

Mnangagwa's desperate economic measures: What must be done to resolve the crisis?"

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Greetings to you all. We have joined us on this the eighth in the Policy Direct Series. Today we are looking at a follow-up subject to the last one. With the same panel Without appropriate. To have some reflections. Uh on what has happened since the last policy dialogue on this subject. But let's reflect than to to highlight what is to be done to resolve the crisis. no doubt as the some of the commentators including the diabetes of the opposition movement and also a parliamentarian. As indicated this has been the most disastrous policy performance or the lack of it. Or the since the seventh of May. When Nangagwa was brought on a Saturday evening. Entrepren on new policy measures which included outrageously the ban on landing on the part of banks. Something has never been done unless others have similar heard of similar presidents. And not surprisingly we saw progressive reversals. of that policy Statement. Uh and finally a total reversal of it. A a day or two ago. Now In the field of policy and political economy in particular Policy confusion also reflects badly. On any government. To a point where as a former civil

servant myself. we never experienced such disastrous policy Reversals policy pronouncements. It is unprecedented. It can only be explained in terms of the crisis. Political and economic crisis that we have in Zimbabwe. Which political economic crisis those in power have tended to deny it. Try to deflect responsibility. Blame sanctions and so forth. But I think from my point of view from a policy studies point of view. It reflects two one ah ah lack of competence skill knowle dge of the sector on the part of those concerned. And secondly the extent of the crisis which defies solution which tends or lends itself to tinkering. With policy. And that kind of crisis likely to continue. And therefore the one objective of this discussion is to try and lend afford us as a public but also those in power. Policy makers generally. advice if I may say so. Informed advice based on the expertise that each of the panels has at her or his disposal. we know some of us the finals the the fundamental problem is the political crisis. And therefore a political settlement of course would be the basis of the Zimbabwe state reengaging international community. And making peace for the rest of the world. In the in the realm

of the economy. And ah and more importantly macroeconomic stability thereafter. We have again the former governor of Reserve Bank of Zambia. Who is no stranger on this platform. And also he's a member of the board of the Zimbabwe Reserve Bank. And on this occasion we want him really to explain to us just how Zambia in the early 90s resolved this problem. Made a similar problem. And indeed the so local currencies are very effective To a point where the US dollar is almost absent on the market. So behaviour of that. But to list it may refer you to our moderator Janet. To take us forward in our into our discussion. Thanks Janet.

Uh thank you very much Professor Mandaza. Uh for that background to our previous SAPES dialogue policy dialogue platform that we had. Where we were discussing critical issues in terms of our macroeconomic stability issues. The government measures and what should be done. And we are privileged today to have our second part of that conversation. In the Policy Dialogue. Uh I had my panel which we have brought in again today. Where we will have our main presenter from the previous Policy Dialogue meeting last week. Tinashe Murapata who is the CEO and founder of Leon Africa. You will share with us his insights

from what Professor Mandaza has indicated. The past three weeks we have seen quite a lot in terms of the government response to the current to the current crisis in particular exchange rate that we have seen depreciating. Uh the increasing energy and food prices and the rising poverty that we spoke about last week. But we also saw the governor of the Reserve Bank of Zimbabwe on our court saying that companies are producing well in the economy is overheating. That is a quotation that I take from the RABZ governor. And consequent to this most of the goods in the shops are now produced locally. And this is also what they said. And to be precise. Ah the government estimates that locally produce goods enjoy a 75% share of shelf space in shops. As such the Macroeconomic instability especially in the exchange rate and the price inflation experienced in recent weeks. Wix is entirely attributable to rant seeking behaviour like speculation and the negative ripple effects of the Russia, Ukraine war on global energy and food prices. So I'm just quoting this before I hand over to our main presenter. Then we have our whole panel coming in of course with the different experiences. But this is the characterization of the current crisis by the government. That everything is functioning while

they're doing all that they can. Uh but what we are seeing then is the rand seeking behaviour, the speculation and the ripple effects of course of the Russia, Ukraine war. Mostly the external issues that are affecting our economy. Uh in the recent weeks as well about three weeks we have seen basic commodities are now beyond the reach of the majority. We spoke about the extreme poverty, the 50% and everything. But I want to speak in terms of real terms. instance a two litres bottle of cooking oil is now costing about US dollar six dollars. A two KG bag of sugar is now costing \$3 fifty. So if you have ten, you can only buy two basic commodities in Zimbabwe. But I remember that during 2009 and before we reverted to this current currency setup that we have, which is dual, if you look at it, you'd know that with ten dollars, you'll buy your two litres of cooking oil, you'll buy your two KGs of sugar, you'll buy your two KGs of flour, and probably a packet of salt, about five items you would buy from, from, from, from a 10 US dollar bill. In response to this and having characterized this, the government in response, announced a raft of measures, which it is convinced will restore confidence, preserve value, and restore macro-economic stability. And

these measures include among others, restoration of lost value of bank deposits, clearance of the Forex auction backlog, continuation of partial dollarisation which is the dual currency system that we now have. They introduced the willing buyer, willing seller as the exchange rate management mechanism. They introduced a 0% quarter on quarter reserve money growth. They introduced tax incentives for using the Zimbabwe dollar. Like the introduction of the 4% tax on domestic forex transfers. Uh the 2% forex cash withdrawal lazy per transaction for amounts at least US \$1000. The suspension of third party country payments on foreign payments by banks. Uh the suspension of bank lending by banks, by microfinance, houses. But this we know that it has been uplifted. Review of capital gains for short term investments on the Zimbabwe Stock Exchange. These are some of the measures that the government has introduced. But we know that they introduced these policies. They issued decrease supported by the Arabism. But we have seen as well a reversal of most of these policies. And this gives us quite a lot of unpredictability. When they introduced this, there was a lot of condemnation across the board. With many labelling these measures as

self-defeating. Major concerns that were raised around this unprecedented suspension of bank lending, co-existence of two official exchange rates and the piling of additional taxes on already over taxed citizens. So these are the these are the areas where they were major concerns. And also a source of funds to be used to clear the existing auction forex backlog was not publicly shared. Raising concerns as well around government further assumptions of RABZ related debts. So these are the measures, the condemnation, the responses, we had them. So today we want to go beyond last week's dialogue. Where we characterised we defined our problems at the macro level, at the micro level. We touched and scrapped I would say on the surface in terms of what has to be done. And we left. And as soon as we left the government intervened with all these measures. So in this policy dialogue meeting which I believe is very timely. I would like our panel today to focus on what really has to be done. Because there was such an outcry. We are saying all these measures the government is introducing are self-defeating and they know it because they've started issuing other policies. Policy pronouncements to backtrack on those initial policy pronounce so my panel, my esteemed panel tonight, will help us to say what should we

then do? And I think this is an opportunity now, to go deeper, in the issues that they had started to speak to in the previous policy dialogue meeting. And as I indicated, we'll start with our first panelist, Tinasia Murapata, who will share with us, I know Tinasia said a lot in terms of, we need a decade of stability, we need a currency board to deal with the money to do with the debt issues and I'm sure he will pick up from there and give us in detail in terms of exactly what we what has to be done. Tinache I will invite you now and I'll give you about ten, 15 minutes for you to share with us your response and your reactions of course briefly. Uh but go on to say what are the practical things that the government should be doing now in our discussion and policy dialogue this evening. I hope it will be pointed in that direction to say what is it? What are the nuggets? What are the issues that government has to take and as the citizens what is it that we should be pushing for? Tinashe, I invite you and I give you the mic. Okay, ah, thank you very much, Janet, and everybody on the panel. So, I think the agenda has already been set, it's, the idea is to find solutions for the problem. And, just to encapsulate the problem, I would say that it's manifesting itself in the current currency

crisis. So every time you know that an economy has a problem, it usually manifests itself. So what we are seeing is the manifestation of the crisis. And the crisis is multi-faceted. But what we need to do is to address it, from a very logical perspective. So, you know, it could be political, it's also production, it's savings, it's the bureaucracy, it's antiquated machinery, there's a whole lot of problems, debt issues, But the way to go about it is for us to address it from a logical perspective. And because the manifestation is a crisis in the currency issue. What we need to do are sort of you know colour it as if it's as if these are doors. These are house that we're entering into. And each room has enough problems for us to deal with. But we sort of need to deal the first door that we're opening is the current crisis. So that's the one that we need to first solve. But solving the currency crisis does not mean that we've solved the Zimbabwe an problem. As Doctor Igbo has already highlighted that there's a political crisis as well. So we are saying that it's very possible. Even with the current government to solve the currency crisis. And still remain with the political crisis and still remain with the debt crisis and everything

