

**PROJECT DOCUMENT****Botswana****Project Title:** Inclusive Economic Diversification**Project Number:** 00131546**Implementing Partner:** Ministry of Trade & Industry (MTI)**Start Date:** 1 March 2022 **End Date:** 31 December 2026 **PAC Meeting date:** 3 March 2022**Brief Description**

The Inclusive Economic Diversification Project is one of the three projects that are implemented through the Prosperity Portfolio whose overall objective is to support Botswana's efforts to propel herself to a high income country status by 2036 and '*achieve prosperity for all*'. The project's overall guidance is from the UNDP Strategic Plan 2022 – 2025 to provide support towards three directions of change of a) structural transformation, including green, inclusive and digital transitions; b) leaving no one behind, a rights-based approach centred on human agency and human development; and c) building resilience to respond to systemic uncertainty and risk. The Project is aligned with Botswana's key policy and strategy documents such as the Vision 2036, the National Development Plan (NDP) 11, the Mid-term Review of NDP 11 and the Economic Recovery and Transformation Plan (ERTP) which was adopted as an addendum of the Mid-term Review of NDP 11.

Unlike the other two projects, the responsibility for the implementation of this project is solely on the Prosperity Portfolio. In the case of the other two projects; the Flagship Project will be jointly implemented by the three portfolios, while the Joint Project will be implemented by the Prosperity Portfolio and the Justice Portfolio. This project seeks to support the achievement of Output 4.3 of the Country Programme Document, of, ensuring that '*economic diversification strategies are implemented, strengthening exports and green growth*'.


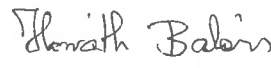
The successes of the project are to be indicated by the creation of green jobs, export diversification into non-traditional export products, development and utilisation of trade arrangements and the development of value chains out of natural resources and knowledge and skills. Further, the success of the project will be propelled through ensuring that no one is left behind, including the vulnerable groups, among them, women, youth, people living with disability and the informal economy participants.

The project will leverage the success of the past UNDP support which was anchored on three pillars of developing institutional capacity to design integrated diversification and inclusive growth policies; to implement the policies; and to use high-quality and timely data to inform planning, monitoring, evaluation and decision making. New policies and strategies will be developed and research conducted as necessary. At the same time, effective implementation will also be highly supported to ensure achievement of results. Further, the implementation of robust monitoring and evaluation systems will be encouraged across all implementing partners to ensure availability of credible data to support reporting at institutional and national levels.

Contributing Outcome (UNDAF/CPD, RPD or GPD):  
 UNSDCF/CPD Outcome 4. Output 4.3  
 Indicative Output(s) with gender marker:  
 Output 3: GEN 2

<b>Total resources required:</b>	USD 2,800,000	
<b>Total resources allocated:</b>	<b>UNDP TRAC:</b>	USD 68,970
	<b>Donor:</b>	
	<b>Government:</b>	USD 114,719 (2022)
	<b>In-Kind:</b>	
<b>Unfunded:</b>	USD 2,616,311	

Agreed by (signatures):

Government	UNDP
	
Print Name: MALEBO MO'AKALANI (Ministry of Trade and Industry)	Print Name: BALÁZS HORVÁTH
Date: 31-05-2022	Date: 31-05-2022

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## I. DEVELOPMENT CHALLENGE

### Context

Botswana is well-regarded for its multi-party democracy, free and fair elections, solid rule of law, impressive economic growth and political stability. A deeper analysis, however, reveals societal fractures, dynamics and pressing concerns—exacerbated by the COVID-19 crisis—that pose risks to these development gains. In addition, the timeliness, coverage and direct policy relevance of data, and knowledge management need to be enhanced to support sound decision-making.

On the *economic* front, Botswana experiences high levels of poverty, inequality and unemployment. The economy is insufficiently diversified to drive development sustainably beyond the current Upper Middle-Income level and the private sector has yet to take its rightful place as the engine of growth. The country also needs to manage the complex trade-offs between economic development and the environment, notably address unsustainable land use and natural resource practices. Further, economic inclusion, particularly that of women, youth, minorities, informal economy participants and other marginalised groups, remains a major challenge and needs to be urgently addressed.

Botswana's significant achievements, therefore, go hand-in-hand with complex challenges. The UNDP Country Programme theory of change is based on the principle of a 'punctuated equilibrium' in which gradually evolving dynamics and key challenges such as climate change are interspersed by sudden-onset, and increasingly unpredictable, crises as seen with the recent COVID-19 pandemic. Causes and effects within this theory of change are understood from a complex systems perspective. Designing successful responses to turn adverse causal loops into pathways for positive change requires a number of capabilities in developing new anticipatory systems approaches, designing and facilitating system transformation with expanded spheres of collaboration and partnerships to move past siloed, linear problem-solving approaches. People are engaging with information, institutions and society in entirely new, and increasingly digital, ways and institutions have to nimbly adapt with increasing speed.

The project's approach is to address in an integrated manner the whole range of pivotal interrelated economic development challenges to achieve a prosperous Botswana in pursuit of the SDGs and Vision 2036. The Project Document should be read in the context of the Portfolio Document and which is anchored and guided by the principle and intent of the Country Programme theory of change which is to achieve *transformational change* for a green, just and prosperous Botswana, an integration of the three country portfolios. The project, together with the other two in the portfolio and the two other UNDP portfolios should be understood as a whole to support the achievement of Botswana's Vision 2036 and the SDGs.

### Challenges

Over the past 55 years of independence, Botswana has achieved positive yet relatively modest level of socio-economic development. While the country moved fairly quickly to attain the upper middle-income status in the 1990's, there is concern about it remaining there for an extended period. The country is now caught up in the middle-income trap, with the prospects for further development threatened by several challenges. These challenges include, among others, a less diversified economy, unemployment, especially of the youth, poverty and inequality, as well as health-related setbacks, notably HIV/AIDS during the 1990s until recently and currently the COVID-19 pandemic whose effects (and its interaction with the HIV/AIDS epidemic) are yet to be fully understood. COVID-19 presents a lot of socio-economic uncertainties as new variants continue to be discovered, the latest being the omicron variant that was first found in Botswana in late November 2021.

Prior to the advent of COVID-19, Botswana was making some, albeit sluggish progress in addressing the socio-economic challenges it faces. COVID-19 has significantly exacerbated these socio-economic challenges and is likely to continue to hinder progress. The immediate effects of

COVID-19 included the loss of jobs and other sources of livelihoods, especially among the already disadvantaged and vulnerable groups. Economic activity was curtailed for many of the sectors of the economy, with the hardest-hit sectors being mining, tourism, construction and manufacturing. As a result, there was significantly lower economic activity in the second quarter of 2020<sup>1</sup>. In 2020, the domestic economy contracted by 8.5% owing to the restrictions implemented to contain the spread of the coronavirus<sup>2</sup>. Lack of diversification, a possibly overvalued real exchange rate, together with the economic structure that precluded digitised avenues to enable continuation of activities resulted in a significant hit on the GDP.

