The Pula Fund is a long-term investment portfolio. The fund was established in 1994 with the aim of preserving part of the income from diamond exports for future generations. By creating a separate investment portfolio, it was possible to provide more appropriate, longer-term investment considerations in the guidelines for its management. Foreign exchange reserves that are in excess of what is expected to be needed in the medium term are transferred to the Pula Fund and invested according to these investment guidelines. The Pula Fund is a Sovereign Wealth Fund (SWF) and, given the long experience in managing this fund, the Bank has been closely involved in international discussions regarding prudent management of SWF’s and in the formulation of Generally Accepted Principles and Practices for SWF’s, also known as the Santiago Principles.

Read about Botswana's Adherence to the Santiago Principles

Performance

The Pula Fund has increased substantially in value (when measured in both domestic and foreign currency) in real terms since it was established in 1994. This reflects both a sustained period of substantial balance of payments surpluses as well as the success of the investment strategy. However, there have been instances of substantial outflow: notably in the period following the establishment of the Public Officers Pension Fund, which resulted in a substantial transfer of assets from Government; while, from late 2008, the turbulence arising from the worsening global economic slowdown resulted in some erosion of the Pula Fund, due to both the adverse market conditions and outflows needed to maintain the Liquidity Portfolio at required levels.