Republic of Botswana

Public Expenditure and Financial Accountability Assessment

Final Report

August 2013

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MINISTRY OF FINANCE & DEVELOPMENT PLANNING BOTSWANA

LOOKING BEYOND TODAY

Executed by DFC Consortium

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Currency and Exchange Rates

Currency unit = Botswana Pula (BWP)

Exchange rate as at 11 June 2013

US$1 = 8.67 BWP

1 Euro = 11.52 BWP

Fiscal Year

1st April to 31st March

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Contents

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AGAs	Autonomous Government Agencies
BADEA	Arab Bank for Reconstruction and Development
BADM	Budget Analysis and Debt Monitoring
BCC	Budget Call Circular
BOCCIM	Botswana Confederation of Commerce, Industry and Manpower
BOCONGO	Botswana Council of Non-Governmental Organisations
BRA	BURS Remittances Account
BS	Budget Support
BURS	Botswana Unified Revenue Service
CA	Classification Assistant
CMC	Cash Management Committee
CoA	Chart of Accounts
CDC	Centre for Disease Control
CG	Central Government
COFOG	Classification of Functions of Government
CS-DRMS	Commonwealth Secretariat-Debt Recording and Management System
DHMT	District Health Management Team
DSA	Debt Sustainability Analysis
EBE	Extra- Budgetary Entity
EDF	European Development Fund
EDS	Enterprises Development Section
ETSPSP	Education and Training Sector Policy Support Programme
EU	European Union
EUD	European Union Delegation
FA	Financing Agreement
FAA	Finance and Audit Act
FAD	Fiscal Affairs Department
FY	Fiscal Year
GABS	Government Accounting and Budgeting System
GAC	Government Audit Committee
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GFSM	Government Financial Statistics Manual
GRA	Government Remittances Account
GNI	Gross National Income
GPPP	Government Payroll, Passages and Pensions
HDI	Human Development Index
HRDSPSP	Human Resource Development Sector Policy Support Programme
IA	Internal Audit
ICT	Information & Communication Technology
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
LAs	Local Authorities
MDAs	Ministries Departments and Agencies
MFDP	Ministry of Finance and Development Planning

MIST	Ministry of Infrastructure, Science and Technology
MLGRD	Ministry of Local Government and Rural Development
MMEWR	Ministry of Minerals, Energy and Water Resources
MoESD	Ministry of Education and Skills Development
MOH	Ministry of Health
MPS	Macro-Policy Section
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MVAF	Motor Vehicle and Accident Fund
NAO	National Authorising Officer
NDP	National Development Plan
NIP	National Indicative Programme
OPEC	Organisation of Petroleum Exporting Countries
PA	Previous Assessment
PAC	Public Accounts Committee
PE	Public Enterprise
PEFA	Public Expenditure and Financial Accountability
PETS	Public Expenditure Tracking Survey
PFM	Public Finance Management
PFMA	Public Finance Management Act
PFM-PR	Public Finance Management Performance Report
PFMRP	Public Financial Management Reform Programme
PDSU	Public Debt Service Unit
PDSF	Public Debt Service Fund
PEEPA	Public Enterprise Evaluation and Privatization Agency
PHCs	Primary Health Clinics
PI	Performance Indicator
SACU	Southern Africa Customs Union
SADC	Southern Africa Development Community
SBS	Sector Budget Support
SDDS	Special Data Dissemination Standard
TWG	Thematic Working Group
WDI	World Development Indicators

SUMMARY ASSESSMENT

This 2013 assessment is the second PEFA assessment for Botswana. As a "repeat" assessment, therefore, the focus of the report is firmly placed on identifying the changes in performance that have occurred in the financial management of central government since 2009, the date of the previous assessment (PA). Tables 1 and 2 below summarise these changes.

(i) Integrated Assessment of PFM Performance

Table 1: Performance Indicators Scores for the PFM System in 2009 and 2013

PFM Performance Indicators		2009	2013	Scoring Method	Comparable Scores	Change since PA
A. PFM OUT-TURNS: I. Credibility of the budget						
PI-1	Aggregate expenditure out-turn compared to original approved budget	C	A	M1	Yes	**Performance improvement.** Variances reduced in all 3 years.
PI-2	Composition of expenditure out-turn compared to original approved budget	C	C+	M1	No; changed methodology	Not directly comparable.
PI-3	Aggregate revenue out-turn compared to original approved budget	A	D	M1	Yes, despite changed methodology	Underlying situation has effectively deteriorated as size of favourable variances has increased (2009 score would have remained A under new methodology).
PI-4	Stock and monitoring of expenditure payment arrears	NR i) NR ii) DR	NR i)NR ii) D	M1	Yes	Performance unchanged.

	B. KEY CROSS-CUTTING ISSUES: II. Comprehensiveness and Transparency					
PI-5	Classification of the budget	C	C	M1	Yes	Performance unchanged.
PI-6	Comprehensive-ness of information included in budget documentation	A	A	M1	Yes	Performance improvement with regard to information benchmark 4, on the reporting of debt.
PI-7	Extent of unreported government operations	A i)A ii)A	NR i)NR ii) A	M1	No	Performance unchanged The PA over-rated dimension (i) in 2009.
PI-8	Transparency of Inter-Governmental Fiscal Relations	C+ i)D ii)B iii)B	C i)D ii)C iii)B	M2	Yes	Performance deterioration due to late confirmation of grant ceilings (dimension ii)
PI-9	Oversight of aggregate fiscal risk from other public sector entities	D+ i)C ii)D	D+ i) D ii) C	M1	Yes	Performance unchanged: one dimension has improved and the other deteriorated.
PI-10	Public Access to key fiscal information	B	B	M1	No	Performance unchanged.

	C. BUDGET CYCLE **III. Policy-Based Budgeting**					
PI-11	Orderliness and participation in the annual budget process	B i)B ii)C iii)A	B i)C ii)C iii)A	M2	Yes	Performance unchanged at the indicator level but slippage in calendar adherence.
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C+ i)D ii)C iii)A iv)C	D+ (i)D (ii)D iii)C (iv) C	M2	No	No main change in performance despite the scores.
	IV. Predictability & Control in Budget Execution					
PI-13	Transparency of taxpayer obligations and liabilities	B i)B ii)C iii)B	B+ i)B ii)A iii)B	M2	Yes	Performance improvement due to improved taxpayer access to information
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	B i)A ii)A iii)D	B i)B ii)A iii)C	M2	Yes	Performance unchanged, though improvement in tax audit
PI-15	Effectiveness in collection of tax payments	D+ i)B ii)C iii)D	D+ i)D ii)B iii)D	M1	Yes	Performance unchanged
PI-16	Predictability in the availability of funds for commitment of expenditures	D+ i)D ii)A iii)C	D+ i)D ii)A iii) A	M1	Yes	**Performance improvement** The main improvement is for dimension (iii), thanks to fewer significant budget adjustments through supplementaries. Some improvement in dimension (i), but insufficient to impact the score.

PI-17	Recording and management of cash balances, debt and guarantees	C i)C ii)C iii)C	B i) C ii) B iii) B	M2	No	No change in performance for dimensions (i) and (iii). Possible improvement in performance for dimension (ii).
PI-18	Effectiveness of payroll controls	B+ i)A ii)B iii)A iv)B	A i)A ii)A iii)A iv)B	M1	Yes	Performance improvement in the area of updates to personnel records and payroll.
PI-19	Competition, value for money and controls in procurement	D+ i)D ii)C iii)C	B+ i)B ii)A iii)B iv)A	M2	No	Performance change uncertain due to changed methodology.
PI-20	Effectiveness of internal controls for non-salary expenditures	C+ i)B ii)A iii)C	C+ i)B ii)A iii)C	M1	Yes	Performance unchanged.
PI-21	Effectiveness of internal audit	C+ i)B ii)C iii)B	B i)B ii)B iii)B	M1	Yes	Performance improvement in dimension (ii) reflects improved distribution of internal audit reports.
	V. Accounting, Recording and Reporting					
PI-22	Timeliness and regularity of accounts reconciliation	B i)B ii)B	C i)D ii)B	M2	Yes	Performance deterioration due to backlog in bank reconciliation.
PI-23	Availability of information on resources received by service delivery units	A	A	M1	Yes	Performance unchanged.

PI-24	Quality and timeliness of in-year budget reports	C+ i)C ii)A iii)A	A i)A ii)A iii)A	M1	Yes	Performance improvement thanks to in-year reports now also capturing the commitment stage.
PI-25	Quality and timeliness of annual financial statements	C+ i)B ii)B iii)C	C+ i)B ii)B iii)C	M1	Yes	Performance unchanged.
	VI. External Scrutiny and Audit					
PI-26	Scope, nature and follow-up of external audit	D+ i)B ii)D iii)B	C+ i)C ii)A iii)B	M1	Yes	Performance improvement due to improved timeliness of audit reports.
PI-27	Legislative scrutiny of the annual budget law	B+ i)B ii)A iii)B iv)A	B+ i)B ii)A iii)B iv)A	M1	Yes	Performance unchanged.
PI-28	Legislative scrutiny of external audit reports	C+ i)C ii)A iii)A	A i)A ii)A iii)A	M1	Yes	Performance improvement due to regular and timely meetings of PAC.
	D. DONOR PRACTICES					
D-1	Predictability of Direct Budget Support	D+ i)A ii)D	D+ i)B ii)D	M1	No	The PA over-rated dimension (i). As a result, **performance regarding (i) has improved** despite the deterioration in the score. No change in dimension (ii).

D-2	Financial information provided by donors for budgeting and reporting on project and program aid	D+ i)C ii)D	D i)D ii)D	M1	No	Performance unchanged; dimension (i) was over-rated by PA.
D-3	Proportion of aid that is managed by use of national procedures	D	C	M1	Yes	Performance improvement.

A summary of changes since 2009 is shown in Table 2 below.

Table 2: Summary of Changes in Indicator Scores since 2009 Assessment

Score	PEFA 2013	PEFA 2009	Net Change	Comments
A	6	4	+2	PI-3 methodology change causes lower score (A to D).
B/B+	8	7	+1	
C/C+	7	11	-4	
D/D+	8	8	0	
No Score	2	1	+1	PI-4 and PI-7 (in both cases Dimension ii).
Total	31	31	0	

A further tabular summary of changes in indicator scores is shown in Table 3 showing that 81% of indicator scores have either improved or remain unchanged since 2009.

Table 3: Summary of Changes in Indicator Scores since 2009 Assessment

Change in Scores	Number of Indicators	% Indicators
Upwards	11	36
Downwards	5	16
Remained the same	14	45
Now Not Rated	1	3
TOTAL	31	100

A broad narrative summary of the key findings of the 2013 assessment is set out in the following paragraphs.

1. Credibility of the budget

The four indicators that are used to assess budget credibility (PIs 1-4), reveal variable results, both per se in 2013 and as compared with the previous assessment (PA) in 2009. There was one particularly positive change: the 2013 PEFA assessment showed a significant improvement in the credibility of the budget as a predictor of aggregate expenditure (PI-1). Variances in all three years reviewed were all lower than 5% in this respect. This suggests that key budget formulation and execution processes, from expenditure forecasting to expenditure management and control, were working better than previously.

The picture elsewhere was more mixed. Expenditure composition analysis revealed that there have been quite large in-year changes in allocations. In fact, the variances in the current assessment (10.4%, 10.1% and 12.1%) were noticeably greater than they had been in the PA (12%, 2% and 2%), though both periods recorded a score of C under PI-2[1]. This suggests that the budget has weaknesses as a tool for allocating scarce resources in line with policy priorities, although the process for managing in-year reallocations is effective and transparent.

On the revenue side, actual revenue was consistently above budget, as it had been in the previous three years. However, the size of the positive variances has increased from 5%, 6% and 7% in the PA to 21%, 18% and 11% in the current assessment. Notwithstanding the mitigating factors associated with the international market for diamonds (on which Botswana's revenues are highly dependent), the unpredictability of Botswana's share of regional customs revenue and the uncertainty surrounding the speed of economic recovery after the global economic recession in 2008/09, these results cause the credibility of the budget to be called into question - this time in terms of its ability to provide a reliable indication of the GoB resource envelope.

Uncertainties over the quantity and age profile of expenditure payment arrears also undermine budget credibility. As in 2009, PI-4 could not be rated due to the absence of an arrears monitoring system. It is likely that payment arrears represent only a small percentage of total expenditure, but there is no readily available information about the volume of payments which are actually overdue or the length of time they have remained outstanding. This issue is recognised by the MFDP and staff within the Accountant General's Department are currently considering the possibility of using a report generated by GABS as a way of monitoring arrears.

[11] The variances in the current assessment would have led to a score of D in 2009.

2. Comprehensiveness and transparency

The budget documentation submitted to the legislature is very comprehensive; compared to 2009 one additional piece of information – on domestic debt – has been added and the only omission is information on financial assets. Current practices for budget formulation, execution and reporting for revenue and expenditure remain similar to 2009 and are based on economic and administrative classifications in line with IMF GFS 1986 standards. Information based on a functional classification that is consistent with the GFS 1986 standard can be presented at the reporting stage.

As in 2009, all Central Government (CG) subsidies to public enterprises (PEs) and Autonomous Government Agencies (AGAs) are reported at the formulation stage, in the budget, and at the execution stage, in the annual accounts. The cash balances, income and expenditure of all existing special funds are reported in the annual accounts, but, at the formulation stage, only the budget's contribution to special funds for the year is included as their forecast expenditure is not shown. It is uncertain how much of the expenditure of various types of extra-budgetary entity is unreported. Expenditure for donor-funded projects is reported in the accounts and estimates are included in the budget though these may be unreliable. However, donor-financed expenditure amounts to less than 1% of the total.

Inter-governmental fiscal relations continue to suffer from the absence of a transparent, rules-based formula for resource transfer from central government to local government. Previous attempts to deal with this issue have foundered in the face of political opposition, but there is currently sufficient recognition of the importance of this issue that the development of such a formula is part of the PFM reform agenda. Another matter of concern is the late notification of Revenue Support Grant (RSG) ceilings to local authorities by the Ministry of Local Government and Rural Development [MLGRD]).

Monitoring of fiscal risk arising from PEs and AGAs remains inadequate and for the most part not up to date. The MFDP Section responsible for overseeing fiscal risk from PEs/AGAs only receives up to date audited accounts for a minority of those entities. PEs and AGAs do not submit unaudited accounts to MFDP on an annual basis. By contrast, CG's monitoring of the fiscal position of Local Authorities is adequate and has improved since the PA. For neither PE/AGAs nor Local Authorities, however, is the analysis of fiscal risk consolidated in a report.

Public access to key fiscal information remains partially satisfactory, with three out of the six elements identified by the PEFA Framework provided in budget-related documentation. The public has access to the budget documentation submitted to the National Assembly, procurement information and OAG reports, all through a combination of means. These include: the internet, the government bookshop and public library, and the government owned- newspaper *Daily News*. Public access to the annual accounts, in-year budget execution reports and the resources available to primary service delivery units is still inadequate.

3. Policy-based budgeting

As measured by the fact that the Appropriation Bill continues consistently to be approved before the start of the budget year, the budgetary process remains orderly. At the same time, the budget calendar suffered from some slippages and MDAs had considerably less time compared to the PA to submit their budget proposals with the result that many of them were late. Secondly the ceilings in the BCC continue to be sent out prior to Cabinet approval being granted; approval happens only after MDAs have submitted their budget proposals. Between the two assessments, Cabinet's involvement in the approval of budget ceilings has weakened.

A Medium Term Expenditure Framework (MTEF) remains underdeveloped. Forecasts for the budget year and two outer years were developed on a rolling basis for overall revenue and expenditure, but these were not detailed by economic category for the past two fiscal years. The NDP provides multi-year forecasts for development expenditure and the forecasts for outer years are reliable. However, development expenditure constituted less than 25%of total primary expenditure in FY 2011/2012 and no more than one third in any year reviewed by this assessment. Some ministries, including some of the main spending ones (MLGRD, MoH) have developed strategies, but these are not costed and do not include medium-term expenditure forecasts. As a result, although there is a link between the budget and the stated policy priorities over the medium-term, the link is strong for only a minority of primary expenditure. Similarly, although investments are selected on the basis of NDP priorities, their recurrent cost implications are not systematically factored into forward estimates of overall expenditure. A Debt Sustainability Analysis (DSA) has been undertaken for both internal and external debt by the IMF in all three years preceding the assessment, but the GoB has not participated in or endorsed the exercise.

4. Predictability and Control in Budget Execution

The area of tax administration has recorded some improvements since 2009. Specific advances have been made in terms of access to information by taxpayers (PI-13) - which is now comprehensive, user-friendly and up-to-date - and also improved tax audit activity (though the latter does not lead to an improvement in the overall score of PI 14). One weakness concerns the collection of tax arrears (PI-15) where there appears to have been a significant fall in the collection ratio. However, though the recent collection rate is only around 15%, there are doubts over the validity of the much higher ratio (70%) reported in 2009.

There have been some improvements in the area of cash and debt management, though not enough to raise the score of PI-16 as more needs to be done both in terms of the frequency of reporting on public debt and cash flow forecasting. Budget releases to MDAs are highly predictable: MDAs receive expenditure warrants for the whole year at the start of the fiscal year. The rules for in-year adjustments to budget allocations decided above the level of management of MDAs are clear --these are to be approved by a supplementary budget-- and respected. Moreover, the number and size of supplementaries has been reduced and the use of the “official” contingency vote is very limited. The GoB has started developing cash forecasting but the consolidation of the quarterly forecasts now submitted by the MDAs is not complete or used to improve budget execution. The quality of the MDA forecasts also needs improvement as these have weak links to procurement plans.

The cash balances of CG accounts are managed well for the majority of cash balances in terms of value, as the accounts of MDAs are covered by the Government Remittances Account (GRA) at the Bank of Botswana (BoB). For the GRA, calculation and consolidation takes place daily. Some CG accounts remain outside the arrangement: the BURS Remittances Account, the accounts of Treasury Cashier Officers and the accounts of extra-budgetary and special funds. For these, cash balances are calculated and consolidated between every 10 days and every month. The legal framework limits the total amount of debt and guarantees that can be undertaken/issued at any given time to 40% of GDP and enhances debt management by authorising a single authority to incur loans- the Minister of Finance. As in 2009, however, there is still no in-year reporting of external debt, which is reported only at year-end in the annual accounts. Some quality and reconciliation issues regarding debt data are also recognized.

Internal controls of both salary and non-salary expenditure are generally sound. Payroll controls have slightly strengthened from their already high level at the time of the previous assessment. Non-payroll controls remain comprehensive, “fit for purpose” and well understood but both the Auditor

General and Public Accounts Committee have expressed their concern over non-compliance issues that have been repeated over time. Internal audit has increased its effectiveness since the PA by extending the distribution of its reports to include the Auditor General and a new Government Audit Committee is in the process of becoming operational. Under the new methodology introduced in 2011, procurement appears to be performing very well, though this may be rather misleading. Although systems are strong on paper, there is a general concern in Government, the private sector and civil society about weak procurement practices, including poor technical specification and inadequate supervision resulting in cost overruns project delays and even abandonment of incomplete contracts.

5. Accounting, recording and reporting

Closure of accounts and the submission of the annual financial statements continue to meet the statutory requirements. Reforms in the pipeline for 2013/14 include a reduction in the period for the submission of the annual statements from 8 to 6 months and the adoption of the cash-based IPSA and development of an asset register as first steps on the migration to accrual accounting.

Information on resources available for both primary health and primary education units remains routinely available at least yearly, thus maintaining a score of A in the current assessment. The main change has been organizational in nature with the transfer since FY 2009/2010 of resources for primary health centres to the Ministry of Health (MoH) from the MLGRD.

The quality of in-year budget reports has improved considerably since 2009 with reports now capturing the commitment stage of the expenditure cycle as well as the payment stage.

A serious control concern has emerged in terms of the backlog in reconciliation of the General Remittances Account, the GoB’s main bank account at the Bank of Botswana (BoB). Although the process of reconciliation is more or less continuous there are often large un-reconciled balances and this constitutes a significant weakening of performance since 2009. Timely bank reconciliation is an essential discipline in the checking and verification of accounting practices across Government and it also provides assurance as to the integrity of data used for reporting.

6. External scrutiny and audit

This area of PFM performs very well. By comparison with 2009, major improvements have been recorded in PI-26 and PI-28. External audit reports are now being submitted to, and considered by, the Public Accounts Committee in a timely manner, thereby providing a strong final link in the public financial accountability chain.

7. Donor Practices

Budget support, provided in the period under review by the EU and ADB, has proved fairly predictable in terms deviations of actual from forecast ranging from nil to 15.0%. The main weakness lies in donors not providing quarterly (or even yearly) estimates for budget support, with the (original or revised) Financing Agreement currently serving the function of estimates. Similarly, for donor project/program aid, MFDP includes estimates in the budget on the basis of the figures in the loans’ and grants’ agreements. Donors also do not provide quarterly reports on disbursements. The proportion of aid managed by the use of national procedures has improved: in FY 2011/2012, 64% of project funds and 70% of total aid funds were using national procedures. However, only 18% of funds were going through procurement systems –all budget support funds - but this ratio may start to increase as some donors have started to use procurement systems for project aid.

(ii) Impact of strengths and weaknesses on budgetary outcomes

Aggregate budget discipline

Certain features of the PFM system described above are making a significant contribution to the maintenance of aggregate fiscal discipline. These include:

- Effective expenditure control as manifest by the small variances between aggregate expenditure and the originally approved budget (PI-1)
- Ensuring that the legislature receives relevant and largely complete information on key issues (PI-6), thereby increasing political awareness and understanding of the PFM system;
- Close monitoring of the financial situation of local authorities by central government (PI-8 and PI-9 (ii));
- Sound payroll controls, internal controls, internal audit and external audit and effective PAC (PIs 18, 20, 21, 26, 28);
- The set of policies and rules currently being applied in relation to the use of mineral revenue to mitigate the impact of sharp revenue shortfalls. These are described in section 3.8.

From the current year (2013/14), there is also now in place a Medium-Term Fiscal Framework (MTFF) to provide a medium-term perspective on resource envelopes.

However, there are other less positive features. First, revenue forecasting deficiencies are revealed by the significant budget revenue variances (PI-3) that have characterised all three years under review. This weakens incentives to maintain strict budget control. Secondly, the composition of expenditure has shown undesirable amounts of in-year change (PI-2) although such in-year variation has been properly managed within established procedures. Thirdly, the information available on the actual expenditure of extra-budgetary entities (EBEs) and their exact number is incomplete. The monitoring of the fiscal risk posed by autonomous government agencies (AGAs) and public enterprises (PEs) is inadequate and has deteriorated since 2009. The backlog in bank reconciliation (PI-22) causes uncertainty over the GoB’s liquidity position.

Allocation of resources

At the strategic level, resource allocation is, at least in terms of development expenditure, determined by the National Development Plan (NDP), which, over a period of 6 years expresses the GoB’s long-term development plans and is subject to a Mid-Term Review (MTR) that has just been completed in respect of NDP 10. This is now supported by an MTFF with the intention to move towards the establishment of a functioning Medium Term Expenditure Framework (MTEF). Another initiative in this area is the introduction of 4 Thematic Working Groups (TWGs) as part of the 2013/14 budget formulation process. These groups comprise a number of MDAs working towards a common set of programmatic goals.

These important processes need to be supported by an effective short-term resource allocation process through the annual budget. Unfortunately, during the last three years, there have been significant in-year resource reallocations, which have tended to undermine to some extent the GoB's ability to use the budget as a strategic resource allocation mechanism. Although the number and size of adjustments through supplementaries was lower in FY 2011/2012 than in FY 2007/2008, it appears that a number of MDAs are consistently requesting supplementary estimates, and increasingly so if we compare FY 2009/10 to FY 2011/2012 (see PI-2). This suggests that the initial resource allocation process is in need of improvement, including re-establishing the role of Cabinet in approving budget ceilings (PI-11).

Efficient service delivery

Botswana's overall accounting and reporting systems work well. Budget planning has weaknesses, but the process is orderly enough for the budget to be approved before the start of the fiscal year (FY) and for MDAs to plan and commit expenditure for the whole budget year at its start. Data collection systems are in place to track the resources received in cash and in kind by service delivery units. Internal audit, external audit and parliamentary scrutiny all reinforce the Executive's incentives to promote efficient service delivery and achieve Value for Money (VFM). Both internal audit and external audit undertake operational/performance audits and report widely on their results. The GoB has committed itself to the application of Integrated Results-Based Management (IRBM) and public sector performance is high on the reform agenda.

Management information systems are reasonably well developed, including the Government Accounting and Budgeting System (GABS). This Oracle based system has excellent functionality and has been successfully rolled out over much of the country. Information on the resources available to MDAs is reliable, as are the resources made available to primary education and primary health. The GoB's record on making information available to Parliament and the general public is good.

However, there are some weaknesses in this area. Supervision of statutory bodies is weak and grant information supplied to local authorities is late. Another area of concern is public procurement where the problems lie not in the formal procedures but in practical issues surrounding contract implementation and management. Here a number of weaknesses in capacity contribute to project delays, cost overruns and, ultimately, sub-optimal service delivery.

(iii)Prospects for reform planning and implementation

The GoB has committed itself to a comprehensive and ambitious PFM reform agenda captured in the PFM Reform Programme (PFMRP). The PFMRP covers the full spectrum of PFM issues and comprises five components with varying numbers of sub-components. The structure of the programme is as follows:

- Component 1 Legal and Institutional Framework
- Component 2 Budget Planning and Formulation
- Component 3 Budget Execution
- Component 4 Budget Control and Oversight
- Component 5 Revenue Management

Detailed institutional arrangements have been established for the programme involving the appointment of Component Managers and sub-Component Managers. The programme is coordinated by the PFM Reforms Unit in the MFDP and supervised by the PFM Reforms Steering Committee chaired by the Secretary, Budget. A full Monitoring and Evaluation (M&E) system has been set up.

The PFM reform process is part of the GoB's overall public service reform programme which has a strong emphasis on performance improvement and results-based management. At the moment, coordinated PFM reform is still in its infancy and very much a work-in-progress. A number of promising steps have already been taken, and others are in the pipeline. With continued commitment and support from top management in MFDP and the Office of the President, together with adequate resourcing, the prospects for further advances in PFM appear bright as long as the temptation is resisted to attempt too many reforms at the same time.

1. Introduction

1.1 Objective

This Public Financial Management - Performance Report (PFM - PR) is presented by the DFC Consortium which has been contracted by the EU Delegation to Botswana to undertake a Public Expenditure and Financial Accountability (PEFA) assessment. It describes the PEFA assessors' findings in accordance with the Terms of Reference (ToR) Request No 2012/299 188.

The TOR identified both the global objective and the specific objective of the assignment. The global objective is "to identify strengths and weaknesses in the Government of Botswana's Public Financial Management (PFM) system at the central government level, through an in-depth analysis, in order to take stock of the progress made and to be able to make informed decisions on whether there is a need for strengthening the ongoing reform process and/or for adjustments of the programme". The specific objective is "to update the qualitative and quantitative assessment of the PEFA indicators while providing an independent analysis presenting the reasons for success or failure." Clarity as to the scope of the exercise is confirmed in that the Requested Services are "to assess progress on PFM reforms **in central government".**

Important results of the assessment will be to facilitate the taking of informed decisions on priorities and possible need for revision of the ongoing Public Financial Management Reform Programme (PFMRP). It will also provide information regarding progress made in PFM reform, which will be used to evaluate the eligibility criteria related to PFM in the ongoing EU budget support programme.

1.2 Composition of Team

The PEFA Team of external assessors comprised Mr. Dave Biggs (Team Leader) and Ms. Elena Morachiello.

1.3 Process of preparing the PFM-PR

The current PEFA assessment is the second for Botswana and is therefore known as a "repeat" assessment. The previous assessment reported in 2009 following fieldwork conducted in 2008. This means that there is a basis for reviewing the progress of PFM in Botswana over time, which is a major objective of the PEFA programme. It also has a major influence on the way in which the PFM Performance Report is framed with a focus of assessing the most recent performance in the context of the change that may have occurred and the underlying reasons for such change. Therefore, important components of the documentary evidence used during this 2013 assessment were the 2009 assessment (often referred to as the Previous Assessment [PA] in this report) and the PEFA Secretariat's comments on the draft PA.

