# BOTSWANA

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| **Key Data Points (as at October 2024, unless otherwise stated)** | |
|---|---|
| Total population | 2,359,609 |
| National currency and exchange rate | Botswana pula (USD0.737: BWP1) |
| GDP and growth rate | USD19.4 billion (2023); 2.7% (2023) |
| SME proportion of GDP | 15%–20% |
| Annual average inflation | 2.9% |
| Unemployment rate | 25.9% (as at Q3 2023) |
| Total government debt outstanding | USD3.5 billion (Mar 2023) |
| Public debt to GDP ratio | 21% |
| Primary stock exchange | Botswana Stock Exchange |
| Number of publicly listed companies | 29 |
| Total equity market capitalisation | USD3.897 billion (Jan 2025) |
| Number of marketable corporate debt issuers | 39 corporate bonds (as of 2025) |
| Examples of domestic private market investment firms | Capital Management Botswana, African Alliance Botswana Limited, Aleyo Capital |

*Sources:* Statistics Botswana; Bank of Botswana; Botswana Institute for Development Policy Analysis; Ministry of Finance and Economic Development; Botswana Stock Exchange.

## 1. Introduction and Context

Botswana, a landlocked country in southern Africa, has a population of slightly more than 2.3 million people. It attained independence on 30 September 1966.

Botswana has been described as containing the "Garden of Eden," according to a DNA study on the origins of modern humans (Sky News 2019). According to the Diamond Registry (2023), the country is the world's largest producer of diamonds by value and second in terms of volume. Botswana is also an attractive tourist destination, with key landmarks including the Okavango Delta, Tsodilo Hills, and Chobe National Park.

Despite its tourism and diamond production, Botswana's financial markets are underdeveloped. As a developing nation, it still falls behind on advanced financial market tools that can improve the economy or make it more competitive.

Like any growing economy, Botswana needs capital to fuel its growth, and one source of such capital is the capital market. Currently, this market is under the purview of the Botswana Stock Exchange (BSE), which is regulated by the country's Non-Bank Financial Institutions Regulatory Authority (NBFIRA).

The BSE's roots go back to 1989, when it had only five entities listed. As of 2023, it has more than 25 entities listed and trades not only equities but also bonds and ETFs. The BSE serves as the bridge for capital flows between the private and public markets, and it boasts companies in varying industries, from financials, retailers, tourism, and hospitality to real estate.

Although this exchange is still young and growing, one challenge it faces is illiquidity in the markets. Its biggest investors are institutional investors—namely, pension funds. Because there are not a lot of counters on the stock exchange, these investors buy and hold quality assets for the long term and do not trade as often as in other markets. This lack of liquidity has caused investors to look elsewhere to earn returns.

The next place to look for returns is the private market, and the government of Botswana, working together with the private market and the regulator, has put in place measures to ensure that capital flows efficiently to companies that can develop the economy but also enrich and serve the population. These capital flows can be through grants, loans, and investments made by private equity firms, both locally and internationally.

This chapter will examine fundraising in Botswana from both the public and the private markets.

## 2. Raising Funds in the Public Markets

### Overview

Capital raising in Botswana can be divided into two main components:

- Public institutions (government related)
- Corporate or private sector

Public fundraising by government-related entities in Botswana comes in fiscal and monetary forms:

- Taxes (income, value added, capital gains, etc.)
- Issuing government bonds (T-bills and treasury notes)
- Borrowing from supranational organisations, such as the IMF and the World Bank

Fundraising by the private sector in Botswana comes from the following sources:

- Economic development financial institutions
- Bilateral or syndicated loans
- Private equity
- Public stock market

Botswana follows a progressive income tax system, which levies a higher tax rate against high-income-earning entities. Other taxes include a value-added tax, a capital gains tax, and estate taxes.

The funds raised by taxes are used for the development of the country and go towards salaries for government employees, as well as building community schools and public hospitals.

As a means of tackling issues related to monetary policy, the Botswana government, through the Bank of Botswana, issues Bank of Botswana Certificates (BOBCs). For financing public activities, such as running the various ministries, the government issues T-bills and bonds.

