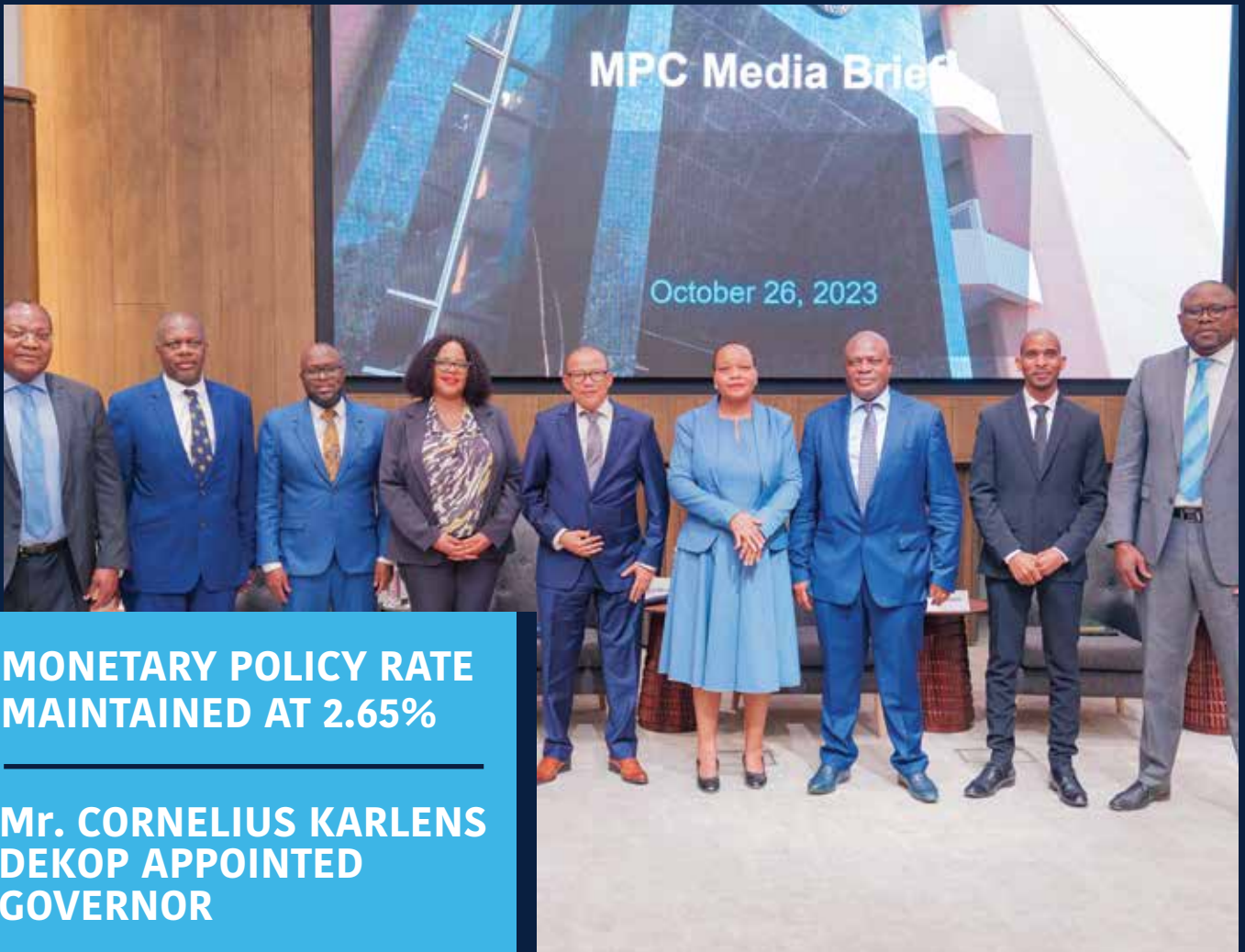




BANKNOTES

Official Newsletter of the Bank of Botswana

ISSUE 18 | NOVEMBER 2023



**MONETARY POLICY RATE
MAINTAINED AT 2.65%**

**Mr. CORNELIUS KARLENS
DEKOP APPOINTED
GOVERNOR**

**THE OFFICIAL OPENING OF THE
BANK OF BOTSWANA HEADQUARTERS
BUILDING AND PULA THEBE
COMMEMORATION**

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VISION

The **Bank of Botswana (the Bank)** aspires to be a world-class central bank with the highest standards of corporate governance and professional excellence.

MISSION

The Mission of the Bank is to contribute to the sound economic and financial wellbeing of the Country. The Bank seeks to achieve and maintain:

- Price stability;
- A safe, sound and stable financial system;
- An efficient payments mechanism;
- Public confidence in the National currency;
- Sound international financial relations; and to provide:
- Efficient banking services to its various clients; and
- Sound economic and financial advice to Government.

VALUES

The following core values underpin the manner in which the Bank conducts business, as well as maintains its relations with all stakeholders.



MUTUAL TRUST AND RESPECT



EXCELLENCE



GOOD GOVERNANCE



INTEGRITY



OPENNESS AND TRANSPARENCY

Editor's Notes



It is an absolute pleasure to welcome you to the Banknotes newsletter Issue Number 18, the last issue of the year, which offers various articles on key events and activities that took place during the last half of the year.

This Issue takes the reader through, amongst others, the Official Opening of the redeveloped Bank Headquarters Building and commemoration of the Pula Day, officiated by His Excellency the President of the Republic of Botswana, Dr. Mokgweetsi Eric Keabetswe Masisi on August 23, 2023, as well as appointment of the Bank of Botswana Governor, Mr Cornelius Karlens Dekop.

In addition it was during this year, that the Bank conducted a highly interactive media workshop to enhance the media's understanding of monetary policy and related financial concepts. The workshop was attended by financial journalists and business editors.

Furthermore, the Issue carries the reader through the Monetary Policy Rate (MoPR) decision, taken at the Monetary Policy Committee (MPC) meeting of October 2023, which saw the MoPR maintained for the fifth consecutive time since February 2023. In this Issue, readers will also appreciate the composition of the MPC, learn about the highlights of the 2023 Economic Briefings, the International Open Access Commemoration and the 45th Association of African Central Banks (AACB) Meeting and 2023 MEFMI Governors Forum.

Enjoy the read!

Mareledi Selabe
Editor

EDITORIAL TEAM



Editor
Mareledi Selabe



Sub Editor
Lerato James



Contributor
Thato Mokoti



Managing Editor
Dr. Semaogano Mosanako

Gaborone Headquarters

17938, Khama Crescent, Gaborone, Botswana

Private Bag 154, Gaborone, Botswana

(+267) 360 6000

Francistown Branch

9597, Thapama Circle, Francistown, Botswana

Private Bag F212, Francistown, Botswana

(+267) 241 0450, 240 0400

A close-up portrait of Mr. Cornelius Karlens Dekop, a man with short hair and glasses, wearing a blue suit jacket, a white shirt, and a patterned tie. He is smiling slightly. The background is a blue wall with the Bank of Botswana logo and the text "Bank of Botswana" partially visible.

Mr. Cornelius Karlens Dekop

Appointed Governor



The President of the Republic of Botswana, His Excellency Dr. Mokgweetsi Eric Keabetswe Masisi, has appointed Mr. Cornelius Karlens Dekop to the position of the Governor of the Bank of Botswana (the Bank) with effect from October 21, 2023.

The Bank is pleased to welcome Mr. Cornelius Karlens DeKop as the Governor of the Bank of Botswana effective October 21, 2023. Mr Dekop was appointed by the President of the Republic of Botswana, His Excellency Dr. Mokgweetsi Eric Keabetswe Masisi, in accordance with the requirements of Section 13 of the Bank of Botswana (Amendment) Act, 2022, which empowers the President, in consultation with the Minister of Finance, to appoint a Governor of the Bank, who shall be a person of recognised experience in economics and financial matters. The Governor shall be appointed for a term not exceeding five years and shall be eligible for re-appointment for a further term not exceeding five years.

