Protocol on Finance and Investment Baseline Study: Zimbabwe Country Report

August 2011

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A report reflecting the state of progress of implementation of the Protocol on Finance and Investment in SADC

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LIST OF ABBREVIATIONS

AgriBank	Agricultural Bank of Zimbabwe
ATAF	African Tax Administrators' Forum
BSAS	Bank Supervision Application System
CCBG	Committee of Central Bank Governors
CEBAS	Computerised Exchange Control Batch Application System
CECEPS	Computerised Exchange Control Exports Payments System
CISNA	Committee for Insurance, Securities and Non-banking Financial Authorities
COMESA	Common Market for Eastern and Southern Africa
COSSE	Committee of SADC Stock Exchanges
CSD	Central Depository System
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institution
DFRC	Development Finance Resource Centre
DRC	Democratic Republic of Congo
DTAA	Double Taxation Avoidance Agreements
ESAAMLG	East and Southern African Anti-Money Laundering Group
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
FIP	Protocol for Finance and Investment
FIU	Financial Intelligence Unit
GDP	Gross Domestic Product
GPA	Global Political Agreement
IAIS	International Association of Insurance Supervisors
ICSID	International Centre for the Settlement of Investment Disputes
IDBZ	Infrastructure Development Bank of Zimbabwe
IDC	Industrial Development Corporation of Zimbabwe
IDC SA	Industrial Development Corporation of South Africa
IEEA	Indigenisation and Economic Empowerment Act
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPA	Investment Promotion Agency
IPEC	Insurance and Pensions Commission

IOPS	International Organisation of Pension Supervisors
IOSCO	International Organisation for Securities Commissioners
JSE	Johannesburg Stock Exchange
MEFMI	Macroeconomic and Financial Management Institute of Southern and Eastern Africa
MIGA	Multilateral Investment Guarantee Agency
MoF	Ministry of Finance
MoU	Memorandum of Understanding
NPS	National Payments System
OECD	Organisation of Economic Cooperation and Development
OSS	One Stop Shop Investment Centre
PPDF	Project Preparation and Development Facility
RBZ	Reserve Bank of Zimbabwe
RTGS	Real Time Gross Settlements
SADC	Southern African Development Community
SECZ	Zimbabwe Securities Commis
SEDCO	Small Enterprises Development Corporation
SMSD	SADC Macroeconomic Statistical Database
STERP	Short Term Emergency Recovery Plan
VAT	Value-added Tax
WCO	World Customs Organisation
ZETSS	Zimbabwean Electronic Transfers and Settlements Systems
ZIA	Zimbabwean Investment Authority
ZIMRA	Zimbabwean Revenue Authority
ZSE	Zimbabwe Stock Exchange

1. CONTEXT

In 2009, upon the establishment of the inclusive government, and as part of the Global Political Agreement (GPA), the Zimbabwean government approved the *Short Term Emergency Recovery Plan* (STERP) to address the dire economic situation. Key measures of STERP included the removal of price controls and liberalisation of goods and foreign exchange markets. Following the adoption of the STERP in March 2009, the economic environment in Zimbabwe has improved markedly. Notably, the hyperinflation of 2008 was brought to a halt with the adoption of a multi-currency regime in February 2009, and the dollarisation of the economy and end to monetary injections have seen inflation forecasts remain at roughly 5% for the next five years.

STERP was succeeded by the three-year STERP II, 2010 – 2012, as a follow-up recovery programme. STERP II outlines continuous programmes and steps that are required to progress economic recovery and continued growth. STERP II outlines the requirements for broad-based sustainable economic development prioritising infrastructure rehabilitation and development, particularly in the areas of power, roads, rail, aviation, water and sanitation and information communication technology, among others.

Despite the transition to a multi-currency regime, the implementation of a cash-based budgeting system and the other macroeconomic tools used to bring about stability, there are four major factors that still constrain the economy: Firstly, there is limited capacity in the financial sector and only short-term capital is available, limiting industry's ability to acquire funding; secondly, the poor state of infrastructure - particularly transport and energy infrastructure - manifests in a poor business environment which has major effects on the cost of doing business; thirdly, there is a lack of qualified and experienced staff in both the public and private sectors; and fourthly, despite the establishment of inclusive government, ratings of political risk remain high for most investors.

In addition to SADC membership, Zimbabwe is also a member of the Common Market for Eastern and Southern Africa (COMESA), however in the view of Zimbabwean officials there are currently no contravening issues with regards to being a member of two communities.

2. STATUS OF FIP IMPLEMENTATION

2.1. STATUS OF FIP RATIFICATION

Zimbabwe signed the Protocol on Finance and Investment (FIP) on 18 August 2006 at Maseru in Lesotho. The FIP ratification instrument has been presented and approved by both the House of Assembly and the Senate. Currently, the President's final decision to execute the Instrument of Ratification of the Protocol is being awaited.

While Zimbabwe has not yet ratified the FIP, Zimbabwe is represented on all the eleven subcommittees and has begun work on the various commitments as per the protocol.

The Managing Director of the Zimbabwe Stock Exchange (ZSE) is the current Chairperson of the Committee of Southern African Development Community (SADC) Stock Exchanges (COSSE).

2.2. FIP STRUCTURES

The Department of Fiscal Policy and Advisory Services located in *the Ministry of Finance (MoF)* is responsible for coordinating and monitoring FIP implementation in Zimbabwe. The MoF indicated that there is a FIP Technical Committee, though the consultant found no meeting records or communications of the technical committee responsible for national coordination of the FIP. There also appears to be a lack of knowledge on behalf of the MoF with regards to the people that attend some of the sub-committees - for example, the MoF was not aware that there was a sub-committee for Annex 5.

In addition, a representative from the Reserve Bank of Zimbabwe reports to the Committee of Central Bank Governors (CCBG) and is well versed on all the different aspects under CCBG (Annexes 4 to 8).

2.2.1. ANNEX 1: COOPERATION ON INVESTMENT

In 2009, net inflows of Foreign Direct Investment (FDI) amounted to USD60 million, which constituted 1.07% of GDP (gross domestic product). This was down slightly from FDI of 1.22% of GDP in 2008.[1] While Zimbabwean authorities are aggressively marketing the country to potential investors, it is clear from these figures that much must be done to attract the levels of FDI necessary to facilitate economic growth. No information is available regarding intra-regional investment flows between Zimbabwe and the rest of SADC.