The Government of Botswana (GoB) has been keen to ensure that this repeat PEFA assessment is carried out on a joint basis between itself and the external assessors so that over time a situation could be reached where the GoB undertakes self-assessments. To this end it established a Task Team comprising 8 experienced officials to work alongside the external assessors in defined areas. The Team comprised the following officers:

Mr.Moeti Paul EKENYANE - Director, Budget Administration – Recurrent (MFDP)

Ms. Keineetse Puna LEPEKOANE – Director, Development Programmes (MFDP)

Ms. Boineelo PETER – Director, Budget Analysis and Debt Management (MFDP)

Ms. Lefentse Maggie LIKOKOTO – Senior Assistant Accountant General (MFDP)

Ms. Tebogo TOMANGO – Acting Deputy Director, Internal Audit (MFDP)

Ms. Jacqueline SAJEMBE – Acting Deputy Director, Macro-Economic Policy (MFDP)

Ms. Dimpho Alta SELEKA – General Manager, Revenue Accounting, Botswana Unified Revenue Service (BURS)

Ms. Jayn Q PHALALO – Chief Auditor, Office of the Auditor General (OAG)

The external assessors have welcomed this approach and have been keen to facilitate as far as possible the efforts of the GoB to optimize its participation in, and ownership of, the PEFA assessment. The Task Team members have worked in a similar manner to the two external assessors in terms of dividing the lead responsibilities for specific Performance Indicators (PIs) between the Team. The result has been that each Task Team member has acted as the GoB counterpart to one or other of the external assessors attending relevant meetings together and agreeing ratings for individual indicators and/or dimensions thereof.

In effect, then, the Task Team has "shadowed" the external assessors. It has been clear which Task Team member was working alongside which external assessor in respect of each indicator. Consideration was given to two bases for the distribution of Task Team responsibilities. The options were rather opposite in concept, being based on either:

i) An allocation that assigned individuals to those indicators that covered areas of PFM in which they worked and/or had specialist knowledge; or

ii) A more genuinely independent approach that both ensured that individuals did not feel that they were assessing their own day-to-day work and also afforded the opportunity for capacity-building by enabling individuals to learn about other parts of PFM in practice.

Although the second approach has considerable attractions in principle, it was agreed that it would be more practical to assign individuals to areas in which they had existing expertise.

A PEFA assessment is essentially evidence-based. Much of the required evidence has been gathered through the medium of material collected before, during, or after, face-to – face interviews with senior and middle-level GoB officials. For both the initial meetings, and the large number of essential follow-up meetings, one or both of the external assessors have been accompanied by one or more Task Team members together with a representative of the PFM Reforms Unit (often the Head of the Unit). The participation of the PFM Reforms unit staff has ensured that the close link between PFM reform and the PEFA assessment is maintained and is seen by all stakeholders to be important. In addition, the EUD has been represented at quite a number of meetings.

Meetings and interviews have not been confined to Government. Consultation has also taken place with Parliament, the Office of the Auditor General, the private sector (through the umbrella body, the Botswana Confederation of Commerce Industry and Manpower (BOCCIM), and individual contracting and accounting firms, and civil society, through the umbrella body, the Botswana Council of Non Governmental Organisations (BOCONGO).

In preparing this draft report the external assessors have sought as far as possible to agree all facts and judgements with the joint assessment team and the officials most closely concerned. In addition, the assessment findings have been presented and discussed in two separate fora, namely:

1) A workshop of all stakeholders consulted during the field mission on 4 June 2013;
2) A meeting of the PFM Reform Programme (PFMRP) Steering Committee on 10 June 2013.

Each of these events has provided valuable feedback to the external assessors and has helped to shape the contents of this report. Important feedback has been provided on the draft report as part of the quality assurance arrangements (PEFA CHECK). These arrangements are set out in Annex 4, whilst Annex 5 provides a compilation of comments received from a range of stakeholders including the Government of Botswana. The response of the assessors appears against each comment. Annex 6 contains the comments of the PEFA Secretariat and the assessors' responses. A separate document has been produced to respond to 73 detailed comments from the International Monetary Fund. Ultimately, of course responsibility for the contents of this report rests solely with the EU contracted assessors.

1.4 Scope of the assessment

The assessment has focused specifically on public financial management in central government in Botswana. Other parts of the public sector, such as public enterprises PEs), autonomous government agencies (AGAs) and sub-national government (SNG) have been considered only to the extent that there is a financial relationship between them and central government.

An important issue concerned the determination of period to be reviewed by the assessment including the appropriate application of the term "last completed fiscal year". As the fiscal year in Botswana runs from 1 April to the following 31 March, the mission started just a few weeks after the end of the 2012/13 fiscal year. Therefore, the annual financial statements had not been completed. In view of this, it was agreed with the GoB at the outset that the **basic/standard** period covered by the assessment would be the three fiscal years 2009/10, 2010/11 and 2011/12. However, in those cases where the indicator does not require complete information on actual expenditure/revenue, the last completed fiscal year that the assessment considered is 2012/13. In addition, if the indicator requires a focus on the process of preparing or approving the last approved budget, the 2013/14 budget has been assessed. For purposes of clarity, the reference period for each indicator is identified at the appropriate point in the report.

2 Country background Information

2.1 Country economic situation

Country context

Botswana, officially the *Republic of Botswana*, is a landlocked country located in Southern Africa bordered by South Africa, Namibia, Zambia and Zimbabwe. Formerly the British protectorate of Bechuanaland, Botswana adopted its current name after becoming independent within the Commonwealth on 30 September 1966. It has held free and fair democratic elections since then.

With a population of 2,031 million, Botswana is one of the most sparsely populated countries in the world. Since independence, Botswana has had one of the fastest per capita income growths, which has allowed it to evolve from one of the ten least-developed countries (GDP per capita of around US$70 in 1966) to a upper Middle Income Country (MIC), with a Gross National Income (GNI) per capita of 14,550 US$. However, despite the sustained economic growth (close to 4% on average between 2003 and 2011), GDP growth was negative in 2009, which also lead to the ADB budget support loan.[2] Moreover, although poverty as measured by the Word Bank poverty headcount ratio was almost halved between 1996 and 2003 (year of most recent available data), it is still at 30.6%. At 4.1, the rate of adult male HIV prevalence is the fourth highest in the world, after Lesotho, Swaziland and South Africa. Table 4 below shows selected indicators for Botswana from the most recent Word Bank *World Development Indicators* (WDI) available.

[2] All figures from World Bank, WDI database, except GDP per capita in 1966, which is not from WDI, but still from World Bank (World Bank internet site; Botswana country page).

Table 4: Botswana, Selected Indicators, 2011

Indicator Name	2003	2004	2005	2006	2007	2008	2009	2010	2011
GNI per capita, PPP (current international $)	9,420	10,070	10,600	11,510	12,360	13,000	12,930	13,610	14,550
Population, total	1,830,127	1,852,243	1,875,673	1,900,905	1,927,540	1,954,822	1,981,576	2,006,945	2,030,738
GDP (current US$)	8,369,574	9,819,726	9,207,420	9,800,031	11,181,255	10,089,997	10,837,035	14,498,864	13,894,989
GDP growth (annual %)	6.1	4.65	2.71	4.65	8.04	8.72	3.9	-7.87	8.65
Life expectancy at birth, total (years)	49.33	49.74	50.45	51.28	52.07	52.66	53.01	53.11	53.02
Prevalence of HIV, male (% ages 15-24)									4.1
	1986	**1993**	**2003**						
Poverty Incidence by Strata - 2002/03 & 2009/10			30.6%						
Stratum	**Poverty Head Count (%)**	**Household Poverty Incidence (%)**	**Number of persons below poverty datum line**	**Poverty Head Count (%)**	**Household Poverty Incidence (%)**	**Number of persons below poverty datum line**			
	HIES[3]- 2002/03	**BCWIS - 2009/10**							
Cities/towns	10.6	8.8	39,113	8.0	5.2	31,401			
Urban villages	25.4	17.4	138,547	19.9	10.4	134,467			
Rural areas	44.8	33.4	321,808	24.3	14.5	196,249			

Source: MFDP

[3] Household Income and Expenditure Survey

Botswana's economy and fiscal position is highly dependent on the mining sector, diamonds in particular. Diamond production is the main industry contributing to the country's GDP, and diamonds accounted for over 25% of export growth in 2011.[4] Botswana is a member of the Southern Africa Development Community (SADC) and Southern Africa Customs Union (SACU), and is considerably dependent on SACU revenue, as this represents about 20 percent of total revenue.[5]

Despite the overall sound economic management, according to the most recent IMF Article IV Report (2012), Botswana faces long-term development and structural challenges that it needs to address to move to a higher level of development, such as a high unemployment rate (at around 20%) and high income inequality. Still according to the report, there are also some economic challenges and economic outlook risks:

(1) GDP growth has weakened. Although Botswana's economic recovery after the 2008/09 financial crisis was one of the strongest among MICs, its growth rate weakened in the second half of 2011. Real GDP grew by 5.1 % in 2011 (IMF figures, see Table 5) compared with 7 % growth in 2010;
(2) This in turn was caused by a significant slowdown in diamond exports during the second half of 2011, with diamond sales only recovering modestly in the beginning of 2012. However, the non-mineral sector registered steady growth during 2011, despite a significant fiscal withdrawal. As shown in Table 6, the primary deficit has in fact fallen from 12% of GDP in FY 2009/2010 to 2.2% in 2011/2012;
(3) Government's expenditure (above 30 percent GDP), including the wage bill, which was at over 30% of total government expenditure in 2011/2012 (see Table 8), is high by international standards;
(4) While diminishing, inflation remains relatively high. Consumer price inflation (year-on-year) declined from 9.2 % in December 2011 to 7.7 % in May 2012 (see Table 5), which is higher than the upper end of the Bank of Botswana's (BoB) medium-term objective range of 3–6 %.
(5) Other challenges arise from the near-term risks relating to: (i) the highly uncertain external environment, which remains fragile and poses risks to mineral export demand; (ii) the possible decline in SACU revenue (arising from low growth in the SACU area and/or changes in the SACU revenue-sharing formula currently under negotiation).

[4] IMF *Article IV Report,* 2012.
[5] IMF *Article IV Report,* 2012.

2.2 Description of budgetary outcomes

Fiscal performance

2.2.1. Botswana Background Information

2.1. General Information

Table 5: Botswana, Selected Economic Indicators

	2010	2011	2012
Total population(millions)		2.031	
National income and prices			
GDP per capita (US$)	8263	6862	6044
GDP current prices (US$)	14 499	13 895	14 214
GDP, annual real growth, %	8.6	6.1	4.2
CPI % change	6.9	8.4	7.5
External sector (US$ millions)			
Current account balance	-785	-33	-831
% of GDP	-5.4	-0.2	-5.8
Gross official reserves of BoB (end-year)	7886	8082	7628
Months of imports coverage	15.8	14.6	11.5
Central Govt. debt, % GDP	26.6	27.2	26.0

Source: MFDP

Table 6: Central Government Budget (as % GDP)

	2009/10	2010/11	2011/12
Total Revenue	**33.3**	**29.4**	**29.5**
Own Revenue	32.45	29.1	29.1
Grants	0.85	0.3	0.4
Total Expenditure	**45.3**	**36.2**	**31.7**
Non-interest	42.1	33.7	28.9
Interest	3.2	2.5	2.8
Primary Surplus/ Deficiit	**-12.0**	**-6.8**	**-2.2**
Net Financing			
External	8.7	3.9	3.8
Domestic	3.3	2.9	-1.6

Table 7: Actual Budgetary Allocations by Selected Sectors
(as percentages of total expenditures)

	2009/10	2010/11	2012/13
Education	**23.0**	**24.7**	**22.8**
Local Government	**19.1**	**16.2**	**14.9**
Health	**6.6**	**7.3**	**9.5**
Minerals, Energy and Water Resources	**4.3**	**10.4**	**8.5**
Works and Transport/Transport and Communications	**7.6**	**9.5**	**9.2**

Table 8: Actual budgetary allocations by economic classification
(as percentage of total expenditures)

	2009/10	2010/11	2011/12
Current expenditures			
- *Wages and salaries*	23.9	30.9	30.5
- *Goods and services*	20.7	16.4	21.7
- *Interest payments*	0.9	1.4	1.4
- *Transfers*	20.9	21.7	23.0
- *Others*			
Capital expenditure	33.6	29.6	23.4
Total expenditure	38738	38462	39868

Source: MFDP.

2.3 Description of the legal and institutional framework for PFM

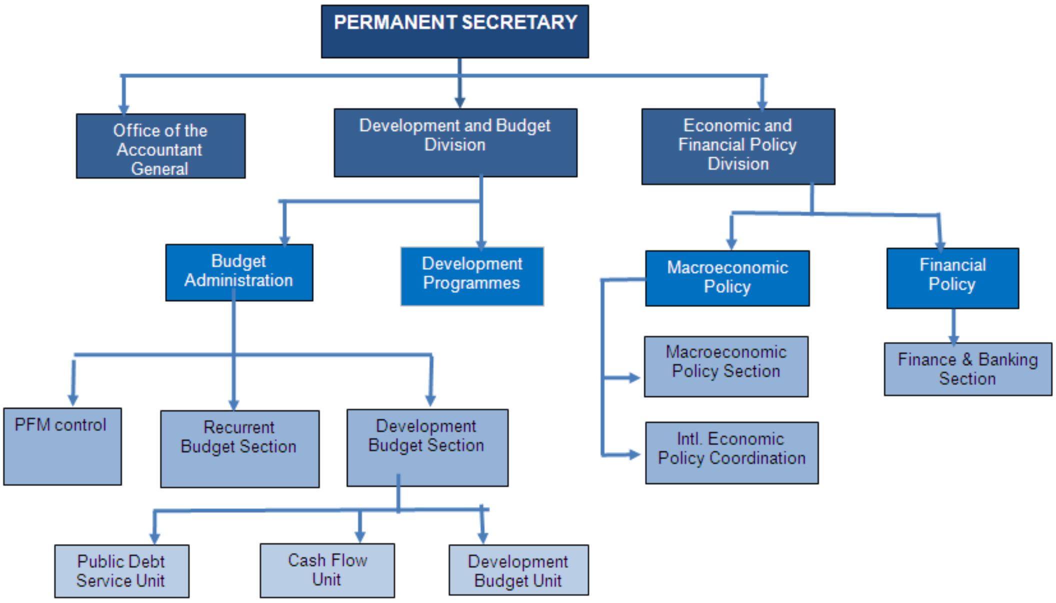
The legal and institutional framework for PFM

2.3.1 The current legal framework for PFM is summarised below.

	Legal Framework for PFM
Financial Management	The Constitution, Public Finance and Management Act (PFMA) and Public Audit Act (PAA) provide the cornerstone for the broad legal framework for PFM. These are supported by Financial Instructions that are currently being revised. Another important piece of legislation is the Public Procurement and Asset Disposals Board (PPADB) Act which provides the legal framework for procurement. Local government financial management provisions are to be found in the newly enacted Local Government Act.
Revenue Administration	The Botswana Unified Revenue Service (BURS) Act provides the legal framework for tax administration. This establishes BURS as the body responsible for collecting income tax, VAT and customs revenue.

Debt Management	CG debt is regulated by provisions of the *Stock, Bonds and Treasury Bills Act*, 2005. The Act sets the limits that total debt and guarantees together should not exceed 40% of GDP, with 20% for internal and 20% for external debt and guarantees. This includes loans and guarantees to PEs, AGAs and Local Authorities. As per the Act, the Minister of Finance is the sole entity within the Executive that can approve loans and guarantees. Above 50 million pula, contracting of loans and guarantees requires Parliamentary approval. The FAA allows loans to be also contracted by way of bank overdraft as long as they do not exceed 5% of the previous years' revenue. The loans contracting by way of bank overdraft are included in the 40% of GDP overall ceiling for total debt and guarantees. In the new PFM Act the limits on debt and guarantees implied by the *Stock, Bonds and Treasury Bills Act*, 2005 are referred to and thus maintained under section 5 (3) on Development of Macroeconomic and fiscal policy by the Minister, but not referred to under the Chapter dedicated to loans and guarantees (Part III) .
Borrowing by Local Authorities	In the previous legal framework, still in force in the period evaluated by this Assessment, "borrowing powers" are defined by section 47 of the *Local Government and Districts Councils Act*, 1965, and section 103 of the *Township Act*, 1955. In the new legal framework, which combines both towns and districts, borrowing powers are regulated by section 67 of the *Local Government Act*, 2012 that came into effect on April 1 2013. In both frameworks, local authorities are allowed to borrow as they deem appropriate to carry out their functions, but this has to be approved by the Minister of Local Government in consultation with the Minister of Finance.
Procurement	Procurement is the responsibility of the Public Procurement and Asset Disposals Board (PPADB) which has its own Act. This is supported by general Procurement Regulations and specific regulations in relation to the procurement appeals system.
Audit	External audit was until the start of the fiscal year 2013/14 regulated by the Constitution and Finance and Audit Act (FAA). With effect from 1 April 2013, there is a separate Public Audit Act (PAA). Internal audit was provided for in the FAA until 31 March 2013 (now the Public Finance Management Act [PFMA].
Public Accounts Committee	A Public Accounts Committee (PAC) for central government is established in accordance with the Standing Orders of Parliament. Another PAC has jurisdiction over the public enterprises.

The lead responsibility for the management of public finance in Botswana rests by law with the Minister of Finance and the Ministry of Finance and Development Planning (MFDP). Organisationally, the MFDP is structured as follows:



The Office of the Accountant General (OAG) is charged with the responsibility of ensuring proper accounting and financial systems, procurement and distribution of goods to ministries / departments in accordance with the relevant Acts and Regulations.

The Development and Budget Division (DBD) is responsible for coordinating the formulation of the government's recurrent and development budgets, control of the use of budgetary resources, public debt management, cash flow analysis and reporting, financial administration of loss of cash and stores, unserviceable and obsolete stores and government motor vehicle accidents surcharges and assisting Ministries to identify cost recovery areas

The Economic and Financial Policy Division is responsible, *inter alia*, for macro-economic policy, taxation policy, regulation of non-bank financial institutions and the coordination of a number of social policies, including rural development.

Organisation of the Government

The politics of Botswana take place in a framework of a representative democratic republic, whereby the President of Botswana is both head of state and head of government and of a multi-party system. The most recent election, Botswana's tenth, was held on 16 October 2009. Since independence, the country has been characterised by sustained economic growth, anchored in good governance, peace, and political stability. Fundamental human rights are entrenched in the Constitution, respected in practice and enforced by the Courts. The judiciary is independent of the executive and the legislature. According to *Transparency International*'s 2012 *Corruption Perceptions Index*, Botswana is the 30th least corrupt country in the world on a par with Spain, ahead of Israel, South Korea and Taiwan, and by far the least corrupt in Africa. Executive power is exercised by the government. Legislative power is vested in both the government and the National Assembly.

Structure of public sector

There are 23 CG budgetary units, 16 Local Governments and 12 land boards. There are also 33 EBEs or Units of CG which are currently considered outside the CG sector, but are, according to IMF TA to GoB on Government Financial Statistics (GFS), part of the CG sector.

Public Enterprises and AGAs

There are 49 bodies considered as parastatals in Botswana. The distinction between commercial and non commercial or between PE and AGA not being applied in Botswana, parastatals are classified as "revenue/non revenue-making", in relation to their commercial or non commercial nature and not their operational performance. They report to their parent ministry and are not covered by the Finance and Audit Act or the recent PFM Bill, except in so far as the obligation to disclose their accounts to the OAG if requested, but by their own acts or by the Companies Act, 2003. Parastatals are required to submit to the MFDP annual financial statements when they request support from the CG budget, via the parent ministry. The latter also has to submit the audited reports for associated parastatals when it appears before PAC. As explained in PI-7 and PI-9, not all entities currently considered as parastatals are public corporations. The IMF has identified 17 public corporations only, and classified the remaining entities as AGAs and EBEs that should all be considered as part of the CG sector.

Local Authorities

At present the local government system comprises a total of 34 local government entities, of which 16 are fully-fledged local authorities in terms of being bodies corporate with the attendant powers (for example, they have their own Council, can own their own assets and can sue and be sued). The remainder are classed as subordinate authorities. Of the16, 6 are Town Councils and 10 are District Councils. The largest District council is the Central Council with as many as 7 subordinate authorities.

3. Assessment of the PFM systems, processes and institutions

3.1 Budget credibility (PIs1-4)

Good practice in public financial management requires effective budgeting in order that that Government policies and plans can be successfully implemented. The budget has to be credible insofar as actual expenditure and revenue need to be close to what was originally intended and planned. The four indicators in this group, therefore, assess the extent to which the budget is realistic and implemented as intended. The first 3 involve the financial years 2009/10, 2010/11 and 2011/12 (the last-named being the latest for which "actuals" are available).

PI-1: Aggregate expenditure out-turn compared to original budget

Comparison of actual aggregate primary expenditure against the originally approved budget shows that actual expenditure deviated from the original budget by 4.3% in 2009/10, -1% in 2010/11 and -2.9% in 2011/12. (see Annex 1 for detailed figures) The size of the aggregate deviation has improved relative to the 2009 PEFA assessment, reflecting tighter expenditure control despite significant, positive revenue variances – see PI-3.

Table 9: Budget execution rate for total primary expenditures6

Figures in Million Pula	**2009/10**	**2010/11**	**2011/12**
Original budgeted total primary expenditure	37023	37924	39688
Actual primary expenditure	38619	37564	38520
Difference between actual & original budgeted primary expenditure	1596	-360	-1168
Difference as % of original budgeted primary expenditure (%)	4.3%	-1%	-2.9%

Source; Estimates of Expenditure, Annual Financial Statements, Financial Tables

2013 Assessment				**Score in 2009 Assessment**	**Explanation of Change Since 2009**
Evidence used	**Score**	**Framework Requirement**	**Information Sources**		
In absolute terms, the aggregate expenditure variances were 4.3%, 1% and 2.9% respectively.	A	In no more than 1 of last 3 years (in fact in no year) has actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 5% of budgeted expenditure.	Estimates of Expenditure, Audited Annual Statements of Accounts, Financial Statements for 2009/10, 2010/11 and 2011/12	C	Previous deviations were: 9% in 2005/06; 11% in 2006/07 and 15 % in 2007/08 (all under-spendings).

[6] Primary expenditures are defined as total expenditure less debt service payments less donor-funded project/programme expenditure.

PI-2: Composition of Expenditure Out-turn compared to Original Approved Budget ***(scoring method M-1)***

(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items

This indicator comprises two dimensions (unlike in 2009 when there was one dimension only). In terms of the first dimension, the variances in the composition of expenditure at the level of Ministries, Departments and Agencies (MDAs) in relation to the budget (adjusted for the aggregate deviation) were 10.4% in 2009/10, 10.1% in 2010/11 and 12.1% in 2011/12 (full tables in Annex 1). Of the big-spending MDAs, Local Government overspent in all three years, while Education came in significantly under budget in two of the three years.

The variances in the composition of expenditure during the period covered by the previous assessment (2004-06) were, except for 2004, significantly lower: 12%, 2.0% and 2.0% percent respectively. However, given the change in methodology, comparison between the two periods is problematic[7].

A significantly sized variance in the composition of expenditure may indicate that: (i) the approved budget did not represent an optimum allocation of resources in the first place; and/or (ii) priorities changed during the year, the result being that those MDAs for which priority increased during the year were allocated a greater share of the available resources.

(ii) The average amount of expenditure actually charged to the contingency vote over the last three years.

Turning to the second dimension, Botswana makes minimal use of a Contingency Fund (just 10 million Pula compared to aggregate annual expenditure approaching 40 billion Pula). Any expenditure from the Contingency goes through standard supplementary budget procedures and is fully allocated to the relevant MDAs. However, there are some forms of unallocated expenditure in relation to personal emoluments which are tantamount to contingency funds and have been treated as such in the assessment of this indicator. Table 10 below shows the relevant statistics for the two dimensions of this indicator.

Table 10: PI-2: Expenditure Composition Variance & Average Contingency

FY	Average Contingency (% of budget) [8]	Composition Variance[9]
2009	3.6%	10.4%
2010	4.0%	10.1%
2011	4.1%	12.1 %
Average	3.9%	

Source: Estimates of Expenditure and Annual Statement of Accounts. All outturn data are audited.

7 If the methodology had remained unchanged the score would have been D as the variance in expenditure composition exceeded 10% in at least 2 of the 3 years.
8 The rating is A if the contingency is allocated to line ministries.
9 Defined as the sum of the absolute deviations for each MDA from the 'adjusted' budget, defined as the original budget for the MDA plus/minus the aggregate deviation (as assessed under the revised methodology for PI-2 that came into effect in January 2011).

2013 Assessment				Score in 2009 Assessment	Explanation of change since 2009
Evidence Used	**Score**	**Framework Requirement**	**Information Sources**		
	C+			C	Not directly comparable due to changed methodology.
Variance was: 10.4% in 2009/10; 10.1 % in 2010/11; and 12.1% in 2011/12	C	Variance in expenditure composition exceeded 15% in no more than one (in fact none) of the last three years.	Estimates of Expenditure and Annual Statement of Accounts	C	Not directly comparable due to changed methodology but probable performance deterioration
Actual expenditure to the contingency vote was on average 3.9%	B	Actual expenditure charged to the contingency vote was on average more than 3% but less than 6% of the original budget.	Estimates of Expenditure and Annual Statement of Accounts	N/A	New dimension.

PI-3: Aggregate revenue out-turn compared to original approved budget *(scoring Method M1)*

This indicator contributes to the assessment of budget credibility by considering the accuracy of revenue forecasting. It involves a comparison of budgeted and actual government revenue.

The revenue performance during the three fiscal year period ended 31 March 2012 was analysed. The results are described in Table 11 below which shows that, in the three years covered by the assessment, actual revenue was over budget by 21.5%, 18% and 11.3% respectively.

Both tax income and non-tax income consistently exceeded expectations during the period under review. To some extent, this is explicable in terms of special factors and extenuating circumstances. Botswana is dependent on its mineral wealth (and therefore its revenues are subject to the vagaries of international prices for diamonds) and a share of the Southern Africa Customs Union pooled revenues. In addition, the assessment has covered a period when Botswana was, as elsewhere, emerging from the worldwide recession and the pace of recovery was difficult to predict. Nevertheless significant variances occurred regularly throughout the period over most tax and non-tax revenue categories.

The inadequacies of revenue forecasting are recognised by both the MFDP and the Botswana Unified Revenue Service (BURS), which is the parastatal responsible for revenue administration. Rating: D.

Table 11: Domestic Revenue Performance

	2009/10	2009/10	%	2010/11	2010/11	%	2011/12	2011/12	%
Pula millions	Est.	Actual	*Diff.*	Est.	Actual	*Diff.*	Est.	Actual	*Diff.*
Taxes on income	5722	7921	*38.4*	8514	9362	*10.0*	9286	11249	*21.1*
Sales Tax/VAT	3255	3944	*21.7*	4583	4637	*1.17*	5252	4851	*-7.6*
SACU Pool	7065	7931	*12.2*	5111	6207	*21.4*	8458	8424	*-0.04*
Other taxes	265	249	*-6.0*	264	299	*13.3*	610	322	*-47.2*
Total Tax Revenue	16307	20045	*35.2*	18472	20505	*11.0*	23606	24846	*5.3*
Mineral Royalties & Dividends	4852	6729	*38.7*	4586	9111	*98.7*	7909	10687	*35.1*
Other non-tax revenue	2921	2480	*15.1*	3713	1964	*52.9*	2583	2420	*-6.3*
Total non-tax revenue	7773	9209	*18.4*	8299	11075	*33.4*	10492	13107	*24.9*
Total revenue	24080	29254	*21.5*	26771	31580	*18.0*	34098	37953	*11.3*

Source: Financial Statements 2009, 2010, 2011, 2012.

