

# **Launch of the Government of Botswana 2023/24 Annual Borrowing Strategy and Auction Calendar**

## **Welcome Remarks**

by

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It is my privilege, Honourable Minister and Distinguished Guests, to welcome you to the inaugural launch of the Government of Botswana Annual Borrowing Strategy, the 2023/24 Government Annual Borrowing Strategy (ABS) and Auction Calendar.

This is a momentous occasion as it marks transition to a more transparent, predictable and entrenched Government Bond Issuance Programme and Calendar. The publication of a borrowing plan commits the issuer, in this case, the Government, to adhere to the preannounced programme and explain to the market, either directly and/or by its fiscal agent, the Bank, any variance to the programme during the fiscal year. In turn, this enables appropriate planning, resource allocation, optimisation and cash flow management by the purchasers and holders of Government securities.

Honourable Minister, the publication of the Annual Borrowing Strategy and Auction Calendar builds on the steps and initiatives already undertaken towards developing a vibrant capital market that can facilitate financial and capital intermediation and resource allocation that is appropriately priced for risk and return attributes.

It is, therefore, pleasing, Honourable Minister, that as the custodian and key decision maker with respect to issuance of Government securities and overall fiscal planning, you found time to grace this event. Thank you, Honourable Minister. In this regard, we all look forward to your Keynote Address and messages on further prospects for developing the capital markets and, in the advent of the need for deficit financing, the Government's medium to long-term fiscal strategy and, within that, the debt management framework.

Distinguished Guests, let me also appreciate the presence of other key stakeholders in this journey of market development and desire for its beneficial impact on the national development aspirations, welfare and in general improvement in living standards. These are the Non-Bank Financial Institutions Regulatory Authority and the Botswana Stock Exchange represented by their respective Chief Executive Officers, Mr Oduetse Motshidisi and Mr Thapelo Tsheole. These two, like the Bank of Botswana, straddle the twin, some might say conflicting, roles of being proponents of financial sector development policies, as well as being regulators, thus important partners in sustaining both the development momentum and maintenance of market integrity and discipline. From different but aligned perspectives, today's event presents a significant market development of great interest to all three of us, as it enhances the transparency and predictability of the Government bond issuance programme.

The second cohort of stakeholders I wish to recognise are the financial sector institutions, represented by the Chief Executive Officers of primary dealer status commercial banks and their colleagues, as well

as others that are participants in the bond issuance programme. These constitute the core market that is also resource custodians and are the focus of the transparency initiative that is being launched today. The expectation is that the primary dealers and their clients will embrace this initiative, which hopefully contributes to easing their participation in the government securities issuance programme in a meaningful, desirable and impactful manner.

I also need to recognise our partners and colleagues of the media fraternity, especially financial journalists, and other market analysts. Needless to state, you are critical for information dissemination, critiquing and evaluating, as well providing feedback and relaying the pulse of market and public responses to these initiatives, including the prospective impact of what is being launched today. Of course, Government, like all other issuers of debt instruments, should and is subjected to the rigours of market discipline.

For my part, it suffices, before I give way to the Honourable Minister, to highlight the role of the Bank of Botswana. First, is the agency role of conducting, on behalf of Government, the auction of government securities, thus facilitating optimal funding of Government operations and ensuring alignment of pricing to market conditions. Indeed, among the functions of the Bank, stipulated at Section 4B of the Bank of Botswana (Amendment) Act, at Subsection (j) , is to **provide services as banker, advisor and act as fiscal agent to the Government and further amplified at Section 56 of the Act, that “the Bank shall be entrusted, upon such terms and conditions as may be agreed with Government, with the issue and management of Government**

**securities or securities guaranteed by Government which form a public issue”**; second, is maintaining effectiveness of the Bank’s role in anchoring the yield curve and its slope, as influenced by the Monetary Policy Rate, inflation expectations, integrity of the monetary policy framework and related forward guidance the Monetary Policy Committee might provide. Integrity around all these aspects is critical to sustaining the bond issuance programme, in terms of pricing, cost, secondary market activity and general market vibrancy.

The third dimension relates to the Bank’s role alongside other market regulators in maintaining financial stability and related integrity. Such a conducive environment engenders investor confidence to entrust their resources to financial sector institutions, which are, in turn, deployed, among others, in the government securities programme. The, fourth and related facet, is facilitation of payments, settlement, and custody, which are key market infrastructures and processes necessary for growth and vibrancy of the capital market. In this regard, the prospective activation of the single central securities depository to enable settlement of securities transactions in central bank money and the onboarding of government bonds onto the Botswana Stock Exchange platforms should enhance visibility and tradability of securities, thus more liquid bond markets and, of course, improved attraction of government bonds. There is also scope to onboard Government bonds on international settlement systems like Clear Stream and Euroclear for ease of access to international investors.

The fifth element is attention to continuous innovation to address market needs and gaps that detract from effectiveness and impact. For example, bond buybacks and switch operations were recently introduced to help in the management of refinancing risk and to support liquidity in the domestic bond market. We are also looking at introducing inflation-linked bonds to widen choice for the market and give investors an additional instrument for hedging against inflation, which should be, I believe, very attractive to annuity issuers/sellers.

Lastly, all these need to be anchored on effective communication and marketing that informs; engenders required responses and action; and sustains the integrity and impact of the government securities issuance programme and the related frameworks and institutional arrangements. For example, today's event is intended to raise awareness and generate interest of domestic and international investors in the country's bond market. Going forward, the Bank and the Ministry of Finance will continue to engage regularly with market participants, to promote a better understanding of the government's policies, debt management objectives and borrowing activities and simultaneously obtain feedback on improving the design of the medium-term debt management strategy.

These activities will be supported by other transparency initiatives, including timely dissemination, on the Bank and Ministry of Finance websites, of data on the domestic macro-fiscal and debt situation, and provision of enhanced access to data and statistics in a suitable format to support investors' analytical needs.

Ladies and Gentlemen, thank you once again welcome to the launch of the Government of Botswana Annual Borrowing Strategy.

I thank you for your attention!