Mr. Cornelius Dekop brings a wealth of experience to the Bank. He is a former Executive Director of the African Development Bank (AfDB) and African Development Fund, where he represented the Southern Africa Group 1 Constituency from August 2019 to July 2022.

In this role, Mr. Dekop played a dual role of providing oversight, duty care, and accountability for the governance and performance of the AfDB whilst also representing the interests of the Constituency.

He had previously served as an Alternate Executive Director, from 2014 to 2019. Mr. Dekop has had an illustrious career in the public service. He was Secretary for Development Programmes and Budget from August 2011 to March 2018, at the then Ministry of Finance and Development Planning, where he served as the chief advisor to Government on national development planning and the national budget. Moreover, he has served in a similar executive position as Permanent Secretary, Ministry of Mineral Resources, Green Technology and Energy Security in April 2018 - July 2019, where he was the chief executive

Mr Cornelius Dekop is a former Executive Director of the African Development Bank (AfDB) and African Development Fund, where he represented the Southern Africa Group 1 Constituency from August 2019 to July 2022. In this role, Mr Dekop played a dual role of providing oversight, duty care, and accountability for the governance and performance of the AfDB whilst also representing the interests of the Constituency.

officer to the Ministry, Government overseer and advisor on mineral and energy policy development and regulator in the country. His earlier career roles were in the field of economic planning.

Mr. Dekop has experience in overseeing prudent management of financial resources, ensuring transparent budgeting process, accounting for financial resources by meeting accounting and reporting standards, budget execution according to set rules including procurement rules, and ensuring proper oversight function through an audit function. He has extensive experience in dealing with

Financial Action Task Force (FATF), gained through his involvement in the establishment of the Financial Intelligence Agency (FIA) where he gained knowledge of how to protect the international financial system by upholding the FATF standards through development of appropriate risk based policies, legislation, and action plans. He has served on various Boards as a chairman and member including membership to professional bodies. He is also a member of the Institute of Directors of South Africa (IoDSA), since 2018.

Mr. Dekop holds a Master of Arts Degree in Development Economics (1992) from Williams College, USA and Bachelor of Arts in Economics and Statistics (1989), from University of Botswana.

Regarding professional development, Mr. Dekop has received executive education in leadership skills from Harvard University, Kennedy School, Harvard University Law School, the University of Chicago Booth School of Business, Singapore Civil Service College and Botswana Public Service College.

The Bank of Botswana Board, Management, and Staff look forward to his valuable contributions towards organisational leadership of the Bank and attainment of its price and financial stability mandates.

Bank of Botswana

Host Media Training

As an important stakeholder, on November 13, 2023, the Bank of Botswana, through the Corporate Management Services Department, in collaboration with the Research and financial Stability Department, conducted a media engagement workshop. The highly interactive workshop was attended by financial journalists and business editors from various media platforms such as print, broadcasting and digital.

The overall objective of the workshop was to enhance understanding of monetary policy and financial concepts among reporting journalists, with a view to improve accuracy of reporting on the Bank's overall financial and economic issues. This also included the simplification of technical economic and financial terms used in the delivery of Bank messages, with specific reference to Monetary Policy Statement, Monetary Policy Reports, and related policy decisions.

In his opening remarks, Deputy Governor Dr. Tshokologo Alex Kganetsano emphasised the importance of the workshop stating that the media plays a vital role in disseminating information about the central bank, its mandate and activities to the wider public. "Communication has become an important monetary policy tool. This is because the markets, and the public have to understand what the central bank is saying. What we say, as the central bank, can influence markets and economic developments in one direction or the other, off course not forgetting people's lives," said Deputy Governor Dr. Kganetsano.



Bank of Botswana officials with financial journalists and business editors.

The Deputy Governor went to state that, communication needs to be clear and consistent, emphasizing that the message communicated has to serve the purpose it was intended for. He further emphasised that communication between the Bank and the media must be clear and understandable to allow the media to transmit the same information to the public and the financial markets, further indicating that, this in turn facilitates the transmission of central bank policy.

In outlining the objectives of the workshop, the Head of Communications and Information Services, Dr. Seamogano Mosanako emphasised the importance of communication in explaining the role of the central bank and how communication can be used to build and protect the Bank's reputation and integrity. In emphasising this, Dr. Mosanako noted that communication is critical in fostering transparency and accountability among others. She further appreciated the importance of the media in partnering with the Bank as a driver in disseminating information. She however noted that, there seems to be limitations within the local media when reporting about the Bank, stating that in most instances, information reported can be inaccurate, especially on the Bank's mandate and its operations which in turn may mislead the public. She indicated that such reporting may trivialise the otherwise important information.

Presentations included those by Manager, Public Education, Ms. Gaone Motsumi, who gave a brief overview of the Bank, its mandate, role and functions. This was followed by a presentation by Deputy Director, Research and Financial Stability Department, Mr. Thato Mokoti, on Monetary Policy frameworks and models. Principal Economist, Research and Financial Stability Department, Ms. Bokhana Motshewa deliberated on the role of the Monetary Policy Committee, and the decision making framework. Principal Economist, Dr. Mbakile Seabe's presentation unpacked the Monetary Policy Statement and provided a review and analysis of a sample statement. Dr. Seabe urged the media to stay abreast with the latest monetary policy news, such as benchmarking with other central banks around the world.



Opening Remarks by Deputy Governor Dr. Tshokologo Alex Kganetsano.



Engaging the media on the workshop objectives and expectations, Head of Communications and Information Services, Dr. Seamogano Mosanako.



Presenting on the Bank's mandate and role, Public Education Manager, Ms. Gaone Motsumi.



Explaining Monetary policy frameworks and narrowing it to Botswana Model, Deputy Director, Research and Financial Stability Department, Mr. Thato Mokoti.



Presenting on Monetary Policy Committee, its roles and deliberations, Principal Economist, Research and Financial Stability Department, Ms. Bokhana Motshewa.



Unpacking the Monetary Policy Statement through review and analysis of one of the Monetary Policy Press Statements, Principal Economist, Research and Financial Stability Department, Dr. Mbakile Seabe.

The Director, Research and Financial Stability Department, Mr. Innocent Molalapata, led the session on the use of financial and economic technical terms.

He further assisted the curious and engaging journalists to unpack the most commonly used technical terms by the Bank on its publications, amongst others, the Monetary Policy Report, Business Expectations Survey, Annual Report and the Banking Supervision Report.

Deputy Governor, Dr. Kealeboga Masalila, Director, Financial Markets, Mr. Lesego Moseki, Deputy Director, Prudential Authority and Payments Oversight, Mr. Joshua Sibonge, also participated and responded to questions from the media.

In his closing remarks, Director, Corporate Management Services Department, Mr. Joe Selwe thanked the media for attending the workshop in large numbers. He indicated that efficacy of policy is enhanced when more people understand, which in the end will allow for better news reporting. In his appreciation remarks on behalf of the media, BTV news reporter, Mr. Mojadi Mokibelo thanked the Bank for having organised such a workshop and noting the media as an important stakeholder who the Bank relies heavily on for information dissemination. He requested the Bank to consider organising the workshop annually as it could go a long way in improving the journalists understanding of financial and economic issues.



Engaging the media on the Banks' mandate, and Monetary Policy, Deputy Governor, Dr. Kealeboga Masalila.



Presenting on frequently used Monetary Policy technical terms by Director Research and Financial Stability Department, Mr. Innocent Molalapata.



