition arise in those sectors where the parastatals play a dominant role - energy, transport, and communications – resulting in underinvestment and lack of competition. The limited capacity and will to implement privatization and public-private partnerships (PPPs) narrows the scope for domestic private sector investment, raising the costs of entrepreneurial activity and lowering the service quality of inputs. However, during the consultations, the GoB made it clear that it intends to address the broader public administration modernization challenge with its own resources and does not see the need for a lending operation in this area. Therefore, the CPF aims to contribute to addressing governance and public sector management challenges in two ways – (a) through policy advice and technical assistance for building PPP capacity and modernizing procurement; and (b) by mainstreaming interventions through sector engagement and operations. Also the new lending operations in education, social protection, and water sectors envisage substantial support to institutional aspects by enhancing operational tools and processes, developing management information systems, and strengthening monitoring and evaluation. The WBG will also continue to engage through RAS as the GoB considers the latter a more appropriate instrument for public sector management engagement.

53. Gender dimension is linked to the jobs agenda because, despite significant gains over the past decade, the labor market still reflects substantial barriers to the inclusion of women in Botswana. Gender will therefore be integrated into the CPF results framework as it cuts across the engagement areas and several objectives. Gender disaggregated education, health and social protection indicators will be introduced for the respective lending operations as they are prepared. The gender gap is especially large among the young—in the 20–24 age cohort, where nearly 47 percent of the population is either unemployed or inactive. The impact of HIV/AIDS also differs markedly by gender. As noted in the Botswana AIDS Impact Survey (BAIS) IV Statistical Report (2013), male and female HIV prevalence patterns show differential peaks, with women’s prevalence peaking (at 50.6 percent) at an earlier age (35–39 age cohort), in comparison with men’s prevalence, which peaks (at 43.8 percent) in the 40–44 age group. For ages below 50 years, female prevalence was generally higher than male prevalence, while beyond age 50, male prevalence was higher. And while the gender gap is narrow on measures of overall poverty (20.5 percent of females versus 18.2 percent of males), female-headed households are significantly more likely to be poor. Fifty-eight percent of poor households are headed by females— a gap that has widened over the past decade. Thus, gender dimensions will continue to be integrated in operations and analytical work.

54. Botswana is seeing changes in rainfall patterns and longer drought periods, which are being attributed to climate change. As droughts and floods are expected to increase, climate change is expected to put pressure on the country’s water resources and to adversely affect a range of sectors, such as subsistence and commercial agriculture, energy, mining, and tourism. And although naturally induced disasters cause significant economic losses in the national and local

GDPs, Botswana's response to disasters is mainly reactionary. The country is vulnerable to at least nine naturally induced hazards, including droughts, floods, wild land fires, storms, and agriculture and health hazards. However, the data on disaster losses are not used to inform the country's short-term or long-term development plans. The CPF will therefore respond to the impact of climate change as a cross-cutting theme. These vulnerability issues will be addressed through the Bank's ongoing regional work with SADC. The Bank will explore opportunities for engaging at the country level as well.

3.2.3 Engagement Areas and Objectives Supported by the WBG Program

Engagement Area 1: Promoting private sector-led, jobs intensive growth

55. Establishing an environment for private sector-led, jobs-intensive growth is a key prerequisite for the country's shifting to a growth model that does not depend on extractives and the public sector. Botswana's transition to such a model is constrained by a combination of factors: administrative and regulatory burdens, policy environment, and dominance of state/parastatals that crowd out the private sector, raise input costs, and jeopardize quality. Current industrial and trade policy is biased against investment in tradables; integration in regional and global markets is limited. In addition, skills and competency gaps and poor work ethic are exacerbated by difficult access to work permits for importing skills. Low productivity of agriculture and livestock smallholders limits the potential of the non-farm private sector. Non-farm self-employment and microenterprises are relatively small in size and cannot absorb the large structurally unemployed population. The CPF proposes a strong program of technical and financial support to address policy shortcomings and provide long-term capital for private projects (see figure 7).

Objective 1.1: Addressing key constraints to the development of non-diamond sectors

56. The WBG has been assisting the GoB in implementing its strategies and policies in economic diversification and competitiveness through the ongoing Economic Diversification and Competitiveness RAS program. The first RAS assignment aimed at accelerating the implementation of reforms in five priority areas: (i) business environment, (ii) trade and industrial policies, (iii) infrastructure, (iv) access to finance, and (v) skills and innovation. Implementation of most of the activities will be completed in the timeframe of this CPF. IFC is implementing the business environment component (a little less than half of the total first assignment under the program) and will continue to engage in Botswana as a joint practice and deliver new areas in the RAS as identified by the client. The Bank will build on the outcomes of this program to explore opportunities for future engagement and generate demand for support. Under the second assignment, which will continue into the new CPF period, technical support will be delivered to the Public Procurement and Asset Disposal Board (PPADB) as the agency implements its devolution and capacity building strategy.

57. The WBG will aid in improving trade facilitation and transparency in Botswana by supporting the establishment of the Botswana Trade Information Portal. The Trade Portal will be a website and database system that contains all regulatory trade-related information for import, export, and transit. This information—comprising all laws, regulations and other legal instruments—will be aggregated on the Trade Portal and presented dynamically in response to

trader queries. The goal is that traders would be able to see, in response to a single query, all the obligations they need to comply with in order to import or export a specific good. Establishment of a Trade Portal will also help Botswana become compliant with commitments under the WTO Bali Agreement on Trade Facilitation.

Objective 1.2: Promoting private sector growth

58. Botswana’s small population limits the market potential for private sector enterprises, thereby limiting opportunities for IFC from the WBG to play a significant role in the country’s private sector. But IFC can still bring both its advisory and investment services to bear while also taking an opportunistic approach.

59. Advisory services:

a. IFC’s PPP advisory will, at the request of government, explore and develop solutions to areas where private sector expertise and capital could support the public sector, including in the areas of renewable energy (e.g., solar), water and sanitation, transport, health, and education.

60. Investment services:

b. An emerging theme for IFC in Botswana is small and medium enterprises (SME) and financial inclusion. IFC will seek to deepen and widen the financial sector through providing capital and capacity building to the banking sector, and support non-bank financial institutions that transform their business models. IFC will also leverage experience from the highly successful MSME (Micro, Small and Medium-sized Enterprises) finance program with BancABC, which culminated in the bank’s recognition (by the Global and Finance Review) as the best SME Bank in the country. IFC will continue to look for opportunities to support expansion of local financial institutions outside of Botswana (given the small size of their home market).

c. Other areas of consideration include the private provision of social services such as education and health, commercial agri-business, and tourism and hospitality.

Figure 7: Expected combined contribution of proposed instruments to the CPF results



Engagement Area 2: Strengthening human and physical assets

61. The WBG will support Botswana along the top two SCD priorities aimed at ensuring sustainable income and employment opportunities for the bottom 40 percent of the population: (i) improving human development outcomes and ensuring that individuals can

contribute to growth and competitiveness of the economy; and (ii) upgrading physical infrastructure to improve connectivity and close gaps in access to basic services in rural areas, particularly sanitation, but also access to electricity. The SCD points out that despite heavy investments in education, test scores and labor market outcomes indicate serious gaps in knowledge, poor skills alignment, and poor “intangible” skills (work ethic, communication, etc.). Inadequate education outcomes eventually lower the potential for self-employment activities and reduce private sector investment in employment-creating activities by lowering productivity.

62. Health is a major factor hindering individual capacity and contributing to poverty in Botswana. This includes the health barriers to skills acquisition and labor market participation, in particular childhood malnutrition, and the impact of disease (especially HIV) on female participation in income-earning activities. The Bank’s contribution through policy advice and targeted investments would address the quality of and equitable access to secondary and tertiary education, thus establishing stronger grounds for lowering youth unemployment, a faster transition to the labor market, increased earnings, and, over time, to shared prosperity. Building on positive outcomes of the Bank-supported HIV/AIDS prevention program, the Bank would broaden the scope of its engagement to address the prevention, diagnosis, and treatment of both non-communicable and communicable diseases, as well as institutional constraints hampering the quality and efficiency of health service delivery.

63. The SCD observes that access to water resources has always been a critical determinant of well-being in Botswana. Despite significant improvements in access to essential services, inequities in access and quality persist. Piped water supply service coverage ranges from 80 percent in Gaborone to 20–30 percent in some other urban centers, and service quality in a number of areas remains below the government’s policy objectives. Sanitation remains a serious gap; only 64 percent of the population, and just 42 percent in rural areas, has access to improved sanitation. Expansion of a sustainable piped water supply and sewerage services, as well as overall water security, are critical for reducing poverty and inequalities in the country. The Bank’s engagement will support lowest-cost, sustainable solutions to help Botswana achieve higher levels of coverage and improved services (see figure 8).

Objective 2.1: Improving equitable access and relevance of senior secondary education

64. Inadequate education outcomes represent a significant barrier to much-needed productivity improvements and competitiveness. Sustainable economic and employment growth depends on the ability of the education system to equip the country’s workforce with skill sets that meet market needs. Moreover, higher quality and relevance of education for the disadvantaged would lead to improved job and earnings prospects, and lower inequality.

65. Acknowledging the vital role of education as a pre-requisite for a productive workforce, which is necessary for sustainable economic growth, the government is finalizing a five year Education and Training Sector Strategic Plan (ETSSP) that aims at providing an overall

policy and strategic framework for the sector. The ETSSP is currently with the cabinet for approval.

66. To support implementation of the ETSSP, the Bank has initiated consultations with government counterparts on the scope and nature of the interventions under the proposed lending operation. The project will address the gaps faced by the sector through the interventions that will focus on improving the relevance of curricula, education, developing qualifications for teachers and trainers, upgrading school infrastructure, and increasing efficiency in education resources management. The proposed operation is expected to generate improvements in student learning outcomes and contribute to better skills alignment with market needs. This means greater employability of the graduates, including better pathways to upper- and post-secondary education and life-long learning.

Objective 2.2: Improving health outcomes

67. Botswana will address the challenge of maintaining the quality and coverage of the health system, particularly given its small, dispersed population. Addressing the HIV/AIDS and tuberculosis epidemic, including elimination of mother-to-child transmission, remains a priority. But NCDs as well as other diseases, such as drug-resistant TB and potentially malaria, are a growing issue (NCDs are expected to become the leading cause of morbidity and mortality by 2030). The Ministry of Health (MoH) was recently restructured to better address decentralized service delivery and now has a strategy to address the growing burden of NCD. The NCD strategy explicitly capitalizes on existing health sector resources, facilities, and capacities. There is a high political commitment to addressing health challenges in Botswana, which over recent years has translated into increasing health expenditures.

68. To date, the Bank's health sector engagement has been through the Botswana National HIV/AIDS Prevention Support (BNAPS) Project that closed on March 31, 2015. The Bank is discussing options for future cooperation with counterparts to improve coverage and efficiency of prioritized HIV/AIDS/TB and other critical health services. Also, through the ongoing Botswana Health Sector Specific Public Expenditure Review and Fiscal Space Analysis, the Bank aims to assist the government in gathering evidence on efficiency and sustainability at the sector level, and discussing the findings within the context of the macro economy and the country's development objectives. This analytical work will contribute to deliberations on the sustainability of HIV/AIDS financing as well as on broader health financing. It will also help ensure adequate resources for the post 2015 Development Agenda, which calls for clearer articulation of the links between health and development.

Objective 2.3: Improving efficiency and sustainability of water supply and sanitation services

69. The provision of water and wastewater services presents a significant challenge to the government's efforts to sustain economic growth, stimulate diversification, address poverty eradication, improve health and sanitation services, and ensure more equitable wealth distribution. In 2008, the Government of Botswana launched an ambitious reform program that included the re-alignment of roles and responsibilities within the water sector. The reform

incorporated a number of key recommendations from the 2006 National Water Master Plan Review to introduce a series of policy and regulatory instruments for improving water demand management and water use efficiency. Investments in wastewater re-use and reclamation schemes were identified as a strategy to enhance water supply security and improve operational efficiency of wastewater services.

70. The Bank provided support to the Ministry of Minerals Energy and Water Resources (MMEWR) to implement water sector reforms through two fee-based service agreements over the period 2008–2010. Interventions were considered successful, with the government making substantial progress in moving forward the reform agenda. The Bank has also been providing support to the MMEWR through a recipient-executed grant (US\$2 million) under the multi-donor trust fund for Cooperation in International Waters in Africa (CIWA). This project provides technical assistance to support MMEWR in assessing the viability of water resource development options for Botswana to access water from the Highlands of Lesotho.

71. The Botswana Water Security and Efficiency Project proposed under this CPF will improve efficiency and sustainability of water supply and sanitation services as well as increase capacity for wastewater management and re-use in selected systems. The project will finance high priority strategic water supply investments in selected systems operated by the Water Utility Corporation (WUC), serving about six urban areas. The project will also support and strengthen water sector institutions—including the MMEWR, Department of Water Affairs (DWA), and WUC—to further develop, refine, and advance the sector reform process. It will enable engineering design and supervision, project management/auditing, and technical studies and training and capacity development, including specialized skills as required.

72. The project is expected to include the following four components: (i) service expansion and improvement, including support to WUC for the development of priority infrastructure to increase coverage and quality of services, and to improve the operational efficiency of the urban water and sanitation system, including non-revenue water reductions and demand management; (ii) national wastewater enhancement, which will support WUC’s efforts to improve the operational efficiency and enhance the capacity to manage, treat, dispose, and re-reuse wastewater through strategic and targeted investments across the country; and (iii) in Botswana’s urban areas through strategic and targeted investments; (iv) strategic planning and institutional support to build capacity and strengthen sector institutions to plan and execute sector investments, enhance sector policy and regulation.

