

# Structural Reforms to Support Fiscal Consolidation

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IMF Selected Issues Papers are prepared by IMF staff as background documentation for periodic consultations with member countries. It is based on the information available at the time it was completed on November 4, 2025. This paper is also published separately as IMF Country Report No 25/326.

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**Structural Reforms to Support Fiscal Consolidation, Botswana**  
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**ABSTRACT:** Botswana faces growing fiscal challenges driven by declining diamond revenues, rigid expenditure, and weakened fiscal institutions, contributing to elevated fiscal deficits and rising public debt. These pressures underscore the need for timely reforms to safeguard fiscal and external sustainability. Drawing on recent IMF technical assistance—including TADAT, PIMA, and Financial Reporting Framework assessments—this Selected Issues Paper summarizes priority structural fiscal reforms to support fiscal consolidation. Recommendations focus on strengthening tax administration, improving budget preparation and execution, enhancing transparency, and raising the efficiency of public investment. Together, these reforms aim to restore fiscal sustainability, reinforce institutional credibility, and help Botswana adapt to a more constrained economic environment while protecting long-term development objectives.

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## SELECTED ISSUES PAPERS

# Structural Reforms to Support Fiscal Consolidation

Botswana

Prepared by Alexis Meyer Cirkel<sup>1</sup>

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<sup>1</sup> Prepared by Alexis Meyer Cirkel based on a series of FAD Technical Assistance Reports.

## A. Introduction

1. **Botswana is navigating a period of pronounced fiscal and economic headwinds.** The country's traditional wealth-generating engine, the diamond sector, has come under increasing strain due to external shocks and structural vulnerabilities, resulting in diminished export receipts and lower government revenues. At the same time, persistent fiscal deficits have progressively eroded Botswana's once-substantial fiscal buffers—leaving the economy more exposed to future shocks and limiting its capacity to respond to emerging development needs—and more recently contributed to a rapid increase in public debt.
2. **These issues have been exacerbated by weaknesses in public financial management.** Technical problems with the government's Integrated Financial Management Information System (IFMIS) have constrained the capacity to execute expenditure control, complicated budget execution, and reduced fiscal transparency—further highlighting the need for comprehensive reforms to strengthen Botswana's public financial management framework. Botswana's public procurement system suffers from significant deficiencies that contribute to delays, cost overruns, and weak value for money in public investment. Procurement responsibilities are fragmented between the Accountant General's Department and the procurement authority, leading to unclear oversight and poor coordination with budgeting and planning functions. Inefficient procedures and limited procurement capacity further undermine timely project execution and fiscal discipline. Strengthening institutional arrangements, streamlining processes, and building capacity are critical to improve procurement performance and support more efficient public spending.
3. **Failure to address Botswana's PFM shortcomings would have serious fiscal and economic consequences.** Persistent weaknesses in procurement, budget preparation and execution, financial reporting, and institutional coordination would continue to undermine spending efficiency, leading to waste, delays, and poor value for money. Gaps in fiscal controls and reporting would heighten fiscal risks, including the buildup of arrears and contingent liabilities, while weak investment management would limit the growth and diversification impact of public spending. Over time, these deficiencies would erode fiscal credibility, constrain the government's ability to respond to shocks, and jeopardize debt sustainability, ultimately weakening the country's development outcomes.
4. **This report draws on IMF technical assistance to identify structural fiscal reforms that could be particularly useful to underpin the needed fiscal consolidation.** Drawing on recent technical assistance (TA) engagements—including TADAT, PIMA, and financial reporting assessments—it sets out sequenced reform recommendations to strengthen tax administration, improve public investment management, modernize budget preparation, and enhance transparency and control over public finances. The overarching objective is to rebuild Botswana's fiscal capacity and ensure that public policy remains an effective tool for economic transformation and long-term development.
5. **Implementing these reforms can help build a more resilient, efficient, and accountable fiscal framework—one that is capable not only of withstanding near-term pressures but of sustaining Botswana's development trajectory for decades to come.** Strengthening tax administration will broaden the

revenue base, reduce leakages, and mobilize resources in a more equitable and predictable manner. Enhancing budget preparation and execution will improve expenditure efficiency, helping to contain deficits while safeguarding priority social and infrastructure spending. More rigorous public investment management will raise the growth and diversification impact of capital outlays, thereby reinforcing medium-term economic resilience. Finally, greater transparency and improved financial reporting will bolster accountability, support investor confidence, and anchor expectations about debt sustainability. Collectively, these reforms will help strengthen fiscal discipline and enhance macroeconomic stability, creating fiscal space to finance Botswana's development goals without compromising long-run sustainability.

## **B. Tax Administration Diagnostic Assessment Tool<sup>1</sup> and Design of a Revenue Administration Reform Roadmap<sup>2</sup>**

### **Summary of TADAT Evaluation**

**6. The 2021 Tax Administration Diagnostic Assessment Tool (TADAT) assessment provided a comprehensive analysis of the effectiveness of Botswana's tax administration system.** The aim was to provide an objective assessment of the health of key components of the system of tax administration, the extent of reform required, and the relative priorities for attention. The TADAT identified reform priorities, and established a baseline for assessing reform progress by future assessments. The assessment identified several key areas where BURS has demonstrated strengths, as well as critical weaknesses that require urgent reform to improve tax compliance, efficiency, and revenue collection.