Zimbabwe is currently amending the Zimbabwe Investment Authority Act, and the formulation of the National Investment Policy and the Investment Code, to better align investment law and policy with other SADC member states as well as best practice suggested by the FIP Investment Subcommittee. To ensure that Zimbabwe is kept abreast of regional and international developments in this arena, member state subcommittee members are regular participants in annual Investment Promotion Authority (IPA) Forum meetings. Zimbabwean subcommittee members also attend awareness campaigns run by SADC to ensure that the country learns from the marketing initiatives of its neighbours in the region.[2]

Under Annex 1 of the FIP, member states have made a commitment to improve the transparency of investment policies, practices, regulations and procedures. Currently, Zimbabwe's Strength of Investor Protection Index is 4.3 (the index ranges from 0 for weak to 10 for very strong), giving the country a rank of 119 out of 183 countries surveyed for the World

[1] World Bank. World Development Indicators and Global Development Finance [available online] http://databank.worldbank.org/

[2] Information supplied by Zimbabwean Investment Subcommittee members

Bank's Doing Business report[3], which indicates that the investment environment is still weak. Zimbabwe currently produces a publication detailing investment opportunities and procedures to improve the transparency of investment policies. However, resources will be required to ensure that these are updated and produced regularly, which are not guaranteed. Zimbabwe has also attempted to improve on the transparency of investment policies by establishing National Economic Consultative Forums, the National Business Council and the Prime Minister's Round Table to encourage dialogue between the public sector and the private sector.[4]

The Zimbabwean Investment Authority (ZIA) is the country's investment promotion agency and was established to promote and facilitate foreign direct investment and local investment. Since the beginning of 2011, ZIA has established a One-Stop-Shop Investment Centre (OSS) to facilitate and simplify business set-up requirements such as company registration, permits and authorisations and immigration permits. The OSS aims to assist investors to complete all requirements within five working days, alleviating the previous burden where it could take almost 100 days. It is not clear whether this aim has been achieved or not.

Member states are also committed in terms of the FIP to protecting foreign investors. To this end, commitment is made to ensure that investments are not nationalised or expropriated without due process, and that appropriate compensation and provisions for repatriation of funds are made in domestic laws. In Zimbabwe, the repatriation of funds is covered under exchange control laws. These laws guarantee 100% repatriation of the original capital investment and up to 100% of dividends of the net after tax profit. Foreign investors also have the right to forward disputes to domestic courts, but, in practice, most disputes are forwarded to international courts instead. Zimbabwe has also signed a number of bilateral investment treaties, for example with Botswana, South Africa and Malawi. These bilateral investment treaties are intended to provide a measure of commitment and confidence to potential investors. Zimbabwe is also a signatory of the International Centre for Settlement of Investment Disputes (ICSID), the Multilateral Investment Guarantee Agency (MIGA) (with a number of bilateral agreements signed under this convention, protecting investors against expropriation without fair compensation and access to courts) and the New York Convention.[5]

Despite the efforts of the ZIA and the establishment of the 'One Stop Shop' intended to make the process of investing in Zimbabwe simpler, the most significant factor influencing FDI is the uncertainty with regards to other political risks that affect investors, such as the Indigenisation and Economic Empowerment Act (IEEA) (Act 14, 2007) that came into force in March 2010 entitling local Zimbabweans to 51% ownership in all foreign-owned companies; the Mines and Minerals Act which is currently being revised to reflect the IEEA; and the Land Reform Act through which land previously owned and worked on by foreigners and Zimbabwean nationals has been re-distributed.

[3] World Bank. 'Doing Business 2011'. (available online) http://www.doingbusiness.org/~/media/FPDKM/Doing%20Business/Documents/Annual-Reports/English/DB11-FullReport.pdf

[4] Information supplied by Zimbabwean Investment Subcommittee members

[5] Information supplied by Zimbabwean Investment Subcommittee members

Thus in general, although Zimbabwe is *de jure* a signatory to investor protection treaties, the *de facto* treatment of investors has not always been in line with the conventions. The rights of the investors have generally not been upheld over the past decade, and this still causes investors, including those based in other SADC member states, to hesitate.

2.2.2. ANNEX 2: MACROECONOMIC CONVERGENCE

With the discontinuation of the Zimbabwean dollar and the introduction of the multi-currency system in February 2009, Zimbabwe managed to reduce inflation to a single digit level, following a turbulent period of hyperinflation between 2006 and 2008 (inflation ran as high as. 24,411% in 2007).[6] While the government has suspended use of the local currency until at least January 2013, the multi-currency regime is officially temporary. It is uncertain whether the Reserve Bank of Zimbabwe (RBZ) will be able to contain inflation when and if the old currency is reintroduced. The lack of a formal statement from the Zimbabwean Ministry of Finance on this point serves to confirm the uncertainty.

Zimbabwe has also managed to reduce budget deficits from 30% of GDP in 2008 to 3.3% of GDP in 2009[7], due to the implementation of a cash budgeting system in which the country spends only according to available fiscal resources.[8]

The ratio of public debt to GDP has contracted in recent years, decreasing from levels of over 140% of GDP in 2008 to 66.52% of GDP in 2009.[9]

As part of the Annex 2 commitments, member states are required to share information and data with other member states. For this purpose, member states are required to update the SADC Macroeconomic Statistical Database (SMSD) annually. Zimbabwe has submitted the basic data for 2010 to SADC for this purpose. It is important to note, however, that Zimbabwe's data compilation and presentation standards have been lagging behind international best practice. Member state subcommittee members responsible for this area cite a lack of capacity as the primary reason. While the country is reliant on training courses offered by the Macroeconomic and Financial Management Institute of Southern and Eastern Africa (MEFMI), interviewees were of the opinion that more technical assistance is critical to enable policies aimed at improving macro-economic monitoring and reporting.

Zimbabwe has experienced significant economic changes since dollarisation and the implementation of the multi-currency regime. It is important to monitor the stability of this economy over the coming years to ensure consistent implementation of macroeconomic convergence principles.

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[6] World Bank. World Development Indicators and Global Development Finance [available online] http://databank.worldbank.org/

[7] IMF. Article IV Report: Zimbabwe 2010. [available online] http://www.imf.org/external/pubs/ft/scr/2010/cr10186.pdf

[8] Information supplied by Zimbabwean Macroeconomic Convergence subcommittee members

[9] World Bank. World Development Indicators and Global Development Finance [available online] http://databank.worldbank.org/

2.2.3. ANNEX 3: COOPERATION IN TAXATION AND RELATED MATTERS

Under Annex 3 of the FIP, member states make a commitment to develop and maintain a SADC Tax Database. To this end, the Zimbabwean MoF and the Zimbabwean Revenue Authority (ZIMRA) arranged for the training of four of their officials on how to update the SADC Tax Database. The SADC Secretariat has been advised of the names of officials responsible for this task. However, since the SADC Webmaster is yet to activate the system, Zimbabwe is not able to perform remote updating of the database.[10]

In terms of the commitment to the development of guidelines for the application and treatment of tax incentives, Zimbabwe has been an active participant in the development of SADC's Draft Tax Incentives Guidelines. Concurrently, the country has been rationalising tax incentives, which include the removal of low corporate tax rates for companies operating in growth points (strategic regions) and others. The challenge in rationalising tax incentives is that Zimbabwean industry argues that it still needs protection to maintain growth. Therefore, member state subcommittee members are of the opinion that the removal of tax incentives may not be the best approach. This issue is reportedly being discussed at a regional level[11].

Zimbabwe has not designed a cost-benefit model for the analysis of fiscal policy.

