

Botswana: Selected Economic and Financial Indicators, 2000–2004

	2000	2001	2002	2003	2004 Est.
Output and Prices (change in percent)					
Real GDP 1/	8.6	2.1	7.8	5.7	4.1
Of which: private nonmining GDP	4.1	5.1	6.4	5.1	4.8
Consumer prices (period average) 2/	8.5	6.6	8.0	9.3	6.9
Investment and savings (percent of GDP) 2/					
Gross investment	20.0	23.0	27.8	29.6	27.9
Public	11.8	11.9	11.6	11.0	10.1
Private	8.2	11.2	16.2	18.6	17.9
Gross national savings	38.3	36.4	32.6	33.8	37.7
Public	6.4	8.2	8.2	7.5	9.4
Private	31.9	28.2	24.4	26.3	28.3
Central government finance (percent of GDP) 3/					
Total revenue and grants	50.7	40.5	40.1	39.3	39.2
Total expenditure and net lending	41.6	44.0	44.2	41.6	40.4
Overall balance (excluding grants)	8.8	-3.6	-4.4	-2.5	-1.6
Overall balance (including grants)	9.1	-3.4	-4.1	-2.4	-1.1
Primary balance	9.4	-3.1	-3.9	-1.9	-0.3
Total public debt	9.1	8.0	8.5	5.7	4.5
Money and credit 2/					
Money and quasi money (end year; percentage change)	1.4	31.2	-1.1	15.5	16.0
Bank of Botswana lending rate (end year; in percent)	14.3	14.3	15.3	14.3	14.3
External sector (millions of U.S. dollar) 2/					
Trade balance	904.5	713.5	618.2	958.3	632.6
Current account balance	546.7	600.4	117.3	502.5	857.9
Gross official reserves	6,318.6	5,897.3	5,473.5	5,338.7	5,667.1
Botswana pula per U.S. dollar (period average)	5.1	5.9	6.3	4.9	4.6
Real effective exchange rate (depreciation -)	3.8	8.8	4.7	3.1	-5.9

Sources: Data provided by the Botswana authorities; and IMF estimates.

1/ National accounts year beginning July 1; figures for 2004 are estimates.

2/ Calendar year.

3/ Fiscal year beginning April 1.

Statement by the Botswana Authorities

Right of reply document

The published report of the discussion of the IMF Executive Board contained in the Public Information Notice (PIN) is a short summary of the many issues raised by Board members and does not cover all aspects of the discussion. However, while much of the assessment is positive and supportive, in this instance it is the view of the Botswana authorities that the Notice does not truly reflect the economic situation in the country in important respects. For this reason, the authorities have taken the decision to issue a separate statement.

In doing so, the authorities stress the high value that is placed on the annual Article IV consultations and, more generally, the various areas of successful cooperation between Botswana and the Fund. As part of the Article IV process, it is fully recognised that the Executive Board should make an objective and independent assessment including policy advice, and that this cannot be expected always to coincide with the views of the national authorities.

It is also recognised that the Botswana economy currently faces difficult challenges, the extent of which should not be downplayed, and which must be met if the process of development is to continue successfully. Growth has slowed and remains overly dependent on the mining sector; and there are concerns that unemployment is an increasingly serious problem. Moreover, there are substantial costs that are required to effectively tackle the HIV/AIDS pandemic and this is placing a severe strain on the resources available to the public sector at a time when slower revenue growth is anticipated.

However, the assessment of the Board, as recorded in the PIN, goes too far in painting a picture of economic malaise and this is reflected in the accompanying policy recommendations which call for major adjustments at the macroeconomic level. In particular, suggestions that the government should consider raising the rate of VAT and reducing the public sector wage bill would be appropriate for a situation of severe fiscal imbalance. However, while the period where the government budget in Botswana was consistently in surplus may have passed, so far there is no need for the significant fiscal adjustment called for in the Board assessment. Recently, there have been some technical difficulties experienced in the timely collection of fiscal data. It is clear, nevertheless, that the final budget for 2004/05 was in approximate balance. The Government has made a strong commitment to maintain a balanced budget over the course of the economic cycle, and institutional measures to support this are being put in place.

Policy formulation in Botswana has consistently been based on careful consideration of the relevant issues and consultation, and this approach will continue, as indicated by the presentation of the Mid-Term Review of National Development Plan 9 to Parliament, in November 2005. In line with this approach, the decision taken in May 2005 to devalue the Pula was a measured reaction to a situation where all the evidence pointed to a serious overvaluation of the Pula. The consequences for both fiscal and monetary policy had already been considered carefully, in particular the need to ensure