



# **MACROECONOMIC POLICY MEASURES TO SUPPORT THE 5-YEAR DE-DOLLARISATION STRATEGY**

**APRIL 2020**

	2020	2021	2022	2023	2024
<b>MACROECONOMIC MEASURES (Critical policies would be front-loaded)</b>					
<b>EXCHANGE CONTROL MEASURES</b>					
<b>Exemptions for USD transactions, including taxes and duty</b>	2020	2021	2022	2023	2024
<ul style="list-style-type: none"> <li>• Payment of salaries in foreign currency for expatriates and NGOs</li> </ul>	Permissible  This is standard practice in many countries.	Permissible	Permissible	Permissible	Permissible
<ul style="list-style-type: none"> <li>• Payment of salaries in foreign currency by local companies (e.g. mines) to local employees</li> </ul>	Up to 50% paid in foreign currency at the discretion of the employer	Up to 40% paid in foreign currency at the discretion of the employer	Up to 30% paid in foreign currency at the discretion of the employer	Up to 20% paid in foreign currency at the discretion of the employer	Up to 10% paid in foreign currency at the discretion of the employer
<ul style="list-style-type: none"> <li>• Payment for goods and services in foreign currency using free funds</li> </ul>	All goods and services in the country chargeable in local currency and payable in local currency or foreign currency using free funds	All goods and services in the country chargeable in local currency and payable in local currency or foreign currency using free funds	All goods and services in the country chargeable in local currency and payable in local currency or foreign currency using free funds	All goods and services in the country chargeable in local currency and payable in local currency using free funds	All goods and services in the country chargeable in local currency and payable in local currency using free funds

	2020	2021	2022	2023	2024
<b>In the case of fuel</b>	ZERA designated service stations to be allowed to use free funds under the Direct Import Scheme (DFI)	ZERA designated service stations to be allowed to use free funds under the DFI	ZERA designated service stations to be allowed to use free funds under the DFI	ZERA designated service stations to be allowed to use free funds under the DFI	ZERA designated service stations to be allowed to use free funds under the DFI
<b>Building Forex Reserves</b>					
Reducing export retention thresholds to build national forex reserves					
Manufacturing	80%	70%	60%	50%	25%
Horticulture	80%	70%	60%	50%	25%
Transport	80%	70%	60%	50%	25%
Gold	55%	45%	35%	25%	15%
Other Minerals	60%	45%	35%	25%	15%
Tobacco	50%	45%	35%	25%	15%
<ul style="list-style-type: none"> <li>Disbursements of international remittances in foreign currency</li> </ul>	The practice should continue since these are Free Funds	Optional pay-out modality at the discretion of the recipient	Optional pay-out modality at the discretion of the recipient	Optional pay-out modality at the discretion of the recipient	Optional pay-out modality at the discretion of the recipient
<ul style="list-style-type: none"> <li>Domestic FCAs/Nostro transfers</li> </ul>	Permissible	Permissible	Permissible	Permissible	Permissible
<ul style="list-style-type: none"> <li>Lending by banks in foreign currency</li> </ul>	This remains permissible to support export-led growth.	Permissible	Permissible	Permissible	Permissible

	2020	2021	2022	2023	2024
<ul style="list-style-type: none"> <li>Existing insurance policies in foreign currency</li> </ul>	These contracts should continue to be honoured until their expiry periods.	Payment of new policies in foreign currency optional as some policies like those for ZESA, Air Zimbabwe are in line with international best practice	Payment of new policies in foreign currency optional as some policies like those for ZESA, Air Zimbabwe are in line with international best practice	Payment of new policies in foreign currency optional as some policies like those for ZESA, Air Zimbabwe are in line with international best practice	Payment of new policies in foreign currency optional as some policies like those for ZESA, Air Zimbabwe are in line with international best practice
<ul style="list-style-type: none"> <li>Sustainable resolution of Blocked Funds</li> </ul>	Putting a Blocked Funds Framework to expunge foreign liabilities over ten years	Consistent with the Blocked Funds Framework	Consistent with the Blocked Funds Framework	Consistent with the Blocked Funds Framework	Consistent with the Blocked Funds Framework
<b>Market based interbank foreign exchange market for all players including the State</b>					
Exchange rate policy	Combination of Fixed and Dual Exchange Rate management system that takes account of economic fundamentals	Combination of Fixed and Dual Exchange Rate management system that takes account of economic fundamentals	Managed Floating Exchange Rate management system that takes account of economic fundamentals	Managed floating Exchange Rate management system that takes account of economic fundamentals	Managed Floating Exchange Rate management system that takes account of economic fundamentals