Zimbabwe has implemented a database compiling information on all double taxation avoidance agreements (DTAAs) into which it has entered. In 2009, a document detailing operating DTAAs and those still being negotiated was drafted and submitted to the SADC Secretariat. The Zimbabwean model for DTAAs is based on that used by the Organisation of Economic Cooperation and Development (OECD), which is also the SADC-approved model for DTAAs. Thus, the Zimbabwean model for DTAAs is based on the same guidelines and principles as the SADC model. Zimbabwe also actively participated in the finalisation of the bilateral SADC Model Double Tax Avoidance Agreement (DTAA) and its commentary. The Ministry of Justice has since been updated on this agreement and its commentary, and is expected to participate in the meeting to adopt the SADC DTAA. Officials have been trained in the interpretation and use of the DTAA and Zimbabwe is currently using it as reference for DTAA negotiations. Zimbabwe has signed DTAAs with South Africa, Botswana, the Democratic Republic of Congo (DRC), Mauritius and Namibia, although the South African agreement is being renegotiated.

Member states are also committed through the FIP to harmonisation of indirect taxes. Value-added Tax (VAT) was introduced in Zimbabwe in 2004. Currently, goods and services are either zero-rated, exempt or attract a standard VAT rate of 15%, as per SADC tax guidelines. Zimbabwe is constantly reviewing VAT policy as stipulated in the VAT Act (which Zimbabwe has sent to the SADC Secretariat, as requested), and rationalising the list of zero-rated and exempt goods and services. Interestingly, each government department is responsible for raising its own revenue, and so there are a number of indirect taxes applied under the different regulations.

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[10] Information supplied by Zimbabwean Tax Coordination subcommittee members

[11] Information supplied by Zimbabwean Tax Coordination subcommittee members

Currently, there is no agreement on excise duties. In Zimbabwe, excise is applied at the point of consumption, as is the practice in Botswana, Malawi and Zambia. Early in 2011, Zimbabwe invited a team of SADC experts on excise duties to carry out a study on cross-border smuggling of alcohol and tobacco. A draft report has been produced and awaits approval and adoption. Importantly, the number of cigarette and alcohol goods seized in 2010 was significantly higher than that of previous years. This may show that authorities are improving their management of cross-border smuggling (or it could be a sign of more smuggling).

While a SADC mechanism for the resolution of tax disputes has not been implemented, the Zimbabwean fiscal court is available for all persons seeking legal remedy for these disputes. The Zimbabwean Customs and Excise Act is aligned with the requirements of the Kyoto Protocol, and therefore makes allowance for judgements reached in the fiscal court to be appealed. The Zimbabwean representative is of the opinion that a SADC body responsible for tax disputes may be unnecessary, given that most tax disputes can be resolved within the SADC trade dispute mechanisms.[12]

Under this Annex, member states make a firm commitment to the exchange of information. As yet, Zimbabwe has signed Memoranda of Understanding on procedures for the effective exchange of information with Zambia, Mozambique, Lesotho and the DRC. At operations-level, these agreements are functional, although excise duties are not covered in any of these agreements.

In order to meet the capacity and resource demands of the commitments under Annex 3, Zimbabwean tax authorities have attended courses on International Taxation, Revenue Forecasting, Comparative Taxation and Excise Duties. Officials have also participated in workshops organised and sponsored by SADC, such as SADC Cross-border VAT Agreements, Negotiation of Tax Agreements and the afore-mentioned training on Remote Database Updating. The main challenge facing the Ministry of Finance and Revenue Authority, according to these bodies, is the financing of further capacity building programmes.

It should also be noted that all officials employed by ZIMRA are required to attend training. Courses on customs and excise are run in collaboration with the National University of Science and Technology. Zimbabwe was one of the first five countries to join the World Customs Organisation (WCO), and is one of three training centres within the region (along with South Africa and Kenya). Thus, the country hosts and runs courses on behalf of the WCO, COMESA and SADC. ZIMRA is also a member of the African Tax Administrator Forum (ATAF). Most courses run through this association are attended by at least one representative of ZIMRA. The substance of these regional courses often has to do with post clearance, trade facilitation, trends appraisal and audits of large transactions. Although training is regarded as important and critical by members of this subcommittee, the budget for capacity building fluctuates and regional courses are often necessarily sponsored.[13]

Zimbabwean tax subcommittee members are of the opinion that the implementation of Annex 3 has been slow due to the failure of the Working Groups within the Tax Coordination

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[12] Information supplied by Zimbabwean Tax Coordination subcommittee members

[13] Information supplied by Zimbabwean Tax Coordination subcommittee members

Subcommittee to meet targets and timelines. This opinion is balanced with the concession that Zimbabwe has been constrained due to a lack of resources from implementing aspects of this Annex. The subcommittee members interviewed believe that member states should be supported both financially and technically to implement the various commitments of Annex 3.

2.2.4. ANNEX 4: COOPERATION AND COORDINATION OF EXCHANGE CONTROL POLICIES

Even though Zimbabwe has made the transition to a multi-currency system, the country retains controls on both Current and Capital Account transactions. Since the US Dollar is now widely used, the national currency is fully convertible within the region. However, the IMF (International Monetary Fund) takes the view that greater transparency is required in Zimbabwe's exchange operations and controls.[14]

Progress has been made towards the liberalisation of the current account, with most transactions decentralised to authorised dealers. Exchange controls on the current account are more liberal in places (for example, authorised dealers are allowed to process export and import transactions of up to USD5 million without seeking prior approval and persons are able to export USD 250 000 on exit[15]) but remain restrictive in other places (for example, the prohibition on accepting guarantees from non-residents and restrictions on emigrants' allowances[16]).

Capital account transactions are generally more restrictive, restricting resident companies' investment offshore, the ability to hold foreign bank accounts and inward investment from non-residents.[17] Liberalisation of the capital account remains a priority, and is demonstrated by authorised dealers that are able to process transactions from the remittance of capital appreciation, profits and dividend income, without prior approval.[18]

An implementation plan has been devised to achieve harmonisation of exchange controls with those in other SADC countries. However, since this process has a bearing on fiscal and monetary aspects of the economy, the RBZ is committed to liberalisation in a gradual and sequential manner, "which embraces the need for adjustment of other supportive macroeconomic fundamentals and the provisions of the various transitional strategies being adopted at both fiscal and monetary fronts".[19]

Since the liberalisation of both current and capital account transactions means that transactions are decentralised, reducing the RBZ's ability to collect and collate information on

[14] Reported in 'Status of Exchange Controls in SADC', prepared by Keith Jeffries [forthcoming]

[15] Information supplied by Zimbabwean Exchange Control subcommittee member

[16] Keith Jeffries, forthcoming. 'Status of Exchange Controls in SADC'

[17] Keith Jeffries, forthcoming. 'Status of Exchange Controls in SADC'

[18] Information supplied by Zimbabwean Exchange Control subcommittee members

[19] Information supplied by Zimbabwean Exchange Control subcommittee member

transactions for statistical purposes and Balance of Payments recording, it is necessary that online, real time systems are in place to record these transactions. Currently, the RBZ has implemented three real time and internet-based information technology systems, namely: Computerised Exchange Control Batch Application System (CEBAS), Computerised Exchange Control Exports Payments System (CECEPS) and the Bank Supervision Application System (BSA). However, the reporting systems for all foreign exchange transactions need to be enhanced, and RBZ personnel need to be trained in the use of these systems, to ensure adherence to regional and international standards of reporting.[20]

