

**Botswana: Report on the Observance of Standards and Codes—
Data Module—Response by the Authorities—Update**

This update to the Response by the Authorities to the Report on the Observance of Standards and Codes—Data Module for Botswana was prepared by the Botswana authorities. It is based on the information available at the time it was completed on July 15, 2004.

To assist the IMF in evaluating the publication policy, reader comments are invited and may be sent by e-mail to publicationpolicy@imf.org.

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BOTSWANA

**Report on the Observance of Standards and Codes—Data Module
Substantive Update on the Response by the Authorities**

July 15, 2004

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OVERVIEW

Since its preparation in 2001, the authorities (the Bank of Botswana—BoB and the Ministry of Finance and Development Planning—MFDP, including the Central Statistics Office—CSO) have used the ROSC report on Botswana to guide the development of their capability in the production of national statistics. The country has been an active and enthusiastic participant in the Fund's regional GDDS project for Anglophone Africa, under which it has received much-appreciated technical assistance in several areas. The decision to extend this project for a further year is very much welcomed. In line with the recommendations of the ROSC report, emphasis has been placed on improving coordination between producers and, to this end, a high-level coordinating committee has been established. Considerable attention has also been given to improved dissemination, including through more effective use of information technology.

RESPONSE TO RECOMMENDATIONS

A. General Recommendations

Short-term

- **As a priority**, prepare GDDS metadata on (a) current statistical production and dissemination practices and (b) plans for short- and long-term improvements covering the data dimension (coverage, periodicity, and timeliness), the quality, the integrity, and the access by the public, for all sectors.

Relevant metadata was prepared and posted on the IMF website as part of the regional GDDS project in 2002. This was updated on time in 2003 and annual updates will continue. All relevant institutions contributed and plans for improvement have been drawn from the metadata. A national workshop for stakeholders was held in July 2003, which provided valuable feedback on the quality of statistics and dissemination practices.

- **As a priority**, strengthen data sharing and coordination among major agencies, especially with a view to reconciling major data sets with different accounting periods. In addition, data sharing and coordination would help to address key statistical issues including the basis for recording diamonds and emerging source-data needs (particularly monthly merchandise trade statistics) for the compilation of timely quarterly national accounts and quarterly balance of payments.

Data sharing and coordination already exist among major agencies like CSO, BoB and MFDP to a considerable degree. To ensure more effective coordination between producers of statistics, a committee – the Statistics Producers Committee (SPC) – comprising representatives of the three main statistics producing agencies was established in early 2003 and has met regularly. Coordination has been further facilitated through the establishment of a national GDDS committee under the auspices of the regional GDDS project.

There have been discussions within government to move towards synchronizing the reporting years and there was a general consensus to move towards using the July to June reporting year. However, discussions are under way to finalise the decision. The GFS data are available on a monthly basis and, as a short-term measure, adjustments could be made on different reporting years.

At the practical level, the regularising of production of quarterly GDP statistics and the start of production of quarterly balance of payments data will go a long way to resolving the problems with different accounting years. For balance of payments, the quarterly surveys conducted by the Bank of Botswana are in good shape but the production of full quarterly balance of payments has been held back by the lack of up-to-date trade data for imports, a problem which has been aggravated by the transition to the automated reporting of customs data. The provisional estimates on exports and imports are available for 2002, while the estimates for 2003 are very preliminary. There have been difficulties, particularly, in trying to align the ASYCUDA and the EUROTRACE system to automate the data due to interfacing problems. Finalisation of the data is an on going process. However, now the system is in place and covering the vast majority of imports, substantial progress is expected in 2004. For national accounts, the CSO had experienced problems with timely processing of the survey, especially in making necessary follow up to a low response rate. However, the provision of the necessary resources has now improved and business surveys have been given priority in terms of transport needs. This has led to substantial progress (half yearly data for 2003/04 was produced promptly) and more regular production of quarterly data is expected from now on; however, the problem of low response still persists, other ways are being investigated to see how to deal with this (see below).

- *Make available more data and metadata for all sectors premised on the need for rapid and wide access. For example, disseminate monetary data through media such as press releases and on the BoB's Internet website, in addition to the monthly BFS.*

All three agencies are aware of the need to take advantage of the opportunities for effective dissemination through the Internet, and have initiated programmes of website development. The existing BoB website has been upgraded with a fuller range of economic and financial highlights, relevant links and regular posting of the Botswana Financial Statistics (BFS) publication; while a new website has been designed and subjected to extensive in-house testing, although technical problems have delayed its full implementation. Both MFDP and CSO are similarly engaged in programmes to enhance the quality of their websites. Technical assistance through the GDDS was provided during 2003 on how to improve and expand the existing CSO website, which is currently being updated with migration to a new website expected within the 2004/05 financial year. Other issues on website development are being addressed at the ministry level.