Responding to media questions, Director, Financial Markets, Mr. Lesego Moseki.



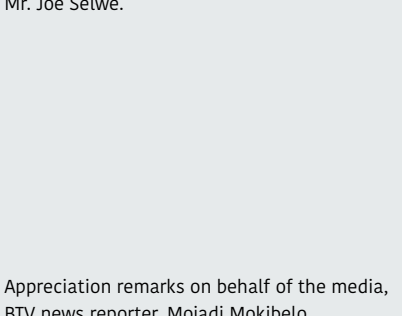
Responding to media questions, Deputy Director, Prudential Authority and Payments Oversight, Mr. Joshua Sibonge.



Closing remarks, Director, Corporate Management Services Department, Mr. Joe Selwe.



Directing the proceedings, Communications Manager, Ms. Mareledi Selabe.



Appreciation remarks on behalf of the media, BTV news reporter, Mojadi Mokibelo.



Monetary Policy rate

Maintained at 2.65%



At the meeting held on October 26, 2023, the Monetary Policy Committee (MPC) of the Bank of Botswana maintained the Monetary Policy Rate (MoPR) at 2.65 percent.



Monetary Policy Committee Media briefing held on October 26, 2023, from left to right; Director, Financial Markets, Mr. Lesego Moseki, Deputy Governor Dr. Kealeboga Masalila, and Governor Cornelius Dekop.

The Monetary Policy Committee (MPC) of the Bank of Botswana (Bank) maintained the Monetary Policy Rate (MoPR) at 2.65 percent, during its meeting that was held on October 25 and 26, 2023.

During the MPC Media Briefing that was held on October 26, 2023, the Governor of the Bank of Botswana, Mr. Cornelius K. Dekop, reported that headline inflation had increased from 1.2 percent in August to 3.2 percent in September 2023, reverting to within the Bank's medium-term objective range of 3 – 6 percent. The Governor further reported that the increase in inflation was mainly due to the upward adjustment in domestic fuel prices on September 13, 2023, which contributed 1.31 percentage points to inflation. Inflation was forecast at 3.4 percent for October 2023. The MPC projected that, going forward, inflation would remain within the objective range into the medium term.

Overall risks to the inflation outlook

The MPC observed that inflation could be higher than projected if:

- international commodity prices increased beyond current forecasts;
- supply and logistical constraints persisted;
- the reversal of global economic integration (geo-economic fragmentation) escalated; and
- prices controlled by government (for example, electricity and water tariffs), not factored in the current projection, were to be adjusted upward.

“However, inflation could be lower than anticipated because of the possibility of weaker domestic and global economic activity, possible disinflationary effects of higher monetary policy rates globally, and any decrease in international commodity prices,” said the Governor.

Further, the Governor stated that, real gross domestic product (GDP) grew by 5 percent in the twelve months to June 2023, compared to a growth of 6.7 percent in the year to June 2022, indicating that, the slowdown was mainly due to lower growth in mining production.

According to the October 2023 World Economic Outlook, global output growth was 3.5 percent in 2022, and is forecast to moderate to 3 percent and 2.9 percent in 2023 and 2024, respectively. For Botswana, GDP growth is projected to moderate to 3.8 percent in 2023, from a higher increase of 5.8 percent in 2022, but recover to 4.4 percent in 2024.



The Governor of Bank of Botswana, Mr. Cornelius Dekop, announcing the MPC decision during a Media briefing that was held on October 26, 2023, at the Bank of Botswana Headquarters.

The MPC noted the growth-enhancing economic transformation reforms and supportive macroeconomic policies being implemented. These included supportive monetary and fiscal policies, improvement in water and electricity supply, implementation of the Economic Recovery and Transformation Plan and the two year Transitional National Development Plan, as well as reforms to further improve the business environment (for example, the promulgation of the Credit Information Act and Movable Property Act, both of which have the potential to make credit more accessible).

The MPC recognised that the economy is expected to operate below full capacity in the short term and, thus not generate demand-driven inflationary pressures. Furthermore, inflation is forecast to be within the objective range in the medium term. Therefore, the MPC decided to maintain the MoPR at 2.65 percent.

Accordingly,

- (a) the 7-day Bank of Botswana Certificates auctions, repos and reverse repos will be conducted at the MoPR of 2.65 percent;
- (b) the Standing Deposit Facility (SDF) Rate is maintained at 1.65 percent, 100 basis points below the MoPR; and
- (c) the Standing Credit Facility (SCF) Rate remains at 3.65 percent, 100 basis points above the MoPR.



Director, Research and Financial Stability Department, Mr Innocent Molalapatla responding to questions during the October 26, 2023 Monetary Policy Committee media briefing.

Annex: Inflation Forecast Summary for October 2023 MPC Meeting

	Actual								Forecast							
	2022			2023					2024					2025		
	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3
Inflation	14.2	12.6	12.2	9.4	6.1	2.0	4.3 (2.5)	5.5 (5.0)	5.4 (3.2)	5.5 (3.6)	5.8 (4.3)	3.9 (4.8)	5.2 (4.0)	3.6 (5.0)	3.9 (5.1)	4.6 (5.1)

Note: Figures in parentheses represent the previous MPC forecast (August 2023)

Factors contributing to the upward revision of the forecast include the following:

Domestically

- The increase in domestic fuel prices effected on September 13, 2023, which was higher than previously anticipated for the August 2023 projection, as well as the increase in domestic fuel prices effected on October 25, 2023.

Externally

- Upward revision of forecasts for international oil prices and trading partner countries' inflation in the short term.

Meet the Bank of Botswana Monetary Policy Committee

> The MPC, chaired by the Governor, is a statutory committee established by the Bank of Botswana (Amendment) Act, of 2022. The Committee consists of nine members, out of which four are external members.



1

Dr. Taufila Nyamadzabo
External member

2

Mr. Lesego Moseki
Director, Financial Markets
Department

3

Mr. Innocent Molalapata
Director, Research
and Financial Stability
Department

4

Professor Patricia Makepe
External member

5

Mr. Cornelius K. Dekop
Governor (Chairman)

PC Media Brief

October 26, 2023



6

Dr. Pinkie Gertrude Kebakile
External member

7

Dr. Kealeboga S. Masalila
Deputy Governor

8

Dr. Onkokame Mthobi
External member

9

Dr. Tshokologo A. Kganetsano
Deputy Governor



From left to right; Artificial Intelligence (AI) robot named MmaDibanka, Chief Executive Officer, NARDI, Professor Julius Athlopheng, Business Executive, RegExpress Mr. Sibiu Zondi, Bank of Botswana Librarian Ms. Refilwe Modikwagae, Director of Statistics, Data Management and Analytics Department, Dr Lesedi Senatla.

Bank of Botswana Commemorates International Open Access Week

> **The Bank of Botswana, commemorated the International Open Access Week (IOAW), for the first time on October 24, 2023 under the theme, “Community over Commercialisation”.**

Open Access is an international movement that seeks to grant free and open online access to data, information and/or knowledge. In his official opening remarks, Director of Research and Financial Stability Department, Mr. Innocent Molalapata indicated that, the annual international commemoration of Open Access is meant to sensitise the public/users as well as advocate for free knowledge sharing, free research publication and open education for all. He further emphasised that the Bank’s participation in this global initiative and the fact that it has been publicly sharing its research output, both on the web and print, for over two decades is testimony that it is aligned to advocacy for open access knowledge. He further noted that the international movement creates an environment in which education in the form of webinars, workshops, and other forms of training is offered to the community of practitioners as well as the custodians of knowledge



Manager, Communications, Ms. Mareledi Selabe, Directing Proceedings during the event.



Bank of Botswana staff attending the Open Access event.