Zimbabwe is not able to implement or comply with all of the macro-economic convergence principles set out in the FIP as there are certain precautions that Zimbabwe must implement to ensure their domestic economy can recover. For instance, the FIP encourages a liberalised current account; however, if Zimbabwe were to follow this route their domestic industry would be undercut by cheaper imports. As a result there would be likely be job loss and severe impact on a fragile Zimbabwean industry. Zimbabwean industry needs time to recover from recent economic and political uncertainty to the extent that it is ready to compete with foreign imports.[21]

2.2.5. ANNEX 5: HARMONISATION OF LEGAL AND OPERATIONAL FRAMEWORKS

The RBZ has amended the Bank Act to take account of recommendations of the FIP subcommittee which is mandated to achieve harmonisation of legal and operational frameworks within SADC. This includes elements of the SADC Model Central Bank Act. In fact, the subcommittee member interviewed stated that most aspects of the Zimbabwe Bank Act are aligned with the SADC Model Central Bank Act. A notable exception is the composition of the central bank’s board which is entirely appointed by the President and does not have any autonomy.

The Legal Department of RBZ, from which two personnel attend subcommittee meetings under Annex 5, stated that the next step is to ensure that the National Payment System Act is aligned with Model Payment Systems Law and the Banking Law, which is benchmarked against international practice, experience and standards. Furthermore, representatives interviewed stated that there is a deficit in capacity and experience in terms of legal drafting within the RBZ, which is an essential requirement to fulfil commitments under this Annex.

2.2.6. ANNEX 6: COOPERATION ON PAYMENTS, CLEARING AND SETTLEMENT SYSTEMS

Zimbabwe implemented a Real Time Gross Settlement system (RTGS) in 2002, called the Zimbabwean Electronic Transfers and Settlements Systems (ZETSS) which operates both a payments system and a clearing system. Since implementing the multi-currency system, the

[20] Information supplied by Zimbabwean Exchange Control subcommittee member

[21] Information supplied by Ministry of Finance representatives

RBZ has redesigned the National Payment System to operate with foreign currency. Currently, clearing and settlement uses US Dollars as official currency.

The operation of national payments, clearing and settlements systems is guided by the National Payment Systems (NPS) Strategy document of 2000. The operation, regulation and supervision of these systems are subject to the content of the NPS Act of 2001, which enforces ZETSS Operating Rules, Cheque Clearing House Rules and CSD (Central Depository System) Operating Rules. The NPS Act is subject to constant review to keep abreast of regional and international developments.

The RBZ fully subscribes to the Core Principles for Systematically Important Payment Systems (drafted by the BIS's committee on payment systems), and has formed an Oversight Unit with the bank, which carries out all payments systems oversight functions. However, Zimbabwean subcommittee members claim that "there is a need to equip oversight staff with the requisite skills in order to effectively discharge their duties".[22]

While little information is available on whether legal frameworks have been implemented to support new payments systems, the RBZ is aware of the need to ensure that legal frameworks are sound and updated.[23]

2.2.7. ANNEX 8: COOPERATION AND COORDINATION IN THE AREAD OF BANKING SUPERVISION AND REGULATION PRACTISES

The Banking Act and Banking Regulations are the main laws governing the banking sector. These provide the RBZ with adequate authority in supervisory areas, and adhere to the Basel Committee's 25 Core Principles for Effective Banking Supervision. The RBZ's compliance with these principles was confirmed by the IMF during their regular Article IV consultation missions. Recently the RBZ, with the assistance of a panel of experts, conducted a comprehensive review of existing banking laws and regulations. The purpose was to compare Zimbabwean frameworks to domestic frameworks within the region as well as to international best practice, to ensure that a solid foundation is laid for further upgrading of banking regulation and supervision.[24]

Currently, the RBZ is engaged in the groundwork for implementation of Basel II. During the first quarter of 2011, the RBZ issued a technical and regulatory guidance note on full Basel II implementation in Zimbabwe. The proposed framework establishes new criteria for calculating banking institutions' regulatory capital, the supervisory review process as well as minimum disclosure principles.[25]

[22] Interview with Zimbabwean subcommittee members.

[23] Information supplied by Zimbabwean Legal and Operational Frameworks subcommittee members

[24] Information supplied by Zimbabwean Banking Regulatory and Supervisory Frameworks subcommittee members

[25] Information supplied by Zimbabwean Banking Regulatory and Supervisory Frameworks subcommittee members

The RBZ has also developed and implemented guidelines for risk management and corporate governance. Guidelines have also been devised to ensure that institutions operating in the financial sector are sound. These lay emphasis on capitalisation requirements, ownership and corporate governance as well as having a viable business plan. The aforementioned Banking Supervision Application system, designed by the SADC Central Bank supervisors, was implemented by the RBZ and enhances the effectiveness and quality of off-site risk analysis.

The RBZ has also formulated a comprehensive risk-based supervisory policy framework, which was issued to the market to ensure the financial sector is kept informed and involved in risk reforms undertaken. Consequently Zimbabwe has achieved substantial progress in implementing risk-based supervision. At the time of consultation the RBZ was introducing risk management policies and procedures encompassing the concept of enterprise-wide risk management, to ensure prudential management in the financial sector is strengthened and aligned with international best practice.[26]

The RBZ is also committed to adhering to and maintaining international best practice in terms of accounting and auditing standards, which are aligned to the International Financial Reporting Standards (IFRS). Recent work in this arena has investigated the impact of the newly implemented multi-currency system on IFRS reporting, drawing on international experiences and lessons.[27]

While the FIP Annex on Anti-Money Laundering is still to be ratified, the Reserve Bank has established the Bank Use Promotion and Financial Intelligence Unit (FIU), under the auspices of the Bank Use Promotion and Suppression of Money Laundering Act (Section 3(1)). The FIU is responsible for implementing and enforcing all laws under this act, and cooperating with other jurisdictions, particularly the East and Southern African Anti-Money Laundering Group (ESAAMLG) of which Zimbabwe is a signatory. However, the FIU is currently ill-equipped to carry out this mandate due to lack of human capacity and a deficit in the requisite resources.[28] It should be noted that Zimbabwe has not been assessed under the mutual evaluation programme of the Financial Action Task Force (FATF).[29]

2.2.8. ANNEX 9: COOPERATION IN RESPECT OF DEVELOPMENT FINANCE INSTITUTIONS

Zimbabwe has four development finance institutions (DFIs) who are all members of the SADC DFI network; namely, the Infrastructure Development Bank of Zimbabwe (IDBZ), the Agricultural Bank of Zimbabwe (Agribank), the Industrial Development Corporation of Zimbabwe (IDC) and the Small Enterprises Development Corporation (SEDCO). These DFIs face substantial challenges, in that they have low levels of capitalisation which results in an

[26] Information supplied by Zimbabwean Banking Regulatory and Supervisory Frameworks subcommittee members

[27] Information supplied by Zimbabwean Banking Regulatory and Supervisory Frameworks subcommittee members

[28] [28] Information supplied by Zimbabwean Banking Regulatory and Supervisory Frameworks subcommittee members

[29] FATF. 2011. 'Information by country'. [available online] http://www.fatf-gafi.org/infobycountry/0,3380,en_32250379_32236963_1_1_1_1_1,00.html

inability to provide financing for long-term and capital-intensive projects. As a result, these DFIs have been tasked with investigating strategic partnerships with foreign investors, and particularly other SADC DFIs. A representative from the IDBZ explains the SADC DFI network plays a crucial role in sharing knowledge, best practice and experiences. To date, the IDBZ, IDC and Agribank have signed information sharing Memoranda of Understanding with South African DFIs.

