

Ex-Ante Evaluation (for Japanese ODA Loan)

Africa Division 3, Africa Department,
Japan International Cooperation Agency (JICA)

1. Program Name

- (1) Country: Republic of Botswana
- (2) Project Site/Target Area: All of Botswana
- (3) Program: COVID-19 Crisis Response Emergency Support Loan

Loan Agreement: February 17, 2023

2. Background and Necessity of the Program

- (1) Current State and Issues of the Response to COVID-19 and the Priority of the Program in Botswana

After the discovery of diamonds in 1967 immediately following its independence, the Republic of Botswana achieved rapid economic development. Through its diamond industry, which boasted of the second largest output in the world, and stable political and economic management, Botswana has grown into an upper-middle income country over the past five decades. However, its economy depended largely on the diamond industry with mining centered on diamonds accounting for approximately 10% of GDP and 80% of exports in fiscal 2019 (in Botswana, the fiscal year is from April to March of the following year). In its VISION 2036, the Botswanan government advocates a goal of breaking away from dependence on diamonds and is promoting diversification in industry, including the development of tourism, the second pillar of the Botswanan economy following mining and which represents about 5% of GDP.

Since the inequality of income distribution has long been a social issue, Botswana has a substantial social security system; the social security program accounts for 2.6% of GDP (2018). A survey of households in the country conducted in fiscal 2015 indicated that although 56% of the population benefited from the social security program in some way, 21% of the poor did not benefit from any part of the program, and reviewing the social security program so that benefits reach the socially vulnerable without fail has become an issue to be addressed.

In Botswana, following the global outbreak of the novel coronavirus infection (COVID-19), the first local case of infection was confirmed on March 30, 2020. COVID-19 spread intermittently, and on January 5, 2022, the cumulative number of infected was 222,053, while the cumulative number of deaths was 2,452

(WHO, COVID-19 Dashboard). At the end of March 2020, the Botswanan government suspended operation of all international flights (which it resumed in phases starting in November of the same year), and in April 2020, it declared a state of emergency (which it called off at the end of September 2021). For this reason, the number of tourists decreased substantially, and in addition, economic activities slowed as the movement of people within the country and leaving the country was restricted. In 2020, the amount of tourism-related service trade declined by 51%. Furthermore, in the same year, due to factors such as the cancellation of diamond auctions and a global decline in demand for diamonds, net exports of diamonds fell by 40% compared to the previous year, and the real GDP growth rate was -8.5% (2021, IMF). There are concerns about widening disparities as the poverty rate, which stood at 12.6% in 2019, is expected to deteriorate to 16% in 2022 (2021, World Bank). Meanwhile, as expenditures related to health and healthcare to cope with COVID-19 and public spending to support industry grew (expected to total 65.4 billion BWP (708.1 billion yen) in fiscal 2019, 65.8 billion BWP (712.4 billion yen) in fiscal 2020, and 71.0 billion BWP (768.7 billion yen) in fiscal 2021), the fiscal deficit increased from -8.6% compared to GDP in fiscal 2019 to -9.9% in fiscal 2020 (2021, IMF).

In September 2020, given these circumstances, the Botswanan government announced the Economic Recovery and Transformation Plan (ERTP) to recover the economy over the medium to long term. ERTP was worked out by taking into account two factors: (1) the existing economic structure in which the country depends largely on mining centered on diamonds will limit medium- to long-term economic recovery and growth, and more diverse and comprehensive economic measures are needed; and (2) with much of its land being semi-arid, Botswana is vulnerable to the effects of climate change, including droughts, and in pursuing medium- to long-term economic recovery and growth, it is necessary to take into consideration climate change mitigation and adaptation. On the other hand, 99.7% of electricity in Botswana is generated using fossil fuels, with shortages compensated for mainly by imports from South Africa through the Southern African Power Pool. However, in South Africa too electricity is in short supply. In order to encourage private investment and to create export industries in Botswana, it is necessary to secure stable power sources. Against this backdrop, ERTP advocates for encouraging infrastructure investments to be made from the perspective of green recovery, such as renewable energy and the promotion of export-led industries, by attracting private investment as its slogan. In addition, designating the priority areas to be more efficient government

spending, human resource development, and greater resilience, it plans to put funds of approximately 14.5 billion BWP (157.0 billion yen) into these areas over a three-year period starting from fiscal 2020.