Just as a business has a mix of debt and assets, Botswana has a mix of both. The country seeks to acquire loans from supranational organisations, such as the IMF and the World Bank. The latest loan from the World Bank was a BWP150 million loan to support the recovery of the country's economy after the COVID-19 pandemic (Modiakgotla 2023). On the opposite side of the financial statement is Botswana's sovereign wealth fund, the Pula Fund. This fund invests proceeds from diamond exports for future generations. According to the Bank of Botswana, the balance of payment surpluses for an extended period has allowed it to grow since it was established in 1994.[58] A notable example of the use of Botswana's sovereign wealth fund was when the Botswana Public Officer's Pension Fund (BPOPF) was established and assets were transferred from the Pula Fund to the BPOPF.

[58]www.bankofbotswana.bw/content/pula-fund.

## The Role of Foreign Direct Investment in Fundraising

FDI plays an important role in the growth of Botswana's economy. Through such organisations as the Botswana Investment and Trade Center (BITC) and the Botswana Development Corporation, foreign investment passes through to the country to be invested in such sectors as mining, agriculture, finance, and real estate.

From the corporate side, funds are raised through the issuance of shares in the stock market, through loans—both bilateral and syndicated loans—and through the private market, where businesses acquire funding from private equity managers. These private equity managers are local, and they invest large sums of money in the development of the country through different sectors (e.g., education, logistics, health). One medium of exit that private equity (PE) managers use is listing. The BSE is the medium through which companies can list their shares.

Institutional investors, such as pension funds, hold the largest share of monies on the BSE. Because of a lack of trading volume, the local equity market is said to be relatively illiquid, as institutional investors execute buy and hold strategies despite the performance of companies' stock. This situation does not reflect true market prices, making the local equity market inefficient.

## Funding for Infrastructure and SMEs

There are also numerous SMEs in Botswana, accounting for more than 35% of the country's GDP (BIHL Group 2017). These businesses acquire their funding mostly from government institutions, such as the Citizen Entrepreneurial Development Agency (CEDA). CEDA helps businesses with funding for capital expenditure, working capital, and training and mentoring.[59]

Despite efforts aimed at assisting entrepreneurship, Botswana has a notable amount of unemployment. The unemployment rate rose during the period from 2015 to 2020. One key factor cited is the lack of funding put toward the SME sector. To assist in improving the business environment, the government provides funding to aid economic activity. In the latest budget report, the government pledged more than BWP400 million to satisfy this goal (Serame 2023). In the private sector, there is a direct relationship between the size of the SME and the probability of a PE firm investing in the SME. If the SME is small (based on the number of employees and annual profitability), then it will not be considered as a portfolio company in the books of the PE firm. The higher the valuation and number of employees, the higher the probability of being considered. This situation leaves a number of smaller SMEs scrambling for funding from the government.

[59]See the CEDA corporate profile, www.ceda.co.bw/corporate-profile#:~:text=Corporate%20Profile-,Background,sustainable%20citizen%20owned%20business%20enterprises.

Infrastructure is paramount to the success of economic activity in any country. Infrastructure projects are developed through government budgets, the private sector, and even development partners. The largest contributor to infrastructure projects is the Botswana government. In the 2023–24 budget speech, a budget of BWP12.73 billion was being invested in the development of infrastructure in the country (Serame 2023).

Botswana also has public–private partnerships that foster the development of infrastructure projects, such as projects dealing with water, energy, commercial real estate, transportation, and agriculture. The goal here is to have a collaboration between the government and the private sector, where financial resources, knowledge, and expertise can be pooled to improve the basic services for the nation at large.

The PPP Unit was established within the Ministry of Finance and Economic Development. It acts as a custodian of the PPP policy established by Botswana's government and ensures the policy is successfully implemented.[60] According to the Ministry of Finance, out of 16 possible PPP projects, only 3 are at the "procurement of private party stage," which is when private companies bid to provide their services to the PPP project. To date, only two projects have been developed through PPPs: the Ombudsman and Land Tribunal Office Accommodation Project and the SADC Headquarters Office Accommodation Project. Therefore, the two ways infrastructure projects are done in Botswana is through the government wholly or through PPPs.

