

- 16.9 The RBZ and FISCORP will conclude the necessary instruments/arrangements to enable FISCORP to carry out its aforesaid mandate.
- 16.10 To ensure effectiveness, financial institutions, development agencies and other borrowers will be engaged as necessary to facilitate these arrangements.
- 16.11 FISCORP will be structured in such a manner as to enable it to focus on the recovery and administration of, and the provision of ancillary services relating to, the Facilities.
- 16.12 Whilst FISCORP will be a separate legal entity, it will remain an RBZ vehicle to all intents and purposes, and borrowers and beneficiaries, who shall remain legally bound under the Facilities, are expected to co-operate with FISCORP to ensure the smooth implementation of the objectives set out in this statement.
- 16.13 FISCORP will operate within the parameters of the various frameworks and instruments in place but with a clear mandate and authority to collect and recover the outstanding loans on behalf of the RBZ.
- 16.14 FISCORP will be operational and in a position to assume the role envisaged with effect from 1st March 2007.
- 16.15 The mechanics and other implementation details will be unveiled once on-going consultations have been finalized.

17 SUNRISE PROJECT: PHASE 2

- 17.1 As was brought to the attention of stakeholders in the previous Monetary Policy Statement in July, 2006, the extent of economic setbacks that confront the country require that radical measures be taken, a key component of which are currency reforms.
- 17.2 This saw the Central Bank, with the able assistance of several arms of Government, as well as members of the public and the private sector successfully roll out the first phase of currency reforms under SUNRISE 1.
- 17.3 At that time, it was also made public that the Central Bank was working on the successor program under SUNRISE 2.

- 17.4 As Monetary Authorities, we are pleased to report and update stakeholders that all the preparatory work for SUNRISE 2 have now been completed, and implementation is imminent once the few minor logistical refinements have been completed.
- 17.5 Reflecting this high state of preparedness, I am pleased to unveil to the Nation the sample designs of this imminent roll-out under which all the current bearer cheques will be replaced by genuine currency, complete with internationally acclaimed safety features, and convenience characteristics for the visually impaired stakeholders.
- 17.6 The experience and lessons gained under SUNRISE 1 will, without doubt, be put to good use under the imminent program, which will be rolled out together with the Rural Banking initiative.
- 17.7 To avoid being caught up with huge unexplained stacks of bearer cheques, which beyond the cutoff date will become useless manure, members of the public, as well as the corporate sector, are once again called upon to resist the temptation of hoarding cash.
- 17.8 This advance warning should be taken seriously, as no stone will be left unturned to ensure that SUNRISE 2 is a swift, precise and effective change-over process.
- 17.9 May the market, including the banking sector, companies, Government Departments, as well as the general public, be forewarned and guided accordingly.

18. ROADMAP TO PRIVATIZATION OF OUR PUBLIC UTILITIES

- 18.1 Resolute implementation of the privatization program remains a viable route through which Government can unlock immense value, both in local and foreign exchange terms.
- 18.2 As a strategic structural intervention, privatization is beneficial to the economy in the following three important ways:
- (a). The involvement of private sector participation broadens the scope for managerial effectiveness, as well as scale-economies which improves overall productive efficiency in the entities concerned.

- (b). This way, former burdens on the fiscus are hived off the Government's books. The resources so freed in the national budget can then be re-directed to other priority areas, such as social outlays in the form of social safety nets.
- (c) Improved productivity in parastatals will also directly help shore up supply response in the rest of the economy, which reduces inflation.
- (d). The disposal of some stakes in the parastatals and other Government owned investments unlocks valuable revenues to finance Government operations. This mitigates the need for monetary finance of the budget deficit which is typically inflationary.
- (e). When carefully rolled out, privatization can be used as a bona fide source of foreign exchange. In the case of Zimbabwe, there can be no other better time to raise foreign exchange through any means possible than now. More foreign exchange will enable the Government to carry out broader infrastructural projects, as well as support needy social sector areas like HIV/AIDS, TB and malaria prevention.

18.3 Thus, any further procrastination in this area does have needlessly continued to deny Government immense revenue opportunities, in the process prolonging the turnaround journey.

18.4 As Monetary Authorities, we estimate that if carefully implemented, the privatization process can unlock between US\$2-3 billion, which will resolve the current strain in the foreign exchange market.

Core Principles on Privatization...

18.5 For success, the following core principles must guide any privatization program we seek to implement as a country.

- Attainment of fair market value for national assets;
- Zero tolerance for corruption;
- Empowerment of Zimbabweans;
- Transparency; and
- Full involvement of interested parties.

