



# BOTSWANA

## TECHNICAL ASSISTANCE REPORT—GOVERNMENT FINANCE STATISTICS

December 2018

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# **INTERNATIONAL MONETARY FUND**

Statistics Department



## **BOTSWANA**

**TECHNICAL ASSISTANCE REPORT ON THE  
GOVERNMENT FINANCE STATISTICS MISSION**  
(April 13–26, 2016)

**Prepared by Sagé de Clerck and Terry Moore**

**June 2016**

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<b>Contents</b>	<b>Page</b>
Acronyms .....	4
Executive Summary .....	5
I. Introduction .....	7
II. Institutional and Data Coverage of the General Government and Public Sectors .....	8
III. Budgetary Central Government Data Reported .....	10
IV. Local Government Data.....	15
V. Public Financial Management Reforms .....	16
VI. Consistency of GFS and Other Macroeconomic Data.....	18
VII. Potential SDDS Subscription .....	18
VIII. Migration Plan for Implementing <i>GFSM 2014</i> .....	19
IX. Resources, Training, and Technical Assistance .....	20
 <b>Appendices</b>	
I. List of Main Counterparts Met During the Mission .....	22
II. List of Parastatals and their Parent Ministries according to MFDP .....	23

## ACRONYMS

AFR	IMF's African Department
AFRITAC South	IMF's Regional Technical Assistance Center in Southern Africa
BURS	Botswana Unified Revenue Service
COA	Chart of accounts
COFOG	Classification of the Functions of Government
DC	District council
e-GDDS	Enhanced General Data Dissemination System
<i>GFSM 1986</i>	<i>A Manual on Government Finance Statistics, 1986</i>
<i>GFSM 2001</i>	<i>Government Finance Statistics Manual 2001</i>
<i>GFSM 2014</i>	<i>Government Finance Statistics Manual 2014</i>
GFS	Government finance statistics
MFDP	Ministry of Finance and Development Planning
NSDP	National Summary Data Page
PFM	Public financial management
SCOA	Standard Chart of Accounts
SDDS	Special Data Dissemination Standard
STA	IMF's Statistics Department
TA	Technical assistance
UC	Urban council

## EXECUTIVE SUMMARY

In response to a request for IMF technical assistance (TA) made by the Botswana authorities and in consultation with the IMF's African Department, a government finance statistics (GFS) TA mission from the IMF's Statistics Department (STA) visited Gaborone during April 13–26, 2016. The mission is part of the GFS Module of the United Kingdom's Department for International Development-funded Enhanced Data Dissemination Initiative 2.

The main objective of the mission was to continue to assist the Ministry of Finance and Development Planning (MFDP) in the compilation and dissemination of fiscal statistics in accordance with the guidelines of the *Government Finance Statistics Manual 2014* and *Public Sector Debt Statistics: Guide for Compilers and Users*.

The main findings and recommendations indicate that the MFDP is well-positioned to enhance the coverage of transactions and balance sheet positions of the annual budgetary central government and expand the institutional coverage of the fiscal statistics. However, it will require a concerted effort by all the source data providers and some Public Financial Management and accounting reforms to fully comply with Special Data Dissemination Standard. This assessment is based on the following specific findings and recommendations: (1) the identification of institutional units of government, and their sector classification can be further improved—some discrepancies between the classifications used by various data producing agencies were identified; (2) the lack of detail in the data disseminated on the National Summary Data Page hampers fiscal analysis—using data generated by the underlying source data systems (pivot tables and detailed budget documents) some of these deficiencies could be reduced; (3) the timeliness and availability of source data requires significant improvements to enable subscription to Special Data Dissemination Standard—the source data providers and MFDP should establish a regular reporting cycle; (4) the investigation of discrepancies in financing and assets and liability data derived from various sources should continue and reasons for the differences should be determined; and (5) the responsibility for the collection of source data for local governments and extrabudgetary units should be decided and source data for these units should be collected—these data could then in future missions be used to further develop the coverage of GFS.

The following benchmark actions will help in evaluating Botswana's progress in the area of GFS and in considering any future request for follow-up TA: the table reflecting the institutional structure of government and public sector should be reviewed, revised as needed, and all data-producing agencies should agree to the use of the same sector classification; and the annual and quarterly budgetary central government data for at least three years should be revised to reflect the improvements in classifications (economic and functional) and methodology proposed by the mission—these data should be disseminated on the National Summary Data Page and reported for publication in IMF's *Government Finance Statistics Yearbook* and *International Financial Statistics*. On an ongoing basis, the MFDP is encouraged to report to STA on progress in these areas, and ensure that budgetary and

accounting reforms for all datasets consider the reporting requirements of GFS. The next GFS TA mission is tentatively scheduled for November 2016. (The MFDP to indicate preliminary preferred dates).

The mission would like to thank the staff of the MFDP, Ministry of Local Government and Rural Development, and Statistics Botswana for their hospitality and support during the mission. In particular, Ms. Peter and her staff provided exemplary collaboration and cooperation during the mission's stay which contributed greatly to the success of the mission. Appendix I lists the main counterparts met during the mission.