In the short-term, the country needs to recover from the enormous shock of COVID-19. There are already positive signs that the economy would rebound with GDP growth rates projected to reach 9.7% in 2021 but moderating to 4.3% and 4.2% in 2022 and 2023 respectively<sup>3</sup>. While the positive outlook of the recovery is a welcome development, the concern is that these improving rates of growth are narrowly based: they are led by and will follow the expected positive trends in the mining sector, specifically diamonds whose demand and prices started increasing in 2021. This indicates the continued over-reliance on diamonds and the limited level of diversification of the economy and the attendant vulnerability to the external shocks. In the medium to long-term, therefore, Botswana needs to consistently embark on concerted efforts to get back to the development path of attaining high-income status supported by high and consistent GDP growth as espoused in the national Vision 2036. This national development objective continues to be pivotal for achieving the 2030 Agenda for Sustainable Development.

To attain the aspiration of the national vision of '*achieving prosperity for all*', Botswana needs to address several interrelated development challenges, most notably unemployment, poverty and inequality. COVID-19 has, in no small measure exacerbated these development problems. In 2020, the unemployment rate stood at 24.5%, with the youth unemployment being significantly higher at 32.4%<sup>4</sup>. Between the first and fourth quarter of 2020, the number of discouraged job seekers had soared by 36.8%, from 59,215 to 81,008.

Despite declining over the years, the poverty rates remain relatively high for an upper middle-income country. The most recent available data from the 2015/16 Botswana Multitopic Household Survey (BMTHS) show that the proportion of people living below the poverty datum line is 16.3%, having declined from 19.3% in 2009/2010. During the same period, the proportion of those living in extreme poverty (below \$1.90 a day) had decreased marginally from 6.4% to 5.8%<sup>5</sup>. The 2015/16 BMTHS data were used to compute the Multidimensional Poverty Index (MPI) for Botswana, which showed that 17.2% of the population was multidimensionally poor and 3.5% severely multidimensionally poor. The people living in rural areas are disproportionately more affected by poverty, with 32.9% and 7.4% of the rural population being MPI poor and severely MPI poor respectively<sup>6</sup>.

Moreover, the relatively high levels of poverty are accompanied by high levels of inequality. With an income Gini-coefficient of 53.3, Botswana is the ninth most unequal country in the world<sup>7</sup>. There are also significant differences between the rural and urban areas, with rural areas being disproportionately disadvantaged. The urban areas have been found to consume 76% more than the rural areas and inequalities are also found within the different districts, including in the districts that are wealthier. Inequality has a strong gender dimension, with the females' disadvantages being

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<sup>1</sup> 2021 Budget Speech

<sup>2</sup> 2022 Budget Strategy Paper

<sup>3</sup> 2022 Budget Strategy Paper

<sup>4</sup> 2021 Statistics Botswana's Summary Headline Labour Force Indicators

<sup>5</sup> 2018 Botswana Multitopic Survey

<sup>6</sup> 2021 Global MPI Country Briefing: Botswana

<sup>7</sup> Human Development Report, 2020

reinforced by many other factors, at all levels, including women's high level of underrepresentation in the political space<sup>8</sup>.

Other factors that influence inequality include types of jobs, with those employed in the public service being better off. Those excluded from land ownership, women, people with disabilities, rural and remote area dwellers, migrants and ethnic minorities also experience higher levels of inequality and social and economic exclusion. Inequality is not only a concern as a breach of the universal right to equality and non-discrimination and in the context of the leave-no-one-behind principle, but remains a threat to long-run growth, poverty reduction and social and political stability<sup>9</sup>. Among several policy and legal instruments, the Economic Inclusion Bill of 2021 seeks to ensure that no one is left behind in economic empowerment. If implemented, this should contribute to reducing inequalities across different socio-economic groups.

Tackling Botswana's development challenges will need to take an inclusive approach and target those most left behind, to make a significant impact among the most vulnerable and marginalised groups. Given the continuing modest success that has been achieved, **inclusive economic diversification** remains a key development objective. Botswana ought to seek to achieve inclusive economic transformation with consistently higher growth rates of GDP and exports from more diversified sources, beyond the mineral sector.

The question that needs to be answered is, how an inclusive economic transformation should be approached. An overview of key policy and strategy documents and conversations with the stakeholders highlight the following critical areas:

- i. Private sector, including the micro, small and medium enterprises (MSMEs) and the informal economy businesses remain relatively small in aggregate, undeveloped and uncompetitive.
- ii. Exports are highly undiversified and uncompetitive and are not able to access several available market opportunities.
- iii. Slow uptake and adoption of digital transformation to harness the efficiencies provided by innovative digital solutions to enhance the benefits from the digital economy.
- iv. The policy space and regulatory environment are not fully supportive of the unfettered operations of the private sector, resulting in a limited ability to attract investment.
- v. Leadership capabilities and skills across all sectors are not adequately developed to drive the national development agenda of realising a knowledge-based economy.
- vi. In the quest to achieve higher growth targets, there is need to enhance capabilities towards national planning processes that encapsulate transformational approaches with foresight, complexity and scenario aspects.

The efforts to diversify the economy have been undertaken against the background of challenges that affect the growth and development of the private sector. Such challenges include a less conducive policy and regulatory environment for doing business, the high cost of utilities, lack of access to seaports due to Botswana's landlocked status, inadequate infrastructure including that of ICT, and low adoption rate of innovative solutions. It is recognised that the private sector, including the MSMEs as well as the informal businesses present an opportunity to contribute to the growth and diversification of GDP and exports. The private sector, therefore, needs to be supported to overcome the identified challenges to improve their competitiveness and enable them to meaningfully participate in national and global value chains.

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<sup>8</sup> United Nations Development Programme 2021

<sup>9</sup> United Nations Development Programme 2021

With a steady decline in the contribution of the mineral sector to GDP, Botswana's economy has gradually diversified away from the diamond industry. However, Botswana has not been very successful in diversifying exports as shown by the high export product concentration of 0.89. Exports are highly dominated by diamonds which account for over 70% of total exports. Importantly, state-owned companies occupy a very important position in production and exports and have more privileged access to credit. There remains a need to propel the private sector to be the driver of the economy by increasing and diversifying domestically produced goods and services. This must be complemented with increase in competitiveness to enable growth and diversification of exports.