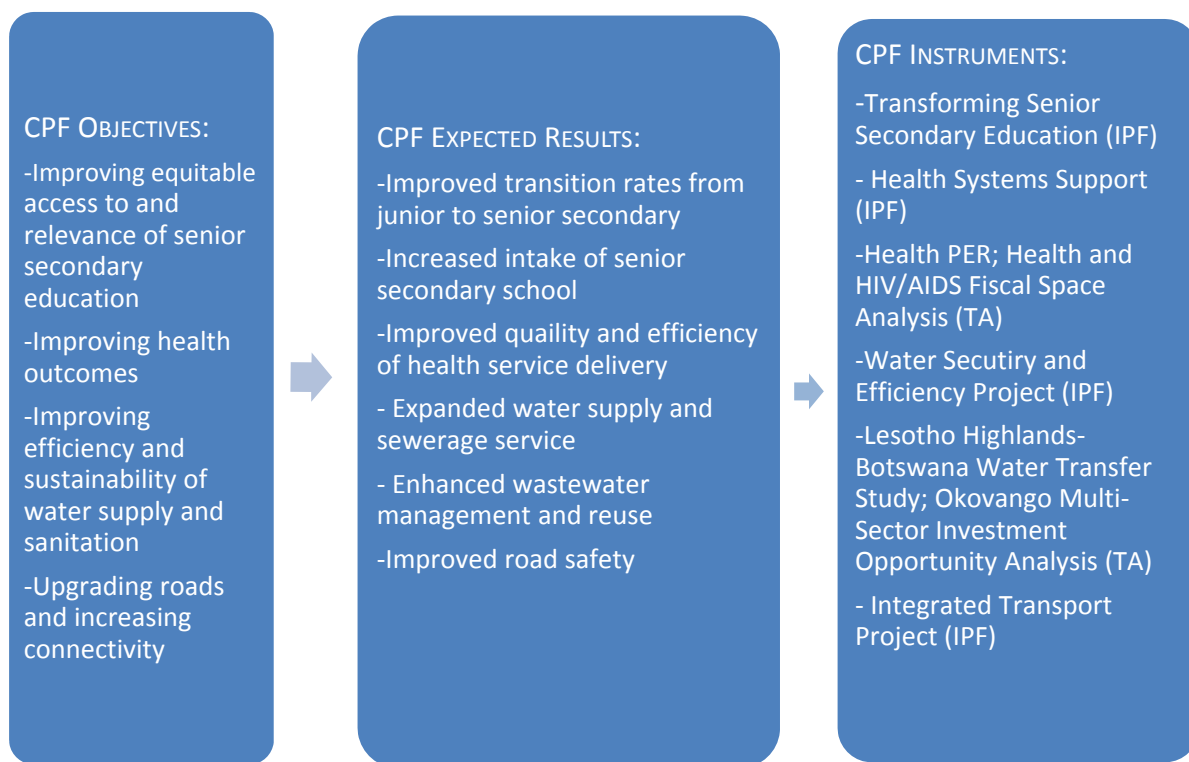
Objective 2.4: Upgrading roads and increasing connectivity

73. Efficient and cost effective transport is critical for growth and a necessary condition to increase competitiveness. For the transport sector development vision, the country adopted a shift from inward to outward looking connectivity, placing itself as hub in the region. In the urban context, priority is being given to developing appropriate public transportation system, as lack of the latter may increasingly become a barrier to inclusion.

74. The Bank is already engaged in the transport sector through the ongoing Integrated Transport Project under the existing portfolio. The overall objective of the project is to enhance the efficiency of the transport system by building modern business management capacity, and by

improving the strategic planning aspects of inter-regional transport and critical transport infrastructure. The project supports government with the finalization of the National Transport Policy and the development of the national multi-modal Transport Master Plan. Along with capacity building and institutional strengthening, the project envisages significant investments in rural, semi-urban, and urban roads infrastructure. The operation finances an innovative long-term output and performance-based road contracting method covering a road network of around 330 km and designed to increase the efficiency and effectiveness of road asset management. Financing is also provided for a wide range of support in Greater Gaborone city, including the development of a modern public transport system. The new system will partially replace the current mini-bus system with scheduled, large bus services and replace the traffic signaling system. It will also include selected road investments to solve the growing urban congestion problem.

Figure 8: Expected combined contribution of proposed instruments to the CPF results



Engagement Area 3: Supporting effective resource management

75. Engagement in this area tackles the SCD priority of ensuring the sustainability of growth and inclusion. The SCD underlines that competing demands on Botswana’s vulnerable natural resources puts sustainability of growth at risk by depleting key sources of comparative advantage and inefficient use of scarce resources, such as water. Exhausting sources of livelihoods, especially in rural areas, also risks sustainability of poverty elimination. The government’s relatively high budgetary allocation to social protection demonstrates a critical investment in the redistribution of resources. However, as noted above, the social protection system exhibits a number of key inefficiencies that hinder effective resource management in the sector. In particular,

because of categorical and weak poverty targeting methodologies, a large proportion of households in the top quintiles not only receive social protection benefits (65 percent of Q4 and 41 percent of Q5) but actually benefit from multiple programs (17 percent of Q4 and 8 percent of Q5). Implementing objective and effective targeting of social protection programs, and social assistance in particular, would redirect spending to benefit the country's poor and help achieve the twin goals of eliminating extreme poverty and promoting shared prosperity. Improved coordination and administration of programs would make spending more efficient and better link social protection programs with other key interventions, including health, education, and active labor market programs. In addition, effective resource management requires a general strengthening of the capability to monitor the performance and impact of government policies and programs. Current institutional constraints, including weaknesses in statistical capacity, hinder evidence-based policymaking and undermine the efficiency and effectiveness of service delivery. The WBG will focus selectively on resource management and service delivery by offering a combination of advisory services and lending instruments aimed at addressing inefficiencies and capacity limitations (see figure 9).

Objective 3.1: Improving the efficiency and effectiveness of Botswana's social protection system

76. A focus on reforming social protection could help increase the impact of the government's already substantial expenditures in social protection. The 2013 Botswana Social Protection Assessment highlights the government's substantial and sustained commitment to robust social assistance expenditures. This investment could be tailored to close the country's consumption gap and help eradicate poverty by reducing the fragmentation of existing programs, building a coordinated social assistance system, emphasizing programs that are pro-poor and well-targeted, and adopting innovative program designs to help break the cycle of inter-generational poverty transmission. Leveraging synergies between programs and prioritizing coverage of the poor could help maximize the government's investment in social protection to combat poverty.

77. The operation proposed under the CPF aims at improving the efficiency and effectiveness of Botswana's social protection system to support the poorest households to mitigate the impact of poverty and access opportunities to graduate from safety nets programs. In achieving this objective, the proposed operation would be structured around two interrelated components. The first component will provide results-based financing with disbursements linked to specific indicators (DLI) in three results areas: (i) reforming key operational tools and strengthening institutional processes to increase program efficiency; (ii) improving effectiveness through harmonization of selected social protection programs and links to promote productive inclusion; and (iii) building robust national data through continuous multi-topic surveys to inform social protection and poverty eradication policies and programming decisions. As noted, the government of Botswana already makes a significant and sustained investment in social protection programs; however, it recognizes that systematic reform could help improve the outcomes from these interventions. The proposed use of the DLIs under this project would support the government to take specific actions linked to gains in the efficiency and effectiveness of the country's social protection system. The second component would finance technical assistance to help achieve the reforms outlined above, and to increase the government's

statistical capacity to monitor and measure poverty eradication and to make evidenced-based policy decisions about social protection programming.

Objective 3.2: Creating national performance management framework

78. WBG has an ongoing engagement through the Economic Diversification and Competitiveness RAS program. Technical assistance provided supports strengthening planning and performance management, focusing on the design and implementation of a government-wide monitoring and evaluation system, including its linkages to planning, budgeting, public service and public investment management. The Bank also works closely with the Statistics Office of Botswana to enhance the national statistical monitoring systems and improve the frequency and quality of the survey data. Technical support is delivered to the PPADB as the agency implements its devolution and capacity building strategy.

Objective 3.3: Strengthening natural resource management

79. Botswana is rich in natural resources. A combination of minerals, energy, and protected areas as well as crop, pastureland and non-timber forest products, makes the country's natural capital worth a third of its total wealth. This natural capital already plays a huge role in supporting Botswana's economy, providing food, fuel, shelter, and livelihood to thousands of people. It also underpins key activities, such as diamond mining, which has dominated Botswana's economy for more than 30 years. The country's natural wealth will be even more critical in the future. The government has identified several areas for growth—including nature-based tourism, mining, and agriculture—which it hopes will help diversify the economy and reduce poverty. To meet all three development goals, the government will need to optimize use of natural resources.

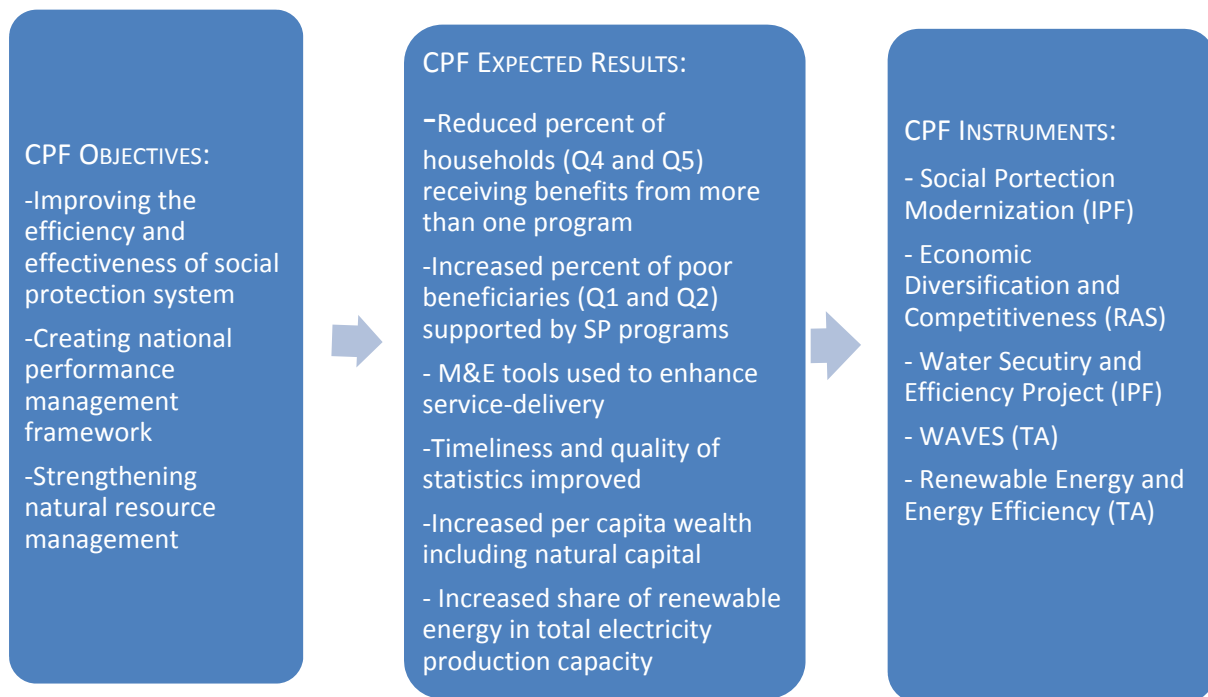
80. The WBG, through the WAVES program, is assisting the country to fill key information gaps and improve economic decision making. The program covers four priority areas for natural capital accounting: (i) water accounts, (ii) mineral & energy accounts, (iii) land accounts, and (iv) ecosystems' accounts. In particular, it focuses on implementing revised indicators that account for natural capital, including Adjusted Net National Income and Adjusted Net Savings; and building comprehensive wealth accounts to assess the prospects for long-term, sustainable growth. It also provides support to building detailed accounts about Botswana's energy resources and energy use to assess the optimal energy mix for the future and examine the role of Botswana's coal in a green economy. The program assists with creating national and ecosystem-based tourism accounts to inform management of eco-tourism in four key ecosystems: Okavango, Chobe, Makgadikgadi Pans, and Central Kalahari. It also supports compilation of water accounts for managing scarce water supplies and contributing to the policy on a national water tariff, scheduled for 2013–14.

81. The Bank is also supporting the GoB's efforts in renewable energy and energy efficiency. The SCD finds electricity supply constraints to be a major challenge. Through ongoing technical assistance, the Bank will help the GoB to identify investment projects in the renewable energy and energy efficiency sectors, and recommend implementation arrangements. The WBG could also support selected investments in the energy sector to expand rural access, increase the use of renewable energy, improve energy efficiency, and strengthen grid infrastructure and regional integration, with appropriate technical assistance in policy, regulatory, and investment

planning. The support will consider various modalities, such as PPPs and guarantees for supporting private investments, and capitalizing on the demonstrated efficiency of private investments in the region, such as REIPPP market for solar energy in South Africa, which brings together technological innovation and transparent procurement processes.

82. The proposed lending operation for the water sector envisages strategic planning and institutional support to the MMEWR. The objective is to build capacity and strengthen institutions to plan and execute sector investments and enhance sector policy and regulation. The institutional and policy activities under the proposed project will support MMEWR to address issues of water resource and environmental management, including, watershed and aquifer management, enhanced wastewater management and re-use, and improved sector regulation. These activities will support the protection and sustainable use of surface and groundwater sources.

Figure 9: Expected combined contribution of proposed instruments to the CPF results



3.3 Implementing the FY16–20 Country Partnership Framework

3.3.1 Financial Envelope

83. Botswana CPF FY16–20 will build on the ongoing portfolio, which continues to be aligned with the proposed objectives of the new program. The portfolio comprises two operations for a total of US\$191.5 million in commitments, of which US\$166.77 million is

undisbursed (87 percent) as of September 30, 2015. The Northern-Botswana Human Wildlife Coexistence Project financed by the GEF grant will close in 2016. The closing date for Integrated Transport project is January 31, 2020.

84. The CPF FY16-20 proposes an indicative IBRD new lending pipeline of US\$270 million to finance operations for FY16–18 (see table 2). The IBRD lending program will be revisited in one year when the government’s new NDP11 will be launched, expected in June 2017. Lending volumes on the remainder of the CPF will depend on country demand and overall performance during the CPF period as well as global economic developments that affect IBRD’s financial capacity and demand by other Bank borrowers. IFC investments are expected to reach around US\$30 million during the CPF period (estimate based on current pipeline). A strong program of TA will be integral to the CPF, likely to be supported by the ongoing RAS program as well as strategic ASA. MIGA currently does not have an active portfolio in Botswana, but it remains open for business across all lines of its Political Risk Insurance Products, including Transfer Restrictions, Expropriation, Breach of Contract, and War and Civil Disturbance as well as Non-Honoring of Sovereign Financial Obligations.

Table 2: CPF Indicative IBRD Lending Program and IFC Investments FY16–20

FY	PROJECT	IBRD (US\$ million)
	Current lending ⁷ : <ul style="list-style-type: none"> • Northern-Botswana Human Wildlife Coexistence • Integrated Transport 	0.46 166.30
FY16–18	Proposed IBRD lending: <ul style="list-style-type: none"> • Botswana Water Security and Efficiency • Social Protection Modernization • Transforming Senior Secondary Education • Health Systems Support Indicative IFC Investments	150 30 50 40 30
FY19–20	Additional projects TBD as per performance and learning review in 2017 to align with the NDP11	TBD

85. Analytical work and knowledge support will be an important part of the CPF program. The ASA will contribute to the CPF objectives by filling in knowledge gaps in poverty, trade and global value chains, water transfer studies, health fiscal space analysis, and programmatic poverty work. An education public expenditure review could be considered to determine opportunities for better cost-effectiveness of sizable education spending (around 8 percent of GDP). Country-specific analytical work will be backed by regional ASA demographics, a water-energy nexus study, and financial inclusion. The work under the ongoing WAVES program is expected to feed key policy and planning processes—such as the Poverty-Environment

⁷ Total undisbursed balance as of September 23, 2015.

Initiative and preparation of the NDP11 —by ensuring real consideration of natural resources and ecosystems, thus enabling better decisions.

