

# Monthly Financial Sector Bulletin

Issue No. 41, January 2017– What Does 2017 Have In Store?



Minister of Finance & Economic Development Patrick Chinamasa officially opens Microcred Zimbabwe's new City branch at Penslade Building in Harare on Tuesday, 10 January 2017. Looking on - to the left - is CEO Lloyd Borerwe. **Picture Credit: Newsday**

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The MFSB is a monthly roundup of key Zimbabwean financial sector developments produced by SoundGarden Publishing, a provider of proprietary data, business intelligence and analytical content supporting decision-making in financial markets.



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# MONTHLY FINANCIAL SECTOR BULLETIN (MFSB): ISSUE NO. 41, JANUARY 2017

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## SELECTED VITAL STATISTICS AT A GLANCE

### General Statistics

Year-on-year Inflation for <b>December 2016</b>	Minus 0.93 % ( <b>November 2016:</b> Minus 1.09%)
Average Annual Inflation for 2016	Minus 1.56% (Minus 2.4% in 2015)
Projected Annual Inflation in 2017	1-2%
Projected <b>2017</b> Gross Domestic Product (GDP) Growth	1.7% (2016 – Initial 1.4%) (Revised to 0.6%)
Budget for 2017	US\$4.1 billion
2016 Weighted Manufacturing Sector Capacity Utilisation	47.4 % ( 2015 - 34.3%) (2014 - 36.5%) (2013 – 36.1%)
Trade Deficit for <b>2016</b>	US\$2.38billion (Exports – US\$2.83 bn; Imports – US\$5.21 bn)
Zimbabwe's Foreign Direct Investment (FDI) – <b>2015</b>	US\$421 million (US\$545 million in 2014)
ZSE Market Capitalisation: <b>As at 31 October 2016</b>	US\$3.328 billion (September - \$2.725 billion)

### Statutory Ratios

Formula	Ratio
<b>Minimum Capital Adequacy Ratio:</b> (Total Qualifying Capital/Total Risk Weighted Assets) x 100	12%
<b>Minimum Liquidity Ratio:</b> (Total Liquid Assets/Total Liabilities to the Public) x 100	30%

### Deposits, Loans and Lending Ratios

Total Banking Sector Deposits	US\$6.51 billion ( <b>31 Dec 2016</b> )
Total Banking Sector Loans and Advances	US\$3.69 billion ( <b>31 Dec 2016</b> )
Loans-to Deposit Ratio (31 Dec 2016)	56.64% (86.07% - 31 Dec 2015)
Banking Sector Non-Performing Loans (NPLs) ( <b>31 Dec 2016</b> )	7.87%(10.82% - Dec 2015 & Peak 20.45% as at 30 Sept 2014)
Total Banking Sector Loans ( <b>31 Dec 2016</b> )	US\$8.73 billion (US\$7.8 billion – Dec 2015)

## Editorial Comment

### Product Innovation & Channel Development

Two new products were introduced during the month, down from five in December, as the festive season lull continued to take its toll. Notably, banks continued to take a back seat in the product development stakes as initiatives in the current month were by a money transfer outfit and a telecommunications company. Probably aware that the banking public was still low on spending power after the traditional spending spree of the festive season immediately followed by the demands of school fees and other necessary expenditure, banks decided not to stretch their luck and there was only one promotional activity during the entire month of January.

The Monthly Financial Sector Bulletin (MFSB) sees Visa's imminent introduction of the National Net Settlement Service (NNSS) as recognition of the reality of the introduction of a local currency in the form of bond notes. It is also a reflection that Zimbabwe is an important market for the global digital payments network that connects consumers, businesses, financial institutions and governments in more than 200 countries. Built on Visa's transaction processing network VisaNet, NNSS is customised to process, clear, report and settle domestic transactions specific to the unique set of needs and requirements of the country. An increase in the adoption of plastic money in the country as a result of the cash shortages has meant higher volumes of business for Visa in the local market, which it stood to lose due to the suspension of use of Visa Cards for local transactions by some Zimbabwean banks. According to the Reserve Bank OF Zimbabwe, by August 2016, the use of plastic money had increased by 152 percent since the apex bank announced measures to encourage the use of credit and debit cards as a means of reducing pressure on physical cash transactions against the background of a shortage of bank notes. Elsewhere in the bulletin, we learn that the value of transactions processed through point of sale (POS) terminals grew 23 percent in December to \$550 million from \$446 million in November as Zimbabweans continued to increase their usage of plastic money. Volumes also increased 47 percent to 14.3 million from 9.7 million in November.

What they lacked in product innovation during the month, financial sector players (FSPs) certainly made up for it in their channel development activities which increased from four (4) in December 2016 to seven (7) in January 2017. Banks hogged the channel development limelight, accounting for over 70% of the initiatives. More than half of the initiatives had something to do with the branch channel, the most notable of which was BancABC's closure of three branches in Harare. Also notable, no doubt, was CBZ Holdings' suspension of the Visa card on the local market and the same group's establishment of CBZ Risk Advisory Services (Pvt) Limited to help the group's clients understand the risks they are exposed to and how to cost-effectively transfer those risks to an appropriate insurance company.

### ICT Developments

Two banks, CBZ Bank and Steward Bank, took the opportunity of reduced business volumes attributed to what has come to be known as the January Disease (depleted spending power in January owing ironically to overspending in December, coupled with critical expenditure demands for necessities such as school fees and uniforms) to carry out system maintenance and upgrades in order to increase capacity and enhance service delivery.

### Executive Management/Board Changes

The appointment of Takunda Ushie as the next managing director of the Financial Clearing Bureau following the departure of Alan Goodrich was the standout development of the month in the C-Suite, as Mrs. Marnet Mpfu looked set to depart from IPEC. Meanwhile, former World Bank Vice President for the Africa region Callisto Madavo passed away in South Africa and the MFSB extends sincere condolences to the family of this Zimbabwean pioneer.

### Rebranding & Strategic Realignment Initiatives

It was clearly a month for microfinance as two of the country's significant MFIs, Success Microfinance Bank and Microcred Zimbabwe successfully rebranded, testifying of the sector's desire to stake a bigger claim on the financial services sector. On the Pan-African stage, the rebranding of the PTA Bank to the Trade Development Bank was also a key highlight of the month.

### Corporate Actions

Econet Wireless's intention to engage in a capital raise of circa US\$130 million by way of a Rights Offers of ordinary shares and Linked Debentures in order to facilitate the servicing of obligations to its foreign lenders was one of the key highlights of the month. Through the Rights Offer – possibly the biggest ever local capital raise – Econet intended to manage both foreign exchange risk and default risk by paying off all its term loans. According to a circular to shareholders released on Tuesday, 17 January 2017, members of Econet were expected to follow their rights by paying the proceeds of the offer in United States Dollar directly into the company's debt service account with Afreximbank maintained at Standard Chartered Bank London. The fact that Econet moved to pay off the loans before they become due is, in MFSB's view, an indication that the company expected the currency situation to get worse.

Despite being linked to a bank – sister company Steward Bank - Econet has ostensibly still struggled to access foreign currency, a situation that underlines how desperate the currency situation has become. There is already predictable grumbling about the Rights Offer trampling the rights of minority shareholders and also transferring the burden of raising foreign currency to shareholders when it should in fact have been the ultimate responsibility of Econet Global, which has all along been getting guarantee fees as the guarantor of the loans. There are also concerns that as Underwriter of the rights offer, Econet Global stood to increase its shareholding at a massive discount. However, despite these concerns, the MFSB believes it is critical for Econet to pull this transaction off because it is one of Zimbabwe's biggest private sector offshore borrowers and a default on its foreign debt would no doubt worsen a country risk profile that is already highly unfavourable. In investment circles, Econet is seen as a price asset which analysts feel is building a sustainable growth business model that could reward long-term investors. The company has tailored its operations away from voice with key investments in sectors such as health (EcoHealth), retail (Ownai), financial services (Steward Bank and EcoCash), insurance (EcoSure), education (EcoSchool & Ruzivo Digital Learning), Agriculture (EcoFarmer) and media (Kwese TV).

### External Financing: Lines of Credit and Grant Aid/Finance

Two of the developments during the month highlight some of Government's challenges in trying to access foreign lines of credit. Government's failure to secure a loan of about US\$300 million from local financial institutions, which would trigger the release of US\$1.17 billion in concessionary funding from China Eximbank for the expansion of Hwange Power Station, is an indication of both government's compromised creditworthiness and lack of liquidity in the local market. The failure to conclude the US\$100 million Chinese facility meant to capacitate small scale gold miners due to arrears to Sinosure, means the country is now off-risk. Meanwhile, the fact that Zimbabwe was one of three countries in the SADC region selected to benefit from a \$20 million African Development Bank (AFDB) soft commodities facility meant to support farmers improve produce for exports demonstrates that funders are willing to work with private sector players with verifiable track records.

### Capital Market Developments

The fact that only Old Mutual Zimbabwe Limited (OMZIL)'s B Class shares are listed on Finsec's alternative trading platform will certainly have contributed to the significant decline in turnover between December and January but the other unwritten story is that of the liquidity challenges which have the effect of depressing demand for shares.

### Fiscal, Public Debt & Investment Issues

As the country continued with efforts to improve its doing business environment, during the month three missions under the Zimbabwe Reconstruction Fund (Zimref), a World Bank-administered trust fund began the work of helping to improve the country's business environment climate, supporting reform of State-owned enterprises and strengthening the poverty and equity focus of public spending. Of particular interest to the MFSB is the Business Environment, Financial Sector and Investment Policy (BEFSIP) technical assistance programme, which in part also seeks to strengthen the regulatory framework and financial infrastructure for expanded access to financial services and markets for micro small-to-medium enterprises.

### Deposit Protection & Troubled Institutions Resolution Initiatives

One has to feel for the creditors of closed Tetrad Investment Bank (TIB), who continued to harbor hopes that the financial institution could be revived, enabling them to become shareholders in the institution already owing them over



\$50 million. This emerged as the DPC gave notice of a special meeting of creditors scheduled for 9 February 2017 for the purpose of submission of further proof of claims. Meanwhile the demise of AfrAsia Bank Zimbabwe Limited was further confirmed by the payment of a second interim dividend to preferent creditors in November 2016, although legal proceedings and the illiquid market continued to impede the anticipated timing of the liquidation distributions. Be that as it may, the third interim dividend was likely to be paid out in the first half of 2017 to concurrent creditors after all preferent creditors had been paid.

### Policy/Regulatory /Legal Developments:

As the financial sector recovered from the festive season lull, the Reserve Bank of Zimbabwe announced that bond notes valued at \$72.9 million were now in circulation. To put this value of bond notes in perspective, it is close to 30% of the value of average historical cash holdings of banks, said to be in the region of US\$250 million. Given the relative success of bond notes as a mode of transaction, the head honchos at 80 Samora Machel Avenue must have been rubbing their hands with glee. We can safely say that though they are still viewed derisively by the public, bond notes appear to have so far passed the transactional test with flying colours. The RBZ couldn't have asked for more! However the jury was still out on whether bond notes can be a sustainable store of value in the long run. The RBZ credits the incentive scheme for the resumption of exports by some companies, but what has also become apparent now is that the Export Incentive Scheme is largely the conduit through which the bank is introducing a local currency. Of course, this currency is not the ZWD but its precursor. Our concern is however that more than a month after introducing the bond notes, the central bank was yet to set up an independent board to monitor the issuance of bond notes. Government however said it was in the process of drafting a Statutory Instrument (SI) that would give legal effect to this committee. The terms and conditions of the Afreximbank facility which backs the issuance of the bond notes remained a mystery and one got the feeling that the monetary authorities were not being sincere, which could ultimately work against earning the trust of the transacting public, which is critical when it comes to currency issues.

Despite the legal challenges by businessman Mfundu Mlilo and opposition politician Dr Joice Mujuru against introduction of bond notes the other regulatory developments included Government's efforts to reinforce the usage of bond notes by criminalizing rejection of bond notes as legal tender and exchange of the notes at a rate other than the prescribed one-to-one with the US dollar.

### Domestic Lending Perspectives

If any proof was ever needed for the immense demand for loans, this was provided by two parties during the month - an apex fund and a credit-only MFI. The Zimbabwe Microfinance Fund (ZMF) saw disbursements surging 166 percent in 2016 to \$7.8 million from the previous year, with a target to disburse up to \$10 million in 2017. This demand was attributed to an increase in number of borrowing partners coming for agriculture loans and on the back of predicted normal to above normal rains and institutions that were now struggling to get offshore finance from their usual sources. Microcred Zimbabwe, whose brand was officially launched during the month, also alluded to the "huge demand for credit in the country." This, according to the Reserve Bank statistics, was against the background of a broad money supply that continued to be dominated by short-term deposits constraining the financial services sector's capacity to lend to critical sectors of the economy on a long-term basis.

Despite already owning stakes in other banks such as Agribank, ZB Bank and National Building Society, government insisted on establishing other banks, purportedly to service the needs of disadvantaged groups such as women and youth hence plans to form a youth bank to be known as Empower Bank as well as a women-focused bank called the Women's Microfinance Bank. Government also sought to transform the Small and Medium Enterprises Development Corporation (SMEDCO) into a microfinance bank. Yet government's role, as highlighted by Labour Minister Prisca Mupfemira in the context of housing provision as a "facilitator and regulator rather than sole provider ... through a partnering and facilitating approach." Government should not be forming new banks left right and centre but should instead be focusing on improving conditions for existing players to increasing their lending to the vulnerable groups. The MFSB however applauds the Reserve Bank of Zimbabwe's efforts to partner with three institutions for the purpose of availing educational grants to students in higher and tertiary learning institutions countrywide.

### Currency, Pricing and Liquidity Perspectives

A month and half after their introduction, bond notes appeared to hold their own and defy predictions that they would fuel a catastrophic currency black market. In Harare's currency black market hotspots such as the Roadport terminus,

bond notes were in mid-January trading at 1:1 to the greenback, with those who tried to charge a premium to desperate customers reportedly finding no takers. This development was attributed to the scarcity of the notes, which was sustaining their value. The fact that cash dealers were reportedly charging business owners seeking to restock their goods from South Africa between \$2 and \$2, 50 for the \$100 bill, leading to the absurd situation where the US dollar was trading against itself at a rate of \$1: \$1, 02 or \$1,025, was sufficient reminder that a full scale currency black market was never too far away.

