

# Monthly Financial Sector Bulletin

Issue No. 71, July 2019



**COVER PICTURE:** Dr Lance Mambondiani was appointed as Managing Director and CEO for BancABC Zimbabwe with effect from 1 July 2019 following the retirement of Joe Sibanda. "The Board, Management and Staff of BancABC welcome Dr. Mambondiani to the BancABC team... Dr. Mambondiani's mandate, as he joins us at this critical time, is to lead BancABC into its next growth phase and reposition the Bank as a premier financial services provider in Zimbabwe. He holds a Bachelor of Laws degree (LLBS. Hons) from the University of Zimbabwe, an MSC in Development Finance (First Class) at the University of Manchester and completed his PhD in Banking and Finance in 2011, analyzing Bank Ownership and Profitability in Zimbabwean Banking Sector at the same University. He is also a recipient of the highly prestigious Chevening Scholarship by the British Council. Prior to joining BancABC, Dr. Mambondiani was Chief Executive Officer at Steward Bank, a subsidiary of Econet Group and also had group responsibility for Digital Banking. We are excited to have him join the BancABC Group," said the pan-African bank, which is a part of Atlas Mara. Picture Credit: Tinash Photography

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The MFSB is a monthly roundup of key Zimbabwean financial sector developments produced by SoundGarden Publishing, a provider of proprietary data, business intelligence and analytical content supporting decision-making in financial markets.

**SINCE SEPTEMBER 2013:** For six solid years, the Monthly Financial Sector Bulletin (MFSB) has been consistently providing reliable aggregated financial sector information enabling industry professionals and other stakeholders to make data-driven decisions!

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## SELECTED VITAL STATISTICS AT A GLANCE

### General Statistics

Year-on-year Inflation for <b>June 2019</b>	175.66 % ( <b>May 2019: 97.85%</b> )
Month-on-Month Inflation <b>August 2019</b>	18.07% ( <b>July - 21.04%</b> )
Projected Average Inflation for 2019	22.4%
Projected 2019 Gross Domestic Product (GDP) Growth	3.1% (AfDB – 4.2%; World Bank – 3.7%)
Original Budget for 2019	\$8.16 billion (\$10.85 billion)
2018 Manufacturing Sector Capacity Utilisation	48.2% (2017 – 45.1%) (2016 - 47.4 % (2015 - 34.3%)
Projected Trade Deficit for <b>2018</b>	US\$1.6bn (Exports – \$4.9bn; Imports – \$6.3 bn)
Zimbabwe's Foreign Direct Investment (FDI) – <b>2018</b>	US\$745m (US\$349m - 2017) (US\$319m – 2016) (US\$421m-2015)

### Statutory Ratios

Formula	Ratio
<b>Minimum Capital Adequacy Ratio:</b> (Total Qualifying Capital/Total Risk Weighted Assets) x 100	12%
<b>Minimum Liquidity Ratio:</b> (Total Liquid Assets/Total Liabilities to the Public) x 100	30%

### Deposits, Loans and Lending Ratios

Total Banking Sector Deposits ( <b>30 June 2019</b> )	\$16.92 billion (\$10.32 billion – <b>31 Dec 2018</b> )
Total Banking Sector Loans & Advances ( <b>30 June 2019</b> )	\$6.17 billion (\$4.22 billion – <b>31 Dec 2018</b> )
Loans-to Deposit Ratio ( <b>30 June 2019</b> )	36.49% ( <b>31 December 2018</b> – 40.71%)
Banking Sector Non-Performing Loans (NPLs) ( <b>30 June 2019</b> )	3.95% (6.92% - <b>Dec 2018</b> & Peak 20.45% as at 30 Sept 2014)
Total Banking Sector Assets ( <b>30 June 2019</b> )	\$23.54 billion ( <b>31 Dec 2018</b> - US\$13.98 billion)

**Sources:** Mainly the Monetary Policy Statement (RBZ), National Budget & Various other Industry Sources

## Editorial Comment

### **Product Innovation & Channel Development:** Currency reform slows down product development

Product development and promotional activity decreased by 45% from eleven in June to six in July largely due to the precipitous fall of product launches from ten to four, while a single product promotion was recorded and product enhancement remained flat at a single initiative. The banking sub-sector continued to hold sway, followed by mobile money.

Channel development initiatives increased by a whopping 400% from a single initiative to five during the period under review. Activity included the opening of two branches by Nedbank and EmpowerBank respectively, while FBC Bank relocated its Chinhoyi branch to a new site and Steward Bank announced new operating hours for its branches effective 1 August 2019. Meanwhile, Cassava Fintech opened a new cross border remittance corridor through a partnership between its EcoCash Remit brand Pick'n Pay.

### **Executive Management/Board Changes:** A busy month in the C-Suite

July was a fairly busy month in the C-Suite, with several key appointments being made. In a move that brought to an end the speculation surrounding his departure from Steward Bank, Dr Lance Mambondiani was appointed as Managing Director and CEO for BancABC Zimbabwe with effect from 1 July 2019 following the retirement of old hand Joe Sibanda. The Board expected Mambondiani to lead BancABC into its next growth phase and reposition the Bank as a premier financial services provider in Zimbabwe. Also on the domestic stage, Ecobank Zimbabwe Limited announced the appointment of lawyer Promise Ncube to the Bank's board, while on the international front, the Institute of Chartered Accountants in England and Wales (ICAEW) on 16<sup>th</sup> July 2019 announced the appointment of Chartered Accountant Tinashe Rwodzi to its Africa Members Advisory Board, a volunteer advisory board whose primary aim is to advise, guide and support the ICAEW Middle East, Africa and South Asia (MEASA) Regional Director and Africa team to implement ICAEW's international strategy. Mubaiwa Mubayiwa, the Head of Commercial Banking in Zimbabwe and Southern Africa at Standard Chartered Bank Zimbabwe was appointed as an Executive Director of the Bank, replacing Samuel Nhakaniso who left the Bank and resigned from the Board on 25 March 2019. Meanwhile, as the raging debate about the soundness of Lion Finance Zimbabwe raged, Lion Finance Zimbabwe managing director Lynn Mukonoweshuro was suspended pending a disciplinary hearing following a Reserve Bank of Zimbabwe investigation in March which spawned various allegations of misconduct. The Board of ZB Life Assurance Limited announced the appointment of Letwin Mawire as the Company's new Managing Director with effect from the 1<sup>st</sup> of August 2019, replacing Ambrose Garikayi Chinembiri, who retired on the 31<sup>st</sup> of July 2019.