86. The World Bank will continue to support Botswana’s efforts for compliance with anti-money laundering and combating of financing terrorism (AML/CFT) obligations as a way to promote shared prosperity. In an effort to comply with international standards on AML/CFT, Botswana has passed a number of laws and regulations. However, very little progress has been made in using this legal framework. The Bank’s support includes conducting a national risk assessment for money laundering and terrorism financing, improving the skills and knowledge of the 14 government agencies in assessing these risks, and applying a risk-based approach to AML/CFT implementation. The ongoing anti-corruption work under the Stolen Asset Recovery Initiative (StAR) focuses on enhancing the policy and legal framework for asset recovery, and assisting the Anti-Corruption Agency with stakeholder awareness-raising and training for law enforcement agencies.

87. For cross-cutting themes, analytical work to assess the extent and causes of gender, poverty, and inequality in Botswana will propose actionable recommendations for addressing the main gender challenges. The World Bank will build on existing gender studies conducted by the government, other donor agencies, and the civil society to track levels and changes in poverty indicators over time and across regions. The Bank will conduct the gender assessment early in the CPF period to address needs in gender responsive policies and actions for poverty reduction and economic growth, and to inform Bank project and task-level interventions. Building on the regional disaster risk management (DRM) work, the World Bank can support national level institutions by building capacity to monitor disaster risks and integrate the risk management interventions into national development planning.

88. The CPF results framework presents the intervention logic and the results chain for the WBGs’ program in Annex 1. The result chain has been informed by the Government NDP strategic planning and goal-setting and comprises 16 results indicators tracking progress towards the nine strategic objectives of the CPF.

3.3.2 Government Procurement and Financial Management Systems

89. The Botswana Use of Financial Management Systems study was completed in FY12. The report validates and documents the considerable use of country financial management systems for Bank-financed projects. Government is implementing a comprehensive public financial management (PFM) reform agenda. However, Bank procurement systems are being used for on-going projects. The Bank is reviewing its procurement policy to increase the use of country systems and reduce thresholds. This should be completed in FY16 and be implemented in FY17. From the previous CPS, the client has gained some experience with Bank policies and procedures. The program will continue to use government processes to establish implementation arrangements.

3.3.3 Partnership and Coordination

90. The CPF envisages continued collaboration and coordination with development partners present in Botswana. Financial support provided to Botswana by bilateral and multilateral partners has been decreasing. Notably significant reduction is expected in the health

sector with a number of HIV/AIDS support programs ending by 2016. Still, foreign assistance continues to be important, especially in supporting capacity building. Although Botswana is eligible for only a relatively low amount of official development assistance (ODA), a Development Partners Forum was established in 2007 comprised of diplomatic missions, bilateral donors, multilateral organizations, UN agencies, and the government. The forum meets twice a year and is co-chaired by the MFDP and UNDP. The objective of the forum is to (i) share information about development policies and programs; (ii) improve donor coordination and harmonization of programs and; (iii) sensitize partners about development challenges.

91. The Bank will explore the opportunities for cooperation with the leading development partners according to their interest and presence in the sectors covered by the CPF (see annex 3). The possibilities for strategic partnerships in the education sector and social protection are being discussed with the EU delegation and UNICEF. The WBG will also coordinate closely with partners on infrastructure, climate change, and private sector development issues in light of their present and planned programs, described below:

- a. The European Union (EU), through the EU-Africa Strategic Partnership, has a Country Strategy Paper (CSP) and the National Indicative Program (NIP), which is implemented through the 11th European Development Fund (EDF) for the period 2014–20. The main sectors envisaged under the 11th EDF include (i) macroeconomic support; (ii) education with a focus on implementation of system level reforms in the Education and Training Strategic Sector Plan (ETSSP); (iii) public sector reform, such as public management and service delivery systems, including public finance management within a multi-year fiscal framework; and (iv) civil sector organizations. In addition, a few EIB initiatives in infrastructure, water and electricity are being examined for the period 2014–20. The indicated financial resources available are EUR 33 million, which is a significant reduction of EUR 73 million from the previous CSP (2008–13).
- b. The UN, through its most recent strategy Program Operational Plan 2009–14, focused on the following areas: (i) governance and human rights promotion, (ii) economic diversification and poverty reduction, (iii) health and HIV/AIDS, (iv) environment and climate change, and (v) children, youth and women empowerment. Global Funds, through UNAIDS, has allocated US\$25 million for the period 2014–16 for malaria, TB, and HIV/AIDS interventions. This is a reduction from previous years.
- c. USAID focuses on the Centre for Disease Control (TB, HIV prevention research, health strengthening systems specific to AIDS). USAID, through its regional program on Southern Africa Regional Environment Program, also seeks to strengthen trans-boundary water resource management, protect biodiversity, and improve water supply and sanitation. However, funding from the President's Emergency Plan for AIDS Relief (PEPFAR) has declined over the last few years, from US\$84 million in 2011 to US\$75 million in 2012, and will be about US\$35 million by 2016.
- d. The Country Strategy Paper 2015–19 for the African Development Bank (not final yet) will support Botswana in its economic diversification efforts with a focus on two pillars: (i) infrastructure development (energy, water and sanitation, policy reform), and (ii) private sector development (PPPs, facilitating access to finance).

IV. MANAGING RISKS TO THE CPF PROGRAM

91. Overall, the risk for achieving the objectives of CPF is *moderate* (see annex 2 for detailed SORT risk description). The external risks to the program, such as macroeconomic risk and stakeholders risk, are rated as *low*. Despite certain vulnerabilities that became apparent in the past with the financial crisis and SACU transfers volatility, with substantial fiscal savings and international reserves the government has managed in the past to maintain fiscal discipline and stay on debt reduction path.

92. The political and governance, technical design and program, fiduciary, environment, and social risks are also rated *low*. Botswana enjoys longstanding political stability. The last elections in October 2014 were free and fair. Government has environment and social safeguard policies that it enforces. The legal framework governing procurement and financial management aspects is robust, and despite some capacity issues, the budgeting, accounting, and reporting processes are well established and institutionalized.

93. The risk associated with the sector strategies and policies is *moderate*. Even though the country is highly rated for sound sector level strategies, the coordination between the line ministries is inadequate. This risk will adversely affect mostly the implementation under Engagement Area 1 (Promoting Private Sector-led, Jobs-Intensive Growth). A combined approach to the proposed lending operations, engagement through advisory and analytical services, as well as continued work on a national monitoring and evaluation system under the RAS will mitigate the coordination risks.

94. The institutional capacity risk during the implementation period will be *substantial*. This risk may undermine the sustainability of the results particularly under the strategic objectives in Engagement Area 2 (Strengthening Human and Physical Assets) and partially Engagement Area 3 (Objective 3.1 Improving the Efficiency and Effectiveness of the Social Protection System). The government implementing agencies have significant capacity; however, they lack experience with preparation and implementation of Bank-financed projects and programs. The proposed lending operations in support of secondary education and social protection consider the use of results-based financing approaches, which will be new to the government. This risk will be mitigated during project preparation by (i) providing technical assistance to the government for consensus building around reforms; (ii) conducting an institutional assessment of the implementing ministries and providing capacity building as needed; and (iii) developing a detailed preparedness and implementation plan to outline the necessary actions to support readiness.

95. The CPF also builds on the experience and the lessons learned from the previous CPS, particularly on strengthening the risk analysis, realism in target setting, and proper choice of higher-level indicators. Institutional risks will be mitigated by including more targeted capacity assistance in new lending, as well as by incorporating institutional reform elements and providing capacity support to line ministries, including through RAS. In addition, this risk will be mitigated through careful sequencing of projects and by allocating enough time for preparation and adjustments, as well as extending adequate implementation support throughout the project life-cycle.

RISK CATEGORIES	RATING
Political and Governance	Low
Macroeconomic	Low
Sector strategies and policies	Moderate
Technical design of program	Low
Institutional capacity for implementation and sustainability	Substantial
Fiduciary	Low
Environmental and Social	Low
Stakeholders	Low
Overall	Moderate

ANNEXES

Annex 1. CPF Results Framework

ENGAGEMENT AREA 1: Promoting private sector-led, jobs-intensive growth

Changing the growth model and developing an export-oriented, diversified economic base in Botswana is critical for sustained economic growth, employment creation, and poverty reduction. This change requires a strong private sector, entrepreneurship, and competitiveness to expand to export markets. Attracting domestic entrepreneurs and FDI to invest in tradables in Botswana requires (i) a **policy environment** that enables private firms to be competitive and provide them with the export focus incentive; and (ii) higher levels of **private sector investment**.

CPF Objective 1.1: Addressing key constraints to the development of non-diamond sectors

Intervention logic: The domestic environment and government policies, have not been effective in significantly raising the bar for firm competitiveness. Protection incentives for focusing on the domestic market undermine the potential for a competitive private sector to emerge. There is a need for integration into the global markets. The WBG interventions aim at assisting the GoB in addressing the policy constraints and successfully implementing strategies and policies in economic diversification and competitiveness. The Bank will provide (i) advisory services to support accelerated implementation of reforms in five priority areas: business environment, trade and industrial policies, infrastructure, access to finance, (in particular of the MSMEs), skills and innovation; (ii) development of non-diamond priority clusters including tourism, beef, ICT and financial services; (iii) technical assistance to the PPADB for implementation of government devolution and a capacity building strategy; (iv) trade facilitation TA for improved trade facilitation and transparency by supporting the establishment of a Trade Information Portal.

CPF objective indicators	Supplementary progress indicators	WBG Program
<p><u>Export diversification, defined as the percent of non-diamond export in real GDP</u> Baseline: 15 percent (2014) Target: 20 percent (2020)</p> <p><u>Improvement in the Distance to Frontier score (on DBI)</u> Baseline: 64.87 (2015) Target: at least 2 points increase (2020)</p>	<ol style="list-style-type: none"> i. Decrease in time, number of steps and cost required to start a business ii. Decrease in time, number of steps and cost required for a new electricity connection iii. Decrease in time and number of payments to comply with tax requirements iv. Decrease in time, number of steps and cost required to transfer a property v. Decrease in time, number of steps and cost required to obtain a construction permit 	<p><i>Ongoing</i> Economic Diversification and Competitiveness (RAS)</p> <p><i>New</i> Botswana Trade Facilitation TA (FY16)</p> <p>Follow up Economic Diversification and Competitiveness (RAS3)</p>

CPF Objective 1.2: Promoting private sector growth

Intervention logic: The growth of the working age population in Botswana increases the expectations for job creation. However, the private sector is struggling to create enough employment, and non-farm self-employment levels remain low. The household and microenterprise sectors do not appear to be dynamic enough to absorb the increasingly large inactive labor force. Taking into account the limited potential of the domestic market size, the WBG, especially IFC, will be assisting the government to promote private sector growth by (i) supporting financial institutions, focusing on financial inclusion/access to finance for MSMEs; (ii) supporting investment opportunities in state-owned or -controlled financial institutions that are being commercialized or privatized; (iii) exploring, through PPP advisory, areas where private sector expertise and capital could be brought in to support the public sector, including in renewable energy (e.g. solar, water and sanitation, transport, health, education).

CPF objective indicators	Supplementary progress indicators	WBG Program
<p>Investment Mobilized – FIs (\$M)</p> <p>Baseline: 0 (FY16)</p> <p>Target: 30 (FY20)</p>	<p>Impacts related to “Investment Mobilized–FIs” shall be monitored through data on the proxies:</p> <ul style="list-style-type: none"> i. Number of SMEs reached ii. Loans disbursed (# & \$) iii. No. of jobs created or saved iv. Sales revenue growth 	<p>At the request of GoB, IFC will explore PPP advisory services</p>

ENGAGEMENT AREA 2: Strengthening human and physical assets

Developing a new growth model will require a step change in the productivity of Botswana’s firms. The latter depends on substantial **improvements in human capital**, including education and health: (i) Improving the quality of education, developing skill sets demanded by the labor market, and increasing access to appropriate job training programs will be necessary for reducing unemployment and poverty and achieving the country’s much-needed economic diversification, sustainable growth, and job creation. (ii) Addressing health barriers to skills acquisition and labor market participation would be essential for ensuring that all individuals have the capacity to contribute to productivity and are in the position to enjoy human development outcomes. Such sustainable livelihoods will require focus on **strengthening physical assets**, including infrastructure for water and sanitation.

CPF Objective 2.1: Improving equitable access and relevance of senior secondary education

Intervention logic: The education sector, and secondary education in particular, faces challenges that present important opportunities for reforms. These include (i) unequal access to senior secondary school; (ii) low and declining learning achievements; (iii) outdated and unconnected vocational streams of secondary education; and (iv) high levels but inefficient use of investment in education and training. To help the government improve the labor market relevance and address the inequities in the system, the World Bank will provide investment lending assistance that focuses on the secondary school, and senior secondary school system. The interventions will aim to (i) expand the general senior secondary education in underserved areas; (ii) establish labor market-relevant, professional education streams for senior secondary education; and (iii) strengthen the capacity and accountability of managing and sustaining system expansion at the senior secondary and post-secondary levels.

CPF objective indicators ^a	Supplementary progress indicators	WBG Program
<p><u>Improved transition rate from junior secondary to senior secondary education, including enrollment in the vocational/professional training stream; girls transition rate;</u> Baseline: 62 percent (2015) Target: TBD (2020)</p> <p><u>Increased intake into senior secondary school in underserved districts (to be defined as per school mapping and cost analysis during project preparation); intake rate for girls;</u> Baseline: # of districts and intake in thousands; TBD (2015) Target: TBD (2020)</p>	<p>i. School mapping completed with forecasted demand for secondary education per district</p> <p>ii. Identification of locations for conversion of under-utilized school infrastructure or new construction completed</p> <p>iii. Curricula for a professional stream of secondary education developed</p>	<p><i>New</i> Transforming Senior Secondary Education, Investment Project Finance (IPF)</p>
<p>CPF Objective 2.2: Improving health outcomes</p>		
<p>Intervention logic: Health is a major factor hindering individual capacity and contributing to Botswana’s human development outcomes that are among the lowest in the world for a MIC country. The impact of HIV/AIDS pandemic – one of the principal factors behind the poor outcomes – remains widespread. Through investment lending the World Bank will support interventions for: (i) training health professionals, (ii) improving health information system, and (iii) improving prevention, diagnosis and treatment of NCDs and communicable diseases. More specifically, proposed World Bank lending will support the Ministry of Health in strengthening implementation of its service delivery integration agenda (with respect to more efficiently addressing the national communicable and non-communicable disease double burden along a health care continuum from disease prevention, treatment and care, and rehabilitation); in addressing persistent maternal and child health challenges; and supporting organizational changes at the MOH and related decentralization arrangements by helping build and strengthen institutional capacity, technical, managerial, and operational to improve access to quality health services. Analytical work will inform evidence-based policy making and operational design by examining overall sector expenditures and, to improve (a) the value for money in the sector, and (b) produce better health outcomes.</p>		

^a Notes: expected results are outlined below; however concrete baseline and target indicators are not identified yet, given the early stage of new project preparations. These indicators will be updated during the PLR

CPF Objective Indicators	Supplementary progress indicators	WBG Program
<p>Quality and efficiency in health service delivery improved, measured by:</p> <p><u>Percent children (under five years) with suspected pneumonia taken to appropriate health provider; boys/girls ratio per age group:</u> Baseline: 14.1 percent (2014)^b Target: 30 percent (2020)</p> <p><u>Percent children (under five years) with diarrhea treated with oral rehydration solution (ORS); boys/girls ratio per age group:</u> Baseline: 48.9 percent (2014)^c Target: 70 percent (2020)</p>	<p>i. Health information management system (HMIS) improved, with respect to standardization and timely data collection</p> <p>ii. Hospital electronic HMIS expanded beyond the 27 largest public hospitals currently utilizing the Integrated Patient Management System (IPMS)</p> <p>iii. Health financing strategy developed, based on on-going and planned analytic work</p>	<p><i>Ongoing</i> Health and HIV/AIDS Fiscal Space Analysis (TA)</p> <p><i>New</i> Health Systems Support (IPF) Health PER (TA)</p>
CPF Objective 2.3: Improving efficiency and sustainability of water supply and sanitation services		
<p>Intervention logic: Botswana has succeeded in ensuring wide access to clean water, with more than 95 percent access to improved drinking water sources. However, access to piped water supply remains uneven, ranging from 80 percent (Gaborone) to 20–30 percent in some urban centers. Only 42 percent of rural households have access to proper sanitation. System losses amount to 33 percent. The World Bank will support the government through a package of financial and knowledge services to improve the provision of water and sanitation while addressing affordability concerns, and will specifically (i) support the WUC investment program in underserved localities; (ii) strengthen water sector institutions, including the MMEWR, DWA, WUC and the sector regulator, to further pursue water sector reform; (iii) provide technical assistance for improving the prioritization of new investments and the selection process.</p>		

^b Data source: UNICEF (2015) State of the World's Children Country Statistical Tables-Botswana (Note: this baseline figure derives from national MICS survey data)

^c Ibid.