Botswana needs to deal with the un conducive conditions for doing business in order to promote investment, including foreign direct investment (FDI) into sectors other than minerals. During the National Development Plan 11 period, government responded to this challenge by establishing a Cabinet Committee on Doing Business and Global Competitiveness to oversee the National Doing Business and Global Competitiveness Committee. The Doing Business Reform Roadmap was also developed and implemented<sup>10</sup>. However, these interventions do not seem to have yielded the desired results. Botswana's rankings in the World Economic Forum's Global Competitiveness and the World Bank's Doing Business reports have consistently declined over the years, indicating deteriorating conditions for doing business, with the possible negative effect on the ability to attract and retain investment, and thus to grow and diversify products and exports.

In 2019, Botswana was ranked 91 out of 141 countries in the Global Competitiveness rankings, a significant decline from 63 out of 137 countries in 2017/18<sup>11</sup>. In the Doing Business rankings, Botswana was ranked 87 out of 190 countries—again, a significant decline from 2014 when the country ranked 56 out of 189 countries<sup>12</sup>. While over the years there has not been a marked deterioration in various measured aspects of business regulation and competitiveness, there was equally no significant improvement, which resulted in the country dropping in the rankings, against other countries that regularly implement more effective changes in their policies and regulations. The government has acknowledged that this ultimately affects Botswana's competitiveness and attractiveness to investors<sup>13</sup>.

The Government of Botswana recognises the importance of effective delivery of national plans and programmes and improved provision of all publicly and privately provided services. This will not only spur economic activity but will also ensure that all the intended recipients of services are reached, including the disadvantaged groups in society, in turn enabling the realisation of the principle of leaving-no-one-behind in development. While acknowledging the negative impact of COVID-19 on the delivery of national projects and provision of services to the citizens, inadequate implementation capacity is a long-standing challenge for Botswana, which over the years has been exhibited by underspending, especially of the development budget<sup>14</sup>.

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## II. STRATEGY

Guided by UNDP Strategic Plan 2022 – 2025 to render support towards three directions of change of a) structural transformation, including green, inclusive and digital transitions; b) leaving no one behind; and c) building resilience<sup>15</sup>, the project will bring together the United Nations family and other partners to support Botswana to achieve the national Vision 2036 aspiration of **achieving**

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<sup>10</sup> National Development Plan 11

<sup>11</sup> 2019 and 2017/18 Global Competitiveness Reports

<sup>12</sup> World Bank Doing Business Reports, several years

<sup>13</sup> National Development Plan 11

<sup>14</sup> National Development Plan 11

<sup>15</sup> UNDP Strategic Plan, 2022 – 2025

**prosperity for all.** It will primarily extend support towards the achievement of the inclusive development objectives of socio-economic recovery from COVID-19, building resilience against possible future shocks, diversification of the economy and expanding employment creation opportunities. While the recovery from COVID-19 is critical, there is a need to *build forward better* to surpass the pre-COVID period to achieve sustainability along a pathway consistent with the national aspiration and the 2030 development agenda. Transformational and effective planning at the national level will be critical to support efforts to quickly recover from the pandemic and continue the path to achieving prosperity for all.

Economic growth and diversification ought to occur in the context of a conducive governance environment that fully recognises the participation and inclusion of all; women, youth, people with disabilities, informal sector participants, with each one of them given the space to play its role. Economic development will be inadequate if it does not happen in a context that promotes full participation and inclusion. This project will seek to build on the past economic successes to support embedding economic diversification whose benefits are enjoyed by all.

Natural resources have played a critical role in the past development achievements of Botswana and will largely remain key to the future successes which are espoused by Vision 2036 and the Agenda 2030. The economic/commercial exploitation of the natural resources will necessarily be undertaken to support the livelihoods of the communities, especially those that have these resources occurring in their midst. However, this will need to be undertaken within a robust environmental governance that enables sustainability and equal participation by all, women, men, youth, people living with disability, informal sector and other groupings.

Therefore, the project will fully mainstream governance and environmental aspects to ensure economic governance and environmental sustainability. The utilisation of the natural resources by communities will be done through strengthened MSMEs, including the informal businesses that benefit from enhanced financing of investment in green economy and leverage businesses and value chains. Hence, developed within a conducive governance environment and human rights context, the creation of opportunities for vibrant MSMEs and informal sector businesses to increase jobs and improve livelihoods for the communities living in the natural resources endowed areas will be supported through this project and the wider Prosperity Portfolio.

Last but not least, the project will leverage the potential of digital technologies and digital transformation as one of the key domains of change identified by the CPD, contributing to a prosperous Botswana. Digital transformation and implementation of innovative solutions supported by digital technologies is essential in addressing the COVID-19 crisis and increasing the potential for economic growth and diversification. Digital transformation must be inclusive and accessible to ensure that no one is left behind.

The project will focus on fostering partnerships with the following economic actors, groups and institutions as the most relevant agents of change through which maximum impact will be realised:

- i. **Informal economy businesses and workers.** The informal economy actors exist across all economic sectors and provide goods and services for several sections of society, including formal businesses and households. They provide jobs and livelihoods for a significant number of people and their families. This sector is critical for the sustenance of many disadvantaged and vulnerable groups, among them, women, youth, and people with disabilities. The informal businesses and workers, however, are the *missing middle* who are susceptible to disproportionate negative impact from socio-economic shocks. Data on these groups is lacking; they are barely known; neither are they the established and formal businesses and workers that benefit from bank financing and deliberately crafted policy and programme interventions; nor are they recognised and registered poor who benefit from the social

protection services made available through public resources. Further, they are excluded from policy and decision-making forums. Their voices need to be amplified and supported to co-exist with other actors to enable them to contribute to the socio-economic objectives more effectively. Without negating their choice of operating informally, they could be supported to formalise to take advantage of the benefits of formalisation that include their increased power of advocacy.

- ii. **Government/state institutions, including local government institutions.** There are several government institutions and agencies that are relevant to the realisation of economic diversification and inclusive growth. They include central government, local governments, and parastatal institutions. Government/state institutions are a critical stakeholder in several ways. Firstly, as the facilitators of a conducive environment to enable meaningful participation of other actors through planning, policy, legal and regulatory instruments. Secondly, as service providers to the disadvantaged and vulnerable, especially the poor and the marginalised. Thirdly, as custodians of the tax-benefit system. Fourthly, they own relatively more resources as compared with the NGOs which compete with them on an unequal playing field. And fifthly, they are shapers of health and education systems that nurture human capital. These institutions do have challenges that constrain them from delivering on their expected mandates. They also face constraints that include lack of leadership skills and inability to adopt innovative and digital technologies to deliver aptly in these areas. They also need support to play a critical role of fully including a broad range of stakeholders including vulnerable and marginalised populations, in inclusive and participatory policy and decision-making.
- iii. **Local level non-governmental and civil society organisations.** Achieving inclusivity in development will require fostering partnerships with the local communities to enable access to the targeted groups. Local level non-governmental and civil society organisations play a critical role in the delivery of development initiatives to the communities among which they operate. They therefore present an opportunity to access the communities and the relevant groups that are targeted by this project. Existing and emerging national and district level platforms will be utilised to promote participation and inclusion including, especially the private sector and informal sector associations.
- iv. **Academia and Research and Development Institutions.** Pursuing an inclusive knowledge-based economy requires that the academic, R&D and innovation institutions be actively involved. Partnerships will be pursued with these institutions to leverage their work to develop the private sector and informal and empower the entrepreneurs.