The printing of the bond notes beyond the stipulated limited however seemed unlikely, if sentiments expressed by Finance Minister Patrick Chinamasa were anything to go by. Speaking in Parliament on Tuesday, 24 January 2017, Chinamasa said that the government would not make the mistake of printing more bond notes than stipulated, as such a decision would cost the ruling Zanu PF the 2018 elections. Ironically, it is the very election that can cause Government to break its undertaking, given the limited funding options at its disposal.

Meanwhile the Confederation of Zimbabwe Industries continued to advocate for the adoption of the South African Rand as a lasting solution to Zimbabwe's currency woes. At its Economic Outlook Symposium in late January, The CZI revealed it would approach Government with draft legislation to push for the adoption of the South African rand over the US dollar as the main transacting currency, a development the lobby group believed would allow for benchmarking and ultimately correction in terms of devaluation, competitiveness and cost correction.

### The Microfinance Interview: Repositioning for Sustainable Growth

In this fourth installment, the spotlight is on Microcred Zimbabwe, whose acquisition when it was still MicroKing Finance (Private) Limited by Microcred SAS and AfricInvest Financial Sector Fund Limited was concluded on 23 May 2016. Chief Executive Officer Lloyd Borerwe (LB) talks to the MFSB about the MFI's business model, post-acquisition value creation initiatives to put the company back on a sustainable growth path and the importance of strong shareholder support on corporate performance. Borerwe also talks about the role digital finance can play in meeting the microfinance sector's financial inclusion goals and the company's views on external ratings. He concludes by discussing Microcred's challenges and opportunities and reveals whether the company has plans to convert its credit-only licence and become a microfinance bank.

### FSSL: Redeeming the Spirit of the Interbank Games

As we expand our coverage to include sports in the financial sector, in this introductory feature, our sports reporter talks to Kudzai Kwangwari (KK) the FSSL's elected Secretary General about the league's history, its current composition, sponsorship issues, current challenges and plans. KK also talks about the some players nurtured by the FSSL who have gone on to play on bigger stages as well as former high-fliers to whom the FSSL is now home. You can look forward to more features on the soccer in future editions of the bulletin as we partner key stakeholders such as Payserv Zimbabwe, the Financial Services Soccer League and individual financial institutions in a concerted effort to redeem the spirit of the interbank games, which was driven away by economic challenged in recent years.



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## LAUGHING & LEARNING ALL THE WAY TO THE BANK

Welcome to a brand new extra editorial page which is a collage of facts, figures and some humour. “**Laughing All the Way to The Bank**”, as its name suggests, brings you some of the best humour - inspired by the often too serious subject of banking. “**Did You Know?**” profiles facts and figures you probably didn’t know about the Zimbabwean economy in general or the banking sector in particular.

### LAUGHING ALL THE WAY TO THE BANK



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"I pruned a tree once, so technically I'm allowed to put 'branch manager' on my resumé."

DID YOU  
KNOW ?

That the basic principle of **Gresham's Law** is that bad money drives good money out of circulation. In this context, good money is currency with substantial worth: Bad money is less valuable currency designated as valuable by a sovereign. According to Gresham's law, an economy containing both kinds of money will gravitate towards the bad currency. Gresham's law holds true when individual economic actors are presented with a choice about what type of currency to use. There must be valuable currency in circulation as well as currency that is assigned value. The sovereign must have the power to enforce the use of its artificial money, called fiat currency. Another force driving Gresham's law, besides inflation, is the power of international trade. Even a highly effective government cannot artificially determine how currency is traded on the international market. Thus, even if domestic agents are forced to accept good and bad currency equivalently, the good currency will trade for more money in markets outside of the state's power. Consequently, in addition to being saved by individual domestic actors, good money will actively leave the economy in which the artificial equivalence is established. The name of the law comes from **Sir Thomas Gresham**, who proposed the concept in 1558 in a letter to Queen Elizabeth.





The advertisement features a hand holding a green ZB Bank 'Cashless World PASSPORT' card. To the right, a cloud of speech bubbles lists various cashless payment options: Groceries, Presents, Rates, Cycles, Fuel, Vehicles, Clothes, Travels, Surprise Boxes, Tyres, Bill Payments, Hire's TV, Fuels, Entertainment, Water, Electricity, Mortgage Payments, and Shares. Below this, the text 'ALL CASHLESS OPTIONS' is displayed.

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### THE MICROFINANCE INTERVIEW: REPOSITIONING FOR SUSTAINABLE GROWTH



The Microfinance Interview is a monthly question-and-answer feature through which we engage key stakeholders of the sector such as MFIs, funders, service providers, development partners and regulators amongst others on issues of topical and mutual interest. This is in recognition of the influential role of Microfinance as one of the four pillars of the National Financial Inclusion Strategy alongside financial innovation, financial literacy and financial consumer protection. In this fourth installment, the spotlight is on Microcred Zimbabwe, whose acquisition when it was still MicroKing Finance (Private) Limited by Microcred SAS and AfricInvest Financial Sector Fund Limited was concluded on 23 May 2016. Chief Executive Officer Lloyd Borerwe (LB) talks to the MFSB about the MFI's business model, post-acquisition value creation initiatives to put the company back on a sustainable growth path and the importance of strong shareholder support on corporate performance. Borerwe also talks about the role digital finance can play in meeting the microfinance sector's financial

inclusion goals and the company's views on external ratings. He concludes by discussing Microcred's challenges and opportunities and reveals whether the company has plans to convert its credit-only licence and become a microfinance bank.

**MFSB:** Against the background of what many consider to be a worsening operating environment in Zimbabwe, could you put into context the company's payoff line, "Think Bigger"?

**LB:** Our tagline is unique; it communicates our commitment and expresses our engagement. It captures our values and expresses our drive. In another perspective, it means thinking differently and not being limited by what already exists. This equally relates and applies both to the organisation and to the clients that we serve. There can never be any perfect operating environment, it is important therefore for any business great or small to find a winning formula to ensure its corporate objectives are achieved to the satisfaction of all its stakeholders. In my view and in line with our pay off line, a "Think Bigger" perspective can only drive the impetus to achieving success.

**MFSB:** Can you outline the importance of strong shareholder support on the performance of Microcred, given the current operating environment in Zimbabwe?

**LB:** Having the right mix of important aspects that make any business competitive is very important. In my view, developing and deploying an effective business model, mobilising and provision of financial resources and relevant technical support/assistance are pivotal to the success of any business. Furthermore, if you consider that our current shareholders have a proven record of accomplishment and footprint of establishing, supporting and sustaining microfinance business operations then you can expect Microcred Zimbabwe to benefit immensely from this wealth of experience. Looking at our Zimbabwean context more specifically the microfinance sector, the market is capital starved and in need of proven and cost effective business models to better serve the informal sector. I believe we have the right mix of shareholder support any company would hope for in order to make it.

**MFSB:** It is almost a year since the acquisition of MicroKing Finance (Private) Limited by Microcred SAS and AfricInvest Financial Sector Fund Limited was concluded on 23 May 2016. Considering that the franchise had lost significant value, what post-acquisition value creation initiatives have you embarked on to put the company back on a sustainable growth path?

**LB:** First things first, it was necessary to ensure institution-wide stability was achieved within the minimum possible time post-acquisition. We embarked on quite a number of initiatives as part of our value creation process. We have just recently concluded rebranding and brand activation program exercise. This was at the centre of our value creation process. Our objective has been and still remains repositioning ourselves and redeeming lost market share and to achieve this, we had to look at a number of value creation stimulants that included but were not limited to 1) Reviewing and resourcing of our organisational structure with skilled and competent personnel; 2) Training and development of existing and new staff; 3) Review of our key operational policies and processes and 4) Product and branch rationalisation. These and other initiatives have laid the bedrock on which to sustain our growth going forward.

**MFSB:** I understand that the new shareholders have since provided both equity and debt funding to support the institution's underwriting capacity. Are you at liberty to disclose the amounts involved?

**LB:** The amounts provided both in equity and debt have been significant enough to meet the institution's financial and operational needs.

**MFSB:** What's your view on the regulatory authorities' cap of 10% interest on loans by MFIs?

**LB:** Interest rates are a function of a number of factors. Within our sector, I would put cost of funds, scale and cost-effective business model as the most important in determining cost of products offered by MFIs. An institution that can strike a balance on these will be very competitive and responsible when it comes to pricing.

**MFSB:** Apart from the change of name, what else has the recent rebranding brought to the company? What are you going to do differently?

**LB:** The name change is just a sign of greater institutional change that has taken place and that has ultimately translated to a better and richer value proposition for the benefit of clients and stakeholders. Microcred is the same wherever you go - it was needful therefore for Microcred Zimbabwe to go through the comprehensive rebranding process to ensure brand uniformity and standardisation. Our differentiation is stemming from our brand promise, persona and elements. We now have an enriched brand promise. Focusing exclusively on enterprise clients "build today for their future" and to deliver this promise we have reviewed our products, business processes. Looking at our people (staff), we have invested a lot in fostering a new corporate culture and remodelling of our branches to have the ideal and excellent physical evidence at all our customer touch points. The latter is an ongoing exercise. In short, our way of doing business has completely changed.

Lloyd holds a BSc Natural Resources Management & Agriculture (Honours' Horticulture & Crop Production from – Midlands State University, He is an Alumni of the 2014 Boulder Microfinance Training Program – ITC ILO Turin (Italy), Strategy & Management in Banking - International Development Ireland Ltd – Ireland Dublin and ILO ITC Making Microfinance Work Managing for Improved Performance and a current fellow of Africa Board Fellowship Program – Centre for Financial Inclusion. He was conferred the Harare Region Young Manager of the Year 2012 and subsequently National Young Manager for the same year by the Zimbabwe Institute of Management (ZIM).

**MFSB:** What role, in your play in meeting the financial inclusion goals?

**LB:** Digital finance is key enabler of financial inclusion. The main concerns around reaching out to the low income and informal markets have always been achieving scale, ensuring convenience and lowering transactional costs. Digital finance can support and complement innovative solutions and to some of the teething problems have in promoting financial inclusion. The latter can only be realised, if traditional microfinance models evolve by leveraging on digital finance to provide new business models that can help expand access to basic financial services. This has been proven in a number of countries such as Kenya which is a good case study. In my view, the solution would be on ensuring mature and traditional microfinance models leverage on digital finance innovations to expand on current outreach.

**MFSB:** The Microcred Group says it is one of the few global companies to have succeeded in deploying a profitable model for financing MSMEs. What is this success largely attributed to?

**LB:** Any model must be time tested, and the Microcred model has stood the test of time. The success has largely been attributable to a number of factors but I will just mention a few. The first has been premised on managing credit risk. A solid underwriting procedure is the starting point to building a profitable model that ensures long-term sustainability of the institution. Secondly, the Group has managed to foster high levels of productivity. This has largely depended on building a skilled human resources base and complementing this with effective business processes. Operational excellence is what will ensure any institution achieves scale profitably. It also important to note that Microcred Group is a digital finance company focusing on financial inclusion. This has ensured the model remains not only profitable but also relevant and competitive.

**MFSB:** Microcred only provides business loans for developmental or productive purposes as opposed to consumer lending. What do you have to say about the view that some loans acquired under the “consumer lending” banner are actually deployed for productive purposes?

**LB:** Well, my view is that this is subjective and depends on the school of thought you come from. When we consider productive lending, you actually verify and access the enterprise in question. Eventually one knows for certain that the client is engaged in productive activities and that is exactly what you are financing. It a different perspective altogether when you consider salary-based/consumer lending, the basis of classification of loan use is primarily based on what the client writes on the application form. In most cases that is not followed through and is not the basis of assessment. The assertion is neither here nor there, it will depend with your school of thought and corporate inclinations.

**MFSB:** What’s the current size of Microcred’s branch network? Are there plans to expand to other centres countrywide?

**LB:** Microcred Zimbabwe currently has a footprint of 9 branches and there are plans to expand to new centres that have ranked high in terms of potential. Each case is looked at based on the merits of the (its) business case.

**MFSB:** Does the company have plans for converting its credit-only licence into a deposit-taking one and if so, what is the strategic imperative for this?

**LB:** Most certainly, this is something that the company is planning to do. This is purely informed by the need to enrich and deepen the institution’s outreach.

**MFSB:** At the last count, out of the 173 registered MFIs in Zimbabwe, about six had either been rated or were currently undergoing the rating process. First, what’s Microcred’s view on the issue of ratings and second, why do you think there is such a big gap between rated and unrated MFIs?

**LB:** When you consider the need for MFIs to attract International lines of credit, ratings can raise the profile and credit worthiness on an institution. The rating process can actually result in improved operational best practice within an institution. The latter depends largely on commitment and willingness of the leadership.

**MFSB:** As you angle to put the business on a sustainable growth path, what would you say are your biggest challenges?

**LB:** The greatest challenge any institution can face is remaining relevant in a changing and competitive environment. Staying ahead of the pack in my view will be the greatest challenge.

**MFSB:** What opportunities do you see in the local market?

**LB:** The local market presents huge opportunities. When you look at the need for access to credit, there is still greater potential for deepening penetration. The cake is just too big.



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‘A solid underwriting procedure is the starting point to building a profitable model that ensures long-term sustainability of the institution.’

