

OFFICIAL OPENING OF THE BANK OF BOTSWANA RE-DEVELOPED HEADQUARTERS BUILDING

Keynote Address

by

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SALUTATIONS AND GREETINGS

It is indeed befitting that, we are gathered here today, on August 23 for the official opening of a redeveloped and modern, state-of-art and energy-efficient Bank of Botswana Headquarters building. As many would recall, 47 years ago on August 23, 1976, Botswana issued into circulation and use its own national currency, Pula banknotes and the be coin. 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.

For a small economy, with a myriad of resource limitations and development challenges, this was 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. However, as subsequent developments and history would show, this proved to be one of the most well thought-out strategic, timely and forward-looking decision 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.

Notably, this meant that, for the first time in history, Botswana would be able to formulate and implement its own monetary, exchange rate and financial policies, contributing to the country's sound macroeconomic environment and investment climate. 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

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 coin on August 23, 1976; and development of the country's financial sector infrastructure.

Bagaetsho, as we celebrate today's opening of these new premises of the Bank of Botswana, it is also time to reflect on what those developments in 1976 meant for Botswana and its people. This is that the core of addressing the development, social upliftment, as well as living standards for nations and their citizens is what could be termed the macroeconomic policy nexus: the mix of fiscal, monetary and external sector policies, notably the exchange rate policy framework.

Here, I observe that, in addition to political and governance autonomy, national independence in 1966, gave us control over fiscal policy, essentially revenue raising and spending choices, albeit initially anchored on Grants-in-Aid support by the British Government. In time we pulled ourselves up, and following the discovery and mining of diamonds we were on our way to self-determination in using fiscal policy to chart

our development path: that is, determining our own revenue mobilisation framework (taxation structure) and expenditure allocation (spending decisions). In the circumstances, annual budgets were anchored on six-year National Development Plans. Thus, we were able to plan and execute infrastructure projects, and establish national institutions to facilitate the provision of services, regulatory frameworks, and their enforcement, escaping the so-called “resource curse”.

Therefore, a big driver of measured economic growth (GDP) in the early years of independence was government spending on the delivery of infrastructure (roads and buildings), provision of utilities (such as electricity and water production and reticulation, and telecommunications), facilities for social services (health and education), as well as support for agriculture (at the time a key source of livelihoods of Batswana).

Notwithstanding, in the absence of a central bank and monetary independence, there was a gap in the discretionary policies needed to pursue and achieve the nation’s development agenda. Specifically, we lacked autonomy in formulating monetary and exchange rate

policies. In essence, we had incomplete instruments for policy making and comprehensive design of frameworks for nation building, development and raising of living standards. A further related complication and drawback was that these key instruments of national policy making were essentially ceded to another nation with its own policy and development interests that were inward looking; and the pursuit of which could, inadvertently, or otherwise harm Botswana's interests.

The establishment of the Bank of Botswana and issuance of our own currency, therefore, enabled discretion over monetary and exchange rate policies. With these instruments in our hands, and under the stewardship of the Bank of Botswana, we would then be able to design our own macroeconomic policy frameworks and institutional arrangements that were conducive for domestic economic activity and for attracting investments into Botswana. Indeed, 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.

Bagaetsho, an important aspect of government leadership is delivery of public goods, often embodied in services, that safeguard as well as, in time, enhance welfare and living standards. Among others, this is achieved through visionary ideas around the definition of, and key attributes of a public good; creation of national institutions to enable delivery of such public goods; the design of policy frameworks that facilitate effectiveness in this regard; and promulgation of enabling statutes and legislation that allocate and delineate institutional mandates and arrangements and scope of operations. In this regard, I wish to highlight the specific role of the Bank of Botswana in supporting national development, raising of living standards and welfare. Like all central banks, the public good it is assigned by the nation, through the Government, is issuance of the national currency, Pula le thebe and safeguarding of its value. In more formal terms, to ensure and sustain 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.