## The Impact of COVID-19 on Fundraising

During the COVID-19 pandemic, the economy experienced a slump in economic activity that affected multiple sectors. Companies saw their bottom line fall, and individuals lost their jobs. Diamond sales fell because of the lack of global demand for diamonds, which affected Botswana because it is one of the world's largest diamond exporters. The country undertook measures to assist with effects of the pandemic, such as tax reforms that increased the minimum wage allowed to pay income tax, as well as a COVID-19 relief fund established by the Ministry of Finance to assist with funding for the control, prevention, and treatment of COVID-19 and its aftereffects.

In the private sector, because of declining profitability, companies found it difficult to list on the BSE. This situation reduced the chances of an increased number of options for investors and boosting liquidity in the local markets. Delistings also occurred because of the pandemic, which cost investors money (Dickson 2022). Despite the absence of listings, there was an uptick in the issuance of debt, with around BWP5.6 billion raised by corporations and government (Botswana Stock Exchange 2020).

[60]For more details, see the Ministry of Finance web page on the PPP unit at www.finance.gov.bw/index.php?Itemid=402&option=com_content&view=article&id=260&catid=13.

After the COVID-19 pandemic subsided, fundraising was conducted through bonds issued by the central bank, as well as loans from organisations such as the World Bank.

Botswana therefore has multiple avenues to raise funds. In the private sector, local and international organisations are supplying funds. In the public sector, the government and FDIs are boosting economic activity. The pandemic increased government spending to boost economic activity, while private companies did not fare well. As for equities, the stock exchange, which is still new, is seeking to list more companies and improve liquidity for investors, both local and foreign.

## 3. Debt

### Debt and Capital Market Depth

Government debt and guarantees increased from BWP48.7 billion in financial year 2021–22 to BWP53.4 billion in financial year 2022–23 (unless otherwise noted, the data in this and the subsequent subsections are from CEIC [2023; 2024]). As a proportion of GDP, government debt increased to 20.4% from 18.7% over the same period. Total domestic government debt amounted to BWP27.2 billion (10.4% of GDP) at the end of the 2022–23 financial year, which is lower than the statutory domestic borrowing limit of 20%. External debt is estimated at 7.2% of GDP for the same period, also below the 20% threshold. These data indicate that the government has sufficient fiscal capacity for debt consolidation if the need arises and that there is room for even more capital formation by the government.

### Government External Financing

Botswana's Ministry of Finance considers these debt levels sustainable even after accounting for the increasing debt service obligations because of the acquisition of new external loans—for example, the USD250 million (BWP2.8 billion) loan for financing economic recovery secured under the Programmatic Economic Resilience and Green Recovery Development Policy (ERGRDP) at the International Bank for Reconstruction and Development. Also under the ERGRDP, a loan amount of USD100 million from OFID was published in the *Botswana Government Gazette* of 23 December 2022. Further, an act to authorize a loan not exceeding JPY15 billion from the Japan International Cooperation Agency to the COVID-19 Crisis Response Emergency Support Programme was also listed in the *Gazette* on 23 December 2022. Despite the increase in government debt, it is expected to remain below the statutory limit at a projection of 20.7% of GDP in 2023–24. These efforts for further fiscal consolidation reflect the government's desire to diversify its funding sources and highlight an appetite for more debt financing as the country strives for more economic transformation in line with the second Transitional National

Development Plan that was designed to facilitate the transformation initiatives and has run from April 2023 to March 2025.

The increase in external debt demands a robust debt management strategy to manage the interest rate and exchange rate risks. Consequently, the Ministry of Finance uses the Medium-Term Debt Management Strategy of 2016/17–2018/19 as a guide. The new Strategy was published in 2023, in parallel with the regular 2023 Budget Speech, outlining measures of hedging against interest rate risk and exchange rate risk.

