

# **ACI Botswana Financial Markets Association – Speech at the Launch of the Government Borrowing Strategy and Auction Calendar**

**June 13, 2023**

Honourable Minister of Finance Peggy Serame  
Olesitse H. Masimega, Permanent Secretary, Ministry of Finance  
Governor of The Central Bank of Botswana  
Deputy Governors  
Chief Executive Officers of Commercial Banks and Primary Dealers  
Chairman of the Botswana Bond Market Association Pension and Asset Managers  
House Representatives from the Media  
Honourable guests, ladies and gentlemen  
All protocol is observed

A saying once said, "When we marvel and stand in awe of skyscrapers and meticulously constructed architecture, all we can see with the naked eye are beautifully painted structures with endless heights."

"But what we do not see, what we do not see underground is the foundation that will stand the test of time" – and today we are witnessing the laying of that imperial foundation in Botswana's Bond Market, which will be a pillar of development and growth in the local financial markets for years to come.

Today, the ACI represents the Local Primary Dealers - with membership from all banks in Botswana/ ACI Botswana Financial Markets Association is an affiliate of The Association Cambiste Internationale (commonly known as ACI International), which has over 14 000 members from 68 countries worldwide.

We, as the ACI Botswana, are guided by three main principles: first, "greater participation in the larger financial markets space through development," second, "promotion and adherence to financial market principles," and third, "creation of reputable financial markets professionals in the local banking arena."

As primary dealers, we are committed to upholding our fundamental principles. Today we celebrate and fully support the release of the 2023/24 Government Annual Borrowing Strategy and Auction Calendar, a truly historic day in the local bond market because this development marks an important step in the implementation of primary market reforms in the domestic debt market, which will serve as a foundation for the local market.

Developing and implementing an issuance plan or a Government Borrowing Strategy for Government Securities is an ongoing activity for The Debt Management Office, with implications

for the government's cost of financing, risk management in debt servicing, monetary policy implementation and financial stability, as well as financial sector development. This development of a Government Borrowing Strategy is based on the principle of providing greater transparency and predictability to the market on the government's debt issuance, while building and maintaining the DMO's credibility in debt management operations - a principle that the Central Bank and the Ministry of Finance have upheld for many years since the inception of the local Debt Issuance program, and this development is another step in the right direction.

Today, the well-designed issuance plan or Government borrowing strategy will take into account not only the government's objectives, investor preferences, and the macroeconomic environment, but also close coordination with market intermediaries such as us-Primary Dealers will be evident. With consistency in planning and implementation over a medium- to long-term horizon, we believe that the government as the issuer will undoubtedly reach a better cost-risk tradeoff in its financing activities and thus contribute to financial sector development and stability.

The implementation of the Annual Borrowing Strategy (ABS) and the Auction Calendar in the market will also help to increase the liquidity of local Government Securities. Although the liquidity of local government securities is affected by a variety of factors, including the structure and features of the investor base, as well as their motivations to trade, the effectiveness of the trading and settlement infrastructure, as well as the quality of the existing debt portfolio. While these factors may not be directly under the purview of the government debt manager, the Government Debt Management Office now has the power to influence the characteristics of the outstanding debt portfolio through the design of the issuance plan, which we now refer to as the Annual Borrowing Strategy.

Looking back and forward, one of the most foundational implementations of our Government and Central Bank has been the Benchmark issuance policy, which has not only improved the potential for wider distribution of securities among different types of investors with different incentives to trade, thereby increasing trading opportunities, reducing the liquidity premium demanded by the market, and thus building sufficiently large lines of Government Securities.

Another notable foundational implementation that we, as primary dealers, collaborated with the central bank to develop and implement was liability management operations such as switches and buybacks, in which a portion of the maturing benchmark security is exchanged for other securities prior to maturity, thereby spreading out refinancing costs and diversifying the holders' portfolios.

As primary dealers, we have pledged to create a stable and dependable demand for government securities by not only marketing local government securities, but also bidding on their behalf, broadening the Debt Management Office's customer base locally and internationally through the facilitation of access to end investors, which improves price discovery and contributes to secondary market liquidity. Today, as Primary Dealers we welcome transparency of the governments and central banks as they launch the 2023/24 Government Annual Borrowing

Strategy and Auction Calendar, which will provide us with tools to help us be more efficient in our jobs as primary dealers.

Transparency in its highest form enhances the orderly and effective operation of financial markets by better informing participants. In this day and age, the growing importance of openness in debt management and government securities markets cannot be overstated. Increased openness in: number one - institutional setup and formulation of public debt management strategy, number two - primary public debt markets, and number three - secondary public debt markets appeals to both domestic and foreign investors.

The introduction and launch of the Issuance plan will not only allow us as PDs to disseminate information locally and market bonds in accordance with our mandate, but it will also give us the leeway to do so on an international platform - allowing foreign institutions to become active in local markets, which offers several benefits to our emerging market and local bond market. For starters, foreign institutions provide greater insights into our local market in terms of market depth and necessary developments in accordance with international standards; additionally, international investors will increase competition and market credibility by expanding the scope of financial intermediation with a foreign customer base and increasing the availability of capital locally.

In conclusion, A saying once said, "When we marvel and stand in awe of skyscrapers and meticulously constructed architecture, all we can see with the naked eye are beautifully painted structures with endless heights."

"But what we do not see, what we do not see underground is the foundation that will stand the test of time". In our quest to build skyscrapers of liquid markets, with depth and price discovery, forming buildings upon buildings of well-functioning local debt markets, our foundation is today/our foundation is this monumental launch of the 2023/24 Government annual Borrowing strategy and auction calendar.

And with that, ladies and gentlemen, that's all from us Primary Dealers and the ACI Botswana Financial Markets Association for today. Thank you very much.