**7. The evaluation highlighted several important strengths.** One key strength is that taxpayer registration system contains extensive and detailed information about registered taxpayers, forming a solid base for compliance monitoring. In addition, Botswana's legal and regulatory framework provides a strong foundation for tax administration, with clearly articulated laws and a well-defined mandate for BURS in both tax enforcement and compliance.

**8. At the same time, TADAT identified significant weaknesses.** Compliance risk management remains underdeveloped, as BURS lacks a systematic, risk-based approach to enforcement, and the audit selection process is still largely manual, limiting efficiency. Taxpayer services, while showing some improvement in call center responsiveness, continue to be fragmented and are supported by limited outreach and education initiatives. The introduction of the Lekgetho Live Tax Information System (TAX IS) has faced implementation challenges, including flawed data migration and usability concerns, which undermine broader digital transformation efforts. Furthermore, the integration of customs and domestic tax functions has resulted

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<sup>1</sup> This section provides a summary of the TA Report: "Tax Administration Diagnostic Assessment Tool (TADAT) Performance Assessment"; FAD April 2021; By Andrew Masters, Thabo Letjama, Faith Mazani, Eileen Rafferty, and Raphael Kamoto.

<sup>2</sup> A post-TADAT mission developed a medium-term roadmap based on the TADAT assessment to improve BURS efficiency and effectiveness, summarized in TA Report: "Implementing a Medium-Term Transformation Roadmap"; FAD February 2022; By Faith Mazani, Raphael Kamoto, Maureen Kidd, Jonathan Leigh Pemberton, and Peter Menhard.

in inefficiencies, with unclear accountability and insufficient support for domestic tax divisions, including chronic understaffing.

**9. To address these shortcomings, a February 2022 post-TADAT mission recommended several priority reforms.** BURS should develop a systematic compliance risk management framework to strengthen tax enforcement and modernize audit selection practices. Taxpayer services need to be significantly enhanced, including through the establishment of a dedicated Taxpayer Services Department and the expansion of outreach initiatives to encourage voluntary compliance. The evaluation also emphasized the importance of upgrading ICT systems, starting with an external review of the TAX IS platform to resolve usability and data migration challenges. Finally, BURS's organizational structure should be realigned to provide clearer separation of functions between customs and domestic tax divisions, ensuring that each receives adequate focus and resources.

## **ICT, Taxpayer Service, and Revenue Mobilization**

**10. BURS's Lekgetho Live Tax Information System (TAX IS), introduced in 2020, was expected to modernize tax administration.** However, flawed data migration, inconsistent system usability, and varied levels of staff acceptance have hampered its effectiveness. The recommendation is to have an external review of the system to assess its functionality and identify necessary enhancements. A comprehensive ICT improvement strategy is essential to ensuring BURS's digital transformation success.

**11. Taxpayer service and outreach remain fragmented across multiple departments, and BURS lacks a comprehensive taxpayer service strategy.** Improvements in call center responsiveness and online inquiries have been noted, but broader stakeholder engagement and customer service initiatives need expansion. The suggestion is to create a dedicated Taxpayer Services Department to improve voluntary compliance and enhance taxpayer relations.

**12. Three broad recommendations emerge.** First, BURS should conduct a comprehensive external review of the TAX IS system and implement necessary improvements to ensure digital modernization delivers on its promise. Second, the creation of a unified Taxpayer Services Department is critical for developing a coherent strategy to strengthen outreach, improve customer service, and foster voluntary compliance. Third, BURS needs to make greater use of data analytics to strengthen risk assessment and operational efficiency, thereby enhancing the overall effectiveness of tax administration.

## **Roadmap for Reform and Strategic Priorities**

**13. BURS's mid-term review of its 2019-2024 strategic plan identified key priorities, including enhancing compliance enforcement, optimizing organizational efficiency, and leveraging digital transformation.** However, the IMF 2022 mission found that progress on key reform initiatives remains slow, largely due to leadership changes and inadequate execution mechanisms. To accelerate reforms, a

Transformation Roadmap is proposed, focusing on short-term actions that can improve revenue collection and tax administration effectiveness.

**14. Against this backdrop, the strategic reform agenda centers on three actions.** First, BURS should develop a clear compliance improvement plan with measurable outcomes to ensure progress can be tracked and evaluated. Second, it should enhance the use of risk-based tax administration to improve audit effectiveness and enforcement outcomes. Third, reforms to modernize BURS's operational framework must be accelerated, ensuring that institutional weaknesses are addressed and revenue administration is aligned with international good practices.

### **C. Public Investment Management Assessment (PIMA)<sup>3</sup>**

**15. The Public Investment Management Assessment (PIMA) framework evaluates the institutional design and effectiveness of a country's public investment management system.** It identifies institutional strengths and weaknesses, providing practical recommendations to enhance efficiency and effectiveness in public investment. PIMA defines "institution" broadly, encompassing laws, regulations, organizational structures, as well as procedures, activities, and outcomes. The assessment covers 15 institutions involved in the three key stages of the public investment cycle (Figure 1): (i) planning of investment levels for all public sector entities to ensure sustainable levels of public investments, (ii) allocating investments to appropriate sectors and projects, and (iii) delivering productive and durable public assets.

**16. The 2023 PIMA update for Botswana, conducted in September 2022, provides a thorough evaluation of the country's public investment management (PIM) framework.** PIM is central to Botswana's fiscal policy, particularly in addressing the country's infrastructure gaps, which are critical for long-term economic growth. Despite ongoing efforts to enhance infrastructure, significant inefficiencies have persisted, particularly in project planning, implementation, and management. This section outlines the key findings from the 2023 PIMA assessment, highlights Botswana's progress since the 2017 assessment, and provides recommendations for improving the effectiveness of public investment.