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**microcred**

### FINANCIAL SERVICES SOCCER LEAGUE: REDEEMING THE INTERBANKS SPIRIT



Banks in Zimbabwe have a history of sponsoring topflight football, although off late the support has appeared to wane. CBZ Holdings was once a sponsor of the Premier Soccer League (PSL), FBC Bank once sponsored FC Platinum while ZB Bank had a relationship with ZPC Kariba. BancABC is probably the biggest banking sponsor of football in Zimbabwe, having previously sponsored the Super Eight Cup and of late the country's two footballing giants – Highlanders FC and Dynamos FC. BancEASY, a subsidiary of BancABC previously sponsored the likes of Chapungu FC and Black Mambas FC. Many are however unaware of banks' ongoing commitment to football as most of them sponsor a team in the Financial Services Soccer League (FSSL) which has been running for over two decades now. As we expand our coverage to include sports in the financial sector, in this introductory feature, our sports reporter talks to

Kudzai Kwangwari (KK) (pictured above), the FSSL's elected Secretary General about the league's history, its current composition, sponsorship issues, current challenges and plans. KK also talks about the some players nurtured by the FSSL who have gone on to play on bigger stages as well as former high-fliers to whom the FSSL is now home.

**MFSB:** Kudzai, can you give us a brief history of the league? I am sure you have an interesting story to tell about the evolvement from the Bankers Soccer League to the FSSL?

**KK:** The league was established in 1996 with two leagues entirely made up of banking sector teams, that is A and B with 13 teams each and teams would be promoted from B and face relegation from A. Due to economic hardships the League resorted to one League in the early 2000s with 20 teams making up the League. Numbers dropped to around 16 as some banks closed or were placed under curatorship by the RBZ. From 2014/13 to teams made up the league teams. Teams then dropped significantly to 11 in 2015 and the league fathers proposed a test merger between Insurance sector (which had around 4 active teams in the defunct league) and around 8 teams that had remained strong in the Bankers' set up. The merger was termed the Financial Services Soccer League (FSSL) which went for its actual run in the 2016 season with 14 participating teams. Goldenknot Insurance was the additional team but it did not last the distance. ZB Bank, FBC Bank have interchangeably dominated the League for the past decade with ZB having a huge say in the accolades. The FSSL will be subject to review at the 2017 AGM which is mandated to determine the continued existence or otherwise of the League.

**MFSB:** What sort of teams are eligible to play in the FSSL and what's the current composition of the league in terms of number of teams?

**KK:** Teams from insurance companies, banks and any other companies with a financial services background can play in the FSSL. There were 12 teams in the 2016 season. Clubs pay affiliate fees agreed at the AGM, payment of which is an automatic ticket to the end of year Payserv Cup.

**MFSB:** Does the League have eligibility criteria in respect of players who can feature for the financial sector teams?

**KK:** Teams must register thirty players of which twenty three should be staff members while optionally, seven can be non-staff.

**MFSB:** Does the League expect the number of participating teams to increase in the near future?

**KK:** Yes, the league plans to grow and lure more sponsorship to see the re-birth of the Interbank Games.

**MFSB:** Do you have a targeted or optimum number of teams for the League?

**KK:** We are looking at 20 league teams and if we achieve that we can consider reverting to two leagues (A & B) and reintroduce promotions and demotions in order to bring excitement to the FSSL.

**MFSB:** What is the governance structure of the FSSL like in terms of systems and structures? In other words, who else is involved in running the affairs of the League apart from the Secretary and Chairperson?

**KK:** There is a Vice Chairman, a Fixtures Secretary, a Treasurer and two committee members.

**MFSB:** There is certainly some level of administrative burden for the day-to-day functioning of the League during the soccer season? Who is responsible for that? – [To Page 14]



# Scoring goals with the **right partner** pays

Paynet Zimbabwe is a proud sponsor of the **Financial Services Soccer League (FSSL)** Tournament. Paynet provides quality payment solutions for Zimbabwe's finest institutions.



**DATE: 19-20 NOVEMBER 2016**  
**VENUE: BARCLAYS SPORTS CLUB**  
**ADMISSION: FREE** Saturday games begin at 12 noon  
Sunday games begin at 9:00am

#### Partners/ Participating institutions:



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### FINANCIAL SERVICES SOCCER LEAGUE (FSSL): REDEEMING THE INTERBANKS SPIRIT

**[From Page 12] KK:** All elected members of the League are responsible for different duties on appointment basis, for example the Fixtures Secretary is in charge of fixtures while the Secretary takes care of Communications.

**MFSB:** What do you consider to be the League's key achievements or milestones to date?

**KK:** We have managed to run the league year-in year-out under very difficult circumstances and also staged an annual sponsored tournament called Paynet Cup, which has been covered widely in the country's major newspapers.

**MFSB:** What challenges are you facing as a league?

**KK:** We are facing advertising challenges and ensuring that all banks participate in the League and Tournament. We wish to reach out to bank executives so that they can bankroll their teams for example BancABC, Stanbic who used to be very active before they stopped participating four seasons ago.

**MFSB:** Can you tell us about your relationship with Payserv Zimbabwe?

**KK:** Payserv offers Paynet a facility for transferring salaries and stop orders which is fast, convenient and safe. All banks use the product. Payserv are our major sponsor and they bankroll the entire League Cup tournament by covering the major expenses.

**MFSB:** Is the League open to other sponsors?

**KK:** Sponsors are very welcome and they can approach any member of the League Executive with details of the sponsorship packages.

**MFSB:** We also hear that the League has a relationship with a local company representing the interests of an international kit manufacturer. Can you also tell us more about this?

**KK:** UMBRO has been partnering Paynet in growing the tournament and brand of the League. Our desire is to have most League affiliates supporting the sponsorship deal by also buying kit from UMBRO to have a win-win relationship.

**MFSB:** The 2016 edition of Payserv FSSL Cup Tournament was held at Barclays Sports Club during the weekend of 19-20 November 2016. Was it a successful tourney?

**KK:** The tournament was a major success as it was widely advertised and witnessed by huge crowds making it a conducive event for a family outing. There is potential to grow if we add more disciplines such as Netball and Volleyball to the event.

**MFSB:** What is the objective of this tournament, which we believe is an annual event?

**KK:** The objective is to redeem the Interbanks theme (Bankers countrywide mixing and mingling through various sporting disciplines) where teams compete widely at a tournament with a lot of coverage at the end of every season with League and Cup winners being rewarded.

**MFSB:** What have you got to say about the financial institutions' current level of support for the individual teams in the league?

**KK:** Special mention goes to those institutions that have continued to sponsor their teams for over a decade now.

**MFSB:** Could you briefly tell us about some players nurtured by the FSSL who have gone on to play on bigger stages?

**KK:** Hardlife Zvirekwi donned the FBC Bank shirt before he became very popular at Gunners FC, CAPS United and with the Warriors. A number of current players such as Naison Muchekela - ZB Bank (Dynamos); myself (Kudzai Kwangwari) – FBC Bank (CAPS United); Terence Malunga - FBC Bank (Gunners), Titus Sanangurai - Old Mutual (Air Zimbabwe Jets), Milton Mukaronda - FBC Bank (Gunners); Terence Chitsamba - FBC Bank (Dynamos) and Justice Makumbe - ZB Bank (Dynamos) are former Premier Soccer League players.

**MFSB:** When does the 2017 league start and end? What can followers of soccer in the financial services sector expect in the forthcoming season?

**KK:** It should start in March 2017 but the exact dates will be announced in due course. Followers should expect new participants such as IDBZ and Agribank to join the league in 2017.



Kudzai “Finidi” Kwangwari was elected 2016 Financial Services League Secretary General. He however relinquished the post during an Extraordinary General Meeting to take care of Fixtures when the then elected incumbent left the country. Kwangwari joined FBC Bank in 2003 as a back office clerk and currently holds the post of Operations Controller. He holds a full Institute of Bankers in Zimbabwe (IOBZ) Diploma and is currently studying for a Bachelor’s Degree in Business Studies at the University of Zimbabwe. He grew up playing tennis and soccer as his childhood sporting disciplines and started his footballing career at CAPS United at the tender age of 14 under coaches such as Alois Patsika (late) who signed him from ZRP Support Unit juniors; Eddie Muchongwe, Shepherd Katsaraure (late), Gishon Ntini (late) to mention but a few. Kwangwari developed into a tough tackling defender who rose to stardom around 2002 when he knocked on the door of the CAPS United first team then under the tutelage of Rahman Gumbo who fell in love with his aerial prowess and long legs which gave him an edge during tackles. Kwangwari managed to break into a star studded side which had players such as Thomas Sweswe, Moses Jackson, Raymond Undi, Naison Kahari, Bradley Tembo, Zondai Nyaungwa, Taurai Musachi, Rambie brothers, Musset Zengeni to mention but a few. Kwangwari could however not pursue football further because of his family background which forced him to focus on education for long term survival. “I had to forgo training during mid-week which made me lose my place in the main team. I however do not regret the decision as I am still playing soccer but with a professional form of employment,” said Kwangwari.



FBC Bank Limited team at the Payserv FSSL League Cup tournament. Kudza “Finidi” Kwangwari is seventh from left in the back row.

## PRODUCT LAUNCH/ENHANCEMENT INDEX (PLEI)

- **Easylink Money Transfer (Pvt) Ltd** announced that it was now buying Japanese Yen (JPY), Botswana Pula (BWP), British Pound (GBP), European currency (EUR), Chinese Renminbi (CNY), Indian Rupee (INR), South African Rand (ZAR) and Australian Dollar (AUD) at its 26 locations countrywide.
- **EcoCash** introduced **DStv** subscription bouquets priced in South African Rand and payable through its recently introduced Rand Wallet. "Pay your subscription conveniently using the Rand wallet. Simply cash-in Rands into your wallet and enjoy hassle free transacting," said the mobile money platform, further outlining the tariffs as follows:

Bouquet	Tariff
DStv Access	R159.50
DStv Box Office	R36.25
DStv Family Bouquet	R246.50
DStv Compact Plus	R681.50
DStv Compact	R406.00
DStv Premium	R1044.00

- Global payments technology company **Visa** said it would in February 2017 introduce a settlement service which allows Zimbabwean banks to settle domestic United States dollar-denominated transactions locally. The move came as local banks put restrictions on local Visa transactions due to the biting liquidity crunch obtaining in the economy. Built on Visa's transaction processing network, **VisaNet**, the **National Net Settlement Service (NNSS)** is a local settlement solution customised to process, clear, report and settle domestic transactions specific to the unique set of needs and requirements for a country. "Visa recognises that each country is unique, and that is why our National Net Settlement Service was designed as a local solution giving careful consideration to the distinct requirements and opportunities around the world and here in Zimbabwe," said **Andrew Torre**, group general manager Visa sub-Saharan Africa. "The service is an important step in our drive to deliver the security, convenience and efficiency of electronic payments to Zimbabwean consumers, and reflects our commitment to supporting Zimbabwean consumers, and reflects our commitment to supporting Zimbabwe's financial services sector and the country's economic growth," Torre added. **Josephat Mutepe**, deputy director (financial markets) at the **Reserve Bank of Zimbabwe** said the bank welcomed Visa's investment to ensure local transactions were settled on-shore while international payments would continue to be settled offshore. "This will enable banks to continue to support the Reserve Bank of Zimbabwe and the country's focus to move towards a cashlite, financially inclusive society," he said. In 2016, some banks suspended use of Visa and **MasterCard** for local transactions as they would have to settle using funds from an offshore account.

## PRODUCT PROMOTION INDEX (PPI)

- **ZB Bank** announced the winners of its Climate Resilience: The New Agricultural Frontier Competition. "Congratulations to the following winners who walked away with \$175, \$75 and \$50 prizes respectively for use towards any school related expenses:

Age Group	Winner	1 <sup>st</sup> runner-up	2 <sup>nd</sup> runner-up
8 – 10 years	Oswald Kamute	Chipo Chayerera	Luther Marumavana
11 – 13 years	Gamuchirai Tsambatare	Panatswa Mujegu	Johnson Macheka
14 – 16 years	Aisha Tsomondo	Panashe Mazarire	Munyaradzi Zulu
17 – 19 years	Macdonald K. Nyatanga	Ruvimbo Maponga	Tecla Ramanzi

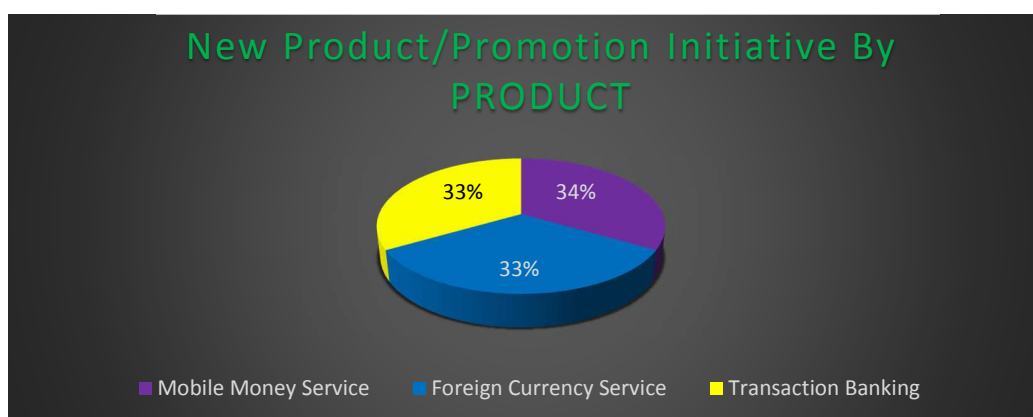
Thank you all for taking part and look out for more exciting competitions during the course of the year," said the bank, which has been operating in Zimbabwe since 1951.



## MONTHLY FINANCIAL SECTOR BULLETIN (MFSB): ISSUE NO. 41, JANUARY 2017

- **Steward Bank**, a subsidiary of **Econet Wireless** introduced the **Fuel up & Win Promotion** running until 31 March 2017. "Stand a chance to win free fuel for the whole year plus 1OL worth of fuel in monthly draws simply using your **ZimSwitch**, **EcoCash**, **VISA** or **MasterCard** to purchase fuel or lubricants on a Steward Bank POS machine," said the bank. Prizes included a 1<sup>st</sup> prize of fuel for the whole year, a 2<sup>nd</sup> prize of fuel for 6 months and a 3<sup>rd</sup> prize of fuel for three months. "To enter, write your full name, ID number and contact numbers at the back of your POS receipt and drop in an entry box at the station," added the bank.
- **Agribank** on Saturday, 28 January 2017 held its National Schools Deposit awards at **Chaplin High School** in Gweru, which were dominated by schools from Matabeleland South. **St Christopher's Primary School** (Matabeleland South) won the first prize of \$10 000, **Cheziya High School** of Gokwe (Midlands) scooped second prize of \$7 500, while **Gungwe High School** from Matabeleland South was third and walked away with \$2 500. There were also 10 consolation prizes of \$1 000 each that saw the majority schools from Matabeleland South winning in this category. Head of Retail Banking, **Divine Ngwenya** revealed that the bank was managing a \$1 million **United Nations International Children's Education Fund (UNICEF)** for disadvantaged schools through which they access facilities for infrastructural development.

