FIRST QUARTER MONETARY POLICY STATEMENT:

A FOCUS ON FOOD, FOREIGN EXCHANGE GENERATION, PRODUCER VIABILITY AND INCREASED SUPPLY OF BASIC COMMODITIES

BY DR G GONO

GOVERNOR

RESERVE BANK OF ZIMBABWE

30 APRIL 2008

TABLE OF CONTENTS

1. INTRODUCTION AND BACKGROUND

1.1 I am sure that over the last four years, during which we have had regular occasions such as this one, most Zimbabweans have become quite familiar with the fact that Section 46 of the Reserve Bank of Zimbabwe Act [Chapter 22:15] requires that the Governor's Monetary Policy Statement must be issued bi-annually, in January and June.

1.2 However, it is also true that from time to time the Statement may be issued quarterly to address emergent challenges in the economy.

1.3 It is against this background that in the light of the diversity and intensity of the current setbacks we are facing as an economy, it has become imperative that the Reserve Bank issues this First Quarter Monetary Policy Statement to give Government, the business community, households, Civil Society and our partners in the international community a framework and strategy for renewed optimism, hope and collective action.

1.4 Also, as provided in the Act, it is my duty as Governor to present advice on focal areas requiring collective reflection and implementation to stabilize the Nation’s macroeconomic environment for enduring inflation reduction and for sustainable growth, socio-economic development and overall stability in our Republic.

THE UNFOLDING GLOBAL FOOD CRISIS

1.5 This Monetary Policy Statement comes under the theme “**A Focus On Food, Foreign Exchange Generation, Producer Viability and Increased Supply of Basic Commodities”.**

1.6 Under this rubric, special reference is made to the unfolding food crisis as this is no longer a Zimbabwean challenge per se but a global crisis and an international emergency with far reaching implications on national economic policy making and implementation.

1.7 The devastating fangs of the global food crisis are biting and cutting into the livelihoods of every household across the globe, especially among the vulnerable members of Society.

1.8 On the 20th of April, 2008, the Secretary General of the United Nations (UN) Mr. Ban Ki-moon told a Trade and

Development Conference in Accra, Ghana, that the global food crisis and the attendant surge in food prices was **one of the greatest dangers** that threatened socio-economic development.

1.9 To this effect, the UN Chief said: **quote:** “If not handled properly, this crisis could result in a cascade of others … and become a multidimensional problem affecting economic growth, social progress and even political security around the world”.

1.10 This sobering reflection has also seized the daily preoccupation of the World Bank, World Food Agencies and other similar contemporary developmental institutions.

1.11 Signifying the urgency of this global food crisis, **against which all of us must act with an audacious commitment to address it without any further delay,** is the sad fact that already the world has seen the eruption of violence in varying degrees of intensity in several countries over food prices and food shortages.

1.12 As is now well known, our advice to the Nation and response as Monetary Authorities over the last four years, and which advice has **disappointingly been met with fierce criticism and even derision here at home**, has been to formulate and implement measures to enhance agricultural productivity through the following interventions:

(a) Working capital and expansion of financial support for farmers, under the Agricultural Sector Productivity Enhancement Facility (ASPEF);

(b) Supporting Dam construction projects in order to secure inland water supplies;

(c) Supporting Irrigation rehabilitation programmes in order to provide a buffer infrastructure against the vagaries of droughts;

(d) Embarking on a comprehensive mechanization programme of the agricultural sector, through the provision of tractors, ploughs, planters, fertilizer spreaders, chemical sprayers, combine harvesters and disc harrows among a host of implements and equipment without which no meaningful agriculture can ever take place.

(e) Promoting agricultural viability through the payment of support prices to ensure the operational viability of farmers, and

(f) Importation and supply of seeds, fertilizers and fuel.

1.13 This policy thrust on agriculture was informed, and continues to be guided by our strong and unshakable conviction as Monetary Authorities that without food security, no credible and sustainable economic turnaround programme can be implemented in Zimbabwe.

1.14 Equally also, our thrust has been founded on our unwavering belief that extraordinary circumstances must be confronted through extraordinary interventions and not through half-baked or even wholesale 16th century economic dogmas that have been long discarded in their founding countries.

1.15 As Monetary Authorities, we have been humbled and have taken heart in the realization that some leading Central

Banks, including those in the USA and the UK, are now not just talking of, but also actually implementing flexible and pragmatic central bank support programmes where these are deemed necessary in their National interests.

1.16 **That is precisely the path that we began over 4 years ago in pursuit of our own national interest and we have not wavered on that critical path despite the untold misunderstanding, vilification and demonization we have endured from across the political divide.**

1.17 Yet there are telling examples of the path we have taken from key economies around the world. For instance, when the USA economy was recently confronted by the devastating effects of Hurricanes Katrina and Rita, as well as the Iraq war, their Central Bank stepped in and injected life-boat schemes in the form of billions of dollars that were printed and pumped into the American economy.

1.18 A few months ago, the USA economy confronted a severe mortgage crisis, which threatened to spark an economy-wide recession.

1.19 The USA Central Bank again responded by injecting over US$160 billion between December, 2007 and March, 2008, to provide impetus to the American economy and prevent a worse crisis from happening.

1.20 A look at the recent developments in the UK equally reveals how increasingly, leading central banks in the global economy are bailing out troubled economic sectors to achieve macroeconomic and financial stability.

1.21 Faced with a yawning threat of systemic bank failures on the back of the aftermaths of that country's mortgage crisis, the Bank of England was directed by its Government to intervene by providing a £50 billion lifeline to the UK's banking sector.

1.22 Here in Zimbabwe we had our near-bank failures a few years ago and we responded by providing the affected Banks with the Troubled Bank Fund (TBF) for which we were heavily criticized even by some multi-lateral institutions who today are silent when the Central Banks of UK and USA are going the same way and doing the same thing under very similar circumstances thereby continuing the unfortunate hypocrisy that what's good for goose is not good for the gander.

1.23 Those who yesterday did not see the interconnection between sanctions and the politics of this country as they sought conventional and dogmatic textbook methods of moving this economy now have good cause to reflect on these examples of quasi-fiscal interventions by the central banks in the USA and the UK and review their dogmas in the interest of adopting more flexible and dynamic approaches informed by the exigencies of the economic situation on the ground.

1.24 Our economy is and has been in trouble for over ten years and our extraordinary interventions by whatever name have helped to keep the wheels of this economy moving.

1.25 Even though our efforts have been criticized and derided clearly for **undisguised political reasons**, we are proud that we had the courage to do something that made a positive difference when it would have been far too easy for us to appear reasonable by doing nothing and thereby make the situation worse.

1.26 As Monetary Authorities, **we commend those of our peers**, the world over, who have now seen the light on the need for the adoption of flexible and practical interventions and support to key sectors of the economy when faced with unusual circumstances.

1.27 Of course, in the short-term such interventions are without doubt inflationary but in the medium to long-term they trigger and propel economic growth and development that everyone craves for.

1.28 One such universal unforeseen contingency, which now needs our urgent attention and intervention through unconventional means and without resorting to discredited textbook dogmas, is the unfolding global food and energy crisis.

1.29 For those too preoccupied with the dark alleys and dead-ends of local politics, at the expense of events unfolding the world-over such as the emerging food crisis, a few pointers from recent cases of food based conflict around the world could help in bringing to the fore the urgency of guaranteeing internal food security.

Burkina Faso

1.30 During the week of 22 February, 2008, the UN Office for the Coordination of Humanitarian Affairs reported that riots over the cost of food hit three major towns in Burkina Faso, threatening the peace and stability in that country.

Egyptian Food Riots

1.31 Yielding to the surging global food crisis, thousands of people in Egypt took to the streets during the end of February/early March, 2008 protesting against food prices that are getting out of reach for the poor members of that society.

1.32 The violence that erupted there took with it several precious lives, demonstrating the gastly consequences that can spring out of delayed action on matters of the stomach.

Haiti Food Riot

1.33 The surge in food prices also culminated in bloody street violence in Haiti from mid-March, 2008, which violence spilled into April, 2008.

1.34 The protests, which also saw precious lives being lost, brought business to a halt in Port-au-Prince, with shops, schools and hospitals being shut down.

Ivory Coast Food Protests

1.35 At the end of March 2008, volatile street protests erupted in Ivory Coast, again triggered by high food prices and shortages of basic commodities.

South African Demonstrations

1.36 Mid-April, 2008, thousands of South Africans took to the streets of Johannesburg in protest against rocketing food and electricity prices. Theirs was again a clear signal that the food problem is indeed a global challenge.

Mexico Food Protests

1.37 Early February, 2008, the ugly head of food-related protests also surfaced in Mexico, when thousands of trade unionists, farmers and other members of Civil Society thronged the streets over price increases for basic foods like tortillas, the staple food of Mexico's majority poor.

Yemen Food Riots

1.38 End of March/early April 2008, military tanks had to be deployed in parts of Southern Yemen after protracted episodes of violent food riots threatened the stability of that country.

Other Food Related Riot

1.39 The list of recent food-related disturbances is lengthy, as it has engulfed other countries including Morocco, Cameroon, Senegal, as well as several in Asia.

THE LESSONS

1.40 These revealing episodes of violence are an important source of key lessons.

1.41 In the realm of strategy, it is those that cast their nets now—learning from experiences elsewhere and avoiding the mistakes of others—that often succeed in keeping the wolves of hunger away from the doorstep and back into the wilderness.

1.42 The vivid catalogue of recent episodes of food-related violence imparts the following pertinent lessons for every Zimbabwean;

(a) That the current internal setback of food shortages and the escalating cost of living is a global phenomenon that is not unique to Zimbabwe. As Zimbabweans, we must take pride in the mature nature with which we are working to resolve our internal challenges.

(b) That the thrust on the Land Reform programme, complemented by the Farm Mechanization Programme **is an audacious national strategy and visionary**

programme that must be supported by all peace-loving Zimbabweans who want to secure the country's enduring food security, and through this, sustainable National Unity, Cohesion, Peace and Tranquility.

(c) That the overall economic strategy of implementing policies and programmes that target the agricultural sector recognizes the over-aching effects of food shortages in the economy's overall stability and cost of living escalations.

(d) That the measures meant to **cushion the poor and the vulnerable segments of society through targeted safety nets are an integral part of responsible macroeconomic management with a human face.** Labeling or condemning such interventions as political is no better **than an act of sabotage to the cause of humanity, particularly the vulnerable groups in our society.**

(e) Most importantly, the strongest lesson for Zimbabwe is that **now** is the time to swiftly act against the ravaging global menace of hunger, so as to lay a credible foundation for lasting macroeconomic stability and internal cohesion of our Nation.

1.43 To the short-sighted among us, **who are moved more by sensational news headlines of the day and by rumors and whispers in the political corridors than by structural challenges that affect the livelihoods of Zimbabweans,** this Monetary Policy Statement and the measures I will unveil today may sound foreign if not alien, but as history will tell, what is being introduced now are the necessary unavoidable steps that set the foundation for a prosperous and food secure Zimbabwean economy.

1.44 This Monetary Policy Statement therefore, comes at a time when the Nation is facing a host of global and local setbacks that require urgent and deliberate responses.

1.45 In looking at the inventory of these challenges, which I am going to outline shortly, as Zimbabweans, we must respond to the opportunities and strengths that emerge from those challenges.

THE GLOBAL CHALLENGES

1.46 An assessment of the global context in which our economy is currently operating reveals the following setbacks over and above the food crisis that I have already emphasized as a strategic priority for our national attention:

(a) The growing stresses from the global warming phenomenon which has completely upset known agricultural seasons in a manner where now most farmers are yet to fully comprehend and realign their agricultural practices for effective yields.

