



Report

Moving away from aid

The experience of Botswana

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Contents

Acknowledgements	3
List of boxes and figures	5
Acronyms	6
Executive summary	7
1 Introduction	10
1.1 Why this report	10
1.2 What we mean by transition from aid and graduation from official development assistance	10
1.3 About this case study	11
1.4 Structure of the report	13
2 Factors shaping aid volumes and modalities in Botswana's transition from aid	15
2.1 Economic context	15
2.2 Governance context	18
2.3 Social development context	20
3 Botswana's transition away from aid: the recipient perspective	23
3.1 From independence to graduation from LDC status in the mid-1990s	23
3.2 The 2000s HIV/AIDS crisis	26
3.3 Towards economic partnership in the 2010s	29
4 Botswana as a donor	33
5 Lessons from the transition process in Botswana	35
5.1 Managing the transition from development assistance	35
5.2 Cooperation between countries 'in transition' and development partners	37
5.3 Cooperation beyond aid	39
6 Conclusions	42
6.1 Lessons from Botswana's experience	42
References	45
Annex 1 List of interviewees	48

List of boxes and figures

Boxes

Box 1	Different conceptualisations of ‘graduation’ and funding eligibility criteria	11
Box 2	Detailed research questions	12
Box 3	Botswana’s eligibility for multilateral funding	16
Box 4	The South African Development Community and its implications for Botswana	18

Tables

Table A1	List of institute, name and job title (or departments) of interviewees	48
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Figures

Figure 1	A comparison of Botswana’s gross national income per capita with the average across sub-Saharan Africa, 1962–2016	16
Figure 2	HIV prevalence in Botswana’s population aged 15–49 years	21
Figure 3	Official development assistance to Botswana as a share of gross national income, all donors	24
Figure 4	Official development assistance to Botswana from all donors	24
Figure 5	Official development assistance commitments by sector, all donors	27
Figure 6	Official development assistance grants, loans and technical cooperation to Botswana, all donors	28
Figure 7	Official development assistance commitments for ‘experts and technical assistance’	29
Figure 8	Five-year average official development assistance commitments by sector, all donors	30
Figure 9	Other official flows commitments, 2005–2017	32
Figure 10	Climate finance-related commitments	40

Acronyms

ACHAP	African Comprehensive HIV/AIDS Partnership
AfDB	African Development Bank
AIDS	Acquired Immune Deficiency Syndrome
DAC	Development Assistance Committee of the OECD
EDF	European Development Fund
EU	European Union
FDI	foreign direct investment
GDP	gross domestic product
GEF	Global Environmental Facility
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GNI	gross national income
HDI	Human Development Index
HIV	human immunodeficiency virus
IBRD	International Bank for Reconstruction and Development
LDC	least developed country
MFDP	Ministry of Finance and Development Planning
MIAC	Ministry of International Affairs and Cooperation
NDP	national development plan
NGO	non-governmental organisation
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OOF	other official flow
PEPFAR	US President's Emergency Plan for AIDS Relief
SACU	Southern African Customs Union
SADC	Southern African Development Community
SDG	Sustainable Development Goal
SSA	sub-Saharan Africa
TVET	technical vocational education and training
UMIC	upper-middle-income country
UNDP	United Nations Development Programme

Executive summary

Introduction

This case study analyses how Botswana managed its transition away from aid, the type of cooperation the country had expected from development partners and the expectations for development cooperation beyond aid. It is one in a series of four case studies that form part of a larger project that set out to investigate country experiences of and lessons from the transition from aid and the graduation from official development assistance (ODA). Calleja and Prizzon (2019) summarise the findings and lessons from this and the other three country studies – Chile, Mexico and the Republic of Korea – in the report, *Moving away from aid: Lessons from country studies*.

A country graduates from the list of ODA-eligible countries when its annual income per capita exceeds approximately \$12,000 for three consecutive years. After this, many aspects of a country's international development cooperation are likely to change. In 2014, the OECD estimated that 29 countries will graduate from the list of ODA recipients by 2030 (OECD, 2014). Many more countries are expected to move away from aid as they approach graduation. Although ODA may become less and less vital (and accessible) for project financing and implementation over time, countries still seek development cooperation to help them to achieve their own national plans and to contribute to the global agenda.

This report looks at what we can learn from the experience of Botswana – one of the countries set to graduate from ODA by 2030 and one of the few upper-middle-income countries (UMICs) in sub-Saharan Africa. Based on a data analysis, literature reviews and semi-structured interviews with government officials and development partners, we explore how Botswana

planned, implemented and financed development projects throughout its transition from aid, how its development partners supported this process, and what international cooperation and global engagement might look like after ODA.

Our analysis was not intended to evaluate the approach of the Government of Botswana and of its development partners throughout the process of transition from aid and exit from bilateral programmes. Rather, we sought to identify lessons from their experience that might inform other countries 'in transition' and their development partners in the articulation of their own strategies to sustain development outcomes and policy dialogue within a renewed type of partnership.

Lessons from the experience of Botswana and of its development partners

Botswana was the first country to graduate from the group of Least Developed Countries in 1994 and it aspires to become a high-income economy by 2036. The country is part-way through the process to graduate from ODA, but it de facto transitioned from aid in the late 1990s when donors either left or scaled down their spending in the country. The HIV/AIDS crisis hit Botswana particularly hard in the 2000s and the Botswana government made a strong plea to development partners to come back and scale up their support to help treat and prevent the consequences and spread of HIV/AIDS.

In many ways, Botswana's experience is quite particular: it benefited from windfall gains from the extractive industry, has a small population, relatively strong institutions and low levels of corruption, and experienced donor re-engagement as a result of the HIV/AIDS epidemic. However, understanding the

strategy and approaches of the Government of Botswana and of its development partners during the country's transition from aid offers useful insights for other countries embarking on a similar process.

Managing the transition process away from aid

Governments and development partners should foster country ownership and alignment to national priorities. Botswana's strong financial position and aid management model meant it was not reliant on donors for financing – which gave it the freedom to turn away funding that did not align with its development priorities – and ensured that aid flows were well integrated into government systems and aligned to national priorities.

Governments and development partners should prioritise technical assistance to support the planning and implementation of development programmes. Demand for donor support refers primarily to planning and implementation of development projects and programmes rather than their financing, primarily in the form of technical assistance – which became a key instrument for engagement with Botswana throughout the early 1980s.

Governments should take a strategic approach to knowledge transfer and focus on more sophisticated areas such as efficiency of public spending and monitoring and evaluation. In Botswana, expatriate staff were placed in line positions, rather than as external advisors, developing capacity and sharing it with local staff and then being replaced by local staff. The main areas for technical assistance that emerged in the interviews with government officials ranged from increasing efficiency of public spending to monitoring and evaluation systems.

Governments and development partners should support non-governmental organisation (NGO) capacity in the transition away from aid too. The loss of support for NGOs as donors left Botswana (and, according to interviewees, the government's lack of compensation for this) meant that community-level development

was under-resourced in terms of capacity for engagement or advocacy.

Cooperation with development partners

Development partners should communicate with the government and explain transition and exit plans. When Scandinavian donors started phasing out their development programmes in Botswana, government officials argued that it was 'unfair' for donors to exit based on income per capita given that development could not necessarily be equated with growth. This would suggest the need for a much clearer strategy and communication of rationale behind the transition and exit from bilateral programmes.

Governments and development partners should prioritise climate change as a policy area for increased international cooperation.

Access to climate finance by the Botswana government is limited, because of a combination of low prioritisation by the government itself and limited capacity to apply for international funding. Government officials recognised that climate-related issues would impact the country going forward, but that they required continued donor engagement – both financially and technically – to advance Botswana's adaption to and mitigation from climate events. Donors could contribute to this agenda by engaging with Botswana to both raise the internal profile and call-to-action, as well as to provide skills and technology needed to advance clean (and green) development.

Development partners should support a country 'in transition' to structure its own development cooperation programme as a development partner, should it express this strategic objective. Botswana has recently sought support from the United Nations Development Programme (UNDP) for the development of its new strategy for South–South and triangular cooperation. Collaborations on South–South or trilateral programmes could be a space for learning about the operations and management of cooperation programmes of other development partners.

Cooperation beyond aid

Governments should articulate a strategy for international cooperation beyond ODA. The Government of Botswana is well set on a path towards ending dependency on aid (and even becoming a donor itself). However, it has yet to articulate and pursue potential avenues for future collaboration with former development partners, beyond the more traditional development partner–recipient relations.

Governments and development partners should create a platform to help share expertise and knowledge from the country ‘in transition’ (or already graduated) to other countries. Though there is appetite to learn from Botswana’s developmental success and outcomes the challenge is to find spaces for such collaboration

in the absence of ODA flows. Creating forums that support mutual knowledge-sharing will be important to allow for Botswana and its development partners to learn from each other’s experience.

Development partners should boost programmes for regional and economic integration. Development partners’ work with the Southern African Development Community (SADC) to support the development of key regional infrastructure is a way to facilitate interregional trade and linkages. There is greater scope for engagement to deepen regional integration across the SADC region, with further space to support regional projects designed to facilitate interregional trade, directly or indirectly benefiting Botswana.

1 Introduction

1.1 Why this report

Over the past decade most developing economies have achieved strong and sustained economic growth. Some have moved rapidly up the income per capita ladder, particularly into the upper-middle-income country (UMIC) bracket (above \$4,000 annual income per capita).¹ Typically, these are economies that have strengthened their macroeconomic management, played a stronger and more visible role in global policy, diversified their financing sources and received less and less external development assistance (or ceased to benefit materially from it).

When a country's income per capita² exceeds approximately \$12,000 for three consecutive years, it is removed from the list of countries eligible for official development assistance (ODA), as per the policy set out by the Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC). While this 'ODA graduation' does not mean donors must no longer provide development support to these countries, it does mean that their programmes cannot be counted towards ODA targets. At the same time, against a backdrop of growing scrutiny on public spending – particularly in relation to the provision of development assistance to wealthier countries – aid budgets in several donor countries have been cut and sometimes reprioritised towards poorer countries.

Several countries are expected to graduate from ODA. The OECD estimates that 29 countries will graduate from the list of ODA recipients by 2030 (OECD, 2014). However, we know little about how countries that have

experienced or have started the transition and graduation process have managed it, particularly in terms of planning, implementation and financing of development projects, to ensure development results are sustained and expanded when ODA declines or is no longer provided. We also have little evidence about how development partners should support countries that are transitioning from aid to maximise the effectiveness of falling resources and how these countries could engage in global dialogue when ODA falls or is no longer an option.

This report answers these questions by looking at the experience of Botswana, one of four country case studies. According to OECD estimates, Botswana is among those countries expected to graduate from the list of ODA-eligible countries by 2030 (2014). The other three countries studied are Chile, Mexico and the Republic of Korea. Findings and lessons from across all four case studies are synthesised in the summary report (Calleja and Prizzon, 2019).

1.2 What we mean by transition from aid and graduation from official development assistance

Throughout this report, we use the terms 'transition' from aid and 'graduation' from ODA. 'Transition' from aid is used to describe the period during which donors start reducing their programmes in a recipient country because that country is considered less in need of aid. This is often associated with higher per capita income, rather than being a decision to withdraw from a country because of political or security reasons (see Jalles d'Orey and Prizzon, 2019).

1 The number of UMICs has risen: in 2005, 39 countries were classified as UMICs; in 2017, this number rose to 56 (World Bank, 2019a).

2 Calculated according to the World Bank Atlas method.

‘Graduation’ from ODA, which happens in the late stages of the transition from aid, refers to the point at which a country is no longer included in the DAC list of ODA-eligible countries.

Three points are worth noting. First, graduation from the list of ODA-eligible countries does not mean a country no longer receives official development assistance. Donors may choose to continue allocating funds to countries after graduation. It does mean, however, that a donor cannot count these funds against their ODA as a proportion of gross national income (ODA/GNI) target.

Second, graduation from the list of ODA-eligible countries is only one conceptualisation

of ‘graduation’. Graduation from multilateral development banks and vertical (climate and health) funds are driven by criteria other than only income per capita (Box 1).

Finally, we refer to transition away from aid and graduation from the list of ODA-eligible countries primarily from the perspective of recipient country governments and not from those of civil society organisations.

1.3 About this case study

1.3.1 Research questions

With many countries moving away from aid and the graduation from the list of

Box 1 Different conceptualisations of ‘graduation’ and funding eligibility criteria

Each organisation usually sets its own criteria triggering and defining eligibility for and graduation from funding. The policy that informs graduation from the list of ODA-eligible countries is the only one that is based solely on income per capita – i.e. when a country’s income per capita meets the high threshold for three consecutive years.

Multilateral development banks. The InterAmerican Development Bank does not have a policy of graduation from its assistance. This decision reflects the institution’s cooperative nature and the largest voting power in the hands of regional borrowing countries. In the case of the non-concessional arm of the World Bank, the International Bank for Reconstruction and Development (IBRD), the current policy on graduation is highly flexible, in part because it is widely recognised that the income threshold is an imperfect proxy for a country’s economic and social development.

Two substantive criteria were introduced to assess and quantify these conditions: (1) a country’s ability to access external capital markets on reasonable terms; and (2) a country’s progress in establishing key institutions for economic and social development (Prizzon et al., 2016a). Eligibility for IBRD funding also determines if a country can receive assistance from the Global Environmental Facility (GEF).

The graduation policy from regular assistance (or non-concessional lending) from multilateral development banks should not be confused with changes of the analytical classification (i.e. low income, middle income and high income). This classification reflects income per capita only and does not affect (at least, not directly) eligibility for funding and its terms and conditions.

Vertical health funds, like the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), have specific eligibility criteria largely based on income per capita, usually focusing on low-income countries, but with exceptions for UMICs whose disease burden is high.

Other institutions have loose criteria – that is, eligibility may be based on the recipient being a developing country as defined by, for example, the Green Climate Fund.

Notes: As this report focuses on UMICs, this box reviews the approaches to graduation from non-concessional assistance. For a review of bilateral donors and European Union (EU) approaches to transition and graduation see Jalles d’Orey and Prizzon (2019).

ODA-eligible countries, governments should learn from the experience of other countries that already went through this trajectory to ensure development results are maintained and sustained. Furthermore, development partners should review the type of approaches countries ‘in transition’ would demand during the phase, again to maximise the impact and results of falling aid resources. Finally, with ODA flows declining and often no longer an option after graduation, governments and development partners should map expectations and modalities regarding future bilateral and multilateral cooperation to continue engaging in global policy dialogue.

Box 2 sets out the research questions that guided this project and the country case studies. We respond to these in turn in Chapter 5 of this report.

1.3.2 Case study selection: why Botswana?

We chose Botswana as one of our four case studies for a number of reasons. According to OECD estimates, Botswana is among those countries expected to graduate from the list

of ODA-eligible countries by 2030 (2014). But it is also particular in its transition and its relationship over time with development partners.

Botswana is one of the few UMICs in sub-Saharan Africa (SSA) and, under its long-term strategy ‘Vision 2036: Achieving Prosperity for All’, aspires to become a high-income economy by 2036 (GoB, 2016a). In 1994, it was the first country to graduate from the Least Developed Countries (LDCs) list. Botswana is also among the few SSA countries whose transition away from aid is well underway. The country is part-way through the process of ODA graduation, with a GNI per capita of \$7,750 in 2018³ (graduation from the list of ODA-eligible countries is triggered when a country is reclassified as high-income, approximately \$12,000 GNI per capita). However, it de facto transitioned from aid in the late 1990s when donors either stopped or scaled down their spending.

