



**Protocol on Finance and Investment Baseline Study: Botswana Country Report**

August 2011



Making financial markets work for the poor



## **Protocol on Finance and Investment Baseline Study: Botswana Country Report**

A report reflecting the state of progress of implementation of the Protocol on Finance and Investment in SADC

### **Imprint**

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## LIST OF ABBREVIATIONS

<b>AGM</b>	Annual General Meeting
<b>ATAF</b>	African Tax Administration Forum
<b>BDC</b>	Botswana Development Corporation
<b>BEDIA</b>	Botswana Export Development Agency
<b>BoB</b>	Bank of Botswana
<b>BOCCIM</b>	Botswana Confederation of Commerce, Industry and Manpower
<b>BoS</b>	Bureau of Standards
<b>BSE</b>	Botswana Stock Exchange
<b>BURS</b>	Botswana Unified Revenue Service
<b>CCBG</b>	Committee of Central Bank Governors
<b>CEDA</b>	Citizen Entrepreneurial Development Agency
<b>CISNA</b>	Committee for Insurance, Securities and Non-Banking Financial Authorities
<b>COSSE</b>	Committee of SADC Stock Exchanges
<b>CSD</b>	Centralised Securities Depository
<b>DFI</b>	Development Finance Institutions
<b>DFRC</b>	Development Finance Resource Centre
<b>DTAA</b>	Double Taxation Avoidance Agreement
<b>EFT</b>	Electronic Fund Transfers
<b>ESAAMLG</b>	East and Southern African Anti-Money Laundering Group
<b>FATF</b>	Financial Action Task Force
<b>FDI</b>	Foreign Direct Investment
<b>FIP</b>	Protocol on Finance and Investment
<b>FSAP</b>	Financial Sector Assessment Programme
<b>FSB</b>	Financial Services Board
<b>FSC</b>	Financial Services Commission
<b>GDP</b>	Gross Domestic Product
<b>IAIS</b>	International Association of Insurance Supervisors
<b>ICSID</b>	International Centre for the Settlement of Investment Disputes
<b>IFSC</b>	International Financial Services Centre
<b>IMF</b>	International Monetary Fund
<b>IOPS</b>	International Organisation of Pension Supervisors
<b>IOSCO</b>	International Organisation of Securities Commissioners

<b>IPA</b>	Investment Promotion Agency
<b>JSE</b>	Johannesburg Stock Exchange
<b>LDC</b>	Least Developed Country
<b>MSX</b>	Mauritian Stock Exchange
<b>MFDP</b>	Ministry of Finance and Development Planning
<b>MIC</b>	Middle Income Country
<b>MIGA</b>	Multilateral Investor Guarantee Agency
<b>MTI</b>	Ministry of Trade and Industry
<b>NAMFISA</b>	Namibian Financial Services Authority
<b>NBFI</b>	Non-Banking Financial Institution
<b>NBFIRA</b>	Non-Banking Financial Institutions Regulatory Authority
<b>NCSS</b>	National Clearance and Settlement Systems
<b>NDB</b>	National Development Bank of Botswana
<b>PPDF</b>	Project Preparation Development Fund
<b>PPP</b>	Public Private Partnerships
<b>RISDP</b>	Regional Indicative Strategic Development Plan
<b>RTGS</b>	Real Time Gross Settlements
<b>SACU</b>	Southern African Customs Union
<b>SADC</b>	Southern African Development Community
<b>SWIFT</b>	Society for Worldwide Interbank Financial Telecommunication
<b>TIFI</b>	Trade, Industry, Finance and Investment
<b>USD</b>	US Dollars
<b>VAT</b>	Value-Added Tax
<b>WFE</b>	World Federation of Exchanges

# 1. CONTEXT

The Republic of Botswana, formerly the British protectorate of Bechuanaland, gained independence on 30 September 1966. One of the politically successful countries in Africa, it has held free and fair democratic elections since independence.

Bordered by South Africa, Namibia, and Zimbabwe, meeting Zambia at a single point, it is a small, landlocked country with a population of 1.977 million<sup>1</sup>. Botswana was one of the poorest countries in Africa at the time it gained independence; Botswana has experienced one of the highest average economic growth rates in the world over the past four decades, averaging about 9% per year from 1966 to 1999.

Due to the largest diamond reserves in the world, Botswana has effectively managed the national income gained from this critically important and valuable export and been able to progress the country from a least developed country (LDC) status to a middle income country (MIC) status. In addition to the vast mineral reserves, Botswana has had some success diversifying the economy to include tourism, financial services, subsistence farming, and cattle raising (beef and leather as exports) as other key sectors.

Economic growth slowed in 2007-2008, then turned negative in 2009, contracting by 5.2%. This was due in part to the major global recession and the significant decrease for luxury goods, including diamonds – Botswana's main source of income. This significant dependence has encouraged Botswana to continue to diversify into new sectors to avoid the severe stagnation that could occur when the mineral reserves are depleted.

Botswana is part of the Southern African Customs Union (SACU) with South Africa, Lesotho, Swaziland, and Namibia. Furthermore, Botswana was a founding member of the Southern African Development Community (SADC) since its original signature in 1992 and ratified the Protocol on Finance and Investment (FIP) in September 2007. Gaborone is host to the headquarters of SADC.

The World Bank's 2011 Ease of Doing Business survey ranked Botswana 52 out of 183 countries, the third ranked of SADC member states.

Education expenditure is high at approximately 10% of GDP (gross domestic product) and nearly universal and free education is offered to Botswana. The economy is not able to absorb the labour available in the market, and subsistence farming supports a large percentage of the population. The prevalence of HIV/AIDS is at 24.8% among the adult population<sup>2</sup>, which is one of the highest rates in the world and poses a serious threat to Botswana's continued economic growth.<sup>3</sup>

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<sup>1</sup> <http://data.worldbank.org/country/botswana>

<sup>2</sup> [http://www.unicef.org/infobycountry/botswana\\_statistics.html](http://www.unicef.org/infobycountry/botswana_statistics.html)

<sup>3</sup> [http://www.unaids.org/globalreport/Global\\_report.htm](http://www.unaids.org/globalreport/Global_report.htm)

## **2. STATUS OF FIP IMPLEMENTATION**

### **2.1. STATUS OF RATIFICATION**

Botswana was a founding member of SADC since its original signature 17 August 1992 and deposited the FIP instrument of ratification 7 September 2007.