- *Develop and disseminate advance release calendars for all sectors.*

The desirability of these is appreciated. However, it is equally appreciated that such calendars are of most value when the dates can be adhered to, so a cautious approach has been adopted in

this area. The CSO already provides a lot of information through its annual calendars and now publishes a detailed schedule for the release of the monthly consumer price statistics, which is currently available for the period to March 2005. In terms of other statistical information the release dates will be reflected in the CPI monthly releases. This approach is being used to ensure that release dates are observed. The BoB includes a target date of the next website release of the BFS and, more recently, the monthly summary of commercial bank credit data.

- Enhance transparency of statistical policies and practices by, e.g., publicizing practices relating to internal access to data prior to release and providing advance notice of major changes in source data and compilation methods.

The point is noted and the modalities will be considered. For GFS data, the BoB and senior staff in MFDP do have internal access to data prior to publication. Major changes are usually explained in the form of notes accompanying the data. However, in future major changes will be documented and published on the website.

- Identify a specific contact person in hard copy publications and on Internet websites.

It is the established practice of CSO that details of relevant contacts are provided with its publications. The BFS now includes contact details of people who will help with enquiries. These will also be introduced on the CSO's website. It had initially been intended that the Permanent Secretary of the MFDP or the Secretary for Budget Administration would be the contact person for all GFS publications. However, it is recognized that this may not be suitable as a working level contact and is to be reviewed. Published metadata include relevant contact details.

Medium-term

- Promote training in statistical methodologies, including through participation in the IMF Institute's methodological courses, as well as the regular training of all personnel.

All three agencies place great emphasis on human resource development, and note the particular need for relevant staff to be properly trained in statistical methodologies. The extent that the ROSC exercise can help further this objective has been much appreciated, as staff have benefited both from participation in formal training courses and the training component of the various technical assistance missions. It is important that this emphasis is maintained.

- Regarding survey-based collection systems, disseminate information on data biases, response rates, sampling techniques, sampling, and nonsampling errors, and imputation methods for nonresponses.

This is potentially a major undertaking. For some categories – e.g. survey response rates – providing the information is relatively easy. But for others more work will be required. While careful consideration will be given to these suggestions it is not clear that all will be accorded equal priority.

- Publish articles (or republish existing articles in convenient form) dealing with the methodology used in compiling macroeconomic statistics.

If achieved this will help go a long way to making progress on the previous item. The BoB staff already have a commitment to undertaking research and where relevant they will be encouraged to produce such articles. The most recent issue of BoB's Research Bulletin includes an article covering the Bank's recent experience within the ROSC/GDDS framework.

B. National Accounts

- **As a priority**, building on the regional SADC approach, advance the work program for implementing 1993 SNA with an increased focus on conceptual adherence. Initially the implementation could be limited to the GDP estimates.

The planned implementation of the ERETES software within CSO was halted because of financial constraints due to other on-going projects in the department. In addition, the complexity of the software made it difficult to adopt and implement given the lack of necessary staff resources and skills. In-house tailor made software was developed and is being utilised to compile the accounts.

Implementation of the 1993/94 SNA has been done from the 1996/97 national accounts and so far compilation for part of 1997/98 has been completed. The process of compiling remains too slow as the compilers are being guided through all the processes; there is also strain because of the demands of multiple on-going projects within the department.

II. MEDIUM-TERM

- Develop proactive methods for encouraging voluntary response to survey-based statistical enquiries and mechanisms for data-user feedback.

Public enterprises and financial institutions such as commercial banks and other non-bank financial institutions are legally required to provide a return on a continuous basis relating to their operations; however, this is not the case for other private sector enterprises. A proactive method for encouraging voluntary response to survey-based statistical enquiries and data-user feedback is part of the communication plan in the strategic planning for 2003 – 05. There will be need for more research and consultations with stakeholders to see how this is best dealt with. It will be important to understand the implications of voluntary responses in the context of the legal framework and aspects of sampling. As well as the need to sensitise data providers on the need to respond in time, CSO needs to rationalize the frequency of data collection in a particular period to avoid overburdening data providers with many repetitive requests.

- Expand the work program for implementing 1993 SNA to include the development of financial accounts and balance sheets.