In the early 2000s, Botswana was particularly hard hit by the HIV/AIDS crisis. The Botswana government made a strong plea to development

Box 2 Detailed research questions

1. Managing the transition from development assistance, i.e. when development partners are phasing out their development assistance
 - a. How have countries ‘in transition’ planned (and how will they plan) to manage, finance, sustain and broaden development results? To what extent are countries ‘in transition’ continuing or updating development programmes and in which policy areas?
 - b. How has transition affected well-established relations with development partners (multilateral and bilateral donors)?
2. Cooperation with development partners
 - a. What needs and requirements do countries ‘in transition’ have in managing their sustainable development independently from development assistance, for example with respect to planning, implementation and financing?
 - b. What forms of cooperation do graduating countries consider helpful in successfully managing this phase of graduation and beyond ODA and in which areas?
3. Cooperation beyond aid
 - a. What do countries ‘in transition’ expect from their development partners regarding the future extent and modalities of bilateral and multilateral cooperation?
 - b. Which forums of global exchange and cooperation do they consider relevant and which global policy areas and global public goods appear most suitable for increased cooperation?

3 Based on World Bank (2018a), GNI per capita, Atlas Method, US\$ current.

partners in the early 2000s to come back and scale up their support to help treat and prevent the consequences and spread of HIV/AIDS. Donors returned to Botswana (mostly United States Agency for International Development, USAID) or established programmes, such as the newly founded GFATM and the Bill & Melinda Gates Foundation, to support HIV/AIDS treatment and prevention interventions.

While Botswana's well-managed resource wealth meant that ODA has become a less important financial resource over time, the government continues to seek technical engagement with development partners as it works to diversify its economy further and transition to high-income status.

Our selection of case study country was also influenced by pragmatic considerations. For example, we looked for countries in which we had good access to local networks, where elections had taken place at least six months before our visit, and that were not in the middle of budget preparations so as to maximise the availability of government officials for meetings and interviews. See Calleja and Prizzon (2019) for further details on case study selection.

1.3.3 Methodology

We applied a combination of quantitative and qualitative data analysis and qualitative methods (semi-structured interviews) to tackle the research questions. We applied a similar methodology across the four country case studies to enable comparability of findings.

We first conducted a literature review, analysing and summarising strategy documents from the Ministry of Finance and Development Planning (MFDP) and of the Government of Botswana (national plans, sectoral plans), reports from international financial institutions and bilateral donors as well as the literature on aid management and aid effectiveness in Botswana.

Next, we measured and analysed trends in development and public finance – volumes, composition and instruments – since the time of independence of Botswana (1966), depending on data availability. Based on a

framework elaborated in Prizzon et al. (2016b), we then analysed the main economic, political (governance) and social (human) development elements influencing decisions on volumes and allocation of external assistance (see also Chapter 2).

Finally, we conducted semi-structured interviews with 60 informants from across central and line government agencies, bilateral development partners, multilateral development banks, multilateral agencies, and civil society organisations, to fill any gaps in our desk-based review and to triangulate information. We conducted 47 interviews in Gaborone between 25 and 29 March 2019, and 13 phone interviews or email exchanges during March 2019 and April 2019. See Annex 1 for a list of those interviewees who agreed to their names being published.

1.4 Structure of the report

In this report, we identify three key phases of Botswana's transition from aid. We acknowledge that institutional development and international cooperation trajectories to and from Botswana have not followed a linear path but, with an inevitably high degree of simplification, we chose this approach for illustrative purposes. The three phases are as follows:

1. **From independence to graduation from LDC status.** This phase is considered the main phase of Botswana's transition from aid – both in terms of the declining volume of resources but also because of the exit of several donors – following the tax revenue boost from diamond extraction and improvements in human development indicators.
2. **The 2000s HIV/AIDS crisis.** This phase saw a rise in assistance during Botswana's HIV/AIDS epidemic.
3. **Botswana's development landscape since the early 2010s.** This phase is marked by a transformation in Botswana's relationship with development partners towards economic partnerships.

The report comprises five chapters:

- Chapter 2 reviews the main elements of the economic, governance and social development context in Botswana that can influence decisions on aid volumes and allocation and the institutional arrangements for aid management in Botswana. Our analysis is based on a political economy framework developed in Prizzon et al. (2016b).
- Chapter 3 analyses the evolution of aid flows to Botswana and how they have changed through the country's three main transition phases. First, the fall in ODA in the 1990s as the result of bilateral donors cutting their budgets or leaving the country at the time of the graduation from LDC status and reclassification to UMIC. Second, the rise in ODA in the mid-2000s associated with the support to the Botswana government to address the HIV/AIDS epidemic. Third, the last decade when donor assistance fell again as the result of the HIV/AIDS support being scaled down and the Government of Botswana started exploring new partnerships with donors.
- Chapter 4 reviews the role of Botswana as a donor and the main elements of the forthcoming South–South cooperation and triangular cooperation strategies.
- Chapter 5 builds on this extensive analysis by distilling lessons on the transition away from aid based on the case of Botswana, aiming to address the research questions set for this study.
- Chapter 6 summarises the main findings of the analysis and lessons from the experience of the Government of Botswana in the transition away from aid for recipient country governments and development partners that could be illustrative for other countries entering or progressing through this trajectory towards ODA graduation and for development partners cooperating with them. This is ultimately to ensure development results are sustained, the impact of falling assistance from development partners is maximised and new forums and modalities for policy dialogue beyond ODA flows are identified.

2 Factors shaping aid volumes and modalities in Botswana's transition from aid

A country's economic, governance and social and development context can influence decisions about aid volumes, allocations and modalities – from the perspective of both the host government and its development partners. In this chapter, we look at the factors shaping aid in Botswana, applying the political economy framework detailed in Prizzon et al. (2016b) and Prizzon and Rogerson (2017).

2.1 Economic context

Botswana's remarkable economic performance, largely fuelled by natural resources (diamonds), is often deemed a 'success story'. At the time of its independence in 1966, Botswana was one of the poorest countries in the world. But after the discovery of diamond deposits in the 1970s, Botswana grew rapidly, far above the SSA average (at least until recently) (Lewin, 2011).⁴

Botswana's sustained growth is attributable to a model that involved 'diamond revenues being channelled through the government, with subsequent high investment in infrastructure, health and education' (World Bank, 2015: vii)

and to strong governance and low corruption rates (see section 2.2). In 2017, Botswana's GNI per capita was four and half times greater than the SSA average (Figure 1).

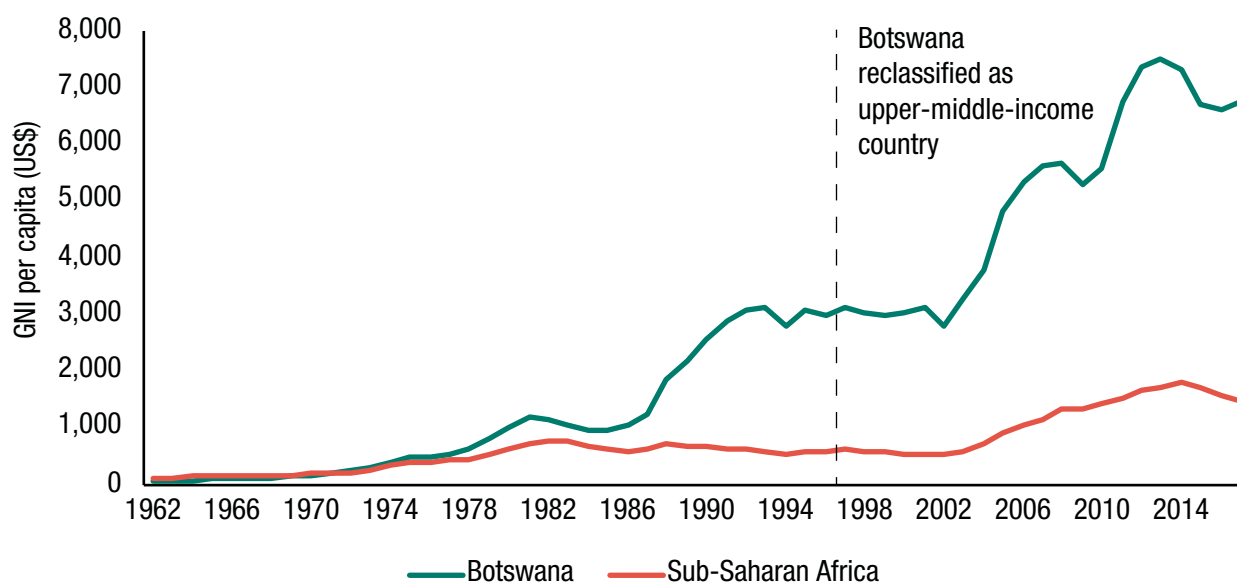
As a result of its strong growth performance, Botswana joined the group of UMICs in 1997.⁵ Botswana graduated from the LDC group in 1994. Box 3 elaborates on the implications for eligibility to multilateral funding of GNI per capita growth and the shift to UMIC status.

In 2016, Botswana launched 'Vision 2036: Achieving Prosperity for All' (GoB, 2016a), which sets out its aspirations to become a high-income country by 2036 and, as several interviewees among government officials stressed, to move from a resource-based economy to a knowledge-based economy. The country's National Development Plan (NDP) 11 (2017–2023) (GoB, 2016b) operationalised this vision by focusing on three main strategies: (1) developing diversified sources of economic growth; (2) using domestic expenditure as a source of growth and employment creation; and (3) pursuing an export-led growth strategy.

4 The decline in Botswana's GDP per capita between 2012 and 2015 are attributable to 'fluctuations in diamond prices, electricity disruptions that affect manufacturing, and the negative impact of drought on agriculture' (Anderson and Reynolds, 2017: 1).

5 However, this was not the first time Botswana was reclassified as a UMIC. The very first time was in 1991. Two years later the country was once again a lower-middle-income country (LMIC). Reversed reclassifications are not rare (and nor are income per capita fluctuations around the UMIC threshold). For Botswana, it reflected slower economic growth than population growth in the early 1990s.

Figure 1 A comparison of Botswana's gross national income per capita with the average across sub-Saharan Africa, 1962–2016



Note: GNI per capita calculated according to the World Bank's Atlas method and given in US\$, values as at September 2019.
Source: World Bank (2019).

Box 3 Botswana's eligibility for multilateral funding

Botswana has been eligible for IBRD funding at full terms (initially at 17-year IBRD terms) since FY81 (1979). Its last International Development Association credit was in 1974 (Kerapeletswe et al., 2008). Botswana can borrow at non-concessional terms from the African Development Bank (AfDB); the income per capita of Botswana meant that the country has never been eligible for concessional resources from the AfDB. Graduation from IBRD and AfDB were not under discussion at the time this study was conducted (March to April 2019).

Botswana has never been eligible for assistance from Gavi the Vaccine Alliance as its income levels were consistently too high.ⁱ However, it remains eligible for funding from the GFATM for HIV and tuberculosis only.ⁱⁱ The vast majority of resources are allocated to HIV/AIDS treatment and prevention programmes (see Chapter 3). Based on OECD-DAC figures, in 2017, funding from the GFATM (around \$12 million) was a sizable component of ODA to Botswana, equivalent to 11% of total disbursements.

Botswana can access assistance from the GEF (IBRD countries are eligible) but amounts have been relatively low: since GEF inception, 51 projects have been approved with GEF funding totalling \$225 million). Section 5.3 elaborates further on this.

ⁱ Eligibility is based on an income per capita below \$1,580 (at least based on 2018 figures).

ⁱⁱ In the case of malaria, its low disease burden makes Botswana ineligible for future funding. However, the country remains eligible for transition funding in the 2017–2019 allocation period.

Botswana's economic development still faces a number of challenges, especially related to economic diversification to ensure long-term sustainability beyond diamond extraction, which are reflected in the priorities set out

under NDP 11. The problem with this, raised by NDP 7 (1991–1997) and which all subnational development plans have sought to address, is the so-called 'middle-income trap' (Morton and Ramsay, 2018: 88), whereby average income

per capita stagnates. Other challenges identified by the long-term strategy are human capital development, social development, sustainable use of natural resources, consolidation of good governance and strengthening of national security, and the implementation of an effective monitoring and evaluation (M&E) system (GoB, 2016a). The country's economy is still largely driven either by the extractive industry or by the government, which is the largest employer and investor but generates few jobs. Beyond natural resource industries, the private sector is relatively thin: the 'formal private sector created just one job for every six new entrants to the labour market over the past decade, and the non-farm, informal sector remains small and lacking dynamism' (World Bank, 2015: vii). We elaborate further on the challenge for youth employment in section 2.3.

Trends are mixed when it comes to foreign direct investment (FDI). Botswana was Africa's sixth most attractive target for FDI between 2003 and 2011 (World Bank, 2015) but the volume of FDI the country receives as a share of gross domestic product (GDP) tends to be low, 'at an average of just over 3% per year over the past two decades, lower than most peers' (ibid.: 32). Inward FDI to Botswana peaked at around 9% in 2011 but has since declined to just 1% in 2016. Unsurprisingly, the majority of Botswana's inward FDI was allocated to the diamond sector (38%) and other minerals, with smaller investments in financial services, communications, real estate and tourism (ibid.: 32).

Fiscal revenues have risen but they are highly vulnerable to fluctuations in diamond prices. In about 10 years, Botswana's total tax revenue more than doubled from 15.9 billion pula in 2006 to just below 39.9 billion pula in 2017.⁶ However, Botswana's tax revenues as a share of GDP fell from about 27% in 2006 to about 22% in 2017 (so GDP grew faster than tax revenues).⁷

It is worth noting that this rate remains far above the average for UMICs (11.6% in 2016) and for SSA (15.6% in 2013, the most recent year for which data was available). However, fiscal revenues in Botswana are highly dependent on mining revenues (primarily diamonds) as well as tariffs collected and distributed to member states from the Southern African Customs Union (SACU).

Prudent approach to public debt management. Over the past decade, although Botswana's government debt (as a percentage of GDP and the sum of external and domestic debt) nearly tripled from 5.7% in 2007 to 15% in 2016 (ibid.), it remains far lower than the SSA average. For example, in 2017, external debt as a percentage of GNI was 10% in Botswana while on average across SSA this figure is more than three times higher (34%) (World Bank, 2019b). Botswana's debt management has been quite prudent: it has never had to undergo any structural adjustment programme or to benefit from debt relief, especially multilateral initiatives; on the contrary, Botswana contributed to the Debt Relief Trust Fund (then the Heavily Indebted Poor Countries Debt Initiative Trust Fund). Botswana has a debt ceiling equivalent to 20% of GDP on domestic and foreign debt respectively (IMF, 2016). The composition of public debt has moved away from external towards domestic because of the gradual deepening of the local debt market (ibid.), reducing the risk of potential adverse impacts from foreign currency fluctuations.