Prize	School	Province	Agribank Branch
First	<a href="#">St. Christopher Primary School</a>	Matabeleland South	Gwanda
Second	<a href="#">Cheziya Gokwe High School</a>	Midlands	Gokwe
Third	<a href="#">Gungwe High School</a>	Matabeleland South	Gwanda
Consolation	<a href="#">JZ Moyo High School</a>	Matabeleland South	Gwanda
Consolation	<a href="#">Mauya S.D.A Secondary School</a>	Mashonaland West	Karoi
Consolation	<a href="#">Minda High School</a>	Matabeleland South	Maphisa
Consolation	<a href="#">Victoria High School</a>	Masvingo	Masvingo
Consolation	<a href="#">BICC Wanezi Secondary School</a>	Bulawayo and Matabeleland North	Inlala
Consolation	<a href="#">Mutendi Primary School</a>	Masvingo	Masvingo
Consolation	<a href="#">Hande High School</a>	Manicaland	Murambinda
Consolation	<a href="#">Vimbai Primary School</a>	Harare and Mashonaland East	Norton
Consolation	<a href="#">St. Erics Secondary School</a>	Harare and Mashonaland East	Norton
Consolation	<a href="#">Mtshabezi High School</a>	Matabeleland South	Gwanda



## MONTHLY FINANCIAL SECTOR BULLETIN (MFSB): ISSUE NO. 41, JANUARY 2017

### SUMMARY: PRODUCT LAUNCH & PROMOTION INITIATIVES

#	Organization	Product/Promotion	Product/Service Category	Sub-sector	Type of Initiative
1	Easylink Money Transfer P/L	Multicurrency Purchases	Foreign Currency	Money Transfer	Product Launch
2	Econet/EcoCash	Rand DStv Subscription Bouquet	Mobile Money Service	Non-Bank/Telco	Product Launch
3	Steward Bank	Fuel Up & Win Promotion	Transaction Banking/POS	Banking	Product Promotion

### CHANNEL DEVELOPMENT/RATIONALISATION ACTIVITY

- Deposit Taking Microfinance institution (DTMFI) [Collarhedge Finance \(Private\) Limited](#), now [Success Microfinance Bank](#), announced the opening of its new branch at Shop 8 & 10 Karigamombe Arcade at 53 Samora Machel Avenue corner Julius Nyerere Way in Harare for the added convenience of its clients.
- [Standard Chartered Bank](#) announced the opening of a special facility for school fees deposits. "We are pleased to advise that for your convenience we have opened a school fees deposit centre at Robert Mugabe Road in Harare. Kindly use this dedicated centre when depositing school fees in Harare. We continue to encourage the use of alternative digital channels wherever possible," said the British owned bank.
- [Microcred Zimbabwe \(Pvt\) Ltd](#), a registered Microfinance Institution (MFI), advised of the relocation of its City branch. "Our City branch will be moving from 70 Park Lane Cnr Julius Nyerere to a more beautiful and spacious place at Penslade Building No.8 Jason Moyo Avenue, corner Kaguvi Street, effective Monday 9 January 2017. Our new branch telephone lines are 04-748703, 04-748776, 04-748834 and 04-748872. Please come visit us and enquire about our low interest micro & SME loans," said the MFI, now owned by the [Microcred Group](#).
- Zimbabwe's largest financial services group by assets, [CBZ Holdings](#) suspended with effect from January 15, 2016 the use of the [Visa](#) card on the local market. In a statement released to depositors on 5 January 2017, the financial institution also announced new limits for international transactions, pointing out that the Visa card would continue to work internationally. CBZ's banking unit followed in the footsteps of [Barclays Bank Limited](#), which instituted similar measures late 2016. "In line with market conditions, [CBZ Bank](#) has suspended the use of the Visa card on the local market with effect from January 15, 2017. The Visa card will, however, continue to transact outside Zimbabwe," the bank said. According to the new international transaction limits, the bank's depositors will be able to withdraw \$250 at Automated Teller Machines (ATMs) outside Zimbabwe, pay a maximum of \$500 on Internet payments with a spending ceiling of \$1 000 at POS terminals outside the country.
- Leading mobile payment solution, [EcoCash](#) partnered cross-border mobile payments network, [TransferTo](#), to expand its cross-border reach in international remittances, starting with South Africa. Courtesy of the deal brokered by [Cassava International](#), the fintech arm of the [Econet Wireless Group](#), Zimbabweans living and working away from home could now send money directly to their friends and families' EcoCash mobile wallets. "The importance of remittances to the development of our country cannot be over emphasized and we are excited about our partnership with TransferTo. With this partnership, we are also bringing convenience and choice to Zimbabweans living in South Africa to send money home. Starting with money transfer operator, [Mama Money](#), in South Africa, TransferTo cross-border payments network is connecting Mama Money South Africa remittances to EcoCash in Zimbabwe. We believe that mobile money transfer is the most effective digital alternative to cash and essential in providing greater convenience to our customers in Zimbabwe can receive money directly into their EcoCash wallets to pay bills, goods and other services without having to travel long distances to access their money," said [Econet Wireless](#) chief executive [Douglas Mboweni](#). "Now more than ever, Zimbabwe needs to digitise money and use mobile money to buy and pay, send and receive. Sending money home to your families and loved ones should be as simple as an SMS. Zimbabweans working and living overseas can now send money to their loved ones cheaply, securely and immediately into EcoCash wallets," said TransferTo chief executive [Eric Barbier](#). EcoCash general manager [Natalie Jabangwe](#) added, "By innovating and partnering in mobile financial services, we have been able to answer Zimbabwe's needs in extending financial inclusion, digitising cash and bridging cross-border

payments. We look forward to a successful partnership with TransferTo in facilitating digital remittances to alleviate the challenges of our economy,” she said.

- **BancABC** announced the merger of six of its Harare branches with effect from 11 February 2017 as follows:

Closing Branch	Acquiring Branch
Graniteside Branch	Southerton Branch
Leopold Takawira Branch	Heritage Branch
Longcheng Branch	Heritage Branch

“All accounts currently maintained at the above-mentioned closing branches will be transferred to the respective acquiring branches where our teams will be available to serve you. You can also transact through any BancABC Branch countrywide, as well as the [ZimSwitch](#) network. Please note that your account numbers and branch sort codes will remain the same,” said the bank, a part of pan-African banking group Atlas Mara. Customers with any questions or queries were requested to contact the respective Branch Managers as follows:

Graniteside branch	Leopold Takawira branch	Longcheng branch
Batsirai Kufakunesu: 04 781837-8	Tafadzwa Masiwa: 04 770376	Tendai Mvundura: 0782 706 922-23

- The value of transactions processed through point of sale (POS) terminals grew 23 percent in December to \$550 million from \$446 million in November as Zimbabweans continued to increase their usage of plastic money. Data availed by the [Reserve Bank of Zimbabwe](#) showed that the volumes also increased 47 percent to 14.3 million from 9.7 million in November. “We are encouraged by the growth in the use of plastic money as it ultimately lowers the cash handling costs for banks and at the same time brings convenience to the transacting public. This, as you recall, was one of the major goals of the Financial Inclusion Strategy the RBZ is pursuing,” said RBZ governor [Dr. John Mangudya](#). The number of POS machines doubled to 32 540 in December against 16 300 in the comparable period in 2015. Payments solution [ZimSwitch](#) said 52 percent of POS terminals were in Harare, followed by Bulawayo at 11 percent, Mutare 4 percent, Gweru 3 percent and Victoria Falls 2 percent.
- **CBZ Holdings** set up a Risk Advisory services unit to complement its existing insurance business, bringing the number of strategic units under the group to seven. The other six other strategic business units are the bank, building society, asset management, long-term insurance, short-term insurance and property. This also brought to three, the number of units in the insurance cluster after [CBZ Life](#) and [CBZ Insurance](#). Announcing the launch at a press conference on **26 January 2017** group chief executive [Never Nyemudzo](#) said the dynamics in the insurance sector and the evolving economy had influenced the setting up of the unit. “A closer look at the dynamics in the insurance sector and the evolving economy in general, naturally call for a further strengthening of our insurance portfolio through investment in infrastructure that supports the distribution channels, product development and customer interface. It is against this background that we are introducing [CBZ Risk Advisory Services \(Pvt\) Limited](#),” he said. He added that the company had been established to help the group’s clients understand the risks they were exposed to and how to cost-effectively transfer those risks to an appropriate insurance company, which would be able to settle claims when the event insured for happens. CBZ Risk Advisory is a registered insurance broker, licenced and regulated by the [Insurance and Pensions Commission](#). Nyemudzo said the unit was already well-capitalised at \$500 000 against a regulatory minimum of \$100 000. He added it would operate independently and transact with different reputable local and international insurance companies. The new unit has three service centres; Short Term Insurance Broking and Risk Advisory Services, Group Employee Benefits and Pensions Consultancy and Individual Life Financial Planning Services. Nyemudzo said the unit marked the continuation of the group’s portfolio and earnings diversification strategy. “In fact, with non-banking subsidiaries contribution to the bottom line already at 18 percent, against a long term target of 20 percent, we believe CBZ Risk Advisory will significantly aid the group’s drive to diversify its earnings mix,” he said.

## SUMMARY: CHANNEL EXPANSION/RATIONALISATION ACTIVITY

#	Institution	Sector	Type of Initiative	Description
1	<a href="#">Success Microfinance Bank</a>	Banking	New Branch Opening	Karigamombe Arcade
2	<a href="#">Standard Chartered Bank</a>	Banking	New Branch Opening	School Deposit Facility
3	<a href="#">Microcred Zimbabwe (Pvt) Ltd</a>	Microfinance	Branch Relocation	Effective 9 January 2017
4	<a href="#">CBZ Holdings</a>	Banking	Suspension Of Visa Local Use	Effective 15 January 2017
5	<a href="#">EcoCash</a>	Mobile Money	Remittances Partnership	TransferTo/ Mama Money (RSA)
6	<a href="#">BancABC</a>	Banking	Branch Closure	Graniteside, Longcheng & L Takawira
7	<a href="#">CBZ Holdings</a>	Banking	Introduction of new SBU	CBZ Risk Advisory Services

## ICT DEVELOPMENTS

- [CBZ Bank](#) advised its clients that it would be carrying out a system maintenance exercise in January 2017. "This will result in the disruption of services on Sunday 15 January 2017 from 0800hrs to 1800hrs and Sunday 22 January 2017 from 0800hrs to 2200hrs respectively. The following systems will not be available: ATM's, [VISA](#), [MasterCard](#), [ZESA](#) Prepaid, [ZIMRA](#) Payments, POS, [EcoCash](#), [Telecash](#), [DSTV](#) Payments, Internet Banking, Mobile App and CBZ Agency Banking. We sincerely apologise for any inconvenience caused," said the bank.
- [Steward Bank](#) advised its customers of a planned system upgrade. "Dear Valued Customer. We are currently in the process of upgrading our systems to increase capacity and improve on service delivery. As a result, you may experience intermittent service on some of our channels. This planned system upgrade is expected to be completed before end of January 2017. Any inconvenience cause is sincerely regretted. We request your patience during this period and thank you for your custom," said [Econet Wireless'](#) banking subsidiary.

## EXECUTIVE MANAGEMENT/BOARD CHANGES

- The country's largest credit reference bureau [Financial Clearing Bureau \(FCB\)](#) appointed information and communication technology expert [Takunda Ushe](#) as its new managing director with effect from January 17, 2017. Ushe had pivotal senior roles in successful large and small private companies operating in Information Communications Technology (ICT) and Digital Satellite transmissions. Prior, to his appointment, Ushe worked as the Bureau's executive director and was responsible for business development and ICT. Under his watch the company's customer base trebled and FCB became the largest Credit Bureau in Zimbabwe. He holds a [Chartered Institute of Management Accountant \(CIMA\)](#) qualification and at the time of appointment, he was also pursuing another qualification in corporate law with the [University of South Africa](#). Ushe took over from [Alan Goodrich](#) of [G-Analytix](#), who was the consultant to the bureau and its previous managing director.
- The World Bank Group consoled the family of Professor [Callisto Enias Madavo](#) (October 14, 1942 - January 12, 2017) upon the passing of the former [World Bank](#) Vice President for the Africa Region during the period 1996 - 2004. "The staff and management of the World Bank, Africa Region and the Zimbabwe Country Office extend sincere condolences to the Madavo family and friends on the passing of Professor Callisto Madavo. Professor Madavo worked at the World Bank for 35 years, distinguishing himself as an intellectual with a deep passion for Africa and its people. During his tenure, he became the first African to serve as an operational Vice President (1996-2004), was instrumental in shaping and supporting the World Bank's vision for Africa's development, and championed critical World Bank initiatives such as its early HIV/AIDs program. After his retirement from the Bank in 2006, he served as Professor at the [Edmund Walsh School of Foreign Service](#) at [Georgetown University](#), on several high level committees at the [African Development Bank \(AfDB\)](#) and was recently appointed the Chair of the [African Capacity Building Foundation](#)," said the multilateral bank in the condolence message.
- The [Insurance and Pension Commission \(IPEC\)](#) Head [Marnet Mpofu](#) was set to leave the commission following the expiry of her contract at the end of January 2017 and [Tendai Karonga](#), a seasoned insurance expert, was tipped to take over as the new commissioner. Karonga's experience in the insurance industry included working for [Zimnat](#)



and FBC Holdings' insurance arm, [Eagle Insurance](#). "Mrs. Mpofo has left the commission following the expiry of her contract yesterday (January 31, 2016) and she will be around until the new Commissioner Mr. Karonga takes the reins. Mr. Karonga is one of the experienced brains in the insurance industry and he is expected to take over soon," said a source at the Commission who requested anonymity. In 2015, Government appointed a six-member Pensions and Insurance Commission Board chaired by ex-AfrAsia chief executive officer [Lynn Mukonoweshuro](#). Other members of the IPEC board included [George Mazhude](#), the board vice chairperson, Finance and Economic secretary [Willard Manungo](#), [Anna Mashingaidze](#), [Abedinico Ncube](#) and [Tafadzwa Zinyoro](#).