### **2.2. FIP STRUCTURES**

The National Contact Point for SADC, from the International Economic Policy Coordination unit of the Ministry of Finance and Development Planning (MFDP), has admitted unfamiliarity on FIP subcommittee activities within Botswana, stating the he “doesn’t know who attends what”. This suggests a need to make better use of existing coordinating structures within Botswana such as the (internal, within Botswana government, not SADC TIFI – Trade, Industry, Finance and Investment) TIFI Committee, to strengthen communication and coordination at member state level. The TIFI Directorate meets quarterly, with representatives from the Bank of Botswana (BoB), the MFDP, the Botswana Unified Revenue Services (BURS), the Bureau of Standards (BoS), the Botswana Export Development and Investment Agency (BEDIA), the Ministry of Trade and Industry (MTI), the Botswana Exporters and Manufacturers Association (BEMA), the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) and the International Financial Services Centre (IFSC) of Botswana. Representatives of these organisations all report on their progress in terms of other aspects of trade; investment and finance progress, but not directly related to FIP commitments and activities.

Various stakeholders have indicated that it may perhaps be more appropriate for the Ministry of Trade and Industry to coordinate as it is responsible for the TIFI Committee. The problem with the lack of coordination is that the priority and the coordination of national activities are disconnected.

Botswana currently holds the seat of the Chair of the Working Group on Tax Incentives.

#### **2.2.1. ANNEX 1: COOPERATION IN INVESTMENT**

Botswana earned USD 251 million in FDI (foreign direct investment) in 2009, which amounts to 2.13% of GDP (gross domestic product)<sup>4</sup>. Mauritius, South Africa and Zimbabwe are identified as the largest SADC investors in the Botswana economy.

There are three institutions responsible for investment promotion. Firstly, the MTI is the government department mandated to promote investment, and it does so beyond simple policy development, but is actively involved in investment promotion activities. Established in 1998, the BEDIA is the investment promotion agency operating in Botswana. Its mandate is to promote local investment and FDI, particularly in terms of export promotion and sustainable employment creation. The IFSC, established in 2003, aims to establish Botswana as the

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<sup>4</sup> World Bank. 2010. World Bank Databank. [available online] <http://databank.worldbank.org/>

promotion agency for cross border financial and business services into Africa and the region. Although it would be logical for the IFSC to participate in Annex 1, Annex 10 or the newly established Financial Markets subcommittees, the IFSC does not appear to participate in any of the FIP discussions or subcommittees despite the fact that their mandate is directly linked to the activities of the FIP and regional financial integration.

Botswana's investment legislation is stipulated in the Minerals Act and the Land Act, and items in the Companies Act and Intellectual Property Act make allowances for investor protection. The relevant legislation including laws, policies and regulations are available on the MTI website (<http://www.mti.gov.bw/legislation>) as well as the IFSC website ([http://www.botswanaifsc.com/regulation n legislation.php](http://www.botswanaifsc.com/regulation_n_legislation.php)).

According to a representative of the MTI, there is a debate in Botswana on whether or not to draft a comprehensive investment law or policy. Botswana does, however, have an investment strategy, part of which is encapsulated in the BEDIA Act and by the strategy of the IFSC of Botswana. Currently, the MTI is analysing the operation of BEDIA and the IFSC to investigate whether it is more effective to merge the two institutions, and to see whether there are any key investment issues that have been omitted from their respective mandates.

According to the World Bank's Doing Business report, Botswana's Strength of Investor Protection Index is 6 (the index ranges from 0 for weak and 10 for very strong), giving Botswana a rank of 41 out of the 183 countries surveyed<sup>5</sup>, equal to the Organisation of Economic Cooperation and Development (OECD) average and above the sub-Saharan average of 4.4. Botswana uses recommendations of the World Bank's Doing Business survey and Investment Climate Assessments to inform changes in investment policy and legislation, and has formed a Doing Business committee in early 2011 for this purpose (which meets weekly). For example, Botswana's MTI has decentralised business licensing and has organised that a licensing committee meets weekly to facilitate the licensing process. The licensing process has been revised, such that it used to take 3 months to register companies but it now takes less than 10 days, with a fully computerised licensing process. The MTI tries to play an advocacy role in terms of the Doing Business surveys to influence other Ministries, such as the Ministry of Agriculture, to improve areas where there are barriers to investment flows. Botswana also organises an Economic Diversification Drive, in order to coordinate other Ministries promotion of their resources or potential areas of export.

BEDIA participated in the SADC investment promotion agency (IPA) Forum in January 2011, and it is recommended that IFSC becomes a member of the IPA forum as well. BEDIA has also signed bilateral Memoranda of Understanding with the Limpopo province of South Africa, Mauritius and Singapore<sup>6</sup>. According to the MTI, Botswana has signed a total of 8 bilateral investment agreements. South Africa has displayed an interest in negotiating an investment

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<sup>5</sup> World Bank. 2011. Doing Business Report. [available online] <http://www.doingbusiness.org/reports/global-reports/doing-business-2011>

<sup>6</sup> Information supplied by BEDIA representative



agreement however this has been delayed due to a moratorium on agreements<sup>7</sup> at the current time from the South African side.

A MTI representative mentioned that, at SADC subcommittee level, a study is being commissioned to analyse bilateral investment treaties. This study is informed by the concern that bilateral investment treaties are no longer “a tool for bringing in FDI, but rather a tool for investors to use in litigation”. Further, the same representative stated that a similar argument is true of the FIP, especially since the document is too vague in its definition of an investor, and was concerned that the FIP currently supersedes and bilateral investment treaty.

Botswana ratified the International Centre for the Settlement of Investment Disputes (ICSID) convention in 1970, with the convention coming into force in the same year. The country is also a member of the Multilateral Investment Guarantee Agency (MIGA), and has ratified the Recognition and Enforcement of Foreign Arbitral Awards ‘New York’ Convention in 1971.

## **2.2.2. ANNEX 2: COOPERATION IN MACROECONOMIC CONVERGENCE**

Botswana has impressively reduced its inflation rate from 12.9% in 2008, to levels within the FIP and the Regional Indicative Strategic Development Plan (RISDP) target band (<9.5%). Inflation in 2009 was at 8.2% and decreased even further to 6.9% in 2010. Botswana has also managed to keep external debt (public and publicly guaranteed) within an acceptable range, with the stock of external debt amounting to USD 1.388 billion or 11.74% of GDP. Due to the financial crisis and subsequent domestic recession, the fiscal deficit increased to 14.3% of GDP in 2009 from 5.2% of GDP in 2008<sup>8</sup>. This was primarily due to declining fiscal revenue since the economy of Botswana is heavily reliant on diamond mining and related economic activities, and the fact that the government did not reduce expenditure simultaneously. The fiscal deficit has, therefore, expanded above the prudent levels advised under the RISDP.

Representatives from MFDP indicated that they have not been involved in discussions regarding the SADC peer review mechanism, but those from the BoB are part of those discussions. Furthermore, there is very little coordination between the BoB and the MFDP in the area of macroeconomic convergence, which limits the coordination of macroeconomic policy. The MFDP monitors all indicators stipulated under Annex 2 on a regular basis.

