GOVERNOR'S COPY

MID-YEAR MONETARY POLICY STATEMENT

Issued

IN TERMS OF THE RESERVE BANK OF ZIMBABWE ACT

CHAPTER 22:15, SECTION 46

By

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GOVERNOR

RESERVE BANK OF ZIMBABWE

1 OCTOBER, 2007

In terms of the Reserve Bank of Zimbabwe Act, the Monetary Policy Statement is issued bi-annually, in December/January and in June/July of each year. This Statement was postponed after necessary approvals and clearances had been given by the Hon. Minister of Finance to allow the Reserve Bank to take into account the policy dynamics that arose from the 2007 Supplementary Budget issued on 6 September, 2007.

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1. INTRODUCTION AND BACKGROUND

1.1 As many of you are aware, this Monetary Policy Statement is issued, **as it must be,** in terms of Section 46 of the Reserve Bank of Zimbabwe Act [Chapter 22:15].

1.2 Although the said Section of the Act stipulates that the Governor ought to issue his statement at least in December and June every year, and given that we are now in October, **I am pleased to report that appropriate legal dispensation was sought from and granted by the Minister of Finance for this delayed presentation.**

1.3 My primary duty as provided in the Act is to guide and promote the economic health of our country by formulating, recommending and implementing, as the case might be, monetary policies that ensure the wellbeing of Zimbabwe and all who work and live in it.

1.4 Hon. Ministers, Legislators, Ladies and Gentlemen, **I am also required by law,** to proffer advice to the Nation where such advice contributes to the economic wellbeing of the country.

1.5 But, **as is the case with all advisors**, recipients of my advice are at liberty, without offence or obligation, to accept in full or in part, or differ wholly or in part with such advice depending on particular exigencies prevailing at particular times.

1.6 **Therefore, today is no different from similar previous occasions when I have been granted the privilege to speak to the Nation.**

1.7 Given the unprecedented challenges we have had to contend with since December 2003, we at the Central Bank have come to know and understand that the formulation and implementation of monetary policy and proffering of advice in a volatile economic situation such as ours is and was **never going to be a walk in the park** nor a **blue-sky affair in which what to do or say is crystal clear and thus obvious at all times!**

1.8 To this end therefore, **please expect no miracles from me but you can expect sincere and practical advice** as well as **measures which if embraced by all and implemented**, with a sense of urgency, diligence and patience, **will for sure signal the revival of our economy.**

1.9 Sometimes we have had to engage in the strategy known as **"necessary ambiguity but with constructive intent**" and ploughed around many obstacles through a continuous process of financial engineering and diplomatic negotiations inorder to achieve results.

1.10 **We have also long come to appreciate and understand** that as a Nation, we are going through **a severe and unusually long winter** with very thin clothing covering our bodies.

1.11 Our responsibility as Monetary Authorities therefore is to chart as clear and practical a course of action as possible, as we pass through the darkness of this economically longish and cold spell **with the assurance though that spring is definitely on the horizon**.

1.12 We **remain quite optimistic about our future** and I ask you all to share that optimism with us. **True, we are experiencing hardships, some self inflicted, others of exogenous origin,** at all levels of our existence but let us take comfort from the fact that no winter, **no matter how severe,** is permanent and **no spring ever skips its turn**.

Having said that, allow me to say a few words about:

The Past three (3) Months

1.13 Again, as Governor of the Central Bank, I present this Statement fully aware of the **gravity of the economic** situation in which we find ourselves and the entire consequences of that situation. Many of you having gone for weeks on end without water and other basic commodities, let alone other essentials and luxuries of yester year.

1.14 Many businesses are on the verge of collapse in both urban and rural areas, many of our workers and commuters are having nightmares when it comes to transport to and from work and farmers are battling with viability challenges to their operations as they prepare for the summer season.

1.15 The existing challenges have been made worse by the **breathtaking and stressful** developments of the last three months **that have left our supermarkets with empty shelves while incapacitating the supply and delivery chains of basic services** while at the same time **creating serious confidence crisis and mistrust between Government and the business community.**

1.16 More than at any other time during the period of my governorship, the last three months have been **the most traumatizing period for this economy and I am sure that is also true for many in Government, many in business, within labour, and for individuals at the household level.**

1.17 We have found ourselves as a Nation trapped by a proverbial winter storm in which **our fears and hopes have been running together neck-to-neck, dangerously propelled by the threat to mutually destroy each other.**

1.18 **Perhaps it is for this reason**, that some of the **faint-hearted** among us, **who saw their hopes totally consumed by their fears,** started **speculating that the Central Bank** has been **disabled into inaction** by the momentous developments on the ground.

1.19 We delayed issuing this Statement because we have been working very diligently behind the scenes with **senior members of government and various arms of the State and the private sector to craft strategies for a quick return of sanity to our situation and** I am happy to report that we are **moving swiftly and decisively into supply-driven action, which recognises the unique needs of our key industries** and their supply chain cost imperatives.

1.20 It is against this background that I can say **without fear of retraction or of being misquoted,** that it will not be very long Ladies and Gentlemen **before we see visible supply improvements on the ground.** We should, by the end of this month see the return of your mazoe, your soft drinks, cooking oil, soap, milk, bread, sugar and animal feeds on the shelves at affordable but economically viable prices to the suppliers. ZINWA has also pledged and geared itself to improve its water-supplies into our homes, factories and business units.

1.21 **I must also concede that no one felt more betrayed by some elements in the business community than this Governor and the team at the Central Bank** when, before the ink to our Social Contract Protocols had even dried, the said business elements went on an **unprecedented rampage** to increase prices daily, and even hourly in some cases, **without due regard to economic rationality, or the welfare of the consumers.**

1.22 **Such selfish, arbitrary, and in some cases well co-ordinated pricing madness gave hostage of "fortune" among prophets of regime change, and other dooms-day mongers, who had been predicting the imminent collapse of our economy and the Government, amidst alarming media reports of foiled military coup plots.**

1.23 Nothing could have **prepared this Governor and his team,** for the counter-reaction that came from the **Government side**, which saw its responsibility to consumers threatened and its tolerance machinery stretched to the maximum. Under such circumstances the Government, and any Government for that matter, felt compelled to step in with the noble objective of stabilizing the situation.

1.24 Of course, some parts of the government's intervention **fell prey to selfish predatory tendencies of certain players** in the

Taskforce Implementation teams who went on to high-jerk the noble intentions of the program through a **disproportionate course of activities geared to promote personal interests with the result that they ended-up** either being arrested or simply **tarnished the image of the Government** and making the supply situation worse by creating fear and chaos in the system.

1.25 It was those acts of **untargeted, blanket and sometimes contradictory** selfishness on the part of some program implements that drew widely publicized words of caution from this Governor whose **noble objective** in so doing **was** merely to urge both Government and the business community to return to the Social Contract Negotiating table.

1.26 I am happy to see that**, having learnt our lessons needlessly the hard way**, **we are back to the Tripartite Negotiating Forum (TNF)** process once again and that the National Incomes and Pricing Commission (NIPC) has also begun to do its work with commendable dispatch.

1.27 By way of advice, we must all vow never to allow our Nation to be torn apart once again by elements bent on extreme levels of selfishness, greed and lawlessness, at the expense of the ordinary worker and consumer, while being mindful, from the NIPC side, that businesses must be allowed to

charge fair and economically viable prices inorder for them to remain in business.

1.28 Furthermore, **moving forward**, it has to be appreciated for reasons that are self-evident, that no Government anywhere in the world, **can ever hope to achieve its socio-economic** and political objectives of improving the welfare of its people in an environment of **deep-seated antagonism with its business community**.

1.29 **Equally, true, and for the same reasons, is that no business can hope to fulfil its profit goals, growth and prosperity aspirations if it involves itself in any form of politics or when it is perpetually engaged in running battles with its Government, with labour or daily fleecing its customers through predatory and unjustified pricing models.**

1.30 What our Nation is **crying for and desperately needs right now is** the spirit of reconciliation and healing of wounds of mistrust between and among key stakeholders in particular **Government and the business community.** We also need a spirit of constructive engagement between and among our politicians and their supporters… we need to pray for a **spirit of forgiveness between and among ourselves** as individuals, as families, districts and provinces, as political camps, regions and parties, seeking to strengthen those common elements that bind us to the one family known as Zimbabweans if we are to quickly turn our economy around.

Allow me now to turn my focus to the:

SADC EXECUTIVE SECRETARY'S REPORT ON ZIMBABWE'S ECONOMIC SITUATION

1.31 As Monetary Authorities, we wish to acknowledge and sincerely appreciate the findings and Report of the SADC Executive Secretary who was mandated by SADC Heads of State and Government to establish the **truth about our economic situation**.

1.32 The Executive Secretary identified and confirmed our earlier views that the following are the major challenges, **needing urgent attention from within and from without Zimbabwe,** as part of a **holistic attempt to solve our difficulties:**

- Declared and undeclared sanctions against Zimbabwe.

- The severe lack of balance of payments support;

- Diminished exporter viability;

- Narrow internal savings and investment levels and the need to promote inward investment through supportive legislation, respect for private property rights and a closure to the Land Reform Program so that we focus on utilisation and 99 year leases.

- High Government budget deficits;

- Under-utilization of installed capacity in the productive sectors of the economy, **with specific emphasis** on the mining, agricultural as well as the manufacturing sectors.

- The need to deal with Pricing Distortions in the economy and the need to adequately incentivise **our farmers, miners as well as industry towards greater productivity and exports.**

1.33 As the Central Bank, we fully agree with the SADC findings and commit **that our policies and programmes** will work to address some of these **pressure points gradually** and in any case, over the next 12 to 24 months, beginning with the set of supply-side policies to be unveiled later in this Statement.

Let me now turn to the:

2. FINANCIAL SECTOR DEVELOPMENTS…

STATUS OF THE BANKING SECTOR

Overview…

2.1 The Financial Sector is the nerve centre of any economy and to this end, **we urge the government entities, legislators and the public in general,** to exercise extreme caution and sensitivity when debating and dealing related matters and incidental thereto. Where there are serious concerns about the sector, we urge law makers to seek clarification from the Government as the Chief Superintendent of this sector before rushing to prescribe medicines to perhaps non-existent ailments.

2.2 Some of the **careless and mostly uninformed** comments we have been hearing of late from certain quarters risk destabilising an otherwise stable industry which has **successfully indigenized** since the early 90s and has gone through a major shake-up since 2004.

2.3 It has to be appreciated that **banking the world over is about confidence** and it takes years **to grow and earn that confidence** from the market locally and internationally.

2.4 As someone who personally led the turn-around and experienced the pain of resuscitating the former collapsed BCCI Bank, now CBZ and second largest Bank in the country, **I urge those advocating for what seems to be unguided interference with ownership structures in this industry to consult widely and take heed of the advice of experts in this sector before rushing to push through what could end up being viewed as counter-productive legislation likely to yield worse unintended consequences** than what we saw with the recent **Price Controls.**

2.5 Accordingly, save for **these concerns,** the Zimbabwe banking sector **has remained generally safe and sound and this is attributable to enhanced regulation and supervision methods being employed** by the Reserve Bank, as well as continued improvements in risk management frameworks at the level of banking institutions themselves.

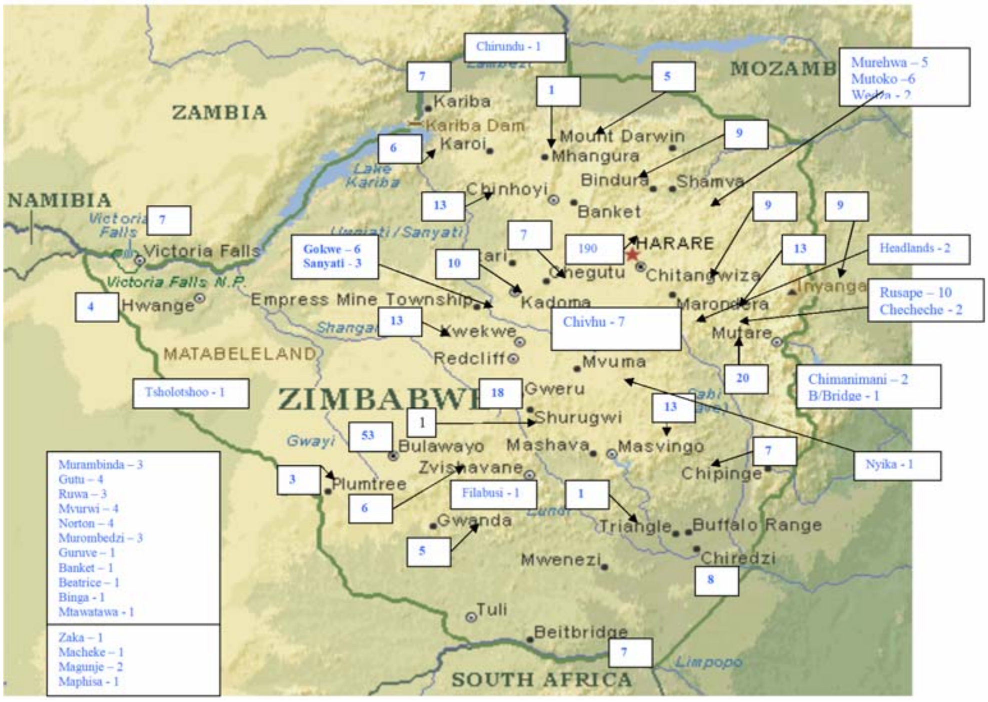
I now wish to report on:

PROGRESS IN SETTING UP RURAL BANKING NETWORKS

2.6 Following earlier concerns raised by legislators and rural communities regarding lack of banking facilities in the rural areas, I am pleased to report that the financial sector has made notable efforts towards increasing their outreach to the previously un-banked or under banked communities. **This response is commendable.**

2.7 Since January 2007, six (6) commercial banks have opened a total of 18 branches countrywide, while POSB and ZIMPOST have also opened a total of seven branches countrywide.

OVERALL BANKING SERVICES IN ZIMBABWE



PROVINCIAL DISPERSION OF BANKS AND BRANCHES

COMMERCIAL BANKS (14)	Harare	Bulawayo	Manicaland	Mashonaland East	Mashonaland Central	Mashonaland West	Midlands	Matebeleland North	Matebeleland South	Masvingo
AGRIBANK	4	3	9	8	7	9	4	4	3	5
BARCLAYS	17	4	1	1	1	1	3	1	1	2
CBZ	10	2	1	2	0	5	4	1	1	2
CFX BANK	3	1	0	0	0	2	0	0	0	0
FBC	5	2	1	0	0	1	3	1	0	1
INTERMARKET B/ CORP.	1	0	0	0	0	0	0	0	0	0
KINGDOM	11	1	2	0	0	0	1	1	0	1
MBCA BANK	2	1	1	0	0	0	0	0	0	0
METROPOLITAN	7	1	1	1	0	0	0	0	0	0
NMB BANK	5	2	1	0	0	0	1	0	0	0
STANBIC	10	2	1	0	0	1	2	0	0	0

STANCHART	9	2	2	3	2	2	2	2	1	2
ZABG	5	2	4	1	0	4	2	1	1	0
ZB BANK	11	2	2	1	1	4	2	1	2	3
MERCHANT BANKS (5)										
ABC CORP	1	1	0	0	0	0	0	0	0	0
GENESIS	1	1	0	0	0	0	0	0	0	0
INTERFIN	1	1	0	0	0	0	0	0	0	0
PREMIER	5	2	0	0	0	0	0	0	0	0
RENAISSANCE	1	0	0	0	0	0	0	0	0	0
BUILDING SOCIETIES (4)										
BEVERLEY	13	5	6	3	1	6	5	0	1	3
CABS	29	9	9	4	3	10	7	2	3	4
FBC BUILDING SOCIETY	3	1	3	1	0	1	3	0	1	1
INTERMARKET	7	2	1	1	1	3	3	1	1	2
FINANCE HOUSES (1)										
TRUSTFIN	1	1	0	0	0	0	0	0	0	0
DISCOUNT HOUSES (4)										
DCZ	1	0	0	0	0	0	0	0	0	0
HIGHVELD	1	0	0	0	0	0	0	0	0	0
NDH	1	0	0	0	0	0	0	0	0	0
TETRAD	1	1	0	0	0	0	0	0	0	0
NON–BANK FINANCIAL INSTITUTIONS										
POSB	11	4	2	1	1	2	2	1	1	2
ZIMPOST	30	0	10	7	5	8	0	0	1	0
TOTAL BANKS PER PROVINCE	**29**	**24**	**17**	**12**	**8**	**14**	**15**	**11**	**11**	**12**
TOTAL BRANCHES	**207**	**53**	**57**	**34**	**22**	**59**	**44**	**16**	**17**	**28**

PIPELINE PROJECTS

2.8 We are aware that more banking institutions are at advanced stages of establishing more branches in rural and/or growth points including Nyika Growth Point, Chimanimani, Chipinge, Muzarabani, Mt. Darwin, Lupane, Plumtree and Murehwa, among other areas. Our target is to see every district in the country having at least two banking networks within its environs so as to lighten the burden currently faced by our people in rural areas.

2.9 As Monetary Authorities therefore, we call upon the entire banking sector to build on this momentum and broaden its tentacles into rural communities and other farming areas, as well as the funding of Small to Medium Enterprises (SMEs).

2.10 The Reserve Bank is currently working with other stakeholders to expedite the finalization of an enabling legal framework for the establishment of Microfinance Banks.

I now turn to:

3. MONETARY AND INFLATION DEVELOPMENTS

starting with

MONETARY DEVELOPMENTS

Money Supply

3.1 Reflecting the inevitable **Government reliance on domestic bank finance to bridge the country's internal resource gap**, broad money supply (M3) growth continued on an upward trend, escalating from **1 638.4%** in January 2007, to **17 073.1%** in July 2007.

3.2 The rapid growth in broad money supply is reflective of growth in **annual domestic credit of 17 308%.** The expansion in domestic credit was largely attributed to:

(a) Credit to the private sector, 31 947.9%;

(b) Claims on public enterprises, 10 126.4%; and

(c) Credit to Government, 6 553.5%.

3.3 Further details on Money Market developments are contained in the full Statement to be given at the end of this Presentation.

Let me now turn to the much anticipated progress towards the launch of:

SUNRISE 11… a project focusing on our currency changes:

3.4 It is over a year since we launched at this same venue, **Sunrise I** which saw the slashing of three zeros then and the replacement of our bearer notes with a new family set.

3.5 **Speculation and expectations have been running high in the market as to whether or not Sunrise II was coming** as earlier promised.

3.6 **Indeed I can confirm that Sunrise II is coming and coming very soon,** and our message to individuals, households, formal businesses and informal business people, dealers and cross-border traders handling excessive cash is that **they should not blame this Governor or the Central Bank if they are caught unprepared as happened to many during Phase I last year.**

3.7 We are waiting for the **final clearance from our Principals** to run with phase two of the program to demonetize the current family of bearer cheques and this **clearance could be imminent. When the launch process begins,** it will give very little time and low deposit thresholds, a process which could turn out to be a **hurricane** for those in the habit of keeping excessive cash outside the banking system.