### REBRANDING & STRATEGIC REALIGNMENT INITIATIVES

- Deposit Taking Microfinance institution (MFI) [Collarhedge Finance \(Private\) Limited](#) unveiled its new name and logo. "Pursuant to its licensing by the [Reserve Bank of Zimbabwe](#) as a deposit-taking microfinance institution authorising the institution to conduct deposit-taking microfinance business in terms of the Microfinance Act [Chapter 24:29] and offer a broad range of financial services, Collarhedge Finance (Private) Limited has changed its name to [Success Microfinance Bank Limited](#). The institution has also changed its logo. In addition to existing branches, a new branch has been opened for your added convenience located at: Shop 8 & 10 Karigamombe Arcade, 53 Samora Machel Avenue, Corner Samora Machel Avenue/ Julius Nyerere Way, Harare," said one of the four deposit taking MFIs in Zimbabwe.
- [Microcred Zimbabwe](#), formerly [MicroKing Finance \(Pvt\) Limited](#), was officially rebranded on Tuesday, 10 January 2017 following a 70% and 30% shareholding acquisition by [Microcred SAS](#) and [AfricInvest Financial Sector Limited](#) respectively, which was closed on May 23, 2016. Finance and Economic Development minister [Patrick Chinamasa](#) was the guest of honour at the event. Microcred SAS Africa chief executive officer, [Ruben Dieudonne](#) said the group saw an opportunity in Zimbabwe and acquired shares. "MicroKing was an opportunity for us to start working in Zimbabwe. Discussions took long, I think more than one year. We saw the market opportunity and took it. Every country in Africa has challenges and Zimbabwe does as well. But the market potential here is high when we see market potential against the competitors, I am confident of that potential," he said. Microcred SAS is a digital finance company championing financial inclusion in Africa and China and offering services particularly to the unbanked and SMEs.
- Former Zambian president [Rupiah Banda](#) called for more Development Financing Institutions (DFI's) to be established on the African continent in order to boost industry and infrastructure. Banda noted that the projects funded by banks do not only impact on national economies but also help improve household incomes, thereby addressing challenges such as poverty, hunger, illiteracy, and sanitation among others. The ex-president was speaking at the launch and rebranding of the [Trade Development Bank \(TDB\)](#) (formerly and commonly known as [Preferential Trade Area \(PTA\) Bank](#)) in Addis Ababa, Ethiopia, in his capacity as an advisor on the panel. The launch was also attended by [Common Market for Eastern and Southern Africa \(COMESA\)](#) secretary general [Sindiso Ngwenya](#) and TDB president and CEO [Admassu Tadesse](#) at the Sheraton Hotel. The Trade and Development Bank, is an African regional development financial institution established in 1985. The bank is a COMESA institution, and membership is open to non-regional countries and institutional shareholders.

### CORPORATE ACTIONS

- [Econet Wireless Zimbabwe Limited](#) issued an abridged circular to shareholders incorporating the notice convening an Extraordinary General Meeting (EGM) to approve a capital raise, scheduled on Friday 3 February 2017. "The Board of Directors is proposing that, subject to certain conditions precedent, your Company engages in a capital raise of circa US\$130 007 739 by way of a Rights Offers of ordinary shares and Linked Debentures in order to facilitate the servicing of obligations to its foreign Lenders. Collectively, the Directors' proposals will be referred to herein as the "capital raise" or "Rights Offer" ...In recent months it has become clear that there is a critical shortage of foreign currency in the overseas nostro accounts of Zimbabwe's banks, and that the flow of local USD cash that those banks can export to fund their nostro accounts has diminished materially. This has made it extremely difficult for the Company and its Subsidiaries to service their financial obligations to Lenders and Creditors outside Zimbabwe. To avoid defaulting on its loan obligations, the Company intends to raise foreign currency from its

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members by way of a Rights Offer of shares and Linked Debentures,” said the [Zimbabwe Stock Exchange](#)-listed company. The Board said it intended to use the proceeds of the Rights Offer, amounting to approximately US\$130 million to repay all the Company's secured term loan obligations tabulated below together with the expenses of the Rights Offer.

Financier	Initial Facility (US\$)	Capital Balance (US\$)	Effective Interest Rate (EIR)	Projected Date of Last Payment
<a href="#">China Development Bank</a>	135 000 000	13 238 648	6.4%	12 April 2017
<a href="#">China Development Bank</a>	93 000 000	75 096 719	5.7%	21 August 2019
<a href="#">Ericsson Credit AB</a>	50 562 449	15 190 091	4.4%	15 April 2018
<a href="#">African Export and Import Bank</a>	28 000 000	18 666 667	9.0%	5 August 2017
<a href="#">Industrial Development Corporation</a>	20 000 000	6 000 000	6.4%	15 December 2017
<b>Total Capital Obligation</b>		<b>128 192 125</b>		

The circular revealed that [MBCA Bank Limited](#) was participating in the transaction as co-financial advisors, [Steward Bank](#) as Exchange Control Advisor and [CBZ Bank Limited](#) as Debenture Trustees.

### EXTERNAL FINANCING: LINES OF CREDIT AND GRANT FINANCE/AID

- Government said Zimbabwe was in talks with the [Development Bank Southern Africa \(DBSA\)](#) and the Cairo-headquartered [African Export and Import Bank \(Afreximbank\)](#) to secure a loan of about US\$300 million for the expansion of [Hwange Power Station](#). [Benson Munyaradzi](#), the director for policy and planning in the Ministry of Energy and Power Development said that they were working hard to ensure that they reached financial closure before the end of Q1 2017. “After failing to get support from local financial institutions, we are now talking to DBSA and Afreximbank as we seek to raise about US\$300 million for the project. There are good prospects and we anticipate the deal will pull through before the end of this quarter. As you might be aware, this is one of the conditions we have to meet before we reach financial closure for the project,” said Munyaradzi. Under the deal, which was signed in 2014, the [Zimbabwe Power Company \(ZPC\)](#), a subsidiary of [ZESA Holdings](#), is still to get US\$ 1.17 billion or 80 percent of the funds through concessionary funding from [China Eximbank](#). But one of the conditions set by the Chinese bank was that Zimbabwe was to provide the balance of about US\$300 million before financial closure was reached.
- Zimbabwe was one of three countries in the SADC region selected to benefit from a [\\$20 million African Development Bank \(AFDB\)](#) soft commodities facility meant to support farmers improve produce for exports. Malawi and Mozambique would also get funding from the facility meant to provide pre-and post-shipment finance for soft commodity value chain operations to assist local farmers grow their revenues and produce quality crops for export. [Meridien](#), a regional firm which focuses on production and supply of various agricultural inputs/outputs through subsidiaries in Malawi, Mozambique, South Africa, Zambia and Zimbabwe, was managing the facility. “It (the facility) will enable the bank (AFDB) to reach small-scale farmers indirectly through a regional aggregator (Meridian) that understands the market in which it has accumulated a 40-year track record; understands the operational risks and is able to mitigate and manage them,” the AFDB said. About 10 000 farmers in the three countries were expected to benefit from the support.
- Government said it was finalising a mining equipment facility with South Korea aimed at capacitating small scale gold miners. This came as the country set an ambitious production target of 28 tonnes of gold for 2016. Mines and Mining Development Minister [Walter Chidhakwa](#) said the facility was a new option after a previously arranged facility with China failed to take off. “We had hoped that by the beginning of 2016 we will have had the China facility on the table. The \$100 million Chinese facility would have assisted us going forward but it has not been availed due to the current arrears the country has with [Sinosure](#). We then decided to find other means and we went to South Korea with the Minister of Finance and Economic Development [Patrick Chinamasa](#) where we reached an agreement over a mining equipment facility. This facility will be underwritten in a different format and

we are convinced that it will give us the result that we are looking forward to,” said Chidhakwa. Sinasure is a state funded policy oriented insurance company with the independent status of legal person, established for promoting China's foreign trade and economic co-operation. Sinasure is mandated in accordance with the Chinese Government's diplomatic, international trade, industrial, fiscal and financial policies to promote Chinese exports of goods, technologies and services. “We have not received anything tangible from the China facility because the money under the facility needs to be supported by an organisation called Sinasure. We are still talking to them and we hope that we will succeed but I want you to know that we have not sat on our laurels,” said Chidhakwa.

### CAPITAL MARKETS DEVELOPMENTS

- Zimbabwe's alternative trading platform (ATP), [Financial Securities \(Finsec\)](#), recorded a decline in turnover for January from US\$553 589 in December to US\$75 883 as analysts decried lack of investment alternatives on a market with just one company listed. The ATP, which was designed to broaden and deepen capital market participation by small companies, so far has only [Old Mutual Zimbabwe Limited \(OMZIL\)](#) which listed 83 011 818 B Class shares. Volume of shares traded declined from 674 528 shares in December to 92 461 shares in January. The Finsec index remained unchanged at its base value, 100 points, with OMZ's B class shares unchanged at 82.07 cents since their listing on December 1 2016. Market capitalisation remained at US\$68.128 million.


### FISCAL & PUBLIC INVESTMENT ISSUES

- Three missions under the [Zimbabwe Reconstruction Fund \(Zimref\)](#), a [World Bank](#)-administered trust fund entered the country to help improve its business environment climate, support reform of State-owned enterprises and efforts to strengthen the poverty and equity focus of public spending. Zimref, which runs up to 2019, was approved by the World Bank's board of executive directors in 2014, and seeks to contribute to the strengthening of Zimbabwe's systems for reconstruction and development, with a focus on stabilisation and reform, development and poverty alleviation. The missions began their work on Monday, 16 January 2017 focusing on Business Environment, Financial Sector and Investment Policy (BEFSIP) technical assistance, capital budget technical assistance and the poverty monitoring and evaluation technical assistance. The BEFSIP mission ended on 20 January 2016. Zimref communications officer, [Cheryl Khuphe](#) said the mission was led by [Simon Bell](#), the World Bank's global lead on SME finance, and would provide technical assistance support to strengthen access to credit by SMEs. “The team will meet with the thematic working group on SME finance and development, relevant government ministries, banks, micro credit institutions, private sector and associations; and business development service providers,” she said. BEFSIP is a World Bank-executed technical assistance programme, which aims to improve the business climate for the private sector, particularly for microenterprises, SMEs and agricultural smallholders by reducing the time and cost of doing business and introduce more effective and predictable investment and commercial policies. The programme also seeks to strengthen the regulatory framework and financial infrastructure for expanded access to financial services and markets for micro small-to-medium enterprises.
- Zimbabwe lost US\$10 million in 2016 when government failed to pay its \$500 000 in natural disaster insurance to the [African Union's \(AU\) 's Africa Risk Capacity \(ARC\)](#), a risk management and resilience building platform that provides financial assistance to all AU member states to manage natural disasters such as drought or floods. Zimbabwe is a signatory to the ARC facility but failed to pay the US\$500 000 that would have unlocked the US\$10 million payment. ARC director general [Mohamed Beavogui](#) confirmed this at a press briefing in Addis Ababa, Ethiopia and blamed Zimbabwe for failing to service the insurance policy for payments to be released. “It's unfortunate for Zimbabwe that we had done all the paperwork and the technical stuff but it failed to raise the money,” Beavogui said on Monday, 30 January 2017.

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“The new source of power is not money in the hands of a few, but information in the hands of many.” - [John Naisbitt](#)

## DEPOSIT PROTECTION & TROUBLED INSTITUTIONS RESOLUTION INITIATIVES



Protecting Your Deposits

### Deposit Protection Scheme

Highlights

#### OBJECTIVES OF DEPOSIT PROTECTION.

**What is Deposit Protection?**  
Deposit protection refers to a bank deposit guarantee scheme which ensures depositors are reimbursed part or all of their deposits in the unlikely event of a deposit taking institution's failure. Deposit protection in Zimbabwe is mandatory. The Deposit Protection Fund was established on July 1 2003, in terms of Section 66 of the Banking Act Chapter 24:20 as read with Section 4 of the Deposit Protection Corporation Act Chapter 24:29.

**Objectives of Deposit Protection**

**a) Protecting depositors**  
This is done by providing an orderly means of compensation in the event of failure of a member institution. At the current cover of US\$1000, about 92.98%, which represents about 1.5 million depositors are covered in full, in line with the public policy objective of covering at least 90% of insured depositors in full in the event of a bank failure.

**b) Contributing towards the stability of Zimbabwe's financial system.**  
By insuring the deposits, DPC fosters confidence in the banking system, prevents self-fulfilling panics or bank runs thereby reducing the likelihood of contagion and cascading defaults. Deposit protection reduces financial uncertainty, thereby promoting financial intermediation and enhancing economic and financial stability.

**c) Enhancing competition between different sectors and institutions in Zimbabwe's financial system.**  
Larger banks due to their size, track record and brand visibility have an edge over smaller contributory institutions in attracting deposits at lower interest rates. Offering deposit protection to every bank including small banks makes depositors of such institutions feel safe and protected hence neutralize the advantages.

**d) Promoting sound business practices.**  
DPC monitors the business and activities of contributory institutions to promote sound risk management practices, good corporate governance and consumer protection.

**e) Protecting the Fund against loss**  
DPC monitors and assesses contributory institutions for safety and soundness via off-site surveillance.

**f) Participating in problem-bank resolution**  
DPC is involved in managing and resolving failed contributory institutions including investigations and liquidation of failed banks.