Botswana subcommittee members believe that the primary benefit to being involved in activities under this Annex is access to information from other countries’ experiences in achieving macroeconomic convergence. This is important since countries within the region share similar challenges, so information sharing and market reports at FIP subcommittee meetings allow members to learn how other countries have overcome obstacles in the macroeconomic environment. Recommendations arising from these consultations are then presented to the MFDP to be considered for implementation within the domestic economy.

Macroeconomic Convergence Subcommittee members raised the fact that there is a significant lack of capacity in terms of financial modelling and macroeconomic projections. While

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<sup>7</sup> Information supplied by representative of Department of Trade and Industry

<sup>8</sup> World Bank. 2010. World Bank Databank. [available online] <http://databank.worldbank.org/>

Botswana has received technical assistance in this regard, deficits still exist which requires further capacity building. Botswana members of the subcommittee for Annex 2 of the FIP stated that the primary challenge halting progress within this area is limited funding to attend subcommittee meetings in other countries.<sup>9</sup> These subcommittee meetings are vitally important, since they provide member states with an opportunity to present and hear reports on macroeconomic indicators, as well as a forum to discuss areas requiring assistance.

### **2.2.3. ANNEX 3: COOPERATION IN TAXATION AND RELATED MATTERS**

The Ministry of Finance has expended much energy on negotiating and signing double taxation avoidance agreements (DTAAs) with various countries. DTAAs have been signed between Botswana and Mozambique, South Africa, Lesotho, Swaziland, Namibia, Mauritius, Mozambique and the Seychelles. Botswana is currently awaiting ratification of DTAA Malawi, Tanzania and Zambia. DTAAs have also been completed with a number of non-SADC countries. Botswana uses the OECD model of DTAAs, not the SADC model, to complete these agreements.<sup>10</sup> These DTAAs are limited to the treatment of income tax, but includes an article encouraging and facilitating information exchange. It is important to note that DTAAs signed before the adoption of the OECD model were revised and re-negotiated to improve transparency.

The BURS is responsible for the more technical aspects of FIP commitments. For example, BURS is mandated to manage Botswana's contributions to the SADC Tax Database; however it was unknown whether this is currently happening<sup>11</sup>.

The only tax incentives that are applied in Botswana are those that are legislated, however these laws are dispersed throughout various pieces of legislation. Botswana has not begun to review the treatment of tax incentives, and has a stated need for capacity building in this area.<sup>12</sup> The MFDP representative referred to the fact that should the SADC guidelines on the treatment of tax incentives be approved, it will only be as a blueprint and not as a commitment, and so no changes are anticipated under the tax incentives regime. Both the MFDP and BURS officials highlighted that tax exemptions and tax incentives intervene with a sovereignty and its' ability to manage any competitive advantage. BURS believes that tax policies and laws need to be designed appropriately to attract the "right" investors into the country, specifically with regards to the incentives for "Infant Industry" where companies have a period of dispensation, after which they close the business and leave the country. To this end, peer reviews, completed under the auspices of the Peer Review Global Forum, have identified potential loopholes in the current law, which are being addressed within BURS<sup>13</sup>.

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<sup>9</sup> Note: All meetings to date of MEC subcommittee have been held at the SADC Secretariat in Gaborone, so Botswana representatives have not actually had to pay substantial amounts to attend the meetings.

<sup>10</sup> Information supplied by MoF representative

<sup>11</sup> Information supplied by BURS representative

<sup>12</sup> Information supplied by Tax Subcommittee member

<sup>13</sup> Information supplied by BURS representative

In terms of member states commitment to the exchange of information, BURS has met with the BoB and have attempted to convince them to change the laws regarding access to banking sector information. BURS struggles to access information, both regarding domestic banks and regarding banks in the rest of SADC, because legislation makes it very difficult to exchange information across jurisdictions.<sup>14</sup> The legislation will need to be amended in order for Botswana to sign a SADC Mutual Agreement for Information Exchange.<sup>15</sup> The BURS representative confirmed that information exchange is a sharp tool that allows tax officials to conduct their job by doing joint audits and other tasks.

In terms of indirect taxes, Botswana currently has value-added tax (VAT) imposed on an end-user basis, at the rate of 12% on standard-rated items and 0% on exempt goods and services.

Even though the Tax Disputes Mechanism has not gained much traction at regional level, the BURS representative interviewed believes that this is a necessary FIP structure. However, the interviewee emphasised the importance of the Tax Disputes Mechanism's independence. This mechanism will become increasingly important as more information on tax matters is exchanged and there is a greater need to ensure that regional commitments are enforced.

In terms of capacity building, the BURS representative interviewed believed that the African Tax Administration Forum (ATAF) is currently playing a more important role than SADC, but that SADC's involvement is still necessary to finance the attendance of SADC participants in ATAF events.

#### **2.2.4. ANNEX 4: COOPERATION AND COORDINATION OF EXCHANGE CONTROL POLICY**

Botswana completed a long period of progressive liberalisation of exchange controls in February 1999, when remaining capital account controls were abolished. Current account controls were eliminated in 1996 when Botswana accepted IMF (International Monetary Fund) Article VIII status. It is important to note that, even though the capital account was only fully liberalised in 1999, progressive capital account liberalisation allowed fairly free movement of capital in and out of the country since 1993. For example, FDI inflows were never restricted, residents were able to open foreign currency accounts in domestic banks, non-residents could purchase shares on the Botswana Stock Exchange (BSE), and domestic institutions could invest up to 70% of their assets offshore.<sup>16</sup>

It should be noted that Botswana's exchange control liberalisation was completed from a position of strength, with foreign exchange reserves amounting to 30 months of imports or five times the money supply (M2). The process of exchange control liberalisation was complemented with the introduction of prudential controls on banks and non-banking financial institutions (NBFIs), which restrict the ability of these institutions to hold foreign currency assets

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<sup>14</sup> Information supplied by BURS representative

<sup>15</sup> Information supplied by BURS representative

<sup>16</sup> Keith Jefferies. Forthcoming. 'Status of Exchange Controls in SADC'

(for instance, the regulation of banks' offshore exposure and the prohibition of non-residents' holdings of central bank paper).<sup>17</sup>

In order to support this very liberal foreign exchange market, the BoB has completed a number of bilateral agreements on the conversion and repatriation of bank notes. Furthermore, surveillance of foreign exchange transactions (most of which are conducted using the SWIFT platform) is conducted on a daily basis, with the BoB collecting information on all banks' foreign exchange assets and liabilities and assessing these at an aggregate level. Furthermore, declaration limits still exist, mainly to combat money laundering.<sup>18</sup> The Botswana Pula is fully convertible and is heavily weighted against the South African Rand.

