

# **FINANCIAL STABILITY BOARD**

## **REGIONAL CONSULTATIVE GROUP FOR SUB-SAHARAN AFRICA**

### **KASANE**

#### **Welcome Remarks**

by

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#### **Salutations**

Governor Lesetja Kganyago of the South African Reserve Bank  
and Co-Chairman of the FSB Regional Consultative Group for  
Sub-Saharan Africa

Governor Addison of the Bank of Ghana and Co-Chairman of the  
FSB Regional Consultative Group

Governors, Deputy Governors, and Representatives of member  
central banks of the FSB Regional Consultative Group for  
Sub-Saharan Africa

Delegates to the FSB RCG for Sub-Saharan Africa Meeting

Members of the Financial Stability Council of Botswana

Ladies and Gentlemen, good morning

It is an honour and pleasure to welcome you to Botswana, specifically Kasane, for yet another Regional Consultative Group meeting under the auspices of the Financial Stability Board Regional Consultative Group for Sub Saharan Africa. This is the second time in five years that the Financial Stability Board Regional Consultative Group for Sub-Saharan Africa (FSB RCG SSA) is meeting in Kasane; the first being in 2018. Interestingly, Kasane appears a natural meeting point at the confluence of the Chobe and Zambezi rivers and virtually a point of convergence of four countries, namely, Botswana, Namibia, Zambia, and Zimbabwe, while Angola is not very far off.

I hope, Distinguished Governors, that you and your colleagues travelled well and, so far, you have found the arrangements for your short stay here in Kasane satisfactory. I also hope that you find the environment that includes abundant wildlife and sightseeing opportunities conducive, inspiring as well as relaxing.

Distinguished Governors and Delegates, this meeting takes place at a time when risks to global financial stability are elevated; in the main due to the rocky global economic recovery amid ongoing prolonged war in Ukraine and persistent post-COVID production and supply constraints. The resultant high inflation in many parts of the world, tighter global financial conditions, as well as risks

of geo-economic fragmentation, including the potential for fragmentation of payments and settlement infrastructures present upside risks and real challenges. Notably, the aggressive tightening of financial conditions in some major economies contributed to acute stress for financial institutions that, hitherto, were sustained by a low interest rate regime; thus, leading to recent cases of bank failures in the United States of America and Switzerland.

It is, nevertheless, interesting for our purposes, that what played out prominently during the banking turmoil in the US in particular was the coordination, collaboration, and strong collective responses by regulatory authorities to contain possible contagion risks and safeguard stability and integrity of the banking systems. This experience and responses provide learning points for the design of crisis resolution frameworks, while also entrenching confidence in supervisory effectiveness.

I note, here, Dear Governors that, in the absence of any bank failures, and as a way of assessing our preparedness to a banking crisis, in February 2023, eight countries in our region participated in a crisis simulation exercise that was facilitated by the Financial Stability Institute of the Bank for International Settlements. As it happens, the post-exercise evaluation points to some gaps in our

domestic and regional crisis resolution regimes; therefore, a need for these to be strengthened.

This meeting, and indeed, the broader agenda of the FSB RCG for Sub-Saharan Africa provide an opportunity to engage on the gaps in the financial sector crisis resolution frameworks and deliberate on measures that are necessary towards enhancing crisis prevention and effectiveness of bank crisis resolution in the region. As we do that, I anticipate that the ensuing discussions will also highlight and evaluate macroeconomic and financial sector developments that can potentially impact on financial stability or aggravate vulnerabilities. These include the persistence of low economic growth rates below desirable levels necessary for inclusivity and to meet desirable development objectives; fiscal challenges and the related increase in the debt burden; prospects for fiscal dominance and discord with monetary policy; external sector imbalance and related exchange rate depreciation; infrastructure gaps that constrain not only local economic activity, but trade and prospects for digital adaptation; climate change and impact on food self-sufficiency, prices and industrial viability; and the challenges of harnessing the positive aspects of digitalisation while addressing the risks to resilience and integrity of payments and the financial system, broadly.

I do note, however, that so far, due to effective regulation and enforcement, our regional financial system is safer, with good asset quality, general profitability and adequate capitalisation, although, there is an urgent need to deal with emerging cyber and integrity issues. At the same time, cross-border supervisory collaboration remains critical in the context of integrated financial systems, as is the need to remain vigilant and attentive to AML/CFT risks and, therefore, retain effective compliance frameworks.

Colleagues, around the theme of strengthening safeguards for financial stability and possibly reducing entanglements with fiscal policy, I wish to highlight the related continuing improvements in the legal framework in Botswana. First, is the review and subsequent promulgation of the Bank of Botswana (Amendment) Act, which commenced in February 2023. The Act strengthens the governance and institutional arrangements for domestic financial stability, by giving the Bank of Botswana a financial stability mandate, which ranks second to price stability and providing for a statutory Financial Stability Council, thus legally enabling its collaborative and monitoring roles, as well as policy responses and enforcement. I am pleased to recognise the presence of members of Botswana's Financial Stability Council, namely Director General Financial Intelligence Agency Ms

Bopelokgale Soko; representing the Non-Bank Financial Institutions Regulatory Authority is Dr Kelesego Mmolainyane; Director Deposit Insurance Scheme for Botswana, Mr Goememang Baatholeng and Chief Executive Officer of Botswana Stock Exchange Mr Thapelo Tsheole. The Act further widens domestic financial safety nets by providing for establishment of a Deposit Insurance Scheme for Botswana. Moreover, the Banking Act has been substantially reviewed and is to be re-enacted to, among others, strengthen Bank of Botswana's supervisory and enforcement powers, enhance problem-bank resolution frameworks, other financial safety nets and, in general, ensure full compliance with the Basel Core Principles for Effective Banking Supervision. The new Act has been passed by Parliament and awaits assent by His Excellency the President.

Chairman, let me conclude with some announcements.

First, you will recall that during our last meeting here, we toured the still under construction, Kazungula Bridge, where you witnessed the kilometres-long queues of delivery trucks waiting to be taken across the river on a pontoon. You are once again, invited for a visit to the bridge tomorrow afternoon, where this time you will, following completion of the bridge, witness the

impact of infrastructure on the easing of trade and movement of people.

Second, following the game drive yesterday, you are invited to a boat cruise in the Chobe river this afternoon/evening.

Distinguished guests, I hope that these excursions, together with the meetings discussions, will add to your pleasant stay in Kasane.