3.8 We are also aware that big businesses are now in the habit of demanding cash before supplying goods and services. We urge them to exercise extreme care if they do not want to be caught with what could be serious losses.

3.9 My colleagues in the Central Bank have convinced the Governor that perhaps it is better that we launch our **Farm Mechanisation Program II** first, inorder to capacitate our farmers ahead of the imminent rain season than to launch Sunrise II first and the Farm Mechanisation II and as a listening Governor, **I have taken their advice.**

3.10 With the launch of Farm Mechanisation II expected either this week or next week, **it is not difficult therefore to anticipate when Sunrise II maybe launched.**

3.11 We have a well tried and tested infrastructure, …we have the people, **expertise and experience gained from Sunrise I to launch Sunrise II with better precision and better geographical representation than was the case last time.**

3.12 It stands to reason therefore that, those **cash barons and dealers who are in the habit of creating mini-Central Banks in their homes and offices in competition with our core function should take heed of this information which we have given in advance and in good faith.**

3.13 Ideally we want to greet the new Agricultural Season with new currency. If we miss that period then we will aim to celebrate the coming festive season with the new currency and if that fails too, then the new year should, **barring any compelling developments,** be greeted with the new currency after slashing further zeroes. So somewhere in between, the market is advised to take **its peak as to the timing of Sunrise II.**

3.14 Ideal amounts of cash to keep outside the banks at any one time are a total **of $750 million for very large corporates**, $500 million for medium scale companies and less than $50 million for individuals and SMEs. **We urge financial advisors to please help spread the message around to avoid financial losses tomorrow.**

3.15 Banks are also urged to sharpen their RTGs paper processing systems in much the same way the Central Bank is also going to improve its capacity in this area starting this week.

I now turn to the all important topic:

INFLATION DEVELOPMENTS

3.16 The high levels of inflation, **our No. I enemy**, currently **obtaining in the economy remain a severe cause of concern** to the Reserve Bank, and indeed the economy in general.

3.17 The combined effects of **supply side rigidities**, the shortage of goods on the formal market, fiscal overspending, excessive credit expansion, the indexation of prices to the parallel foreign exchange rates, and speculative behaviours combined with low volume output have sustained the inflationary build-up in the economy.

3.18 In terms of recent trends, the annual inflation rate which had continued on an upward trend increasing from **1 593.6%** in January 2007 to **7 634.8%** in July 2007, **subsequently relented in the month of August, 2007, with monthly inflation receding to 11.8% and giving an annual rate of 6 592.8%.**

3.19 Sustaining **further declines** requires that more efforts be vigorously focused on boosting the effective supply of goods and services on the markets.

OUTLOOK…

3.20 The outlook in the short-term is that our No. I enemy remains angry formidable. In the medium term however, **we see a steep deceleration of the pace at which the enemy will be charging towards us, on the back of improved production and supplies**.

3.21 The inflationary pressures in the short-term are also expected to come from "**once off**" election-related expenditures which are **both constitutional necessities and consumptive in nature,** quite different from money directed to support industry or agriculture.

I will now turn to what we refer to as:

4. EXTERNAL SECTOR DEVELOPMENTS with focus: on:

GLOBAL EXPORT PERFORMANCE

Shipments

4.1 For the period January 2007 to August 2007, total cumulative export shipments amounted to **US$1,1 billion** representing a **7.5%** increase over the same period last year, which recorded **US$985.4 million.**

4.2 To ensure that the country fully benefits from this positive trend, it is imperative that all exporters fully comply with the Exchange Control requirements on repatriation of export proceeds back into the country.

The table shows our export performance since 2002

TOTAL MONTHLY EXPORTS SHIPMENTS 2002 - 2007 (JAN - AUGUST)

Month	2002 Value of Exports US$ mln	2003 Value of Exports US$ mln	2004 Value of Exports US$ mln	2005 Value of Exports US$ mln	2006 Value of Exports US$ mln	2007 Value of Exports US$ mln	2007 – 2006 % Change
January	52.3	142.2	112.1	111.8	111.7	180.5	61.62
February	60.2	137.3	146.6	164.9	103.4	116.0	12.18
March	65.4	121.1	149.7	126.2	133.3	135.4	1.58
April	43.0	76.3	84.6	139.8	93.6	109.0	16.45
May	54.1	106.5	114.5	144.2	134.2	141.6	5.51
June	64.8	94.3	134.1	141.4	131.3	132.3	0.74
July	54.5	81.3	120.1	116.6	125.5	132.1	5.25
August	66.1	46.0	125.4	120.2	152.5	112.6	(26.15)
Sub Total (Jan-Aug)	**460.4**	**804.8**	**987.2**	**1,065.3**	**985.4**	**1,059.4**	**7.51**
September	65.0	91.1	132.8	114.7	118.9	N/A	N/A
October	74.6	100.5	149.6	113.8	138.8	N/A	N/A
November	108.3	114.4	162.6	127.3	158.3	N/A	N/A
December	75.9	152.2	111.6	98.2	115.5	N/A	N/A
Grand Total (Jan- Dec)	**783.8**	**1,263.1**	**1,543.9**	**1,519.4**	**1,516.9**	**N/A**	**N/A**

4.3 The full statement you will get after this presentation contains all the details about our exports broken down into specific sectors.

EXPORT RECEIPTS (ACQUITTALS)

4.4 The Table below shows the total export acquittals indicating that **US$1,113,736,1371**was acquitted during the first eight (8) months in 2007, compared to **US$794,908,633** acquitted by 31 August 2006, representing a 40.11% increase. This marked improvement is largely on account of closer Exchange Control follow-ups.

4.5 **60% of the foreign currency received went to the private sector-exporters while 40% went to the public sector, debt repayments and government commitments – fuel, drugs, maize and wheat imports among other necessities.**

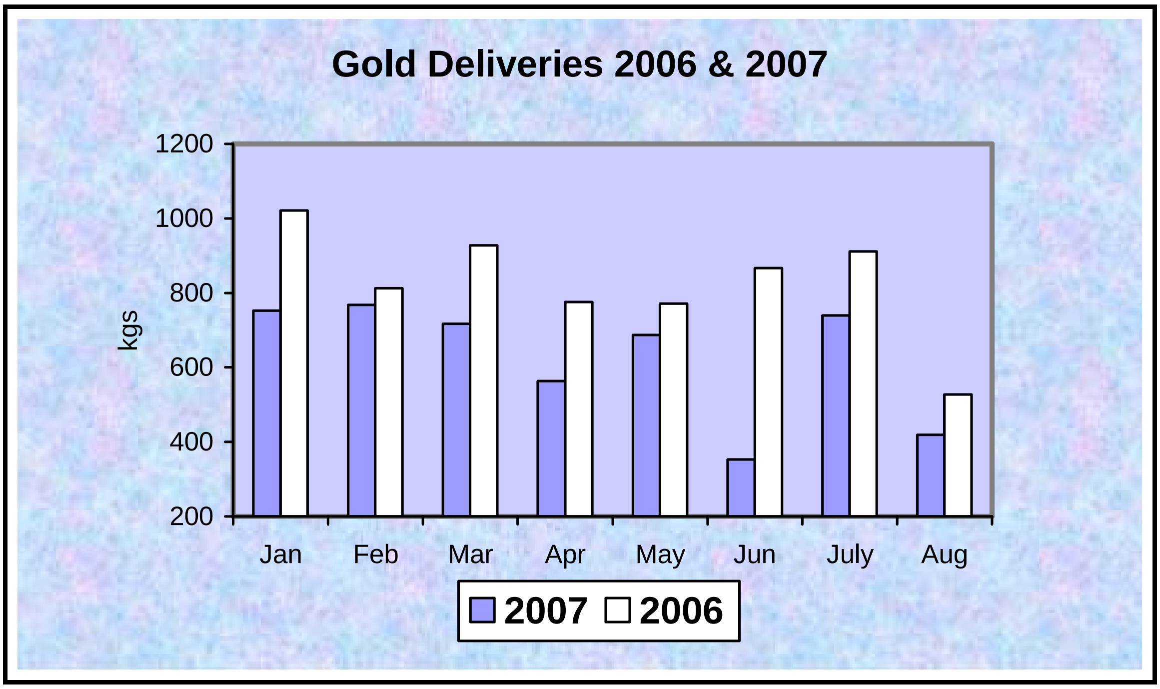
Total Export Acquittals (Receipts back into Zimbabwe)

Month	2005 Value of Exports US$	2006 Value of Exports US$	2007 Value of Exports US$	% change
January	144,522,148	127,365,596	179,719,302	41.11
February	125,066,292	128,996,320	184,372,128	42.93
March	109,908,673	90,747,839	120,558,802	32.85
April	136,851,867	77,324,869	116,292,534	50.39
May	118,133,135	107,244,651	144,410,389	34.66
June	76,268,759	116,623,657	132,336,331	13.47
July	173,689,560	77,540,737	95,364,334	22.99
August	110,953,984	69,064,959	140,682,314	103.7
Total	995,394,422.66	794,908,633.44	1,113,736,137.40	40.11

Let me now turn to the all important:

GOLD PRODUCTION

4.6 Gold deliveries to Fidelity Printers and Refiners declined by 24.2% from 6.6 tonnes during the period January to August 2006 to 5 tonnes during the same period in 2007.



4.7 **The reduction in gold deliveries by small scale producers is attributable to the temporary stoppage of small mining operations towards the end of last and beginning of this year as well as to the endemic smuggling of gold outside the country, whilst the closure of some mines due to viability problems also resulted in low gold deliveries.**

4.8 Lack of imported inputs due to foreign currency constraints also resulted in large miners facing serious production challenges but I am happy to report that we are determined to address these challenges fruitfully within the coming few weeks.

I now turn to:

5. AGRICULTURAL SECTOR PRODUCTIVITY ENHANCEMENT FACILITY (ASPEF)

Facility Utilization

5.1 Support to agriculture remains **a top priority policy initiative aimed** at re-vitalising this mainstay sector of the economy.

5.2 As at 31 August 2007, a cumulative amount of **$3.9 trillion** had been disbursed under ASPEF for 21 940 **applications.**

5.3 The distribution of the amount disbursed per facility is as given in the full Statement.

AGRICULTURE MECHANIZATION PROGRAM

5.4 Lasting growth in the agriculture sector can only be achieved through effective utilization of all allocated arable land.

5.5 It is for this reason that the Reserve Bank, **in close collaboration with the Ministry of Agricultural Engineering, Mechanisation and Irrigation is implementing an unprecedented Agriculture Mechanization Programme, under which the needs for farmers at all levels will be catered for.**

5.6 **Phase 1 of this programme, which was officially launched by His Excellency, The President of the Republic of Zimbabwe, Cde R. G. Mugabe on 11 June 2007, largely targeted selected A2 farmers.**

5.7 Under Phase 2, which is **set to be launched either this week or next week,** greater focus is being placed on meeting the logistical and technical needs of A1 and Communal farmers, as well as further augmenting additional support to A2 farmers.

5.8 **We wish to underscore the fact that these programmes are non partisan, as is the case with all other Reserve Bank programmes and facilities, and as such, beneficiaries will be drawn from across the country's broad array of farmers, without regard to their political affiliation, gender, race, religion or any other differentiating criteria other than possession of land, supported by a history of documented utilization.**

5.9 A separate Supplement to this Statement provides the fuller details of this National programme.

PARASTATALS AND LOCAL AUTHORITIES

5.10 Low and in most cases declining service delivery levels in most parastatals and local authorities continue to be a serious missing link in the economy.

5.11 There is a Supplement that deals with the peculiarities of this sector and our current and future intervention instruments.

5.12 Inorder to **enhance the viability of these state owned enterprises as well as reduce their dependence on the Reserve Bank, the National Incomes and Pricing Commission, is being urged to allow cost-effective tariffs to be charged by these entities.**

5.13 **A case in point is that of Air Zimbabwe tariffs**. Until recently, it was cheaper to fly to Johannesburg on Air Zimbabwe than to **drive from Harare to Kwekwe**, **a distance of 214 kilometres and it was cheaper to fly to Victoria Falls on Air Zimbabwe from Johannesburg but more expensive, upon arrival to then take a taxi from the Victoria Falls airport to any of the hotels there.** Such is the irrationality of some of our policies at these parastatals and Government levels.

Before announcing the package of measures we are introducing, a little talk about

THE POLITICS OF OUR ECONOMY is necessary, and this is something akin to what Allan Greenspan, former Chairman of the US Fed, devoted a whole chapter with 23 pages eloquently detailing situations in the US economic history "Economics Met Politics" in Chapter 3 of his recent book entitled "The Age of Turbulence".

THE LINK BETWEEN OUR POLITICS AND ECONOMIC POLICIES

5.14 Ladies and Gentlemen, our economic challenges and policies, monetary or fiscal, including their shortcomings, **can not and should not be viewed or read in isolation of the political challenges we are facing as a country.**

5.15 In case many stakeholders within and outside our borders do not know, **no Central Bank likes high inflation**; let alone hyper-inflation; **no Central Bank likes Government overspending**; no Central Bank likes subsidized credit or any form of generalised subsidies to the economy except those properly targeted to cushion the vulnerable poor. **We don't like them either!**

5.16 **No Central Bank likes pricing distortions in its backyard** be they for grain, electricity, fuel or foreign currency.

5.17 No Central Bank **likes price controls of any nature** and no Central Bank likes **to engage in quasi-fiscal operations** when general fiscal budgeting and the market is there to take care of these aspects.

5.18 **All Central Bank Governors like quiet lives**, working behind the scenes and in the comfort of their tall buildings and plush offices, and only appearing in public once or twice a year.

5.19 But the question to answer is "**Are we in a normal situation demanding normal policies and practices in Zimbabwe today?** Lets pause and stop the blame game regarding who is responsible for our situation and simply say whatever the cause, are we in a normal environment today?

5.20 **C**ertainly not, I would say particularly after the advent **of the country's Land Reform Program**, and after the **imposition of declared and undeclared sanctions against our country.** Not after the 2000, 2002 and 2005 all disputed general and presidential elections.

5.21 Thus in the economic sphere, we are living in **extra-ordinary** times and as such, **only extraordinary monetary policy and**

fiscal policy initiatives are needed to secure our survival as **an economy let alone growth.**

5.22 These interventions are never meant to be permanent features of our economic lives but today, they are necessary just as some extra-ordinary measures were necessary for the survival of the economy during UDI days.

5.23 Our economic landscape has had therefore to **play second fiddle to the local and international political life of this country in terms of economic policy formulation, essential Central Bank autonomy found in other countries and the degree of flexibility** applicable to the Bank or its Monetary Policies.

WE CAN…

5.24 We can **liberalize the exchange rate today** at the stroke of a pen, but **which country has ever liberalized its exchange policy** rate without some form of **Balance of Payments** support?

5.25 How do **we implement liberal and totally free market policies when at every turn,** there are local and international economic agents whose sole role has now been prescribed as to **undermine anything and every attempt we make towards stabilising our economy as part of a grand political agenda?**

5.26 We can **stop quasi-fiscal operations today**, return our dogs to their kernels, **as we have tried to do with our Zimbabwe National Water Authority (ZINWA)** since the beginning of this year, but what have **we ended up with other than acute shortage** of water throughout all urban centres, **outbreaks of cholera and other diseases,** as well as diminished factory and business output where water is a key input?

5.27 Ordinarily, any Central Bank would just sit and watch but **is this feasible in our case?** No; **we will not fold our arms while watching people's lives being endangered through lack of such basics as water for drinking, water for cooking, bathing and laundry.** The majority of our people **cannot afford bottled water** neither do they have boreholes as do most of us and those who criticise us for such **sincere but temporary interventions**.

5.28 We also have **no problem stopping quasi-fiscal activities;** we have no problem insisting on **market-based pricing models** for our parastatals and we have no problem abolishing subsidized credit today **but without a fall-back position is this feasible?**

5.29 The Governor and his team at the Central Bank are advocates of **tough action**; this Governor is a **"disciple of free market economics forces" in a normal environment** but would it be fair to the politics and social circumstances of the day to allow our farmers and industry to borrow at **inflation consistent rates** of 800% p.a. in the hope that they will produce and survive, **especially in the wake of the events of the last three months?**

5.30 **Would it be prudent to let-go of our economic levers and let market forces determine everything we do in such an environment and when international economic goal-posts are being changed everyday in pursuit of political ends?**

5.31 In the final analysis, **fellow Zimbabweans**, please understand that as an economic team at the Central Bank, we are not buffoons who do not appreciate the immediate inflationary impact of our quasi-fiscal interventions.

5.32 When all is **said and done**, history will confirm and conclude that our policies and actions were derived from taking stock of the tight situation we found ourselves in and our pledge to you all is that once we are out of the corner, and every Zimbabwean especially the business community and our politicians can help us get out of this corner, **we will have no problem formulating our policies and** playing the game by those rules of the book and respecting functional boundaries which many people studied from economic text books. **For now, the game is one of survival.**

5.33 To illustrate my point further, Zimbabwe, **under very difficult circumstances,** cleared its US$210 million arrears to the IMF under the GRA account in 2005 after being assured by IMF Staff that such clearance and demonstrated sacrifices were going to lead to the restoration of our IMF voting rights, access to technical assistance and international finance.

5.34 What happened after we had met our side of the bargain will remain a piece of historical economic injustice and a lesson for all, including this Governor, who were naïve to think that it was possible to **isolate our politics from the economy.**

5.35 Only this year, three months ago, we had to fork-out US$45 million in less than a month to pay our arrears to one very powerful Western Nation creditor after threatening unspecified punitive action against the country if the money remained unpaid by 12 noon on a certain day.

5.36 We diverted funds earmarked for fertilizer procurements, medical drugs, fuel, maize and wheat inorder to avert the unspecified dangers and I recall us meeting that deadline at 11:59:02 seconds and I have the proof to that. I also recall how we ended up debating with the Attorney General's Office of that country, with the help of our ambassador in that country whether or not we had met the deadline as specified and technically we had. That is how we got off the hook.

5.37 **The day our politics**, is reconciled, **the day our sanctions are removed, the day our lines of credit and balance of payments support restored and the day we stop operating** on a cash basis regionally and internationally, and begin operating normally, **we are convinced that our economy will not take more than 6 months to recover** On that day, it will then be feasible to also move quickly to decontrol the economy and to implement more liberal and market-based policies applicable in **normal environments,** removing unnecessary subsidies to our people and other pricing distortions.

CONSENSUS AMONG ECONOMISTS…

5.38 It may also be useful, **fellow Zimbabweans,** to point out to you that there is **growing consensus among** IMF, World Bank, ADB economists in **their private discussions with us that** if other developing countries were to be **assessed through the same criterion and treated** in the same manner that Zimbabwe is being assessed and treated today, **the same multilateral institutions would not work, lend or extent any form of support to half of the countries that they are currently working in and supporting.**

5.39 There is sufficient data to support this view for those interested in the debate on these matters in other fora.

5.40 It stands to reason therefore, ladies and gentlemen that all those interested in the real Zimbabwe of today and the Zimbabwe of tomorrow **whether it is business, labour, other Government(s), political parties and those in civil society, within and outside our borders, should wake up to this reality** and help us to confront that reality with a united voice, urging the international community to engage us with a progressive mind and attitude that appreciates where we are coming from.