Many SADC countries have requested assistance from the BoB, based on the bank's experience in exchange control liberalisation. The BoB has not been able to honour these, though, due to a lack of financial and human resources.<sup>19</sup>

#### **2.2.5. ANNEX 5: HARMONISATION IN LEGAL AND OPERATIONAL FRAMEWORKS**

The BoB uses the SADC Model Central Bank Law as a yardstick with which to measure its own legal frameworks and institutional guidelines. Currently, the BoB's legal team is evaluating the existing legal framework to identify gaps. As yet, areas of potential benefit or disparity with the SADC Model Central Bank Law have not been explored. As per information gathered during an interview with a BoB official, all of the bank's personnel are government employees and the Governor of the BoB is elected by the President. The BoB does not, however, report to Parliament but rather to the Ministry of Finance.

The BoB has agreed to work towards developing framework for the creation of a roadmap for the establishment of a common SADC central bank. The BoB reports all relevant data, including assessments on the group of SADC countries progress in drafting this roadmap, to the CCBG (Committee of Central Bank Governors) Secretariat.<sup>20</sup>

#### **2.2.6. ANNEX 6: COOPERATION IN PAYMENTS, CLEARING AND SETTLEMENT SYSTEMS**

The BoB implemented a real time gross settlements (RTGS) system in November 2006. This RTGS operates using a single currency, and is based on the Botswana Pula. An automated clearing house has also been implemented in 2002, and is called the Codeline Clearing System. It is able to clear both cheques and electronic fund transfers (EFTs). In designing these systems, the BoB drew on SADC's list of preferred suppliers and decided on the world class credit-push system, which is based on international best practise. The BoB is mandated

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<sup>17</sup> Keith Jefferies. Forthcoming. 'Status of Exchange Controls in SADC'

<sup>18</sup> Information supplied by Tax Subcommittee member

<sup>19</sup> Information supplied by Exchange Control subcommittee member

<sup>20</sup> Information supplied by Legal and Operational Frameworks subcommittee member

by the National Clearance and Settlement Systems (NCSS) Act, 2003 to the oversight function of payments and settlement systems in the country, including the determination of risks and scope of application and the collection of information and assessment of systems.<sup>21</sup>

Even though Botswana is not part of the core team of Southern African Customs Union (SACU) countries involved in the pilot test of a common, linked regional payments and clearing system, the BoB is fairly confident that these systems and strategies will be easily replicable in the domestic context. However, the BoB envisages that complications will arise in amending the National Payments Systems Law to allow for an integrated SADC system and for cross-border payments and clearing processes. Currently, the BoB uses the SWIFT (the Society for Worldwide Interbank Financial Telecommunication) platform for cross-border payments.

The BoB representative interviewed stated that the most serious impediment to progress under this Annex is dual membership to regional economic communities. This statement is supported by the fact that, if diverging standards are used by two regional economic communities in their specific payments systems, it will be very difficult for a country with dual membership to integrate with countries in both regions. This reality has informed Botswana's decision to maintain membership to just SADC.<sup>22</sup>

## **2.2.7. ANNEX 8: COOPERATION IN THE AREA OF BANKING REGULATORY AND SUPERVISORY MATTERS**

The Banking Supervision department is guided by the Banking Act, the Collective Investment Undertakings Act, and the Bank of Botswana Act. Internally, the BoB is currently engaged in a review of the Banking Act, with input from key stakeholders, in order to assess amendments that need to be made to be in compliance with international best practise. The BoB have formed a Task Force for this purpose, drawing on resources from all units within the Bank. Currently, BoB's regulation and supervision frameworks are not completely in compliance with the Basel Core Principles. The Task Force has been mandated to identify areas of non-compliance, in anticipation of the IMF and World Bank's Financial Sector Assessment Programme (FSAP) which is expected in the next 12 months. In addition, the Task Force is designing a self-assessment process, such that the BoB carries out annual self-assessments in the future which are presently not happening.

Currently, the BoB is lagging in terms of compliance to international standards in accounting and auditing. In order to address this deficit, accountants are being trained in Financial Advisory and Intermediary (FAIS) standards and other international best practise. However, the BoB is active in encouraging the rest of the financial sector to be compliance with international standards in accounting and auditing, having established a unit within the BoB to provide guidelines and pronouncements to the market.

Botswana is a member of both the Financial Action Task Force (FATF) and the East and Southern African Anti-Money Laundering Group (ESAAMLG). The BoB has adopted the 49 +2

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<sup>21</sup> <http://www.bankofbotswana.bw/index.php/content/2009103012030-oversight>

<sup>22</sup> Information supplied by Payments and Clearing Systems subcommittee member

FATF principles. A mutual assessment under the ESAAMLG programme was completed in 2007.<sup>23</sup>

## **2.2.8. ANNEX 9: COOPERATION IN RESPECT OF DEVELOPMENT FINANCE INSTITUTIONS**

Botswana has six development finance institutions (DFIs) as members of the SADC DFI networks; namely, the Botswana Development Corporation (BDC), Botswana Savings Bank, Citizen Entrepreneurial Development Agency (CEDA), Botswana Housing Corporation, the Local Enterprise Authority, and the National Development Bank of Botswana (NDB). Of the six, the consultant conducted meetings with the BDC and the NDB.<sup>24</sup>

The NDB is a statutory bank, supervised by the BoB, with BWP 1 billion (in Botswana Pula, approximately USD 150 million) available in funding. This funding is allocated in the form of collateral-based loans and government agricultural guarantee schemes. The NDB has adopted the SADC Excellence model to improve its operations, and continues to strive to achieve international standards. The NDB is one of three DFIs in the region to be credit-rated. In 2008/2009, the NDB's creditworthiness was assessed. This process highlighted issues that needed to be addressed, and the NDB is currently engaged in making these changes and improvements in its operations, including risk assessment, human resource management and corporate governance. The NDB representative interviewed stated that the creditworthiness assessment was a useful and instructive, and would be a worthwhile engagement for other DFIs in the region. The NDB is not mandated to mobilise or support the growth of public private partnerships (PPP) projects within Botswana or the SADC region.<sup>25</sup>

The BDC is a public corporation, fully owned by the government of Botswana. The BDC's funding is raised through the capital market, and is mostly allocated towards export promotion projects. Currently, the BDC is revising its internal strategy to diversify operations into the funding and support of mega-projects. The BDC has BWP 1.4 billion available in funding (USD 200 million). To date, the BDC have financed between 70-80 projects.

Additionally, while the BDC is not funding any regional projects as yet, the BDC representative interviewed expressed an interest in doing so. However, the BDC representative stated that the institution faces two challenges in this regards. First, the BDC is awaiting approval from the MFDP to invest in cross-border projects. Second, the BDC's capacity to solely finance regional projects is limited, and as such the institution is constrained by the fact that no other DFIs in the region have approached it with proposals for co-financing. Furthermore, the BDC representative interviewed stated that there is a lack of cooperation and communication between DFIs in the region when it comes to actual projects.<sup>26</sup>

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<sup>23</sup> Information supplied by Banking Supervision subcommittee member

<sup>24</sup> Information available at <http://www.sadc-dfrc.org/index.php?id=72>

<sup>25</sup> Information supplied by NDB representative

<sup>26</sup> An example was cited in which the BDC representative said that the institution only hears about DBSA project plans when the bank is "breaking ground" in Botswana.