Botswana was also one of the few African countries that used to run a fiscal surplus as part of its fiscal policy (together with a current account surplus) to mitigate the risk of 'Dutch disease' (whereby the real exchange rate appreciates as a result of a booming resource export sector) (Lewin, 2011). However, in 2015/16, after three years of surpluses, the government balance turned into a deficit.

6 Data is taken from the World Bank's databank, indicator measuring 'Tax revenue (current LCU)'. This is the equivalent of about \$27 billion in 2006 and \$39 billion in 2017; exchange rate calculations used World Bank Official exchange rate, local currency unit (LCU) per US\$, period average.

7 Data is taken from the World Bank's databank, indicator measuring 'Tax revenue, (% of GDP)'. Tax revenue is defined as the 'compulsory transfers to the central government for public purposes'.

This reflected ‘lower mining revenues, a decline in revenues from the Southern African Customs Union (SACU), and higher fiscal spending, part of which is related to the Government Stimulus Program’ (IMF, 2016).

2.2 Governance context

Botswana is scarcely populated and not considered geostrategically relevant for development partners. While covering an area as large as France, Botswana’s population is only 2.3 million (World Bank, 2019a). The country cannot be included among those of geostrategic interest, especially because of its far larger and more prominent neighbour, South Africa, which plays a key role in the region. Botswana’s geopolitical importance has also declined since the end of apartheid in South Africa. During the Cold War, Botswana was not aligned to any front, so the country received aid flows from many more countries – including China and Russia (Maipose et al., 1997).

The country’s capital, Gaborone, does however host the Secretariat of SADC (Box 4), and several development partners based in the city share

diplomatic and cooperation responsibilities between SADC and Botswana.

Botswana is increasingly willing to engage in international policy, cooperation and global dialogue. Though the country is relatively small, especially within the region, its long-term development strategy aims to ‘broaden and strengthen external partnerships as well as actively participate in global governance and international trade’ (GoB, 2016a). During our research team’s mission in Gaborone, several interviewees mentioned the aspiration to support neighbouring countries (we were in Gaborone the week after Cyclone Idai severely hit and damaged neighbouring Malawi, Mozambique and Zimbabwe; see also Chapter 4). Then-president Mokgweetsi Masisi also renewed Botswana’s relationship with the Peoples’ Republic of China, participating in the Forum on China-Africa Cooperation (FOCAC) meeting in 2018 and re-establishing connections that were de facto on hold under the previous president Ian Khama.

The country has stable, transparent and strong government and institutions. Politically, Botswana has been ruled by the same party since

Box 4 The South African Development Community and its implications for Botswana

The SADC was established in 1992, creating a legally binding arrangement that replaced the Southern African Development Coordinating Conference (SADCC). SADC’s main objective is to foster regional integration among 16 member states.ⁱ This includes developing policies to support free movement of capital and labour, and goods and services, and to promote cross-border infrastructure development.

The SADC Secretariat engages in development cooperation with bilateral and multilateral partners. This cooperation facilitates the mobilisation of resources towards regional integration and poverty reduction priorities. Several cooperation partners channel their assistance via SADC.

Although funding reaches cross-border SADC projects and its Secretariat, this assistance is not meant to support or benefit individual countries, especially as a way to channel resources to Botswana when it is no longer eligible for bilateral assistance. But funding to SADC does indirectly benefit Botswana.

In its Vision 2036, the Botswana government is planning to use its location in the SADC region ‘as an opportunity to serve as a regional hub and corridor for the movement of goods, services and people’ (GoB, 2016a: 29–30).

i Angola, Botswana, Comoros, Democratic Republic of Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia and Zimbabwe.

1966 – the Botswana Democratic Party. Yet, it is considered a relatively vibrant democracy, with presidents peacefully handing over power at the end of their maximum 10-year terms. According to Lewin (2011), unlike many other resource-rich countries, Botswana's institutions have remained relatively stable for four main reasons: the relatively homogenous population; its strong national leadership, which has fostered and protected both property rights; the rule of law; and the high degree of transparency the government has maintained. Based on the World Bank (2019c), Botswana has better scores on all measure of governance quality than the average across UMICs. Corruption in Botswana is also relatively low: according to the Corruption Perceptions Index, in 2018, Botswana scored 61 out of 100, ranking 34th out of 180 countries measured. This is the second-best Corruption Perceptions Index score across SSA, just behind Seychelles.

Well-known for its good institutions and institutional management, Botswana's civil service is considered strong and meritocratic (Rakner, 1996), with greater capacity, sovereignty and ownership than those of other countries (Bräutigam and Botchwey, 1999). Expatriate staff worked in line positions, rather than being external advisors, developing capacity and sharing it with local staff who then replaced them. Furthermore, expatriate staff only occupied intermediary or technical positions rather than senior management positions. Technical assistance was also assessed within a workforce plan under which foreign staff were hired only if there was not sufficient national capacity (*ibid.*). However, government effectiveness has declined between 2007 and 2017 (World Bank, 2019b).

Aid coordination mechanisms centralised within the Ministry of Finance and Planning. Until the late 1990s, the MFDP was Botswana's main development assistance coordinator; no formal donor–government coordination groups were in place. The Ministry performed this function because of its strong role in aid coordination across the government (see Maipose et al., 1997.; Rakner, 1996; Bräutigam and Botchwey, 1999). Unlike other countries, the MFDP in Botswana retained a strong

centralised role in negotiating programmes with development partners and maintained oversight of line agencies' initiatives – including grants to line agencies.

Formal coordination mechanisms were established only after the first donors – Scandinavian donors – closed their programmes during the late 1990s (Rakner, 1996). It was then that the Government of Botswana, concerned about diminishing donor support for key issues including HIV/AIDS, established the Development Partners Coordination Forum (UNDP, 2009: 13).

Donor coordination and other aid effectiveness issues have been on the agenda in Botswana for several years. Among the reasons for the slow progress in donor coordination is the low amount of ODA, which has not incentivised the government to formalise coordination mechanisms (*ibid.*: 51–52). Meanwhile, the leading role of the Government of Botswana, mainly through the MFDP, is already a *de facto* guarantee of donor coordination.

The National AIDS Coordinating Agency was established in 1999 under the Office of the President. Its purpose was to coordinate the national response to what had become the most important public health challenge for the country: tackling HIV/AIDS. The Agency was responsible for planning at all levels, including formulating and facilitating national strategies, policies and laws that pertained to HIV/AIDS. UNDP notes, 'collaboration among the agencies is most visible in the HIV/AIDS practice area. It is also the domain in which donor coordination in general is an acute issue, because for most development partners in Botswana, it is an area of convergence. UNDP, WHO, UNAIDS, UNICEF, UNFPA and to a lesser extent UNHCR, coordinate their actions but operate through separate programmes' (UNDP, 2009: 45).

The interviews for this study revealed that non-governmental organisations (NGOs) played a limited role in larger scale policy and advocacy in Botswana, and were mostly active at the community level where they provided flexible, quick and responsive support to the government in efforts to address the HIV/AIDS epidemic. NGOs in Botswana were not perceived

as particularly active or vocal and they receive limited funding from development partners and from the government. This finding is particularly striking when it comes to climate change policy, given the urgency and magnitude of the issue.

Interviewees attributed this limited NGO involvement to several factors. First, the perceived good governance and government effectiveness meant the civil society and NGO role in scrutinising government policies and advocating for policy change was seemingly less critical than in other countries. Second, while the government does not control or disincentivise civil society programmes, the lack of government funding constrains civil society activities. Third, part of the reason that the NGO community was not vocal or visible within Botswana was that they had been ‘left in the lurch’ by the decline in donor funds that once supported their actions and few resources were mobilised domestically.

The challenge, as interviewees pointed out, was that the loss of support for NGOs meant that community-level development – which focuses on reducing poverty and deprivation – were weakened in terms of capacity for engagement and for advocacy. While those interviewed noted that the EU had continued to support the NGO sector, there was a general consensus that the sector remained underfunded. This demonstrates how Botswana’s transition from aid also affected its relationship with domestic actors, including NGOs, because of the loss of donor resources.

2.3 Social development context

Botswana’s Human Development Index (HDI) improved every year since 2000⁸ but remains lower than other countries at a similar level of income per capita. Although higher than that of neighbouring South Africa and Namibia⁹ (UNDP, 2018a), Botswana’s ‘human development

outcomes are among the lowest in the world for a country at Botswana’s level of development’ (World Bank, 2015: 1). Botswana performs well because of improvements in mean years of schooling and income per capita but its overall progress on the HDI has been hampered by the impact of the HIV/AIDS crisis on life expectancy at birth.¹⁰ Furthermore, Botswana is among the bottom half of countries on the World Bank Human Capital Index (based on 2017), ranking 119th out of 157 countries (although is in line with its neighbours, Namibia (117th) and South Africa (127th)) (World Bank, 2018a).

The HIV/AIDS epidemic was the main factor behind the spike in ODA to Botswana in the mid-2000s (see section 3.2).¹¹ In 2000, President Festus Mogae addressed the UN General Assembly and pleaded the international community for support, as ‘we are threatened with extinction’. In 2000, 27% of the population aged 15–49 years were HIV positive – more than five times the SSA average (Figure 2). More than one in five 15- to 49-year-olds in Botswana are HIV positive, the third-highest prevalence in the world after Swaziland and Lesotho.

HIV prevalence is stable but the rise in new infections requires prevention activities to be prioritised. Increasing life expectancy at birth is partly due to the government policy of universal coverage of antiretroviral treatment for HIV/AIDS patients (WHO, 2018). Remarkable results have been achieved in treating both past and recent cases, and HIV prevalence has been falling since the early 2000s (and plateaued for most of the past decade). However, the number of new HIV infections is estimated to have increased from 13,000 in 2010 to 14,000 in 2017, calling for an expansion of prevention and awareness activities (UNAIDS, 2018).

Education has been prioritised by the Government of Botswana but challenges remain

8 It rose from 0.565 in 2000 to 0.717 by 2017 – an increase of 23.3%.

9 In 2017, Botswana ranked 101st, Namibia 129th and South Africa 113th.

10 Life expectancy at birth fell from 61.9 years in 1990 to 48.8 years in 2001. A return to 1990 figures was not seen until 2012.

11 Of the spike of \$320 million ODA in 2008, \$261 million (more than 80%) was US support to control of sexually transmitted diseases, including HIV/AIDS.

in terms of quality and matching skills to tackle the country's high youth unemployment rates. Education expenditure in Botswana is among the most generous in the world, at 9.6% of GDP in 2009 (latest available figure). This is nearly as twice as much as the SSA average of 4.1% of GDP in the same year (World Bank, 2018a). Botswana meets the Education for All target of at least 20% of public spending towards education.

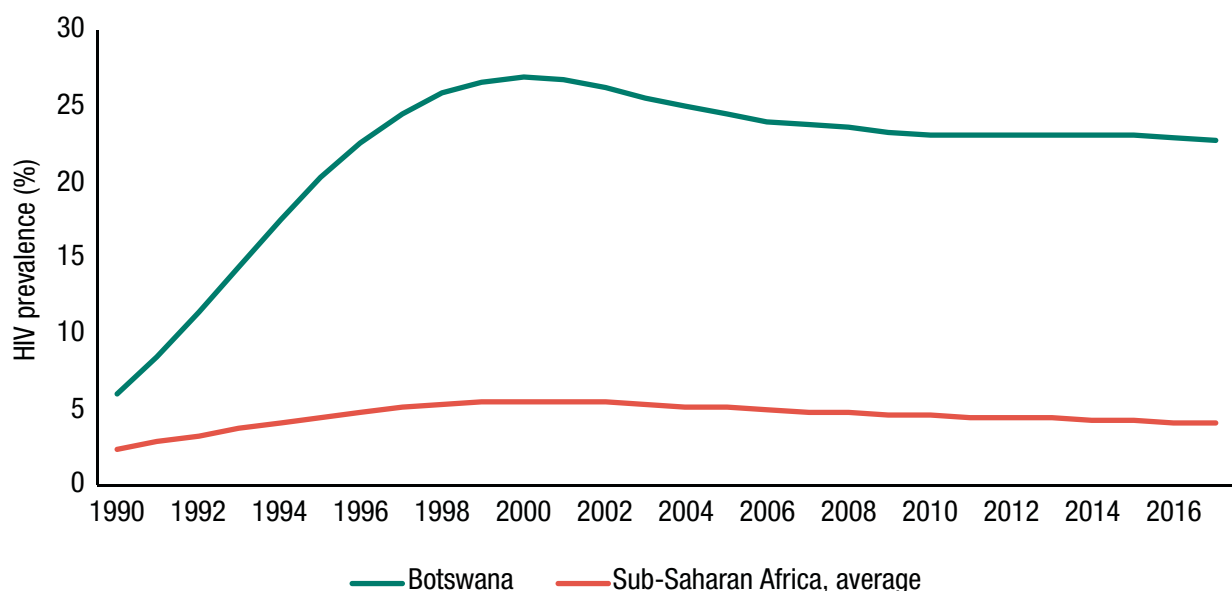
The mean years of schooling nearly doubled from 1990 to 2017, from 5.5 years in 1990 to 9.3 years in 2017 (UNDP, 2018a). The share of the population aged 25 and above with at least some secondary education more than doubled from 41.2% in 1990 to 89.2% in 2017, placing Botswana 42nd in the world on this HDI indicator – ahead of some European and G7 countries, including France and the United Kingdom (UNDP, 2018b). High levels of school attendance are also the result the government prioritising education in its public spending and providing heavily subsidised universal primary education.

However, education outputs are not matched with education outcomes. Interviewees for this study raised a number of issues including the

poor quality of education – especially at tertiary level (see also World Bank, 2014), the 'educated' unemployed, and the skills mismatch between competencies developed in formal education and those demanded by private sector employers. It is therefore no surprise that youth unemployment remains a major challenge. According to World Bank data, 35% of Botswana's youth population is unemployed (2018), a figure that has stayed static for most of the past decade and is more than double the SSA average of 14% in 2018.

Despite Botswana's development success, poverty remains a challenge. In 2015, 16.1% of the country's population lived in poverty (based on the \$1.90/day threshold) (World Bank, 2019d). This figure is slightly lower than its neighbour South Africa, but is almost 10 times higher than the average across UMICs (1.7% in 2015). In that same period, 38.5% of Botswana's population lived below \$3.20 a day, meaning that they are vulnerable to falling back into poverty. But there has been progress: the share of the country's population living below the extreme poverty line halved from 2002 figures (29.8%) (ibid.), with the depth and severity of poverty also falling. That is to say, the poor have become

Figure 2 HIV prevalence in Botswana's population aged 15–49 years



Source: World Bank (2019a, 2019b).

less poor and with far stronger reductions in poverty rates in rural than urban areas.¹²

Botswana must also address income inequality. Income inequality in Botswana is one of the highest in the world. This is despite inequality rates falling from 64.7 in 2002 to 49.5 in 2015 (the closer to 100, the higher the level of income inequality) due to pro-poor growth and declining poverty. In 2015, Botswana's income inequality was the second highest among developing countries, after its neighbour Namibia (59.1) based on World Bank (2019b) data. Inequality levels are higher in urban areas (Gini coefficient of 60.7 in 2010) than rural areas (Gini of 56.8 in 2010) (World Bank, 2015). Despite strong economic growth, Botswana's economic model – which is driven largely by the extractive industry – means low job creation, contributing to high inequality rates (ibid.).