5.41 It is thus against the background of these sobering realities, that **the interventions in this Monetary Policy Statement** are being unveiled, **as a fitting response to our unique and practical circumstances as opposed to desktop economic postulations based on the doctrine of ceteris paribus (or all things being equal) because all things are not equal in Zimbabwe!**

Let me now go straight to the:

6. NEW MONETARY POLICY MEASURES

6.1 **At the primary level of human existence** are four basic necessities, namely, (1)food, (2)shelter, (3)clothing and (4)water.

6.2 Incidentally, in our case, **these four basic necessities** of life account for about 60% of our inflation basket.

6.3 It is clear therefore **that whatever policy interventions we make,** we must address the **supply-side** of these basic necessities in meaningful ways that make practical sense, and complementary to what fiscal authorities have already put on the table.

6.4 And in doing so we are **not deterred by the breadth and depth of current set-backs**. We will respond and are responding with vigour and determination to make a better difference for the benefit of our people.

INTEREST RATES

6.5 The threat of continued inflationary pressures remains high, warranting the need to continue implementing a more vigilant interest rate system.

6.6 Against this background, we will be using our interest rate instrument to repel speculative tendencies, as well as to reduce demand-pull inflationary pressures.

6.7 Against this background, the Central Bank's over-night accommodation interest rates are, **with immediate effect,** increased to the following levels:

- **Secured lending: 800% up from 650%**
- **Unsecured lending: 850% up from 750%**

6.8 **It should be noted that as a Central Bank, we encourage banking institutions to actively engage each other through a flourishing inter-bank market, so as to avoid resorting to the punitive overnight accommodation rate.**

6.9 Borrowing from the Reserve Bank by financial institutions is highly discouraged and should only be considered on a lender of last resort basis.

BOOSTING PRODUCTION THROUGH TARGETED FINANCIAL SUPPORT

6.10 Notwithstanding the above interest rate framework for general and consumptive sectors of the economy, it has become imperative **particularly in the light of events of the past three months and the need to return goods to the shelves as soon as possible**, that tailor-made measures be implemented on **a targeted basis** so as to **jump-start** our productive base in respect of the following sub-sectors:

- Dairy Industries and milk producers at the farm level.
- Drinks and Beverages **except for beer** but barley producers at the farm level are catered for. (***Beer prices should be decontrolled without delay as cheap beer prices are not beneficial to this economy.***)
- Bakeries including wheat producers.
- Millers for maize meal, flour and stock-feeds
- Sugar producers – growers, processors and distributors.
- Oil expressers – cooking oil, margarine and others including growers of oil seed crops.
- Soaps, detergents, and other toiletries – manufacturers and growers of inputs.
- Poultry and piggery producers
- Meat processing/ Abattoirs
- Fish and other food processing
- Transport
- Mining
- Tourism – (We submit that **Tourism prices must be decontrolled also as they do not fall into the category of basic goods.)**
- Packaging – across the board.
- Cement Manufacturers
- Leather and shoe manufacturing

BASIC COMMODITY SUPPLY INTERVENTION FACILITY (The BACOSI Facility)

6.11 Consistent with this, I am pleased to unveil the **BACOSI FACILITY, (Basic Commodities Supply Intervention Facility**) **under which primary, secondary and tertiary producers and suppliers in the targeted key sectors will have access to concessional, production- targets-linked financial support for working capital requirements, under the following broad terms:**

Facility Structure…

6.12 The funding, which will be administered through banks, as is the case under ASPEF, will be at an all inclusive interest rate of 25% per annum.

6.13 In terms of duration, the facility is a 270-day or 9 months window, reviewable and **renewable through 90 days instruments based on performance.**

6.14 This window is meant to give the targeted producers a nine (9) month window within which they can restore their production capacity utilisation to levels before 1 June 2007, or better at affordable prices but economically viable to their business too. We however say **NO** to predatory pricing and profiteering.

6.15 In order to benefit from this window, borrowing will be against explicit production expansion programmes, consistent with agreed targets.

6.16 The operational modalities of this window are detailed in a separate Supplement to this Monetary Policy Statement, which will also be widely publicized for the benefit of the public at large.

6.17 We are confident that these targeted measures will see a speedy return to normalcy in the market within a very short space of time.

EXCHANGE RATE MANAGEMENT

6.18 Over the outlook period, the Reserve Bank will implement the exchange rate framework as directed by the Minister of Finance.

6.19 This is in line with Section 47 of the Reserve Bank Act which explicitly gives responsibility to the Minister of Finance to set the exchange rate policy.

BOOSTING EXPORTER VIABILITY

6.20 The viability of exporters however remains a focal objective of Monetary Policy.

EXPANDED FCA RETENTION

6.21 Consistent with this, with immediate effect, exporters will now retain 65% of their export proceeds, up from the previous 60%.

RETENTION PERIOD

6.22 Within the context of the competing requirements of the economy, it has, however, become necessary that the FCA retention period for exporters be modified to a maximum of 30 days from date of acquittal of the export receivables.

FURTHER BOOST TO EXPORTERS…

6.23 In order to achieve the twin objectives of boosting exporter viability and improving the economy's accountability for **total export and other foreign currency receipts, as well as ensuring judicious allocation of the scarce foreign currency resources,** it has become necessary that the Reserve Bank introduces a new framework where we pool our resources together without disadvantaging the generators of that foreign currency.

6.24 Within this spirit of preserving and promoting the welfare of our generators of foreign currency, who are the geese that lay the golden eggs, it has become necessary that the **Central Bank centralises the management of FCAs, along with the creation of an interest earning investment window that boosts exporter viability.**

6.25 What this means is that, **with immediate effect**, **all corporate FCA balances at Authorised Dealers are to be lodged at the Reserve Bank, such that each bank maintains mirror accounts for transactions tracking purposes.**

6.26 It is important to note that whilst individuals', Embassies' and International Organisations' FCAs will remain at Authorised Dealers; **balances for all Non-Governmental Organisations (NGOs) are to be transferred and centralised at the Reserve Bank.**

6.27 As would be apparent from an assessment of the full support package, **this innovation leaves every exporter and every other generator of foreign currency in a much better off position than before.** We pledge to constantly review the impact of these radically positive measures.

VALUE PRESERVATION

6.28 In order to ensure that exporters preserve the real value of their foreign exchange deposits, under the pooled framework, all such deposits will earn an **all-inclusive interest rate of 12% per annum** in hard currency**.**

6.29 On receipt of export proceeds, exporters shall have the following options:

OPTION 1

- Sell all the 100% to the Reserve Bank at the going exchange rate of Z$30,000/ US$1 and invest in the Central Bank's overnight window, at a once-off overnight return of 800%, interest, which is in line with the new Bank Rate (i.e. the rate chargeable to those banks that borrow from the Central Bank).

OPTION 2

- Retain the 65% in FCAs and earn the 12% per annum rate and sell the 35% to the Reserve Bank at the official rate and invest the attendant proceeds in the **once-off overnight interest window.**

OPTION 3

- During the course of the 30 days, the exporter can exercise the option to sell their FCA entitlement to the Reserve Bank and still access the **once-off interest overnight** window return.

6.30 **As Monetary Authorities, we call upon exporters to take full advantage of this savings-promoting investment window which, also clearly benefits the viability of producers through an interest rate uplift.**

BOOST TO FREE-FUNDS HOLDERS, NGOs, EMBASSIES, INTERNATIONAL ORGANISATIONS AND INDIVIDUALS

6.31 The growing and economically active Zimbabwean Diaspora Community continues to be a high potential source of foreign currency into the country through remittances.

6.32 This source, together with the NGOs, Embassies, International Organisations and the individual sectors deserves equal recognition in its supportive role in the economy.

6.33 Consistent with this, the Reserve Bank has, with immediate effect, created a dedicated overnight investment window at the Bank Rate, under the following conditions:

- Only proceeds derived from the sale of foreign currency (Free Funds) **qualify under the investment window.**

- Each investment will be treated as a separate, once-off opportunity, **such that there is no compounding of previous sale proceeds.**

- Upon sale of foreign currency to Homelink, an Authorised Dealer, including MTAs, or to the Reserve Bank, the seller shall be issued with a special receipt, which can then be produced to authenticate access to overnight investment window.

CENTRALISED ALLOTMENT SYSTEM

6.34 In order to optimise on the usage of scarce foreign currency, it has also become necessary that a **Centralised Foreign Currency Allotment System** be introduced under which the following conditions apply:

- **Twice weekly, on Tuesdays and Thursdays, the Reserve Bank will allot foreign currency to successful applicants, based on the National priority list that ranks high essential inputs into the productive system.**

- All foreign currency liquidated in the market through Authorised Dealers and Money Transfer Agencies (MTAs) shall be sold into the pooled allocative fund at the Reserve Bank.

- All sales of foreign currency by exporters and other generators of foreign exchange shall be at the official exchange rate plus the overnight investment return.

- All importers and other users of foreign currency, who fall outside the targeted priority list, will buy foreign exchange at the official exchange rate plus the Central Bank's mobilisation and carrying costs as reflected by the over-night investment return.
- The targeted priority list encompasses the following:

  - NOCZIM fuel
  - Fertilizer imports
  - Grain imports (wheat and maize)
  - Seeds imports
  - Agro-equipment
  - ZESA power imports
  - Dairy Industries
  - Drinks and Beverages (except for beer)
  - Bakeries
  - Millers for maize meal, flour and stock-feeds
  - Sugar producers

- Oil expressers – cooking oil, margarine and others
- Soaps, detergents, and other toiletries
- Poultry and piggery producers
- Meat processing/ Abattoirs
- Fish and other food processing
- Transport
- Mining
- Tourism
- Packaging
- Cement
- Leather and shoe manufacturing
- Other Government priority payments, including debt service.

6.35 **Details of the operational modalities are contained in a separate Supplement to this Monetary Policy Statement.**

NO CURRENCY INVOLVED APPROVED IMPORTS (NCIAIs)

6.36 The high number of Zimbabweans in the Diaspora provides a lucrative source of funding for critical imports into our productive sectors.

6.37 To draw maximum benefit from this avenue, with immediate effect, the Reserve Bank has formalized the concept of **no**

currency involved approved imports under which Exchange Control allows, upon application, the bringing in of prioritized list of imports on a no currency basis and without the need to pay for the duty in forex.

6.38 Qualifying imports under this new programme are:

- Fuel
- Maize
- Wheat
- Fertilizers
- Seeds
- Agro-equipment
- Agro-chemicals
- Mining sector consumables
- Packaging material
- Approved medical drugs and medical equipment
- Industry raw materials

GOLD SUPPORT PRICE

6.39 The Gold Support Price was successively raised to Z$350,000/gram, Z$1 million/gram and Z$3million per gram during the first half of this year.

6.40 In order to further stimulate this critical sector, the following **backdated reviews to the Gold Support Price shall apply to all deliveries done to Fidelity Refineries:**

- Backdated to 1 August 2007: the support price has been increased from Z$3million per gram to **Z$3.5 million per gram.**

- Back dated to 1 September 2007: the support price has been increased from Z$ 3.5 million to **Z$4 million per gram.**

- With effect from 1 October 2007: the support price has once again been increased **from Z$4 million per gram to Z$5 million per gram.** Subsequent to the above reviews, the Reserve Bank will continue to enhance the Gold Support Price to ensure that the formal market remains not only honourable, but also attractive and viable.

6.41 As Monetary Authorities, we call upon all gold producers to take advantage of these raises and increase their deliveries to the Reserve Bank. Through this, we will ensure that Zimbabwe remains an active player in international gold markets.

6.42 On our part as the Central Bank, we will continue to review the support prices in line with developments in global markets, as well as changes in operating costs.

SKILLS RETENTION

6.43 Over the past few years, the country has continued to bleed from the loss of critical skills in strategic productive sectors of the economy, especially among exporters.

6.44 As the Central Bank, we recognize that because they involve people, strategic skills in the export sector are fragile and precious. As such, they have no easy substitutes and they certainly cannot be filled with imports like other commodities such as iron or steel.

6.45 Therefore, in order to arrest this trend which is killing our economy by incapacitating key sectors, and in order to also attract back the critical skills in question, with immediate effect, exporters can now offer innovative foreign exchange based packages to specialised labour upon application to and approval by Exchange Control.

6.46 Such forex income to the individuals shall be deemed Free Funds for purposes of Exchange Control Management.

6.47 It should be noted however, that such packaged-based Free Funds ought to be deposited in individuals' Foreign Currency Accounts inside the country.

DIAMOND MINING DEVELOPMENT

6.48 Whereas diamonds have propelled phenomenal growth in economies where the resource is being mined, in Zimbabwe, not much benefit has materialized since the discovery of this mineral.

6.49 To a large extent, this sad state of affairs is a result of lack of dedicated institutional structures that have expertise in the diamond industry.

6.50 As Monetary Authorities, we do not believe the current mode of diamond mining by the Zimbabwe Mining Development Corporation (ZMDC) and the marketing framework under the Minerals Marketing Corporation of Zimbabwe (MMCZ) optimises value from this resource.

6.51 At best, what ZMDC is doing with our diamonds is a modern version of mechanized panning, no different from Makorokoza's.

6.52 It is for this reason that we strongly advocate for a comprehensive review of the diamond industry under a performance- oriented regulatory framework.

6.53 The specialized nature of the diamond industry also impels that the institutional modalities for this sector infuse **external expertise for maximum benefits.**

6.54 As is the case with Gold, it is imperative that diamonds be elevated with the marketing arrangements falling under the Reserve Bank.

6.55 Under this arrangement, all diamond disposals would be subjected to transparent, independent and world renowned professional evaluators.

DIAMOND MOBILISATION

6.56 As Monetary Authorities, our hearts are deeply heavy because of the continued attrition of the country's wealth through smuggling of precious minerals into the underworld markets.

6.57 Time and again, we have recommended that swift measures be adopted by the relevant authorities in the realm of the management of the country's mineral resources but there seems to be limited progress on the ground.

6.58 The widening successive discoveries of diamonds in Zimbabwe impels that as a Nation, we jolt ourselves into progressive action to unlock economic value from our God given National Heritage.

6.59 Consistent with this, and given the stark reality that as Zimbabweans, we are on our own in so far as solving our economic difficulties is concerned, the Reserve Bank will, in consultation with the relevant arms of Government and with the assistance of experts in the diamond industry, carry out a Diamond Mop-up Exercise.

6.60 This exercise, which will be a time-bound special operation, will mop up diamonds that would otherwise evade our formal system through the porous net of current regulations in this sub-sector.

6.61 In order to ensure full transparency and maximum value for the country's diamonds, all disposals will be preceded with a minimum of two independent professional evaluations that comply with international best practices.

COTTON MARKETING ARRANGEMENTS

6.62 Cotton is fast becoming a significant foreign exchange earner in the economy.

6.63 Effective growth in the sector is, however, threatened by the following factors:

- Uneven participation in input supply by merchants, with only a few of the players supplying all the inputs to the farmers and, hence limiting total production.

- The sanctity of out-grower contracts is not being upheld in some cases, resulting in high rates of defaults, and non-recovery of credits.

- Side marketing of seed cotton to players who would not have provided inputs.

- Engagement in foreign exchange parallel markets by some players, giving them an unfair advantage over others as those with more local currency offer disruptive high prices.

- Some players failing to supply local lint that is a mandatory requirement for the provision of export permits and yet they still manage to obtain export permits.

6.64 In an effort to enhance the production of cotton, and boost the foreign currency generating and savings capacity embedded in this sector, the Reserve Bank advises that for the 2008 Growing and Marketing Season, all Cotton Merchants shall be required to establish off-shore lines of credit for the purpose of buying cotton from growers.

6.65 The funds shall, as is the case with tobacco merchants, be administered through the Reserve Bank and these offshore lines of credit shall be raised on the back of cotton lint to be exported.

6.66 In addition, cotton growers and merchants shall also be treated in the same way as tobacco farmers and merchants, who access the ASPEF to enhance production and exports.

6.67 However, for the 30% portion which Cotton Merchants are required to sell on the local market, they will be granted authority to buy in local currency.

6.68 **In the same way that tobacco growers are allowed to operate Foreign Currency Accounts (FCAs), and in order to level the playing field, cotton growers shall be entitled to 20% of the foreign exchange sold to the Reserve Bank for retention into their Foreign Currency Accounts.**

6.69 These arrangements are being **timely announced well before the cotton farming season, to allow cotton growers and merchants to prepare adequately for the 2007/8 growing and marketing season.**

6.70 These arrangements are **also expected to weed out unscrupulous traders by night who are disrupting the proper functioning of out-grower schemes by luring farmers to side-market their cotton away from their principal funding merchants.**

6.71 Under the new system, **no cotton exporter will be issued with an export permit to ship the product without proof that the original purchases from farmers was off authentic offshore pre-financing,** and that they would have fulfilled their local quota obligations.

6.72 We, therefore, call upon all stakeholders, that is, cotton merchants, Provincial Governors, Legislators, relevant Ministries and AREX Officers to create awareness on these new arrangements to all cotton farmers.

6.73 We also call upon all cotton merchants to pay growers prices that are in line with **import parity levels** so as to guarantee the continued viability of our farmers.

REGISTRATION OF COMMODITY BROKERS

6.74 The role of commodity brokers in facilitating trade activities, between Zimbabwe and its various trading partners cannot be overemphasized. However, such activities should be constantly monitored to ensure that the country receives true and fair value form the services rendered by these intermediaries.

6.75 In that respect, we wish to advise that with immediate effect, all commodity brokers shall now require registration by Exchange Control. The registration process will entail payment of a refundable surety fee of USD2, 000 per commodity broker, as well as a proven and traceable record.

6.76 All commodity brokers to be registered by Exchange Control will be required to present a valid police clearance certificate.

EXPORT AND IMPORT OF LOCAL CURRENCY

6.77 In order to ensure convenience to the travelling public beyond the Zimbabwean borders, **with immediate effect,** the threshold on the amount of local currency cash that can be exported on a person or in his baggage has been increased from ZWD100,000 to ZWD5,000,000.

SECTOR-SPECIFIC INTERVENTIONS TO BOOST PRODUCTIVITY

BOOSTING AGRICULTURE

6.78 The past ten years have seen the country's agricultural sector experience a marked downward trend arising from the initial phases of the emotive Land Reform Programme, the attendant disruptions that were experienced in most provinces, the occasional droughts, elementary knowledge gaps, lack of mechanisation, inadequate pre-planting preparations, sub-optimal pricing frameworks and the drying up of off-shore line of credit on the back of sanctions against the country.

6.79 This notwithstanding, ten years down the line, we have witnessed growing confidence by the new farmers on the back of increased financial support and mechanisation initiatives by the Central Bank, as well as recent attempts to introduce supportive pricing frameworks.

6.80 Building on this positive trend of confidence, we are dubbing the coming season **the Mother of All Agricultural Seasons,** as it is high time that Zimbabwe once again regained its apex status as the bread basket of the sub-region.