Opening remarks by Director, Research and Financial Stability Department, Mr. Innocent Molalapata.



Keynote address by Professor Julius Athlopheng, Chief Executive Officer, NARDI.



Part of the panelists during the Open Access event, Mr. Sibu Zondi, Business Executive, RegExpress.

(researchers) to upskill and position them to take advantage of publishing in open access and managing of the open data and knowledge.

Open access enhances visibility and reuse of research data and publications, as well as the quality of research work through the open research peer review initiatives.

“Since its establishment in 1976, the Bank has been using research literature to facilitate decision making, at both operational, regulatory and policy levels. Furthermore, the Bank of Botswana has dedicated and qualified researchers who create knowledge through research activities across various topical issues relating to the economy of Botswana and beyond,” said Mr Molalapata.

Mr. Molalapata further stated that, Bank researchers have over the years been publishing their work internally in article formats, through the Research Bulletin and the Annual

Report, and special publications such as, Aspects of the Botswana Economy. These articles are, in turn, disseminated on non-commercial basis on the Bank website for public consumption. This is in line with the open access initiative.

“The Bank is in the process of having an open research repository which will give its research visibility, not only to its peers but also to investors and other stakeholders,” said Mr Molalapata. He indicated that currently, the Bank’s research and data is not restricted and is freely available and assisting policy researchers, academic researchers and foreign investors, especially through economic and financial statistics data and information on commercial banks’ activities.

In his address, the Keynote Speaker, Professor Julius Athlopheng, Chief Executive Officer of the National Agricultural Research and

Development Institute (NARDI), presented a document titled: “Positioning Bank of Botswana as the Custodian of the Knowledge based Economy,” and stated that, the current development trajectory is on an open agenda pathway which ensures more access to knowledge, as a key resource. This requires building inclusion mechanisms. “Increasing open access to knowledge, as a human right is key as it will require building knowledge management systems and in turn Institutional accountabilities, as people’s rights to access to information will not be violated,” said Professor Athlopheng.

Professor Athlopheng stated that there is need to break research silos and create collaboratory research which can bring more better solutions than piecemeal ones created within silos. He emphasised that institutions should lead in collaboratory research, for example, Bank of Botswana could collaborate with local universities



Giving closing remarks by Ms. Gaone Motsumi, Manager, Public Education.



Part of the panelists during the Open Access event, Director Dr. Lesedi Senatla, Director of Statistics, Data Management and Analytics.



Token of appreciation presented by Dr. Seamogano Mosanako, Head of Communications and Information Services Department to Professor Athloheng, CEO of NARDI.

for some of the industry research. He acknowledged the Bank for doing a good job in collaborating with other institutions, but encouraged it to further forge partnerships with institutions like NARDI. Professor Athloheng emphasised that Open data best practice is the new resource that builds transitions, knowledge-based economies and drive national priorities such as the Sustainable Development Goals (SDGs) and strategic partnerships. He further indicated that researchers and institutions that conduct research should ensure that they measure what they do, in an open and transparent manner.

Speaking on policies surrounding research, Professor Athloheng stated that policy reforms were needed for institutions around the country to embrace open access. “Policy reforms that are relevant will lead us on this transition pathway,” said Professor Athloheng. He further indicated that these policies should guide the focus of research in that such research should be people centric to include communities. He stated that research has been needs focused, leaving the people and communities behind and this should change. “We want to be co-creating together, let us cultivate partnerships as we align on other national priorities,” said Professor Athloheng. The keynote address was followed by a discussion co-led by Mr. Sibiu Zondi, Business Executive

at RegExpress, and a robot named MmaDibanka, an embodiment of Artificial Intelligence (AI). Mr. Zondi presented on the topic: ‘Publishing in Open Access: New Age Research Paradigm Shift’. Mr. Zondi focused on Open- Access, its importance, benefits and limitations.

Mr. Zondi warned that open access is facing a number of barriers in Africa, including electricity issues such as load shedding, limited internet and infrastructure. These challenges are reflected in the limited open access depositories on the continent. He further indicated that communities and institutions are not effectively harnessing the power of internet to make data available to the public. In explaining open access, he touched on the three popular types of open access publishing models namely, Green Open Access, Gold Open Access and Platinum open access.

Mr. Zondi recommended the following for the Bank to consider with regards to open access;

- sponsor Open Access Publications - based on relevant research projects.
- host digital open publications as part of a dedicated platform. This approach will help improve discoverability of the Bank of Botswana Publications globally and at the same time promote the Bank’s brand. This also provides a collaboratory opportunity on Transdisciplinary Research Content,

including partnerships to create and produce research with academic and research-oriented institutions. In turn, avoidance and prevention of predatory or deceptive publications will be achieved.

The presentations culminated in a panel discussion, moderated by Deputy Director, Research and Financial Stability Department, Dr Matlodi Serero and the Panelists included; Chief Executive Officer of NARDI, Professor Julius Athloheng, Director, Statistics, Data Management and Analytics, Dr. Lesedi Senatla, Business Executive, RegExpress, Mr. Sibiu Zondi and Bank of Botswana Librarian, Ms. Refilwe Modikwagae.

The panel discussion shared valuable information and insightful thoughts on the topic, dwelling on issues such as AI in research , peer review of research work, the role AI on institutions like the Bank and the impact of open access on researchers. The panelists emphasised the importance of celebrating the International Open Access Week and highlighted its importance on research.



The Official opening of the redeveloped Bank of Botswana Headquarters Building by His Excellency the President of the Republic of Botswana.

The Official opening of the Redeveloped

Headquarters Building and Commemoration of the Pula Day

On August 23, 2023, the Bank of Botswana celebrated dual event, namely the official opening of the redeveloped Bank of Botswana (Bank) Headquarters Building and commemoration of Pula Day. Officiating the events was The President of the Republic of Botswana, His Excellency Dr. Mokgweetsi Eric Keabetswe Masi.



Tour of the official opening of the Bank of Botswana building. From right to left, Minister of Finance, Honourable Peggy Serame, His Honour, the Vice President, Mr. Slumber Tsogwane, His Excellency the President Dr Mokgweetsi Masisi, The First Lady, Mrs. Neo Masisi, Interim Board Chair of the Bank of Botswana Ms. Daphney Briscoe, former Governor of the Bank of Botswana, Mr Moses Pelaelo. The dignitaries were led in the photo by Mr. Chris Malan, Lead Consultant and Architect, Paledi Arch.

In his keynote address, the President of the Republic of Botswana, His Excellency Dr. Mokgweetsi Erick Keabetswe Masisi, congratulated the Bank for its modern, state-of-the-art and energy-efficient building. He hailed the Bank's redeveloped headquarters building for its symbolic and iconic features that are linked to the national development aspirations, espoused in the National Vision 2036 as set out in the Reset Agenda. The President also provided an overview of the establishment of the Bank, and said that "As many would recall, 47 years ago on August 23, 1976, Botswana issued into circulation and use, its own national currency, Pula banknotes and thebe coins. This historic and momentous day was on the back of a far-sighted, transformative decision by the Government, as announced by the founding President of this Republic, Sir Seretse Khama, at a Kgotla meeting on September 6, 1974 in Molepolole that Botswana would leave the Rand Monetary Area and establish its own, full-fledged central bank and national currency".

His Excellency the President stated that, for a small economy like Botswana, which at the time had a myriad of resource limitations and development challenges, it proved a bold and brave move. It went against the conventional wisdom and advice of many experts who opined that, in the face of daunting development challenges, with virtually no foreign exchange to support the external value of the currency, the prospects of an independent and viable central bank were assessed to be doomed, said the President. He went on to state that, as subsequent developments and history would show, this proved to be one of the most well-thought-out strategic, timely and forward-looking decisions, for it allowed the then young democratic country discretionary power, capacity and control over an important lever of policy making to address Botswana's development needs.