Practically, what this means is that first, the Bank of Botswana has to ensure supply of good quality banknotes and coin, that are maintained in a clean state and have adequate safeguards against counterfeit. Second, 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. Third, through the conduct of monetary policy and maintenance of price stability ensure that the value of wages, profits and other incomes are not subject to rapid erosion by inflation. Fourth, through the management of foreign exchange reserves and implementation of exchange rate policy to ensure seamless exchange of the Pula for other currencies to pay for imports and other external obligations.

Fifth, the Bank of Botswana, along with others, ensures 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. What is important, in this regard, is that such patronage reflects trust and confidence in transacting and making valuations in Pula (Botswana currency). Bagaetsho, Botswana Pula, e melediwa mathe ke ditshaba-tshaba, bogolo jang ka kwano mo mahatsheng a SADC, in the main due to the excellent track record of the Bank of Botswana as trusted and reputable central bank of this Republic.

To emphasise, the key deliverable for the Bank of Botswana is contribution to macroeconomic and financial stability such that economic activity thrives; in turn, that the purchasing power of financial rewards to economic activity, in terms of profits, wages and other incomes are not eroded by rapid increase in prices, that is, high inflation. The assurance of low inflation and prospective real returns also promote domestic investment and enterprise and, therefore, potential growth in employment. A rate of increase in prices lower than or comparable to other countries also means that, over time, the domestic industry could maintain price competitiveness in foreign markets and against imports. Additionally, the value, trust and confidence in the Pula is also reinforced through continuous availability of clean

banknotes and coin, maintenance of integrity of payments systems and availability of foreign exchange for international trade, all under the stewardship of the Bank of Botswana.

I note with satisfaction that the Bank of Botswana has broadly been successful in delivering on its mandates and the public good it is assigned. First, the Bank of Botswana used the policy levers and instruments, being interest rates and the exchange rate, intermittently over time to effectively control inflation and support domestic economic activity, with virtually no episodes of instability. Related thereto, the Bank of Botswana has over time sustained the required capacity, adaptability, autonomy, and discretion to respond appropriately to emerging economic and market trends as well as to shocks arising internally or externally. Key in this regard are the time and situation relevant policy and operational frameworks, institutional arrangements, instruments, and appropriately skilled human resources. Therefore, over time consistent and uninterrupted contribution to macroeconomic stability and maintenance of trust and confidence in the use and holding of the national currency.

Bagaetsho, one way of putting it is that cash for normal household purchases continues to fit in a wallet and counted in 100s of Pula, at most, very low thousands, and never in millions; and we have never had occasion to reduce zeros (redenominate). In essence, while the strength and enduring value of the currency is ultimately an attribute of monetary policy effectiveness in sustaining price stability and minimising erosion of purchasing power, practically, this is symbolised by the convenience of carrying cash and never worrying what the price of bread will be when you wake up tomorrow morning compared to when you went to sleep.

Regarding developments in the financial sector, the parallel roles of the Bank of Botswana of, on the one hand, promoting its development and, on the other hand, its regulation and supervision, have enabled phenomenal growth of the sector. In terms of developmental aspects, this is with respect to numbers and sectoral size, the range of products and services, beneficial competition, sustained integrity of the payments and settlement system and, more recently, adaptability in accommodating digitalisation and modern payments channels and platforms. Notably, such developments continue to be in the context of a sound and stable banking and financial system which, in turn, is

enabled by effective regulation and supervision undertaken by the Bank of Botswana and other regulators.

Turning to the building that is being opened today, I wish to commend the Board and the Management of the Bank of Botswana for seeing the need to modernise its facilities while retaining the stature of the Bank of Botswana. I recognise that a central bank building should, as a key national institution, be symbolic and iconic, as a projection of what it stands for; an edifice that portrays character and stature, while signifying solidity, stability and transparency, as well as being culturally and time relevant.

First, its location within the Government enclave clearly projects the Bank of Botswana as an important complementary institution in national governance and policy making. **Second**, I am told that the redeveloped building is designed to be both structurally sound and adaptable to last for the next 50 years, thus flexibility to accommodate inevitable organisational changes and technological innovations. **Third**, reflecting transparency, openness and accountability, the building has several spaces and amenities for interaction with the public,

including conferencing facilities and meeting rooms, a museum and knowledge centre.