## I. INTRODUCTION

1. The main objective of the mission was to continue to assist the Ministry of Finance and Development Planning (MFDP) in the compilation and dissemination of government finance statistics (GFS) in accordance with the guidelines of the *Government Finance Statistics Manual 2001 (GFSM 2001, updated GFSM 2014)*. The mission was conducted in the context of the GFS module of the United Kingdom Department for International Development-funded Enhanced Data Dissemination Initiative 2. This five-year project has been designed to focus on improving GFS and public sector debt statistics in nine selected African countries, one of which is Botswana. The main objective of the project is to strengthen fiscal data reporting in order to promote fiscal transparency, enhance fiscal analyses and decision making, and reduce fiscal risks.
2. The major tasks of the mission were to (i) review the current compilation systems, sector classification, and roles and responsibilities in compiling fiscal data; (ii) assess progress with the implementation of the previous mission's recommendations; (iii) improve and refine the data compilation practices and reporting to the IMF's African and Statistical Departments (AFR and STA); and (iv) initiate work on improving the coverage of fiscal data in preparation for Special Data Dissemination Standard (SDDS) subscription.
3. Botswana has embarked on a path of extensive public financial management (PFM) reforms with the assistance of the IMF's Regional Technical Assistance Center in Southern Africa (AFRITAC South). These reforms will consider reforms of management systems, budget and other reporting formats, as well as underlying accounting reforms. In this context the authorities indicated that they plan to move toward accrual-based accounting system with an accounting structure to accommodate the *GFSM 2014* reporting needs. The overlap of the STA and AFRITAC South PFM mission has proven to be very productive in establishing collaboration between all parties involved. The mission made a presentation to explain the value added of considering the reporting requirements of *GFSM 2014* in the reform process. Specifically, the importance of aligning concepts and terminology with international best practices, standardization, and harmonization between International Public Sector Accounting Standards and GFS were emphasized. This meeting has taken place at a very opportune time to greatly enhance the understanding all involved and inform the reform process. The meeting closely collaborated with Group 4 of the AFRITAC South mission to determine the user needs for segments of the proposed Standard Chart of Accounts (SCOA) (also see paragraph 25).
4. Structure of Report The remainder of this report discusses in Section II the Institutional and data coverage of the general government and public sector in Botswana while Section III describes improvements that could be made to the Budgetary Central Government data. Section IV presents an overview of the current stance of local government data, while Section V elaborates on public finance management reforms. Section VI presents a discussion on Consistency of GFS and Other Macroeconomic Data; Section VII provides



an overview of the Botswana's potential to move to SDDS-subscription; and the remainder of the report covers Migration Plans for Implementing *GFSM 2014* and the implications of the work on Resources, Training, and TA in Sections VIII and XI.

## II. INSTITUTIONAL AND DATA COVERAGE OF THE GENERAL GOVERNMENT AND PUBLIC SECTORS

5. The Botswana public sector is composed of central and local government (general government) plus public corporations. The budgetary central government comprise of four funds:
- Consolidated Fund—this fund consists of all revenues raised or received for purposes and benefit of the Government of Botswana. This excludes revenues or other monies that are payable under any law into some fund established for specific purposes.
  - Development Fund—this fund includes any monies appropriated by law from the consolidated fund to finance, among others, various government developmental expenditures. The fund also includes monies received from proceeds of loans raised by the government and grants made to the government for purposes of expenditure on development and other government projects, and reimbursement of expenditure under any projects.
  - Contingent Fund—this fund was established mainly for enabling advances for urgent and unforeseen circumstances for which no other provision exists or has been made, where such expenditure could not be delayed or postponed for various reasons. When applied, the monies under this fund are appropriated under the consolidated fund, so this fund is only relevant for budget purposes.
  - Special Funds—these funds relate to any fund of public revenues established by or under any written law for specific purposes, any trust held by government, or any fund created by the MFDP in accordance with power conferred upon him/her by the Public Finance Management Act (Act No. 17 of 2011). The Annual Statement of Accounts for 2014/2015 lists 32 such funds, of which the largest are the Pension Liability Service Fund, Public Debt Service Fund, Guardians Fund, Road Levy Collections Fund, and National Electrification Fund.
6. The Treasury Office of the Botswana government identified a list of 55 parastatals<sup>1</sup> and their parent ministries (Appendix II), but the sector classification of these still needs to be finalized. An assessment of these units clearly indicates that some of these units are typical extrabudgetary units of central government (i.e., nonmarket producers of goods and services), while others may typically be public corporations (i.e., market producers of goods

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<sup>1</sup> It should be noted this list of 55 parastatals differ in the number than the 47 units referred to in the *2011 IMF Botswana Mission Report*, the 43 referred to by Statistics Botswana, and the 49 referenced by the *PEFA Report* of August 2013. The exact classification used by Bank of Botswana could not be established.

and services). For example, while the Botswana Unified Revenue Service (BURS), and Statistics Botswana are clearly extrabudgetary units, the classification of others are not as obvious. For example, the Motor Vehicle Accident Fund, currently considered a financial public corporation, seems to have the characteristics of a social security fund. However, a final assessment of the nature of the financial activities of these units cannot be made due to the lack of details on their operations and lack of data. Therefore, the financial statements of these parastatals need to be collected and should be reviewed on a case-by-case basis to determine which units are extrabudgetary units of central government and which are public corporations.