(b) Global increases in inflation, dominated by the sharp rise in food prices and threats of recessions in major economies.

(c) Global shortages of energy, particularly in respect of electricity, gas and other forms of energy.

(d) Global shortages of iron, steel, coal and other critical mineral resources.

(e) Continued widening of income disparities between the rich and poor nations and the growing incidence of donor-fatigue.

(f) Global sensitivity to investment climates by those who hold capital, which sensitivity has increased the volatility of world financial markets and, hence increased business uncertainty.

(g) The growing threats of terrorism and money laundering which have brought greater demands and restrictions in global financial systems. Capital flows, particularly into the developing world are being greatly impaired through this development.

(h) Continued unfair trade practices in international markets, effectively disadvantaging smaller and weaker economies through strained market access, tariffs and other non-tariff barriers.

LOCAL CHALLENGES

1.47 An assessment of the country's domestic environment reveals an urgent need for tackling the following internal setbacks, apart from the challenge of food shortages.

(a) Shortages of foreign exchange;

(b) Fuel shortages;

(c) Electricity shortages;

(d) Urban water and sewage infrastructure inadequacies due to old age;

(e) Underutilization of land;

(f) Shortages of basic commodities;

(g) Daily price increases which are eroding the purchasing power of incomes, as well as increasing business uncertainty and risk;

(h) Underperformance of the export sector due to viability and foreign exchange constraints;

(i) Flawed logistics and distribution networks, especially, with respect to food, fuel, coal and other basic commodities and productive inputs.

(j) Severe price distortions which are leading to several economic malpractices;

(k) Severe brain-drain;

(l) Compromised efficiency on the part of several parastatals, including Air Zimbabwe, Net One, Tel One, ZINWA, ARDA, NRZ, AREX, ZISCO, ZESA and HWANGE, among many others, including local authorities.

(m) Compromised health delivery systems due to sanctions, brain-drain and shortages of foreign exchange;

(n) Shortages of agricultural inputs, such as fertilizers, seeds, animal drugs and agro-chemicals;

(o) High levels of corruption and diminished business ethics and indiscipline in both public and private sectors of the economy.

(p) Absence of a Social Contract to bind and guide Government, Labour, business and Civil Society with regards to their conduct in relation to other stakeholders.

(q) Continued decline in the economy’s GDP, which is itself perpetuating inflation, low savings and low investment levels.

(r) Absence of political cohesion and the unity of a common national purpose between and among the main political parties; and

(s) The growing incidence of sanctions against the country, which are constricting balance of payments support and other forms of capital inflows into the country.

PRICING DISTORTIONS

1.48 In my January 20047 Monetary Policy Statement, I bemoaned the existence of multiple pricing distortions in our economy and urged Government to decisively move towards removing these distortions.

1.49 It is saddening to note that the responsible Ministries and economic planners have yet to come up with a sustainable formula for dealing with:

(a) GMB maize price distortions
(b) GMB wheat price distortions
(c) GMB fertilizer pricing distortions
(d) NOCZIM fuel price distortions
(e) ZESA electricity pricing distortions
(f) Hwange coal price distortions
(g) Air Zimbabwe pricing distortions

1.50 Although the Reserve Bank of Zimbabwe Act places responsibility of Foreign Exchange Rate determination on the shoulders of the Minister of Finance, and that foreign exchange distortions have been a major mill-stone around the economy’s neck, I am pleased to report that the innovations we, as Monetary Authorities have come up with in this Statement, should go a long way towards addressing exporter viability concerns.

THE OPPORTUNITIES AND STRENGTHS

1.51 Despite facing the above global and internal setbacks, Zimbabwe as a country and Zimbabweans themselves have defied all the repeated predictions of collapse which have been made over the past decade or so.

1.52 The internal resilience of the Zimbabwean economy and its people, supported by the resourcefulness and innovation of its citizenry has ensured that the country continues to hold on in the face of phenomenal adversity.

1.53 In order to turn this adversity into the fountain of macroeconomic stability, growth and development, it is imperative that as a Nation, we work to unlock value out of our vast mineral wealth which largely remains untapped.

1.54 The now completed and irreversible Land Reform Programme must be elevated to the productive phase, ensuring that all the land is put to productive use, bolstered by the on-going farm mechanization programme.

1.55 Underpinned by the excellent climate in the country, the bio-diesel initiative must be envigorated through an aggressive programme on jatropha production, itself the most sustainable way to produce bio-fuels since it does not compete with consumable oils.

1.56 Equally, the energy sector needs to be strengthened through dedicated expansion of ethanol production, supported by greater stability and growth in our sugar plantations sub-sector.

1.57 In order to fend-off the adversities of repeated droughts, the on-going programme of rehabilitation of irrigation systems must be deepened and sustained as a matter of renewed urgency.

1.58 The country’s world class tourism facilities and natural heritages also stand as an invaluable resource that must be unlocked through deliberate policies, particularly in the light of the approaching 2010 World Cup Soccer games.

1.59 As Zimbabweans, we must also take full advantage of the strategic benefits that come with our highly skilled labour force and diverse National institutional framework.

1.60 **Equally commendable and a strength we should not take for granted is the maturity with which Zimbabweans conducted themselves in the run up to and during the March 29 'Harmonized' general election.**

1.61 This level of maturity, **itself a product of the high level of education and discipline among our people**, is one of the greatest strengths the country should capitalize on, **especially now in the post-election period during which we have seen political temperatures once again rising with very worrying reports of unacceptable incidences of politically motivated violence in some parts of our country.**

1.62 In reflecting upon these areas of strengths in the context of the socio-economic setbacks we currently face, it has become so apparent to the Central Bank that delivering overall macroeconomic stability requires nothing short of innovative and holistic measures that underpin food security; social safety nets; business viability; foreign exchange generation; removal of pricing and other distortions, as well as the general promotion of cohesion and unity of purpose for the common good of our Nation.

1.63 It is against this background that this Monetary Policy Statement is being presented also in the knowledge that in us as Zimbabweans resides the solutions to our challenges. The Chimurenga truism that "**We are our own Liberators**" should never escape us as the basis of our collective inspiration.

SOCIAL CONTRACT

1.64 As Monetary Authorities, our hearts are heavy at the realization that well over 16 months down the road since we first advocated the urgent adoption of a **Social Contract** early 2007, this virtuous path has not been fully followed through.

1.65 Had we collectively shown maturity, tolerance and a burning desire for a better Zimbabwe through the adoption of the Social Contract, we would not be having today's wide-spread shortages of basic commodities and other economic ills afflicting us.

1.66 Under the Social Contract, itself a well tested vehicle for macroeconomic stabilization, our inflation level would have by now receded to single-digit.

1.67 Indeed, under the mutually reinforcing covenants of a Social Contract, by now we would not be suffering from the scourge of price controls, let alone shouldering the heavy burden of price review applications.

1.68 Instead, we allowed sectoral and personal bravados and selfish interests to rule the day and now we are paying the price and it is a very heavy one indeed.

1.69 We allowed political expediency to override the virtues of a noble programme which was meant to deliver a better Zimbabwe for all Zimbabweans.

1.70 Events over the past years, more so over the past few months and recent weeks have clearly shown that it is not just naïve but utter folly to separate the economy from the politics of the day.

1.71 **Indeed, these recent events have driven home the absolute truism that no amount of blame game, finger pointing or undue condemnation of particular institutions or individual actors can bring about the needed macroeconomic stability if the political questions of the day have not been addressed and resolved with commensurate boldness.**

1.72 We have watched and listened in amazement as some among us, **believing or even sensing that their political fortunes are on the rise,** have gone as far proclaiming that Governor Gono must be removed from office and be replaced by a duo of external consultants as the panacea to Zimbabwe's difficulties.

1.73 Well, let them be my guest! This Governor will not stay in any job one day longer than he is wanted by is Principals – present and future.

1.74 But, as I have repeatedly told the Nation, the Governor of the Central Bank can be replaced a million and more times yet if the broader fundamental issues on the political landscape; if efficiency issues in our parastatals and local authorities, **and if the global issues of sanctions,** among many other imperatives, remain unattended, then Zimbabwe's economic environment will take almost forever to bring back to normalcy, and collectively we will have done injustice to ourselves and our future generations.

1.75 **Therefore what is needed is a radical political maturity by all Zimbabweans and audacious policy shift by all social partners in Zimbabwe to breakaway from the shackling "business as usual" mindset.**

1.76 It is for this reason that we once again, even at this seemingly eleventh hour, call upon stakeholders, comprising Government, Labour, Business and Civil Society to please put **Zimbabwe First** and **go back** to the negotiation table for the establishment of a mutually agreed and implementable **Social Contract.**

1.77 Without such a cohesive instrument to reconcile the diverse sectoral interests, it will take much longer to deliver a stable and prosperous Zimbabwe and as a country we have no luxury of allowing that to happen.

2. THE OBJECTIVES OF THIS MONETARY POLICY STATEMENT

2.1 Given the foregoing this Monetary Policy Statement outlines specific measures that seek to achieve the following objectives:

(a) To reinvigorate agricultural production in the areas of full land utilization through output-based incentives, mechanization and other viable self-help community based projects that deliver inputs to farm-gates.

(b) To **Stimulate Production** across all sectors of the economy as a lasting and more effective cure of inflation.

(c) To **Incentivise and encourage** all generators of foreign exchange, be they individuals in the country or those in the diaspora; corporate, informal traders, cooperatives, NGOs, Embassies and other international organizations, to use formal banking channels, including Homelink and other Money Transfer systems in their dealings, and to promote their viability;

(d) Through (c) above, to improve the availability of foreign exchange in the country's financial markets;

(e) To begin to integrate our economy, through open and smoothened trade between Zimbabwean players and their regional or international partners;

(f) To begin to remove certain pricing distortions in the economy and introduce new forms of targeted subsidies which cushion the vulnerable, whilst at the same time, minimizing the unintended adverse consequences on the fiscus.

(g) To introduce a performance-based price/output reward system that is promotive of the productive and competitive spirit at the individual, enterprise, cooperative and informal sector levels.

(h) To begin to introduce a balanced score-card system on the performance of various sectors of the economy as a way to promote accountability, discipline and meaningful output.

(i) To incentivise and encourage the Nation to go back to the Social Contract as the only viable solution to getting our economy back on its rails;

(j) To appeal to our political players to put the country first in all their interactions as our economic turnaround largely hinges on the existence of a serene and cohesive political environment, with flourishing overall National peace and stability.

(k) To confront the sanctions issue head-on.

(l) In seeking to accomplish these multiple objectives, this Monetary Policy Statement introduces the critical policy reforms, which must be complemented and built upon through collective responsibility and unparalleled economic patriotism across the board.

3. THE NEW MEASURES

3.1 Effective redress of the current setbacks impels that a comprehensive package of measures be implemented in a manner that underpins and shapes overall economic productivity.

3.2 Accordingly, with immediate effect, the following new measures have been adopted.

FOREIGN EXCHANGE MARKET REFORMS

3.3 With over 80% of Zimbabwe's imports constituting critical inputs, machinery, spare parts, electricity, fuel and chemicals among many other essentials, smooth functionality of the foreign exchange market is a pre-requisite for enduring macroeconomic stability.

