



Bank of Botswana

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MEDIA RELEASE

The Bank of Botswana notes, with disappointment, the recent media reports and commentary on its governance, following a submission by the Chief Executive Officer of the Botswana Accountancy Oversight Authority (BAOA) to the Parliamentary Committee on Statutory Bodies and State Enterprises. The Bank of Botswana, central bank, is a public institution charged with statutory responsibility for monetary and financial stability, which mandates anchor sustainable economic development and welfare in Botswana. It is, therefore, important that the Bank reassures the public that all the governance structures, functions and operations it has adopted and follow, adhere to principles and operational standards that are fully compliant with the Bank of Botswana Act, and other relevant ancillary legislation, as well as, in general, well-established international governance practices for central banks.

First and foremost, the foundation of governance is adherence to the law. The Bank of Botswana is established and governed by the Bank of Botswana Act (Cap 55:01). The law specifies the mandate of the Bank, the functions to be carried out in pursuit of the mandate, the institutional arrangements and governance structures, including the appointment of senior Bank staff, Board members, and accountability frameworks for operational and financial reporting. In this regard, throughout its existence, the Bank has been and continues to be fully compliant with its own statutes.

Second, there are specific mandate performance imperatives necessitating the institutional arrangements in place, which incidentally are common for central banks, globally. Central banks perform special functions and have responsibility for “public goods” as determined and delegated by national governments on behalf of citizens. It is, therefore, not unusual for central banking law (as promulgated by Parliament) to

bestow the determination of the governance arrangements on the national leadership. Thus, in virtually all central banks in the world, even those with a most recent statute review, the Governor and Deputy Governors are appointed by the executive leadership of the country (in the case of Botswana, as provided for by Section 13 of the Bank of Botswana Act); and in about 80 percent of central banks across the world, the Governor is Chairman of the Board. The exceptions would normally be central banks that have dual board arrangement involving a supervisory and a policy board and, in those situations, the Governor would invariably chair the policy board.

The dual role of the Governor recognises the uniqueness and special responsibilities of a central bank, hence the need to ensure that the Governor and chair of the Board has the required expertise and intimate knowledge of central banking to enable effective discharge of its mandate; often requiring intimate continuous monitoring, specialist consultations and/or quick responses. The informed perspective is that it will be difficult to require such from a non-specialist, non-executive director who is not involved in the daily operations. Notably, the Governor is, in many jurisdictions, singularly responsible and accountable to the national leadership, and the public, for performance with respect to price stability, financial stability, integrity of the national currency and payments system and performance of the foreign exchange reserves.

The appointment and powers of the Board of the Bank is set out in Sections 8 – 12 of the Bank of Botswana Act. There are nine Board members, seven of which are independent members appointed by the Minister of Finance and Economic Development. The other two are ex-officio members, namely Governor and Permanent Secretary in the Ministry of Finance and Economic Development. The law also prescribes for establishment of an Audit Committee of the Board, chaired by a non-executive Board Member. In addition, the Board of the Bank has two other committees: The Human Resources Committee and the Governance and Ethics Committee, both are chaired by Non-Executive Board members, that determine policies and provide oversight on related matters. In summary, it should be noted that the Bank of Botswana is not a company; it is a statutory body whose governance structures are embedded in law.

Third, there is need to recognise that the Bank has multiple functions, some of which are governed by different statutes, such as banking regulation and supervision

(Banking Act, Cap 46:04) and operation, regulation and supervision of payments and settlement systems (National Clearance and Settlements Systems Act, Cap 46:06). In each of these areas, there are international conventions, principles and standards against which the design of governance arrangements and risk management frameworks of the Bank are anchored. These include the International Monetary Fund Code of Good Practices on Transparency in Monetary and Financial Policies; Basel Core Principles for Effective Banking Supervision; the Committee on Payments and Settlement Systems, International Organisation of Securities Commissions Principles for Financial Market Infrastructures; and the Santiago Principles applicable to the management of sovereign wealth funds or foreign exchange reserves. Of relevance in this regard is the view of informed and specialist observers and assessors such as the International Monetary Fund, through the annual Article IV Surveillance Missions and the rating agencies, Moody's Investor Service and S & P Global Ratings, through the annual rating reviews. These routinely affirm the Bank's effective performance of its mandates deriving from adherence and application of standards and principles that are relevant to central banking functions and operations.

Fourth, the Bank has public accountability frameworks and dissemination practices that afford transparency, accessibility and disclosure of how it operates and its performance, as well as demonstrate compliance and good governance. Examples include uninterrupted compliance with the statutory requirements to submit to the Minister of Finance and Economic Development the Audited Financial Statements and a Report on the Operations of the Bank by March 31 of each year and the Banking Supervision Annual Report by June 30 each year. Release of these reports also involves briefings of stakeholders, including government leadership, the private sector and media. In the key area of monetary policy formulation, the annual launch of the Monetary Policy Statement and the interactive media briefing following each Monetary Policy Committee meeting and decision demonstrate adherence to important internationally recognised governance and communication tenets of the monetary policy framework. In addition, as prescribed by law, every month the Bank publishes a statement of financial position in the Government Gazette.

Overall, therefore, good governance is well-entrenched at the Bank of Botswana, in terms of legal compliance, adherence to applicable principles and standards for the discharge of central banking responsibilities, and transparent accountability

frameworks. It follows that de facto compliance and practice of good governance does not require a statement alluding to a non-statutory and non-prescribed code. Notwithstanding, the Bank through ongoing strategic and operational reviews continuously makes the necessary improvements to ensure sustained effectiveness in discharging its mandates, mitigate risks and retain its value to the nation. To that end, the Bank is receptive to value-adding guidance from designated oversight institutions and stakeholders generally.

For further information, please contact, Dr. Seamogano Mosanako. Head of Communications and Information Services, at mosanakos@bob.bw, +267 360 6083, 360 6382 and 360 6315 or visit the Bank website at www.bankofbotswana.bw.