

Phil Mnisi: Central Bank of Eswatini's 50th Anniversary

Remarks by Mr Phil Mnisi, Governor of the Central Bank of Eswatini, at the Central Bank of Eswatini's 50th Anniversary Celebration, Mbabane, 10 May 2024.

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Your Majesty

Introduction

On such an occasion, celebrating the life of a key institution spanning half a century there is so much to share. However, in the interest of time, I will strive to limit the details as these would be available through the CBE's digital platforms.

Allow me, Your Majesty, to express my profound gratitude to the Central Bank of Eswatini Board, management and staff, and partners who have worked tirelessly in preparation for this great event.

I am privileged to be serving as the 7th Governor of the Central Bank of Eswatini during the Bank's Golden Jubilee we are celebrating today.

History of the Central Bank of Eswatini

Your Majesty, as a brief history, may I highlight that the Bank officially began its operations on 1st April 1974 having been established on 22nd March 1974, by King Sobhuza II as the Monetary Authority of Swaziland, through the Monetary Authority of Swaziland Order of 1974.

The Eswatini Government wholly owns the Central Bank but operates as an autonomous institution as provided for in the National Constitution.

At the beginning of 1974, the Monetary Authority of Swaziland's staff complement totalled 7 people. As the Bank's mandate broadened and its strategy evolved, and at the end of April 2024, the Bank had 303 permanently employed staff.

A significant milestone was reached on 6th September 1974 when the national currency, the Lilangeni was issued to Emaswati as legal tender, coinciding with Independence Day.

Monetary Policy Effectiveness

Your Majesty, one of the milestones achieved by the Bank in its 50 years of existence is that it has managed to maintain a low inflation environment thus protecting the value of the Lilangeni and preventing the erosion of consumers' buying power.

Partnership with Regional Central Banks

Your Majesty, the CBE's collaboration with regional Central Banks fosters positive development across the SADC region. This has resulted in developed financial

markets, improved financial stability, more effective monetary policy, greater financial inclusion, enhanced financial integration, strengthened regulatory frameworks, and establishment of the SADC Real Time Gross Settlement System, which is predominately used to process large-value payments in the region, amongst others.

Reserves Management

Your Majesty, Foreign reserves in Eswatini are held primarily to support the domestic currency in the CMA, limit external vulnerability, help the Government with foreign exchange, and promote international trade.

The country's gross official reserves are approximately E9.9 billion as of 26th April 2024 and are held in different foreign currencies.

Over the last two decades, Eswatini's gross official reserves have increased from E2 billion in 2003 to over E9.5 billion in 2024. However, there was a significant decrease in reserve levels during 2010 and 2011 when receipts from the Southern African Customs Union, declined substantially. After reaching a peak of E9 billion in 2016, the country's reserves started falling due to domestic fiscal pressures.

In May 2018, the Central Bank of Eswatini adopted a strategic initiative to build up foreign exchange reserves and prevent a further decline. The Central Bank began actively participating in the local market by buying foreign currency export proceeds from the local commercial banks.

Following this initiative, reserve levels have been on an upward trend and by the end of April 2024 total purchases amounted to an equivalent of E24.75 billion. The Central Bank continues to implement various initiatives to improve the efficiency and agility of reserves management.

Fintech Developments

Your Majesty, the Bank's fintech journey started with the establishment of a dedicated fintech and innovation unit in 2018. This division serves as a central hub for collaboration, research, and fostering innovation within the financial sector.

The Bank is also investigating how Emaswati could access central bank money even when transacting digitally. All these efforts seek to ensure that the Bank can meet the needs of the evolving ecosystem while enhancing the execution of the Bank's core functions and mandate.

Geopolitical Tensions and Inflation

Your Majesty, the rising geopolitical tensions over recent years, such as the Russia-Ukraine conflict and others, provide challenges for policymakers. They cause supply chain disruptions which affect oil prices, farming inputs and food distribution, amongst other things.

A disruption in supply chains leads to rising inflationary pressures globally. To curb the rising inflation, the Central Bank of Eswatini proactively responded by putting in place

regulatory guidelines; and adjusting interest rates, liquidity, and reserve requirements, all to protect the economy and the public.

Corporate Social Investment

Your Majesty, as part of our social responsibility, the focus of the Bank's Corporate Social Investment Programme seeks to support programmes that complement the Bank's mission of fostering price and financial sector stability conducive to economic development within the Kingdom of Eswatini.

Your Majesty, I am proud to share that we are hosting several primary school students from the four regions of the country as special guests. These students excelled in a recent financial literacy drawing competition. I am additionally thrilled to share that all prizes for the contest were converted to savings accounts for these students to promote a culture of savings.

Financial Integrity

Your Majesty, as the financial ecosystem evolves the Central Bank has preserved the integrity of the country's financial system. In 2001, the country enacted laws aimed at curtailing the use of the financial system for money laundering and financing terrorist activities. In 2011, the Money Laundering and Terrorism Financing (Prevention) Act of 2011, (as amended) repealed the 2001 legislation and empowered the Bank to oversee the implementation of the Act.

