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**Joint Statement by Ms. Levonian, Ms. Kashima, Mr. Mochtar, Mr. Peter, Ms. Smith, Mr. Djokovic, Ms. Kikuchi, and Mr. Soe on Botswana  
(Preliminary)  
Executive Board Meeting  
May 27, 2021**

**Ms. Levonian, Ms. Kashima, Mr. Mochtar, Mr. Peter, Ms. Smith, Ms. Kikuchi, Mr. Djokovic, and Mr. Soe**

We thank staff for their useful reports, and Ms. Mannathoko and Ms. Basutli for their insightful buff statement. Botswana entered the current crisis with relatively strong buffers; however, the country has been confronted with structural challenges and negative external shocks. The authorities responded to the crisis with robust containment measures and targeted support to the vulnerable. The economic outlook suggests strong recovery supported by higher global demand for diamonds, increasing mobility, and expansionary fiscal policy. However, the prolonged pandemic and recent surge in positive cases could derail the recovery progress and impede the expected growth. **Against this backdrop, we broadly agree with staff’s recommendations and appraisal and would like to highlight the following.**

**We commend the authorities on their countercyclical fiscal policies to contain the negative impact of the pandemic and limit social scarring, while preserving fiscal sustainability.** We encourage the authorities to sustain support to the most vulnerable until the recovery takes hold more firmly. Going forward, we underscore the vital role of fiscal reforms to address emerging fiscal risks and buttress planned fiscal consolidation. We welcome authorities’ proposed policies to bolster the recovery, strengthen growth potential and improve fiscal sustainability. We support the strategy to enhance revenue mobilization, including levies on fuel, sugar, and plastic bags. These measures, combined with expenditure policies such as containing the wage bill and reducing non-priority spending, should assist in rebuilding buffers and freeing up resources for investment. *In this context, we welcome staff’s comments on the timing of the VAT increase planned for FY2021, balanced with the effort to support recovery. Are any social safety nets proposed to mitigate the impact on the poor?*

**We concur with staff’s recommendation that the authorities should expedite financial sector reforms while remaining vigilant to upcoming risks.** Notwithstanding, the well capitalized and liquid commercial banks, the possibility of rising NPLs after the expiration of the debt moratorium, together with pre-existing structural vulnerabilities, could heighten macro-financial risks. While the authorities highlight that Botswana maintains a low household credit to GDP ratio and that default risks are low since most household credit is issued to public sector employees, we share staff’s view that the macroprudential policy stance should be strengthened and the sector closely monitored, anticipating the risks.

**We encourage the authorities to sustain their efforts to further develop the financial system, including through strengthening their regulatory and supervisory frameworks as well as employing technology to increase efficiency and inclusiveness.** To this end, the reforms made to the National Payment System and the finalization of bills related to the credit information and collateral framework are welcomed. The authorities’ progress with strengthening the overall AML/CFT framework—with a view to minimize pressures on correspondent banking relationships—are also commendable and should continue. Further, we agree with staff that a coordinated approach to deepen domestic bond markets, as well as measures to crystalize the role of development banks and improve their supervision, governance, and accountability, will help strengthen the financial system.

**To accompany the authorities’ direct support to the most vulnerable, we encourage them to also strengthen the relief measures to address the resurgence of unemployment and poverty.** We note with concern that the unemployment rate is approaching 25 percent and youth unemployment climbed above 30 percent. In this regard, we underscore the importance of applicable social protection and labor (SPL) policies to deal with heightened inequality. *We are interested to hear staff’s comments on the possibility of these arrangements.* We are hopeful that policies within the Economic Recovery and Transformation Plan (ERTP), including the transition to a greener economy, will benefit the livelihoods of the poor working in agriculture, tourism, and mining sectors. In this context, *we also wonder whether there are policies targeted to support women and youth?*

**Advancing structural reforms to strengthen competitiveness and promote diversification is imperative.** This would improve the economy’s resilience, increase access to global markets, enhance public service efficiency, boost transparency and accountability, as well as support the creation of new jobs. To this end, we support the authorities’ accelerated transition to a digital economy. We also take positive note of the authorities’ progress with climate action, including the parliament’s approval of the climate change policy in April 2021, and measures to reduce dependence on carbon-intensive energy sources and enhance its climate resilience.

**Lastly, we commend staff on the inclusion of a comprehensive capacity development strategy within the report, which should prove very helpful to the authorities.**