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<sup>3</sup> This section provides a summary of the TA Report: "Botswana - Public Investment Management Assessment Update"; FAD December 2023; By Isabel Rial, Juan Alberti, Robert Clifton, George Daniel, Willie Du Preez, Simon Groom, and Knut Leipold.

Figure 1. PIMA Framework Diagram



Sources: Public Investment Management Assessment: Review and Update, April 2018, IMF. [Public Investment Management Assessment - Review and Update in: Policy Papers Volume 2018 Issue 025 \(2018\)](#)



Table 1. Summary Assessment

Phase/Institution			Strength	Effectiveness	Rec. #	Reform Priority
A. Planning	1	Fiscal principles or rules	Medium: Statutory gross debt limit 40 percent of GDP including guarantees. Expenditure policy objectives not bidding.	Low: Debt limit not bidding due to depletion of financial assets. Expenditure policy objectives not observed.	*	High
	2	National and sectoral plans	High: Major projects are identified and costed in national and sectoral plans. Outcomes, outputs, and targets are included.	Medium: Budgets include major projects identified in plans, but there are relevant cost overruns. Outputs and targets are occasionally based on unreliable data.	1,2	High, Low
	3	Coordination between entities	Medium: Investment projects by SNGs are funded and coordinated by MLGRD. No transparent mechanism to distribute funds and no legal requirement to report all CLs from SNG and PPPs	Medium: Formal coordination of MLGRD in place and funding relatively predictable. Weak monitoring of CLs beyond government guarantees.	3	Medium
	4	Project appraisal	High: Appraisal process and methods in line with good practices, but national parameter values need to be developed to operationalize CBA.	Low: Few projects follow appraisal process and methods. Independent review not well resourced, inappropriately timed and lacking external expert inputs	4,5	High, Medium
	5	Alternative infrastructure financing	Low: Legal framework does not support competition in several markets. Lack of legislation related to PPPs. Parastatals investment is coordinated by line ministries.	Low: Apart from Telecoms, no effective competition in infrastructure. Few PPPs developed. Parastatals investments are not coordinated and centrally monitored.	6	Medium
B. Allocation	6	Multi-year budgeting	Medium: Total capital spending is forecast over the medium-term, but not broken-down by line ministry, sector, or project	Medium: Multi-year projections deviate significantly from actual outturns.	7	Medium
	7	Budget comprehensiveness and unity	Medium: Most capital spending is undertaken in the budget, but current and development budgets are prepared and presented separately using different economic classifications.	Medium: Despite recent MoF efforts coordination between current and development budget remains limited.	8	High
	8	Budgeting for investment	Medium: There is no explicit mechanism that protects funding of ongoing projects	Medium: Practice of ensuring that ongoing projects receive priority for funding ahead on new projects is embedded in budget preparation practices	9	Medium
	9	Maintenance funding	Medium: A few sectors have maintenance methodologies. Routine maintenance cannot be identified in budget.	Low: Methodologies are not used, incorrect costing and inadequate resources.	13	High
	10	Project selection	Low: There is an annual review process, but it is not framed by clear and stable criteria for selecting new projects. There is no pipeline of appraised projects.	Low: Quality is only validated after a project has already been selected for inclusion in development budget. No clear distinction between appraisal and selection in practice.	10	High
C. Implementation	11	Procurement	Medium: Procurement process is open and transparent. No database for monitoring procurement.	Low: Lack of good procurement planning and contract management. Only 60 percent of complaints resolved within law limits.	11, 12	Medium, Medium
	12	Availability of funding	High: Funding for capital projects is made available in a timely manner but cash forecasting practices could be improved.	Medium: The timely availability of cash is the result of cash buffers maintained by Bank of Botswana.	-	Low
	13	Portfolio management and oversight	Medium: Major projects are monitored; funds can be re-allocated between projects and ex-post reviews is not a requirement	Low: Projects not centrally monitored, projects encountered delays and under expenditure. No ex-post reviews.	14	Medium
	14	Project implementation	Medium: Senior official are required, project cost adjustments are regulated, external audits are required	Low: Critical Ministries do not have project managers; Project cost adjustment is done. Few external performance audits done.	15	Medium
	15	Management of public assets	Medium: Asset management policy in place, assets to be recorded in financial statements depreciation of assets required	Medium: Central asset register not in place. Depreciation is straight line method. Asset values in parastatal accounts only.	-	Low

\*Currently under review in line with IMF recommendations.

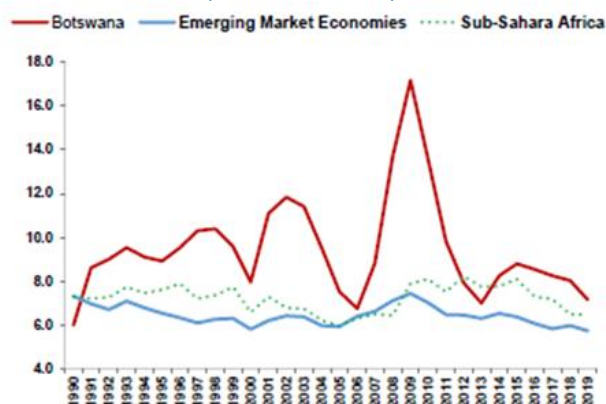
\*Currently under review in line with IMF recommendations.