National accounts are computed on an enterprise basis and where a full set of accounts is compiled. Data on financial accounts are captured but not yet fully analysed because of the extent of errors in the data. For 1996/97 and 1997/98 attempts have been made to compile these accounts on the basis of the recommendations of SNA, but there are a lot of data gaps so the data quality is questionable. Current practice is that financial accounts are compiled after every three years as part of the construction of the Social Accounting Matrix (SAM), and this is the only time when the information is vigorously reconciled; the latest financial matrix is the one published as part of the 1996/97 SAM. Considering the number of requests made, the observation is that most users have not been interested in the financial matrix. A move towards a more comprehensive approach on which financial accounts estimates can be built on an annual basis could start with the unpublished estimates that are available, but technical assistance will be required to provide an in-depth assessment and advice on the ways these can be improved.

C. Consumer Price Index (CPI) and Producer Price Index (PPI)

- **As a priority**, redesign the PPI to bring it up to international standards as regards the sample size and validation procedures.

The re-basing of the current CPI is expected around June 2004 after the price collection for the Poverty Datum Line (PDL) basket. The basket for the CPI will be according to the COICOP, which is in line with SADC recommendations on harmonisation of SADC price statistics. In the light of on-going projects and other activities in the organisation, updating the CPI and design of a framework for compiling and defining core-inflation are the most critical activities. A review on the PPI, which was suspended, will be dealt with around October/November 2004.

D. GOVERNMENT FINANCE STATISTICS

Short-term

- **As a priority**, disseminate monthly budgetary central government statistics within one month after the end of the reference period and central government debt data within one quarter after the end of the reference period.

Both monthly and year-end data are now made available immediately after compilation. Debt data are still produced on an annual basis and published in the Annual Statements of Accounts. It is intended to make debt data available on a quarterly basis after reconciliation of the figures from the Public Debt Service Unit and those generated from Commonwealth Secretariat – Debt Recording and Management System (CS-DRMS).

- Develop a migration plan for implementation of 2001 GFS Manual.

The IMF provided Technical Assistance in March 2004. The consultant prepared the bridge tables to ensure compatibility of abridged Government Accounting and Budgeting System (GABS) chart of accounts with the 2001 GFSM methodology. GABS is to implement computerised cash accounting by 2005/06 with a possible extension to add modified accrual accounting as from 2008. Staff of the Cash Flow Unit have been assigned to use the bridge tables to complete the 2002/03 annual report to the IMF to be reviewed during the proposed follow-up mission.

Medium-term

- Emphasize the automation in the compilation of GFS while introducing the computerisation of the accounting and budget system.

The implementation of the Budgeting and Accounting system would automate the compilation of GFS and shorten the lag in production of the GFS data.

The implementation of the GABS project is on schedule, with the modules to be developed and tested in May 2004. The revenue, expenditure and assets/liabilities tables of the IMF's annual questionnaire have to be availed to the GABS consultants before May to facilitate automation of the annual report. A follow-up mission has been requested from the IMF to assist in the preparation of the bridge tables using the detailed chart of accounts to facilitate the transition from 1986 to 2001 GFSM.

- Shorten the current two- to three-year lag in dissemination of data on local governments.

The Local Authorities presently prepare their accounts manually. The Ministry of Local Government reported that it is still left with two out of twenty seven Local Authorities to be computerised and the project completion date is now set for the end of 2004. An additional two to three years might be required to make the system fully operational. Up to date final accounts (2002/03) for all Local Authorities will be completed by March 2005 and thereafter timely reporting of final accounts within three months of the end of the reference period will be provided. The Ministry of Local Government has contracted consultants to assist the Local Authorities to bring their accounts up to date.

- Compile consolidated annual GFS on the general government sector (consolidated central and local governments) and provide time series harmonised initially with 1986 GFS Manual methodology and later with 2001 GFS Manual methodology.

Significant reduction of the time lag on reporting of Local Government accounts need to be addressed for the accounts to be included with that of Central Government. Data on extra budgetary accounts also has to be collated. The proposed follow-up Technical Assistance mission will assist in preparing bridge tables for the Local Authorities' detailed chart of

accounts to facilitate merging with Central Government. Extra budgetary accounts are to be identified before the follow up mission.

- Design and implement a phased work program to improve documentation on the concepts, definitions, classifications, basis of recording, and data sources used to compile GFS.

The development of the Ministry's website has been finalised and a link to the IMF's DSBB has been provided for users to access the posted metadata. The updated metadata, completed in November 2003, provides latest information on concepts, classifications and methods used to compile GFS.