## Government Domestic Financing

For securities listed on the Botswana Stock Exchange, government bonds generally drive market capitalisation. Bond market capitalisation increased by 15.1% from BWP22.2 billion in February 2022 to BWP28.2 billion in December 2023 because of the listing of new corporate bonds on the stock exchange and reopening of government bonds. According to the Botswana Financial Stability Report, the reopening of government bonds is the main driver of total bond market valuation. The nominal value of government bonds rose from BWP20.2 billion in December 2022 to BWP23.2 billion in December 2023, while corporate bond valuations decreased by 33%, to BWP5.3 billion during the same period.

The proportion of government bonds in the nominal value of the fixed-income market stood at 81.4% in December 2023. This figure demonstrates the government's ongoing commitment to deepen and develop the domestic capital markets under the BWP30 billion Government Note Issuance Programme, which is a culmination of continuous efforts by the government to spur activity in the capital market since 2004. Under the Bond Issuance Note Programme in 2004, the government embarked on a journey of issuing bonds with the primary objective to support the development of the domestic capital market, given that government was generally running budget surpluses and did not need to borrow to finance its spending.

This effort by the government has been ongoing for years, and the 2023–24 Government Borrowing Strategy and Issuance Calendar outlines the government's total financing strategy in the domestic capital market and its specific intentions for the issuance of its debt securities, including deepening the capital market because of overall inactivity in other market segments. The strategy provides the market with preliminary information on the auctioning of treasury bills and government bonds during the year, as well as other possible special operations, such as bond buybacks and switch auctions.

It is our view, however, that in the long run, the dominance of government securities has the potential to crowd out capital funding from the private sector and may need to be scaled down as the market in Botswana matures. Despite this concern, it is necessary for the government to continue to deepen the domestic capital market, given that the government is the biggest employer and driver of businesses in the economy.

### Overall Deficit Financing

The government of Botswana implemented front-loaded fiscal policies at the height of the COVID-19 pandemic, leading to a depletion of the country's fiscal buffers and government debt peaking at 24.5% of GDP in 2021–22. Over the years, however, enduring fiscal surpluses have led to the government having no need to participate in the domestic capital market, leading to only small issuances that have kept the market shallow and underdeveloped. This situation is particularly critical for Botswana because the government drives overall economic activity, given that it is the largest employer and owns the country's most critical economic resources—the Debswana Mining Company and other diamond production and marketing ventures. In this regard, government spending and borrowing are viewed as essential to drive overall economic activity, including activity in the capital markets. We also note that because of limited investment opportunities in the domestic financial system, institutional investors hold most of the government securities, often to maturity. This dynamic limits potential over-the-counter activities and further limits the market's growth potential because the secondary market is, in turn, nonexistent.

### Digitalisation

With a view to consolidate trading and settlement of bonds in the domestic stock market, the BSE has embarked on a journey to digitise trading operations. In September 2022, it went live with a Central Securities Depository system, an Automated Trading System, and SWIFT connectivity. These systems mark the beginning of a new era of digitalisation of Botswana's domestic stock market, presenting new technology infrastructure that aims to improve the resilience of the market, network security, and operational efficiency and aligns with international best practice.

## 4. Raising Funds in the Private Markets

Considered an emerging market, Botswana is known as one of the most peaceful countries in Africa (Oluwole 2023). It is known for its diamonds, and mining and quarrying remain the economy's largest contributor to GDP.

Investments in these industries come from both domestic and foreign investors. According to data from World Bank and CEIC,[61] FDIs in Botswana has generally been on an upward trajectory since 2017. This trend was interrupted by a sharp decline from USD286 million in 2021 to a net outflow of USD700 million in 2022. Subsequently, FDI has shown signs of recovery, reaching approximately

[61]The foreign direct investment database from World Bank (2023) is available at https://data.worldbank.org/indicator/BN.KLT.DINV.CD?end=2023&locations=BW&start=2010. The foreign direct investment database from CEIC (2024) is available at www.ceicdata.com/en/indicator/botswana/foreign-direct-investment.

## Exhibit 41. Top Five Sectors and Their Corresponding Operating Establishments in Botswana

| Top 5 Sectors | Number of Operating Establishments |
|---|---|
| Wholesale and Retail Trade | 5,539 |
| Hotels and Restaurants | 2,192 |
| Real Estate, Renting, and Business Activity | 1,795 |
| Education | 1,332 |
| Manufacturing | 1,313 |

*Source:* Statistics Botswana, "Statistical Business Register" (24 May 2023), www.statsbots.org.bw/statistical-business-register.

