



BANKNOTES

Official Newsletter of the Bank of Botswana

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BANK RATE CUT TO 4.75%

ECONOMIC BRIEFINGS

BALI FINTECH AGENDA



VISION

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 well-being of the country

The Bank seeks to promote and maintain:

- monetary 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.

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BANK RATE CUT TO 4.75%



The Governor, Mr Pelaelo briefing the media during the MPC media briefing that was held on October 31, 2019, at the Bank of Botswana.



The Governor, Mr Moses Pelaelo briefing the media during the Monetary Policy Committee (MPC) Media Briefing, where the MPC decided to maintain the bank rate at 4.75 percent

In accordance with policy and established practice, the Governor briefed media on the decision by the Monetary Policy Committee (MPC) of the Bank to cut the Bank rate. The MPC of the Bank had decided to reduce the Bank Rate by 25 basis points from 5 percent to 4.75 percent. The Governor, Moses Pelaelo, stated that inflation increased from 2.8 percent in June 2019 to 2.9 percent in July, and was below but closer to the lower bound of the Bank's objective range of 3 – 6 percent. Nonetheless, inflation is forecast to revert within the Bank's 3 – 6 percent objective range in the first quarter of 2020.

The Governor indicated that subdued domestic demand pressures and the modest increase in foreign prices contributed to the positive inflation outlook in the medium term. He further noted that this outlook was subject to upside risks emanating from the potential rise in administered prices and government levies and/or taxes, beyond current forecasts.

The Governor further stated that real GDP grew by 4.4 percent in the twelve months to March 2019, compared to a lower expansion

of 3.8 percent in the corresponding period in 2018, mainly attributable to the continued good performance of the non-mining sectors and recovery in mining output. Mining output expanded by 5.3 percent in the year to March 2019, compared to a contraction of 0.3 percent in the corresponding period in 2018. For the same period non-mining GDP grew by 4.3 percent.

The Governor projected GDP to increase by 4.2 percent and 4.8 percent in 2019 and 2020, respectively. The significant influences on domestic economic performance include conducive financing conditions as indicated by accommodative monetary policy and sound financial environment that facilitate policy transmission, intermediation and risk mitigation, said the Governor. He further anticipated that, the increase in government spending, as well as implementation of initiatives, such as the doing business reforms, would also be supportive of economic activity. Overall, the economy was projected to operate close to, but below full capacity in the short to medium term, thus posing no upside risk to the inflation outlook.

Giving an overview of the global output growth, the Governor stated that global output was expected to ease to 3.2 percent in 2019, from an estimated expansion of 3.6 percent in 2018. The expected moderation

in global growth was due to various factors, including inter-alia: heightened trade tension between the US and China, which had the possibility to dampen confidence, investment and growth; uncertainty surrounding Brexit; as well as weaker-than-expected activity in emerging markets and developing economies, the Governor highlighted. Regionally, the South African Reserve Bank had revised the forecasts for GDP growth for 2019 downwards to 0.6 percent from 1 percent, due to weak business and consumer confidence.

The Governor stated that the prevailing state of the economy and the outlook for both domestic and external economic activity provided scope for easing monetary policy to support economic activity. Accordingly, the MPC decided to reduce the Bank Rate by 25 basis points to 4.75 percent. However, with inflation low and stable and inflation expectations well anchored, improving total factor productivity remains key in promoting sustainable and inclusive economic growth.

In his concluding statement, the Governor stated that commercial banks were required to make the necessary interest rate adjustments with immediate effect to reflect this policy decision ●



2019 BANK OF BOTSWANA ECONOMIC BRIEFINGS

● By Innocent Molalapatla



Deputy Commander BDF, Major General Gotsileene Morake, giving a token of appreciation to Dr K. Masalila, at the Bank's Economic Briefing to BDF Senior officials



Mr James Evans, Director of Sign Outlet and Chairperson of Business Botswana Maun Council giving closing remarks at the Bank's Economic Briefing to the Maun Business leaders Community.

As a tradition, following the publication of the Bank's 2018 Annual Report, the Bank conducted the 2019 economic briefings for various stakeholders in Gaborone and for the Maun Business Community in Maun.

The first briefing was for His Excellency the President, Dr Mokgweetsi E. K. Masisi and Cabinet Ministers, followed by Media Representatives, Diplomatic Corps, Senior Government Officials, Senior Commanders of the Botswana Defence Force, Financial Institutions, Parastatal Heads, Captains of Industry and Maun business community. Stakeholders were briefed on the Bank's operations and performance in 2018, performance of the Botswana economy in 2018, as well as highlights of the theme chapter of the 2018 Annual Report titled "Botswana-Financing

Strategies for Industrialisation and transition to High Income Status". These economic briefings provide the Bank with an opportunity to share a comprehensive analysis and assessment of the country's economic performance and outlook through an analysis and assessment of key economic indicators.

The economy was reported to have performed better in 2018, with Real GDP growth of 4.5 percent, compared to a lower expansion of 2.9 percent in 2017. The improved growth was mainly attributable to the recovery in mining output and continued good performance of the non-mining sectors (albeit at a lower rate). Mining output expanded by 7.4 percent in 2018, compared to a contraction of 11.1 percent in 2017. The improved performance in mining was driven by the diamond industry and the return to full production of Soda

Ash at the Botash Mine, following a maintenance programme in the second quarter of 2017. Other mining sub-sectors also registered positive growth rates in 2018, with a notable increase of 21.2 percent in copper output, mainly reflecting the base effects associated with the closure of the BCL mine in October 2016, and resumption of production at the Mowana Mine.