<p align="center">CPF Objective Indicators</p> <p><u>Expansion of water service coverage in selected systems</u> Baseline: 60 percent (2015) Target: 80 percent (2020)</p> <p><u>Improved operating efficiencies— reduction in non-revenue water</u> Baseline: 33 percent (2015) Target: 23 percent (2020)</p>	<p>Supplementary progress indicators</p> <ol style="list-style-type: none"> i. Preparation of WUC District Center Investment Plans ii. Preparation of Feasibility Studies, Designs and Bidding Documents iii. Preparation of Utility Improvement Plans iv. Implementation of Priority Works Contracts (water distribution, wastewater treatment facilities) v. Implementation of key activities from Utility Performance Improvement Plans vi. Implementation of Second Phase Works Contracts 	<p>WBG Program</p> <p><i>Ongoing</i> Lesotho Highlands-Botswana Water Transfer Study (TA)</p> <p>Okovango Multi-sector Investment Opportunity (TA)</p> <p><i>New</i> Water Security and Efficiency Project (IPF)</p>
<p>CPF Objective 2.4: Upgrading roads and increasing connectivity</p>		
<p>Intervention logic: Roads are the predominant mode of transport for Botswana carrying over 90 percent of freight and passenger traffic. While Botswana’s internal infrastructure is generally well developed, significant gaps remain in connecting to regional and global markets. The country’s landlocked position and distance from ports is a structural barrier that raises costs for exporters and importers and hinders the country’s ability to exploit regional and global trade opportunities. Some of the major challenges include increased traffic growth, deterioration of the road network, higher operation and management (O&M) costs; effective traffic management. With its ongoing IPF operation from the current portfolio engagement, the World Bank will continue to invest in critical transport infrastructure that enhances the efficiency of the transport system by building modern strategic planning and management capacity in the sector.</p>		
<p>CPF objective indicators</p> <p><u>Improved road safety</u> Baseline: Number of annual accidents on project roads (2015) Target: Number of annual accidents on project roads down by 20 percent (2020)</p>	<p>Supplementary progress indicators</p> <ol style="list-style-type: none"> i. Rehabilitation and maintenance of project roads carried out successfully under OPRCs methodology ii. Capacity and knowledge enhancement of Road Department staff improved iii. Satisfactory financial management and reporting iv. Traffic situation improved by traffic management solutions 	<p>WBG Program</p> <p><i>Ongoing</i> Integrated Transport Project (IPF)</p>

ENGAGEMENT AREA 3: Supporting effective resource management

The priority interventions outlined in the engagement areas above will not deliver rapid and sustainable progress on the twin goals without addressing fundamental enablers, including **improving public resource management and service delivery** by strengthening performance monitoring and evaluation, including linkages for enhanced planning, budgeting, civil service and public investment management. Botswana's natural resources will remain at the heart of the country's success. But they are highly constrained, fragile, and face many competing demands. Therefore, putting in place effective systems for **natural resource management** that take clear account of the implications on important resources will be critical to ensure sustainability over the medium term.

CPF Objective 3.1: Improving the efficiency and effectiveness of social protection system

Intervention logic: Despite considerable government investment in the social protection sector, the targeting of this social protection spending is relatively regressive, and significant ground needs to be covered to support eradication of extreme poverty and address the high inequality in Botswana. The current set of transfers lacks coherence and is prone to duplication. In absence of proper targeting of the beneficiaries, significant resources are being allocated to the non-poor, and program coverage is often too small to have a real impact on the recipient. The World Bank will support improvements in the efficiency and effectiveness of Botswana's social protection system through the interventions aiming to (i) promote efficiency by improving targeting of the poorest, and by implementing a social registry of beneficiaries and a monitoring of information system; (ii) improve effectiveness of the social protection system by expanding coverage and delivering rationalized packages of benefits; and (iii) ensure the availability of relevant and updated data for implementation, monitoring, and decision making.

CPF objective indicators	Supplementary progress indicators	WBG Program
<p><u>Percent reduction of households in Q4 and Q5 receiving benefits from more than one program: female beneficiaries</u> Baseline: Q4 = 17.4 percent; Q5 = 7.9 percent Target: Q4 = 11.6 percent; Q5 = 5.3 percent Note: target is reduction of 1/3 in each quintile</p> <p><u>Percent of poor beneficiaries (Q1 and Q2) supported by social protection programs: female beneficiaries:</u> Baseline: Q1 = 91.6 percent; Q2 = 87.3 percent Target: Q1 = 96.6 percent; Q2 = 93.3 percent Note: target represents an increase of 5 percentage points in each quintile, equivalent to roughly 20,000 additional people in each quintile</p>	<ol style="list-style-type: none"> i. Number of beneficiaries of selected social protection programs enrolled based on new targeting methodology ii. Number of poor households receiving a consolidated package of benefits iii. Number of poor households receiving social intermediation services 	<p><i>New</i> Social Protection Modernization (IPF)</p>

CPF Objective 3.2: Creating national performance management framework

Intervention logic: Weak planning and monitoring and evaluation of policies, programs and projects reduced public sector efficiency, effectiveness, transparency and accountability, resulting in weak service-delivery. Low frequency data collection and delays in dissemination impede evidence based policymaking, and the implementation of programs designed to address employment, poverty, and growth. Through the ongoing engagement under the RAS second assignment, the Bank will: (i) support the NSO efforts to put in place a government-wide performance M&E system, including linkages to planning, budgeting, public service and public investment management; and (ii) provide technical assistance to Statistics Botswana with the implementation of a multi-topic household survey as a core instrument for data collection.

CPF objective indicators	Supplementary progress indicators	WBG Program
<p>Monitoring and evaluation policy approved by Cabinet, and M&E tools are used to enhance service-delivery</p> <p>Baseline: no M&E policy (2015) Target: M&E policy operationalized (2020)</p> <p>Timeliness and quality of statistics improved</p> <p>Baseline: no Multi-topic household survey implemented (2015) Target: Multi-topic household survey implemented (2020)</p>	<ol style="list-style-type: none"> i. M&E Policy Framework developed ii. Monitoring tools developed iii. Rapid evaluations carried out iv. Multi-topic survey published 	<p><i>Ongoing</i></p> <p>Economic Diversification and Competitiveness (RAS2)</p>

CPF Objective 3.3: Strengthening natural resources management

Intervention logic: Botswana is one of the most water-stressed countries in the world, with general scarcity and high dependency on internationally shared and trans-boundary waters. As water scarcity is growing, Botswana will have to be in a position to make careful and informed allocation strategies that prioritize the most beneficial sectors, balancing economic, strategic, and livelihood benefits, including employment. The World Bank will support the government in addressing this challenge through knowledge, advice, and lending for (i) building capacity and strengthening sector institutions to plan and execute sector investments, and to enhance sector policy and regulation; and (ii) financing the design and development of a monitoring system for the assessment and control of water resources, sector policy support, and crisis response mechanisms. Technical assistance will be provided to the MMEWR for staff training, strategic assessments, feasibility studies, and assessing water security tradeoffs. Given the scale of Botswana's coal and solar resources and comparative advantage, the Bank will be supporting the government in developing a strategy for exploring long-term investment opportunities in the sector.

CPF objective indicators	Supplementary progress indicators	WBG Program
<p>Per capita wealth including natural capital (pula per person in constant 2006 prices)</p> <p>Baseline: BWP139,992 (2014) Target: to be set in the new Vision document (2020)</p> <p>Share of renewable energy in total electricity production capacity</p> <p>Baseline: less than 0.2 percent (2015) Target: 5 percent (2020)</p>	<ol style="list-style-type: none"> i. Publication of satellite water accounts Department of Water Affairs ii. Adjusted National Savings indicator developed using national dataset, and reported as part of national accounts iii. Renewable energy and energy efficiency strategies and implementation plans adopted 	<p><i>Ongoing</i></p> <p>WAVES (TA)</p> <p>Renewable Energy and Energy Efficiency (TA)</p> <p><i>New</i></p> <p>Water Security and Efficiency Project (IPF)</p>

Annex 2. Systematic Operations Risk-Rating Tool

RISK CATEGORIES	RATING	MITIGATION
Political and Governance	<p>Low: Recent elections concluded in October 2014 with re-election of incumbent president. Elections were free and fair. Continuity in government strategy is expected. Country manages its economic and social resources for development.</p>	
Macroeconomic	<p>Low: Country practices prudent macroeconomic management and policies. There are strong (adequate) institutions. Budgets are consistent with fiscal sustainability. Even though there are vulnerabilities to external shocks, due to sound management, there economy has shown resilience over the last five years.</p>	
Sector strategies and policies	<p>Moderate: Country highly rated for sound sector–level strategies policies and governance arrangements. There is a risk of poor coordination and implementation across various ministries and misalignment of strategies.</p>	<p>The WBG, through consultation with MFDP, has ensured that projects and activities supported by the Bank are aligned with the national development plans.</p>
Technical design of program	<p>Low: Risk that mix of tools used in the CPF are not appropriate for the Client.</p>	<p>Bank has sufficient experience with the client and has considered lessons learnt from the previous CPS.</p>
Institutional capacity for implementation and sustainability	<p>Substantial: Risk of some weakness of technical knowledge and project management in implementing agencies. Some agencies have limited experience with the Bank operations.</p>	<p>Bank will play a more proactive role in providing technical assistance and implementation support in this CPF as appropriate.</p>

RISK CATEGORIES	RATING	MITIGATION
Fiduciary	<p>Low: The CPF proposes IPF program in water, social protection, education and health. The overall fiduciary environment is strong. The legal and regulatory environment for procurement is adequate with strong procurement oversight from PPADB who are also transforming into a regulatory body having devolved most of their functions to entities. Staffing at some entities is inadequate and some procurement also experiences delays. Procurement planning though required by law is inadequate. Contract management remains a concern. The current Bank portfolio has not had major fiduciary problems. The budgeting and planning systems are based on sound policy and institutional foundations and are accompanied by solid accounting and auditing system.</p>	<p>Staffing at entities is being strengthened and procurement practices are being enhanced by capacity building of government staff and private sector and simplification of the bidding process. PPADB have proposed changes to the procurement law to focus on regulatory functions and devolve executive procurement responsibilities to entities thereby increasing accountability.</p>
Environmental and Social	<p>Low: Government has regulations and policies in place.</p>	<p>Bank safeguards for the pipeline Water Security and Efficiency project to be considered Government takes seriously the enforcement of regulations and policies</p>
Stakeholders	<p>Low: Consultations with the development partners, private sector and civil society organizations have been part of the process.</p>	
Overall	MODERATE	

Annex 3. Development Partners and Areas of Engagement

Development Partners	SECTORS											
	Education & Skills	Health	Social Policy & Protection	Poverty Eradication	Agriculture	Energy	Water and Sanitation	Climate Change	Natural Resources	Economic Growth & Trade	Tourism	Public Sector & PFM
ADB					X	X	X				X	
EU	X									X		X
France		X								X	X	
Germany (GIZ, KfW)					X		X				X	
IMF												X
JICA						X		X				
UK	X											
UNDP				X								X
UNICEF	X	X	X	X							X	X
USAID						X		X			X	
US Government		X										
WHO		X										

Annex 4. Completion and Learning Report

BOTSWANA COUNTRY PARTNERSHIP STRATEGY FY09-FY13 COMPLETION AND LEARNING REPORT

CPS Board Discussion:	May 21, 2009
CPS Progress Report (Board Presentation):	October 5, 2011
Period Covered by CPS Completion Report:	FY09-13

INTRODUCTION

1. **This Country Partnership Strategy Completion and Learning Report (CPSCLR) reviews the experience of implementing the FY09–13 WBG Country Partnership Strategy (CPS) for the Republic of Botswana (Report No. 47520 BW, Date: May 21, 2009).** The document provides a self- assessment of: (i) the extent to which the CPS was successful in achieving its stated objectives; (ii) the WBG performance in terms of the design and implementation of the program; (iii) and lessons learned from the implementation of the CPS program that should be considered during the preparation of the new Country Partnership Framework FY16-20. In addition to discussions with the country team and Government counterparts, this assessment is based on reference documents such as the CPS, the CPS Progress Report, Project Appraisal Documents, Implementation Status Reports, ICRs, supervision reports, and reports related to Economic and Sector Work. The findings of the CPSCLR have informed the preparation of the FY16-FY20 CPF.

SUMMARY OF KEY FINDINGS AND RATINGS

2. Botswana had reached a critical juncture in 2009 when the CPS (FY09-13) was presented to the Bank’s Board on May 21, 2009. Forty-three years of good governance, sound macro-economic management, and prudent development of mineral wealth had fueled sustained growth and propelled the country to middle income status. Growth rates averaged 8.7 percent per annum between 1966 and 2008 and per capita income grew from US\$70 at independence to US\$8,533 in 2011. Sound fiscal management over the years allowed the Government to fund numerous social and investment programs from its own budgets while at the same time building up large reserves.

3. Despite the rapid growth, high levels of unemployment, poverty and inequality persisted. Income distribution was markedly inequitable leading to high poverty rates despite the high income per capita.¹¹ In 2009/2010 the poverty rate stood at 19.3 percent of the population and while the diamond sector was the engine of growth, it employed few people. The private sector struggled and was neither dynamic nor competitive and created few jobs. The official unemployment rate in 2009/2010 was 17.8 percent; however, the actual rate was 30 percent when discouraged workers who dropped out of the job market were taken into account.¹² Given the paucity of jobs in the private sector there was a high level of dependency on Government for employment and social assistance. Government Programs aimed at improving human welfare but

¹¹ The per capita consumption Gini coefficient was 0.49 in 2009/2010.