6.81 Accordingly, as the Central Bank, we are stepping forward with further supportive measures to ensure that agricultural operations become profitable vehicles for empowerment of our people in real economic terms.

6.82 **The vision we have is that by this time next year, the country's challenge should be one of trying to find markets for its surplus agricultural produce.**

6.83 Against this background, the following interventions are being implemented with immediate effect:

ASPEF INTEREST RATE

6.84 **With immediate effect, the rate of interest under the ASPEF window has been reduced to 25% from 50% per annum**.

6.85 Farmers should take full advantage of this review and put every inch of arable land into productive use.

MAIZE DELIVERY BONUS

6.86 In order to **deliberately promote the viability of maize farmers,** the Reserve Bank is awarding **an additional bonus to all maize farmers who delivered maize through the GMB since the beginning of this marketing season, from April 2007 as structured below:**

Maize Delivery Bonus Modalities

Applicable Period	**Delivery Bonus**
1 April- 30 September 2007 deliveries already effected	$5.8 million per tonne back dated
1 October 2007 – 31 March 2008	**(Remaining Deliveries)**
(a) Bulk farm gate price (collected by GMB)	$10 million per tonne, all in price
(b) Bagged Farm gate price (collected by GMB)	$11.4 million per tonne, all in price
(c) Bulk delivered to GMB depots (Farmer transport)	$11 million per tonne, all in price
Bagged delivered to GMB depots (Farmer transport)	$12.4 million per tonne, all in price

6.87 **In order not to disadvantage corporates who had entered into contract farming schemes, and hence, had already taken delivery of and sold the product, the bonus applicable to such contract scheme maize will be paid by the Central Bank.**

6.88 We call upon transporters as well as our farmers to rally behind this programme and mop-up all the excess maize that remains untapped country-wide.

6.89 **The above enhancement to our maize farmers should assist them to procure fertilizers, chemicals and other inputs whose prices have since increased since the last price review.**

6.90 The back-dating also underpins the importance of **using formal markets, and it will be interesting to see whether those who persuaded some farmers to side-market their crops will be able to pay those farmers equivalent bonuses.**

IMPORT PARITY PRICES TO PROMOTE FOOD SECURITY

6.91 Our experience over the past forty five (45) months is that the importation of food stands as a major drain to the country's foreign exchange resources.

6.92 **In order to stimulate active domestic production of adequate food supplies, the Reserve Bank is introducing a new system where farmers for targeted food security crops will be paid import parity prices by way of Government announced prices followed by a top-up from the Central Bank.**

6.93 **The targeted crops and effective dates for commencement of this programme are as follows:**

- **Wheat** (both commercial and seed) **with immediate effect**, starting with the 2007 Winter Wheat being harvested now.

- **Maize** (both commercial and seed) from next season (2008).

- **Soya beans and sugar beans** (both commercial and seed) 2008 season.

- **Barley (both commercial and seed)** from ongoing harvest

- **Sunflower** (both commercial and seed) 2008 season

6.94 Under this programme, all farmers of the above crops will be paid for their production and delivery to the Grain Marketing Board (GMB) **the following import parity prices** (net of transportation and other importation costs).

- Maize, for both commercial and seed, a floor price of US$200 per tonne **of which 50% will be in foreign currency, credited to the farmers' Foreign Currency Account (FCA) and the balance in Zimbabwe dollars.** In the event import parity prices warrant higher payments, any further top-up, over and above the US$200 per **tonne will be payable** in local currency.

- The Reserve Bank has programmed itself to setting aside a total of US$180 million for payment to our maize farmers for the 2007/2008 harvest, up to a maximum intake of 1.8 million tonnes of commercial maize and 50,000 tonnes of seed maize beginning next season.

- Wheat and barley, for both commercial and seed, **a floor price of US$250 per tonne, of which 50% will be payable in foreign currency, starting from this year's winter and barley being harvested,** as of now, up to a maximum of 400,000 tonnes of wheat and 50,000 tonnes of barley for this year and next year.

- Soya, and sugar beans for both commercial and seed, **a floor price of US$250 per tonne,** will be payable in foreign currency using same formula as for wheat, maize and barley.

6.95 The Reserve Bank is putting in place a stringent system that will ensure that this well-meaning initiative does not fall victim to **round tripping** where some unscrupulous players may attempt, as they may want to do, to re-deliver the same produce they would have bought from the GMB so as to unjustifiably earn foreign currency.

6.96 As Monetary Authorities, we have also received complaints from some small-scale farmers who are being short-changed by some contract growers who, upon receiving the farmers' produce, are not passing on the foreign exchange benefits of the exports to the growers.

6.97 Against this background therefore, all contract growing programmes destined for exports must be, **with immediate effect, registered with the Reserve Bank's Exchange Control arm.**

FCA ENTITLEMENTS

6.98 All farmers growing these strategic crops will, as is the case with other exporters, be entitled to opening Foreign Currency Accounts (FCAs) that shall run under the same Exchange Control Regulations that govern corporate FCAs.

6.99 Consistent with this, proceeds under this programme will be subject to the going surrender requirements on acquittal.

TOBACCO SUPPORT

6.100 Tobacco growers continue to be a pivotal sector in terms of foreign exchange generation, employment creation and contribution to the economy's gross domestic product (GDP).

6.101 For this reason, the Reserve Bank pledges to continue supporting tobacco growers through **delivery bonus schemes that reflect not only production costs, but also reasonable allowance for favourable profit returns to farmers.**

6.102 Equally, beginning next season, the current 20% FCA retention allowance to growers will be increased to 25%.

6.103 **I am also pleased to report that all outstanding FCA entitlements for the 2007 Tobacco selling season will be fully settled before the 31st of October, 2007.**

COTTON GROWERS

6.104 As Monetary Authorities, we will work in consultation with cotton merchants and growers to put in place favourable trading conditions under which all cotton growers who sell their produce through formal channels will get export parity prices.

SMALL-GRAINS

6.105 The small grains sub- sector continues to be a strategic buffer against the effects of short rainy seasons due to its resilience to dry conditions.

6.106 This coupled with **its superior nutritional value**, impels that dedicated programmes be put in place in support of small grains producers.

6.107 **Accordingly, the Reserve Bank is working in consultation with the Ministries of Agriculture and Agricultural Engineering and Mechanization to establish appropriate technologies and financing schemes that boost the small grains sector beginning the 2008 cropping season.**

6.108 In the meantime, farmers in this sector can benefit from the ASPEF window, **at the now reduced interest rate of 25% per annum.**

DAIRY FARMERS

6.109 Dairy farmers will receive tailor-made programmes of support where processors will be capacitated to ensure that they can pay farmers at levels that recoup production costs.

6.110 Under this framework, targeted financial support will be given on the basis of explicit deliveries by producers.

6.111 **The Reserve Bank will, in consultation with milk producers and processors, come up with the detailed operational modalities of this support framework.**

GRAIN TRANSPORTION AND STORAGE BAGS

6.112 As Monetary Authorities, we have also noted that most of our farmers are facing perennial logistical constraints in respect of carriage and storage bags.

6.113 **In response to this, the Reserve Bank is, in close collaboration with the GMB, working on a grain bag production and importation programme that would ensure adequate supplies starting the 2008 season.**

FERTILIZER AND AGRO-CHEMICALS SUPPLIES

6.114 Timeous and adequate supply of fertilizers and agro-chemicals is key in laying the foundation for a prosperous agricultural season.

6.115 **Against this background, the Reserve Bank is working closely with the GMB to ensure that our farmers are adequately capacitated for what is going to be the mother of all agricultural seasons.**

FARMERS' PRE-DELIVERY FUEL PROGRAMME

6.116 **The prevailing foreign exchange shortages require that our farmers assume greater responsibility in innovating around the setback to come up with practical self-help programmes**.

6.117 For a long time now, **our farmers have over depended on the Government to source and deliver subsidized fuel through NOCZIM.**

6.118 Given that now, **under the import parity pricing programme unveiled in the foregoing farmers producing the targeted crops of maize, wheat, barley soya and sugar beans will be earning foreign currency,** growers can now effectively **leverage their future** earnings to **unlock current fuel supplies under a pre-delivery fuel facility.**

6.119 Consistent with this, the Reserve Bank **has arranged revolving facilities against which farmers will access fuel against contractual agreements to effect first charges against their future produce to pay for the fuel in foreign currency.**

6.120 An analysis of the total annual fuel requirements for farmers shows that on average, our farmers require a total of 190 million litres of assorted fuels for all operations, or a budgetary average of around US$11 million per month.

6.121 **The operational modalities of this fuel programme are in a Separate Supplement to this Monetary Statement.**

INDUSTRIAL PACKAGING

6.122 The unavailability and pricing of packaging material is one of the major constraints to industry.

6.123 In response to this, I am pleased to report that the Reserve Bank has secured a revolving credit facility that would supply US$5 million worth of packaging each month.

6.124 The operational modalities of this packaging programme are being worked out in consultation with industry representative bodies.

MINING

6.125 In order to boost production in the mining sector, over and above the exporter viability enhancement measures as unveiled in the foregoing, the Reserve Bank will enter into innovative contracts of **toll-mining and exporting** with targeted mining houses, under which the following arrangements would be in place:

6.126 **The Reserve Bank will provide working capital in local currency to the targeted mining houses, at a concessional interest rate of 25% per annum.**

6.127 **The working capital would be extended against contractual commitments by the recipient mines to produce and export specific pre-agreed outputs, proceeds of which will be sold into the pooled foreign exchange fund to be held at the Reserve Bank.**

6.128 The following are examples of the categories that will fall under this arrangement:

- Top gold producers;
- Platinum producers;
- Nickel producers;
- Chrome producers;
- Asbestos producers;
- Coal producers; and
- Diamond producers.

6.129 As Monetary Authorities, **we also support the current initiatives by ZESA and mining companies under which mining houses would import electricity directly as to stabilise production.**

6.130 All such **initiatives will be granted requisite Exchange Control approvals upon satisfactory application.**

GOLD MINING DEVELOPMENT

6.131 The development and expansion in the gold industry, particularly at the small-scale level, continues to be retarded by prohibitive operating costs and lack of working capital.

6.132 Against this background, the Reserve Bank has ring-fenced Z$1,5 trillion to support the development of small-scale gold mining operations country-wide.

6.133 All holders of claims are therefore being called upon to take advantage of this window by submitting to the Reserve Bank detailed applications for support.

TOURISM

6.134 Tailor-made support will also be extended to those operators in the tourism sector who commit to delivering specific amounts of incremental foreign exchange to the Reserve Bank, under the Centralised Allotment System.

6.135 The tourism sector is also encouraged to be innovative in structuring their packages and prices through incorporation of the prevailing official exchange rate and the investment benchmarks via the Reserve Bank’s overnight investment window as is applicable to all the other exporters and generators of foreign currency.

6.136 Through this, the industry will ensure that tourist packages are priced within regional and international comparatives.

6.137 It is also imperative that the tourism industry work out modalities that would smoothen usage of international credit cards as a means of payment.

6.138 **The Reserve Bank stands ready to accommodate reasonable proposals on this matter.**

MODALITIES FOR PAYMENT OF DUTY IN FOREIGN EXCHANGE

6.139 In order to smoothen the effective payment of duty in foreign currency, it has become necessary that the Reserve Bank allows usage of both individuals and corporate FCA balances for duty payment purposes.

6.140 With immediate effect therefore, holders of FCA balances can utilise same, for purposes of paying duty strictly on the condition that such payment will be through direct transfers to the nominated Government account.

6.141 **This dispensation shall apply to all pipeline and future duty payment applications.**

WOMEN AND YOUTH SUPPORTED PROGRAMMES

6.142 As the country works to ride the tide of current setbacks, an important winning area is that of Women and Youth supported SME programmes.

6.143 **Through active participation of Women and the Youth, in the mainstream economy, not only will this lead to an increase in goods and services in our markets, but also to employment creation.**

6.144 Consistent with this, the Reserve Bank **has set aside Z$1 trillion to support productive programmes by Women and the Youth to be coordinated through the offices of relevant Government Ministries and provincial governors.**

6.145 It is gratefully noted that the Ministry of SMEs was recently allocated a sizeable incremental budget by the Ministry of Finance, which should go a long way in activating this critical sector.

PROVINCIAL ALLOCATIONS OF THE WOMEN AND YOUTH FUND

Province	**Amount (Z$)**
Harare	200 billion
Bulawayo	160 billion
Matabeleland North	80 billion
Matabeleland South	80 billion
Mashonaland East	80 billion
Mashonaland West	80 billion
Mashonaland Central	80 billion
Midlands	80 billion
Masvingo	80 billion
Manicaland	80 billion
Total	1 trillion

6.146 **This support facility will be at a concessional interest rate of 25% per annum.**

6.147 It is imperative that this avenue be fully exploited by women and youths across the country **regardless of their political affiliation to cultivate entrepreneurial skills across the country.**

RURAL BUSINESS FACILITY (RBF)

6.148 The Rural Businesses are often neglected in financing facilities that have been established. **The past three months have seen the rural shop owner decapacitated by the Price Control teams who were one sided in their approach.** As a result, the rural business operator cannot restock after loosing heavily and cannot get credit facilities to rebuild his/her cashflow.

6.149 Monetary Authorities are aware of the hardships being faced by this sector particularly in this inflationary environment.

6.150 The Reserve Bank has set a 270 day Rural Business Facility (RBF) that will enable the sector to access goods from wholesalers and manufacturers for resale to the rural community. The details for the disbursement modalities will be made available in due course after consultations with the Zimbabwe National Chamber of Commerce and wholesaler organisations.

AMORTIZATION OF THE COSTS OF ECONOMIC STABILISATION

6.151 Whilst the various interventions as unveiled in this Monetary Policy may seem to result in temporary inflationary effects, these short-term pains will be more than off-set by the medium to long-term benefits that the country will recoup from the measures.

6.152 As Monetary Authorities, we are pleased that the Minister of Finance has concurred with our recommendations that the monetary values of all current quasi-fiscal commitments be amortized over a number of future years.

6.153 Through this approach, critical Government programmes will be implemented without undue delays that bind the responsiveness of the supply side of the economy.

INSURANCE COMPANIES AND PENSION FUNDS

6.154 Experiences in most countries that have successfully developed their economies show that insurance companies and pension funds played a pivotal role in providing development capital, particularly in the real estate sector.

6.155 By their nature, insurance companies and pension funds are monumental hubs through which long-term capital can be mobilized.

6.156 In the case of Zimbabwe, the degree to which this sector has contributed into the real sector of the economy continues to be drawn back by the following factors:

(a) None-compliance with stipulated minimum prescribed assets holdings; and

(b) Over concentration of business in non-productive money market and stock exchange investments.

6.157 As Monetary Authorities, we have, with immediate effect, established a standing **Insurance Industry Bond,** which will be available on a continuous tap basis, so that industry players can comply with the prescribed asset holdings requirement at all times.

6.158 The terms and structure of the bond will be circulated within 2 working days from this date of announcement.

POOLED IMPORTATION OF INPUTS IN MINING

6.159 An assessment of cost structures in the mining sector shows that this high potential area is plagued by predatory profit margins being charged by intermediary importers of consumables and spare parts.

6.160 **Breaking these cartels requires that mining houses pool their resources together and form consolidated importation warehouses from which they can draw their consumables at competitive prices.**

6.161 As Monetary Authorities, we stand ready to support such beneficial importation programs, as this will ensure that mining operations are not hampered through input shortages or excessive costs.

6.162 With immediate effect, therefore, Exchange Control will be registering all contending mining sector warehouses, and cartel-free importers who would have demonstrated that:

(a) They have confirmed orders from mining houses;

(b) They undertake to supply consumables, spare parts and machinery in the mining sector at no more than margins of 30% on total procurement costs; and

(c) They procure supplies from authentic sources, with the necessary quality assurances.

6.163 Within the framework of the Centralized Auction system, foreign exchange will be set aside to support such cost-saving warehousing programmes.

TRADE-LINKED REGIONAL BONDS

6.164 The sub-Saharan African region remains an important destination of Zimbabwe's exports, as well as a critical source of essential imports into the country's production systems.

6.165 Experience over the past 3 years has shown that gainful structured commodity finance programmes can be implemented on a win-win basis between Zimbabwean corporates and their regional counterparts.

6.166 Against this background, the Reserve bank is putting in place a dedicated programme to issue tailor-made high-returns bonds in regional financial markets, supported by Zimbabwe's confirmed export receivables.

6.167 A detailed prospectus on this initiative will be issued once the finer intricacies of the programme have been completed in due course.

6.168 Proceeds from these bonds will be deployed to benefit both Zimbabwe's suppliers from the region and the importing producers in Zimbabwe.

Allow me now to turn to:

URBAN WATER SUPPLY AND LOCAL AUTHORITIES INCOME GENERATING PROGRAMMES

6.169 The state of affairs in the area of water supply and the general service levels by local authorities in the country's urban areas is a serious cause for concern. With regards to water, this in fact, it is a national emergency because water is indeed life.

6.170 **Given the reality that without water, no industry or household can sustain itself, the delivery deficits of ZINWA, for whatever reason, and the endless turf squabbles between ZINWA and local authorities, have to be resolved as an integral part of the country's economic turnaround strategy.**

6.171 As Monetary Authorities, we have been driven by our inner-most conviction that we must intervene and directly capacitate local authorities so that they can work closely with ZINWA to speedily resolve the current water crisis which has seen some residential areas, schools, industries as well as clinics and hospitals going without water for weeks and in some cases for months without respite.

6.172 **In Bulawayo and Harare, for example, this problem has led to outbreaks of a range of waterborne diseases, leaving many, especially in the high density areas, completely vulnerable and helpless. It would be irresponsible not to intervene and Zimbabweans would not understand that.**

6.173 Under this intervention, which will targeted ZINWA directly, as **well as local authorities**, a total amount of **Z$14.25 trillion** has been set aside to be allocated to and managed by ZINWA (for water reticulation) and **local authorities** (for explicit income generating projects).

Allocation of Funds under the Urban Water Supply Programme

Beneficiary Cluster	ZINWA		LOCAL AUTHORITIES	
	Local Currency Component Z$ Billions	Foreign Currency Component US$ Millions	Local Currency Component Z$ Billions	Foreign Currency Component US$ Millions
Harare, Chitungwiza, Ruwa	1500	1.0	500	1.0
Bulawayo	1500	1.0	1000	1.0
Gweru, Kwe Kwe	1500	0.5	750	0.5
Kadoma, Chegutu, Chinhoyi, Kariba, Norton, Karoi	750	0.5	750	0.5
Mutare, Chipinge, Rusape, Nyanga	1500	0.5	750	0.5
Masvingo, Mashava, Zvishavane	500	0.5	750	0.6
Marondera, Chivu, Mvuma, Bindura	500	0.5	500	0.5
Gwanda, Beit Bridge, Lupane, Hwange, Victoria Falls	500	0.5	500	0.5
Others	250	0.25	250	0.25
TOTAL	**8500**	**5.25**	**5750**	**5.25**

Note: *Whilst the local currency component is a once-off intervention, the RBZ will review the foreign currency component on an on-going basis.*

6.174 **It has to be understood, however, that this money cannot be drawn all on one day but has to be based on progress of actual implementation.**

6.175 In view of the unique and special circumstances surrounding what is now turning out to be a perennial water shortage in the City of Bulawayo and its environs, and in order to address that shortage in a lasting way for the sake of stimulating productive economic activity and saving threatened human life, US$1.0 million, out of the US$5.25 million to ZINWA is being set aside to enable Bulawayo Council to work closely with the Water Authority to setup the necessary infrastructure for the city to receive reliable water from Mtshabezi Dam.

