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MASTER FILE

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EBD/85/21

January 16, 1985

To: Members of the Executive Board
From: The Secretary
Subject: Botswana - Exchange Arrangements

There is attached for the information of the Executive Directors a paper on a change in the exchange arrangements of Botswana.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Botswana--Exchange Arrangements

Prepared by the African Department and the Exchange
and Trade Relations Department

(In consultation with the Legal Department)

Approved by Mr. A.D. Ouattara and Mr. S. Kanesa-Thanan

January 15, 1985

In the following communication received by the Fund on January 10, 1985 the Bank of Botswana has notified the Fund of a devaluation of the pula by approximately 15 percent with effect from the close of business on January 9, 1985. At the same time, the weight of the rand in the pula basket has been increased from 50 to 75 percent. Since June 2, 1980 the pula had been pegged to a basket of currencies consisting of equal weights for the SDR and the South African rand.

The authorities of Botswana had previously devalued the pula by 5.1 percent on July 7, 1984, but the pula had since appreciated in real terms. In view of Botswana's need to maintain the external competitiveness of its economy, the staff considers that the above-mentioned exchange rate action is a welcome development. A staff team will be visiting Gaborone shortly to conduct the 1984 Article IV consultation discussions with Botswana, and the staff reports of those discussions will include, inter alia, an appraisal of exchange rate policies.

INTERFUND
WASHINGTON, D.C.

DECEMBER 10, 1984

THE BANK OF BOTSWANA IN CONSULTATION WITH THE MINISTRY OF FINANCE AND DEVELOPMENT PLANNING HAS DEVALUED THE BOTSWANA PULA BY APPROXIMATELY 15 PERCENT WITH EFFECT FROM THE CLOSE OF BUSINESS ON JANUARY 9, 1985. AT THE SAME TIME, THE OPPORTUNITY HAS BEEN TAKEN TO INCREASE THE WEIGHT OF THE RAND IN THE PULA BASKET. THE NEW RAND WEIGHTING IS 75 PERCENT, COMPARED TO THE PREVIOUS 50 PERCENT.

D.J. HUDSON