### **External Financing: Lines of Credit & Grant Finance:** Zim turns to non-traditional financiers

As external financial support from traditional financiers in countries such as United Kingdom, Germany and United States of America dried up due to a combination of sanctions and an unfavourable country risk profile, Zimbabwe turned to non-traditional source markets for lines of credit. During the month under review, Agribank announced that it had secured a US\$ 10.5 million facility from a Spanish lender, whose identity was not revealed, for irrigation equipment and machinery under the Pedstock Centre Pivots Irrigation Facility (Phase 2).

### **Fiscal, Public Debt & Investment Issues:** US\$34 Billion required to rebuild infrastructure

It is ironic that while the World Bank upgraded Zimbabwe from a "Low Income Economy" to a "Lower Middle-Income Economy," for the period 2019 to 2020 effective from July 1, 2019, the quality of life of Zimbabweans continued on a free fall. Low-income economies are those with a gross national income (GNI) per capita of US\$1025 or less. Lower middle-income economies are those with a GNI per capita of between US\$1026 and US\$3995. Meanwhile, to underline the extent of Zimbabwe's sustained decline over the years, the 2019 Zimbabwe Infrastructure Flagship Report, prepared by the African Development Bank (AfDB) on behalf of the Government, was launched in Harare on the 11<sup>th</sup> of July 2019, and it revealed that the country needed US\$34 billion over the next decade to restore its road, rail, aviation, energy, ICT and water and sanitation infrastructure to proper working condition.

### **Bond/TB Issue Outlook:** RBZ abandons private placements and resumes TB auctions

The Reserve Bank of Zimbabwe conducted its first open Treasury Bill auction in nearly a decade on Tuesday 9 July 2019. The auction was open to all primary dealers in the local money market in, a departure from the recent norm where the

central bank would issue new paper through private placement to individual corporates and institutions. This was welcomed as a positive step by monetary authorities as the country sought to establish market-determined equilibrium across all capital markets within the economy. The support was evident in the oversubscribed early auctions.

### **Policy/Regulatory /Legal Developments: Zim dollar re-introduction through SI42 challenged**

During the review period, there was a rash of court cases challenging Government's banning of the multi-currency regime and re-introduction of the Zimbabwe dollar through Statutory Instrument 142:

**28 June 2019:** FreeZim Congress leader Joseph Busha filed an urgent High Court application against President Emmerson Mnangagwa seeking the reversal of government's decision to re-introduce the Zimbabwean dollar. Busha argued that the introduction of the RTGS dollar through the Presidential Powers (Temporary Measures) Act in February was unconstitutional, and that this legislation should have been introduced through Parliament.

**2 July 2019:** Godfrey Mupanga, a human rights lawyer, filed an application in the High Court challenging government's banning of the multi-currency system, calling it grossly unreasonable and unconstitutional. He argued that as a Minister, Professor Ncube cannot amend principal legislation (in this case the Reserve Bank of Zimbabwe Act) which provides for the multi-currency basket. Rather, only Parliament can amend this law.

"Amending a principal legislation is a primary law-making power that can only be exercised by Parliament. Such delegation would in fact amount to abrogation and abdication of legislative functionary," said Mupanga in his court papers.

**3 July 2019:** Lawyer and businessman Tawanda Nyambirai filed an urgent chamber application with the High Court, listing the Finance Minister, the Reserve Bank of Zimbabwe, the Attorney General and Zimbabwe banking institutions as respondents. He said that by unilaterally converting USD balances to RTGS balances, and then delinking the 1:1 USD / RTGS exchange rate without compensation, the Ministry of Finance deprived the public of their property, which was unconstitutional. He therefore sought a court order to stop Finance minister Mthuli Ncube and Reserve Bank of Zimbabwe governor John Mangudya from introducing any policies, regulations or decisions that may affect the value of foreign currencies held by banks before June 24. Nyambirai wanted the court to compel all the banks in Zimbabwe to preserve the records of the RTGS balances held by account holders before June 24. Nyambirai, however suffered a setback in his quest for the government to restore depositors' United States dollar balances after the High Court ruled that his application was not urgent on the grounds that it contained aspects of a policy announced in February 2019.

There was also legal action against another Statutory Instrument when two businesspeople approached the High Court seeking the invalidation of Statutory Instrument (SI) 145 of 2019 which gave the Grain Marketing Board (GMB) a monopoly over the importation and sale of maize in the country. In their joint application, grain dealer Allan Markam and pig farmer Clever Rambanapasi argued that the agriculture minister had set up a dangerous monopoly in respect of which anyone who trades in grain - whether a buyer or a seller - can only do so through the GMB and can only do so at a fixed price.

Meanwhile in their long-running saga with banks, Payserv Africa Limited and Paynet Zimbabwe (Pvt) Ltd instructed their legal practitioners in Zimbabwe, Titan Law, to commence legal action against the Bankers Association of Zimbabwe and related parties for anti-competitive practices seeking damages of US\$ 100 million.

Another significant development during the month under review, but this time on the pan-African stage, was African leaders, including President Emmerson Mnangagwa, on the 7<sup>th</sup> of July 2019 launching the landmark African Continental Free Trade Area (AfCFTA) that is expected to take effect from 1 July 2020 and to increase intra-Africa trade by 60 percent by 2022.