**For more information on the Deposit Protection Scheme contact:**

**PUBLIC RELATIONS DEPARTMENT**  
Evelyn House, 26 Fife Avenue/Cnr Blakiston Street, Harare.  
P.O. Box 7390  
Email: [info@dpcorp.co.zw](mailto:info@dpcorp.co.zw) | Telephone: +263 4 250900-1

[www.dpcorp.co.zw](http://www.dpcorp.co.zw)

Creditors of closed [Tetrad Investment Bank \(TIB\)](#) said they were hopeful the financial institution could be revived, enabling them to become shareholders in the institution which owed them over \$50 million. TIB was closed by the [RBZ](#) early 2015 after failing to mobilise funding to boost its capital base and the bank was subsequently placed under provisional judicial management. At its closure, Tetrad had a negative core capital of \$32.7 million when it was supposed to have minimum capital of \$25 million. A recent meeting of the creditors revealed that the judicial manager, [John Chikura](#) of the [Deposit Protection Corporation \(DPC\)](#) was angling for the revival of the institution with creditors being the major shareholders. "The basis of the new entity will comprise assets of TIB that have been reduced to between \$20 million - \$30 million. At our last meeting with DPC, we were provided with a list of TIB assets and the top 20 debtors to the bank. Creditors will become the major shareholders and the assets will be used to provide a return to creditors," read minutes of the last creditors meeting held in December 2016. The minutes further showed that the DPC intended to approach the High Court for an arrangement allowing the assets of the bank to be protected while the judicial manager attempted to put the house in order. The move would however require [Tetrad Holdings](#) and the current TIB shareholders to consent to the move. At some point the DPC put up TIB for sale but failed to find suitable suitors.

The [Deposit Protection Corporation \(DPC\)](#) on 15 January 2017 issued a notice of a meeting of creditors of [Tetrad Investment Bank Limited](#), which is Under Judicial Management as per Master Reference Number: CRB 1/15. "Notice is hereby given that the special meeting of creditors [Tetrad Investment Bank Limited](#) will be held before the Master of High Court at Harare Agriculture Society Showgrounds (Andy Miller Hall), Corner Samora Machel Avenue West/Rekai Tangwena Avenue, Harare on Thursday 9 February 2017 at 09.00am. The purpose of the meeting is submission of further proof of claims by creditors. If you are owed money by Tetrad Investment Bank Limited and you have not lodged your claim with the Master of the High Court, please contact our offices so that you can collect and complete the proof of claim forms. The proof of claim forms are also available via electronic mail upon request and can also be downloaded from our website: [www.dpcorp.co.zw](http://www.dpcorp.co.zw). You will be required to complete these forms in triplicate and lodge them with the Master of the High Court, Master House, Herbert Chitepo Street/Sam Nujoma Street, Harare, at least 48 hours before the meeting. In other words, your claim forms must be lodged with the Master of the High Court by Tuesday, the 7<sup>th</sup> of February 2017 before 09.00am. On Thursday 9 February 2017, you in person or a duly appointed representative of your organization should then appear in person before the Master of the High Court in order to prove your claim. If you, or your representative are not in attendance on the day of the meeting, your claim will be rejected for non-appearance. If your claim was provisionally accepted at the previous meetings, you are not required to submit another set of forms or attend the meeting," said [John M. Chikura](#) the Provisional Judicial Manager of the distressed bank.



- [Baker Tilly Gwatidzo](#) issued a notice of the convening of the first meeting of Creditors and Contributories of [Altfin Life Assurance \(Private\) Limited](#) (under liquidation). "This serves to inform all creditors and contributories that there will be a first meeting of Creditors and Contributories for Altfin Life Assurance (Private) Limited (In liquidation) at the Rainbow Towers Hotel in Harare on Wednesday 8 February 2017 at 08:30 hours. The purpose of the meeting is to prove claims. All claims against the company in Liquidation should be done on claim forms available at our offices. The proof of claim forms are also available via electronic mail, upon request. You will be required to complete these forms in duplicate and lodge them with the Master of High Court, Corner 2<sup>nd</sup> Street and Herbert Chitepo in Harare by 1600 hours on Friday 3 February 2017 in preparation of the meeting scheduled for 8 February 2017 at the Rainbow Towers Hotel. On the date of the meeting, creditors are required to physically appear before the Master of High Court to prove their claims or assign a duly appointed representative to appear on their behalf. If you or your representative are not in attendance on the day of the meeting, your claim may be rejected for non-appearance," said the accounting firm in the Liquidation Alert.
- [Reggie Saruchera](#) of [Grant Thornton](#), the [Deposit Protection Corporation's](#) Liquidator Agent for [AfrAsia Bank Zimbabwe Limited](#) on 16 January 2017 issued an update to creditors and members of the bank. "Pursuant to the liquidation of AfrAsia Zimbabwe Limited, we write to update you on the progress to date. A second interim dividend was paid to preferent creditors in November 2016. Legal proceedings and the illiquid market have continued to impede the anticipated timing of the liquidation distributions. The third interim dividend is likely to be paid out in the first half of 2017, to concurrent creditors after all preferent creditors have been paid. The dividend will be distributed on a pro-rata basis depending on the rate of recovery and disposal of assets. We will continue to update you on the progress of the liquidation. If you need any assistance, please contact [Alex Dera](#) on alex.dera@zw.gt.com or send an email to claims@dpcorp.co.zw," said Saruchera in the update.

### POLICY/REGULATORY/LEGAL DEVELOPMENTS

- The [Reserve Bank of Zimbabwe](#) issued a press release on [5 January 2017](#) on the status of the payment of the export incentive. "The Reserve Bank of Zimbabwe is pleased to advise the public that as at 31<sup>st</sup> December 2016 the bank had paid the export incentive to 80% of exporters of goods and services including diaspora remittances through the issuance of bond notes in the sum of \$72.9 million. This is in line with bank's projection of bond notes that should have been issued during this period under the Export Incentive Scheme. The major beneficiaries under the Export Incentive Scheme so far are the tobacco growers (\$29.4 million), gold producers (\$10 million) and diaspora remittances (\$5.4 million). The Export Incentive Scheme came into operation at the most opportune time given the fact that the year 2016 was quite turbulent and challenging for the global economy and Africa in general and Zimbabwe in particular. A sudden collapse in the prices of export commodities of interest to Africa, including Zimbabwe, and the appreciation of the United States Dollar transmitted serious negative economic shocks to the national economy that required the bank's attention. Against the background of challenging economic environment which was exacerbated by the devastating drought, the bank is pleased to note that a number of firms that had ceased exporting due to the uncompetitive domestic economic environment that includes high cost of production and the strong United States Dollar have started to export as a result of the Export Incentive Scheme. Productivity, which is the panacea to the current economic challenges bedeviling the nation, is gradually increasing. This includes the expansion of the tobacco crop grown this agricultural season and the reduction in the smuggling of gold as the 5% incentive awarded to gold producers over and above the international gold price has been regulative to discourage smuggling. The bank is also encouraged by the increase in the use of plastic money and electronic banking which now accounts for 50 – 70% of sales for most of the bigger retail outlets in Zimbabwe, including fuel dealers. This paradigm shift is encouraging as it has a positive effect, together with the efficient circulation of bond notes, of reducing the demand for cash within the national economy. This will also have a positive effect of discouraging queuing for cash at banks as queues at banks do not necessarily reflect lack of money in the economy but reflect the need to continuously promote the use of plastic money and electronic payment methods," said RBZ governor [Dr. John P. Mangudya](#).
- A local businessman and rights activist [Mfundo Mliilo](#) accused President [Robert Mugabe](#) of unleashing plain paper disguised as bond notes on Zimbabweans, arguing that the surrogate currency had no value and would soon

create serious shortages of basic commodities. Mlilo said this in his application against the introduction of bond notes at the High Court. The respondents in the application were Mugabe, finance minister [Patrick Chinamasa](#), the [Reserve Bank of Zimbabwe](#) and the [African Import and Export Bank](#). In the application Mlilo argued that the second and third respondents (Chinamasa and the RBZ) had unleashed a piece of paper into the market which was not backed by any value at all but which however, was now appropriating the real value in our US\$ accounts. "The cynical exercise is bluntly unconstitutional, immoral and wrong. The respondents cannot unleash worthless paper in the market. This is simply wrong," he said. "It is my respectful contention that bond notes will have a devastating effect on our economy and will affect me adversely as a Zimbabwean businessperson. The bond notes are irrational and grossly unreasonable in that they seek to create an obligation which is not backed by any value. Put simply bond notes are a legal fiction as good as a valueless object. The declaration that the bond notes will have parity with the USD... is irrational and grossly unreasonable." He said it was grossly unreasonable for the respondents to yet again create the "unhappy" experience Zimbabweans experienced with the introduction of the bearer cheques and the hyper-inflation era between 2006 to 2008. "The move led to a catastrophic return to the meltdown years of 2006 and 2008 and this is of course grossly unreasonable. The bond note is not a fungible currency and is not tradable outside Zimbabwe. That being the case, it surely cannot be on par with a hard currency of international application. Indeed, a currency that is not backed by any reserves, will collapse as the Zimbabwean dollar did between 1997 and 2008. Furthermore, banks have been instructed not to open separate bond notes accounts nor even mirror accounts that will be able to separate currently held balances in US\$ prior to the 27<sup>th</sup> of November 2016 so that distinction is made between pre-and post-bond notes balances and transactions. Thus, as of now, any withdrawal that will be made from one's own US\$ account is accompanied by an enforced pay out of bond notes. In other words, in one major policy shift, bond notes have mutated from being an export incentive to a surrogate currency. Those bond notes are debited from one's account, whether one likes it or not," said Mlilo. He continued: "The respondents' actions represent forced appropriation of US\$ in exchange of bond notes and is therefore criminal and unconstitutional. The bond notes must therefore be set aside on the basis that it is an infringement of Section 71 of the Constitution of Zimbabwe." Mlilo said according to the Constitution, he was entitled to equal protection and that he cannot be forced to transact in anything other than an instrument of his choice. "I worked hard to earn the hard currency known as the US\$. I can then not be forced to accept something that I never earned or deposited, something of questionable value within the shores of Zimbabwe and absolutely no value outside the shores of Zimbabwe. More importantly, the bond note itself is not backed. The forth respondent (African Import and Export Bank) has no term sheet and has not provided the loan to the respondents as cover for the bond note. The third respondent has failed to produce the term sheet. I have cited the fourth respondent herein, so that it can explain to this honourable court where the term sheet is and why it is constantly lending money to the second and third respondents without due process and without respect to the provisions of the law."

- The Reserve Bank of Zimbabwe issued a press statement in respect of the disbursement of the 5% of the export incentive to tobacco growers for the 2016 tobacco marketing season. "The [Reserve Bank of Zimbabwe](#) ('the Bank') wishes to inform the public that during the 2016 tobacco marketing season, 66 215 tobacco growers delivered and sold green leaf tobacco valued at US\$588 185 486. In order to incentivise tobacco growers to increase production, as well as promote financial inclusion, the Bank awarded a 5% export incentive to tobacco growers payable through normal banking channels. In this regard, 65 829 tobacco growers who sold tobacco worth US\$586 937 937, and had bank accounts, were eligible for the 5% export incentive during the 2016 tobacco marketing season. Accordingly, during the month of November 2016 the Bank disbursed a total of US\$29 346 897 to pay tobacco farmers who had submitted their banking details through the [Tobacco Industry and Marketing Board](#). (TIMB). The Bank is pleased to advise that a total of US\$26 642 277, representing 90.8%, has so far been paid to tobacco growers through banks. A balance of US\$2 704 620, representing 9.2%, has not yet been credited to the tobacco growers' bank accounts for one or more of the following reasons: (a) submission of invalid bank account information to TIMB; (b) mismatch of account names; and (c) accounts having become dormant. In order to ensure a smooth transition to the 2017 tobacco marketing season and efficient administration of the 5% Export Incentive Scheme, tobacco growers that have not yet accessed the export incentive through their banks are urged to contact TIMB and respective banks in order to correct or regularise their banking details. The Bank, in collaboration with banks, is refining the current framework to ensure that tobacco growers promptly access the

5% export incentive during the 2017 tobacco marketing season,” said RBZ governor [Dr. John Mangudya](#) in the statement dated 18 January 2017.

