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1. INTRODUCTION AND BACKGROUND

- 1.1 Further to my 31 January, 2007 Monetary Policy announcement, need has arisen for the Central Bank to fine-tune some aspects of our Monetary Policy management framework.
- 1.2 The collectivity of economic developments since 31 January, 2007, has also made it essential that the Monetary Policy framework be reassessed and modified to best confront the demands arising from the operating environment.
- 1.3 Developments at the regional level have also made it necessary that as a country, we reinforce the policy measures already on the ground.
- 1.4 Specifically, the commendable stance adopted by the SADC Heads of States, aimed at providing Zimbabwe with a supportive shoulder in the turnaround programme, needs to be anchored on bold internal policy decisions that progressively transform the business environment.
- 1.5 It is also a desired objective of this Interim Statement that we give stakeholders updates on the various policy pronouncements and implementation fronts that the Central Bank unveiled at the end of January, 2007.
- 1.6 Through this look-back and plan-ahead process, areas requiring re-focusing, as well as those doing well and, hence requiring persistent implementation, will be underscored.

SOLUTIONS TO ZIMBABWEAN CHALLENGES LIE WITH ZIMBABWEANS...

- 1.7 No matter how difficult our economy's circumstances may be, **sight must never be lost of the fact that in us as Zimbabweans lie the solutions to our challenges and not in outsiders.**
- 1.8 Indeed, as I have always stated, the resolution of the country's current setbacks is within reach of our collective will-power as Zimbabweans to implement boldly and simultaneously, mutually reinforcing policies, and this task cannot be subcontracted to third parties.
- 1.9 Whilst it is a necessary impetus for economic stabilization and growth, **external assistance should not be overburdened into becoming the entire substitute for essentially what should be internally driven and absolutely necessary macroeconomic and structural policy reforms which we should not shy away from embracing, implementing, and following up.**

- 1.10 Three quarters of our problems today are of our own making as Zimbabweans because of:
- Our insatiable appetite for everything external, from economic and technical advice to wine, food, cigarettes, milk and bottled imported water, among many other trinkets, which can not go on unchecked through progressive introspection.
 - Indeed, quite strangely, some would rather listen to external economic advisors than our very own sons and daughters with exposure and personal distinctions in these areas.
 - Some Zimbabweans have also elected to sell their souls in pursuit of foreign exchange, to the extent that damaging or weakening their own currency at home does not matter to them at all.
- 1.11 We need as a country to embrace and implement hard policy decisions without delay or hesitation in an environment that nurtures and protects private property rights; celebrates entrepreneurship, encouraging excellence, innovation, competition among players and good profit, guided by the spirit of economic patriotism and the principle of **Zimbabwe First** in whatever we do.
- 1.12 We need to build an environment that is free of disruptive policy inconsistencies; and
- 1.13 An environment where the viability concerns of milk producers, tobacco, groundnuts, maize and cotton farmers, miners, tourism players and manufacturers among other producers are a principal guide to policy formulation; whilst the business sector itself also shuns predatory acts of profiteering that are now sucking the blood out of defenceless consumers.
- 1.14 Equally, it is imperative to note that the inflation dragon is as much determined by the collective mindsets of us as Zimbabweans as it is by such fundamentals as monetary aggregates and the availability of goods and services in shops.
- 1.15 As Zimbabweans, we must, therefore, think and act positive, avoiding the vainly enterprise of scheming the downfall of the economy as the gateway to political or other objectives.
- 1.16 This Interim Statement, therefore, seeks to buttress the initiatives already underway, calling for unwavering commitment by all stakeholders in carrying out the noble mandate of turning around the economy.

FOOD SHORTAGE, INFLATION, DROUGHT AND DAM/IRRIGATION INFRASTRUCTURES

- 1.17 Thorough crop assessments undertaken over the last two months with the involvement of the Central Bank have confirmed the devastating effects of the drought this current season, which drought has not only hit Zimbabwe alone, but the sub-region as a whole.
- 1.18 Such is the vulnerability of our economy to **natural disasters which is why we have all along argued that the country decisively deals with enough dam and irrigation infrastructure construction projects even if it means using unconventional funding means to do so.**
- 1.19 Instead, and unfortunately, our wise advisors from afar and some amongst us have kept telling us that to employ those unconventional methods of funding was **inflationary and we listened.** I hope that the same advisors will come to our aid in as far as our drought-induced food shortages are concerned.
- 1.20 Our hearts bleed when we have droughts, adverse effects of which could have been prevented.
- 1.21 Not only do we need to mobilize foreign exchange to buy new food, but we also need to make up for the huge amounts in hard currency we had used to pay for the importation of chemicals, seed, fuel, fertilizers, and tillage power, all of which is now lost to that drought.
- 1.22 Beyond these losses, food being the largest contributor in the inflation basket, we see inflation being stalked further by food scarcity, which would further erode human dignity in the economy.
- 1.23 Without any further delays, there is, therefore need for emergency resources for supplementary food, let alone importation of agricultural inputs for not only the winter but also for the forthcoming summer season.
- 1.24 People of Zimbabwe, unless we adopt a development model that is based on conviction, and not mere theoretical conventions, this economy will never recover.
- 1.25 If conviction however meets convention, we should embrace both but where conviction clashes with convention, we must go for policies based on conviction.
- 1.26 We estimate that that if we had completed irrigation rehabilitation on 500 000 hectares only, at an average yield of 4 tonnes per hectare, this country would have been self-sufficient on food provision.

- 1.27 The eventuality of drought has, thus, brought with it added demands on the country's foreign exchange resources, and as the Central Bank we must now devise practical ways of dealing with this unforeseen eventuality.
- 1.28 As Monetary Authorities, we wish to assure the Nation that everything possible is being done to ensure that adequate grain is imported to meet requirements on the ground.
- 1.29 To date, the importation of an initial 500 000 metric tonnes has been successfully negotiated by our Head of State and the maize has already started coming into the country.
- 1.30 Additional measures in this Statement will ensure that adequate food imports are brought into the country to more than offset the drought-induced shortfalls.
- 1.31 Whilst these efforts are being pursued, there is, however, compelling need for the country to redouble its focus on effective land utilization, as well as undertake determined expansion of irrigable land to serve as a buffer against the now recurrent droughts.
- 1.32 Equally, the current winter wheat season has to be driven with greater urgency, given the low water levels in most major dams.
- 1.33 In support of the season, it is also imperative that innovative strategies be deployed at ZESA to make sure that the irrigation schedules are not hindered by erratic power supplies as was the case in previous seasons.

GRAVITATING TOWARDS A MARKET-BASED ECONOMY

- 1.34 As Monetary Authorities, we wish to re-assure the financial and other sectors of the economy that, as stated before, we remain committed to the nurturing, propagation and speeded gravitation towards a market-based economy as the guiding ideology of our landscape.
- 1.35 We are aiming to move the economy in the direction where bread, milk, furniture, fuel, motor vehicles, fertilizers, foreign exchange and all the other prices will reflect market fundamentals, consistent with production costs, demand, risk and return parameters of a given sector.
- 1.36 With this firm commitment, we implore that the Nation and indeed the international community bears with us, as we work tirelessly to reconcile and shift the country's sectoral requirements, and its structural rigidities in a win-win framework that is not disruptive of our social fabric.

- 1.37 Within this same context, we will not tire in proffering our advice to Government, consistent with our duty as enshrined in the RBZ Statutes, along the lines that by any means necessary, let us do away with unnecessary controls, as these have historically not served much purpose except to breed shortages while propping up inflationary pressures and criminalizing the population.
- 1.38 We would also like to see an environment where subsidies are gradually removed.
- 1.39 What we are asking for is, however, not a once-off big-bang approach, but a carefully moderated programme of de-escalation of these fiscal outlays in a manner that does not leave the vulnerable members of society exposed.
- 1.40 As was amply articulated in the January Monetary Policy Statement, a number of distortions remain a cause for concern to Monetary Authorities and their speeded removal will be a major step in the positive direction of our turnaround and economic stabilization programme.

2. MONETARY POLICY RECOMMENDATIONS: IMPLEMENTATION REVIEW

THE SOCIAL CONTRACT

- 2.1 As Monetary Authorities, we are pleased to report that Social Partners, comprising Government, Business and Labour, have passionately rekindled the virtuous spirit of constructive dialogue in the national interest to establish a win-win Social Contract.
- 2.2 The ongoing deliberations under the Tripartite Negotiating Forum, TNF, which also included a highly productive retreat in Vumba over the period 21-23rd of March, 2007, are expected to culminate in the sealing of mutually reinforcing protocols over the short-term.
- 2.3 Whilst those with pessimistic inclinations are already condemning the Social Contract dialogue process as having stalled, it has to be understood that such processes naturally have to take into account the diversity of views and the heterogeneous make-up of Social Partner constituencies.
- 2.4 Through this inclusive approach, gainful results, thus, best materialize over time, as opposed to emerging as offshoots of spot occurrences.
- 2.5 As Monetary Authorities, we urge Government, Labour and Business, our Churches, the Academia, as well as the generality of Civil Society, and the Media, to remain steadfast in hoisting the momentum of dialogue and constructive cooperation.

QUASI-FISCAL OPERATIONS OF THE CENTRAL BANK

- 2.6 In the January 2007 Monetary Policy Statement, the Reserve Bank committed that having laid the foundation for effective turnaround in the local authorities, parastatals and agricultural sectors, it was deemed necessary that the Bank refocused its operations by ring-fencing all quasi-fiscal operations in a stand alone entity.
- 2.7 I am pleased to report that a stand-alone entity called Fiscorp Private Limited has been successfully set up and is now operational, managing all outstanding past quasi-fiscal balances.
- 2.8 Through this vehicle, on-going projects are being managed in a manner that does not conflict with the Central Bank's anti-inflation stance.

PRICE DISTORTIONS

- 2.9 In the January, 2007 Monetary Policy Statement, I spoke painfully about the constraining nature of price distortions that prevailed and still prevail today in our economy.
- 2.10 Whilst a number of these are still to be attended to in the context of the on going Social Contract dialogue, it will be a great omission to overlook the bold decision that Government took in realigning the prices of maize and wheat, effectively taking out the straining subsidies.
- 2.11 We urge Government to continue on this progressive path, as this will not only help stabilize the fiscal budgetary side, but also unlock productive synergies in the economy, as resources are allocated efficiently across competing sectors.
- 2.12 The Business sector too has a role to play in ensuring that the pricing formulae and practices they adopt are not fraught with profiteering tendencies that victimize consumers, as well as propel inflationary impulses.