### **Currency, Pricing and Liquidity Perspectives: Inflation breaches 100 percent mark as fears of hyperinflation loom**

A key highlight of the month was the announcement by the Zimbabwe National Statistical Agency (ZimStat) that Zimbabwe's annual inflation for June 2019 rose to 175.66% percent from 97.85% percent in May 2019. The 77.81% jump was largely attributable to the pass through effects of parallel market currency premiums which took an exacting

toll on prices during the period under review. The month-on-month inflation rate for June jumped to 39.26 percent, after gaining 26.72 percentage points from 10.12 percent in May 2019.

Government urged stakeholders not to focus on the annual inflation numbers and focus instead on the month-on-month inflation rate but the sustained increase in month-on-month inflation put a damper on prospects of significantly low inflation by the end of the year. In fact, the latest inflation figures have sparked fears that the country is again entering hyperinflation territory. This is the first time in a decade that year-on-year inflation has breached the 100 percent mark. There is also a school of thought that believes that this high inflation rate is vastly understated given the large informal economy obtaining in the country.

Here are some of the reasons that are being put forward to support a negative inflation outlook:

- The Ministry of Finance and Economic Development expects the price of fuel to go up to the equivalent of US\$1, which is around ZWL8 at current exchange rates, and this will have an inflationary impact.
- Government recently introduced a cushioning allowance for civil servants and one wonders about the inflationary impact of this.
- Given the current shortages of basic goods and inadequate supply of foreign currency, pressure for upward movement of prices is unlikely to dissipate, hence sustaining inflationary pressures.

Accordingly, Government's projections that inflation will be reduced to double-digit territory by end of the year is increasingly looking unrealistic given the current challenges which include the fuel price hikes and prolonged power cuts that have pushed up production costs. It also emerged during the review period that key companies such as Delta Corporation said their current product prices had not yet factored in the full impact of exchange rate movements.



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### PRODUCT LAUNCH/ENHANCEMENT INDEX (PLEI)

- **Stanbic Bank Zimbabwe** launched **Dendere/Isidleke**, a savings account targeting women and designed to encourage them to save as well as borrow money to grow their businesses. “Women who open these accounts can also go through an incubation period where they receive consultancy and training from our experienced business bankers and they also get networking opportunities. After the incubation period, the bank then puts in place measures that assist the women by financing their business through loan facilities. Dendere/Isidleke has been specifically developed to provide a safe place for savings without monthly charges,” said Stanbic’s head of Personal and Business Banking, **Patson Mahachi**. He added that women aged 18 and above and/or groups of women were eligible for the product and that those who form groups to save money by way of monthly contributions were set to benefit from the product, which was inspired by the saving culture women have exhibited over the years through the informal “Stokvel” system.
  
- **EcoCash**, a **Cassava Smartech** company introduced a **Self-service Portal** that allows users of the mobile money platform to do the following on their own:
  - Registration and Account Management
  - View and edit Profile
  - View Account Balance
  - Transaction Reversal
  - PIN reset
  - View and Download Transaction Mini Statement.
  
- **OneMoney**, a product of NetOne, introduced **Salary Advance Payments** for Civil Servants. “Calling all civil servants. Sign up today to receive your salary through OneMoney Payroll,” said NetOne. The benefits include one’s salary as advance payment through OneMoney, access to loans from OneMoney partners and discounted airtime. In order to sign up, one must first register for a OneMoney account then visit any NetOne shop to complete the **Salary Service Bureau (SSB)** forms to have part or entire salary paid through OneMoney.
  
- **First Capital Bank** introduced its new internet banking offering. “Banking is better here. <https://onlinefirstcapitalbank.co.zw>. Safe and secure transactions is what you will experience on our new internet banking platform. Log in, re-register or self-register and start transacting,” said the bank which was previously known as **Barclays Bank of Zimbabwe**. Through the platform, one can carry out transactions such as airtime purchase, balance enquiry, bill payments, full statement view, inter-account transfers, manage beneficiaries, RTGS transfers and ZIPIT payments.
  
- **OK Zimbabwe Limited** introduced a new **money wave card** which is powered by **CABS**. “Say hello to the new money wave! Enjoy banking freedom and easy shopping with your money wave card. The money wave card not only affords you shopping convenience, but also allows you to enjoy low cost banking functionality anywhere in the country in any OK Zimbabwe family of stores (OK, **Bon Marché**, **OKmart**,” said the retail supermarket. One can use their money wave card to make purchases on any **Zimswitch** enabled point of sale device and perform cash deposits and withdrawals instore and from any Zimswitch enabled ATM. “Instore, or on your mobile banking device you can: Check your balance, get your mini statement, transfer money to a **CABS** account, transfer money to other banks (ZIPIT) including **OneMoney** and **TeleCash**, pay bills (ZESA post-paid) and much more, access to **EcoCash** banking services (transfer to and from your bank and wallet) It’s free! It’s instant! Open an account today!”

### PRODUCT PROMOTION INDEX (PPI)

- **Ecobank Zimbabwe Limited** introduced a transactional promotion for its **CashXPRESS Prepaid card**. “Win a year of DSTV with the Ecobank CashXPRESS Prepaid Card. Transact either Online, POS or ATM for a minimum of US\$5 or give the perfect pass to friends and family by helping them sign up for the CashXPRESS Prepaid Card from now to

30 September 2019 and score a point to be in the running for lots of prizes,” said the local franchise of “The Pan African Bank.”