Botswana is vulnerable to the consequences of climate change but these are poorly understood. Botswana is a vast country, scarcely populated but largely desert and with pressure on water. Botswana is assessed as having medium-to-high vulnerability to climate change based on the Notre Dame Global Adaptation Initiative's Vulnerability Index (ND-GAIN, n.d.),¹³ which measures a country's exposure, sensitivity and ability to adapt to the negative impact of climate change. It ranked Botswana in the middle of the list.¹⁴ The World Bank (2015) notes that 'while Botswana is in the process of developing a climate change strategy, there is still relatively limited understanding of how climate change is likely to impact key resources, how these changes may affect vulnerable rural communities, and what implications this may have on migration and urbanization' (2015: 62).

12 Reductions in poverty were the strongest in rural areas, where extreme poverty fell from 35% in 2003 to 17.8% in 2010. In urban areas, reductions were more modest, falling from 18.5% in 2003 to 14.2% in 2010 (World Bank, 2015: 5).

13 Scores for 2017.

14 Ranked 116 out of 181 countries.

3 Botswana's transition away from aid: the recipient perspective

Botswana's transition from ODA began in the late 1980s following decades of sustained growth and established itself as a developmental 'success story' (Chapter 2). By the time the country graduated from LDC status in 1994, donors had already started phasing out their programmes and planning their exit. While Botswana's well-managed resource wealth meant that ODA has become a less important financial resource over time, the government continues to seek technical engagement with development partners as it works to diversify its economy further and transition to high-income status.

This chapter analyses the evolution of aid flows to Botswana and how they have changed throughout its transition away from aid. By doing so, we aim to contextualise and learn from Botswana's transition experience.

We present our analysis in three parts, which align roughly to major trends and changes in Botswana's aid landscape.

- The first section maps change to Botswana's development cooperation between the country's independence in 1966 to the mid-1990s when it graduated from LDC status. This period is considered the main phase of Botswana's transition from aid – both in terms of the declining volume of resources but also because of the exit of several donors.
- The second section outlines the rise in assistance during the 2000s in response to Botswana's HIV/AIDS epidemic.

- The third section analyses changes in Botswana's development landscape since the early 2010s. This phase is marked by a transformation in Botswana's relationship with development partners towards economic partnerships.

3.1 From independence to graduation from LDC status in the mid-1990s

At the time of independence, Botswana was highly dependent on aid and quickly became a 'donor darling'. In the years following independence (1966–1969), ODA accounted for an average of 25% of Botswana's GNI per year (see Figure 3).¹⁵ The United Kingdom was the main provider of ODA to Botswana and contributed the equivalent of half the Botswana government's budget (Maipose et al., 1997). Through the 1970s and 1980s, Botswana had become a 'donor darling' as a combination of strong institutional capacity, commitment to development planning and low corruption made it possible for donors to see tangible results from their assistance (Kerapeletswe et al., 2008). At the time, Botswana was one of the highest per capita aid recipients in the world (Maipose et al., 1997: 19).

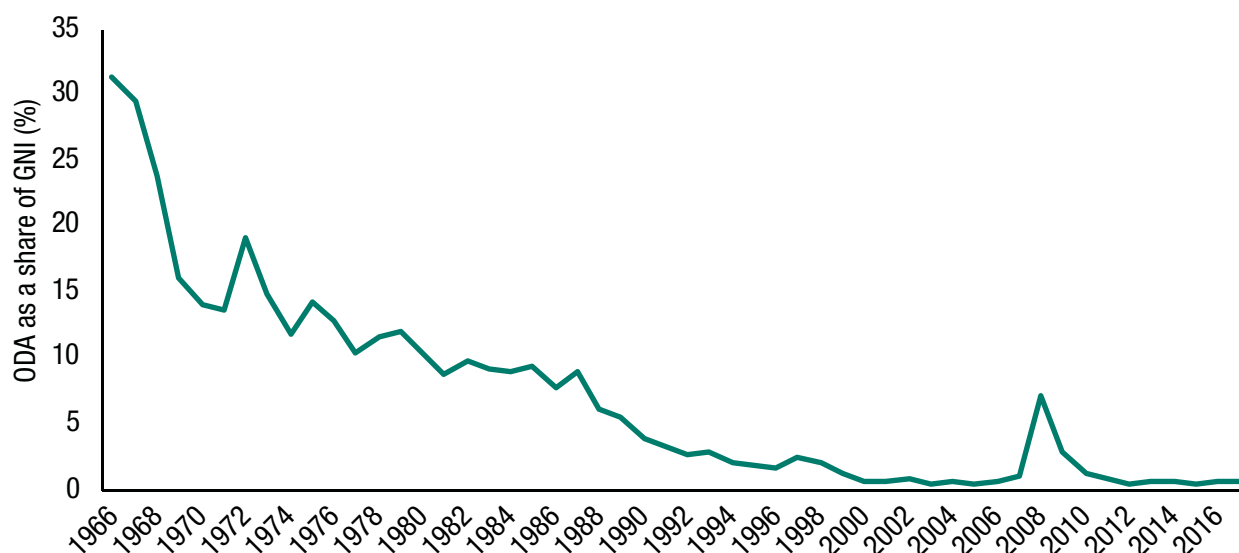
Botswana's transition from ODA began as early as the 1980s following the discovery of diamonds. Despite an absolute increase in

15 Data from the OECD's DAC2 dataset, accessed 9 April 2019.

ODA throughout the 1970s (which peaked at \$421 million in 1978) the relative importance of ODA to the Botswana government had begun to decline after diamond deposits were found at the beginning of the decade. Indeed, even with rising ODA levels throughout the 1970s, the average ODA to GNI ratio over the decade had

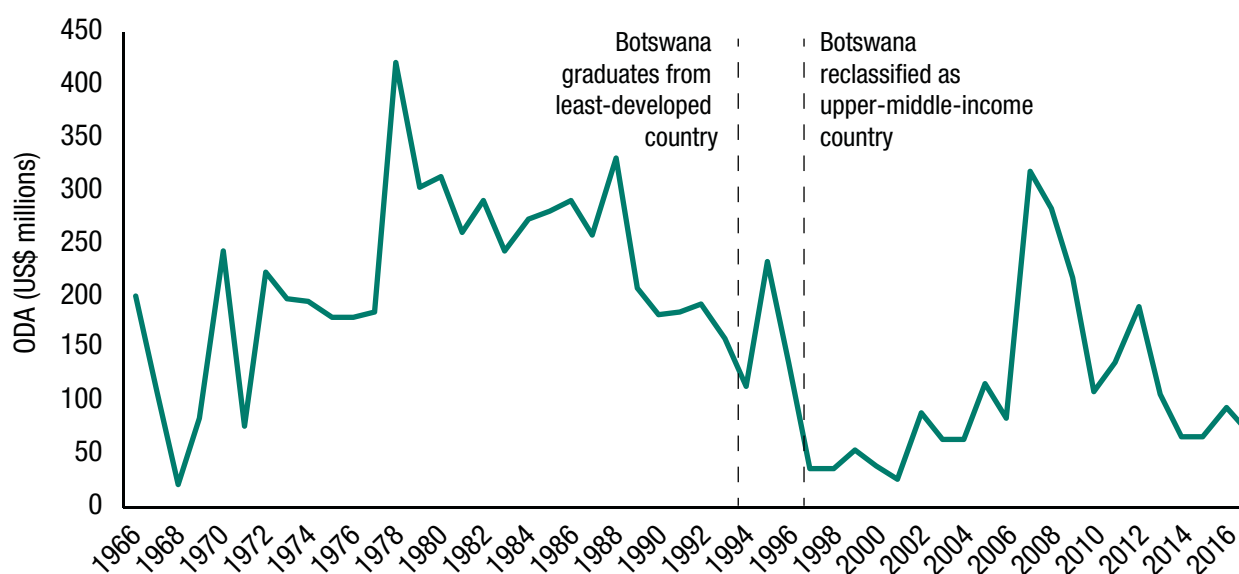
already fallen to 13% (Figure 3). While ODA to Botswana remained relatively flat throughout the 1980s, it fell sharply across the 1990s, dropping from \$183 million in 1990 to \$54 million by 1999 (see Figure 4). The share of net ODA over government expenses fell to 14% in 1990 and had more than halved by 1995 (6%).

Figure 3 Official development assistance to Botswana as a share of gross national income, all donors



Source: OEDC, n.d.b, accessed February 2019.

Figure 4 Official development assistance to Botswana from all donors



Note: Constant 2016 prices, US\$ millions.

Source: OECD, n.d.b, accessed April 2019.

By the time Botswana graduated from LDC status, some donors had already signalled intentions to slow or withdraw funding. As Botswana's economic development improved throughout the 1980s, with the government reporting major annual budget surpluses throughout the decade (thanks to diamond rents), aid was 'not really needed' (Kerapeletswe et al., 2008: 25). Indeed, the Government of Botswana had already demonstrated a strong development orientation and had made significant progress such that when the country graduated from LDC status in 1994, several donors (notably the Scandinavians) had 'already started to consider aid restructuring or exit' (ibid.). Based on interviews with experts within Botswana's development community, we suggest that this period marked the beginning of Botswana's graduation from ODA.

The UK and Scandinavian countries were the first donors to close their bilateral development programmes in Botswana. Having contributed to half of the Botswana government's budget in the years following independence, the UK first scaled down its ODA to Botswana in the mid-1970s. The UK's ODA commitments to Botswana declined from an average of \$79 million per year between 1966 and 1970 to \$49 million per year between 1971 and 1976. The UK's importance as a development partner fell due to a combination of declining aid volumes and increasing engagement from new development partners working in Botswana (Maipose et al., 1997). By the early 1990s, UK allocations to Botswana had fallen further to an average of \$17 million per year. While the UK remained among Botswana's top three donors until the early 2000s, Botswana has since stopped receiving funding from the UK's Department for International Development (DFID), likely due to its higher-income status.

In the case of the Scandinavian donors – Denmark, Norway and Sweden – declining ODA to Botswana throughout the 1990s was linked primarily to the country's graduation from LDC status (Kerapeletswe et al., 2008). In each case,

the prioritisation of allocating aid to the poorest countries meant that the graduation of Botswana from LDC status made it more difficult for donors to engage. The exit of donor programmes from Botswana was also linked to other donor-specific factors – a scandal involving refrigerated containers from Denmark,¹⁶ for instance, was said to have contributed to their decision to withdraw, while the Norwegian government was concerned with the level of unspent aid funding to Botswana (ibid.: 26–27). Moreover, Botswana's declining geopolitical significance after the end of apartheid and the 'lack of potential for mutual economic interests, [and] the geographical distance of Botswana from the European donors and the size of the Botswana economy' also influenced donor decisions to leave (ibid.: 121). Nonetheless, the argument that Botswana could manage without aid was a key contributor to changing relations.

From the perspective of the Government of Botswana, donor exit in the 1990s was expected yet unwelcome. The government's National Development Plan 7 (1991–1997) had anticipated that donor funding was likely to decline, the Government of Botswana was said to be 'clearly against the termination of donor aid' (Kerapeletswe et al., 2008: 31). They argued that it was 'unfair' for donors to exit based on income per capita given that development could not necessarily be equated with growth. The general sentiment expressed at various levels of seniority within the Botswana government was that 'you have to mismanage to benefit from development co-operation', with some feeling that the country was being punished for its developmental success (ibid.: 32).

A key concern for Botswana throughout its transition from aid was the retention of technical assistance. Technical assistance had become a key instrument for engagement with Botswana throughout the early 1980s and was a dominant form of development cooperation by the end of the decade (Maipose et al., 1997). This focus on technical assistance reflected the

16 In the early 1990s, several refrigerated containers donated by Denmark to Botswana for use by Botswana Railways had been discarded by the railway provider and had made their way into the hands of private businesses. Some were also found in South Africa (Kerapeletswe et al., 2008).

‘manpower shortage’ and skills gap that had faced the country since independence and which had rendered technical support relatively more important than financial aid (Maipose et al., 1997; Kerapeletswe et al., 2008). However, Botswana’s transition in the 1990s led to a loss of technical assistance. This was seen to reduce development efforts and contributed to a ‘clear imbalance between available human and financial resources in Botswana even today [the time of writing]’ (Kerapeletswe et al., 2008: 137).

Botswana’s ODA throughout the 1990s was focused on several priorities, with an underlying focus on economic growth. From the mid-1990s onward, most aid was targeted towards three areas: (1) water and sanitation, and mostly water supply; (2) mining – particularly through programmes to develop mining policy and administrative management; and, towards the end of the decade, (3) allocations categorised as ‘multisectoral’ that predominantly support environmental policy and management.

While these sectors matched the government’s development plans and priorities as outlined in NDP 7, efforts to support economic independence were increasingly prioritised throughout the 1990s. Primarily, this involved improvements to economic infrastructure and building mining production to fund ‘economic diversification and the provision of an enabling environment for the development of the private sector’ (Maipose and Matsheka, 2004: 20).

Following Botswana’s reclassification from LDC status, plans made with Norway and Sweden sought to shift the focus of cooperation towards private-sector engagement and diversification beyond development cooperation. However, as noted by Kerapeletswe et al. (2008), ‘despite the greater private sector involvement envisaged by the touted restructuring and widening, little has happened’ (2008: 54). By the end of the 1990s, the Government of Botswana’s priorities changed as the rapid spread of HIV/AIDS posed an immediate challenge.

3.2 The 2000s HIV/AIDS crisis

Throughout the 2000s, Botswana’s development landscape was defined by the challenge and response to the HIV/AIDS epidemic. While the prevalence of HIV/AIDS was already rising in Botswana throughout the 1990s, by 2000 it was estimated that Botswana had the highest HIV prevalence in the world. One in four adults in the country had HIV and prevalence among men and women aged 25–40 years was more than 30% (UNAIDS, 2015: 160). It was in this context that President Festus Mogae told attendees at the XIII International AIDS Conference in South Africa, that the Batswana ‘are threatened with extinction. People are dying in chillingly high numbers. It is a crisis of the first magnitude’(ibid.).

Local and international actors responded to Botswana’s HIV/AIDS epidemic, with President Mogae leading domestic efforts. He declared HIV/AIDS to be a national emergency – and in doing so, was one of the first African leaders to acknowledge the scale and impact of the crisis the continent was facing – and also chaired the National AIDS Coordinating Agency (see Chapter 2).¹⁷ According to Morrison and Hurlburt (2004), it was Mogae’s leadership that paved the way for international support from a range of actors including the Bill & Melinda Gates Foundation, the Merck Company Foundation, Pfizer Pharmaceuticals, GlaxoSmithKline, the Turner Foundation, and the Harvard AIDS Institute, to name a few.

The global response to Mogae’s call was swift. In July 2000, the Bill & Melinda Gates Foundation and Merck joined forces with the Government of Botswana to create a public–private partnership, the African Comprehensive HIV/AIDS Partnership (ACHAP), to support Botswana’s response to the HIV/AIDS epidemic (BMGF, 2006). As part of the partnership, both the Bill & Melinda Gates Foundation and Merck committed \$50 million over five years to ‘help

17 Mogae’s ‘secular conversion’ of the narrative around HIV/AIDS, including recognising the challenge and publicly championing its response, has been identified as a key factor in the success of Botswana’s HIV/AIDS response programme (see Jensen et al., 2012).