RECOMMENDED PRIVATIZATION CANDIDATES

- 18.6 Consistent with the already standing Government approvals and directions given under NEDPP, and the guidance from several national Budget Statements presented by the Hon Minister of Finance calling for privatization, as Monetary Authorities, we urge that a privatization Committee be established to urgently deal with issue.
- 18.7 In all these recommended privatization cases, full regard ought to be taken of national strategic and security considerations, which considerations do dictate that Government remains the main shareholder in such cases.

FAIR VALUE CRITERIA...

- 18.8 As Monetary Authorities, we estimate that out of these recommended entities, at least US\$3 billion can be raised in 2007 if, as stakeholders, we avoid throwing spanners in the program, for one reason or another.
- 18.9 The proceeds from this initiative could go towards support of export-enhancing programs, support the liberalization of the exchange rate and stabilize value of the Zimdollar and hence contribute to inflation reduction, offshoots of which could be used to clear the current outstanding foreign payment arrears owed by the parastatals or the country.

19. SMALL TO MEDIUM SCALE ENTERPRISES SUPPORT

- 19.1 In order to bolster the Rural Banking and empowerment programs through SME growth, with immediate effect, the applicable interest rate on the SME fund has **been reduced from 70% to 50% per annum** to synchronize this facility with the existing ASPEF meant for Agriculture.
- 19.2 This is consistent with the Reserve Bank's thrust of targeted support, within the broad framework of advancement of economic growth and development.
- 19.3 Players in the SME sector are called upon to take advantage of this supportive measure and empower their communities.
- 19.4 As detailed in the Supplement, the SME Sector represents the greatest area of opportunity for the development of the economy through broad-based empowerment of the low income groups.

19.5 Economies in Asia and the Middle-East, for instance, have demonstrated that through well-coordinated programs of intervention, the SME Sector can be transformed into engines of growth and development.

19.6 Under the \$16 billion SME Facility, the following allocations will apply:

- (a) \$5 billion is earmarked for women SME entrepreneurs;
- (b) \$5 billion is earmarked for the Youth in the SME Sector;
and
- (c) \$6 billion is earmarked for all the other SMEs.

20. REDEFINITION OF NATIONAL RESERVE ASSETS

20.1 In sharp contrast with the country's vast mineral endowments, mining accounts for about 4% of GDP, 4.5% of employment and a about a third of total foreign exchange earnings.

20.2 However, the foreign currency that accrues to Government is limited to revenues collected through royalties, commissions and taxes.

20.3 Royalties, which are deductible for income tax purposes, are calculated as a percentage of the gross fair market value of minerals produced and sold as follows:

• Precious Stones	10%
• Precious Metals	3%
• Base Metals	2%
• Industrial Minerals	2%
• Coal Bed Methane Gas	2%
• Coal	1%

20.4 The bulk of the foreign currency is retained by the mineral producers in their foreign currency accounts, with some offshore.

20.5 Through consultations with the relevant authorities and other stakeholders, the Reserve Bank is working on modalities to establish an institutional framework, which would be along the same lines as Fidelity Printers and Refineries (who currently oversee the buying and processing of all gold produced in the country) for other precious minerals like platinum, emeralds and diamonds.

- 20.6 The redefinition of national reserve assets would cover gold, platinum, emeralds and diamonds, which would result in the increased foreign exchange reserve build-up at the Reserve Bank.
- 20.7 In order to come up with an effective institutional framework, which is fully empowered to manage the expanded national reserve assets, an appropriate legal framework will be put in place, once consultations are finalized.

Enactment of the Amended Mines and Minerals Act and Promulgation of Policy on Gaseous Hydrocarbons

- 20.8 There is need for a speedy conclusion and enactment of the amended Mines and Minerals Act, so as to fortify investor confidence in the industry.
- 20.9 The Ministry of Energy and Power Development, together with the Ministry of Mines and Mining Development are also urged to finalise the white paper on Gaseous Hydrocarbons to facilitate investment in coal bed methane gas extraction.

Promotion of Joint Venture Companies in Mining

- 20.10 Recognizing the strategic importance of mining as a foreign exchange earner, the Bank is facilitating mining joint venture projects between local and foreign investors with the view to increase access to foreign capital by local investors.
- 20.11 Joint venture agreements have been signed between local companies and investors from friendly countries. Sub-sectors covered under these joint venture agreements include coal, chrome, gold and platinum.

21. AGRICULTURAL SECTOR PRODUCTIVITY ENHANCEMENT FACILITY (ASPEF)

- 21.1 As at 31 December 2006, a cumulative amount of **\$146, 686.48 million** had been disbursed under ASPEF for 11 761 **applications**, since inception of the facility in June 2005.
- 21.2 A total amount of **\$20 142.88 million** had been repaid leaving an outstanding balance of **\$126 543.6 million**.