In Botswana, Phase I of the vaccination of healthcare workers and the elderly began in March 2021. Thereafter, the scope of vaccination expanded gradually to cover residents aged 18 or older from October 2021, those aged 12 or older from January 2022, and those aged 5 or older from July 2022. By December 1, 2022, a total of 1.59 million people, about 68% of the population, had been vaccinated. The government has secured 1.26 million vaccine doses via COVAX, some 1.26 million doses via the African Vaccine Acquisition Trust (AVAT), and 530,000 doses through donations from China, India, and Germany (200,000, 30,000, and 300,000 doses, respectively) and reached agreements with pharmaceutical companies to purchase 2 million doses. Thus, it has procured a quantity of vaccine doses sufficient to cover the population to be vaccinated. The second supplementary budget for fiscal 2021 approved on December 16, 2021 includes 560 million BWP (about 6.1 billion yen) to pay for purchasing booster vaccines and procurement of related equipment. In addition, further efforts are underway to secure vaccines as the Chinese government has announced that it will provide 2 million vaccine doses free of charge during fiscal 2022. Promotion of vaccination is expected to curb the spread of COVID-19, and to ensure economic recovery, it is essential to advance E RTP. The initial budget of fiscal 2021 appropriated 7 billion BWP (about 75.5 billion yen) to E RTP-related projects.

The Botswanan government's fiscal deficit, which expanded from 8.6% of GDP in fiscal 2019 to 9.9% in fiscal 2020 (2021, IMF), is predicted to be 16.47 billion BWP (178.3 billion yen) in fiscal 2020, 8.89 billion BWP (96.3 billion yen) in fiscal 2021, and 9.97 billion BWP (107.9 billion yen) in fiscal 2022 (2021, Botswanan Ministry of Finance). As it posts fiscal deficits, the Botswanan government is discussing financial assistance with the OPEC Fund for International Development (OPEC Fund) in addition to additional financial assistance from the World Bank and the African Development Bank (AfDB). However, funding gaps remain, and there is also growing demand for funding, including for the implementation of E RTP as well as that for countermeasures against COVID-19 and provision of the social security program to the socially vulnerable. Needing to obtain further concessional loans, the Botswanan government requested emergency financial assistance totaling 15.0 billion yen from its Japanese counterpart.

To meet demand for funds needed to take countermeasures against COVID-19 and to implement measures to stabilize the economy and society, this Program provides the Botswanan government with financial assistance through co-financing with the Botswana Programmatic Economic Resilience and Green Recovery Development Policy Loan granted by the World Bank and the Economic Recovery Support Program carried out by AfDB, and it backs up the implementation of E RTP, which aims to provide social protection to the socially vulnerable and to recover and reform the Botswanan economy, thus contributing to recovering the country's economy and stabilizing society. Furthermore, it is in accord with Botswana's development policy and Japan's cooperation policy and contributes to alleviating and reducing the effects of COVID-19 on economic and social activities in Botswana through financial assistance as well as to promptly stabilizing the country's economy and society. Further, it is likely to contribute to six of the SDGs: Goal 1 (No poverty), Goal 3 (Good health and well-being), Goal 5 (Gender equality), Goal 7 (Affordable and clean energy), Goal 8 (Decent work and economic growth), and Goal 13 (Climate action).

(2) Japan's and JICA's Cooperation Policy and Operations in Relation to the Response to COVID-19

In accordance with Japan's Country Development Cooperation Policy for the Republic of Botswana (September 2017), taking into consideration Botswana's VISION 2036, which includes a long-term development strategy for the period from 2016 to 2036, and National Development Plan 11 (2017–2023), Japan has helped to establish an environment for industrial diversification, to reduce poverty, and to improve quality of life in an effort to contribute to escaping from dependence on mining, lowering the high unemployment rate, and eliminating poverty as aimed at by Botswana. This Program corresponds to the Development Cooperation Policy's priority area "Establishment of an environment for industrial diversification," and economic development and renewable energy development through support for the private sector agree with the Japan's support policy announced in the Eighth Tokyo International Conference on African Development (TICAD8). Moreover, under JICA's strategy for projects in the private sector development area, JICA prioritizes the establishment of industrial policies and business environments, and in its strategic goals for projects in the resource and energy area, it has identified a shift to low carbon and decarbonization in energy use; therefore, this Program is consistent with Japan's and JICA's cooperation policy and strategic goals.

Additionally, the Southern African Development Community (SADC) is headquartered in Botswana, and the Program also contributes to stabilizing the society and economy of the Southern African region through support for the country.