With regard to inflation, domestic inflation remained within the objective range of 3 – 6 percent for most of 2018, breaching the lower bound to record 2.8 percent and 2.9 percent in March and September, respectively. On account of a positive medium-term inflation outlook, the Bank Rate was maintained at 5 percent throughout 2018 ●

SUMMARY OF THE 2018 ANNUAL REPORT THEME CHAPTER

BOTSWANA: FINANCING STRATEGIES FOR INDUSTRIALISATION AND TRANSITION TO HIGH INCOME STATUS

● By Mr Geoffrey Shima Ncube

INTRODUCTION

The Botswana Government has adopted an industrialisation strategy premised on harnessing the country's economic potential and value chains in relation to endowments, including natural resources and sectors/areas (industrial clusters and/or hubs), where there is prospective comparative advantage for the country. In this regard, mining, agriculture, tourism, health and financial services sectors were identified as having potential to anchor and lead Botswana's industrialisation.

The Bank's 2016 Annual Report highlighted relevant broad themes around the selected sectors, while the 2017 Annual Report narrowed the discussion to prospective developments and relevant policies for beneficial evolution of the financial sector and its impact on sustainable and inclusive growth. As a thematic continuation, the 2018 Annual Report expounded on some of the concluding observations of the previous theme topics and articulated alternative financing models and resource mobilisation approaches that were likely to best serve the industrialisation strategy and advance the country to high-income status.

FINANCING OPTIONS IN BOTSWANA

Financing options for industrialisation fall under three broad categories, namely; government, development finance institutions (DFIs) and private sector financing.

In general, direct government financing is directed at infrastructure projects and social amenities that facilitate economic activity, business processes and welfare enhancements. For Botswana, there has been continuing commitment to the funding of infrastructure and social projects. However, this funding is usually backed by revenue, generated from two highly volatile and unsustainable sources; (over the long-term) minerals (especially diamonds) and the Southern African Customs Union receipts.

Botswana has long recognised the need to close the financing-gap and address managerial constraints to business growth and success, and this has, over the years, led to the establishment of several support institutions, schemes and/or policies.

These institutions are in the form of DFIs which are essential in addressing market failure in credit allocation and closing the funding gap. However, despite the role played by DFIs in availing funding, the problem of stifled private business growth persists, suggesting the existence of other constraints. It has become clear that the lack of clear industrialisation objectives and support

initiatives, business opportunities, as well as deficiencies in governance and entrepreneurship skills (the key success factors) are also significant constraints to the success of business development and industrialisation efforts. An assessment of direct funding of industry by DFIs in Botswana shows a relatively small contribution compared to commercial banks, i.e. P6 billion compared to P23.2 billion in 2018. As such, given this imbalance, it is imperative that going forward, resources availed by Government be aligned with the industrialisation strategy, as well as being evaluated against the envisaged impact of DFIs in bridging the financing gap, promoting business and economic growth, and thus driving industrialisation.

In addition to direct government and DFI funding, various forms of private sector financing options are available to support general economic activity by both the formal and informal businesses and households. In Botswana, commercial banks are traditionally the primary source of private sector finance. Household borrowing (mostly unsecured loans), followed by credit to the trade, real estate and manufacturing sectors dominate bank lending. However, lending to sectors that are earmarked to drive industrialisation comprises only a small proportion of commercial banks loan portfolios (Chart 1). Further, the country lacks a vibrant domestic capital market which should be among key financing options for industrialisation.



SUMMARY OF THE 2018 ANNUAL REPORT THEME CHAPTER - BOTSWANA: FINANCING STRATEGIES FOR INDUSTRIALISATION AND TRANSITION TO HIGH INCOME STATUS [CONTINUED]

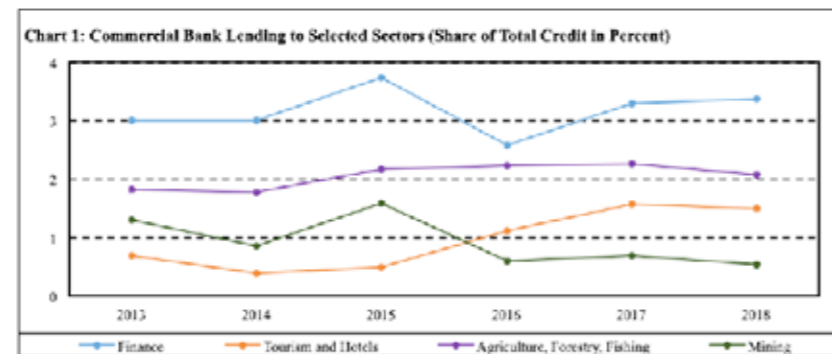
A robust capital market is necessary to supplement funding for government, parastatals and the private sector in order to enable them to fully play their role in the provision of infrastructure, social services, utilities and long-term capital for businesses growth. In the main, the capital market is underpinned by a securities trading platform (a stock exchange) to facilitate issuance and trading of equities and fixed income securities (bonds), market makers, as well as a government securities (bond) issuance programme to guide the market and provide liquidity and requisite vibrancy. Thus, the shallow and illiquid capital markets in Botswana limit financing options for industrialisation.