### SUMMARY: PRODUCT LAUNCH & PROMOTION INITIATIVES

#	Organization	Product /Promotion	Product/Service Category	Sub-sector	Type of Initiative
1	EcoCash	Self-service Portal	Mobile Money	Mobile Money	Product Enhancement
2	Stanbic Bank	Dendere/Isidleke	Savings Product	Banking	Product Launch
3	OneMoney	Salary Advance Payments	Mobile Money	Mobile Money	Product Launch
4	First Capital Bank	Internet Banking	Transaction Banking	Banking	Product Launch
5	OK Zimbabwe Limited	Money Wave Card	Card Product	Non-Bank Retail	Product Launch
6	Ecobank Zimbabwe	CashXPress Prepaid card.	Card Product	Banking	Product Promotion

### CHANNEL DEVELOPMENT/RATIONALISATION ACTIVITY

- **Nedbank** announced the launch of a new branch in the resort town of Victoria Falls. “Vic Falls now has it all. Nedbank is pleased to announce the opening of another world-class branch in Victoria Falls! The money experts have arrived in Vic Falls,” said the bank, which is a franchise of the **Nedbank Group** of South Africa.
- **Cassava Fintech** introduced **EcoCash Remit SA** in partnership with South African retailer Pick n Pay. “Receive money direct & fast via EcoCash Remit SA. Tell your loved ones in South Africa that they can now register for EcoCash Remit and send money at any PnP in Mzansi. All EcoCash Remit customers are guaranteed USD cash back home in Zimbabwe,” said the **Econet Wireless** financial technology subsidiary.
- **Steward Bank** issued a customer notice advising of new branch operating hours. “We wish to advise all our Valued Customers and other General Public of the following Branch Operating hours, effective 1 August 2019.
  - Monday to Friday 08:00am – 3:00pm
  - Saturday 08:00am – 11:30 am
 Outside these hours, please make use of the following available Mobile Banking Channels:
  - Dial \*236# to open an account
  - Dial \*210# to transact
 Download Square Mobile App and register to transact,” said the banking subsidiary of **Econet Wireless**.
- **FBC Bank Limited** announced the relocation of its Chinhoyi Branch. “We advise that FBC Bank Chinhoyi Branch is relocating and will start operating from the new premises from 29 July 2019. We look forward to serving you in a new and modern environment,” said the bank in a public notice. Previously located at Stand 5309 Magamba Way, the branch will now be operating from 14 Robson Manyika.
- Mashonaland West Provincial Affairs Minister **Mary Mliswa-Chikoka** on Monday, 29 July 2019 launched **Empower Bank** in Chinhoyi, calling for the inclusion of youths in Government programmes. The provincial launch preceded district launches across Mashonaland West, with officials from the bank expected to visit Kariba (Nyaminyami), Hurungwe, Zvimba, Sanyati/Mhondoro-Ngezi and Chegutu. According to Customer Service Officer, **Lawrence Chaleka**, the bank, which was launched on July 5, 2018 targets youths below the age of 35 who would take up 70 percent of the loans from the financial institution. The remaining 30 percent would be targeted at Zimbabweans below the age of 65 years.

SUMMARY:CHANNEL EXPANSION/RATIONALISATION ACTIVITY				
#	Institution	Sector	Type of Initiative	Description
1	Nedbank	Banking	Branch Opening	Victoria Falls
2	Cassava Fintech	Fintech	New Remittance Corridor	EcoCash Remit SA Partnership with Pick n Pay
3	Steward Bank	Banking	New branch operating hours	Effective 1 August 2019
4	FBC Bank Limited	Banking	Chinhoyi Branch Relocation	5309 Magamba Way to 14 Robson Manyika
5	EmpowerBank Ltd	Banking	Branch Opening	Opening of Chinhoyi Branch



### ICT DEVELOPMENTS

- **NMB Bank Limited** carried out a system upgrade from 12 July 2019 at 1800hrs to Sunday 14 July 2019 at midnight. The bank said the upgrade would result in the following:
  - USD Nostro Foreign Currency Account (FCA) numbers will change with effect from Monday 15 July 2019 and the bank would advise on the new USD Nostro Foreign Currency Account (FCA) numbers by SMS for Individual account holders and email for Corporate account holders
  - Transfers made using old USD Nostro Foreign Currency Account (FCA) numbers will be honoured until 31 July 2019
  - Internet Banking user ID and passwords for both USD Nostro Foreign Currency Accounts (FCA) and RTGS accounts will remain unchanged
  - RTGS account numbers will remain unchanged
  - RTGS account statements and SMS alerts will reflect the currency code ZWL.

### EXECUTIVE MANAGEMENT/BOARD CHANGES

- **Dr Lance Mambondiani** was appointed as Managing Director and CEO for **BancABC Zimbabwe** with effect from 1 July 2019 following the retirement of **Joe Sibanda**. “The Board, Management and Staff of BancABC welcome Dr. Mambondiani to the BancABC team... Dr. Mambondiani’s mandate, as he joins us at this critical time, is to lead BancABC into its next growth phase and reposition the Bank as a premier financial services provider in Zimbabwe. He holds a Bachelor of Laws degree (LLBS. Hons) from the University of Zimbabwe, an MSC in Development Finance (First Class) at the **University of Manchester** and completed his PhD in Banking and Finance in 2011, analyzing Bank Ownership and Profitability in Zimbabwean Banking Sector at the same University. He is also a recipient of the highly prestigious Chevening Scholarship by the **British Council**. Prior to joining BancABC, Dr. Mambondiani was Chief Executive Officer at **Steward Bank**, a subsidiary of **Econet Group** and also had group responsibility for Digital Banking. We are excited to have him join the BancABC Group,” said the pan-African bank, which is a part of **Atlas Mara**.
- **Ecobank Zimbabwe Limited** announced the appointment of **Promise Ncube** to the Bank’s Board. “Promise is the Senior and Managing Partner at **Coghlan and Welsh Legal Practitioners** in Bulawayo, a firm established in 1903. He is a registered Commercial Arbitrator who has successfully adjudicated several high profile commercial disputes. He currently sits on various boards including the **Zimbabwe International Trade Fair (ZITF)**, **Legal Resources Foundation** and also chairs the **Falcon College** Pension Fund board. Promise holds a Bachelor of Laws Degree (LLB) and Bachelor of Laws Honours Degree (BL) both from the **University of Zimbabwe** and adds to the board vast wealth of legal experience,” said Company Secretary, **Sarudzai Gurure**.
- The **Institute of Chartered Accountants in England and Wales (ICAEW)** on 16<sup>th</sup> July 2019 announced the appointment of **Tinashe Rwodzi** to its Africa Members Advisory Board. Rwodzi is the Zimbabwe and Malawi country manager at **PwC**, specialising in financial services, energy and mining. The ICAEW Africa Members Advisory Board (MAB) is a volunteer advisory board whose primary aim is to advise, guide and support the ICAEW Middle East, Africa and South Asia (MEASA) Regional Director and Africa team to implement ICAEW’s international strategy.
- **Standard Chartered Bank** announced the appointment of **Mubaiwa Mubayiwa**, Head of Commercial Banking in Zimbabwe and Southern Africa as an Executive Director of the Bank, replacing **Samuel Nhakaniso** who left the Bank and resigned from the Board on 25 March 2019. “During his career with the Bank, Samuel performed various strategic roles including being member of the Country Management team and Board of Directors for over 20 years. As we bid farewell to Samuel, we would like to take this opportunity to thank him for his invaluable contribution to the Bank. Mubaiwa has been with the Bank for over 20 years and brings on board strong leadership skills and technical expertise gained through various roles in several African countries. He has served as Head of Local Corporates in Zimbabwe, Head of Sales in Cameroon and Head of Wholesale Banking in Sierra Leone. Mubaiwa joined the Bank on the Africa Regional Management Trainee programme after graduating from the **University of**