USD50 million by July 2023. **Exhibit 41** shows the top five sectors that contribute to economic activity and the number of operating establishments.

The companies that operate in those sectors are a combination of SMEs and large corporations. Within these categories, some are publicly listed and others are private.

In the private markets, SMEs account for 50% of private sector employment, and they contribute 15%–20% of the country's GDP, so they play an integral role in the growth of Botswana's economy (Beck 2022). Access to the private markets occurs through pension funds' investments, asset managers, private equity managers, or direct investments.

Of the USD445 billion invested globally in the private equity/venture capital space in 2022, USD6.5 billion was invested in Africa, 77% of which came from international investors and the rest from African investors. When we drill down to geographical sectors, Southern Africa had 120 venture capital deals in 2022, and the total reported value was USD481 million. There have been reports of some companies being prime targets for venture funds in Botswana. For example, the pan-African firm Launch Africa has sought to invest in an "insurtech" company in Botswana (Mguni 2023).

The private market is also supported by developmental finance institutions. CEDA is a parastatal organisation that aims to grow the private sector by providing funding for local startups and already existing businesses. Other DFIs, such as the Botswana Development Corporation, drive industrialisation of Botswana by providing capital to investors with viable projects. Impact Investors also play a big role in the development of the private market. Banks, such as the African Development Bank, gain exposure to the private market in Botswana by extending loans to DFIs. A recent way to gain exposure to private markets is through the creation of private debt funds by asset managers, which provides institutional investors with access to a new asset class.

Investing in Botswana's private market is carried out through equity financing, mezzanine financing, or debt financing. Those investing in such instruments are locked in for a relatively long time until shares are sold to another investor or the company goes public. The companies in the portfolios of private equity managers and DFIs are diverse, ranging from the education sector to financials to logistics. Although some managers prefer majority ownership, others prefer minority shareholder control and more debt.

With the Pension Fund Rules 2 now in place, which stipulate that pension fund money should be repatriated back into the country until pension funds are equally invested both offshore and onshore, more capital will be available in the economy. Because the BSE is illiquid, since investors typically just buy and hold despite the movement of share prices, pension funds will have to find new places to invest the money, which will be in the private markets through private equity managers and asset managers.

The COVID-19 pandemic and the Russia–Ukraine war affected the private market by making it expensive to do business. As demand for goods and services fell during the pandemic and as banks increased their interest rates because of high inflation caused by the Russia–Ukraine war, the private market experienced a high cost of doing business. Capital inflow from investors ranging from supranational organisations to private equity investors helped the private market recover. Debt funding in the private market increased during this period.

The challenges that pension funds face with the repatriation of funds back to Botswana is the lack of financial instruments to invest in locally. The private market is full of SMEs trying to grow, and because PE managers are risk averse, they avoid investing in most SMEs. Despite this risk aversion, the ticket sizes or valuations needed for investments by PE firms are high. Many private firms in the country do not have adequate valuations to be part of a PE firm's list of portfolio companies.

Another challenge in the private market is the low activity of venture capital funds. PE firms invest in companies with high valuations, so private companies with lower valuations are not taken seriously and must get their capital from banks. If Botswana had a budding VC industry, these lower-valuation companies would have seed and growth capital put into them, which would grow the private market.

## 5. The Challenges to Capital Market Formation

### Financial Literacy

Financial literacy is the ability to understand and use financial information to make informed decisions about your money. Knowledge of how capital works will determine the proliferation of investors in the capital markets. Lack of knowledge will keep investors out of the market and cause them to stick to what they know, and in the context of Botswana, what they know is property and agriculture. This cycle is almost a cultural phenomenon, and it causes the capital markets to rely on a few high-net-worth individuals, institutional investors, and the government. There is a limited number of institutional investors and a limited amount of financial instruments available for them to invest in. Traditional asset classes (equities, bonds, and cash) seem to be the major asset classes that investors invest in. Property, private equity, and private debt are alternative investments available to institutional investors.