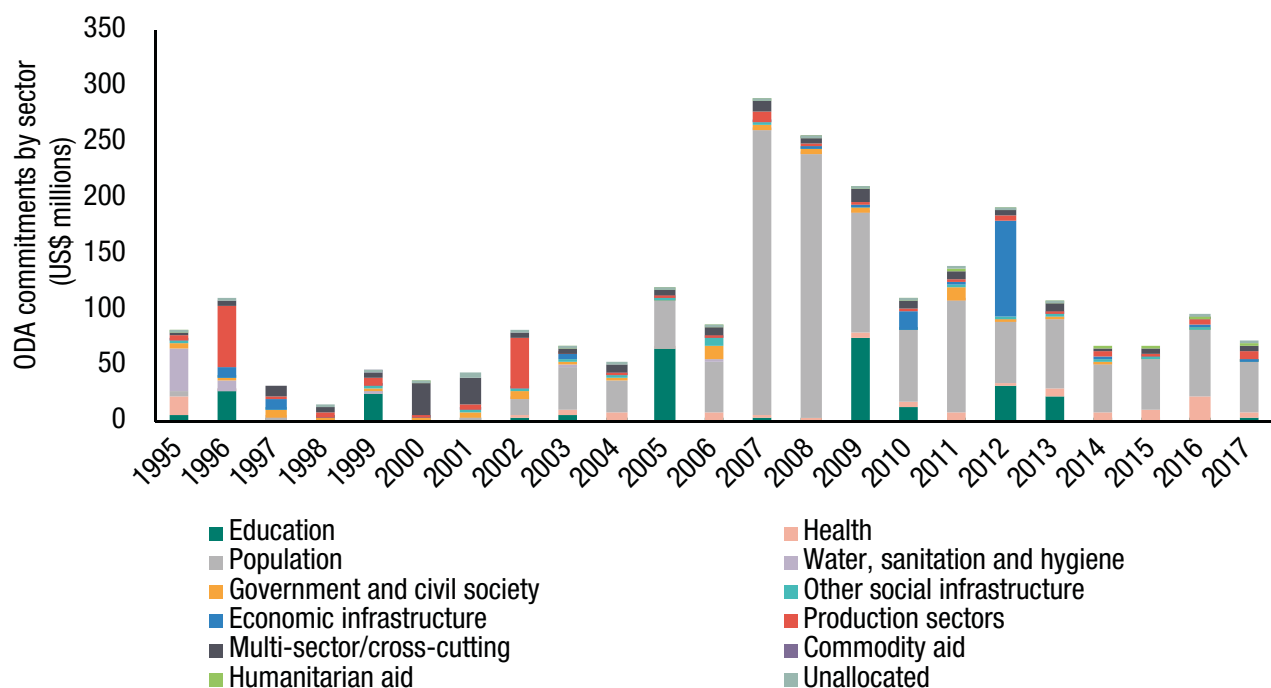
Botswana strengthen its health infrastructure, such as training new health workers and managers, and establishing new laboratories and mobile clinics’ (ibid.: 3). ACHAP also worked with the Government of Botswana to develop its first National HIV/AIDS Strategic Framework, which aimed to align HIV/AIDS response efforts under a ‘comprehensive and coordinated national campaign’ (ibid.: 3).

As a result, development assistance to Botswana increased throughout the 2000s, with most funding directed towards the HIV/AIDS response. ODA inflows increased from an average of \$34 million a year (between 1997 and 1999) to a peak of \$210 million per year between 2006 and 2008 (see Figure 4).¹⁸ The bulk of this increase was attributable to new resources to support HIV/AIDS control; as a share of total ODA, support for HIV/AIDS increased from 2% of ODA between 1997 and 1999 to 86% between 2006 and 2008 (see

Figure 5). Some donors, such as the EU, refrained from funding HIV/AIDS response programmes and instead maintained support focused on the education sector and human development. However, on average, ODA flows for purposes other than HIV/AIDS control continued along a downward trajectory, decreasing from an average of \$48 million per year in the early 2000s (2000–2002) to \$30 million per year towards the end of the decade (2006–2008).

The US and the GFATM increased support for HIV/AIDS programmes. The US was the largest provider of ODA to Botswana throughout the 2000s.¹⁹ During the previous decade, the US – like other donors – ran very small programmes in Botswana after it moved to middle-income status (USAID, n.d.). However, the Bush Administration’s creation of the US President’s Emergency Plan for AIDS Relief (PEPFAR) in 2003 provided a basis for renewed engagement. Over the decade that followed, the

Figure 5 Official development assistance commitments by sector, all donors



Note: Constant 2016 prices, US\$ millions. ‘Population’ sector includes funding to control sexually transmitted diseases. Source: Data is taken from the OECD’s Creditor Reporting System, accessed February 2019. Data is not available prior to 1995.

18 Figure excludes ODA coded as ‘actions related to debt relief’; in 2008, the German government counted almost \$380 million in debt relief as ODA to Botswana.

19 US funding increased from less than \$2 million per year towards the end of the 1990s to an average of \$182 million per year between 2006 and 2008.

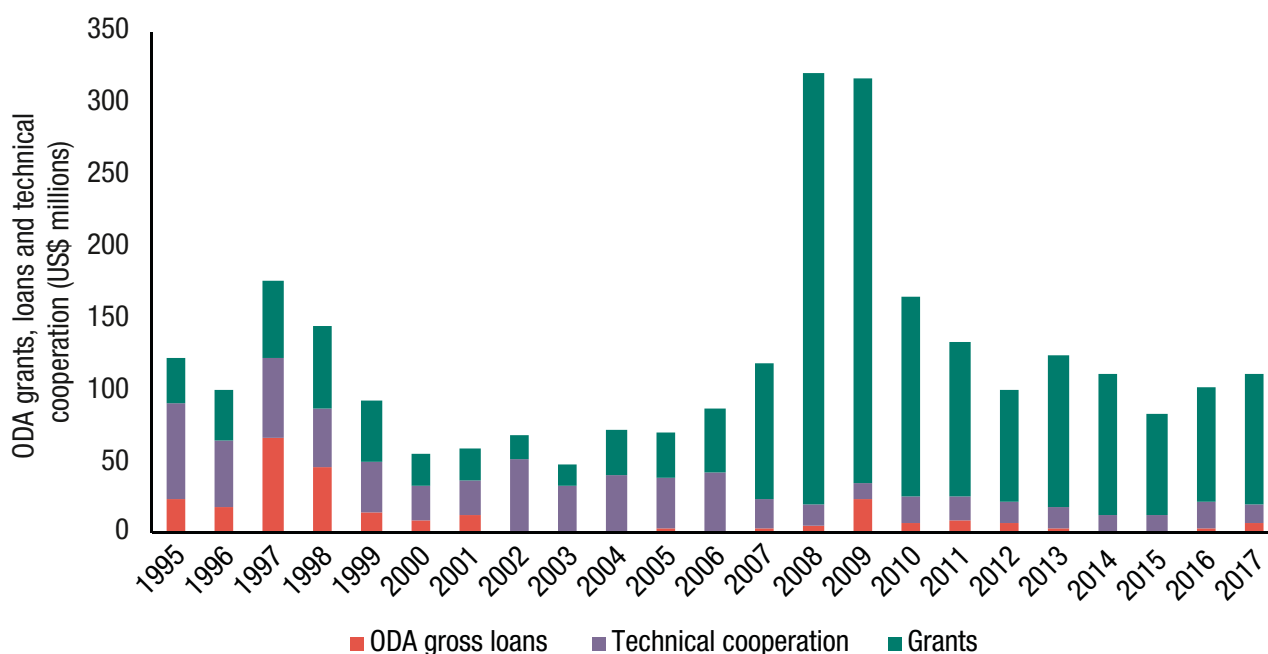
US contributed more than \$650 million to the Government of Botswana's efforts to combat HIV/AIDS (Stash et al., 2012: 6). In 2004, the GFATM, created two years earlier, began supporting Botswana's HIV/AIDS response and was among the top three providers of ODA to Botswana (on average) between 2003 and 2008 (OECD, n.d.a).

Throughout the 2000s, technical cooperation remained a priority instrument for ODA and a key part of Botswana's response to the HIV/AIDS crisis. Indeed, in the early part of the decade, the majority of ODA was allocated to Botswana as technical cooperation, with levels peaking at almost 74% in 2002 (OECD, n.d., see Figure 6). This is perhaps unsurprising: while Botswana's diamond boom had contributed vast financial resources, the HIV/AIDS crisis response was affected by a shortage of healthcare professionals. Part of ACHAP's mandate involved training health professionals to advance and expand the country's 'testing, counselling, treatment and monitoring efforts' (BMGF, 2006: 4).²⁰ A large share of technical cooperation

to Botswana continued to support HIV/AIDS control throughout the 2010s (see Figure 7).

As the global response to Botswana's HIV/AIDS epidemic began to show results, the government's priorities shifted away from HIV/AIDS control and towards its long-term priority of promoting economic competitiveness and diversification to fuel future growth. By the time the government launched its new NDP 10 in 2009, significant progress had been made to combat the spread of HIV/AIDS. By the end of 2008 'more than 90 000 residents were accessing HIV treatment, mother-to-child transmission rates were the lowest in Africa and the rate of new HIV infections had dropped by 46%' (UNAIDS, 2015: 160). This progress moved the focus from responding to the HIV/AIDS emergency to preventing the spread of new infections. At the same time, slower-than-expected growth throughout the mid-2000s re-oriented the NDP 10 towards broader developmental priorities outlined in its 'Vision 2016', including promoting sustainable and rapid economic growth (GoB, 2009).

Figure 6 Official development assistance grants, loans and technical cooperation to Botswana, all donors

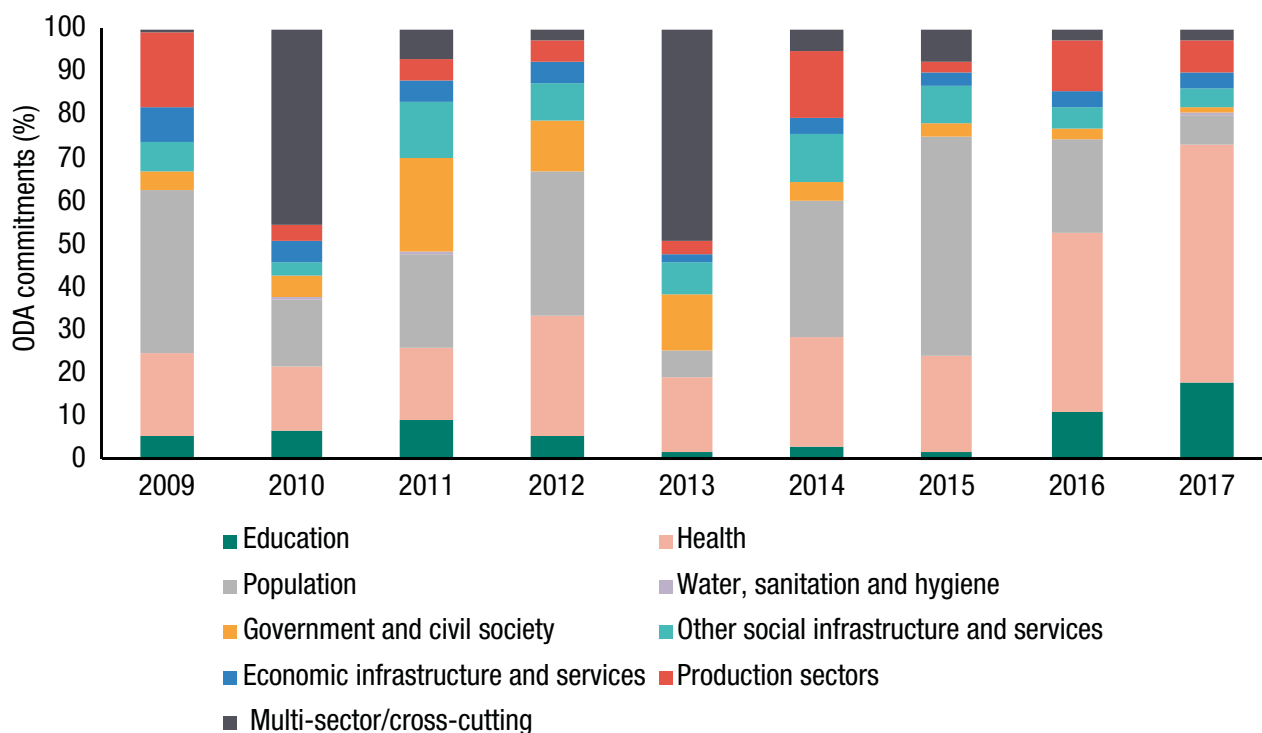


Note: US\$ millions, constant 2016 prices. ODA flows do not include debt relief. Grant figures exclude debt forgiveness and report funding spent as grants not counted as technical cooperation.

Source: OECD, n.d.a, accessed February 2019.

²⁰ The trend towards technical cooperation changed in 2007, when large grant inflows from PEPFAR reduced the relative importance of technical cooperation to an average of less than 10% between 2007 and 2009 (OECD, n.d.).

Figure 7 Official development assistance commitments for ‘experts and technical assistance’



Note: Data not reported prior to 2009. ‘Population’ sector includes funding to control sexually transmitted diseases.
Source: OECD, n.d.a, accessed April 2019.

3.3 Towards economic partnership in the 2010s

By the early 2010s, ODA was again in decline. The fall could be traced to two main factors. The first is that progress made towards HIV/AIDS treatment and prevention had reduced the scale of the HIV/AIDS crisis and, subsequently, the level of aid allocated to it. The second is the 2008 financial crisis, which put strain on donor budgets and, according to some donors we interviewed, contributed to the decision to reduce funding to Botswana. The cumulative effect of these factors was a halving of ODA inflows to Botswana throughout the decade from an average of \$146 million per year between 2010 and 2012 to \$78 million a year between 2015 and 2017. While absolute ODA volumes fell in the aftermath of the HIV/AIDS crisis, more

than half of Botswana’s ODA continued to be allocated towards HIV/AIDS-related activities (see Figures 5 and 8).²¹ Indeed, ODA not allocated to HIV/AIDS was particularly affected by the decline, plummeting from an average of \$73 million per year between 2010 and 2012 to \$28 million per year between 2015 and 2017.

Most donors continued to withdraw funds over the period, with long-term partners, such as the US and the EU, reducing funds too. While the US remained the largest provider of ODA over the period and the main source of continued funding for HIV/AIDS, its average flows declined by almost half from \$91 million per year between 2009 and 2011 to \$49 million a year between 2015 and 2017. These cuts have been driven by a planned scale-down of funding from PEPFAR. However, it is noteworthy that PEPFAR has seen annual budget cuts in each

²¹ The latest available data at the time of writing is for 2017 allocations. Funding for HIV/AIDS accounted for about 63% of sectoral commitments that year.