## Trends in Public Investment

17. For over three decades, closing the infrastructure gap has been central to Botswana's fiscal strategy, with public investment averaging 35 percent of total investment from 1990 to 2012, though declining to 25 percent in the past decade. While volatile, public investment has consistently exceeded the Sub-Saharan Africa (SSA) and emerging market economies (EMEs) average, peaking at 17 percent of GDP in 2009. Reflecting this sustained effort, Botswana's public capital stock reached 106 percent of GDP in 2019—one of the highest in the region—and, on a per capita basis, was 50 percent above the EME average and ten times that of SSA, according to IMF estimates. Under National Development Plan 11 (NDP11), investments focused on roads, power, and water and sanitation, though implementation was disrupted by the COVID-19 pandemic. Looking ahead, the draft Transitional National Development Plan (TNDP, covering

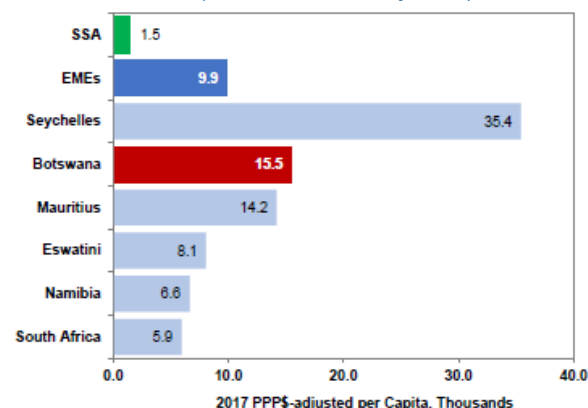
2023–2025) envisions renewed expansion in public investment, particularly in water and transport infrastructure.

**Figure 2. Public Investment Comparison with Peers**  
(Percent of GDP)



Source: Authorities data and IMF staff estimates.

**Figure 3. Public Capital Stock per Capita, Comparison with Peers, 2019**  
(In 2017 PPP\$-adjusted)



Source: Official data and IMF staff calculations.

## Key Findings

**18. Progress Since 2017.** The 2023 assessment indicates that Botswana has made progress in several areas since the last PIMA evaluation in 2017. This progress includes improvements in institutional structures, legal frameworks, and the overall strategic orientation for managing public investments. However, challenges remain in implementing these frameworks effectively, which limits the optimal use of public resources. In 2017, Botswana's public investment strategy was largely focused on filling the infrastructure gaps that hindered its economic growth. Over the years, Botswana has sought to address these gaps through increased spending on infrastructure, which includes roads, energy, water supply, and healthcare. The government has attempted to create a more coherent public investment strategy through reforms in the public sector, aiming for greater alignment between national development priorities and fiscal policy. However, while the intentions behind these reforms were commendable, their practical impact has been hampered by a series of issues related to project planning, monitoring, and execution. Despite significant public investment, poor project selection, delayed implementation, cost overruns, and underutilization of resources have continued to be challenges.

**19. Institutional Strengths and Gaps.** Botswana's institutional framework for public investment management is designed with strong foundations. The institutional setup includes the Ministry of Finance and Economic Development (MFED), which plays a central role in public investment planning and budgeting. Additionally, sector ministries and agencies are tasked with the execution of investment projects. However, there is a lack of coordination across these entities, leading to fragmented project execution. One of the significant institutional weaknesses identified in the 2023 update is the gap between national planning and budgeting. Botswana has a National Development Plan (NDP) that provides a strategic framework for investment priorities, but there has been a growing disconnect between the planning process and the actual budget allocation. This disconnect arises from the increasing pressure on the budget due to competing national

priorities, compounded by slow economic recovery in recent years. Moreover, the government's ability to ensure that sectoral plans align with the overall national development strategy remains a work in progress. Another notable issue is the slow pace at which key public investment projects are executed. In many instances, projects face delays, which affect their ability to contribute effectively to the country's development goals. The reasons for these delays include inadequate project management practices, lack of skilled personnel, and poor coordination between ministries and implementing agencies.

**20. Challenges in Project Selection and Appraisal.** A major challenge identified in the 2023 PIMA update is the inefficient project selection and appraisal processes. The criteria used for selecting public investment projects are often unclear, and the decision-making process lacks transparency. Furthermore, there is a tendency to select projects based on political considerations rather than their long-term developmental impact or their alignment with national development priorities. The lack of a comprehensive and formalized project appraisal system exacerbates this issue. In Botswana, the appraisal process is often ad hoc, and there is limited use of cost-benefit analysis or other investment evaluation tools. This makes it difficult to assess whether a project is likely to deliver value for money or whether it should be prioritized over other projects. Additionally, the national and sectoral planning processes are not always aligned with the budgeting process. This misalignment further complicates the selection of projects that would best contribute to the national development objectives. In the absence of a more integrated and streamlined planning system, projects are sometimes initiated without adequate feasibility studies or risk assessments.