The Development Finance Resource Centre (DFRC) has proved useful in facilitating capacity building initiatives in the region, of which Zimbabwe is a beneficiary. Zimbabwean DFIs have participated in various courses arranged by the DFRC, including courses on risk management, project management, PPP training, and prudential standards and guidelines for DFIs. Zimbabwe has also attended bilateral training initiatives with institutions such as the Development Bank of Southern Africa (DBSA) and the Industrial Development Corporation of South Africa (IDC SA), including management secondments and mentoring programmes. A representative from the IDC Zimbabwe indicated that all officers of IDC have attended training put on by the DFRC at least once, however, to date, have not yet been able to apply all skills as there is not sufficient capital to finance projects in the country yet. The DFI network also allows the member DFIs an opportunity to network and identify other opportunities for collaboration, for example, site visits to IDC South Africa.

In terms of co-funding of projects, the DFI network decided that when a DFI that is a member of the network appraises a project, it should then follow that the project complies with all the minimum standards and has been tested by way of due diligence. However, a standard framework has yet to be developed by the DFRC. Since Zimbabwean DFIs have been adversely impacted by recent economic challenges, they need to foster domestic strength before embarking on the co-financing of projects. In the meantime, these DFIs have requested assistance from other SADC DFIs, most notably the DBSA and IDC South Africa. To date, IDC South Africa has extended USD30 million to the Agribank and IDC Zimbabwe to finance agribusiness companies, and the DBSA approved financing of USD 206 million for the Plumtree to Mutare road project. However, to date, funds have not yet been availed due to ambiguity and lack of clarity in the acts governing investor protection in Zimbabwe. Discussions are underway for the financing of other projects, for example the Harare to Beitbridge Road. DBSA and IDC South Africa have assisted in the identification and development of ‘growth points’ in Zimbabwe which include infrastructure and natural resource opportunities.

The DFIs in Zimbabwe are struggling as there is little capital available in the country. IDC Zimbabwe is looking for capital to refurbish and upgrade plants and equipment as many of the industries have been degrading over the last ten years and are below optimal capacity.

The Ministry of Finance is currently engaged in devising a national PPP policy framework. The aim of this exercise is to attract investment into the infrastructure and specifically energy infrastructure sector. In a presentation, a representative of the IDBZ said that the delay in establishing the Project Preparation and Development Facility (PPDF), the Regional Insurance Guarantee Scheme and the SADC-PPP Network is a significant constraint on the ability of the DFI network to progress. These regional facilities and institutions are important to aid DFIs in funding activities, since SADC DFIs (other than DBSA and IDC SA) are small and their funding capacity is greatly restricted.

The DFIs in Zimbabwe work together and have been looking to formalise a Memorandum of Understanding (MoU) to pursue opportunities to work together such as Industrial Parks which would be of interest to all four DFIs in Zimbabwe (infrastructure, industrial development, small businesses and agri-business). The DFI representative interviewed made a few suggestions to improve the capacity of DFIs. It was suggested that Export Credit Insurance Corporations within the region collaborate and partner with the DFI network to promote investment in the region, that joint teams are formed across regional DFIs to appraise projects, and that National Treasuries play a larger role in providing requisite support to DFIs.

One particular issue in Zimbabwe is that the DFIs have not all received government-backed support that is crucial for raising foreign capital - only the IDBZ and Agribank received funding from the government in 2011. The IDC acknowledged that while there is limited government funding, support from the government could serve to provide some form of confidence in the institutions and would draw other sources of capital.

2.2.9. ANNEX 10: COOPERATION ON NON-BANKING FINANCIAL INSTITUTIONS AND SERVICES

The Zimbabwe Securities Commission (SECZ) started operating in 2008 through the Securities Act (Chapter 24:25), but the SECZ Secretariat was only staffed in 2009. The Act establishing the SECZ mandates the SECZ to manage systemic risk and provide frameworks and regulations facilitating investor protection. SECZ experienced a significant challenge in proving itself to the market, but it is believed that resistance is now beginning to dissipate.[30] To address these negative perceptions, SECZ's first initiative was to meet with major players in the international arena, for example, completing a road show to South Africa and meeting with the Ministry of Finance, Commissioners and Senior Managers. SECZ is still to establish a bond market (however, this is not an immediate priority since the current government does not borrow) and to set up an institution providing debt financing to corporates. The ZSE is regulated and supervised by SECZ, who is in the process of reviewing the exchange's legal framework. SECZ have also encouraged the development of a secondary exchange for small and medium enterprises (SME), but this has been halted due to insufficient funds for infrastructure.

The Global Competitiveness Report ranks Zimbabwe at 103 out of 183 countries in terms of the Financial Market Development Index (index is valued at 3.64)[31]. This indicates there is significant need for the development of the financial market in Zimbabwe, but also creates the potential for the market to be founded on sound principles and in adherence with international best practice. Under the Capital Markets grouping of Committee for Insurance, Securities and Non-banking Financial Authorities (CISNA), SECZ is occupied with harmonising aspects of its operations to achieve uniformity within the region. These include qualifications for authorities and regulators, minimum requirements for companies, rules and regulations governing central depository systems and securities dealers' qualifications. Previously, these provisions were

[30] Information obtained from Zimbabwean CISNA member

[31] World Economic Forum. 2011. Global Competitiveness Report. [available online] http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2010-11.pdf

governed by various bilateral agreements. However, the challenge now is to adapt regulations, policies and frameworks to achieve harmonisation with all authorities represented on CISNA. As such, it was recommended by the Zimbabwean CISNA members that CISNA has a five year strategy, which is cascaded down to the various levels.

Currently, SECZ is not a member of the International Organisation for Securities Commissioners (IOSCO) but is in consultation with the organisation to work towards membership. SECZ is also engaged in devising a legal framework for rules and regulations, including central depository systems rules (which have already been drafted), rules governing insider trading, accounting rules, regulations on the conduct of business, designating rules custodians, regulations on listing requirements, regulation of asset managers, and enhancing investor protection. This legal framework is benchmarked against both international and regional regulators, in collaboration with local stakeholders.

In order to implement the commitments of Annex 10 of the FIP, SECZ has recognised the need to prioritise capacity building initiatives by continuously training regulators. SECZ has also drafted a proposal to establish an institute with a capital markets module, as well as to partner with players in capital markets and share learning and experiences. SECZ also recognises the importance of information flows and sharing between regulators in the region. To this end, SECZ website is populated with relevant information. However, the SECZ representatives interviewed said that the CISNA website contains out-dated information. SECZ is currently involved in various investor awareness campaigns, including career guidance, exhibitions and trade fairs, and seminars targeting universities.