else. And it's also very to solve the political crisis and then come back to the currency crisis. So in whatever alterations you can think of everyone has to solve the currency crisis. Cos that's what everyone is seeing. That's what consumers are seeing. That's what businesses are seeing. And that's what we are here. You know we are here because there is a currency crisis. So underdoor number one. Solving the currency crisis. What do we need to do? I would say that the first thing that we need to do is to put something in place that ensures that have some sort of discipline in terms of our money supply. We need that discipline. And unfortunately because we've gone through hyperinflation and the numbers I'm hearing now is that we've got close to 3 billion US dollars That's in the informal sector. That's money that's under the mattresses. Uh or money that is somewhat being traded but in the informal sector. So we want to invite this money back into the formal sector. Why do we want to do so? Because it's the basis of savings. Now if you look at remittances, you've got about \$1.4 billion dollars. That's coming in in remittances through the formal channels. But ends up in the informal sector. If any country if you tell the the governor of the

central bank that you are likely to receive one point 4 billion US dollars in the formal channels but that money is eventually funding itself under mattresses. Then that governor would have failed if they don't get that money in the formal channels. Imagine how big our financial services will be. If that money every year was filing itself and staying in the former channels. So the first thing that we need to address. The first thing that we need to do is to sort of build a characteristic that ensures that money stays in our formal sector. That when US dollars come in they remain in our form of sector and then the banking sector can start lending and can start growing. Everybody is worried about the money in the economy. And this has been going on for 42 years. So it calls for extraordinary measures. So you know a lot of countries have not gone through hyperinflation twice in a decade. You know. So it for extraordinary matches. So the extraordinary measure that I am proposing is a currency board. Now when we say currency board what we mean? All we are trying to do is to have a monetary authority that ensures money remains safe in our monetary system. That's really at the core. So not to take you into a very technical discussion. But at the core of it is how do we that money that is in the

financial services sector is safe. And how do we ensure that our savings are safe? That when an investor brings in their money today, they can take it away tomorrow And it's still the same value. It has not lost any value. And how the currency board works? It's the first it's the it's it's got two pillars. So the first pillar is what we call the monetary authority. And what the money authority is, It's purely the rules, the formula, the principles and the protocols that govern money issuance in the country. That is purely it. Rules, principles and protocols. the other pillar is the anchor clarity. So it will sort of say we are defining these rules. How much money we can issue in an economy? Based on this anchor currency. And whatever happens with our anchor currency if we are exporting more then there's an increase in the supply of the domestic currency within the market. If we are not exporting then there's a decrease in the money supply. So it's directly to an anchor currency. Now the anchor currency that I'm proposing and the main suggestions and we could do it in many ways. Could be a basket occurrences. And the basket occurrences are the currencies that we're already trading with. Because the currency the manifestation of the currency issue comes about because

people are trying to take their money outside of Zimbabwe. They bring in money but they can't take it out. So that's why it has to be anchored according to our trading partners. And who are our trading partners? 40% who be the rant. Think about 25 to 30 percent will be US dollars. And then you will have the Yuan in there. You'll have the Euro there. All our trading partners. So we're saying all the issuance of domestic currency is anchored by our trading partners. So what that does is it takes away and kills off inflation. Immediately. And if we sustain that over a longer period of time you find that you would have sold the currency problem. Now are the two pillars. But what's the foundation? The foundation that I am proposing and many are are proposals. By the way the other basket of goods could be our commodities. So you could have gold and platinum. Cos most of our trading partners what they want from us is actually gold and platinum. So they will be willing to anchor our currency. based on the commodities that we actually produce. And that will actually stimulate production of those goods and services within country. But for it work. Cos you know we must not behave as if we don't know what happened with during the dollar relaxation era. And here I am really giving a response to those who say

dollarisation failed. The issue about the failure of dollarisation is that there was no protocol. There were no rules. There were no principles. We were forced into it. And we were forced into a dollarised environment. And what eventually happened is when the politicians saw an opportunity to expand money supply. Never mind that it was a dollar economy. They expanded the money supply. Because we had not defined the rules, the protocols and the principles in which our monetary authority should actually function. So that's why I say that this time around what we first need to do is to define the monetary authority in terms of rules, protocols and principles. And then accurate in some form of trade, but of our currencies and of all the commodities that we do export. But it must be underwritten and this is the new suggestion. So that politicians cannot have any leeway or any say in what our principles are. Once we've defined the principles they cannot change. So what I'm calling for is that it be underwritten or it has a guarantor. And this is nothing unusual. When Germany after World War two. Most that board was actually in Fort Knox in America. Cos they traded with America. So it was quite convenient for them to put their reserves which were in

gold in Fort Knox. And then have credit facilities with American companies. We were now investing in in Germany. And this companies were investing and trading in Germany. Because they could see the amount of gold that was actually held in Fort Knox. So it was easy for them to, you know, sort of have the sort of confidence that yes indeed, whatever happens, if I get in, in 5 years time, it's okay, because I can actually see their reserves growing, and they're in a safe country. No one is going to get hold of that gold. So I sort of think that for the Zimbabwean scenario, what we need to underwrite our currency board, would be the SADX secretariat, that sort of says, well, we will look and audit the the the the monetary authority rules and principles and governance that you've put in place. So they sort of an audit in I think it's in Peru or or Chile. Uh the currency board is actually audited by an audit firm. So the audit firm is the one that tells society that well this this is the amount of reserves you have. This is the amount of trade you've had. And this is the amount of increased money supply that you've had. So I think that you should be underwritten by the said executive, it could very well be the ADB. It could very well be the South African Reserve Bank. It could very well be a

combination of these people coming together and saying, yes, we will act as guarantors because he's also in our best interest. It's very much in South Africa's best interest that Zimbabwe solves its hyperinflation and its currency problem. It's also in the SADC mandate for it to be part of the solution to solve the currency problem in in in Zimbabwe. But also what it does is that it lays the foundation of what is happening around Africa. You know where you're seeing a common currencies. We've seen that in East Africa. We've seen that happening in West Africa. And it's certainly going to happen in in in Southern Africa. So we're seeing where we're going to emerge and find ourselves using a common currency. So this is sort of a halfway house. So it's a currency board that looks at it. That I see as a halfway house to full monetary union that will inevitably happen. Especially with the free trade area. And also looking at what's happening across Africa and East Africa. But what it does for Zimbabwe is immediately it ensures convertibility. 100% of the currency that's in Zimbabwe with a foreign currency. Whether it's US dollars or euros. So you'll be able to get your euros or your US dollars or your Yuan whoever that you're trading with.

You're now able to get that currency without any hassle. So I would say door number one to solve our currency. To solve our problems. The first one that we need to do is a currency board. So I think that I hope that that's a very practical way of looking at it. it does not need a new political dispensation. It does not need anything fancy. It just needs a determined government of the day. That says okay this is inevitable. We are going into a monetary union. Whether we like it or not. And Zimbabwe is better off. Ensuring that its industry is ready for that. And this sort of provides that stability. And if we have it for longer term then what it ensures is what 3 billion US dollars. That's under the mattresses. Suddenly gets into the financial services sector. And once you have that in the financial services sector the banks will start lending and growing the money supply in and transparent and audited and guaranteed manner. That ensures that the politicians live within their meal. Because when you have the monetary authority what you're doing is you're disbanding the central bank. The Central Bank will no longer be there. The Central Bank will no longer have this. The government will no longer have this 20% overdraft facility that they have with the Central

Bank. When the government wants money, what it will do, it will do like anyone else already does in the market. They will come into the market and issue out a bond. And people will buy into that bond. And in fact in international investors will buy into that bond. Because they now know and are guaranteed that they can get their money so that's my suggestion. Uh it opens up into door number two which is to measure I'll just I'll just ask that you you you round about you round off and maybe we'll move on to the next but I I do hear your points. So we can just round off maybe in the next three or so minutes. Okay. Alright. Um so to round off I'm saying the first thing that we need to solve is the currency issue. Cos this is how our is manifesting. So we need to solve that. And that's door number one. Dough number two. Once you solve the currency issue you'll find that it's easier to do a debt restructuring. Because anyone who has who who has or who's holding Zimbabwe an debt is they know that in 10 years time they can get their money back and at a certain interest rate. And they don't need to worry about hyperinflation. Or if the country can actually produce to pay off that debt. You find that there will be very willing to you know to get around the

table and actually restructure the debt. So I will finish off here and say that the practical way in which Zimbabwe can get out of its that it's been in the last 42 years of high inflation is a currency board. It solves two issues. It solves the current problem which is currency. But it also is a halfway house to us integrating with the rest of Africa. In terms of free and a monetary union. That is inevitable. Thank you. That's the way Africa is going. So that would be my submission. Thank you. Thank you very much Tinache for for those insights. And I think one of them, one of the key issues you are raising is the unbanked moneys or forex that we have in nexus of three billion that is in the informal sector. And the reason for that unbanked resource is mainly the issue of lack of confidence and trust. And with what have seen in terms of policy pronouncements by the government and the reversal of those those policy pronouncements, you know, subsequent reversal of those policy pronouncements would actually continue to hammer on that confidence and trust and destroy it even further. So I I am not too sure in terms of how that is going to be built. Uh I like the idea of the monetary or the currency board. The monetary authority, the anchor currency ah probably so