¹² The figures on inequality, poverty and unemployment are drawn from the Botswana Social Protection Assessment, World Bank, 2013 and are based on Botswana Core Welfare Indicator survey of 2009/10 by Statistics Botswana

often suffered from inadequate implementation, poor targeting and limited impact.

4. Also in 2009 the country was dealing with the global financial crisis that cut export of diamonds sharply, reducing revenues and forcing the Government to draw-down reserves to maintain key social programs. The economy contracted in 2008 and 2009, and while growth returned in 2010 it has yet to reach pre-crisis levels. Other challenges included the HIV/AIDS epidemic and shortages in the availability of power as South Africa announced its intentions to phase out power exports to Botswana in face of its growing internal demand for energy.

5. The immediate challenges at the launch of the CPS were the global financial crisis and the impending power shortages caused by South Africa's decision to end exports to Botswana. The impact of the financial crisis on diamond revenues was a precursor to the longer-term challenges facing Botswana. Diamond production has peaked and Botswana faces a future of gradually declining supplies and higher mining costs. Of immediate concern was how the Government could sustain crucial public services in face of sharp contractions in diamond exports and Government revenues. To address the impending power shortage the Government-owned Botswana Power Company (BPC) undertook construction, through an Engineering, Procurement, and Construction (EPC) contract to build a coal fired power plant and implemented demand management measures aimed at self-sufficiency in power generation.

6. Medium-term challenges centered on how the Government could position Botswana to move beyond an economy dominated by diamond production. Efforts would focus on diversifying the economy, improving the climate for foreign and domestic investment, and creating a skilled workforce. In face of the medium term prospect of declining Government revenues, the NDP 10 also identified the need to improve the effectiveness of the public sector programs. Two key areas, where effective public sector programs were crucial, were the HIV/AIDS pandemic and removing infrastructure constraints. The main infrastructure priorities were identified in energy, water supply and roads.

7. The Government's planning process accurately identified the challenges facing Botswana. The Government's NDP10 was developed to support the last seven years of Government Strategy -Vision 16, and focused on meeting both immediate and medium-term challenges. The NDP10 provided the framework within which the CPS was developed. The CPS was fully consistent with the development challenges identified by the NDP10.

8. The FY09-13 CPS included four pillars. For each pillar the CPS identified broad outcomes but did not include outcome indicators. These were added in the CPS Progress Report which had twenty one objectives. Pillar I focused on public sector effectiveness and had four objectives. Pillar II concentrated on increased effectiveness of HIV/AIDS prevention efforts and included one objective. Pillar III dealt with increased economic competitiveness and was the largest pillar both in lending and analytical work. It had ten objectives. Pillar IV focused on the environment and covered six objective. Each objective indicator was evaluated and rated as either being achieved, mostly achieved, partially achieved, or not achieved. This cumulative rating was based on the rating the sub-indicators for each objective respectively. The overall outcome of the program was then evaluated across all ratings to determine whether the overall program was highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory or highly unsatisfactory. The overall CPS development outcome is rated *Moderately Unsatisfactory* according to the ratings per pillar in the table below.

Outcome Rating by Pillars				Development Outcome Rating
Pillar 1	Pillar 2	Pillar 3	Pillar 4	
Unsatisfactory	Moderately Unsatisfactory	Moderately Satisfactory	Moderately Unsatisfactory	Moderately Unsatisfactory
Objective 1.1 – NA Objective 1.2 – MA Objective 1.3 – NA Objective 1.4 – NA	Objective 2.1- PA	Objective 3.1- MA Objective 3.2 – PA Objective 3.3 – A Objective 3.4 – A Objective 3.5 – A Objective 3.6 – PA Objective 3.7 – A Objective 3.8 – PA Objective 3.9 – NA Objective 3.10–NA	Objective 4.1-NA Objective 4.2- A Objective 4.3- NA Objective 4.4-MA Objective 4.5- PA Objective 4.6- A	

EVALUATION OF THE CPS OUTCOMES

9. **Pillar 1 - Enhancing Public Sector Effectiveness (unsatisfactory).** This pillar focused on improved data on poverty, improved public financial management, better monitoring and evaluation in Government programs, and national statistical capacity. Little progress was made in improving capacity to compile, analyze and disseminate poverty related statistical data and the outcome indicators were not achieved. The training of statisticians and the dissemination of the Core Welfare Indicators did not take place. Survey was delayed three years beyond target date and more generally timeliness of key statistical analysis remains a problem.

10. Some progress was made in public expenditure management outcome of the pillar with the completion of a Public Expenditure Review and an update to the 2007 PEFA indicators, financed by the EU in 2013. The Government formulated and initiated a PFM strategy and action plan under the leadership of the MFDP in 2010 and this work is progressing. The PEFA update found that Botswana had some elements of a medium term expenditure framework (MTEF) and Performance Based Budgeting (PBB) in place. MFDP uses macro-economic modeling to make MTEF. The EU is providing a MTEF advisor and the current plan is to roll out the MTEF in time for NDP11 (2016). The Government is also gradually shifting from Cash Accounting to Accrual Accounting. The note by the Bank on accrual accounting prepared in FY11 complemented work by the IMF. Overall the three outcome indicators for public expenditure management were mostly achieved.

11. Outcomes for introducing monitoring and evaluation systems in key ministries was not achieved. The IDF grant for monitoring and evaluation work was cancelled. Some monitoring and evaluation work is being carried out as part of the RAS.

12. The World Bank assessment of statistics capacity was completed but follow-up was limited. The planned technical assistance through the TFSCB Grant for Capacity Building and Poverty Analysis was not utilized. The outcome was not achieved. Continued work on statistics capacity is underway as part of PREM work program for 2014.

13. **Pillar 2 - Fighting HIV/AIDS and Improving Education Outcomes (moderately unsatisfactory).** The National HIV/AIDS Prevention Support Project, which focuses on prevention of new HIV infections, is making progress. Data on the changes in behavior measured by outcome indicators (BAIS IV Survey) suggest some progress in meeting outcome objectives though the challenge of changing behaviors is indeed daunting. It appears that knowledge of what causes HIV has improved and more people have access to testing services. Also the number of circumcisions is about 80 percent of the target. Less progress has been made on indicators for condom use and multiple concurrent partners.

14. An innovative feature of project design was the buy down of interest payments by the EU. The EU had established triggers to be reached before payment would be made. The triggers were all achieved and EU paid the US\$20 million buy down to the Government. Another success was a program of independent verification of grants, which showed that self-reporting of results by grantees was accurate. Recently the project was adapted to include prevention of non-communicable diseases namely HPV vaccinations in schools. The project's closing date has been extended from September 2014 to March 2015 and the Government is exploring options for continued Bank support in the sector.

15. The Project suffered initially from considerable implementation delays. The main problem was finding and retaining project staff with adequate skills in procurement and financial management. Considerable staff turnover occurred before an adequate skills mix was achieved. The Bank intensified implementation support in FY13, following the securing of trust fund resources, which helped speed implementation especially for the grants to community based organizations undertaking HIV/AIDS prevention interventions. Overall disbursement has accelerated significantly over the past 24 months increasing from 26 percent to 92 percent by August 2014. Overall, indicators are rated as partially achieved.

16. For education the outcome was defined as: "Skills gap is identified and policy options to fill the gap agreed." The Bank in FY13 completed the skills gap analysis, and dissemination and discussion with Government took place in December, 2014. This activity was moved to Pillar 3 at the mid-term review as it more closely fit with the objectives of making the labor force more productive. This activity was partly achieved, as the paper was produced and discussed. However policy options to close the gap were never agreed.

17. **Pillar 3 - Increased Competition - Infrastructure and the Climate for Investment and Growth (moderately satisfactory).** This pillar covered five areas of activities. These included improved investment climate, completion of financial sector development strategy, strengthened accounting profession, improved national transportation capacity, and improved energy security.

18. Improved Investment Climate indicators were Doing Business (DB) rankings and identification of key remaining bottlenecks to greater foreign and domestic investment. At the beginning of the CPS period in 2009 the DB ranking in Botswana was 38. Rather than improving during CPS period, Botswana's ranking was 74 in the 2015 ranking. Overall, implementation of Doing DB reforms did not match expectations in the CPS and the indicator was not achieved.

19. Identification of key bottlenecks to foreign and domestic investments – The Bank did quite a bit of work during the CPS including follow up to the 2007 Investment Climate Assessment that was completed in 2012 and a Development Policy Review that was completed in 2013. These reports helped identify the key bottlenecks and enriched the ongoing dialogue between the Bank

and the Government and were well received by the Government. This indicator was achieved.

20. As a result of the dialogue with the Government on economic diversification started in 2011 and the discussions around the Development Policy Review in November 2011, the Government requested in 2012 RAS that focused on five areas including the business environment, trade and industry policy, infrastructure services, access to finance, and innovation and skills development. The Economic Diversification Competitiveness RAS was signed in February 2013 and is currently underway. Fourteen pieces of work in the five areas are underway with three pieces already completed. The five areas include: business registration, licensing and permit issuance; risk based Environmental Impact Assessments; a Doing Business reform roadmap; a credit information system; and e-Government policies and standards. Of particular note is the work on the Doing Business Reforms, which has been enthusiastically received by Government that plans to implement many of the identified reforms. Thus, while improvement in the Doing Business ranking did not materialize as envisaged in the CPS, Botswana's ranking should improve as a result of the RAS.

21. For the RAS, IFC played an important role as part of the Bank Group's RAS team responsible for the Doing Business road map. IFC was also active in two other areas identified in the CPS. Under the Africa MSME finance program IFC from 2012 to 2014 provided support to enable Bank ABC in Botswana to strengthen its small and medium enterprise banking operations. IFC had also been appointed a transactions advisor to the Government a public-private partnership for the new Botswana International University of Science and Technology (BIUST) and on the privatization of the Botswana Telecommunications Corporation (BTC). However, due to lack of progress from Government, both projects were subsequently dropped. In particular, IFC's advisory agreement on BIUST was terminated in May 2011. IFC's Privatization Advisory Mandate was also terminated following the government's decision to offer 49% shares in the state-owned BTC to Botswana citizens via an Initial public offering (IPO), contrary to IFC recommendations to sell to a strategic equity partner before an IPO.

22. Government Financial Sector Development Strategy - an outcome indicator related to financial sector strengthening, was added to the results matrix in the CPS progress report to reflect work funded at the request of the Government under the Financial Sector Reform and Strengthening Trust Fund (First). The selected outcome indicator was adoption of a financial sector strategy with action plan to address identified constraints. The First report identified four strategic pillars including: maintaining a robust framework for financial sector stability; promoting competitive and cost-effective access to finance; promoting financial access for the underserved and low income, non-salaried cohorts; and deepening financial markets and supporting intermediation of long-term financing. The report included 27 recommendations across the four pillars. Work on the recommendations is well underway including completion of all the milestones and intermediate indicators in CPS Progress Report matrix (see annex one). Implementation of one of the recommendations (credit information system) is supported by the RAS.¹³ This outcome indicator was achieved.

23. For the accountancy profession capacity was improved in the Botswana Institute of Accountants (BIA) to serve as a professional accountancy body and to better comply with the International Federation of Accountants (IFAC). The Accountancy Act and the Financial

¹³ Among the recommendations under implantation are amendments of the Banking Act, promulgation of a securities bill, merger of the Botswana Saving Bank (BSB) and Botswana Postal Services (BPS), privatization of the National Development Bank, and development of the Government and Corporate Bond Market

Reporting Act became effective in April 2011. The Bank support for accountancy was facilitated by an IDF grant and by FIRS. Overall the indicators were achieved.

24. The Integrated Transport Project is the main vehicle for achieving the outcome indicators for improved capacity in transport management. The project includes financing for road asset preservation through Output and Performance Based Roads Contracts (OPRC) for 820 km of roads, upgrades to traffic signaling and traffic control and upgrade of urban transport infrastructure. The project also supports the development of a national multi-modal transport master plan, a regional transport integration study, and technical assistance and training for the Ministry of Transport and Communication. Project implementation covers ten-years largely because of the long-term nature of OPRC contracts.

25. The two outcome indicators for transport in the CPS progress report were the number of kilometers under OPRC contracts (at least 250 km) by 2014 and reduction in average vehicle operating costs of 8 percent on OPRC roads also by 2014. The indicator for kilometers under OPRC contracts by 2014 reflected the year delay in contracting that had already been incurred by the time of the progress report. Curiously the indicator for vehicle lower operating cost was also to be achieved by 2014, apparently without taking into account time needed to implement the contracts. The first outcome was achieved on time with the signing of the OPRC contracts on 19 February 2014. The contractor is on site and the second indicator should be achieved more realistically during 2016 when all the roads under contract would be improved as originally planned.

26. By the time the bid documents finalized in January 2013 the estimated cost of OPRC contracts had ballooned to US\$440 million for the 820 kilometers. To accommodate available financing from the project the Bank agreed to finance two lots covering 335 km at a total cost of US\$228 million. With the OPRC contracts finally signed and good progress being made on the other components the project will eventually meet its objectives though outcome indicators will need to be adjusted at the mid-term review to reflect the reduced kilometers under OPRC. Disbursement rates for this project are still languishing at around 10 percent though this should change now that the contracts are signed. Overall, the indicators are rated as partially achieved.

27. At the beginning of the CPS period Botswana was almost totally dependent on South Africa for its power supply. Due to rapidly growing demand that threatened to outstrip supply, the South African power company, ESKOM, announced in 2009 that it would phase out power exports, including to Botswana, by 2013. Thus Botswana needed to find alternative energy supplies or face significant impacts to its aspirations to diversify the economy, create jobs and eliminate poverty.

28. Two possible investments were identified for World Bank involvement: the first was a publicly financed project where BPC had contracted a Chinese company under an EPC contract to build a 600 MW, 4 unit coal fired power plant (Morupule B) that would meet Botswana's supply requirements by 2013. The second was a privately led initiative to build another coal-fired plant for the export of power to South Africa once domestic needs were met through construction of the Morupule B. This project has not begun due to difficulties in structuring the marketing arrangements with ESKOM. Its future remains uncertain. The CPS progress report discussed this issue and the outcome indicator was dropped from the revised matrix.

29. The Morupule B Project included a Partial Credit Guarantee (PCG) and an IBRD loan. The PCG extended the maturity and lowered the debt service on an export finance loan to the Botswana

Power Company to finance the plant construction. The IBRD loan financed associated power transmission lines, substations and transformers and equipment. The project also included financing for developing an alternative energy strategy and undertaking feasibility studies of alternative energy supplies (concentrated solar power, and coal based methane and carbon capture and storage). Moreover, the project supported institutional strengthening including the establishment of a power regulatory agency.