CHALLENGES TO ACCESSING FINANCE IN BOTSWANA

Some of the major challenges regarding access to finance pertain to banks, capital markets, credit infrastructure, funding for Research and Development (R&D), among others. With respect to banks, the maturity mismatch between loans and deposits limits the extent to which the banking sector credit can bridge the long-term financing needs, while low returns on financial assets weakens core deposit mobilisation. Capital markets in Botswana are shallow and illiquid, even with the marked improvements noted in recent years, in part, as a result of limited supply of government and corporate bonds.

Credit infrastructure is also a major challenge in Botswana due to the absence of well-functioning credit bureaux or a collateral registry. While lenders may be justified in seeking collateral for credit they extend to borrowers, the lack of a formalised collateral registry means that often new firms are unable to meet these demands and this hampers

Chart 1: Commercial Bank Lending to Selected Sectors (Share of Total Credit in Percent)
(Share of Total Credit in Percent)



Source: Bank of Botswana

access to finance for start-ups and firms wishing to expand. Furthermore, limited funding for R&D means that businesses are unable to bear the high cost of R&D, which is important for improving their technological capabilities, allowing for the production of high quality competitive goods and services, which could drive the country's industrialisation agenda.

CONCLUSIONS AND POLICY RECOMMENDATIONS

The quality and performance of governance and effectiveness of institutions, macroeconomic policies and the country's industrialisation policies play a critical role in determining the ability of the economy to generate capital for funding investment and, hence, industrialisation. Good governance is the key to unlocking private resources and opportunities for financial flows that are essential for sustainable economic growth and development.

Monetary policy is also critical for mobilising financial resources through its influence on the cost and availability of credit, inflation and the Balance of Payments (BoP). Low inflation

preserves the purchasing power of money and financial savings, thus allowing households and private businesses to make long-term economic plans and investment decisions. Thus, effective monetary policy is critical in the creation and maintenance of investor confidence, which augurs well for the industrialisation drive and related financial flows.

Overall, Botswana has potential to implement a successful industrialisation strategy and accelerate the creation of employment and income generating opportunities. The transition to high-income status is premised on policy and structural transformation in key areas and access to inputs, among which is finance. From the discussion, it is clear that the financing gap is not necessarily due to the quantum of funds, but is fundamentally due to the paucity of innovation and deficient governance and operational processes in intermediation. The detailed analysis of issues highlighted in this article can be found in the 2018 Annual Report Theme Chapter ●

Celebrating 40 Years

Ms Dineo Mercy Mooketsi – Senior Banking Clerk

Ms Dineo Mercy Mooketsi joined the Bank on April 1, 1979 as a General duty Assistant in the then Administration Department. At the time she held a General Certificate of Education. Ms Mooketsi transferred to the Banking Department and was promoted to the position of Clerk Grade II and Grade I in 1980 and 1985, respectively. In 1988 she was promoted to Senior Banking Clerk, the position she currently holds. During her period of service in the Bank, Ms Mooketsi has consistently maintained superior performance ratings.

Ms Mooketsi has attended various work-related short training courses which include: communication skills; introduction to computers; customer service course; customer service training for Tellers; T24 currency management module; cashiering and back office operations; and cash management and combating counterfeit money.

The Bank has taught me so much. It has groomed me, both in my profession and personal life. My biggest takeaway is how it has groomed my interpersonal relationships. I have learnt that people are different, come from different environments and cultures and exude different behaviors. This has in turn made me understand that for one to easily interact and work professionally, you have to know how to relate with such diversity of people. ┘



Ms Dineo Mercy Mooketsi

Inspiration

My inspiration comes from God, and this has helped me manage my career very well.

My Job so far..

My current job is challenging as it requires a lot of concentration, precision and dedication, but overall it is fun.

Advice

"Your job is your job, do not compare yourself to others, work hard for yourself, prove your worth the way you know how and remain happy always" ●

**THE BALI
FINTECH
AGENDA:**

BALANCING FINTECH OPPORTUNITIES AND RISKS

● By Kgomotso Ntsatsi



Delegates during the Bali Fintech Conference. Front row from left to right; Deputy Governor, Dr K. Masalila; one of the regional participants at the conference; General Counsel, Ms Ewetse Rakhudu; Former Governor of the Central Bank of Kenya, Prof Njuguna Ndungu; Governor of the Bank of Botswana, Mr Moses Pelaelo; Former Minister of Finance and Economic Development, Mr Kenneth Matambo; First Alternate Executive Director, Africa Group 1 Constituency of the IMF, Ms Ita Mannathoko; Deputy Director, Monetary and Capital Markets Department at the IMF, Mr Aditya Narain; Chairman of Bankers Association of Botswana and also Managing Director of Barclay Bank Botswana Ltd, Ms Keabetswe Pheko-Moshagane; one of the regional participants in the conference.