practical in terms of having the currency board. But maybe the question is also how feasible is it? Uh how is our government the current arrangement engaged in terms of having or establishing this currency board? Uh you suggest maybe that as a half way towards joining some monetary union of some sort and I do not and or we should not also just think that that is the ah in terms of resolving our problems because monetary unions also have got their own problems. Um there is of course the issue around leveraging or taking advantage of the Africa continental free trade area. As we try to unionise having one currency. Uh as a region in terms of of of Africa but also there are also practical challenges to that. But I would say that of course it is indeed a a a practical resolution of the current of the current crisis that we have. I would not want to go further in terms of probing this or or explaining and summarising it. I would want to now call upon Doctor Caleb Fondanga who is the former governor of the Zambia Reserve Bank. And the board member of the Reserve Bank of the RABZ. I would like last week Doctor Fundanga. You shared a lot in terms of the Zambian experience ah Zambia went through what Zimbabwe is going through in very many ways. Uh but currently Zambia

is on a very positive trajectory and pedestal. And moving forward just build confidence. It has build trust. People trust their currency. Uh or the value of their currency. But today or tonight I will looking forward to having you share with us the step by step in terms of the steps you took as an authority to bring back the macroeconomic stability at the policy level in terms of garnering the policy consensus public consensus at the political level, the political buy-in, the political will and also what the role of Central Banks is in all this in terms of building the macroeconomic stability. Um I know and I'm hearing Tinashe saying at some point, we may have to disband the role of the Bank in all this and how practical is that? I'm looking forward that. You'll take us tonight on that step by step in terms of exactly what we should be doing in terms of the building of the confidence and trust. You you you had begun to do that last week that people if it's not just the love of having the US dollar but it is the value that is in the US dollar that has caused people to say let us dollarise. But the issue is on the value. So if we Also build that value from our local currency. Would not care which currency we are using. So I'll give you the mic now Doctor Fundanga for you to share with

us step by step of the Zambian experience. Not in terms of the problems. We characterise them. We know them. But in terms of the steps that you then took to get Zambia to where it is today. Thank you and I invite you. Thank you very much. I think I think at least you've made my work a little bit easier by emphasizing that I should just explain what we did in order to be where we are today. Now I got to the Bank of Zambia in two thousand and two. At the time we already had an auction ah currency auction system in place. Eh but we continued to get problems. Ah there was a black market. Uh people were not satisfied with the foreign exchange being allocated through their official auction. we sat down, let me just give a little bit of background. I was discussing this same issue on Tuesday, on a radio program, by Phoenix Radio, called Let the People Talk. It was a two hour program, and there were two of us, the eh, Mister Mampelda, who is eh, who used to be the, ehm, managing editor of the post newspaper, which doesn't exist anymore, but was a very popular eh, voice at that time And he carried out a lot of interviews. Including the interview he did with me in two thousand and eight. And he has put all these interviews in one book which he calls conversations. Uh he had

conversations with the presidents, former presidents and eh characters like us. Although I must say that the dominant interviews were of political nature. Uh so a challenge him that we have more problems than eh eh political issues here since our system at least has been able to change eh leadership through the ballot box. So why don't we also so eh when we went to the television I mean the radio ah station eh they were just two of us so I was given more chance to to talk about economic issues and this whole issue of how our evolved to where we are today was the key component of our discussion. Now eh as I explained eh I think the interview which I did eh I have I think eh doctor Professor Mandaza has got a copy of the interview which I did. I think I sent him a soft copy a long time ago. And I've also shared it with a lot of colleagues in Zimbabwe including eh colleagues in the central bank. Just to explain in greater detail what we are done.

if the professor Mandaza can't find it, I can send it to him so that he can share it with the panelists so that probably they can I might not be able to explain very well in the short period that I have. But what then happened in 2002 was that the system we had was did not command a lot of confidence

amongst the people. Because generally it was a two tiered system. It agreed that if you want to sell foreign exchange, if you have got dollars which were whose value were under 100 000 US dollars, you sold them through the Interbank market. You would go to your bank and tell your your bank that you wanted to sell and they would sell it to the willing buyers. Now, if you wanted to get rid of more than 100thousand. you had to go to the bank of Zambia auction floor. Where it would be sold probably in a weekly auction. So this already creates a two tiered eh system. Those who had big amounts went to eh the eh Bank of Zambia Public Auction. Those who had small amounts even if you had one thousand ah \$500 or 20, 000, 40, 000, you went to your bank and sold it quietly. Okay, Now, because of this, eh, generally, we observed that there was greater focus on the exchange rate emerging from the Bank of Zambia auction, and eh, people hardly knew anything about, what was happening, in the inter bank market. But our own statistics showed that there were more dollars being sold in the Interbank market, than we had dollars being sold, through the Bank of Zambia auction. So you have therefore a situation where the public focus was on the exchange rate emerging from the Bank of Zambia auction. An auction

which probably was not eh dealing with the bulk of the foreign exchange being traded. So how do you resolve this problem? Obviously the people used to think each time when because there wasn't so much being sold through that window. Some people used to even try to avoid selling their eh foreign exchange through the Bank of Zimbabwe window. By breaking down the amount they brought to sell. If you are to say for instance a hundred 000 US dollars, you would qualify for the eh, for the Bank of Zambia window. But you could break it down into maybe 75, 000 US dollars, 75, 000 US dollar and shared in the Interbank market. Their general perception was that you probably got a better rate through the interbank market. So you try to avoid the Central Bank auction. Now, obviously this created a lot of problems. Eh most of the times the central bank was being accused of fixing the right eh or eh favouring certain participants in the market and so forth. So when we sat down eh as eh central bank we thought the best obviously the auction system or any system which lies on the market is is a good system and I think even when we discussed last time there was general agreement that a market based system in school. But has to be designed in such a way that it engenders such confidence which we are

talking about eh I think eh it has been mentioned by the motor director that eh the system currently lacks trust, confidence and so forth. We also had that problem. So to bring about that confidence we agreed that we should just have one market. And that market was the interbank market. Where we would all feed from the same port. So that the and suspicion that maybe if they eh I go and get my food from the other port I might get a better a better deal than eh from the other one. So we therefore made a decision to unify the market so that we just have an inter bank market. Now under that arrangement therefore anybody who wanted foreign exchange you just go to your bank. If you are selling you'd go to your bank and you would sell. Ah if you were buying you would go to your bank and you would buy from there. But this system to work, there has to be an information system where every participant knows exactly the deal is going on in bank A compared to the deals going in bank B and so forth. So to establish that system therefore, we agreed that we would have an information system. Reuters platform. Uh was the one which was chose. And everybody who wanted to be registered as a a dealer in foreign currency had to have that platform. And we acqui it and trained people so that each

dealer in foreign currency in each bank when somebody came they would be able to indicate eh two way pricing, like eh, the buying price, as well as the selling price. And if a deal was struck, and the amount struck, it would be recorded on the system, and everybody, who has an authorized dealer, who had this platform, would you see, what transaction had taken place, the amount involved, and at what rate, whether it was by rate or selling rate. So it was a and to have two whale pricing. Buying rate and selling rate. The central bank also introduced or establishes on trading room. With its own dealers. With mandate to participate in either in buying or selling. Eh everyday. Eh that mandate was of a limited nature. Eh but it could be reviewed usually around They could meet eh deputy governor operations to see how the trading had gone. In the morning and eh whether there was a lot of pressure requiring our dealers to sell or if they were saying access liquidity, they could even buy a little bit of the dollars so that we could also build our eh reserves using that platform. So I hope this is very clear. So we therefore abolish the weekly auctions of the Bank of Zambia. And everybody went into the Interbank market. And it was very interesting that when this was done obviously now the

focus on what is happening at Bank of Zambia disappeared. Everybody was just concentrating on where to can they get their foreign exchange. And if a bank that it didn't have enough. It could even buy from another bank in order to to satisfy its eh the its own customers. So that kind of transaction or those kinds of transactions were very common amongst the the banks themselves. And I can tell you that by two thousand and five we had eh started to see the impact of this unified market. The culture which had perpetually being a loser to the US dollar. Started to study lies and then also ah to ah to even eh start appreciating. Eh I often tell a very interesting story which I hope you allow me eh moderator. Eh I know we don't have yes please you can. You can. I think we have a lot of them. This this ja this personal experience was I had bought a horse for my daughter who liked eh eh eh what? Eh eh eh riding horses. And I didn't when I'm I'm not a qualified horsekeeper so I I couldn't keep it anywhere at our residence. So I found some British lady who had something at the showgrounds and we agreed on what to pay. I asked if you had to pay in Kwacha. She said no me I'm a dispatriot so you pay a million dollar. So we agreed and we it was working well every month I used to pay