As a result of that strategic decision, for the first time in history, Botswana formulated and implemented its own monetary, exchange rate and financial

policies, contributing to the country's sound macroeconomic environment and investment climate. The President further indicated that the thought process was encapsulated in the Report of the Monetary Preparatory Commission, culminating in publication of Government Paper No. 1 of 1975, "A Monetary System for Botswana". "The outcome of this work was promulgation of the Bank of Botswana Act and the Financial Institutions Act, and subsequent establishment of the Bank of Botswana on July 1, 1975, opening its doors to the public on January 1, 1976; issuance of our own national currency, Pula banknotes and thebe coins on August 23, 1976; and development of the Country's financial sector infrastructure," said the President.

The establishment of the Bank of Botswana and issuance of the national currency enabled discretion over monetary and exchange rate policies, highlighted the President. His Excellency further highlighted that, under the stewardship of the Bank of Botswana, the country was



His Excellency the President of the Republic Of Botswana, Dr. Mokgweetsi Masisi, delivering a key note address during the Official opening of the Bank of Botswana Building and commemoration of Pula Day.

able to design its own macroeconomic policy frameworks and institutional arrangements that were conducive for domestic economic activity and for attracting investments into Botswana. “Indeed, we were able to calibrate our own optimal policy mix and over time, make policy adjustments consistent with changing circumstances and our own needs, and to respond to external or exogenous developments. That is, Botswana could be judged on its own merits, while there were options, at our discretion, to recalibrate for competitiveness, national priorities, and preferences,” said the President.

The Role of the Bank of Botswana

The event was also used as an opportunity to explain the role of the Bank. The first role of the Bank of Botswana is to issue the national currency, Pula and Thebe and safeguard its value. This includes ensuring and sustaining the role of Pula and Thebe as a Unit of Account, a Means of Exchange, a Measure, as well as Store of Value; trusted and accepted domestically and, internationally, in exchange

with other currencies. The second role is to ensure flawless operation of the payments and settlement infrastructures, channels, and platforms for conduct of transactions using the Pula and its representation in other payment formats. Its third role, through the conduct of monetary policy and maintenance of price stability, is to ensure that the value of wages, profits and other incomes are not subject to rapid erosion by inflation.

The fourth role, through the management of foreign exchange reserves and implementation of the exchange rate policy, is to ensure seamless exchange of the Pula for other currencies to pay for imports and other external obligations. Its fifth role, along with other stakeholders is to ensure patronage of the domestic financial sector through maintenance and enforcement of regulatory and supervisory frameworks. In so doing, fostering sustained and effective role of the sector in supporting economic activity through its various roles of enabling savings and provision of credit (that is, financial intermediation); facilitating the

conduct of transactions and enabling international trade; and providing wealth management, custodial and risk mitigation services. His Excellency the President applauded the Bank for its excellent track record, and for being a trusted and reputable central bank. “I note with satisfaction that the Bank of Botswana has broadly been successful in delivering on its mandate and the public good it is assigned,” said the President.

Features of the Headquarters Building

(a) Digital Banking Hall

A modernised and digital “banking hall” will serve Government revenue collection and direct processing into government accounts at the Bank of Botswana through point-of-sale machines.

(b) Structural Durability

The building is designed to be both structurally sound and adaptable to last for the next 50 years.



Receiving a token of appreciation by The First lady, Mrs. Neo Masisi from the Bank of Botswana Interim Board Chair, Ms. Daphney Briscoe.

(c) Interior and Exterior Features

The building has several spaces, including open office spaces, and amenities for interaction with the public. The outer Northeast facing wall features artistic representations of perforated thebe coin in colours, symbolising economic value, topography of the country's landscape and openness. The atrium walls feature on one side, a mural that symbolises basket-making and related weaving associated with a range of Batswana communities and, on the other side, drawings of the Tsodilo Hill animals embracing the origins, ingenuity and communication platforms of Botswana society; and the parkade wall art and paintings feature a hut and lelwapa decorations, inspired by the indigenous art practice of lekgapho, hitherto prevailing across the nation. Staff welfare is well provided for, with the staff cafeteria and gymnasium, a clinic, and offices for staff organisations such as the Central Bank Union, Burial Society and Credit Union. Building support facilities include covered car parks; a waste management and processing area; storage; and the former vault

has been repurposed as an archive and energy centre.

(d) Conferencing and Public Facilities

The conference centre has a new 208-seat auditorium linked to the old 100-seat auditorium, with several break-away meeting and training rooms, Knowledge Centre and a Currency Museum.

(e) Environmentally Friendliness of the building

In responding to climate change challenges, transition and adaptation requirements, as well as related national development imperatives, the building is designed to be environmentally friendly. With this regard, several of the roof tops are fitted with solar panels for electricity generation.



Presentation of a token of appreciation to His Excellency the President Dr. Mokgweetsi Masisi, by Interim Board Chair of the Bank, Ms. Daphney Briscoe.



Finance Minister, Honourable Peggy Serame giving closing remarks.

(f) 6- star Green Building design rating

The project achieved the targeted 6- star Green Building design rating, which places the building in the ‘world leadership’ category, resulting in two awards at the Green Building Council of South Africa’s annual awards ceremony in November 2022: the “Highest Rated Building Award” and the “African Award”.

In her closing remarks, Minister of Finance, Honourable Peggy Serame thanked His Excellency the President, for his gracious presence and delivery of the Keynote Address as it demonstrated the value he attached to Bank of Botswana, the nation’s own central bank. She stated that, His Excellency’s message underscored the importance of visionary leadership, adaptability, and effective use of policy instruments to support national development goals. She emphasised that, Bank of Botswana has played a critical role in laying the ground for subsequent development and deployment of macroeconomic policies that have largely been effective in ensuring a stable environment for the pursuit of economic activity and opportunities for improvement in living standards and inclusive growth. She further noted that, this included the recent legal reforms including promulgation of the Bank of Botswana (Amendment) Act (2022) and the re-enactment of

the Banking Act (2023). The Minister indicated that, for her part, including the Ministry of Finance and the Bank, they will continue to implement effective frameworks with respect to exchange rate, fiscal and monetary policies. The Minister applauded the Board and management of the Bank of Botswana for seeing the need, and taking the opportunity, to reconfigure its work environment, while ensuring that facilities are made to last.

The Minister highlighted that the Project’s budget was P850 million excluding VAT, and even though it was disrupted by COVID-19 pandemic, it was completed within budget.

She stated that, as at January 2023, the project had employed 778 people, the majority, 695, being citizens, of which 124 were female. Of the total number of people employed in the project, 144

were under direct employment of the main contractor, while the rest were spread across the other 48 companies engaged in the project. Twenty-one (21) of the 48 companies were citizen owned. In addition, the Consultants had a staff compliment of 113 (70 male while 43 were female).

In attendance was Her Excellency, The First Lady, Mrs. Neo Jane Masisi, His Honour, the Vice President, Mr. Slumber Tsogwane, His Lordship the Chief Justice, Mr. Terence Rannowane; Deputy Speaker of the National Assembly, Honourable Pono Moatlhodi; Former President of the Republic of Botswana, His Excellency, Mr. Festus Gontebanye Mogae (also former Governor of the Bank), and Cabinet Ministers. Other dignitaries included Permanent Secretary to the President; Deputy Permanent Secretary to the President; Judge President of the Industrial Court / Judges of the Court of Appeal; Attorney General; Heads of Diplomatic Missions and International Organisations and some Chief Executive Officers of Financial Institutions and Parastatals, Bank of Botswana Board, senior management and staff of the Bank, including members of the media.