Reform Prospects

The issue of revenue forecasting is on the PFM reform agenda. A working group comprising, among others, representatives of the MFDP, BURS and the Bank of Botswana (BoB) has been set up to develop a more scientific and reliable model for revenue forecasting.

2013 Assessment				**2009 Assessment**	**Explanation of change**
Evidence used	**Score**	**Framework Requirement**	**Information Sources**		
The revenue outturn was 121.5%, 118% and 111.3% of budgeted revenue. This would rate as 'A' under the old methodology	D	Actual domestic revenue exceeded 116% of budget in two of three years	Financial Statements	A (given the relatively small variances, the score in 2009 would still have been A even under the new methodology)	Not directly comparable due to changed methodology (if the methodology had not changed the score would have been the same as in 2009). However the increased size of the variances supports the argument that performance has effectively deteriorated

PI-4 Stock and Monitoring of Expenditure Payment Arrears (*Scoring method M1)*

The PEFA Framework notes that government may incur expenditure obligations to employees, suppliers, contractors and lenders that are overdue and therefore constitute payment arrears. Such a situation is effectively a form of non-transparent financing of government operations.

(i) Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock.
(ii) Availability of data for monitoring the stock of expenditure payment arrears.

This indicator has two dimensions to assess and the critical issue is whether government systems support the tracking of expenditure arrears. The first dimension relates to the size of the payment arrears whilst the second focuses on the availability of data for monitoring the stock of arrears. Logically, therefore, it is not possible – without some form of special investigation- to assess with any confidence or reliability the size of the arrears in the absence of a system for monitoring those arrears.

In Botswana, there is currently no routine system for monitoring arrears – a deficiency that the Accountant General has recognised.

The Auditor General has drawn attention in his most recent annual report to outstanding debt that should have been repaid by 31 March 2012 and private sector representatives refer to some long delays in contract payments.

Dimension (i) As no data is available, the dimension cannot be scored. Rating: NR

Dimension (ii) No ad hoc exercises have been conducted in the last two years and there is as yet no routine monitoring process. Rating: D

Reform Prospects: The Government Accounting and Budgeting System (GABS) has the capability of generating a report that captures the following data:

1) The date and amount of the original purchase order (the commitment)
2) The date and number of the invoice
3) The date and amount of any payment
4) The number of days the payment was (if now done) or remains outstanding.

This report is currently being considered by senior staff within the Accountant General's Office and is likely to be introduced very soon. If this is done, it will in future be possible to produce and monitor data on expenditure payment arrears

2013 Assessment				**Score in 2009**	**Explanation of change since 2009**
Evidence used	**Score**	**Framework Requirement**	**Information Sources**		
	NR			NR	No change
No data available	NR	No data available	Accountant General Budget Analysis and Debt Management Department	NR	No change
Lack of payment arrears monitoring	D	There is no reliable data on the stock of arrears from the last two years.	Accountant General Budget Analysis and Debt Management Department	D	No change

3.2 Comprehensiveness and Transparency

This area of the PEFA Framework comprises 6 indicators (PIs 5-10)

PI-5 Classification of the Budget (*Scoring method M1)*

(i) The classification system used for formulation, execution and reporting of the central government's budget.

This indicator aims to evaluate whether the classification system used for budget formulation, execution and reporting of CG transactions is compatible with international standards. These are the standards in the IMF's Government Finance Statistics Manual (GFSM), 1986 and 2001 versions and, for functional classification, also the UN Classification of Functions of Government (COFOG). The indicator is to be assessed for the last completed FY: which for this Assessment corresponds to FY 2011/2012.

In GoB, the classification systems for the budget and the Chart of Accounts (CoA) are aligned. Both include a classification by administrative and economic category for revenue and expenditure. Budget expenditure is formulated, executed and reported with the same breakdown. This structure is reflected in the budget reports produced at all three stages. The information for reporting purposes with this breakdown is automatically derived from GABS.

Revenue is also classified by administrative and economic category for all three stages (formulation, execution and reporting). This is reflected in the estimates book, and annual accounts where revenue is detailed by administrative category and reported following a breakdown consistent with the 1986 GFSM standard for economic classification. As per the standard, revenue is broken down by recurrent and capital revenues, with each detailed further by tax and non-tax revenue, and the tax revenue by tax type. Revenues are also classified by own sources and external grants. As with expenditure, the information presented for revenue in the budget estimates and annual accounts is also derived automatically from GABS. During the year, an in-year report on revenue with the same breakdown (economic and administrative classification) can also be extracted from the GABS system.

GoB's budget and CoA classification system do not contain a functional classification of expenditure. For reporting purposes, information on expenditure by function is produced biannually (for inclusion in the budget estimates book and in the annual accounts). Information on draft estimates, approved estimates and year-end expenditure out-turn is presented by function in a summary table in the draft and approved budget estimates book and in the annual accounts.[10] The functional classification used identifies nine main functions of CG spending: 1. *General Public Services*; 2. *Defence*; 3. *Education*; 4. *Health*; 5. *Food and Social Welfare Programmes*; 6. *Housing, Urban and Regional Development*; 7. *Other Community & Social Services*; 8. *Economic*

[10] In the budget estimates books (draft and approved), expenditure by function is presented in *Table VI-Functional Classification and Net Lending,* of the *Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenues.* In the Annual Statements of Accounts, expenditure by function is included in the summary Table *Functional Classification and Net Lending* at the start of the document (page 4 for the 2011/2012 Annual Statements).

Services; 9. *Unallocated expenditures.* It should be noted that. although the GFSM 1986 outlines a classification by 14, not nine functions, the remaining five functions of the GFSM 1986 can be found as sub-functions of the GoB's classification.[11]

The functional breakdown of expenditure presented in the above reports cannot be derived automatically from GABS, either directly (as it is not embedded in the CoA), or through the support of a standard bridge table. The method used to derive the information by function included in budget reports is manual and involves a long, difficult and detailed exercise of extracting information from GABS or hard copy budget reports, transposing it to an excel file, and re-classifying the information (also manually) with the support of a coding table or Classification Assistant (CA) file. The IMF has also underlined that this manual procedure is long and difficult, as well as highly prone to quality data problems due to human error. [12] As a result, the process used is not one that allows the presentation of consistent information by function. Moreover, expenditure is not *executed* by function. Rating: C.

Reform Prospects

The GoB is working towards the adoption of the GFS 2001 standards. The IMF has provided an extended CA file for migration to GFS 2001, yet had advised for it to be used so that the necessary data can be derived automatically from GABS. The focus of dialogue between BADM Section and the IMF regarding the migration to GFSM 2001 is however on the frequency and scope of the dissemination of statistics on CG and General Government (GG) expenditure, rather than on functional classification. The BADM Section has a work plan towards adoption of GFSM 2001, and Special Data Dissemination Standard (SDDS) subscription, which is due to start in May 2013.

[11] In the GoB's functional classification, the GFS 1986 category *Public order and Safety* is a sub-function of *1. General Public Services*. The GFS 1986 function *Recreational, cultural and religious affairs services* is a sub-function of *7. Other Community & Social Services.* The GoB functional category *8. Economic Services* is further detailed in the following sub-functions, among others: 8.2. *Agriculture, Forestry and Fishing* and *8.3*. *Mining,* which correspond to two of the GFS 1986 main functions*.* Other three sub-functions of GoB's function 8. *Economic Services* considered together broadly correspond to the GFS function *12. Transportation and Communication.* The sub-functions are the following: 8.5. *Roads*, 8.6. *Air Transport*, 8.7. *Rail Transport,* 8.8 *Post and Telecommunication,* 8.9. *Other Transport*; 8.10. *Promotion of Commerce and Industry*.

[12] See IMF, Statistics Department, *Botswana, Report on the Government Finance Statistics Mission*, October 10-21, 2011.

2013 Assessment				Score in 2009	Explanation of change since 2009
Evidence used	**Score**	**Framework Requirement**	**Information Sources**		
The budget formulation and execution are based on administrative and economic classification using GFS 1986 standards for both revenue and expenditure. Though expenditure by function is presented in the budget book and annual accounts, it is not derived through a standard bridge table or automated process, but through a manual reclassification of expenditure for reporting purposes.	**C**	The budget formulation and execution is based on administrative and economic classification using GFS standards or a standard that can produce consistent documentation according to those standards.	*Financial Statements*, *Tables and Estimates Revenues 2011/2012 and 2012/2013*; *Estimates of Expenditure 2011/2012 and 2012/2013; Annual Statements of Accounts for the Financial Year ended 31st March 2012;* Government *Financial Statistics Manuals* 1986 and 2001; IMF, Statistics Department, *Botswana*, *Report on the Government Finance Statistics Mission*, October 10-21, 2011; Monthly reports on budget execution; 2004 Chart of Accounts, Copy of the Classification Assistant file, GFS Work Plan 2013/2014. Meetings with AG and BADM staff.	C	No change in performance

PI-6 Comprehensiveness of information included in budget documentation *(Scoring method M1)*

(i) Share of the 9 elements listed information in the budget documentation most recently issued by the central government (in order to count in the assessment, the full specification of the information benchmark must be met).

This indicator assesses the comprehensiveness of the latest budget documentation made available to the Legislature by the Central Government (CG) on the basis of nine information elements or benchmarks, specified in the summary box below. For the current assessment, this corresponds to the documentation made available to the National Assembly in relation to the FY 2013/2014 budget. This consisted of:

1. The *2013 Budget Speech* by the Minister of Finance to the Assembly. The budget speech outlines government policy and sector priorities, including public sector reform, PFM, and the macroeconomic context, both internal and domestic, underlying the preparation of the budget.
2. *The draft budget estimates,* through two reports:
    a. The *Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenues 2013/2014*, which presents summary tables and the detailed estimates for revenue;
    b. The *Draft Estimates of Expenditure from the Consolidated and Development Funds 2013/2014*, which includes the detailed expenditure estimates.
3. The *Appropriation (2013/2014) Bill 2013.*

The Box below shows that 8 out of the 9 information benchmarks considered by this PI are satisfied by the documentation sent to Parliament. Rating is A.

It also provides a comparative analysis with the findings and the score of the PA and an explanation of any change in performance.

2013 Assessment			Score in 2009 Assessment	Explanation of change since 2009
Score	**Framework Requirement**	**Evidence used/ Information Sources**		
A (8 out of 9)	Recent budget documentation fulfils 7-9 of the 9 information benchmarks	Recent budget documentation fulfils 8 of the 9 information benchmarks.	**A** (7 out of 9)	**No change in performance affecting the score; yet improvement with respect to information benchmark 4, on the reporting of public debt.** At the time of the PA, only outstanding foreign debt was presented. Now, also domestic debt is included, increasing the number of the information benchmarks fulfilled between the two assessments from 7 to 8.
Yes	1. Macro-economic assumptions, including estimates of aggregate growth, inflation & exchange rate.	The macroeconomic assumptions underlying the budget, including estimates of aggregate growth, inflation & exchange rate, are presented in the *2013 Budget Speech*.		
Yes	2. Fiscal deficit, defined according to GFS or other internationally recognized standard.	Fiscal deficit defined according to GFS (1986) is presented in the *2013 Budget Speech* and in *Financial Statements, Tables and Estimates* (Table V).		
Yes	3. Deficit financing, describing anticipated composition.	Table V of the *Financial Statements, Tables and Estimates 2013/2014*.		
Yes	4. Debt stock, including	A statement of outstanding domestic debt is included and		

	details at least for the beginning of the current year.	detailed by bonds, T-Bills and CG Participation in the debt of PEs. A statement of outstanding foreign debt (medium and long-term) is also included, detailed by source (Governments, Organizations, supplier credits). Domestic and Foreign debt are presented in Tables VIII and VII respectively of *Financial Statements, Tables and Estimates 2013/2014*.
No	5. Financial Assets, including details at least for the beginning of the current year.	
Yes	6. Prior year's budget outturn, presented in the same format as the budget proposal	Prior year's outturns for both revenues and expenditure are presented in the same format as the budget proposal. *Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenues 2013/2014*. *Draft Estimates of Expenditure from the Consolidated and Development Funds 2013/2014.*
Yes	7. Current year's budget (either revised budget or the estimated outturn), presented in the same format as the budget proposal	Revised estimates are reported for both expenditure and revenue. Both are presented in the same format as the budget proposal. For revenue, see *Financial Statements, Tables and Estimates* For expenditure, see *Draft Estimates of Expenditure*
Yes	8. Summarised budget data for both revenue and expenditure according to main heads of classification used, including data for current & previous year.	The draft budget includes summarised data according to the main heads of classification used for both revenue and expenditure for the current year and for previous years. Table I, II and III, *Financial Statements, Tables and Estimates 2013/2014*.

Yes	9. Explanation of budget implications of new policy initiatives, with estimates of the budgetary impact	*The Budget speech 2013* outlines the new policy/program initiatives, but specifies that given budget constraints, Government will only include a few in the 2013/14 budget.

PI-7 Extent of unreported government operations *(Scoring method M1)*

This indicator assesses the extent to which government operations take place which are not included in budget estimates or expenditure out-turn statements. It is assessed on the last FY for which reliable information exists on actual expenditure: FY 2011/2012.

(i) Extent of unreported extra-budgetary operations (other than donor-funded expenditure)

Unreported operations of CG in GoB arise from: (i) special funds; (ii) extra budgetary entities (EBE).

Special funds. The FAA (chapter 54:01) lists special funds established since 1973, and all the related specific orders. The special funds were then 30, but are now 35. Special funds are clearly reported in the Annual Accounts under Statement 10. Statement 10 includes the balance of the fund at the end of the previous year and at the end of the current year. It also includes individual statements for each fund that show any contribution received from the CG budget. Importantly, these also detail all income and expenditure for the fund for the FY. In fact, the IMF GFSM 2001 considers that "central government comprises all units at the central level carrying out government policies. This includes not only the MDAs that operate as part of the government as a single reporting entity, but also non-market non-profit institutions that are controlled and mainly financed by government. Most special funds, social security funds and other autonomous agencies are likely to fall within this definition, except public business enterprises." (*FieldGuide*, page 47). Special funds in Botswana do fit into the above definition, and especially the largest ones (Public Debt Service Fund, and Revenue Stabilization Fund) are clearly fulfilling CG functions.[13] GFSM 2001 standards require not only that the government subsidy to the fund is reported (both in the estimates book and in the annual accounts), but income and expenditure for that year, not just the cash balances at year-end, as expenditure and income of special funds are considered as CG's. The requirement for an expenditure to be considered as fully reported under PI-7 (i) is that it is reported both *ex-ante* (in the budget estimates) and *ex-post* (in the accounts).

In the budget estimates book, only the subsidy to the fund is reported, as that is what is currently considered by GoB to correspond to the estimated CG expenditure. On the positive side, for the funds that did receive support from the budget in FY 2011/2012 [14], this was clearly shown in the budget estimates book (under the budget line "grants, subventions and other payments (01700)". The subsidy is reported under the estimated budget of the parent ministry, as all special funds, like parastatals (see PI-9) are assigned to

[13] The purpose of the Public Debt Service Fund is to receive and safeguard money made available to it or earned by it which is to be utilized to meet future payments of debt charges to be made by the government or to meet liability arising out of any guarantee given by the government. The Revenue Stabilization Fund (RSF) is created to establish and safeguard a general revenue reserve which is intended to supplement other recurrent revenues in those financial years in which such recurrent revenues fall short of the total amounts which have been appropriated.

[14] Special funds do not receive subsidies systematically every year as they have unused balances from the year before.

a parent ministry. On the revenue side, the transfers from special funds are detailed in the budget estimates book, under the parent ministry, under "other revenue-transfer from special fund". As a result, CG operations relating to special funds are fully reported with respect to their actual income and expenditure, but not with respect to the estimated expenditure and income. Table 12 shows the level of unreported income and expenditure for special funds with regards to budget estimates, and the unreported expenditure in percent of total CG expenditure (7.6%).

As to oversight functions and accountability requirements in place for special funds, these are adequate and complete. The accounts and operations of special funds are audited by the OAG every year and examined by the PAC together with the consolidated government accounts.[15]

Table 12: Unreported CG operations, FY 2011/2012 arising from Special Funds

Unreported CG operations, FY 2011/2012 arising from Special Funds (in millions of Pula and % of CG expenditure)	**Ex-ante**	**Ex-post**
• Unreported CG operations related to special funds (income and expenditure)	5879	none
a) Total Unreported Income of Special Funds in FY 2011/2012 a. Income from special funds in FY 2011/2012: b. Transfer from Special Funds *(included in the Budget Estimates Book under "Other Revenue" 23680)*	<u>2937.2</u> 2942.2 5	none
b) Total unreported expenditure for special funds in FY 2011/2012 a. Expenditure for special funds in FY 2011/2012: b. Subsidies received *by Special funds from Central Government (included in the Budget Estimates Book as expenditure under 01700)*	<u>2936.7</u> 2942.2 5.5	none
• Unreported expenditure related to special funds in % of CG expenditure and net lending	7.6%	none

Sources: Annual Accounts 2011/2012 and Approved Budget Estimates Book 2011/2012.

<u>EBEs.</u> The GoB groups AGAs and PEs under the category "parastatals", together with, as explained below, other entities that are extra-budgetary entities (EBE). For all of the above,

[15] For FY 2011/2012, all special funds are covered by the OAG report and were in the process of being examined by PAC during the Assessment mission.

subsidies received from the CG budget are clearly reported in the budget estimates book and in the annual accounts (under the budget line "grants, subventions and other payments (01700)" of the parent ministry).

Many of the entities that are currently classified as parastatals, are AGAs, Funds, Boards, Commissions, Regulatory Authorities or Agencies, Councils, etcetera (see Table 1, Annex 3), and more generally bodies fulfilling CG functions. These bodies are also controlled, and for the most part, largely subsidized by the CG budget (92% of PEEPA's expenditure in 2011/2012 was financed by the CG budget; PPADB's expenditure the same year was less than what it received from the budget). For these, GFSM 2001 requires that not only the subsidy is reported in the budget and accounts, but that data on all of their income and expenditure are captured by budget documentation.

The 2011/2012 audit reports were only available for 9 of these entities, and unaudited expenditure figures were not available. On the basis of the expenditure in the audit reports, the assessment could determine that the CG unreported expenditure in relation to these entities in FY 2011/2012 was 0,82% of total CG expenditure. This figure is not exhaustive as it only captures the unreported expenditure for 9 out of 33 or more EBEs. Moreover, some of the largest EBEs according to 2010/2011 data --such as University of Botswana, Citizen Entrepreneurial Development Agency, and BURS (see PI-9 (i))--, are outside the 9 EBEs, so that the percent is likely to be considerably higher. The expenditure related to EBEs is unreported both *ex-ante* (in the budget estimates book) and *ex-post* (in the accounts).

Table 13: Known unreported expenditure arising from EBEs, FY 2011/2012

EBE	**Total audited expenditure in 2011/2012 (in pula)**	**Actual subsidy from CG budget 2011/2012 (in pula)**	**Known Unreported expenditure arising from EBEs 2011/2012 (in pula)**
Local Enterprise Authority	145,815,508	121,946,910	23,868,598
Motor Vehicle Accident Fund (MVAF)	141,578,675	-	141,578,675
Botswana Tourism Board (BTB)	84,085,440	75,119,310	8,966,130
Botswana Telecommunications Authority (BTA)	69,708,659	--	69,708,659
Botswana Training Authority (BOTA)	57,409,203	34,380,165	23,029,038
Botswana National Productivity Centre (BNPC)	39,611,291	30,598,290	9,013,001

Botswana Agricultural Marketing Board (BAMB)	37,809,326	4,350	37,804,976
Public Enterprises, Evaluation and Privatisation Agency (PEEPA)	25,490,863	23,420,012	2,070,851
Public Procurement and Assert Disposal Board (PPADB)	29,674,819	29,912,880	-238,061
Total Known Unreported expenditure arising from EBEs 2011/2012, in pula			**315,801,867**
in % of CG expenditure			**0.82%**

Source: Annual Accounts 2011/2012; MVAF, PEEPA, PPADB Annual Reports 2011/2012, data from EDS, MFDP.

Two IMF missions in the course of 2011 and 2012 identified 33 EBEs.[16] 27 of the 33 EBEs they identified are currently considered parastatals (see PI-9 (i)). Six are additional entities to which, according to the missions, the GoB is providing significant budget support and for which the remaining expenditure should also be disclosed as part of CG expenditure. [17]

[16] IMF, Statistics Department, *Botswana, Report on the Government Finance Statistics Mission, October 10-21, 2011*; IMF, *Botswana, Developing the Cash Management Function*, May 2012. The 33 EBEs the missions identified are: Bamalete Lutheran Hospital (BLH), Botswana Meat Commission (BMC), Botswana Accountancy College (BAC), Botswana Agricultural Marketing Board (BAMB), Botswana Bureau of Standards (BOBS),Botswana Examination Council (BEC), Botswana Export Development & Investment Authority (BEDIA), Botswana Institute of Chartered Accountants (BIA), Botswana Institute of Development Policy Analysis (BIDPA), Botswana Institute of Sports Association (BISA), Botswana International University of Science and Technology (BIUoSaT), Botswana Labour Market Observatory (BLMO), Botswana National Productivity Centre (BNPC), Botswana National Sports Council (BNSC), Botswana Technology Centre (BOTEC), Botswana Telecommunications Authority (BTA), Botswana Tourism Board (BTB), Botswana Training Authority (BOTA), Botswana Unified Revenue Services (BURS), Botswana Vaccine Institute (BVI), Citizen Entrepreneurial Development Agency (CEDA), Citizen Entrepreneur Mortgage Assistance Equity Fund (CEMAEF), Civil Aviation Authority Botswana (CAAB), Institute for Development Management (IDM), Kanye Seventh-Day Adventist Hospital (KSDAH), Local Enterprise Agency (LEA), Mochudi-Deborah Retief Hospital (MDRH), Motor Vehicle Accident Fund (MVAF), Non-Bank Financial Institution Regulating Authority (NBFIRA), Public Enterprises, Evaluation and Privatisation Agency (PEEPA), Public Procurement and Assert Disposal Board (PPADB), Selibe Phikwe Economic Diversification Unit (SPEDU), University of Botswana (UoB).

[17] The additional six identified are: Bamalete Lutheran Hospital (BLH), Botswana Export Development & Investment Authority (BEDIA), Botswana Institute of Sports Association (BISA), Botswana Labour Market Observatory (BLMO), Kanye Seventh-Day Adventist Hospital (KSDAH), Mochudi-Deborah Relief Hospital (MDRH).

Some since then may have ceased to exist, but the assessment could not ascertain that. The IMF missions could not identify the amounts of expenditure for these units. This assessment also found additional entities to these to which the government is providing support through the budget vote 01700, such as “Directors Institute of Botswana (under MFDP), “Botswana Education Research Association”, “Commonwealth Institute for Cooperation in Distance Education”, and “Mochudi Resource Center for the Blind”, all under MoESD.

Overall, the assessment can conclude that unreported government expenditure in 2011/2012 was at least 8.41%, so at best the rating could be C. A potentially significant segment of unreported expenditure arising from EBEs remains unidentified, both in relation to expenditure amounts and to number of existing EBEs, so that the score for this dimension is NR.

Reform Prospects

The IMF Mission on *Government Finance Statistics* in 2011, left an *Institutional Table* with the BADM Section, to be used for: (i) compiling statistics on the 33 EBEs identified so that their size could be quantified, (ii) to redefine the coverage of the CG sector, (iii) start including the EBEs in the CG sector and in the GoB’s annual GFS for CG. According to the mission, this would be a necessary step for the GoB to adhere to GFSM 2001 standards and to upgrade from the IMF General Dissemination Data System (GDDS) to the SDDS.

(ii) Extent of income/expenditure information on donor-funded projects included in fiscal reports

Disbursements on donor-funded projects during FY 2011/2012 amounted to 526 million pula, of which 394 million pula was for loans and 132 million for grants. Actual expenditure on donor-funded projects is reported under Statement 7 in the Annual Accounts. For donor project funding, the differences between the expenditure reported in the accounts and the disbursements from development partners in FY 2011/2012 are due to: (i) unspent balances from previous years brought forward, or (ii) finance warrants to spend before reimbursables are requested. A comparison of the estimates provided by donors on disbursements and the estimates included in the approved budget cannot be undertaken, as donors do not provide estimates on disbursements (see D-2 (i)).[18] However, as actual disbursements for donor funded projects are insignificant, amounting to less that 1% (0.9%) of total expenditure for FY 2011/2012, the rating is A.

[18] Meetings with the DAPM have indicated that the amounts in the budget regarding donor funding are taken from the estimates provided by the Project implementation Unit regarding their financing needs that year for implementation, on the assumption that the donor will honor the disbursement.

2013 Assessment					
Evidence used	**Score**	**Framework Requirement**	**Information Sources**	**Score in 2009**	**Explanation of change since 2009**
	NR			**A**	
The level of unreported extra-budgetary expenditure (other than donor funded projects) constitutes at least 8.4% of total expenditure, but EBEs give rise to an unidentified, and potentially significant, amount of additional unreported expenditure.	NR	N/A	IMF, Statistics Department, *Botswana, Report on the Government Finance Statistics Mission, October 10-21, 2011*; IMF, *Botswana*, *Developing the Cash Management Function*, May 2012; data on audited expenditure for the entities currently considered parastatals for FY 2011/2012; the FAA; Budget Estimates Book, Annual Accounts and OAG Report, all for 2011/2012. Meetings with BADM Section; Recurrent Budget Division; Enterprise Development Section; Office of the AG; BURS, PEEPA; PPADB.	A	**No change in performance.** The PA only analysed the issue of whether budget subsidies to "parastatals" were adequately reported, and they were then as they are now. The PA did not analyse the categories of "special funds" or of EBEs or extra-budgetary funds. It only mentioned the existence of "intelligence and security activity funds", and considered that they were not of material significance. Consequently, the PA over-rated this dimension considerably.
(i) Donor funded expenditure is reported in the Annual Accounts and is insignificant (below 1% of total expenditure).	A	(ii) Complete income/expenditure information for 90% (value) of donor-funded projects is included in fiscal reports, except inputs provided in-kind OR donor funded project expenditure is insignificant (below 1% of total expenditure).	Data on disbursements by donors for project loans and grants for FY 2011/2012 from BADM Section and the EU; Annual Accounts 2011/2012. Meetings with Director, Development Programmes, and Director, BADM Section, MFDP. Meetings with Line ministries, EU and WB.	A	**Improvement in performance,** as the PA found that donor project funding was under-reported in the Annual Accounts (the A score was justified on the basis that donor funded project expenditure was also below 1% of total).

PI-8: Transparency of Inter-Governmental Fiscal Relations ***(Scoring method M2):***

This indicator has been assessed in respect of FY 2012/13, the last completed year as all necessary information is available for that period.

Botswana has a long-established system of local democratic governance. At present the system comprises a total of 34 local government entities, of which 16 are fully-fledged local authorities in terms of being bodies corporate with the attendant powers (for example, they have their own Council, can own their own assets and can sue and be sued). The remainder are classed as subordinate authorities. Of the16, 6 are Town Councils and 10 are District Councils. The largest District council is the Central Council with as many as 7 subordinate authorities.

The legislative framework for local government is provided by the Local Government Act (Cap 18/2012) which came into force on 1 April 2013, thereby superseding and effectively consolidating the previous Town Councils Act and the Local Government (District Councils) Act.

Part X of the Act regulates local authority revenues, accounts and audit, including their borrowing powers. Revenues comprise rates; property rents; licence fees and permits; interest on investments; royalties; donations, contributions and endowments; reimbursements and Government grants. In practice, local authorities in Botswana have limited "own revenues" and are heavily dependent on central government grants as a source of finance. Information supplied by MLGRD showed that the central government grant, known as the Revenue Support Grant (RSG) accounts for 90% of the total revenue of the local authorities.