7. Botswana also created two Special Purpose Vehicles (SPVs) that are currently not listed on the list of parastatals and also not as Special Funds. The Debt Participation Capital Fund was created to buy government's loan book—that is, the loans extended to other institutional units were sold to the entity. This entity has securitized the issuance of bonds on the anticipated inflow of the repayment of these loans. The bonds issued by the SPV are fully guaranteed by government. The other SPV, namely the Botswana Privatization Asset Holding Limited, was created to own government's remaining interest in the Botswana Telecommunications Corporation. In accordance with *GFSM 2014*, resident SPVs, controlled by government and acting on behalf of government should be treated as part of the general government unit that controls them.

8. Local governments comprise 10 district councils (DCs), 6 urban councils (UCs), and 12 landboards. While the DCs and UCs are under the oversight of the Ministry of Local Government and Rural Development, the landboards are overseen by the Ministry of Lands and Housing. The majority of local government activities take place through the DCs and UCs—reportedly, the landboards execute only approximately 10 percent of local government fiscal activities. Consolidated data for the operations of all local governments are currently available only for the 2011/2012 year. While some financial statements and audit reports of these units were provided to the mission, these are generally also outdated and could not be used to compile data for SDDS purposes. Due to their relevance, this mission proposed to first focus efforts to collect data on the DCs and UCs (see paragraph 20).

9. Botswana implemented the Enhanced General Data Dissemination System (e-GDDS) in January 2016 and the actual GFS data that they currently disseminated on the National Summary Data Page (NSDP) cover only the consolidated and development fund of the budgetary central government. These data are presented in the *Government Finance Statistics 2014 (GFSM 2014)* framework, but are compiled from source data that are using *A Manual on Government Finance Statistics, 1986 (GFSM 1986)* framework. These data do not include the revenue and expense data for the special funds and extrabudgetary units of the central government. It is currently assumed that the net positions of the special funds are captured in the category 'other financing,' that are calculated as a residual item in financing of government. These funds/units need to be identified, analyzed and data compiled for them should be fully consolidated so that their revenue and expenditure are added to that of the

central government budgetary operations—this will complete the coverage of the consolidated central government.

***Recommendations:***

- *Establish an inclusive sector classification working group that could regularly meet to investigate, agree, and update the sector classification of the public sector units—publish such lists so that these classifications are available to the public and users of the data.*
- *Collect the detailed data of the special funds so that these could be analyzed and the data be consolidated with that of the budgetary central government.*
- *Collect detailed data for the parastatals so that these could be analyzed to firstly determine their sector classification, and the data then be appropriately consolidated with that of the general government sector and the public corporations, respectively.*

**III. BUDGETARY CENTRAL GOVERNMENT DATA REPORTED**

10. Starting in January 2016, monthly data on the finances of the budgetary central government are reported on the NSDP in line with the e-GDDS initiative. These monthly cash-flow data are used for dissemination in the *International Financial Statistics*, and for surveillance by AFR. Currently, *Government Finance Statistics Yearbook* data are not reported as a separate dataset, but are calculated as the sum of the monthly data. The mission confirmed that these monthly and annual data are indeed fully consistent since it is derived from actual administrative source data.

11. The national presentation of data for budgetary central government broadly follows *GFSM 1986*. While the source data can be bridged to the *GFSM 2014* framework at an aggregated level, some deficiencies in classification exist due to lack of detail in the current national presentation of data. These deficiencies result from the source data lumping together various types of transactions in the category ‘pensions, gratuities and compensations’ and ‘grants, subventions and other payments.’ The result of this deficiency is that several economic classifications cannot be distinguished, such as government contributions to pension funds; employment-related social benefits; social assistance benefits; grants to other levels of government; transfers to corporations (subsidies, capital transfers and equity injections); and other transfers to nongovernmental organizations. Another consequence of the lack of detail is that data would not allow the identification of transactions that are subject to consolidation in the consolidated central government accounts and the general government accounts.

12. Staff at the MFDP and accountant general office collaborated on creating a ‘dump file’ from the accounting system that contains all the detailed accounting entries for expense. This data was converted to an Excel file, and using pivot tables it was possible to isolate all the items that relate to the two categories of expense. The mission was able to classify all the

items in the ‘pensions, gratuities and compensation’ to the appropriate *GFSM 2014* data categories. Therefore, the NSDP data can now be enhanced with separate reporting on social contributions (government contributions to the government employee pension fund), social assistance benefits (old age pensions and pensions to World War II veterans), and employment-related social benefits (including all kinds of gratuities, legacy payments to employees not participating in the current pension system, etc.). A similar approach can be used to classify the ‘grants, subventions, and other payments’ item to derive the subsidies, grants to other government units and international organizations, capital transfers, and transfers to nongovernmental organizations. Due to the number of items and time constraints, this classification was not completed—the mission will continue to work with the staff in MFDP to complete this classification.