EXCHANGE RATE MANAGEMENT

- 2.13 It is imperative that at the onset I once again clarify to stakeholders that in accordance with **Section 47 of the Reserve Bank Act**, the role of exchange rate determination is a statutory responsibility of the Minister of Finance, with the Reserve Bank obliged to implement frameworks as would have been so determined.
- 2.14 Repeated calls on the Reserve Bank for perpetual currency devaluation are, therefore, misdirected, and should be channeled to the right offices for evaluation on their own merit.

- 2.15 It is Monetary Authorities' commitment though to see that through the on-going Social Contract dialogue, productive sector viability issues will be adequately dealt with, together with other areas of mutual interest to Social Partners.

THE AGRICULTURE MECHANISATION PROGRAMME

- 2.16 Consistent with the commitments the Reserve Bank made in the January, 2007 Monetary Policy Statement, the agricultural sector mechanization programme has continued to be driven with much vigour.
- 2.17 To this end, I am pleased to report that to date, a total of 439 tractors, complete with their implements, and 19 combine harvesters have been imported into the country.
- 2.18 A total of 37 tractors are already in fields, and these were distributed under the Maguta initiative.
- 2.19 The bulk, comprising 402 tractors and 19 combine harvesters will be deployed to the country's various agricultural areas beginning next week under transparent and effective frameworks that will ensure productive use of the equipment, as well as individual farmer ownership.
- 2.20 The mechanization programme will be intensified further, including those tillage modes that cater for the communal and A1 farming areas, so as to empower the farmers.
- 2.21 Over and above the 439 tractors, and 19 combine harvesters, the Reserve Bank also bought the following implements to support our farmers:
- | | | |
|---|-----------------------------|-----|
| ● | Tractor-drawn ploughs: | 365 |
| ● | Tractor-drawn disc harrows: | 361 |
| ● | Boom sprayers: | 175 |
| ● | Fertilizer Spreaders: | 101 |
| ● | Planters: | 57 |
- 2.22 As Monetary Authorities, we also wish to applaud the initiatives by the Zimbabwe Farmers Development Company (ZFDC), who in partnership with the China CAMC Engineering Ltd, have brought in an additional 357 tractors, 65 dumper trucks, 50 thirty-tonne truck horses, 50 twenty tonne trailers, 8 bull-dozer, and 86 water pumps, among other implements, under the RBZ-China Export-Import Bank US\$25 million tobacco-backed loan facility.
- 2.23 Another programme involving a further 250 smaller horse-power tractors and implements is on order and the tractors will be dedicated to communal areas under the stewardship of the country's approximately 200 Chiefs countrywide.

2.24 In addition to the above power-driven mechanization programme, this year will also see the enhanced capacitation of our communal areas, A1 and newly resettled farmers through the following draught-power/ Ox-drawn implements already on order from local producers and manufacturers.

- 100 000 ox-drawn ploughs,
- 100 000 ox-draw planters,
- 100 000 ox-draw harrows;
- 100 000 cultivators;
- 100 000 scotch-carts and
- 100 000 portable fumigation tanks.

2.25 It is expected that the manufacture of scotch-carts will be subcontracted to SMEs at various growth points and other welding points in the first instance.

2.26 It is only through food security that the heart of the inflation bubble can be extinguished.

THIS INTERIM STATEMENT...

2.27 In this Interim Statement, focus is placed on those areas that lie within the policy realm of the Central Bank, as well as those where it is deemed critical that the Bank proffers advice to Government and the Nation in general.

2.28 As is required by statutes, the next substantive Monetary Policy Statement will be in July, 2007.

3. STATUS OF THE BANKING SECTOR

Financial Architecture

Banking Institutions ...

- 3.1 As at 31 March 2007, there were 29 banking institutions operating in the country made up as follows:

Type of institution	Number
Commercial Banks	14
Merchant Banks	5
Discount Houses	4
Finance Houses	2
Building Societies	4
Total	29

- 3.2 Two (2) mergers which were approved during the last quarter of 2006 reduced the number of banking institutions from thirty-one (31) in the previous quarter.

Non-bank Financial Institutions ...

- 3.3 There were seventeen (17) registered asset management companies and 244 moneylending institutions as at 31 March 2007.

Condition and Performance

- 3.4 As Monetary Authorities we are satisfied that the banking sector is generally safe and sound owing to rigorous monitoring of the sector by the Reserve Bank and adoption of sound corporate governance and risk management practices in the banking sector.

Capitalisation...

- 3.5 As at 31 March 2007, all banking institutions were in compliance with the minimum capital requirements. Most institutions continue to recapitalise through retained earnings.
- 3.6 We urge banking institutions to continuously review their **recapitalization plans** in line with their balance sheet growth and changing economic fundamentals.

- 3.7 There is scope for further consolidation in the banking sector to enhance the banks' capacity to underwrite more business and improve access to international lines of credit.

Dis-intermediation...

- 3.8 The banking sector's total assets were \$1.68 trillion as at 31 December 2006. We are, however, concerned that most banking institutions' balance sheets remain skewed towards investments in the money market with loans and advances constituting only 18.46% of total assets as at 31 December 2006.
- 3.9 Banking institutions are urged to play a more meaningful role in the turnaround of the economy by channeling financial resources to the productive sectors of the economy.

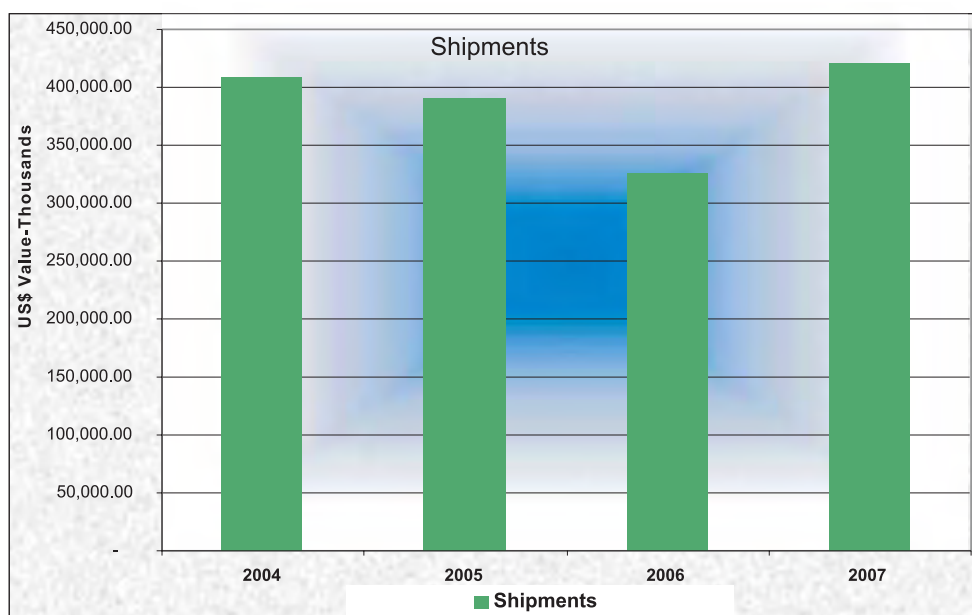
Financial Inclusion ...

- 3.10 The Bankers' Association of Zimbabwe is committed to the development of an inclusive financial system. We urge all financial institutions and other key stakeholders to foster meaningful financial inclusion through provision of financial services and the requisite infrastructure to the unbanked sections of our communities.

4. GLOBAL EXPORT PERFORMANCE

- 4.1 For the first quarter of 2007, the country registered total shipments of US\$ 420,792,594, or an increase of 23%, compared to US\$325,004,830 shipments for the same period in 2006.
- 4.2 This positive trend illustrates the resilience of the economy upon which more substantive recovery has to be anchored on.
- 4.3 Notwithstanding this positive performance, the aggregate demand for foreign exchange continues to be way above what the economy is generating, and this has sustained the constrictive foreign exchange shortages that continue to limit capacity utilization in the productive sectors of the economy.

Shipments for the years 2004-2007

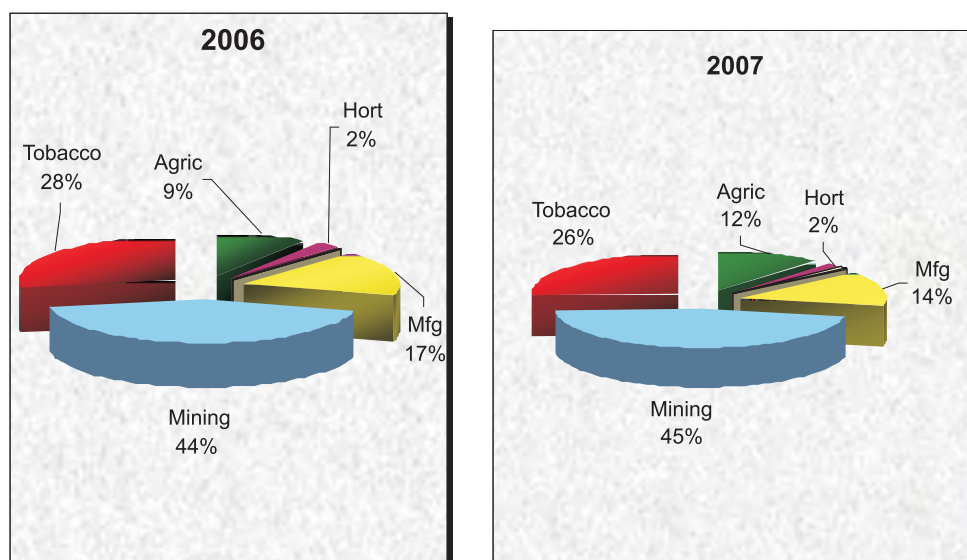


EXPORT PERFORMANCE BY SECTOR

US\$ Value Of Shipments For The First Quarters Of 2004 To 2007

Sector	2004	2005	2006	2007
Agriculture	58,266,837.79	51,533,723.11	30,276,311.81	48,909,761.01
Horticulture	15,752,515.45	11,001,981.87	8,100,273.12	7,418,301.54
Hunting*			1,528,634.42	3,063,104.41
Manufacturing	67,924,921.34	65,609,944.87	56,028,248.25	59,524,161.23
Mining	138,171,041.69	151,121,760.25	140,145,203.97	194,047,464.09
Tobacco	128,325,088.07	111,278,685.56	88,926,158.26	107,829,801.32
Total	408,440,404.34	390,546,095.66	325,004,829.83	420,792,593.60

Sector Contributions to Export Shipments



- 4.4 In comparative terms, mining Sector exports led shipments for the first quarter of the year 2007, by contributing 45% of the total shipments followed by tobacco with 28% and manufacturing with 14%. Overall performance saw a 23% increase over values recorded in the first quarter of the year 2006.

