



***Bank of Botswana***

October 20, 2023

**PRESS RELEASE**

**GOVERNOR PARTICIPATED IN THE 2023 ANNUAL MEETINGS OF THE  
INTERNATIONAL MONETARY FUND AND WORLD BANK GROUP**

The Governor of the Bank of Botswana (the Bank), Mr Moses D Pelaelo, accompanied by a delegation of senior Bank staff, participated in the annual meetings of the International Monetary Fund (IMF) and World Bank Group (WBG) in Marrakech, Morocco, from October 9 – 15, 2023. These meetings included the Combined Annual Plenary to address global economic and policy developments, officially opened by Mr Omar Kabbaj, Advisor to His Majesty Mohammed VI, King of Morocco, who also delivered the royal welcome address to the Central Bank Governors and Ministers of Finance. The Plenary also featured addresses by the IMF Managing Director, Ms Kristalina Georgieva and the President of the WBG, Mr Ajay Banga. In his capacity as the Governor for Botswana at the IMF, the Governor took part in the meetings of the International Monetary and Financial Committee (IMFC), the IMF's Africa Group 1 Constituency, which comprises 22 Sub-Saharan countries, and the African Caucus Meeting with the Managing Director of the IMF.

The meetings deliberated on, among others, recent economic and financial developments, prospects for global economic growth, challenges, and the related policy responses. It was acknowledged that global economic recovery remains slow,

with the divergent regional performance prospects posing a challenge to restoration of pre-pandemic growth rates. The slow pace of recovery mainly reflects the aftermaths of COVID-19, the Russia-Ukraine war, the intensification of geo-political fragmentation and the effects of monetary policy tightening.

Moreover, inflation is steadily abating due to easing supply-chain disruptions and softening commodity prices, although persistently high inflation is a concern in some countries as core inflation remains sticky at high levels, warranting country-specific monetary policy tightening to return inflation to target. It was indicated that persistent high inflation was largely due to embedded expectations, which results in upward bias in pricing decisions, and disproportionately hurting the world's poorest nations with weaker policy frameworks.

According to the October 2023 World Economic Outlook, released during the meetings, global growth is forecast to decelerate from 3.5 percent in 2022 to 3 percent in 2023 and 2.9 percent in 2024. For Sub-Saharan Africa the 2022 growth rate is estimated at 4 percent, while projections for 2023 and 2024 are 3.3 percent, and 4.0 percent, respectively. It was observed that growth in the region remained below the historical average of 4.8 percent, largely on account of worsening weather shocks, the global economic slowdown, and domestic power supply issues.

Global inflation is projected at 6.9 percent for 2023 and 5.8 percent in 2024, with largely similar trajectory across countries, although with a faster pace of disinflation in advanced economies than in emerging market and developing economies, reflecting, among others, their lower exposure to commodity price and exchange rate shocks. It was indicated, overall, that emerging markets and developing economies are more vulnerable to global economic and geopolitical shocks due to weaker economic structures and policy frameworks; therefore, overall lower resilience.

Regarding policy actions, it was noted that macroeconomic policies have yielded desirable results, as global inflation is steadily declining largely due to synchronous monetary policy tightening across central banks. At the same time, it was recognised that tight monetary policies, necessary to fight inflation, and the withdrawal of fiscal policy support to tackle soaring global debt and support disinflation efforts, are a threat to economic growth and recovery in the short run and could also threaten financial stability.

In addition to debt containment, deliberations on fiscal policy underscored the need to strengthen domestic revenue mobilisation through tax capacity building and public spending efficiency, while safeguarding targeted social safety net measures to protect the most vulnerable populace.

There was recognition that the green transition will be challenging, particularly for emerging market developing economies with high debt and high investment needs. However, it was agreed that incorporating climate change considerations into development plans and policy frameworks could reduce costs of future corrective measures.

On the IMF governance matters, there was consideration to improve voice and regional representation and the IMF Board of Governors approved to give the 45 Sub-Saharan Africa member countries of the IMF a third seat on its Executive Board. This will bring to 25, Directors in the Fund's Executive Board, with three representing Sub-Saharan Africa.

The Governor also met with the Deputy Managing Director of the IMF, Mr Bo Li, to discuss issues of mutual interest between Botswana and the Fund. Still at the same meetings, Governor Pelaelo met with Governor Lisa Cook of the United States Federal Reserve Board to forge a symbiotic relationship and explore capacity building opportunities for Botswana with the United States Federal Reserve System. He also met with the former French Prime Minister Mr Dominique de Villepin to discuss various topical issues including, amongst others, digitalisation, geoeconomic fragmentation and climate change.

The highlight of the meetings was the Governor's participation in the Governor's Talk moderated by the Director of the African Department of the IMF, Mr Abebe A. Selassie, under the theme *Central Banks in the Face of Heighted External Volatility: The Experience of Botswana*. The talk covered four key areas, policy actions implemented by the Bank to reign in inflationary pressures amid the recent global surge in inflation; coordination of the exchange rate and fiscal policies with monetary policy in returning inflation to target; managing a natural resource-based economy to avert the Dutch Disease (adverse outcomes resulting from dominance of a single large sector), and the role of monetary policy in addressing socio-economic inequalities.

In addition to the IMF/World Bank meetings, the Governor attended meetings of the Commonwealth Central Bank Governors, and the Macroeconomic and Financial Management Institute (MEFMI) of Eastern and Southern Africa Board of Governors and Forum. Issues specific to the Bank and Botswana's economic and policy developments were discussed bilaterally with relevant departments of the IMF.

Overall, the meetings were fruitful and continued to play a key role in harnessing international experiences and skills to support the Bank's agenda in driving domestic economic development and adaptation of policy frameworks. At the same time, there was an opportunity for others to learn from Botswana's experience.

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