13. Details on the economic classification of Development Budget are currently not available from the national presentation of source data. Development expenditure as reported in national source data is currently divided between current and capital expenditure. The capital component is bridged to the acquisition of nonfinancial assets. This practice was adopted due to the lack of detailed source data on the economic nature of these expenditures and under the assumption that spending from this budget is primarily for the purpose of asset acquisition. The mission was able to determine that various types of spending are being financed from the development budget. These would include spending on projects of a social nature, such as HIV awareness campaigns, transfers to public corporations to recapitalize them or put them in a position to acquire assets, as well as projects to develop infrastructure. Moreover, it was confirmed that some acquisition of assets could also occur from the recurrent budget, notably the replacement of vehicles and equipment that are not associated with new development projects. It could therefore be stated that the identification of the acquisition of nonfinancial assets in the current bridge tables is not a reliable indicator and require some additional work. While the mission investigated the possibility to use the ‘dump’ file approach to identify the economic nature of the items, it was found that this procedure cannot be applied equally successful to the development expenditure. The data captured in the development budget are not classified according to economic nature but by project—the format of the source data therefore does not allow classification according to economic nature.

14. The mission attempted to identify at least the large transfer to the public corporations from the development budget. The MFDP Director Development Programs was able to identify the parastatals that received large transfers during recent years. The mission was able to determine that these transfers are reported as “*name of entity*” finances in budget documentation. The mission will continue to work with staff to try to identify the equivalent amounts in the actual data contained in the ‘dump’ files. In addition, in collaboration with the PFM mission an interim solution for this problem was agreed with the accountant-general’s office (paragraph 26).

**Recommendations:**

- *Add the detailed classification of the ‘pensions gratuities and compensation’ category to the NSDP source data, bridge these data to the GFS presentation and report the detailed data on the Open Data Platform.*
- *Continue to collaborate with staff at headquarters to complete the classification of the ‘grants, subventions and other payments’ to allow bridging to the appropriate economic classification categories.*
- *Collaborate with staff at the Accountant General’s office to deploy an interim solution to identify the economic nature of the development budget expenditure.*

15. The mission identified some improvements that could be made to the assignment of tax revenues. In principle taxes should be assigned and reported as such by the government unit that: exercises the authority to impose the tax and has final discretion to set and vary the rate of the tax. Therefore, where an amount is collected by one government for and on behalf of another government and the latter government has the authority to impose the tax—then the former is acting as an agent for the latter. The full amount of taxes raised is assigned as tax revenue of the government on whose behalf the collection was made. In addition, any amounts retained by the collecting government as a collection charge should be recorded as a payment for a service classified as the relevant category of sales by the collecting agent. Any amounts retained by the collecting agent under a tax-sharing agreement should be recorded as current grants receivable by the collecting agent (with a counterpart entry in current grants payable by the principal.)

16. The BURS collects a wide range of taxes on behalf of the budgetary central government. Currently, the net amount of taxes transferred to budgetary central government is reported, after the deduction of a percentage of collections retained by BURS. The amount retained is calculated according to law as 2 percent of all tax revenue collected. This practice is leading to an underestimation of total tax revenue of the budgetary central government. These amounts should be reassigned to be tax revenue of the budgetary central government, with a counterpart entry made in sales or grants to extrabudgetary units. While this correction does not impact the deficit, it has an impact on the level of tax revenue and expense, obscures a fiscal flow between levels of government, and underestimates the tax burden by the amount of the retained tax collections. Similarly, the reassignment of the collection of taxes related to the alcohol levy and the fuel levy assigned to respectively the Levy on Alcoholic Beverages and the Motor Vehicle Accident Fund may be needed. Some of the revenue sources of the other Special Funds may be subject to the same issue and need to be further investigated.

**Recommendation:**

- *Review and revise the assignment of tax revenue of BURS, the Special Funds, and parastatals as needed.*

17. Source data to complete the Classification of the Functions of Government (COFOG) are available from the Budget documents. These data are manually compiled by investigating government projects using the *GFSM 1986* functional categories. These data are broadly sufficient to allow high level bridging to COFOG, with the exception of data on the Environmental Protection Function—although the government functions related to ‘Conservation and Wildlife’ are identified as a subcategory of ‘Other Community and Social Services.’ However, it is not clear to what extent this function captures all expenditure related to the Environmental Protection Function. The mission illustrated how the Budget data could be bridged to the COFOG categories, while the identification of the Environmental Protection Function (705) and identification of some sub-functions should be considered in the new PFM and accounting reforms.

***Recommendations:***

- *Compile and report the annual COFOG tables for the historical time series, using the data available from the budget.*
- *Ensure that the PFM and accounting reforms automate the compilation of COFOG data and include the new category for Environmental Protection in the classification structure.*

18. The mission reviewed to possibility to use available data in Financial Statements and Budget documents to compile financial balance sheets. The mission found some discrepancies in the data on certain assets and liabilities reported in the various documents, including differences in amounts reported as development loans. Some of these differences can possibly be ascribed to differences in coverage of the data. However, the mission provided guidance to counterpart staff on how to investigate these discrepancies in order to reconcile the data.