The Insurance and Pensions Commission (IPEC) of Zimbabwe is not a member of the International Organisation of Pension Supervisors (IOPS) or the International Association of Insurance Supervisors (IAIS). The committee was once a member of IAIS; however membership was terminated since Zimbabwe has failed to incorporate all 28 requisite principles into laws. The IPEC representative interviewed stated that the regulator is in “dire need” of attending and participating in international organisations like IAIS. However, this seems only likely to occur if domestic laws change to comply with these principles. Further, IPEC cannot even participate as an observer in the organisation’s conferences, and thus falls further and further behind industry standards and progression. At the moment, IPEC is in the process of recovering after the economic disaster in Zimbabwe, a process made difficult due to the challenging economic climate. The same IPEC representative explained very little is being done for capacity building and consumer awareness because of a lack of funds, and an industry that is operating well below capacity coupled with high unemployment. This means that Zimbabweans cannot afford to contribute to insurance and pension schemes. The insurance and pensions industry appears to be one of the most drastically damaged parts of the financial sector, where most savings were wiped out upon the adoption of the dollar.

2.2.10. ANNEX 11: COOPERATION ON SADC STOCK EXCHANGES (COSSE)

According to the Zimbabwean COSSE subcommittee member, 79 companies are listed on the domestic exchange. National ownership of listed securities amounts to USD4.3 billion. However, data provided by the World Bank suggests that there are 76 listed firms in

Zimbabwe, with a stock market capitalisation of USD11.48 billion[32]. Currently, the Zimbabwean Stock Exchange (ZSE) has 6 dual-listed firms. Growth in dual-listings is constrained by exchange controls since there are limits on the number of shares that can be held by foreigners.

Under Annex 11 member states are committed to achieving the harmonisation of member state stock exchanges, based on guiding principles. Currently, however, the ZSE is lagging behind regional developments. For example, the ZSE uses a manual call over system instead of a central depository system and automated trading system. The demutualisation of the ZSE is a current project, which will set the foundation for a central depository system, which will prove more efficient and will help to reduce costs. Furthermore, although the ZSE is committed to ensuring effective surveillance and self-regulation, the lack of an automated system makes this difficult.

While the focus on consumer education within COSSE is believed to be commendable by Zimbabwean COSSE members, there is an opinion that ZSE officials and regulators need to be trained as well, to ensure compliance with the minimum standards for regulators. The Zimbabwean regulatory framework is at a development stage, and this needs to be understood so that regulators play an appropriate role in developing the market and contributing to the financial sector in general. It should be noted that the ZSE has only 13 staff members, and that there are few consumer education, marketing and information technology initiatives available.

The COSSE member interviewed is of the opinion that more needs to be done to understand the stock exchange and the financial market as a major player, and a potential engine of growth. For instance, the COSSE member stated that the issue of sovereignty is not appropriate for stock exchanges. He believes that the EU model and experience for stock exchanges holds important lessons for SADC. The next step for the ZSE is to build infrastructure, increase capital, and align controls to draw increased capital (e.g. restrictions currently in place restricting ownership). Moreover, the view exists that a partnership with the Johannesburg Stock Exchange (JSE), including remote membership, could be beneficial due to the synergies between the two exchanges. For this to be possible, minimum requirements (for example, on accounting and reporting, disclosure requirements, etc.) must be aligned.

3. CONCLUSIONS AND RECOMMENDATIONS

3.1. CONCLUSIONS

Zimbabwe has made remarkable progress with implementation of the FIP in the two years since the GPA and the transition to a multi-currency regime. The changes, however, have not necessarily been a direct result of the FIP. The serious economic problems up to 2009 meant Zimbabwe had to put in place policies to manage the macroeconomic situation which, in most instances, were coincidentally aligned to the policies under FIP.

[32] World Bank. World Development Indicators and Global Development Finance [available online] http://databank.worldbank.org/

Zimbabwe's view is that it must first repair the domestic damage, such as the absolute lack of capital, as the main priority of the government's institutions and resources. In the instances where domestic strategy is aligned to FIP activities, there will be progress; however, where domestic strategies are not aligned to FIP implementation, there may be divergence (the Indigenisation & Economic Empowerment Act is a good example).

Within the Central Bank, there seems to be significant progress with the Payment & Settlement Systems and Banking Supervision annexes. However it is important to note that many of the international best practice standards were in place for many years, and the challenge SADC faces as it strives for harmonisation, is that there is no mechanism or peer review system to ensure that regulations are followed and complied with. Without certainty and confidence that standard practice is upheld, foreign direct investment will be hindered.

Zimbabwe continues to be seen by investors as a high-risk investment destination as it is considered to have significant political risk. Further, there has yet to be confirmation that there will be a minimum timeframe observed before reverting to the Zimbabwean Dollar from the US Dollar.

Speaking to the Zimbabwean National Chamber of Commerce, the Confederation of Zimbabwean Industries and the Chamber of Mines, it is clear that there have been a number of improvements in the past two and a half years. The liberalisation of the finance, investment and trade regime including exchange controls, the adoption of the multi-currency regime, and an increasingly stable economy has allowed Zimbabwean industries to begin doing business with other countries in the region. Despite a more liberal environment, due to the period of extended decline, Zimbabwe's competitiveness in the region has declined. There is a general lack of liquidity in the market, minimal FDI and the RBZ is not able to play the role of lender of last resort to finance businesses. The illiquidity in addition to a cash-based economy means that businesses continue to run below capacity. There are no funds available to re-capitalise firms and the cost of operating is high. The cost of producing is also high and thus it is not surprising that the domestic market prefers imported products because they are less expensive. The Chamber of Mines estimates that USD12 Billion is required to recapitalise the gold industry and put it back on a platform to trade at the international level.

Banks, including the RBZ, are struggling with limited budgets. The majority of the employed population earn low salaries, and what is paid into bank accounts gets withdrawn almost immediately, so the banks do not have access to funds for on-lending. There is limited access to capital on the stock market. There is discussion on the establishment of a secondary stock market for small and medium companies that would not have as many listing requirements as a potential mechanism for raising funds.

The greatest challenge faced by Zimbabwe is the lack of FDI due to the variety of reasons described above and there is simply a lack of capital available domestically. Zimbabwe is likely a case where there needs to be a period of confidence building through slow and cautious investment while the government must remain compliant with international investment conventions to build the trust of the international community.

A particular success observed in Zimbabwe is the establishment of the SECZ. The organisation appears to be establishing itself, perhaps at a slower pace than desired, but through a process where international best practices and standards are followed. In some ways, SECZ is perhaps in a better position as it has been able to institutionalise itself in the wake of the economic crisis and thus is not tarnished with previous challenges.

3.2. RECOMMENDATIONS

Firstly, Zimbabwe should be asked to process the FIP ratification instrument without delay.