her. Until November twenty two zero zero five. When I sent my driver to to take her the money. She actually refused the dollars. it took time so I phoned him. What's happening? Why are you in the back? He said ah this lady here is refusing to take dollars. Why? She said no I don't want dollars. So I said okay but please accept. then we can discuss how we proceed. Eh she indicated that she would prefer to be paid in Kwacha. Because the Kwacha now had also strengthened and the dollar was weaker now there to to the Kwacha. And but that act alone happened in a lot of other transactions with people. That but that fact changed the people's understanding of how currencies work. And now they started to appreciate that even the culture could actually be eh stronger. But there were factors which helped us to reach that position. We were lucky to go through the the epic debt relief. Which reduced a lot of the pressure that were on our currency for dead service. Uh and once their debt was cancelled eh we started to earn more. And of course there were other favourable factors like exports who are picking up. Uh partly to benefiting from the Macroeconomic developments which had taken place as a result of reform in order that we could qualify for Hipic debt relief. So all these

were factors improved macroeconomic environment. We made it more attractive to export foreign exchange. The market had improved and so forth. So the culture started to go to strengthen rather than weakening has had traditionally been the case. And when that we were out of the woods. I think everybody now started to have confidence in the culture. But of course on the ground we everybody was free to establish to open an account in dollars in bridge funds in South African rand. Or any currency as long as your bank can handle the currency of your preference. You had. So we we all had even now we all have different types of accounts in different currencies. There is no ban on this. But I can assure you that eh the way I use my dollar account just the way I use my Kwacha account. And sometimes you might even find that it's better to keep your money in kwacha. Account. Rather than eh eh putting it in your dollar account. But direction. All those things are permitted. So these are demystified the dollar. So that the problem which we have in Zimbabwe right now where immediately you get the local currency. You want to convert it into a dollar immediately. And I think last time I was describing a situation where I was in in the

the supermarket just outside Borrodel Group. And they was trying to pay Using the US dollar. And somebody just rushed and he said please don't. I I would give me the dollar. I would use my Eco cash. That kind of thing you don't find here. And nobody goes because we don't have although the dollars and so forth are operating. We we you cannot go to a shop and want to pay in US dollars for instance. Which is happening in Zimbabwe. Or you pay in rands and so forth. All that creates eh eh demand for the US dollar. Because why do you need the dollar? Eh if you want to go and buy vegetables, cabbages, tomatoes, onions, eh or any other products that are produced in Zimbabwe. You need to use the local currency. So what is happening now is to create a very high artificial demand for the US dollar. And eh therefore it becomes much much in short supply. Last time I had also mentioned that eh some of the things I've noticed in Zimbabwe don't happen in a lot of countries. For instance like what you had during December last year, where the public servants were getting their bonuses in US dollars. It doesn't happen. If I'm looking for a bonus here, I will just, it will just have to be in Whatcha. And it's not even a debatable issue. So you have

created a situation where the dollar is held at a certain level, where it's not in a lot of other countries. And if this can be ended by going to the eh eh inter bank market. Then it will this problem will disappear. I was talking about how people want to sell fuel. Which they bought with money they got from the auction. They want to sell it in dollars again. It's these issues which don't help. Zimbabwe earns a lot of dollars compared to most of our countries. But these are countries that earn less than Zimbabwe Eh eh eh not so much obsessed about the US dollar. Now how can we end this obsession? I in my view the inter bank market is the solution. I don't believe eh that we can dispense with the central bank. It's an important institution and it's globally because there are some countries that have tried these eh eh currency boards but they used to be the currency boards were very eh popular in older years. And I think that even between eh the in the federation of religion Nyasara they used to have a government support. Eh it is from a certain role. Even there is no discipline what is the key factor in ensuring that there is stability? The M 3 eh Tanasha was talking about eh broad money. The

principle source of that problem is government borrowed. If government borrowing can be reigned in then the growth in money supply will be eh moderated. And that's what brings about stability and reduces inflation. I'm sure that if eh governments continue borrowing whether they are issuing bonds or whatever. Eh they will always be precious. Particularly if the money raised from the bones. Results in eh consumption rather than production. Which is often the problem with public sector borrowing. So it is that which needs to be addressed and in the case of Zambia part of the reforms was to ensure that there was a very very good control at the Ministry of Finances. Because that's where the problem starts from. If the means of finance can stop borrowing for the purpose of financing consumption. Then the pressure in terms of the rapid growth in money supply. Uh broad money in particular. Then it's possible that you can actually have a stable macroeconomic environment. And with a stable macroeconomic environment even the demand for foreign exchange will also be moderated. I I I hope I've done justice to your question moderator. But I just thought those were the principles we used. Uh but whatever

is happening at eh eh foreign currency market must also have a relationship with what is happening eh the public finances. And in fact it's public finances which are very important there for nine and half years and eh much of that time we are focusing on ensuring that we were doing things which were also compatible with what was happening at the ministry of finance. We worked together ah to ensure that whatever we are doing was not cancelling the efforts of the other institution. This ended very quickly when there was a change in government and we saw very quickly that when when I was leaving we had left 2 point six billion in eh eh reserves which were accumulated during this period. Very quickly the the money was gone. We had also had a sovereign rating which could also enable us to go and borrow the issue eh Euro bonds eh in three and eh forest into the market. We borrowed \$3 billion. So the which had been cancelled quickly re-emerged. Because now eh people found oh it's it's easy to get these euros and dollars that we always want. Yeah. So you go on and this is so that is that lack of discipline which is at the centre of most of the problems that our countries are facing. So I thank you eh moderator.

Thank you. Thank you very much
ah doctor Fondanda. I'm sure
I'll come back to you ah at at
some point. But what I hear is
the the main issue when you
talk about the auction. When
you talk about information. Uh
when you talk
about the role of the Central
Bank in the stabilisation
process. There's the big
question around the political
discipline in terms of
implementing policies in terms
of ensuring that we build the
public confidence and the and
and the public trust. And
there's a big question in terms
of the nature and texture of
the state. What kind of state
do we have? Uh are we building
on an economic model that is
forecasted on development that
is focused on stabilising. That
is focused on on on
transformation. Or or we just
doing things anyhow. Inflating
like you are saying. The M3
through through government
borrowing. I'm sure Chenai will
briefly touch on this when when
I give her the mic as well in
terms of government borrowing.
Uh currently I think our our
debt to GDP ratio is in the
regions of ninety. Already
violating our own laws in terms
of the
debt management act In terms of
the RABZ Act, we are violating
all our laws when it comes to
borrowing. So we're also
creating our own problems.
Tinashe in his main

presentation last week spoke to this and he narrated and gave us the whole chronology from independence. In terms of how it's been going south. And in our situation he has said it's there's nothing unpredictable. You can literally predict it from independence in terms of our borrowing patterns and how we have actually been creating you know, this, this, this, inflating the money supply by constantly borrowing, by looking at external and domestic borrowing, and the like, since since 1980. But I think you raise fundamental issues in terms of fiscal discipline in terms of public finance management, in terms of, fiscal management itself and all of us coming together. But I think the other question when we come back, I'm sure Tina shall also give you an opportunity because we are talking about disbanding on overhaul of the central bank. So I would also want to hear at some point from Doctor Fundanga in terms of currency board Central Bank. Where should we be? In terms of strengthening all these institutions. Uh Chennai I'll invite you now. I know that seven you'll be leaving. So I'll give you the mic for you to share your thoughts and your perspectives in terms of the government measures that were announced but then done at some point. Um but previously in previous

dialogue meeting, you spoke about the four pillars and said our issue is not just an issue of resolving the currency crisis. It's multi-dimensional. It has got many factors. And it has to be approached in that manner with a multifaceted approach. Uh and the four pillars that we had outlined last week. We didn't go deeper into them. Uh but I think this is an opportunity for you to say okay what are the practical things that can be done under each of those pillars. The four pillars that you outline. I'm sure you outline them. Again this evening. Um then you can say these are the practical solutions or the tactical solutions that the government should be focusing on. Um I think we've spoken about the disastrous measures that were that were pronounced by government and the government actually concurred because they have reversed most of them. I'll give you the mic. Yes Chennai can go ahead. Thanks Janet. So just in the interest of time I will try to go through quickly. Some of the tactical, short-term and medium term adjustments that can be done that should be done to try and put the Zimbabwe economy on a path of recovery. However I won't really it would be it would be a huge shortcoming on my part for me to say this without mentioning that. What

we actually really need is a overhaul of the whole system. I know that you know we've all mentioned to death what has happened in the last few weeks in terms of the policy announcements and retractment of the announcements etcetera. But I did mention last week that we have four key pillars that must be looked at in tandem in order to adjust. So inclusive of the current crisis and understanding the public debt, judicial reform and plugging those expropriation gaps. after the most recent announcements, I would like to to also add an additional exaggerated spanner in the works, which is trust. As we all know, the famous saying, trust lost in seconds takes a lifetime to regain. And the level of mistrust now levelled against both the monetary and fiscal arms of our economic policy, cannot be regained overnight. So if, in economic terms, if I was looking at our economic growth, I would definitely at this point be looking at adding a regressor of trust factor. Which now has I think a dominant influence on the performance of our economy. So whatever we look at and whatever we make as adjustments let us make consideration into how much they impact the trust element. Because at the moment this has really hit rock bottom. And without trust there's no confidence in the