19. At the request of the office of staff of the Accountant General’s office, the mission met with the deputy Accountant General to discuss and advise on some specific other methodological issues. These issues relate to the recording of

- Acquisition of financial assets: In the past (the Office of the Accountant General cannot determine the exact date when the shares were bought), the Botswana Government bought shares in the Botswana Building Society to the value of approximately 117 million Pula. The issue is that this investment has never been recorded in the Botswana Government accounts. Therefore, the cash balance of the consolidated fund was not adjusted to reflect the reduction in the cash financial assets. However, the investment in Botswana Building Society is shown as an asset in the Botswana Privatization Asset Holding Limited, an SPV of the government. The financial assets of government had just been moved from financial instrument to another instrument in another account. Therefore, the accounting system of investment is still shown in the cash balances. Also, in statistical reporting, the mistake will be corrected in the year in which it occurred. However, in the accounting

system, the correction should be made in the current year reporting by reducing cash with a counterpart entry in the *GFSM 1986* category for net lending, with a footnote indicating that this entry is a correction of a transaction incorrectly recorded in previous accounting periods.

- Conversion of debt instruments: During 2010, the government of Botswana sold shares in Anglo to the value of 1.2 billion Pula. The proceeds from this sale were recorded as revenue of government at the time of the sale. Subsequently, these proceeds were invested in shares of De Beers, but the acquisition of the latter shares was never appropriated in the accounting system of government. Again, these amounts are still carried as part of the balance on cash and deposits. The mission advised that these sale proceeds were incorrectly classified as government revenue, and would be reflected as transactions in financial assets. However, since the accounting system cannot make corrections in the past, a similar transaction in net lending should be recorded to eliminate the amount from the cash balances of government. Again, the note disclosure should alert users of the data that this transaction is a correction of a previously reported omission.
- Privatization proceeds: More recently, 49 percent of the Telecommunications Corporation has been privatized. The Auditor General's Office wanted to discuss how they should go about recording the privatization proceeds. After indicating to them that these proceeds should be reflected as the sale of financial assets (negative net lending in the *GFSM 1986* framework), it was revealed that the proceeds were not received but were reportedly retained in the corporation. The mission explained the principle of partitioning, indicating that the privatization should be recorded in two steps. First, the proceeds should reflect the disposal of the asset (negative net lending) and then a capital transfer of equal amounts should be recorded as an expense to the public corporations that retained the proceeds of financial assets. A portion of these shares were transferred to a trust account for the benefit of employees. The administrative arrangement around these transfers is still under discussion and the appropriate recording of these will only be determined once agreement on how these transfers will occur is reached.
- Debt forgiveness: Instances were discussed where the Botswana Government extended debt forgiveness of loans to its public corporations in return for additional equity. The mission discussed the treatment of debt forgiveness in the *GFSM 1986* framework as well as in the *GFSM 2014* framework. Since government accounts are still produced on a cash basis, these transactions are currently not recorded, but the authorities were advised to keep a record of these transactions so as to build institutional records of transactions with public corporations. It was noted that these public corporations use International Financial Reporting Standards in their accounting and therefore would account for these transactions appropriately.

***Recommendations:***

- *Investigate the discrepancies in financial asset and liabilities data reported in various reporting formats.*
- *Consider the methodological advice provided by the mission to correct the accounting entries for various transactions.*

**IV. LOCAL GOVERNMENT DATA**

20. GFS data for local governments are not currently being compiled and access to source data for local governments remains a challenge. While the oversight of local authorities is vested with the Ministry of Local Government and Rural Development and the Ministry of Lands and Housing respectively, the mission was not able to locate a comprehensive source of timely local government data. While all local governments are required to submit their annual financial statements and quarterly abstract reports on their finances, the timeliness of these data need to be improved to be able to use such data as a source for GFS compilation. Also, the data used by Statistics Botswana to compile the general government sector of the national accounts seems to be lacking sufficient data to allow GFS compilation.

21. In spite of the lack of timely local government data, the mission used a quarterly abstract of local government finances as at December 2012 to illustrate how the data could be used in the compilation of GFS. This cumulative quarterly data, for each local DC and UC could be processed as follows to derive the data for operations, and the balancing net lending/net borrowing:

- Cumulative data need to be converted to quarterly flows, when data for the whole series become available;
- Using statistical methods, the detailed classifications for a DC can be calculated using the average allocation of the other councils, or the average trend over time could be used to the allocation;
- Data for all the DCs and UCs were aggregated since the mission was assured that intra local government transactions rarely occur;
- GFS classifications were assigned to each line item, and these were transferred to a GFS table using formulas; and
- Since these abstracts contain only data on own revenue, the transfers from central government need to be added to the analysis to derive the balancing items.

22. Data for the financing of local governments are not available from the abstract of accounts. However, on an annual basis, financial statements for the respective local governments contain a full set of accounts including a balance sheet. These could potentially be used to supplement the data from the abstracts. Unfortunately, the timeliness of these



financial statements does not allow for their use in regular compilation of local government data.