The International Monetary Fund (IMF) and the World Bank Group launched the Bali Fintech Agenda in October 2018 in Bali, Indonesia; a set of 12 policy elements aimed at helping member countries to harness the benefits and opportunities of rapid advances in financial technology that are transforming the provision of banking services, while at the same time managing the inherent risks.

The Agenda proposes a framework of high-level issues that countries should consider in their own domestic policy discussions and aims to guide staff from the IMF and the World Bank in their own work and dialogue with national authorities. The 12 elements were distilled from members' own experiences and covered topics relating broadly on enabling Fintech; ensuring financial sector resilience; addressing risks; and promoting international cooperation.

According to the outgoing IMF Managing Director, Christine Lagarde, there are an estimated 1.7 billion adults in the world without access to financial services and as such Fintech can have major social and economic impact for them. All countries are trying to reap its benefits, while also mitigating the risks, said Lagarde. Fintech Agenda provides a useful framework for countries to assess their policy options and adapt them to their own circumstances and priorities.

In giving his speech during the Bali Fintech Agenda Congress in Bali, Indonesia, in October 2018, the then World Bank Group President, Jim Yong Kim, indicated that the Bali Fintech Agenda provides a framework to support the Sustainable Development Goals, particularly, in low-income countries, where access to financial services is low. He further stated that countries are demanding deeper access to financial markets, and the World Bank Group will focus on delivering Fintech solutions that enhance financial services, mitigate risks, and achieve stable, inclusive economic growth.

The Financial Stability Board and several other international standard-setters have been reviewing the implications of Fintech developments and have indicated regulation and supervision priorities. The IMF and World Bank will start developing specific work programmes on Fintech, as the nature and scope of their members' needs become clearer, in response to the Bali Fintech Agenda. The IMF's initial focus will be on the implications for national and global monetary and financial stability; and the evolution of the International Monetary System and global financial safety net. In response to the Bali Fintech Agenda, the World Bank will focus on using Fintech to deepen financial markets, enhance responsible access to financial services, and improve cross-border payments and remittance transfer systems. The Bank will draw on the International Finance Corporation's growing experience in this area. The Agenda contributes to building the foundations of the digital economy that is a key pillar in the World Bank Group's larger disruptive technologies engagement.

In an effort to implement the Bali Fintech Agenda, the International Monetary Fund (IMF) and the Bank of Botswana jointly hosted a high-level Conference on Balancing Fintech Opportunities and Risks: Implementing the Bali Fintech Agenda in Gaborone, Botswana on June 24 – 25, 2019. The conference was intended to promote broad discussions and develop a better understanding of how member countries are incorporating the Bali Fintech Agenda considerations

in their respective jurisdictions and give updates of how they are proceeding. The conference that attracted delegates from Africa, was officially opened by the Honourable Minister of Finance and Economic Development, Mr Kenneth Matambo. Mr Matambo indicated that hosting the Conference in Botswana demonstrated Botswana's sustained interest, alongside development partners and other stakeholders, in pursuing rapid integration of financial technology in economic activity and development. The Governor, Mr Moses Pelaelo indicated that the Conference was intended to propagate and entrench the broad themes of the Bali Fintech Agenda.

The conference focused on a number of issues: the future of Fintech; financial stability; financial infrastructure; and financial inclusion among other issues.

(a) The Future of Fintech

From the Private Sector perspective, it was recognized that Fintech can play a significant role in supporting economic development and inclusive growth by deepening and enhancing the efficiency of financial systems; broadening accessibility to financial services; and addressing the shortcomings inherent in cross-border payments.


**THE BALI
FINTECH
AGENDA:**
**BALANCING FINTECH OPPORTUNITIES
AND RISKS [Continued]**

Furthermore, Fintechs are regarded as the driving force behind digital evolution and this can usher in an effective, efficient, transparent and safe payments landscape, as well as creating new business opportunities. The digital transformation experience of Estonia was highlighted, as it was indicated that 99 percent of public services in Estonia were digitalised. The Government and the private sector jointly came up with digital solutions, to improve the competitiveness of the country and increase the wellbeing of its citizenry. This led to the introduction of e-Tax, e-Justice, e-Policing and e-Voting among others. The lessons drawn from the Estonian experience are that digitalisation has substantial gains, and does not necessarily depend on the country's income level.

In the case of Botswana's landscape, to a large extent, the country is successful in payment solutions and e-money, although the country is yet to realise a massive transformation initiative that will drive changes. There are four policy areas that need attention in order to stimulate adoption of Fintechs in the local market. Firstly, there is need for data regulation to ensure consistent understanding by all data consumers. Secondly, setting of industry standards to redefine and enforce an approach to good conduct in light of new technology-enabled innovations. Thirdly, setting up a forum for public-private dialogue

on transformation to identify areas where supervisor support is needed to develop technology for enhancing financial stability and lastly, monitoring and understanding Fintech innovation in a consistent way to ensure that national supervisors are well equipped with skills and tools to mitigate risks arising from Fintech.