Both the NDB and the BDC have sent staff to SADC Development Finance Resource Centre (DFRC) capacity building events. The NDB representative interviewed stated that most of this training was very useful, especially on financial analysis, project appraisal and risk management.

The NDB is not mandated to mobilise PPPs (public private partnerships), however the BDC sits on the PPP Committee at the MFDP. The BDC representative interviewed has the opinion that PPPs are currently poorly structured, and hold more benefits for the investor than for the public. He stated that Botswana has much to learn in terms of properly organising PPPs and their frameworks, as well as implementing proper controls. The BDC was part of the formulation process of the proposed SADC Project Preparation Development Fund (PPDF), and sees it as a useful future resource.

### **2.2.9. ANNEX 10: COOPERATION ON NON-BANKING FINANCIAL INSTITUTIONS AND SERVICES**

The Non-Banking Financial Institutions Regulatory Authority (NBFIRA) of Botswana was established under the NBFIRA Act of 2008. NBFIRA began operations in earnest early in 2009, the first activity of which was uniting all NBFIs under one, common regulator. Previously, NBFIs were partly regulated by the BoB and partly by the Ministry of Finance. Legislation on the regulation of NBFIs was provided for under numerous acts, including the Insurance Act, part 16 of the Income Act, the BSE Act and the Collective Insurance Act. The NBFIRA Act unites these legal frameworks and gives power to NBFIRA to enact the legislation.

NBFIRA only received the FIP in Feb/March 2011 from the MFDP, and are currently waiting for the mandate to begin implementing the commitments, yet they have been participating in Committee for Insurance, Securities and Non-Banking Financial Authorities (CISNA) to date. During the establishment of NBFIRA, the previous and current Chief Executive Officers visited the Financial Services Board (FSB) of South Africa, Namibian Financial Services Authority (NAMFISA) in Namibia and the Financial Services Commission (FSC) of Mauritius. These visits were organised through CISNA for capacity building and to assist NBFIRA in drafting legislation. As such, most regulatory rules are based on those used in South Africa and Mauritius. The NBFIRA representative believes that Botswana has already benefited greatly from membership to CISNA, particularly from information exchange as the institution establishes itself.

NBFIRA is a full member of the International Organisation of Pension Supervisors (IOPS) and has provisionally been accepted for membership to the International Association of Insurance Supervisors (IAIS), a significant achievement considering the beginning of operations in only 2009. For the latter, all necessary laws were already in place but NBFIRA's membership is yet to be ratified by the IAIS Annual General Meeting (AGM), later this year. NBFIRA has also prepared an application for membership to the International Organisation of Securities Commissioners (IOSCO), to which it currently has observer status. This process was intensive and costly, since IOSCO membership requires additional regulations that had to be incorporated into the domestic legislation. Furthermore, the cost of membership to IOSCO is USD 20 000 which, combined with costs incurred to attend overseas conferences, makes membership prohibitively expensive for newly-established regulators like NBFIRA. The

NBFIRA representative interviewed stated that out of the three international bodies, IAIS is the more valuable membership in their assessment since the organisation provides training while the other two do not. Due to the financial burden of membership to these bodies, an NBFIRA representative suggested that CISNA organises SADC peer review processes based on the IOSCO, IAIS and IOPS frameworks rather than simply encouraging membership.

In its first two years of operations, NBFIRA all but exhausted its liquid assets and, as such, are now paying salaries and covering operating costs by liquidating its fixed assets. Currently, there is no budget available for onsite inspection and to conduct effective consumer awareness campaigns. However, for the new budget, a small allocation has been made to consumer awareness activities which has been approved by the board and is awaiting approval by the Ministry of Finance. NBFIRA has conducted awareness campaigns on free spots on radio and television, and have also exhibited at road shows and trade fairs.<sup>27</sup> It is important that the MFDP, which signed the FIP, is aware that the current budget shortage is hampering the institutions ability to meet its FIP commitments.

## **2.2.10. ANNEX 11: COOPERATION ON SADC STOCK EXCHANGES**

As of May 2011, the BSE had a market capitalisation of USD 3.74 billion in 2009<sup>28</sup> or 31% of GDP. As of June 2010, there are 33 listed securities. BSE has 20 domestic firms listed, with 12 firms dual-listed with the primary listing on the foreign exchange. There are also various mining companies with secondary listings on the BSE.

Domestic holding of securities listed on the exchange amounts to 67.4% and foreign holding is at 27.7%, with local individuals' holding 3.3% and foreign individuals holding 1.1%. The BSE also records the percentage of holding by citizens, which amounts to 70.8% by local citizens, 12.9% by US citizens and 9.6% by SADC citizens.<sup>29</sup> The BSE's primary strategy is to align its requirements and regulations to Johannesburg Stock Exchange (JSE) rules, and to supplement this with best practise principles of various international bodies. To this effect, the BSE has incorporated regulations aligned to the principles of IOSCO and the World Federation of Exchanges (WFE), although the exchange is yet to gain membership to both international bodies. In terms of general listing, dual-listing and cross-listing requirements, the BSE is currently being advised by consultants as to international guidelines and best practise. However, these will in all likelihood be easily harmonised with those used by the JSE and Mauritian Stock Exchange (MSX). The Botswana Stock Exchange Act is being reworked to be the Securities Act, to be drafted for enactment by parliament in July 2011. This process is being completed to allow for the BSE to be corporatized which will have important consequences for the exchange's governance structure.<sup>30</sup>

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<sup>27</sup> Information provided by NBFIRA representative

<sup>28</sup> Chief Executive Officer's Review for 2010. BSE.

<sup>29</sup> Information supplied by BSE representative

<sup>30</sup> Information supplied by BSE representative



The BSE is currently in the process of automating trading and clearing processes. The exchange operates a Centralised Securities Depository (CSD), however; trading in securities is yet to be automated since the CSD software proved to be less expensive than automated trading software. A roadmap has been devised to achieve full automation of all BSE operations. The BSE looks forward to all SADC member exchanges being automated as it will then be possible for these individual trading platforms to be linked to a centralised 'hub' for those member states that do not have exchanges.

In order to facilitate further development of the BSE, it is necessary to devote funds in the budget to improving ICT infrastructure, capacity building of BSE staff and the development of the financial market in Botswana. The latter is a focus of the BSE, and is enacted by providing investor education to various groups, including school children, at various trade fairs, trade unions and to civil servants. The BSE representative interviewed stated that the exchange has already benefited from membership to Committee of SADC Stock Exchanges (COSSE), as a result of information exchange (the presentation of quarterly market reports at COSSE meetings), being able to access JSE-funded support, and learning through visits to the JSE and MSX.