Manufacturing

- 4.5 Total shipments for the Manufacturing sector from 01 January to 31 March 2007 amounted to **USD59,524,161.00** compared to **USD56,028,248.00** for the same period in 2006, reflecting an increase in shipments of **5.9%**.
- 4.6 The increase in performance is mainly accounted for by an increase in the number of companies engaging in Toll Manufacturing.

Mining

- 4.7 Sectorally, mining shipments, excluding gold, for the first quarter of 2007 were USD194,047,464.00 representing a 38.5% increase from USD140,145,204.00 realised during the same period in 2006.
- 4.8 This growth was largely due to firming international prices for the major minerals like nickel and platinum.

Underperformance in the Gold Sector...

- 4.9 Gold, however, continued to under-perform, registering a total of only 2.24 tonnes during the first quarter of 2007, or a decline of 19%, on the 2.76 tonnes registers over the same period in 2006.

- 4.10 The combined effects of operational viability constraints and rampant smuggling of the precious minerals have put an unfavourable dent on what traditionally stood as the country's reserve asset of last resort.

Agriculture

- 4.11 The General Agriculture sub-sector, which excludes tobacco and horticulture, exports for the first quarter of 2007 were 61.3% more than what was realized over the same period in 2006.
- 4.12 The increase in the value of exports reflected mainly international price increases.

Transport

Form CD3 Raised: Q1 2004 -2007

Month	2004	2005	2006	2007
January	476,001.02	4,462,480.62	4,415,277.24	2,943,641.51
February	467,235.74	6,429,521.05	6,247,316.52	5,019,901.23
March	8,102,722.56	7,622,814.12	315,080.71	914,930.16
TOTAL	9,045,959.32	18,514,815.79	10,977,674.47	8,878,472.90

- 4.13 There was an upward trend from 2004 to 2005. However , the period from 2006 to 2007 saw the value of services generated (shipments) by the transport sector declining mainly due to the shortages of fuel and general unfavorable macroeconomic environment leading to most transporters downsizing, folding and or relocating to neighboring countries especially South Africa.
- 4.14 This undesirable trend has to be corrected over the outlook period through mutually reinforcing policy interventions.

IMPORT DUTY

- 4.15 As Monetary Authorities, we applaud Government for the recent decision to levy import duty in foreign exchange on non-essential imports.
- 4.16 We are pleased to note that our recommendations were implemented expeditiously.
- 4.17 Given the positive effect this move is already having on import-demand, we encourage Government to consider raising the duty levels further as well as broadening the net to cover more non-essential imports.
- 4.18 As an economy, we must act out of strong conviction and desire to support domestic production of the many finished luxury products that are flooding our markets from abroad.

- 4.19 Only through this can we work to perfect quality and industrial expertise.

5 THE NEW MEASURES

GOLD SUPPORT

- 5.1 Gold remains a strategic national reserve asset, whose marketing falls directly under the Reserve Bank's scope of control.
- 5.2 The escalation in domestic inflation has severely eroded viability of the country's gold producers. Consequently gold deliveries to Fidelity Refinery fell significantly from 13 tonnes in 2005 to 10.9 tones in 2006.
- 5.3 The unsatisfactory performance is, however, also significantly attributable to the widespread indiscipline and smuggling activities in the sector, making it imperative that relevant arms of Government urgently put in place deterrent measures to plug the plunder.

New Gold Support Price

- 5.4 In order to enhance viability in the gold sub-sector, the gold support price has been adjusted to Z\$350 000 per gram, with immediate effect.
- 5.5 Further reviews will be considered on an on-going basis, taking into account the evolution of economic fundamentals.
- 5.6 All gold producers currently owed money by the Reserve Bank of Zimbabwe are free to convert such outstanding amounts into local currency at the enhanced gold support price or to subscribe to the Drought Mitigation and Economic Stabilisation Bond, as will be explained later in this Statement.

EXCHANGE RATE MANAGEMENT FRAMEWORK

- 5.7 Consistent with Section 47 of the Reserve Bank Act, determination of the exchange rate framework is the statutory responsibility of the Minister of Finance, with the Reserve Bank mandated to implement such set policy.
- 5.8 Given the dual sides of importers and exporters, viability and imported inflation; it is important to constantly appraise the exchange rate management processes in a manner that balances the competing objectives.
- 5.9 It is for this reason that in the January, 2007 Monetary Policy Statement I strongly advocated for the exchange rate matter to be conceptualized within the context of a holistic Social Contract package that encompasses multiple adjustments right across all key policy areas.

- 5.10 Whilst the Social Contract dialogue is progressing, it has become necessary that a framework be put in place to allow the Central Bank and the Nation at large, the ability to urgently mobilize financing resources to repel the adverse effects of the drought, **whilst maintaining the current official exchange rate at the prevailing levels of Z\$250/US\$.**

THE DROUGHT MITIGATION AND ECONOMIC STABILISATION FUND (DMESF)

- 5.11 With immediate effect, the Reserve Bank has established a Drought Stabilization Fund (DMESF) which will be open to:

- Industrialists/ manufacturing concerns;
- Miners;
- Farmers;
- Tour Operators;
- NGOs
- Embassies;
- Zimbabweans in the Diaspora;
- Individuals;
- Transporters; and
- Any other holders/generators of foreign exchange

MECHANICS OF THE FUND

- 5.12 The operational modalities of the DSF will be as follows:

- (a) Holder of foreign exchange approaches the Reserve Bank; an Authorised Dealer; Homelink or a registered Money Transfer Agent; and
 - (b) The approached entity will buy the foreign exchange **at the going exchange rate of Z\$250/US\$** and award a Drought Mitigation Accelerator Factor of 60.
- What this means is that the subscriber/seller of foreign exchange would be paid out of the **Drought Fund** an amount equivalent to 60 times the value after **conversion at the going official exchange rate of Z\$250/US\$.**

EXAMPLE:

Amount	=	US\$100
Converted at official rate of Z\$250/US\$	=	Z\$25 000
Drought Fund Multiplier Factor(60)	=	Z\$25 000 x 60
Final Payout (Zimbabwe dollars)	=	Z\$1,5 million

- 5.13 It must be noted that the Drought Fund Multiplier Factor of 60 is only applicable to **foreign exchange bought for transmission to the Reserve Bank of Zimbabwe** which will go towards a Strategic National Fund.
- 5.14 **Thus, all the other transactions will continue to be effected at the official exchange rate of Z\$250/US\$.**

DROUGHT MITIGATION AND ECONOMIC STABILISATION BOND

- 5.15 The drought situation in the economy impels that appropriate measures be put in place to counter the adverse effects on the welfare of the majority of Zimbabweans.
- 5.16 Like any Central Bank the world over, when a Nation encounters undesirable exogenous shocks in the form of natural calamities, such as droughts, Tsunamies, earthquakes hurricanes or floods, Monetary Authorities have to step in to stabilize the situation.
- 5.17 In our case here in Zimbabwe, the Central Bank can not allow people to starve due to the unfolding drought, and therefore, a programme has been put in place to mobilize the needed foreign exchange to stabilize the drought effects.
- 5.18 Under this programme, the Reserve Bank has, with immediate effect, opened up a foreign currency drought stabilization bond (DMESB), which has highly attractive features.

The DMESB Features...

- The bond yields a net return interest rate of **LIBOR + 10 percentage** points per annum on the hard currency invested.
- The tenor of the bond is 2 years, with 6 monthly interest payments and is available at all time to buyers. This bond is open through to December 2007.
- In the case when the funds invested come from external sources other than exports, principal plus interest on maturity can be repatriated abroad from Zimbabwe, should the investor elect to do so.
- Each investment is supported by a Reserve Bank irrevocable guarantee, which in turn will be backed by actual CD1s that reflects known export inflows to the Central Bank.

Target Market...

5.19 The DSB is available to:

- All exporters;
- Tourism operators;
- Zimbabweans in the diaspora;
- NGOs;
- Embassies;
- International organizations;
- Individuals; and
- Any other interested foreign investors.

5.20 It is important to note that exporters with excess foreign exchange are also free to participate in the bond.

Exchange Rate Policy Remains as is...

5.21 Authorised Dealers must note that this window is strictly meant for funds that would be on-sold to the Reserve Bank to go towards grain importation.

5.22 It is also imperative to note that **the exchange rate framework remains what it is, with the rate at Z\$250/US\$ for all transactions that are outside the DMESB or the Bond.**

5.23 While **the official exchange rate remains Z\$250/US\$**, the Reserve Bank will apply an indexation framework to the Drought Multiplier Factor to all those who contribute into the Fund.

5.24 This will be done in a manner that aligns Zimbabwe dollar proceeds to inflation developments so as to guarantee viability to the generators of foreign exchange.

5.25 Exporters and other generators of foreign exchange are, therefore, encouraged to take full advantage of this special window, whose reviews will be on an on-going basis.

TOBACCO SUPPORT

5.26 Tobacco remains an important source of foreign exchange for the economy.

5.27 Reflecting the positive benefits of previous support interventions, the 2006/07 tobacco crop is expected to be around 80 million kilograms which represents a 45.5% increase on the previous season's level of 55 million kilograms.

- 5.28 In order to encourage and support farmers in rebuilding the glitter of the golden leaf, it has become necessary that viability in the tobacco sector be enhanced through additional support measures.
- 5.29 Experience over the past has, however, shown that such support has to be designed in a manner that rewards quality, as opposed to mere weight of the crop delivered.
- 5.30 Against this background, with effect from the start of this year's tobacco selling season, **tobacco farmers will be awarded a top up support price of Z\$40 000 per every kg that fetches a price of US\$1.50 per kg and above.**
- 5.31 Deliveries with **lower quality and hence prices of below the US\$1.50 per kg quality benchmark will be awarded the top-up benefit on a pro-rata basis, based on the support price of Z\$40 000 per kg and the actual US dollar fetched.**

Source of Funding

- 5.32 In order to ensure that the support to tobacco farmers does not cause unintended dislocations on monetary targets meant to fight inflation, the Reserve Bank will assist Government through issuance of appropriate financial instruments that will raise the needed resources throughout the tobacco selling season.

Tobacco Back-pay for 2006 Deliveries

- 5.33 During the 2005/2006 selling season, the then Minister of Agriculture had made an announcement that tobacco farmers then were going to be awarded a top-up delivery bonus of \$5000/kg, before currency valuation (or \$5/kg revalued).
- 5.34 Due to unforeseen contingencies, this bonus was, however, not paid out.
- 5.35 In order to compensate all tobacco farmers who did deliver their crop then, as well as fortify policy credibility by ensuring that announced policies are implemented, I am pleased to announce that all tobacco farmers who delivered their crop in 2006 will be paid the top-up bonus, adjusted for cumulative inflation to date. This translates to a back-pay of Z\$85 per kg.
- 5.36 This dispensation, whilst supporting our farmers, is not expected to upset the money supply targets, as the overall back-payment will be under \$5 billion on the 55 million kgs delivered in 2006.