BOREHOLE DRILLING PROGRAMME

6.176 Water is not just a basic necessity but a key ingredient in production processes, be it in mining, manufacturing, agriculture, tourism or in households for sustenance of life in the context of the country's drive towards the Millenium Development Goals (MDGs).

6.177 It is for this reason that over and above the financial support we have extended to ZINWA and Local Authorities, we are happy to launch a 3-year borehole drilling programme open to households, manufacturing companies.

6.178 **Under this programme, an initial target of 3000 boreholes is targeted over the next 3 years, and to this end, a seed fund of $200 billion has been set aside to kick-start the programme.**

6.179 Households, manufacturing companies, mines and tour operators can apply for support, which will be at the same terms as ASPEF. The applications must be supported by the necessary geo-survey maps for the proposed boreholes.

Respect for the environment…

6.180 This programme will, however, need to be responsive to environmental dictates, as determined by the Ministry of Environment and Tourism for the preservation of stable underground water-tables.

6.181 Consistent with this, all applicants seeking support under the borehole programme will need to produce proof of clearance from their local authorities.

ENERGY SECTOR INTERVENTIONS

6.182 Stability of the energy sector, encompassing liquid fuels, coal and electricity supplies is an indispensable pre-requisite for the successful propulsion of our productive sectors, as well as normal functionality of gadgetries in the household sector.

6.183 Against this background, the Reserve Bank is implementing various integrated programmes, in close collaboration with the Ministry of Energy and Power Development that seek to stabilize the energy sector.

BIO-DIESEL

6.184 As the Nation deepens its efforts towards foreign currency generation, as well as import-substitution programmes, the Reserve Bank is pleased to report that before the end of this year, a state-of-the-art technology, the first of its kind in Africa, under the Bio-Diesel Production Programme will be unveiled.

6.185 **This project will have phenomenal downstream benefits to the economy as it requires feed-stock in the form of jatropha, cotton seed, sunflowers, among many other oil-seeds.**

6.186 Our vision as Monetary Authorities, is to ensure that by 2010, **every province in the country will have a running large-scale bio-diesel plant, in the process promoting National self-sufficiency in the area of diesel supply, as well as guaranteeing viable markets for farmers growing oil seeds.**

Jatropha Plantations Fund…

6.187 To materialise this vision, the Reserve Bank, will, under the ASPEF window, contract farmers to boost production of oil seeds.

6.188 To this end, **a $200 billion fund** has been set aside to support jatropha plantation development programmes.

6.189 **Contenting farmers are, therefore, encouraged to take full advantage of this programme as part of their contribution towards the stabilization of the energy sector.**

6.190 The facility will be at terms and conditions as are applicable under the ASPEF window.

LIQUID FUELS

6.191 Notwithstanding the prevailing foreign exchange shortages, the Reserve Bank continues to place significant priority to the importation of fuel.

6.192 **As Monetary Authorities, we are pleased to report that favourable lines of credit to the tune of US$200 million, on a revolving basis, have been secured for fuel importation.**

6.193 This, coupled with direct fuel import programmes by the private sector, will ensure that our productive systems, as well as the transport sectors are well catered for over the outlook period.

6.194 As Monetary Authorities, we once again call upon the Nation to be alert to the growing need to conserve fuel as a matter of our daily courses of living.

ELECTRICITY GENERATORS

6.195 As Monetary Authorities, we are also pleased that a dedicated nation-wide initiative, whose main details shall be unveiled at an appropriate time soon before the end of the year, by those whose brainchild the project is, is already underway.

6.196 We pledge to intensify our support through the provision of necessary funding so that this noble supplementary electricity supply programme is unveiled in due course as planned.

Allow me to now expand our views and advice on the current debate on:

7. INDIGENISATION AND EMPOWERMENT, and to prefix our views with a quote from the wisdom and advice of President Thambo Mbeki who in one of his STATE OF THE NATION ADDRESS on the subject in February 2003 had this to say and I quote "… economic growth, development and black economic empowerment are complementary and related processes. The empowerment that we speak of is an inclusive process and not an exclusive one. No economy can meet its potential if any part of its citizens is not fully integrated in all aspects of the economy. Equally, it follows that any economy that is not growing cannot hope to

integrate all its citizens into that economy in a meaningful way" end of quote.

7.1 As Monetary Authorities, we fully support the noble objective of empowering the majority of Zimbabweans through the introduction of enabling statutes that expand wider involvement of the people in the mainstream economy.

7.2 **Noble as this objective is, however, our well considered advice to Legislators and Government in general is that a fine balance should be struck between the objectives of indigenization and the need to attract foreign investment** necessary to grow our economy so that the same economy starts registering growth which growth will in turn enable the majority of our people to start experiencing real as opposed to window-dressing, freelance-type of participation we have seen in some of our so called indigenised companies.

7.3 **Specifically, the local-foreign ownership thresholds must be taken and implemented as down the horizon targets, as opposed to excitable but impractical overnight conversion events on the back of every little personal or national savings available to support the empowerment process.** We must avoid schemes that create perceptions of instant gratification through "**grab, take and run**" and instead go into value for money, win-win type of acquisitions that are promotive of good relations inside and outside the companies between the newly wedded business partners be it Government perse or private individuals.

RECOMMENDED TIME PROFILING OF THE INDIGENISATION PROCESS

	CAPITAL INTENSITY AND TECHNOLOGY COMPLEXITY		
	HIGH	**MODERATE**	**LOW**
INVESTMENT SIZE	**Over US$ 500 million**	**US$ 150-500 million**	**Under US$150 million**
Year 1-5 Suggested degree of Indigenisation	20%	30%	51% immediate compliance **(Through fair value type of acquisition structures)**
Year 6-10 Suggested degree of Indigenisation	45%	51% compliance **(Through fair value type of acquisition structures)**	
Year 11-15 Suggested degree of Indigenisation	51% compliance **(Through fair value type of acquisition structures)**		

7.4 **Our view is that the above gradual approach promotes fair valuation, reasonable return of initial investment outlays by investors, as well as smooth learning curve and various culture transitions between old to new shareholders.**

7.5 Where foreign investors bring in clear long-term benefits to the country, a reasonable degree of flexibility ought to be exercised in allowing investors to hold, at least in the initial stages, majority shareholding so as to deliberately accord them escalated dividends that enable them to plough back their initial investment outlays.

7.6 Beyond pre-agreed time thresholds foreign shareholding can then be diluted on a gradual win-win basis, in line with the otherwise noble objectives of indigenization and empowerment.

7.7 As Monetary Authorities, we also call upon Government **to ensure that the empowerment drive is not derailed by a few well connected cliques, some who are already making the most noise in ostensible support of this initiative**, who would want to amass wealth to themselves in a **starkly greedy but irresponsible manner**, whilst the intended majority remain with nothing as happened in the past with respect to other Government empowerment schemes.

7.8 **In the world of finance, it is a recognised fact that CAPITAL is a timid commodity, which always stands ready to jump ship at the slight inclination of attack whether factual or perceived.**

7.9 As they say, charity begins at home. We must, therefore, ensure that existing foreign capital in our economy acts as our ambassador for attraction of more investment inflows.

7.10 Of particular concern to us as Monetary Authorities would be any **attempts to forcibly push the envelop of indigenisation into the delicate area of banking and finance as already alluded to.**

7.11 To this end, we call upon those with interests in the financial sector to approach the Central Bank with their applications for new banking licenses.

7.12 These applications will however, be subjected to vigorous vetting, in line with the Reserve Bank's normal pre-licensing scrutiny, as opposed to any inclination towards unstructured interventions into the shareholdings of the sector.

7.13 **Generally, we believe that 27 years down the road, there should be no free lunches as such.**

7.14 It is important to note that this comment comes against a background of **reported incidences involving a number of senior and well-connected personalities who are already positioning themselves to muscle into certain mining, manufacturing, banking and other entities that are currently performing well and contributing to the foreign currency inflows of the country.**

7.15 Ultimately however, in whatever we do we must guard against what, **in the world of equity markets and finance has now been coined as irrational exuberance and naivety** of expectations on the back of miscalculated assumptions promised on emotions as opposed to real fundamentals of the game.

8. NATIONAL PAYMENT SYSTEMS

ELECTRONIC PAYMENTS

8.1 As Monetary Authorities, we have lately been inundated with complaints from the public against some retailers and wholesalers who are refusing payments via the electronic platform, instead insisting on cash payments upfront.

8.2 Such retrogressive practices serve to undermine the functionality of our National Payment Systems, which in turn leads to needless over-reliance on cash transactions.

8.3 The Reserve Bank therefore, wishes to strongly warn those entities who are misleading the public to desist from such practices.

8.4 Under the provisions of the Bank Use Promotion Statutes, any operators found declining ZETSS payments, will be adequately penalised.

CASH WITHDRAWAL LIMITS

8.5 In order to further capacitate the public's transactional convenience, it has become necessary that the current cash withdrawal limits be further reviewed.

8.6 To this end, the following new cash withdrawal limits shall be applicable with immediate effect:

- **Individuals:** Z$20 million daily limit, up from Z$10 million.

- **Corporates:** Z$40 million daily limit, up from Z$20 million.

8.7 Banks are called upon to observe these limits, so as to balance the dual objectives of meeting genuine transactional requirements and combating speculative behaviour in the economy.

9. MINING LEGISLATION

9.1 Economies that have done well on the back of their natural resources endowments have done so through policies and programmes which attract investment inflows towards such resource centres.

9.2 Our vies in this area are well documented and it is against this background that as the Central Bank we call upon the relevant authorities in Government to expedite the finalization of the on-going reviews of the mining legislation.

9.3 It is an unforgivable sin that as Zimbabweans, we are running short of foreign exchange yet our economy has a vast potential to amass mountains of it through investment attraction and exporting.

9.4 In crafting the new legislation, due care must be taken to ensure that as a country, we recognize the peculiarities in mining where a great deal of financial capital has to be sunk before returns start to flow in from the projects.

9.5 As the Central Bank, we will remain alert to the special requirements of the mining sector from an Exchange Control perspective, among other supportive measures.

Let me now turn to the:

10 ANTI-CORRUPTION DRIVE

10.1 As Monetary Authorities, we remain gravely concerned at the country's continued limited progress in the fight against corruption.

10.2 By its nature, corruption has become a universal plague which, fortunately, **can be prevented if sufficient will-power across all sectors of the economy is allowed to manifest itself.**

10.3 **The country has reportedly lost an estimated US$600-800 million through illegal diamond smuggling; between US$300 - 500 million in various other forms of other illegal deals, including transfer pricing and export under-declarations.**

10.4 Now, **fellow Zimbabweans**, if these figures do not jolt us into action and revulsion; **if these nefarious activities by a few cannot send shivers down our spinal cords and get us to insist that deterrent laws be put in place to thwart these malpractices,** then **I do not know what will.**

10.5 With an extra US$1 billion in our hands, all our fuel needs can be **met; wheat, maize, medical drugs can be procured; roads repaired and agricultural inputs secured in good time.**

10.6 **But today, all foreign currency shortages are blamed on the Reserve Bank, and the Governor is under cross fire day in and day out yet as a country we are doing very little or seem unwilling or unable for some strange reason to act decisively to harness and account for all our forex related wealth.**

10.7 Notwithstanding the formation of the Anti-Corruption Commission, **with capable captains and their personnel**, its operations have largely remained constrained due to resource limitations.

10.8 It is for this reason that as Monetary Authorities we are engaging the Anti-Corruption Commission to **establish and agree areas where support can be given for them to effectively discharge their operations,** along the lines we have intervened in the areas of the judiciary, parastatals and other government departments.

10.9 The question at the back of our intervention minds if "if we know we would not adequately fund and support them, why did we bother to create them in the first place"?

Allow me now to briefly expand on the factual as opposed to emotional:

11. IMPACT OF SANCTIONS AGAINST ZIMBABWE

11.1 Ladies and Gentlemen, our country is under declared and undeclared sanctions, whose effects are too pervasive and all encompassing in their negative impact.

11.2 Ladies and Gentlemen, there are some people who believe that the declared and undeclared sanctions are only hurting a few targeted individuals, like Ministers, the Governor and his family but nothing could be further from the truth.

11.3 **When a child fails to go to crèche or school, because the school bus, or family car has no fuel;**

11.4 **When the elderly fail to get ambulance service or appropriate medical drugs because there is no fuel or the hospital has no access to drugs;**

11.5 When employees have to come late to work in the morning and get home late into the night because of transport problems emanating from fuel shortages or lack of ZUPCO spare-parts;

11.6 **When the rural folk fail to take their maize or small grains to the grinding mill next door, or when they fail to go to the clinic because there is no fuel or drugs;**

11.7 **When hospitals and doctors have to operate in darkness because ZESA has failed to get lines of credit to improve its operating capacity for power generation;**

11.8 **When pregnant mothers fail to get an ambulance to take them to maternity wards because there is no fuel,**

and

11.9 When the **dead** fail to get a **descent burial** because the funeral parlour **has no fuel to take the body to its final resting place all** because of sanctions supposedly targeted at a few;

11.10 then you can all see that the sanctions are hurting more than the targeted few, hurting more than just the Governor, his wife and children but pregnant mothers and their unborn children, the kids who are supposed to go to school, the workers, the sick, the elderly in old age homes, our doctors, rural folks, hospitals and even the dead.

11.11 Time has thus come for all Zimbabweans with a conscience to ask themselves whether **the so-called sanctions are the best form of dealing with differences between a people,** dealing with differences between regions, dealing with differences between continents and **dealing with differences between economic trading blocks**.

11.12 It is time to ask ourselves whether **those imposing the sanctions are doing so for our genuine benefits and interests.**

11.13 **We have prepared a special Supplement on the Sanctions issue for later debate and I am aware that there will be lots of brick bats and attacks that will come the Governor's way but so be it.**

PROFILE OF EXTERNAL BOP SUPPPORT.

11.14 Another dimension of the harsh realities of the sanctions against Zimbabwe can be discernable when one looks at the country's historical Balance of Payments profile.

11.15 For the period 1980-1999, Zimbabwe enjoyed BOP support from the multilateral financial institutions i.e. IMF, World Bank and AfDB as shown in Table 1 below.

MULTILATERAL FINANCIAL INSTITUTIONS DISBURSEMENTS (US$)

Year	IMF	WORLD BANK	AfDB
1980	0	0	0
1981	0	104,917,535.8	0
1982	0	45,478,573.51	25,342,914.53
1983	0	133,760,761.05	57,22,913.63
1984	2,058,441.00	36,467,113.09	0
1985	0	9,668,219.07	67,768,983.37
1986	0	10,000,000.00	0
1987	0	0	0
1988	0	130,121,817.97	28,612,977.32
1989	0	0	19,286,995.95
1990	0	127,243,010.98	145,027,034.56
1991	0	62,386,243.86	15,218,604.29
1992	216,150,000.00	299,592,641.86	180,428,222.49
1993	65,656,168.00	226,810,152.15	37,966,823.47
1994	76,642,125.00	0	11,090,644.2
1995	75,492,900.00	0	11,686,232.22
1996	0	32,99,074.25	0
1997	0	4,037,287.79	1,940,910.99
1998	53,802,392.00	5,796,928.56	39,074.27
1999	32,233993.40	88,856,697.27	0
2000	0	0	0
2001	0	30,526,725.67	0
2002	0	0	0
2003	0	0	0
2004	0	0	0
2005	0	0	0
2006	0		0
Total	**522,036,019.40**	**1,348,062,782.39**	**524,789,416.76**

Source: RBZ and Ministry of Finance

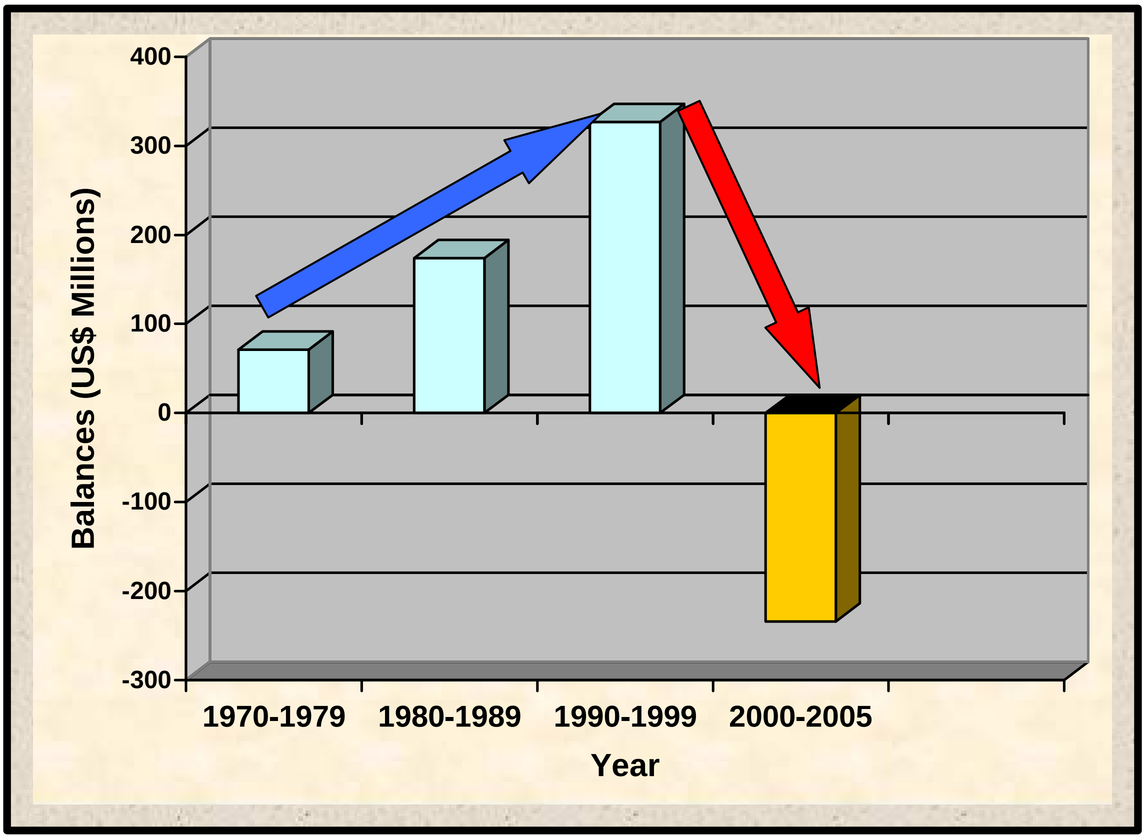
11.16 Following the country's land reform programme, in 2000 which, **triggered declared and undeclared sanctions** against Zimbabwe, which in turn incapacitated the BOP, Multilateral Financial Institutions imposed sanctions on Zimbabwe in the following manner:

- Suspension of Balance of Payments Support;
- Suspension of technical assistance;
- Suspension of voting and related rights by IMF; and
- Declaration of ineligibility to access Fund resources.