economy. There's no confidence in the policy makers and there's no investors. It's as simple as that. Um and we see these manifestations through the huge unbanked population that we've mentioned earlier. We see we see this through hyperinflation. Um you know people were investors and and supermarkets etcetera. Even the informal traders. They were inflate their prices. To take into account the risk element that comes from that element of trust. Or mistrust as it were. So that said looking at the short term, what I like to term, the low-hanging fruit in previous discussions, that can have some immediate marginal benefits, and I think really, if the political will exist, we could literally do this tomorrow, you know. All it needs is political will. Things like consultation with businesses, I mean it's disconcerting when we get such huge announcements, and everybody is shocked, everybody is very surprised. There is no engagement with businesses, and I include in this, both formal and informal stakeholders. The polic makers must make a a real intentional effort to engage the stakeholders. They should not be subjected to surprise announcements that result in further despondency. And again worsen the country's risk profile. I think I discussed the element of risk in the last

panel. This will also address some of the information asymmetries which are a necessity to gain market efficiency. So we should try and get a place where the trading platforms. In terms of information exchange. Everybody knows what is happening, you know. We should not be subjected to such surprises. And not knowing what's going to happen next. So even even we are at a situation now where an announcement was made. The same announcement was retracted. But people still don't understand or trust that it was really retracted. You know. So the market is still unsure about what is going to happen next. And I think if start to engage businesses, get consultation, dialogue going as soon as possible. I think this will go. I've seen South Africa use this a lot. Um, and I think it's, it's definitely possible. It doesn't take much, it's something that can be done as soon as tomorrow. In terms of addressing the currency crisis, again, this touches a lot on that confidence and trust element, especially in our banking sector. We need a clear pathway to dollarisation. Right? And I've said it. You know we need a clear pathway to dollarisation. And I appreciate Doctor Fundanga in terms of the the Zambian situation. And Zambia being able to use a

local currency. But because of the expropriation and leakage within the Zimbabwe economy. There's just not enough value to back a local currency at this point. There's too much interactivity in terms of imports and other external interactions. That mean that we our demand for external currency at the moment is so high that it is not practicable for us to go down the local currency route at this point in time. So we need a clear pathway that says by this date the country will dollarise. And this is how we will transition to that state. Because at the moment that again is contributing to a high levels of of unbanked population. People just don't know. We don't want to wake up tomorrow and it's one is to one. We are being told that we're going back to the local currency. What are we doing? We have a pegged interchange auction regime that has no finite period. So we really need that clear pathway to be announced and for it to be conformed to. The disbandonment of the interchange auction. I think we will continue to say this until I don't know what colour you know. I know the the the common saying is until we are blue in the face. I don't know what colour black people turn. But we need to continue to call for the disbandonment of the interchange auction. And allow

market discovery mechanisms through the banking system such as been described by Doctor Von Danga as what happened in Zambia when they moved from a multi tier to I think a duo and a single and then a single tier exchange system. This will allow banks to operate as banks. It will restore trust in the banking system and encourage further interaction between customers and the banks. And I think if we take one thing away from from from what Zambia has and the benefits it's achieved. At the moment Zimbabwe I think we're almost on a three tier. Uh we know if we've got the prior market we've then got the interchange option for the registered companies etcetera. And then I think we've got something in the middle for the small to medium enterprises. I'm not sure how how performant that is. But this is where we are. And within the parallel markets system is then regional. You have different rates in Mashingo. What you get in Arare to what you get in Weru etcetera etcetera. So we and these are really are are ways that the economy continues to leak and bleeds through. You know. So we need to address this. And the one immediate way we can address this is through the entertained auction. When we last had this panel Ambassador Muchangu mentioned the issue around the

tangibility of the of the old mutual stock exchange etcetera. But when I went away and investigated that further. Central to that issue was the value pronounced by the interchange auction. And this was the point of departure where listed companies wanted to value using the interchange auction and suddenly government was like mm no maybe we don't do that. But we have this interchange option that seems to work for somebody. But you know we've we've analysed it. A lot of analysts including myself have said. For every dollar traded in the interchange auction. The public purse loses upwards of 50%. So we really need to disband in this. And I would say for me these are our low hanging let's do this tomorrow. When we now look at our medium term term possibilities, what can we do in the medium? The South Daven perhaps needs a bit more calculative thinking we can't you know for one of a better term turn on the tap on this tomorrow. We will review the arbitrary tax incentives. You know. We at the moment we see the Ministry of Finance pos that. They are stimulating investment through tax incentive. Recently, the Tax Justice Network actually articulates that 107 million US dollars are lost in Zimbabwe through the tax system. These tax incentives are not aligned

to value addition to the economy. They should be reviewed and removed. A lot of these rebates have been announced in the last 3 years. Um if I had more time labs at the end. I I can go through some of them. Um that I have identified from analysis. But their arbitrary nature they do not we we are not sure entirely what value they are bringing to the economy. Businesses that are are are being invited to register on the Victoria Stock Exchange. Uh are being offered these tax incentives. And yet the same require infrastructure development etcetera etcetera. In the end what we from Viscus is they will apply and get tax revenue from from individual tax incomes. Which is which is not fair. Individuals should not be subsidising the corporate elites. We need to relook at our tax incentives and increase revenue by taxing correctly. We also have sorry just bear with me. We have the image in issue of public borrowing. You know, we have talked about this and it's quite ironic really that in the last week, we've seen the Bloomberg reports on traffic borough. Where we are being told that the government is owing up to 10 billion US dollars. Now to traffic grower for fuel, you know. And when you look at the budget statement, there's no clear provision for this. So this is

clearly something that is a blind spot. We don't know what our public did. Really looks like. Therefore, we what it requires in terms of preparedness. And now what we're having to do and I mentioned this here because I think it's absolutely critical. Is that to address, for example, the traffic borough debts, we are now offering them, our exports, through Kobemba, we don't know the extent of the exports bill, that is now being taken over by Traffic Bora. But we can only speculate the impact that that is going to have on our, on our, on our trading balance, in terms of our, our trading deficit it. And this will have an impact on treasury. It will have an impact on reserves. And then we start to see the sporadic announcements around lending etcetera etcetera. We need to have an independent public debt audit as soon as yesterday. It is through public debt servicing that like I highlighted last week. Contributing to the poverty trap. Contributing to resource diversion. So it's so important that we are able to say that to a satisfactory manner, we have undertaken an independent public debt audit. We know what is owed, when it's owed, who is owed to. And then we can start to look at how we, we can tackle this. Mining, I talked last week, last time about

expropriation. And I will highlight how we can reduce expropriation from the element of mining. Mining in Zimbabwe's niche asset. You know, if you look within our region, I think we're, we're, we're, we're probably one of the countries that have, has the most minerals deposit it varied mineral deposits. In Southern Africa. It is our niche asset and we need to increase the value in our economy By understanding properly who is investing. Who are we getting into bed with when it comes to mining? How much of that is public investment? How much of it is private investment? And really relook at some of these deals that Ambassador Ratanga was saying in the last panel he has brought into a country. And beyond, you know, a good example is Kovimba, which we have never really seen any sort of audit that says what are its assets? How much is owed and and gained as revenue to the public purse? Is it really 65%? Who owns the other 35%, given the exclusive exclusivity of the mining rights that they have. So I would say in the medium term, these are some of the things that government really needs to do. Yes, it will take effort But I believe by understanding and really getting into the bonnet of what is in our public debt, what is in our borrowing, what is valid debt etcetera.

