



Investing in People for Social and Economic Justice

Statement on the Suspension of Monetary Transactions on Phone-Based Mobile Money Platforms

ZIMCODD has received with shock news that the Government has, with immediate effect, suspended all monetary transactions on phone-based mobile money platforms. Digital finance systems are playing an increasing role in macro-economic health globally. The coalition is alive to the fact that the Reserve Bank worry that the proliferation of digital economies, currencies, and transactions will erode already fragile banking systems and by extension render ineffective the monetary policies which rely on them and erodes the efficacy of the two basic tools governments have in their arsenals for combating inflation: controlling the monetary supply and setting interest rates. The Central Bank has used the National Payment System Act as well as internally developed policy guidelines to regulate mobile financial services. The major shortfalls of the current regulatory framework include lack of clarity on how overlaps and conflicts between regulators and players are addressed, limitation of products, the question of legality and non-enforceability of some frameworks and lack of emphasis on financial inclusion.

Causes for Concern

- The communication of information related to monetary and economic policies by the Permanent Secretary of the Ministry of Information Publicity & Broadcasting Services instead of the Minister of Finance and Economic Development or the Reserve Bank Governor creates confusion amongst citizens. The legality of the announcement is therefore not clear; hence the responsible authorities must clarify the legal basis of this move. Furthermore, monetary announcements of this nature must be communicated by responsible authorities.
- Policy inconsistencies pose detrimental effects on the country's image and scares away investors the country desperately needs. Less than a year ago, monetary authorities were on overdrive encouraging use of electronic money. The recent suspension of the mobile money transactions speaks otherwise such that the monetary policy is marred with uncertainty, inconsistency and unpredictability.
- The announcement comes against the backdrop of cash strapped banks and mobile money has become part of people's daily transacting means for all kinds of essentials reducing demand for cash withdrawals in the bank. The measure announced by the bank will take us several steps backwards and also erodes public trust in both current and future policy prescriptions. There must be some degree of predictability in policy environment.

- It is worrying that the government's measure comes in the context of COVID-19 pandemic where banks and other financial institutions are going paperless and encouraging social distancing to stop the spread in compliance with World Health Organisation (WHO) standards.
- Urban to rural remittances will be significantly affected especially given the covid-19 context which has necessitated lockdown measures as enunciated by President E.D Mnangagwa limiting movements (including intercity) to stop the spread of corona virus. Many Zimbabweans have rural dependants that include children and the old aged. To this end, suspending mobile money platforms without offering a sustainable and affordable alternative will render beneficiary families members to hunger starvation.

For the record, ZIMCODD is not against regulation of mobile money platforms, however, the regulatory policy should be executed in a people centred and considerate manner.

The measure is poised to worsen material conditions of the poorest of the poor, even alienating them from the ray of hope they have in terms of livelihood support from distant family members, relatives and friends as well as from humanitarian organisations and social welfare department providing support through harmonised cash transfer programme. Mobile money platforms have played a crucial role in providing relief support in humanitarian crisis and disaster situations – noting that Zimbabwe faces multiple crises of health, food and economic nature, the announced measure is therefore untimely.

The government, through the Ministry of Finance and Economic Development should be concerned about domestic resource mobilisation to fund treasury's fiscal obligations – Zimbabwe has the world's second largest informal economy that is characterised by non-formal banking hence limited money circulation in banking sector. Instead of adopting punitive measures, the government should not lose sight of the revenue collection value of phone-based mobile money transactions ensuring that citizens pay their fair share of tax.

Tempering with the resource mobilisation base at this critical juncture of economic decline undermines revenue collection and creates huge budget deficits. Recent research demonstrates that there is a strong link between remittances and mobile money adoption. Most countries that have a higher level of remittances exhibit higher levels of mobile money adoption. It is a fact that most Zimbabwean households are surviving on diaspora remittances before, during and after the lockdown owing to economic depression.

ZIMCODD therefore calls upon the government to:

- Urgently reconsider and revise the pronounced measure;
- Make a resolve for enactment of the Electronic Money Act which regulates mobile financial services;
- Keep abreast with innovation and proactiveness of the regulators in coming up with suitable regulation matching new innovations;
- Harmonization of the regulation to address potential conflict between regulators and individual institutions;
- Channel efforts towards addressing a flawed economic model that promotes under dealings by a few elites and politically exposed persons fuelling the parallel economy; and

- Arrest and prosecute the said ‘economic saboteurs’ since there is claim of “impeccable evidence” instead of punishing innocent citizens already suffering from the economic meltdown.

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