30. Work on the transmission lines went smoothly and with considerable cost savings. Work on the power plant proved to be more problematic. At first construction appeared to progress without problems and all components of the project were rated as satisfactory through mid-2012. Safeguard issues surfaced in 2011 when two workers died in construction accidents. After these deaths the Bank mounted missions to review safety practices and recommend remedial measures to be taken by the contractor and BPC. Worker safety remained a serious concern throughout construction and into the operation of the plant with several subsequent incidents, including the death of a worker during operation. One of the safeguard missions sent in October 2012 in response to the ongoing safety issues also alerted Bank management to what they felt were important technical and quality problems with the construction of the plant.

31. This mission represented a turning point in the Bank's implementation support for the project. The team was strengthened and budget resources were more than doubled (expenditures in FY13 increased to US\$962,000). A technical mission was launched that confirmed problems with construction quality and well as possible design issues. Subsequent to the mission, the Bank hired an independent engineering company to augment its supervision efforts. Based on the findings of the independent engineers, the Bank launched two additional missions in November and December of 2012 that resulted in recommendations to address the problems with health, safety, and environmental mitigation measures, strengthen project management and to address the technical problems (including an in-depth root cause analysis).

32. The construction and design problems became more apparent as the units were being commissioned. Through November 2013 the four units were operating at an average of 53 percent of design capacity, though recent data shows that the situation has improved, with the plant operating at about 66% load factor during April-July 2014. Some of the issues (for example, related to the quality of welding) are likely to be systemic to all four units of the plant and will only be resolved over the life of the plant. The root cause analysis still underway will be key to developing an immediate- and medium-term strategy to address these issues and will help to determine which design flaws and/or construction issues need to be addressed. It will also aim to clarify other issues related to high noise levels and air duct cracking.

33. The outcome indicator for energy self-sufficiency by FY13 (domestic generation capacity as a percentage of peak demand increases from 18% to 102% by FY13) was not achieved and is at risk of not being achieved in the near future if at all. While the plant has now been handed over to BPC, the contractor is obligated to complete repairs under the defects and liability period though serious contractual discussions between the contractor and BPC are likely about acceptance of responsibility for various defects. Critically, BPC has contracted a reputable international firm to undertake operation and maintenance of the plant. The contract is providing a competent and experienced operator at the plant during the 18 months repair and defect remedy period followed by a 36-month performance based operation and maintenance period. It is hoped that with these

measures the outcome indicator will eventually be achieved.

34. Other outcomes in the CPS for the energy sector were measures to address social issues and demand management implemented. These outcomes were achieved. Government adopted a tariff policy that balanced BPC's financial viability with provisions aimed at making energy affordable for the poor. Demand dampening measures were also implemented including installation of more energy efficient lighting and better metering of energy. The Government also completed work on establishing an energy utility regulatory body with legislation establishing the agency awaiting Parliamentary approval this year. Also the MMEWR decided that BPC will now be subject to a three year management contract to enable it to transition from a power retailer to an electricity generator with a higher asset base. Given the problems with the transport and power projects, pillar three was partially achieved.

35. **Pillar 4 – The Environment (moderately unsatisfactory).** This pillar has eight outcomes listed for human-wildlife conflict, low carbon growth strategy, groundwater management, climate variability and water conservation and management. For reduced human-wildlife conflict (HWC), GEF funded project is under way in targeted areas of high incidence of wildlife human conflict at a number of sites in Botswana. The project provides materials and extension for farmers to build deterrent barriers around their fields to keep out elephants and livestock kraals to protect livestock from attacks by lions. It also seeks to create alternative employment opportunities in the tourism area by providing training in lodge management, guest services, and wild game guides.

36. Two outcome indicators were included for this project – number of wildlife conflict incidents in targeted hotspot areas reduced by 33 percent and the number of people employed in eco-tourism increases by 75. The project was originally scheduled to close on January 31, 2015 and by the mid-term review it had become clear that both outcomes would not be achieved. Human wildlife conflicts increased throughout the life of the project largely because the fence between the park and the surrounding areas is damaged in many places allowing livestock to enter the park and wildlife to move freely between the park and surrounding areas. Also, uptake of the deterrent measures in the project has been slower than anticipated. For eco-tourism employment, training activities were delayed and the first round of training is only now underway. Overall about 170 people will be trained but so far no one has completed training and found employment.

37. After the mid-term review for the project the Government requested that the outcome indicators be revised because the original indicators were overly optimistic. They also asked that the project be extended for a year. This request was approved on April 14, 2014. The indicator for incidences of human/wildlife conflict was revised from a reduction of 33 percent to a reduction of 10 percent and the indicator for increase in employment was revised from 75 to 50.

38. For low carbon growth, a feasibility study on a concentrated solar power (CSP) plant was completed with financing from the African Development Bank (AfDB). Candidates for a Public Private Partnership are being sought for constructing the plant. Work is ongoing on the feasibility of a coal based methane (CBM) project and on a Carbon Capture and Storage (CCS) project. Botswana remains interested in developing its low carbon energy resources, though it is taking steps to exploit its abundant coal – in addition to the 600MW Morupule B plant, the country is rehabilitating Morupule A (130MW), and developing an additional 600MW of installed capacity through coal fired power plants. Overall, the outcome indicators were achieved.

39. The Climate variability outcome was partially achieved with climate change modeling completed and a climate change policy note completed. Policy options were never developed however, and the Climate Adaptation Fee Based Service was never undertaken.

40. For improved water conservation and management both outcomes were achieved. WUC took over nationwide management of water delivery. Both the Water Resource Council and the regulator were established. A National Water and Waste Water Policy was also approved by Cabinet in 2012 and will be submitted to Parliament for approval this year.

41. Across all four pillars this CPSCR rates overall program performance as Moderately Unsatisfactory as most of the outcome indicators were only partially achieved. Outcome indicators were overly ambitious, particularly given that by the time they were added in the progress report the Bank was well aware of wide spread capacity constraints that were delaying implementation. Concerted effort by the Government and the Bank, starting in FY13 began to correct the situation and improve chances that the outcome indicators will eventually be achieved, particularly for the transport and HIV/Aids project and perhaps even for the power project. Moreover, strong analytical work, particularly in the financial sector, accountancy, the business environment and the development policy review has built a reputation for the Bank as a strong development partner for the Government and lead to additional work, particularly the RAS. A strong Bank presence on the ground is also key in building a close working relationship with the Government.

REVIEW OF WORLD BANK GROUP PERFORMANCE

42. The review of Bank performance examines both the design of the CPS program and the support for implementation of the strategy. Possible ratings for Bank performance are Superior, Good, Fair and Poor.

Design of the Program

43. In looking at the design of the program six areas were evaluated including: the relevance of the CPS objectives and alignment with country development priorities; the design of the World Bank interventions for achieving CPS objectives; the balance and consistency between analytical and advisory work and investment operations; the tradeoff between risk and development impact; the quality of the results framework; and the identification of implementation risks and mitigation measures.

44. The Strategy was well aligned with the Government's own strategic vision, Vision 2016, and the NDP10 aimed at realizing the vision. The four pillars were well chosen and focused on areas of high priority for the Government. The strategy represented a major reengagement by the Bank in Botswana after a 15 year hiatus in lending. The strategy responded to the Government's desire to tap Bank resources and expertise in support of its development agenda, particularly in the infrastructure sectors (power and transport), in the ongoing fight against HIV/AIDS, the environment and improving the business environment to stimulate investment, foster growth and accelerate job creation. The Government welcomed the four pillars in the CPS and reconfirmed at the time of the progress report that the four pillars remained relevant and appropriate.

45. One area where the CPS could have been better aligned with the Government's development priorities was poverty. The only directly poverty related activity was the work on poverty related statistics. The interventions in this area failed to materialize and the results Household Income and Expenditure Survey only became available three years late. The Social Protection Assessment based on the survey results identified a number of weaknesses in the Government social protection programs that could have addressed at the mid-term review if the survey work had been disseminated earlier. The new Country Partnership Framework provides an opportunity to respond to the shortcomings in social protection in Botswana and provide a better balance between infrastructure and poverty related interventions in line with the presidential flagship program on poverty.

46. Design of the World Bank interventions for achieving CPS objectives was adequate. The areas of engagement were well selected and consistent with the Bank's comparative advantage especially for HIV/AIDS and transport. The choice of instruments had some innovative features. The EU buy down of interest payments in the BNAPS significantly decreased the cost of borrowing for the Government. Building on the dialogue with the government and ASA the Bank was undertaking in these areas, the economic diversification and competitiveness RAS was added after the CPS progress report. Moreover the Bank's work in the water sector, led to a Government request in 2011 that Botswana become one of the pilot countries in the WAVES Program. On the other hand the choice of Project Investment Finance for the transport project might have been premature. Given a tight timetable for project preparation much of the feasibility work was delayed until project implementation began. An alternative approach might have been to start with a TA project or to use a project preparation facility to undertake feasibility studies and proceed with contracting prior to the project going to the board.

47. The balance and consistency between ASA and Investment Project Financing was good. Investments were targeted mainly at infrastructure and in programs where the policy framework was sound and well developed for example the BPNAPS. Also, both the power and transport projects financed a number of studies that are contributing to policy planning. Though the IFC had limited engagement in Botswana it proved crucial in building Government commitment to DB reforms. Finally the Bank worked well with other development partners. Both the transport and power projects were co-funded by the OPEC Fund for International Development (OFID) and the AfDB respectively and the Bank worked closely with USAID and the Gates Foundation in BNAPS.

48. The tradeoff between risk and development impact was about right. The decision to respond quickly to the Government's request for reengagement with the Bank with a full program of investment lending and analytical work was risky. While many of the development outcomes are delayed, recent improved implementation particularly of transport project suggests that the outcomes will soon begin to be achieved. In the case of the power project where there were considerable reputational and safeguard risks, intensive implementation support by the Bank has helped the BPC address the environmental and safety issues affecting the project. Also close support to BPC by the Bank has improved its capacity to deal with the contractor for the power plant in addressing the structural defects that are limiting plant operation.

49. The CPS outcomes and indicators were poorly articulated. Some of the outcomes were broadly defined making it hard to determine if Bank programs were contributing to their

achievement (for instance, improved statistical capacity). Others were hard to measure (improved budget processes, and PFM further strengthened in key dimensions). In the CPS, the indicators were identified but no targets were established due to the Bank's unfamiliarity with Botswana and the urgency to get the CPS to the board. Targets were added in the progress report. However, many of them were overly ambitious. Moreover, in some instances outputs were listed as outcomes (number of people trained rather than an outcome of the training). In two instances, work by the Bank was listed as an outcome (agricultural policy note and skills gap analysis). Because of these problems the quality of the results framework is rated as poor.

50. The CPS adequately identified the implementation risks and adequately discussed mitigation measures. However, the proposed mitigation measures with regard to implementation risk were ineffective in practice. Overall, this CPSCR finds that the design of the program was *fair*.

Implementation of the CPS Program

51. In evaluating the Bank's support for implementation of the CPS program this report looked at five areas: intensity and quality of the Bank's implementation support for investment projects; relevance, quality and dissemination of knowledge services; the Bank's responsiveness to changing country circumstances; WBG efforts for improving alignment with country systems and coordination with development partners; and attention to safeguards and fiduciary issues.

52. Despite implementation risk being highlighted in the CPS, the Bank's budget for implementation support in the first two years of project implementation was about at the average for the African Region as was the frequency of implementation support missions. Moreover when problems with procurement arose the response by the Bank was tepid. No procurement capacity assessments were carried out and procurement training was limited.

53. Development outcomes (DO) and project implementation (IP) ratings were also inflated particularly for the power project where the project was rated satisfactory for DO and IP until 2012 when the mission to assess safety and environmental issues also discovered issues with quality of plant construction. It appears the team responsible for supervising the project was not given access to the plant construction site and may have been confused about the extent of supervision that was necessary since for that part of the project the Bank's involvement was limited to the PCG. The project closed at the end of FY14 with both development outcome and project implementation rated as unsatisfactory.

54. Project restructuring was limited. BNAPS went through minor restructuring to clarify the outcome indicator and extend the closing date. The Human Wildlife Conflict Prevention project was also restructured in April 2014 to revise project outcome indicators and extend the project closing date and the Integrated Transport Management project likely will be restructured at the mid-term review to reflect the reduced project scope due to higher costs for the OPRC contracts.

55. Beginning in FY13 budget resources for implementation were increased and task teams were strengthened. Implementation support was intensified and projects implementation picked up speed, particularly for the BNAPS project. For the roads project close Bank implementation support helped to get the OPRC component moving which should finally accelerate disbursements. Intensified implementation support also helped BPC address safety and environmental issues,

increased its capacity to handle a difficult relationship with the contractor. The Partial Credit Guarantee will be in place for another 15 years following project closing for the transmission lines. During this time the Bank has an obligation to continue its support to BPC as it seeks to resolve the structural defects and get the power plant operating at somewhere near rated capacity. Given the Bank's concerted response to the delays in implementation beginning in FY13, particularly the increased budgets for implementation support and strengthened Bank teams, this CPSCR rates the Bank's performance in the intensity and quality of implementation as good.

56. The quality of the analytical work was a strong point of the CPS. In particular the work on public financial management, financial sector reform, economic diversification and competitiveness, the social protection assessment and the water sector studies all contributed significantly to the policy dialogue and helped shape Government reform efforts. The Government appreciates the Bank's analytical services and will likely continue to request Bank assistance with analytical work.

57. The Bank's response to changing country circumstances was quite good. The Economic Diversification and Competitiveness RAS, the Financial Sector Strategy work, Botswana WAVES and the Climate Variability work were all added in response to Government requests and all fit well within the pillars of the CPS. The results matrix in the CPS progress report was modified to include outcome indicators, move the skills gap analysis from Pillar 2 to Pillar 3, and add the climate variability and financial sector strategy work (the RAS and Botswana WAVES were initiated after the Progress report).

58. Overall, this report ranks Bank performance as *Good* given the efforts by the Bank since beginning of FY13 to address implementation problems with substantial budget increases and strengthened teams. As a result project performance has largely improved. Moreover, the Bank's responsiveness to changing circumstances and the overall high quality of its analytical work has built a solid foundation for continued support by the WBG for Botswana.

Lessons Learned and Key Suggestions for the new Bank Program in Botswana

59. The CPS covered the Bank's re-engagement with Botswana after a long hiatus. While the results were less than anticipated, the Bank has developed a solid partnership with the Government that bodes well for future Bank assistance to Botswana, particularly in analytical and advisory work. The experience with the CPS is rich with lessons that can be applied to the Bank's next program in Botswana.

60. **Lesson 1 – provide a candid risk assessment to the client's developmental results and link risk levels with the intensity of the implementation support.** The Bank overestimated implementation capacity and initially failed to provide effective implementation support. The Bank was slow to respond to growing implementation problems and for the power project failed to identify the emerging issues in construction until plant commissioning was underway. The increased resources following the progress report began to mitigate the problems but it was only in FY13 when teams for the transport and power projects were strengthened and implementation support resources were increased further that implementation problems began to be handled effectively.