And how do we reduce mining in the way that we engage with foreign investors? In the way that we structure our mining deals and allowing clear pathways for benefits for the local communities. Um I think I will stop there for now, just in the interest of time, Janet. Sure, thank you. Uh, thank you very much Chennai for that, and I think you, you, you are really putting forward and preferring solutions that are for the short term and, and, and the long term. Um, I think the issue of dollar rising or not, is one question that I would want to throw back. Uh, to Doctor Fundanga, but also to Tinashe. Um, I think it's something that you are speaking to. Uh, I'd thrown in the question around currency board versus the RBZ, think Tinashe has been very clear about that. Um, and said maybe Doctor Fondanga can tell us more because when he is explaining the the journey for Zambia, the Arabis that had to reform in many ways. Um as as as a monetary authority and begin to exercise discipline and also enforce discipline. The Ministry of Finance, the monetary, the fiscal authorities, you know, working together. But what I hear as well is that we are an economy that is in transition. Uh but you are an economy in transition or when you are in transition you have to have a

pathway. We must be knowing in terms of the transitional plan that we have. How are we moving? From here, where are we going? There must be a destination and there must be different markers in terms of where we are going. We will know that we are near Bolawayo for example. When we are in Shangani, we have passed Gweru. We have passed Kwekwe and the different experiences from each of those markers, the journey markers that that that we have. And that is what we also need to put in place for Zimbabwe. And there are many of, of, of, of, of the solutions that, that, that you are throwing in the port, the currency board, the dollarisation, a regulation authority, dealing with the exchange control, dealing with the taxation system. Um, you know, domestic resource mobilization, our mining sector, the issue of the debt, the public debt audit, you know, these are all markers that we could say in where we are going with our economy in transition. These are the issues that we need to deal with. And this is what the government has to do. I am not sure that Ambassador Muchlangua is is is in the house now. Um if not yet I want to just come back to you your reactions Tinashe as the main presenter. Uh Chenai has given us her perspectives and Doctor Fundanga. Uh he shared with us

the Zimbabwe the Zambian experience in terms some of the steps that they had to take. I would just want to hear your quick reactions before I call some of the participants in this policy dialogue to also maybe ask questions on my from on my panel or also share the you're on four sides in terms of what the government should be doing given the disastrous measures that they they announced in the previous week or two. Thank you Tinashe. I give you the mic for your five five minute or so reaction and to to, to the perspectives from Zambia and from Chennai, our development economists. Uh thank you very much Janice. So I think my response to Caleb, Doctor Fundanga. I think he spoke very well and articulated the the Zambian experience. And there's much to to learn there. Uh but I think we need to also contextualise the Zambian experience. So within what 1215 years they had 70% of debt forgiveness. Uh and they went back into a dead truck. Right, within less than two decades. They're back again. And this time around, with the much bigger debt, and that is a, a, a serious problem, and part of it, in my humble opinion, is that, when they went back to the Itavent market, they didn't have the right rules to say that what's going to happen with government expenditure. And government expenditure in

terms of borrowings. Kept on borrowing. Um and they were there were no rules. So what's to what's to say at Zambia again? I mean they going to get debt forgiveness.

Restructivated. What's to say that in the next two decades again they won't be in a much bigger role. Uh as Zambia. So what I'm trying to highlight is is to highlight that the problem is actually with central banking in Africa. that central banking in Africa is somewhat an appendage of governance of of government over, or public, over expenditure. And that's the problem that we have. So Zambia benefits for example, in actually being more disciplined than Zimbabwe. In that, their over expenditure has not resulted in hyperinflation. So at some point there's political change. they can sort of restart and get debt forgiveness and get balance of payment support. You so that they they got \$1.4 billion dollars from the IMF. Immediately after political change. But I don't think that they have solved the core issue. There's nothing and and here I'll be guided by Doctor Fundanga. There's nothing to convince me that Zambia in the next two decades won't be in a mess again. I think it was quite unfortunate that doctor that Monawasa passed on. I think that he was on the right

path. But we cannot allow our institutions or our economics be driven by individuals in power. So to me I don't think that Zambia. Zambia is we can look at it but I don't think that it has I mean if you look at other countries like Ghana, Nigeria that also had debt forgiveness. They haven't gone back. They haven't gone back into a much bigger debt trap. Um so I think that is quite important for us to locate the problem that the it's an African wide problem But a much bigger Zimbabwe an problem. And then to Chennai and and and here I'm saying I agree with everything that Doctor Fundanga made and those were just my points of departure. So similarly with Chennai I almost agree with everything that you said. And I'm only going to highlight my points of departure. And with Chennai I I sympathize with dollarization. I totally sympathise with it because money is just purely a store of wealth. But I think let's not divorce ourselves from the politics of Zimbabwe. That you can domerise but if you don't have written protocols and rules around your dollarisation. There's nothing to stop that when you have a new government or a new party or or the current party that politicians would just wake up one morning and just expand the monetary base. Because the

problem that we have and that's why people in Zimbabwe keep hard knots and coins under their pillow. Because you cannot expand that money. Now the problem with your integrated financial system is that the dollarisation we're talking about is digital dollarisation. So when it's digital dollarisation it just takes one politician to just expand the digital dollars. So they're all in name. Because we have really stipulated the rules, the protocols and the principles. So our dollarisation unfortunately, if it's formal, it's actually digital dollarisation and it's purely in name. And anyone can come and just expand. So yes, when we have a crisis, people are tend to be disciplined. As we saw between 2009 and 2013. But immediately after that, or when you have an election, you can clearly see what happens. That's when politicians just expand that the amount of dollars or the stock of money within the economy. Just to give you perspective. When Mthuli when Professor Mtuli came in in 2019, February 2019, the money supply that's broad money supply was \$10 billion dollars. And then within three years, it's now \$500 billion dollars. Now it could very well, that 10 billion could very well have been US dollars. But there was nothing stop the govern

ment from expanding
it to \$500 billion dollars.
It's just that it's now
divorced from the dollar. So
what I'm trying to when I say
currency board it's really
trying to say let's have rules
that govern among tree system.
Let's have rules that anyone
can see. That are clearly
auditable. On a daily basis
Whatever system you're using
you can clearly see what is
actually happening. I can tell
you that. right now. We do know
how much money is actually in
the economy. The last report we
got was in February. So that's
when we had \$500 billion
dollars. So between February
and ah the end of May where we
are now. We haven't received
any report. So we actually
don't know how much money is in
the economy. And during that
period you had a by-elections.
During that period you had
shortages of food shortages.
During that period there's a
lot that has happened. And we
don't know how much money has
been created during that
period. And when we say the
monetary authority all we are
looking for is first the
transparency. So that we all
see what is actually happening.
The second bit is the
accountability and the
accountability is it being
under written by someone else.
So once you have the protocols
you want it to be underwritten
by an outsider. Now with the

dollarisation then the underwriting has to be with the Fed. But we all know our relationship with the Fed. So I'm just being practical. So while my preference would be dollarisation. But being practical we know our relationship with the Fed. it's not going to happen. So the best person to underwrite our system would be our trading partners. And our largest trading partners are Southern countries actually. And this actually then plays into what I term what's eventually going to happen. We know that we will have free trade. So currency having your your currency. Um won't help. Uh in any way. It won't be a competitive advantage. So that's why I'm only calling for a currency board. A currency board is sort of the only way we can sort of solve some of the issues. It is certainly not a I I can I can I can certainly say that. But it's door number one. It solves our immediate problem. So I've just sort of just used that to my points of departure with Doctor Von Danga. Yes. Thank you. Thank you. And I think you concur on a number of levels with Doctor Fundanga as well in terms of the importance of information of transparency. Uh I think which are are really key issues. Ah Tony I do see your hand but I just want to bring in Chennai is saying that she she she forgot to make a

comment. A short very short comment around the currency board. Uh Visa V the the RABZ. Chennai. It seems like she has she has dropped off the call once again. So let me take Doctor Fundanga. I don't know if you have quick reactions. Uh then I'll come to your hand Tony.

Yes, let me just comment on one thing. I think when Tanasha was saying something about interbank markets that we didn't have rules about public borrowing. I think let's separate the to the interbank market for foreign currency trading within the country, and public sector borrowing is the matter we are saying in lies with the government. And the two should not be confused in the manner that you are saying, we didn't have rules about borrowing. Exist in every country. I'm sure that even in Zimbabwe there are rules which stipulate that one year's level of borrowing should not exceed the previous years budget by certain percentage and so forth. The problem is lack of observance of these rules. And I must also add that even in the European Union. I'm sure most of you will follow what happens. They've got strict rules. But there was a year when Germany which was supposed to be the most prudent within the group. And France were failing to keep within the public eh spending and

borrowing limits that they have. And that raised a lot of worries because people were saying if German can even breach this what about the other country and then you saw what happened with the the other countries when they had their problems. The relating to Ghana I think probably the you have not been following Ghana's developments. Ghana is more or less in a similar situation. In fact we always say that we tend to trail Ghana very much. You know what we do. It also has had this public sector borrowings eh quite although in recent times it has benefited from the oil. Ah which was discovered but it also has this same problem of ah of a borrowing. and it's it's something that needs to be addressed. But let me again emphasise this point that the fiscal management is at the centre of most of our country's problems. Uh the central banks in most countries are probably the the best institutions in terms of the quality of human resource and the discipline that exists there. Uh it's not equaled by most other institutions. If you see a lot of problems in a particular country mostly it has to do with eh what is on the fiscal side and how ah politicians may interfere with eh what central bankers are trying to do. Within SADEC ah we have the SADEC model act. We also have