(i) Transparent and rules based systems in the horizontal allocation among SN governments of unconditional and conditional transfers from central government (both budgeted and actual allocations)

The transfer of financial resources to local authorities is essentially done on an incremental basis without application of any rules-based system. Basically, the Ministry of Local Government and Rural Development receives bids from local authorities, negotiates these (typically downwards) through one-to-one meetings with local authority representatives, establishes an aggregate resource ceiling in discussions with the Ministry of Finance and Development Planning (MFDP) and then requires local authorities to keep their budget submission within an agreed ceiling for each council. Local authorities have used zero-based budgeting techniques to support their bids but in aggregate these inevitably have exceeded the available resource envelope.

The system for development funds operates rather differently. A project generally has to be listed in the NDP before it can be approved and needs to be agreed as a priority during the annual Project Review meetings that take place around September/October each year.

The absence of a rules-based resource transfer process results in a rating of D.

(ii) Timeliness of reliable information to SN governments on their allocations from central government for the coming year

Although indications of likely resource availability are communicated to local authorities around September each year, the confirmation of the actual RSG ceiling takes place significantly later. For the FY 2012/13 this information was communicated by MLGRD Circular dated 19 January 2012 .Whilst this was before the start of the budget year, it was too late for local authorities to make significant changes to their estimates. Rating: C

(iii) Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sectoral categories.

Local authorities are required to submit monthly trial balances to the Local Authorities Finance Unit of MLGRD. This is done usually after a reminder, around half a month late. Local authorities also send in monthly income and expenditure reports.[19] A consolidated income and expenditure report is then produced by MLGRD from the data supplied by local authorities; these are essentially monetary amounts only with no analysis.

In terms of annual financial information, this is collected with respect to both budget estimates and actual expenditures in a manner that is consistent with central government fiscal reporting. This information is consolidated for all of the local authorities and presented within 12 months in district councils' annual financial statements. Of the 16 Local Authorities, 10 submitted financial statements for audit. Rating: B.

Reform prospects: the absence of a rules-based formula for resource transfers is recognized by the MLGRD as a major shortcoming. Developing and introducing such an approach forms part of the PFMRP.

[19] In view of the unreliable submission of the required information, consideration is being given to withholding quarterly RSG releases until all reporting requirements have been met.

2013 Assessment					Score in 2009	Explanation of Change since 2009
	Evidence Used	Score M2	Framework Requirement	Information Sources		
		C			C+	
Amounts of grants are determined incrementally, on an annual basis, without reference to any formula.		D	No or hardly any part of the horizontal allocation of transfers from central government is determined by transparent and rules based systems.	Ministry of Local Government and Rural Development; Auditor General	D	No change; the need for the development of a rules based formula is recognized and provision exists for its inclusion in the PFMRP
Information supplied to local authorities as to their RSG entitlement provided too late for significant budget changes.		C	Reliable information to SN governments is issued before the start of the SN fiscal year, but too late for significant budget changes to be made	Circular from MLGRD to local authorities	B	Performance deterioration as grant information supplied later than reported in 2009 (January rather than November)
10 out of 16 local authorities had submitted financial statements for audit.		B	Fiscal information (ex-ante and ex-post) that is consistent with central government fiscal reporting is collected for at least 75% (by value) of SN government expenditure and consolidated into annual reports within 18 months of the end of the fiscal year.	Ministry of Local Government and Rural Development; Auditor General	B	No change

PI-9 Oversight of aggregate fiscal risk from other public sector entities *(Scoring method M1)*

This indicator assesses whether CG monitors and adequately manages the fiscal risks with potential national implications arising from the activities or operations of the main public sector entities outside CG: AGAs and PEs and Sub-national Governments. The information used for this purpose has been collected for FY 2012/2013, as the consolidated government accounts do not need to be completed to assess this indicator.

(i): Extent of central government monitoring of AGAs and PEs

Public Enterprises (PEs) and Autonomous Government Agencies (AGAs) in Botswana are referred to together as "parastatals". The information currently available on parastatals is held by the OAG, PEEPA, the AG Office and the Enterprises Development Section (EDS) under the Economic and Financial Policy Division at MFDP. Determining the exact number and nature of these organisations was difficult due to the diverging information held by the various parties. The assessment concluded that there are 49 entities considered as parastatals in Botswana, shown in Annex 3 Table 1.[20] But this cannot be regarded as a completely reliable figure. Moreover, the two IMF missions mentioned under PI-7 (i) consider that 33 of the 49 entities currently listed as parastatals are not public corporations, but units of the Central Government sector.[21]

The EDS is the Section responsible for monitoring the fiscal risk for CG emanating from PEs/AGAs. The Section has categorised parastatals into "revenue-making" and "non-revenue making", where "revenue-making" is taken to mean commercial in nature and "non-revenue making" non commercial, and is not linked to their operational performance. The Section's responsibility as part of its fiscal risk monitoring activities is to analyse the reports of parastatals, and, if these reveal a potential risk for the CG budget, to alert PS Finance, who should in turn advise the PS of the parent ministry to take remedial action. However, in practice analysis of fiscal risk undertaken is not timely, even for those parastatals for which audit reports are received on time. In addition, the Section does not consolidate its analyses in an annual report.[22]

At the time of the assessment, the EDS had received audit reports for the latest available financial year (2011/2012) for only 14 out of 49 parastatals. Some of the main parastatals in terms of size (on the basis of the data made available to the assessment) are among the ones for which EDS has not received an updated report. These are the University of Botswana, the Citizen Entrepreneurial Development Agency, and Botswana Unified Revenue Service BURS). These are respectively the 3rd, 4th and 5th largest in terms of

[20] *Botswana Innovation Hub* is in the EDS, MFDP list of Parastatals, but has been removed from the list by the assessment as it is a special fund.

[21] The 17 "financial" and "non financial" public corporations the missions identified are 15 corporations that are included in the 49 parastatals under the MFDP classification and 2 additional ones.

[22] In 2010/2011, PEEPA has issued a report on the performance of revenue making enterprises for 2008/2009-2009/2010. That was their most recent report at the time of the mission and they tend to issue one report on the commercial parastatals one year and one on the non-commercial the following year, in alternation. As a result, a consolidated report covering risk arising from all AGAs/PEs is not issued annually.

expenditure on the basis of the 2010/2011 audited accounts. EDS had also not received the latest audited accounts for the Botswana Meat Commission (9th in terms of expenditure and 3rd in terms of income, on the basis of 2010/2011 audited accounts).[23]

In summary, the Section responsible of monitoring fiscal risk has a limited and, for the most part, not updated view of parastatals. Moreover, there is little evidence of follow-up actions undertaken by the Section to increase the submission of audited accounts. The EDS does not receive unaudited accounts from parastatals at least annually either, nor does the Office of AG. Thus, rating: D

Reform Prospects

The MFDP intends to make submission of annual reports by PEs and AGAs to the Ministry a mandatory requirement to improve the effectiveness of their monitoring.

(ii) Extent of central government monitoring of SN government's fiscal position

Local Government in Botswana has been described under PI-8. Local Authorities (LAs) were and are allowed to borrow under previous and current legislation. In both frameworks, LAs have the power to raise loans to unlimited amounts, but these have to be approved both by the Minister of LG in consultation with the Minister of Finance.

The criteria for loan applications are rigorous so that in practice LAs have not borrowed over FY 2011/2012 or FY 2012/2013. LAs have to request approval to borrow from the private sector through a Resolution and the MLGRD requires that the application is accompanied by the LA's accounts, bank statements, and a feasibility study. Only one LA has requested authorisation to borrow over the past two FYs, and the request was dropped after the MLGRD asked for more information. The MFDP is also reluctant to give approval to Local Authorities incurring debt as: (i) loans have to be repaid by their own revenue, where this is minimal as LAs' expenditure is financed for the most part by CG (ref. PI-8); (ii) LAs are still repaying the borrowing from CG they have incurred in the past under the Public Debt Service Fund.

As in 2008, the legal framework still allows for Local Authorities to borrow in the form of overdraft from local banks. This form of borrowing could take place without MLGRD approval or ex-ante knowledge. Another two potential sources of fiscal risk are the accumulation of payment arrears through supplier credit and through generous advances schemes that LAs have put in place for their employees through the local banks for the purchase of vehicles. Mainly for these three reasons, the MLGRD has increased ex-post monitoring of LGs fiscal position and is now (including through FY 2012/2013) requesting monthly reports on the status of financial management functions (including statement of accounts, bank reconciliation and supplier credit) that are being submitted. Submission has been more regular since MLGRD has made it a condition for the release of the next quarterly disbursement to LAs. As in 2008, monitoring also takes the form of analysis of the annual accounts, although there is a backlog with ten out of sixteen authorities having

[23] Although EDS did not receive their audit reports, the assessment could rank these parastatals in size as the Office of the AG had the information on their income and expenditure.

submitted their FY 2011/2012 accounts. However, the MLGRD is also requesting year-end income/expenditure reports, with all but one council having submitted for FY 2012/2013.

Overall, fiscal risk is mitigated at the source through restricting LG borrowing when CG approval is involved, and through monitoring both the in-year and year-end LG fiscal position. The analysis of fiscal risk is not however consolidated in a report. Rating: C.

2013 Assessment					
Evidence used	**Score**	**Framework Requirement**	**Information Sources**	**Score in 2009**	**Explanation of change since 2009**
	D+			**D+**	
The MFDP Section responsible for monitoring fiscal risk only has a limited number of updated audit reports for PEs/AGAs, including for the major ones. Unaudited statements are generally not submitted, and a consolidated report on fiscal risk is not issued. As a result, the annual monitoring of PEs and AGAs is significantly incomplete.	D	(i) No annual monitoring of AGAs and PEs takes place, or it is significantly incomplete.	OAG website, OAG Report on the Annual Government Accounts for FY 2011/2012, Data on parastatals from EDS and Office of AG MFDP, PPADB Audit report for 2011/2012, EDS Review of *The Performance of Revenue Generating Public Enterprises*, 2008/2009-2009/2010; *Ffinancial statement analysis for the Water Utilities Corporation (WUC) for the year 2010/2011*. Meetings with EDP, BADM, Office of the AG, MFDP; PEEPA and OAG.	C	**Deterioration in performance**, due to the fact that at the time of the PA, most parastatals were submitting unaudited financial statements on at least an annual basis to MFDP. For the rest, also in 2008, there was a backlog in the submission of audited accounts, and a consolidated report on fiscal risk was not issued.
Fiscal risk is mitigated at source through restricting borrowing by Local Authorities, and through monitoring both their in-year and year-end fiscal position. The analysis of fiscal risk is not however consolidated in a report.	C	(ii) The net fiscal position is monitored at least annually for the most important level of SN government, but a consolidated overview is missing or significantly incomplete.	Meetings with MLGRD and DAPM; Local Authorities' accounts submitted for 2011/2012; Sample of Monthly reports on income and expenditure during 2012/2013; *Township Act* 1955 and *Local Government District Council Act* 1965*; Local Government Act* 2012, Resolution from Selibe Phikwe Town Council requesting to borrow and MLGRD response, January 2013 LG Report on Water Service Levy.	D	**Improvement in performance.** The fiscal position of councils was not adequately monitored according to the PA. Now in-year and year-end monitoring of the fiscal position of councils take place.

PI-10 Public access to key fiscal information (Scoring method M1):

(i) Number of listed elements of public access to information that is fulfilled (in order to count in the assessment, the full specification of the information benchmark must be met)

This Indicator assesses the extent to which the general public have access to 6 elements of key fiscal information.[24] The indicator underlines that the information should be "easily accessible", or accessible through "appropriate means". The information being available to the public in principle is not per se sufficient to satisfy the criteria. The following table shows the assessment in relation to each item.

[24] The time frame for the assessment of this indicator varies with each element (element 1 has the same time frame as PI-6, element 2 as PI-24; the annual accounts and audit reports in question are those for FY 2011/2012; element 5 is assessed at the time of the assessment, and 6 for the past three years).

Table 14: Public Access to key fiscal information

Required documentation	Accessible 2009	Accessible 2012	Commentary on arrangements for provision of information
Element 1. Annual budget documentation. A complete set of documents can be obtained by the public through appropriate means when submitted to the legislature	Yes	Yes	A combination of methods is used to allow public access to budget documentation including: 1) Placing the Budget Speech on the MFDP website the day after it is presented to Parliament , and 2) communicating the Speech through different types of media. 3) Making the draft budget estimates available to the public upon request, as soon as they have been tabled in the National Assembly. 4) Putting the approved Estimates on sale in the government bookshop and for reference in the Government library. 5) Gazetting the Appropriation Bill.
Element 2. In-year budget execution reports within a month of completion	No	No	In-year budget reports are posted on the Government intranet but are not available to the public.
Element 3. Year-end financial statements within 6 months of completed audit	Yes	No	The annual accounts are made available immediately upon completion at the library and upon request from a member of the public to the Office of the AG. Yet, as annual accounts are free for now, they are not for sale at the government bookshop (and not made available for free access either). There is a link for the annual accounts on the MFDP website but it currently does not work so that the accounts cannot be accessed on the internet. The information is made available but is not easily accessible.

Element 4. External audit reports within 6 months of completed audit	Yes	Yes	Audit Reports on the annual accounts are made available typically within 1-2 months of completed audit. They are posted on the OAG website. The report on the 2012 accounts, dated March 31st, was posted on the website in early May 2013. They are also gazetted and can be bought at the Government bookshop or consulted at the library. The contents of the reports are also covered by the media.
Element 5. Contract awards above US$ 100,000 equivalent published at least quarterly	No	Yes	All contract awards for above the expense set for Micro-procurement (only 30,000 pula), are accessible to the public. They are advertised on a weekly basis in the *Daily News.* The contract awards managed by the PPADB (above 25 million pula), as well as those administered by the Ministerial and District Administration Tender Committees (up to 25 million) are published on the PPADB website as they are awarded and at least on a quarterly basis. Ministerial and District Administration Tender Committees awards are also advertised through notice-boards at Ministries and Local government offices respectively.
Element 6. Resources available to primary service delivery units at least annually	No	No	The information that is available on resources in cash and in kind to primary schools is reported in the accounts of Local authorities (see PI-23). These are available to the public once they have been audited, with their audit now lagging a few years behind. Resources received by PHC units for recurrent expenditure will be reported under the expenditure of the department of clinical services (though not broken down by PHCs in the accounts); for development expenditure these are traceable at the level of the unit and reported under the MOH expenditure in the annual accounts. The same observations for element 3 thus apply.
Overall rating	Three elements clearly provided: rating **B**	Three elements clearly provided: rating **B**	

Performance change since 2009 PEFA assessment

No overall change in performance. Performance regarding element 5 on contract awards has improved: in 2008, only contract awards above 5 million Pula were published on the PPADB website. The rest of the change relates to access to annual accounts (element 3), which appears to have deteriorated, although it seems implausible that the MFDP site would work less well 5 years later.

	Current Assessment				
Evidence used	**Score**	**Framework Requirement**	**Information Sources**	**Score in PA**	**Explanation of change since PA**
Three elements are clearly provided	**B**	The government makes available to the public 3-4 of the 6 listed types of information	Meetings with Budget Division, Office of the AG, OAG, PPADB, MLGRD; PPADB, OAG and MFDP websites; Daily News.	**B**	**No overall change in performance,** although access to contract awards has improved.

3.3 Policy-based budgeting

This part of the PEFA Framework comprises 2 indicators (PIs 11 and 12)

PI-11 Orderliness and Participation in the Annual Budget Process *(scoring method M2)*

The first two dimensions of this indicator primarily assess the process followed during 2012/13 for the preparation of the last budget approved by Parliament, namely the budget for FY 2013/2014.[25] The third dimension covers the last three budgets approved by Parliament: the budgets for FYs 2011/12, 2012/13 and 2013/2014.

There is a dual budgeting system in Botswana, with the recurrent and the development budgets being prepared as largely separate processes at line ministry level. At the macro level, the Development and Recurrent Budgets are managed by two sections of the Budget Division of the MFDP.

(i) Existence and adherence to a fixed budget calendar

The calendar for budget preparation in Botswana is detailed and clear, but it is not fixed in the sense of being specified in an Organic Budget Law as this approach is not part of the administrative tradition in Botswana. It generally follows the steps outlined below, though their timing varies to some extent from year to year:

[25] However, because 2013/14 has been described by one senior interlocutor as a year of "transformation", some reference is also made to the previous year, 2012/13, in order to facilitate the reader's understanding of the budget process.

- A first circular is sent in the winter (July for the preparation of the FY 2013/2014 budget) requesting submissions by MDAs on so-called "add-back items";
- A personal emoluments ceiling is established by the DPSM and the Office of the AG, and communicated by circular to MDAs;
- Later in the process global ceilings by MDA, are communicated to MDAs through a Budget Call Circular (BCC). This Circular provides guidance on the preparation of budget submission by MDAs and sets a deadline for their comments and submissions. The calendar is also included in this circular though it is at times communicated earlier;
- For the 2013/2014 budget, Thematic Working Groups (TWGs) [26] were introduced in an attempt to bring a more programmatic, cross-MDA approach to the budget preparation process. TWGs were charged with the formulation of the proposals for development expenditure and held meetings between August and early October. A BCC with ceilings for development expenditure was communicated to the TWGs in a separate circular in late August;
- MDAs, and since last year, TWGs also, submit comments on the ceilings and proposals: For the preparation of the most recent budget, submissions were due in late September and sent in, for the most part, from October to early November;
- For development projects specifically, Project Review meetings take place for two weeks (October 15-31 for the last budget preparation cycle). These comprise discussions with MDAs;
- Estimates Committee meetings are conducted with MDAs to examine both recurrent and development budget estimates;
- The Budget is sent to Cabinet for approval through the Cabinet Memorandum in late November, and the draft Estimates are tabled in Parliament by the end of December.

Last year, the adherence to the calendar was subject to some delays, such as: (i) the Circular for Add Back items was to be distributed in May, and was instead distributed in July; (ii) the deadline for the submissions of comments on indicative financial ceilings by TWGs and MDAs was set for August 3, but the circular announcing the ceilings for TWGs (only) was sent out on August 21st. More importantly, for the preparation of the 2013/2014 budget, MDAs were only allowed two weeks to submit their estimates. The BCC was sent out on September 11 requesting final submissions for September 25. As a result, the mainline Ministries in terms of spending (and possibly others) were late with their budget submissions: MoESD submitted a month late, MLGRD six weeks late, and MOH two weeks after the deadline. TWGs submitted their proposals between October 5 and October 10.

In sum, though a calendar was prepared, it was not fully adhered to. The time allowed for MDAs' budget preparation (two weeks) was insufficient to make meaningful and timely submissions; submissions were in fact received late for the main spending ministries for recurrent expenditure, and by the TWGs for development expenditure. Rating: C.

[26] There are four TWGs: (i) Economy and Employment, (ii) Social Upliftment, (iii) Sustainable Environment, (iv) Governance, Safety and Security.

Performance change since the 2009 PEFA assessment

According to the PA, for the preparation of the 2008/2009 budget, the calendar was generally adhered to and allowed MDAs four to five weeks to complete their submissions. As a result, the dimension was rated B. Performance has deteriorated.

(ii) Guidance on the preparation of budget submissions

For the preparation of the 2013/2014 budget two BCCs were sent out: one which included expenditure ceilings detailed by administrative unit for recurrent but not for development expenditure; and another with ceilings by TWGs which, because of the infancy of the TWG approach, were derived from MDA envelopes determined by technical assessment of MDA current and proposed projects. For the same reason, TWGs were unable to prioritize expenditure and submit fiscally sustainable "programmatic" proposals. They were thus subsequently advised by MFDP to submit proposals on an MDA basis. As a result, the budget preparation process for the most recent year did not really depart from the "traditional" budget preparation by MDA regarding both the formulation of ceilings and the budget submissions. .

As in the period assessed by the 2009 PEFA, the ceilings in the circulars did not reflect pre-approval by Cabinet. Moreover, compared to the PA, for the most recent budget preparation cycle, Cabinet was less involved in the approval of ceilings. During the preparation of the last budget, Cabinet was informed of the development ceilings by TWG on October 5th through an Information Note, but not of recurrent expenditure ceilings. Cabinet was given an opportunity to approve the overall budget resource allocations only when it received the Cabinet Memorandum on Final Budget Proposals on November 22. This corresponds to the submission of the budget estimates proper for approval by Cabinet by December 5. This stage took place after the Estimates Committee meetings (of Permanent Secretaries) in November, during which final decisions on the allocations to MDAs are taken. In mid-December, the draft estimates book was already sent to the Government printer in view of its submission to the Attorney General and to Parliament during the rest of December. Despite the very late involvement of Cabinet in the approval of budget envelopes, Cabinet still made adjustments to the budget proposals. As a result, the rating is C.

Performance change and other factors since the 2009 PEFA assessment

According to the PA, in 2008, the ceilings in the BCC did not reflect ceilings approved by Cabinet, which approved them after MDAs completed the budget submissions. The same applies to the preparation of the FY 2013/2014 budget, with a further weaknesses arising from the fact that Cabinet is no longer given an opportunity to approve budget allocations before the approval of the draft budget proper. In 2008, Cabinet was involved in the approval of ceilings, albeit late, through the Cabinet Memo. Between 2007/2008 and 2012/13, the approval of ceilings by Cabinet through the Cabinet Memo has been replaced by a Cabinet Information Note, which, for the most recent budget year, was also bypassed for the recurrent expenditure aspect. Thus, a gradual – and undesirable - process of limiting Cabinet's role in the preparation of the budget has been taking place between the two assessment periods, to some extent on the grounds of administrative expediency and, possibly, efficiency.

(iii) Timely budget approval of the budget by the legislature or similarly mandated body (within the last three years)

The budget has been approved every year for the past three FYs before the start of the FY. The dates of the budget approval were:

- March 30 2011 for the FY 2011/2012 budget;
- March 22 2012 for the FY 2012/2013 budget;
- March 21 2013 for the FY 2013/14 budget.

Dimension score: A.

Performance change since the 2009 PEFA assessment

No change.

2013 Assessment					
Evidence used	**Score**	**Framework Requirement**	**Information Sources**	**2009 Score**	**Explanation of change since 2009**
C+				**B**	
A calendar is prepared but in some respects not adhered to. The time allowed for MDAs' budget preparation (two weeks) is clearly insufficient to make timely submissions.	C	(i) An annual budget calendar exists, but is rudimentary and substantial delays may often be experienced in its implementation, and allows MDAs so little time to complete detailed estimates, that many fail to complete them timely.	BCCs for the preparation of the 2013/2014 budget (for add back items, budget submissions, and ceilings for TWGs); BCC for the preparation of the 2012/2013 budget; samples of budget submissions by line ministries, including MoESD, MLGRD and MOH. Meetings with the Recurrent and Development Budget divisions, with the Deputy Secretary, Development and Budget Administration, and with budget and planning officers in line ministries (MIST, MLGRD, MMEWR, MoESD, MOH). For dimension (ii), additional sources are: Cabinet Info Note on *NDP 10 Revenue and expenditure projections*; Cabinet Memorandum on Budget Proposals, dated November 22, 2012.	B	For the preparation of the 2008/2009 budget, MDAs had four to five weeks to complete their submissions. **Performance has deteriorated.**
For the preparation of the FY 2013/2014 budget, Cabinet was not involved in the approval of the budget ceilings during the preparation of the budget, but approved the proposed detailed budget estimates, and this immediately before their submission to the legislature. This seriously constrains Cabinet's ability to make adjustments.	C	A budget circular is issued to MDAs, including ceilings for individual administrative units or functional areas. The budget estimates are reviewed and approved by Cabinet only after they have been completed in all details by MDAs, thus seriously constraining Cabinet's ability to make adjustments.		C	Performance deterioration inside the "C" range, as Cabinet's approval of ceilings has been replaced by informing Cabinet, with Cabinet's approval of the budget envelopes taking place in late November at the time of the approval of the draft budget.

The budget has been approved before the start of the FY every year for the past three FYs.	A	(iii) The legislature has, during the last three years, approved the budget before the start of the fiscal year.		A	**No change.**

PI-12 Multi-Year Perspective in Fiscal Planning, Expenditure Policy, and Budgeting *(scoring Method M2)*

This indicator refers to budgetary central government and comprises four dimensions related to: (i) multi-year fiscal forecasts, (ii) debt sustainability analysis, (iii) existence of multi-year costed sector strategies, and (iv) linkages between investment budgets and forward expenditure estimates. The time period covered by this indicator varies by dimension and is specified under each below.

(i) Preparation of multi-year fiscal forecasts and functional allocations

This dimension covers the last two completed fiscal years; as reliable data are available for FY 2012/2013, the years considered are FYs 2011/2012 and 2012/2013. The dimension requires a Medium Term Fiscal Framework (MTFF) detailed at least for the main categories of economic classification, and including projections for two outer years at a minimum, to have been prepared for both FYs.

A MTFF has recently been developed by the Macro Policy Section (MPS) with the assistance of an IMF Macro-Fiscal Adviser, funded by the EU. The MTFF is now fully operational but it was not in FY 2012/2013 (or, at least not in time for it to be used for the preparation of the FY 2013/2014 budget), or FY 2011/2012. The MTFF forecasts overall revenue and expenditure, detailed on the basis of the main categories of economic classification. It is prepared for the budget year and two outer years and will be updated on a rolling annual basis. It does not include forecasts on the basis of functional classification or sectors.

In FYs 2012/2013 and 2011/2012 a previous version of the current MTFF was in place. This version provided the macroeconomic assumptions underlying the budget prepared and presented to Parliament (ref PI-6), which were then published every year in both the Budget Speech and the Budget in Brief document. This model also included forecasts of fiscal aggregates for two outer years, on a rolling basis, yet these were not detailed by main economic category.[27] In sum, forecasts of fiscal aggregates, detailed by the main categories of economic classification, for at least two outer years were not prepared for FYs 2011/2012 and 2012/2013. Rating: D

Reform prospects
The MTFF will be rolled over to 2014/2015-2016/17 and the intention is for it to guide the preparation of the 2014/2015 budget. It is also to lay the foundation for the adoption of a Medium-Term Expenditure Framework (MTEF). A concept paper to this end has already been provided to MPS, and GoB more generally, in November 2012 through IMF FAD TA (also EU funded).

Performance change since 2009 PEFA assessment
No performance change.

[27] During FY 2012/2013, as part of the Mid-Term Review of the NDP, projections of the contribution to GDP from sectors of the economy were developed for two outer years, yet this amounts to macroeconomic and not expenditure forecasting.

(ii) Scope and frequency of debt sustainability analysis

This dimension covers the last three years before the assessment: from May/June 2010 to May/June 2013. As in 2008, the GoB does not yet develop its own DSA. In each of the last three years, the IMF, in the context of the Article IV Consultation mission and report, undertook a Debt Sustainability Analysis (DSA), the results of which are published as part of the Article IV reports.[28] The DSA covers both internal and external debt. However, the GoB authorities participated in none of the three exercises. They did not provide data specifically for the exercise and were not aware of the exercise or the DSA's results. Rating: D.

Performance change and other factors since 2009 PEFA assessment

As in 2008, the GoB does not undertake a DSA. In the period covered by the PA, the IMF was already undertaking DSAs as part of the Article IV report, as it did in 2007. Though the PA does not cover the issue, meetings indicate that the GoB did not take part in the exercise at the time either. In the PA, BoB monitoring of external debt and external debt to GDP ratio was used to justify the C score even though no DSA was undertaken by GoB or shared with IMF. Such activity does not qualify for a DSA on external debt.[29] As a result, despite the score's deterioration, no real change in performance although it should be noted that the Government has become much more forthcoming concerning issues of debt and sustainability. In particular, the documents that accompany the annual Budget Speech ("Budget in Brief") now include tables with debt projections.