- The [Reserve Bank of Zimbabwe \(RBZ\)](#) agreed to allow civil servants a once-off \$300 withdrawal of their salaries to minimise bank charges and transport costs. Civil servants' representatives under the banner of the [Apex Council](#) on Wednesday, 18 January 2017 met RBZ Governor [Dr. John Mangudya](#) and argued that they were losing productive time in bank queues and a lot of money by withdrawing their salaries in tranches. According to Apex Council chairperson [Cecilia Alexander](#), Dr. Mangudya later met with banks which agreed to implement the request. “We met with the RBZ Governor and requested for a withdrawal limit of \$300 for civil servants which will be dispensed in one transaction, commencing this month. We saw this move as a way of decongesting banking halls whilst simultaneously enhancing effective service delivery and productivity through minimising the precious working time spent at the bank. While the withdrawal limit should officially be \$300, most banks are still lagging behind and all we have seen are queues on a daily basis,” said Alexander.
- [Zimbabwe People First](#) Leader [Dr. Joice Mujuru's](#) constitutional application seeking to invalidate a Presidential decree that introduced bond notes was scheduled for February 1, 2017. On Wednesday 18 January 2017, Dr. Mujuru's lawyers led by [Professor Lovemore Madhuku](#), filed their heads of argument at the Constitutional Court. In September 2016, the apex court threw out Dr. Mujuru's request to nullify the executive decree saying the challenge was premature and speculative because the disputed currency was not yet in circulation. Two months later, in November, Dr. Mujuru went back to the Constitutional Court to contest the legality of a Presidential decree providing a legal framework for the introduction of bond notes as legal tender, in a fresh case. She listed President Mugabe, Parliament, Finance and Economic Development minister [Patrick Chinamasa](#), RBZ Governor [Dr. John Mangudya](#) and Attorney-General Advocate [Prince Machaya](#) as respondents. She wants an order declaring that President Mugabe, by exercising Parliament's primary law-making power through Statutory Instrument 133 of 2016, failed to fulfil his constitutional obligations to obey certain provisions of the Constitution. She also wants regulation to be nullified for want of fulfilling the constitutional obligations. It is her contention that President Mugabe has no constitutional authority to make statutory instruments and or/amend Acts of Parliament.
- Lawmakers proposed legal provisions in the Bond Notes Bill for stiff penalties against anyone found rejecting bond notes as a legal tender. The Bill would amend the [Reserve Bank of Zimbabwe Act](#) to enable the central bank to issue “bond notes” exchangeable at par value with the US dollar. According to the Parliamentary Portfolio Committee on the Bond Notes Bill, legislators also wanted the law to impose stiff penalties for anyone who exchanged the notes at a rate other than the prescribed one-to-one with the US dollar. These proposals were contained in a set of recommendations legislators wanted include in the Bill. “The Bill should provide for penalties for those individuals and corporates that do not accept bond notes and coins as legal tender,” the committee said. Lawmakers also proposed that the Bill should provide a mechanism for recourse at the expiry of the bond guarantee to instill confidence in the public.
- Government said it was in the process of drafting a Statutory Instrument (SI) that would give legal effect to the committee supposed to superintend the administration of bond notes. Initially, the [Reserve Bank of Zimbabwe \(RBZ\)](#) was expected to hand-pick members of the committee before the introduction of the surrogate currency, but it was later advised that the body needed to have legal underpinning in order to have legitimacy. There were fears that without an independent body to monitor the administration of bond notes the central bank would have had carte blanche to arbitrarily inject more bond notes than initially promised. RBZ Governor [Dr. John Mangudya](#) said that he was confident that the body would be established before the US\$200 million bond note facility was exhausted. “We wanted to establish the (independent) body along the introduction of bond notes in November last year but after some discussions with the Finance and Economic Development Ministry, we agreed to craft a legal instrument to legitimise and strengthen the existence of that body. We are working flat out to establish the body on time to ensure that they can monitor the bond notes as they come out. We should not find ourselves in such a scenario where we exhaust all the bond notes (US\$200 million) without a body as it defeats the whole purpose of establishing one. The body is expected to monitor the inflow of the bond notes in the market so as to make sure that they won't flood the market so as to avoid fueling inflation,” said Dr. Mangudya.

- Investment and advisory firm, [GMRI Finance](#), acquired a 100% shareholding in [Outcome Financial Services](#) a local microfinancier, as it spread its wings a decade after being founded by entrepreneur [Gilbert Muponda](#). The acquisition was approved by the [Reserve Bank of Zimbabwe](#) on January 12. An executive revealed that the newly-acquired microfinancier would provide short-term funding for small-to-medium enterprises in the form of bridging loans. It would also offer finance, salary-based loans, order finance, debt factoring and agency banking in addition to mobile money services. The executive said the microfinancier would also advance loans to those living outside the country for projects such as housing development, with the loans being repaid through remittances. "Five players control 90% of the market. It means that the market is ripe for an innovative player who is well capitalised. The player should leverage on technology such as mobile money transfer," he said. GMRI reportedly bailed out start-up airline [Rainbow Airlines](#) to begin operations after several false starts after the project finance team concluded the structuring and arrangement for equity and debt financing enabling the airline to service the local and regional markets.

## CONFERENCES/SYMPOSIA/TRAINING & NETWORKING EVENTS

- The [National Building Society \(NBS\)](#) announced the hosting of its inaugural road show on low cost housing in Zimbabwe under the theme: "Unlocking Low Cost Housing through Strategic Alliances and Value Chain Engagement." "The road show is a series of conferences to be held on venues and dates as below. Starting time is 07:30am for 08:00am for all events," said the [NSSA](#)-owned mortgage lender.

Area	Venue	Date
Harare	Crowne Plaza Monomotapa	27 January 2017
Mutare	Amber Hotel	3 February 2017
Masvingo	Regency Flamboyant Hotel	10 February 2017
Bulawayo	Rainbow Hotel	17 February 2017
Gweru	Regency Fairmile Hotel	24 February 2017

Outlining the purpose of the event, NBS said. "This series of events will offer stakeholders in the Zimbabwe housing delivery system an opportunity to interact, network and deliberate on the current housing situation within the housing community as well as offer solutions towards successful low cost housing facilitation." The building society expected Government officials, Professional Associations; Developers, Engineers, Real Estate practitioners, [Zimbabwe Building Contractors Association \(ZBCA\)](#), Quantity Surveyors, Town Planners, [Construction Industry Federation of Zimbabwe](#), Architects, Conveyancers, Employee Representatives, Rural and Urban Councils and more to attend the event. The guest of honour for the event in Harare was expected to be the Minister of Public Service, Labour & Social Welfare whilst the host provincial resident minister would be the guest of honour in the other cities. "The conference series will offer opportunities to stakeholders to showcase their products and services through various exhibition packages. Sponsorship and brand opportunities range from co-sponsoring the event, branding materials to sponsoring the main conference. Limited exhibition space is available and will be awarded on a first come first serve basis," said NBS regarding partnership opportunities.

## CUSTOMER SERVICE/RELATIONSHIP MANAGEMENT INITIATIVES

- The [Infrastructure Development Bank of Zimbabwe \(IDBZ\)](#) was engaged by the [Harare City Council](#) to undertake a feasibility study for the proposed \$45 million re-development of Mbare Musika by [Olshevik Investments](#). Due to the extent, scope and complexity of the project and for the city's comfort, the project including Olshevik's proposal was subjected to scrutiny by the city's financial advisors, IDBZ who noted that a project of this magnitude, scale and complexity required a formal and structured approach. IDBZ observed that the project required a concept paper and that the City should cause preliminary and detailed feasibility studies to be undertaken by a consultant.



"Should council not accept the engagement of IDBZ as the financial and project advisors, council had to consider referring proposals by Olshevik Investments to the joint venture unit for consideration in terms of Section 3(2)(a) and 12(2) of the Joint Venture Act (Chapter 22:22) ... That despite the suspension of IDBZ as financial advisor of the council, council allows IDBZ to carry out the feasibility study" said acting Town Clerk [Josephine Ncube](#) according to minutes of the Council's business committee. A shopping mall, bus rank, a hotel and a parkade are earmarked for construction under the project. Under the deal, Olshevik would inject at least \$45 million and get returns over a 20-year period after which the investment becomes the property of the council.

### PUBLIC TENDER INVITATIONS/RESULTS, EOI & RFPs

- Fidelity Life Assurance Company issued a Request for Proposals for Detailed Civil Engineering Designs of Residential Infrastructure in respect of Langford Housing Development. "Fidelity Life Assurance Company intends to develop Langford Estate into a modern high-density residential settlement complete with all the necessary social amenities and green areas. In this regard, Fidelity Life Assurance would like to undertake detailed engineering designs by engaging a firm of consulting engineers with the requisite expertise and experience. Fidelity Life Assurance now invites eligible consultants to provide proposals for consulting engineering services, indicating their qualifications in this Quality-Based Selection process," said the insurance company in the invitation to tender. Interested Consulting firms could obtain further information at Fidelity Life Assurance of Zimbabwe, Fidelity House, 66 J. Nyerere Ave, Harare and tenders submitted to the Company Secretary on email address [nhendes@fidelitylife.co.zw](mailto:nhendes@fidelitylife.co.zw). Fidelity advised that the closing date for tender submissions was 26 January 2017 at 1400hrs at Fidelity Life Assurance Offices. Participants wishing to attend tender opening could do so on the tender closing date and time.
- The [Reserve Bank of Zimbabwe \(RBZ\)](#) issued an informal tender invitation under reference number RBZ//PROC/001/17 in respect of Insurance for Group Personal Accidents and Immovable Assets. "Tenders must be enclosed in sealed envelopes, addressed to Director, Finance & Procurement and endorsed on the outside with the advertised tender number, the description and the closing date and must be delivered by hand to The Reserve Bank of Zimbabwe, Ground Floor, 80 Samora Machel Avenue, Harare before 1000hrs on the closing date of 25 January 2017. Documents for the tender are obtainable upon production of proof of payment of a tender fee of USD\$ 10 (ten US Dollars) from the Banking Hall at the above given addresses. There will be a compulsory pre-tender meeting on 18 January 2017, failure to attend the meeting will lead to automatic disqualification. Brokers are not invited," said the apex bank in the tender notice.
- The People's Own Savings Bank issued an invitation to informal tender: POSB 01/2017-02 for the supply and delivery of automated reconciliation software. "Tenders are invited for the supply and delivery of an automated reconciliation software to the [People's Own Saving Bank \(POSB\)](#). Documents for this tender are obtainable from The Finance Office, 4<sup>th</sup> floor, Causeway Building, Corner Third Street and Central Ave, Harare, upon payment of a non-refundable deposit fee of U\$10.00 per set. Tenders should be accompanied by the following documents: Company profile, Certificate of incorporation, C.R. 14, Contact details of at least (3) recent traceable references. Tenders must be enclosed in sealed envelopes endorsed on the outside with the advertised tender number, description, closing date and must be slotted in the tender box installed at the POSB 4<sup>th</sup> floor reception at Causeway Building, Corner 3<sup>rd</sup> Street and Central Ave, Harare," said the savings bank.

### INDUSTRY AWARDS AND ACHIEVEMENTS

- The [People's Own Savings Bank \(POSB\)](#) was awarded the Most Consistent Public Sector Institution at the 2016 Public Sector Management Awards held on the [27<sup>th</sup> of January 2017](#) at the Rainbow Towers Hotel, Harare.

### DOMESTIC LENDING PERSPECTIVES

- Chinese firm, [China Industrial International Group \(CIIG\) Zimbabwe](#) said it would in 2017 launch a \$10 million mortgage facility for low-cost housing developments across the country. The group would develop an estimated 1000 houses in Harare alone using steel technology. The houses will have solar furnishings to enhance energy efficiency. A demo house had already been built in the Stoneridge area while school blocks were constructed in

Shurugwi, Zvishavane and an orphanage in Hatcliffe using the same technology. CIIG chief executive, [Nie Hai Yang](#) said the project would target the civil service and other low income earners in search of home ownership. Steel technology is 30 percent cheaper compared to conventional houses. Yang said using the technology, a three or four bed roomed house could be constructed within seven days. Local Government, Public Works and National Housing Minister [Saviour Kasukuwere](#) said that the project would be a game changer in the construction sector as it would make housing affordable for citizens. "We welcome the initiative from CIIG. It's the sort of breakthrough we have been waiting for after having witnessed building institutions refuse to support local authorities and Government initiatives," he said.

- The [Zimbabwe Microfinance Fund \(ZMF\)](#) said disbursements surged 166 percent in 2016 to \$7.8 million from the previous year, with a target to disburse up to \$10 million in 2017. The ZMF, which was established with seed money from several development partners, lends to MFIs which in turn lend to their retail clients. Fund manager [Brian Zimunhu](#) said demand for funding from microfinance institutions (MFIs) remained high. "Demand for loans is envisaged to continue on an upward trend as fundamentals for FY 2016 spill into the New Year," he said. Zimunhu said farmers who sought funding for the summer cropping season caused the huge leap in disbursements in 2016. "There was an increase in number of our partners coming for agriculture loans," he said, adding "this was on the back of predicted normal to above normal rains. Institutions that were now struggling to get offshore finance from their usual sources were also pushing demand, he added. "Most of our partners are now carrying more ZMF funding on their balance sheets." At its inception in 2012, ZMF (formerly the [Zimbabwe Microfinance Wholesale Facility](#)) disbursed \$1 million, a figure that has gradually risen over the years to \$26 million.
- Microfinancier [Microcred Zimbabwe](#) said it was targeting the unbanked and those in the small to medium enterprises (SMEs) offering loans ranging between \$150 and \$50 000. Microcred Zimbabwe acting chief executive officer, [Lloyd Borerwe](#) on Tuesday, 10 January 2017 said that any business that had operated for at least a 12-month period qualified for financing. "We start from as low as \$150 and also provide support to SMEs who have larger requirements in terms of funding. We currently do not do any start up financing. We give as much as \$50 000 to any individual and there is a possibility to increase our loan limit as we assist our client. We value growth in our client business and we also want to grow with our clients and be able to meet their financial needs as they grow. The new shareholders have already provided both equity and debt funding to support the institutions and underwriting capacity. Our plan is to be able to meet demand for credit during the entire year of 2017, there is a huge demand for credit in the country and our goal is to be an accessible institution. We will undoubtedly position our brand as the preferred and ensure our brand equity will continue to grow in 2017 and beyond," he said.
- Finance Minister [Patrick Chinamasa](#) said Zimbabwe was working towards establishing a bank that would represent interests of the youths in the country's financial sector as well as provide credit to upstarts and small to medium enterprises. Accordingly, he had made a provision for establishment of a youth bank in the 2017 budget. "Treasury has announced in the 2017 Budget provision of seed capital for the establishment of a youth bank to be known as [Empower Bank](#)," he said, adding that his ministry had also provided capital for the establishment of the long-awaited [Women's Microfinance Bank](#). He also allocated \$2 million for capitalisation and transformation of the [Small and Medium Enterprises Development Corporation \(SMEDCO\)](#) into a micro-finance bank. Chinamasa noted that credit to youths was practically non-existent. "Zimbabwe seeks to unlock economic opportunities, especially for women and youths by expanding access to savings, credit, insurance, capital markets and payment systems. It is, therefore, critical for women and youths to have access to full range of financial products and services, including credit, savings and microfinance which are essential to fully develop their productive assets to facilitate graduation of their income generating activities from survival level into viable businesses," he said.
- Zimbabwe's broad money supply continued to be dominated by short-term deposits, a factor that constrained the financial services sector's capacity to lend to critical sectors of the economy on a long-term basis. "Broad money" refers to the measure of money supply that includes physical money such as currency and coins, demand deposits at commercial banks and any other monies held in easily accessible accounts. According to the [Reserve Bank of Zimbabwe \(RBZ\)](#)'s review for the week ended January 6, 2017 broad money supply was dominated by 30-day and 60-day deposits. "Average deposit rates for deposits of one month tenure declined by 0.01 percentage points to 5.33 percent during the week ending January 6, 2017. Savings deposits and deposits of three months' tenure

attracted deposits rates of 3.01 percent and 5.72 percent respectively in the same week,” noted the RBZ. Long-term deposits are essential for any country’s banking sector insofar as banks can then convert those savings into larger amounts of credit, which is important for lubricating the economy in various forms, for instance, as trade credit or working capital. The central bank also noted that during the week under review weighted lending rates for individual and corporate clients at commercial banks declined by 0.01 and 0.14 points to 10.58 percent and 6.73 percent respectively.

