

OFFICIAL OPENING OF THE GLOBAL EXPO BOTSWANA AND 4TH INVESTMENT AND TRADE CONFERENCE

Opening Remarks

by

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Botswana Conference & Exhibition Centre, Fairgrounds, Gaborone

November 24, 2016

Salutations.

It is an honour and privilege, and I wish to thank the Minister of Investment, Trade and Industry, for the invitation to perform the official opening of the 11th Global Expo Botswana.

The year 2016 is an important milestone for Botswana as it marks 50 years of independence underpinned by political stability, good governance and strong institutions. These attributes have provided a conducive environment for prudent macroeconomic management, beneficial harnessing of Botswana's endowments, and sound growth in the economy's productive capacity and potential, including infrastructure, institutions and human resources. Consequently, sustained high rates of economic growth and social development have propelled Botswana into the ranks of upper-middle income countries.

However, the current and prospective environment is, undoubtedly, challenging for Botswana; and this requires renewed preparedness, structural reforms and appropriate execution with respect to policy frameworks, effectiveness of institutions and administrative approaches.

Director of Ceremonies, in the last few decades, globalisation, openness, decentralisation of business value chains and associated increase in trade provided impetus to global economic growth. In the process, emerging market and developing economies have benefited from increased global demand and higher prices of commodities and employment opportunities created by dispersion of production centres.

Indeed, such a model for global growth has provided opportunities for countries like Botswana that seek inclusive growth through economic diversification. In this regard, access to both export markets and imports, some serving as inputs to production is crucial. Unfettered inward capital flows and opportunities to invest abroad also support domestic industrialisation. Furthermore, cross-border movement of human capital fosters enhancement of skills, capacity building and entrepreneurship.

Recent developments, however, suggest a pushback of this model. Reasons for this include growing concerns pertaining to equitable sharing of the benefits of growth, asymmetric trends in immigration and, more recently, protracted low economic growth rates, including, notably, the transition to lower growth rates for China. Overall, the global economic environment is characterised by modest demand, uncertainty, a decline in commodity prices, slowdown in global trade and market volatility. All these factors, Ladies and Gentlemen, are inimical to Botswana's growth strategy.

The theme for this year's Global Expo Botswana of **“unlocking opportunities for economic growth”**, is, therefore, pertinent. It encourages us to introspect and examine Botswana's preparedness and initiatives to tackle these challenges, while harnessing opportunities in the current environment. Botswana is a small open economy, with trade

equal to 107 percent of GDP in 2015, but with significant scope to further increase in productive capacity. It is important, therefore, to continue to emphasise the benefits of free trade, foreign direct investment, as well as technology and skills transfer. However, to benefit fully from such an approach, a conducive domestic environment should be maintained, including robust and facilitative institutions. Let me, therefore, at this juncture, highlight a few elements which constitute such an environment. I will focus on three broad headings of macroeconomic and financial stability, fiscal sustainability and institutional support.

Macroeconomic and financial stability, some aspects of which fall within the purview of the mandate of the Bank of Botswana, is important to investors. In this regard, there are several benefits to be derived from sustained low and predictable level of inflation, backed by a credible policy framework and a stable financial environment. Such an environment fosters savings mobilisation, productive investment and international competitiveness of domestic producers.

While there have been major challenges facing the economy in the recent past, significant and sustained progress has been achieved with respect to price stability. Inflation has been within or just below the lower end of the 3 – 6 percent desirable range since June 2013; it is projected to continue at these levels in the medium term. It is now well established and accepted, Ladies and Gentleman, that the single most important contribution to economic growth and development any nation can expect from its central bank is a low, stable and predictable level of inflation. Among others, such a level of inflation provides a useful guide for project appraisal, including expected returns. With respect to broad financial system, the soundness and performance indicators show a growing, adaptive, resilient and stable financial system; it continues to effectively

support economic activity, with significant scope to enhance both capital markets and financial inclusion towards further economic development.

A supportive exchange rate policy is another element of macroeconomic stability. For Botswana, the focus is on stabilising the inflation-adjusted trade weighted exchange rate in order to maintain price competitiveness of domestic industries. Thus, the crawling band exchange rate mechanism, which has been in place since May 2005, has ensured stability of the real effective exchange rate, which, in turn, has been supportive of the global competitiveness of Botswana's tradeable goods and services.