3.4 In order to significantly move the economy towards stability, increased capacity utilization, availability of basic commodities and, hence reduced and declining inflationary pressures, **it has become necessary that the pricing and allocative**

frameworks in the foreign exchange market be reformed in a manner that guarantees viability for all generators of foreign exchange, whilst at the same time, ensuring availability and affordability of this resource to users of foreign currency, particularly the non-exporting producers of basic goods and services.

PRIORITY-FOCUSED TWINNING ARRANGEMENTS

3.5 Consistent with the need to ensure availability of foreign exchange to priority sectors, at the same time guaranteeing exporter viabillity, the Reserve Bank has, **with immediate effect, introduced a willing-buyer, willing-seller priority-focused twinning arrangement in the foreign exchange market.**

3.6 Under this framework, Authorized Dealers will match sellers and buyers of foreign exchange, guided by a predetermined priority list as set from time to time by the Reserve Bank, in consultation with stakeholders across the country's sectors.

3.7 What this means is that on a fortnightly basis, Authorized Dealers (Banks and MTAs) will submit to the Reserve Bank details of the willing buyer-willing seller transactions they would have handled over the preceding 2 weeks for certification of compliance with the priority specifications.

THE PRIORITY LIST

3.8 Consistent with the need for maximum impact in terms of invoking significant supply response, Authorized Dealers are obliged to match foreign exchange sellers and buyers in conformity with the following priority thresholds:

INTER-BANK FOREIGN EXCHANGE MARKET ALLOTMENT PRIORITY LIST (IBFX-MAPL)

PRIORITY AREA	RANK OF PRIORITY AREA	AVERAGE FOREIGN EXCHANGE TO BE ALLOTTED.
Food, Food Production, food-related machinery and spare parts, chemicals, fertilizers, seeds, animal drugs, additives and related ancillaries, grain, seeds.	A	35%
Fuel and Electricity	B	20%
Other Non-Food Industrial inputs, machinery, equipment and spare parts, chemicals, packaging.	C	20%
Public and Commercial transportation, including vehicular spare kits, tyres, batteries, wind shields and other essentials for production.	D	5%
School Fees, business travel, professional fees, IT licences and dividends	E	10%
Medical Drugs, medical equipment and consumables	F	10%
TOTAL		100%

PENALTY FOR NON COMPLIANCE

3.9 As Monetary Authorities, by adopting this policy we have exercised a giant leap forward of trust and faith to Authorized Dealers, exporters, and other generators of foreign exchange.

3.10 This, notwithstanding, our past experience with the behavior of some of the market-players has demonstrated the strategic need for a carrot-and-stick approach to be employed to sustain these necessary and noble policy reforms.

3.11 Against this background, the following penalty trigger system will apply to Authorized Dealers who directly or indirectly conspire or facilitate the violation of the guidelines on this matching framework:

PENALTY TRIGGER MATRIX

ASSESSED FOREIGN EXCHANGE UNDERLYING EXCHANGE CONTROL BREACH	IMMEDIATE PENALTY
Under US$2,5 million	Disposal of 10 times amount in breach in the currency of breach to the Central Bank at the ruling **Government exchange rate of Z$30 000/1US$.**
Over US$2,5 million	Suspension of Authorized Dealer's Foreign Exchange Trading Licence

PERFORMANCE-LINKED SURRENDER THRESHOLDS ....

3.12 As underscored above, the Foreign exchange market plays a central role in directing the pace and direction of economic activity.

3.13 In order to ensure that corporates, particularly those that generate incremental foreign exchange allocate more of this resource towards productive purposes, the portion that each exporter sells to the Reserve Bank is now linked to the extent to which exporters grow their exports.

3.14 Those exporters who grow their exports will benefit through increased retention of their proceeds in FCAs as shown in the matrix below:

FCA RETENTION THRESHOLDS

INCREMENTAL EXPORTS STARTING MARCH 2008 (Growth in Foreign Exchange Revenue)	SURRENDER LEVEL	FCA RETENTION BY EXPORTER
10%	25%	75%
15%	20%	80%
20%	15%	85%
25%	10%	90%
30%	5%	95%
35% and above	2.5%	97.5%

FCA RETENTION PERIOD

3.15 In order to fully benefit from this incentive scheme, it is imperative that exporters aggressively grow their export revenues through greater efficiency and the adoption of effective marketing strategies.

3.16 Under the current Exchange Control Regulations, exporters are entitled to hold export proceeds into their FCAs indefinitely.

3.17 In order to ensure that there is support to the economy's productive sectors through greater circulation of foreign currency, the enhanced foreign exchange retention levels **will be held in corporate FCAs up to a maximum of 21 days,** after which the balances should be sold into the inter-bank pool of resources for auctioning to priority foreign currency users.

PRICING OF FOREIGN EXCHANGE

3.18 The pricing of foreign exchange is also a critical signaling tool that influences the overall performance of the economy.

3.19 Given the centrality of foreign exchange in the economy, its pricing has to take into account the need to incentivise all its generators to remain viable, whilst at the same time minimizing the unintended adverse consequences on the vulnerable segments of society.

3.20 Where overall economic performance improves, with foreign exchange shortages having been consigned as a thing of the past, numerous other rigities currently straining the economy will self-correct through a marked supply response.

3.21 Against this background, the following foreign exchange pricing framework has been adopted with immediate effect:

(a) One that prioritizes the producers of basic goods and services and match them to explicit generators of foreign exchange for assured availability at all times, as specified in the stipulated inter-bank priority list;

(b) One that underpins viability of all generators of foreign exchange by introducing an inter-bank foreign exchange price that factors in supply and demand conditions on the ground.

(c) One that responds to the contemporary developments in the economy, with the possibility of strengthening the value of the Zimbabwe dollar as the overall export levels and other foreign exchange inflows improve.

3.9 Incorporating the above features, the new framework for the pricing of foreign exchange is as follows:

THE NEW FRAMEWORK

(a) In the case of exporters, on date of receipt of export proceeds, the applicable surrender level **is sold to the Reserve Bank at the inter-bank rate,** and the rest of the proceeds is deposited in the FCA for own use and sales into the inter-bank market after holding the deposit up to a maximum of 21 days.

(b) In the case of all the other generators of foreign currency, or exporters liquidating their FCA balances, funds are sold on a **willing-buyer, willing-seller basis,** through formal banking channels (Authorized Dealers) **at the ruling inter-bank foreign exchange pricing level.**

(c) Every business day, each bank (Authorized Dealer) shall display the average buying and selling prices for foreign exchange, it would be offering to willing buyers and willing sellers;

(d) **Where the portion sold to the Central Bank falls short of needed Government strategic imports and other foreign payments, the Reserve Bank shall procure its needs from the inter-bank market;**

(e) NGOs, Embassies, International Organizations, Zimbabweans in the diaspora, as well as all other foreign currency holders can dispose their foreign currency at any Authorized Dealer of their choice at the displayed inter-bank prices.

(f) Homelink and other Money Transfer Agencies (MTAs) will on-sale their foreign exchange purchases to the Reserve Bank.

AUTHORIZED DEALER MARGINS, INCLUDING HOMELINK AND MTAS

3.10 In order to promote foreign exchange mobilization, Authorized Dealers, including Homelink and other MTAs shall charge a transactional margin of +/-0,25% for their own book. This means that the Authorized Dealers shall buy at a discount of 0,25% on the going inter-bank mid-rate and sell at a premium of 0,25% on the mid-rate.

END OF DAY TRANSFERS

3.11 In order to rebuild the country's strategic reserves position, all Authorized Dealers are expected to on-sell their end of day foreign exchange positions to the Reserve Bank, at the going inter-bank prices, leaving an own-position float of not more than US$100 000.

MORE COMPLEMENTARY MEASURES ON THE WAY…

3.12 As Stakeholders will recall, back in April 2007, when we unveiled the Monetary Policy Statement, it was amply stated that the Central Bank and Government's economic ideology is one where increasingly, we wish to move our economy more towards the interplay of **free market conditions** in our allocative and productive systems.

3.13 Consistent with this, I am pleased to give advance notice to stakeholders that within the coming days, additional supportive reforms will be announced by Government to give the economy further impetus.

3.14 Through these reforms, our foreign exchange, goods and services markets will never be the same again.

INTEREST RATES

3.15 The country's inflation level remains the economy's number one enemy.

3.16 It is for this reason that the Reserve Bank will continue to maintain tight monetary conditions.

3.17 Consistent with this challenge, interest rates have been increased as follows:

(a) Unsecured accommodation rate:
5000%, up from 4500%; and

(b) Secured accommodation rate:
4500 %, up from 4000%

3.18 It is imperative to note that the Reserve Bank continues to have no appetite for lending money to the banking system, and banking institutions are called upon to mobilize deposits through their normal banking business processes and programmes.

4. OTHER SUPPORT MEASURES

4.1 In order to balance the anti-inflation stance with the need to stimulate overall economic production, it has become necessary that the Reserve Bank refocuses its support framework.

4.2 Accordingly, the following measures have been adopted:

OUTPUT-BASED BACOSSI (SCORE-CARD PRINCIPLE)

4.3 As Monetary Authorities, we have noted that notwithstanding the noble virtues of the Basic Commodities Supply Side Interventions (BACOSSI) window, some beneficiaries in the productive sector have unfortunately tended to divert the received funds into areas distant from their core productive activities.

4.4 In order to ensure effective deployment of BACOSSI funds into production, this facility has been remodified to incorporate **Upfront Social Pacts** between the Reserve Bank and the beneficiary corporates, with the following features:

(a) On application, each company shall commit to producing and delivering specific output levels, over explicit timeframes; and

(b) The BACOSSI support will be extended on a re-imbursement basis, based on actual output produced.

STRATEGIC PRODUCTS PRICE CONTROLS MITIGATION FUND (SPP MITIGATION FUND)

4.5 Price controls, which in themselves should be a transitory intervention, often has the unintended consequences of infringing on producer viability, in the interim to long-term, constraining new investment in whatever sector, compounding maintenance, progress, critical skills retention and sometimes, promoting the parallel markets activities.

4.6 In the meantime, given the current urgent need for companies to get on with the job and increase capacity utilization, it has become necessary that a transitional Strategic Price Controls Mitigation Fund (SPPC) Mitigation Fund be created for Strategic commodities.

4.7 Under this SPPC Mitigation Fund, which has been set at an initial $300 trillion level, producers of strategic and basic commodities can apply and get financial support to **make up for and recover the genuine adverse effects of price controls,** and/or delays in the approvals of justified price reviews. Such support will also be extended as loans to sustain productive continuity.

4.8 It must be noted, however, that beneficiaries under the SPPC Mitigation Fund will have to thoroughly back-up their applications with substantive facts and explicit score cards on incremental production levels.

ELIGIBLE PRODUCTS

Controlled Products

(a) Bread;

(b) Mealie-Meal; and

(c) Flour

Monitored Products

(a) Agricultural Chemicals;

(b) Agricultural Implements;

(c) Beef;

(d) Cement;

(e) Coal;

(f) Cooking Oil;

(g) Fertilizer;

(h) Milk;

(i) Agricultural Seed;

(j) Packaging Material;

(k) Salt;

(l) Stock Feeds

(m) Sugar;

(n) Yeast; and

(o) Drugs

AGRO-PRICING SCHEMES

4.9 The prevailing global and local shortage of basic food stuffs calls for urgent measures that promote food production at the farm level, effective and incentivised marketing, benefication and fair institution systems at the local level.

4.10 When the Nation confronts food shortages, such as those we are currently facing, the pressure is mounted on the Reserve Bank to source foreign currency for the importation of supplementary food.