Zimbabwe with a Bachelor of Science Degree in Economics and holds a [Chartered Institute of Management Accountants \(CIMA\)](#) qualification. The Board of Directors, Management and Staff take this opportunity to wish him all the best as he takes on this new responsibility," said the bank in a public notice announcing the Executive Appointment.

- [Lion Finance Zimbabwe](#) managing director [Lynn Mukonoweshuro](#) was suspended pending a disciplinary hearing following a [Reserve Bank of Zimbabwe](#) investigation in March which spawned various allegations of misconduct. "Following a report by the bank supervision department of the Reserve Bank... Lion has good cause to believe you have committed acts of misconduct warranting disciplinary action," Lion chairperson [Gift Simwaka](#) said in a July 24 letter to Mukonoweshuro, adding she had failed to convene attend board meetings and involved herself in shareholder disputes. You communicated to the registrar of microfinanciers that the shareholding had changed. More importantly, you informed the registrar that the majority shareholder [Finsbury Investments](#)... was no longer a shareholder of the employer when you knew the position was incorrect," he said. Further, it is alleged, Mukonoweshuro had not only caused the company to "initiate legal proceedings against the Zambian investor without board approvals," but disobeyed lawful orders and failed to provide stakeholders with Lion's financial statements, and new composition of the microlender's board. The company duly appointed [Lameck Gweshe](#) as acting MD and was commissioning a forensic audit. "Accordingly, you are hereby suspended without pay and benefits," added Simwaka.
- [ZB Life Assurance Limited](#) announced the retirement of the incumbent managing director and the appointment of a new managing director. "The Board of ZB Life Assurance Limited is pleased to announce the appointment of [Letwin Mawire](#) as the Company's new Managing Director with effect from the 1<sup>st</sup> of August 2019. Prior to her appointment, Letwin was the Company's Finance Director. She started off her career as a Management Accountant for [Unilever South-East Africa](#) (formerly [Lever Brothers](#)) in 2000 and she joined the Company in 2002 as the Finance Manager and rose to the position of Finance Director. The Board congratulates Letwin Mawire on her appointment as Managing Director and wishes her a successful tenure...The Board of ZB Life Assurance Limited wishes to announce that [Mr. Ambrose Garikayi Chinembiri](#), the Company's Managing Director, will retire on the 31<sup>st</sup> of July 2019. Mr. Chinembiri joined the company as a Trainee in 1975. He rose through the ranks until his appointment as Managing Director of the company from the 1<sup>st</sup> of July 2003. The Chairman and the Board of Directors wish to thank him for his capable leadership of the Company and wish him all the best in his future endeavours. May they GO Big into the future," said Group Company Secretary [H.R. Nharingo](#) in the announcement dated 26<sup>th</sup> July 2019.

### CORPORATE ACTIONS

- [ZB Financial Holdings](#) issued a dividend notice in respect of the year ended 31 December 2018. "Notice is hereby given that at its Annual General Meeting held on [28 June 2019](#), the company declared a final dividend of ZWL1.57 cents per share on 17 190 642 ordinary shares in issue, in respect of the year ended 31 December 2018. The dividend is payable to shareholders registered in the books of the company at the close of business on 19 July 2019. The last day to trade cum-dividend is 17 July 2019. The dividend will be paid to shareholders on or about the 25<sup>th</sup> July 2019. Shareholders are requested to submit their banking details to our transfer secretaries, [ZB Transfer Secretaries](#) of 21 Natal Road, First Floor, Avondale, Harare. Alternatively, shareholders may submit their banking details at any [ZB Bank](#) Branch," said Company Secretary [H.R. Nharingo](#) in the notice dated 5<sup>th</sup> July 2019.
- [Fidelity Life Assurance of Zimbabwe Limited](#) issued a cautionary statement dated 22 July 2019. "The Directors of Fidelity Life Assurance of Zimbabwe Limited ("Fidelity" or "the Company") wish to advise all shareholders and the investing public that the company is engaged in discussions that involve a potential transaction that may have a material impact on the value of the company's capital structure through the issuance of shares by way of a rights offer. Further details of the transaction will be provided once discussions have been finalised. Shareholders are therefore advised to exercise caution when trading in the Company's shares," said Company Secretary [C. Matongo](#) in the statement.

## EXTERNAL FINANCING: LINES OF CREDIT AND GRANT FINANCE/AID

- Government, through [Agribank](#), secured a US\$ 10.5 million facility for irrigation equipment and machinery under the Pedstock Centre Pivots Irrigation Facility (Phase 2) from Spain, intended to benefit both large and small-scale farmers. “The US\$ 10.5 million Pedstock Centre Pivot Irrigation Facility is for acquisition of centre pivots (Phase 2) as part of Government’s on-going farm mechanisation programmes for enhanced agriculture production and productivity,” said Agribank chief executive officer [Somkhosi Malaba](#).