### **Project-level Theory of Change**

**If** SMEs have enhanced knowledge and capacity to grow, expand into new sectors and markets, access financing and improve their sustainability, and the private sector has improved technical and operational capacities to organize and self-coordinate to advocate for a more enabling and inclusive business environment;

**And if** robust R&D, innovation and digital approaches are harnessed to drive a competitive and inclusive knowledge economy, capable of creating sustainable jobs;

**And if** all groups; rural and urban, women, youth, informal workers, people with disabilities, migrants and diverse ethnic and tribal groups are enabled to fully participate in sufficiently growing and adequately diversifying the economy through strengthened competitive exports and creation of green jobs along the national and global value chains;

**Then**, higher levels of growth and broader diversification of the economy will be made possible towards the realisation of the ideals/aspirations of Botswana of *achieving prosperity for all* which



would be driven by a strong, inclusive and sustainable business sector with more exports and green jobs;

**Because**, a conducive/enabling and inclusive planning, policy and decision-making space will exist at all levels of government for all social and economic actors; private sector, MSMEs, informal businesses, women, youth, people living with disabilities, to contribute towards creating green livelihoods and a knowledge-based economy to achieve transformational change for a green, just, prosperous Botswana.

### **III. RESULTS AND PARTNERSHIPS**

Expected results from the Project will be aligned to the Country Programme Document (CPD) for the period 2022 – 2026. From the CPD, the Project will contribute to delivering Outcome 4 which seeks to enable Botswana to achieve strengthened resilience to shocks and emergencies and to be on a sustainable, equitable economic trajectory, reducing inequality, poverty and unemployment. This outcome, which is wholly adopted from the United Nations Cooperation Framework (UNCF), is also aligned to the national priorities as captured by Vision 2036 Pillar 1 of Sustainable economic development. The output that support the outcome and is to be achieved by the Project is:

#### **Output 3: Inclusive economic diversification strategies implemented, strengthening exports and green growth, with positive impact on poverty and inequality.**

Economic diversification remains an important economic development challenge, which the portfolio will endeavour to support addressing. The results to be delivered involve.

- a) Increasing the number of green jobs created. The creation of green jobs will be pursued through the promotion of use of sustainable methods of production as well as sustainable exploitation of natural resources. Deliberate effort will be made to create jobs in all geographical areas of the country, targeting the poor and other disadvantaged and marginalised groups.
- b) Pursuing economic diversification alongside the diversification of export products that can compete in foreign markets. Strategies geared towards developing more non-traditional export products will be supported. While the value of Botswana's exports has not significantly fallen, exports remain highly concentrated in a few traditional sectors. This makes exports vulnerable to shocks and fails to support the overall diversification of the economy.
- c) Fostering greater use by the private sector of new and existing trade agreements between Botswana and her partners.
- d) Increasing the number of community project initiatives to create value out of local natural resources, skills and knowledge.

#### ***Resources Required to Achieve the Expected Results***

UNDP Botswana is cognisant of Botswana's upper middle-income status and the resulting challenges in attracting donor funding. The Project will seek to harness all available resources to deliver the expected results towards achieving a prosperous Botswana. Indicative financial resources required for the achievement of the expected results are estimated at USD2,800,000.

Delivering the results will also involve the provision of technical assistance rendered through technical experts from the UNDP Country Office, the Regional Service Centre and Headquarters. Where necessary, additional expertise will be obtained from fellow UN agencies and partner institutions, as well as national and international consultants to augment areas that may not be available within the UNDP's internal networks. The locally based expertise will especially be used to broker partnerships across state and non-state partners to ensure the realization of the expected results.

## **Partnerships**

The project's issues concern multiple partners. The Ministry of Trade and Industry (MTI) and the Ministry of Entrepreneurship will be the key partners in addressing private sector issues. The economic diversification involve other government or state-owned enterprises that are important to the initiatives to develop private sector and MSMEs, including informal economy participants. These partners include:

Botswana Investment and Trade Centre (BITC) is not new to the partnership with UNDP. In the previous programming cycle, UNDP successfully supported BITC initiatives to develop exports and promote access to foreign markets. In the new portfolio, the partnership will be continued.

The Citizen Entrepreneurial Development Agency (CEDA). CEDA is a parastatal institution with the mandate to provide development finance to MSMEs, including start-ups and recently the informal sector businesses. With the increased focus on the informal sector and the recognised need to address their issues, CEDA has initiated specific financial products to improve MSMEs' access to finance. These areas are aligned to UNDP and the portfolio's focus, hence CEDA will be a key partner in the 2022 – 2026 period.

The Local Enterprise Authority (LEA) is another parastatal institution with a similar mandate to CEDA, except that they do not provide development finance to the MSMEs. LEA has been designated to house the informal sector unit for the implementation of the Informal Sector Recovery Plan. There are many areas that relate to the development of the MSMEs, including the informal economy, which the portfolio will seek to support with LEA.

Focus on the informal economy requires the establishment of partnerships with informal sector associations, including those representing specific groups such as women and the youth to enable addressing the issues affecting them. Partnerships will be pursued with, among others, the Botswana Informal Sector Association (BOISA) and the Women in Business Association (WIBA).

Other partnerships will be fostered with the Botswana Bureau of Standards (BOBS) to address the issues relating to quality and standards, which are critical to the capacity development of the SMEs to make them productive and competitive. Partnership with the Botswana Trade Commission (BOTC) will be pursued to enhance the productive use of trade agreements for the private sector to access foreign markets and improve their exports.

At international level, deeper partnerships will be sought with the relevant development partners to deliver on the collective vision. The current partnership with ILO will be maintained to strengthen support to informal economy businesses and workers and human rights-based approaches to legal and policy reform. Partnerships with the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD), the UN Economic Commission for Africa, the World Bank, the World Economic Forum (WEF) and the World Trade Organization (WTO) will be pursued to leverage on their respective areas of expertise and geographic coverage and presence to offer support in the areas of private sector development, digitalisation, export development and investment promotion, among others.

## **Risks and Assumptions<sup>16</sup>**

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<sup>16</sup> Refer to the full risk log, which is attached as an annex to this portfolio project document.

