INTERNATIONAL MONETARY FUND

IMF Country Report No. 20/303

BOTSWANA

TECHNICAL ASSISTANCE REPORT—NATIONAL ACCOUNTS MISSION

November 2020

This Technical Assistance report on Botswana was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed on June 2020.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

© 2020 International Monetary Fund

TECHNICAL ASSISTANCE REPORT

BOTSWANA

Report on the National Accounts Mission

JULY 2020

PREPARED BY
Donna Grcman

AFRITAC South

MEMBERS
Angola, Botswana, Comoros, Eswatini, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Zambia, Zimbabwe

PARTNERS
European Union, SADC, COMESA, SECO, Germany, China, UKaid, Ministry of Foreign Affairs of the Netherlands, European Investment Bank, Australian Aid

DISCLAIMER

The contents of this report constitute technical assistance (TA) provided by the staff of the International Monetary Fund (IMF) to the authorities of Botswana (the "TA recipient") in response to their request for TA. This report (in whole or in part) or summaries thereof may be disclosed by the IMF to IMF Executive Directors and members of their staff, as well as to other agencies or instrumentalities of the TA recipient, and upon their request, to World Bank staff, and other TA providers and donors with legitimate interest including members of the AFRITAC South Steering Committee, unless the TA recipient specifically objects to such disclosure (see Operational Guidelines for the Dissemination of Technical Assistance Information). Publication or Disclosure of this report (in whole or in part) or summaries thereof to parties outside the IMF other than agencies or instrumentalities of the TA recipient, World Bank staff, other TA providers and donors with legitimate interest, including members of the AFRITAC South Steering Committee, shall require the explicit consent of the TA recipient and the IMF's Statistics Department.

MEMBERS

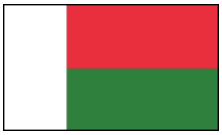
Angola

Botswana

Comoros

Eswatini

Lesotho


Madagascar

Mauritius

Mozambique

Namibia

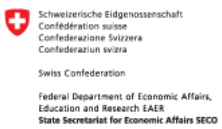
Seychelles

South Africa

Zambia

Zimbabwe

PARTNERS



CONTENTS

Glossary 4

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS 5

ANNUAL NATIONAL ACCOUNTS REBASE 6

SUPPLY AND USE TABLES 8

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS 9
A. Officials Met During the Mission 10

TABLES
1. Botswana: Priority Recommendations 6
2. Botswana: Results Based Framework 9

Glossary

2008 SNA	*2008 System of National Accounts*
AFS	IMF's Regional Technical Assistance Center for Southern Africa - AFRITAC South
ANA	Annual National Accounts
BoB	Bank of Botswana
BURS	Botswana United Revenue Service
FISIM	Financial Intermediation Services Indirectly Measured
GVA	Gross Value Added
IMF	International Monetary Fund
SB	Statistics Botswana
SUT	Supply and Use Tables
TA	Technical Assistance
TIN	Tax Identification Number
WCI	Wage Cost Index

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

1. A technical assistance (TA) mission was conducted by IMF's Regional Technical Assistance Center for Southern Africa (AFS)[1] during June 8–12, 2020 to assist Statistics Botswana (SB) in improving the quality of the national accounts statistics. The mission was conducted remotely respecting the constraints imposed by the COVID-19 outbreak.

2. Reliable national accounts are essential for informed economic policymaking by the authorities. It also provides the private sector, foreign investors, rating agencies, donors and the public in general with important inputs in their decision-making, while informing economic analysis and IMF surveillance. Rebasing the national accounts is recommended every five years. Rebasing requires comprehensive surveys and ideally, supply and use tables (SUT) to support coherence checking of data.

3. SB has made significant progress in finalizing the statistical frame and associated weights to compile gross value added (GVA) estimates for industries in the economic survey. The Botswana Unified Revenue Service (BURS) taxpayer list will be used as the frame for the economic survey which provides the data to rebase the annual national accounts (ANA). SB has completed matching the sample of business that were included in the economic survey and calculated the weight for each activity. However, they should have calculated the weight based on those that responded to the survey. SB is updating the weights. SB needs to do further work on aligning the large businesses with the BURS large taxpayer units. These should be the same and SB needs to make every effort to get these data.

4. The calculation of GVA for the finance sector has improved since the last mission. However, SB needs to follow up on a couple of issues with the Bank of Botswana (BoB) to validate the data, e.g., the level of professional fees significantly drops from 2016 which affects intermediate consumption and GVA. SB has completed the wage cost index (WCI) but they did not derive a weighted index. They updated this during the mission, so this development is complete.