	2020	2021	2022	2023	2024
<b>MONETARY MEASURES</b>					
<b>Disinflation programme</b> (Price stability) Target annual inflation	Reduce Annual Inflation from the current High 3-digit levels (540% in Feb 2020) to 2-digit levels (around 90%) by end-Dec 2020.	Low two-digit levels (below 20%)	Single digit levels (9% and below)	SADC (3-7%)	SADC (3-7%)
<b>Strict implementation of the monetary targeting framework</b> <ul style="list-style-type: none"> <li>Reserve money and M3 targets</li> <li>Open market operations and instruments</li> </ul>	Monetary aggregate levels and growth rates consistent with annual inflation targets.	Monetary aggregate levels and growth rates consistent with annual inflation targets and real economic activity.	Monetary aggregate levels and growth rates consistent with annual inflation targets and real economic activity.	Monetary aggregate levels and growth rates consistent with annual inflation targets and real economic activity.	Monetary aggregate levels and growth rates consistent with annual inflation targets and real economic activity.
<b>Cash availability</b>					
Cash to M3 ratio (Increase from the current 3% to optimal levels of 10% taking cognizant of the need to achieve a cash-lite economy	Continue drip-feeding currency into the economy.	Achieve the ideal ratio of 10% by end-Dec 2021.	Maintain ideal cash to deposit ratios	Maintain ideal cash to deposit ratios	Maintain ideal cash to deposit ratios
<ul style="list-style-type: none"> <li>Higher denominations</li> </ul>	Increase currency denominations to Z\$50	New currency series, with modernized and secure notes	Implement a modern and efficient Currency/ Banknote Policy, within the cash-lite economy objective.	Implement a modern and efficient Currency/ Banknote Policy, within the cash-lite economy objective.	Implement a modern and efficient Currency/ Banknote Policy, within the cash-lite economy objective.

	2020	2021	2022	2023	2024
<b>Development of financial markets</b>					
<ul style="list-style-type: none"> <li>Interest rate policy</li> </ul>	The Bank is implementing Monetary Targeting (MT), and hence the interest rate policy is subordinate to the overriding MT framework.	Interest rates will be consistent with the Monetary Targeting (MT) Framework.	Interest rates will be consistent with the Monetary Targeting (MT) Framework.	Interest rates will be consistent with the Monetary Targeting (MT) Framework.	Consistent with the Monetary Targeting (MT) Framework.
<ul style="list-style-type: none"> <li>Promote attractive Zimbabwe dollar money market instruments</li> </ul>	The Bank will issue OMO bills to harness excess liquidity and encourage banks to develop similar options for their clients.	Local currency instruments yielding more rewards than foreign currency instruments.	Local currency instruments yielding more rewards than foreign currency instruments.	Local currency instruments yielding more rewards than foreign currency instruments.	Local currency instruments yielding more rewards than foreign currency instruments.
<ul style="list-style-type: none"> <li>Promote capital market development (secondary market)</li> </ul>	The Bank will promote long-term instruments through development of the secondary markets, in line with a concomitant objective of	Functional secondary markets, including for mortgage securities.	Local currency instruments yielding the same or more rewards as holding foreign currency.	Local currency instruments yielding the same or more rewards as holding foreign currency.	Local currency instruments yielding the same or more rewards as holding foreign currency.

	2020	2021	2022	2023	2024
	promoting long-term savings in the economy.				
<b>NATIONAL PAYMENT SYSTEMS</b>					
<b>Improve convenience of domestic currency payment systems</b> (mobile network operators (MNOs), electronic cards including regulation of transactional charges)					
<ul style="list-style-type: none"> <li>Upgrading of payment system infrastructure and systems to enable fast and convenient payments and settlements and to achieve interoperability of payment systems</li> </ul>	RBZ in the process of putting in place a national switch system to modernise the payment system	Robust, reliable, efficient and convenient payment infrastructure and system.	Robust, reliable, efficient and convenient payment infrastructure and system.	Robust, reliable, efficient and convenient payment infrastructure and system.	Robust, reliable, efficient and convenient payment infrastructure and system.
<b>Financial Stability Prudential Supervision</b>					
<ul style="list-style-type: none"> <li>Macro prudential supervisory policy framework</li> </ul>	RBZ adopted and implementing Macro prudential policies to ensure financial stability.	Financial Stability measures	Financial Stability measures	Financial Stability measures	Financial Stability measures
<ul style="list-style-type: none"> <li>Capital Adequacy</li> </ul>	Recapitalisation of financial	Maintain adequate capital levels	Maintain adequate capital levels	Maintain adequate capital levels	Maintain adequate capital levels