TOBACCO GROWERS' FCA RETENTION

- 5.37 In order to further boost tobacco farmers' ability to procure inputs requiring foreign exchange, it has become necessary that the current 15% FCA retention level be reviewed.
- 5.38 Consistent with this, I am pleased to announce that the tobacco FCA retention level has, with immediate effect, been uplifted from 15% to 20%.

- 5.39 Tobacco growers are called upon to take full advantage of this enhanced facility.

DIASPORA INFLOWS SUPPORT

- 5.40 An assessment of the economic histories of developing as well as some developed nations reveals that foreign exchange remittances by nationals living abroad can be a significant source of developmental financing, particularly if tailor-made policy programmes and investment vehicles are put in place to tap into this avenue.
- 5.41 In the case of Zimbabwe, of the estimated 3 million skilled human capacities the country has exported to the world, if one assumes that 1 million of them send say US\$100 per month each, this translates to a total of US\$100 million per month. This is by no means small change to the country.
- 5.42 In recognition of this, all Zimbabweans in the Diaspora **can benefit under the Drought Mitigation and Economic Stabilisation Fund window.**

All Funds...

- 5.43 It is imperative to note that all funds mobilized under this support window will be for and on account of the Reserve Bank, and all MTAs and Authorised Dealers will be obliged to immediately transmit their purchases to the Central Bank on close of each business day.
- 5.44 **Again, it is imperative to note that the official exchange rate of Z\$250/US\$ remains as is for all other transactions.**

NGOs, EMBASSIES AND INTERNATIONAL ORGANISATIONS

- 5.45 As was highlighted in the January, 2007 Monetary Policy Statement, Monetary Authorities will ensure that members of the international community are not needlessly exposed to internal peculiarities dictated by the country's policy priorities.
- 5.46 To this end, therefore, NGOs, Embassies and International organizations will be entitled to **also benefit under the Drought Mitigation and Economic Stabilisation Fund window.**
- 5.47 It must, however, be noted that any such funds as would have been purchased by Authorized Dealers will be for the account of the Reserve Bank, **and any other transactions shall be at the going official exchange rate of Z\$250/US\$.**

TOURISM DEVELOPMENT

- 5.48 The imminence of the 2010 World Cup Soccer Games makes it imperative that as a country, we take the necessary steps to position our hospitality industry for this rare opportunity to the continent.

- 5.49 In order to provide a boost to the sector, it has become necessary that the Tourism Sector also benefits under the Diaspora Support price.
- 5.50 **To this end, therefore, all Tourism sector players can sell to the Reserve Bank their foreign exchange receipts into the Drought Mitigation and Economic Stabilisation Fund, at the terms already alluded to.**
- 5.51 Authorised Dealers whose clients are in the Tourism Sector must abide by the strict conditionality that the terms of the Special Fund shall only apply to sales that are transmitted to the Reserve Bank, and **all other transactions MUST be at the official exchange rate of Z\$250/US\$.**

HARMONISED FCA RETENTION THRESHOLDS

- 5.52 In order to cultivate a level playing field among all generators of foreign exchange, it has become necessary that the FCA retention levels be harmonized across all sectors.
- 5.53 To this end, with immediate effect, the following FCA retention levels shall apply.

Foreign Exchange Generators	Effective FCA Retention	Portion to be Sold to the RBZ Drought Mitigation and Economic Stabilization Fund
Gold	60%	40%
Platinum	60%	40%
Diamonds	60%	40%
Nickel	60%	40%
All other mineral exports	60%	40%
All manufactured exports	60%	40%
All agriculture exports	60%	40%
Transporters	60%	40%
Tourism operators, Including Hunting/Safari Operators	60%	40%
All other services	60%	40%

5.54 The portions to be sold to the Reserve Bank will go into the newly created Drought Mitigation and Economic Stabilization Fund.

5.55 It is important to note that **Free Funds**, including NGOs, Embassies, International Organizations, and individual holdings shall remain **exempt** from the surrender requirements, as is the case under the prevailing conditions.

LIQUIDITY MANAGEMENT

5.56 The Reserve Bank is cognizant of the liquidity pressures over the next few months, to October 2007. If not effectively sterilized, these liquidity injections have a potential to further ferment inflationary pressures, which are already high in the economy.

5.57 In view of this, the Bank will continue to tighten monetary policy.

5.58 The Bank will, thus, continue to closely monitor liquidity developments and implement appropriate offsetting instruments, as and when necessitated by the liquidity situation.

5.59 Financial institutions are, therefore, forewarned that any deviant behaviour will be matched with appropriate policy responses.

INTEREST RATES POLICY

5.60 Reflecting the inflationary pressures in the economy, headline inflation accelerated from 1 070.2% in October 2006, to 1 281.1% in December 2006, and further to 2 200%, by March 2007.

5.61 Both food and non-food inflation have occasioned the sharp escalation in inflation. The inflationary spiral has been further amplified by recent discretionary price hikes, speculative and rent-seeking behaviour.

5.62 In order to curb speculative borrowing and inflationary pressures, the overnight interest rate is adjusted as follows with immediate effect:

Overnight Interest Rate Structure

Instrument	Current Interest Rates (Nominal rates)	New Interest Rates (Nominal rates)
Overnight Secured Rate	500%	600%
Overnight Unsecured Rate	600%	700%

- 5.63 The adjustment and realignment of the interest rate structure is designed to dissipate inflationary pressures and defend the currency, while ensuring consistency of returns between yields of different term structures.
- 5.64 The inflation road ahead of us requires that no efforts be spared in ensuring that excess liquidity is mopped out of the markets, for it is this loose liquidity that props up speculative trading in foreign exchange and other commodity markets.

STATUTORY RESERVES

- 5.65 The risk of continued high inflationary pressures remains significant over the outlook period, requiring that tighter money supply measures be adopted.
- 5.66 To this end, the Reserve Bank has, with immediate effect **raised required** statutory reserves deposits across all deposit classes and institutions by 5 percentage points except in the case of Building Societies as is explained in the following section of this Statement.

THE NEW STATUTORY RESERVE RATIOS

	Current Statutory Reserve Ratios	New Statutory Reserve Ratios
Commercial Banks		
Demand Deposits	40%	45%
Call Deposits	40%	45%
Savings Deposits	30%	35%
Time Deposits	30%	35%
Buy Backs/ Repo	30%	35%
Merchant banks		
Demand Deposits	40%	45%
Call Deposits	40%	45%
Time Deposits	30%	35%
Buy Backs/ Repo	30%	35%
Discount Houses		
Call/Time Deposits	30%	35%
Building Societies		
Savings/ Time Deposits	30%	10%
Class Shares	30%	10%
Finance Houses		
Call/Time Deposits	15%	20%

BUILDING SOCIETIES: TACKLING THE RESIDENTIAL ACCOMMODATION PROBLEM

- 5.67 The consumer price index category that has a rentals constitutes around 16% of the country's inflation.
- 5.68 Against this background, policies that increase the availability of incremental housing units directly contribute towards inflation-reduction.
- 5.69 With immediate effect, therefore, statutory reserve ratios for Building Societies have been reduced from the current 30% to 10%.
- 5.70 The monetary value of this exemption will be set aside in each Building Society's Residential Housing Development Fund for use by each Society in support of residential property development.
- 5.71 Each month, the Reserve Bank will carry out thorough reviews for each Building Society to verify that such funds are not being misdirected into money market and other asset classes unrelated to real estate development.

FOREIGN CURRENCY LEAKAGES

NON-ACQUITTAL OF FORM CD1S

- 5.72 The Reserve Bank wishes to remind exporters and Authorised Dealers (Banks) that the non-acquittal of Forms CD1 (goods) and CD3 (freight) and/or non-remittance of export receipts into the country within the stipulated ninety (90) day period or when contractually due, is a violation of Section 5 (i) (a) of the Exchange Control Act [*Chapter 22:05*].
- 5.73 Furthermore, the Reserve Bank notes with great concern that some of the exporters of goods and services continue to accumulate non-acquittals, notwithstanding the repeated written warnings by Exchange Control. Currently, the country is owed millions of dollars by these delinquent exporters, some of whom have literally gone into hiding.
- 5.74 The Reserve Bank has stepped up efforts to recover all unacquitted foreign exchange to ensure that the economy benefits from its resources.

DELINQUENT COMMODITY BROKERS

- 5.75 The Reserve Bank also notes with grave concern that there are some Commodity Brokers / Traders and individuals who are in the habit of raising Forms CD1 and failing to acquit them.

- 5.76 The Central Bank is fully aware of these delinquents, and has forwarded a comprehensive list to law enforcement agencies to track down those commodity brokers who have gone into hiding to avoid the completion of export formalities.

UNDER-INVOICING OF EXPORTS

- 5.77 Reserve Bank also notes with concern that some exporters continue to under-invoice their exports resulting in the country not realising the true and fair value of its exports.
- 5.78 Exporters are further warned against such retrogressive behaviour and measures have been put in place to detect such malpractices.
- 5.79 In line with the current Exchange Control policy, exporters should declare their gross earnings.
- 5.80 Cross-border transporters should desist from offsetting any foreign currency revenues against their unauthorized external obligations.

REGISTRATION OF TOURISM OPERATORS

- 5.81 In a bid to fully account for foreign exchange receipts from the tourism sector and also accord operators of designated facilities with full exporter status, the Reserve Bank is currently registering all tourism operators across the country.
- 5.82 Tourism Operators are, therefore, advised to collect Registration Forms from the Reserve Bank Exchange Control or any Authorised Dealer's offices located within their vicinity.
- 5.83 As such, all tourism operators are required to register with the Exchange Control, by 30 June 2007, failure of which their foreign exchange transactions will not be authorized.
- 5.84 The Reserve Bank will also issue 'Certificates of Registration', which shall be visibly displayed by all registered tourism operators as evidence of being a bonafide operator authorized to transact in foreign currency by the Reserve Bank.

FCA WITHDRAWALS AND EXPORT OF FOREIGN CURRENCY CASH

- 5.85 In an effort to ensure the proper utilisation of foreign currency cash and to avoid abuse of such funds held in either corporate or individual FCAs, cash withdrawals in excess of US\$1000, require prior Exchange Control approval.