The Central Bank works with stakeholders to combat financial crime and protect the financial system. This collaboration has helped the country foil pyramid schemes and confiscate the proceeds of economic crimes.

The Central Bank and its partners warn against promoting or participating in unlicensed schemes, which are illegal and subject to criminal and administrative penalties.

Cyber Security

Your Majesty, CBE has undergone significant technological advancements in the past five decades. However, this progress necessitates a robust cybersecurity posture due to the considerable risk posed by cyber threats to financial institutions.

The Central Bank of Eswatini has established a cyber risk management unit which drives awareness and compliance among staff. The CBE has implemented a robust disaster recovery procedure to ensure swift response and system restoration during an attack. Cybersecurity is a shared responsibility within the financial ecosystem.

The Soundness and Growth of the Financial Services Sector

Your Majesty, I wish to report that the banking system remains sound, with strong liquidity buffers and is adequately capitalised. The sector continued to be profitable, demonstrating financial sustainability.

The Central Bank believes that it has significantly lowered the perceived barriers to entry in the industry by opening for more players through the introduction of the Policy on Licensing of Banking and Financial Institutions that accommodates various types of licenses at tiered levels. This includes licensing of Non-Bank Financial Service Providers to provide digital financial services such as mobile money and other value-add services.

Your Majesty, as we celebrate 50 years of central banking experience, the financial sector has exhibited steady growth over the years. The number of licensed banking institutions has not significantly changed as we have one additional entrant into the banking space in the period to date.

However, individual banks have grown organically and spread their footprints across the hills and valleys of our country. For instance, the number of branches has grown to 45 which signals great strides in taking banking services to the people, while banking assets grew from E3.4 billion in 2003 to E29.3 billion in 2023.

On the other hand, non-bank financial institutions have shown significant growth in the 10 years following the last commemoration. The value of NBFIs assets has grown from levels of about E54.9 billion in 2014 to E99.1 billion observed in 2023, which shows that the country's financial services sector is robust. This is also aligned with growth in the number of licensed entities which is currently recorded at 506 entities.

Greening the Eswatini Economy

Your Majesty, the Central Bank is attentive to climate change risks and how to mitigate them. I am happy to mention "The Greening of the Central Bank of Eswatini Project" commissioned recently to drive climate change mitigation and adaptation measures at Bank-level. The project has been funded through the Nationally Determined Contributions Partnership Action Fund and UNDP Eswatini has been designated an Implementing Partner for the Project.

Legislative Reforms

Your Majesty, for the Central Bank of Eswatini to be effective in executing its regulatory mandate, there is a need for a progressive legislative framework that will stimulate economic activities.

The CBE is currently amending its regulatory framework through the International Monetary Fund's technical assistance. The Bank has proposed legislative amendments hence we have the Central Bank Bill, Financial Institutions Bill as well as the Financial Stability Bill which our Minister of Finance will table in Parliament soon.

Leadership Mindset Programme

Your Majesty, as part of the future of the CBE, the leadership of the Bank has embarked on an exhilarating leadership journey which will ensure that a pool of capacitated leaders with the correct mindset execute our strategy.

The Central Bank operates in a volatile and complex environment, making it essential for leaders to be intentional in their responses to the challenges.

Strategic Game Changers

Your Majesty, when looking at the future Central Bank of Eswatini, in the short term, there are several super priority initiatives that the Bank has identified, and delivery timelines set. These include the National Payment Switch, Innovative Strategy for future CBE, Financial inclusion framework, establishing a Bureau of Economic Research and Centre of Excellence, and enabling a thriving Fintech ecosystem, amongst others.

Likewise, the Bank continues to actively participate in the quest for accessible, cost-effective, and fit-for-purpose cross-border payment rails to support trade.

The Future Central Bank of Eswatini

Your Majesty, with the rise of financial technology, Central Banks are exploring new ways to conduct their operations. The Central Bank of Eswatini will leverage this technology to improve the execution of its mandate and promote financial inclusion.

The CBE's current strategy advocates for the Bank to be a point of reference, a Centre of Excellence, a responsive and agile institution that produces sound and consistent policymaking, regulatory and compliance practices.

Your Majesty, the Bank recently purchased the Ezulwini Complex, an area covering 21 hectares. The Bank has ambitious plans for the Complex, including the construction of a high-rise office park, which will house a cash processing centre, vaults, and a banking hall, establishing a data centre and innovation hub, creating a museum and a centre of excellence, providing recreational facilities and a wellness centre as well as offering executive apartments.

Conclusion

Your Majesty, Distinguished Ladies and Gentlemen, I am confident that the support we receive from His Majesty the King, Her Majesty The Queen Mother, His Majesty's Government led by His Excellency the Right Honourable Prime Minister, Minister of Finance, financial sector stewards, and partners—including SADC colleagues, I am confident that the Bank we thrive for will emerge stronger, have a more secure financial ecosystem for the benefit of all Emaswati.

Your Majesty and with your permission, we shall play a short video that summarises the history of the Bank and casts a vision into the future.

Bayethe Wena Waphakathi!