**21. Project Implementation and Monitoring.** One of the key findings of the 2023 PIMA update is that Botswana faces significant challenges in project implementation and monitoring. The country has made strides in setting up mechanisms for tracking project progress, such as the Development Project Monitoring System (DPMS). However, the use of these tools remains inconsistent, and there is a lack of detailed, timely reporting on project outcomes. In many cases, the data collected through monitoring systems are not fully utilized to inform decision-making or project adjustments. The absence of strong project management capacity at both the central and sectoral levels has led to frequent delays and cost overruns. While the MFED and other ministries have put in place various monitoring and evaluation systems, they are often underutilized or not properly integrated into the project implementation process. Moreover, the lack of skilled project managers and trained technical staff at the implementation level remains a barrier to the successful execution of public investment projects. As a result, despite substantial public investment, many infrastructure projects fail to meet their expected outcomes. Delays in construction, maintenance backlog, and incomplete projects are common in Botswana, which undermines the long-term impact of these investments.

**22. Asset Management and Sustainability.** Another critical issue identified in the 2023 PIMA update is the lack of an effective asset management strategy for public investments. Once projects are completed, there is insufficient focus on their maintenance and sustainability. Many infrastructure projects in Botswana, particularly roads and energy facilities, face significant maintenance challenges, which reduce their effectiveness over time. The lack of a comprehensive asset management plan and a clear strategy for managing public assets means that large investments often deteriorate prematurely. In some cases, the resources allocated for maintenance are inadequate, which leads to the rapid deterioration of infrastructure.

Botswana's failure to implement a robust asset management system for maintaining public investments undermines the long-term sustainability of these projects.

## Recommendations for Reform

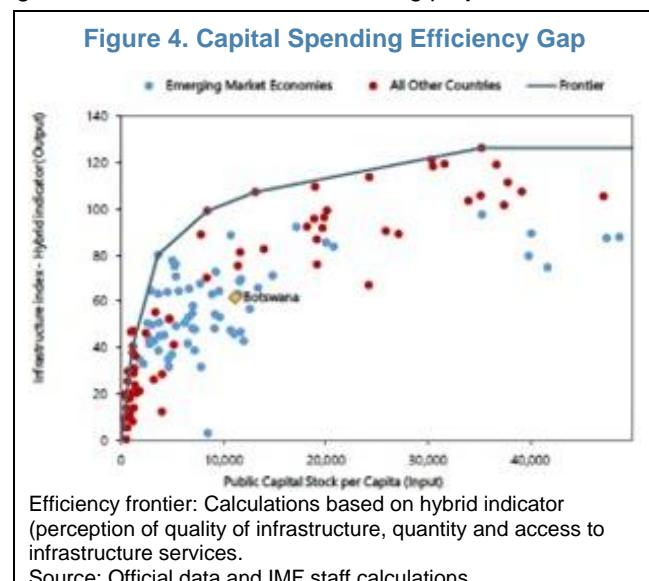
**23. The 2023 PIMA update provides a comprehensive set of recommendations to address the weaknesses in Botswana's public investment management framework.** These recommendations are aimed at improving project selection, enhancing the implementation and monitoring of public investments, and ensuring the long-term sustainability of infrastructure.

**24. Strengthening Legal and Institutional Frameworks.** The first set of recommendations focuses on strengthening Botswana's legal and institutional frameworks for public investment management. This includes refining the Public Finance Management Act (PFMA) and ensuring that sectoral ministries have clear guidelines for the planning, selection, and implementation of public investment projects. Moreover, the roles of various actors in the public investment process should be clearly defined to improve coordination across ministries and agencies. The authorities are also encouraged to improve the alignment of national planning and budgeting processes. By integrating the national and sectoral plans more effectively with the budget process, Botswana can ensure that public investment is targeted at projects that will deliver the greatest developmental impact. This will require enhancing the capacity of the Ministry of Finance and Economic Development to oversee and coordinate the entire public investment cycle.

**25. Enhancing Project Selection and Appraisal.** To improve the efficiency of public investment, where a gap to the efficiency frontier stands out (Figure 4), the government should focus on making project selection and appraisal processes more transparent and evidence-based. This can be achieved by formalizing the project selection criteria and introducing robust cost-benefit analyses to assess the help prioritize projects based on their alignment with national development goals. A more structured and formalized project appraisal process would ensure that projects are selected based on their potential for delivering value for money, rather than political or short-term considerations. Furthermore, ensuring that sector ministries have the technical capacity to conduct rigorous appraisals would enhance the overall quality of public investments.

## 26. Improving Monitoring and Evaluation

**Systems.** Improving monitoring and evaluation (M&E) systems is critical for ensuring that public investments deliver their intended outcomes. The government should make greater use of the Development Project Monitoring System (DPMS) and ensure that data from monitoring efforts are used to inform decision-making. This could involve enhancing the training of personnel responsible for monitoring and improving the reporting



process to ensure timely and accurate data collection. In addition, a stronger focus on ex-post evaluation would allow the government to assess the effectiveness of completed projects and extract lessons learned for future investments. Creating a culture of accountability and transparency in public investment management will help ensure that the country's investments are being utilized effectively.

**27. Building Capacity in Public Investment Management.** One of the key recommendations from the 2023 PIMA update is the need for a comprehensive capacity-building strategy in public investment management. The government should invest in developing the skills and expertise of civil servants involved in project planning, implementation, and monitoring. This could involve providing specialized training in areas such as project management, public procurement, and asset management. Strengthening institutional capacity in these areas would help improve the quality of public investment projects, reduce delays, and enhance the effectiveness of public funds. Moreover, the government should explore the possibility of partnering with international organizations, such as the World Bank, to provide technical assistance and support in strengthening the capacity of its public investment management systems.