(3) Other Donors' Activities

In fiscal 2021, following the events described above, the World Bank and AfDB provided financial assistance worth \$250 million (about 34.6 billion yen) and \$137 million (about 19.0 billion yen), respectively, and issuance of government bonds and other projects were underway. Besides additional financial assistance by the World Bank and AfDB, financial assistance from the OPEC Fund is being discussed. As both the World Bank and AfDB have set promotion of green growth as an important issue related to their financial assistance, working with these two institutions will enable JICA to maximize the results of cooperation in its plans for promoting renewable energy in Botswana.

3. Program Description

(1) Program Description

- 1) Program Objectives: By providing financial assistance in Botswana, where COVID-19 has had increasing effects on the economy and society, this Program helps the Botswanan government to provide social protection to the socially vulnerable, develop the private sector to achieve a sustainable economic recovery, and promote green growth, thus contributing to stabilizing the Botswanan economy and society as well as encouraging the country's development efforts.
- 2) Program Components: This Program provides financial assistance to the Botswanan government, which formulates and implements the programs listed below to stabilize the country's economy and society, which have been affected by COVID-19. The outline of the policy matrix is as indicated in Section 4 (1) below.
 - (a) Mitigating the effects of COVID-19 on the socially vulnerable
 - (b) Furthering the recovery of the private sector from COVID-19
 - (c) Promoting green growth
- 3) Beneficiaries of the Program (Target Group): All people of Botswana, which has a population of some 2.35 million

(2) Estimated Program Cost: 15 billion yen

(3) Schedule (Cooperation Period): In this Program, financial assistance will begin in February 2023 (for which a loan agreement is scheduled to be concluded). It has already been confirmed that all prior actions in the policy matrix were achieved by March 2022. The Program will be completed upon loan disbursement (scheduled for March to May 2023).

(4) Program Implementation Structure:

- 1) Borrower: Government of the Republic of Botswana
- 2) Guarantor: None
- 3) Executing Agency: Ministry of Finance

(5) Collaboration and Sharing of Roles with Other Projects and Other Donors

1) Japan's Activities

In the Kazungula Bridge Construction Project based on a Japanese ODA loan, Japan cooperated in undertakings such as the construction of One Stop Border Post¹ (OSBP) facilities and access roads on the Botswanan side and the development of OSBP materials and equipment on the Botswanan and Zambian sides, and the Kazungula Bridge was opened to traffic in May 2021. The establishment of the Kazungula Bridge Authority, which is included in the policy matrix, is expected to ensure efficient, sustainable operation of the bridge.

Japan is also considering cooperation aimed at building the Botswanan government's policy-making and regulatory capacities in order to promote renewable energy under private sector leadership. Together with the conclusion of a power purchase agreement² (PPA) in the renewable energy project included in the policy matrix, this cooperation is expected to contribute to promoting renewable energy.

2) Other Donors' Activities

This Program is a co-financing effort with the World Bank and AfDB, which is contributing to the fifth phase of the Enhanced Private Sector Assistance for Africa (EPSA5) initiative announced by the Japanese government and AfDB at TICAD8, and it will work closely with the two institutions, including

¹ OSBP refers to an initiative that enables people and goods to efficiently cross inland national boundaries by allowing them to complete at a single location all entry procedures, which formerly had to be performed on both sides of the boundary.

² PPA refers to power purchase agreements concluded mainly regarding renewable energy between power generators or retail electricity suppliers and electricity end users.

performing monitoring and evaluation.

(6) Environmental and Social Consideration

1) Category: C

2) Reason for Categorization: The Program is judged to have minimal undesired impact on the environment according to the Japan International Cooperation Agency Environmental and Social Consideration Guidelines.

(7) Cross-sectional Issues

1) Climate Action-related Project: The Program component “(c) Promoting green growth” falls under the category of measures to mitigate and adapt to climate change.

2) Consideration of Poverty and Coping Measures: The Program component “(a) Mitigating the effects of COVID-19 on the socially vulnerable” contributes to easing the effects of COVID-19 on the poor and socially vulnerable.

3) AIDS/HIV Countermeasures: N/A

4) Participatory Development: N/A

5) Consideration of Disabilities: N/A

(8) Gender Category:

[Gender Project] ■ Gender Informed (Significant): GI (S)

<Activity Content/Reason for Categorization> This Program plans to establish a committee of related government agencies on gender-based violence under Policy Action Component 1 “Mitigating the effects of COVID-19 on the socially vulnerable.”