4.11 Under conditions of sanctions, more so in an environment where elsewhere in the region and beyond, there are similar if not worse food shortages, bridging the internal shortfalls typically becomes a tall order.

4.12 Against this background, the Reserve Bank as announced last year, supports the view that farmers be paid import parity prices.

ASPEF SUPPORT

4.13 The centrality of agriculture demands that our farmers continue to be supported.

4.14 This, notwithstanding, it has become necessary that further support to our farmers under the Agricultural Sector Productivity Enhancement Facility (ASPEF) be anchored on individual farmer productivity, especially given the significant uplift in the producer prices to our farmers.

4.15 Accordingly, therefore, starting this 2008 summer cropping season, applying farmers must support their bids by evidence of actual past performance, as well as ample demonstration that they are reinvesting their own incomes back in their farming programmes.

PHASE 4 OF THE AGRICULTURE MECHANIZATION PROGRAMME

4.16 As Monetary Authorities, we will continue to capacitate the country's agricultural sector through sustenance of the Farm Mechanization Programme.

4.17 To date, 3 successive Phases have been launched, giving productive impetus to our farmers.

4.18 As was previously announced in earlier Monetary Policy Statements, the Mechanization Programme will continue to be implemented in Phases through to 2010.

4.19 Consistent with this, I am pleased to give notice that Phase 4 of the Mechanization Programme will be unveiled in July 2008.

4.20 The thrust will continue to be on A1, A2 and communal farmers across the board and without regard to any political, social, cultural or economic differences.

FCA DEPOSITS AT THE RESERVE BANK

4.21 Over the past few months, Corporates, Embassies, NGOs and some International Organizations experienced regrettable delays in accessing their FCA balances deposited at the Reserve Bank, which condition must now improve under the new measures.

4.22 With immediate effect, therefore, all corporates, NGOs, International Organization who have outstanding FCAs with the Reserve Bank can now elect to adopt one of the following alternatives:

(a) Receiving the local currency equivalence at the fair value exchange levels as determined in the inter-bank market, or;

(b) Maintaining their foreign currency claims and make foreign payments or withdrawals as the overall reserves position of the Reserve Bank improves.

(c) For exporters, they can elect to pay themselves from the Reserve Bank's entitlements, or they can find sellers of foreign exchange and match themselves to repay the outstanding FCAs with the Reserve Bank providing the local currency.

EXPORT AND IMPORT OF LOCAL CURRENCY CASH

4.23 In an effort to bring convenience to our traveling public outside the Zimbabwean border, we wish to advise that the amount of local currency that can be exported or imported on a person or in his or her baggage to pay for various travel related expenses at the border posts, has been increased to Z$5 000 000 000 (five billion dollars) with immediate effect. Previously the limit was Z$500 million.

CASH WITHDRAWAL LIMITS

4.24 As advised to financial institutions on the 3rd of April 2008, the daily cash withdrawal limit for both individuals and corporates was reviewed to Z$1,000,000,000 (One Billion Dollars).

4.25 In order to provide further relief to depositors, the daily cash withdrawal limit to both individuals and corporates has been increased to $5 billion dollars with immediate effect.

PAYMENTS THROUGH THE CLEARING HOUSE

4.26 In an effort to improve convenience to the transacting public, the restriction on cheques and other instruments that go through the Clearing House has been further reviewed.

4.27 The new limit is now Z$100,000,000,000 (One Hundred Billion Dollars) up from Z$10,000,000,000 (Ten Billion Dollars).

4.28 With immediate effect therefore, no cheques and instruments **above** Z$100 Billion shall be allowed to go through the Clearing House.

4.29 Financial institutions are urged to ensure compliance with these new requirements by continuously educating their clients.

BOOSTING CAPACITY UTILISATION

4.30 As Monetary Authorities, we also urge our industries to preserve jobs and contribute to GDP growth through toll-manufacturing.

4.31 Our experience over the past few months has shown that those companies that heeded our call for toll manufacturing have managed to sustain their operations.

STRATEGIC IMPORTS

4.32 In order to encourage holders of free funds, both individuals and corporates to import critical requirements, the Reserve Bank has introduced a Strategic Import Fair-Value Asset Swaps programme (SIFVAS).

4.33 Under this framework, holders of foreign exchange balances can bring in essential imports in exchange for domestic assets equivalence in shares, real estate and FCA retention exemptions, among many other alternatives. Prior Exchange Control Authority has to be obtained through the importer/customer (bank(s).

4.34 The qualifying import priority list under this programme includes the following products:

(a) Fertilizers;
(b) Agro-chemicals;
(c) Certified Agricultural Seeds;
(d) Water treatment chemicals;
(e) Certified grain (maize and wheat/flour);

(f) Agricultural equipment; and implements

(g) Fuel (diesel, petrol, Jet A1);

(h) Industrial chemicals, machinery and spare parts;

(i) Cement;

(j) Packaging material; and

(k) Tyres

(l) Coal;

(m) Cooking Oil;

(n) Salt/Yeast;

(o) Stock Feeds

(p) Drugs

4.35 Improved availability of critical imports will also help shore up capacity utilization and stabilize both supply and prices.

EXTENSION OF BACOSSI AND ASPEF

4.36 In order to give further impetus to the productive sectors of the economy, it has become necessary that the current support framework be extended.

4.37 Accordingly, the BACOSSI facility has been extended to 31 December, 2008, whilst the ASPEF programme will remain in place to cover this year's winter and summer cropping seasons.

4.38 It is imperative that Banks continue to be responsive in expediting the processing of applications.

4.39 At the Reserve Bank, our commitment is to operate on a 48 hour turnaround time

5. FINANCIAL SECTOR DEVELOPMENTS

STATUS OF THE BANKING SECTOR

5.1 The banking sector continued to exhibit stability and resilience, inspite of the challenging macro-economic environment.

5.2 In order to maintain stability, the Reserve Bank is responding through increased monitoring and adjustments to monetary policy instruments as would be deemed appropriate under the changing operating environment.

BANKING INSTITUTIONS…

5.3 As at 31 March 2008, there were twenty eighty (28) banking institutions as tabulated below:

Composition of the Banking Sector

Type of Institution	Number
Commercial Banks	14
Merchant Banks	5
Finance Houses	1
Discount Houses	4
Building Societies	4
Total	28

5.4 Trustfin and National Discount House have since converted their licenses from finance house and discount house to commercial bank and merchant bank, respectively.

ASSET MANAGEMENT COMPANIES…

5.5 As at 31 March, 2008, there were seventeen (17) operating asset management companies.

5.6 Concentration in the sector remains high with three (3) asset management companies accounting for 81% of total funds under management.

5.7 The Reserve Bank continues to call upon asset management companies to consolidate their businesses.

MICROFINANCE/ MONEYLENDING INSTITUTIONS…

5.8 Out of the 309 registered microfinance/moneylending institutions, only 184 are still operational. The majority of these institutions have ceased operations and they have surrendered their licenses citing harsh business conditions.

MINIMUM CAPITAL REQUIREMENTS

5.9 As Monetary Authorities, we continue to call upon financial institutions to closely monitor their capital levels, not only in adherence to regulatory requirements, but as a proxy for the increased levels of risk that they are assuming and the current challenging macroeconomic environment.

5.10 The minimum capital requirements were last reviewed in January 2006. With effect from 1 September 2008, the Reserve Bank of Zimbabwe will be reviewing minimum capital requirements to levels that will be unveiled in due course.

BASEL II IMPLEMENTATION

5.11 The Reserve Bank has adopted a gradual approach to the implementation of the International Convergence of Capital Measurement and Capital Standards (also known as Basel II Framework).

5.12 Basel II comprises three reinforcing pillars, namely, Pillar 1: Minimum Capital Requirements, Pillar 2: Supervisory Review Process and Pillar 3: Market Discipline.

5.13 Under Pillar 1, the framework requires allocation of capital for credit, market and operational risk. The Reserve Bank has adopted the standardized approach to allocate capital for operational risks and market risk with effect from March 2005 using the standardized approach.

5.14 Regarding Pillar II, the Reserve Bank has continued to enhance its supervisory methodologies in line with evolving supervisory approaches. This has taken the form of issuance of guidance to the market, and continuous self assessment in line with the Basel Core Principles for Effective Banking Supervision.

5.15 With respect to Pillar III, that is Market Discipline, the Reserve Bank has developed a comprehensive Guideline No.01-2008/BSD: Minimum Disclosure Requirements for Financial Institutions. The guideline is issued as a Supplement to this Monetary Policy Statement.

5.16 The implementation of Basel II will require the full cooperation of all stakeholders. In this regard, the Reserve Bank will issue a comprehensive Basel II Implementation Framework by 30 June 2008.

CONSOLIDATED SUPERVISION

5.17 Some banking institutions have continued to use unregulated entities in their group structures as conduits for engagement in non-permissible activities.

5.18 To guard against such malpractices, the Reserve Bank's supervisory methodologies continue to fully embrace latest advances in consolidated supervision techniques, in order to provide for better insight into and strict monitoring of the operations and organizational structures of financial conglomerates.

5.19 In this regard, the Central Bank is currently updating its database on financial conglomerates, following successful administering of a Consolidated Supervision Questionnaire on all banking groups in Zimbabwe.

5.20 Once again, banking institutions are reminded to conduct their operations within the confines of the law and best practice.

CORPORATE GOVERNANCE PRACTICES

5.21 The Reserve Bank has also noted with concern the level of non-compliance by some banking institutions including willful avoidance of vetting of shareholders and other accountable officers.

5.22 With immediate effect, all shareholders with holdings of 5% and above are required to be formally vetted by the Reserve Bank. All banking institutions shall, with immediate effect, ensure compliance with this requirement in respect of existing and prospective shareholders who have not been formally vetted by the Reserve Bank.

FINANCIAL INCLUSION

5.23 The Reserve Bank recognizes the efforts by banking institutions in setting up branches in previously unbanked and under-banked rural and peri-urban areas.

5.24 Pursuant to the provisions of the Financial Inclusion Framework of January 2007, the Reserve Bank continues to work with the banking sector in order to widen the branch network across all regions of the country.

5.25 The Reserve Bank has issued the National Microfinance Policy, which is a supplement to this Monetary Policy Statement.

5.26 The Policy, developed in collaboration with relevant Government Ministries and various microfinance stakeholders, articulates at the national level, the vision and strategy for the development of the microfinance industry in Zimbabwe.

LOW COST HOUSING SCHEME

5.27 The Reserve Bank wishes to advise all stakeholders that the funds available at building societies as at 31 March 2008 for low cost housing amounted to $53.73 trillion.

5.28 The building societies had received a total of 1 726 applications of which 1 526 had been approved. The amount disbursed was $7.79 trillion representing a rate utilization of 43.64%.

5.29 Details on the utilization of the funds per society are as follows:

Institution	Fund size ($tn)	Amount applied for by clients	No. of Applicants	Amount Disbursed ($tn)
Beverley Building Society	17.50	4.87	336	2.77
Central African Building Society	43.52	19.82	680	4.92
FBC Building Society	4.35	4.30	305	0.91
Intermarket Building Society*	1.03	2.99	405	1.36
Total	53.73	28.03	1 726	7.79

- based on February 2008 figures

5.30 The disbursement process of funds under the low-cost residential housing development fund is generally constrained by the slow process of getting title deeds from municipalities. We urge these to play their part through quicker turnarounds on service delivery.