Head of Communications and Information Services Division, Dr Seamogano Mosanako directing the proceedings during the official opening of the Bank of Botswana redeveloped headquarters building.



Director, Financial Markets, Mr Lesego Moseki.

Highlights of the 2023

Bank of Botswana economic briefings



As is tradition, following the publication of the Bank of Botswana's 2022 Annual Report, the Bank conducted three economic briefings to selected stakeholders. The first briefing was for His Excellency the President, Dr Mokgweetsi E.K Masisi and Cabinet, which was held on July 25, 2023, followed by Media Representatives on July 26, 2023, and the National Assembly on August 8, 2023.

As required by law, the 2022 Bank of Botswana Annual Report was presented to the Minister of Finance on March 29, 2023, who, in turn, submitted copies of same to the National Assembly on April 30, 2023. This was followed by the launch of the Annual Report and subsequent economic briefings to stakeholders. The economic briefings present an opportunity for the Bank of Botswana (the Bank) to engage with key stakeholders on its operations and financial performance, as well as to share perspectives on the broader national development agenda.

Stakeholders were briefed on performance of Botswana's economy in 2022, highlights of the theme chapter of the 2022 Annual Report titled "Building Economic Resilience: Fiscal, External Sector Sustainability and Climate Change Resilience", foreign

exchange reserves management and domestic capital markets, as well as the Bank's operations and performance in 2022. The theme emphasised among others, the need to elevate the export-led strategy, the importance of building fiscal buffers and the need to recognise the potentially adverse impact of climate change on economic performance.

Speaking before he introduced the lead presenters (Mr. Molalapata, Dr. Setshegetso, Mr. Loeto and Mr. Moseki), the former Governor Mr. Moses Pelaelo highlighted that the economic growth rate for Botswana continued to be modest and lower than the rate required for transition to high-income status by 2036. Mr. Pelaelo also stated that the adverse global market developments in 2022 led to the Bank recording substantially high fair value losses.



Former Governor Moses Pelaelo leading the Economic briefing for the media.



Chief Financial Officer, Mr. Daniel Loeto presenting on the financial statements of the Bank.



Director, Research and Financial Stability Department, Mr. Innocent Molalapatla presenting during economic briefing for the media.

Economic Developments in 2022 and Updates of Key Economic Variables

Director, Research and Financial Stability Department, Mr. Innocent Molalapatla, indicated that the economy grew by 5.8 percent in 2022, compared to a higher growth of 11.9 percent in 2021. The deceleration in output was mainly attributable to base effects associated with the impact of the COVID-19 pandemic. For example, the economy grew faster in 2021, following the contraction in 2020.

He indicated that mining output growth decelerated to 7.5 percent

in 2022, from a higher growth of 29.8 percent in 2021, due to the slower growth in output of most sub-sectors, led by diamond mining. Non-mining GDP grew by 5.3 percent in 2022, compared to 7.8 percent in 2021, mainly due to a slowdown in output growth for most sectors, for example, wholesale and retail, and diamond traders. Mr. Molalapatla also highlighted that for Botswana to realise one of the Vision 2036 aspirations, of a high-income status by 2036, the economy would have to grow at an average annual growth rate of 6 percent. To achieve this, Botswana's real GDP would need to grow from around P198 billion in 2022 to approximately P449 billion in 2036.

On price developments, Mr. Molalapatla outlined that inflation was above the Bank's 3 – 6 percent medium-term objective range in 2022, averaging 12.2 percent, compared to 6.7 percent in 2021. The high inflation in 2022 was mainly due to significant upward adjustment of administered (Government-controlled) prices and associated indirect effects. However, headline inflation peaked at 14.6 percent in August 2022 and thereafter trended downwards, generally, and was 4.6 percent in June 2023, remaining within the Bank's objective range. The reduction in inflation was mainly due to the dissipating impact of the earlier increases in administered prices (base effects) and the fall in food and oil prices.



Deputy Director, Dr. Leonard Setshegetso presenting on the 2024 Annual Report theme chapter.

Regarding the exchange rate developments, Mr. Molalapata indicated that the Pula basket weights were maintained at 45 percent for the South African rand and 55 percent for the Special Drawing Rights (SDR), while a 2.87 percent downward rate of crawl of the nominal effective

exchange rate was maintained in 2022. However, the downward rate of crawl turned out to be lower than the inflation differential

between Botswana and the trading partner countries, resulting in a 2.1 percent appreciation of the real effective exchange rate in 2022, suggesting a minimal loss of competitiveness of domestic firms in international markets by this measure.

On balance of payments (BoP), Mr. Molalapata reported a surplus of P4.5 billion in 2022, compared to a deficit of P2.9 billion in 2021. The turnaround

was mainly due to a substantial increase in exports earnings compared to a smaller increase in imports. Ordinarily, with P4.5 billion surplus, one would have expected an increase in the foreign exchange reserves. However, due to the revaluations of asset prices, following the low

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For Botswana to realise one of the Vision 2036 aspirations, of a high-income status by 2036, the economy would have to grow at an average annual growth rate of 6 percent. To achieve this, Botswana's real GDP would need to grow from around P198 billion in 2022 to approximately P449 billion in 2036.”

performance of the global financial market, the reserves declined. Meanwhile, the current account recorded a surplus of P7.4 billion in 2022, compared to a deficit of P2.9 billion in 2021, boosted by diamond exports and the Southern African Customs Union receipts.

Mr. Molalapata further highlighted that, during 2022, monetary policy in Botswana was conducted in the context of projected elevated

inflation. That is, inflation was projected to remain above the Bank's objective range into the medium term. Therefore, these conditions provided scope for policy tightening in order to bring inflation to within the 3 – 6 percent objective range. Hence, the Monetary Policy Rate was increased

by a cumulative 1.51 percentage points to 2.65 percent in 2022. Consequently, the prime lending rate of commercial banks and other interest rates in the market

increased.

Regarding the banking industry, Mr. Molalapata indicated that the overall performance of the banking industry was satisfactory in 2022 and banks in Botswana complied with the legal and prudential requirements and prescribed statutory and prudential minimums for capital and liquidity and were assessed to be safe and sound.



Deputy Governors Dr. Kealeboga Masalila and Dr Tshokologo Kganetsano responding to questions during economic briefing for the media.

In concluding his presentation, Mr. Molalapata indicated that domestic output growth was projected at 4 percent in 2023. However, given the weaker global demand, adverse impact of the Russian-Ukraine war, and capacity constraints in project implementation, the growth trajectory remained uncertain.

The Theme Chapter of the 2022 Annual Report, “Building Economic Resilience: Fiscal, External Sector Sustainability and Climate Change Resilience”

Deputy Director of the Research and Financial Stability Department, Dr. Leonard Setshegetso, gave a summary of the 2022 theme chapter. While recognising that the subject of economic resilience and sustainability is multi-faceted in

nature, covering a broad range of socioeconomic and environmental issues, the theme chapter specifically focussed on three key aspects, namely fiscal sustainability, external sector sustainability and climate change and adaptation for resilience. In the context of the current challenges and stage of development, these are considered to be some of the key aspects in fostering overall economic resilience for Botswana as well as transition to high-income status by 2036 and the realisation of the Vision 2036 aspirations.

Dr. Setshegetso indicated that economic resilience is anchored on six aspects. First, is the need for provision of credible and predictable tools and resources necessary to respond to economic shocks. Second, economic resilience involves clear and legally backed roles and mandates

that engender public confidence in governance structures. Third, it requires economic framework that enables a country to produce goods and services with exchange value. Fourth, it encompasses the provision of infrastructure, utilities and social services to support economic activity. Fifth, is the requirement for skills, capital, resource inputs as well as innovation capacity for the production of marketable goods and services. Lastly, is the need for a wider demographic base that is anchored on sufficient cohort of middle-income class that is able to provide a durable market and broader tax base for the government.