## FISCAL, PUBLIC DEBT & INVESTMENT ISSUES

- The [World Bank](#) upgraded Zimbabwe from a “Low Income Economy” to a “Lower Middle-Income Economy,” which classification is for the period 2019 to 2020 and is effective from July 1, 2019. The bank said it currently defined low-income economies as those with a gross national income (GNI) per capita, calculated using the [World Bank Atlas](#) method of US\$1025 or less in 2018. Lower middle-income economies are those with a GNI per capita of between US\$1026 and US\$3995; upper middle-income economies are those with a GNI per capita of between US\$ 3996 and US\$12 375; high-income economies are those with a GNI per capita of US\$12 376 or more, according to the [World Bank](#) criteria. Classifications are determined by two factors - a country’s GNI per capita, which can change with economic growth, inflation, exchange rates, and population; and classification thresholds, which are adjusted for inflation annually using the Special Drawing Rights (SDR) deflator.
- The 2019 [Zimbabwe Infrastructure Flagship Report](#), prepared by the [African Development Bank \(AfDB\)](#) on behalf of the Government, was launched in Harare on the 11<sup>th</sup> of July 2019. Speaking at the launch, AfDB’s principal country economist, [Walter Odera](#) said, “The report we are launching today confirms that the country needs US\$34 billion over the next decade to restore its road, rail, aviation, energy, ICT and water and sanitation infrastructure to proper working condition.” Water and sanitation will require US\$3.67 billion, power US\$1.14 billion, transport US\$28.56 billion, and communications US\$412 million. The money is expected to be raised through a mix of funding arrangements with the private sector providing US\$7.9 billion, Government and local authorities US\$20.7 billion, donors US\$3.7 billion and State enterprises involved in service provision in the sectors US\$1.5 billion.

## BOND/TB ISSUE OUTLOOK

- The [Reserve Bank of Zimbabwe](#) conducted its first open Treasury Bill auction in nearly a decade on Tuesday 9 July 2019. The auction was open to all primary dealers in the local money market in, a departure from the recent norm where the central bank would issue new paper through private placement to individual corporates and institutions. This was welcomed as a positive step by monetary authorities as the country sought to establish market-determined equilibrium across all capital markets within the economy. On offer was a total of ZWL 80 million over 91 days (ZWL 30 million); 182 days (ZWL 30 million and 365 days (ZWL 20 million). Bids ranged from 13% to 47% and a total of ZWL 18 million was allotted as follows:

Tenor	Allotted	Average Interest Rate
91 days	ZWL 10 million	16.5%
182 days	ZWL 6.5 million	19.6%
365 days	ZWL 1.5 million	10.0%

The wide range of bids submitted by local money-market traders clearly showed that the market was quite divergent in its outlook on the direction of future inflation and interest rates. It was interesting to see how the yield curve would shape up over time as more auctions were conducted.

- The [Reserve Bank of Zimbabwe \(RBZ\)](#) invited Commercial banks and Building Societies registered in Zimbabwe, [POSB](#) and [IDBZ](#) to subscribe to Treasury Bills amounting to ZWL30 million dollars (ZWL\$30, 000,000). “Applications must be for a minimum of one million Zimbabwe dollars (ZWL\$ 1,000,000 -00). The number of bids per investor are restricted to two (2) and copies of the application forms are available from RBZ Local Dealers, 80 Samora Machel

Avenue, Harare. Applications should be clearly marked “Zimbabwe 91-Day Treasury Bills,” said the apex bank’s Financial Markets Division, which further advised the features of the bills as follows:

- Issuer: Government of Zimbabwe
- Amount on Offer: Thirty million dollars (ZWL\$30,000,000 – 00)
- Interest Rate: Open Tender on a yield basis
- Tenure: 91 Days
- Purpose of Issue: To finance Government Programmes
- Offer Opens: Wednesday, 31 July, 2019 at 08:00hrs
- Offer Closes: Thursday, 1 August, 2019 at 12:00hrs
- Allotment and Payment: Thursday, 1 August, 2019

The bank further advised the special features as follows: Prescribed Asset Status, Liquid Asset Status, Tradability, Tax Exemption, Acceptability as collateral for overnight accommodation by the RBZ and finally, Allotment at weighted average rate. “The Bank reserves the right to accept or reject a portion of any or all tenders,” added the bank.

- The [Reserve Bank of Zimbabwe](#) announced results of the 91-day Treasury Bill tender that opened on the 31<sup>st</sup> of July 2019 and closed on the 1<sup>st</sup> of August 2019.

Amount on Offer	ZWL\$ 30,000,000.00
Highest Rate	40.0000%
Lowest Rate	15.0000%
Average Rate	15.6%
Amount Allotted	ZWL\$ 30,000,000.00
Total Bids	ZWL\$ 132,750,000.00

### POLICY/REGULATORY/LEGAL DEVELOPMENTS

- On the 2<sup>nd</sup> of July 2019, a Harare man, [Godfrey Mupanga](#) filed an application at the High Court seeking to set aside Statutory Instrument 142 of 2019 which scrapped the multi-currency regime. Mupanga sought an order declaring the legal instrument null and void because, he argued, it is in conflict with the [Reserve Bank of Zimbabwe Act](#). He contended that the law is in contravention of Section 134 of the Constitution of Zimbabwe. He wanted the court to rule that the decision scrapping the multi-currency system in Zimbabwe was grossly unreasonable. “The decision by the respondents to ban the multi-currency system in Zimbabwe prescribed by Section 44A of the Reserve Bank of Zimbabwe Act Chapter 22:15 as legal tender is grossly unreasonable,” argued Mupanga in his papers.
- [London Stock Exchange \(LSE\)](#)-listed firm [Cambria Africa](#) set in motion a process for a US\$ 100 million lawsuit against the [Bankers Association of Zimbabwe \(BAZ\)](#) and its members for anti-competitive practices over the row relating to the dispute on US\$470 000 service fees. Cambria’s subsidiaries, [Payserv Africa](#) and [Paynet Zimbabwe](#) on the 4<sup>th</sup> of July 2019 said in an announcement to shareholders they had instructed their Zimbabwean lawyers, [Titan Law](#), to commence legal action against the BAZ and its members. “Cambria announces that further to its announcement of 12 June, [Payserv Africa Limited](#) and [Paynet Zimbabwe \(Pvt\) Ltd](#) have instructed their legal practitioners in Zimbabwe, Titan Law, to commence legal action against the Bankers Association of Zimbabwe and related parties for anti-competitive practices seeking damages of US\$100 million,” the company, which is listed on the LSE’s Alternative Investment Markets (AIM), said on the 4<sup>th</sup> of July 2019.
- African leaders including [President Emmerson Mnangagwa](#) on the 7<sup>th</sup> of July 2019 launched the landmark African Continental Free Trade Area (AfCFTA) that is expected to take effect from 1 July 2020 and to increase intra-Africa trade by 60 percent by 2022. However six countries – Zimbabwe, Malawi, Zambia, Madagascar, Ethiopia and