## Key Assumptions

The key assumptions are that:

- There will be adequate funding available to begin implementation and that subsequent resource mobilisation efforts will be successful to consistently and sustainably ensure sufficient resources to continue implementation of planned initiatives throughout the life of the portfolio;
- The implementing partners and the responsible parties at the policy and executive levels will remain committed to the successful implementation of the projects and will provide strong and consistent leadership as well as ownership of the interventions for the portfolio to have broader impact across other sectors.
- Existing partnerships between relevant stakeholders will be sustained and will be adequately increased and diversified.

## Major Risks

Botswana is susceptible to economic shocks that if not adequately managed have the potential to adversely affect the intended national development impact, scope and direction. The Project will focus on strategic interventions that have a multiplier dimension.

The main risks the project is exposed to include the following:

**Constraints to Resource Mobilisation:** Botswana's upper middle-income status significantly constrains the ability to mobilise resources for development work from traditional donors. As a result, over the years, UNDP's sources of financial resources have been limited to only a few and undiversified sources/partners that include co-funding from Government of Botswana and GEF facilities. This risk is further magnified by Botswana's susceptibility to international/external shocks with the impact of the current shock occasioned by the COVID-19 pandemic likely to exacerbate the pressure on government revenues.

**COVID-19 Pandemic:** A lot remains unknown about the COVID-19 pandemic as it continues to evolve with the discovery of new virus variants, likely increase in infections and deaths and policy responses with adverse socio-economic effects. This generates uncertainty about the future of the country and necessitates frequent shifts in planning and priorities. As a result, the project may encounter further shocks whose potential substantial effect may not only be in scope due to the threat on its financing, but also on the direction and priorities.

**Partnerships:** Implementing Partners may fail to champion and support project interventions especially at policy level resulting, in a lack of ownership, limiting scaling up, replication and sustainability. Failure of IPs to champion the project would also weaken participation of other key stakeholders. Should this risk materialize, the project will likely suffer greatly owing to the lack of effective governance structures to guide its implementation and sustainability. Failure to attract new and strategic partnerships may also have dire consequences on the achievement of the project's objectives.

**Political Developments:** National occurrences in the political space can significantly affect the project. Such changes as brought about by major democratic processes such as elections which could result in the change of focus, priorities and direction of the policies, with attendant effects on resource availability, governance and achievement of the programme's intended goals. The planning period for the project 2022 – 2026, includes a national general election nearly halfway and should major changes occur, the effects on the project could be significant.

To mitigate these risks, there is need to develop and effectively implement a broad-based resource mobilisation and partnerships strategy. The strategy should seek to broaden and diversify the partners beyond Government to include non-state actors, the private sector and international development partners. In addition, capacity development and continuous engagement with the implementing partners should be prioritised. Risk management and mitigation strategies will

continuously be applied during the entire duration of the project in order to minimize failure and to enhance chances of success.

### ***Stakeholder Engagement***

The forms of stakeholder engagement employed will aim to reach all the stakeholders to influence positive change among them. The main forms of stakeholder engagement will include:

***Stakeholder platforms:*** Existing stakeholder platforms consisting of the key partners and major stakeholder groups will be used for continuous engagement on recurring or long-term issues. Such platforms include among others, NDP Thematic Working Groups informal sector dialogues and Business Botswana sectoral committee structures which can be convened for discussions of specific issues. These platforms and others will be used as the first option to avoid duplications.

***Projects-specific committees/working groups:*** As necessary, the projects will establish a Technical Working Groups (TWG) to promote inclusion and participation of the key stakeholders and incorporate their contribution of expertise into decision making. Efforts will be made to ensure representation of all key areas and groups, such as women, youth, informal economy as well as build the capacity of these stakeholders for full and active participation. Further, technical reference groups will be set up to guide and oversee the specific work.

***Consultation fora and events:*** In certain cases, stakeholder consultations will be undertaken through fora or events that are specific to an activity taking place e.g., getting inputs from communities on a strategy or policy being developed.

***Partner platforms and events:*** Key partners of projects being implemented have their own platforms and events that will be used to engage with stakeholders who participate in such fora. These fora will be leveraged to ensure that the project has a wider reach, uses innovative approaches to engage stakeholders and minimizes stakeholder fatigue. They include platforms such as the annual Budget Pitso convened by the Ministry of Finance and the biennial National Business Conference hosted by the private sector and government.

The project will also encourage and support hosting of commemoration of relevant international events such as the International Day of SMEs. In all such events, every effort will be made to ensure participation of all stakeholders and stakeholder groups, including civil society, women, youth, people with disabilities and others.

### ***South-South and Triangular Cooperation (SSC/TrC)***

UNDP will promote south-south and triangular cooperation with a view to facilitate sharing of experiences in the areas covered by this project. As a two-way learning approach, the promotion of south-south cooperation will seek to on one hand facilitate the transmission and reception of lessons from other countries that have done well in areas where Botswana is lagging behind. On the other hand, Botswana has lessons to share with other partner countries in the south. The project will support and encourage south-south and triangular cooperation through various initiatives such as knowledge exchanges, technology transfers and peer support programmes to promote a two-way learning approach. Support will also be offered to the implementing partners to actively participate in relevant sectoral and intergovernmental networks.

### ***Knowledge***

The project will create visibility for knowledge, and lessons learnt and successes from the implementation of the project. Outputs from the implementation of the project will be packaged in accessible and reader-friendly publications for the benefit of all stakeholders, both locally and

internationally. The media will be used extensively to promote wider coverage of the stakeholders and the public.

The project will efficiently invest in the development of various knowledge products, including brochures, leaflets, fact sheets, opinion editions, policy briefs. The knowledge products will be in a simple language (including translations and sign language where necessary) and presentation to ensure that they are understood by all intended audiences. These knowledge products will be availed to the stakeholders and the public through a wide range of media, including broadcast (television and radio), social media, print media, websites. The choice of media will be geared towards ensuring that both local and international audiences are reached.

The rural communities' access to information—somewhat compromised by their lack of access to modern media—will be addressed through the use of rural-based platforms, including social media, national radio and participation in *kgotla meetings* and townhall dialogues or engagements. Effort will also be made to access the special and disadvantaged groups, such as youth who usually have preference for online information and virtual engagements as opposed to the conventional mediums.

### ***Sustainability and Scaling Up***

The project intends to scale up these initiatives through ensuring its work is sustainable and replicable beyond the life of the project. Therefore, the projects' outputs will 1) build upon the successes of the past programmes and projects supported by UNDP as well as existing initiatives by government and private sector and other stakeholders, 2) strengthen the capacities of the implementing partners and stakeholders to enable them to meaningfully and sustainably contribute to economic diversification and inclusive growth.

Building productive and sustainable partnerships through the projects is key to the achievement of the results. Sustained strong and resilient partnerships will be instrumental to ensuring sustainability of the projects' outputs and further uptake and scaling up beyond the life of the project.