	2020	2021	2022	2023	2024
	institutions (to minimum thresholds)				
<b>FISCAL MEASURES</b>	2020	2021	2022	2023	2024
<b>Fiscal Consolidation</b>					
<ul style="list-style-type: none"> <li>Levy of taxes and duties in foreign currency</li> </ul>	<p>Maintain duty in foreign currency on non-essential and locally available imported goods such as fruits, cereals, vegetables, etc.</p> <p>Reduce the number of eligible goods and services to be taxed in foreign currency.</p>	<p>Maintain duty in foreign currency on non-essential and locally available imported goods such as fruits, cereals, vegetables, etc.</p>	<p>All Gvt levies, taxes and duties to be paid in local currency</p> <p>Hike tariffs on non-essential imports where necessary</p>	<p>All Gvt levies, taxes and duties to be paid in local currency</p>	<p>All Gvt levies, taxes and duties to be paid in local currency</p>
<ul style="list-style-type: none"> <li>Reduce Budget deficit to GDP ratio in line with SADC benchmarks</li> </ul>	<p>To contain the deficit within the 4.0% of GDP ratio announced in the 2020 budget.</p>	<p>SADC (3-5%)</p>	<p>SADC (3-5%)</p>	<p>SADC (3-5%)</p>	<p>SADC (3-5%)</p>



	2020	2021	2022	2023	2024
<ul style="list-style-type: none"> <li>Reduce Public Debt to GDP ratio in line with SADC benchmarks</li> </ul>	Currently at 135%	Reduce ratio to SADC benchmark of <60% by end-2021.	SADC (<60%)	SADC (<60%)	SADC (<60%)
<ul style="list-style-type: none"> <li>Rationalize the Civil service</li> </ul>	Eliminate ghost workers and redundant posts. Fill in critical vacancies (in education, health, etc) through re-deployments from excess areas.	Efficient and right-sized civil service	Efficient and right-sized civil service	Efficient and right-sized civil service	Efficient and right-sized civil service
<ul style="list-style-type: none"> <li>Clear domestic arrears on a quarterly basis</li> </ul>	Implement a domestic arrears clearance programme within the announced budget expenditures.	Domestic arrears should be cleared on a quarterly basis, to avoid further accumulation.	Domestic arrears should be cleared on a quarterly basis.	Domestic arrears should be cleared on a quarterly basis.	Domestic arrears should be cleared on a quarterly basis.
<ul style="list-style-type: none"> <li>Monetisation of fiscal deficit</li> </ul>	Live within the 20% limit as per RBZ Act	Live within the 20% limit as per RBZ Act	Live within the 20% limit as per RBZ Act	Live within the 20% limit as per RBZ Act	Live within the 20% limit as per RBZ Act
<b>Social Safety Nets (targeted subsidies)</b>					

	2020	2021	2022	2023	2024
<ul style="list-style-type: none"> <li>Exchange rate subsidies on fuel</li> </ul>	The price of fuel should continue to adjust in line with changes in the managed Fixed exchange rate.	The price of fuel should continue to adjust in line with changes in the managed Fixed exchange rate.	No subsidy	No subsidy	No subsidy
<ul style="list-style-type: none"> <li>Exchange rate subsidies on electricity</li> </ul>	Any such subsidies must be contained within the announced 2020 budget.	No subsidy would still be required when the economy adopts a unified exchange rate system.	No subsidy would still be required when the economy adopts a unified exchange rate system.	No subsidy would still be required when the economy adopts a unified exchange rate system.	No subsidy would still be required when the economy adopts a unified exchange rate system.
<ul style="list-style-type: none"> <li>Target subsidies on electricity prices</li> </ul>	Targeted subsidies in the form of differential tariffs for rural, poor urban consumers, etc.	Any such subsidies must be transparent and contained within the announced budget.	Any such subsidies must be transparent and contained within the announced budget.	Any such subsidies must be transparent and contained within the announced budget.	Any such subsidies must be transparent and contained within the announced budget.
<ul style="list-style-type: none"> <li>Subsidies on agricultural commodities and other basic goods</li> </ul>	Zero-rate VAT on some basic commodities such as roller meal in order to cater for poor and vulnerable.  Implement a coupon system for the targeted.	Any such subsidies must be transparent, and contained within the announced budget to be made available through coupons	Any such subsidies must be transparent, and contained within the announced budget to be made available through coupons	Any such subsidies must be transparent, and contained within the announced budget to be made available through coupons	Targeted to the more vulnerable groups  Agriculture should be self-financing, as is the case with other industries or sectors.