11.17 From 2000 to date, Zimbabwe has not received any BOP support from the MFIs and the country has been depending on domestic resources.

11.18 This runs contrary to the principal charters of the IMF and the World Bank, one of which is to assist countries experiencing BOP stresses and other transitory development setbacks.

Net Capital Flows (US$M)



11.19 As shown Table 2 below, from 1966 to 1999, Zimbabwe registered capital account surpluses largely in the form of project finance, as well as budgetary and balance of payments support.

Current and Capital Accounts of the Balance of Payments

	Current Account Balance (US$ million)	Capital Account Balance (US$ million)
1966	-2.8	-4.6
1967	-10.8	23.7
1968	-32.3	39.5
1969	2.3	9.9
1970	-9.0	41.7
1971	-37.0	45.4
1972	0.5	-3.5
1973	-11.2	85.1
1974	-61.6	114.1
1975	-48.6	135.5
1976	5.6	4.5
1977	-3.0	-1.4
1978	18.6	39.6
1979	49.1	253.9
1980	-243.8	56.6
1981	-635.9	507.5
1982	-709.2	616.9
1983	460.2	425.7
1984	-100.0	55.0
1985	-75.7	38.5
1986	16.8	62.6
1987	58.0	-64.6
1988	125.3	-53.6
1989	17.0	94.7
1990	-257.0	257.0
1991	-547.3	532.6
1992	-842.6	687.6
1993	-319.4	504.5
1994	-292.6	517.0
1995	-337.1	482.0
1996	-161.5	87.3
1997	-796.5	-63.9
1998	-355.6	74.1
1999	39.1	189.1
2000	-135.0	-315.1
2001	-86.5	-403.4

	Current Account Balance (US$ million)	Capital Account Balance (US$ million)
2002	-217.1	-232.8
2003	-345.9	-221.4
2004	-416.7	-234.1
2005	-538.1	2.7

Source: Various RBZ Quarterly Economic Reviews

11.20 Since 2000, however, the country started experiencing **capital flight due to sanctions**, accentuated by biased negative publicity. This reflected the **suspension of Balance of Payments support** and project finance by the MFIs and other donors. Consequently, the capital account of the balance of payments has been **registering persistent deficits, since 2000**.

11.21 To further amplify the reflections in our heavy hearts on this subject matter, we have a separate supplement that goes into detail on the adverse effects of sanctions on the ordinary Zimbabwean.

11.22 This notwithstanding, we remain resolute in our efforts to internally work together in unity for the re-establishment of a stable and prosperous Zimbabwe.

Having spoken at length about Sanctions, I do have a message in terms of our:

12. REGIONAL AND INTERNATIONAL RELATIONS

12.1 As Monetary Authorities, we strongly believe that the resolution of Zimbabwe's current socio-economic setbacks requires the **goodwill and commitment to implement the needed policy reforms by Zimbabweans themselves.** The task is, therefore, entirely up to us and no one else.

12.2 Having spoken strongly about the politics of our situation, sanctions, droughts and other exogenous factors militating against our turnaround, **it would be a tragedy if I do not also attribute some blame on our planners, decision makers and implementers of those decisions for our present state of affairs.**

12.3 **Often our good intentions and programs are bungled at the implementation stage by resorting to excessive emotions and selfishness where soberness, brains, experience and expertise is best needed** and for that we must shoulder part of blame for our current state of affairs.

12.4 **We must resist, and resist very strongly the growing tendency among us Zimbabweans towards being experts at simply narrating and** describing with unparalled eloquence **where things are going wrong without proffering tangible and practical solutions.**

12.5 Any external help, regional or international must, therefore, only come as extra support to fortify honest internal initiatives as we must disabuse ourselves of expectations for help without prescriptive sacrifices.

12.6 Equally, we must demonstrate to the prospective regional and global community of investors that we have **the resolve to create and maintain a stable macroeconomic environment where wealth creation is not only rewarded but also thrives.**

12.7 The requirements are by no means burdensome, as they are well within the realm of what we can directly determine and influence as Zimbabweans.

In drawing the curtains of my presentation today, allow me to proffer advice on:

13. THE 2008 ELECTIONS…

13.1 As we are now firmly in the third quarter of the year, the momentum for the 2008 synchronised Local Government, Parliamentary and Presidential elections will soon pick up if it has not already started doing so.

13.2 As the Central Bank, we call upon all politicians and political parties of all persuasions to always put the interests of Zimbabwe first in their pronouncements and campaign activities and to desist from actions that disrupt the productive activities of our economy because it is only through production that we can successfully fight our inflation challenges and be able to put food on the dining tables of the voters.

13.3 Like any event on the calendar, the elections will come and go, **but the Zimbabwean economy will remain but either in a better or worse situatio**n, as a result of the elections depending on whether the protagonists will take **to their hearts and minds the principle of putting Zimbabwe First**.

CONCLUSION

13.4 **In conclusion, I truly hope and pray that we have each and all of us,** as Zimbabweans with one destiny, learnt **without prejudice from the trying events of the last three months and indeed the trying events of the last seven years and we are now ready to move on together with one another in the service of our beautiful country.**

13.5 While we are not in a position to correct or recover the past, **whether with regards to the last seven years or the last three months**, we are however indeed, in a position to do something about **today and to win or lose tomorrow.**

13.6 Failure to win a better tomorrow through our actions today must never be an option available to any one of us.

13.7 Against this background, the New Monetary Policy Measures that I have just presented are designed to contribute to our collective National strategy of **ensuring that we make today better for all of us by ensuring that we win tomorrow for the sake of posterity.**

13.8 People of this great country are tired of excuses and problem description. They want performance, they water, transport, bread, mazoe, milk, cooking oil and other basic commodities on the table today, not tomorrow.

13.9 To this end, I leave you with the promise that **most basic goods should and will return to the shelves within the next three to four weeks time**. Let us support each other in the right and progressive direction with prayers and productive action.

13.10 In God's hands, I submit this Monetary Policy Statement towards the Zimbabwe economy we all want.

I Thank You.

DR G GONO
GOVERNOR
RESERVE BANK OF ZIMBABWE

1 OCTOBER 2007

ANNEXURE 1

IMPACT OF SANCTIONS ON ZIMBABWE: TABULAR AND GRAPHICAL PRESENTATION

MULTILATERAL FINANCIAL INSTITUTIONS DISBURSEMENTS (US$)

Year	IMF	WORLD BANK	AfDB
1980	0	0	0
1981	0	104,917,535.8	0
1982	0	45,478,573.51	25,342,914.53
1983	0	133,760,761.05	57,22,913.63
1984	2,058,441.00	36,467,113.09	0
1985	0	9,668,219.07	67,768,983.37
1986	0	10,000,000.00	0
1987	0	0	0
1988	0	130,121,817.97	28,612,977.32
1989	0	0	19,286,995.95
1990	0	127,243,010.98	145,027,034.56
1991	0	62,386,243.86	15,218,604.29
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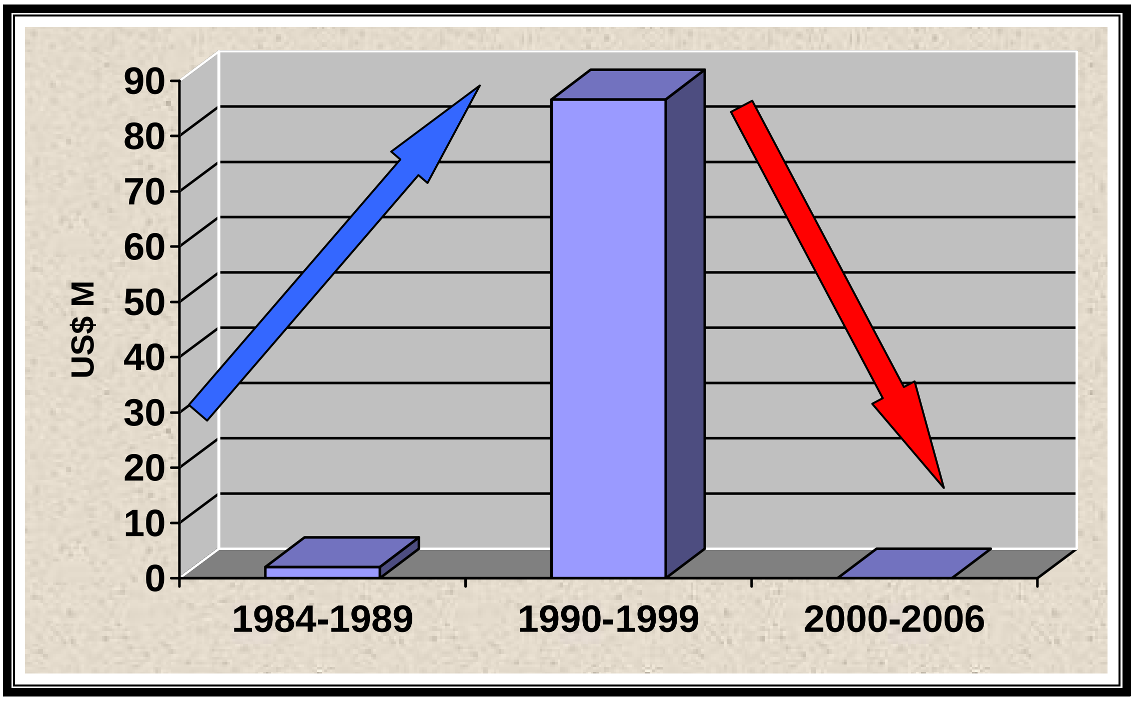
1994	76,642,125.00	0	11,090,644.2
1995	75,492,900.00	0	11,686,232.22
1996	0	32,99,074.25	0
1997	0	4,037,287.79	1,940,910.99
1998	53,802,392.00	5,796,928.56	39,074.27
1999	32,233993.40	88,856,697.27	0
2000	0	0	0
2001	0	30,526,725.67	0
2002	0	0	0
2003	0	0	0
2004	0	0	0
2005	0	0	0
2006	0		0
Total	**522,036,019.40**	**1,348,062,782.39**	**524,789,416.76**

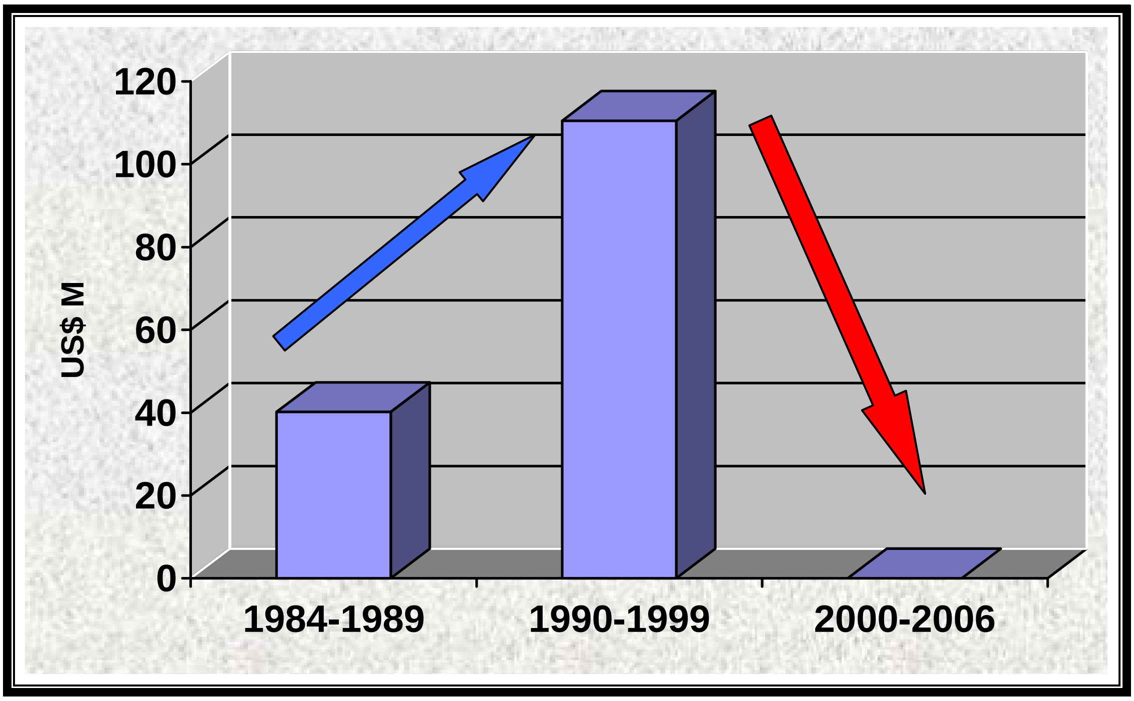
Source: RBZ and Ministry of Finance

- **IMF stopped supporting Zimbabwe by way of BOP support in 1999**
- **World Bank stopped supporting Zimbabwe by way of BOP support in 2001**
- **AfDB stopped supporting Zimbabwe by way of BOP support in 1998**

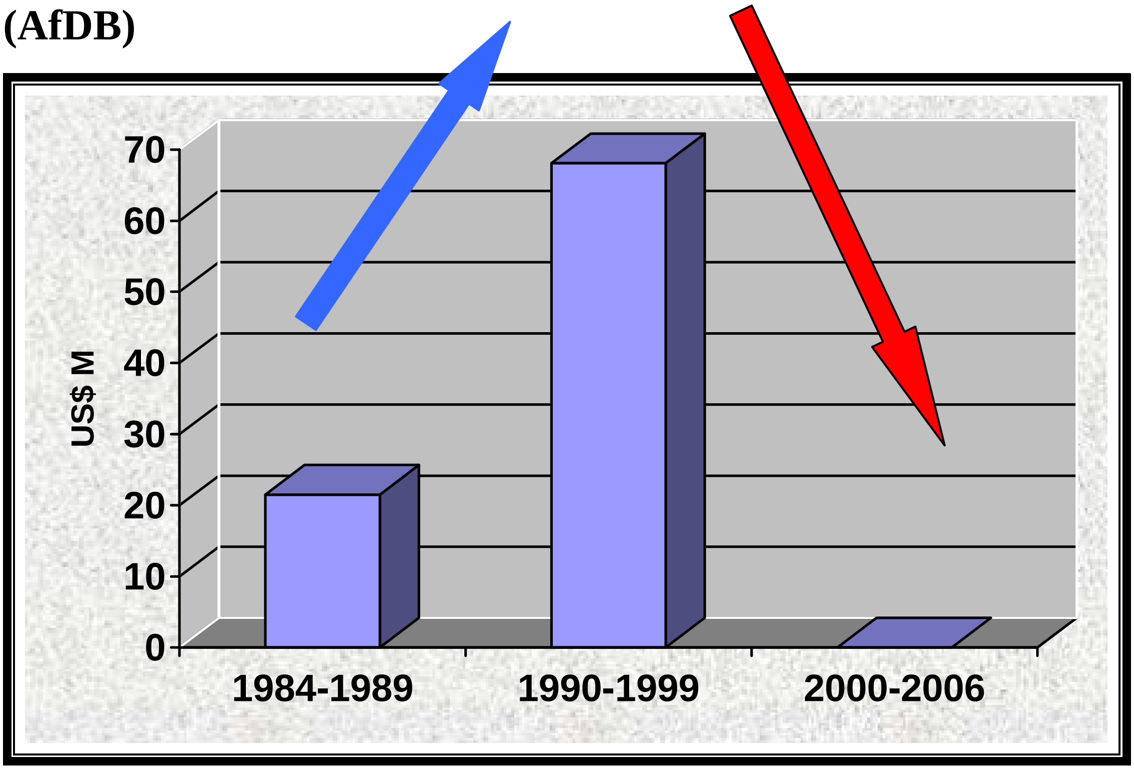
Graphical Fall in BOP Support from IMF (US$M)



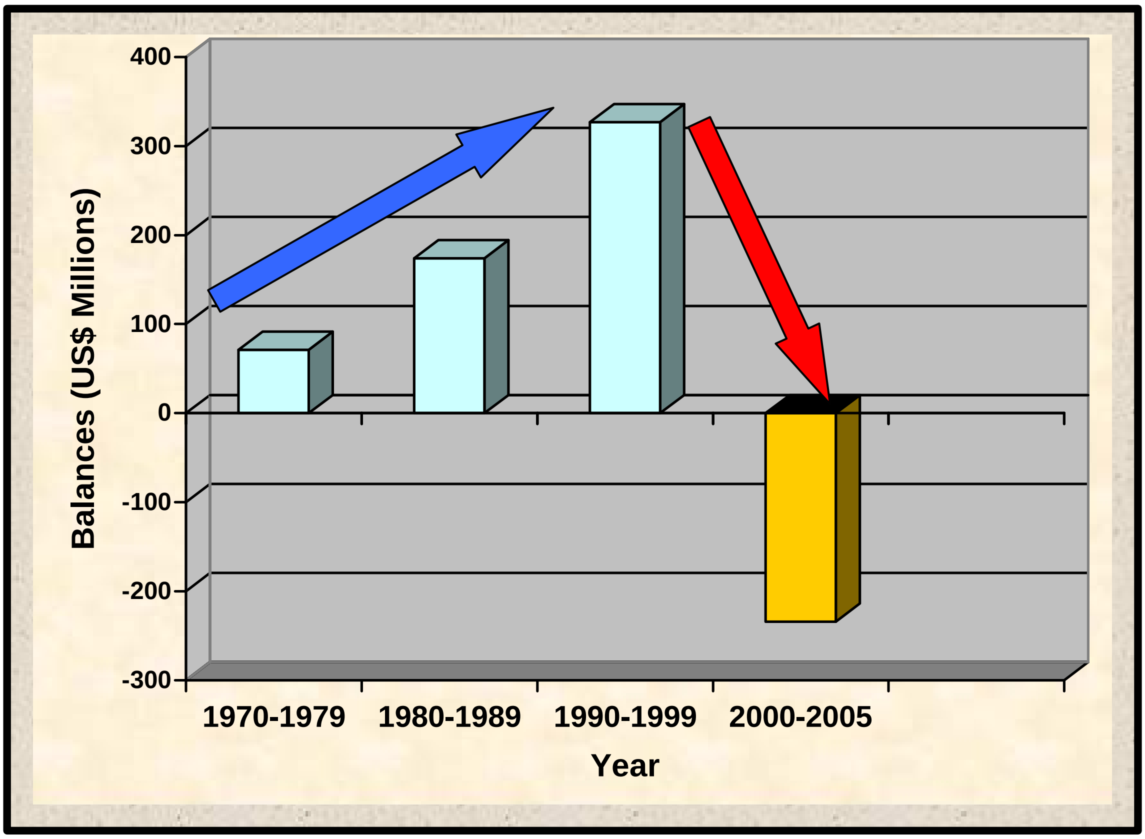
Graphical Fall in BOP support from World Bank (US$M)