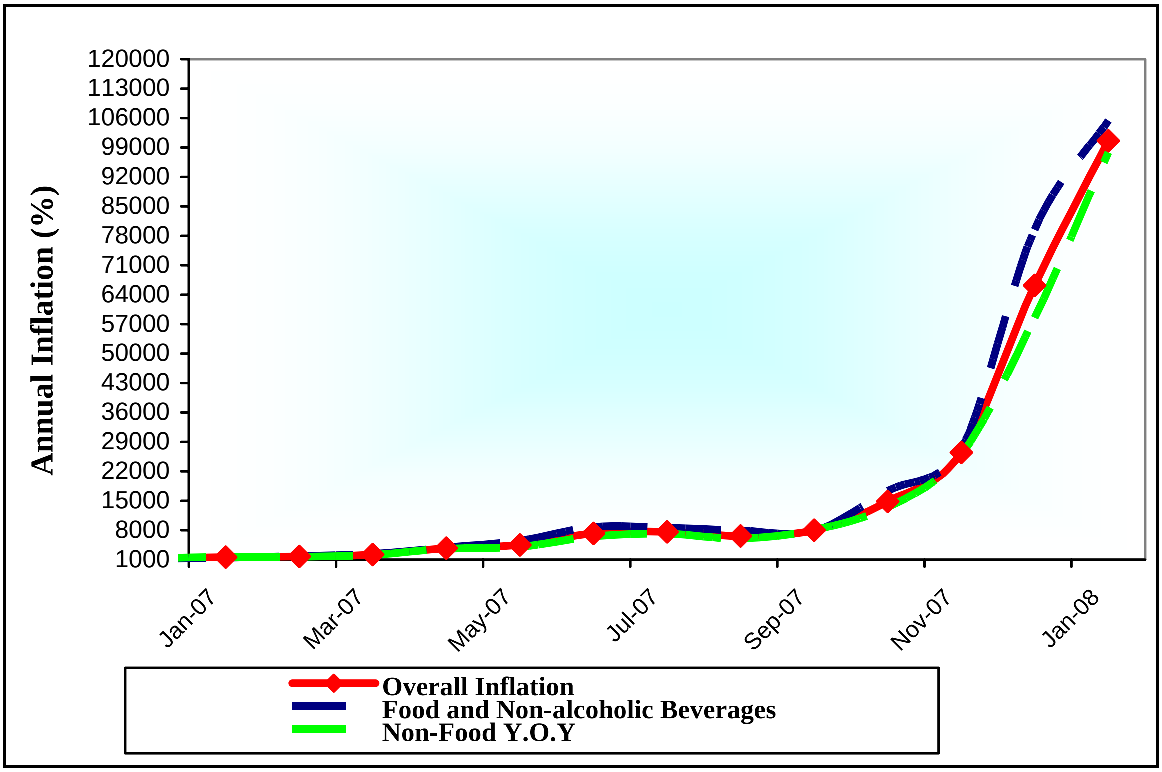
6. INFLATION DEVELOPMENTS

6.1 Annual inflation for the month of January 2008 stood at 100 580.2%, up from 66 212.3% recorded in December 2007. That for February 2008 was estimated at about 165 000%.

6.2 The month-on-month inflation for January 2008, however, declined from 240.1% recorded in December 2007 to 120.8%.

6.3 At these levels, inflation remains the country's enemy number, 1 which enemy must be decisively destroyed through unrelenting focus on production, foreign exchange generation and food security.

Annual Inflation Profile



6.4 This is particularly imperative given that the rise in the annual inflation rate was driven by increases in both non-food and food and non-alcoholic beverage categories.

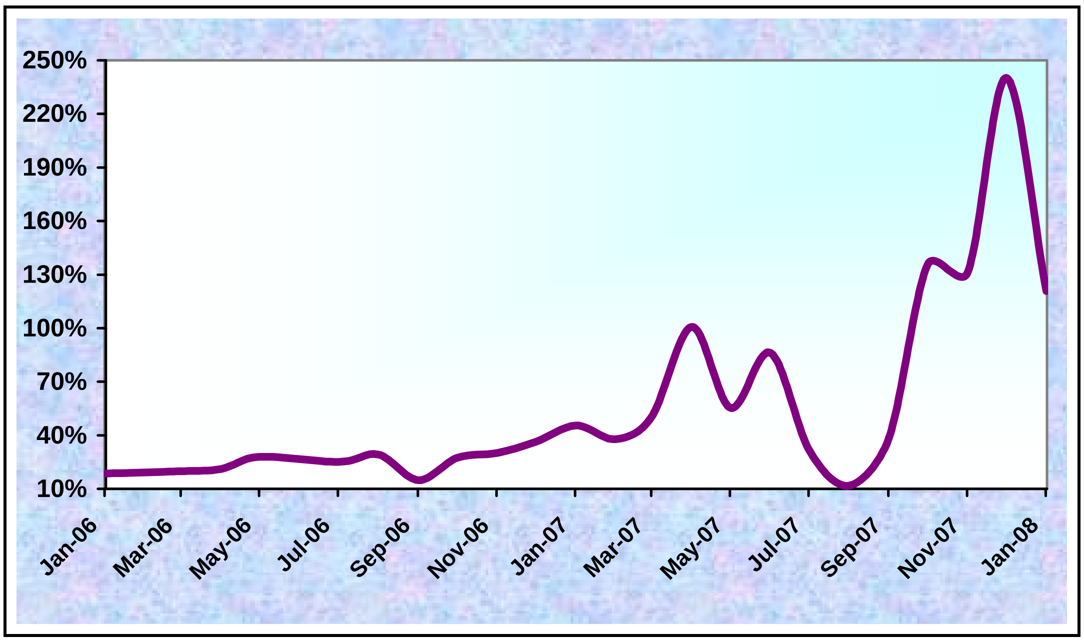
6.5 Non food inflation rose by 39 392.8 percentage points, from 58 492.9% in December 2007 to 97 885.7% in January 2008.

6.6 Food and non-alcoholic beverages inflation, which is prone to transitory shocks, rose by 26 016 percentage points from 79 412% in December 2007 to 105 428% in January 2008.

MONTH-ON-MONTH INFLATION PROFILE

6.7 The Figure below shows trends in the month-on-month inflation from January 2006 to January 2008.

Month-on-Month Inflation Profile



Food and Non-Alcoholic Beverages

6.8 The January 2008 monthly food and non-alcoholic beverages inflation stood at 86.9%, compared to 309% recorded in December 2007.

MAJOR FACTORS DRIVING INFLATION

6.9 The food category contributes 32% of the CPI basket and in this regard a decline in food output exerts an upward pressure on overall inflation.

6.10 Food inflation poses the greatest challenge to efforts to tame inflation. The situation has been exacerbated by projected lower than normal output of grains as a result of incessant rains experienced during the first half of the season and the very hot and dry weather experienced between January and February, 2008.

6.11 Global prices of grain have risen sharply due to increased global demand and depressed output compounded by the diversion of maize towards development of bio-fuels. The international price of maize is above US$300 per tonne and is anticipated to rise further.

6.12 The Table below highlights the major Consumer Price Index (CPI) categories and the respective weights:

Major CPI Categories (Inflation-Drivers)

ITEM	WEIGHT
Food and non alcoholic Beverages	31.9
Alcoholic Beverages	4.9
Clothing and Footwear	5.7
Housing, Water, Electricity, Gas and other fuels	16.2
Furniture, Household Equipment and maintenance	15.1
Health	1.3
Transport	9.8
Communication	1.0
Recreation and Culture	5.7
Education	2.9
Restaurants and Hotels	1.5
Miscellaneous Goods and Services	3.9
All Items	**100**

7.0 MONETARY DEVELOPMENTS

MONEY SUPPLY

7.1 Annual broad money supply (M3) growth has been on an upward trend, increasing from **1 638.4%** in January 2007 to **51 768.8** in November 2007.

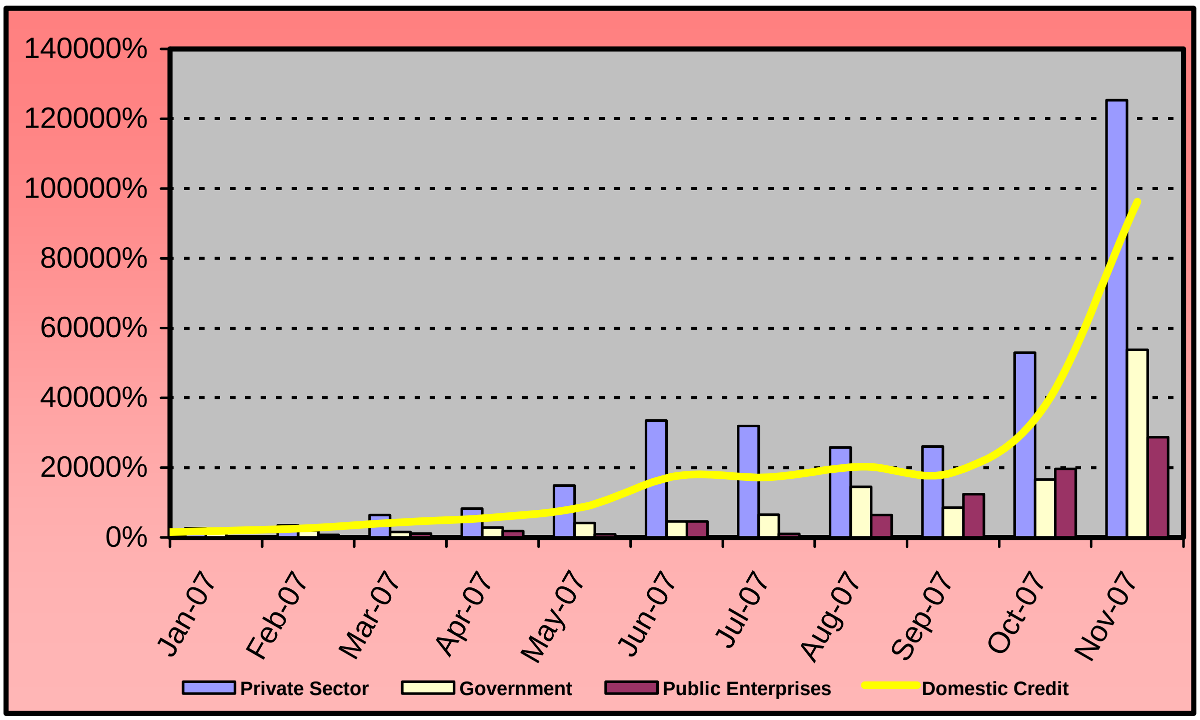
7.2 On an annual basis domestic credit grew by 96 233.6% in November 2007**,** largely driven by growth in:

(i) Credit to the private sector, 125 348.4%;

(ii) Credit to Government, 53 796.1%; and

(iii) Claims on public enterprises, 28 757.2%.

Domestic Credit – Sectoral Annual Growth Rates



CREDIT TO THE PRIVATE SECTOR

7.3 Credit to the private sector rose from $307.9 billion in November 2006 to $386.3 trillion in November 2007. Credit to private sector continues to dominate domestic credit.

7.4 The increase in lending to the private sector is mainly driven by loans and advances against a background of limited offshore financing. The bulk of the funding is used for working capital requirements, impacting adversely on capital developments.

NET CREDIT TO GOVERNMENT

7.5 The absence of external support has led Government to rely on domestic bank sources to finance its operations.

7.6 As at 17 April 2008, Government domestic debt amounted to **$6 480 trillion** of which outstanding Treasury bills amounted to $2 986.7 trillion.