5. The supplementary surveys for the trade services and construction industries were delayed due to the COVID-19 lockdown. The data collection for these were to be completed by April 2020 but this has now been revised to September 2020. These surveys were to be in the field from June 15, 2020; however, due to another lockdown being announced on June 12, 2020

[1] AFS provides TA and training to Angola, Botswana, Comoros, Eswatini, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Zambia, and Zimbabwe. AFS donors are the European Union, Switzerland, Germany, China, Mauritius, the United Kingdom, Netherlands, European Investment Bank and Australia.

there will be another delay. The length of the lockdown is unknown, and it may have an impact on milestones if it is prolonged.

The following priority recommendations will improve the national accounts statistics for Botswana:

Table 1. Botswana: Priority Recommendations

Target Date	Priority Recommendation	Responsible Institutions
June 2020	*Determine the statistical frame and weights for the economic survey.*	**SB**
September 2020	*Undertake additional specialized surveys to collect missing product data and large business data.*	**SB**
September 2020	*Compilation of rebased annual GDP by production and expenditure estimates.*	**SB**

Further details on the priority recommendations and the related actions/milestones can be found in the action plan under *Detailed Technical Assessment and Recommendations*.

ANNUAL NATIONAL ACCOUNTS REBASE

6. SB is currently rebasing the national accounts to a base year of 2016. An economic census commenced in 2016 with the first phase being a business listing exercise which resulted in the identification of 14,452 establishments (excluding branches). The second phase was the economic census (as opposed to a sample survey) which was undertaken during 2017. However, the response rate was extremely low with only 3,145 establishments responding.

7. The initial frame was supplemented with approximately 500 large establishments that SB realized weren't included in the business listing exercise. These units were identified from the large taxpayer unit and other offices under the BURS. However, SB did not do any further reconciliation with the taxpayer list.

8. As per the February 2019 mission's recommendation, SB has been working on reconciling their list of establishments and the active taxpayer list. SB has identified 27,248 active taxpayers and has matched to 25,400 using the Tax Identification Number (TIN). Once the business frame was determined, SB were to:

- reconcile the establishments that responded to the economic census ensuring that there is good coverage of industries as well as size of establishments; and
- determine the grossing up factors for the sample.

9. SB has completed the exercise and determined the grossing up factors which were reviewed during the mission. However, SB should have calculated the weights based on those that responded to the survey (i.e., 3,145 units) rather than the 14,452 units in the sample. SB will have to ensure that every industry has coverage with such a small number of respondents to the survey. SB are updating the weights currently and will identify industries where there is no representation.

10. The mission also reviewed the alignment of large business units selected in the SB frame and those within the BURS taxpayer list. The two datasets should be identical. However, they are not. The SB list includes fewer than what is included in the BURS list. SB needs to work with BURS and make every effort to get data for these units.

11. The GVA worksheets for the industries included in the economic survey have been developed and the survey data and grossing up factors included. SB will update the grossing up factors once the new weights have been developed. The GVA levels for the formal sector will then be determined for each of these industries.

12. SB have been compiling GVA estimates for industries that are not reliant on the economic survey, e.g., public administration, public health and public education; and finance and insurance. Previous missions have provided advice on the development of a WCI which will be used to deflate the current price estimate of GVA for public administration, public health and public education. SB has completed a WCI for each industry. However, they did not compile a weighted index rather an index reflecting the overall growth in public sector salaries. The weighted index takes into account the number of employees and average salaries for each grade. The mission recommended that a weighted index be compiled. This was completed during the mission.

13. The estimation of output for the finance and insurance industry was discussed. This industry has been discussed in earlier missions and SB has implemented all of the previous recommendations in order to derive financial intermediation services indirectly measured (FISIM). An outstanding issue was to include direct charges which banks charge to consumers in order to estimate the financial sector output. SB has included the direct charges and derived GVA for the finance sector. The mission reviewed the results and identified the following issues which need to be followed up with the BoB:

- insurance commissions have been included in output (i.e., direct charges) but further investigation is required to determine exactly what they are and whether they should be included; and
- the level of professional fees significantly drops from 2016 which affects intermediate consumption and GVA; need to determine if this drop is real or if there has been a misclassification.