certain benchmarks that have to be observed. Eh I spent many times trying to go over this and trying to see. Eh in fact when I I I went to the bank of Zambia. What annoyed me most was that Zambia was an outlier. We were not performing well. Together with Zimbabwe of course. Eh but I I made sure with my team that we also tried to catch up with the others and I think eventually we did. Eh and eh we became at least some of the good performers. So it's possible to do something right. I don't want to ehm eh talk so much about the the currency board. I know Tanasha is very passionate about it. Eh but eh I think there are very few countries eh that have been very successful in running currency boards. But most countries is good have central banks. I last time I did emphasize that once you are failing to run a particular system, the point fix it. Don't run to establish another one, because the very going to run the new system. If central banks work very well elsewhere, why shouldn't they work in Africa? And this is the challenge that we have always faced. Uh so try to fix it because it's a an institution which is globally working well. Even in those countries we look to. It works well. Even in China it works well in the the US. It works well. So let's try and fix it. Rather than getting

rid of it. Because the replacement might even be a bigger disaster. I think last time somebody gave examples of someone in Latin America. Where they've had a currency board. And the results have not been. I'd I'm I'd I I don't want to enter into this debate. All I'm saying is that as a central banker, I believe that you can fix a central bank to do its proper role. If there is the the political way to do it. Thank you. Thank you. Thank you doctor Fondanga for that. And I think there's a big issue around the independence of our central banks. And I know in Zimbabwe when we talk about our Arabis that what we associate it with for example is the Kwasai fiscal activities that actually perpetuate you know all these issues in terms of inflation that perpetuate the lack of transparency. Um and you know the huge assumption of debt as well at the domestic level by the government. At at at the end of the day. So I think the independence of our central banks is a key issue that we need. Um we also need to to to deal with. Uh I see that Chennai who had made a request. He has not yet come in but we do have issues and we also do not want to say Zambia is is is in the best of positions. I think it's debt issue and question is a big big issue and with many lessons to learn and actually to take from

it and myself coming from the Dead Justice Movement really hesitant to say that maybe the hip pick really really works. Zambia found itself back you know in a very bad debt situation and like he has said it's thresholds very high. Almost getting into debt distress. Uh right now a big issue and that as well twilight of getting into a huge debt maybe two years from now like Tinashe is saying because the new government is trying to open up new credit lines. It wants development. It means investment in there. So many issues that may come with it. But the issue of transparency, discipline and engagement and consultations. I think Chennai raised that issue. A key issues that we have to be focusing on. Engagement. are we engaging at the at the local level to ensure that we have homegrown solutions to our challenges. How are we having consultations that build a consensus in terms of what exactly we need to be doing to build our macroeconomic stability. I think are key issues that we also need to be learning from other examples that I've done it. How do they consult? How do they engage? How do they ensure that every voice is on the table be it from the business, from the civil society, from the citizens themselves when it comes to building the stability that we are talking about. Cos

when we look at it it's at the end of the day everyone may end up contributing to the instability that we are saying because we are all trying to preserve the little that we have. We're trying to stretch the little that we have so that it can do more. Um I have two hands. I will take you Tony. Uh please do come in. Uh Professor Mandaza I know it's seventeen past seven which will be rounding up very shortly. So after Tony I will I'll bring you in if I have to or if you would want to me when I hand over back the mic to you you can you can come in. But Tony please do come in now. Thank you and thank you for a very rich and complex economic analysis. This is saying that if the only tool you have is a hammer, then everything looks like a nail. Um and it's a little bit like I feel this discussion is. Uh two points came to me through this discussion and words that are used by economists continuously and both of them use it. Words like confidence and political will. one I think has a very explicit economic understanding, and the other speaks to politics. So, for me, the to elect, they linked in this particular economy way, and so the big question that was raised by this discussion, was what is to be done. and I I think I've heard some very erudite technical answers to it

but they don't address the problem of the hammer and the nail. And where is the political will to solve these problems? And for me this speaks to why government policies in Zimbabwe are government policies in Zimbabwe. And this speaks in my view to the of political power and the maintenance of political power. And short termism in both political and economic decisions. And why is that? I I would suggest that we're heading for a crunch. We're heading for a crunch in 20 twenty-3. On a a a landmark election. In which this government is facing very serious prospects of possibly losing this election. And is juggling with short term largely unhelpful policies for the long the short term or even the medium term. Because of the major political conflict that they face. Which is the losing of political power. And therefore they are unlikely to listen to any of these kinds of ideas of our currency board. So or reform Reserve Bank. Or changing the nature of internal investment or dealing with debt. They're dealing with a short term political crisis. Now that's fine. and I understand the arguments that are being raised. Which are for the benefit of the country. But in the very very very short term, I would suggest that a lot of the solutions they're

offering depend utterly and completely on two things. On political will, and then fundamentally, as Tinashe and Chennai, and I think Caleb pointed out, and the total lack of confidence in the state and the government in what do with their money. They're not going to put money anywhere until the political power problem is resolved. And they have confidence in the state and in the government. Thank you.

Your muted Janet. You're muted. Sorry. Sorry participants and sorry Tommy. I thank you very much for for for your contribution. And I like it because Doctor Fonanga also said something when they left about two over two point something billion. In savings and in reserves. And a new government came in and you know it started dwindling. They started tacking from it as well. So I think they are while list we address the economic challenges and the economic issues. We also have political questions and governance questions that have to be tied in and I like what Kapane has also put in the in the chat box that there is the issue of political will, the the issue of transparency and the governance which are also key in building on all this and we have failed on this platform many many times and every time that I see policies being

pronounced in Zimbabwe, they they they are driven by populism ah you know they they they are rhetoric, ahm, and they, they tend to create or to, to bear this fascism, you know, uncertainty and sometimes the structural violence and sometimes real violence that we, we have seen in, in certain, communities because of policy pronouncements, it could be because of then the displacements that may take place and the like, where people are displaced either internally or actually go out of the country. Um so I think those are those are quite key issues. Uh, professor Mandaza, let me bring you in with your contribution. I'm sure you, you may have some questions or clarifications that you need from the panel. Yes, I've, I've I want to raise a very fundamental point in debating. And following from what Fundanga has said. Uh, which is that the problem with the Reserve Bank may be a symptom of a more fundamental issue. We have to go back A few decades in particular with the arrival of Mister Gono. At the Reserve Bank. And the extent to which the Reserve Bank became an instrument of the executive To this day. And therefore to talk about political will. Confidence and so on and so forth. Uh platitudes against the backdrop of a government. Which has been using

institutions such as the Reserve Bank for its own purposes. And the question of overspending by the by the by government. Has in part been facilitated by the central bank. to call for the independence of the central bank at the moment. It's maybe maybe first time. As long as we have this government in place. and the lack of transparency the point raised by Chennai about the Chafgura debt. Not to mention the overall debt which is as you as South African Zimbabwe know. Has not been transparent. The government not being transparent about this. We don't even know how much we owe as a country. Hm? And they've used if I may add the issue of sanctions as a cover. I dare say they even they're even afraid that detentions might be removed. Because sanction or the centralist mantra. The sanctions narrative gives them the cover to do what they are doing. These government borrowing for consumption purposes. All under the cover of darkness. This has to be tackled. Now I think the opposition between diabetes in particular has been raising these issues. But it's not enough with due respect. Why don't they raise a a private member's bill? to tackle this, to force government to force us into a commission of inquiry on this problem. Hm? We can't just

keep talking about it. We know what the problem has been for the last two decades. It's fundamental to this government. Can we force into an international commission of inquiry into this rot? Which goes along with corruption? And the extent to which the revenues and as Fundanga said the revenues from minerals is enormous last year made the point the nine. 7 billion came from from the export of minerals resources. Where is it? Where is it going to? These are very fundamental questions. Uh I thought I'd raise that so that the panelists could reflect and and indicate how we can move forward. To to stop the rot. Thank you. Thank you very much Professor Mandaza and we have 5 minutes to get to our half past seven. Let me give to the panelists to respond to these critical governance, political economic questions that we have to grapple with because I think the the the discussion is pointing to the fact that calling for transparency, for accountability of the Central Bank, in the current setup, and I think it's something that I spoke to understanding our state craft is very key and important at this point in time in terms of who is the shorts. Um in all this in terms of driving the debt, in terms of illicit financial flows. Uh who is benefiting from from all

that is happening in the crisis that we're seeing and we are pushing it maybe through arbitrage, illicit financial flows, the role of the cartels, in the governance processes and the like. So let me because we now have actually 4 minutes. Um Tinashe. Uh if you can just come in in response to both Tony and Professor Mandaza. Then I'll call upon Doctor Fundanga. And we conclude. We just have a minute. Ja I think those are those were critical interventions by Tony and Prof Igbo there. Um it goes without saying that you need political will to implement anything. Because we do have a problem. So it goes without saying. But I think I would like to look beyond the it goes without saying. Is that when you do have that opportunity? When there is political will. We must never take it for granted like we did between 2002 and 2013. Where there was political will to sort of change things. We then took it for granted that that political will will always remain. So that's all I will say. That that is why we need institutions. We need to build the institutions. And that is why our recommendations are around institutionalising good governance. Because goes without saying that you will definitely need political will to implement. But once that political will comes and it

might come once in a lifetime or once in a generation. What you need to do is we grab that moment and we have cut blanch changes in the system to ensure that future generations don't have to continuously go into this vicious circle. So so that's all I would say. That it goes without saying we need political will. But when a political will happens we want to ensure that we put in place a situation that will buttress the the the economy And will not be to any political whim. Um and can sustain itself. So that would be my conclusion. Uh thank you very much Tinache for that and I think it really speaks to the institutional reforms that we need to to actually implement and also pointing to the institutional crisis. Which is a big issue and building on personalities. So if you go on on the octopuses you'll see a personality. You'll see an individual all around. Uh in not institutions benefiting. So whatever resources the 9 billion that Professor Mandaza is speaking to could just be going to an individual to a person you know in different names, different companies And there's no institution in terms of public institution that is looking into these issues. Um Doctor Fundangam your final shot as you respond to the the perspectives that are coming from the floor. Uh thank you.