CREDIT TO PUBLIC ENTERPRISES (PES)

7.7 Credit to public enterprises recorded an annual growth of **28 757.2%**, from **$16.9 billion** in November 2006 to **$4.9 trillion** in November 2007**.**

7.8 Credit to public enterprises has largely been restricted to Agricultural Parastatals.

EXPORT SECTOR DEVELOPMENTS

8. GLOBAL EXPORT PERFORMANCE

8.1 Shipments

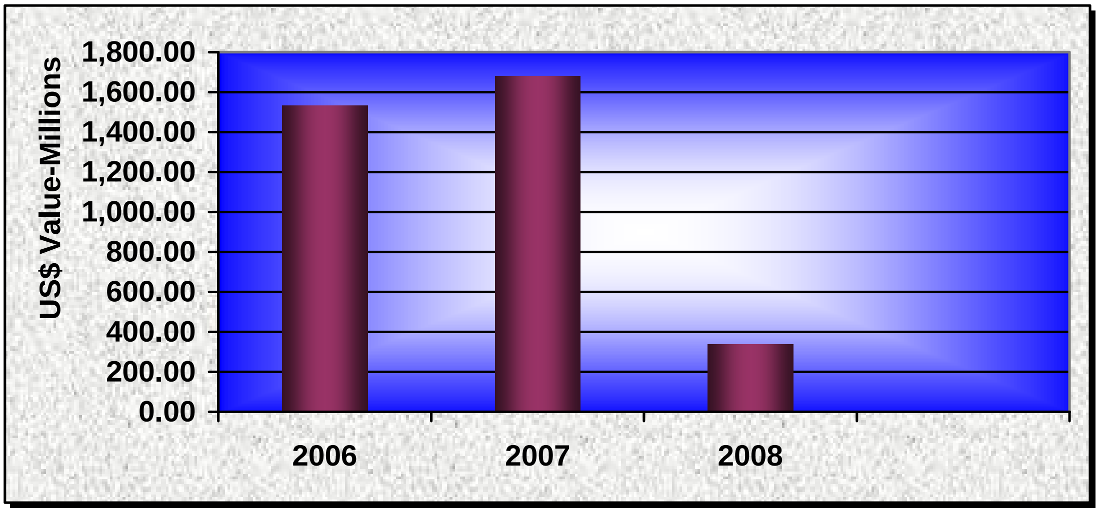
For the year 2007, total export shipments amounted to **US$1,680,393,200.49** representing a **9.6%** increase over the previous year, which recorded **US$1,533,150,097.84.**

Total Monthly Export Shipments (US$)

Month	2006	2007	2008	2008 – 2007 % Change
January	111,654,853.12	180,460,441.70	110,913,512.30	
February	103,376,167.75	115,767,448.60	115,432,444.40	
March	133,267,963.89	135,155,197.27	147,737,731.79	
Total Q1	**348,300,990.76**	**431,385,094.57**	**374,085,696.49**	
April	93,612,310.71	109,088,447.42		
May	134,157,125.38	154,131,705.45		
June	131,323,449.45	141,935,998.63		
July	125,483,887.79	156,562,752.46		
August	152,510,435.67	125,873,052.92		
September	121,633,189.42	104,961,691.04		
October	138,845,849.18	146,178,219.31		
November	168,478,998.57	178,480,928.28		
December	118,805,866.91	131,797,317.41		
Total	**1,533,150,097.84**	**1,680,393,200.49**		

8.2 Total export shipments for the first quarter 2008 amounted to **US$374,085,696.49** as compared to **US$431,385,094.57** for the first quarter of 2007. This represents a 13.3% decline in export shipments.

Shipments for the Years 2005 – 2008

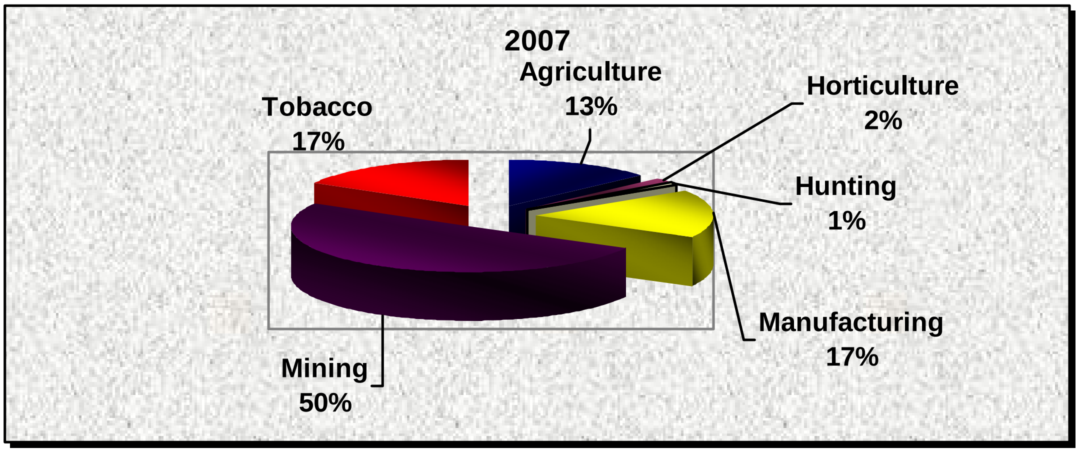


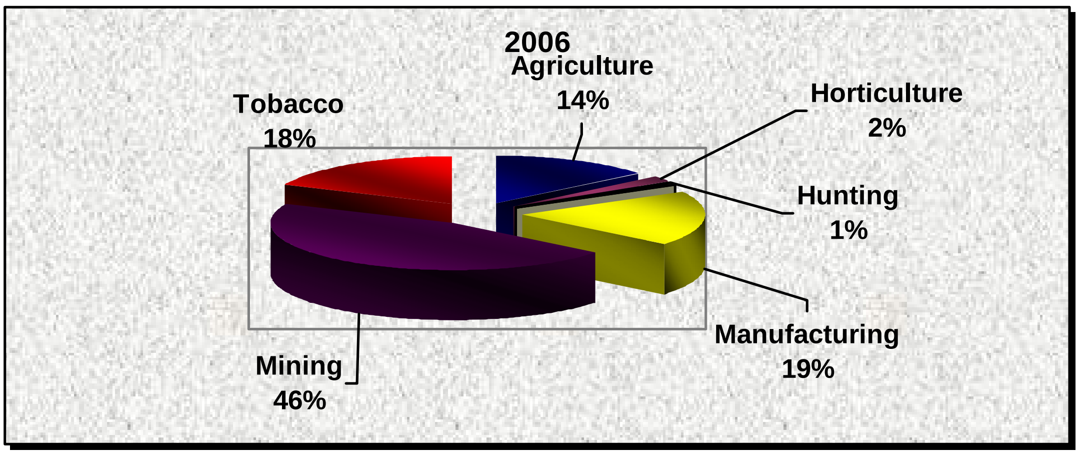
Export Performance by Sector for the Year 2008 (US$)

Sector	2006	2007	2008*
Agriculture	215,984,268.98	224,051,998.67	38,091,937.83
Horticulture	32,202,479.21	30,225,737.66	5,118,938.89
Hunting*	12,081,799.93	12,873,313.00	2,834,669.27
Manufacturing	290,862,892.15	282,822,486.46	44,677,214.15
Mining	702,220,177.96	849,591,280.54	181,946,767.45
Tobacco	279,798,479.61	280,828,384.16	101,414,160.90
Total	**1,533,152,103.84**	**1,680,395,207.49**	**374,085,696.49**

Figures up to 31 March 2008

Sector Contributions to Export Shipments





8.3 The mining sector continued to lead in shipments in the year 2007, contributing 50% to the total shipments compared to 46% during the year 2006, followed by tobacco and manufacturing, tied at manufacturing 17%.

TOTAL RECEIPTS

8.4 Table 2 shows the total export acquittals indicating that **US$1,573,011,265.69** was acquitted in the year 2007, compared to **US$1,260,853,122.99** in the year 2006, representing a 24.76% increase.

Total Export Acquittals (US$)

	2006	2007	2008
January	141,078,531.08	178,318,932.08	120,318,201.27
February	128,368,443.68	182,014,804.68	159,514,620.66
March	90,830,428.52	118,915,088.17	51,180,104.30
Total Q1	**360,279,409.28**	**479,250,831.93**	**331,014,934.23**
April	74,496,470.40	123,379,095.27	
May	113,057,959.43	145,379,491.79	
June	116,123,182.17	132,732,688.70	
July	66,341,316.43	95,825,758.83	
August	65,075,610.23	144,294,848.25	
September	163,334,019.65	87,747,902.07	
October	84,709,776.07	78,350,330.28	
November	126,704,137.98	155,769,345.97	
December	90,731,241.35	130,280,972.60	
	1,260,853,122.99	**1,573,011,265.69**	**331,014,934.23**

AGRICULTURE SECTOR

8.5 Agriculture Sector is split into 3 administrative sub-sectors namely, General Agriculture, Horticulture and Tobacco. Exports approved under the three Agriculture Sub-sectors are indicated in Tables 1-3.

General Agriculture Export Shipments

	2006	2007	2008
January	141,078,531.08	178,318,932.08	120,318,201.27
February	128,368,443.68	182,014,804.68	159,514,620.66
March	90,830,428.52	118,915,088.17	51,180,104.30
Total Q1	**360,279,409.28**	**479,250,831.93**	**331,014,934.23**
April	74,496,470.40	123,379,095.27	
May	113,057,959.43	145,379,491.79	
June	116,123,182.17	132,732,688.70	
July	66,341,316.43	95,825,758.83	
August	65,075,610.23	144,294,848.25	
September	163,334,019.65	87,747,902.07	
October	84,709,776.07	78,350,330.28	
November	126,704,137.98	155,769,345.97	
December	90,731,241.35	130,280,972.60	
	1,260,853,122.99	**1,573,011,265.69**	**331,014,934.23**

8.6 For the period 1 January to 31 December 2007, export shipments under the general Agriculture sub-sector amounted to **US$224,051,998.67** compared to **US$215,984,268.98** worth of exports for the same period in 2006. This represents an increase in exports of 3.74%. This could be due to the concessionary the Sector has been receiving from the Reserve Bank.

Horticulture Export Shipments

	Value of Forms CD1Approved (USD) 2008	Value of Forms CD1Approved (USD) 2007	Value of Forms CD1 Approved (USD) 2006
January	2,089,119.50	2,706,890.12	2,707,885.73
February	2,279,638.18	2,910,612.92	2,944,812.85
March	1,855,076.99	2,786,637.73	2,387,815.29
Total Q1	**6,223,834.67**	**8,404,140.77**	**8,040,513.87**
April		2,956,863.56	2,058,783.83
May		3,116,089.47	3,902,943.75
June		2,457,508.53	3,324,285.09
July		2,438,015.98	1,816,965.37
August		2,026,544.18	2,225,388.41
September		2,306,185.54	3,049,428.63
October		2,402,631.73	3,381,580.90
November		2,380,817.90	2,492,702.91
December		1,736,940.00	1,909,886.45
Total	**6,223,834.67**	**30,225,737.66**	**32,202,479.21**

8.7 As of 31 December 2007, US$30,225,737.66 million worth of horticulture exports (shipments) had been approved. This represents a 6.14% decrease over 2006 exports in a similar period.

TOBACCO SUB-SECTOR

8.8 For the period January to 31 December 2007, tobacco exports amounted to US$280,828,384.16 compared to US$279,798,479.61 worth of exports in the same period in 2006.