- 5.86 Any withdrawals in excess of the USD1000 limit, which can be ordinarily exported for travel purposes, should be accessed through travelers' cheques.
- 5.87 Where a bank does not have travelers cheques, specific Exchange Control approval should be sought to carry and/or export in person or in baggage foreign currency cash in excess of the US\$1 000 limit.
- 5.88 No export of cash above the US\$1 000 limit will be permitted through the ZIMRA exit points.

6. NATIONAL PAYMENT SYSTEMS

REVIEW OF CASH WITHDRAWAL LIMITS

- 6.1 Further to my Memorandum to Financial Institutions dated 12 December 2006, I am pleased to advise that cash withdrawal limits for individuals and corporates have been reviewed as follows with effect from 16 April 2007:

Individuals

- 6.2 The limit is reviewed from \$500 000.00 (Five Hundred Thousand Dollars) to \$1 500 000.00 (One Million Five Hundred Thousand Dollars) per day.

Corporates

- 6.3 The limit is now \$3 000 000.00 (Three Million Dollars) up from \$1 000 000.00 (One Million Dollars).
- 6.4 Financial institutions are urged to strictly abide by these limits and ensure that any offenders are reported to the Anti-Money Laundering Unit of the central bank (FIIES).

ZETSS TRANSACTIONS

- 6.5 Over the last eight months, there has been a dramatic increase in the volume of transactions processed through the Zimbabwe Electronic Transfer and Settlement System (ZETSS).
- 6.6 While this is commendable, the pattern of payments has however been skewed in that 60% of the transactions are pushed through the system towards end of the day.
- 6.7 In order to address the congestion, the Reserve Bank has introduced measures aimed at smoothening the flow of transactions within the system. These measures include the following:

- (i) Increase in commercial bank intraday limits, and
- (ii) Improvements to the gridlock resolution mechanism in order to ensure more efficient processing of larger volumes of transactions.

6.8 As Monetary Authorities, we call upon the banking industry to compliment the Central Bank's efforts through cooperation and adherence to the rules of participating on the ZETSS system.

ZETSS THRESHOLDS

6.9 In an effort to manage the volume of ZETSS transactions, banks have made representations for the Central Bank to consider setting a threshold on the minimum value of transactions processed through ZETSS.

6.10 Whilst we appreciate the industry's concern, care should be taken not to embrace measures that have the effect of denying the banking public access to certain means of payment.

6.11 At this point, I wish to recognize proactive steps taken by some banks in the handling of high volume, low value transactions.

6.12 These efforts have ensured that customers continue to enjoy the convenience of electronic banking services regardless of value. We encourage all ZETSS members to come up with similar innovative ways of managing or handling such transactions.

6.13 As we continue to drive our national payment systems reform process, we need to step up efforts in introducing additional payment streams. This is the only way we can provide various options to the banking public without denying them access.

PAYMENTS THROUGH THE CLEARING HOUSE

6.14 As Regulatory Authorities we are concerned about the continued issuance of high value cheques by both individuals and corporates.

6.15 This trend does not compliment our previous appeals for the transacting public to use ZETSS and other electronic means of payment.

6.16 Whilst our ZETSS system has achieved an impressive utilization rate of 87% since inception, we continue to see cheques of a high value nature in the remaining 13% still going through the Clearing House.

6.17 Apart from the risks these high value cheques bring to the Clearing House, they translate into net obligations which banks have to settle at the end of the day. Depending on the ability of the affected bank to meet its obligation, the latter may,

inter-alia, further impact negatively on the stability of the financial system; result in extension of credit by the Central Bank as well as erode confidence in the payment system.

- 6.18 In order to reduce the inherent risks in the Clearing House, it has therefore become necessary to introduce an item limit in this payment stream.
- 6.19 With effect from the **1st of June 2007 therefore, no cheques of \$50 million and above shall be allowed to go through the Clearing House.** Financial institutions are urged to ensure compliance with this measure by educating their clients on this new requirement.

7. TOURISM DEVELOPMENT FUND

- 7.1 Tourism has been identified as one of the strategic sectors by Government, with potential to turn around the economy.
- 7.2 Over the past seven years, there has been a decline in the performance of this sector, which has seen some facilities closing down due to lack of business and those which remained open are operating below 30% capacity.
- 7.3 As Monetary Authorities, we urge the relevant arms of Government to urgently establish a Tourism Revolving Fund to revive the sector, particularly given the need to be ready for the 2010 games.
- 7.4 This facility should support not only new entrants into the tourism sector, but also existing enterprises that require upgrading and refurbishments.

TOURIST INFRASTRUCTURAL DEVELOPMENT

- 7.5 The development of Tourism infrastructure can be funded through Public-Private Partnership (PPPs) investment structures.
- 7.6 Partners in the tourism sector are encouraged to employ this vehicle by way of Concessions, Management contracts, Joint Ventures, Design Build Finance and Operate (DBFO), Part Privatization, Private Finance, Build Operate Transfer (BOT) and Build Own Operate (BOO) arrangements has given in the PPP guidelines of the Republic of Zimbabwe.

TOLL MANUFACTURING FOR THE TOURISM INDUSTRY

- 7.7 Local manufactures ability to supply tourism businesses with goods has over the past few years reduced dramatically due mainly to their inability to access foreign currency.

- 7.8 In order to reverse this trend and unlock win-win synergies between industry and the Tourism sector, the Reserve Bank encourages Tourism Industry Players with FCA funds to enter into Toll Manufacturing Agreements with local manufacturers for the production of needed supplies.

MINING

- 7.9 The continued unstructured mode of diamond mining and marketing is fast becoming an embarrassing development to the country's mining industry.
- 7.10 To this end, therefore, we urge the relevant authorities to urgently put up a more systematic and transparent framework that ensures that the country derives fair value from this resource.
- 7.11 Also, we implore on the relevant arms of Government to now conclude the ongoing reviews to the mining sector legislation so as to take away apprehensions and uncertainties that are keeping potential investments at bay.

8. AGRICULTURE SUPPORT

- 8.1 The significance of the agricultural sector in thawing down the inflation spiral makes it critical that top priority continues to be placed in supporting our farmers.
- 8.2 To this end, we call upon the relevant arms in Government, the Financial Sector and the Corporate Sector to play far-sighted supportive roles in ensuring that the farming community is given the necessary financial and logistical back-up ahead of time.
- 8.3 Equally, the initiatives under Maguta and the Reserve Bank's ASPEF programme, now under Fiscorp (Pvt) Ltd, will continue to be implemented with minimum productivity targets that guarantee food security for the country.

AGRICULTURAL SECTOR PRODUCTIVITY ENHANCEMENT FACILITY (ASPEF)

- 8.4 A cumulative (since inception) amount of **\$410 241.79 million** had been disbursed under ASPEF for **15 819 applications**, as at 20 April 2007, of which **\$23 313.17 million** had been repaid leaving an outstanding balance of **\$386 928.62 million**.
- 8.5 Significant repayments are expected during the 2007/2008 marketing season, as most summer crop working capital loans and 2006 winter wheat loans were rolled over to 31 July 2007 and 31 December 2007, respectively. These constitute the bulk of disbursements under the facility.

- 8.6 The distribution of disbursements per facility is shown in the Table below: -

Cumulative Distribution of ASPEF loans as at 20 April 2007

Facility	Applications	Amount (\$mn)	Share in Total
Irrigation Support	869	18 062.09	4.40%
Dairy Support	261	5 872.70	1.43%
Beef Cattle Support	1 025	24 794.04	6.04%
Poultry and Piggery	1 079	24 242.05	5.91%
Other Crops & Livestock	5 339	119 908.92	29.23%
Tobacco Facility	1 998	73 389.66	17.89%
Maize Facility	1 856	25 894.02	6.31%
Soyabean Facility	1 511	34 617.79	8.44%
Cotton Facility	94	16 884.92	4.12%
2006 Winter Wheat Facility	802	5 071.53	1.24%
2007 Winter Wheat Facility	97	29 509.45	7.19%
Horticulture Support	888	31 994.62	7.80%
TOTAL	15 819	410 241.79	100%

Operation Maguta

- 8.7 Following the launch of the Operation Maguta Programme in September 2005, whose objective is to ensure that the country is self-sufficient in food production, the Reserve Bank has to date disbursed a total amount of **Z\$90.09 billion** towards the initiative as follows:-

Operation Maguta Funding

Facility	Amount (\$ billion)
2006/07 Summer Programme	86.20
2006 Winter Wheat	3.33
2005/06 Summer Programme	0.56
Total (Cumulative)	90.09

- 8.8 We call upon the relevant arms of Government to make sure that the objectives of Operation Maguta are met through well directed deepening of the programme in communal and A1 farming areas across the country.

Wheat Purchase Facility

- 8.9 An amount of **\$20 billion** was disbursed to Grain Marketing Board to facilitate payment to farmers for wheat deliveries.
- 8.10 A total of **169 099 tonnes** valued at **\$36.85 billion** at the prevailing producer price of **\$217 913 per tonne** had been delivered to GMB as at 31 March 2007.

2006 MAIZE PURCHASE FACILITY

- 8.11 The Reserve Bank put in place a **\$23.4 billion** Maize Purchase Facility for the purchase of maize during the 2006/07 marketing season.
- 8.12 The amount is in addition to **\$6.86 billion**, which was made available by Ministry of Finance to GMB for the same purpose, thus, bringing the total amount availed to finance maize purchase to **\$30.26 billion**.
- 8.13 It is for this reason that as Monetary Authorities the issue of removal or price distortions is close to our heart, as this area imposes a monumental burden on the Central Bank and other objectives of Monetary Policy.

2007 MAIZE MOP-UP BONUS

- 8.14 Any importation of maize directly presents pressure for the Reserve Bank to source around the needed foreign exchange.
- 8.15 For this reason, the Reserve Bank has, with immediate effect introduced a maize delivery bonus scheme under which farmers will be paid an extra \$1.2 million per tonne over and above the price given by the GMB.
- 8.16 This scheme will run through to 30th of September, 2007.

AGRICULTURAL SELF-SUFFICIENCY

- 8.17 The battle against inflation can only be won if as a Nation we ramp up our agricultural production throughout the provinces and doing so directly means that all arable land must be put to productive use.
- 8.18 If the country is to wean itself from the stressful cycle of having to import food from other countries, the following minimum targets of land usage have to be met without fail, as a basis for self-sustenance.