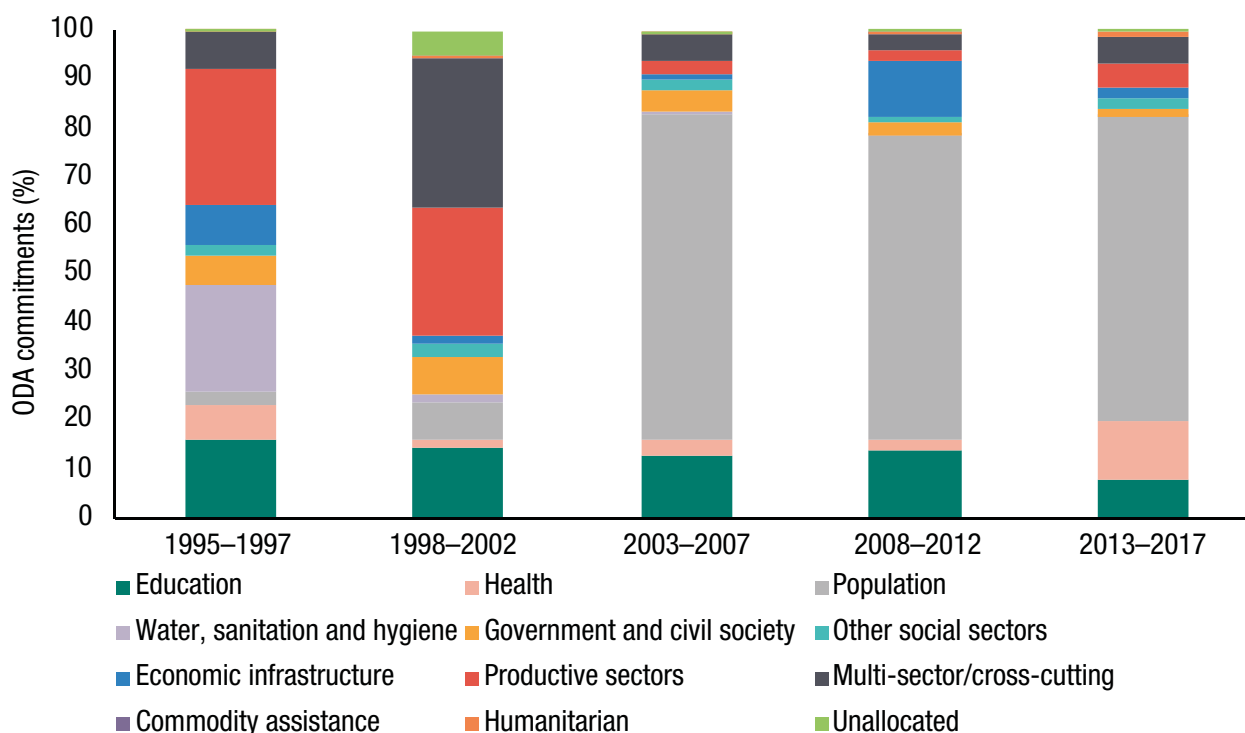
year under the Trump Administration (Rose and Kellar, 2019).²²

Similarly, funding from the EU has also declined over the past decade, particularly during the most recent round of European Development Fund (EDF) 11. Between EDF 10, which covered development programmes between 2008 and 2013, and EDF 11 (2014 and 2020), planned allocations to Botswana fell by more than half from €73 million to €33 million (EU, 2008; 2014).²³

For donors that remained in Botswana, including the EU, Germany and Japan, funding was used to support the government's key objectives of increased competitiveness and

economic diversification. Despite declining EU support, for example, remaining funds were allocated to support inclusive and sustainable growth, and skills for jobs – each of which aligns with the Government of Botswana's 'Vision 2036' and NDP 11. Similarly, remaining funding from Germany and Japan, albeit in small amounts, was used to support technical and vocational training. While Botswana's economic development continued, even in the face of the HIV/AIDS epidemic, both government and donor interviewees saw the focus on jobs and vocational training as a key priority. Interviews with development partners, experts and government officials alike highlighted that part of

Figure 8 Five-year average official development assistance commitments by sector, all donors



Note: Constant 2016 prices, US\$ millions. 'Population' sector includes funding to control sexually transmitted diseases. Source: Data is taken from the OECD's Creditor Reporting System, accessed February 2019. Data is not available prior to 1995.

22 In PEPFAR's 2017 'Acceleration Strategy', Botswana was listed as one of '13 priority high-burden countries' for PEPFAR, with the budget showing a near doubling of ODA to Botswana expected between 2017 (\$36 million) and 2019 (\$68 million) (Rose and Kellar, 2019).

23 Perhaps importantly, according to interviewees, planned spending for Botswana's EDF 11 programme was reduced further to €16 million following the mid-term review of the spending programme. While these cuts resulted from underspending during the first half of the programme, a further €6 million will also be available to Botswana from the EU's Regional Indicative Programme to support the implementation of its National Economic Partnership Agreement Implementation Plan. More information on this plan was unavailable as the programme was still being formulated.

the challenge for future economic diversification is the need to develop skilled labour to fill potential jobs created by new investors. In this context, the government continues to value highly programmes to support skills development and knowledge transfer.

As Botswana's income per capita continued to grow, there was also a shift in the actors that provided assistance within each cooperation system. For instance, while Germany's Federal Ministry for Economic Cooperation and Development (BMZ) closed its programmes with Botswana, the country continues to receive some ODA funds from other branches of the German government. This includes the German Foreign Office, which provides ODA to support the provision of scholarships to Botswana students. While ODA funding to Botswana from the German Foreign Office is small relative to former levels of BMZ support, it has increased the number of projects in recent years and with other actors phasing out, it accounts for an increasing share of remaining support.

Similarly, while DFID scaled down funding in the early 2000s due to Botswana's middle-income status, the UK continues to support Botswana through programmes run by the Foreign and Commonwealth Office. It should be noted, however, that some remaining funding to Botswana comes through programmes targeted for the Southern African region, such as funding from the Newton Fund, which provides funding to Botswana as part of a 'radio astronomy' programme for the Southern African region (Newton Fund, n.d.). While the levels of support from both foreign ministries is smaller than that by development agencies, the presence of foreign ministries rather than traditional development actors signals the changing relations between Botswana and partners from one transitioning out of aid and towards a relationship based on economic and political cooperation.

Beyond traditional donors, Botswana also continues to receive funding from emerging donors, including China. According to figures provided by AidData, China provided a cumulative total of \$616 million allocated as ODA-like resources between 2000 and 2014. This makes it the second-largest bilateral provider of ODA to Botswana over the period, after the US. While ODA-like finance from China has declined from a peak of almost \$250 million in 2004 to an average of \$600,000 between 2011 and 2014,²⁴ Botswana and China have recently announced a commitment to cooperate on combatting wildlife crime (Labanna, 2019).²⁵ As discussed in section 2.2, relations with China improved under President Masisi's administration; falling ODA figures partly reflect relations with China that were on hold under the previous president Ian Khama.

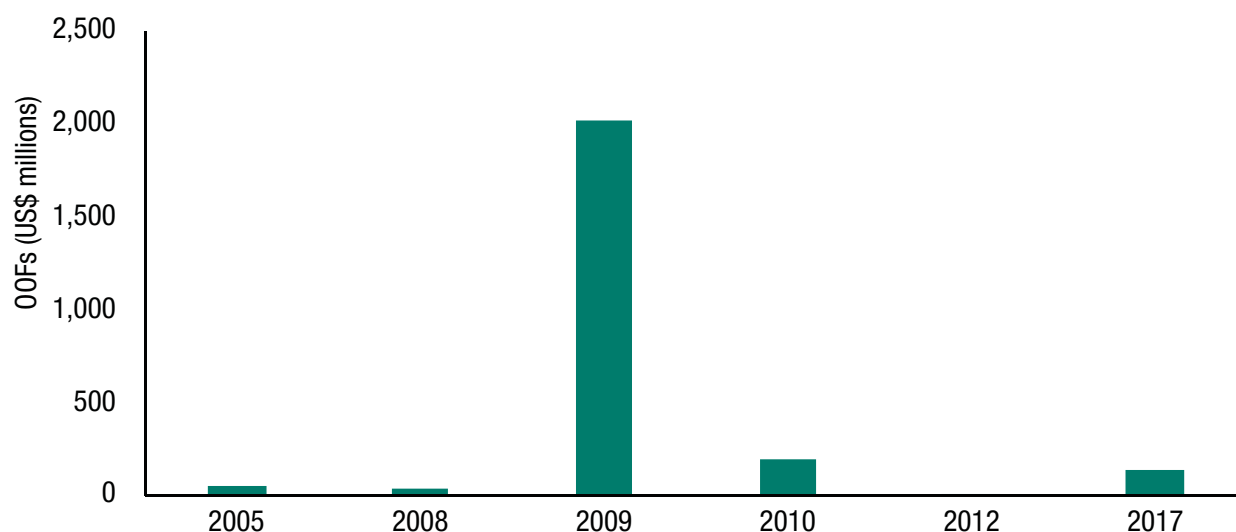
Despite changing actors in Botswana's development landscape, most of the remaining ODA flows continued to be allocated as grants. Botswana has not taken ODA loans since 2012, when it received one ODA loan from Japan, valued at \$84 million, to support the construction of infrastructure associated with the Kazungula bridge between Zambia and Botswana (JICA, 2012; OECD, n.d.; Figure 6). Due to the debt ceiling – which limits public debt to 40% of GDP with no more than 20% of GDP to be borrowed from either domestic or international sources – Botswana does not typically accept ODA loans (Moody's Investors Service, 2017).

Botswana's OOF finance peaked in the late 2000s and has remained relatively low in absolute terms (but still higher than ODA flows). Over the past decade, the majority of OOFs to Botswana have been provided by the AfDB (see Figure 9). OOFs to Botswana peaked in 2009 at a total value of \$2.02 billion. Of this, approximately \$1.5 billion was provided by the AfDB as non-concessional loans, the bulk

24 'ODA-like finance' is an AidData term that refers to ODA allocated for developmental purposes and is either a grant or concessional loan (see AidData, 2019).

25 AidData's China dataset does not report ODA-like flows to Botswana in 2013.

Figure 9 Other official flows commitments, 2005–2017



Note: US\$ millions, constant 2016 prices. OOFs data for Botswana is not consistently reported in the Creditor Reporting System. Years presented correspond to data available.

Source: OECD, n.d.a, accessed February 2019.

of which (\$1.4 billion) was intended to support economic diversification.²⁶ In addition, the IBRD committed \$535 million to Botswana the same year. Most of this was allocated for a range of projects on various sectors including water and sanitation, energy and road transport. Botswana's OOFs remained relatively low in absolute terms at less than \$200 million per year since 2009,

primarily driven by its prudent approach to debt management, which constrains borrowing from international financial institutions.²⁷ Indeed, Botswana limits its borrowing from both domestic and international capital markets to ensure debt sustainability; the loans that they accept tend to be those that best align with their national development plans and priorities.

26 The remaining \$55 million was for agricultural infrastructure.

27 Aside from AfDB and IBRD, alternative OOF providers include China, the Organization of the Petroleum Exporting Countries (OPEC) and the United States. China allocated a cumulative total of almost \$900 million in OOF-like funding to Botswana between 2000 and 2014, making it the second largest provider of OOFs to Botswana after the AfDB. In 2009 OPEC's Fund for International Development committed \$37 million to Botswana for road safety, while in 2005 the United States' Overseas Private Investment Corporation provided a very small loan of \$7 million (sector unspecified).

4 Botswana as a donor

To date, Botswana's outward cooperation has primarily taken the form of in-kind contributions and is responsive to the requests and immediate needs of neighbouring countries. For instance, interviewees from the government noted that Botswana has typically responded to requests for assistance from other Southern Africa countries (Lesotho, Malawi), Liberia and South Sudan, to provide in-kind technical expertise and support on a range of sectors including policing, public financial management and contract negotiation. While the majority of Botswana's outward activities were provided as in-kind support, Botswana also provided loans to support the International Monetary Fund's Enhanced Structural Adjustment Facility in 1994 and to the then-named Heavily Indebted Poor Countries Trust Fund in 1997 (IMF, 1997).

Most of Botswana's cooperation tends to be focused on neighbouring countries and on the African continent. However, government interviewees noted that Botswana has engaged in cooperation with countries outside of Africa, including Papua New Guinea on issues of local governance. Similarly, the government has provided humanitarian assistance to help meet its neighbours' immediate needs in the aftermath of crises. Government officials explained that, following the devastation caused by Cyclone Idai in 2019, Botswana sent convoys of food and basic supplies to Malawi, Mozambique and Zimbabwe to ease relief efforts. Over time, according to the government officials interviewed, Botswana has also contributed to other humanitarian relief efforts such as providing famine relief to Somalia and resources to counter the West African Ebola crisis.

Botswana has not developed an agency for managing and coordinating its outward development activities. Instead, relief efforts have been managed through the Ministry of International Affairs and Cooperation (MIAC)

– although government officials mentioned that there is no specific team charged with leading such programming. In part, the absence of an institutional centre for coordinating and overseeing Botswana's outward cooperation is likely linked both to the small volume, which is unlikely to warrant a separate institutional mechanism, and to domestic challenges around Botswana's engagement as a provider of development cooperation. While interviewees suggested that Botswana continues to face domestic challenges – including poverty and inequality, which make it difficult to engage in a more systematic and structured form of cooperation – government officials noted that Botswana would inevitably engage more as a provider of development cooperation as it nears and reaches high-income status.

Through cooperation with UNDP, Botswana developed its first strategy for South–South and triangular cooperation. The policy is expected for release in mid-2019 and was presented at the Second High-level United Nations Conference on South-South Cooperation (BAPA+40) meeting in Buenos Aires in March 2019. It frames Botswana's engagement in South–South and triangular cooperation as part of its efforts to support the 2030 Sustainable Development Goals (SDGs) through advancing SDG 17 on strengthening partnerships. The policy proposes institutionalising the role of the MIAC as the coordinator and the role of the MIAC Permanent Secretary as the 'focal point' of Botswana's South–South and triangular cooperation (GoB, forthcoming). Specifically, the policy calls for the Department of Public Relations, Research and Information within the MIAC to serve as the main point-of-contact for coordinating and managing Botswana's outward cooperation.

The policy identifies seven priority sectors for Botswana's future outward development engagement, each of which leverages Botswana's

comparative advantage and reflects ‘areas in which Botswana has best practices that it can scale up’ as a donor (GoB, forthcoming: 27). These include beef export and value chain, tourism, diamond beneficiation, mining, small-stock production, financial services, and good governance and democracy. Beyond sharing knowledge and providing support for the development of these industries and sectors in partner countries, part of the justification for engaging in cooperation in Botswana’s key sectors is also to ensure it ‘stay[s] abreast of new skills and technologies by its South-South development partners’ to support mutual cooperation and benefit (ibid.).

Botswana’s cooperation programme is in its early phases (and triangular cooperation, in particular, is quite limited). However, its new policy vision indicates a willingness to expand engagement as a partner in regional development cooperation. Indeed, Botswana’s South–South development policy vision is in line with its aspirations to become a high-income country by 2036; one government official told us it was ‘imperative’ that Botswana engages with other countries in the region as it nears high-income country status. The new strategy provides a basis for building its cooperation and engagement within the region.