Graphical Fall in BOP support from African Development Bank (AfDB)



Net Capital Flows (US$M)



Current and Capital Accounts of the Balance of Payments (US$M)

	Current Account Balance	Capital Account Balance
1966	-2.8	-4.6
1967	-10.8	23.7
1968	-32.3	39.5
1969	2.3	9.9
1970	-9.0	41.7
1971	-37.0	45.4
1972	0.5	-3.5
1973	-11.2	85.1
1974	-61.6	114.1
1975	-48.6	135.5
1976	5.6	4.5
1977	-3.0	-1.4
1978	18.6	39.6
1979	49.1	253.9
1980	-243.8	56.6
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1982	-709.2	616.9
1983	460.2	425.7
1984	-100.0	55.0
1985	-75.7	38.5
1986	16.8	62.6
1987	58.0	-64.6
1988	125.3	-53.6
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1990	-257.0	257.0
1991	-547.3	532.6
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1993	-319.4	504.5
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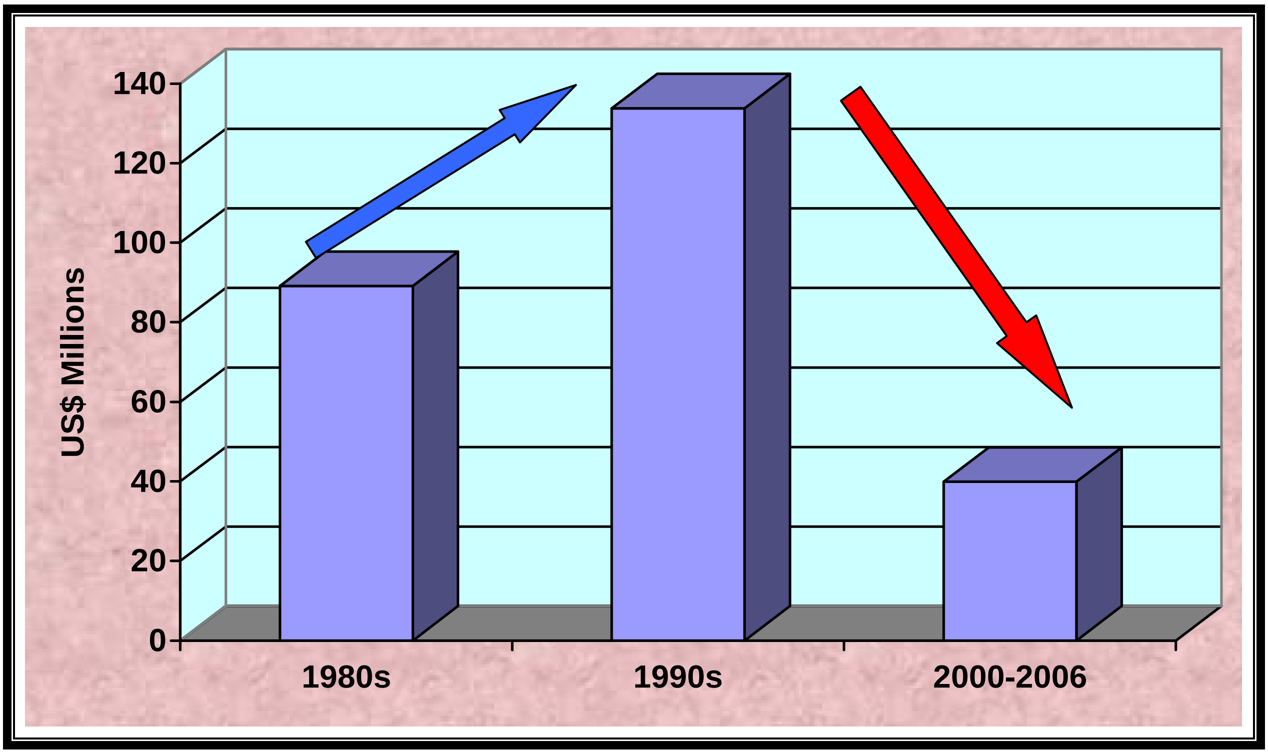
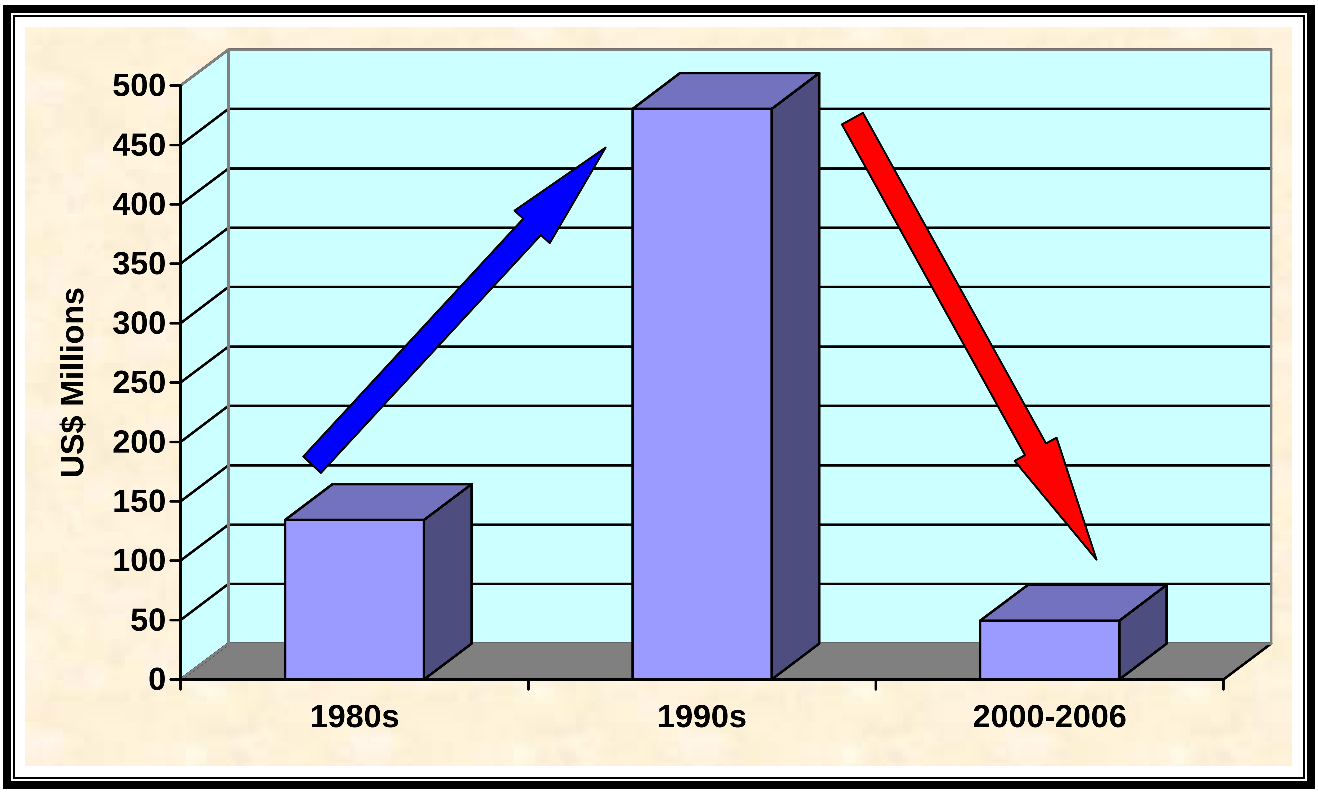
1996	-161.5	87.3
1997	-796.5	-63.9
1998	-355.6	74.1
1999	39.1	189.1
2000	-135.0	-315.1
2001	-86.5	-403.4
2002	-217.1	-232.8
2003	-345.9	-221.4
2004	-416.7	-234.1
2005	-538.1	2.7

Source: Various RBZ Quarterly Economic Reviews

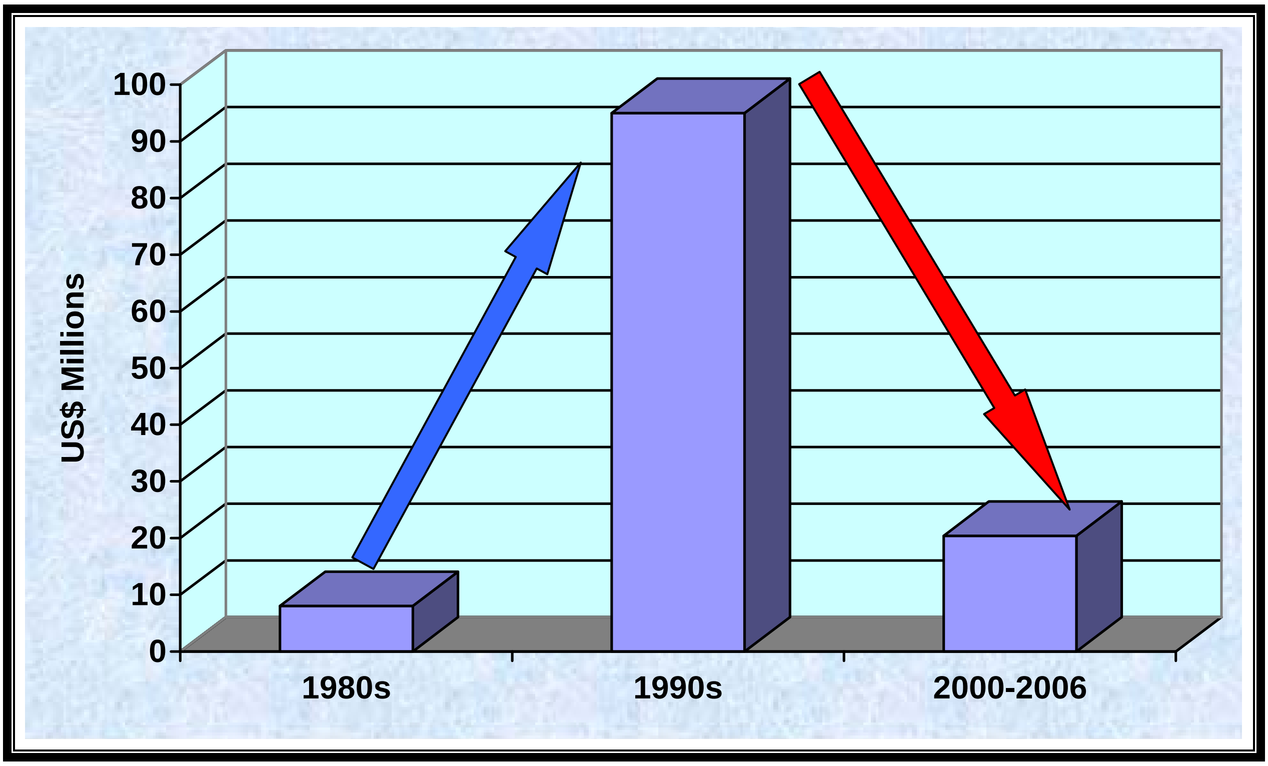
Grant Inflows



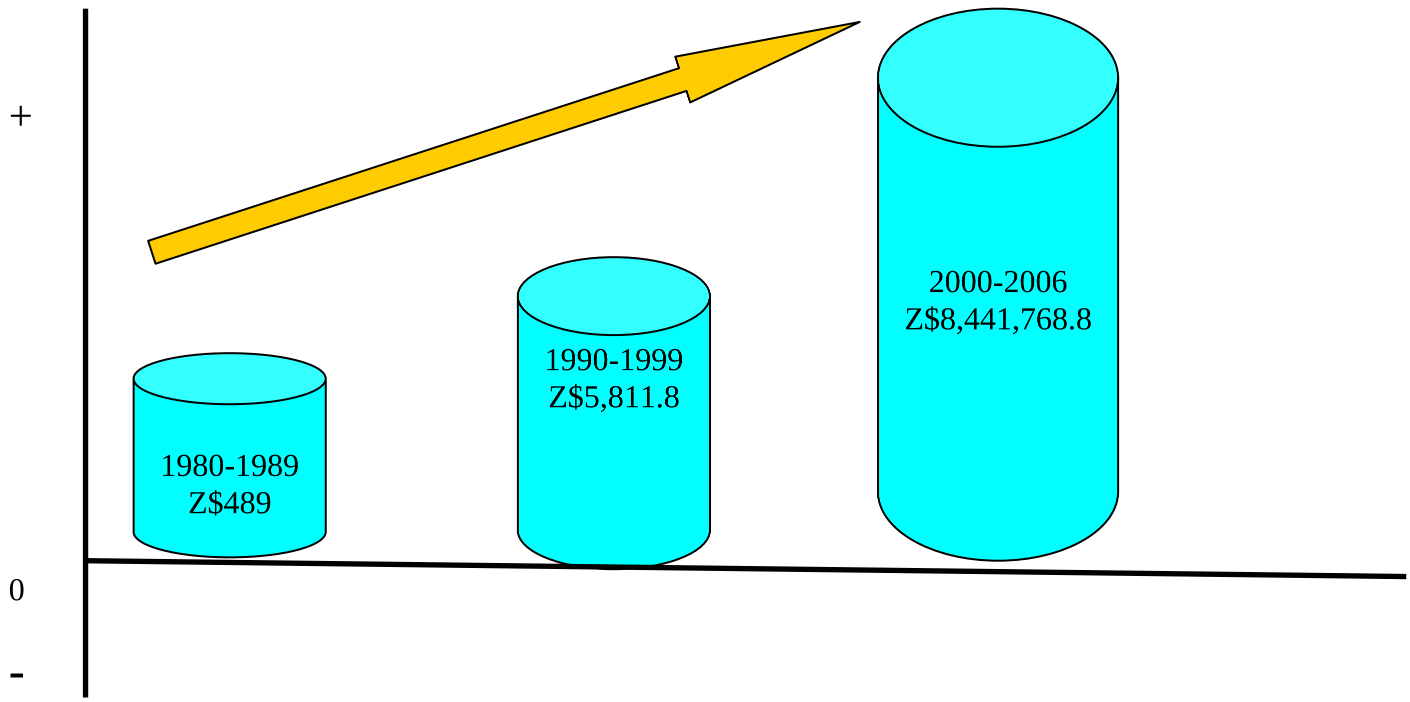
External Loan Inflows (US$M)



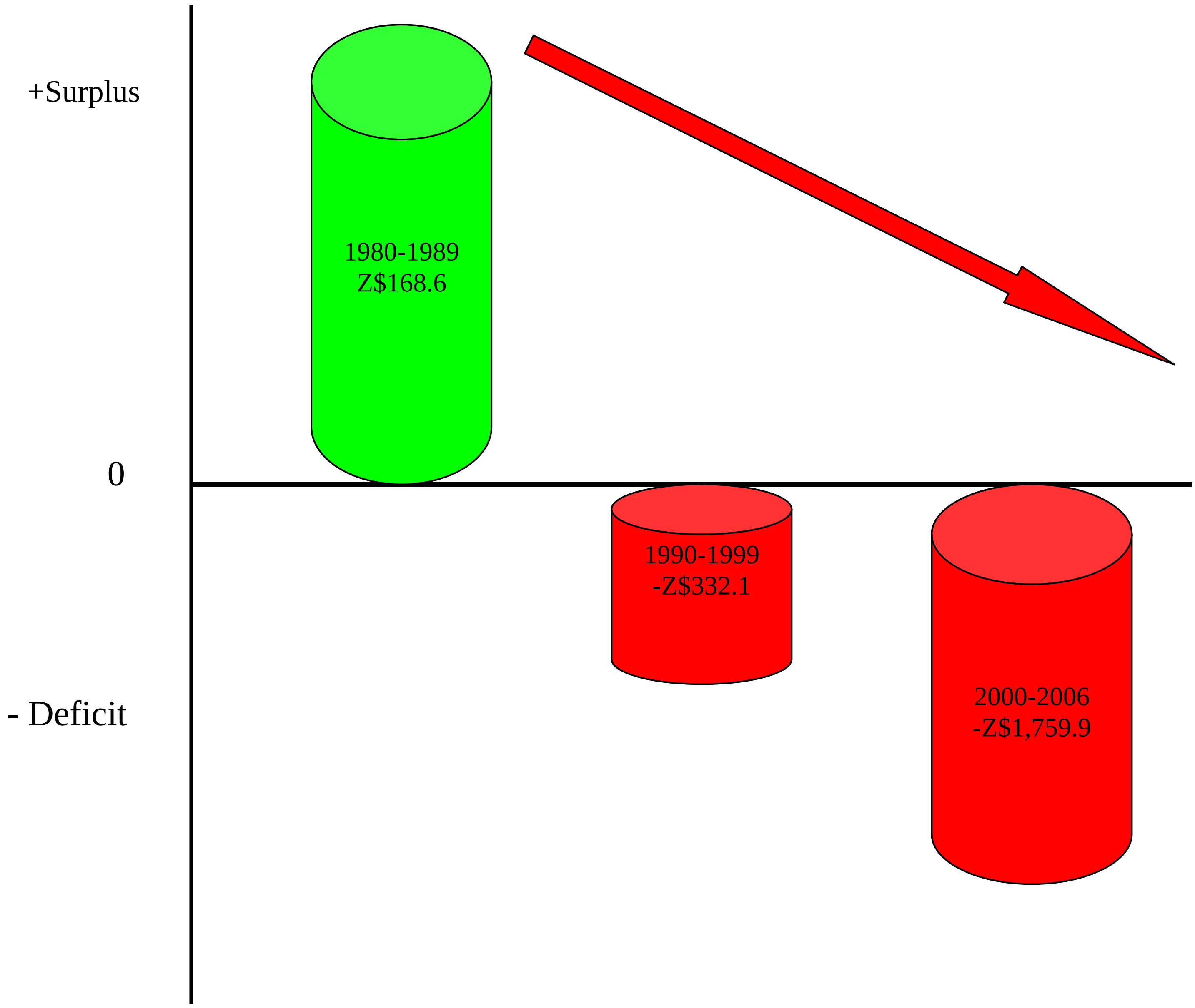
Foreign Direct Investment Inflows (US$M)



Fiscal: Average Domestic Financing (Z$'000)



Fiscal: Average Foreign Financing (Z$'000)



STATISTICAL TABLES

In terms of the Reserve Bank of Zimbabwe Act, the Monetary Policy Statement is issued bi-annually, in December/January and in June/July of each year. This Statement was postponed after necessary approvals and clearances had been given by the Hon. Minister of Finance to allow the Reserve Bank to take into account the policy dynamics that arose from the 2007 Supplementary Budget issued on 6 September, 2007.