Thank you very much. I think what I can say at this moment is that consultations are very important. I think if we have wider consultative mechanisms in our countries, we can get a lot of inputs from the public. Uh so, I think we should emphasize on some consultative mechanisms being put in place. Transparency also is key. Uh people need to know, you know, when I was describing the system, we put in place in Zambia. All these Reuters information platform was to ensure that everybody knows what the others are doing. And therefore the emerging exchange rate is known by everybody and it should not be doubted by anybody. Dolarization seems to be a very big problem in Zimbabwe. But I must also say that in a number of countries there is always some form of dollarisation on if you come to London a number of people are charging their rentals in US dollars. And eh we see something always discussing trying to urge people not to do it. Sometimes eh even though prices are actually in Kwacha the the reference is the dollar and when there is a change in the exchange rate the tenants immediately have to pay more in court. Eh these are eh problems but they should not be was problems which can eh bring to a halt a whole economic system. And I I think they are occurring on a larger scale in

Zimbabwe because of the multiple currency system. If you had one currency ah ahm one of us very much having a Zimbabwe an currency. Although this love for the US dollar has always surprised a lot of us observer

I don't know. If it was the Euro I would probably be able to understand this but yeah. It's one of those issues that eh eh quite eh intriguing. Political will ultimately is eh what determines whether you can move from the current situation or not. If there is a will I'm sure that it can be done. If there is no political will, you keep going in circles. So, I will end my discussion and to thank you for having moderated these sessions last Sunday. So it's been very interesting.

Thank you very much. Thank you. Thank you. Thank you very much Doctor Fonanga. I think political will wait is very expensive in Zimbabwe. Um and I don't think we have really found the currency to buy it for but maybe one day we will. Uh Chennai I just want to bring you in. We are closing but you had an important issue to speak to when it comes to the currency board. Um well I just wanted to say I've heard it said before, I think it was it was Tendai Honorable Bitty, who said, you cannot put lipstick on a baboon, I think. And I think Zimbabwe has, is yet to benefit from state-owned

central institutions. So therefore, I would give a vote of extreme no confidence to any sort of currency board under the existing regime. Cos almost what we're doing we're putting a band aid on a on a gushing wound, you know. Let's address, if we address the currency crisis and we move to a single currency, we don't arise, we have a clear pathway, we don't need a currency board. The market will self-regulate. The banks will do what banks do. If you need money, you go and buy it at the bank. Because at the moment, if we are trying to say, okay, we, we, we have a central bank, let's create another institution kind of now monitors the monitor. You know we are we are creating a prefect for the prefect. It it will not work. It's it's it's going to cost us more because we probably have to pay for that board. It will introduce yet another layer of of potential expropriation that will require auditing. Etcetera etcetera. So I think let's just grab the bull by the horns. Let's in the in the in the short term. Let's look at a single currency status. That I think for me most beneficial would be to dollarise. Let's look at immediate reforms in the way that we we we induce our debt and how we we explain our debt statements. Let's be more transparent around that. So I think we we just need to

address consultation. Currency reform and stick to what we have for now. Let's try and introduce some trust as a currency That the the policy makers can offer to the economy as well. Thank you. Thank you very much Chenai and I think you you concur with Doctor Fundanga on that note. And I think one of the key issues I think I see John asking this question that the Commission of Inquiry and I think he bought into this from Professor Mandaza. And I think it's about institutions because professor Mandaza said why can't we have a private members bill that is sponsored in parliament to call for a for a commission of inquiry into this rod that we are talking about if the debt question, the IFLs, the currency, you know, the way we are doing business, the expropriation of resources through various means and ways that it has happening been happening in in Zimbabwe. So that's giving tips to institutions. I think in a way and we have to be moving in that direction and for me that is one of my key takeaways that what is parliament doing? What is the central bank doing? That it is not supposed to doing and what is it that it's supposed to be doing and is not doing and what do we do using the different institutions that we have. But also harnessing our own resistance as the citizens.

How do we build our own movements that will resist some of these injustices. Cos at the end of the day it is us that are impacted through austerity. Uh through the different taxes that that we have seen. So so I think there is a lot that we we have discussed today. And let me give to Professor Mandaza to just conclude for us tonight. Otherwise thank thank you to my panel. I think it has been excellent. There is a lot of of perspective that we have had. And there are a lot of takeaways from last week and this week. Uh that we'll have to take up in terms of institutions, in terms of discipline, in terms of the our role as well as as as as the citizens and also of course characterising but saying where are we going from here? And I think building that consensus through dialogue in that we have to normalise and keep on doing until we get to that point. I don't think that we have to weary in terms of dialogueing and trying to find the solutions. I think it is one of the key stepping stones. Uh Professor Mandaza may you just kindly conclude for us. Thank you. Thank you. It's very to conclude about. I think that we we had difficulty in answering the question what has been done. If also if mainly because this requires a policy shift on the part of the central government, the

executive. And at the same time and we have made this point over over the last five, 7 years. That we have in Zimbabwe. A government which lacks both the capacity. And the political to change, to reform, to address these problems. I'm not sure that my proposal for private members bill will solve the problem. Uh at least it will help to highlight the the gross incapacity. The gross incompetence. Of the current government. and to and to diabetes calling for the government to resign wet won't happen. It won't happen. Um so in the meantime it's ready to highlight the problem. the commissioner of economic assists inherited the problem. But we as technicians, as a policy analysts, we have to continue working at it. And the man that we are doing, playing our part in highlighting the problems. I think we, we, we, we learnt a lot, second time around from Doctor Fundanga. On what Zambia did. And indeed, we need to continue looking at the neighbourhood. Uh, to see to, to, examine best practices. And even if there were a new government tomorrow. These are problems that are likely to confront it. Uh we are a GNU in in two thousand and 9. 2013. The pros were hardly dollarisation during that period was not a government policy. It is inadvertent

development. You know and during that time the government of the day including 10 diabetes himself Mister Finance did not establish the sound economic microeconomic framework. Through which would emerge from these problems. So I think we need to look at this much much more fundamentally. You know and and on that note I want to just say that we we are, we, in the, next week, on the, on next fortnight, on the, on the, on the second, we'll begin a programme. Uh, towards the 20twenty3 elections. Monitoring, auditing the process for a free and fair poll. But that is also because we expect that as Tony Riller said, that the new elections in twenty to 3, will usher in a new dispensation, A truly new dispensation in the form of returned constitutionalism, rule of law and they will ship it back to the barracks. to cure. the election should cure the so to speak. And we will be looking through the policy dialogue forum. At such such as a security sector and and elections. The independence of Zach. The limitation. First pass the post. Or PR. Away from the idea of MPs being being members of our cabinet to the Kenyan model. Where MPs are not and should not be. cabinet ministers. In in in conformity with the genuine separation of powers. You cannot be a

legislator at the same time you
are an executive. The diaspora
vote. The voters rolled on the
registration. The printing of
the of the tap ballot.
Effective and meaningful
observation of elections.
Counting and transmission of
results. And and dealing with
literal petitions. So we want
to be sure that we as we
proceed We begin preparing for
a true transition To better
governance. Within a
government's capacity. To
reform political and
economically. I thank you. On
that note. And look forward to
you on the second of June but
in conclusion is to thank Janet
again for your job. Well done.
Our banners Chennai. Wonderful
as usual. Uh Tinashi. You've
been how did this and Caleb. My
brother thank you very much.
Thank you. And good night.
Michael, we build out. Mikael.
Miguel.
Mikhail.
Miguel
I think we just end this
session.
Tenth was important for all the
economists types. Ja ja.
Where's this mukal going? I
don't know.
Okay. Quick summation. I mean
the content was very good. The
attendance but the content was
good. Excellent. It was too
economic. Uh it was too
economic related. No no that's
true. Ja it was weak. It was
weak in that respect. You know

ja. I love it. My beloved said
the only two important points
were made by you and I. Ja we
were political animals you
know. With a bunch of