(b) Financial Stability

The risks arising from the use of Fintech may threaten the payments system and financial stability, generally, if not carefully managed. Regulators are supposed to strike a balance between imposing too many regulations in the near term and allowing innovation to thrive and allowing risks to build to a point of making the financial system very vulnerable. It is critical, therefore, that regulators keep pace with innovation but timing of action is key, because regulatory intervention introduced early, might be too premature, hence stifling innovation, which is why regulatory sandboxes maybe an efficient regulatory approach. Regulatory authorities are challenged to develop more tailored and responsive frameworks that can adjust and respond to the frenetic pace of change, hence the attraction of sandbox model. It is the responsibility of the central bank and other regulatory authorities to understand the various risks associated with Fintech to be aware of the factors that can

cause financial crisis. Furthermore, it is important that regulators understand the business models and the risks brought about by new financial products and services for them to come up with appropriate regulatory frameworks.

Regulators can also benefit from Regtech to alleviate regulatory problems, ranging from anti-money laundering and terrorist financing requirements to regulatory reporting problems. However, the fight against cyber security threats and crimes remain a priority for the national agenda with the need for joint efforts by government and the private sector to combat cyber security threats.

(c) Financial Infrastructure

Putting in place financial infrastructure that is sound and efficient will enable Fintechs to push and sustain the digital evolution. There are disparities and challenges for developing adequate infrastructure that can realise the benefits such as financial deepening, financial inclusion and economic growth. A decision must be made when putting in place the right payment systems, for example, instant payments, to either open it up to non-banks or not. These are critical issues that needs to be looked at, especially, when determining the design of the systems, ensuring interoperability across all payments and settlement systems.

(d) Financial Inclusion, Development and Inclusive Growth

There is considerable potential for financial technologies to expand financial inclusion and through the use of a range of financial services including credit, savings, insurances and pensions. Fintech can help overcome the traditional barriers to financial inclusion, enrich the potential of private sector strategies and while regulators can adjust licensing policies to enable the use of financial technology. Fintech also has the potential to facilitate increased financial inclusion by broadening access to financial services for the unbanked (those individuals and businesses excluded from the traditional financial sector), and to accommodate services such as mobile money, which is a game changer in the payments space, and it is in the forefront of financial inclusion, given the wider outreach of Mobile Network Operators.

Conclusion

Fintechs are evolving rapidly, and completely changing the financial services sector. The Bali Fintech Agenda has set a tone for economies to re-examine their own policy mix and options to unlock the power of digital payments ecosystem. The local financial service sector is urged to fully embrace the financial technologies, which has great potential in fostering unique financial inclusion and new platforms for conducting

economic activity, thus, a digitalised economy. Botswana fully subscribe to the Bali Fintech Congress Agenda, and is alive to the nexus between financial stability, financial inclusion and Fintech. During the conference, the then Minister of Finance and Economic Development, Honorable Matambo indicated that, there are opportunities presented by the rapidly changing financial landscape propelled by advances in technology and innovation that the country can usefully harness. Botswana has a vast potential of harnessing the electronic governance, which will beyond financial services, enhance efficiency of accessing the services online such as health, education, etc. As a result, the country can benchmark on how Estonia has evolved into a knowledge economy, courtesy of robust digitalised government sector ●

Source:

International Monetary Fund Press Release No. 18/388 (2018) - The Bali Fintech Agenda. The Bali Fintech Agenda Conference Report - Balancing Fintech Opportunities and Risks (Implementing the Bali Fintech Agenda) -2019.



SUMMARY OF PROCEEDINGS OF THE 6TH AFRICAN FEDERATION OF INSTITUTES OF INTERNAL AUDITORS (AFIIA) CONFERENCE

● By Mushango Margretmary (Principal Internal Auditor)



Vice President of the Republic of Botswana, Mr Slumber Tsogwane giving opening remarks during AFIIA 2019

Staff of the Bank participated in the 6th African Federation of Institutes of Internal Auditors (AFIIA) conference hosted by the Institute of Internal Auditors Botswana (IIAB) at the Gaborone International Convention Centre (GICC) from May 27 - 30, 2019, under the theme “The Future of Internal Audit is Now. Assure. Advice. Anticipate.” The conference is a flagship event held annually by different member countries on a rotational basis using the bid system. AFIIA whose Secretariat office is in Tanzania is an associated organisation of the Global Institute of Internal Auditors (IIA) headquartered in Lake Mary, Florida, USA.

The conference was a world class event targeted at inspiring and providing the requisite lessons and tools to reposition Internal Auditors, Audit Committees and Institutional Leaders to be near – fanatical advocates for strengthening governance in all facets of national and institutional life to achieve the realisation of the needed transformational agenda for the growth and success of respective nations. Over 600 delegates from across the African continent participated in the conference, which was graced by a host of international and local speakers including IIA Global President and Chief Executive Officer, Mr Richard Chambers.

The guest speaker was His Honour, Slumber Tsogwane, the Vice President of the Republic of Botswana who was standing in for His Excellency, Dr Eric Mokgweetsi Masisi as Acting President. In his address Hon. Tsogwane emphasised the role of internal audit in ensuring good governance through combating corruption.

Bank of Botswana Deputy Governor, Dr Kealeboga S. Masalila, alongside two (2) former Chairpersons of IIA Global as well as one IIA Global Board Member, participated in a panel discussion at the Board, CEO and CAE Governance forum on “Managing Institutional Dynamics: Lessons for CEOs, Chief Audit Executives, Board and Audit Committees,” chaired by Dr Claudelle Von Eck, CEO of IIA South Africa.