- The [Reserve Bank of Zimbabwe](#) said it had identified three financial institutions to partner with in availing educational grants to students in higher and tertiary learning institutions countrywide. Speaking on Friday 20<sup>th</sup> of January 2016, [Dr. John Mangudya](#) said discussions with the three banks were at an advanced stage with consultations now focusing on how the loans would be structured. “It is still work in progress. We are in discussions with financial institutions to come up with a structure for the loan scheme. We have identified three financial institutions and we are happy with the way discussions have been going,” said Dr. Mangudya. He however could not give a specific time frame on the conclusion of discussions and when students were expected to start accessing the loans. “It’s difficult in finance to give specific time-frames because there are a lot of factors involved. We will announce details as soon as the discussions are concluded. The target is for loans to be available as soon as possible,” he said.
- Speaking at the launch of Woodbrook low-cost housing project in Bindura on [30 January 2017](#), Minister [Prisca Mupfumira](#) said Government now prioritised housing delivery recognising that the state of housing delivery in any society reflects the quality of life that citizens enjoy. “The National Housing Policy reaffirms the roles of Government as facilitator and regulator rather than sole provider of housing through a partnering and facilitating approach. It is my clarion call today that all the bottlenecks in the housing delivery processes should be removed forthwith and allowing all people to have access to affordable and decent housing,” Mupfumira said. The Woodbrook low cost housing project is a partnership between [National Building Society](#) and [Freda Rebecca Gold Mine](#) on land which was acquired by the gold mining company in 2014. The project has 258 residential stands of which 52 of the stands are currently being financed by NBS. Mupfumira said the launch of Woodbrook Affordable Housing Scheme championed by NBS was testimony of public private partnerships. The launch of housing scheme was the second of its kind, in the national rollout which commenced in 2016 with the launch of Adelaide Park Affordable Housing scheme. Mupfumira said a new housing season was upon Zimbabwe in 2017 and rollout would include projects in Chinhoyi, Shurugwi (Magakooshla Estate), Caledonia Estate, Goromonzi and Masvingo (Victoria Park). Speaking at the same event Freda Rebecca Gold Mine executive director [Toindepi Muganyizi](#) told the gathering that public private partnerships (PPPs) were key to housing delivery in the country. “We have had this plan to provide affordable housing to our employees but financing of the project has been one of the biggest challenges. We approached different financial institutions but we could not reach a conclusion but then came NBS with affordable interest rates. It is our belief as a company that PPP’s can happen at both local and national level,” he said.

### CURRENCY, PRICING & LIQUIDITY PERSPECTIVES(CPLP)

- Cash dealers were reportedly charging business owners seeking to restock their goods from South Africa between \$2 and \$2, 50 for the \$100 bill, demand of which had since increased, given that suppliers in South Africa were offering a higher exchange rate compared to local cash dealers. This meant the US dollar was currently trading against itself at a rate of \$1: \$1, 02 or \$1,025. On 4 January 2017, a cash dealer revealed that the levels of business from individuals seeking to take money out of the country had risen significantly, with the cash they were bringing to them now more than that of cross-border traders. Several cash dealers revealed that suppliers in South Africa wanted more convenience in counting cash and the United States currency was preferred to the rand. “These business individuals and cross-border traders are coming to us to buy higher denomination notes, especially the \$100 note. The \$50 and \$100 notes attract a better rate compared to buying the South African rand. These are the guys who are externalising money to South Africa who do not want the rand. If you go with the rand to South Africa, they will not refuse, but they prefer the United States \$100 bill. The United States dollar is a hard currency, so if you go to these other countries such as South Africa and Zambia, you will actually realise that the dollar is more attractive than the rand if you want to buy in bulk,” a cash dealer said. The trend started with companies seeking to avoid delays in paying suppliers in South Africa, Zimbabwe’s biggest source market for imports. While

locally, the US dollar was being exchanged at a rate of \$1: R14, suppliers in Johannesburg, South Africa, were offering between R1 450 to R1 500 for the \$100 note. One dealer said business owners were bringing in amounts as high as \$7 000 in smaller notes to exchange for the \$100 bills. "Cross-border traders are now small fry. Exchanges of between R3 000 and R5 000 are now what we call small stuff," another cash dealer said.

- A month and half after their introduction, bond notes, which were introduced by the [Reserve Bank of Zimbabwe \(RBZ\)](#) to fund the export incentive scheme meant to boost domestic production, appeared to defy predictions that they would fuel a catastrophic currency black market. In Harare's currency black market hotspots such as the Roadport terminus for regional passenger transporters, bond notes were in mid-January trading at 1:1 to the greenback, with the few pockets of small scale traders who tried to charge a premium to desperate customers finding no takers. Economists said careful management of bonds note by the RBZ had kept the black market at bay. "The scarcity of bond notes is sustaining their value. The Reserve Bank of Zimbabwe has been clever enough to keep them scarce. The value conferred in bond notes is their scarcity. But we are still in danger. The causes of the problem have not been addressed; they have not gone away. There are a lot of separate issues that must have been attended to," said economist [John Robertson](#). Asked if a black market could emerge in the coming months, Robertson said the rate at which the central bank would release bond notes would determine if the black market would emerge. "Whether a black market will emerge will depend on how fast they increase issuance of bond notes. If this is done in the next few weeks we may have a black market. But if they release more bond notes a few months from now, that may not happen. There is need for very careful management by the RBZ," he added.
- The year-on-year inflation rate for December 2016 remained in negative territory at -0.93 percent. Although the December inflation gained 0.16 percentage points on the November rate of -1.09 percent, economists said deflation was more difficult to contain than inflation. This year-on-year inflation rate meant that prices as measured by the all-items CPI decreased by an average of -0.93 percentage points between December 2015 and December 2016. The month on month inflation rate in December 2016 was 0.06 percent gaining 0.04 percentage points on the November 2016 rate of 0.02 percent. This meant that prices as measured by all-items CPI increased at an average rate of 0.06 percent from November 2016 to December 2016.
- Finance minister [Patrick Chinamasa](#) told Parliament on Tuesday, 24 January 2017 that the government would not make the mistake of printing more bond notes than stipulated, as such a decision would cost the ruling [Zanu PF](#) the 2018 elections. Chinamasa's remarks, made during debate on the [Reserve Bank of Zimbabwe Amendment Bill](#) on bond notes, came after [MDC-T](#) legislator, [Alexio Musundire](#) (Zengeza East) claimed that government had injected more than \$500 million worth of bond notes into the market instead of the stipulated \$200 million. "We have a reputation to defend; that is, the central bank governor, [John Mangudya](#) and I, and we will not do any foolish things that will not even win us votes. It is very important that, with the 2018 elections around the corner, we cannot afford to do any foolish things, which we are being accused of. We are not foolish people, and we will do the correct thing, which will maintain the value of the bond notes," Chinamasa said.
- The [Confederation of Zimbabwe Industries \(CZI\)](#) revealed it would approach Government with draft legislation to push for the adoption of the South African rand over the US dollar as the main transacting currency. The "mock Statutory Instrument" could also include internal devaluation to make local manufacturers export competitive. Members of the CZI, gathered at the 2017 Economic Outlook Symposium on [26 January 2017](#), said they would adopt "solid action" to advocate the adoption of the rand. CZI president [Busisa Moyo](#) said a committee would work on the draft legislation as the manufacturers believed that adopting the rand could allow for benchmarking and ultimately correction in terms of devaluation, competitiveness and cost correction. "The other issue is to draft some sort of a mock Statutory Instrument for 'Randisation'. We have been talking about randisation, individual members of CZI have come out strong on randisation and I think we need to have some sort of action towards this. I do know that companies are already starting to do this and opening rand accounts. We also need to move the RTGS system so that it allows for transferring in rand without having to convert to US dollar. So our banking and economics committee and CZI chief economist to work on some sort of mock/draft on randisation, what it means and we start pushing that forward," said Moyo. Presenting a paper at the symposium on Liquidity Crisis: Current Situation and Policy Options, [Professor Ashok Chakravarti](#) argued that adopting the rand was not complex as Zimbabwe was 'very much part of the South African economy. "As far as I am concerned there are no economic



issues in adopting the rand tomorrow. All it needs is a simple law, Statutory Instrument from Government with an exchange rate redenomination of all the US dollar balances, salaries prices, everything in rand and saying that from tomorrow the rand is the currency of circulation and everything will be denominated in rand. It will not cause any confusion. Other countries have done it so there is nothing exceptional about it all," said Professor Chakravarti.

### WHAT DOES 2017 HAVE IN STORE FOR US?

#### Economic Activity & Investment Markets

"Economic activity is likely to remain depressed and resultantly investment markets are likely to perform in sympathy to this. Investors are expected to make a shift towards investment in value preservation assets ahead of growth assets which are riskier." [Old Mutual Securities](#).



#### Economic Performance

"Our economy has all the ingredients to perform badly this year. We do not have to throw bones to decipher the likely performance of our economy in 2017. We know how economies grow. Economies grow when people buy more, when government spends more, when foreign and domestic investors spend more on capital goods locally and when we export more than we import." – [Brett Chulu, Researcher & Columnist](#)



#### Bond Notes & Distortions in the Economy

"More bond notes will only add fuel to the demand for hoarding of what is viewed as being the superior currency and store of value in Zimbabwe, the US dollar. As issuance of bond notes increases in response to the hoarding frenzy, the premium on dollar notes to bond notes will widen and so will the distortions in the economy." - [Steve Hanke, Currency Expert](#)



#### 2017/2018 Economic Prospects

"Stronger tobacco harvests will see the beginnings of a recovery in 2017, but high levels of political risk will ensure the tailwind impact on growth is neutralised. The Zimbabwean government's fiscal position will remain under intense pressure as recessionary economic conditions continue to constrain revenues. While increasing exports will offer a boost to government tax intakes in 2017, this will be insufficient to clear outstanding arrears with multilateral creditors, keeping the door shut on important lines of concessional credit. Zimbabwe's liquidity shortage will worsen over the next two years as US dollars continue to flow out of the economy at a faster rate than they flow in." - [BMI Research, Zimbabwe Country Risk Report](#)



We expect an increasing proportion of the country to begin incorporating the bond notes into their economic activity as they look to reserve hard currency for imported goods. Should the government successfully follow through with the de-dollarisation process and establish a weaker exchange rate to the US dollar, then we would likely see some improvement in the country's exporting sectors and balance of payment dynamics. However, at best, such a process will be both timely and politically expensive as the impact of a weaker exchange rate feeds through higher prices and decline in living standards that would echo the years building up to hyperinflation in the mid-2000," [BMI Research, Zimbabwe Country Risk Report](#)

## JANUARY 2017: KEY FINANCIAL SECTOR DATES

- 5 January 2017:** The Reserve Bank of Zimbabwe issued a press release on the status of the payment of the export incentive and advised the public that as at 31<sup>st</sup> December 2016, it had paid the export incentive to 80% of exporters of goods and services including diaspora remittances through the issuance of bond notes in the sum of \$72.9 million.
- 9 January 2017:** Microcred Zimbabwe (Private) Limited's city branch moved from 70 Park Lane Cnr Julius Nyerere to Penslade Building No.8 Jason Moyo Avenue, corner Kaguvu Street.
- 10 January 2017:** Microcred Zimbabwe, formerly MicroKing Finance (Pvt) Limited, was officially rebranded following a 70% and 30% shareholding acquisition by Microcred SAS and AfricInvest Financial Sector Limited respectively.
- 12 January 2017:** Former World Bank Vice President for the Africa Region during the period 1996 – 2004, Professor Callisto Enias Madavo died.
- 12 January 2017:** The Reserve Bank of Zimbabwe approved GMRI Finance's acquisition of a 100% shareholding in Outcome Financial Services a local microfinancier.
- 15 January 2017:** CBZ Holdings suspended the use of the Visa card on the local market and announced new limits for international transactions.
- 16 January 2017:** Three missions from the Zimbabwe Reconstruction Fund (Zimref), a World Bank-administered trust fund began their work to help improve its business environment climate, support reform of State-owned enterprises and efforts to strengthen the poverty and equity focus of public spending.
- 17 January 2017:** The country's largest credit reference bureau Financial Clearing Bureau (FCB) appointed ICT expert Takunda Ushu as its new managing director.
- 24 January 2017:** Finance minister Patrick Chinamasa told Parliament that the government would not make the mistake of printing more bond notes than stipulated, as such a decision would cost the ruling Zanu PF the 2018 elections.
- 26 January 2017:** The Reserve Bank of Zimbabwe Amendment Bill [Bond Notes Bill] was passed by Parliament without amendments and transmitted to the Senate.
- 26 January 2017:** CBZ Holdings set up CBZ Risk Advisory Services (Pvt) Limited to complement its existing insurance business, bringing the number of strategic units under the group to seven.
- 26 January 2017:** At the 2017 Economic Outlook Symposium, members of the Confederation of Zimbabwe Industries revealed that they would approach Government with draft legislation to push for the adoption of the South African rand over the US dollar as the main transacting currency.
- 27 January 2017:** The National Building Society (NBS) launched its Housing Development Road Show in Harare.
- 30 January 2017:** Woodbrook low-cost housing project, a partnership between National Building Society and Freda Rebecca Gold Mine on land which was acquired by the gold mining company in 2014, was launched in Bindura with NBS financing 52 of the 258 stands.



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