**28. Focusing on Asset Management and Sustainability.** To ensure that public investments continue to deliver value over the long term, Botswana should develop a comprehensive asset management strategy. This strategy should focus on improving the maintenance and sustainability of infrastructure projects by allocating sufficient resources for maintenance and repair. Additionally, the government should adopt a more proactive approach to managing public assets by conducting regular assessments of infrastructure conditions and developing long-term maintenance plans.

**29. The 2023 Public Investment Management Assessment highlights both the progress and challenges in Botswana's public investment management framework.** While the country has made notable strides in strengthening its institutional frameworks and improving project planning, significant gaps remain in project selection, implementation, and monitoring. Addressing these challenges will require a multi-faceted approach, including reforms to legal frameworks, the development of better project selection criteria, and a focus on building institutional capacity. By implementing these recommendations, Botswana can improve the effectiveness of its public investments, ensuring that they contribute more significantly to the country's development goals. The success of these reforms will depend on the government's commitment to enhancing transparency, accountability, and efficiency in the management of public funds. With the right interventions, Botswana can maximize the impact of its infrastructure investments and create a foundation for long-term economic growth.

## **D. Improving the Financial Reporting Framework<sup>4</sup>**

### **Background and Objectives**

**30. The report evaluates Botswana's financial reporting framework and outlines reform recommendations.** The mission responded to Botswana's request to improve the coverage and quality of

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<sup>4</sup> This section provides a summary of the TA Report: "Botswana - Improving the Financial Reporting Framework"; FAD February 2025; By Amitabh Tripathi, Soren Langhoff, Vijay Ramachandran.

fiscal reporting. The overarching goals are to improve the comprehensiveness, frequency and quality of fiscal reports to strengthen fiscal oversight, enhance policy decision-making, and align Botswana's public financial management (PFM) information systems including the chart of accounts with international good practices. The assessment was anchored in Botswana's broader commitment to fiscal reforms as part of its sustainable development and economic resilience goals. The mission reviewed the current status and functionalities of the Government Accounting and Budgeting System (GABS); provided advice on advancing the digitalization of PFM processes when considering upgrades; proposed changes to the current chart of accounts (CoA); and underlined the importance of re-establishing financial reporting.

## **Key Observations and Findings**

**31. The Government Accounting and Budgeting System (GABS), Botswana's Integrated Financial Management Information System (IFMIS), has faced persistent operational problems since its 2018 upgrade, culminating in a critical breakdown in August 2023 when the General Ledger stopped updating.** The system's instability—stemming from excessive customization, poor configuration, and recurring hardware and database failures—has severely undermined its reliability as a tool for fiscal management and transparency. These issues have led to the suspension of in-year and annual financial reporting for the last two fiscal years, disrupted payment processing, and delayed supplier settlements and bank reconciliations. The Ministry of Finance (MoF) has relied heavily on vendors and consultants to stabilize the platform, but repeated interventions have yet to restore full functionality. Governance weaknesses, including the absence of a service-level agreement between the Accountant General's Office and the Department of Shared Digital Services, have compounded coordination and accountability challenges.

**32. Fragmented Financial Reporting.** Botswana's public financial reporting remains fragmented. While the Ministry of Finance produces cash-based financial statements annually, several entities—including extra-budgetary funds (EBFs), State-Owned Enterprises (SOEs), and local governments—maintain independent accounting systems with limited integration or standardization. As a result, consolidated financial reporting remains incomplete and insufficient for comprehensive fiscal analysis.

**33. Inadequate Chart of Accounts (CoA).** The existing CoA does not adequately support economic classification, policy analysis, or inter-entity transactions such as transfers to SOEs or EBFs. It also lacks standardization across ministries and departments. The absence of a well-structured CoA undermines efforts to ensure reliable budget execution reports and hampers the government's ability to produce consolidated statements or transition toward accrual accounting.

**34. Limited Use of Accrual Concepts.** The financial reports currently emphasize cash flows and do not sufficiently incorporate accrual-based data, such as accounts payable, receivable, or depreciation. This limits transparency over financial obligations and asset management. While the government has made initial steps toward accrual reforms (including the adoption of IPSAS principles by some SOEs), a whole-of-government strategy is still lacking.



## Recommendations for Reform

**35. There is urgency in restoring reliable financial reporting.** While work continues to stabilize and upgrade GABS, the immediate priority must be to reinstate financial reporting for the Budgetary Central Government using available data from GABS, revenue agencies, and the Bank of Botswana. In the medium to long term, sustainable improvements in financial reporting—and any move toward accrual accounting—will depend on a well-functioning, stable IFMIS that supports timely, reliable, and comprehensive fiscal information.

**36. A central recommendation is the redesign of the Chart of Accounts (CoA) to ensure greater consistency and reliability in the classification and reporting of public sector financial transactions.** The revised CoA should be aligned with international standards, notably the Government Finance Statistics (GFS 2014) framework and International Public Sector Accounting Standards (IPSAS). It should codify the financial relationships between parent ministries and dependent entities, such as state-owned enterprises (SOEs) and extra-budgetary funds (EBFs), in order to enhance transparency and control over fiscal flows. In addition, the introduction of unique identifiers for government-to-government transactions would allow for more accurate tracking of transfers and eliminate discrepancies that currently undermine the production of consolidated statements.

