



*Investing in People for Social and Economic Justice*

## **ZIMCODD's RESPONSE TO THE 2018 MONETARY POLICY STATEMENT**

On the 7<sup>th</sup> of February 2018, the Reserve Bank of Zimbabwe (RBZ) Governor, Dr. J. P. Mangudya released the 2018 Mid-term Monetary Policy Statement (MMPS) to be implemented during the succeeding 6 months of the year in order to address the current economic challenges facing the country including the cash crunch, foreign currency shortages, 4-tier transaction payment system, ballooning public debt and Illicit Financial Flows (IFFs).

ZIMCODD, as a social and economic justice coalition continues to lobby the Government to implement pro poor policies to ensure the well being of the marginalized groups including (women, children, the old, physically challenged, people living with HIV/AIDS, youths among others) who tend to suffer the most from the economic crises. In response to the 2018 MMPS, ZIMCODD shares the following position:

- The compliance of Corporates and individuals to the Policy Note on Presidential Amnesty on externalized funds and assets as reported in the MMPS is indeed welcome. However, to ensure transparency and accountability, the RBZ should publicise the total amount of funds and assets recovered while indicating how the recovered money is being utilized or going to be utilized to resuscitate the economy;
- The Government is intensifying the re-engagement process with the international community in trying to resolve external arrears owed to the International Financial Institutions (IFFs) in order to unlock offshore credit lines at '*affordable interest rates*'. ZIMCODD continues to call for an official debt audit both (domestic and external) to establish the legitimacy of debts owed by Zimbabwe. ZIMCODD calls for responsible borrowing as enshrined in the constitution and the lenders must exercise responsible lending informed by the social and economic needs of the citizens. As long as the country is entangled to international debt which is contracted only on the lender's terms, sustainable development will remain a dream for the Zimbabwean citizens.
- The Government is targeting to get funds from the donor community once its international relations are improved during the re-engagement process so that it

will compliment social and developmental programmes. This is unsustainable and the Government should ensure that social and developmental programmes are prioritized for funding by the national fiscus. The Government has relegated most social services (health, education, water and sanitation) to donor financing/support and this is the major cause for the deterioration of social services sector in Zimbabwe.

- Enhancing the Nostro Stabilisation facilities by US\$400 million will ensure continued supply and availability of basic and critical commodities on the market. However, availability needs to be matched with affordability and the RBZ should put in place measures to ensure that commodities are affordable as much as they are available. Commodity prices are sky rocketing (whether they require forex or not) and citizens are finding it difficult to fend for their families as the poverty datum line is now estimated at US\$750.00 for a family of six;
- The establishment of the Offshore Financial Service Centre under the Special Economic Zones (SEZs) programme should be guided by a comprehensive legal framework to ensure that loopholes perpetuating IFFs are closed. SEZs have not performed well in Zimbabwe as the Government's interests are skewed towards attracting Foreign Direct Investment (FDI) at the expense of locals' labour and human rights which are often violated by corporates under SEZs. ZIMCODD argues that SEZs should not be exempted from following labour and human rights laws;
- Upwards review of Threshold for Exports by individuals to US\$2,000.00 is welcome as this promotes cross-border trading by vendors. The RBZ needs to ensure that there are no other contradicting policies and procedures at borders to deter this noble move;
- The use of plastic money in the country has significantly increased and currently stands at 80% coverage. The RBZ should admit that the move is mostly due to the unavailability of cash. The more the number of people using plastic money literally means that more people are robbed of their hard earned cash as plastic money is considered to be of a lesser value than cash, a scenario which has resulted in the 4-tier transaction payment system;
- The RBZ is pointing to the 2018 Finance Bill as the solution to the multi-pricing system (4-tier) as the Bill makes it illegal to decline plastic money. This is not enough in the Zimbabwean set-up where most laws and policies have just remained on paper. Most wholesale units (tuck-shops) and Chinese shops around town, especially in Harare, do not want any form of plastic money and they have maintained their position for more than a year now and the RBZ and other law enforcement agents have failed to contain the situation. There should be an Office within the RBZ, accessible to the public, where reports are made and shops like these are closed and owners prosecuted. The public is facing the reality of the 4-tier payment system and there should be a real and practical solution to the problem;

- The 99-Year Land Leases have failed to secure agricultural funding for small-holder farmers across the country. The RBZ has announced on an annual basis that it has an agreement with banking institutions to accept these as security but on the ground such is not the case. ZIMCODD is working with small-scale farmers to fight inequality across the divide (gender, race and ethnicity among others) and is watchful to ensure that small scale farmers are not left behind during the New Economic Order that is premised on attracting FDI. The banking institutions, though they agreed, might be selective prioritizing large commercial farmers and refusing small scale farmers from accessing these agricultural funds. ZIMCODD calls on the RBZ to be watchful of this under its Financial Inclusion banner by ensuring financial access by smallholder farmers;
- The best available option for the country is to continue using a multi-currency system as highlighted in the MMPS. However, the RBZ should come up with an Instrument to address the challenges posed by the US\$ as the base currency. This entails looking at other currency options such as the rand.

ZIMCODD has engaged the RBZ on various platforms advocating for pro-poor monetary policies that enhance livelihoods for the marginalized groups and will continue to do so as the coalition continues to make social and economic justice a people driven agenda.

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