According to Dr. Setshegetso, there is a need to reinvent fiscal management and approaches to fiscal sustainability in order to restore economic

resilience. For example, the widening fiscal deficit underscores the need to enhance tax collection. Therefore, he emphasised that tax policy is integral to Botswana's fiscal and economic resilience. He also indicated that restoring fiscal sustainability also requires the need to reflect on the level and quality of expenditure with a view to strengthening public finance management. Dr Setshegetso indicated that accelerating economic transformation could support external sector sustainability, especially through economic diversification; leveraging on knowledge-based economy; access to export markets and integration into global value chains; digitalisation; industrialisation; maintaining a stable exchange rate and increased productivity; and providing an enabling business environment. On climate change, he noted that worsening climatic conditions were causing uncertainty and disruptive adjustments that derail socio-economic development. Therefore, he indicated that Botswana needs to adapt to sustainable economic development models that anchor on greening the economy and complement the export-led growth strategy.

Dr. Setshegetso concluded his presentation by pointing out that the factors identified in the theme chapter were key to Botswana's long-term sustainable growth and economic resilience, but could be detracted by structural challenges to fiscal and external sector stability as well as pressures to adapt to a changing climatic landscape. Therefore, to address deteriorating prospects and anchor the desired inclusive and sustainable growth, economic resilience and transition to high income status, there is need to accelerate economic diversification;

enhance resource mobilisation; accelerate fiscal consolidation; promote export-led growth; and confront climate risks and harness opportunities from transitioning to a green economy.

Foreign Exchange Reserves Management and Domestic Capital Markets

Director, Financial Markets Department, Mr. Caster Moseki, indicated that the Bank continued to manage the official foreign exchange reserves in accordance with the Board-approved Investment Policies and the Investment Committee-approved Investment Guidelines, underpinned by three key objectives of safety, liquidity and return, within well-defined risk parameters. He further indicated that foreign exchange reserves are tranching into two portfolios, the liquidity portfolio and the long-term investment portfolio (Pula Fund), which are managed prudently, using a diversified pool of high-quality financial instruments traded in highly liquid and deep global markets. He highlighted that in addition to internal fund management, the Bank uses selected international fund managers to manage 50 percent of the foreign exchange reserves and also employs the service of a reputable global custodian to safeguard the reserve assets.

Regarding capital markets developments, Mr. Moseki indicated that Government continues to be committed to the development of the capital markets, citing the launch of the Government Borrowing Strategy and Auction Calendar for 2023/24 fiscal year and introduction of bond switches in May 2023 to manage redemptions as some of

the key developments. Meanwhile, outstanding government securities increased from P25.8 billion in 2022 to P26.4 billion as at the end of June 2023, equivalent to around 14 percent of GDP.

Bank's Operations and Performance in 2022

For his part, the Chief Financial Officer, Mr. Daniel Loeto presented on the Bank's operations and its performance in 2022 and noted that the Bank recorded a net loss of P5.8 billion in 2022, compared to the net income of P5.5 billion in 2021 of which P425.5 million was net distributable income paid to Government. The net loss was mainly on account of net unrealised fair value losses of P8 billion. In other words, assuming the Bank holds a US dollar equivalent of P100 million in foreign exchange reserves, a 10 percent appreciation of the Pula against the dollar would mean the reserves falling to P90 million; thus a P10 million currency revaluation loss, which is realised if there is actual transaction for securities and unrealised if it is only a change in valuation due to exchange rate movements. Conversely, a depreciation of the Pula against the dollar would imply an increase in foreign exchange reserves to P110 million and P10 million currency revaluation gains. Meanwhile, during the year under review, the Pula depreciated against most of the currencies in which the reserves are held, thus increasing the foreign exchange reserves by P1.727 billion, the difference, P181.2 million being retained in the income statement since those were realised. Mr Loeto further highlighted that the level of foreign exchange reserves decreased by 2.6 percent from P56 billion in 2021 to P54.5 billion in 2022.

45th AACB Meeting

and 2023 MEFMI Governors Forum



Delegates who attended the 45th AACB Meeting in Livingstone, Zambia

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Former Governor, Moses D. Pelaelo, accompanied by Deputy Governor, Dr. Masalila; Director, Research and Financial Stability Department, Mr. Molalapata; Principal Financial Stability Analyst, Ms Sediakgotla; and Senior Economist, Dr Ntwaepelo attended the 45th Ordinary Meeting of the Assembly of Governors of the Association of African Central Banks (AACB) in Livingstone, Zambia on August 3 - 4, 2023.

The meeting was preceded by a Symposium of Governors under the theme “Recurrence of Shocks and Macroeconomic Implications for African Economies: Challenges and Prospects for Central Banks”. In addition, the Governor and his delegation attended the 2023 Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) Forum on August 5, 2023.

The AACB in brief

The AACB was established on May 25, 1963, at the Summit Conference of African Heads of State and Government held in Addis Ababa, Ethiopia. Establishment of the AACB recognises the significant role played by monetary, banking and financial institutions in promoting the economic development of the African continent and in fostering financial stability.

The Association has an Assembly of Governors (the governing body, of which, members are governors from all African central banks), a Bureau (composed of the Chairperson and Vice-Chairperson of the Association and Chairpersons of the sub-regional Committees), sub-regional committees (composed of Governors of central banks of the five (5) sub-regions¹ as defined by the African Union).

AACB Governors 2023 Symposium

The Symposium was held under four plenary sessions. The first session focused on “Enhancing the Effectiveness of Monetary Policy in the Presence of Prevalent Supply Shocks”. The discussion pointed to the fact that the evolution of supply shocks has changed, and central banks were also expected to address new shocks relating to climate shocks and de-globalisation risks, in addition to domestic idiosyncrasies, which makes it difficult to differentiate sources of risks and the scale of first and second round effects.

Therefore, enhancing monetary policy effectiveness in an uncertain world implied that central bank credibility had to be anchored on transparency, accountability and effective communication. Also key to credibility was the operational independence of central banks and a coherent forward-looking monetary policy regime. The deliberations concluded that, the effectiveness of monetary policy in the prevailing circumstances also relied heavily on well-informed policy analysis that is founded on credible forecasts supported by robust analytical frameworks, which include the use of artificial intelligence.

The second plenary session was themed, “The Role of Central Banks in Enhancing Resilience of African Economies in the Face of External Shocks”. The session unpacked external shocks facing African economies, including health, financial and climate related shocks and emphasised the pivotal role of central banks in the management of the shocks. The session encouraged central banks to embrace structural transformation and adapt their policies by expanding their orthodox roles to support the transition to sustainable economies. The session also highlighted some of the building blocks towards achieving financial resilience and overcoming global credit shocks. These encompass redesigning the architecture of financial resilience of African economies by re-enforcing the role of central banks in payments and operational autonomy; exploring technology benefits to enhance financial resilience and financial inclusion; building peer-to-peer confidence in financial institutions, among others.

The third session explored “Exogenous Shocks and Monetary Policy Transmission Mechanisms: Challenges for Central Banks and the Way Forward”. The general view was that the transmission of monetary policy varied across countries and is weak in some African countries, due to country-specific structural challenges, viz., underdeveloped financial markets and weak financial systems, among others. This weakness in the transmission has an impact on the effectiveness of monetary policy, with implications for central bank credibility. As a way forward for central banks, discussions pointed to the need for continuous exploration and comprehension of the monetary

policy transmission mechanism, investment in high frequency data, deepening of financial markets, effective central bank communication and strengthened coordination with fiscal policy, while avoiding fiscal dominance.