The BSE representative stated that member states need to recognise that harmonisation is a long-term process. To achieve full harmonisation within the region, it is necessary to broaden participation to SADC member states that currently do not participate in certain subcommittees like COSSE, as well as enabling member states to operate at similar levels of development. The representative believes that stock exchanges in the region have an important role to play in this regard, since stock exchanges act as a "developer" of domestic and regional investors and companies. Thus, the activities of COSSE are vitally important both in terms of domestic development and regional financial integration.<sup>31</sup>

## 3. CONCLUSIONS AND RECOMMENDATIONS

### 3.1. CONCLUSIONS

Botswana is recognised as one of the more stable economies in Africa and has implemented many regulatory reforms in the past decades along with relatively prudent fiscal and monetary policies. Botswana is not fully engaged in the FIP subcommittee activities or completely aligned to the harmonisation to regional frameworks, but is more driven by reaching international standards and improving Botswana's international status. Multiple stakeholders in Botswana mentioned that the membership of multiple regional economic communities has had a negative impact on the progress of SADC and it will continue to be so until an official stance is taken on the matter. A summary of progress across the annexes is as follows:

- **Investment:** Botswana is a member of MIGA, New York Convention and the ICSID. It also has two investment promotion bodies (BEDIA & IFSC) as well as the Ministry of Trade and Industry which acts as an active promotion body. Investor information is

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<sup>31</sup> Information and opinion provided by BSE representative

made available online. Botswana's rating on the World Bank Strength of Investor Protection is equivalent to the OECD average.

- **Macroeconomic Convergence:** Both inflation and external debt have been kept within the SADC targets, however due to the global economic crisis, the fiscal deficit rose as expenditure was not reduced.
- **Tax:** Botswana has signed DTAA's with eight SADC member states. Botswana is currently not able to fully participate in information exchange because the legislation does not allow for such cooperation. Botswana is currently not reviewing any tax incentive schemes as this is seen as critical to attracting FDI and particularly infant industry that is needed for economic growth. Capacity building and workshop initiatives are well attended.
- **Exchange Control:** Exchange controls are fully liberalised and the current and capital accounts have been liberalised since 1996 and 1999 respectively. The Pula is fully convertible.
- **Legal and Operational Frameworks:** The Bank of Botswana Act is currently under review, however, the BoB does not have independence and reports directly to the Ministry of Finance.
- **Payments Systems:** Botswana has RTGS in place which includes payment & settlements and clearing processes. There is also a domestic payments system strategy and law in place.
- **Banking Supervision:** Botswana is not entirely compliant with the Basel Core Principles but the Bank has created a Task Force to develop the required work plan to bring the BoB to full compliance. Capacity building is currently underway to improve on the accounting and auditing standards. BoB is a member of FATF and ESAAMLG, however a mutual assessment has not yet been conducted.
- **DFIs:** Botswana has six DFIs that are members of the DFI network. The two institutions that were interviewed both acknowledged the value of the capacity building activities. The NDB was one of three institutions that participated in a credit assessment exercise and highlighted this as a very valuable exercise. BDC would like to participate in regional projects and has proposed to the MFDP for approval to invest cross-border.
- **CISNA:** NBFIRA was operational in 2009 and has since become a member of IOPS and has provisional membership of IAIS. NBFIRA is an observer of IOSCO and is completing the requirements for full membership. To date, the most important benefit from CISNA has been information sharing as the institution continues to establish the laws, regulations and processes required to operate efficiently and effectively.
- **COSSE:** The BSE has 31 listed securities including 10 cross-listed firms. BSE attempts to align the listing requirements to the JSE and is pursuing membership in the WFE. BSE is active in COSSE and has recently joined the special task force.

### **3.2. RECOMMENDATIONS**

Botswana should take a more coordinated approach to FIP implementation. A coherent platform will allow stakeholders from Botswana's institutions to be united and progress more rapidly as a country. In some instances, there appeared to be a disconnect between some of the institutions – in particular, there seemed to be issues between BEDIA as the investment

promotion agency, BURS, the tax policy division of the MFDP and the MTI. Additionally, despite NBFIRA's mandate, the MFDP is delaying on some of the issues that hinder the institution's ability to deliver on the mandate, most importantly the budget allocation as requested and submitted by NBFIRA. Greater coordination would potentially solve some of these challenges.

In a discussion with the Botswana Chamber of Commerce, Industry and Manpower (BOCCIM), the Director explained the extensive consultative process and structures currently in operation in Botswana, including a High Level Consultative Council (HLCC), the official vehicle through which the private sector articulates with government and meets twice a year. BOCCIM used to have a representative on the TIFI committee organised by the MTI. Unfortunately, the Director explained however, that the FIP, or any of the SADC protocols, are not discussed at these platforms. Given the purpose of the FIP, it would be important that the issues dealt with in the FIP, such as payment systems & investment frameworks, be discussed within these arenas.

Banking supervision is a particular area where the BoB is lagging, and this is an area that appears to have been prioritised recently, but must continue to be fast tracked to ensure harmonisation with the international standards.

## 4. REFERENCES

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[http://www.unaids.org/globalreport/Global\\_report.htm](http://www.unaids.org/globalreport/Global_report.htm)

World Bank. 2010. World Bank Databank. [available online] <http://databank.worldbank.org/>

## 5. APPENDICES

### 5.1. LIST OF INTERVIEWS

Annex Subcommittee	Institution	Name
CISNA	Non-banking Financial Institutions Regulatory Authority (NBFIRA)	Marcelina !Gaoses
CISNA	Non-banking Financial Institutions Regulatory Authority (NBFIRA)	Oaitse Ramasedi
COSSE	Botswana Stock Exchange (BSE)	Hiran Mendes
Macroeconomic Convergence	Ministry of Finance and Development Planning	Arnold Madikwe
FIP Coordination	Ministry of Finance and Development Planning	Boitshoko Keabofe-Medupe
Tax Policy	Ministry of Finance and Development Planning	Peggy Onkutlwile Serame
Banking Supervision	Bank of Botswana	Morgan Selhako
Exchange Control	Bank of Botswana	Godfrey E. Ngidi
Payment Systems	Bank of Botswana	Chepete Chepete
DFI	National Development Bank	Boagisano Mogano
DFI	National Development Bank	Thandisa Sekga
DFI	Botswana Development Corporation (BDC)	James Kamyuka
None, private sector	Botswana Confederation of Commerce Industry and Manpower (BOCCIM)	Norman Moleele
Investment	Botswana Export Development and Investment Authority (BEDIA)	Lameck Nthekela
Investment	Botswana Export Development and Investment Authority (BEDIA)	Tekanyo Tshetlhane
Investment	Botswana Export Development and Investment Authority (BEDIA)	Joseph Modimakwane
Tax	Botswana Unified Revenue Service	Kaone Bushy Molapo
Tax	Botswana Unified Revenue Service	Philiso Phodiso Valashia
Investment	Ministry of Trade and Industry	Mpho Ntshese
Investment	Ministry of Trade and Industry	Oaitse Ramorula