The 2007/2008 Targets

Crop	Ha
Maize	2 000 000
Tobacco	60 000
Soyabeans	100 000
Cotton	400 000
Paprika	20 000
Sorghum	400 000

- 8.19 In order to achieve the above targets, much more agile effort is needed to ensure that obstacles which have been faced by our farmers in the past are addressed ahead of time, as the weather waits for no farmer.
- 8.20 Increasing technical know-how of farmers is also essential in order to raise productivity levels in both communal and commercial sub-sectors.
- 8.21 Corporates are also encouraged to finance contract production, as well as providing the needed technical assistance to farmers who will have been earmarked to supply the agro-throughput into the factories.
- 8.22 To compliment these efforts, Government also needs to capacitate the Department of Agricultural Research and Extension Services (AREX), DDF, and all the technical support training centers to ensure that they export high impact skills onto the farms.

Land Tenure...

- 8.23 Security of tenure needs to be urgently addressed to stimulate investment in the agriculture sector. Government, therefore, needs to speed up issuing of the transferable **99-year** leases to bring stability in the sector.
- 8.24 The issue of appropriate farm sizes also needs to be addressed if productivity in the beef sector is to be enhanced.
- 8.25 This will require a review of farms according to natural regions and carrying capacity that will allow profitable commercial livestock enterprises to thrive

Foreign Exchange Support ...

- 8.26 As part of its National strategic role, the Reserve Bank will continue to actively ring fence foreign exchange resources for the procurement of spare-parts and inputs for the local fertilizer manufacturing industry, as well as that for direct supplementary seeds, fertilizers and agro-chemical imports.

SUBSIDIES TO AGRICULTURE

- 8.27 There has been considerable debate on whether or not Zimbabwe should stop support it is giving to farmers, with some implying that the subsidies being given to the agricultural sector are an anomaly.
- 8.28 The reality on the ground, however, clearly demonstrates that such calls are based on ignorance of the true nature of what other countries the world over are doing to support their farmers.
- 8.29 A quick survey of agricultural policies in both developed and developing countries vividly shows that agriculture is the most highly subsidized sector, the world over, and this is logically a result of the strategic nature of the sector.

Some Examples...

United States of America (USA)

- 8.30 The United States of America has for many years passed laws that require the Agricultural Department to subsidize a number of agricultural commodities.
- 8.31 In the late 1930's, 25% of the USA population resided in the nation's 6 million small farms. The USA has authorized subsidy programs over the years, including the Agricultural Adjustment Act of 1933, the Agricultural Act of 1949 and the Commodity Credit Corporation.
- 8.32 Between 1996 and 2002, an average of \$16 billion per year was paid in subsidies by the Agricultural Department.
- 8.33 The subsidies are in the form of a guaranteed floor price for agricultural products, for example, in the 2002 Farm Bill, for every bushel of wheat sold, farmers were paid an extra 52 cents and guaranteed a price of US\$3.86 from 2002 to 2003 and US\$3.92 from 2004 to 2007.

Table 1: A List of Subsidized Crops in 2004 in the United States

Commodity	US Dollars (in Millions)	Percentage of Total
Feed Grains	2,841	35.4
Wheat	1,173	14.6
Rice	1,130	14.1
Upland and EIS Cotton	1,420	17.7
Tobacco	18	0.2
Dairy	295	3.7
Soybeans and products	610	7.6
Minor Oilseeds	29	0.4
Peanuts	259	3.2
Sugar	61	0.8
Honey	3	0.0
Wool and Mohair	12	0.1
Vegetable Oil products	11	0.1
Other Crops	160	2.0
Total	8,022	100

Source: USDA 2006 Fiscal Year Budget

European Union

- 8.34 The European Union Agricultural Subsidies fall under the Common Agricultural Policy (CAP), representing, about 44% of the EU's budget. In 2005, 43 billion Euros was scheduled for spending on agricultural subsidies.
- 8.35 In the EU, the subsidies are based on a minimum guaranteed price to farmers and also a direct payment of a subsidy for crops planted.
- 8.36 The United Kingdom has introduced a Single Payment System for direct farm payments.
- 8.37 The main objectives of the CAP are as follows:
- To increase agricultural productivity;
 - To ensure a fair standard of living for farmers;
 - To stabilize the markets;
 - To secure availability of supplies; and
 - To provide consumers with food at reasonable prices.

8.38 The subsidies are paid to farmers growing particular crops so as to maintain home grown supplies.

8.39 The crops covered by the CAP include the following:

- Cereal, rice, potatoes
- Oilseeds
- Dried fodder
- Milk and milk products, wine, honey
- Beef and veal, poultry, meat and eggs, pig meat, sheep/lamb meat and goat meat
- Sugar
- Fruit and vegetables
- Cotton
- Peas, field beans
- Sweet lupins
- Olive oil
- Seed flax
- Silkworms
- Fibre flax
- Hemp
- Tobacco
- Hops
- Seeds
- Flowers and live plants
- Animal fed stuffs

8.40 The CAP is funded by the European Agricultural Guidance and Guarantee Fund (EAGGF) of the EU.

8.41 In the past, France has benefited the most from these subsidies, however, the new entrants into the EU which have large farm sectors will overtake France as chief beneficiary. Spain and Portugal are the other significant beneficiaries of agricultural subsidies.

8.42 The case of Zimbabwe is, therefore, not a unique one, and as Monetary Authorities, we have absolutely no apology to make for our firm commitment in seeing to it that our farmers are given the necessary support to boost agricultural production as a strategic sector.

SEED DEVELOPMENT PROGRAMMES

8.43 Broad-based recovery and growth in agriculture, particularly in the A1 and communal farming areas needs to be founded on the availability of robust seed breeds which suite local climatic conditions, at the same time being high-yielding.

- 8.44 Seed development programmes in areas such as ground-nuts, rice, and small grains have lagged behind over the recent years, making it important that tailor-made programmes be put in place to support our farmers.
- 8.45 In the case of groundnuts, for instance, a full seed development cycle clocks up to 10 months, from land preparation right up to the time when the seed is dry, treated and ready for marketing.
- 8.46 The Banking sector is, therefore, called upon to design financing packages that are sensitive to peculiarities in different sub-sectors.
- 8.47 As Monetary Authorities, we stand ready to ring-fence some ASPEF funds to go towards specific seed development programmes, with loan tenors that take into account the inevitable carrying costs dictated by sectoral gestation cycles.

9. REVIVAL OF RURAL INCOMES

- 9.1 Small to Medium Scale Enterprises (SMEs) are increasingly playing a strategic role in economic development through their contribution to the creation of wealth, employment and income generation.
- 9.2 SMEs, and communal farming activities in Zimbabwe contribute more than 50% of GDP and are responsible for the livelihood of about 80% of the population following the shrinkage in the formal sector since the year 2000.
- 9.3 The SME sector in the country is however faced with a lot of challenges chief among them being the lack of capital and difficulties in accessing credit from the formal banking system due to lack of collateral.
- 9.4 It is against this background that the economic turnaround programme ought to embrace explicit, practical and people-oriented self-help income generating projects that directly benefit the majority of Zimbabweans.
- 9.5 Consistent with this, the Reserve Bank, through Fiscorp (Pvt) Ltd, will step up the rolling out of the \$16 billion SME programme, focusing more on quick-win developmental projects that uplift the income streams of the majority of Zimbabweans.
- 9.6 There is great scope to rope in the rural and marginalized communities into the mainstream economy through deliberate policies to develop SMEs and promote financial inclusion particularly at growth points.
- 9.7 Relevant Government Ministries that deal directly with SMEs and the Youth should also involve themselves in resourcing, materially and technically, the SMEs through capacity development programs.

RURAL POPULATION CONCENTRATION

Province	Rural Population	Share to total Rural
Mashonaland Central	892 554	7.7%
Mashonaland West	879 864	7.6%
Mashonaland East	1 009 892	8.7%
Manicaland	1 309 435	11.3%
Masvingo	1 186 187	10.2%
Midlands	1 114 398	9.6%
Matebeland North	602 000	5.2%
Matebeleland South	584 597	5.0%
TOTAL	7 578 927	65.2%

- 9.8 The 65-70% concentration of the country's population in the rural areas, therefore, clearly **imposes an obligation** on **policy-makers** to devise interventions that have a direct bearing on the rural economy.
- 9.9 As Monetary Authorities, we commit that the \$16 billion SME support fund will go towards such meaningful projects, and we implore that this fund be bolstered through appropriate fiscal budgetary provisions, to support the following SME projects.

PROVINCIAL NATURAL ENDOWEMENT-BASED SME PROJECTS

Province/Depot	PROJECTS WHICH WILL BE SUPPORTED
Mashonaland Central	• Agro-processing • Food processing • Milling • Agricultural implements • Piggeries • Poultry
Mashonaland West	• Agro-processing • Oil expressing • Milling • Textile and Garments • Safari • Piggeries • Poultry • Agricultural implements
Mashonaland East	• Mining/quarrying • Agro-processing • Oil expressing • Milling • Winery • Milk processing • Leather products • Agricultural implements • Piggeries • Poultry
Manicaland	• Paper processing • Wood processing • Fruit and vegetable processing • Mining • Milling • Poultry
Masvingo	• Arts and Sculpture • Textile and Garments • Lodges • Travel and Tourism

Province/Depot	PROJECTS WHICH WILL BE SUPPORTED
Masvingo	• Small scale mining • Milling • Piggeries • Poultry
Midlands	• Oil expressing • Stockfeed manufacturing • Textile and Garments • Agro-processing • Oil expressing • Milk processing • Small scale mining • Milling • Piggeries • Poultry
Matabeleland North	• Abattoir • Beef processing/ canning • Leather processing • Hunting and Safari • Lodges • Travel and tourism • Arts and sculpture • Milk processing • Milling • Piggeries • Poultry
Matabeleland South	• Abattoir • Beef processing/ canning • Leather processing • Hunting and Safari • Milling • Lodges • Travel and tourism • Arts and sculpture • Milk processing • Milling • Piggeries • Poultry

ROLE OF GMB...

- 9.10 The Grain Marketing Board (GMB) needs to play an active role in supporting rural communities using its already diverse tentacles of infrastructure country-wide.
- 9.11 Under this framework, the GMB should establish and expand small-scale milling plants across all provinces and districts, supplying the grain throughput needed to support such infrastructure.
- 9.12 The milling outfits would not only benefit local communities through ready accessibility of mealie-meal provisions, but also through other downstream synergies, such as employment creation through bakeries.
- 9.13 Under the SME support fund that is being managed through Fiscorp, Rural Bakeries and Oil Pressing mini-plants will be supported as a way boosting rural incomes.