5 Lessons from the transition process in Botswana

Chapters 3 and 4 of this report investigated the evolution of Botswana's development cooperation landscape and priorities throughout its transition away from ODA. We analysed the changing patterns of international development cooperation received by Botswana since the early 1990s, including during the HIV/AIDS crisis that overwhelmed Botswana during the 2000s, and provided a brief overview of its engagements as a partner in South–South cooperation activities.

In this chapter, we use the preceding analysis to address the main research questions driving this study. These questions seek to understand: how Botswana has managed its transition from ODA; what type of engagement Botswana wants from development partners through the transition process; and how cooperation could develop beyond ODA. Most of the information gathered in this section is based on the semi-structured interviews, unless otherwise specified.

5.1 Managing the transition from development assistance

5.1.1 Sustaining and broadening development results

The Government of Botswana has sustained development results throughout transition via prudent financial management of its diamond rents... Botswana's well-managed mineral wealth provided the country with a strong

financial base for investing in its future growth and to ensure that its financial obligations were met (see Maipose et al., 1997; Maipose, 2008). Indeed, one interviewee noted that the Government of Botswana's prudent financial management created a buffer to offset the effects of (then future) donor exits. This meant that by the time donors began to leave, the government had already banked enough resources to account for gaps left by donor exit. In combination with the government's debt ceiling, which prevented reliance on borrowing, Botswana has been able to continue investing in its own development throughout donor transition thanks to its history of strong public financial management and development-focused institutions.

...yet the government is also aware of the limitations of its current model. There are no disillusion within the Government of Botswana or among its development partners that the country's reliance on diamond wealth as its primary source of development finance is not sustainable long-term. Recent estimates suggest that diamond production is likely to plateau, reducing its future contributions to growth (Kay, 2018), while the rising costs of production are decreasing revenues from diamond mining.²⁸ Donor interviewees noted that with up to 30% of government spending financed by diamond resources, the Government of Botswana knows it will face pressures to find new sources of

28 We used data from the Bank of Botswana's Annual Statistical Report (2018) to calculate the ratio of mineral revenues (most of which is attributable to diamonds) to exports of Botswana's rough diamonds. This reveals that, between 2011 and 2018, the ratio of revenues to exports fell from 0.64 to 0.52, mainly due to rising exports and relatively flat revenues.

economic growth and revenue to continue financing its development over the long term.

While the government's Vision 2036 outlines its plans to become a high-income country by 2036, beyond prudent fiscal management, Botswana has no systematic, formal or government-wide policy on managing its transition from aid or its changing relationships with development partners as they withdraw funding. One expert noted that transition has never been a high-level issue for the government and was considered more of an inevitability; unlike other countries, Botswana has not challenged the fact that it will graduate as its income increases, but raised concerns about persistent inequality within the country and the efficacy of basing the ODA graduation criteria on income levels alone.

Instead, Botswana pursues sector-specific plans for managing transition in key areas where donors remain engaged, including domestic health. For instance, the 'Integrated Health Service Plan: A Strategy for Changing the Health Sector for Healthy Botswana 2010-2020' anticipates reduced donor engagement over the prior period and has developed its plan for service provision based on the 'government's ability to maintain a basic level of health services' in the presence of declining donor support (GoB, 2010: 29).

Throughout the transition phase, Botswana had a development-minded government, capable civil service and strong history of development planning. This ensured that donor engagement both supported domestic priorities and was sustainable long term. Botswana's strong financial position meant it was not reliant on donors for financing and provided it with the freedom to turn away funding that did not align with its development priorities (Bräutigam, 2000). Indeed, government officials spoke of the government turning away funding from donors when projects aligned more closely with donor preferences than with government development plans; in other cases, donors such as the EU provided direct budget support to the Government of Botswana. This was in part facilitated by Botswana's aid management model,

which centralised all development planning – both budget and coordination of activities – within the MFDP and ensured that aid flows were well integrated into government systems and alignment to national priorities.

To ensure the long-term sustainability of development programmes, the government used technical assistance to deliberately fill skill gaps within the government and worked with partners to include clauses for capacity-building components within development projects. Internally, the Botswana government has a long history of managing technical assistance in a way that allowed it to develop local capacity in the areas it was most needed. Expertise would be considered and brought in only when domestic skills were unavailable yet needed to deliver national development plans (Bräutigam, 2000). When experts were invited, they were typically used to fill advisory and analytical positions under the decision-making guidance of domestic officials (*ibid.*); government officials noted that in the best cases, these experts engage in knowledge-sharing rather than providing expertise for a fixed period of time.

At the same time, the government worked with donors to ensure the sustainability of development programmes, including via co-financing arrangements. Some government officials also cited cases where staff were seconded to key development programmes, such as the Better Education for Africa's Rise programme, to ensure programme sustainability through building institutional capacity. Ultimately, one expert interviewee noted that this system safeguarded the government against potential 'white elephants' – programmes whose cost is out of proportion with their value – and served as a key pillar of the future sustainability of its development programming.

5.1.2 Relations with development partners

In some cases, Botswana's transition has led to declining ODA and reduced political engagement... As elaborated in Chapter 3, Botswana saw its donors exiting as early as the 1990s after its graduation from LDC status. At this time, several donors, notably from

Scandinavia, withdrew their development cooperation. In the case of Norway, the exit also reduced levels of political engagement as the Norwegian government closed its embassy in Gaborone in 1996 (Kerapeletswe et al., 2008). Norway had initially discussed the potential for ‘restructuring’ the development relationship as Botswana moved to UMIC status. However, its actual ‘exit’ in 1997 failed to deliver on plans to maintain institutional links or advance private-sector cooperation to assist Botswana in its next phase of development (ibid.).

In the case of Sweden, the decision to exit was partly driven by Sweden’s new concentration policy as well as by the change in government in South Africa, which lessened the geostrategic need for Swedish cooperation in Botswana (ibid.). Indeed, the low and declining geopolitical importance of Botswana over the period of donor exit – particularly as South Africa emerged from apartheid – made it easier for donors to withdraw from the country without necessarily establishing new forums for continued relations (ibid.). From the side of Botswana, Kerapeletswe et al. (2008) report that while the government ‘attempted to stem the donor exodus with measures like the opening of an aid management unit ... it appeared to have little effect’ (ibid.: 48), with the Government of Botswana left feeling like decades-old relationships had been abruptly ended (ibid.).

...while in others, it led to changes in the composition of the actors that remained present. This is perhaps most clearly illustrated by the case of the UK, where the close of traditional development programming from DFID in 2002 did not end engagement. Instead, it led to new relations with the UK’s Foreign and Commonwealth Office, which focuses more on knowledge transfer and deepening political and economic links. It is perhaps important to note, however, that the degree to which the composition of donors is changing in Botswana’s case is lessened due to its restrictions on loan funding and prudent debt management. These limit engagement from multilateral partners and development banks (see Figure 9).

5.2 Cooperation between countries ‘in transition’ and development partners

5.2.1 Planning, implementation and financing needs for sustained development

Botswana does not seek financial resources to fund development programmes but, when it is available, prioritises concessional support. Botswana’s strong financial position has allowed the country to contribute its own financial resources towards development challenges. This included using domestic resources, as well as donor funds, to respond to the HIV/AIDS epidemic. More recently, this has also been demonstrated through Botswana’s participation as a co-financing partner of the first round of a technical vocational education and training (TVET) partnership with GIZ and the Chamber of Mines. When financing from development partners is made available, Botswana prioritises grants and technical assistance over loans, with a continued preference for concessional resources (grant element of at least 35%).

Botswana requires technical support to develop further capacity to implement its development plans as it moves towards high-income status... Botswana has lots of clear development plans to frame its actions and priorities on its way to becoming a high-income country. However, we heard from interviewees that, while actors ‘agree on what needs to be done, implementation remains a challenge’ and limits development progress. One interviewee stated that the government has often struggled to ‘absorb’ its allocated funding through both programming and implementing resources. The issue contributed to funding cuts in Botswana’s EDF 11 programme with the EU, following the mid-term review, which found that Botswana had not spent the money allocated during the first half of the programme. The problem of low absorptive capacity also contributed to the exit of Norway’s aid programme in the mid-1990s (Kerapeletswe et al., 2008).

...as well as the monitoring and evaluation of development programmes. The issue of monitoring and evaluation, which was raised by interviewees, is also identified in Botswana's latest NDP. There is a sense that development programmes, when implemented, are left to their own devices with little systematic and planned monitoring or evaluation. The challenge is partly one of statistical and data capacity, with some interviewees noting that better monitoring requires better data than is currently available. Others suggest that although budget lines for monitoring are routinely included in development plans, there is not always the capacity to monitor projects effectively. In both cases, the picture is one of strong development plans that are inconsistently implemented and incompletely monitored to measure and evaluate results. Building capacity in these areas could strengthen the government's efforts to manage its development programme and improve outcomes.

5.2.2 Modalities for development cooperation

Botswana is seeking technical cooperation to build human capital and advance economic growth as it works towards becoming a high-income country by 2036... Botswana faces several challenges to its continued development, including youth unemployment, low competitiveness and a lack of export diversification (see GoB, 2016b). To address these issues, interviewees acknowledged the need for technical assistance, particularly in the form of TVET, to build human capital and help develop the employability of its workforce. Indeed, in interviews, donors and government officials generally recognised that Botswana's education sector has been unable to 'fill the skills mismatch' between the technical capacities students have upon completing their studies and those needed by employers.

The success of the tripartite TVET partnership between the Government of Botswana, GIZ and the Chamber of Mines for ensuring that young people have access to skills-based training was considered crucial to addressing key

social inequalities and improving Botswana's investment climate. Development partners, government officials and private-sector actors considered this programme successful due to its ability to build a competency-based education model that matched youth with the skills needed for employment in the mining sector. A further TVET programme is planned as part of Botswana's EDF 11 with the EU.²⁹

...but it is not willing to pay for reimbursable assistance from development partners.

Government interviewees explained that the reimbursable assistance on offer, and particularly from international financial institutions, was too expensive to be a viable alternative for cooperation. As a result, there is a sense that, while Botswana has purchased such assistance in the past, the government will explore less costly forms of technical assistance and cooperation in the future.

Several interviewees also expressed a desire for more knowledge-sharing and technological transfer across a range of areas – including ICT and technology development, and tourism and conservation. There is an explicit desire to avoid models of cooperation that involve 'parachuting-in' experts to do a job without imparting the skills needed for long-term sustainability. Rather, government interviewees hoped future cooperation would advance knowledge transfer and provide training and technologies in key sectors of need.

In terms of promoting skills development and technical transfer, the Government of Botswana sees the private sector as a vital ally. The government has worked and engaged with the private sector within Botswana to help cultivate the skills and capacities needed to develop its domestic industry. As part of the tripartite TVET project, the Government of Botswana has worked with the Chamber of Mines to train trainers and graduates in current mining technologies. Moreover, in 2010, the Government of Botswana's renegotiation of its agreement with DeBeers resulted in the relocation of DeBeers' 'sights and operations, which include professional skills, equipment and

29 Of the planned €13 million programme, €10 million will be provided as budget support by the EU and the remaining €3 million as technical assistance from GIZ.

technology, from London to Gaborone by 2013' (Mokgoabone, 2011). This decision was aligned to the 'aspirations' of the Botswana government and likely part of broader efforts to promote the development of Botswana's private sector (ibid.; interviews).

5.3 Cooperation beyond aid

5.3.1 Expectations for cooperation beyond aid

Botswana's expectations for cooperation beyond aid are primarily focused on economic relations. When asked about future cooperation, interviewees typically pointed to the need for Botswana to diversify its economy and exports as the key to securing its long-term development. Several interviewees suggested that donors could play a role in supporting the development of Botswana's economy by engaging in economic partnerships or arranging sales missions or opportunities to promote Botswana, and its offerings, to industries in their country. The sentiment appeared to be that, to support Botswana's future sustainable development, partners should work with the country to expand business links and economic relations.

In particular, Botswana is engaging with partners to find ways to expand current value chains and diversify its economy. Interviewees often cited the EU's European Partnership Agreement and other activities that aim to expand value chains (e.g. from beef to leather exports) and build manufacturing as examples for future engagement. This includes cooperation projects working through SADC to advance regional economic linkages. Several development partners noted that the beef sector was a potential avenue for expanding Botswana's trade and economic engagement, particularly with Europe, while others also noted the opportunities for building value chains around Botswana's diamond industry.³⁰ In part, expanding Botswana's value chains and trade linkages is connected to and promoted through broader

efforts to deepen regional economic integration within the Southern Africa region.

With Botswana's new development cooperation strategy, there may also be scope for donors to engage with Botswana as it builds its programme of South–South and triangular cooperation. Botswana recently sought support from the UNDP for the development of its new strategy for South–South and triangular cooperation. While the country has long provided responsive assistance to neighbouring countries, the implementation of its development cooperation programme will likely require new capacities and skills for project design, implementation and monitoring. This could provide space for engagement from development partners, either as part of trilateral cooperation partnerships or as a source for learning about the operations development and management of cooperation programmes.

There is also the opportunity for donors to continue engaging with Botswana through programmes that support regional economic cooperation and integration. In particular, donors continue to support the development of key regional infrastructure through engagement with SADC as a way to facilitate interregional trade and linkages. Indeed, many interviewees from donor institutions noted that there is greater scope for engagement to deepen regional integration across the SADC region, with further space to support regional projects designed to facilitate interregional trade (see Box 4 in section 2.2).

There is a continued desire for two-way learning between Botswana and its development partners... As much as Botswana sees continued space for skills and technology transfer from donors, some donors also expressed a desire to learn from Botswana's developmental success and outcomes. The challenge, however, is building spaces for such collaboration in the absence of ODA flows. One donor official noted that 'there's a lot we can learn from Botswana, but we don't have a way of engaging with the country'. To this

30 In the beef sector, in addition to market access, declining cattle herd may also signal a production challenge within the sector. Since 2011, the cattle herd in Botswana declined by more than 50% from 2.26 million cattle in 2011 to 1.1 million cattle in 2017. (Data presented taken from the Botswana Annual Agricultural Surveys 2011 and 2017, Table 4.2. See GoB, 2017; 2011 for more).

end, the EU has included a Policy Dialogue Facility as part of its EDF 11 programme with Botswana. The Facility aims to promote dialogue between Botswana and the EU on issues of mutual concern and is part of the EU's efforts to transform its relationship with Botswana into one based on partnership. However, the creation of forums that support mutual learning, both between Botswana and development partners, will be important to allow for learning from each other's experiences and success.

...as well as to position Botswana as a hub for knowledge-sharing within the region. In the context of Botswana's new South–South cooperation strategy, there is scope for the country to develop more concrete and structured mechanisms to allow neighbouring countries to learn from its experience. Indeed, Botswana already shares knowledge with partners on a range of thematic areas including policing and public financial management.