61. **Lesson 2 – engage early in the preparation process with full due diligence to inform client and management decisions, even if the Bank participates with partial obligations.** It appears that when the Bank entered into the PCG for the power plant it was uncertain about the level of due diligence that was necessary. In hindsight the due diligence was clearly deficient. Closer scrutiny of the contractors, the plant design, legal agreements, and the capacity of the client and contract supervision arrangements before approving the PCG might have identified the problems plaguing the plant today.

62. **Lesson 3 – establish relevant, clear and measurable indicators to ensure an objective assessment of the performance of the program.** The Bank proposed overly ambitious indicators, thus undermining the realism of the CPS objectives. Sincere explanation of the challenge with identifying concrete results indicators, including baseline and targets given unfamiliarity with the country and the early stage of the lending operations would have allowed for later adjustments with the new data available overtime.

63. **Lesson 4 - a strong program of ASAs and TAs was a key strength of the CPS and highly valued by the client.** Simply put, the Bank's ASA and TA is appreciated and more importantly well utilized by the Government. By in large Bank reports are read, discussed, debated and utilized in the design and implementation of Government programs. They contributed to the policy dialogue and often yielded follow-up activity such as the ongoing RAS on economic diversification and competitiveness. While the results of the Bank financed investment projects were mixed, the overall success of its AAA and TA work will likely make it a key component of the next program of Bank support.

64. **Lesson 5 - representation on the ground provides immediate and prompt response to client needs and emerging opportunities.** The establishment of a Bank Office in Botswana headed by experienced Bank staff has enhanced the dialogue with the Government, helped to identify new areas of involvement (the RAS, WAVES) and provided crucial assistance to implementation support missions.

65. **Lesson 6 – robust monitoring and evaluation systems are essential for assessing the impact of Government programs.** The initial efforts in the CPS to strengthen M&E systems failed, though work on M&E is now underway in the RAS. The MoFDP in particular is concerned about its inability to evaluate the impact of programs and policy interventions and to apply lessons learned to future interventions. The new CPF should build on the work under the RAS to assure that adequate M&E systems are in place.

Alignment with Corporate Goals

66. The CPS was produced before the WBG adopted the twin goals. Still, the CPS was broader aligned with eliminating severe poverty and sharing prosperity. In particular:

- a. The **Public Sector Effectiveness** pillar sought to support the GoB efforts to manage the fallout from the global economic crisis. The bulk of Bank support in this area focused on greater understanding of how Botswana could effectively use all its assets for better development outcomes, in particular reduction of poverty and inequality. Support to the Statistics Office

sought to increase the capacity to compile, analyze and disseminate poverty related statistical information.

- b. The **HIV/AIDS and Education** pillar aimed at helping Botswana through its HIV/AIDS crisis through seeking the way to increase the effectiveness of the respective expenditures, and enhance overall program efficiency and prevention. It also envisaged analytical work in the education sector, focusing on enhancing education outcomes. This pillar came in response to Government's recognition of the importance of human capital for competitiveness. Addressing health barriers to skills acquisition and labor market participation was identified by the SCD as a major pathway to enhanced equality.
- c. The **Increase Competitiveness** pillar aspired to help Botswana develop an economy that can compete globally, create jobs and reduce dependency on diamonds. Diversified economy and competitive, export oriented private sector were viewed as an important precondition for employment creation – a pathway leading to elimination of extreme poverty. Financing critical infrastructure investments in electricity sector aimed at securing supply of power, without which Botswana risked not meeting its competitiveness goal. Moreover, failure to replace power imports from South Africa by 2013 supply would lead to a further economic contraction, with significant economic and social consequences, including deepening poverty and inequality.
- d. Engagement under **the Environment** sought to assist the Government with managing pressing environmental issues and maximize the economic benefit of its natural endowments. Support was provided to implementation of a water sector reform to improve water service delivery throughout the country, as negative consequences of persistent water shortages disproportionately impact the poor. The pillar also sought assistance to strengthening conservation, promoting sustainable use of wildlife and biodiversity resources, and tapping into nature-based tourism. These interventions were to especially benefit the northern regions of the country, the geographic area with the highest pockets of poverty.

Annex: CPS 2009-2013 Results Matrix

SUMMARY OF CPS PROGRAM SELF-EVALUATION

CPS Outcomes and Outcome Indicators	Status of CPS Outcomes and Evaluation Summary	Lending and Non-lending Activities that Contributed to Outcomes	Lessons for the New CPS
CPS Pillar 1: Enhancing Public Sector Effectiveness			
Objective 1.1 Improved capacity to compile, analyze, and disseminate poverty-related statistical information (not achieved)			
<ul style="list-style-type: none"> Poverty related household data documented, disseminated and archived by 2010 	<ul style="list-style-type: none"> Not Achieved Core welfare Indicator Survey was conducted in 2009/2010 but the data was not disseminated until 2013. 	TFSCB Grant for Capacity Building and Poverty Analysis, FY09 (was never utilized)	Once the data were finally published the Bank was able to complete an assessment of the social protection system, which is now driving discussions on reforms in the system and possible Bank assistance in this area.
<ul style="list-style-type: none"> At least 5 statisticians trained in poverty analysis of household survey data by 2010 	<ul style="list-style-type: none"> Not Achieved No statisticians were trained. 		
Objective 1.2 Improved public expenditure management (mostly achieved)			
<ul style="list-style-type: none"> Improved capacity to analyze and forecast fiscal variables; Macro Economic model in use at MFDP. 	<ul style="list-style-type: none"> Mostly achieved Some elements of macroeconomic modeling is used in producing Medium Term Fiscal Forecasts. 	PER delivered in FY10	Anticipated Bank Financed TA was replaced by EU funding of a PFM consultant and a MTEF expert to assist with implementation of the MTEF
<ul style="list-style-type: none"> Strengthened budget process: greater coordination between various elements of budgeting – recurrent and capital budgets and personnel management. 	<ul style="list-style-type: none"> Mostly achieved There are some improvements in national budgeting process due to ongoing PFM reforms by MFDP, including the work plans in macro-fiscal policy & planning, national budgeting, accounting and reporting, strategic planning, legal & institutional framework national debt, liabilities and guarantee management. 	Macro-modeling (FY10)	
<ul style="list-style-type: none"> PFM system further strengthened in key dimensions, including openness and accountability in public procurement. 	<ul style="list-style-type: none"> Mostly Achieved Government adopted a PFM strategy in 2010 and implementation is underway. Full roll out of MTEF is expected in 2016. Government is gradually introducing accrual accounting. 	Issues Note on Accrual Accounting delivered.	
Objective 1.3 Enhanced Capacity of Government to adopt evidence-based management through increased application of monitoring and evaluation information (not achieved)			

<ul style="list-style-type: none"> At least 15 ministries have functional results based M & E systems in place by 2011. 	<ul style="list-style-type: none"> Not Achieved 	<p>IDF Grant to Strengthen M&E capacity of the Vision 2016 Council and the Government Implementation Coordination Office was cancelled</p>	<p>Despite the failure of the IDF grant, Bank dialogue with the Government on M & E continued and work on establishing an M & E system was initiated as part of the Economic Diversification and Competiveness RAS.</p>
<ul style="list-style-type: none"> At least 60 percent of trained CSO (Civil Society Organizations) are using scorecards to assess the effectiveness of service delivery by 2011. 	<ul style="list-style-type: none"> Not Achieved 		
<p>Objective 1.4 Improved National Statistical Capacity (not achieved)</p>			
	<ul style="list-style-type: none"> Not Achieved 	<p>Bank report on “Strengthening National Statistical Capacity and Policy” was completed but follow-up was limited.</p>	<p>Despite the lack of progress following dissemination of the Bank report, the Bank continued to discuss with Government the need to improve statistical capacity. Further work on this issue is now being undertaken as part of PREM’s FY14 work program.</p>
<p>Pillar 2 – Fighting HIV/AIDS and Improving Education Outcomes¹⁴</p>			
<p>Objective 2.1 Increased effectiveness of HIV/AIDS prevention efforts (partially achieved)</p>			
<ul style="list-style-type: none"> Increased proportion of youth reporting no sexual activity. (Age 15 – 19: from 78.4% to 85% by 2013; age 20-24: from 30.8% to 50% by 2013). 	<ul style="list-style-type: none"> Not Achieved Data from BAIS IV Survey suggested changing behaviors has proven difficult. 	<p>HIV/AIDS Prevention Support Project (FY09) is under implementation and is likely to be extended.</p>	<p>Implementation was slow to get underway but intensive implementation support, particularly beginning in July 2012 sped up project delivery and impact. The project will likely be extended to bridge into the next program of assistance. Discussions are underway about the possibility of additional financing for the next program period.</p>
<ul style="list-style-type: none"> Proportion of youth aged 15-19 and 20-24 reporting condom use during the last sexual encounter with a non-regular partner in past 12 months (age 15-19: from 89% to 95% by 2013; age 20-24: from 85% to 95% by 2013). 	<ul style="list-style-type: none"> Partially Achieved Preliminary BAIS IV data show condom usage during last sexual encounter for people aged 15 – 49 was only 79.5. Uncertain whether increases for ages 15 -19 and 20 – 24 were actually achieved. 		
<ul style="list-style-type: none"> Number (cumulative) of male circumcisions increases from 52,000 (2008) to 262,000 by 2013. 	<ul style="list-style-type: none"> Mostly Achieved Total cumulative male circumcisions reached 202,808 by December 2013. 	<p>Poverty and Social Impact Analysis was completed in (FY11).</p>	

¹⁴ The Outcome for education was a skills gap analysis. In the progress report this was moved to pillar 3 as it relates to job creation and the labor market.

Pillar 3 – Increased Competitiveness - Infrastructure and the Climate for Investment and Growth

Objective 3.1 Improved Investment Climate (mostly achieved)

<ul style="list-style-type: none"> Improved Doing Business (DB) Rankings 	<ul style="list-style-type: none"> Not Achieved DB Rankings were 38 in 2009 and 74 in the 2015 report. 	<p>A follow-up report to the 2007 Investment Climate report in 2012 and a Development Policy Review in 2013</p>	<p>The Bank’s work on economic diversification started in 2011 and discussions around the development policy review led to a request by Government in 2012 for a RAS focused on Economic Diversification and Competitiveness. The RAS includes development of a roadmap for Doing Business reforms</p>
<ul style="list-style-type: none"> Identification of key remaining bottlenecks to greater foreign and domestic investment. 	<ul style="list-style-type: none"> Achieved Dissemination and discussion analytical work by the Bank helped identify the remaining bottlenecks. 		

Objective 3.2 Skills Mismatch between Education Outcomes and Labor Market Needs (partially achieved)

<ul style="list-style-type: none"> Skills Gap Identified is identified and policy options to fill the gap agreed. 	<ul style="list-style-type: none"> Partially Achieved The Bank completed the skills gap analysis in FY14 and the report was presented to Government in December 2014. Policy options have not yet been agreed. 	<p>Skills Gap Analysis – FY13.</p>	
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Objective 3.3 Government Financial Sector Development Strategy (achieved)

<ul style="list-style-type: none"> Adoption of a financial sector strategy with action plan to address identified constraints 	<ul style="list-style-type: none"> Achieved. Strategy was developed with Bank Assistance and the Government and the Bank of Botswana are implementing many of the recommendations. 	<p>FIRST funded Strategy Document was disseminated to the Bank of Botswana in 2012</p>	<p>FIRST Funded activities have been key in helping Government revise: pension and insurance laws and regulations; the investment and securities regulatory environment, and the Collective Investment Undertakings Act.</p>
<ul style="list-style-type: none"> New pension and insurance regulations developed 	<ul style="list-style-type: none"> Achieved. Training on the regulations and prudential rules provided to NBFIRA 2012. The revised Botswana pension and insurance laws were approved in 2014 by the Parliament. Pension and Provident Act endorsed under new name of Retirement Act. A Diagnostic Report on Cell Captive Insurance delivered in 2012. 	<p>FIRST: Enhancing Supervision of Capital Markets completed 2013</p>	
<ul style="list-style-type: none"> Investment and securities regulatory regime revised 	<ul style="list-style-type: none"> Achieved. The Non-Bank Financial Institutions Regulatory Authority (NBFIRA) revised the investment and securities markets regulatory regime and amended the Botswana Collective Investment Undertakings Act. 		

<ul style="list-style-type: none"> Collective Investment Undertaking (CIU) Act revised 	<ul style="list-style-type: none"> Achieved. The Non-Bank Financial Institutions Regulatory Authority (NBFIRA) revised the investment and securities markets regulatory regime and amended the Botswana Collective Investment Undertakings Act. 		
Objective 3.4 Increased capacity of the Botswana Institute of Accountants (BIA) to carry out its functions as a professional accountancy body (achieved)			
<ul style="list-style-type: none"> National qualifications developed and at least 50 nationals passed Part-1 (intermediate level) examinations by June 2011. 	<ul style="list-style-type: none"> Achieved. 	IDF Grant for Strengthening the Institute of Accountants (FY10)	
<ul style="list-style-type: none"> At least 5 Continuing Professional Development Courses are developed. 	<ul style="list-style-type: none"> Achieved. 		
Objective 3.5 Improved Compliance with the International Federation of Accountants (achieved)			
<ul style="list-style-type: none"> Enactment of Accountancy Profession Legislation 	<ul style="list-style-type: none"> Achieved. 	FIRST support for Updating Accounting and Auditing Legislation	
Objective 3.6 Improved National Capacity in transport management (partially achieved)			
<ul style="list-style-type: none"> At least 250 km of roads under long-term output and performance based road contracts (OPRC) for rehabilitation and maintenance by 2014. 	<ul style="list-style-type: none"> Achieved. Despite a substantial delay in procurement, contract for 335 km was signed in March of 2014. However, due to price increases during the delay, overall km under OPRC contracts financed by Bank has been reduced from over 800km to 335 km. 		The Bank overestimated implementation capacity initially and appears not to have paid adequate attention particularly to procurement capacity. Adding to the delay was the failure of an OPRC consultant to perform. Moves to strengthen the team and provide more resources for implementation support at the beginning of FY13 helped finally to accelerate project implementation.
<ul style="list-style-type: none"> Average Vehicle Operating cost per vehicle km on OPRC roads falls by 8 Percent by 2014. 	<ul style="list-style-type: none"> Not Achieved. Delay in contracting. 		
Objective 3.7 Improve Regional Trade (achieved)**			
<ul style="list-style-type: none"> Regional Investment Climate Assessment completed** 	<ul style="list-style-type: none"> Achieved The business environment in Southern Africa completed in December 2012 by World Bank. 	Investment Climate Assessment (ICA)	