Zimbabwe is in a position where many domestic issues affect the harmonisation and implementation of the FIP. The activities under the RBZ progress along with the other Central Banks of SADC and have sufficient capacity and resources to allocate to the various initiatives and activities. However, various stakeholders, other than those at RBZ, do not communicate or benefit from the progress and discussions of the various subcommittees. Particular support could be useful to help strengthen internal FIP coordination that could include regular (quarterly or biannual) meetings to update one another on the progress and/or challenges experienced.

MoF should take increased leadership in the overall FIP process including formalisation of the previously referenced Technical Committee. This would help to increase accountability for subcommittee members and provide a channel between the subcommittees and high-level representatives of the Ministry. It would also increase information across government about the activities being undertaken by the various FIP Annex subcommittees.

Secondly, considering that all the various financial institutions operating within the Zimbabwean market are faced with the challenge of limited capital, a more collective approach to the re-capitalisation of the market would likely have a more effective response.

Specifically, SECZ, IPEC and the ZSE would benefit from additional support particularly in the design, development and implementation of consumer education activities (including investor education). All three institutions mentioned consumer education as a critical area for the development of the financial market in Zimbabwe. Given the lack of capital in Zimbabwe, if these three institutions could mobilise capital through the development of new products in the market the population would potentially be better off through improved access to financial services and products and improved financial inclusion, while also mobilising funds to be used to recapitalise the industries, and thus improve economic growth and likely job creation.

4. REFERENCES

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5. APPENDICES

5.1. APPENDIX 1: INTERVIEW LIST

Annex Subcommittee	Institution	Name
CISNA	Securities Commission	Grace Beregena
CISNA	Insurance & Pension Commission	Tinaishe Tawoneyi
Payments System	RBZ	Douglas Muranda
Tax	ZIMRA	Fadzai Chibonda
Macroeconomic Convergence	MOF	Machinjike Noell
Macroeconomic Convergence	MOF	Eriah Hamandishe
Tax	ZIMRA	Max Mugari
Tax	MOF	Kholisani Moyo
	MOF	Auxillia Ndaona
	MOF	Jonah Mushayi
	MOF	C. Mudhunguyo
	RBZ	S. Manda
	RBZ	N. Mupunga
	RBZ	W. Kavila
	MOEPIP	C. O. Musara
	MOEPIP	N. Phiri
	RBZ –BLSS	Rachel S. Mushosho
Anti-Money Laundering/Banking Supervision	RBZ – AMLCFT	Miriam Chiremba
CISNA	SEC	Gerald Dzangare
DFI	IDBZ	Howard Sithole
Anti-Money Laundering/Banking Supervision	Anti Corruption	Marian Mutenga

5.2. APPENDIX 2: MATRIX OF COMMITMENTS

Colour	Status
Achieved	
Partially achieved	
Not achieved	
Not assessed	
Not applicable	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
None	None	FIP instrument ratified by all member states.		SADC Secretariat	
None	None	National FIP coordinating structures in place to facilitate better FIP implementation.	Department of Fiscal Policy and Advisory Services and FIP Technical Committee – little evidence of their activities	SADC Secretariat	
Annex 1: Cooperation in Investment	5,6,8,9,27	Existence of domestic investment law that: Protects investors, allow repatriation of profits, allows access to courts		Zimbabwe Investment Authority	All three present = green