Agreed Action: The metadata posted on the DSBB will be updated as changes occur; otherwise no further documentation is planned regarding these issues.

E. MONETARY STATISTICS

Short-term

- **As a priority**, arrange for the electronic transmission of the BoB's monthly balance sheet to the Monetary Statistics Section as soon as it is processed rather than awaiting audit.

While the situation has improved, the speedy transfer of the balance sheet has been hampered by a requirement that it is formally signed before being passed on to the Research Department. Discussions are continuing to see if a way round this requirement can be found.

- **As a priority**, instruct the commercial banks to classify their accounts into resident and nonresidents accounts according to the principle of "center of economic interest" rather than according to the nationality of the accounts holder, as is the case at present.

This was discussed with the commercial banks at a workshop on reporting held in October 2001. The banks' representatives appreciated the importance of the classification but raised queries about its application in practice. An IMF technical assistance mission visited BoB in August 18-27, 2003, with the issue of residency as part of its terms of reference. The mission visited the various banks to find out, among other things, if the concept of residency was understood and properly executed. The mission found that the banks understood the concept well and were doing their best in applying it when filling out the returns for submission to the Bank. The mission was satisfied that there is no cause for concern as far as the issue is concerned. Nevertheless, the Bank intends holding further follow up meetings with the reporting banks to discuss various matters relating to reporting classifications and, if necessary, the issue of residency will be covered in this context.

- Request the electronic submission to the BoB of the balance sheets and the accompanying schedules of the commercial banks and other deposit-taking institutions.

At the seminar referred to above, agreement with the banks was reached on a program to move to electronic submission of their returns. However, while it was originally intended to make the transition during 2002 the issue is still outstanding since it requires further work on the ground for the Bank to enable effective and efficient use of the electronic submissions. There are still issues surrounding the electronic transmission of returns such as confidentiality and accountability that need to be resolved before implementation. Electronic submission of returns is also linked to an on-going project to computerise data management in the Bank Supervision Department.

- Routinely crosscheck the monetary data with information produced by other sections or departments of the BoB and by other official agencies.

More assistance will be required to identify the possible sources which can be used for such cross checking. This will be given priority during the next stage of technical assistance. At present ad hoc checks are done when they are deemed necessary, especially when unusual data movements require more detailed explanation. BoB records are used to help with cross checking although data reported by the commercial banks and the BoB on the same item can differ due to the clearing process.

Medium-term

- Install and make operative software that would allow automatic consistency checks and flagging, seasonal adjustment of series, and the building of a comprehensive monetary database.

The project to establish a comprehensive economic and financial database continues to experience problems in getting off the ground, although a variety of alternatives continue to be investigated. On the narrower requirement of a monetary database it is expected that this will be covered in the second stage of the technical assistance provided by the IMF through the regional GDDS project. This is currently targeted to take place in the second half of 2004.

F. Balance of Payments

Short-term

- Improve the presentation of the financial account by showing separately (a) foreign direct investment in Botswana and abroad, and transactions in foreign and domestic securities; (b) changes in foreign assets and foreign liabilities of the monetary authorities, government, banks, and other sectors; and (c) arrears as part of exceptional financing in the analytic presentation.

This has been done, including publication in the new format since the 2002 Bank of Botswana Annual Report.

- Strengthen selected classifications and methods: (a) Reclassify realized capital gains on reserves; (b) support the resident – non-resident classification of banking source data according to the principle of “center of economic interest”; (c) eliminate transactions between residents in the transportation account; and (d) update some estimation methods for freight payments on imports and travel.

(a)— On further review it is not clear what the problem is with unrealised gains, which we believe to be classified correctly. The issue was not raised during TA missions in 2002 and 2003; (b) the 2003 TA mission for monetary statistics concluded that the commercial banks were correctly applying the resident/non-resident classifications; (c)—it has been established that imports data can actually be presented showing the freight component separately, in which case there is no need to make any estimation for freight. However, progress here depends on the format provided by CSO and resolving the issue of granting the bank direct access to customs data. Discussions on this are continuing.

Medium-term

- **As a priority**, accelerate the development of quarterly balance of payments statistics. An essential feature of this effort would be to put in place timely compilation of monthly merchandise trade statistics.

Quarterly data from pension funds is now received through the Registrar of Pension Funds. There remains the problem of untimely trade data although it is hoped that this can be substantively resolved during 2004, in which case the move to quarterly BoP reporting will quickly be feasible. On a related matter, the 2003 BoP estimates on services indicate possible deficiencies in data collection in this area, especially for ‘other services’ and the Fund may be approached for assistance in this area.