Eritrea – immediately asked for derogation, delaying compliance with the free trade regime by 15 years to give them time to sort out their economies. There are fears however that cheaper imports will hit small manufacturing companies hard. “Some countries would face a short term hit on their revenues but competition would drive innovation. A billion US dollars (890 million euros) in credit has been earmarked by the [African Import-Export Bank](#) for countries requiring support. Countries which will incur adjustment costs will get recourse through that facility,” said [Albert Muchanga](#), the [African Union](#) commissioner of trade and industry.

- Businessman and lawyer [Tawanda Nyambirai](#) suffered a setback in his quest for the government to restore depositors’ United States dollar balances after the High Court ruled that his application was not urgent on the grounds that it contained aspects of a policy announced in February 2019.
- [Microplan Financial Services \(Pvt\) Limited](#), the microfinance arm of [FBC Holdings](#) announced that it had been registered as a Bureau De Change! “You can count on Microplan for fast and secure foreign currency exchange. Visit our new premises at FBC Insurance House, corner Jason Moyo Avenue and 4<sup>th</sup> Street, Harare & Shop 5B, 59 Kwame Nkrumah Avenue/First St, Harare,” said the credit-only MFI.
- Two businesspeople approached the High Court seeking the invalidation of Statutory Instrument (SI) 145 of 2019 which gave the [Grain Marketing Board \(GMB\)](#) a monopoly over the importation and sale of maize in the country. Grain dealer [Allan Markam](#), who is also MDC legislator for Harare North and pig farmer [Clever Rambanapasi](#) filed a joint application at the High Court on Monday, 15 July 2019, seeking the court to declare SI145 unconstitutional. Markam and Rambanapasi argued that the legislation was *ultra vires* the constitution in that it denied them the freedom of profession and trade and stifled competition. The rights they claim are enshrined in sections 56, 58, 64 and 71 of the Constitution of Zimbabwe. Lands, Agriculture, Water, Climate and Rural Resettlement minister [Perrance Shiri](#) and GMB were cited as the first and second respondents. “What this therefore means is that the agriculture minister has set up a monopoly and indeed a dangerous monopoly in respect of which anyone who trades in grain whether is a buyer or a seller can only do so through the GMB and can only do so at a fixed price of ZWL1400,” the application reads.
- The [Reserve Bank of Zimbabwe](#) issued a public notice on the placement of [Lion Microfinance Limited](#) under the management of a curator. “Notice is hereby given that Lion Microfinance Limited has today, been placed under the management of a Curator, for a period of three months in terms of the Microfinance Act [Chapter 24:29]. This follows a determination that the institution is not in a sound financial condition mainly due to critical undercapitalization and weak corporate governance. Further take note that the [Deposit Protection Corporation](#) has been appointed the Curator of Lion Microfinance Limited,” said the Reserve Bank of Zimbabwe in the notice dated 26 July 2019.

### CUSTOMER SERVICE/PUBLIC RELATIONS MANAGEMENT & NETWORKING INITIATIVES

- [Ecobank Zimbabwe Limited](#) held its 2019 edition of the Corporate Golf Challenge at [The Brooke Golf Club](#), Harare on the 26<sup>th</sup> of July 2019 in the Individual Stableford match format with a field over 120 golfing enthusiasts.

### INDUSTRY AWARDS AND ACHIEVEMENTS

- The [Zimbabwe Institute of Management](#) announced the winners of the 2018 Leadership Excellence Awards and [Mandas Marikanda](#), the [Zimbabwe Women’s Microfinance Bank](#) Chief Executive Officer emerged a winner in the Businesswoman of the Year category. [Cell Insurance](#) was the winner in the Private Sector Category while [TiB Insurance Brokers](#) was a runner-up in the Customer Service Excellence Award.

### DOMESTIC LENDING & FINANCING PERSPECTIVES

- [CABS](#), a member of the [Old Mutual Group](#), announced that it would be reviewing its lending interest rates for all loan products with effect from 1 September 2019 as follows:

LOAN PRODUCT TYPE	INTEREST RATE PER ANNUM (Current)	INTEREST RATE PER ANNUM (1 September 2019)
Mortgages – Individual	14%	17%
Mortgages – Commercial	14%	17%
Equity Release	15%	18%
Personal Loans	18%	30%
SME Loans/Overdrafts	11%-14%	23% - 30%
Platinum Overdrafts		30%
Corporate Banking (Loans and Overdrafts)		23%-30%