23. The mission met with representatives of Ministry of Local Government and Rural Development and Statistics Botswana. The meetings discussed the cumulative income and expense data of the Botswana DCs and UCs for the period April to December 2012. The nine months of Council data was the most recent data in possession of the MFDP—a regular flow of these data to the MFDP is yet to be established. The mission also met with Statistics Botswana to discuss the data for local governments used in the compilation of national accounts. It was indicated that the UC and DC data are available on a monthly/quarterly basis and the data are received in about 3–6 months after the reference period. No data concerning the landboards are currently available. These data are reportedly included in the local government data of Statistics Botswana.

24. Using the cumulative income and expense data of the Botswana DCs and UCs for the period April to December 2012, the mission illustrated how these data could be bridged to *GFSM 2014* framework. In reviewing these own receipts and payments of the local councils some data gaps were identified and some items were clarified. For some items there was no data reported for many councils—it is not clear to what extent these items are not received by these councils, or to what extent some classification issues may exist at the source data reporting level. For example, only two councils reported expenses on water charges—public/pipe. There are some expense classifications that potentially include a mixture of expense and acquisition of nonfinancial assets. There are reportedly no transactions that occur between councils which mean no consolidation of council data is required for GFS—however, should such transactions occur, these need to be identified and will be subject to consolidation. The mission also compiled a list of clarifications on which the GFS classifications were based.

***Recommendations:***

- *Collect the monthly/quarterly data for DCs and UCs and compile the operations data for local authorities for at least three years.*
- *Establish regular flows of data from the Ministry of Local Government and Rural Development on a timely basis.*
- *Firm up on source data for the transfers to local governments and financing of local governments and add these to the operation data.*

**V. PUBLIC FINANCIAL MANAGEMENT REFORMS**

25. Botswana has embarked on an extensive PFM reform program with the technical assistance (TA) of AFRITAC South. Various working groups were established, one of them being a working group on Accounting and Reporting. This working group was among other things concerned about improving the classifications of the SCOA for Botswana. The STA

mission collaborated with AFRITAC South to identify the segments that a new SCOA would require to facilitate GFS compilation. While all parties involved agreed that the *GFSM 2014* should be the basis for the economic classifications, the STA mission pointed out some omissions from the segments of the SCOA:

- The proposed segments do not make provision for the identification of the COFOG. These classifications should usually be made at the level of the projects of programs since administrative structures of government are not sufficient to make an accurate classification.
- The proposed segments do not make provision for the identification of the recipient counterpart sector. In the current chart of accounts (COA), these are identified as part of the account name. Omission of this segment in the new SCOA will not allow the identification and aggregation of counterpart transactions to be used in consolidation.

26. With regards to the current COA, both the recurrent and development expenditure of the central government contains a mix of current and capital expenditure items that are not clearly identified. These categories are determined at account description level and in particular the development expenditure account descriptions identify projects rather than economic nature of items. As an interim measure, it was agreed that the Office of the Accountant General will duplicate the economic classification structure in use for recurrent expenditure, for development expenditure starting in 2017, while the new SCOA in the reformed accounting system will clearly identify economic nature of all items as well as the association with programs and projects. It is expected that the new SCOA will not be in use before 2019/20—therefore, the interim measure will help to improve the need for reporting on subsidies and transfers included in the development expenditure.<sup>2</sup>

***Recommendations:***

- *Implement the interim solution to duplicate the economic classification structure for recurrent expenditure for development expenditure.*
- *Consider the inclusion of COFOG and counterparty identifications in the segments of the SCOA to allow electronic compilation of these data and to allow consolidation.*
- *Consult with STA when developing the details of the economic and functional classification of revenue and expense to ensure compliance with GFSM 2014 reporting requirements.*

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<sup>2</sup> For the reference to documents on the COA issues, see footnote 2.

## VI. CONSISTENCY OF GFS AND OTHER MACROECONOMIC DATA

27. The mission compared and reconciled the annual actual data as reported in the Budget<sup>3</sup> documents with the sum of the monthly data reported on the NSDP. The revenue data in the two reports reconcile fully. The only difference between the two reporting formats is rightfully the sales of property (classified in the *GFSM 1986* budget framework as revenue while reported as sale of nonfinancial assets in the NSDP). Therefore, there is no difference in the net lending borrowing reported in the two documents.

28. Some discrepancies were identified in the data reported on financing. Of these, the most notable was the NSDP data on change in cash balances that are currently reported with an inverse sign and result in a large residual amount being reported as financing from acquisition of financial assets other than cash. Other inconsistencies in the amount reported as incurrence in liabilities for both domestic and external financing were identified. It was not possible to find the reasons for these discrepancies. While it could possibly be ascribed to differences in coverage and problems with mapping the data from the accounting system, some further investigation of these is required.

29. The mission also investigated the consistency of cash deposits reported by MFDP with the liabilities toward government reported in Monetary and Financial Data. While cash in transit and cash at hand are known differences, some unexplained differences may again be the result of potential differences in coverage of the data. Some further reconciliation of these data should be performed.