IIA Global CEO and President Mr Richard Chambers presented the following five (5) Cs that should keep Boards and Auditors awake in their profession:

- (a) Change velocity – the velocity/speed of change is a direct contributor to the speed of risk. All players in the risk-management process should be keenly aware of how rapidly a significant disruption can emerge and impact the organisation.
- (b) Crisis management – how an organisation survives a crisis is directly tied to how it plans for one. When a crisis occurs, internal audit must actively provide assurance on how crisis-management plans are executed.
- (c) Cybersecurity – in less than a decade, cybersecurity has grown from an obscure IT issue to one that dominates the risk landscape of nearly every organisation. The potential for financial, reputational, and increasingly regulatory damage seems to grow exponentially each year. Risk management involving cybersecurity has evolved from preventing cyberattacks to responding to the inevitable cyber breach, to protecting data and complying with increasingly stringent data-privacy laws and regulations.
- (d) Compliance - regulatory compliance is listed among the top five risks of virtually every survey of C-suites and boards. Cybersecurity has spawned a new genre of compliance risk for organisations as regulations. This added layer of compliance risk, only promises

to become more complex and demanding as other countries and territories adopt laws designed to protect customer data.

- (e) Culture – culture is one of the most overlooked yet substantial risks, because it plays a significant role in so many other risks. An organisation's culture influences every aspect of risk management, from efforts to stop simple phishing attacks to the organisation's overall ability to collect, manage, leverage, and protect data.

Internal audit must not only become more comfortable and skilful about auditing culture, but it must educate stakeholders to its pervasive impact throughout the risk portfolio and be prepared to provide assurance and insight to help the organisation navigate them. Peter Drucker originated a phrase that says, “Culture eats strategy for breakfast” and Mark Fields, President at Ford, made the phrase famous meaning that if you disconnect culture and strategy you put your success at risk.

Mr Richard Chambers commended IIA Botswana for a world standard conference with good time management and went on to encourage the Botswana team to continue keeping the standards up and continue sensitising stakeholders about the importance of a good working relationship between, Board, Management and the Internal Auditors ●



SUMMARY OF PROCEEDINGS OF THE 6TH AFRICAN FEDERATION OF INSTITUTE OF INTERNAL AUDITORS (AFIIA) CONFERENCE [CONTINUED]



A



B



C



D

A Former ministers with the Vice President from left to right Mr Moesiraela Goya, Mr Kenneth Matambo, Vice President Mr Slumber Tsogwane and Mr Nonofo Molefhi during the AFIIA Conference

B Richard Chambers, President and CEO, IIA Global presenting on The Imperatives for the 21st Century Internal Auditor in a dynamically changing world

C Eric Yankah, Chairman of AFIIA introducing the Global team

D Bank of Botswana, Deputy Governor K. Masalila engaging some of the delegates during the sessions at the AFIIA 2019

E Ms Margaretmary Mushango, President of IIA Botswana addressing the delegates during the 6th African Federation of Institute of Internal Auditors (AFIIA) Conference



E

CBU AT A GLANCE

● By Emmanuel Molefe



The Bank of Botswana qualifying staff are represented by an independent trade union committed to protecting their interests and their interests alone. The Central Bank Union (CBU) was established in March, 1980 and its overall objective is to represent non-management staff in negotiations with Management for fair and equitable conditions of service. It also represents staff in any grievance/s or disciplinary matter/s.

The CBU is essentially a voluntary organisation, in which elected members organise a range of activities on behalf of their fellow members, with the assistance of a full-time staff who provide administrative support. The presence of Branch Chairs in workplaces organised by the Union is the key feature in its structure.

The CBU is party to the Joint Negotiation Committee, which is a negotiating and consulting body comprising of the Bank Management and CBU representatives and its core function is to negotiate all matters relating to staff members for better working conditions.

The CBU is a member of the Botswana Federation of Trade Unions (BFTU) in good standing, and is duty bound to keep the General Council informed with regard to matters arising between the staff and the employer. BFTU, among others assists in the complete organisation of workers into trade unions under a united trade union movement and organise the structure and spheres of influence and amalgamation of trade unions affiliated to the Federation. Any member of staff of the Bank of Botswana holding non-managerial positions are eligible to join the CBU ●



MY CAREER PATH



BOFELO ISRAEL

Meet Mr Bofelo Israel as he shares his career path leading to his position now as a Portfolio Analyst in Financial Markets Department under Risk Management Unit.

Achievements

"Inspiration and guidance from both talented professionals and those I interact with daily have so far shaped my career and contributed to my personal development."

Before joining the Bank, I served a two month attachment in the Bank in fulfillment of the requirement of my Bachelor of Finance degree programme, in 2016. Prior to that I was an active undergraduate who held a number of positions mainly through my volunteerism spirit. To name a few I was the Vice President of University of Botswana Finance Society, Resident Assistant under student welfare, Peer Counsellor and IT assistant. I also worked with Botswana Stock Exchange to organise and execute the 2014 high school finance and investment competition.

Since I started working for the Bank in 2016, it has indeed provided a platform to apply my knowledge and skills that I acquired throughout my studies. I joined the Bank as a Trainee Portfolio Analyst and currently work as a Portfolio Analyst. I have so far attended a training course in Switzerland on Portfolio Analytics in September 2019, and in 2018, I attended a Leadership Development Programme in the Bank.