## 5.2. MATRIX OF COMMITMENTS

Colour	Status
Achieved	Green
Partially achieved	Yellow
Not achieved	Red
Not assessed	White
Not applicable	Grey

Annex	Article	Indicator	Status 2011	Comments	Source	Criteria
None	None	FIP instrument ratified by all member states.	Green		SADC Secretariat	
None	None	National FIP coordinating structures in place to facilitate better FIP implementation.	Yellow	International Economic Policy Coordination Unit and internal TIFI directorate – poor coordination	SADC Secretariat	

Annex	Article	Indicator	Status 2011	Comments	Source	Criteria
<b>Annex 1: Cooperation in Investment</b>	5,6,8,9, 27	Existence of domestic investment law that: Protects investors, allow repatriation of profits, allows access to courts			Ministry of Trade and Industry	All three present = green
	21	Signatory to international conventions: New York Convention			<a href="http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention_status.html">http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention_status.html</a>	Member = green
	21	Signatory to international conventions: ICSID			<a href="http://icsid.worldbank.org/ICSID/index.jsp">http://icsid.worldbank.org/ICSID/index.jsp</a>	Member = green
	21	Acceded to international conventions: MIGA			<a href="http://www.miga.org/about/index_sv.cfm?stid=1695">http://www.miga.org/about/index_sv.cfm?stid=1695</a>	Member = green
	8	Investment policies, information etc. easily accessible to investors			Ministry of Trade and Industry, IFSC	
	23	MS has an active IPA			<a href="http://www.bedia.co.bw">www.bedia.co.bw</a>	
	2	Member ranked above (or equal) to OECD average rating of the Strength of Investor Protection Index			World Bank Doing Business, Investor Protection Index	Better than or equal to OECD average = green; worse = red

Annex	Article	Indicator	Status 2011	Comments	Source	Criteria
<b>Annex 1: Cooperation in Investment</b>	19	MS's national policies and regulations comply with the Regional Investment Policy Framework and/or the minimum principles for investment regimes in the region.	N/A		Ministry of Trade and Industry, IFSC	
	19	Regional Investment Policy Framework is drafted and agreed to by MS		No standard framework yet exists in the region.	Investment subcommittee	
	23	Evidence of events and activities run by IPA Forum and attended by MS IPAs		The SADC IPA forum has been established, however the most recent event was poorly attended by CEOs of IPAs operating in MS	Investment subcommittee	
<b>Annex 2: Macroeconomic Convergence</b>	2,3,4	Inflation rate low and stable (< 9%)		6.9%	Ministry of Finance	Within range = green; out of range = red
	2,3,4	Public and publicly guarantee debt to GDP < 60%		11.74%	Ministry of Finance	Within range = green; out of range = red
	2,3,4	Budget deficit to GDP ratio at widely accepted prudent levels (< 5%)		14.3%	Ministry of Finance	Within range = green; out of range = red



Annex	Article	Indicator	Status 2011	Comments	Source	Criteria
<b>Annex 2: Macroeconomic Convergence</b>	5,8	Cooperation/Information Sharing: submission of data to SMSD			Ministry of Finance/ Bank of Botswana	
	7	Cooperation/Information Sharing: participation in peer review panel	N/A		Ministry of Finance/ Bank of Botswana	
	7	The Peer Review Mechanism is approved for establishment and operational		Discussions towards establishment of the mechanism are on-going. Framework and guidelines have not yet been adopted. Generally, MS are supportive of the Peer Review Mechanism, but have specific concerns which need to be addressed at subcommittee level.	Macroeconomic Convergence subcommittee	
<b>Annex 3: Cooperation in Taxation Matters</b>	5.3	Number of DTAs signed with other SADC member states		8 Mozambique, South Africa, Lesotho, Swaziland, Namibia, Mauritius, Mozambique and the Seychelles	Ministry of Finance, IFSC	< = 6 red, 7 - 10 orange, 11 - 14 green
	2	Up to date and publicly available tax database (national)			Ministry of Finance, IFSC	

Annex	Article	Indicator	Status 2011	Comments	Source	Criteria
<b>Annex 3: Cooperation in Taxation Matters</b>	2	Up to date information submitted to SADC Tax Database (when fully operational)	N/A		Ministry of Finance, IFSC	
	6.6	Signatory to the Mutual Agreement for Information Exchange with member states (AATM)	N/A		Ministry of Finance, IFSC	
	6	Harmonised to the regional guidelines for the administration of Indirect Taxes	N/A		Ministry of Finance, IFSC	
	4	Harmonised to the regional tax incentives guidelines	N/A		Ministry of Finance, IFSC	
	3	Tax officials participate in capacity building activities			Ministry of Finance, IFSC	
	5	Existence of Model Double Taxation Avoidance Agreement		Model DTAA and Commentary approved and adopted by all member states.	Tax Subcommittee	
	4	Guidelines for the appropriate treatment of tax incentives drafted and approved for adoption by MS.		Drafting of guideline documents still in progress.	Tax Subcommittee	

Annex	Article	Indicator	Status 2011	Comments	Source	Criteria
<b>Annex 3: Cooperation in Taxation Matters</b>	4	A Fiscal Model for cost benefit analysis developed and approved by Ministers of Finance. Fiscal Model must comply with items articulated in Art. 4 section 5.		Cost Benefit Analysis model not yet developed.	Tax Subcommittee	
	6	SADC Agreement for Assistance in Tax Matters (AATM) approved and signed by all member states (multi-lateral agreement).		Finalised in 2008, waiting for approval by Ministers of Justice/Attorneys General awaiting clearance and signature by Summit.	Tax Subcommittee	
	6	Guideline for the administration of indirect tax in the region is approved for adoption by member states.		Still under review by the Indirect Taxation working group.	Tax Subcommittee	
	7	Mechanism for the Settlement of Tax Disputes developed and approved by Ministers of Finance.		Has not been developed or approved for implementation	Tax Subcommittee	
<b>Annex 4: Cooperation on Exchange Control</b>	2a	Liberalised Current Account			Bank of Botswana	
	2a	Liberalised Capital (Financial) Account			Bank of Botswana	
	2c,3.1.c	Full Currency Convertibility			Bank of Botswana	

