

Linah K Mohohlo: Economic understanding and integration, plus transparency and discipline in economic policy

Acceptance remarks by Ms Linah K Mohohlo, Governor of the Bank of Botswana, for the OMFIF (Official Monetary and Financial Institutions Forum) “Lifetime Achievement Award”, Pretoria, 23 August 2011.

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It is an honour and privilege to receive the Lifetime Achievement Award from the Official Monetary and Financial Institutions Forum. You will agree that what we think of ourselves may be important, but it is encouraging when observers’ thoughts of ourselves are positive. In the circumstances, I am humbled by the generous gesture of the Forum, an organisation which has now attained international stature and influence in advancing the cause of prudential management of international finance.

I accept the Award with humility. I accept it on my own behalf and on behalf of colleagues at the Bank of Botswana and counterparts elsewhere; because without their support over the years, this Award would not have been within reach.

I would like to take this opportunity to say a few words on the two broad areas contained in the Award citation: first, the importance of supporting “*economic understanding and Integration*”; second, the importance of “*transparency and discipline in economic policy*”.

With respect to economic integration, its potential benefits are obvious. Integration enables a pooling of resources to improve infrastructure, to facilitate the movement of people, goods and services, to align regulations, and to create opportunities and incentives for investors, all of which together, accelerate economic development. This has been demonstrated by the single European market, the current problems of the euro zone notwithstanding, and there is no reason why economic integration cannot also benefit Africa.

However, enthusiasm for integration, especially at the political level, has not always been accompanied by the necessary understanding of demands and sacrifices. This includes difficult political decisions and economic trade-offs in establishing mechanisms for effective alignment of national economic ambitions with common objectives.

Indeed, the current European experience provides a salutary warning; the ongoing efforts to save the viability of the euro is a reminder that enthusiasm for a political agenda can obscure key economic issues.

We should be grateful, therefore, that in the face of pressure to accelerate Africa’s integration process, some enlightened minds have advised caution, taking the view that good intentions are not enough. Agreements on an ambitious timetable for milestone events, such as the formal establishment of some additional pan-African institutions, are no substitute for adequately addressing the imperatives of economic integration.

Similarly, there can be no dispute as to the importance of transparency and discipline in economic policy. It is noteworthy that lack of transparency in key areas contributed to the recent global financial crisis. Thanks to discernible improvements in economic governance and policy making in some parts of the continent, some African economies were generally resilient during the economic recession. Be that as it may, the pursuit of sound policies remains a challenge due, in part, to the difficult international environment and adverse weather conditions.

As for my country Botswana, you will know that its rapid economic transformation from a poor undeveloped country, dependent on cattle farming, subsistence agriculture and migrant workers’ remittances, to a middle-income economy, is itself the result of a consistent commitment to transparency and discipline in economic policy. The discovery of diamond

deposits, immediately following independence from Great Britain, clearly played a pivotal role in the transformation, but the role of minerals is only part of the story.

As history has repeatedly shown, no matter how rich the endowment, natural resources cannot, on their own, develop a country in the absence of appropriate and effective institutions. Nor should it be forgotten that Botswana's commitment to prudent macroeconomic policies covered not only the years of diamond-generated budgetary and balance of payments surpluses; it was maintained during difficult times, which include the early years of independence and, more recently, the global financial crisis and economic recession.

While the strength of Botswana's economic performance has been widely recognised, there can be no room for complacency if this success is to be sustained. After all, the global economic recovery is still weak, uncertainties abound, and Botswana remains exposed to the vagaries of commodity markets. In such an environment, it is imperative not only to maintain macroeconomic stability, but also to take further steps to improve the business environment so that more non-mining businesses can be attracted and can ultimately flourish. Up to this point, the country has emerged from the economic recession in not-so-bad a shape, and its sovereign credit ratings are so far largely unchanged.

That said, there is nothing miraculous about Botswana's economic performance. In fact, other African countries have increasingly been able to adopt similar, if not better, macroeconomic policies, and the benefits are self-evident.

As far as my employer, the Bank of Botswana, is concerned, it has continued to contribute to the country's economic development since its founding in 1975, by seeking to align fiscal, monetary and exchange rate policies. This is facilitated by regular consultations between the Government and the Bank, accompanied by operational and policy transparency through, among other avenues, periodic economic briefings.

When I joined the Bank shortly after its establishment, I did not envisage that, 23 years later in 1999, I would head it as Governor and Board Chairman. Nor did I know that during my tenure, I would be involved in what I consider a professionally fulfilling wide range of activities at regional and international levels.

Over time, I have learned the importance of the Bank continuously adapting to evolving circumstances. Indeed, the Bank is much changed from when it was first established. While still operating under broadly the same mandate of promoting monetary stability and maintaining a sound financial system, the governing legislation has been subject to a number of reviews; and there have been several reorganisations to accommodate the evolving nature of responsibilities. Monetary policy implementation is now benchmarked against international practice, and the policies and guidelines for managing the foreign exchange reserves are regularly revisited. Banking regulation and supervision are increasingly risk based and, accordingly, financial stability has also assumed centre stage.

In all these endeavours, I counted and continue to rely on the support of structures at home and abroad; this includes colleagues, counterparts and bilateral establishments, such as the Official Monetary and Financial Institutions Forum.

Director of Ceremonies, Chairman of the OMFIF Advisory Board, Co-Chairpersons of OMFIF, the Forum's Award Jury, fellow Governors, Distinguished Ladies and Gentlemen, I end by reiterating my eternal gratitude for the generous acknowledgement of my work, as evidenced by the conferment on me of the Official Monetary and Financial Institutions Forum's Lifetime Achievement Award.

I embrace it.

Thank you for your attention.