I was able to focus on developing skills needed in my role, work on areas of improvement in pursuit of my long term career goals. My key achievement is the experience of working in the Bank. I have consolidated my comprehension of the functional applications of Finance, especially in Investments and Risk Management, and have cultivated an immense desire to search for socially viable solutions.

"When you begin your career it is logical and natural to pursue roles that reflect one's qualifications and experiences, however, this could potentially be pigeon hole one's career and limit exploration of one's skills and passion."



The Bank has created a platform and culture that allows its employees to grow in their career paths. It has, as its mandate to nurture and grow its employees.

A thought

"Ultimately, you need to create options for yourself, not close options down and do not be afraid to take a leap of faith."

A place I would like to visit

A place I would love to visit is Rome, a sprawling cosmopolitan city with thousands years of historic art, architecture and culture on display.

On the softer side

My favourite dish has to be dumplings with oxtail.

Word of encouragement

"Do the best you can until you know better, then, when you know better, do better" ●

Mr Bofelo Israel, Portfolio Analyst in Financial Markets Department, under Risk Management Unit – Bank of Botswana



FROM THE INTERN'S EYE

BANK OF BOTSWANA INTERNSHIP



Meet the Interns from left to right – Bame Sandra Kooganne, Nelly Mokoti, Fawzia Aya Abdullah and Keabetswe Rasegojwa

It has always been our desire to be “employees” of the Bank, for purpose of charting our career paths and personal development as aspiring economists. We could not express our contentment more when we were informed of our two months industrial attachment placement to the Bank, which we saw as an immense opportunity to be exposed to the work environment. Out of all the single major economics students at the University of Botswana, the four of us, despite limited space were selected. Well this must obviously not be by mistake, it must be out of recognition of our potential. We draw inspiration from that in itself as it cements the confidence in our abilities.

Swimming in a mist of confusion and nervousness, dilated

by our own respective inert degree of introversion, that was our first day at the Research and Financial Stability Department. Only a gracious reception from the Bank staff could rescue us from this, and that is exactly what we received.

It is spuriously held belief that university theories are generally inapplicable to the world of work. Our placement at BoB proved this wrong. Some of the apparatus and systems largely used to arrive to most results might be alien to us, but the tactful arguments and theoretical explanations applied results matched theoretical explanation we learnt at University. University teaches you the concepts, such that, indeed industrial attachment is a must for students to learn to balance theory and practice. One can give an economic interpretation to any numerical economic variable, but industrial attachment makes you answer the questions such as where do you collect data? How do you input the data? What systems do you use to input that data? Most importantly, what is the economic implication of the result obtained to the stability of the country and contribution to the Bank's monetary policy? These are all answers we have come to learn in our journey at the Bank. A perfect enlightenment for students who would have to contend with a research project in a few months' time ●

We couldn't have asked for a better placement: Bank of Botswana is the best place to be!!!

Designation: Industrial Attachment

Department: Research and Financial Stability Department

Place: Bank of Botswana, Gaborone

INSPIRATIONAL CORNER

Caught up in blame shift

● Lindo Morolong



“...have you eaten of the tree, whereof I commanded you not to eat?” asked the Lord God. “The woman gave me the fruit and I did eat,” responded Adam. And the Lord asked Eve, “What is this that you have done?” Eve replied, “The serpent beguiled me, and I did eat”.

This can be summarised in two words ‘blame shift’. Blame shift comes out as an avoidance and abdication of responsibility. In the South African case of Oscar Pistorius, Advocate Gerrie Nel, kept pouncing at him – “Say, I killed Reevea –

take responsibility”. You see, Adam and Eve abdicated responsibility. Adam was given instructions on the manner in which he was to manage the garden, but he lazed and faltered until things became a mess, yet he was not ready to take responsibility. Is he alone? No! We often find ourselves caught up in the same trap. Amidst the challenges, failures, discrepancies and all the mess in life, three choices are always availed to us: (1) choice to blame, (2) choice to justify or (3) choice to take responsibility.

Those who shift blame to others often realize that it changes nothing. Shifting blame is an act of self-appeasement as you paint others with the brush you deserve. It is an act of avoiding judgment. We hook others to share in our misfortunes. We attach our negative experiences to the people around us and make them scapegoats. Blame shift never solves the puzzles of life; it only aggravates the situation. Adam and Eve still got the penalties of disobedience even after shifting the blame.

Another breed of people do not blame, but seek justification in all things. These types often exercise thought and possible ways of escape from judgment. While justifying outcomes of the situation usually reflects good analysis and functional intellect, it is not the solution by itself. In some instances, it only pacifies whereas in some, it offers a course of direction. If it pacifies, then it is an excuse. The greatest misfortune is that justifiers often tend to attach their failures to circumstances outside their control. They may win the game of exclusion but the solution remains distant. The temptation is to offer reasons why solutions cannot be

delivered. It is basically a ‘well-framed excuse’. These can prove that what goes up will always come down due to the force of gravity, but present this as a basis why an aircraft venture is unsustainable.