Recommended actions:

- *SB to update the weights and identify industries where there is no representation.*
- *SB to work with BURS and make every effort to get data for all large businesses.*
- *SB to update the grossing up factors in the worksheets once the new weights have been developed.*
- *SB to meet with BoB to resolve some data issues in estimating the financial sector.*

SUPPLY AND USE TABLES

14. SB is planning to compile SUT as part of the rebasing exercise. These are extremely beneficial as they enable the balancing of the measures of GDP. They also result in valuable ratios such as input to output ratios which are used in the ongoing compilation of GVA.

15. The SUT requires detailed product-level data. The previous missions have noted that product-level data are not available administratively, so they should be collected by survey. Most of the economic survey instruments provided the required data, however, for some industries a further follow-up specialized survey was required. These included trade services, transport, construction, and manufacturing industries.

16. The manufacturing survey is complete. The questionnaire design for the transport industry is ongoing and will be finalized by the end of June 2020. Data collection to be complete by end of September 2020.

17. The trade services and construction surveys were delayed due to the lockdown associated with the COVID-19. The survey instruments were updated as a result of the previous mission. This mission confirmed that they were suitable. The mission recommended that SB staff accompany the enumerators especially to the construction companies. It is a conceptually difficult industry to measure and the enumerators will not have the expertise to answer any questions coming from the construction company. It was expected that these would now be completed by the end of September. However, a further lockdown was announced on the evening of June 12, 2020 which will result in a further delay for these surveys to go into the field. SB may have to consider an alternate method to collect the data utilizing virtual technology.

18. SB are receiving technical support on the SUT from Mr. Jan Redeby, an Africa Development Bank consultant. Mr. Redeby is incorporating the SUT within the NADABAS system which is used in Botswana to compile the ANA.

Recommended actions:

- *SB to undertake specialized surveys for retail trade and construction industries.*
- *SB to consider an alternate method to collect the data utilizing virtual technology.*

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

Table 2.Botswana: Results Based Framework

Objective: Strengthen compilation and dissemination of data on macroeconomic and financial statistics decision making according to the relevant internationally accepted statistical standard, including developing/improving statistical infrastructure, source data, serviceability and/or metadata.			
Outcome	**Verifiable Indicators**		
Data are compiled and disseminated using the concepts and definitions of the latest manual/guide.	The general framework, concepts and definitions broadly follow the *2008 SNA*		
Milestones	**Assumptions**	**Target Completion Date**	**Comments**
Assessment of deviations to the *2008 SNA* and relevant changes needed.		March 29, 2019	Complete.
Statistical frame and weights determined and applied to economic survey.		March 31, 2020	**Ongoing**. Further work required on the large business population and the calculation of the weights. Change date to June 30, 2020.
Compilation of rebased GDP by production estimates.		June 30, 2020	**Ongoing**. The GVA for finance and the WCI are near completion. Mini surveys for construction and trade industries are underway. Change date to September 30, 2020.
Compilation of rebased GDP by expenditure estimates.		June 30, 2020	**Ongoing**. Change date to September 30, 2020.
SUT populated and balanced.		November 30, 2020	**Ongoing**. The SUT framework is being built into the NADABS system and population has commenced.
Dissemination of rebased GDP estimates.		January 31, 2021	
Disseminate backcast series from 2006 to 2016 (the new base year).		March 31, 2021	**New milestone**
Disseminate backcast series from 1994 to 2016 (the new base year).		June 30, 2021	**New milestone**

Outcome	Verifiable Indicators		
Higher frequency data has been compiled and disseminated internally and/or to the public.	National accounts compiled and disseminated on a quarterly or monthly basis.		
Milestones	**Assumptions**	**Target Completion Date**	**Comments**
Review quarterly GDP methodologies and data sources.		September 30, 2020	**Ongoing**. Date to change to December 31, 2020 due to Covid-19 impact.
Dissemination of revised quarterly GDP estimates based on the rebased annual national accounts.		March 31, 2021	

A. Officials Met During the Mission

Name	Institution	E-mail Address
Ketso Makhumalo	Statistics Botswana (Acting Director of Economic Statistics)	kmakhumalo@statsbots.org.bw
Lekoko Simako	Statistics Botswana	lsimako@statsbots.org.bw
Winsten Kabo	Statistics Botswana	wkabo@statsbots.org.bw
Chandler Madisa	Statistics Botswana	chmadisa@statsbots.org.bw
Boitumelo Kobua	Statistics Botswana	bkobua@statsbots.org.bw
Phemelo Ntwayapelo	Statistics Botswana	pntwayapelo@statsbots.gov.bw
Godiraone Gaolaolwe	Statistics Botswana	ggaolaolwe@statsbots.gov.bw
Michael Andina	Statistics Botswana	mandina@statbots.gov.bw