A report by Hungwe and Odhiambo (2018) examined domestic savings in Botswana. Regarding private savings, they pointed out that bank savings and cattle were two different forms of savings in private households. They concluded that because of income inequality and the lack of financial services offered to the poor, a substantial number of Batswana are unbanked. These include low-income households, the rural population, and small-scale business owners (Hungwe and Odhiambo 2018). Those who had access to financial services could afford to save.

As a percentage of GDP, credit to the private sector was 14.7% in 2022, while private sector gross savings represented 26.2% (International Monetary Fund 2023a). Credit to the private sector can come through Metshelos (a group of people pooling resources to lend money to people outside the group), microlenders, and commercial banks. According to data from the central bank, in December 2022, total household debt amounted to BWP47.724 billion, the bulk of which was personal loans, while household deposits totalled BWP18.028 billion (Bank of Botswana 2022). Household loans were 2.6 times greater than household deposits. This low deposit-to-loan rate is a plausible reason for the low participation rate of retail investors in the capital markets. Most household finances are tied up in debt, and therefore, households have insufficient savings to invest in the capital markets.

Households, however, do have access to the capital markets through pension funds, which make up the institutional investor sector. Pension funds have a higher share of savings than commercial banks (Hungwe and Odhiambo 2018).

The concentration of investment in traditional asset classes, combined with a small population and limited market participants, causes illiquidity in those markets, hindering capital market development. The tendency to buy and hold stocks despite market fundamentals creates an inefficient capital market.

## Regulations and Policies

Policies such as limiting outside investments in Botswana can limit capital market enhancement. The latest IPO in Botswana, BTC, was restricted to local investors. Such regulations can hamper the development of the capital markets in Botswana. Monetary policy can also affect capital market formation, and global events can exacerbate these challenges. The Russia–Ukraine war caused interest rates and the cost of doing business to increase. This situation affected balance sheets and valuations, reducing the amount of capital market activity and development.

Fintech policies are still new, and although some countries have investing applications, Botswana has yet to see such developments. Investing apps, such as EasyEquities in South Africa, would be difficult to use in Botswana and currently do not exist there. There are no apps in Botswana that allow individuals to trade stocks on the stock exchange, which could potentially create demand and supply. This lack of technological advancement hinders the development of the capital markets because it also limits international investors who would like to have access to this market.

### Overreliance on Particular Economic Sectors

Overreliance on the diamond sector to develop the country hurts the development of financial markets. Capital markets are also aimed at growing the nation. Lack of diversification in developing other sectors of the economy, such as manufacturing, IT, textiles, and health care, impedes the growth of capital market formation. Another problem is the overreliance on government to grow the private sector. When funding is needed for great ideas, the first place to go for funding is a government agency, such as CEDA. Limited investment in SMEs from the PE industry reduces the number of potential listings in the future, which is something needed for capital market development.

## 6. Possible Solutions to Accelerate Capital Market Formation and Policy Recommendations

In this section, we discuss areas we consider worthy of attention for regulators, policymakers, and the industry.

### Integration

In the capital markets, there is a disconnect among the parties that make up the markets. Government, regulators, and asset managers need to come together to chart a path toward the success of capital market formation.

Before decisions can be made, consultation from all parties should occur. A recent decision that took place without such consultation was a surprise change of pension fund rules. A law was passed that required pension funds to repatriate offshore funds back home so that the final local/global allocation is 50%/50%. Prior to this change, the minimum investable portion in local assets was 30% and the maximum investable portion in global assets was 70%. This change was made to ensure pension fund money is used to develop Botswana.

Although the cause is worthy, the passage of this measure was a shock, causing investors to worry about the loss of returns when money is brought back home. A roundtable of sorts consisting of the players in the market would allow for discussion on market policy changes and could help accelerate capital market formation.

