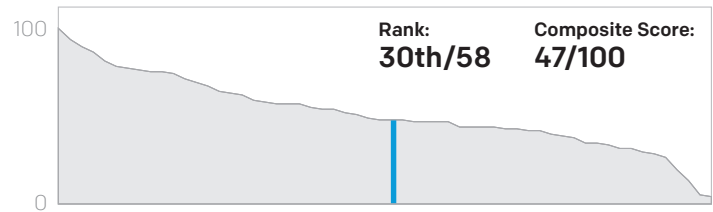


Botswana



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.



Background

By volume, Botswana is the largest diamond producer in the world. Diamond mining fuels Botswana's economy (they contributed 70 percent to total exports in 2011), making it vulnerable to fluctuations in the global demand for luxury goods. Mineral resources also include copper, nickel, gold, and coal. Mining exports accounted for 79 percent of the country's total export earnings in 2011.

Botswana	2000	2005	2011
Population (million)	1.76	1.88	2.03
GDP (constant 2011 international \$ billion)	7.2	11.6	17.3
GDP per capita, PPP (constant 2005 international \$)	9,531	11,542	13,021
Extractive exports (% total exports)	82%	83%	79%

SOURCES: World Bank.

Botswana's Performance on the RGI

Botswana received a "weak" score of 47, ranking 30th out of 58 countries, due to a "failing" score for Reporting Practices and "partial" scores for the other components.

Institutional and Legal Setting

(Rank: 41st/58 Score: 55/100)

Botswana has comprehensive legislation governing the mining industry, but lacks effective revenue reporting policies, contributing to a "partial" score of 55.

The Botswana Unified Revenue Service (BURS) collects taxes, while the Department of Mines collects mineral royalties and regulates the industry. For non-diamond minerals, licenses are awarded on a first-come, first-served basis. However, the Mines and Minerals Act does not apply to the licensing process for diamonds, which is subject to direct negotiation without restrictions or transparency. Recent attempts to pass a freedom of information law have failed.

Reporting Practices

(Rank: 50th/58 Score: 28/100)

With no public information on contracts or environmental impact assessments and incomplete data on critical revenue indicators, Botswana received a "failing" score of 28.

BURS reports mineral revenue, but bundles royalties and dividends together as one statistic. It also publishes information on production volumes and the value of resource exports in annual reports audited by the Office of the Auditor General. The Department of Mines' latest publication on revenue is from 2008 and includes production volumes, the names of companies operating in the country, company-by-company production data, and royalty receipts. The central bank publishes statistics on the value of resource exports, estimates of investment in mining development, license fees, and aggregated figures for all revenues received from mining, including taxes, dividends, and royalties.

Safeguards and Quality Controls

(Rank: 30th/58 Score: 53/100)

Botswana's "partial" score of 53 reflects a general lack of government oversight of the mining sector.

There is no legislative review of the licensing process, and commercial confidentiality regulations prohibit parliamentary committees from overseeing negotiations between the Mines Ministry and diamond companies. There is no legal mechanism for appealing licensing decisions.

The Mines Ministry's financial reports are audited and presented to Parliament, but legislative oversight of the budgetary process tends to focus on expenditures rather than revenues. Officials involved in monitoring the mining sector are required to disclose information about their financial interest in extractive activities.

Enabling Environment

(Rank: 8th/58 Score: 69/100)

Botswana performed best on this component, with a "partial" score of 69. The country received relatively high rankings on corruption control, accountability, and democracy.

State-Owned Companies

(Rank: 32nd/45 Score: 32/100)

Debswana is a 50/50 joint venture between the state and DeBeers. It effectively dominates the diamond industry but has no legal monopoly. Debswana publishes annual reports, which include the names of subsidiaries and mining operations but no financial figures. The government does not report its share of Debswana's revenues either, suggesting that these funds bypass the treasury.

Natural Resource Fund

(Rank: 10/23 Score: 52/100)

The Pula Fund is a sovereign wealth fund managed by the Bank

of Botswana. It receives part of the government's income from diamond exports as well as excess foreign exchange reserves.

The bank, in collaboration with the government, has complete discretion over deposits and withdrawals. Government deposits and the fund's foreign currency holdings are included in the bank's financial statements, but no other data are available.

Subnational Transfers

(Rank: 20/30 Score: 50/100)

The central government provides a substantial portion of local governments' revenues, distributing funds based on individual community needs. The government publishes no formula, specific rule, or general information on these transfers.

Botswana's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
30	COMPOSITE SCORE	47
41	Institutional and Legal Setting	55
	Freedom of information law	0
	Comprehensive sector legislation	100
	EITI participation	0
	Independent licensing process	83
	Environmental and social impact assessments required	50
	Clarity in revenue collection	50
	Comprehensive public sector balance	67
	SOC financial reports required	0
	Fund rules defined in law	100
	Subnational transfer rules defined in law	100
50	Reporting Practices	28
	Licensing process	33
	Contracts	0
	Environmental and social impact assessments	0
	Exploration data	50
	Production volumes	50
	Production value	33
	Primary sources of revenue	67
	Secondary sources of revenue	25
	Subsidies	0
	Operating company names	33
	Comprehensive SOC reports	17
	SOC production data	29
	SOC revenue data	10
	SOC quasi fiscal activities	33
	SOC board of directors	50
	Fund rules	0

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	33
	Subnational transfer rules	100
	Comprehensive subnational transfer reports	0
	Subnational reporting of transfers	0
30	Safeguards and Quality Controls	53
	Checks on licensing process	0
	Checks on budgetary process	67
	Quality of government reports	67
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	50
	SOC reports audited	33
	SOC use of international accounting standards	100
	SOC disclosure of conflicts of interest	0
	Quality of fund reports	33
	Fund reports audited	83
	Government follows fund rules	67
	Checks on fund spending	0
	Fund disclosure of conflicts of interest	100
	Quality of subnational transfer reports	0
	Government follows subnational transfer rules	100
8	Enabling Environment	69
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	81
	Open Budget (IBP Index)	60
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	70
	Government effectiveness (WGI)	67
	Rule of law (WGI)	68

■	Satisfactory	■	Weak
■	Partial	■	Failing