The project will seek to roll out and promote innovative and inclusive digital approaches to doing business and to provide essential services to the stakeholders. This is expected to improve productivity and access to public services, especially among local stakeholders in rural areas. With the accompanying support for institutional reforms and institutional and staff capacity development, the cumulative improvements are expected to be transformative, sustainable and scalable to reach more businesses and public institutions. These transformative improvements will be done within the context of policies and strategies that have in-built implementation plans and M&E frameworks. The continued support on these areas will ensure accountability, transparency and ownership by the implementers at both institutional and leadership level.

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## **IV. PROJECT MANAGEMENT**

### ***Cost Efficiency and Effectiveness***

The project will support the key objective of developing the capacities of implementing partners and responsible parties to enable them to bring about positive change working with their constituents and wider stakeholders. In delivering the project, the capacities including in the effective management of project activities that have been built among the implementing partners and responsible parties through the past programmes will be harnessed for the achievement of the best outcomes.

The mandates of some of the implementing partners and responsible parties overlap, and support rendered to them will be systematically coordinated with and between them to avoid duplication of

efforts. Continuous consultations with the implementing partners and responsible parties will be pursued to ensure effective partnerships and collaborations.

The project will also pursue partnerships with the other UN agencies and development partners with similar development interests to maximise the benefits to the stakeholders while minimizing duplication of efforts. The project will also seek to support the efforts of the implementing partners and responsible parties to access other UN agencies and development partners to enhance their ability to mobilise resources to support their activities.

At Country Office level, the project will be implemented through collaborative approaches with other UNDP projects to achieve maximum and wider impact among the intended ultimate beneficiaries. These approaches will ensure sharing of contacts and networks, joint communications, resources, access to common external resources such as technical expertise and help to avoid duplication of roles and reduce the necessity to employ more staff, which usually comes at a substantial cost. For instance, at operational level, missions will be planned such that they can accomplish multiple purposes, thereby reducing costs. Project missions and meetings will be planned and synchronized with those of other projects/programmes. To the extent possible, project consultations, information sharing and trainings will be undertaken jointly with missions, meetings and events of implementing partners and responsible parties, using them as platforms. Moreover, meetings, workshops and other project related events will be held virtually whenever this will not erode the effectiveness and quality of outcomes.

## V. RESULTS FRAMEWORK<sup>17</sup>

**Intended Outcome as stated in the UNDAF/Country [or Global/Regional] Programme Results and Resource Framework:**

By 2026, Botswana has strengthened resilience to shocks and emergencies, and is on a sustainable, equitable economic trajectory, reducing levels of inequality, poverty and unemployment.

By 2026, all people, particularly vulnerable and marginalized groups have equitable access to quality services of health, nutrition, education, and social protection.

**Outcome indicators as stated in the Country Programme [or Global/Regional] Results and Resources Framework, including baseline and targets:**

**Applicable Output(s) from the UNDP Strategic Plan:**

**Project title and Atlas Project Number:** Inclusive Economic Diversification

EXPECTED OUTPUTS	OUTPUT INDICATORS <sup>18</sup>	DATA SOURCE	BASELINE							TARGETS (by frequency of data collection)							DATA COLLECTION METHODS & RISKS
			Value	Year	Year 1	Year 2	Year 3	Year 4	Year ...	FINAL							
<b>Output 3</b> Economic diversification strategy implemented strengthening exports and green growth. (CPD 4.3)  Gender Marker:	3.1 Number of green jobs created (disaggregated by sex);	Project Reports: Business Botswana; MTI; UNDP														DCM: Project Reports R: None	
	3.2 Number of new non-traditional export products developed to enhance export diversification.	Project Reports: Statistics Botswana; BITC; MTI; BOB; MOFED; SEZA; BURS														DCM: Project Reports R: None	
	3.3 Number of new bilateral, regional and multilateral trade arrangements between Botswana and partners.	Project Reports: MTI, BITC, BURS, MIAC														DCM: Project Reports R: None	
	3.4 Number of community project initiatives to create value out of the local natural resources, skills and knowledge.	Project Reports: OP; MLGRD; MENT; Other Government Ministries														DCM: Project Reports R: None	

<sup>17</sup> UNDP publishes its project information (indicators, baselines, targets and results) to meet the International Aid Transparency Initiative (IATI) standards. Make sure that indicators are S.M.A.R.T. (Specific, Measurable, Attainable, Relevant and Time-bound), provide accurate baselines and targets underpinned by reliable evidence and data, and avoid acronyms so that external audience clearly understand the results of the project.

<sup>18</sup> It is recommended that projects use output indicators from the Strategic Plan IRRF, as relevant, in addition to project-specific results indicators. Indicators should be disaggregated by sex or for other targeted groups where relevant.

## VI. MONITORING AND EVALUATION

### Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
Track results progress	Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the portfolio in achieving the agreed outputs.	Quarterly or in the frequency required for each indicator.	Slower than expected progress will be addressed by portfolio management.	UNDP, MTL, MLGRD, BB, BCM	
Monitor and Manage Risk	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk register. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.	Quarterly	Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.	UNDP, MTL, MLGRD, BB, BCM	
Learn	Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the portfolio.	At least annually	Relevant lessons are captured by the project team and used to inform management decisions.	UNDP, MTL, MLGRD, BB, BCM	
Annual Project Quality Assurance	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the portfolio.	Annually	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.	UNDP Programme Specialist and Project Managers	
Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.	UNDP Programme Specialist and Project Managers	
Project Report	A progress report will be presented to the Project Board and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk register with mitigation measures, and any evaluation or review reports prepared over the period.	Annually, and at the end of the project (final report)		UNDP, MTL, MLGRD, BB, BCM	
Portfolio Review (Project Board)	The project board will hold regular project reviews to assess the performance of the project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. In the project's final year, the Project Board shall hold an end-of-project review to capture lessons learned and discuss opportunities for scaling up and to socialize project results and lessons learned with relevant audiences.	Specify frequency (i.e., at least annually)	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.	PSC, UNDP, MTL, MLGRD, BB, BCM	



## Evaluation Plan<sup>19</sup>

Evaluation Title	Partners (if joint)	Related Strategic Output	Plan	UNDAF/CPD Outcome	Planned Completion Date	Key Evaluation Stakeholders	Cost and Source of Funding
Mid-Term Evaluation	MTI MLGRD BCM	TBD		<ol style="list-style-type: none"> <li>By 2026, Botswana has strengthened resilience to shocks and emergencies, and is on a sustainable, equitable economic trajectory, reducing levels of inequality, poverty and unemployment.</li> <li>By 2026, all people, particularly vulnerable and marginalized groups have equitable access to quality services of health, nutrition, education, and social protection.</li> </ol>	31 December 2024	MFED, MYSC, PECU, BB, BITC, UNDP, LEA, CEDA	Cost Sharing: \$150,000

## VII. MULTI-YEAR WORK PLAN <sup>2021</sup>

*All anticipated programmatic and operational costs to support the project, including development effectiveness and implementation support arrangements, need to be identified, estimated and fully costed in the project budget under the relevant output(s). This includes activities that directly support the project, such as communication,*

<sup>19</sup> Optional, if needed

<sup>20</sup> Cost definitions and classifications for programme and development effectiveness costs to be charged to the project are defined in the Executive Board decision DP/2010/32

<sup>21</sup> Changes to a project budget affecting the scope (outputs), completion date, or total estimated project costs require a formal budget revision that must be signed by the project board.

human resources, procurement, finance, audit, policy advisory, quality assurance, reporting, management, etc. All services which are directly related to the project need to be disclosed transparently in the project document.