The final session entailed sharing of experiences relevant to the main theme of the Symposium.

AACB Meeting

The Ordinary Meeting of the Governors’ Assembly considered several reports, including the progress report on activities of the African Union Commission – AACB Joint Committee (including the establishment of an African Central Bank); activities of the Community of African Banking Supervisors; activities of the AACB Task Force and Working Groups on the integration of payment systems in Africa and collaboration with the African Export Import Bank (Afreximbank) regarding the Pan-African Payment Settlement Systems (PAPSS) Project; and progress on the implementation of the African Monetary Cooperation Programme.

The Forum was attended by MEFMI central bank Governors, and joining the Forum as a new member was the Central Bank of South Sudan, whilst the Bank of The Gambia was participating as an observer member. MEFMI partners, Ninety One and the Oxford Martin School were also in attendance. Notably, MEMFI had partnered with Oxford Martin School to produce a research paper on Climate Change and its Impact on Macroeconomic and Financial Management that was the subject of the discussions during the Forum. The Forum was held under the theme

1 The sub-regions are Central Africa, Eastern Africa, Southern Africa, Northern Africa and Western Africa.

“Climate Change and Central Banking” and had two panel discussion sessions titled “Climate Change and its impact on Macroeconomic and Financial Management” and “Impact of Climate Change on Central Banking: Emerging Risks and how to Manage them”.

The sub-theme of the first session was “Climate Change and its Impact on Macroeconomic and Financial Management”. The session discussed the effect of climate change on macroeconomic and financial systems. It emphasised the importance of finding sustainable ways to address climate change issues and ensuring that the activities of financial institutions support the effort to transition to net zero economies. However, central banks were cautioned about the potential trade-offs associated with policy interventions when trying to incorporate climate-related risks in their mandates. For instance, policy interventions designed to curb climate change risks may interact with other structures in the economy and pose risks to both price and financial stability.

The session also highlighted that it is important for financial institutions to make sure that they mobilise the right resources in terms of how they calibrate their policy tools. Consequently, there was emphasis on the urgent need for the right policy design and coordination because climate issues were becoming more frequent in the African continent. The session concluded by encouraging central banks to investigate climate system modelling in order to understand the dynamics of structural changes and to determine the proper coordination of fiscal policy and monetary policy because a combination of policy tools is critical to resolving climate-related risks.

Former Governor, Moses Pelaelo, participated in the second panel discussion themed, “Impact of Climate Change on Central Banking: Emerging Risks and How to Manage Them”. He highlighted that even though climate change is a relatively new frontier, central banks are expected to ensure price and financial stability as well as assume an active role in climate policy despite concerns around boundaries of mandate and lack of specific tools.

This is because climate change risks have the potential to affect the core mandates of central banks, being price and financial stability, through physical risks (storms, floods, prolonged droughts and extreme heat), transition risks (adaptation towards lower carbon emissions) and liability/legal risks.

He highlighted five potential mitigation approaches that central banks can use to address climate related risks. First, consideration should be given to building climate friendly monetary policy by including climate-related risks in credit operations, collateral frameworks and asset purchases. Second, financial systems should reflect the guidance of the Financial Stability Board, Bank for International Settlements, Central Banks and Supervisors Network for Greening the Financial System (NGFS), as well as structural idiosyncrasies relating to the particular economy or individual financial institutions.

Third, private finance for climate-related and environmental projects can be scaled-up through the development of green bond markets or Economic, Social and Governance-linked investments. Fourth, sovereign exchange reserves should be aligned with green finance and sustainability aspects could mean avoiding the obvious downside tail

risks by investing in carbon-intensive investments. Finally, central banks and governments can also support sustainability initiatives by making pledges such as the net zero, to support the transition towards a more sustainable economic state.

The monitoring and assessment of climate-related risks by central banks could be complex and challenging because of the lack of data and understanding on the transmission of climate-related financial risks and the uncertainty associated with climate change. It is, therefore, evident that, going forward, central banks need to make progress in customising their policies and operations to the risks and opportunities from climate change. The call for central banks to incorporate climate risks into their mandates is supported by statistics, which suggest that inaction by African policymakers will cost the continent much more than if the countries financed adaptation measures. Collaboration by central banks and/with institutions spearheading climate change issues (for example, the NGFS; membership by African countries is lagging at about 12 out of 54 countries) is therefore pivotal to bridging the information and data gaps, as well as promotion of global rapport and achievement.

MEFMI in Brief

MEFMI was formed in 1994 and it specialises in providing training and capacity development programmes on macroeconomic and financial sector management in a manner that sustainably supports economic growth and poverty reduction. MEFMI consists of fourteen countries: Angola, Botswana, Burundi, Kenya, Lesotho, Malawi, Mozambique, Namibia, Rwanda, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.



Bank of Botswana



December 19, 2023

PUBLIC NOTICE

REMINDER – DISCONTINUATION OF CHEQUES IN BOTSWANA

The Bank of Botswana and the Bankers' Association of Botswana hereby remind the public that as per the previous public notice(s), the use of cheques as a means of payment in Botswana will be discontinued by December 31, 2023. The public is hereby advised that in preparation for the planned cheque discontinuation, all persons in possession of unpaid cheques must have presented them for payment by December 31, 2023. This is to allow for the orderly cessation of the use of cheques. Members of the public are, therefore, implored to contact their banks to apply for alternative payment methods to avoid any inconvenience when cheques are discontinued on December 31, 2023.

For further information, please contact your bank or Dr. Seamogano Mosanako, Head of Communications and Information Services (Bank of Botswana), at mosanakos@bob.bw, +267 360 6083 or visit the Bank website at www.bankofbotswana.bw



Celebrating PULA DAY

MY CURRENCY, MY PRIDE.

August 23

Evolution of our Currency

1970s

1976

The pula introduced on August 23, with a denomination structure of four banknotes and five coins.



1978

A P20 banknote introduced on February 16.



1980s

1980

On November 6, the peg against the USD was removed.

A basket of currencies (SDR and South African rand) introduced instead.

1981

2 thebe coin introduced on October 9.



1990s

1990

A P50 banknote introduced on May 29, with blind recognition feature.



1991

On June 30, a new P1 coin was introduced. The scalloped P1 and 2 thebe coins were subsequently demonetised on November 30.



1993

On Pula Day, a P100 banknote was introduced. 17 years after the launch of the Pula and thebe.



1994

A P2 coin was introduced on August 1.



1997

On October 27, new P20 banknote with portrait of national anthem composer, Dr K. T. Motsete, was introduced.



1999

New P10 banknote, bearing the portrait of the then sitting President, His Excellency Festus G. Mogae, was introduced on June 24. Other banknotes bore portraits of figures and features of national significance.

2000s

2000

New P50 banknote, bearing the portrait of the founding President His Excellency Sir Seretse Khama was introduced on June 5.



New P100 banknote, bearing the portrait of the three chiefs (Bathoen I, Khama III and Sebele I) who travelled to Britain in the 1890's to secure the country's identity, was introduced on June 5.



P5 coin introduced on November 1.



2009

On August 23, a new family of banknotes was introduced, including a new P200 banknote and P10 bearing the portrait of the then sitting President, His Excellency, Lieutenant General Dr Seretse Khama Ian Khama.



2014

On February 27, new family of coin was introduced

The old circulating coin was subsequently withdrawn and demonetised.



2018

On February 1, a new polymer P10 banknote was issued into circulation. The polymer largely maintained the same design and colour as the circulating cotton based P10 banknote, except that it had more advanced security features.



2021

On February 22, a polymer P10 banknote bearing the portrait of President of the Republic of Botswana, His Excellency Dr Mokgweetsi E. K. Masisi was introduced.