(9) Other Important Issues: N/A

4. Targeted Outcomes

(1) Quantitative Effects

Indicator	Baseline (Year)	Target (Year)
1: Mitigating the effects of COVID-19 on the socially vulnerable		
○ Percentage of beneficiaries of the five social security benefit projects who are	20.5 (March 2021)	75.8 (December 2022)

registered in the Single Social Registry (%)		
■ The Inter-Ministerial Committee on Gender-Based Violence (GBV) makes public its 2022 activity report on GBV	Not public (December 2021)	Open to the public (March 2023)
2: Furthering the recovery of the private sector from COVID-19		
○ Amount of new loans to the SME sector that are considered appropriate according to credit evaluation tools (BWP)	0 (February 2021)	50 million (December 2022)
■ Conclusion of an agreement between the Botswanan and Zambian governments on establishing the Kazungula Bridge Authority (KBA)	No agreement (December 2021)	Agreement concluded (December 2022)
■ Number of trucks that cross the Kazungula border (vehicles/day)	110 (Average for the second half of 2019)	255 (Average for the second half of 2022)
■ Amount of support for SMEs through the emergency support fund and informal sector fund provided by the Citizen Entrepreneurial Development Agency (CEDA) (BWP)	0 (2019)	80 million (December 2022)
■ Number of SMEs that participate in the programs listed below implemented by the Botswana Investment and Trade Centre (BITC) for SMEs (companies/year) (1) Standard certification training (2) Educational training on exports	(1) 13 (2) 122 (2019)	(1) 30 (2) 150 (2022)
3: Promoting green growth		
■ Total capacity of power generation equipment under authorized renewable energy projects intended to be operated by independent power generators (MW)	0 (December 2020)	100 (December 2022)

<p>■ Updated version of the Nationally Determined Contributions (NDC) in which the Botswanan government sets targets to reduce greenhouse gas emissions is made public</p>	<p>Not public (October 2021)</p>	<p>Open to the public (December 2022)</p>
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(Note: This Program uses the same operation and effect indicators as the programs of its co-financing partners, the World Bank and AfDB, but the indicators include those set by JICA independently. ○: Same as those of the World Bank; ■: Indicators entirely of JICA's own or those that have been developed by partially modifying those of the World Bank and/or AfDB)

(2) Qualitative Effects

Stabilization of the lives of the socially vulnerable in Botswana; recovery and stabilization of economic and social activities; and promotion of renewable energy

(3) Internal Rate of Return

The internal rate of return is not calculated because this is a program-based loan.

5. Preconditions and External Conditions

(1) Preconditions: N/A

(2) External Conditions: The COVID-19 pandemic settles down globally, and countermeasures against COVID-19 are maintained.

6. Lessons from Similar Past Projects and Application to this Program

In documents such as the 2011 ex-post evaluation for the Emergency Budget Support Japanese ODA Loans granted to three Southeast Asian countries after the Lehman Brothers collapse (i.e. the Emergency Budget Support Japanese ODA Loan for the Philippines, Climate Change Program Loan (II) (including Economic Stimulus and Budget Support Loan) for Indonesia, and the Eighth Poverty Reduction Support Credit with Economic Stimulus Support for Vietnam), it was pointed out that as measures to respond to the economic crisis, the governments of these countries accurately grasped the situations of their own countries and the issues they should address mainly in providing social protection to the socially vulnerable and developing infrastructure for medium- to

long-term growth, regarded the issues to be their own, and coped with them promptly; that donors supported such efforts appropriately at the proper timing; and that this led to swift economic recovery. Taking this lesson into account, in addition to the protection of the socially vulnerable, this Program aims to provide swift assistance to the Botswanan government's initiatives, such as promoting the development of the private sector by working with its co-financing partners so that such assistance is provided at an appropriate timing.

7. Evaluation Results

In addition to contributing to JICA's Initiative for Global Health and Medicine,³ this Program is consistent with Botswana's development issues and policies as well as Japan's cooperation policy. By providing financial assistance, the Program also helps to strengthen the medical system, to protect the socially vulnerable, and to maintain economic activities, thus contributing to stabilizing the country's economy and society as well as encouraging its development efforts. Furthermore, it is likely to contribute to six of the SDGs: Goal 1 (No poverty), Goal 3 (Good health and well-being), Goal 5 (Gender equality), Goal 7 (Affordable and clean energy), Goal 8 (Decent work and economic growth), and Goal 13 (Climate action). For these reasons, it is highly necessary for JICA to support implementation of the Program.

8. Plan for Future Evaluation

(1) Indicators to Be Used

As described in Section 4

(2) Timing

Ex-post evaluation two years after program completion

END

³ [JICA's Initiative for Global Health and Medicine | Our Work | JICA](#)