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
Annex 1: Cooperation in Investment	21	Signatory to international conventions: New York Convention		http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention_status.html	Member = green
	21	Signatory to international conventions: ICSID		http://icsid.worldbank.org/ICSID/Index.jsp	Member = green
	21	Acceded to international conventions: MIGA		http://www.miga.org/about/index_sv.cfm?stid=1695	Member = green
	8	Investment policies, information etc. easily accessible to investors		Zimbabwe Investment Authority	
	23	MS has an active IPA		Zimbabwe Investment Authority	
	2	Member ranked above (or equal) to OECD average rating of the Strength of Investor Protection Index	4.3	World Bank Doing Business, Investor Protection Index	Better than or equal to OECD average = green; worse = red
	19	MS's national policies and regulations comply with the Regional Investment Policy Framework and/or the minimum principles for investment regimes in the region.	Not Assessed (not measured in 2011)	Zimbabwe Investment Authority	
	19	Regional Investment Policy Framework is drafted and agreed to by MS	No standard framework yet exists in the region.	Investment subcommittee	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
Annex 1: Cooperation in Investment	23	Evidence of events and activities run by IPA Forum and attended by MS IPAs	The SADC IPA forum has been established, however the most recent event was poorly attended by CEOs of IPAs operating in MS	Investment subcommittee	
Annex 2: Macroeconomic Convergence	2,3,4	Inflation rate low and stable (< 9%)	3.1%	Ministry of Finance/RBZ	Within range = green; out of range = red
	2,3,4	Public and publicly guarantee debt to GDP < 60%	66.52%	Ministry of Finance/RBZ	Within range = green; out of range = red
	2,3,4	Budget deficit to GDP ratio at widely accepted prudent levels (< 5%)	-3.3%	Ministry of Finance/RBZ	Within range = green; out of range = red
	5,8	Cooperation/Information Sharing: submission of data to SMSD		Ministry of Finance/RBZ	
	7	Cooperation/Information Sharing: participation in peer review panel	N/A	Ministry of Finance/RBZ	
	7	The Peer Review Mechanism is approved for establishment and operational	Discussions towards establishment of the mechanism are on-going. Framework and guidelines have not yet been adopted. Generally, MS are supportive of the Peer Review Mechanism, but have specific concerns which need to be addressed at subcommittee level.	Macroeconomic Convergence subcommittee	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
Annex 3: Cooperation in Taxation Matters	5.3	Number of DTAs signed with other SADC member states	5: South Africa, Botswana, the Democratic Republic of Congo (DRC), Mauritius and Namibia	Ministry of Finance or ZIMRA	< = 6 red, 7 - 10 orange, 11 - 14 green
	2	Up to date and publicly available tax database (national)		Ministry of Finance or ZIMRA	
	2	Up to date information submitted to SADC Tax Database (when fully operational)	N/A	Ministry of Finance or ZIMRA	
	6..6	Signatory to the Mutual Agreement for Information Exchange with member states (AATM)	N/A	Ministry of Finance or ZIMRA	
	6	Harmonised to the regional guidelines for the administration of Indirect Taxes	N/A	Ministry of Finance or ZIMRA	
	4	Harmonised to the regional tax incentives guidelines	N/A	Ministry of Finance or ZIMRA	
	3	Tax officials participate in capacity building activities		Ministry of Finance or ZIMRA	
	5	Existence of Model Double Taxation Avoidance Agreement	Model DTAA and Commentary approved and adopted by all member states.	Tax subcommittee	
	4	Guidelines for the appropriate treatment of tax incentives drafted and approved for adoption by MS.	Drafting of guideline documents still in progress.	Tax subcommittee	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
Annex 3: Cooperation in Taxation Matters	4	A Fiscal Model for cost benefit analysis developed and approved by Ministers of Finance. Fiscal Model must comply with items articulated in Art. 4 section 5.	Cost Benefit Analysis model not yet developed.	Tax subcommittee	
	6	SADC Agreement for Assistance in Tax Matters (AATM) approved and signed by all member states (multi-lateral agreement).	Finalised in 2008, waiting for approval by Ministers of Justice/Attorneys General awaiting clearance and signature by Summit.	Tax subcommittee	
	6	Guideline for the administration of indirect tax in the region is approved for adoption by member states.	Still under review by the Indirect Taxation working group.	Tax subcommittee	
	7	Mechanism for the Settlement of Tax Disputes developed and approved by Ministers of Finance.	Has not been developed or approved for implementation	Tax subcommittee	
Annex 4: Cooperation on Exchange Control	2a	Liberalised Current Account	IMF Article VIII status	RBZ	
	2a	Liberalised Capital (Financial) Account	Very Restrictive Capital Controls	RBZ	
	2c,3.1.c	Full Currency Convertibility	N/A	RBZ	
	2d, 3d	Collect and publicise data on foreign exchange transactions (e.g. automated cross border reporting system)		RBZ	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
Annex 4: Cooperation on Exchange Control	2a	Roadmap for exchange control liberalisation in current and capital (and financial) account transactions is drafted and approved	The roadmap has been drafted by the subcommittee. All countries except the DRC have signed and approved the roadmap, and so it has not been implemented as yet.	Exchange Control subcommittee	
Annex 5: Harmonisation of Legal and Operational Frameworks	3b	Autonomy/independence of Central Bank		RBZ	
	2	Compliant with SADC Central Bank Model Law (when/if made binding)	N/A	RBZ	
	4.2	Adoption of price stability as mandate		RBZ	
	3c	Ability of Central Bank to set own budget		RBZ	
	2e	Extent to which central bank can lend to government	Yes - no stipulations	RBZ	
	3	Existence of Model Central Bank Law	The Model Central Bank Law has been drafted and approved by all SADC member states	Legal and Operational Frameworks subcommittee	
	2	Roadmap for the establishment of a Common Central Bank developed and approved.	Legal & Operational Committee has recently been tasked with the development of a roadmap for the establishment of a single Central Bank. No progress yet on this matter.	Legal and Operational Frameworks subcommittee	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
Annex 6: Cooperation on Payments Systems	3a	Payments systems in place domestically		RBZ	
	3c, 3e, 4.1.c	Risk mitigation strategy implemented		RBZ	
	4.1.d	Existence of national payments system law		RBZ	
	2	National payment system law aligned to regional model law	N/A	RBZ	
	2, 3d	MS linked to SADC regional payments systems (when operational)	N/A	RBZ	
	2	Model Payment System Law developed and approved	Law is being drafted and is to be approved at regional level	Payments System subcommittee	
	3	Model Payment System Strategy is developed.	This is not in place yet. However, the strategy is being developed for the CMA countries to be piloted in this sub-regional bloc. The intention that this will allow a 'tried and tested' strategy to be rolled out to the rest of the region	Payments System subcommittee	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
Annex 7: Cooperation in the area of ICT	3, 4	Legal framework for data privacy in place	Not Assessed (not measured in 2011)	Each Central Bank & IT Forum	To enable cross border business based on ICT taking in account that all business are supported by ICT platform
	3	Standard regarding ICT systems interpretability in place	Not Assessed (not measured in 2011)	IT Forum	Promote cross border business specifically for Payment Systems
	3.5	IT Governance framework adopted for the region.	Not Assessed (not measured in 2011)	Each Ceneral Bank & IT Forum	
	3	ICT communication Infrastructure to connect member states in place	Not Assessed (not measured in 2011)	IT Forum	
Annex 8: Cooperation in Banking and Regulatory Supervision	2	Compliant with the 25 BASEL core principles	Full compliance with all 25 Basel Core Principles	RBZ	Less than 20 = red; 21 to 25 orange; 25 green
	2	Self-assessment audit happening on annual basis	Yes, but unclear whether done annually	RBZ	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
Annex 8: Cooperation in Banking and Regulatory Supervision	Annex 14	Membership of ESAAMLG & completion of a mutual evaluation	Member of ESAAMLG, but no mutual evaluation completed	RBZ	
	Annex 13	Compliant with international standards for auditing and accounting - IFRS		RBZ	
	2, 4	Regional agreement on framework for central bank supervision.	Harmonisation of banking supervision and regulatory principles in progress.	Banking Regulation and Supervision subcommittee	
Annex 9: Cooperation on Development Finance Institutions	3, 9	Participate in regional development projects through cooperation in pooling of funds, project identification, project management.		IDBZ, Agribank, IDC Zimbabwe and SEDCO	
	3f, 7	Attending capacity building activities organised by DFRC (secondment, work placement, training)		IDBZ, Agribank, IDC Zimbabwe and SEDCO	
	Annex 1	PPP: Establishment of PPP Policy Framework, Legal Framework, Institution Framework	Not Assessed (not measured in 2011)	Ministry of Trade and Industry or relevant ministry	
	2	The DFI network and DFRC are established and active.	Yes.	SADC Secretariat	
	11	Regional Insurance Guarantee system in place and approved.	The Regional Insurance Guarantee scheme has not been agreed upon or implemented.	DFI Network	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
Annex 9: Cooperation on Development Finance Institutions	3	Number of regional development projects in progress (where regional refers to projects with benefits to more than one country, or with more than one country collaborating on a project)	Only evidence of regional projects is DBSA projects, which are not necessarily attributable to the DFI network. No collaboration between DFIs on regional development projects.	DFI Network	
Annex 10: Cooperation on Non-Banking Financial Institutions and Services	7	Membership of IOSCO (harmonising to international standards)		http://www.iosco.org/lists/display_members.cfm?memID=1&orderBy=none	
	7	Membership of IOPS (harmonising to international standards)		http://www.iopsweb.org/document/14/0,3343,en_35030657_35030370_35152654_1_1_1_1,00.html	
	7	Membership of IAIS (harmonising to international standards)		http://www.iaisweb.org/IAIS-members-31	
	3, 4, 5	Committed to information sharing (Multi-lateral agreement signed by all CISNA members)		SECZ and IPEC	N.B. except Seychelles who has not yet participated in CISNA
	10	Participating in capacity building activities		SECZ and IPEC	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
Annex 10: Cooperation on Non-Banking Financial Institutions and Services	9	Alignment to SADC regulatory framework for Non-Banking Financial Institutions (when drafted and approved)	N/A	SECZ and IPEC	
	9	SADC regulatory framework for non-banking financial institutions established and approved for the region	SADC Framework is not yet developed. But progress has been made in that member states' NBFI authorities have been tasked with drafting the various components of the framework.	CISNA	
Annex 11: Cooperation in SADC Stock Exchanges	2	Cooperation: Member of COSSE		ZSE	
	2	Cooperation: Information Exchange		ZSE	
	2.3	Participate in capacity building activities (either attend or host)		ZSE	
		MS harmonised to SADC common principles.	Not Assessed (not measured in 2011)	ZSE	
	2.5	MS who are completing the minimum standards for surveillance and risk assessment.	Not Assessed (not measured in 2011)	ZSE	
	2.7	Extent of diversification of the registered market participants on MS stock exchange (% individuals, % trusts, % corporates)	Not Assessed (not measured in 2011)	ZSE	