(iii): Existence of sectoral strategies with multi-year costing of recurrent expenditure and investment expenditure

This dimension covers the last completed budget year. As the dimension requires identifying the actual primary expenditure for the sectors that have costed strategies, and in terms of total primary expenditure out-turn, FY 2011/2012 had to be selected as the assessment year.[30]

Some sectors have overall strategies, beyond the sector components that are covered by the National Development Plan (NDP) 10. This is the case of MLGRD, MFDP, MIST and MOH, which have strategies for 2010/2011-2015/2016. The strategies were developed around the time of the NDP and are aligned with the Plan. They are, however, not costed and do not include foreword expenditure estimates for the sector as a whole. MMEWR informed the assessment team that if they ever had a strategy as a sector (besides the NDP), it was not being used to guide investment decisions. MoESD, the largest spending Ministry, also stated that it was no longer using the strategy it had developed in 2009. There is evidence of some Ministries (including MIST, MFDP and MOH) operationally using the strategy in so far as they draw on it to formulate annual updated plans (also referred to as annual performance plans). The annual plans include initial and revised targets for

[28] The missions took place in June every year, and the reports were published in July.
[29] This was also highlighted in the PEFA Secretariat comments for this dimension.
[30] Amount of primary expenditure in sectors that have prepared fully costed sector strategies as a percentage of total primary expenditure during the last year.

programmes and performance indicators but not associated costs or expenditure projections.

The NDP10, issued in 2009, provides costed plans and associated expenditure forecasts, for the next budget year and five outer years. Nonetheless, the NDP10 includes costed forward estimates only for the Plan's development programmes/expenditure component.[31] On the positive side, the Assessment found that there are links between NDP forecasts for outer years and both budgeted and actual expenditure for the related year. However, for FY 2011/2012, primary development expenditure accounted for 19% of total primary expenditure. Development spending has historically represented between 20% and 30% of total (non-primary) expenditure, so even if the NDP's forecasts were consistent with outer years, the majority of budget (or sectoral) expenditure is not addressed by the Plan, its associated costing and outer forecasts. As a result, the NDP10 can only provide strong links between the forecasts and actual outturns for projects/programmes, and only in a limited manner for global expenditure envelopes, which is what this dimension requires, as does a functioning and comprehensive MTEF.

To conclude, the NDP provides statements of multi-year costed strategies that cover more sectors and are broadly consistent with fiscal forecasts, but only for around 20% of primary expenditure. Rating: C.

Performance change and other factors since 2009 PEFA assessment

There is no main change in performance as the current strategies developed by the line ministries were already being developed at the time of the PA and are not costed. Only the NDP has costed elements which are broadly consistent with fiscal forecasts, but historically for between 20 and 30% of non-primary expenditure. The PA over-rated this dimension.

(iv) Linkages between investment budgets and forward expenditure estimates

This dimension covers the last completed budget: for this Assessment FY 2011/2012 for need of consistency with assessment period for dimension (iii). Investment decisions have a close link to NDP10 statements. Even the NDP ceilings for a given project/programme are rather binding, which explains the consistency described under dimension (iii) between NDP forecasts and actual expenditure in later years for a project. During the feasibility study phase of a new project, there is evidence that for some projects, including major ones (such as Education and Roads), the recurrent cost implications have been estimated even beyond the projects termination, for three outer years.

But this is not done systematically and there are concerns as to the reliability of the estimates.[32]Moreover, the MTFF in last year's version and its predecessor did not take

[31] NDP10 Volume II. The forecasts for the development programmes include a capital expenditure component and a recurrent component associated with the lifetime for the project (not after completion).

[32] No guidelines to ensure that recurrent cost implications are systematically taken into account have been distributed and the BCC does not request MDAs to submit future recurrent expenditure needs generated by current development budget proposals.

these into account, so that, even when considered, future recurrent cost implications of investment spending are not included in forward aggregate fiscal forecasts. In sum, although investment decisions are guided by the NDP (and by those sector strategies that are operational), their recurrent cost implications are not for the most part reflected in aggregate forward budget estimates. They are only reflected in the forward estimates formulated in the context of NDP10, for some projects, including for major sectors, Rating: C.

Performance change and other factors since 2009 PEFA assessment

No change in performance.

Reform prospects

The recent reinforcement of the MTFF is likely to improve this area, as the reliability of forward estimates is being strengthened. The move towards the adoption of the MTEF will require considering the future impact of recurrent and development expenditure as a united exercise.

2013 Assessment					
Evidence used	**Score**	**Framework Requirement**	**Information Sources**	**Score 2009**	**Explanation of Change since 2009**
D+				**C+**	
Forecasts of fiscal aggregates for at least two outer years, *and* detailed by the main categories of economic classification, have not been prepared for both FY 2011/2012 and FY 2012/2013.	D	(i) No forward estimates of fiscal aggregates are undertaken.	MTFF excel file; *Budget in Brief* for FYs 2011/2012, 2012/2013, 2013/2014; IMF, FAD, *GoB, Concept Paper for Budgeting Within a Medium Term Expenditure* Framework, 12 November 2012; IMF, FAD, *Botswana, Strengthening Macro-Fiscal Management and Budget Formulation, Progress Report*, May-October 2012.World Bank, Draft Report, *Budgeting Reforms in Botswana*, March 2011. Meetings with MPS.	D	**No change** though future improvement can be expected due to the recent introduction of a MTFF with fiscal aggregates for two outer years that are also detailed by economic category.
The GoB does not undertake a DSA and does not participate in or has accepted the results of the one undertaken by the IMF every year.	D	No (government –owned) DSA has been undertaken in the last three years.	2010, 2011, 2012 IMF Article IV Staff reports; meetings with MPS; BADM, Economic and Financial Policy Secretary, Secretary Development and Budget, BoB.	C	**No change in performance despite the lower rating.** No DSA was done by GoB alone or in connection with the IMF in either of the two periods considered by the respective assessments.
The NDP10 provides multi-year costed statements of sector strategies across more sectors, broadly consistent with fiscal forecasts, for sectors representing less than 25 % of primary expenditure.	C	(iii) Statements of sector strategies exist for several major sectors but are only substantially costed for sectors representing up to 25% of primary expenditure OR costed strategies cover more sectors but are inconsistent with aggregate fiscal forecasts.	*National Development Plan 10, April 2009-March 2016*, Volumes I and II, MFDP December 2009; MLGRD 2010/2011-2015/2016 Strategic Plan; MFDP 2010/11 - 2014/15 Draft Strategic Plan; MIST annual strategic plan and revised strategy, 2013; MOH Strategy 2010/2011-2011/2015 and corporate annual plans, NDP Mid-Term Review, March 2013; Annual Accounts 2011/2012; Approved budget 2013/2014; IMF, FAD Concept Paper for the MTEF. Meetings with Development Budget division, MFDP and planning and budget officers in Line Ministries (MIST, MLGRD, MMEWR, MOH, MoESD) and MFDP, National Strategy Office. For Dim (iv), Project memoranda in MoESD and Ministry of Transport for a Road project, showing detailed costing and recurrent estimates associated to investment.	A	**No main change in performance despite the lower rating.** The PA over-rated this dimension.
Investment decisions are guided by the NDP and their recurrent cost implications are taken into account only in a few but major cases.	C	(iv) Many investment decisions have weak links to sector strategies and their recurrent cost implications are included in forward budget estimates only in a few (but major) cases.		C	**No change in performance.**

3.4 Predictability and Control in Budget Execution

This part of the PEFA framework comprises a total of 9 performance indicators, beginning with 3 that deal specifically with tax management and administration.

PI-13: Transparency of taxpayer obligations and liabilities *(Scoring Method M2)*

This indicator comprises three dimensions that assess respectively (i) the level of clarity and comprehensiveness of major tax legislation and regulations; (ii) access of taxpayers to this information; and (iii) the existence and functioning of the tax appeals mechanism.

Background

Tax administration in Botswana is the responsibility of the Botswana Unified Revenue Service (BURS), a body established by law in 2004 under Cap 53.03 of the Laws of Botswana. The mandate of the BURS is "to perform tax assessment and collection functions on behalf of the Government and to take appropriate measures to counteract tax evasion on the one hand, and to improve taxpayer service to a much higher level on the other". Botswana is a member of the Southern Africa Customs Union (SACU). Through an arrangement whereby member countries pool their customs revenues, which are then distributed through an agreed formula, South Africa effectively subsidizes other member states.

(i) Clarity and comprehensiveness of tax liabilities

Three main pieces of legislation regulate the taxation system in Botswana. These are the Income Tax Act, the Value Added Tax (VAT) Act and the Customs and Excise Act. The provisions contained in the legislation are comprehensive and generally clear though it is recognized by BURS some further clarification of parts of the legislation by means of some would be beneficial[33]. The legislation allows some administrative discretion but this is limited by law. For example, the Commissioner General of Taxes has the power to remit the outstanding interest on tax liabilities up to a stipulated level, beyond which Ministerial approval is required The Minister has the power to waive arrears of tax provided he can establish "just cause" for doing so. Rating: B.

(ii) Taxpayer access to information on tax liabilities and administrative procedures

BURS maintains a comprehensive and informative website that provides full information on tax liabilities and administrative procedures. All primary and subsidiary tax legislation may be found there. Various other forms of communication are used, including a call centre, pamphlets, "relationship managers" within the recently-created Large Taxpayers Office (a new development that needs time to bed down) and the media. A Taxpayer Education Department also exists within BURS which runs a programme of educational events. Overall, taxpayer access to information is good. Dimension score: A.

[33] Of the three laws, the Customs and Excise Act is seen as the most modern and clearest.

(iii) Existence and functioning of a tax appeals mechanism

A two-stage tax appeals mechanism exists involving the following institutional arrangements:

i. Commissioner General of Taxes (the Executive Head of BURS)
ii. Board of Adjudicators
iii. High Court

The first recourse available to an aggrieved taxpayer is to *object* to the Commissioner General of Taxes (CGT). Any person aggrieved by an assessment made on him or her may, by notice in writing lodged with the Commissioner General within 60 days after the date of the notice of assessment, specifying the grounds on which it is made. The Commissioner General may either disallow the objection or allow it either wholly or in part, and must inform in writing the person concerned of the decision. In 2012/13 the following statistics on objections applied:

a) Balance B/F: 12
b) Received during the year: 27
c) Settled during the year: 27
d) Balance C/F: 12

The second stage of the process (this is, technically, the *appeals* stage) involves first the Board of Adjudicators (BoA) and secondly, if the appellant, is still dissatisfied, the High Court. These channels are open to "any person who is aggrieved by a decision of the Commissioner General on an objection". The BoA comprises a group of experienced professionals from the private sector with a Chair appointed by the Minister of Finance. Information supplied to the team indicated that there are very few recorded cases of such appeals having taken place[34]. Information supplied by BURS revealed that, in 2012/13, one appeal was brought forward, 2 new appeals were made, but none was settled by the end of the financial year. Moreover, oral evidence supplied by the private sector suggested that cases can be outstanding for long periods. Dimension score B.

[34] The last Board of Adjudicators hearing appears to have taken place on 21 June 2011.

2013 Assessment				2009 Assessment	Explanation of change since 2009
Evidence Used	**Score (M2)**	**Framework Requirement**	**Information Sources**		
	B+			B	Performance improvement
The laws are clear and comprehensive. Administrative and political discretion is well regulated.	B	Legislation and procedures for most, but not necessarily all, major taxes are comprehensive and clear, with fairly limited discretionary powers of the government entities involved.	BURS staff, website and documents, BOCCIM and member organisations, leading accountancy firms	B	No change
A good range of methods is used by BURS to ensure that taxpayers have easy access to relevant information. Tax education programmes have increased.	A	Taxpayers have easy access to comprehensive, user friendly and up-to-date information tax liabilities and administrative procedures for all major taxes, and the RA supplements this with active taxpayer education campaigns.	BURS staff, website and documents, BOCCIM and member organisations, leading accountancy firms	C	Performance improvement due particularly to BURS outreach programmes.
The appeals system is well established but appears to have little functionality in practice and/or be slow to deal with cases.	B	A tax appeals system of transparent administrative procedures is completely set up and functional, but it is either too early to assess its effectiveness or some issues relating to access, efficiency, fairness or effective follow up on its decisions need to be addressed.	BURS staff, website and documents, BOCCIM and member organisations. leading accountancy firms	B	Performance unchanged.

PI-14: Effectiveness of measures for taxpayer registration and tax assessment *(Scoring Method M2)*

(i) Controls in the taxpayer registration system

The taxpayer registration system involves the use of a common, seven-digit tax identification number (TIN) across the three main taxes (in the case of VAT, where turnover exceeds 500,000 Pula). This number is used in all correspondence with taxpayers. common electronic platform has been created across the three taxes and BURS is currently looking for the best way of developing a fully-integrated tax management information system. Work is ongoing to link taxpayer registration to other information systems, including the motor vehicle registration and national identity systems. Taxpayers earning more than 3000 Pula per month are required to register; the taxpayers register continues to grow and now numbers some 159,000 taxpayers. A study to gauge the potential tax gap has been undertaken. Rating: B.

(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations

The legislation provides for penalties for non-compliance with registration and declaration obligations as well as interest on late payment of tax. For example, the Income Tax Act stipulates that compound interest of 1.5% per month may be charged for failure to submit a tax return. These provisions are enforced if consistently if necessary though BURS has a reputation for being willing to listen to genuine taxpayer issues. The penalties are regarded as sufficiently high by tax administrators, private sector tax specialists and business representatives to ensure their effectiveness. Rating: A.

(iii) Planning and monitoring of tax audit and fraud investigation programmes

BURS has a tax audit section of some 56 auditors. Although audits are no longer executed on ad-hoc basis (that is, use is made of the Compliance Risk Management tool to consider cases for audit), BURS has not yet produced an Audit Plan It is intended to produce one during the current financial year. In the previous financial year the focus was on 1) “high net worth” individual, like lawyers; 2) VAT refunds; 3) nil filers; and 4) the tourism industry.

In 2012/13 BURS completed a total of 917 taxpayer audits, representing about 76% of the volume originally intended. Informal feedback from taxpayer representatives suggested that the audits are conducted in a constructive and non-adversarial style. Rating: C.

2013 Assessment				2009 Score	Explanation of change since 2009
Evidence Used	**Score**	**Framework Requirement**	**Information Sources**		
	B			**B**	No change
A unique Tax Identification Number (TIN) is used to register all personal and business taxpayers. Linkages to other registration systems are being strengthened.	B	Taxpayers are registered in a complete database system with some linkages to other relevant government registration systems and financial sector regulations.	BURS, BOCCIM, major accountancy firms	B	No change
Penalties exist, are applied and act as effective deterrents.	A	Penalties for all areas of non-compliance are set sufficiently high to act as deterrence and are consistently administered.	BURS, BOCCIM, major accountancy firms	A	No change
Tax audits are carried out with reference to risk but there is no documented audit plan.	C	There is a continuous program of tax audits and fraud investigations, but audit programs are not based on clear risk assessment criteria.	BURS, BOCCIM, major accountancy firms	D	Performance improvement resulting from increased attention to tax audit

PI-15: Effectiveness in collection of tax payments *(Scoring Method M1)*

(i) Collection ratio for gross tax arrears

BURS carries out regular reconciliation of tax assessments, tax collections, arrears and transfers of collections to the MFDP. Reconciliation processes take several forms, namely (i) bank reconciliation; (ii) reconciliation between the General Ledger and tax collection systems and (iii) reconciliation of individual taxpayer accounts by the Revenue Collecting Divisions. BURS operate a continuous monitoring process in relation to outstanding tax payments and produces a monthly debtors report. This separates new debt from debt brought forward. Information supplied by BURS showed the following situation regarding tax arrears:

Table 15: Tax Arrears 2010/11 (all figures in '000 Pula)

Description	Balance B/F at 1-4-10	Collection of previous years' arrears	Arrears Written off	Balance of previous years' arrears	Current Year Arrears	Balance C/F at 31-3-11
VAT INTERNAL	227,021	58,924	-	168,147	68,473	236,6
VAT INTEREST AND PENALTIES	193,211	193,211	35,308	155,468	90,268	245,736
ASSESSED INCOME TAX	281,294	281,294	11.393	203,537	91,440	294,977
ASSESSED INCOME TAX INTEREST	313,121	313,121	37275	257554	89,058	346,611
TOTAL	1,014,697	143,523	83,796	784,706	339,239	1,123,945

Collection Ratio of previous years' arrears 14.1%
Total Arrears as % Total Tax Collections 5.5%

Table 16: Tax Arrears 2011/12 (all figures in '000 Pula)

Description	Balance B/F at 1-4-11	Collection of previous years' arrears	Arrears Written off/adjustments etc.	Balance of previous years' arrears	Current Year Arrears	Balance C/F at 31-3-12
VAT INTERNAL	236,621	56,367	-	180,254	68,773	249,027
VAT INTEREST AND PENALTIES	245,736	24,421	12,619	208,695	86,600	295,296

ASSESSED INCOME TAX	294,977	64,958	16,644	213,375	80,815	294,190
ASSESSED INCOME TAX INTEREST	346,611	48872	25,227	272,513	95,631	368,144
TOTAL	1,123,945	194,618	54,490	874,837	331,819	1,206,657
Collection Ratio of previous years' arrears 17.3%						
Arrears as % total tax collections 4.8%						

Rating: D.

(ii) Effectiveness of transfer of tax collections to MFDP

Taxpayers and importers pay their taxes through a variety of means. Most large taxpayers pay by electronic funds transfer (EFT) through their banks. Other taxpayers pay at their local tax offices around Botswana. For taxes collected at the border, different arrangements apply with importers having up to 45 days to pay their duties. A small percentage of taxpayers use their local Post Office for tax remittances, though this is probably less than 2%.

Given the different methods of payment, it is perhaps unsurprising that there is no one period after tax collection before the revenues reach the MFDP. However, most of the revenues are transferred to the MFDP on a daily basis, although a significant proportion may be transferred after a few days or a week. Occasionally, transfers may occur on a less frequent basis but these are very rare occurrences. Rating: B.

(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by MFDP

A number of reconciliation processes are employed at different levels, including bank reconciliation; reconciliation between the General Ledger and the tax collection systems by the Finance and Administration Division of BURS; and of individual taxpayers' accounts by the specific revenue collecting divisions. However, long delays occur as a result of incomplete information associated with EFT transactions where payments cover more than one type of tax but the respective amounts are not clearly identified. BURS is fully aware of this problem and is well on the way through working with the BoB to establish a solution to it. Rating: D.

2013 Assessment				2009 Score	Explanation of change
Evidence Used	**Score**	**Framework Requirement**	**Information Sources**		
	D+			D+	No change
The average arrears collection rate over the two financial years 2010/11 and 2011/12 was only 15.7% and total arrears are significant at over 5% total collections	D	The debt collection ratio in the most recent year was below 60% and total amount of tax arrears is significant (i.e. more than 2% of total annual collections).	Interviews with BURS, Accountant General; BURS Annual Reports	B	Performance change uncertain as some doubt over basis of calculation in previous assessment
Almost all revenues are transferred daily or within a week of collection	B	Revenue collections are transferred to the Treasury at least weekly.	BURS, Accountant General	C	Performance improvement
Difficulties continue to be experienced in reconciling EFT transactions where it is often the case that remittances cover more than one tax but the respective amounts are not distinguished	D	Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury does not take place annually OR is done with more than 3 months‟ delay.	BURS, Accountant General	D	No change

PI-16 Predictability in the availability of funds for the commitment of expenditure *(scoring method M1)*

This indicator is intended to measure performance over the last completed fiscal year before assessment. For dimensions (ii) and (iii), as for most other dimensions and indicators in this Assessment, FY 2011/2012 was taken as the last completed FY. For dimension (iii), this also has the advantage of comparability of results with the findings of PI-2 (ii). For dimension (i), FY 2012/2013 was taken as the assessment year, so that the analysis could reflect recent developments in the cash planning area. Also, as cash forecasting is a forward looking activity, the Assessors deemed that data for FY 2012/2013 could be treated as final and adequate for consideration.

(i) Extent to which cash flows are forecast and monitored

Compared to the situation analysed by the 2009 Assessment, MDAs are now submitting a quarterly cash flow plan to the AG's Office at MFDP. In 2008, cash forecasts were being submitted to MFDP on a monthly basis, but only for foreseen payments of above 5 million pula. This practice continues to date and the information is transmitted to the Bank of Botswana (BoB). In 2010, the MFDP started requiring MDAs to submit quarterly cash plans for all payments, as well as for revenues. MDAs started complying during FY 2011/2012, and by FY 2012/2013 all MDAs were submitting quarterly forecasts.

These are not used as input to develop a consolidated cash flow plan for the year for CG, which would be updated on the basis of MDA submissions and used to inform and improve budget execution. Firstly, MDAs inputs were not consolidated for the 1st quarter of 2011/2012. Secondly, through meetings with the BADM Section, Budget Division, and the Banking Section, AG, it became clear that a cash flow forecasting function at the level of MFDP has not yet been developed. MDA inputs are simply assembled to inform the BoB (as the quarterly forecasts are also now submitted to the Bank), without proper analysis or consolidation. The quality of the cash forecasts undertaken at the level of MDAs also needs improvement, as the cash plans have very weak links with procurement plans. Finally, there is no two - way communication flow between the MFDP and BoB.

Following the recommendations of the IMF's Fiscal Affairs Department (FAD) October 2010 TA report on Cash Management[35], a Cash Management Committee (CMC) has been established but is not fully functional. Although there is nominally a "Cash Flow" Unit, the cash flow function is fragmented between the Banking division, AG's Office, and BADM, and is, as mentioned, only partially operative. Weaknesses in the MDA cash plans and in the overall cash forecasting function at the MFDP level have also been confirmed by a 2012 IMF/FAD mission on cash management.[36] To conclude, although MDAs are submitting cash forecasts on a quarterly basis, their quality needs to be improved, and, most importantly, MFDP is not yet using them to develop a consolidated cash planning function covering CG. Rating: D

Reform Prospects

MFDP has requested TA from the Commonwealth Secretariat to develop cash flow forecasting capacity within MFDP and assist MDAs to improve the quality of their current plans. It has already received TA from the IMF on cash management in May 2012, a mission that left the authorities with a draft outline for a Cash Management Manual.[37]

Performance change since 2009 PEFA assessment

Improvement in performance insofar as MDAs are now issuing cash plans for expenditure and revenue on a quarterly basis. As these are not yet properly consolidated or used at an overall level, this improvement does not reflect on the score which remains a D.

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[35] IMF, FAD, *Botswana, Public Financial Management Reform: Selected Issues and Action Plan*, October 2010.
[36] IMF, FAD, *Botswana, Developing the Cash Management Function,* May 2012.
[37] Idem.

(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitments

Authority to incur expenditure in accordance with the budget appropriation is released for the whole FY for both recurrent and development expenditure, through a general authorization warrant signed by the Minister of Finance and Development Planning. The warrant is sent very shortly after the passing of the Appropriation Bill (between one day and a week after, for the past three years) and even before the start of the FY. As a result, MDAs are able to plan and commit expenditure for a year in advance in accordance with the budgeted appropriations. Rating: A.

Performance change since 2009 PEFA assessment

No change.

(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs

All transfers decided above and beyond the level of management of MDAs, and that also impact the budget appropriation for a MDA, are to be approved by Parliament through a supplementary budget. This rule is established by the Constitution (Section 119). The same section also requires increases in the total appropriation for any "head of expenditure" to be approved by Parliament through a supplementary.

As all adjustments decided above the level of management of MDAs are approved by a supplementary they are predictable. Moreover, the communication to MDAs is instant as warrants are immediately prepared (produced from the GABS system) and communicated to MDAs after Parliamentary approval of the supplementary.

During FY 2011/2012, the above rules were respected. Budget transfers between MDAs and requests for increased appropriations were implemented through a supplementary budget. Specifically, two supplementary budgets were presented to Parliament and subsequently approved, one with a lower approved budget increase than requested. The first supplementary, in November 2011, implied increases in the overall appropriations for expenditure from both the Consolidated and the Development Funds. The approved supplementary was 2.5 billion pula (1.8 bn. for recurrent expenditure and 700 million for development expenditure), which equals 5% of the total approved expenditure estimate for that FY.[38] The second supplementary, in January 2012, approved 6.25 million pula of transfers from the Ministry of Defence, Justice and Security in favour of the Administration of Justice vote, as well as an overall increase in development expenditure amounting to 297 million pula. The second supplementary implied an adjustment equal to 0.60% of total approved estimates. As a result, the first adjustment was significant in size, the second considerably less.[39]

[38] As per the *FieldGuide*'s guidelines for this dimension, total expenditure (recurrent and development) has been considered, and not primary expenditure as for PI-1 and PI-2.

[39] The *FieldGuide* advises to assess "significance" in relation to the percentages specified in the PI-1 rating criteria (page 98).

Both adjustments followed the statutory procedures. The legal framework also requires for transfers from the contingency fund to be ratified ex-post in the next budget. No advances were made from the contingency fund in FY 2011/2012 (see PI-2). Overall, significant in-year adjustments took place once during the year and in a transparent and predictable way. Rating: A. *Performance change since 2009 PEFA assessment*

Performance has improved because fewer supplementary estimates were required.

2013 Assessment				Score 2009	Explanation of change since 2009
Evidence used	**Score**	**Framework Requirement**	**Information Sources**		
	D+			**D+**	
Cash flow forecasts are now submitted on a quarterly basis. That said, they have weak links to procurement plans and are not used at MFDP to analyze cash flow plans at a consolidated level and inform budget execution.	(i)D	(i) Cash flow planning and monitoring are not undertaken or of very poor quality.	Quarterly Cash Flow Forecast submissions from MDAs during FYs 2011/2012 and 2012/2013; Monthly forecasts for payments above 5 million Pula; IMF papers on cash management (IMF, *FAD, Botswana, Public Financial Management Reform: Selected Issues and Action Plan*, October 2010, IMF , FAD, *Botswana, Developing the Cash Management Function*, May 2012. Meetings with the Banking Section, Office of AG, with AG Office and BADM.	(i)D	**No overall change in performance.** Although MDAs are now submitting cash flow forecasts on a quarterly basis, their operational use is limited at the overall level, so that this positive development does not translate into an improvement in the rating.
MDAs are able to plan and commit expenditure for one year in advance in accordance with the budgeted appropriations.	(ii) A	(ii) MDAs are able to plan and commit expenditure for at least six months in advance in accordance with the budgeted appropriations.	Finance Warrants to selected MDAs for 2011/2012 (and 2012/2013, 2010/2011); Meetings with the Recurrent and Development Budget Divisions.	(ii) A	**No change.**
Significant in-year adjustments to budget allocations took place only once and through a supplementary budget.	(iii) A	(iii)Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a transparent and predictable way.	Requests for supplementary estimates and related Report by the Finance and Estimates Committee, for November 2011 and January 2012; The Constitution, the FAA and the Financial Regulations. Meeting with the Director- Recurrent Budget and the Deputy Secretary, Budget Administration.	(iii) C	**Performance improvement** thanks to a lower number of supplementaries approved during FY 2011/2012, with only one implying a significant reallocation.

PI-17 Recording and management of cash balances, debt and guarantees (*Scoring Method M2)*

Dimensions (i) and (ii) of this indicator analyse the situation as at the time of assessment (May/June 2013). Dimension (iii) measures performance over the last completed FY before assessment, selected as 2011/2012 as definite data on the actual amounts of loans and guarantees contracted by CG were needed to verify that the statutory requirements had been met.

(i) Quality of debt data recording and reporting

External debt records are managed by the BADM Section, MFDP. The Section uses the Commonwealth Secretariat-Debt Recording and Management System (CS-DRMS), version 2000+. External debt records in the system are complete and reconciled on a quarterly basis. For domestic lending, only records of loans and guarantees to parastatals are entered in the system ("net lending" category). Domestic debt data (records of bonds and T-Bills) are held at the BoB. The data at BoB are updated and reconciled on a monthly basis. They are also reported on during the year as the BoB issues a monthly statement on government bonds and T-Bills to inform BADM so it can complement its own records. As there is no interface yet between CS-DRMS and GABS, data in CS-DRMS are also inserted in GABS-PDSU Module and completed with the information from BoB. Consequently, the debt module in GABS has information on both domestic and external debt and is complete in terms of coverage, yet it lacks some important functionality that CS-DRMS has (such as forecasting tools, provisions to insert interest rates. Therefore the Section continues using CS-DRMS as the primary database. Every time borrowing in the form of external debt or net domestic lending is incurred, double data entries are made (one in GABS and one in CS-DRMS). Moreover two different units in the Section share responsibility - the Public Debt Service Unit (PDSU) for data entry in GABS, and the Cash Flow unit for data entry in CS-DRMS. Such a process is prone to generate inconsistencies between records[40]; suffer from reconciliation issues (especially as the two modules do not have the same features) and at times produce data which are not completely reliable.[41] This is also recognized by the authorities and in the process of being resolved as the interface between CS-DRMS and GABS is further developed. Another weakness is related to the reporting of debt data: in-year reporting takes place only for T-Bills and bonds, but not for the other debt categories. Overall debt is reported only at year end, in the Annual Accounts. Statements 8 and 13 detail domestic lending, Statement 11, internal and external public borrowing to finance development projects, Statement 17 contingent liabilities (loans to public officers and public corporations guaranteed by the Government).