	Value of Forms CD1Approved (USD) 2008	Value of Forms CD1Approved (USD) 2007	Value of Forms CD1 Approved (USD) 2006
January	26,091,913.99	77,111,640.23	28,021,364.55
February	41,408,677.15	17,993,464.68	33,113,775.12
March	33,913,569.76	13,128,871.84	34,479,366.34
Total Q1	**101,414,160.9**	**108,233,976.75**	**95,614,506.01**
April		7,389,776.17	7,118,524.24
May		9,927,706.05	13,751,452.73
June		6,246,725.76	6,918,524.72
July		6,404,146.66	8,975,806.84
August		14,715,561.50	23,586,255.30
September		18,424,563.82	15,505,006.43
October		30,595,813.18	31,042,196.44
November		45,220,774.94	48,949,588.77
December		33,669,339.33	28,336,618.13
Total	**101,414,160.9**	**280,828,384.16**	**279,798,479.61**

8.9 Owing to the support the tobacco sector has received from the Reserve Bank, production in 2007/2008 season is expected to surpass the 63 million kgs realized in 2007.

8.10 Increase in production levels results in increased exports, as merchants have enough tobacco to blend.

MANUFACTURING SECTOR

8.11 Exports approved under the Manufacturing Sector are as indicated in the table below:

Manufacturing Export Shipments

	Value of Forms CD1Approved (USD) 2008	Value of Forms CD1Approved (USD) 2007	Value of Forms CD1 Approved (USD) 2006
January	12,532,378.12	17,950,428.54	17,397,167.35
February	14,444,478.64	19,130,433.89	18,573,450.89
March	17,700,357.39	22,716,094.93	22,675,966.48
Total Q1	**44,677,214.15**	**59,796,957.36**	**58,646,584.72**
April		18,003,823.39	35,043,669.13
May		40,136,748.32	22,584,665.59
June		30,575,016.41	29,196,511.43
July		21,043,014.11	19,910,343.29
August		34,372,794.10	35,350,338.02
September		17,703,671.79	22,904,928.43
October		20,517,296.13	22,427,749.15
November		26,361,869.48	26,829,546.36
December		14,311,295.37	17,968,556.03
Total	**44,677,214.15**	**282,822,486.46**	**290,862,892.15**

8.12 For the period 1 January to 31 December 2007, export shipments under the Manufacturing Sector amounted to **US$282,822,486.46** compared to **US$290,862,892.15** worth of exports for the same period in 2006. This represents an overall 2.76% decrease in manufactured exports.

MINING SECTOR

MINERAL SHIPMENTS

8.13 Cumulative mineral shipments, excluding gold, for the period 1 January to 31 December 2007 were US$849,591,281 compared to US$702,220,178 in 2006, representing a 283% increase in mining export shipments.

Mineral Shipments

	Value of Forms CD1 Approved (USD) 2008	Value of Forms CD1 Approved (USD) 2007	Value of Forms CD1 Approved (USD) 2006
January	59,882,792.46	63,439,096.80	52,159,363.35
February	42,852,665.73	57,072,187.21	39,616,821.78
March	79,211,309.26	81,878,781.41	60,152,097.73
Total Q1	**181,946,767.45**	**202,390,065.42**	**151,928,282.86**
April		71,409,704.82	39,649,266.32
May		86,083,102.85	76,986,314.21
June		81,944,450.44	67,198,947.44
July		97,473,410.80	64,341,175.00
August		45,433,507.97	67,370,109.37
September		46,388,677.53	52,894,385.87

	Value of Forms CD1 Approved (USD) 2008	Value of Forms CD1 Approved (USD) 2007	Value of Forms CD1 Approved (USD) 2006
October		70,356,447.30	60,983,172.35
November		77,604,369.66	64,114,226.43
December		70,507,543.75	56,754,298.11
	181,946,767.45	**849,591,280.54**	**702,220,177.96**

8.14 The year 2007 recorded positive monthly growth in shipments (except for July and August) compared to the previous year owing to the upward momentum in metal commodity prices. Nickel had the biggest knock after its price rose astronomically to US$55,000/ton in May 2007 and then falling to an average of US$30,000/ton in July and August. Nickel prices ended the year with an average price of about US$25,000/ton.

GLOBAL FOREIGN EXCHANGE PAYMENTS

8.15 From January to December 2007, approved global foreign exchange payments amounted to US$1.9 billion, of which, only US$1.5 billion was transacted, leaving a pipeline funding shortfall 23%, that is, US$459 million. The table below shows monthly approvals and payments for the period January to December 2007, broken down into sources of funding.

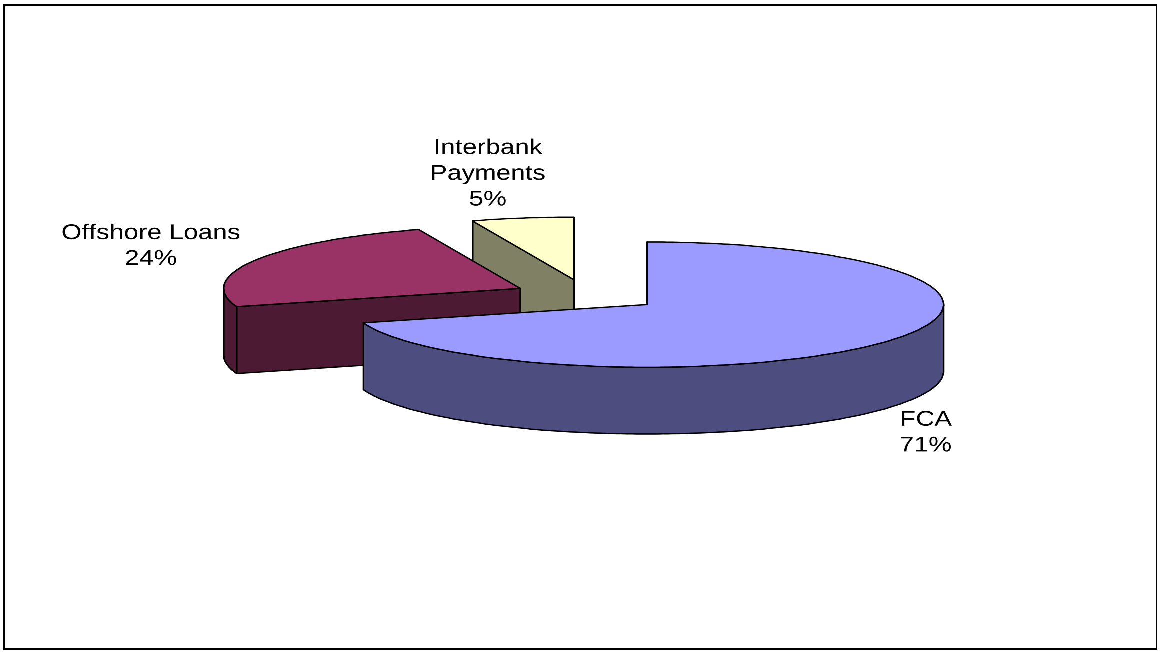
Approved and Actual Payments (January to December 2007)

Month	Approved Payments	Total Actual Payments	Pipeline/ Funding Shortfall	Shortfall (%)
January	**147,506,367.00**	**111,585,230.00**	35,921,137.00	**24%**
February	**160,656,023.00**	**125,793,825.00**	34,862,198.00	**22%**
March	**152,612,344.00**	**114,773,747.00**	37,838,597.00	**25%**
April	**128,268,728.00**	**98,825,423.00**	29,443,305.00	**23%**
May	**148,798,715.14**	**127,140,339.51**	21,658,375.63	**15%**
June	**161,010,349.55**	**138,206,587.99**	22,803,761.56	**14%**
July	**177,278,966.61**	**139,163,796.62**	38,115,169.99	**22%**
August	**162,460,568.00**	**120,893,561.61**	41,567,006.39	**26%**
September	**163,368,197.00**	**160,386,013.36**	2,982,183.64	**2%**
October	**202,137,804.00**	**146,873,875.10**	55,263,928.90	**27%**
November	**236,341,877.00**	**145,543,442.81**	90,798,434.19	**38%**
December	**154,568,770.00**	**105,842,213.97**	48,726,556.03	**32%**
Total	**1,995,008,709.30**	**1,535,028,055.97**	**459,980,653.33**	**23%**

Sources of Funding for Actual Payments (Jan-Dec 2007)

8.16 Of the US$1.5 billion approved in 2007 for various imports, 70% was paid from exporters' foreign currency retention with the balance being financed from offshore loans (24%) and inter-bank market (6%).

Sources of Funding for Actual Payments (Jan-Dec 2007)



EXCHANGE CONTROL COMPLIANCE

GLOBAL FOREIGN CURRENCY RECEIPTS

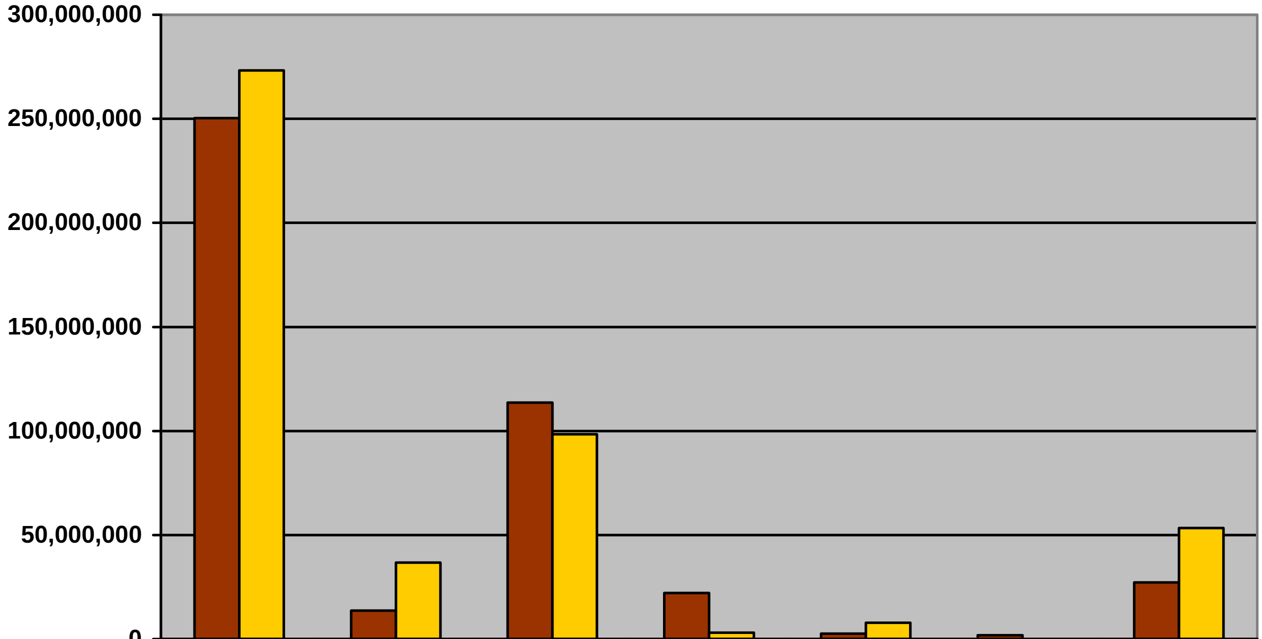
8.17 From 02 January 2008 to 31 March 2008, Global Foreign Currency receipts amounted to **USD431 464 565.** For the same period last year Global foreign currency receipts amounted to **USD472 864 572** representing a **8.76%** decrease.