GROSS DOMESTIC PRODUCT (GDP) GROWTH RATES BY INDUSTRY AT CONSTANT (1990) PRICES

	Weight (%)	**2000**	**2001**	**2002**	**2003**	**2004**	**2005 Dec (Est)**	**2006 Dec (Est)**	**2007 Dec (Proj)**
Agriculture	16.1	1.7	14.0	-23.7	-14.5	-9.1	-5.4	11.0	4.7
Mining	3.8	-6.9	-13.5	2.2	-30.9	22.9	1.3	-15.1	-8.1
Manufacturing	18.6	-11.5	-5.4	-13.2	-13.4	-10.2	3.8	-7.0	-16.3
Electricity & Water	1.9	-1.0	10.3	6.2	1.5	8.2	-7.1	-3.0	-6.0
Construction	2.4	-15.0	-35.2	-41.0	-10.4	-1.8	-2.2	-10.0	-10.0
Finance & Insurance	7.2	0.8	-1.2	21.2	3.0	-3.7	-28.7	-3.0	-8.0
Real Estate	2.8	4.8	4.2	3.9	2.2	1.1	0.9	-3.0	-6.0
Distribution & Tourism	16.1	-8.8	-5.2	-4.5	-30.8	-20.0	-20.0	-7.0	-13.0
Transport & Communication	8	-6.3	-4.3	-1.3	-8.2	-1.3	1.0	-5.0	-6.0
Public Administration	3.4	-6.1	4.6	2.0	1.9	5.9	6.0	-2.0	-4.0
Education	6.5	3.7	5.9	1.0	1.1	1.1	1.0	-1.2	-3.0
Health	1.3	-7.6	17.8	-13.0	-0.1	-1.2	-1.2	-2.2	-3.0
Domestic Services	1.4	-5.0	5.7	2.5	0.4	-1.1	0.5	-2.5	-3.5
Other Services	4.5	-2.1	-2.7	1.8	-7.3	-7.3	-7.3	-1.5	-4.0
Less Imputed Bank charges	-4	32.0	15.9	-11.9	-52.0	-34.7	-34.3	-15.5	-15.5
GDP at factor cost	**90**	**-6.5**	**-0.8**	**-6.4**	**-8.2**	**-4.2**	**-5.2**	**-1.6**	**-5.7**
Net taxes on production	0.3	-17.1	-23.7	-43.6	-71.6	-70.5	-60.4	-25.0	-25.0
GDP at basic prices	**90.3**	**-6.6**	**-0.9**	**-6.5**	**-8.3**	**-4.2**	**-5.3**	**-1.6**	**-5.7**
Net taxes on products	9.7	-23.9	7.3	-0.3	1.3	1.3	6.0	-2.9	-3.2

Source: central statistical Office & Reserve Bank of Zimbabwe

COMMODITY EXPORTS	2000		2001		2002		2003		2004		2005		2006		2007	
	US$ Million	Growth Rate (%)	US$ Million	Growth Rate (%)	US$ Million	Growth Rate (%)	US$ Million	Growth Rate (%)	US$ Million	Growth Rate (%)	US$ Million	Growth Rate (%)	US$ Million	Growth Rate (%)	US$ Million Proj	Growth Rate (%)
Mining	**440.6**	**14.0**	**389.5**	**-11.6**	**283.4**	**-27.2**	**390.4**	**37.8**	**608.7**	**55.9**	**641.1**	**5.3**	**784.0**	**22.3**	**707.6**	**-9.7**
Of Which: Gold	216.4	**-5.8**	225.5	**4.2**	159.2	**-29.4**	152.3	**-4.3**	262.8	**72.6**	191.1	**-27.3**	201.5	**5.4**	158.2	-21.5
Platinum	11.4	**225.7**	17.5	**53.5**	6.3	**-64.0**	77.4	**1128.6**	174.4	**125.3**	232.0	**33.0**	311.3	**34.2**	270.0	-13.3
Nickel	78.3	**61.8**	35.2	**-55.0**	31.5	**-10.5**	68.5	**117.5**	95.7	**39.7**	95.7	**0.0**	160.1	**67.3**	175.0	9.3
Asbestos	61.1	**71.6**	60.0	**-1.8**	39.3	**-34.5**	42.4	**7.9**	19.4	**-54.2**	25.7	**32.5**	31.1	**21.0**	27.2	-12.5
Agriculture	**857.9**	**0.4**	**832.9**	**-2.9**	**646.6**	**-22.4**	**516.0**	**-20.2**	**384.2**	**-25.5**	**335.9**	**-12.6**	**368.4**	**9.7**	**370.9**	**0.7**
Of Which: Tobacco	548.8	**-10.3**	594.1	**8.3**	434.6	**-26.8**	321.3	**-26.1**	226.7	**-29.4**	203.8	**-10.1**	206.9	**1.5**	218.6	5.7
Sugar	95.7	**85.8**	70.0	**-26.9**	64.1	**-8.4**	54.8	**-14.5**	53.9	**-1.6**	43.1	**-20.0**	81.0	**87.9**	74.0	-8.6
Horticulture	125.4	**51.8**	119.1	**-5.0**	126.7	**6.4**	118.7	**-6.3**	84.1	**-29.1**	75.9	**-9.8**	58.4	**-23.1**	55.5	-5.0
Manufacturing	**815.0**	**33.8**	**853.3**	**4.7**	**706.1**	**-17.3**	**691.2**	**-2.1**	**620.9**	**-10.2**	**555.1**	**-10.6**	**523.3**	**-5.7**	**464.5**	**-11.2**
Of Which: Ferro Alloys	154.8	**1.9**	81.8	**-47.2**	106.7	**30.4**	119.8	**12.3**	185.1	**54.5**	157.6	**-14.9**	146.4	**-7.1**	136.9	-6.5
Cotton Lint	156.0	**39.4**	81.9	**-47.5**	53.2	**-35.0**	67.2	**26.3**	122.1	**81.7**	96.3	**-21.1**	107.8	**11.9**	104.5	-3.1
Iron and Steel	15.0	**20.0**	3.5	**-76.7**	22.3	**537.1**	39.9	**78.9**	22.8	**-42.9**	23.6	**3.5**	12.5	**-47.0**	8.3	-33.6
Pure Manufactures	498.2	49.8	686.1	37.7	523.9	-23.6	464.3	-11.4	290.8	-37.4	277.7	-4.5	256.6	-7.6	214.8	-16.3
Total Exports (F.O.B)	**2202.9**	**13.9**	**2113.7**	**-4.0**	**1802.3**	**-14.7**	**1669.9**	**-7.3**	**1684.2**	**0.9**	**1606.1**	**-4.6**	**1730.1**	**7.7**	**1598.1**	**-7.6**

Source: Reserve Bank of Zimbabwe & Ministry of Finance

Zimbabwe: External Debt Outstanding by Creditor (Including All Arrears)								
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007***
(US$ millions)								
Public & publicly guaranteed medium-&-long-term debt	**3075**	**3188**	**3271**	**3603**	**3849**	**3748**	**3983**	**3982**
Bilateral Creditors	1351	1430	1458	1658	1897	1877	2037	2000
Multilateral Institutions	1724	1758	1813	1945	1952	1871	1936	1972
International Monetary Fund	292	292	279	288	291	144	130	132
World Bank	877	882	919	990	990	990	1069	1079
Others	555	583	615	667	671	737	737	760
Private Creditors	0	0	0	0	0	0	10	10
Public and publicly guaranteed short-term debt	42	13	26	51	69	107	122	178
Total public and publicly guaranteed debt	**3117**	**3201**	**3297**	**3653**	**3918**	**3855**	**4105**	**4160**
Total External Debt	**3525**	**3422**	**3510**	**3812**	**4071**	**3978**	**4246**	**4409**
Memorandum items:								
Private Sector Long-Term Debt	152	67	56	41	78	57	45	51
Private Sector Short-Term Debt	256	154	157	118	75	66	96	198
(in percentage of total)								
Public & publicly guaranteed medium-&-long-term debt	100%	100%	100%	100%	100%	100%	100%	100%
Bilateral Creditors	44%	45%	45%	46%	49%	50%	51%	50%
Multilateral Institutions	56%	55%	55%	54%	51%	50%	49%	50%
Private Creditors	0%	0%	0%	0%	0%	0%	0%	0%
(in percentage of GDP)								
Total External Debt	58%	31%	52%	76%	95%	144%	71.6%	109.2%
Total Public and Publicly guaranteed debt	51%	29%	49%	73%	91%	140%	69%	103%
Of which: medium-and long-term debt	50%	29%	49%	72%	90%	136.12%	67%	99%
short-term debt	1%	0%	0%	1%	2%	4%	2%	4%
GDP (in millions of US dollars)	**6107**	**10887**	**6715**	**5037**	**4299**	**2753**	**5932**	**4037**

1. Figures are provisional

* As at end of August 2007

Source: Reserve Bank of Zimbabwe & Ministry of Finance

Money Supply Figures (Z$ Million)

Month/Year	M1	M2	M3	RM	CIC
Jan-06	50 920.4	69 189.5	75 039.3	13 949.0	11 046.3
Feb-06	54 875.6	75 568.6	81 265.3	19 590.5	13 804.9
Mar-06	59 968.2	83 589.3	92 536.9	26 344.1	16 288.2
Apr-06	71 375.7	100 991.6	111 094.7	31 378.8	20 121.6
May-06	96 868.9	134 359.1	146 699.7	48 395.2	28 223.0
Jun-06	113 151.0	166 339.2	181 704.5	56 581.6	38 733.5
Jul-06	152 496.7	216 127.3	230 050.9	70 263.2	46 882.0
Aug-06	247 987.2	319 839.8	335 763.1	101 634.8	53 493.5
Sep-06	329 404.8	448 047.9	471 440.9	149 014.8	77 729.6
Oct-06	417 394.1	605 882.8	644 103.4	177 295.1	103 171.5
Nov-06	515 075.8	754 722.8	791 996.1	220 729.9	147 403.7
Dec-06	629 062.8	918 232.6	982 947.3	299 706.1	220 388.0
Jan-07	859 802.7	1 259 553.8	1 304 498.6	373 717.4	270 102.9
Feb-07	1 207 773.5	1 701 723.1	1 774 188.0	583 781.2	407 706.6
Mar-07	2 198 457.5	3 038 665.7	3 105 486.6	1 128 656.5	779 716.1
Apr-07	3 511 128.7	4 668 198.0	4 790 068.4	2 295 370.9	1 437 844.7
May-07	8 276 328.5	10 467 285.4	10 613 610.4	4 980 927.8	2 908 316.1
Jun-07	18 598 734.5	24 139 118.4	24 618 015.2	12 108 091.2	7 597 582.6
Jul-07	28 134 584.9	39 094 984.7	39 506 816.2	21 309 965.4	12 282 894.7

Notes:
M1: This is narrow money, defined as notes and coin in circulation plus demand deposits with the banking system.
M2: M1 plus savings deposits plus less than 30 day deposits with the banking system.
M3: M2 plus over 30 day time deposits with the banking sector.
RM: Reserve Money
CIC: Currency in circulation

Source: Reserve Bank of Zimbabwe

INTEREST RATES (%)				
Month/ Year	**Overnight* (Secured & Unsecured**	**Commercial Banks Lending Rates (Min-Max)**	**Commercial Banks 90 Day Deposit Rates (Min-Max)**	**Average Interbank Rates**
Jan-06	540-550	280-465	8-330	75.9
Feb-06	700-710	300-610	8-320	278.3
Mar-06	750-785	400-790	8-450	593.1
Apr-06	800-850	465-900	8-500	639.8
May-06	850-900	465-900	8-500	507.1
Jun-06	850-900	465-800	8-450	548.0
Jul-06	300-350	465-800	8-560	239.6
Aug-06	300-350	250-375	8-350	57.2
Sep-06	300-350	250-450	8-350	19.6
Oct-06	500-600	250-450	8-325	174.1
Nov-06	500-600	250-700	8-325	210.7
Dec-06	500-600	250-700	8-500	305.7
Jan-07	500-600	250-700	8-250	216.5
Feb-07	500-600	275-750	8-240	185.5
Mar-07	500-600	325-750	8-250	261.2
Apr-07	600-700	325-750	8-300	358.6
May-07	600-700	325-750	8-300	241.8
Jun-07	600-700	325-750	8-250	238.3
Jul-07	600-700	395-750	8-250	265.4
Aug-07	600-700	450-750	8-320	51.8

**The Central Bank's overnight accommodation rate*
Source: Reserve Bank of Zimbabwe

FINANCIAL INSTITUTION PLAYERS					
	Commercial Banks		**Merchant Banks**		**Asset Management Companies**
1	Agricultural Development Bank (Agribank)	1	African Banking Corporation	1	ABC Asset Management
2	Barclays Bank of Zimbabwe Limited	2	Genesis Investment Bank	2	Alpha Asset Management Company P/L
3	CBZ Bank Limited	3	Interfin Merchant Bank	3	Equivest Nominees
4	CFX Bank Limited	4	Renaissance Merchant Bank	4	Fidelity Life Asset Management
5	FBC Bank Limited	5	Premier Banking Corporation	5	Imara Asset Management
6	Intermarket Banking Corporation Limited			6	Infinity Asset Management
7	MBCA Bank Limited			7	Datvest Asset Managers (CBZ)
8	Kingdom Bank Limited		**Finance Houses**	8	Kingdom Asset Management
9	Metropolitan Bank of Zimbabwe Limited	1	Trustfin (Pvt) Limited	9	Legend Asset Management
10	NMB Bank Limited			10	MBCA Capital Management P/L
11	Stanbic Bank Zimbabwe Limited			11	Old Mutual Asset Managers
12	Standard Chartered Bank Zimbabwe Limited		**Discount Houses**	12	Premier Asset Managers
13	ZB Bank Limited	1	Discount Company of Zimbabwe Limited	13	Purpose Asset Management (P/L)
14	Zimbabwe Allied Banking Group	2	Highveld Financial Services limited	14	Syfrets Asset Management
		3	National Discount House Limited	15	TFS Management Company P/L (Tetrad)
	Building Societies	4	Tetrad Securities Limited	16	TN Asset Management
1	Beverley Building Society			17	Zimnat Asset Management Co.
2	Central African Building Society				
3	FBC Building Society		**Savings Bank**		
4	Intermarket Building Society	1	People's Own Savings Bank		

Source: Reserve Bank of Zimbabwe

FINANCIAL INSTITUTION PLAYERS (CONT'D)			
Pension Funds			
1	Afdis P/F	26	Motor Indusry P/F
2	Apex P/F	27	NASSA Benefit Fund
3	Astra P/F	28	NASSA Insurance Fund
4	Barclays Bank of Zimbabwe P/F	29	National Foods P/F
5	Bard Investments P/F	30	NRZ P/F
6	Beverly Building Society P/F	31	Nestle Zimbabwe P/f
7	BP & Shell P/F	32	O.K Zimbabbwe P/F
8	Communication and Allied Communications P/F	33	Pelhams P/F
9	Commercial Union Fire, Marine and General P/F	34	Posts & Telecommunications Self Insurance Plan
10	Clothing Industry P/F	35	Protea Assurance Co. Staff P/F
11	Coghlan, Welsh & Guest	36	SMM P/F
12	Construction Industry P/F	37	Steelforce P/F
13	Delta P/F	38	Tedco P/F
14	Dustan P/F	39	Tractive Power Holdings P/F
15	Econet P/F	40	Total Zimbabwe P/F
16	Electricity Supply Commission Staff P/F	41	Triangle Money Plan P/F
17	Electricity Supply Commission Weekly Paid Staff P/F	42	Unified Councils P/F
18	Grain Marketing Board Pension Fund	43	Unilever S.A. Group P/F
19	Hiserve P/F	44	University of Zimbabwe P/F
20	Lever Group P/F	45	ZABG P/F
21	Local Authorities P/F	46	Zimbabwe Electricity Supply Authority P/F
22	Megapak P/F	47	Zimasco P/F
23	MBCA	48	Zimsun P/F
24	Mining Industry P/F	49	Zimbabwe Newspapers P/F
25	Mobile Zimbabwe P/F	50	Zimbabwe Minerals Development Corporation P/F

Note:
P/F: Pension Fund
Source: Insurance and Pensions Commission

FINANCIAL INSTITUTION PLAYERS (CONT'D)					
	Life Insurance Companies		**Non - Life Insurance Companies**		**Funeral Assurance Companies**
1	Fidelity Life Ass. of Zim.(Pvt)Ltd.	1	AIG Zimbabwe	1	Celfet Funeral
2	First Mutual Life Ass. Society of Zim.	2	Alliance Insurance Company	2	Doves - Morgan - Crocker
3	IGI Life	3	Altfin Insurance Company	3	Executive Funeral
4	Intermarket Life Assurance	4	Brownstone Insurance Company	4	First Funeral Assurance
5	Old Mutual	5	Cell Insurance Company	5	Forever Funeral Assurance
6	Universal Life Assurance	6	Champions Insurance Company	6	Foundation Mutual Society
7	Zimnat Life Assurance Co. Ltd.	7	Clarion Insurance Company	7	Funeral Assurance Society (Pvt) Ltd.
		8	Credit Insurance Zimbabwe Ltd. (Credsure)	8	Future Funeral Assurance
	Professional Life Reinsurers	9	Eagle Insurance Co. Ltd.	9	Mashfords Funeral Assurance (Pvt) Ltd.
1	Cologne Reinsurance Co. of S.A Ltd.	10	Excellence Insurance Company	10	Moonlight Funeral Assurance (Pvt) Ltd.
2	Swiss Re Life and Health Co. Ltd.	11	Gallant Insurance Company	11	Nyaradzo Funeral Assurance
3	Munich Reinsurance Co. of S.A Ltd.	12	Global Insurance	12	Perpro Funeral Assurance
4	Swiss- South Africa Reinsurance Co. Ltd.	13	Heritage Insurance Co. of Zim. (Pvt)Ltd.	13	Prosper Funeral
		14	IGI Insurance Co. of Zim. Ltd.	14	Star Mutual Funeral Assurance Society
	Professional Non - Life Reinsurers	15	Jupiter Insurance Company		
1	First Mutual Reinsurance	16	NICOZ DIAMOND		
2	Grand Reinsurance Limited	17	Quality Insurance Co. Zim. Ltd.		
3	Intermarket Reinsurance Limited	18	R.M. Insurance Co. Ltd.		
4	New Reinsurance	19	Standard Fire and General		
5	FBC Reinsurance Co.	20	Total Insurance		
6	Zimbabwe Reinsurance Company	21	Tristar Insurance Company		
		22	Zimnat Lion Insurance Co. Ltd.		

Notes:
Zim.: Zimbabwe
Source: Insurance and Pensions Commission

	VENTURE CAPITAL COMPANIES*
1.	Zimbabwe Progress Fund
2.	Continental Capital
3.	Batanai Capital Finance
4.	Venture Capital Company of Zimbabwe
5.	Zimbabwe Development Bank Ventures
6.	National Investment Trust
7.	Parity Venture
8.	Takura Ventures

*These are the venture capital companies (VCCs) who participated in the formation of Zimbabwe Venture Capital Association in 2006. VCCs are only registered in terms of the Companies Act hence the list does not include non-members.

Source: Zimbabwe Venture Capital Association

DEVELOPMENTAL INSTITUTIONS	
1	Small Enterprise Development Corporation
2	Infrastructural Development Bank of Zimbabwe

Source: Reserve Bank of Zimbabwe