[40] The Commonwealth Secretariat TA mission in May 2011 found that "because both departments receive and record the loan details independently there is no guarantee that the loan keys assigned within the two systems will be the same", and that this had not been the case on a number of occasions. This makes it difficult to connect the two sets of data for reconciliation, and in any automatic transfer of information.

[41] The same mission found that "(ii) The GABS module is only capable of recording and forecasting fixed rate interest transactions. This means that any forecasts for a variable rate loan will not be correctly recorded. In these cases the PDSU have been using the fixed margin as the interest rate and thus the forecast interest transactions are substantially lower than would be expected."

While domestic debt is reconciled and reported on a monthly basis, external debt is reconciled quarterly and reported at year-end. Consequently, overall public debt and government guarantees are reported at year-end only. Some data quality issues and reconciliation problems are recognized. Rating: C.

Reform Prospects BADM has received TA from the Commonwealth Secretariat on Integrating CS-DRMS 2000+ with GABS. The data entry features that were delaying the integration (such as different loan keys for the same loan in the two systems) are in the process of being resolved.

Performance change since 2009 PEFA assessment
No change.

(ii) Extent of Consolidation of the Government's Cash Balances

There is a Single Treasury Account, the "Government Remittances Account (GRA)" held with the BoB. Most government cash inflows go into this account and most payments are made from it. All MDA accounts are covered by the RA. The daily cash balance of the RA is 700 million pula (and must not exceed that, as per a MFDP instruction). Consequently, calculation of cash balances has to take place daily. Consolidation of accounts' balances, including the special funds sub-account, also takes place daily and the related information is sent to the Office of the AG also on a daily basis.

There are 4 main categories of entities that are covered by CG expenditure and do not hold accounts with the BoB or are not part of the RA,

1) 36 Treasury Cashiers Officers that act as service points to facilitate payments in districts. Their combined daily cash holdings amount to 2% of the combined daily holdings of the total cash balances known to the assessment.[42] Calculation and consolidation of cash balances for these accounts takes place monthly.

2) BURS maintains a separate account at BoB for its revenue collection: the BURS Remittances Account (BRA).[43] BURS collects government tax and specific non-tax revenue on behalf of CG. The CG revenue collected by BURS does eventually go into the main GRA: after BURS has finalized the process of reconciliation and posting of tax payer accounts. That is also when the calculation and consolidation of cash balances for the BRA takes place. The assessment found that at present it takes 10 days for this process to be finalized, so that calculation and reconciliation of cash balances for the BRA takes place every ten days on average. The average daily cash holdings of the BRA amount to 16% of combined cash holdings;

[42] The assessment has calculated the total daily cash holdings for the GRA, the BRA, the Treasury Cashiers Offices and special funds. For the three former, these have been calculated on the basis of April 2013 data; for special funds, on the basis of the cash balances at end of 2012. The percentages for each specific category are expressed over the total combined cash balances of RA, BRA, Treasury Cashier Points and special funds.
[43] The main account for BURS is held outside of BoB.

3) Special funds are maintained as sub-accounts of the GRA, yet they do not follow the GRA's cash balances and reconciliation procedures. Their cash balances are calculated and consolidated on a monthly basis. The average combined daily cash balance for special funds for 2011/2012 was 30 million pula, or 3% of the total cash holdings. The accounts of special funds are also not activated very often.
4) For the bodies currently classifies as "parastatals", accounts are held in commercial banks, except for the Botswana Savings Bank. As discussed under PI-7 (i) a potentially high number of these bodies are CG entities. For those, not just the CG's subsidy, for which the corresponding cash is held in the RA account, but also the cash balances for the rest of their expenditure fall under CG. Thus, an identified portion of CG cash balances is held in commercial banks. This should not be too substantial, as these bodies are largely subsidized by CG. Reconciliation for these accounts is also done monthly.[44]

A fifth category of accounts not in the RA or the BoB are the donor accounts. These are in the commercial banking system in accordance with the terms of agreements with donors. The donor accounts are relevant only when they fund projects run or "controlled" by the government. In any case, as can be seen in D-2, the amount of total donor funded project expenditure (whether controlled or not by the GoB) is very small in relation to CG expenditure (less than 1% for FY 2011/2012).

As a result, most government cash balances are calculated and consolidated daily, as they are covered by the GRA. There are CG funds outside the arrangement, mostly special and extra-budgetary funds. For these, calculation and reconciliation takes place monthly. For the most significant portion of CG cash balances outside the arrangement (the cash held in the BRA), reconciliation takes place every 10 days. Donor funded projects are negligible in terms of total expenditure. Rating: B.

Reform prospects

The GoB has received IMF TA that sets out, for the medium term, reforms to the legal framework (as BURS has a separate Act from the PFM Act) that would allow to increase the coverage of the RA, by including cash from tax revenue in the general RA, and discontinue the BRA.

Performance change since 2009 PEFA assessment

The PA rated this dimension C, on the basis that the calculation and consolidation of cash balances took place monthly. The PA however signals that a Single Treasury Account was already operational and considered that only the treasury officers (for which calculation and consolidation is monthly) were outside the arrangement. The dimension may have been underscored, yet there is not enough evidence in the PA to definitely conclude that this is the case. As a result, it is unclear if there is no change or improvement in performance.

(iii) Systems for contracting loans and issuance of guarantees

[44] In PI-7 (i), the difference between the subsidy and the overall expenditure for 9 out of the 33 EBEs, amounted to 0.82% of CG expenditure.

The ceilings for overall borrowing are clearly set in the *Stock, Bonds and Treasury Bills Act* of 2005, section 20, "Limitation on Borrowing". There are three types of ceilings that apply concurrently:

(i) the total cumulative stock of debt and guarantees cannot exceed 40% of GDP;
(ii) domestic debt and guarantees together cannot exceed 20% of GDP ; and
(iii) external debt and guarantees together cannot exceed 20% of GDP.

The loans and guarantees regulated by the Act also cover those to parastatals and local authorities. The same act (sections 3 to 15) adds additional criteria:

(i) the Minister of Finance (alone) has the authority to issue stocks or bonds, within the 40% ceiling, both domestically and abroad as long as these do not exceed 50 million pula;
(ii) for the issuance of any stock or bond, up to 50 million pula, the Minister shall report ex-post to Parliament;
(iii) for the issuance of stocks or bonds in excess of 50 million pula, the Minister has to obtain prior approval by Parliament.

The FAA allows loans to be raised through other means than issuing stocks, bonds and T-Bills. Section 10 authorises the Minister of Finance to borrow by means of a bank overdraft, as long as the amount does not exceed 5% of the total revenue credited to the Consolidated Fund in the previous year; if it does, Parliamentary approval is needed. The loans incurred by way of bank overdraft are included in the 40% ceiling on total debt and guarantees.

During FY 2011/2012, the statutory ceilings were respected: external debt and guarantees amounted to 17.7% of GDP and internal debt and guarantees to 7.5%. The loans contracted during FY 2011/2012 and the guarantees issued were all approved by the Minister of Finance. No loans by means of bank overdraft were contracted.

Overall, the ceilings set in the legal framework translate into clear fiscal targets for the year and these are respected. A single authority, within the Executive, can approve contracting of loans and issuance of guarantees. However, the fiscal targets are fixed and not updated in relation to changing macroeconomic conditions. Moreover, also according to the BADM Section, the Act does not set clear criteria for decisions concerning contracting of loans and issue of guarantees, and these are not provided by the financial regulations or internal guidelines. A Debt Management Strategy that could also provide such guidelines has not been issued. Rating: B.

Performance change and other factors since 2009 PEFA assessment
No performance change. The PA rated the dimension C on the basis that no set ceilings or fiscal targets were in place. Fiscal targets are however clearly derived from the *Stock, Bonds and Treasury Bills Act, 2005* that was already in force and also applied in practice.

2013 Assessment				Score 2009	Explanation of change since 2009
Evidence used	**Score**	**Framework Requirement**	**Information Sources**		
	B			**C**	
Domestic debt and external debt are reconciled on a monthly and quarterly basis respectively. Data quality is considered fair, but some gaps and reconciliation problems for external debt data and data on domestic lending to public corporations/ local authorities are recognized. Public debt and contingent liabilities are reported at year-end in the annual accounts.	C	(i)Domestic and foreign debt records are complete, updated and reconciled at least annually. Data quality is considered fair, but some gaps and reconciliation problems are recognized. Reports on debt stocks and service are produced only occasionally or with limited content.	Annual Accounts 2011/2012, BoB Government Bonds and T-Bills monthly statements for FY 2011/2012, Commonwealth Secretariat, *The Policy, Institutional and Legal Framework for Government Debt Management in Botswana*, 7-16 September 2010, Commonwealth Secretariat; *CS-DRMS GABS Integration Report*, May 2011, The World Bank, *Botswana, Technical Assistance to Develop a Medium-Term Debt Management Strategy*, June 2010. Meetings with Director, BADM Section, Cash Flow Unit and PDSU at MFDP and with BoB.	C	No change
Most cash balances are calculated and consolidated daily, except for some extra-budgetary funds and special funds which are consolidated monthly; and the BRA for which consolidation is every ten days.	B	(ii) Most cash balances are calculated and consolidated at least weekly, but some extra-budgetary funds remain outside the arrangement	Data on BURS transfers for April 2013 and average cash holding of Treasury Cashier Officers from AG Office, Data from BURS; IMF , FAD, *Botswana, Developing the Cash Management Function,* May 2012. Meetings with BoB, Office of the AG, and Revenue and Banking Section, AG Office, BADM Section.	C	**Unclear:** The PA rated this dimension C, on the basis that the calculation and consolidation of cash balances took place monthly. A Single Treasury Account was however already operational. The dimension may have been underscored, yet there is not enough evidence in the PA to definitely conclude that this is the case. As a result, it is unclear if there is no change or improvement in performance.
Central government's contracting of loans and issuance of guarantees are made within limits for total debt and total guarantees, set in terms of percent of GDP, and always approved by the Minister of Finance.	B	(iii) Central government's contracting of loans and issuance of guarantees are made within limits for total debt and total guarantees, and always approved by a single responsible government entity.	*FAA, Stock, Bonds and Treasury Bills Act, 2005;* Annual Accounts 2011/2012; Data on the stock of debt and guarantees at end 2009/2010 to 2011/2012; Loan Agreements and "Deeds of Guarantees" for 2011/2012. Meetings with DAPM.	C	**No change in performance.** The PA under-rated dimension (iii).

PI-18: Effectiveness of payroll controls ***(Scoring Method M1)***

As a major component of expenditure, effective control of the payroll is an important indicator of sound financial management. The indicator comprises four dimensions and is scored using the M1 method.

(i) Degree of integration and reconciliation between personnel records and payroll

The payroll is the responsibility of the Accountant General in the MFDP, while responsibility for personnel records, as with all aspects of human resource management, rests with the Department for Public Service Management (DPSM) in the Office of the State President. The payroll is centralised and computerised using the Oracle Payroll system. Personnel records are also computerised but currently using another system, namely Infinium. A project is in progress to migrate the personnel records onto Oracle Human Resources[45], but at present the two systems are connected by means of a manual interface. Control over input to the payroll is strict; all inputs are subject to a detailed checklist with full authorisation required for any change in circumstances (appointment, promotion, allowances, retirement etc.) through the completion of a so-called “Casualty Return”. Monthly payroll reports are submitted to MDAs which are required to reconcile the data, verify payments made and confirm that their inputs have been accurately and fully implemented. A payroll feedback form has to be completed and returned by MDAs, even if a “nil return” to confirm the accuracy of the payroll. The Accountant General’s payroll function applies to all central government institutions. Almost all payments are made direct to bank by EFT with a very small minority of cash or cheque payments being made in exceptional circumstances. Rating: A.

(ii) Timeliness of changes to personnel records and the payroll

There are few delays in implementing changes to personnel records and the payroll. The closing data for input from MDAs is the 3rdof each month and the payroll is processed in 3 batches between the 8Th and 10th of the month. Submissions continue throughout the month and must usually wait until the following month’s pay run. However, special arrangements can be made for additional pay runs though this is rare in practice. Retrospective adjustments are sometimes necessary, as was the case, for example when teachers’ salaries were restructured. On rare occasions delays in the submission of information by the MDAs may also give rise to retrospective adjustments but overall retrospective adjustments are uncommon (two occasions in the last 2 years) and changes are made in a very timely manner. Rating: A.

(iii) Internal controls of changes to personnel records and the payroll

No change to personnel records may be made without proper authorisation, backed up by documentary evidence of appointment, promotion etc. A hierarchical system of authorisation obtains, whereby any officer who initiates a change has to have approval for the change from a higher level. Each MDA is required to submit to the Accountant General an approved list of authorised signatories. A clear audit trail exists for changes to personnel records and payroll comprising a three-tier system (the employee record at the MDA, the employee file at the MFDP and the computerised system reports) Rating: A.

[45] Currently the personnel database is being updated under the Oracle HR module.

(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers

Whilst there is no comprehensive payroll audit plan, audits have taken place in the last 3 years. A systems - based payroll audit focusing on the role of the Accountant General was completed by the Auditor General in 2012/13 and an internal audit focusing more comprehensively on payroll is in progress. These audits were independent from the auditees and featured for the first time the application of computer assisted audit techniques (CAATS) and will form the basis for future audits. In 2011/12 a systems implementation review on the payroll and GABS was undertaken by KPMG. Audits within individual MDAs of their own operations have been less comprehensive. Links between the personnel records and the National Identity system make the possibility of “ghost workers” or “double dippers” remote, if not completely impossible. Rating: B.

2013 Assessment				Score in 2009	Explanat-ion of change since 2009
Evidence used	**Score**	**Framework Requirement**	**Information Sources**		
	B+			B+	No change
A combination of electronic and manual systems supports consistency and monthly reconciliation	A	Personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation	Accountant General, DPSM, Payroll and personnel documentation, Project documentation.	A	No change
Routine monthly updates are reliable and timely	A	Required changes to the personnel records and payroll are updated monthly, generally in time for the following month's payments. Retroactive adjustments are rare	Accountant General, DPSM, Payroll and personnel documentation.	B	Performance improvement as delays or few retrospective adjustments
Hierarchical controls ensure authorised changes	A	Authority to change records and payroll is restricted and results in an audit trail.	Accountant General DPSM Payroll and personnel documentation	A	No change
Payroll audit activity has taken place though not systematically	B	A payroll audit covering all central government entities has been conducted at least once in the last three years (whether in stages or as one single exercise).	Accountant General DPSM Payroll and personnel documentation	B	No change

PI-19: Competition, value for money and controls in procurement *(Scoring Method M2)*

This indicator was revised in 2011 and now contains four dimensions. It is scored using the M2 methodology.

i. ***Transparency, comprehensiveness and competition in the legal and regulatory framework.***

Public procurement is regulated by the Public Procurement and Asset Disposal Act (PPADB) (Cap 42.08 of the Laws of Botswana) supported by the PPADB Regulations by way of subsidiary legislation. The Act establishes the PPAD Board and its functions and powers. These require the Board to ensure, inter alia, that all public procurement and asset disposal entities take into account the principles of a) an open, competitive economy and b) "competition among contractors by using the most efficient and competitive methods of procurement to achieve the best value for money" The legislation and regulations are available in printed form in a single document at a cost of 15 Pula (approximately 2US$). The PPADB has a well-functioning website to which access around Botswana is good, especially through post offices. Other methods of communication include contractors' and procuring entity training workshops, stakeholder workshops, the media and public meetings ("kgotla").

The regulatory framework applies to all procurement using government funds other than Public Private Partnerships and situations where there is associate "tied" funding from donors. It has precedence over any other legislation in terms of procurement issues. The situations where any procurement method other than open domestic competition may be used are specified in Regulation 55; Board or its Committees' permission is required for use of other methods.

Public access to procurement information is provided in relation to bidding opportunities, contract awards and data on the resolution of procurement complaints, but not to government procurement plans.

The Act and regulations provide for an independent administrative procurement review process which has its own regulations dated 2006.

Rating: B.

ii. ***Use of competitive procurement methods***

Open domestic competition is clearly identified by the regulatory framework as the preferred method of procurement. Any departure from this method has to be justified to the relevant body (the PPADB itself for contracts over 25 million Pula, Ministerial Tender Committees(MTCs) for contracts with a value of 2-25 million Pula and District Administration Tender Committees for contracts with a value of between 30,000 Pula and 2 million Pula. The PPADB controls the practical implementation of these requirements and ensures they are adhered to in practice.

iii. Public access to complete, reliable and timely procurement information

With the exception of government procurement plans, which are not published[i],[46] public access to key procurement information is ensured through a variety of means. These include the weekly Government Gazette (available at the Government Bookshop in Gaborone for 6 Pula), the free daily newspaper the *"Daily News",* the PPADB and GoB websites, and District Commissioners' offices country-wide. International publications like "*The Economist"* are used for open international tenders, which are also publicised through overseas missions. Rating: B.

iv. Existence of an independent administrative procurement complaints review system

Part X of the PPADB Act establishes the Independent Complaints Review Committee supported by its own Regulations of 2006.The Committee comprises a Chair and four members, all appointed by the Minister of Finance and Development Planning. All members are drawn from outside the Government, be it from commerce, industry or academia. The Committee members have no involvement in government procurement processes. A non-refundable lodging fee of 250 Pula is charged plus a complaint fee ranging from 1,500 Pula to 350,000 Pula, which is refundable if the complaint is successful. The PPADB's only role is to be informed of the Committee's decision. The complaints process is clearly regulated. The Committee has the authority to suspend the procurement process and issues decisions within the required (30 day maximum) time period. Its decisions are binding on all parties, not precluding the right to litigation. Rating: A.

Performance change: This is not possible given the changed methodology.

Overall Comment: *The rather high scores recorded for all four dimensions of this indicator should not obscure the fact that there is general acceptance in Botswana (in Government, the private sector and civil society) that there are serious challenges in public procurement. The system and procedures may look good on paper, but, on closer and deeper inspection, there are many instances of the rules not being followed properly, poor technical specifications, project delays, poor supervision and cost overruns. These are frequently resulting in inefficient and ineffective public expenditure.*

[46] Private sector contractors consulted during the assessment stated that advance notification of government procurement intentions would be valuable in terms of helping them to be ready for contracting opportunities.

2013 Assessment				Score in 2009	Explanat-ion of change since 2009
Evidence used	**Score**	**Framework Require-ment**	**Evidence used**		
	B+			**D+**	Changed methodology
The legal framework is comprehens-ive and transparent with the exception of information on procurement plans.	B	The legal framework meets four or five of the six listed requirements.	PPADB Act and Regulat-ions		Changed methodology
All departures from competitive tendering are justified to the appropriate tender committee or PPADB	**A**	In all cases	Records supplied by PPADB Auditor General Internal Audit		Changed methodology
Only information on government procurement plans is not publicised through appropriate means.	**B**	At least three of the key procurement information elements are complete and reliable for government units representing 75% of procurement operations (by value) and made available to the public in a timely manner through appropriate means.	PPADB "Daily News" Government Gazette Government Bookshop		Changed methodology
A sound appeals mechanism exists and is applied.	**A**	The procurement complaints system meets all seven criteria.	PPADB Act PPADB Regulations PPADB (ICRC) Regulations		Changed methodology

PI-20: Effectiveness of internal controls for non - salary expenditure (*Scoring Method M1)*

This indicator comprises 3 dimensions and is assessed using the M1 scoring method.

(i) Effectiveness of expenditure commitment controls

Expenditure commitment controls are exercised mainly through GABS but also, where GABS is not yet operational, through a manual vote ledger**.** The GABS functionality ensures that funds must be confirmed to be available before a Local Purchase Order (LPO) can be issued.[47] All revenue centres are online; it is mainly the more remote outstations to which GABS has not yet been rolled out. Internal Audit and External Audit estimate that only 5-6% of expenditure is not covered by the automated system. For the most part, the commitment controls successfully limit expenditure to both cash availability and approved allocations, though there have been instances of overspending in a manual environment where there was a failure to reconcile commitments with available funding. Rating: B.

(ii) Comprehensiveness, relevance and understanding of other internal controls and processes

A comprehensive hierarchy of controls is mandated in terms of the Constitution, FAA (now PFMA), PAA, Public Service Act, other laws such as the PPADB Act and Regulations, General Orders, Financial Instructions and Supplies Regulations. The controls and process are generally fit for purpose and well understood by government officials. Overall the internal controls are necessary and appropriate; they work efficiently despite the normal and occasional complaints by business about excessive red tape[48]. Rating: A.

(iii) Degree of compliance with rules for processing and recording transactions

The level of compliance with internal controls is generally fairly high – one interviewee described internal controls as "substantially reliable". However, there are concerns in connection with reconciliations about over-reliance on the IT systems and particular problems where manual ledgers are still in use. There have been some major issues concerning differences between commitments and purchases and over the need to return batches of payments which had been incorrectly processed. Controls have also been circumvented/lifted in relation to travel imprests having been given before previous interests had been retired, albeit justified on emergency or national security grounds. In his report on the financial statements for the year ended 31 March 2012, the Auditor noted that this was an issue that needed to be "brought under control by MDAs". The Public Accounts Committee has also reported on breaches of internal controls. Rating: C.

Performance change: The assessment remains the same as was recorded in 2009.

[47] It should be noted, however, that the GABS controls can be lifted, as happened in the case of Mission accounts in 2010/11.

[48] Botswana scores well in the World Bank's "*Doing Business*" reports

2013 Assessment				Score in 2009	Explanat-ion of change since 2009
Evidence used	**Score**	**Framework Requirement**	**Information Sources**		
	C+			C+	No change
Generally sound expenditure commitment controls are in place.	B	Expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations for most types of expenditure, with minor areas of exception.	Accountant General Internal Audit Auditor General Sample MDAs	B	No change
The rules and procedures are comprehensive, "fit for purpose" and well understood.	A	Other internal control rules & procedures are relevant, & incorporate a comprehensive & generally cost effective set of controls, which are widely understood.	Accountant General Internal Audit Auditor General Sample MDAs	A	No change
Some concern has been expressed by the Auditor General and the Public Accounts Committee about the use of non-compliant procedures.	C	Compliance with rules is fairly high, but simplified/emergency procedures are used occasionally without adequate justification.	Accountant General Internal Audit Auditor General Public Accounts Committee	C	No change

PI-21: Effectiveness of internal audit (*Scoring Method M1)*

This indicator comprises three dimensions and is scored using the M1 methodology.

Internal audit plays a critical role in well–functioning PFM systems in terms of alerting management to any weaknesses in internal control and other operating systems.

(i) Coverage and quality of the internal audit function

Internal audit in Botswana falls under the direction and leadership of the Director, Internal Audit based in the MFDP. The Director reports to the Permanent Secretary, Finance. The IA unit provides professional guidance to internal audit units operating in all MDAs. Internal audit works independently of routine payment and accounting systems (though there were occasions in the past when it became involved in pre-audit work). It is estimated that the extent of Internal Audit's coverage of central government activity amounts to approximately 70% of government expenditure. Internal audit units in MDAs cover almost all extra-Ministerial departments including the Attorney General, Independent Electoral Commission and Directorate.

A Government Audit Committee (GAC) is established by the Minister of Finance under the PFMA with effect from 1 April 2013. Its membership, which is currently being finalized, will be drawn from the private sector and be independent of Government. It is expected to comprise 7-10 members. The GAC has a Charter which states that its objective is "to provide independent assurance and assistance to Permanent Secretary, Ministry of Finance and Development Planning on government risk management, control, governance, and compliance framework".

A systems-based approach to internal audit is employed increasingly within a framework of risk-based assessments. The evidence available through examination of audit programmes points to systems-based audit taking up approximately 70 % of staff time.

Audits are carried out in accordance with Institute of Internal Audit (IIA) standards, in which a programme of training occurs. All internal audit reports by MDAs are subject to quality control by the MFDP prior to being issued. In addition, quarterly meetings take place between the Directorate of Audit and MDAs to review progress against annual work-plans. Rating: B

(ii) Frequency and distribution of reports

Internal audit reports, including special audit reports, are issued in accordance with a specified standard no more than two weeks after completion of the fieldwork. These are distributed to the concerned MDAs, MFDP and Office of the Auditor General. There is a planned schedule of audit which is adhered to insofar as resource constraints permit. Internal audits typically cover over 40 % of government expenditure per annum. Rating: B

(iii) Extent of management response to internal audit findings

The most significant issues raised in internal audit reports tend to relate to infrastructure projects, which regularly reveal a variety of weaknesses such as delays, cost overruns, payment arrears and inadequate supervision. MDAs are given four weeks to respond to internal audit findings; response rates by management are generally good, though subject to some variability between MDAs.[49] Internal Audit Committees, chaired by the Permanent Secretary, exist in all MDAs and play an important role in ensuring that internal audit reports are given due consideration. This is reinforced by a process driven by the Reforms Unit in the Office of the State President to monitor performance across Government including action taken on audit findings. Rating: B

Performance Change: There has been a performance improvement since the last assessment in 2009. This is attributable to improved report distribution since reports are now routinely shared with the OAG.

2013 Assessment				**2009 Assessment**	**Explanation of Change**
Evidence used	**Score**	**Framework Require-ment**	**Information Sources**		
	B			**C+**	**Performance improvement**
	B	Internal audit is operational for the majority of central government entities (measured by value of revenue/expendi-ture), and substantially meet professional standards. It is focused on systemic issues (at least 50% of staff time).	Annual Audit Work-plans, Specific Audit Programmes, Training Programme	B	Performance unchanged although promising steps are being taken to increase the application of risk-based techniques
	B	Reports are issued regularly for most audited entities and distributed to the audited entity, the ministry of finance and the SAI.	Audit Reports	C	Distribution of reports to the OAG is now standard practice
	B	Prompt and comprehensive action is taken by many (but not all) managers.	Written responses from management to internal audit reports. Regular follow-up by Internal Audit	B	Performance unchanged though improved incentives for management to take, and be seen to take, action.

[49] Data supplied by the Internal audit Department of MFPD shows response rates and implementation of recommendations varying between 29% and 84%

3.5 Accounting, Recording and Reporting

Four indicators (PIs22-25) are assessed in this part of the Framework.

PI-22: Timeliness and regularity of accounts reconciliation (*Scoring Method M2)*

This indicator comprises two dimensions and is assessed using the M2 scoring method based on the situation as at the time of the assessment

(i) Regularity of bank reconciliations

Bank reconciliation is undertaken by the Accountant General's Department on a monthly basis. A variety of bank accounts exist, including the Government Remittance Account (GRA) at the BoB which is the main GoB bank account. Some of the accounts are held at commercial banks, including that for the Global HIV/TB Fund. Most accounts have been reconciled up to 31 March 2013 but the GRA is only reconciled up to 31 March 2012. This is due to sums amounting to 1.6 bullion Pula[50] being unaccounted for, being the total of sums received by means of Electronic Funds Transfer that were unreferenced. Work is therefore ongoing with BoB to develop a system that will allow only referenced funds to reach the GRA. Rating: D.