8.18 The global foreign currency receipts for period January to March 2007 and 2008 are shown in the table 1 below.

Global Foreign Currency Receipts for January –March 2007 and 2008

TYPE OF RECEIPT	YEAR 2007	% CONTR	YEAR 2008	% CONTR	% CHANGE
Export Proceeds	**273 307 948**	**57.80**	**250 271 354**	**58.01**	**(8)**
Loan Proceeds	**36 779 223**	**7.78**	**13 625 424**	**3.16**	**(63)**
Free funds	**98 445 116**	**20.82**	**113 701 452**	**26.35**	**15**
MTAs	**3 102 994**	**0.66**	**22 210 118**	**5.15**	**616**
Income receipts	**7 830 282**	**1.66**	**2 620 461**	**0.61**	**(67)**
Capital investments	**4 478**	**0**	**1 782 739**	**0.41**	**39711**
Gold Receipts	**53 394 530**	**11.29**	**27 253 016**	**6.32**	**(49)**
TOTAL PER YEAR	**472 864 572**	**100**	**431 464 565**	**100**	**(9)**

Comparison of Global Foreign Currency Receipts for Years 2007 and 2008 up to 31 March 2008



	Export Proceeds	Loan Proceeds	Free Funds	MTAs	Income Receipts	Capital Investments	Gold
Year 2008	250,271,354	13,625,424	113,701,452	22,210,118	2,620,461	1,782,739	27,253,016
Year 2007	273,307,948	36,779,223	98,445,116	3,102,994	7,830,282	4,478	53,394,530

9. POLICY ADVICE

9.1 As Monetary Authorities, we continue to maintain our unshakable conviction and strong view that for the economic environment to stabilize, what we need the most in Zimbabwe is the collective reflection and implementation of holistic and well sequenced measures across the board.

9.2 Consistent with this; and as is stipulated in the Reserve Bank of Zimbabwe Act, we profer in this Monetary Policy Statement, some advice in areas that we believe require urgent collective attention and action.

SUBSIDIES POLICIES

9.3 As Government works to defend the welfare of the vulnerable majority of Zimbabweans, it is critical that the interventions, particularly in the area of subsidies, be done in a streamlined, targeted manner, so as foreclose the unintended adverse consequences of arbitrage and excesses on the fiscal budget.

9.4 Equally important, we also recommend that the overall thrust of subsidies be based on actual production delivered, as opposed to pre-production support which is prone to diversions, abuse and corruption.

9.5 In view of the unfolding food and basic commodities shortages that I mentioned earlier in this Statement, we strongly recommend to the Ministry of Finance to consider putting in place a targeted food subsidy for the benefit of the vulnerable groups across the Nation.

9.6 Such a framework could entail the rolling out of a coupon system that would ensure that only the intended beneficiaries get the subsidized support so as to minimize room for abuse.

9.7 In order to make sure that such a programme does not inadvertently breed a dependency syndrome, its implementation should run parallel with well organized National Public Works framework out of which the targeted groups would be earning some income to part-pay for the basic commodities.

9.8 A separate Supplement to this Monetary Policy Statement presents examples of where this framework has worked successfully.

PRICE CONTROLS

9.9 As Monetary Authorities, we also wish to reiterate our well considered and now also well documented view that price controls should be a transitory nominal intervention that has to be deployed with extreme caution.

9.10 On their own, price controls tend to sink the basic goods and services out of sight, at the same time, surfacing in parallel markets at exhorbitant prices out of reach of the majority of the population.

9.11 Through their direct effect of de-linking the revenues and cost sides of companies' cash flows, price controls also directly undermine overall economic productivity through the inevitable adverse impact they have on viability.

9.12 As Monetary Authorities, we are fully aware of Government's Social welfare enhancement objectives, but recommend that a new leaf of mutual trust be rebuilt between Government and the Business Community.

9.13 It is in this context that we strongly propose a meeting of minds between Government and the business with business committing to the avoidance of profiteering or any unethical practices. This is absolutely necessary to do regardless of the politics of the day if not because of it.

9.14 A more sustainable framework is where explicit cost-plus pricing formulate are set and agreed upon, as opposed to thumb-sucking price escalations that are so wild as to have no practical link to any real costs of production on the ground. This hide-and seek situation will not move us forward as a Nation.

PAYMENT OF DUTY BY TOURISM SECTOR

9.15 In view of the forth coming 2010 World Cup soccer games, it is necessary that as a country, we fully embrace and take advantage of the benefits that can accrue to the country across all sectors. The tourism sector provides a rich avenue for such benefits to the economy in terms of foreign currency generation.

9.16 It is in this regard that we strongly recommend, to the Ministry of Finance a review of the current regulations on payment of duty in foreign currency for goods and services imported by the tourism sector, where such goods are aimed at improving the standard of tourism facilities in the country.

MINIMUM LOCAL SHAREHOLDING

9.17 As Monetary Authorities, we are cognizant of the route already adopted by the Government in respect of the indigenization of ownership in companies in Zimbabwe. In the light of the new laws, requiring that 51% of the shares be owned by indigenous Zimbabweans, it is our considered view as Monetary Authorities that such transfer of ownership to indigenous citizens should be done on a gradual basis to ensure a smooth and non-disruptive transition of ownership to locals.

9.18 Equally, we urge all Zimbabweans to understand and appreciate that this process is strictly on a willing-buyer willing-seller basis.

9.19 As a country, we must promote and defend investment inflows through presentation of the sanctity of Private Property rights and investment protection.

INVESTMENT BY NON RESIDENT ZIMBABWEANS

9.20 In order to ensure participation by our non-resident Zimbabweans in the Diaspora, and take advantage of the benefits promised by the Indigenization Act, as Monetary Authorities, we encourage our fellow brothers and sisters, to invest in Zimbabwe, in the form of consortia or as individuals.

9.21 Such investments, will be regarded as foreign investments for Exchange Control purposes, and shall be funded from foreign currency capital (free funds) injected by the non-resident Zimbabweans in the Diaspora.

9.22 All disinvestment proceeds emanating from investments by such individuals or consortia shall with effect from 1 August 2004, be freely remittable as is the treatment of all disinvestment proceeds by foreign investors for post-May 1993 investments. In addition, such investors will have an option to receive 100% of their profits and dividends in foreign currency.

PARASTATALS AND LOCAL AUTHORITIES

9.23 Equally important, it remains yet another tragedy of significant proportions that the country's Parastatals and Local Authorities largely continue to operate in a "business as usual mode" yet the proverbial Rome is on Fire.

9.24 Without further delay, systems and procedures need to be put on all our Parastatals and Local Authorities for them to simply do what they ought to be doing in service to the Nation.

9.25 Boards of Directors, Management systems and related structures must be brought to account for the continued sorry state of affairs at some of these institutions.

10. CORRUPTION

10.1 As Monetary Authorities, we continue to make a passionate call for the Nation to declare total war against the menace of corruption in both the public and private sectors of the economy.

10.2 The National budgetary systems must adequately capacitate the Anti-Corruption Commission, so as to enable it to fully discharge its mandate.

SANCTIONS

10.3 Over the past 4 years the Central Bank has maintained that the declared and undeclared sanctions are one of the main hindrances to our collective efforts to turning around the economy.

10.4 This position remains as relevant and urgent today as it was four years ago.

10.5 Through sanctions, Zimbabwe's most vulnerable members of **society are receiving the most severe punishment, having to go without medicines, without transport, without food and all this in the face of droughts and floods and without many other basic necessities of life.**

10.6 The wider world is misled by vocal and yet negative media publicity campaign that simplifies Zimbabwe's case in one sentence of "human rights", yet through the same sanctions, the greatest human rights infringements on the ground are being exacted on defenceless vulnerable groups who are the proverbial grass that is now suffering in the ongoing senseless fight among giants.

10.7 We, therefore, call upon the international community to turn a new chapter and lift these sanctions.

10.8 To fellow Zimbabweans, we urge that we put our heads and hands together and speak with one voice to condemn the sanctions and to address their root causes in a comprehensive fashion.

10.9 Equally, through tolerance, political maturity, cooperation and unity of purpose, our cohesive actions as Zimbabweans are a pre-requisite in showing the world and in re-committing to ourselves that we are a peace-loving Nation.

11. CONCLUSION

11.1 As we work and look to a better and prosperous future that is food-secure, a future to be born out of our collective efforts and sweat, it is imperative to note that lasting solutions to Zimbabwe's challenges can only come about from us Zimbabweans.

11.2 The unfolding global phenomenon of hunger is not a distant imbalance but one that will knock on the door of each and every household particularly the vulnerable members of our society unless we act urgently to prevent it.

11.3 The measures unveiled in this Monetary Policy Statement are, therefore, the Central Bank's modest contributions to what has to be addressed through National efforts at every level and in all the sectors of the economy.

11.4 On matters of food security and the need for productive social safety nets; nets that have a human face, as well as current programmes that seek to guarantee food security and long-term stability needless politicking and divisive tactics must be avoided at all costs.

11.5 We have seen in recent weeks following the historic "harmonized" general election how it is easy to generate disharmony and needlessly engender tension and anxieties which can assume a momentum of their own with the result of leaving our Nation at risk of serious divisions, violence and conflict at time when we need National Unity and Cohesion the most.

11.6 Our national leadership from across the political divide has enough lessons from our recent history as an independent nation to understand that violence of any kind has never ever paid and will never pay because it does not pay. Indeed, violence never solves anything, quite the contrary it always makes a bad situation worse.

11.7 It is for this reason that we have consistently advised on the critical need for national healing and for dialogue to promote the meeting of hearts and minds of all Zimbabweans as the only way forward for our country.

11.8 While we have been heartened to notice that a growing number of political players across the political divide are beginning to use the language of nation-building and economic revival, we nevertheless eagerly await the day when that language will be transformed into operational beliefs through concerted action. And we pray that this will happen not tomorrow but today. Words are meaningful only when they are acted upon not only when they are declared.

11.9 As such, needed current actions and reforms must not be delayed or derailed for political, religious, ethnic, regional, gender or any other narrow minded expediency to the detriment of our national interest.

11.10 Much as the clalamities of small pox, measles and chicken pox incinerated millions of generations in the days prior to today's advanced medical landscape, the unfolding global crisis of food shortages has to be tackled through forward-looking innovative instruments and interventions that go beyond what yesterday was deemed the orthodox.

11.11 As your Central Bank, we strongly believe that the current efforts we are making will play a pivotal role in transforming the Zimbabwean economy towards greater heights.

11.12 To all political formations and political actors, our advice remains that you should please put the interests of Zimbabwe and its people first ahead of any personal or sectoral considerations.

11.13 In so doing, you will help end the longest and most severe winter to grip our Nation since our hard won independence from a heroic struggle whose legacy and gains we should not dare betray for whatever reason or excuse.

11.14 Although on the surface, the odds appear to be insurmountable, the self-evident truth is that, because, as I have stated before, no winter ever lasts forever and the time for Zimbabwe's economic summer has come but only if we each and all play our part to make it a reality.

11.15 In conclusion, Ladies and Gentlemen, let our economic history of tomorrow, just like our Liberation War History of yesterday, record that, at her greatest hour of need, when she was at her most vulnerable moment and at the stage when it was easier to give in and give up than to toil and sweat, Zimbabwe found herself lucky to have men and women who could stand up to defend her, who could sacrifice all they have for her till she was able to stand on her own…

11.16 Let our future history record that such men and women were You and Me, and not the other way round.

11.17 In God's hands I submit this Monetary Policy Statement.

Thank You.

DR G GONO
GOVERNOR

30 April, 2008