Annex	Article	Indicator	Status 2011	Comments	Source	Criteria
<b>Annex 4: Cooperation on Exchange Control</b>	2d, 3d	Collect and publicise data on foreign exchange transactions (e.g. automated cross border reporting system)			Bank of Botswana	
	2a	Roadmap for exchange control liberalisation in current and capital (and financial) account transactions is drafted and approved		The roadmap has been drafted by the subcommittee. All countries except the DRC have signed and approved the roadmap, and so it has not been implemented as yet.		
<b>Annex 5: Harmonisation of Legal and Operational Frameworks</b>	3b	Autonomy/independence of Central Bank			Bank of Botswana	
	2	Compliant with SADC Central Bank Model Law (when/if made binding)	N/A		Bank of Botswana	
	4.2	Adoption of price stability as mandate			Bank of Botswana	
	3c	Ability of Central Bank to set own budget			Bank of Botswana	
	2e	Extent to which central bank can lend to government		Yes - but must be repaid within 6 months of end of FY	Bank of Botswana	
	3	Existence of Model Central Bank Law		The Model Central Bank Law has been drafted and approved by all SADC member states	Legal and Operational Frameworks subcommittee	

Annex	Article	Indicator	Status 2011	Comments	Source	Criteria
<b>Annex 5: Harmonisation of Legal and Operational Frameworks</b>	2	Roadmap for the establishment of a Common Central Bank developed and approved.		Legal & Operational Committee has recently been tasked with the development of a roadmap for the establishment of a single Central Bank. No progress yet on this matter	Legal and Operational Frameworks subcommittee	
<b>Annex 6: Cooperation on Payments Systems</b>	3a	Payments systems in place domestically			Bank of Botswana	
	3c, 3e, 4.1.c	Risk mitigation strategy implemented			Bank of Botswana	
	4.1.d	Existence of national payments system law			Bank of Botswana	
	2	National payment system law aligned to regional model law	N/A		Bank of Botswana	
	2, 3d	MS linked to SADC regional payments systems (when operational)	N/A		Bank of Botswana	
	2	Model Payment System Law developed and approved		Law is being drafted for approval at regional level	Payments System subcommittee	

Annex	Article	Indicator	Status 2011	Comments	Source	Criteria
<b>Annex 6: Cooperation on Payments Systems</b>	3	Model Payment System Strategy is developed.		This is not in place yet. However, the strategy is being developed for the CMA countries to be piloted in this sub-regional bloc. The intention that this will allow a 'tried and tested' strategy to be rolled out to the rest of the region	Payments System subcommittee	
<b>Annex 7: Cooperation in the area of ICT</b>	3, 4	Legal framework for data privacy in place			Each Central Bank & IT Forum	To enable cross border business based on ICT taking in account that all business are supported by ICT platform
	3	Standard regarding ICT systems interpretability in place			IT Forum	Promote cross border business specifically for Payment Systems
	3.5	IT Governance framework adopted for the region.			Each Central Bank & IT Forum	

Annex	Article	Indicator	Status 2011	Comments	Source	Criteria
<b>Annex 7: Cooperation in the area of ICT</b>	3	ICT communication Infrastructure to connect member states in place			IT Forum	
<b>Annex 8: Cooperation in Banking and Regulatory Supervision</b>	2	Compliant with the 25 BASEL core principles		Does not comply with any of the 25 Basel core principles	FSAP evaluation	Less than 20 = red; 21 to 25 orange; 25 green
	2	Self-assessment audit happening on annual basis			Bank of Botswana	
	Annex 14	Membership of ESAAMLG & completion of a mutual evaluation			<a href="http://www.esaamlg.org">www.esaamlg.org</a>	
	Annex 13	Compliant with international standards for auditing and accounting - IFRS			Bank of Botswana	
	2, 4	Regional agreement on framework for central bank supervision.		Harmonisation of banking supervision and regulatory principles in progress.	Banking Supervision and Regulation subcommittee	
<b>Annex 9: Cooperation on Development Finance Institutions</b>	3, 9	Participate in regional development projects through cooperation in pooling of funds, project identification, project management.			DFRC/Botswan a Development Corporation	
	3f, 7	Attending capacity building activities organised by DFRC (secondment, work placement, training)			DFRC	

Annex	Article	Indicator	Status 2011	Comments	Source	Criteria
<b>Annex 9: Cooperation on Development Finance Institutions</b>	Annex 1	PPP: Establishment of PPP Policy Framework, Legal Framework, Institution Framework			Ministry of Trade and Industry/Botswana Development Cooperation	
	2	The DFI network and DFRC are established and active.		Yes.	SADC Secretariat	
	11	Regional Insurance Guarantee system in place and approved.		The Regional Insurance Guarantee scheme has not been agreed upon or implemented.	DFI Network	
	3	Number of regional development projects in progress (where regional refers to projects with benefits to more than one country, or with more than one country collaborating on a project)		Only evidence of regional projects is DBSA projects, which are not necessarily attributable to the DFI network. No collaboration between DFIs on regional development projects.	DFI Network	
<b>Annex 10: Cooperation on Non-Banking Financial Institutions and Services</b>	7	Membership of IOSCO (harmonising to international standards)			<a href="http://www.iosco.org/lists/display_members.cfm?memID=1&amp;orderBy=None">http://www.iosco.org/lists/display_members.cfm?memID=1&amp;orderBy=None</a>	



Annex	Article	Indicator	Status 2011	Comments	Source	Criteria
<b>Annex 10: Cooperation on Non-Banking Financial Institutions and Services</b>	7	Membership of IOPS (harmonising to international standards)			<a href="http://www.iopsweb.org/document/14/0,3343,en_35030657_35030370_35152654_1_1_1_1,00.html">http://www.iopsweb.org/document/14/0,3343,en_35030657_35030370_35152654_1_1_1_1,00.html</a>	
	7	Membership of IAIS (harmonising to international standards)			<a href="http://www.iaisweb.org/IAIS-members-31">http://www.iaisweb.org/IAIS-members-31</a>	
	3, 4, 5	Committed to information sharing (Multi-lateral agreement signed by all CISNA members)			Information shared by CISNA members	N.B. except Seychelles who has not yet participated in CISNA
	10	Participating in capacity building activities			CISNA/NBFIRA	
	9	Alignment to SADC regulatory framework for Non-Banking Financial Institutions (when drafted and approved)	N/A		CISNA/NBFIRA	

Annex	Article	Indicator	Status 2011	Comments	Source	Criteria
<b>Annex 10: Cooperation on Non-Banking Financial Institutions and Services</b>	9	SADC regulatory framework for non-banking financial institutions established and approved for the region		SADC Framework is not yet developed. But progress has been made in that member states' NBFIs authorities have been tasked with drafting the various components of the framework.	CISNA/NBFIRA	
<b>Annex 11: Cooperation in SADC Stock Exchanges</b>	2	Cooperation: Member of COSSE			Botswana Stock Exchange	
	2	Cooperation: Information Exchange			Botswana Stock Exchange	
	2.3	Participate in capacity building activities (either attend or host)			Botswana Stock Exchange	
		MS harmonised to SADC common principles.			Botswana Stock Exchange	
	2.5	MS who are completing the minimum standards for surveillance and risk assessment.			Botswana Stock Exchange	
	2.7	Extent of diversification of the registered market participants on MS stock exchange (% individuals, % trusts, % corporates)			Botswana Stock Exchange	