Key:

- GMB Depot

List of GMB Depots

MASHONALAND CENTRAL	MASHONALAND WEST
1. Centenary	12. Chegutu
2. Chiweshe	13. Karoi
3. Concession	14. Magunje
4. Shamva	15. Mkwichi
5. G lendale	16. Murombedzi
6. Guruve	17. Norton
7. Kachuta	18. Mhangura
8. Rushinga	19. Rafingora
9. Bindura	20. Mhondoro
10. Mvurwi	21. Mamine
11. Mt. Darwin	22. Sanyathi1
	23. Banket
	24. Chinhoyi
	25. Kadoma
	26. Lions Den
	27. Mudzimu
	28. Vuti
MATEBELELAND NORTH	MATEBELELAND SOUTH
29. Nkayi	33. Maphisa
30. Thsolithso	34. Plumtree
31. Lupane	35. Beitbridge
32. Hwange	36. Gwanda
	37. Filabusi
MASVINGO	MIDLANDS
38. Gutu	45. Gweru
39. Jerera	46. Kwekwe
40. Nyika	47. Manoti
41. Masvingo	48. Zhombe
42. Chiredzi	49. Nembudziya
43. Rutenga	50. Gokwe
44. Chivi	51. Charandura
	52. Mataga
	53. Zvishavane
	54. Tongogara

MASH EAST	MANICALAND
55. Mrewa	63. Mutare Grain
56. Kotwa	64. Mutare Coffee
57. Chivhu	65. Watsomba
58. Marondera	66. Chipinge
59. Mlawatawa	67. Nyanga
60. Mtoko	68. Bezeley Bridge
61. Sadza	69. Buhera
62. Wedza	70. Chiendambuya
	71. Chiriyudze
	72. Dewedzo
	73. Middle Sabi
	74. T. Mills
	75. Rusape
HARARE	BULAWAYO
76. Aspindale	78. Bulawayo
77. Cleveland	

RURAL BANKING

- 9.14 The financial sector also has a major role to play in SME development.
- 9.15 In Zimbabwe, however, the extent of rural and peri urban outreach by banks has largely remained low, to the detriment of SME promotion and growth.

EXISTING RURAL BANK BRANCH FACILITIES

Province/Depot	Rural Branch facilities	Rural population per branch
Mashonaland Central	6	148 759
Mashonaland West	4	219 966
Mashonaland East	4	252 473
Manicaland	10	130 944
Masvingo	3	395 396
Midlands	11	101 309
Matebeland North	2	301 000
Matebeleland South	4	146 149
TOTAL	44	

- 9.16 The per capita banking facility ratios clearly indicate unacceptable levels of financial exclusion of the majority of Zimbabweans.
- 9.17 It is against this background that the Reserve Bank is taking deliberate policy initiatives to foster the sustainable delivery of accessible financial services and products particularly to the rural communities and marginalized SMEs.
- 9.18 Under the Rural Banking programme that is being implemented in collaboration with the banking sector, the attendant improved access to financial services will revitalize rural and marginalized communities through the promotion of savings and access to finance.

GETTING THE BEST OUT OF OUR RESOURCES

- 9.19 This country is endowed with mineral resources in quantities that other countries can only envy. Geological information at hand gives the following impressive endowments picture:

MINERAL RESOURCE ESTIMATES FOR ZIMBAB

MINERAL	ORE RESOURCE ESTIMATE (million tonnes)
Gold	3 515
Iron Ore	251.170
Nickel	41.9
PGMs	3 045
Coal	8 875.310
Chrome	50
Asbestos	47.096
Diamonds	15
Coal Bed Methane (CBM)	13.8 trillion cubic feet in the Afpenn Lupane Special Grants alone
Tantalite	349

Source: Geological Surveys of Zimbabwe

- 9.20 With such richness, it is indeed unforgivable that as a country we should be having foreign exchange difficulties all because of bureaucracy.
- 9.21 I am reminded of what His Excellency The President Cde R.G. Mugabe said on Sunday the 17th of March, 2002, during His inaugural speech, when He said, **“We can not afford the luxury of dilatoriness and bureaucratic sloth and indecisiveness.”**

DIAMOND MINING

- 9.22 The continued **unstructured** turn of events in the diamond industry was fast becoming an embarrassment to the country, given the clear need for foreign currency to meet the wide-ranging national requirements for funding.
- 9.23 It is for this reason that when the Central Bank makes clarion calls for order to be established in the diamonds industry as a matter of urgency, we do so with a deep desire not for the mere sake of wanting to be involved, but a genuine concern that our national heritage is being plundered whilst as a country we watch and most probably are not benefiting from such uncouth acts.
- 9.24 We, therefore, implore the relevant authorities in Government to urgently put in place a package of interventions in the diamond industry, including the reclassification of diamonds as a national reserve asset, as is the case with gold.
- 9.25 The Central Bank’s well considered view is that in its present state, the Zimbabwe Mining Development Corporation (ZMDC) has no adequate capacity – technical and financial, to effectively unleash gainful extraction programmes in the diamond sector.
- 9.26 To this end, we urge the relevant authorities in Government to adopt a more workable formula in the diamond sector, including the floating of transparent tenders for able foreign investors to come in and partner with Government in the sector.
- 9.27 In other regional and international countries where diamonds are being mined, the governments there are in fruitful partnerships with entities that have well-tested expertise in the diamond industry.
- 9.28 This too should be considered here in Zimbabwe.
- 9.29 As Monetary Authorities, we however, wish to applaud the Ministry of Mines for their recent strides towards actual mining activities on the ground in the Marange area.

- 9.30 We encourage that this process be fortified through transparent mechanisms that ensure the achievement of fair value for our diamonds.
- 9.31 Given its foreign exchange management role, the Reserve Bank will naturally be an unfailing willing partner in putting together such effective frameworks.

DIAMOND AND GOLD SMUGGLING WHISTLE BLOWERS FUND

- 9.32 The continued spate of leakages of precious minerals is constraining the economic turnaround momentum.
- 9.33 Against this background, it has become necessary that the Reserve Bank resuscitates the whistle blowers programme for gold and diamonds under which the whistle blowers will be paid 5% of the value of actual prosecuted recoveries from their reported cases.
- 9.34 Members of the public will be informed about the finer details of this programme in due course.
- 9.35 To complement the envisaged benefits of the whistle blowers programme, the Reserve Bank is deepening its Anti-Money Laundering and Exchange Control Inspectorate arms to ensure that illegal parallel market activities are sufficiently dealt with.
- 9.36 As Monetary Authorities, we also urge the relevant authorities in Government to give the Reserve Bank the necessary powers to decisively punish parallel market offenders in a deterrent manner.

METHANE GAS

- 9.37 The continued luke-warm approach to the drilling of the vast coal-bed methane resource is throwing sand in the wheels of the country's turnaround programme, as so much potential is being allowed to lie fallow.
- 9.38 Assessments have shown that only a capital injection of around US\$6 million is needed to jump-start the effective exploitation of this resource.
- 9.39 Urgent measures are, thus, needed in this area.

URANIUM

- 9.40 This is a strategic high-value mineral whose exploitation should continue to occupy the strategic thinking of the country.
- 9.41 Often our so called experts allow themselves to be thrown off the mark and discouraged from carrying out proper groundwork to lay the foundation for uranium mining by our detractors who wish that we do not gain from this resource.

MINING SECTOR LEGISLATION

- 9.42 For over three years now, the investor community, both local and foreign, has been left in suspense as to where the real interests and aspirations of Government lie in so far as the mining sector legislation is concerned.
- 9.43 This state of affairs plays to undermine investor confidence, which in turn retards growth prospects in the sector.
- 9.44 It is against this background that as Monetary Authorities, we make a plea to the relevant arms in Government to finalise this critical policy area without any further delays.

THE ENERGY SECTOR, FUEL & ELECTRICITY

Fuel...

- 9.45 The current explosion in fuel prices is causing untold havoc to the wider economy.
- 9.46 This industry seems to have taken the Government's civil hand of liberalisation to mean allowance for unfettered victimization of consumers through naked profiteering.
- 9.47 Against this background, we implore those charged with this sector to put measures which ensure that the selling of fuel is at sensible prices that reflect true costs, arrived at through a transparent cost build-up formula, and one that allows for a trigger mechanism as happens in all countries around us.

NOCZIM-GMB Synergies

- 9.48 The nation-wide infrastructure net-work that the GMB already has serves as a strategic launchpad for NOCZIM to reach out to the majority of Zimbabweans.
- 9.49 Against this background, it is recommended that Government considers adopting the policy position that requires that NOCZIM opens up petrol and diesel pumps right across all GMB infrastructure networks.

- 9.50 Through this, the distributional synergies will be drawn between the GMB's interface with deserving farmers who would have a one-stop shop in getting their inputs from the GMB, as well as the fuel, **and this at going market prices.**

Those who abused foreign Exchange...

- 9.51 In order to instill discipline and sanity to prevail in the oil industry, as Monetary Authorities, we recommend that punitive measures, including possible suspension, be taken on those oil importers who have been found to have abused the Government's concessional fuel facility.
- 9.52 Specifically, those who accessed foreign exchange at official bank rate and went on to charge parallel market related prices must be brought to book.

Electricity...

- 9.53 The whole of Eastern and Southern Africa will from this year, 2007, experience electrical power shortages since the existing power generating capacity does not match the demand for power due to the growth of the economies in the region.
- 9.54 Our country has the potential to generate enough power for both domestic consumption and for export.
- 9.55 The following strategies are being proposed for the electricity sector:
- i. A tariff structure that ensures recovery of average production overheads;
 - ii. Consistent supplies of coal for thermal power production and other sectors of the economy;
 - iii. Implementation of expansion programs in power generation, for example, Hwange Power Station 7 and 8, Batoka Gorge, and the Gokwe North project;
 - iv. Fruition of projects to exploit the country's methane gas and other coal reserves;
 - v. The promotion of Joint ventures with strategic partners in the sector.
 - vi. Construction of hydro-plants for power generation.

General Reviews of Legislation

- 9.56 As Monetary Authorities, we also deeply feel that much of the indiscipline and corrupt activities that are happening are a direct result of some of the outdated pieces of legislation whose penalties are far too lenient.
- 9.57 For deterrence, it is recommended that a comprehensive review be done on the legislative environment, with a view to attaching appropriate penalties on serious economic crimes such as smuggling of precious minerals and other forms of economic sabotage.