#### CURRENCY, PRICING & LIQUIDITY PERSPECTIVES(CP & LP)

- Appearing before the [Parliamentary Portfolio Committee on Finance and Economic Development](#) chaired by [Felix Mhona](#) on 1<sup>st</sup> July 2019, Finance and Economic Development Minister [Mthuli Ncube](#) said they had instituted measures to ensure the local currency would not suffer previous depredations following the gazetting of Statutory Instrument 142 of 2019, which made the Zimbabwe dollar the sole legal tender. Ncube was in the company of his ministry’s permanent secretary [George Guvamatanga](#) and [Reserve Bank of Zimbabwe](#) Governor [Dr John Mangudya](#). He insisted that the issue was not about the currency but the policies that supported a stable currency. “There must be fiscal discipline and what we have at the moment is fiscal discipline of the highest quality and the results speak for themselves. We don’t have a budget deficit, we have a surplus which we are deploying now to our social protection, and we will be increasing salaries for the civil servants and importation of food. The second fundamental is the monetary discipline in the form of managing the growth of money supply. The growth of money supply in the last few months has been flat because there was fiscal discipline which has been a problem in the first place. If you go back to 2008, it is the exact opposite. We had no fiscal discipline, we had no monetary sector discipline. The budget deficit was huge, rising and uncontrolled and was being monetised through the printing of money... We are in a far better position than we were in back then. I assure you that we are not in 2008,” he said. Mangudya also weighed in, saying appropriate policies, confidence and production were the most important fundamentals to support the domestic currency.
- [Dr John Mangudya](#) revealed that about US\$645 million was traded on the interbank market since the platform was introduced in February 2019. “As at the end of June 2019, foreign exchange to the tune of US\$644 million had been traded within the interbank forex market. We are quite happy about that. Most of the money is utilised by the manufacturing sector and fuel because of the nature of their requirements. Of late, we have also seen a reduction in the trades on the parallel market with more people selling their foreign currency on the interbank market. This is a reflection that we do receive a sizeable chunk of foreign currency from the diaspora. We receive about US\$100 million from the diaspora and about US\$230 million from exports, it total around US\$330 million. Our imports normally are between US\$200 million and US\$320 million, so if there was efficient utilisation of our foreign currency there would be a match. But unfortunately due to the state of the economy, people tend to hold foreign currency as a store of value,” said Dr Mangudya while addressing a breakfast meeting in Harare on the 8<sup>th</sup> of July 2019.
- The [Zimbabwe National Statistical Agency \(ZimStat\)](#) announced that Zimbabwe’s annual inflation for June 2019 rose to 175.66% percent from 97.85% percent in May 2019. “The year-on-year inflation rate for the month of June 2019 as measured by the all items Consumer Price Index (CPI) stood at 175.66 percent, while that of May 2019 was 97.85% percent. This means that prices as measured by the all items CPI increased by an average of 175.66 percent between June 2018 and June 2019,” said ZimStat. Observers say the latest significant increase in the year-on-year inflation rate to price hikes as businesses reacted to the latest currency reforms in which Zimbabwe’s fiscal and monetary authorities moved to end the multi-currency system. Zimbabwe’s month-on-month inflation rate for June jumped to 39.26 percent, after gaining 26.72 percentage points from 10.12 percent in May 2019.

- The country's largest financier of cotton farmers, the [Cotton Company of Zimbabwe](#) (Cottco), increased the producer price of the commodity by 54 percent to cushion growers from rising inflation. Government initially pegged the producer price of raw cotton at \$1.95 per kilogramme but prevailing high inflationary pressures made the upward review necessary. "Effective today (16 July 2019), our farmers will be getting \$3 per kilogramme. The adjustment is necessary to cushion our farmers from high inflationary pressures and also taking into consideration that the US dollar equivalent (of \$1.95) was quite high when we started buying," said Cottco managing director [Pious Manamike](#). At the beginning of the marketing season, the Zimbabwe dollar was trading at around 3 to 1 against the United States dollar and as at the 16<sup>th</sup> of July, it was trading at 8.82
- The [Zimbabwe Energy Regulatory Authority](#) (ZERA) implemented a 22 percent increase in the prices of petrol and diesel, respectively. Please be advised that the fuel prices effective Monday, July 22, 2019, are as follows: Diesel \$7.19, Blend E20 \$7.47,"said Zera in a notice. ZERA CEO [Eddington Mazambani](#) said the upward review was inevitable due to an increase in handling costs. "There are two issues, Free on Board (FOB) costs have increased and they are denominated in United States Dollars. These are global charges and are beyond our control," he said.
- [Reserve Bank of Zimbabwe](#) Governor, [Dr John Mangudya](#) on the 25<sup>th</sup> of July 2019 revealed that Zimbabwe received about \$3 billion foreign currency inflows in the first half of the year. He was addressing captains of industry and potential investors at the [Confederation of Zimbabwe Industries \(CZI\)](#) Congress and International Investment Forum. "As a bank we need to share as much information as possible to leaders of industry and analysts for you to understand business and so that there is no information asymmetry in the country. I am talking about the interbank market, which started in February. We have seen that the interbank market has been moving perfectly and we are happy with the performance especially after SI 142. We have seen trades of \$2 million per day on purchase by banks from their customers. Over the six months period of January to June 2019 the total export receipts amounted to \$1.7 billion with other receipts, loan proceeds and foreign investments, amounting to \$1.3 billion giving us a total of \$3 billion.

### PAN-AFRICAN DEVELOPMENTS

- Tanzania tightened its currency controls with new regulations on foreign exchange bureaus, in what authorities said was an ongoing fight against money laundering and currency speculation. Changes in the Foreign Exchange (Bureau De Change) Regulations, Government Notice No. 450 of 2019 (the **Regulations**) came into force on 7 June 2019. The new rules, published by the central bank, come months after the government revoked the licences of around 100 bureaus and temporarily shut a newspaper for using unofficial data on exchange rates. President [John Magufuli](#) said that the central bank had previously licensed too many bureaus and some of them had breached laws. [Bank of Tanzania](#) governor said that, due to the reduced number of exchange bureaus, around \$10 million was traded daily by commercial banks, a change which he said has increased transparency in the market and improved hard currency inflows. The new regulations will make it more difficult for exchange bureaus to operate, likely resulting in more transactions shifting to commercial banks, a foreign currency trader told Reuters. They raise minimum capital for forex bureaus by three-fold, to 1 billion Tanzanian shillings, and require bureaus to maintain working capital of at least 75 percent of the paid up capital.