**37. Beyond improving classification systems, the report recommends the establishment of a new Financial Reporting Framework (FRF) to standardize reporting practices across all government entities.** This framework would clarify the roles and obligations of reporting institutions, establish a uniform reporting calendar, and require systematic reconciliation between cash-based and accrual-based reporting systems. The implementation of the FRF should be supported by the issuance of a comprehensive Financial Reporting Manual (FRM), which would serve as operational guidance for practitioners, and complemented by updates to the Public Finance Management Act to make compliance mandatory. Together, these reforms would provide the foundation for a consistent and transparent approach to financial reporting.

**38. The success of these reforms will depend on institutional strengthening and sustained capacity building.** To ensure effective coordination, a committee should be tasked with overseeing implementation and monitoring progress. At the ministry level, internal audit and accounting units will need to be reinforced to support the adoption of new practices and maintain reporting quality. Collaboration between the Accountant General's Department and the Office of the Auditor General must also be enhanced, ensuring that reporting reforms are complemented by effective oversight and independent validation. Training and upskilling of staff across ministries and agencies in modern accounting practices are essential to building the technical capacity needed for sustained reform.

## Implementation Strategy and Phased Roadmap

**39. The implementation roadmap to guide reform efforts looks as follows:**

### Short-Term Priorities:

- Restore financial reporting (IFMIS) and finalize the CoA redesign.
- Develop reporting templates based on IPSAS cash and accrual standards.

- Initiate a gap analysis of existing IT systems and accounting processes.

#### **Medium-Term Priorities:**

- Roll out the revised CoA across all budgetary and non-budgetary entities.
- Adopt and pilot the Financial Reporting Manual (FRM) in key ministries.
- Begin transition from cash-based to hybrid accrual reporting for selected areas (e.g., payroll, vendor payments).

#### **Long-Term Goals:**

- Full adoption of accrual-based IPSAS reporting at the general government level.
- Integration of SOE and EBF financial data into consolidated reports.
- Regular publication of whole-of-government financial statements.

### **Broader Fiscal Governance Considerations**

**40. There are broader policy implications of improving financial reporting.** Stronger reporting enhances fiscal transparency and investor confidence, enables better tracking of public debt and assets, and supports risk-based fiscal planning. Moreover, consistent classification and monitoring of transfers to SOEs and other dependent entities is critical for managing contingent liabilities and safeguarding fiscal sustainability. Botswana's commitment to reform is evident, but implementation will require sustained political support, inter-agency coordination, and investment in people and systems.

**41. By addressing institutional and technical gaps in its PFM system—especially through CoA redesign, standardized reporting, and eventual accrual adoption—Botswana can enhance fiscal transparency, strengthen public accountability, and better manage fiscal risks.** The report encourages a phased, realistic approach that balances ambition with capacity and institutional readiness.

### **E. Ministry of Finance Organizational Assessment<sup>5</sup>**

**42. The report reviews Botswana's Ministry of Finance (MoF) to assess organizational strengths and gaps and coordination issues in delivering key Public Financial Management (PFM) functions.** Triggered by the country's deteriorating fiscal buffers and increasing macro-fiscal risks, technical assistance mission evaluated core PFM functions: macro-fiscal forecasting and policy, fiscal risk analysis, budget preparation, financial control and reporting, and cross-cutting reform coordination. It proposes institutional restructuring and capacity building to support Botswana's shift toward a more sustainable medium-term fiscal path.

#### **Macro-Fiscal Functions**

**43. The MoF currently lacks a unified structure for macro-fiscal policy management.** While the Policy Research and Data Management Unit (PRDMU) conducts select forecasting and strategy functions (e.g., Budget Strategy Paper, debt sustainability analysis), it is not charged with several core tasks such as

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<sup>5</sup> This section provides a summary of the TA Report "Botswana – Ministry of Finance Organizational Assessment", [June 2025].



below-the-line fiscal projections, comprehensive and coordinated Medium-Term Fiscal Framework (MTFF) production, regular fiscal performance reporting, and macroeconomic policy analysis. Crucially, Botswana lacks a standalone macro-fiscal department, and the institutional structure for fiscal risk management is underdeveloped. The report recommends establishing a new Macro-Fiscal Management Department integrating macro-fiscal policy, tax policy, debt sustainability analysis, and fiscal risk analysis, and reconstituting the technical macro working group including all relevant agencies (e.g., Bank of Botswana, Statistics Botswana, etc). The mandates of the Tax Policy Department and Debt Management Departments should also be reviewed and expanded to incorporate all basic tax and debt management functions under a MoF and their capacity built up to effectively perform these functions.

## **Budget Preparation Functions**

**44. Budget coordination in the MoF is fragmented.** Responsibility is split across divisions, leading to weak coordination of critical activities such as the budget calendar and speech preparation. Recurrent and development budgets are prepared separately, weakening budget unity. The mission recommends establishing a dedicated budget coordination unit to streamline budget preparation, facilitate cross-department collaboration, and ensure adherence to the budget calendar. To improve collaboration between the MoF and the National Planning Commission on PIM, the report recommends that the roles and responsibilities of both institutions be clarified using the existing legal framework as the basis, and their responsibilities for budget preparation should be set out in the budget calendar.

**45. The budget challenge function is undercut by limited capacity.** Only five desk officers at MoF manage challenge responsibilities for all Ministries, Departments, and Agencies (MDAs), with most finance staff seconded to MDAs. While this supports capacity in MDAs, it dilutes MoF's central oversight. The report recommends augmenting desk officer capacity, training, and analytical capabilities to restore MoF's gatekeeping function.