### ***Recommendations:***

- *Correct the invert conversion of the cash deposits data, and subsequently revise the data on the change in non-cash domestic financing data.*
- *Investigate the discrepancies in financial asset and liabilities data reported in various reporting formats and ensure consistency in coverage of the data.*

## VII. POTENTIAL SDDS SUBSCRIPTION

30. While the authorities reaffirmed the objective to subscribe to SDDS, some challenges remain. In the case of GFS, these challenges mainly result from finalizing the sector classification of the general government and public sector units, and the lack of timely source data on local authorities, special funds, extrabudgetary units, and public corporations. Moreover, the assignment of the responsibility to collect these source data and provide it to the GFS compilers, the institutional arrangements, and the format in which source data should be presented should be formalized. Resolving the issues related to the availability of source data is a critical success factor in moving toward SDDS subscription.

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<sup>3</sup> As reported in *Financial Statements, Tables and Estimates of the Consolidated and Development Funds 2016/2017*.

**Recommendations:**

- Agree on the assignment of responsibilities for making the respective sets of source data for the various subsectors available.
- Enter into memorandum of understandings with the respective source data providers to ensure the timely delivery of source data in an agreed format.

**VIII. MIGRATION PLAN FOR IMPLEMENTING GFSM 2014****PROJECT OBJECTIVES**

Objective	Verifiable Indicators	Target Date	Completion Date	Assumptions
Assist the authorities of the MFDP to further improve the collection, compilation, and dissemination of subannual and annual GFS aligned with international guidelines.	Improving dissemination of annual consolidated general government GFS and summary high frequency central government data to AFR and STA, including for dissemination through the GFS database.	2020		The necessary technical support is made available to the MFDP on a timely basis.

**PROJECT OUTPUTS**

Priority	Outputs	Verifiable Indicators	Target Date	Completion Date	Assumptions/ Implementation Status
High	Develop a comprehensive list of institutional units for use in compiling GFS as well as other macroeconomic statistics.	Provide STA with a finalized institutional list showing the composition of central/general government units, as well as the public nonfinancial corporations and (as relevant) the public financial sectors.	June 2016		Reference to the Institutional Table and more detailed listing of entities (Excel file) and the <i>GFSM 2014</i> guidelines on sectorization should inform this key task. The resulting list should be agreed with other producers of macroeconomic statistics in Botswana.
High	Review and revise as needed the monthly budgetary central government time series.	Time series (2000–14) provided to STA for inclusion in the GFS database and disseminated on NSDP for e-GDDS fiscal sector dataset.	June 2016		Mission data outputs reviewed and endorsed by MFDP staff.
High	Compile the annual <i>GFSM 2014</i> budgetary central government COFOG data using the bridge developed during the mission.	Time series (2000–14) provided to STA for inclusion in the GFS database corresponding to <i>GFSM 2014</i> .	June 2016		Mission data outputs reviewed and endorsed by MFDP staff. Additional subcategories classifications could potentially be developed over time.
Medium	Investigate the discrepancies in financial asset and liability data reported in various formats.	Finalized financing and debt data, including for transactions in assets and liabilities.	August 2016		The availability of key staff in Accounting (general ledger) / Budget / Macro-Fiscal Policy / Treasury / Bank of Botswana along with adequate professional technical support.
Medium	Agree the assignment of responsibilities for the collection of	Formalized agreement on the flow and timeliness of data for local governments.	December 2016		Full collaboration and coordination of effort by all relevant parties.

Priority	Outputs	Verifiable Indicators	Target Date	Completion Date	Assumptions/ Implementation Status
	source data for local governments, and determine format of source data.				
Medium	Collect and compile monthly/quarterly and annual data for local governments with appropriate timeliness for use in fiscal analysis and management, macroeconomic data consistency, and publication in national and IMF presentations.	Draft time series (for at least three years) provided to STA for inclusion in the GFS database.	March 2017		Review of mission outputs for local government classification of operations and identify issues that may need further clarification with STA.
Medium	Collect and compile monthly/quarterly and annual data for extrabudgetary with appropriate timeliness for use in fiscal analysis and management, macroeconomic data consistency, and publication in national and IMF presentations.	Draft time series (for at least three years) provided to STA for inclusion in the GFS database.	March 2018		Initially focus on detailed source data for the largest of the extrabudgetary units—size should be measured against the size of transfer that they receive and those with significant own sources of revenue.
High	Ensure sufficient involvement in the PFM reforms to ensure alignment with international guidelines, international comparability and compliance with all user needs including for statistical reporting purposes.	Revised chart of accounts structure that accommodate all economic, functional and consolidation requirements of macroeconomic statistics.	March 2019		Collaboration and coordination of all parties involved is a critical success factor.

## IX. RESOURCES, TRAINING, AND TECHNICAL ASSISTANCE

31. Continued TA could potentially be provided as part of the Department for International Development-funded Enhanced Data Dissemination Initiative 2 GFS module. However, such assistance will be dependent on adequate demonstration of progress with implementing benchmark recommendations of the mission. In addition, at the request of the authorities some training needs could potentially be accommodated by conducting a country specific GFS and public sector debt workshop as part of the project. The next GFS TA

mission is tentatively scheduled for November 2016 (the MFDP to decide on preliminary preferred dates).