(ii) Regularity of reconciliation and clearance of suspense accounts and advances

Advances are regulated in Chapter 13 of the Financial Instructions and Procedures which are issued in support of the FAA/PFMA. In practice, there are several types of advance with different purposes and different timescales. Reconciliation of advances of more than one year in duration occurs quarterly, while those for less than one year are carried out on a monthly basis. The reconciliation exercise is usually completed within a week or so using a range of individual and aggregate reports generated by GABS. However, the Auditor General, in his report on the financial statements for the year ended 31 March 2912, has expressed serious concern about the total of advances and what he describes as "laxity in (their) monitoring" Rating: B.

Performance change: performance has deteriorated since 2009 because of a significant backlog in bank reconciliation.

[50] This was the sum at the time of the relevant interviews. Informal comment suggests that the figure has now been reduced to 700 million Pula.

2013 Assessment				Score in 2009	Explanation of change since 2009
Evidence used	**Score**	**Framework Requirement**	**Information Sources**		
	C			**B**	Performance deterioration
Whilst most bank reconciliations are up to date, there is a serious backlog on the Government Remittance Account which is the main Consolidated Fund bank account. 1.6 billion Pula of unreferenced transactions remain to be reconciled	D	Bank reconciliation for all Treasury managed bank accounts take place less frequently than quarterly OR with backlogs of several months.	Accountant General Financial Instructions	B	Performance deterioration due to large unreconciled balance
The reconciliation process is generally timely and efficient but there are cases of advances stretching back almost a decade.	B	Reconciliation and clearance of suspense accounts and advances take place at least annually within two months of end of period. Some accounts have uncleared balances brought forward	Accountant General Financial Instructions Trial balance sheet, end-2008/09 (provided by MoF). Auditor General	B	Performance improvement

PI-23 Availability on Information on Resources received by Service Delivery Units *(scoring method M1)*

The indicator covers the three years preceding the assessment: from May/ June 2010 to May/June 2013.

***(i) Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front- line service delivery units (focus on primary schools and primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of which level of government is responsible for the operation and funding of those units*.**

For both primary health-care and education, wages and salaries are not part of the resources distributed to primary service delivery units. The resources distributed are food items, equipment, teaching materials and health care supplies.

For primary health clinics, resources have been distributed by the MOH since FY 2009/2010. For recurrent expenditure, the MOH provides resources to primary health clinics (PHCs) through the Department of Clinical Services. The Department distributes the resources to District Health Management Teams (DHMTs) that in turn provide them to the PHCs. There are currently 29 DHMTs and 279 PHCs. The DHMTs report back to the department on the use of expenditure on a monthly basis. The information is also consolidated in reports that show donated and procured equipment for Clinics for the whole FY. The reporting is very detailed: it shows budget execution by different categories of expenditure and resources in kind that are distributed to PHCs. Though reports are not detailed at the level of the individual clinic, they do show how much was delivered overall to the clinics under a given DHMT, and differentiate them from hospitals. Moreover, no funds are distributed directly to the clinics, as the DHMTs buy all the goods for them and deliver only resources in kind. When DHMTs distribute the resources to the clinics, this has to be documented by accountability reports that show the level and the type of resources received by the PHC. For development projects, expenditure on PHCs can be traced through GABS and is reported both monthly and at year-end in the annual accounts.

Resources to primary schools are delivered through Local Authorities (this was also the case for PHCs before FY 2009/2010). There are 16 Councils and 752 primary schools. Local Authorities procure almost all goods on behalf of the schools and distribute them in kind. Schools are only given 10,000 pula a year to spend directly, for very fresh food that cannot be bought and then distributed without perishing. The annual accounts of Local Authorities detail the expenditure at the level of primary education, which is in turn detailed by expenditure category (*School Books and Equipment, Teaching Materials, Replacement of school equipment*)[51]. As in the case of health, the distribution of resources in kind to schools has to be documented by accountability reports. For expenditure and resources on schools, the information is reported on a yearly basis, with some backlog for the most recent year, as not all Councils submit annual accounts on time. Development

[51] The monthly income and expenditure reports that Local Authorities have submitted throughout the past FY do not detail expenditure just for primary education.

expenditure is not part of the funds channeled via Local Authorities and can be traced through GABS as for health, as it is executed by CG.

Overall, for PHCs, routine data collection takes place on the resources received in kind by PHCs on a monthly basis, and the information is compiled into reports for the FY; for schools the annual accounts of Local Authorities detail the resources going to primary schools. Development expenditure for PHCs and schools is captured at the CG level through GABS. Rating: A.

Performance change since the 2009 assessment

No change.

2013 Assessment				Score 2009	Explanation of change since 2009
Evidence used	**Score**	**Framework Requirement**	**Information Sources**		
	A			**A**	
For PHCs, routine data collection takes place on the resources received in kind by PHCs on a monthly basis, and is consolidated into reports for the FY. For schools the annual accounts of Local Authorities detail the resources going to primary schools. For both schools and PHCs almost no resources are received in cash. Development expenditure for PHCs and schools is captured at the CG level through GABS.	A	(i)Routine data collection or accounting systems provide reliable information on all types of resources received in cash and in kind by both primary schools and primary health clinics across the country. The information is compiled into reports at least annually.	Data on the execution of expenditure and distribution of resources by DHMTs to PHCs from MOH for executed by DHMT for FY 2011/2012 and FY 2012/2013; Monthly and annual reports from GABS for development expenditure on Health and Education for the last three FYs; Local Authorities' Annual Accounts for FYs 2009/2010-2011/2012; Samples of MOH Accountability Reports/MOH *Internal Supplies Requisition Reports* for DHMTs for 2011, 2012 and 2013. Meetings with MLGRD, MOH, and Office of the Accountant General, MFDP; OAG.	A	No change

PI-24 Quality and timeliness of in-year budget reports *(Scoring method M1)*

This indicator covers in-year budget execution reports of CG and refers to the last completed fiscal year. As reliable data were available in this case for the whole period, the indicator has been assessed with respect to FY 2012/2013.

(i) Scope of reports in terms of coverage and compatibility with budget estimates.

The Accountant General (AG) produces monthly in-year reports and posts them on the GoB intranet. The MDAs input the expenditure in GABS that is then relied upon by AG staff to issue consolidated information on in-year execution. This information is then accessible to MDAs. MDAs do access the reports regularly, as it is through the reports that they decide whether to request any in-year reallocations between votes within the ministry. Line ministries interviewed during the Assessment confirmed that that is the case. Also, the reports are accessed for Ministries to explain any variances from the estimated budget, and the Monitoring and Evaluation unit, Budget and Development Division at MFD, regularly checks this is undertaken.

The reports now capture expenditure both at the commitment and payment stages. On the expenditure side, the monthly reports contain all the items presented in the budget estimates book. In the monthly reports, as in the budget, expenditure is detailed by administrative heading, recurrent and capital expenditure. Moreover, all the votes that are detailed under the main administrative heading in the budget (the Ministry) are also detailed in the in-year reports. The reports allow a direct comparison with the original budget as they show the approved estimate for the related FY, for every vote. On the revenue side, the monthly reports, like the budget, are classified by administrative heading. All the votes presented under each main heading in the budget are also detailed in the monthly reports. As with expenditure, the reports on revenue also include the approved estimate for the related FY, per vote, allowing a direct comparison with the budget at a detailed level. Rating: A.

Performance change since PA

The 2009 PEFA Assessment rating was C. The rating was mainly due to the fact that the monthly reports did not yet capture expenditure at the commitment stage. As this is now captured, and no other factors affect the change in the score, progress from C to A reflects actual improvement in performance.

(ii) Timeliness of issue of the reports

Reports are issued monthly and normally posted between two and three weeks from the end of the period. The AG’s target for posting the reports is actually 15 days from the end of the period and this was achieved for over half of the reports, with the others made available within three weeks from the end of the period. Rating: A.

Performance change since PA

No change in performance.

(iii) Quality of information

There are no material concerns on data integrity or accuracy. The IMF's statistics report mentioned under PI-5 raised issues regarding the quality of data derived for the purpose of the reclassification of expenditure to meet GFS functional requirements, given the manual procedure involved, but this concern did not extend to the data automatically derived from the GABS system. Ministries that use the reports confirm that the data contained generally reflect their inputs, and few and immaterial complaints were registered by the AG from users of the system.[52] The OAG and Internal Audit do not cover the in-year reports. Rating: A.

Performance change since the PA

No change in performance.

[52] The OAG does not audit in-year reports and could not be used as a source for the quality of information.

Current Assessment					
Evidence used	**Score**	**Framework Requirement**	**Information Sources**	**Score in 2009**	**Explanation of change since 2009**
	A			**C+**	
Classification of data allows direct comparison to the budget. Information on revenue and expenditure includes all items of budget estimates, and expenditure is covered at both commitment and payment stages.	A	(i)Classification of data allows direct comparison to the original budget. Information includes all items of budget estimates. Expenditure is covered at both commitment and payment stages.	Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenues 2012/2013; Estimates of Expenditure from the Consolidated and Development Funds 2012/2013; Monthly Reports on expenditure, revenue, commitment and expenditure for FY 2012/2013; evidence of date of posting of reports in the intranet from AG; IMF, Statistics Department, *Botswana, Report on the Government Finance Statistics Mission, October* 10-21, 2011. Meetings with AG staff, Internal audit, Monitoring and Evaluation unit, Budget department, and Line Ministries, (MIST MLGRD, MMEWR, MoESD, MOH).	C	Improvement in performance. In-year reports now capture both the commitment and the payment stages. At the time of the PA, only payments were captured.
Reports are issued monthly, between 2 and 3 weeks from the end of the period.	A	(ii) Reports are prepared quarterly or more frequently, and issued within 4 weeks of end of period.		A	No performance change.
There are no material concerns regarding data accuracy.	A	iii) There are no material concerns regarding data accuracy.		A	No performance change.

PI-25: Quality and timeliness of annual financial statements (*Scoring Method M1)*

i. Completeness of the financial statements

The Accountant General produces an annual set of financial statements covering budgetary central government. The statements are largely comprehensive, covering revenue, expenditure and financial assets (including revenue arrears). These include information on financial and contingent liabilities - Statement 11 in the Annual Statement of Accounts provides information on public debt and Statement 17 reports on Contingent Liabilities. However, no information is provided on expenditure arrears or outstanding creditors (current liabilities). Rating: B.

ii. Timeliness of the submission of the annual financial statements (AFS)

In accordance with the requirements of the Finance and Audit Act (FAA), the annual financial statements are submitted within eight months of the end of the financial year[53]. Rating: B.

iii. Accounting standards used

The basis of accounting and classification of accounts used by the GoB are, in accordance with the relevant legislation, determined by the Minister of Finance. Currently, the accounts are prepared consistently over time according to the cash basis of accounting – though there are elements of accrual accounting in the reporting for Special Funds. The GoB has decided to migrate, over time, to the full accrual basis of accounting. To that end, a roadmap has been produced that sets out a phased approach beginning with the compilation of a fixed assets register. The roadmap suggests that financial statements that are fully compliant with International Public Sector Accounting Standards (IPSAs) might be expected for the financial year ending March 2019. It is planned to apply the IPSA on cash accounting with effect from the current financial year (2013/14) but in the period under review, no specific accounting standards had been adopted. Rating: C.

[53] This period is reduced to six months with effect from the 2013/14 fiscal year in accordance with the new PFMA.

2013 Assessment				Score in 2009	Explanation of change since 2009
Evidence used	**Score**	**Framework Requirement**	**Information Sources**		
	C+			**C+**	**No change**
The statement is largely complete with the exception of certain financial liabilities	B	A consolidated government statement is prepared annually. They include, with few exceptions, full information on revenue, expenditure and financial assets/liabilities	Annual Statement of Accounts 2011/12	B	No change
The Annual Statement of Accounts was submitted for external audit within 8 months of the end of the financial year 2011/12	B	The consolidated government statement is submitted for external audit within 10 months of the end of the fiscal year.	Annual Statement of Accounts 2011/12	B	No change
Annual financial statements are prepared on a consistent basis but no specific accounting standards have been adopted.	C	Statements are presented in consistent format over time with some disclosure of accounting standards.	Annual Statement of Accounts 2009/10 2010/11 2011/12 Cash to Accrual Scoping Study	C	No change

3.6. External Scrutiny and Audit

This set of 3 indicators (PIs 26-28) looks at the quality and timeliness of external scrutiny of the government's budget estimates as well as the public accounts.

PI-26: The scope, nature and follow up of external audit *(Scoring Method M1)*

(i) Scope and nature of audit

External audit in Botswana has been regulated by the Constitution[54] and, until 1 April 2013, the Finance and Audit Act (FAA). From that date a new piece of legislation, specific to external audit, has come into force – the Public Audit Act (PAA). The Office of the Auditor General (OAG) is the body responsible for the external audit of central government, local government and four parastatals bodies. It also receives copies of the external audit reports of parastatals audited by private firms. Both transactions and systems-based approaches to audit are employed. As well as financial audits a planned number of performance audits are carried out. Audits are carried out in accordance with the International Organisation of Supreme Audit Organisations (INTOSAI) standards and the OAG is a member of the regional body, AFROSAI-E. For the last financial year audited, which was 2011/12 approximately 70% of government expenditure was audited, compared to 80% in the PA, reducing the score to C. Rating: C.

(ii) Timeliness of submission of audit reports to legislature

The FAA (and PFMA) require the Auditor General to submit the audited financial statements to Parliament within 4 months of receiving them from the Accountant General. This requirement is met in practice, as evidenced by the fact that the 2011/12 financial statements were submitted to the legislature on 21 March 2013 having been received from the Accountant General by the statutory date of 30 November 2012. Performance audit reports are submitted to the legislature as and when completed.[55] Rating: A.

(iii) Evidence of follow up on audit recommendations

There appears to be a concerted effort on the part of the Auditor General to ensure that its recommendations are acted upon. Exit meetings are held with management to discuss audit findings. Management is required to respond in writing to issues raised in the final audit report. Reminders are issued if necessary and matters are followed up on a regular basis until either the file is closed or the next audit occurs. If a matter contained in a management letter is not acted upon, it will be referred to the Public Accounts Committee (PAC). The PAC also produces its own report and the MDA must report on action taken at the next session of the PAC. However, the fact that the Auditor General has to refer in his reports to the same issues he has reported on previously, and the PAC has also highlighted suggests that follow-up action is far from optimal Rating: B.

[54] The Auditor General's independence in undertaking his duties is provided for and protected by the Constitution of the Republic of Botswana.

[55] Quarterly reports on performance are also submitted to the State Presidency.

2013 Assessment				Score in 2009	Explanat-ion of change since 2009
Evidence used	**Score (M1)**	**Framework Requirement**	**Information Sources**		
	C+			D+	Performance improvement
Statutory deadline of 4 months complied with	A	Audit reports are submitted to legislature within 4 months of end of period covered & in the case of financial statements from their receipt by the auditor.	Auditor General Report. Parliament	D	Performance improvement. Previous backlogs of reporting have now been eliminated.
Management responses are made to audit findings but there is evidence of issues having to be repeatedly raised	B	A formal response is made in a timely manner, but there is little evidence of systematic follow up.	Auditor General Report. Parliament	B	No change.

PI-27: Legislative scrutiny of the annual budget law *(Scoring Method M1)*

(i) Scope of the Legislature's Scrutiny

Botswana has a vibrant functioning legislature which keeps a watchful eye on the activities of the Government. In terms of budget scrutiny, the key budget documents that are presented to the legislature are the draft recurrent estimates, the draft development estimates and the Appropriation Bill, all submitted by MFDP.[56] Parliament has 15 working days to consider the Estimates[57] prior to the Budget Speech which formally represents the request of the Executive to the Legislature for funding[58]. After the Minister of Finance has delivered the Budget Speech at the beginning of February, Parliament has 15 working days to review the Estimates prior to meeting as the Committee of Supply, in which form each Minister is called to present his/her budget which is then debated. Parliament has the right to amend the Estimates, including rejection of specific expenditure proposals as happened in the case of expenditure proposals from the State Presidency in 2013/14. Rating: B.

(ii) Extent to which the legislature's procedures are well-established and respected

[56]A Medium Term Fiscal Framework has now been developed and will also receive legislative scrutiny.

[57] There is no budget office in Botswana to analyse the budget proposals.

[5858] Fiscal policies form part of the Budget Speech.

Legislative procedures are well established. The procedural framework derives from the Constitution, FAA/PFMA and House Standing Orders. They include the operations of the Finance and Estimates Committee of Parliament. Successive Governments, and members of the House, have consistently respected these procedures. Rating: A.

(iii) Adequacy of time for the legislature to provide a response to budget proposals

The Budget Speech is delivered by the Minister of Finance according to an agreed annual timetable early in February and the budget is consistently approved toward the end of March. There are approximately 7 weeks available for detailed review of budget proposals. Rating: B.

(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature

The Constitution and FAA/PFMA prescribe the process and rules that govern in-year budget amendments without ex-ante approval by the legislature**.** The rules are clear, comprehensive and adhered to. MDAs which see the likelihood of excess expenditure are required to look for opportunities for virement first and only then to request with clear justification supplementary funding. The MFDP is required to table a Financial Paper in Parliament, which is considered by the Finance and Estimates Committee. The Committee has 14 days to review the proposal which it may approve, approve with amendments or reject the proposal. The Chair of the Committee submits its recommendation to the House. Some in-year amendments may be made through Presidential Directive (in emergency situations such as the outbreak of disease) but still have to come to Parliament as a Supplementary Estimate. Rating: A.

2013 Assessment				Score in 2009	Explanat-ion of change since 2009
Evidence used	**Score**	**Framework Requirement**	**Information Sources**		
	B+			**B+**	No change
In the period under review only the multi-year fiscal framework was not yet available for review.	B	The legislature's review covers fiscal policies and aggregates for the coming year as well as detailed estimates of expenditure and revenue.	Interviews with parliamentary staff Standing Orders	B	No change
Standing orders define the procedures which are well respected.	**A**	The legislature's procedures for budget review are firmly established and respected. They include internal organizational arrangements, such as specialized review committees, and negotiation procedures.	Interviews with parliamentary staff Standing Orders	**A**	No change
About 7 weeks are available to review the budget proposals	B	The legislature has at least one month to review the budget proposals	Interviews with parliamentary staff Standing Orders	**B**	No change
The regulatory framework is clear and well respected.	A	Clear rules exist for in-year budget amendments by the executive, set strict limits on extent and nature of amendments and are consistently respected.	Interviews with parliamentary staff Standing Orders	**A**	No change

PI-28: Legislative scrutiny of external audit reports *(Scoring Method M1)*

i. *Timeliness of examination of audit reports by the legislature*

In each of the last three years for which audit reports have been submitted to Parliament (covering FYs 2009/10, 2010/11 1nd 2011/12), the Public Accounts Committee (PAC) has considered the reports in the period late-May to mid-June – that is, within 3 months of receipt of the reports).[59] The only exception to this standard practice is reported to be during election years when current and prospective Members of Parliament are out on the campaign trail, so the PAC does not meet at that time. Rating: A.

ii. *Extent of hearings on key findings undertaken by the legislature*

The PAC meetings (which are now held in public) with individual MDAs take place according to a pre-arranged timetable. Each MDA is required to submit its report on income and expenditure at least 2 weeks before its Accounting Officer is scheduled to appear before the PAC, giving the Committee time to study the issues. The Committee receives technical advice from a senior official of the OAG on secondment to Parliament. Each MDA receives at least 2-3 hours of searching questioning on its accounts. Rating: A.

iii. *Issuance of recommended actions by the legislature and implementation by the executive*

Following each meeting, the PAC considers its main findings and the Chair, in association with the technical adviser, draft a report containing recommendations which is discussed with the full Committee before being finalised. Minutes of the PAC meetings are kept and a full PAC report issued and tabled in Parliament. The report indicates clearly the corrective actions that have been carried out in response to their recommendations to the Executive. There is no space in the parliamentary calendar for a formal debate on the report and there is no formal response to the report by MFDP. However, the PAC ensures that a progress report on its recommendations is received at its next session. PAC reports indicate that recommended corrective actions are systematically addressed across all Ministries. Rating: A

[59] At the time of writing (June 2013) the PAC is in session examining the audit report for the financial year 2011/12.

2013 Assessment				Score in 2009	Explanat-ion of change since 2009
Evidence used	**Score** **M1**	**Framework Requirement**	**Information Sources**		
	A			C+	Performance improvement
PAC meetings occurred within 3 months of receipt of audit reports.	A	Scrutiny of audit reports is usually completed by the legislature within 3 months from receipt of the reports	Interviews with parliamentary staff Schedule of PAC meetings (parliamentary calendar)	C	Performance improvement due to regular PAC meetings
Comprehensive programme of PAC hearings in public.	A	In-depth hearings on key findings take place consistently with responsible officers from all or most audited entities, which receive a qualified or adverse audit opinion.	Interviews with parliamentary staff Schedule of PAC meetings (parliamentary calendar)	A	No change
Recommended actions systematically made and growing focus across Government on performance review and corrective action	A	The legislature usually issues recommendations on action to be implemented by the executive, and evidence exists that they are generally implemented.	Interviews with parliamentary staff Schedule of PAC meetings (parliamentary calendar)	A	Performance unchanged

3.7 Donor Practices

The EU is providing both budget support and project/programme aid through the 10th European Development Fund (EDF) National Indicative Programme (NIP). The programme targets three main areas: (i) Human Resource Development, accounting for the grand majority of NIP funds, through two consequent sector budget support programmes; (i) the Non-State Actors programme, targeting support to civil society, NGOs and private sector development; (iii) technical cooperation to provide TA, including in support of the PFM Reform Program. Since 2006, when SBS began, the EU has disbursed € 82.8m in SBS. Botswana has also received additional funding from FLEX[60] and the EU Millennium Development Goals Initiative amounting to €59.8m.

The AfDB has provided direct budget support for 1.5 billion US$ in 2009/2010 and 2010/2011 for economic recovery. The AfDB is also providing project/programme aid to Botswana through the *Morupule B Generation and Transmission* Loan to develop low-carbon electricity and energy supply capacity and through grants. The World Bank is providing project/programme aid in the area of HIV/AIDS Prevention (through a loan), and in other areas, including through grants, such as the *Human and Wildlife Co-existence* project. However, the amounts of overall donor funding through loans and grants are small and under 1% of total expenditure.

Other donors that have been providing project and programme support in 2011/12 and 2012/13 are: China, Kuwait, the Organisation of Petroleum Exporting Countries (OPEC), the Arab Bank for Reconstruction and Development (BADEA), the Centre for Disease Control (CDC), the United Nations Development Program (UNDP), the United Nations Environmental Program (UNEP), and the Swedish Agency for International Development (SIDA).

D-1 Predictability of Direct Budget Support
(Scoring Method M1)

This indicator covers the last three completed FYs before the Assessment: FYs 2009/2010 to 2011/2012.

(i) Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature.

In all three FYs, the EU provided sector budget support (SBS). The AfDB provided 1,5 billion US$ in general budget support in FYs 2009/2010 and 2010/2011.The AfDB loan was disbursed as planned: one tranche for 1 billion US$ in FY 2009/2010 and one for 500 million US$ in FY 2010/2011. The EU tranches were disbursed as planned in FY

[60] FLEX funds are funds not foreseen in the original Financing Agreement as they are supplementary funds, compensating for export losses. They are normally disbursed through a budget support programme as soon as possible without a rider to the FA.

2010/2011, whereas 56% of the planned tranches were disbursed in FY 2009/2010 and 85% in FY 2011/2012.

Table 17: BS for FYs 2009/2010-2011/2012, forecast and actual, in pula

	Forecasts			**Actual disbursements**		
FY	**EU**	**AfDB**	**total BS**	**EU**	**AfDB**	**total BS**
2009/2010	213,612,090	6,653,359,814	6,866,971,903	119,991,480	6,653,359,814	6,773,351,294
2010/2011	210,481,100	330,469,2545	3,515,173,644	210,481,100	3,304,692,545	3,515,173,644
2011/2012	138,613,861	..	138,613,861	117,820,792	-	117,820,792

Sources: DEU Botswana, AfDB Loan Financing Agreement, MFDP.

This results in actual budget support deviating from the forecast (in percentage of the agreed amount) by 15% in FY2010/2011, also as only the EU was providing BS that year, so that the impact of the change is higher than in FY 2009/2010. The deviations for all three years are shown in Table 18 below. As only one year out of the last three years has direct budget support outturn fallen short of the forecast by more than 10% (but not by more than 15%), the rating is B.

Table 18: D-1 dimension (i), deviation of actual budget support from forecast, FYs 2009/2010-2011/2012

FY 2009/2010	1.4%
FY 2010/2011	0.0%
FY 2011/2012	15.0%

Performance change since the PA and other factors

The PA rated this dimension A, but the data it reports for this dimension support a C rating, with BS falling short of estimates by 100% in one year. As a result, performance on predictability of BS has actually improved.

(ii) In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates).

The donors providing BS did not provide a forecast of budget support disbursements quarter by quarter or on an annual basis. The forecast is provided at the time of the FA, and can be revised if there is a reassessment of conditions of tranches being met. As for both loans there were/are conditions prior to disbursement, the lack of quarterly and systematic yearly forecasts implies that the dimension rating is D.[61]

Performance change since the PA

No change.

2013 Assessment					
Evidence used	**Score**	**Framework Requirement**	**Information Sources**	**Score in 2009**	**Explanation of change since 2009**
D+				**D+**	
Only in FY 2010/2011 did BS outturn fall short of the forecast by more than 10%, but not by more than 15%.	B	(ii) In no more than one out of the last three years has direct budget support outturn fallen short of the forecast by more than 10%.	Data on forecasts and actual disbursements from DEU, Botswana and BADM, MFDP; Financing Agreements for the BS Loans. Meetings with DEU; Development Partners Section, Development Budget Division and BADM, MFDP.	A	**Improvement in performance.** BS fell short of the forecast by 100% in FY 2007/2008 compared to 15% in FY 2010/2011.
Donors providing BS do not provide estimates by quarter.	D	(ii) The requirements for score C (or higher) are not met.		D	**No change.**

D-2 Financial information provided by donors for budgeting and reporting on project and programme aid *(Scoring Method M1)*

This indicator has been assessed for FY 2011/2012 as the data on disbursements covered under this indicator needed to be also used to assess PI-7 (ii), for which data on actual expenditure are needed. Data on donor disbursements have been largely provided by the MFDP and are presented in Table 19.

[61] Refer to clarification *D-1 f* of the FieldGuide, page 171.

Table 19: Donor disbursements, loans and grants, for project/program aid during FY 2011/2012, in Pula.

LOANS	
CHINA	
Letlhakeng-Dutlwe-Morwamosu	11,601,237
KUWAIT	
Tsabong-Middlepits	2,067,753
WORLD BANK	
BNAPS (Botswana National HIV/AIDS Prevention Support)	73,162,957
AfDB	
Morupule B	257,725,320
Pandamatenga Agric	49,141,863
Total Loans	**393,699,204**
GRANTS	
World Bank	
Human and Wildlife Co-existence	5,749,423
Strenghthnening of BIA	1,326,293
AfDB	
Solar Powe Plant- Morupule	3,453,588
NBFIRA	638,734
CDC	42,895,801
EU	78,005,640
Total Grants	**132,069,479**
Total Loans and Grants	**525.768.683**

Source: BADM Section and Development Programs Section, Development Budget Division, MFDP, and EU Delegation Botswana.

(i) Completeness and timeliness of budget estimates by donors for project support

Donors do not provide budget estimates for project support. As for BS, also for loans and grants for project support, the FA is used as the basis on which the Government can expect disbursements to be made. Strictly speaking, the FA is finalized well before the start of the next FY, but that does not satisfy the requirements for *budget estimates*. Then again, like in 2008, the GoB is not providing donors with requirements or guidelines to submit budget estimate submissions. The rating is D.

(ii) Frequency and coverage of reporting by donors on actual donor flows for project support

Donors do not provide quarterly reports on project disbursements. Donors provide a one-off report within a few weeks after disbursement. That said, for 85% of disbursements on project/program aid, donors are using national procedures for reporting (see D-3). The rating is D.