	2020	2021	2022	2023	2024
All other <b>subsidies and incentives</b> should be accounted for in the national budget, and the accounting for such expenses should be done during the budgeting process	Targeted to the more vulnerable groups	Targeted to the more vulnerable groups	Targeted to the more vulnerable groups	Targeted to the more vulnerable groups	Targeted to the more vulnerable groups
<ul style="list-style-type: none"> <li>Gold, tobacco, cotton, chrome and other incentives</li> </ul>	Ensure the incentives are taken over by Government by beginning of quarter 2.	No significant incentive would be necessary when exchange rate unification has been achieved.	Any such incentives, should they be required, must be transparent, and contained within the announced national budget.	Any such incentives, should they be required, must be transparent, and contained within the announced national budget.	No incentives required or necessary
<ul style="list-style-type: none"> <li>Target subsidy on the public transport system</li> </ul>	Need to ensure that the subsidy is sustainable by fully accounting for its costs and benefits.	Reduce subsidy on the public transport system to 75%	Reduce subsidy on the public transport system to 50%	Reduce subsidy on the public transport system to 25%	Reduce subsidy on the public transport system to 10%
Efficiency and cost recovery measures in the use of government resources, including service provision	Ensure value-for-money systems in Gvt. Implement robust e-Government systems in line with requirements of PFMS.	Implement e-Government systems	Implement e-Government systems	Implement e-Government systems	Implement e-Government systems

	2020	2021	2022	2023	2024
	Follow-up and take decisive action on audit findings.				
STRUCTURAL MEASURES					
	2020	2021	2022	2023	2024
Promote private sector-led economy	Begin streamlining Gvt interventions and role in the economy.  Promote private sector-led economic revival strategies.	Re-orient Gvt interventions to provision of production incentives through the national budget, maximize the contribution of the private sector.	Gvt interventions and role limited to legislation, regulation and putting in place a conducive macroeconomic environment.	Gvt interventions and role limited to legislation, regulation and putting in place a conducive macroeconomic environment.	Limited Gvt role in the economy.
Promote production and export growth	Pronounce clear and consistent fiscal and monetary policies, promotive of growth and exports	Aim for a minimum of 7% per annum growth in real GDP, in accordance with SADC Macroeconomic Convergence targets.	SADC growth target of 7%.	SADC growth target of 7%.	SADC growth target of 7%.
Formalize the Informal Sector	Reinforce efforts to formalize the informal sector, which is	Increase formal sector to 50%	Increase formal sector to 60%	Increase formal sector to 70%	Increase formal sector to 80%

	2020	2021	2022	2023	2024
	currently 60-70% of the economy.				
Improvement in Ease of doing business ranking (by category)	Zimbabwe is currently 140/190 on World Bank rankings.	Target 125/190	Target 115/190	Target 110/190	Target 100/190
State Owned Enterprises (SOEs) reform (reduce, merge and/or improve efficiency)	Expedite reform of identified or targeted 10 State Owned Enterprises (SOEs).	Complete reform of the targeted 10 SOEs.	Complete reform of the remaining SOEs.	Reduce or eliminate SOEs financial burden from the national budget.	Efficiently run SOEs, contributing to the fiscus.
Promote infrastructure development through cost-recovery and Public-Private Partnerships (PPPs)	Infrastructure (water, power, road, rail, etc) is a missing link in the economy's growth and development nexus.	Increase Capital Budget to 20% of total expenditures.	Target to increase Capital Budget to 30% in line with COMESA guidelines.	Efficient and enabling infrastructure	Efficient and enabling infrastructure
<b>SUPPORTIVE MEASURES</b>					
Strong Communication Strategy	RBZ is putting in place a strong, robust and effective	Policy Measures and Statements will be preceded, accompanied and	A sound and adaptive Communication Strategy	A sound and adaptive Communication Strategy	A sound and adaptive Communication Strategy

	2020	2021	2022	2023	2024
	communication strategy, which counters negativity and misinformation, in both proactive and reactive manner.	followed up by an aggressive but market-friendly Central Bank Communication Strategy.			

## **NOTES**

### **KEY SUCCESS FACTORS**

This de-dollarization strategy is anchored mainly on exchange rate and price stability, which can only be achieved in the medium term. In addition, the following factors are also key for the success of the plan:

- Political support;
- Policy consistency and credibility;
- Effective communication;
- Building business and consumer confidence; and
- Implementation of the measures as a package.

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