<ul style="list-style-type: none"> Southern Africa Regional Trade and Integration Study ** 	<ul style="list-style-type: none"> Achieved Transformation Ready: Regional Trade and Integration Sector Study by African Development Bank, World Bank, and African Union completed in December, 2011. Regional Infrastructure Development Master Plan-Transport Sector (SADC) completed in August, 2013. 		
Objective 3.8 Improved Energy Security (partially achieved)			
<ul style="list-style-type: none"> Domestic Energy Generation Capacity as a Percent of Peak Demand Increases from 18% to 102% by FY13. 	<ul style="list-style-type: none"> Not Achieved. By FY13 the outcome was not achieved due to construction delays. Technical issues identified late in construction make risk high that the development objective will never be achieved. 		<p>The decision to offer a partial credit guarantee for the construction of the power plant was taken without adequate due diligence of the contractor and the contract itself. Implementation support failed to identify technical issues with the construction of the plant until late in the construction process. Since the problems have emerged the Bank deployed a new team and dramatically increased resources for implementation support.</p>
<ul style="list-style-type: none"> Measures to address social issues and demand management implemented 	<ul style="list-style-type: none"> Mostly Achieved. The Government adopted a tariff policy aimed at making energy affordable for the poor. Demand dampening measures were also widely adopted. 		
Objective 3.9 Improved broadband access (not achieved)			
<ul style="list-style-type: none"> Broadband strategy developed and adopted 	<ul style="list-style-type: none"> Not Achieved The TA was dropped due to lack of progress when government was restructuring of Botswana Telecommunications Authority. 	South Africa/Botswana Regional Broadband TA (with PPIAF) (FY12)**	
Objective 3.10 Selected strategic challenges in agriculture and nature-based tourism identified and policy options presented to the government (not achieved)			
Pillar IV – The Environment			
Objective 4.1 Reduced human-wildlife conflict (HWC) in targeted hotspot areas in Northern Botswana (not achieved)			
<ul style="list-style-type: none"> Number of wildlife conflict incidents in targeted hotspot areas reduced by 33%. 	<ul style="list-style-type: none"> Not Achieved For Elephants incidents increased from a baseline of 99 in 2009 to 315 by June 30, 2013. For lions incidents increased from 84 to 162 for the same period. 		<p>Setting outcome indicators that are realist is difficult. It became clear early on that the indicators for this project were overly optimistic and at the mid-term review the Government asked that they be revised. New indicators with more modest goals were approved and the project extended by one</p>
<ul style="list-style-type: none"> Number of people employed in eco-tourism increases by 75. 	<ul style="list-style-type: none"> Achieved Training was delayed until 2013. Training now underway and it is hoped by 		

	project close that 175 people will be trained. So far no one has been employed.		year in April of this year and it is hoped that the project can achieve these revised goals by the time of project closes.
Objective 4.2 Low Carbon Growth Strategy Under Implementation (achieved)			
<ul style="list-style-type: none"> At least one low-carbon (CBM) reserve or no carbon (CSP) energy alternative has been identified, or a CCS pilot project has been identified. 	<ul style="list-style-type: none"> Achieved. A feasibility study for CSP plant was completed. Studies of both a CBM and a CCS pilot are underway though the CBM study is considerably delayed. 		
Objective 4.3 Enhanced Capacity to Participate in Global Carbon Market (not achieved)			
<ul style="list-style-type: none"> Number of new Carbon Programs Identified. 	<ul style="list-style-type: none"> Not Achieved. No information available. 		
Objective 4.4 Improved ground water management (regional project)** (mostly achieved)			
<ul style="list-style-type: none"> Number of key technical officers and policy makers aware of groundwater management and its importance over total number questioned. 	<ul style="list-style-type: none"> Mostly Achieved Project closed with all major contracts being completed. SADC Water Division was to continue to use the products to raise awareness within the SADC Member States and direct outreach to the Member States and leverage the application of these in member countries. 	GEF Groundwater and Drought Management in SADC Project from 2005-2011.	
Objective 4.5 Increased Understanding of Implications of Increased Climate Variability for Botswana with Appropriate Policy Options for adaptation Developed (partially achieved)			
	<ul style="list-style-type: none"> Partially Achieved Increased Understanding of Implications of Increased Climate Variability for Botswana with Appropriate Policy Options for adaptation Developed 		
Objective 4.6 Improved Water Conservation and Management. Water and wastewater sector reform option implemented (achieved)			
<ul style="list-style-type: none"> WUC assumes water delivery nationwide 	<ul style="list-style-type: none"> Achieved 		
<ul style="list-style-type: none"> Water Resources Council and Regulator Established. 	<ul style="list-style-type: none"> Achieved 		

** Regional Programs

Annex 5. Indicators of Bank Portfolio Performance and Management

As of September 23, 2015

Population (millions) (2014)	2.0	IDA, Blend or IBRD	IBRD
GNI (\$billions) (Atlas) (2014)	16.1	IDA 16 allocation(SDR)	
GNI per capita (\$) (2014)	7,880.0	% Change over IDA15	
GDP growth (%) (2014)	4.4%	Inflation Rate (%) (2014)	4.4%

Ranking in Doing Business Report (2014) 74 * Data as of : Sep 23, 2015 * IBRD/IDA Exposure Data as of : Jun 30, 2015

WBG	Net Commitments/Committed (\$m) *	Undisbursed (\$m) *	Exposure (total sums disbursed & outstanding)(\$m)
IBRD	186.0	166.3	319.5 *
IDA	0.0	0.0	2.3 *
IFC	3.4	0.0	3.4
MIGA			*
World Bank Group	189.4	166.3	325.1

1. Net Commitments for active portfolio projects. 2. Outstanding balances or Undisbursed Commitments. 3. MIGA Guarantees for Exposure

IBRD/IDA	
Net Commitments(\$m)	# of projects in portfolio
186.0	1
Disbursements in FY16 (\$m)	% Undisbursed
	89.4
# projects in FY16 pipeline	Of which Approved (YTD) (#)
3	
ommitments(\$m) in FY16 pipelir	Of which Approved (YTD) (\$m)
230.0	

Top 3 Sectors (Active Portfolio)

Transportation (88%)
Public Administration, Law, and Justice (12%)

World Bank Data as of : Sep 23, 2015

Current IFC Committed Portfolio													
IFC's own account (\$m USD)										Syndicated (\$m USD)		IFC AMC (\$m USD)	
Loan		Equity		Quasi Equity (LN & ET)		GT (incl. Trade Fin) and Risk Mgm		IFC Total		B-Loan		Quasi Equity (LN & ET)	
Exposur	Cmtd	Exposure	Cmtd	Exposure	Cmtd	Exposur	Cmtd	Cmtd	Exposur	Cmtd	Exposure	Cmtd	
0.0	0.0	3.4	3.4	0.0	0.0	0.0	0.0	3.4	0.0	0.0			
IFC Investment Business - Top 5 Sectors (IFC Committed \$m USD)								IFC Advisory Services - Business lines (\$m USD funds managed)					
1	Oil, Gas and Mining			3.4				Public-Private Partnerships Transaction Advi			3.3		
2	Finance & Insurance			0.0				Access To Finance			0.9		
3	Textiles, Apparel & Leather			0.0				Sustainable Business Advisory			0.2		
4	Accommodation & Tourism Services			0.0									
Total								4.4					

IFC Data as of : Aug 31, 2015

MIGA		
	Currently Active	Total
# of Projects Guaranteed for Investment		1
Guarantees Gross Exposure (\$m)		12.1
Guarantees - Top Sectors		

MIGA Data as of : Aug 31, 2015

Annex 6. Operations Portfolio (IBRD and Grants)

Lending Portfolio As of September 23, 2015

Proj ID	Project Name	Date, Board App *	Rev Closing	Proj Age in Yrs	Lst DO	Lst IP	Net Comm Amt (\$m)	Tot Disb (\$m)	Tot Undisb Bal (\$m)	% Disb	Tot Undisb Begin FY16 (\$m)
P095617	Human Wildlife Coexistence Project	11/19/2009	01/31/2016	5.8	S	S	5.50	5.04	0.46	91.6%	1.06
P102368	Integrated Transport SIL	05/28/2009	01/31/2020	6.3	S	MS	186.00	19.70	166.30	10.6%	166.30
Total	2						191.50	24.73	166.77	12.9%	167.36

Knowledge and Advisory Activities

PROJECT	FY
Private Sector	
• Economic Diversification RAS	FY13-16
• Mobile Banking	FY15-16
• Regional Financial Inclusion	FY15-17
• Botswana Trade Facilitation	FY15-16
• Global Value Chain Analysis	FY15-16
Human Development	
• Botswana Poverty Assessment	FY15-16
• Regional Demographic Study	FY15-17
• Health and HIV/AIDS Fiscal Space Analysis	FY15-16
• Programmatic Poverty Work	FY15-17
Sustainable Development	
• WAVES	FY13-16
• Renewable Energy Strategy	FY15-16
• Lesotho Highlands-Botswana Water Transfer Study	FY15-16
• Regional Water-Energy Nexus Study	FY15-17
• CCARDESA	FY15-18
• Regional Disaster Risk Management	FY17
Gender	FY17
StAR	FY15-16
Botswana AML/CFT National Risk Assessment	FY15-16

Annex 7. Statement of IFC's Held and Disbursed Portfolio

MIS

International Finance Corporation

Report Run Date: 07/08/2015

Statement of IFC's Committed and Outstanding Portfolio

Amounts in US Dollar Millions

Accounting Date as of : 06/30/2015

Page 1

Region(s) : Sub-Saharan Africa

Country(s) : Botswana

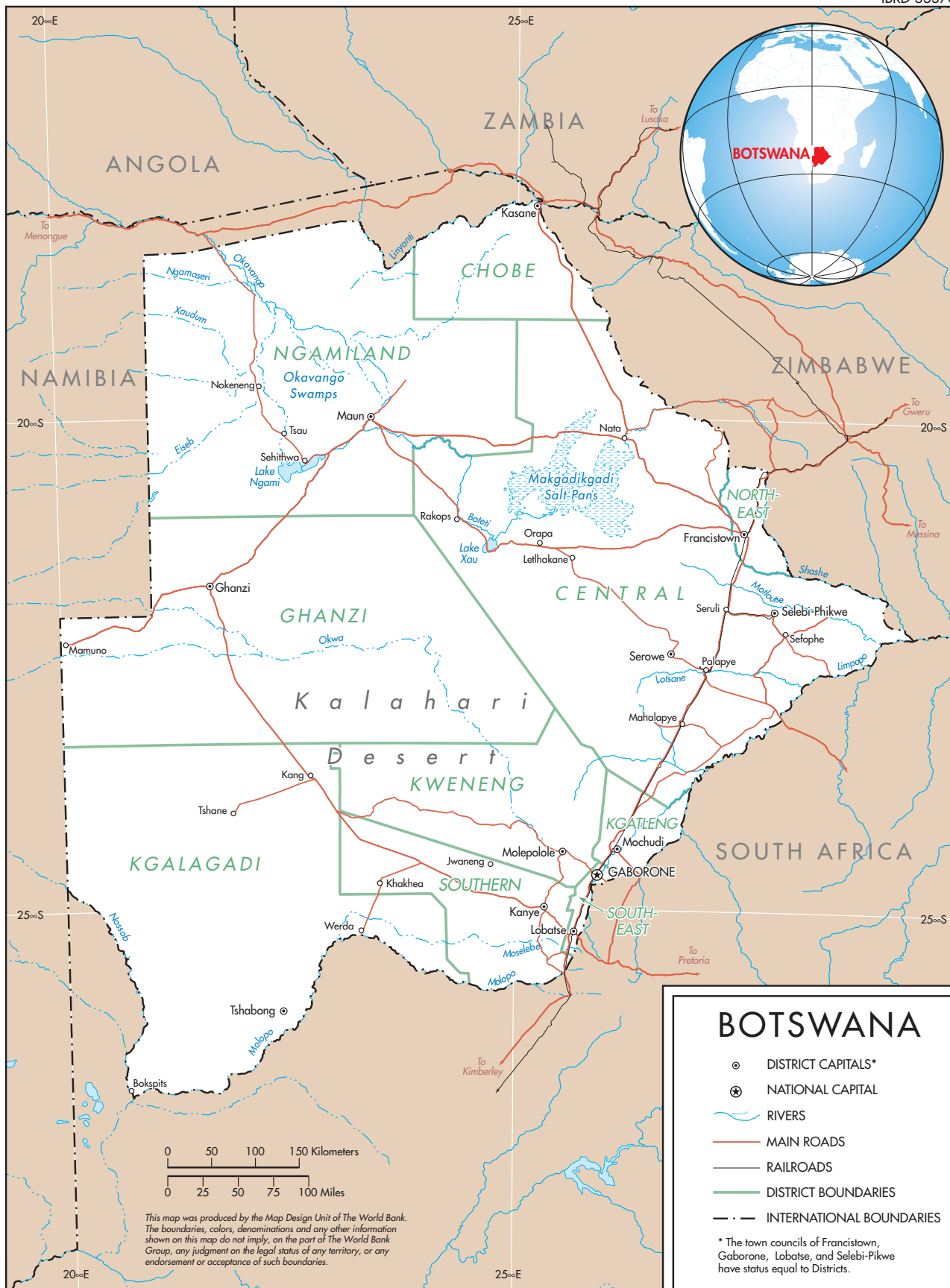
Commitment Fiscal Year	Institution Short Name	Equity	ALL	Equity	ALL
		Cmtd - IFC	Cmtd - IFC	Out - IFC	Out - IFC
2011/ 2013/ 2014/ 2015	<u>Petra Diamonds</u>	0.36	0.36	0.36	0.36
2010/ 2013	<u>Tsodilo</u>	3.05	3.05	3.05	3.05
Total Portfolio		3.41	3.41	3.41	3.41

Annex 8. Summary of Stakeholder Consultations

The WBG conducted the first round of in-country CPF consultations with stakeholders in March, 2015. Three sessions were organized respectively with government counterparts, representatives from civil society, and representatives from the private sector. Development partners and the World Bank team made presentations on developmental challenges and proposed elements of a partnership framework to assist Botswana to address the challenges. The stakeholders were invited to offer input on (i) the proposed focus areas and objectives of WBG interventions, selectivity, and gaps; and (ii) additional opportunities for partnerships. The second round of consultations was organized in September 2015 after the second corporate review draft of the CPF document was shared with government counterparts for feedback and endorsement.

Proposed framework. Overall, the stakeholders agreed that the three focus areas present a comprehensive approach to the development challenges identified. It was noted that these areas are well aligned with the government's priorities. The comments and feedback on the formulation of the CPF objectives were positive. Questions were raised regarding the larger role of the ICT sector in the CPF and for the success of the proposed interventions. Stakeholders observed that that the country is not fully utilizing its developmental potential for information technologies.

Opportunities for partnership. Possible areas of collaboration were discussed with the development partners. These included support to private sector, education, health, social protection, and sustainable development. It was agreed with the EU Delegation to further explore the avenues for closer partnership in the education sector and assist the government with the implementation the Botswana's new education sector strategy. The UNDP has been providing contribution to the country's sustainable development and poverty eradication agenda. UNICEF has been supporting a social policy and protection program for children. The WBG will continue to coordinate closely with these agencies and the wider community of development partners and stakeholders at the implementation stage of the CPF.



BOTSWANA

- DISTRICT CAPITALS*
- ⊗ NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- RAILROADS
- DISTRICT BOUNDARIES
- - - INTERNATIONAL BOUNDARIES

* The town councils of Francistown, Gaborone, Lobatse, and Selebi-Pikwe have status equal to Districts.