## **Financial Control, Accounting and Reporting**

**46. Botswana's financial control and reporting systems suffer from structural and operational weaknesses.** The PFM legal framework is outdated, consolidated financial statements have not been produced since FY2021/22, and in-year reports are often incomplete or unreconciled. The Government accounting and budgeting system (GABS) is technologically obsolete and poorly maintained, lacking functionality to support modern budgeting, reporting, or MTBF requirements. Core manuals like accounting policies or SCOA guides are missing, and internal controls are frequently ineffective, leading to financial losses.

**47. To address these gaps, the mission recommends strengthening the Accountant General's Department (AGD) responsibilities for the design and oversight of the financial control, accounting and reporting framework, transferring procurement policy coordination responsibilities procurement oversight fully to the procurement authority, strengthening the accounting systems management function to better manage and develop GABS and external application providers expanding the AGD systems group, and upgrading enhancing cash management and financial reporting capacities.** A new

IFMIS should be procured or GABS reinstalled, but as a stopgap, an interim reporting solution is urgently needed. Stronger engagement of Accounting Officers with internal audit findings and decentralization of financial control responsibilities are also advised.

## Cross-Cutting Functions and Reform Implementation

**48. PFM reform implementation has been piecemeal and lacks strategic coherence.** Responsibilities are not clearly assigned, reform monitoring is weak, and the coordination unit is not sufficiently empowered. The report recommends placing the reform coordination office under the Permanent Secretary and holding departmental heads accountable for outputs. Finance and accounting functions across MDAs should be integrated to improve performance and coordination. Development partner coordination is also fragmented, with multiple points of contact within MoF. A single coordination unit should be established to ensure harmonized engagement with external stakeholders.

## Implementation Roadmap and Recommendations

**49. The report proposes 16 priority recommendations with short-, medium-, and long-term timelines, categorized under macro-fiscal, budget management, financial control, and cross-cutting themes.** Key structural reforms include the creation of a Macro-Fiscal Management Department, budget coordination unit, and fiscal risk division. Technical recommendations target the rollout of MTBF, baseline costing methodologies, and interim and long-term solutions for financial reporting. Success will depend on senior leadership commitment, DPSM and Office of the President support, and careful sequencing of reforms.

NO.	RECOMMENDATIONS	TIMEFRAME	PRIORITY
<b>MACRO-FISCAL</b>			
1.	Establish a stand-alone Macro-Fiscal Management Department, drawing on the existing capabilities of the Transformation Office, and expand role to cover all major macro-fiscal roles.	Short-term	High
2.	Expand the mandate and build-up the capacity of Tax Policy and Debt Management Divisions.	Medium-term	Medium
3.	Staff, train and direct PEEPA to carry out fully the SOE governance and oversight functions	Medium-term	High
4.	Reconstitute the Technical Macro-Fiscal Working Group	Medium-term	Medium
<b>BUDGET PREPARATION AND MANAGEMENT</b>			
5.	Combine the existing budget coordination functions to guide budget preparation including development of the budget calendar and guidelines, and lead the rollout of budget reforms	Medium-term	High
6.	Strengthen coordination of the recurrent and development budget, including the functions and responsibilities of the MoF and NPC	Short-term	High
7.	Review institutional arrangements for budget decision making with a view to incorporate the early participation of key role players	Medium-term	High

FINANCIAL CONTROL, ACCOUNTING AND REPORTING			
8.	Strengthen the OAGs design and oversight of financial control, accounting and reporting framework	Short-term	High
9.	Transfer OAG procurement policy coordination responsibilities to PPRA	Short-term	Medium
10.	Strengthen the OAG's systems function to manage and develop GABS and to manage external application providers	Short-term	High
11.	Expand mandate of the Cash Management Unit for monitoring cash flows and guiding budget releases	Short-term	High
12.	Strengthen arrangements and secure greater engagement of Accounting Officers with the internal audit findings	medium-term	Medium
CROSS-CUTTING			
13.	Review the arrangements for progress reporting and monitoring of the PFM reform strategy, relocate the coordination function to the Office of the PS	Medium-term	Medium
14.	Review the current PFM reform strategy and elaborate aspirational but credible expectations, priorities, plans, etc. for the achievement of proposed reform outputs	Medium-term	Medium
15.	Implement arrangements to provide for a more integrated finance function in Ministries, Departments, & Agencies (MDAs)	Longer-term	Medium
16.	Review opportunities to consolidate development partner coordination within MoF	Medium-term	Medium

**50. Botswana's MoF must modernize its PFM framework to adapt to deteriorating fiscal conditions and rising macroeconomic risks.** Institutional reform, backed by analytical capacity and strategic leadership, is vital to enhance fiscal governance and sustain long-term economic stability. The recommendations outlined offer a roadmap for revitalizing fiscal institutions and anchoring a credible medium-term fiscal policy in Botswana.

## F. Conclusion

**51. Botswana's fiscal challenges are intensifying as diamond revenues decline and deficits persist, exposing weaknesses in the country's fiscal institutions.** Recent IMF technical assistance sets out a clear reform agenda: modernizing tax administration, strengthening budget preparation and execution, improving public investment management, and enhancing financial reporting and transparency. Implementing these reforms will be essential to restore fiscal sustainability, rebuild buffers, and reinforce the credibility of fiscal policy. Success will depend on strong political commitment, effective sequencing of reforms, and investment in institutional capacity. If carried out decisively, the recommended measures will not only safeguard macroeconomic stability but also create the foundation for a more diversified and resilient economy capable of supporting Botswana's long-term development goal.