10. URBAN AND RURAL TRANSPORT SYSTEM

- 10.1 Economic turnaround programmes are sustainable over the medium to long-term if in them lie tangible benefits to the generality of the people.
- 10.2 Currently, a growing number of urbanites are going to work on foot due to transport shortages. Some are sleeping at work places because of transport hardships, only to go home at weekends.
- 10.3 Also currently, through the unscrupulous work of some commuter transport operators, commuters are being asked to pay double fares for one trip, all because of the desperate situation on the ground in this area.
- 10.4 For instance, commuters going to or coming from Highfields are being subjected to dual charges from Machipisa up to Rothmans, and then Rothmans to the City Center.
- 10.5 Those going to Mufakose are charged one fare up to Rugare, and then another top-up charge from Rugare to Mufakose.
- 10.6 This practice is prevalent on many other routes in the country's major cities.
- 10.7 It is for this reason that a combination of the following measures will be implemented to give meaning of the turnaround programme to the people in respect of the current transport woes.
- The Reserve Bank, working closely with the Ministry of Finance, is setting aside adequate resources to beef up ZUPCO's fleet of busses.
 - More foreign exchange allocations will be set aside for the procurement of fuel for the transport sector. Under the continued strategic role of NOCZIM, more fuel will be earmarked for ZUPCO so as to lower the cost of transportation to commuters.

- More support will be lent to the NRZ for it to expand its Freedom Trains' round trips so as to relieve pressure on people.
- There is need for Government to promote a paradigm shift in the psyche of people to reorient themselves towards other modes of transport that are cheaper and cost-saving. Today, even simple duties of letter deliveries are being done using motor vehicles, yet such alternatives as scooters and bi-cycles can be used to conserve fuel.

11. RENTALS AND RATES

11.1 Another major cause for grave concern is the continued escalation of rentals and rates, a combination of which has now left most households in urban areas stranded.

11.2 In order to deal a blow to this pressure point, the most effective strategy is one that would uplift the overall supply situation in the residential properties sector.

11.3 For this reason, the following approach is being pursued:

- The Reserve Bank, through building societies, will embark on an aggressive housing construction programme through tailor-made packages that encourage the building societies to plough more resources into this sector. Consultative work with the Building Societies will start with immediate effect.
- Local authorities need to be given strict housing development targets, focusing more on well tested affordable models that have been evaluated by standards associations.
- There is also an urgent need for the strengthening of the Rent Board so as to capacitate its oversight role in protecting tenants.
- Real Estate laws also need to be upgraded in a manner that restrain excessive ad hoc escalations in rentals without due regard for the welfare of tenants.
- Promotion of public sector – private sector partnerships in developing low cost housing units. Mechanisms can be put in place where Government, through local authorities, avails the land, whilst the corporate sector would chip in with the financial resources for the construction of the housing units.

12. SCHOOL FEES

- 12.1 Another ever rising cost line that is causing untold suffering and despair to parents is school fees.
- 12.2 Regrettably, however, many attempts by Government to step in to control this scourge have often met with pressure from some vocal and litigious parents who are acquiescing to the fee increases arguing that it is necessary to keep the quality of education high.
- 12.3 In order to address this growing setback, it is recommended that renewed efforts be put in place to re-capacitate all public schools with adequate resources.
- 12.4 Relentless quality control systems ought to be put in place so as to ensure that students get the best out of the public schools.
- 12.5 Equally, appropriate legal reforms are recommended in the realm of private schools regulation, in a manner that safeguards the interests of the majority of the people.

Cost mitigation strategies

- 12.6 It is also recommended that schools be mandated to carry out productive activities, particularly in the area of agriculture, so as to mitigate cost escalations.
- 12.7 Under this framework, Government could come in through allocation of land to schools for them to produce food for own use, as well as cash crops to uplift their operational revenues.
- 12.8 It is also imperative that the cost structures for schools be keenly scrutinized, possibly through a diligent Commission of Inquiry so as to plug out elements of profiteering from the chain.
- 12.9 Also, it is recommended that the basic education support model be expanded in the rural areas where the most vulnerable groups of society are.

13. ELECTIONS

- 13.1 The elections calendar for next year is likely going to see increasing pressure on Government expenditures, as well as inflationary momentum.
- 13.2 This is more so, given the unfolding drought situation which ordinarily requires more than usual resources.

13.3 To this end, the need for frugal fiscal planning cannot be overemphasized.

14. CONTROL VS. MORAL SUASION

14.1 As Monetary Authorities, we have reflected on the subject of controls versus moral suasion, and given the multiplicity of factors at play, it is our considered view that as a country, we do not institute wholesome control measures in the economy because recent and past experiences have shown that the only sustainable weapon to fight speculation and wanton price increases is to shore up the total supply of goods and services in the economy.

14.2 Instead, administrative controls, particularly when they are generalized, tend to breed more collusion between the very consumers and suppliers which collusion gives birth to new forms of indiscipline, as the attendant artificial shortages of the goods push trade into underground parallel markets.

14.3 As a Central Bank, we are, therefore persuaded to suggest that we continue to use moral suasion in the appeal for constructive common sense among Zimbabweans, as well as voluntary industry policing mechanisms through producer associations as opposed to Government driven controls.

AMNESTY

14.4 Within the context of the on-going Social Dialogue, the idea of an amnesty linked to the return of all externalized resources by Zimbabweans who have left the country is one worth pursuing.

14.5 We, therefore, urge the relevant authorities in Government to exercise their minds in that direction.

14.6 As I stated in January, 2007, this Nation, more than anything else requires a great deal of healing, not only among individual families, neighbours, villagers or Churches, but also requires tolerance and forgiveness towards one another, guided by the spirit of economic patriotism and a branding of **Zimbabwe** as the rallying point for all our endeavours.

15. UNITY OF PURPOSE

- 15.1 As the Nation stands at what may seem as the cross-roads in the country's economic history, the determining factor of success or failure continues to be the ability of us as Zimbabweans to see the virtues of unity of purpose in whatever we seek to accomplish.
- 15.2 Labour, Government, and Business, as well as Civil Society and the Churches, now need to unite in sharing the same common vision for the country through mutually beneficial dialogue and a win-win Social Contract.
- 15.3 In order to promote trust, cooperation and understanding, it is also critical that Social Partners negotiate in good faith, treat each other with mutual respect and dignity, as well as shun from precipitous actions that destroy rather than build dialogue.
- 15.4 Equally, in the same process of national dialogue, it is pertinent that Social Partners rise above sectoral interests, or undue political persuasions that blind the conception of a Zimbabwe that we all want;
- 15.5 One that has food security; foreign exchange availability; full capacity utilization; low and stable inflation; low interest rates; growing national savings and investment rates, a healthy population; as well as a cohesive population that lives the spirit of Zimbabwe First in all aspects.

16. INTERNATIONAL RELATIONS

- 16.1 Even in the face of the likely prospects of tightening sanctions, it is imperative that on our own, we do things that broaden our circle of friends, at the same time deepening the intensity of existing friendships.
- 16.2 In this regard, the matter of Bilateral Investment Protection Agreements (BIPAs) remains an important unfinished business that needs Government's attention.
- 16.3 As the Nation now stands, it is very clear that the Land Reform Programme is both completed and irreversible.
- 16.4 For this reason, Government's implementation and observance of the BIPAs it amicably and consciously entered into should not be seen as any semblance of reversal of the Land Reform Programme, but rather a dignified gesture meant to send the right chord to the international community, including those who may not wish us well.

- 16.5 Continued constructive engagement with friends and foes helps inform the world to better understand the intrinsic values and principles in defence of which we stand ready to die for.
- 16.6 As Monetary Authorities, we get a sense that in certain of our key portfolios, some blunt the goodness of engagement by adopting the strategy of needless bravado, and paying a blind eye to the realities of where that bravado would be hurting the investment climate of the country.

17 AN APEAL FOR THE REMOVAL OF SANCTIONS

- 17.1 Before coming to the end of this Statement, it is imperative that I once again make a clarion call to all Zimbabweans, our Churches, the Academia, Political Parties, Business, Labour, Government Ministries and Departments, Civil Society, the Media, Zimbabweans in the diaspora, as well as our regional and international friends to help us bring to the attention of the world community at large the devastating effects declared and undeclared sanctions are having on the Zimbabwean economy and the ordinary person in the street.
- 17.2 There cannot be talk of foreign exchange shortages without the aggravated effects of sanctions, as these are predominantly making it difficult for the country to secure lines of credit needed to support critical programmes.
- 17.3 The lack of balance of payments support, as well as the lack of investment inflows, combined with subdued tourism inflows and the general negative perceptions on Zimbabwe cannot be entirely divorced from sanctions.
- 17.4 The inflation impact that is so pervasive cannot also be entirely deemed free of the adverse effects of the sanctions.
- 17.5 The tragedy is also that these sanctions have gone to perpetually haunt the livelihoods of the majority of vulnerable Zimbabweans, whilst the world watches.
- 17.6 As Zimbabweans, we therefore, need to speak with one voice in calling for a humane world-order that realizes the adversities being exacted on the country by the sanctions.
- 17.7 In making this call, we are aware as Monetary authorities that our own self-corrective actions at home in the areas of economic policy, politics and social interaction as well as our collective behaviours can, with greater tolerance of one another, greater unity of purpose, hard work, uprightness, and patriotism than is the case now ameliorate the impact of these sanctions.
- 17.8 A number of countries in the region and beyond, including our own Rhodesia of yester-year are known to have benefited tremendously from a growth and innovation point of view as a result of hardships that came with sanctions.

- 17.9 To this end, while acknowledging as highlighted above the adverse impact of the sanctions we can truly minimize them through the full exploitation of our God-given natural resources, such as minerals and tourism resorts, full utilization of agriculture, supported by the vigorous elimination of corruption from our midst, as well as adoption of a hard-work ethic.

17. CONCLUSION

- 17.1 In conclusion, it is important that as Monetary Authorities, we once again warn the Nation against the adoption of scotched-earth strategies for intended achievement of narrow sectoral goals.
- 17.2 Over the outlook period, inflationary pressures are seen remaining high if we do not combine efforts to change the cloud of negative perceptions that is hanging above our heads before it settles and lays eggs upon us.
- 17.3 Whilst every effort will continue to be made on the management of monetary aggregates, greater prominence must, without fail, be placed on reviving the supply side of the economy, particularly in agriculture.
- 17.4 On a broader scale, complementary structural measures, including the privatization program and the general removal of price distortions must be implemented without further delays so as to put the economy on the right footing.
- 17.5 Equally important, as has been alluded to earlier, the on-going dialogue on the Social Contract has to be sustained through a deep spirit of **Zimbabwe First** in whatever Social Partners do.
- 17.6 Without these key supportive pillars, we risk snow-balling the current difficulties into an economic crisis that would be difficult to arrest and reverse in a very long time.
- 17.7 As Zimbabweans, we can not and should not allow such an eventuality to happen, for this is our only Zimbabwe, our only motherland.
- 17.8 In God's hands I commit this Interim Monetary Policy Statement.

Thank You



DR G GONO
GOVERNOR

26 APRIL 2007