## Capital Market Dynamism

Capital markets should be dynamic so they can house different instruments and players. Currently in Botswana, the winners are the big players, whereas smaller companies are not getting as much funding as they need to grow the economy. To support the necessary dynamism, competition would set the stage for the growth of the capital markets and diversification. This ties in with policies enacted to allow a bustling venture capital market that invests in startups. It also means changing the regulation to allow more pension fund money to invest in the startup market, which would also alleviate pressure on the government in funding most startups. PE firms, at the behest of policy changes, could allocate a portion of their institutional fund money to investments in companies from the idea stage up to the point of a trade sale or an IPO. The more funding that goes into smaller companies, the more competition will grow, which could also attract FDI.

## Education

The government of Botswana currently funds students' education. Some courses are given as grants and others as loans. The funding goes as high as professional courses, such as those administered by ACCA and CIMA. Widening the funding to allow finance and investment courses, such as those administered by CFA Institute, would create a pool of individuals who understand financial markets on a broader level and can act in favour of capital markets. Having a CFA charterholder serving on the board of trustees of a pension fund would benefit the pension fund's members. Having a charterholder working in the regulatory authority would facilitate cohesion of policy and practice and rational decision making to change the landscape of the capital markets.

In addition, cultivating a culture of advanced knowledge and specialized expertise within local ministries can empower public servants to better understand the private sector, identify potential partnership opportunities, and drive successful collaborations.

For long-term, sustainable results, incorporate financial literacy courses within school curricula, from the primary to tertiary level, to improve the future generation's participation in the capital markets.

## Fintech Sector Development

Fintech offers Botswana significant opportunities for capital market formation. Crowdfunding platforms can democratize access to capital, particularly for startups and small businesses. Robo-advisers can make investing more accessible to a wider range of individuals by offering affordable, personalised investment advice. Peer-to-peer lending platforms can provide borrowers with access to credit and lenders with attractive returns. Digital securities exchanges can streamline the issuance and trading of securities, reducing costs and increasing efficiency. The adoption of mobile payments and digital wallets can further facilitate financial transactions and increase participation in the capital markets. Finally, blockchain-based clearing and settlement can enhance the efficiency and transparency of capital markets.

Embracing these innovations can foster economic growth, financial inclusion, and greater access to capital for both businesses and individuals in Botswana. Fintech technology adoption in Botswana is currently concentrated on mobile and digital banking and e-wallets, and there are opportunities to adopt more technologies for capital formation as outlined previously. Fintech adoption has the potential to unlock new funding avenues for startups and encourage the participation of ordinary Batswana in capital formation and overall financial deepening in the domestic market.

Fintech should be leveraged to attract foreign investment into the country. Currently, access to a share on the local exchange occurs through a broker. To ensure liquidity and more participation, technology that can improve investor participation should be created and encouraged.

The fintech sector in Africa has seen a rise in inflow of capital. Although the COVID-19 pandemic affected fintech deals, they rebounded in 2021 (KPMG 2022). Fintech is actually the highest-funded industry in terms of startups in Africa. Some notable countries growing in this sector are South Africa, Nigeria, Egypt, and Kenya, and the types of services that these fintech companies offer include mobile wallets, payment apps, investment apps, and even insurance apps.

In Botswana, the use of fintech typically occurs on mobile banking apps from larger banking institutions, such as FNB and ABSA, and these apps support the organisations' operations, such as providing checking account details and facilitating the transfer of money. The development of fintech apps that allow credit to flow to SMEs in a simple manner could be useful for the economy, however, because it would open avenues of innovation because of funding.

On the investment side, having apps that allow individuals to invest on the local stock exchange and even international stock exchanges can benefit the economy. Being in the innovation age means we can simplify the brick-and-mortar ways of operating businesses and conduct business using apps and computers, such that individuals across Botswana can have access to digital services. Notably, for these services to operate, infrastructure in the country would also have to be developed.

### Treat Funding as Investment

The government can create endowment-like funds for its various ministries. For example, the Ministry of Youth has a Youth Development Fund, which is a socioeconomic program for startups and expanding businesses. Treating it like a private investment fund, with contributions and growth, with the goal of allowing it to sustainably cater to viable projects in the future, will facilitate improvement of the private sector. Getting expertise from investment consultants and allowing them to advise on how to run certain ministerial funds aimed at promoting economic growth will help in the long run. Most of these investments/funds can also be unitized, increasing the number of financial market instruments and the amount of participation.

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