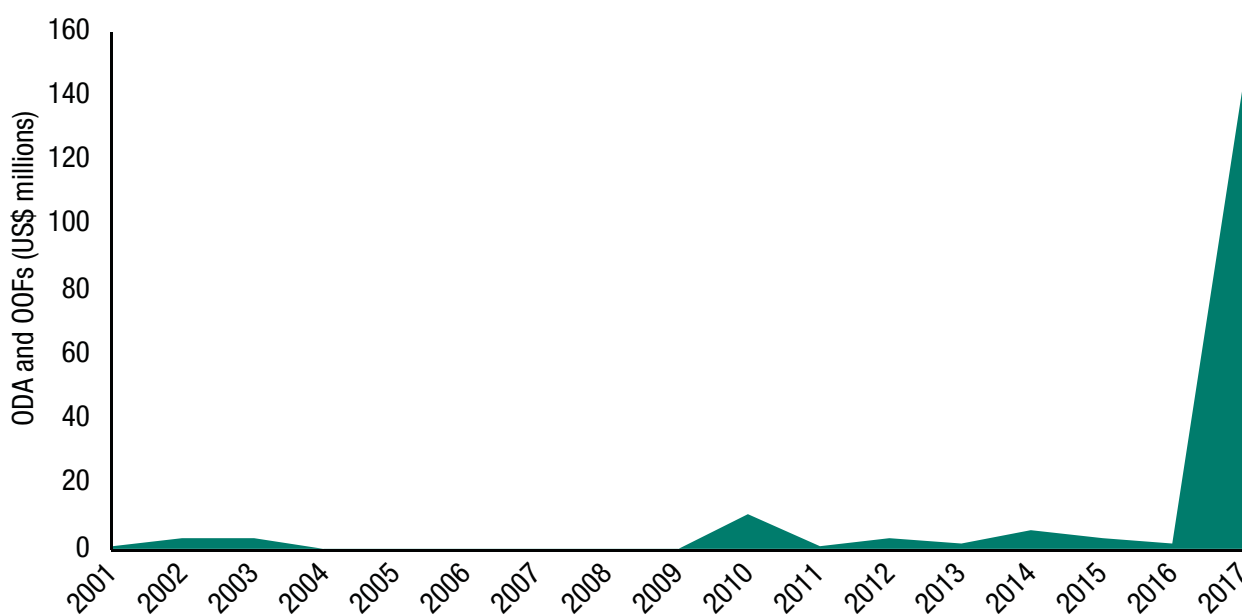
5.3.2 Forums and forms of development cooperation beyond aid

Identifying areas for further cooperation between Botswana and development partners was one of the most challenging areas to investigate.

Overall, the Government of Botswana has yet to articulate and pursue potential avenues for future collaboration with former development partners, beyond the more traditional donor–recipient relationships. Moreover, donors did not initiate these conversations with Botswana as they withdrew or exit funding, partly due to Botswana's relatively low geostrategic importance and limited role as a global actor.

SADC and SACU are the most important regional partners for Botswana, yet these partnerships are not focused on development cooperation. Rather, the emphasis on engagement with and through SADC in particular tends to focus more squarely on economic integration and partnerships. While SADC supports Botswana's development indirectly through development activities designed to improve regional economic integration, it cannot act as a direct provider of finance for Botswana's future development. In the case of SACU, partnership is rooted in regional trade; although it is not mentioned directly as a partner in development cooperation, SACU is responsible for negotiating trade agreements for the region, including the Economic Partnership Agreement with the EU.

Figure 10 Climate finance-related commitments



Note: US\$ millions, constant 2016 prices.

Source: Data compiled from OECD's climate-finance dataset.

Beyond SADC, Botswana participates in regional and global forums including the UN and the African Union. However, during interviews, neither were mentioned as being of strategic significance. While Botswana considers SDG 17 on partnerships for sustainable development seriously – in fact, this goal is used to frame its new South–South cooperation strategy – there remains scope for further engagement going forward.

Climate change was mentioned as a policy area for increased cooperation with Botswana. Interviewees suggested that Botswana’s limited engagement in climate-related activities could be due to Botswana’s large supply of coal. As a country with a small population that does not view itself as a major contributor to climate change, Botswana perceives climate mitigation activities as of a lower priority. As a result, there is potential for donors to contribute to this agenda by engaging with Botswana to raise the internal profile of the issue and provide the skills and technology needed to advance clean (and green) development. (At the time of writing, available finance for climate activities (ODA and OOFs) remained low at less than \$20 million in

each year prior to 2017, peaking at \$143 million in 2017 after receiving non-concessional funding for climate adaptation from IBRD (see Figure 10)). Government officials recognised that climate-related issues would impact the country, but also that they required continued donor engagement – both financially and technically – to advance Botswana’s climate adaption and mitigation efforts.

Wildlife conservation is perhaps a potential regional public good for continued engagement with Botswana, however it is not a strong priority for the government. According to interviews across development partners, the international community has a larger interest in Botswana’s wildlife conservation than the government does; it is instead focused on immediate domestic needs such as economic growth and diversification. For donors, there is scope to advance this agenda in Botswana by providing resources to support conservation efforts; one government official noted that ‘vanishing’ donor resources in the wake of the financial crisis led to reduced engagement in conservation efforts.

6 Conclusions

Many of the interviewees for this project clearly stated that Botswana has already transitioned away from ODA, with very low reliance on external aid for development programmes (and a small share of ODA contributing to the government budget). While some of the government officials we interviewed felt the negative financial consequences of development partners leaving, the phasing-out of donors from bilateral programmes in Botswana was not considered an issue for the country and no concern was expressed for the implications of graduating from the list of ODA-eligible countries in the medium term. However, when Scandinavian donors began phasing out their development programmes in Botswana during the 1990s, government officials argued that it was ‘unfair’ for donors to exit based on income per capita given that development could not necessarily be equated with growth.

Our analysis was not intended to evaluate the approach of the Government of Botswana and of its development partners. Moreover, Botswana’s experience is particularly unique because of the windfall gains from the extractive industry, its small population, strong institutions (and low levels of corruption) as compared with the rest of the continent, and the re-engagement of donors as a result of the HIV/AIDS epidemic. Nevertheless, some lessons emerge for other governments moving away from aid and for development partners cooperating with them throughout changing relations and approaches.

6.1 Lessons from Botswana’s experience

6.1.1 Managing the transition process away from aid

Governments and development partners should foster country ownership and alignment to

national priorities. Botswana’s strong financial position meant it was not reliant on donors for financing. This gave it the freedom to turn away funding that did not align with its development priorities. Botswana’s aid management model contributed to this strategy, centralising all development planning – both budget and coordination of activities – within the MFDP and ensuring that aid flows were well integrated into government systems and aligned to national priorities.

Governments should invest revenues from the extractive industry to move towards a path of self-reliance and declining dependency on aid. Botswana’s well-managed mineral wealth provided the country with a strong financial base for investing in its future growth throughout the transition process. By the time donors began to leave, the government had already banked enough resources to account for gaps left by donor exit. Combined with the government’s debt ceiling, which prevented reliance on borrowing, Botswana has been able to continue investing in its own development throughout its transition from aid thanks to its history of strong public financial management institutions.

Governments and development partners should prioritise technical assistance to support the planning and implementation of development programmes. Like other countries reviewed for this project that are still eligible for ODA (Mexico) or recently graduated from ODA (Chile), demand for donor support refers primarily to planning and implementation of development projects and programmes rather than their financing, primarily in the form of technical assistance. Technical assistance had become a key instrument for engagement with Botswana throughout the early 1980s and was a dominant form of cooperation by the end of the decade.

Governments and development partners should take a strategic approach to knowledge transfer and focus on more sophisticated areas such as efficiency of public spending and M&E. In Botswana, expatriate staff were placed in line positions, rather than as external advisors, developing capacity and sharing it with local staff who could then replace them. Further, expatriate staff only took up intermediary and technical functions rather than senior management positions. The main areas for technical assistance that emerged during interviews with government officials were sophisticated – ranging from increasing the efficiency of public spending to monitoring and evaluation systems.

Governments and donors should support NGO capacity in the transition away from aid too. The loss of support for NGOs as donors left Botswana (and, according to interviewees, the government's lack of compensation for this) meant that community-level development was under-resourced in terms of capacity for engagement or advocacy. While interviewees mentioned that the EU continued to support the NGO sector, there was a general consideration that the sector remained underfunded, based on interviews with experts.

6.1.2 Cooperation with development partners

Governments and development partners should prioritise economic development in the transition away from aid and make it a focus of 'beyond aid' international cooperation. Most of the external assistance provided in the 1990s focused on economic growth, reflecting an increasing prioritisation of efforts of national development plans to support economic independence, primarily through improving economic infrastructure and building mining production. With the country now on a path towards graduation from ODA, several interviewees suggested that donors could play a role in supporting the development of Botswana's economy. This might be achieved by engaging in economic partnerships, or arranging sales missions or opportunities to promote Botswana, and its offering, to industries in their

country. Such efforts may help address the key challenges of youth unemployment and limited economic diversification.

Development partners should prioritise climate change as a policy area for increased international cooperation. Access to climate finance by the Government of Botswana is limited. This is due to a combination of low prioritisation by the government itself and limited capacity to apply for international funding. Donors could contribute to this agenda by engaging with Botswana to both raise the internal profile of the issue, and to provide skills and technology needed to advance clean (and green) development. Government officials recognised that climate-related issues would impact the country, but also that they required continued donor engagement – both financially and technically – to advance Botswana's adaption to and mitigation from climate events.

Development partners should help to structure a country's outward development cooperation programme, should it express this strategic objective. Botswana recently sought support from UNDP for the development of its new strategy for South–South and triangular cooperation. South–South or trilateral programmes could be a space for learning about the operations and management of cooperation programmes by other development partners.

6.1.3 Cooperation beyond aid

Governments should articulate a strategy for international cooperation beyond ODA. Identifying areas for further cooperation between the Government of Botswana and former development partners was one the most challenging areas to investigate for this project. A few spaces for international cooperation have been identified (see our subsequent discussions on economic development and climate change) and the government is well set on a path towards ending dependency from aid (and even becoming a donor itself). However, the Government of Botswana has yet to articulate and pursue potential avenues for future collaboration with former development partners, beyond the more traditional donor–recipient relations.

Governments and development partners should create a platform to help share expertise and knowledge from the transitioning (or transitioned) country to other countries.

Some donors expressed a desire to learn from Botswana's developmental success and outcomes. The challenge, however, is building spaces for such collaboration in the absence of ODA flows. One donor official noted that 'there's a lot we can learn from Botswana, but we don't have a way of engaging with the country'. Creating forums that support mutual knowledge-sharing will be important to enable Botswana and its development partners to learn from each other's experience.

Development partners should boost programmes for regional and economic integration. Donors' work with SADC and other development partners to support the development of key regional infrastructure – such as the Kazungula Bridge which links Botswana to neighbouring Zambia – is a way to facilitate interregional trade and linkages. Indeed, many interviewees from donor institutions noted that there is greater scope for engagement to deepen regional integration across the SADC region, with further space to support regional projects designed to facilitate interregional trade, directly or indirectly benefiting Botswana.

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Annex List of interviewees

Table A1 List of institution, name and job title (or departments) of interviewees

Institution	Name	Job title (or departments)
Ministry of Finance and Economic Development	B. Mphetlhe	Deputy Secretary (Development Programmes)
Ministry of Finance and Economic Development	L. Mphela	(Development Cooperation)
Ministry of Finance and Economic Development	L.K. Lepekoane	(Development Programmes)
Ministry of Finance and Economic Development	B. Oitsile	(Development Cooperation)
Ministry of Finance and Economic Development	B.T. Molege	(Development Cooperation)
Ministry of Finance and Economic Development	S.M. Fologang	(Budget analysis and debt management)
Ministry of Finance and Economic Development	T. Lebenthlele	(Development Cooperation)
Ministry of Finance and Economic Development	C. Mapharsa	(Development Cooperation)
Ministry of Finance and Economic Development	G. Mogotsi	(Development and Budget)
Ministry of Tertiary Education, Research, Science and Technology	M. Maripe	Principal Technical Education Officer I (Policy and Development)
Ministry of Tertiary Education, Research, Science and Technology	D. Phirie	Deputy Director (DTT&TE)
Ministry of Environment, Natural Resource Conservation and Tourism	M. Flyman	Coordinator, Research and Development
Ministry of Environment, Natural Resource Conservation and Tourism	I. Mpundu Otukile	Coordination of the Transfrontier Conservation Areas
Ministry of Environment, Natural Resource Conservation and Tourism	B. Modukanele	
Ministry of Environment, Natural Resource Conservation and Tourism	K. Mpafu	
Ministry of International Affairs and Cooperation	G. Goitsewang	Permanent Secretary
Ministry of International Affairs and Cooperation	T.F. Baleseng	Department of Multilateral Affairs
Ministry of International Affairs and Cooperation	T. A. Boang	Department of Public Relations, Research and Information
Ministry of International Affairs and Cooperation	S. Baaitse	
Ministry of Investment, Trade and Industry	J. Sentsho	Trade Policy Advisor
Ministry of Investment, Trade and Industry	G. Tapeng	(Research Department)
Ministry of Investment, Trade and Industry	G. Star	(Planning Unit)
Ministry of Investment, Trade and Industry	M.C. Baleseng	(Strategy)
Ministry of Investment, Trade and Industry	E. Tabengwa	(Planning Unit)
Ministry of Investment, Trade and Industry	G. Mmolawa	(Department for International Trade)

Ministry of Investment, Trade and Industry	M. Phalautwa	(Department for International Affairs)
Ministry of Investment, Trade and Industry	T. Motswagae	(Department for International Affairs)
Ministry of Health and Well-Being	B.H. Tirelo	Acting Chief Health Officer, Department of Health Policy, Research & Development
Ministry of Health and Well-Being	M. Keetile	Deputy Permanent Secretary, Health Policy, Research and Development
German Embassy	F. Kyrieleis	Economic counsellor
GIZ	J.O. Koeniger	Acting Director GIZ SADC Office
GIZ	S. Gebauer	Programme Manager, Strengthening employment-relevant TVET in Botswana II
UNICEF	S.E. Ng'inja	Deputy Representative
UNICEF	U. Olimov	Social Policy Specialist
EU	J. Sadek	Ambassador
EU	F. Berna	Counsellor, Head of Cooperation
GIZ	S. Berk	
German Embassy	R. Breth	Ambassador
JICA	K. Yamada	Resident Representative
JICA	M. Tiyedze	Programme Officer
UK Department for International Development	A. Harvey	Climate and Environmental Advisor
UNDP	J. Barrins	Resident Representative
IMF	P.M. Bagnick N'Diaye	Chief of Mission
SADC	K. Pillay	Head, SADC PPP Network
KfW	C. Rollin	Senior Sector Coordinator Infrastructure
World Bank	X. Furtado	Country Director
Independent	J. Isaksen	
Independent	K. Jefferis	
Independent	G. Somolekae	
Chamber of Mines	C. Siwawa	Chief Executive Officer
ACHAP	I. F. Williams	Consultancy Unit Manager
ACHAP	K. Seipone	Chief Executive Officer
ACHAP	R. Jackson	Assistant Director, Business Development
Independent	J. Hargovan	
Independent	G. Maipose	
BIDPA (Botswana Institute for Development Policy Analysis)	K. Sekakela	
BIDPA (Botswana Institute for Development Policy Analysis)	K. Mmolainyane	Research Fellow, Macroeconomics and Development
DeBeers	G. Savage	Learning Manager, Global Learning Academy



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