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year						RESPONSIBLE PARTY	Funding Source	PLANNED BUDGET	
		2022	2023	2024	2025	2026	Budget Description			Amount	
<b>Output 3:</b> Economic diversification strategy implemented, strengthening exports and green growth.  Gender marker:	Development of key policies, strategies and tools is enabled to support the realisation of the objectives of inclusive economic diversification  3.1. Support the technical capacity of key stakeholders towards the development of the National Development Plan 12  3.2. Support the development of a performance reporting mechanism for Vision 2036  3.3. Support the development of the National Investment Strategy  Implementation of key policies and strategies is enabled to support the realisation of the objectives of inclusive economic diversification  3.4. Support the implementation of selected activities from the Economic Diversification Drive Strategy  3.5. Support implementation of selected activities from the Informal Sector Recovery Plan  Government Institutions are enabled to render support to the private sector to develop market ready exports  3.6. Support capacity development of staff to better facilitate and regulate international trade	100,000						MEED, NSO	Technical Assistance	100,000	
		50,000	50,000					Vision 2036 Coordinating Unit	Technical Assistance	100,000	
		25,000						MTI		25,000	
			25,000					MTI	Technical Assistance	100,000	
			25,000	25,000	25,000	25,000	25,000	MTI/LEA	Technical Assistance	125,000	
	25,000					BOTC, MTI	Technical Assistance	75,000			

In other cases, the UNDP programme manager alone may sign the revision provided the other signatories have no objection. This procedure may be applied for example when the purpose of the revision is only to re-phase activities among years.

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year						RESPONSIBLE PARTY	Funding Source	PLANNED BUDGET Budget Description	Amount
		2022	2023	2024	2025	2026					
	3.7. Support the digitisation of product standards to improve their access to the private sector.	50,000	50,000					BOBS		Technical Assistance	100,000
	3.8. Support the capacity development of the political leadership on trade and trade-related issues to improve their level of understanding.	50,000						Parliament/ MTI		Technical Assistance	50,000
	3.9. Support CEDA's Baseline Survey to operationalise Results Based Monitoring and Evaluation System	150,000						CEDA		Technical Assistance	150,000
	3.10. Support Automation of the CEDA Results Based Monitoring and Evaluation System		100,000					CEDA		Technical Assistance	100,000
	<b>Support rendered to enable export diversification, with more products accessing more markets</b>										
	3.11. Support market intelligence studies for selected/targeted markets		50,000		50,000			BITC		Technical Assistance	150,000
	3.12. Support development of market entry strategies for selected/targeted markets	50,000		50,000				BITC		Technical Assistance	100,000
	3.13. Support value chain analyses and opportunities mapping for selected sectors or products such as Solar Energy, Pharmaceuticals, Furniture	50,000		50,000				BITC/BOTC		Technical Assistance	150,000
	3.14. Support evaluation of utilisation of selected trade arrangements and develop and implement modalities for increasing level of use trade arrangements		50,000		50,000			MTI; BITC		Technical Assistance	100,000
	<b>Capacity of the informal sector associations is improved to enable effective development of the informal economy</b>										

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year					RESPONSIBLE PARTY	PLANNED BUDGET	
		2022	2023	2024	2025	2026			Funding Source
	3.15. Support development of Informal sector associations to improve services to their members	25,000	25,000	25,000	25,000	25,000	BOISA, Thusanang Bagwebi	Technical Assistance	125,000
	3.16. Support the development and of an organisational strategic plan for the Botswana Informal Sector Association (BOISA)	50,000					BOISA	Technical Assistance	50,000
	3.17. Support the development and implementation of an organisational strategic plan for the Women in Business Association (WIBA)		50,000				WIBA	Technical Assistance	50,000
	3.18. Project Management of the Inclusive Economic Project Initiatives	66,250	66,250	66,250	66,250	66,250	MTI	Technical Assistance	331,250
	3.19. Project Management of the Informal Sector Initiatives	56,750	56,750	56,750	56,750	56,750	MTI	Technical Assistance	283,750
	MONITORING	6,000	2,000	2,000	2,000	2,000	PSC	Monitoring	14,000
	<b>Sub-Total for Output 3</b>	<b>779,000</b>	<b>600,000</b>	<b>325,000</b>	<b>300,000</b>	<b>275,000</b>			<b>2,250,000</b>
Management Support Costs	Staff Salaries	70,000	70,000	70,000	70,000	70,000		Technical Assistance	350,000
Inclusive Economic Diversification Project (Output 3)	Office Equipment and Furniture	10,000	10,000	10,000	10,000	10,000		Laptops, Printers, Phones, Desks, Chairs	50,000
	Staff Travel (Local and International)	20,000	20,000	20,000	20,000	20,000		Travel	100,000
	<b>Sub-Total for management Support Costs</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>			<b>500,000</b>
Evaluation (as relevant)									50,000

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year					RESPONSIBLE PARTY	PLANNED BUDGET	
		2022	2023	2024	2025	2026		Budget Description	Amount
TOTAL FOR INCLUSIVE ECONOMIC DIVERSIFICATION PROJECT (OUTPUT 3)									
		879,000	700,000	475,000	400,000	375,000			2,800,000
<b>TOTALS</b>									2,800,000
	INCLUSIVE ECONOMIC DIVERSIFICATION PROJECT								2,800,000
<b>GRAND TOTAL</b>									2,800,000

## VIII. GOVERNANCE AND MANAGEMENT ARRANGEMENT

The project's governance and management structures will entail the establishment of an overall Project Steering Committee (PSC) which will provide a platform for engagement and collaboration, strategic guidance and oversight of the work of the project. The PSC will be co-chaired by the Permanent Secretary of the Ministry of Finance and the Resident Representative of the UNDP. The membership of the PSC will comprise representatives from government, parastatal institutions, private sector and civil society as outlined in the Terms of Reference for the PSC. The PSC will meet twice a year in June and December.