The current weights of the Pula exchange rate are 50 percent each for the Special Drawing Rights (SDR) and South African rand. An upward 0.38 percent rate of crawl is being implemented given lower inflation in Botswana than the average for the trading partner countries. The public disclosure of these exchange rate parameters affords informed business and financial planning and lends credibility to the framework.

You will also be aware that, effective October 1, 2016, the Chinese currency, renminbi (RMB) became part of the SDR and, therefore, a constituent of the Pula basket. To this end, the Bank of Botswana now publishes, for market information, the RMB/US dollar and RMB/Pula exchange rates alongside other major traded exchange rates.

Turning to fiscal sustainability, **judicious management of foreign exchange reserves** for a country dependent on trade also ensures uninterrupted access to foreign currencies to sustain business operations as necessary. Despite weak global economic performance and other unfavourable factors in recent years, Botswana's external position has remained relatively strong. Foreign exchange reserves

currently amount to 7.4 billion US dollars, representing approximately 18 months of import cover or 53 percent of GDP.

The external position of Botswana which, among others, is underpinned by prudent fiscal management and robust institutional framework is further attested by international rating agencies. For example, last month Standard & Poor's affirmed Botswana's sovereign credit rating of 'A-' for long-term bonds and 'A-2' for short-term bonds in domestic and foreign currency denominated borrowing, albeit with a negative outlook. Moody's Investors Service, on the other hand, has assigned the country an A2 sovereign credit rating, with a stable outlook.

Related to that, it is clear that the **maintenance of buffers and application of fiscal rules** by the Government helps to ensure continued support of the economy even when the flow of government revenue is insufficient as a result of the vagaries of the international market for Botswana's exports. These rules bode well for fiscal discipline and transparency.

As regards **institutional support**, the Global Expo is part of the set-up spearheaded by the Botswana Investment and Trade Centre (BITC) aimed at expanding the domestic industrial base, innovative capacity, and facilitating market access. It is, therefore, pleasing that the Global Expo continues to attract international exhibitors, conference delegates and business visitors. I am told that this year, there are more than 20 participating countries, from within the continent of Africa, Asia, Europe, Middle East and North America.

Importantly, BITC is one of many key institutions established by Government to enhance inclusive growth opportunities for Botswana.

Thus, for overall success, other similar institutions and those in the regulatory sphere should demonstrate continuing effectiveness. For example, beneficial regulation of competition and market conduct as well as existence of a robust legal framework that guarantees protection of property rights are necessary for businesses to prosper. In addition, it is important for Botswana to take advantage of progressive international and regional trade agreements and integration arrangements to promote industrialisation. At the same time measures to address any shortcomings in these trade arrangements that militate against the country's development strategy should be pursued. Ultimately, facilitative, rather than obstructive, interaction between business and supportive institutions, regulatory bodies and government officials should help in **unlocking opportunities for economic growth** that are inherent in business operations, entrepreneurship and an innovative spirit.

Director of Ceremonies, I have no doubt that the theme of this Global Expo Botswana will be extensively deliberated upon during the **Investment and Trade Conference**. I am advised that the Conference first started in 2013 and has attracted experienced and distinguished international speakers. In this regard, I wish to extend gratitude to all the distinguished speakers, moderators, panellists and facilitators who have volunteered to share their knowledge and experience with us at this year's Global Expo. I wish to particularly thank the former Governor of the South African Reserve Bank, Mr Tito Mboweni, who, I have no doubt, will provide valuable insights and perspectives as the Guest Speaker.

Director of Ceremonies, Ladies and Gentlemen, I believe that long-term and sustainable business relationships will be cultivated at this year's Global Expo Botswana. I also expect that the resulting networking will

lead to flow of the much needed foreign and domestic investment to support an export-oriented growth strategy necessary to diversify Botswana's economy and create sustainable employment.

Distinguished Guests, Ladies and Gentlemen, it is now my honour and pleasure to declare Global Expo Botswana 2016 officially open.

I thank you for your attention.