But then there is another breed. These when facing challenges in life, are more focused on solutions. They are not quick to escape the battle lines. They own up without judging and condemning themselves. They believe that accepting their failures is not a sign of weakness but a sheer demonstration of responsibility and strength. They believe that they have a role to play in finding a solution. The breed of the Wright Brothers who created the first aircraft in the 1900s. While justifiers believed that an aircraft venture is unsustainable, these believed that what goes up can stay up until you decide to bring it down. They defied the force of gravity as a stopper. Can we believe that within every question lies a solution? Blame shift brings a trap of denial; justification is an excuse exit, but responsibility, a door to solutions. You are accountable and responsible for the change that happens in your life. If your relationship, finances, appetite and more are falling apart; have the grace to find yourself in the mess and take a drive back. Locate where you missed it. When you traverse such a path, you take control of your life and remain in the driver's seat ●

Remember

“We can throw stones, complain about them, stumble on them, climb over them, or build with them”. - William Arthur Ward



Caught BY THE CAMERA



Mr Motsomi engaging the media during one of the MPC Media Briefing



Public Education Manager, Mr Mosweu during the Bank of Botswana Public Education schools engagements with Bakgopheng Community Junior School from Lesenepele



Government Officials during the Bank's Economic Briefing to Government Officials



Fare thee Well Dr Jay Salkin - Advisor to the Research and Financial Stability Department



Fare thee well Mr Simon Ipe- Advisor, Risk and Audit



Records Officer, Mr J. Nteda engaging one of the primary schools that visited the Bank's stall at the Northern Trade Fair

PUBLIC NOTICE

Banknotes with "ZZ" Prefix

Banknotes with a "ZZ" serial number format are genuine and legal tender. These are replacement banknotes. In accordance with industry norms and practices, banknotes are assigned unique numbers. Any new banknotes found to be defective from a "production batch" are immediately replaced. The replacement banknotes are assigned unique prefix of the serial number to replace those damaged during the production process because serial numbers have to follow a predetermined sequence and also, quantity in a particular box. In Botswana, the replacement code is "ZZ" and it is applied to all replacement Bank of Botswana banknotes across all the denominations (10, 20, 50, 100, and 200). Therefore, the banknotes in circulation bearing a prefix of "ZZ" code are genuine, subject to the normal due diligence to confirm the authenticity of the banknotes security features.

For further information, please contact
Communications and Information Services
on **+267 360 6083** or **360 6382** or **+267 360 6315**
or **info@bob.bw**



BANK OF BOTSWANA WHISTLE BLOWING

The Bank has established a reporting hotline, **Deloitte Tip-offs Anonymous** that enables staff and the public (whistle-blowers) to anonymously report any perceived wrongdoing related to the business of the Bank. The hotline guarantees staff and members of the public anonymity, if they so choose. A caller may elect to be fully or partially anonymous by revealing their identity to Deloitte but not to the Bank. In a case of full disclosure, the individual's identity is, with their permission, given to the Bank. The Bank will take reasonable precautionary measures to protect the individual's identity.

All disclosures/reports made/received to/by the Bank will be treated seriously and fully investigated. Disclosures/Reports made will be identified by way of a reference number that will be used to communicate results or request further information. The caller

can request progress from Tip-Offs Anonymous based on the reference number of the call given to them. Reporting personal grievances, false, malicious or frivolous information is not permitted.

What can be reported?

The following unethical behaviour or unlawful acts can be disclosed/ reported through the Deloitte Tip-off Anonymous (Please note that list is not exhaustive):

- misconduct;
- corruption, theft, fraud and bribery;
- control violation;
- nepotism;
- abuse of Bank Property;
- discrimination; and
- anti-money laundering/financing of terrorism.

When reporting on unethical behaviour, the whistleblower should provide the following information to the extent possible:

- the wrong-doing/incident;
- date, time and place of incident;
- name(s) of person(s) involved, if applicable;

- proof/evidence, including name(s) of witnesses, where possible;
- frequency of occurrence; and
- reason for concern and background information.

Short Code/Toll Free number

A call can be made directly using any mobile/cellphone or fixed telephone line to the toll free number 16181. The number can be accessed through Mascom, Orange, BeMobile and Botswana Telecommunications Corporation.

The reporting service at Deloitte Tip-offs Anonymous is available 24 hours daily, 365 days in a year, inclusive of weekends and holidays in English. Reporting in Setswana is available from 0800 hours to 1700 hours from Monday to Friday, and a voice prompt service for leaving a report in Setswana is available between 0800 hours and 1700 hours ●



Season's Greetings
and Best Wishes for the New Year



TIPS TO CARE FOR YOUR BANKNOTES

To ensure longevity of the polymer P10 banknote:

| DO (v) | DO NOT (X) |
|-----------------------------------|---|
| Look after the banknote carefully | Do not fold the banknote |
| Keep them in a wallet or purse | Do not store banknotes in a moist or excessively hot environment |
| Keep them straight | Do not damage the banknote |
| Keep them clean | Do not apply adhesive tape on banknotes as this destroys them and damages the look and feel |
| | Do not write on them |

When the banknotes get soiled and damaged, present them to the nearest bank for replacement.



HEADQUARTERS

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Francistown
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Private Bag F212
Francistown
Botswana
Telephone: 241 0450 / 240 0400

Visit www.bankofbotswana.bw
Email: info@bob.bw / comms@bob.bw