A Technical Working Group (TWG) for the project will be established whose role will be to provide continuous guidance, monitoring and quality assurance for the implementation of the project's Annual Workplans (AWPs). The TWG will also provide financial delivery and progress reports to the Project Steering Committee on a quarterly basis. Further, the TWG will avail a platform for learning and intelligence emerging from ongoing work and alert the Project Steering Committee of any emerging issues, insights, reflections and recommendations that would require the Project Steering Committee to provide guidance and decisions for critical issues they would have encountered in their respective areas of work. The TWG will meet twice a year prior to the meetings of the PSC. Other meetings of the TWGs will be scheduled by their respective co-chairpersons when necessary.

The TWG of the Inclusive Economic Diversification Project will be constituted by Ministry of Trade and Industry (MTI), the Ministry of Entrepreneurship and the Ministry of Local Government and Rural Development (MLGRD), the Botswana Investment and Trade Centre (BITC), the Local Enterprise Authority (LEA), the Citizen Entrepreneurial Development Agency (CEDA), the Ministry of International Affairs and Cooperation (MIAC), the Poverty Eradication Coordination Unit (PECU), the Botswana Trade Commission (BOTC), the Botswana Informal Sector Association (BOISA), Statistics Botswana (SB), the National Strategy Office and the Vision 2036 Coordinating Unit. Other members may be added when necessary to do so.



## **Project Management**

The Project Managers will carry out the day-to-day management of the project management teams, reporting to the UNDP Programme Specialist responsible for the Prosperity Portfolio.

The Project Managers will be responsible for the development of Annual Work Plans (AWPs) and present them for approval by the respective TWG at the beginning of each year during the life of the project. It is on the basis of the AWPs that the budgets will be drawn and resources allocated for the planned activities. The Project Managers will also produce quarterly operational reports and Annual Progress Reports or any other reports at the request of the TWG. The Annual Progress Reports will summarise the progress made by the project against the expected results, provide justification for significant variations, detail the necessary adjustments and serve as a reporting mechanism for monitoring project activities.

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## IX. LEGAL CONTEXT

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of (country) and UNDP, signed on (date). All references in the SBAA to "Executing Agency" shall be deemed to refer to "Implementing Partner."

The project will be implemented by the Ministry of Trade and Industry (MTI) in accordance with its financial regulations, rules, practices and procedures only to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. Where the financial governance of an Implementing Partner does not provide the required guidance to ensure best value for money, fairness, integrity, transparency, and effective international competition, the financial governance of UNDP shall apply.

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## X. RISK MANAGEMENT

1. Consistent with the Article III of the SBAA, the responsibility for the safety and security of the Implementing Partner and its personnel and property, and of UNDP's property in the Implementing Partner's custody, rests with the Implementing Partner. To this end, the Implementing Partner shall:
  - a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
  - b) assume all risks and liabilities related to the Implementing Partner's security, and the full implementation of the security plan.
2. UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the Implementing Partner's obligations under this Project Document.
3. The Implementing Partner agrees to undertake all reasonable efforts to ensure that no UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml).
4. Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (<http://www.undp.org/ses>) and related Accountability Mechanism (<http://www.undp.org/secu-srm>).
5. The Implementing Partner shall: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the



Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.

6. All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.
7. The Implementing Partner will take appropriate steps to prevent misuse of funds, fraud or corruption, by its officials, consultants, responsible parties, subcontractors and sub-recipients in implementing the project or using UNDP funds. The Implementing Partner will ensure that its financial management, anti-corruption and anti-fraud policies are in place and enforced for all funding received from or through UNDP.
8. The requirements of the following documents, then in force at the time of signature of the Project Document, apply to the Implementing Partner: (a) UNDP Policy on Fraud and other Corrupt Practices and (b) UNDP Office of Audit and Investigations Investigation Guidelines. The Implementing Partner agrees to the requirements of the above documents, which are an integral part of this Project Document and are available online at [www.undp.org](http://www.undp.org).
9. In the event that an investigation is required, UNDP has the obligation to conduct investigations relating to any aspect of UNDP projects and programmes. The Implementing Partner shall provide its full cooperation, including making available personnel, relevant documentation, and granting access to the Implementing Partner's (and its consultants', responsible parties', subcontractors' and sub-recipients') premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with the Implementing Partner to find a solution.
10. The signatories to this Project Document will promptly inform one another in case of any incidence of inappropriate use of funds, or credible allegation of fraud or corruption with due confidentiality.

Where the Implementing Partner becomes aware that a UNDP project or activity, in whole or in part, is the focus of investigation for alleged fraud/corruption, the Implementing Partner will inform the UNDP Resident Representative/Head of Office, who will promptly inform UNDP's Office of Audit and Investigations (OAI). The Implementing Partner shall provide regular updates to the head of UNDP in the country and OAI of the status of, and actions relating to, such investigation.

11. UNDP shall be entitled to a refund from the Implementing Partner of any funds provided that have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document. Such amount may be deducted by UNDP from any payment due to the Implementing Partner under this or any other agreement. Recovery of such amount by UNDP shall not diminish or curtail the Implementing Partner's obligations under this Project Document.

*Note:* The term "Project Document" as used in this clause shall be deemed to include any relevant subsidiary agreement further to the Project Document, including those with responsible parties, subcontractors and sub-recipients.

12. Each contract issued by the Implementing Partner in connection with this Project Document shall include a provision representing that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract execution, and that the recipient of funds

from the Implementing Partner shall cooperate with any and all investigations and post-payment audits.

13. Should UNDP refer to the relevant national authorities for appropriate legal action any alleged wrongdoing relating to the project, the Government will ensure that the relevant national authorities shall actively investigate the same and take appropriate legal action against all individuals found to have participated in the wrongdoing, recover and return any recovered funds to UNDP.
14. The Implementing Partner shall ensure that all of its obligations set forth under this section entitled "Risk Management" are passed on to each responsible party, subcontractor and sub-recipient and that all the clauses under this section entitled "Risk Management Standard Clauses" are included, *mutatis mutandis*, in all sub-contracts or sub-agreements entered into further to this Project Document.

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## **XI. ANNEXES**

- 1. Project Quality Assurance Report for the portfolio**
- 2. Social and Environmental Screening Template [English][French][Spanish]**, including additional Social and Environmental Assessments or Management Plans as relevant.  
*(NOTE: The SES Screening is not required for projects in which UNDP is Administrative Agent only and/or projects comprised solely of reports, coordination of events, trainings, workshops, meetings, conferences, preparation of communication materials, strengthening capacities of partners to participate in international negotiations and conferences, partnership coordination and management of networks, or global/regional projects with no country level activities).*
- 3. Risk Analysis.** Use the standard Risk Register.
- 4. Capacity Assessment:** Results of capacity assessments of Implementing Partner (including HACT Micro Assessment)
- 5. Portfolio Project Board Terms of Reference and TORs of key management positions**