**Appendix I. List of Main Counterparts Met During the Mission**

<b>NAME</b>	<b>POSITION</b>
<b>Ministry of Finance and Development Planning: Office of Development and Budget</b>	
Mr. Olesitse Masimega	Deputy Secretary Budget Administration
Ms. Boineelo Peter	Director Budget Analysis and Debt Management
Ms. Seitebaleng Fologang	Chief Finance Officer
Mr. Joseph Williams	Finance Officer I – Cash Flow unit
Ms. Goitsemodimo Ramarinyaneng	Finance Officer II – Cash Flow unit
Mr. Mogotsi Motlhanjoe	Financial Officer I – Cash Flow unit
<b>Ministry of Finance and Development Planning: Office of the Accountant General</b>	
Ms. Grace Sekwababe	Assistant Accountant General – Accounts and Control
Ms. Mmopa Juma	Deputy Accountant General – Accounts and General Ledger
Ms. Jeanette Makgolo	Senior Assistant Accountant General – Compliance and Procurement
<b>Statistics Botswana</b>	
Ms. Boitumelo Matlhaga	Director – Economic Statistics
Ms. Ketso Kadzi Makhumalo	Manager National Accounts and Prices
Mr. Wistern Kabo	Statistician National Accounts and Prices
Ms. Phemelo Ntwayapelo	Statistician National Accounts and Prices
<b>Ministry of Local Government &amp; Rural Development</b>	
Mr. Dingiswayo Sikunyane	Deputy Director and Chief Financial Officer
Mr. Lot Bimbo	Principal Finance Officer II
Ms. Tendani Tshambani	Principal Finance Officer II

**Appendix II. List of Parastatals and their Parent Ministries according to MFDP**  
(as at end-April 2016)

<b>Ministry</b>	<b>No.</b>	<b>PARASTATAL</b>
Ministry of Transport & Communications (MTC)	1.	Air Botswana (AB)
	2.	Botswana Fibre Networks (BoFiNet)
	3.	Botswana Communications Regulatory Authority (BOCRA)
	4.	Botswana Post
	5.	Botswana Telecommunications Corporation Limited (BTCL)
	6.	Botswana Railways (BR)
	7.	Civil Aviation Authority Botswana (CAAB)
	8.	Botswana Savings Bank (BSB)
Ministry of State President	9.	Botswana National Productivity Centre (BNPC)
Ministry of Youth, Sports & Culture	10.	Botswana National Sports Council (BNSC)
	11.	Botswana National Youth Council (BNYC)
Ministry of Education & Skills Development	12.	Botswana Examinations Council (BEC)
	13.	Botswana Accountancy College (BAC)
	14.	Botswana College of Distance and Open Learning (BOCODOL)
	15.	Botswana Qualification Authority (BQA)
	16.	University of Botswana (UB)
	17.	Human Resource Development Council (HRDC)
	18.	Botswana International University of Science and Technology (BIUST)
Ministry of Trade & Industry	19.	Competition Authority (CA)
	20.	Botswana Gambling Authority (BGA)
	21.	Botswana Investment and Trade Centre (BITC)
	22.	Botswana Trade Commission (BOTC)
	23.	Citizen Entrepreneurial Development Agency (CEDA)
	24.	Companies and Intellectual Property Authority (CIPA)
	25.	Local Enterprise Authority (LEA)
	26.	Selebi Phikwe Economic Diversification Unit (SPEDU)
	27.	Botswana Development Corporation (BDC)
	28.	Botswana Bureau of Standards (BoBS)
Ministry of Finance & Development Planning	29.	Botswana Unified Revenue Service (BURS)
	30.	Bank of Botswana (BoB)
	31.	Botswana Accountancy Oversight Authority (BAOA)
	32.	Non-Bank Financial Institutions Regulatory Authority (NBFIRA)
	33.	Motor Vehicle Accident Fund (MVAFF)
	34.	Public Enterprises Evaluation and Privatisation Agency (PEEPA)
	35.	Botswana Institute for Development and Policy Analysis (BIDPA)
	36.	Public Procurement and Asset Disposal Board (PPADB)
	37.	Botswana Stock Exchange (BSE)



<b>Ministry</b>	<b>No.</b>	<b>PARASTATAL</b>
	38.	National Development Bank (NDB)
	39.	Botswana Institute of Chartered Accounts (BICA)
	40.	Statistics Botswana (SB)
Ministry of Infrastructure, Science & Technology	41.	Botswana Institution for Technology Research (BITRI)
	42.	Botswana Innovation Hub (BIH)
Ministry of Environment, Wildlife & Tourism	43.	Botswana Tourism Organisation (BTO)
Ministry of Agriculture	44.	Banyana PTY (Ltd)
	45.	Botswana Agricultural Marketing Board (BAMB)
	46.	Botswana Meat Commission (BMC)
	47.	Botswana Vaccine Institute (BVI)
	48.	National Food Technology Centre (NFTRC)
	49.	Botswana College of Agriculture (BCA)
Ministry of Minerals, Energy & Water Resources	50.	Water Utilities Corporation (WUC)
	51.	Botswana Power Corporation (BPC)
	52.	Mineral Development Company Botswana (MDCB)
	53.	Okavango Diamond Company (ODC)
	54.	Botswana Oil (BO)
Ministry of Lands & Housing	55.	Botswana Housing Corporation (BHC)