Fourth, 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. In this regard, several of the roof tops have solar panels for electricity generation, of which the excess above the Bank's needs would be released to the national grid.

Fifth, local interior designers and curators were engaged and have expended effort to ensure that the internal and external functionality, as well as aesthetics provide for a conducive working and networking environment; adequately projects the combination of national character, role and adaptability of the Bank; and that they capture and record the relevant elements of the essence and history of the Bank, as well as national culture and symbolic associations.

As examples, the frontage fountain will feature a sculpture of the national symbol, the Zebra, surrounded by water, projecting the symbiotic identity and existence of the nation, the national currency and the Bank. 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 will 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, the Tsodilo Hill animals drawings embracing the origins, ingenuity and communication platforms of Botswana society; and the parkade wall art and paintings will feature hut and lelwapa decorations, inspired by the indigenous art practice of lekgapho, hitherto prevailing across the nation.

Notably and, in accord with knowledge-based economy, I am pleased to learn that all these were envisioned, designed and fabricated by local curators and artists. In this regard, I am told over 160 local artists have been supported by the Bank of Botswana Art Programme since its inception. With five large scale commissions, as I just highlighted, and an art collection of over 300 pieces, the Bank of Botswana has executed the most comprehensive acquisition of artworks and sculptures in recent times, contributing to reinvigoration of the industry to fulfil Botswana's post-pandemic cultural renaissance.

Having said so much about the characters and features of the building, including adaptability, it is also important to reflect on functional and operational adaptability of the Bank of Botswana. This in so far as it continues to be integral to the pursuit national aspirations as espoused in Vision 2036, alignment to the RESET Agenda, #arechencheng initiative and ultimately transition to high income status. Indeed, an important dimension of this is technological adaptation and digitalisation. In this regard, I am pleased to note, in alignment with the transition to knowledge-based economy and what transpires with respect to SmartBots (Government's Digital Transformation Strategy), the Bank of Botswana has its own Digital BoB 2024. I am told that, practically, the initiative translates into transformation of working arrangements, platforms and approaches to interaction with the public and delivery of its mandates.

Related thereto, I am advised that the Bank has deployed resources to enable preparedness for any transition to issuance of digital fiat money, central bank digital currency (CBDC) as and when necessary and as dictated by global developments, domestic payments system adaptability and

compatibility with international payments infrastructures and local market demand and preferences.

Bagaetsho, let me also note that continuing relevance and impact of the Bank of Botswana requires addressing modernisation of related legislation as well as governance and institutional arrangements. This is being done. At the apex is the recent promulgation of the Bank of Botswana (Amendment) Act, 2022 which, *inter alia*, clarified the twin but ranked mandates of domestic price stability and financial stability; established a statutory Monetary Policy Committee with four out of nine members being external independent experts; a statutory Financial Stability Council for effective coordination and collaboration by all financial sector regulators in addressing any potential systemic financial sector instability; and Deposit Insurance Scheme to compensate depositors, up to a specified amount in the event of a bank failure; and, also the re-enactment of the Banking Act to align it to evolving global, regional and domestic financial regulatory developments. These reforms are expected to strengthen the financial sector's capacity to mobilise and deploy resources sustainably and, also, ensure continuing compliance with international norms and standards for sound, stable and healthy financial sector.

In concluding, therefore, it is gratifying that the opening of these redeveloped modern premises integrates with and is aligned to the strategy and operational redesigns and mindset change that are linked to the national development aspirations as espoused in Vision 2036 and set out in the RESET Agenda. Among others, these relates to centrality of the Bank's mandates in sustaining the nation's welfare; adaptation of knowledge-based economy themes; climate resilience focus; digitalisation as a driver of economic development and our journey to high-income status; and fostering of accountability and openness as integral to maintenance of trust and integrity, especially as signified by upholding of the enduring value and pride in our national currency.

With that, Bagaetsho, it is now my pleasure to declare the Bank of Botswana redeveloped Headquarters Building officially open.