2013 Assessment					
Evidence used	**Score**	**Framework Requirement**	**Information Sources**	**Score in 2009**	**Explanation of change since 2009**
D				**D+**	
Donors do not provide budget estimates for disbursement on project aid.	D	(i) Not all major donors provide budget estimates for disbursement of project aid at least for the government's coming FY and at least 3 months prior to its start.	Meetings with Budget Division, Development Programmes Section and BADM Section, MFDP; NAO; World Bank and EU Office in Botswana; Line Ministries. For dimension (ii), disbursement notification for the World Bank loan/project *Botswana National HIV/AIDS Prevention Support Project (BNAPS)* during FY 2011/2012.	C	**No change.** In 2008, according to the PA, development partners were providing budget estimates for approximately 50% of disbursements at least 3 months before the FY, yet using their own budget classification. However, the Development Program Division, MFDP and the Line Ministries interviewed during the assessment have stated that they did not receive estimates for donor-funded projects.
Donors do not provide quarterly reports on project disbursements. Donors provide a one-off report within a few weeks after disbursement.	D	(i) Donors do not provide quarterly reports within 2 months of end-of-quarter on disbursements made for at least 50% of externally financed project estimates in the budget.		D	**No change.**

D-3 Proportion of aid that is managed by use of national procedures
(Scoring Method M1)

This indicator has been assessed for FY 2011/2012 in line with the assessment period for D-1 and D-2.

(i) Overall proportion of aid funds to central government that are managed through national procedures.

Both for the quantitative data on disbursements and for the use of national procedures, information to assess this indicator regarding project aid has been provided only partially from donors and mostly from the MFDP, supplemented with the information in the loan and grant agreements. Data on disbursements for loans and grants for FY 2011/2012 are reported in Table 19, under D-2.

According to the information made available to the assessment, 85% of project aid for both loans and grants in FY 2011/2012 followed national procedures in all areas except procurement. That amounts to an average of 64% of project aid going through national procedures. The 117.8 million pula of BS in FY 2011/2012 from the EU followed all national procedures. As a result, in FY 2011/2012, the percentages of donor funds using national procedures in terms of total donor funds received were as follows:

- National procurement procedures: 18%
- National payment /accounting procedures: 88%
- National audit procedures: 88%
- National reporting procedures: 88%

By consequence, on average, in FY 2011/2012 70% of aid funds went through national procedures. Rating: C.

Reform Prospects

BADEA, IFAD, OPEC and SIDA, who did not make disbursements in the year assessed, are also using national procurement procedures.

2013 Assessment					
Evidence used	**Score**	**Framework Requirement**	**Information Sources**	**Score in 2009**	**Explanation of change since 2009**
C				**D**	
70% of aid funds to Central Government are managed through national procedures.	C	(i) 50% or more of aid funds to central government are managed through national procedures.	Data on disbursements for project aid from BADM Section, MFDP; data on BS disbursements from EU; Data on use of national procedures from World Bank, EU, BADM Section, MFDP and loan/grant agreements; Meetings with Budget Division, Development Programmes Section and BADM Section, MFDP; NAO; World Bank and EU Office in Botswana; Line Ministries.	D	**Improvement in performance.** In FY 2007/2008, donor funds channeled through budget support were the only funds going through national procedures, so that considerably less than 50% of total externally financed projects were using country systems. In FY 2011/2012, on top of BS, 64% of project aid was also using national procedures.

3.8 Country Specific Issues

There are three aspects of Botswana's revenue situation that are deserving of comment. First, as a substantial part of its non-tax income comes from the sale of demands, the revenue stream is highly dependent on the international market conditions. This is one factor that can cause volatility in its revenue streams. The second factor concerns Botswana's membership of SACU which involves a pooling of customs revenues between the member states and their subsequent distribution according to an agreed formula. Uncertainty can result from both the total amount for distribution and changes in the revenue-sharing formula itself. Both factors place a premium both on the success of the ongoing work on developing an effective revenue forecasting model and flexible budget management.

Thirdly, fiscal rules and policies are in place that act as "stabilisers", promote fiscal sustainability of government spending and budgetary discipline. These rules are possible thanks to Botswana being a resource-rich economy (minerals) and balance the volatile effects of the two latter aspects. They are summed by the following linked set of policies/ rules:

(i) to reserve mineral revenues for funding development spending (defined to include recurrent spending on health and education – i.e. spending on human capital);

(ii) linked to point (i), recurrent spending should only be funded by recurrent revenue;

(iii) any excess mineral revenues that cannot be productively used immediately are saved in Government accounts at the BoB (the Government Investment Account, GIA), which has a counterpart in part of the Pula Fund (a tranche of the foreign exchange reserves);

(iv) in times of sharp revenue shortfalls, the GIA can be used as a mitigating mechanism. The accumulated savings in the GIA can in fact be used to cover revenue shortfalls and thus maintain spending programmes without recourse to (significant) additional borrowing, which also allows for orderly fiscal consolidation. This was done in response to the sharp falls in revenue in 2009. At the same time, in such circumstances, the BoB will make transfers as necessary from the Pula Fund to the liquidity portfolio to ensure adequate import cover.

4 Government reform process

4.1 Recent and ongoing reforms

The GoB has a comprehensive PFM Reform Programme (PFMPR) which was developed following the 2009 PEFA assessment. The PFMRP covers the full spectrum of PFM activity; it is comprehensive, complex and ambitious. It seeks to move away from the more traditional, "stand alone" type of initiatives that have characterised previous reform efforts in Botswana to a much more integrated, holistic and coordinated approach.

The PFMRP comprises 5 main components, each with a number of sub-components. The structure of the Programme is summarised in Table 19 below, which also identifies the objective, lead institution and official for each (sub) component.

Table 20: Structure of PFMRP

PFM REFORMS PROGRAMME COMPONENT MANAGERS

Component	Reform Objective	Lead	Component Manager
1.0 Legal and Institutional Framework for PFM	**To have a consistent and harmonised legal and institutional framework to support the PFM reform process**	**Ministry of Finance / PFM Reform "Unit".**	PS, Accountant General, Secretary Development Budget
1.1 Legal Framework	To provide a consistent and comprehensive framework for PFM, aligned to the new developments and challenges	Office of the Accountant Generals	Deputy Accountant General Mr. O. Lebuletswe
1.2 Institutional Framework	To have a harmonised institutional framework to support and coordinate the PFM reform process.	Development and Budget Division	Secretary Development & Budget, PFM Coordinator
1.3 Monitoring and Evaluation	To establish a monitoring and evaluation framework to be able to track progress of PFM reforms	Development and Budget Division	PFM Coordinator
1.4 Communication	To provide timely and relevant information to all key stakeholders and the public about major PFM reforms	Division of Development and Budget	PFM Coordinator

2. Budget Planning and Formulation	**To improve the budget planning and formulation process to enhance transparency, credibility and comprehensiveness**	**MFDP/ Budget Division**	Director Budget, Recurrent Director Macro Economic Policy Director Development Programmes Director Budget Analysis & Debt Management
2.1 Macro-fiscal policy & Planning	To support stabilisation policy and improve planning by using sound and comprehensive macroeconomic analysis and credible multi-year budget ceiling	Division of Economic and Financial Policy	Director Macro Economic Policy
2.2 Budget Preparation	To establish a credible and transparent budgeting process.	Division of Development and Budget	Director Budget, Recurrent Director Development Programmes Director Budget Analysis & Debt Management
2.3 Budget Formulation	To establish a clear and transparent presentation of the budget reflective of policy objectives and developed within a multi-year framework	Division of Development and Budget	Director Budget, Recurrent Director Development Programmes Director Budget Analysis & Debt Management.
3.0 Budget Execution	**To improve budget execution to obtain better predictability for spending units, improved commitment control, increased efficiency**	Division of Development and Budget	Director Budget, Recurrent
3.1 Budget Outturn	To enhance Government's ability and credibility in delivering the public services in line with policy objectives and budget documents	Division of Development and Budget	Director Development Programmes
3.2 Procurement	To strengthen procurement planning, management, control and oversight in order to enhance efficiency in the implementation of Government’s	PPADB	Executive Director

3.3 Cash, Debt and Guarantee Management	To improve the efficiency of cash, debt and guarantee management to enhance effective execution of the budget and to maintain the debt at sustainable levels.	Division of Development and Budget	Director Budget Analysis & Debt Management Peter)
3.4 Payroll and pensions	To effectively maintain and manage a credible payroll and pension system	DPSM Office of the Accountant General	Director, DPSM Assistant Accountant General
4. Budget control and oversight	**To strengthen budget control and oversight to ensure a credible, transparent and efficient budget execution**	Office of the Accountant General	Deputy Accountant General (Accounts & General Ledger) Assistant Accountant General (Accounts & General Ledger)
4.1 Accounting and Reporting	To provide accurate and timely financial information on the budget implementation to ensure sound and prudent financial management	Office of the Accountant General	Deputy Accountant General (Accounts & General Ledger) Assistant Accountant General (Accounts & General Ledger)
4.4 Internal Audit	To conduct audits and provide advisory services to management in order to enhance financial accountability and governance	Division of Internal Audit	Director, Internal Audit
4.5 External Audit	To conduct a timely independent examination of the budget execution and report to Parliament in order to ensure financial accountability and compliance with financial regulations	Auditor General's Office	Assistant Auditor General
4.6 Parliamentary Oversight	To oversee the source and utilisation of public resources in order to promote a culture of democratic governance, transparency and accountability.	Parliament	PAC Parliament's Finance and Estimates Committee Secretary to PAC

5. 0 Revenue Management	**To improve revenue forecasting, collection and management in order to support the budgetary process and sustainable development**	Division of Development and Budget BURS	Director Budget, Recurrent Commissioner Finance and Administration
5.1 Revenue Administration	To improve revenue forecast and collection in order to support the budgetary process	Division of Development and Budget BURS	Director Budget, Recurrent Commissioner Finance and Administration
5.2 External Resources Management	To improve external resources management and integration with the budget preparation to enhance predictability and sustainability of external resources	Development Cooperation Unit	Director Development Programmes Director, International and Economic Policy Corporation

The design of the PFMRP was driven by the results of the 2009 PEFA assessment, which revealed several key areas of concern. Various PEFA –related targets have been set. A number of achievements and areas of work-in-progress have can be identified, including:

- The passing of new PFM legislation - the PFMA and PAA
- The development of a Medium Term Fiscal Framework (MTFF)
- Adoption of the cash based IPSA
- Approval of a roadmap for the migration to accrual accounting
- Refining the revenue forecasting approach
- Improving cash forecasting
- Modernising internal audit methods
- Migration of payroll records to Oracle HR

The current PEFA assessment will be used by GoB both to assess the impact of reforms to date and to help shape and refine future reform plans. Likely issues that may receive attention include expenditure payment arrears monitoring; monitoring of the AGAs and PEs; be cash management processes; referencing of tax payments and bank transactions are to facilitate reconciliation; debt management and sustainability. Care will be needed, however, to match reform aspirations with available capacity.

PFM reform should be seen in its wider public sector reform context. The GoB has demonstrated its commitment to improved public sector performance, better Value for Money and greater accountability. Initiatives such as the introduction of the TWGs reveal an ambition to break down the traditional “silo” mentalities associated with administrative boundaries. PFM reform will have a vital role to play in supporting this wider reform agenda.

4.2 Institutional factors supporting reform planning and implementation

Given the scope and complexity of the PFMRP, considerable attention has been paid to the design and introduction of the institutional arrangements required to manage and coordinate the programme. Responsibility for the overall strategic direction rests with the PFM Reforms Steering Committee, chaired by the Secretary, Budget in MFDP. This is a cross-Government Committee that includes, in addition to senior MFDP officials, representatives of the Office of the President, Office of Auditor General, MLGRD, BURS, BoB and PPADB. Day-to day operations are coordinated by the PFM Reforms Coordinator and team in the MFDP, who have responsibility for monitoring and evaluation (M&E). Each component and sub-component of the PFMRP has an appointed Manager with specified responsibilities, including work planning and progress reporting.

The PFMRP involves major changes to the way PFM is carried out in Botswana. For that reason, a Change Management Strategy and a Communications Strategy are in place to optimise the level of stakeholder ownership and awareness of the Programme, its objectives, its rationale and its implications. A Risk Management Matrix has also been developed to support the process of implementation.

Annexes

Annex 1: Table 1: Detailed calculations for PI-1 and PI-2

All figures in '000 Pula

Data for year =	**2009/10**					
administrative or functional head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Education etc.	8460356	8558847	8,791,265.4	-232,418.4	232,418.4	2.6%
Local Government	5918047	7106213	6,149,519.2	956,693.8	956,693.8	15.6%
State President	5410652	5247105	5,622,278.5	-375,173.5	375,173.5	6.7%
Health	2780608	2470557	2,889,365.8	-418,808.8	418,808.8	14.5%
Works and Transport	2798794	3405825	2,908,263.1	497,561.9	497,561.9	17.1%
Finance and Dev. Planning	1413830	1354292	1,469,129.1	-114,837.1	114,837.1	7.8%
Agriculture	1230755	1281843	1,278,893.5	2,949.5	2,949.5	0.2%
Labour & Home Affairs	764199	727146	794,089.1	-66,943.1	66,943.1	8.4%
Lands and Housing	1284948	1220846	1,335,206.1	-114,360.1	114,360.1	8.6%
Communications etc.	1384535	1089769	1,438,688.2	-348,919.2	348,919.2	24.3%
Environment, Tourism etc.	992467	896847	1,031,285.3	-134,438.3	134,438.3	13.0%
Trade and Industry	534842	453010	555,761.2	-102,751.2	102,751.2	18.5%
Minerals, Resources etc.	1574883	1784064	1,636,481.3	147,582.7	147,582.7	9.0%
Youth Sports & Culture	625511	545091	649,976.6	-104,885.6	104,885.6	16.1%
Foreign Affairs etc.	393185	324272	408,563.6	-84,291.6	84,291.6	21.4%
Admin of Justice	231175	247524	240,216.9	7,307.1	7,307.1	3.2%
Attorney General	199708	160960	207,519.2	-46,559.2	46,559.2	23.3%
Parliament	93805	83592	97,474.0	-13,882.0	13,882.0	14.8%
Electoral Commission	101885	75242	105,870.0	-30,628.0	30,628.0	30.1%
Auditor General	38279	160960	39,776.2	121,183.8	121,183.8	316.6%
Sum of rest	52919	48022	54,988.8	-6,966.8	6,966.8	13.2%
allocated expenditure	35865134	37267925	37,704,611.2	-462,584.2	3,929,141.7	
contingency	1158252	1351194				

total expenditure	37023386	38619119				
overall (PI-1) variance						4.3%
composition (PI-2) variance						10.4%
contingency share of budget						3.6%
Data for year =	**2010/11**					
administrative or functional head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Education etc.	9720074	8908114	9,616,950.4	-708,836.4	708,836.4	0.073707
Local Government	5512994	5829326	5,454,504.8	374,821.2	374,821.2	0.068718
Health	2297649	2645274	2,273,272.5	372,001.5	372,001.5	0.163641
Minerals, Resources etc.	3958755	3364389	3,916,755.2	-552,366.2	552,366.2	0.141026
Transport and Comms.	3588272	3218788	3,550,202.8	-331,414.8	331,414.8	0.093351
Defence, Justice etc.	4253678	4274629	4,208,549.3	66,079.7	66,079.7	0.015701
Labour & Home Affairs	515593	418765	510,122.9	-91,357.9	91,357.9	0.17909
Agriculture	1139953	1135537	1,127,858.8	7,678.2	7,678.2	0.006808
Finance and Dev. Planning	1010814	999950	1,000,089.9	-139.9	139.9	0.00014
Lands and Housing	783643	1004671	775,329.1	229,341.9	229,341.9	0.295799
Trade and Industry	760450	736835	752,382.1	-15,547.1	15,547.1	0.020664
State President	795986	1200949	787,541.1	413,407.9	413,407.9	0.524935
Environment, Tourism etc.	868410	770041	859,196.7	-89,155.7	89,155.7	0.103766
Youth Sports & Culture	431922	467628	427,339.6	40,288.4	40,288.4	0.094277
Foreign Affairs etc.	331632	315572	328,113.6	-12,541.6	12,541.6	0.038223
Infrastructure, Science etc.	429509	444689	424,952.2	19,736.8	19,736.8	0.046445
Admin of Justice	247351	262698	244,726.8	17,971.2	17,971.2	0.072655
Attorney General	177190	169655	175,310.1	-5,655.1	5,655.1	0.031916
Parliament	81865	69621	80,996.5	-11,375.5	11,375.5	0.138954
Electoral Commission	52735	37930	52,175.5	-14,245.5	14,245.5	0.270134
Auditor General	52773	36886	52,213.1	-15,327.1	15,327.1	0.290435
Ombudsman	376571	10786	372,575.8	-361,789.8	361,789.8	0.960748

Miscellaneous	20120	21771	19,906.5	1,864.5	1,864.5	0.092667
allocated expenditure	36427513	36041041	37,011,065.3	-666,561.3	3,752,944.2	
contingency	1496918	1522635				
total expenditure	37924431	37563676				
overall (PI-1) variance						1.0%
composition (PI-2) variance						10.1%
contingency share of budget						4.0%
Data for year =	**2011/12**					
administrative or functional head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Education etc.	9390274	8436493	9,140,964.3	-704,471.3	704,471.3	0.077068
Local Government	5200206	5519941	5,062,141.7	457,799.3	457,799.3	0.090436
Defence, Justice etc.	4701784	4644823	4,576,952.7	67,870.3	67,870.3	0.014829
Transport and Comms.	3639799	3566813	3,543,163.1	23,649.9	23,649.9	0.006675
Finance and Dev. Planning	1166704	1115137	1,135,728.3	-20,591.3	20,591.3	0.01813
Lands and Housing	1044049	991591	1,016,329.7	-24,738.7	24,738.7	0.024341
Trade and Industry	753036	721245	733,043.1	-11,798.1	11,798.1	0.016095
State President	1600511	1356208	1,558,017.8	-201,809.8	201,809.8	0.12953
Environment, Tourism etc.	1099737	855743	1,070,539.2	-214,796.2	214,796.2	0.200643
Youth Sports & Culture	333099	29963	324,255.3	-294,292.3	294,292.3	0.907594
Foreign Affairs etc.	367589	363747	357,829.6	5,917.4	5,917.4	0.016537
Infrastructure, Science etc.	336602	398306	327,665.3	70,640.7	70,640.7	0.215588
Minerals, Resources etc.	3356148	3346659	3,267,043.0	79,616.0	79,616.0	0.024369
Health	3635300	3516632	3,538,783.6	-22,151.6	22,151.6	0.00626
Parliament	80862	77233	78,715.1	-1,482.1	1,482.1	0.018329
Labour & Home Affairs	441591	402651	429,866.9	-27,215.9	27215.8571	0.061631
Auditor General	38111	37221	37,099.2	121.8	121.838576	0.003197
Agriculture	1199700	1263964	1,167,848.2	96,115.8	96115.7682	0.080117
Administration of Justice	266932	264209	1,457,175.2	-1,276,799.2	1276799.16	0.852952

Labour & Home Affairs	441591	402651	429,866.9	-27,215.9	27,215.9	6.2%
Miscellaneous	217035	180376	1,457,175.2	-1,276,799.2	1,276,799.2	85.3%
allocated expenditure	38006194	36997138	40,710,203.3	-3,302,430.3	4,905,892.6	
contingency	1681813	1639627				
total expenditure	39688007	38519773				
overall (PI-1) variance						2.9%
composition (PI-2) variance						12.1%
contingency share of budget						4.1%

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Annex 3: Table 1: Parastatals as listed under EDS, Office of AG and OAG

	PARASTAL	Classified as Revenue Making (RM) or Non revenue Making (NRM); source EDS, MFDP	Date of latest Audit Report Received by EDS MFDP or AG Office	DATE of latest unaudited accounts received	INCOME (pula)	EXPENDITURE (pula)
1	Botswana Power Corporation (BPC)	RM	31/03/2012		1,815,601,000	2,670,581,000
2	Bank of Botswana (BOB)	NRM	31/03/2012		7,895,350,000	1,235,794,000
3	Water Utilities Corporation (WUC)	RM	31/03/2012		579,685,000	1,074,528,000
4	University of Botswana	RM	31/03/2011		1,016,129,624	862,871,087
5	Citizen Entrepreneurial Development Agency	NRM	31/03/2011		411,269,289	388,129,044
6	Botswana Unified Revenue Services (BURS)	RM	31/03/2011		291,010,000	328,772,000
7	Air Botswana	RM	31/03/2012		274,801,000	322,295,000
8	Botswana Housing Corporation (BHC)	RM	31/03/2012		342,488,000	185,153,000
9	Botswana Meat Commission (BMC)	RM	31/12/2010		1,082,812,000	163,564,000
10	Local Enterprise Agency	NRM	31/03/2012		122,263,485	145,815,508
11	Botswana Motor Vehicles Accident Fund (MVA)	NRM	31/12/2012		269,051,424	141,578,675
12	Botswana Railways (BR)	RM	31/12/2010		275,945,000	127,224,000
13	Civil Aviation Authority	NRM		31/03/2011	125,317,859	111,163,752
14	Botswana Postal Services	RM	31/03/2011		198,940,999	102,516,209
15	Botswana Tourism Board (BTB)	NRM	31/03/2012		78,488,421	84,085,440
16	Botswana Bureau of Standards (BOBS)	NRM	31/03/2011		84,026,745	81,579,062
17	Botswana National Sports Council (BNSC)	NRM	31/12/2011		81,485,285	70,528,191
18	Botswana Telecommunications Authority	RM	31/03/2012		93,601,614	69,708,659

19	National Development Bank (NDB)	RM	31/03/2011		17,476,000	64,171,000
20	Botswana College of Distance and Open Learning	NRM	31/03/2011		54,820,875	59,846,966
21	Botswana Training Authority (BoTA)	NRM	31/03/2012		26,577,076	57,409,203
22	Botswana Technology Centre (BOTEC)	NRM	n/a	31/03/2012	37,531,839	55,341,378
23	Rural Industries Promotions Company (RIPCO)	NRM	31/03/2011		2,928,756	48,466,892
24	Botswana National Productivity Centre	NRM	31/03/2012		28,786,379	39,611,291
25	Botswana Agricultural Marketing Board	RM	31/03/2012		222,648,656	37,809,326
26	Botswana International University of Science and Technology	NRM	31/03/2011		65,673,551	35,273,090
27	Public Procurement and Assert Disposal Board (PPADB)	NRM	audit report 2010/2011 received by Office of AG			29, 674, 819 (from PPADB annual report 2011/2012)
28	Tertiary Education Council (TEC)	NRM	31/03/2011		26,582,386	27,042,604
29	Public Enterprises Evaluation and Privatization Agency (PEEPA)	NRM	31/12/2011		19,508,602	21,245,211
30	Non-Bank Financial Institution Regulatory Authority (NBFIRA)	NRM	31/03/2011		19,855,731	17,480,619
31	Botswana Stock Exchange (BSE)	NRM		31/12/2012	28,943,011	15,973,014
32	Botswana Vaccine Institute	RM	31/12/2010		52,997,842	13,961,063
33	Botswana Investment and Trade Centre	NRM	31/03/2011		9,856,919	9,471,283
34	Banyana Farms	RM	30/06/2011		7,730,587	8,590,926
35	Botswana Privatisation Asset Holdings	NRM	31/03/2012		12,941,228	958,834
36	Botswana Telecommunications Corporations	RM	31/03/2011		1,187,323	453,788
37	Botswana Development Corporation	RM	30/06/2012		267,105,000	404,672

38	Botswana Savings Bank (BSB)	RM	31/03/2011		69,975,000	25,405
39	Botswana Accountancy College	RM	audit report 2010/2011 received by Office of AG			
40	Botswana Export Credit Insurance and Guarantee Company (Pty) Ltd (BECI)	NRM	neither EDS or Office of AG has received 2011/2012 or 2010/2011 audited accounts			
41	Institute of Development Management (IDM)	NRM				
42	Statistics Botswana	NRM				
43	Companies and Intellectual Property Authority	NRM				
44	Competition Authority	NRM	audit report 2010/2011 received by Office of AG			
45	Botswana Examination Council (BEC)	n/a	neither EDS or Office of AG has received 2011/2012 or 2010/2011 audited accounts			
46	Botswana Institute of Chartered Accountants	n/a	audit report 2010/2011 received by Office of AG			
47	Botswana Institute of Development Policy Analysis (BIDPA)	n/a	audit report 2010/2011 received by Office of AG			
48	Selibe Phikwe Economic Diversification Unit (SPEDU)	n/a	audit report 2010/2011 received by Office of AG			
49	Botswana International Financial Service Centre (BIFSC)	n/a	audit report 2010/2011 received by Office of AG			

Source: EDS and Office of AG, MFDP; OAG Report on the 2011/2012 accounts.

Annex 4: Quality Assurance Mechanism (PEFA Check)

1. PEFA Assessment Management Organisation:

   - Oversight Team – PFM Reform Steering Committee, Government of Botswana
   - Assessment Manager – Mr. Olesitse MASIMEGA, PFM Reform Coordinator, Ministry of Finance and Development Planning (MFDP), Government of Botswana
   - Assessment Team Members:

Mr. Moeti Paul EKENYANE - Director, Budget Administration – Recurrent (MFDP)

Ms. Keineetse Puna LEPEKOANE – Director, Development Programmes (MFDP)

Ms. Boineelo PETER – Director, Budget Analysis and Debt Management (MFDP)

Ms. Lefentse Maggie LIKOKOTO – Senior Assistant Accountant General (MFDP)

Ms. Tebogo TOMANGO – Acting Deputy Director, Internal Audit (MFDP)

Ms. Jacqueline SAJEMBE – Acting Deputy Director, Macro-Economic Policy (MFDP)

Ms. Dimpho Alta SELEKA – General Manager, Revenue Accounting, Botswana Unified Revenue Service (BURS)

Ms. Jayn Q PHALALO – Chief Auditor, Office of the Auditor General (OAG)

2. Review of Concept Note/Terms of Reference

Draft Terms of Reference dated 6 November 2012 was submitted for review on 6 November 2012 to the following reviewers:

(1) Mr. Olesitse MASIMEGA, PFM Reform Coordinator, Ministry of Finance and Development Planning, Government of Botswana;

(2) Ms. Helena RAMOS, Senior Public Finance Specialist, PEFA Secretariat;

(3) Mr. Peter MURPHY, Senior Economist, Public Financial Management 1, Fiscal Affairs Department, International Monetary Fund;

(4) Mr. Gert van der LINDE, Lead FM Specialist, World Bank;

(5) Ms. Dorota PANCZYK and Ms. Juana Pinto ARISTIZABAL, Policy officers, Budget Support, Public Finance and Macroeconomic Analysis, DG DEVCO, European Commission.

Comments were received from the Government of Botswana, PEFA Secretariat and DG DEVCO, European Commission.

3. Review of the Assessment Report

Draft Report dated 13 June 2013 was submitted for review on 14 June 2013 to the following reviewers:

(1) Mr. Olesitse MASIMEGA, PFM Reform Coordinator, Ministry of Finance and Development Planning, Government of Botswana;

(2) Mr. Oleksii BALABUSHKO and Ms. Helena RAMOS, Senior Public Finance Specialists, PEFA Secretariat;

(3) Mr. Peter MURPHY, Senior Economist, Fiscal Affairs Department, International Monetary Fund;

(4) Mr. Gert van der LINDE, Lead FM Specialist, World Bank;

(5) Mr. Pierre EWENCZYK and Ms. Juana Pinto ARISTIZABAL, Policy officers, Budget Support, Public Finance and Macroeconomic Analysis, DG DEVCO, European Commission.

4. Review of Final Draft Report

A revised final draft assessment report was forwarded to the PEFA Secretariat on 2 August 2013 and to all reviewers on 13 August 2013 with tables attached showing the response to all comments raised by all reviewers.

5. This form, describing the quality assurance arrangements is included in the revised draft report.

PEFA assessment report, Botswana, 13 August, 2013

The quality assurance process followed in the production of this report satisfies all the requirements of the PEFA Secretariat and hence receives the **'PEFA CHECK'**.

PEFA Secretariat, August 14, 2013